

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2649 SCOMM 118 HOUSE SPECIAL COMMITTEE OIL & GAS, 1999-2000

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 170(), Draft Version "H"

1 Page 1, line 2, following "operation":

2 Insert "; and establishing state programs of assistance to municipalities affected
3 by the construction and operation of the Trans Alaska gas pipeline and related facilities"

4 Page 3, following line 9:

5 Insert a new bill section to read:

6 "* Sec. 2. AS 29.60 is amended by adding new sections to read:

7 **Article 9. Sharing Profit of the Alaska Gas Corporation with Municipalities.**

8 **Sec. 29.60.660. Profit sharing with municipalities.** Subject to appropriation
9 for the purpose, the department shall annually distribute 25 percent of the annual
10 profit of the Alaska Gas Corporation to municipalities as follows:

11 (1) the department shall compute for a municipality in which is located
12 real or personal property that is exempt from taxation by the municipality under
13 AS 41.41.900(a) a payment in lieu of tax; the payment in lieu of tax is computed by
14 multiplying the original cost of the construction or acquisition of the exempt real or
15 personal property in that municipality, adjusted annually for any subsequent
16 expenditures made for that property, by the property tax rate applied to other property
17 subject to tax within the municipality; the adjustment for expenditures under this
18 paragraph may not include expenditures incurred for maintenance of the property;

19 (2) after computation of a total amount payable to municipalities under
20 (1) of this section, the department shall distribute the balance of the appropriation
21 based on the annual profit of the Alaska Gas Corporation to municipalities according
22 to the following:

23 (A) subject to adjustment under (C) of this paragraph, to each
24 unified municipality, to each city that is not within a borough and, subject to

1 (B) of this section, to each borough, an amount that is based upon the
2 population of the municipality as a percentage of the population in all
3 municipalities eligible to receive a payment under this paragraph, but a
4 municipality may not, under this subparagraph, receive less than \$50,000;

5 (B) subject to adjustment under (C) of this paragraph, before
6 making a distribution to a borough of an amount determined to be due the
7 borough under (A) of this paragraph, the department shall make computations
8 and payments of amounts to all cities within the borough; the department shall
9 compute and pay to each city an amount based upon application to the amount
10 determined for the borough under (A) of this paragraph of a fraction in which
11 the numerator is the prior year's city general fund operating budget and in
12 which the denominator is the prior year's borough general fund operating
13 budget; after making the computation under this subparagraph for all cities
14 within the borough, the department shall pay the balance, if any, to the
15 borough; under this subparagraph, each city may not receive less than \$50,000;

16 (C) before reporting and distributing payments to eligible
17 municipalities under this section, the commissioner shall adjust the amounts
18 computed for each municipality that is due a payment in lieu of taxes under
19 (1) of this section greater than \$50,000; the commissioner shall make the
20 adjustment by

21 (i) determining the percentage that the amount of the
22 municipality's payment in lieu of tax determined under (1) of this
23 section bears to the total amount appropriated for distribution under
24 this section; and

25 (ii) applying that percentage to reduce the amount
26 payable to the municipality under (A) and (B) of this paragraph; the
27 commissioner shall thereafter recompute all amounts due to
28 municipalities under (A) and (B) of this paragraph to take account of
29 any unallocated money after the recomputation.

30 **Sec. 29.60.665. Financial review of the expenses of the Alaska Gas**
31 **Corporation.** The municipalities receiving payments in lieu of taxes under
32 AS 29.60.660(1) shall, collectively, annually review the expenses of the Alaska Gas

1 Corporation to determine if the expenses that were incurred by the corporation
2 attributable as expenses that are reasonably associated with the operation of the
3 corporation are appropriate and that relate to the determination of the profit of the
4 corporation. If, as a result of the review, the municipalities collectively identify issues
5 affecting claimed expenses that, after conferring with the Alaska Gas Corporation, are
6 not resolved to the satisfaction of the majority of the municipalities, the municipalities
7 and the Alaska Gas Corporation shall submit the unresolved issues concerning the
8 expenses to arbitration under AS 09.43.010 - 09.43.180 (Uniform Arbitration Act).

9 **Sec. 29.60.669. Definitions.** In AS 29.60.660 - 29.60.669,

10 (1) "general fund operating budget" means the budget of the
11 municipality exclusive of the municipality's enterprise funds;

12 (2) "profit," with reference to AS 41.41.010 - 41.41.990 (Alaska Gas
13 Corporation), means the amount determined by deducting from the total annual
14 income earned by the Alaska Gas Corporation all expenses attributable to or
15 reasonably associated with the operation of the corporation.

16 **Article 10. Alaska Gas Pipeline Municipal Impact Assistance.**

17 **Sec. 29.60.670. Impact grants authorized.** (a) Subject to appropriation for
18 the purpose, an amount equal to one percent of the estimated cost of construction of
19 the pipeline and facilities for the Trans Alaska Gas Pipeline project under
20 AS 41.41.010(a)(1) - (6) may be expended by the commissioner under this section for
21 grants to municipalities. A grant may be made to a municipality under the authority
22 of this section only once.

23 (b) The commissioner may use money appropriated under authority of (a) of
24 this section to make grants

25 (1) to each municipality eligible under AS 29.60.660(1) to receive a
26 payment in lieu of tax; the amount to be paid by the commissioner to a municipality
27 under this paragraph is an amount that is based upon the application to the amount
28 estimated under (a) of this section of a percentage of the estimated cost of
29 construction of the pipeline and facilities within the municipality to the total estimated
30 cost of construction of the pipeline and facilities for the project;

31 (2) to each municipality that is not a municipality described in (1) of
32 this subsection, the amount to be paid by the commissioner shall be based upon a

1 distribution of the balance left after providing for all payments under (1) of this
2 subsection to municipalities in amounts that, in the judgment of the commissioner, are
3 just and equitable.

4 (c) In this section, "project" has the meaning given in AS 41.41.990."

5 Renumber the following bill sections accordingly.

6 Page 15, following line 19:

7 Insert a new section to read:

8 **"Article 4. Obligation to Furnish Gas to Communities.**

9 **Sec. 41.41.400. Obligation to furnish gas to communities.** (a) The
10 corporation shall provide gas to every community in the state that requests provision
11 of it. If a community requests the corporation to supply gas to it, the corporation
12 shall supply the gas

13 (1) in an amount sufficient to meet the anticipated demand for use of
14 the gas within the community; and

15 (2) at a price to the community that is no greater than the actual cost
16 of delivery of the gas to the location along the pipeline at which the community elects
17 to receive the gas.

18 (b) In this section, "community" means home rule cities and boroughs, cities
19 and boroughs of any class, and villages that are social units."

20 Page 15, line 20:

21 Delete "Article 4."

22 Insert "Article 5."

23 Page 16, line 24:

24 Delete "sec. 2"

25 Insert "sec. 3"

26 Page 17, line 26:

27 Delete "sec. 2"

1

Insert "sec. 3"

Introduced by: Mayor James C. Hayes

Date: May 3, 1999

RESOLUTION NO. 3816A RESOLUTION SUPPORTING HB 170 - AN ACT
ESTABLISHING A NATURAL GAS PIPELINE PROJECT

WHEREAS, Alaska has at least 26 trillion cubic feet of natural gas reserves in the Prudhoe Bay field and up to as much as two to three times that amount of potential natural gas reserves; and

WHEREAS, the Fairbanks North Star Borough is a long standing supporter of the building of a North Slope to Valdez Trans-Alaska Gasline System project both because of the benefits to the community of a clean, inexpensive supply of fuel and the potential benefits of a gasline tax structure; and

WHEREAS, Representative Jim Whitaker has introduced HB 170, which proposes the State of Alaska own the gasline, the private sector build it and communities share in the profits; and

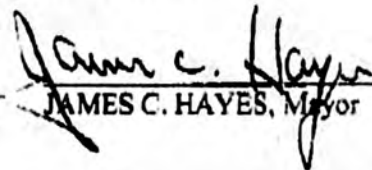
WHEREAS, the proposed structure in HB 170 would make the project economically viable and the profits from the gasline would greatly help offset the current fiscal gap by providing up to \$59 billion dollars in revenues to the state/municipalities over the life of the project; and

WHEREAS, the City of Fairbanks supports the spirit and intent of HB 170 and the proposed amendments by the Pipeline Mayors Group that would provide all municipalities in Alaska with a sharing of the profits from the project plus provide a Payment in Lieu of Tax (PILT) to those municipalities with gas project property within their boundaries.

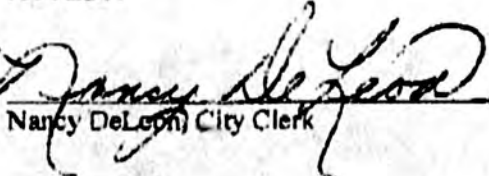
NOW, THEREFORE, BE IT RESOLVED that the City of Fairbanks Mayor and Council urge Governor Knowles and the Alaska State Legislature to take every action necessary to ensure that HB 170 is passed and the process begins to develop Alaska's vast natural gas reserves through the building of the Trans-Alaska Gas Pipeline from the North Slope to Valdez, to allow for the in-state use of and international marketing of the gas for the financial benefit of all communities throughout Alaska.

PASSED and APPROVED this 3rd day of May, 1999.

APPROVED:


JAMES C. HAYES, Mayor

ATTEST:


Nancy DeLeon, City Clerk

House Bill 170 Subcommittees

IRS Subcommittee

**Whitaker, Chairman
Phillips
Smalley
Kemplen**

Market Subcommittee

**Ogan, Chairman
Whitaker
Porter
Brice
Smalley**

Financing and Economics Subcommittee

**Harris, Chairman
Whitaker
Kemplen**

Engineering and Construction Subcommittee

**Dyson, Chairman
Whitaker
Brice**

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DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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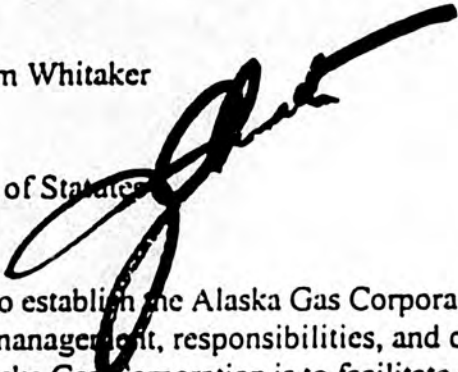
MEMORANDUM

April 28, 1999

SUBJECT: Draft CSHB 170 (): sectional analysis (Work Order No. 21-LS0694H)

TO: Representative Jim Whitaker

FROM: Jack Chenoweth
Assistant Revisor of Statutes



The principal purpose of this measure is to establish the Alaska Gas Corporation as a public corporation and to define the structure, management, responsibilities, and operation of the corporation. The chief mission of the Alaska Gas Corporation is to facilitate the commercial development of the state's North Slope natural gas reserves.

Bill section 1, an uncodified provision, sets out the findings and intent that have influenced development of the legislation.

Bill section 2: These provisions set out in a new chapter of title 41 of the Alaska Statutes (AS 41.41) the corporate structure, powers, and responsibilities of the Alaska Gas Corporation. The chapter is arranged by articles.

Article 1.

The sections identified as AS 41.41.010 - 41.41.160 are set out to define the organization of the corporation:

AS 41.41.010 establishes the corporation, enumerates its purposes, and affirms that it is intended to be a public corporation of the state.

AS 41.41.020 creates the corporation's board of directors, a seven-member board composed of two state commissioners and five public members. The qualifications of the public members are stated, and the corporation's obligation to establish its organization is set out.

AS 41.41.030 sets overlapping four-year terms for the five public members and authorizes reappointment.

AS 41.41.040 circumscribes the governor's authority to remove public members and sets out procedures to be followed relating to removal and filling of the vacancy created.

AS 41.41.050 defines quorum and voting requirements.

AS 41.41.060 prescribes compensation for public members and authorizes payment of per diem and travel expenses comparable to those provided to state employees for all members.

AS 41.41.070 enumerates general powers of the corporation.

AS 41.41.080 authorizes the board to employ an executive director who, in turn, is assigned responsibility for selection and employment of additional staff "with the approval of the board." The concluding subsection authorizes the corporation to contract for specialized services.

AS 41.41.090: While the attorney general is made legal counsel to the corporation, the board is authorized to secure the services of independent legal counsel.

AS 41.41.100: Provisions of law requiring disclosure of financial and business interests (AS 39.50) are made applicable to members of the board. In addition, provision is made for specific disclosure of information concerning a board member's or employee's involvement in an entity or project "in which assets of the corporation are invested."

AS 41.41.110 sets out the budgetary and financial relationship between the corporation and the state's budget and fiscal procedure acts.

AS 41.41.120 authorizes the Legislative Budget and Audit Committee to undertake post audit and performance evaluation of corporate obligations.

AS 41.41.130 prescribes publication of an annual report of the corporation and the contents of the report.

AS 41.41.140: This is a general tax exemption provision: the corporation and its operations and earnings are exempt from taxes and assessments in the state; bonds and security instruments are exempted from taxes and assessments made by the state.

AS 41.41.150 bars the corporation from using its resources to finance or influence political activities.

AS 41.41.160 defines information in the corporation's possession that is or is not to be treated as a public record under AS 09.25.110 - 09.25.140 and sets limits on the use or disclosure of confidential, non-disclosable information.

Article 2.

The sections identified in AS 41.41.200 - 41.41.310 generally bear upon the corporation's issuance of securities (bonds and notes and other evidence of debt). Much of the material is technical boilerplate and is included so that, as a public corporation, under article IX, section 11 of the state constitution, the corporation enjoys full authority to contract debt based on its ability to repay out of its anticipated future revenues:

AS 41.41.200: This section authorizes issuance of revenue bonds and related evidence of debt, using provisions not unlike those included in chapters establishing other public corporations of the state to facilitate the use of debt obligations.

AS 41.41.210 prescribes permissible covenants that the corporation's board may make in conjunction with issuance of revenue bond debt.

AS 41.41.220 makes the level of the corporation's authorized debt subject to legislative authorization.

AS 41.41.230 permits the board to contract for the services of an independent financial advisor in conjunction with private sale of debt instruments.

AS 41.41.240 describes the nature of the corporation's pledge of its assets or revenues to payment of principal and interest on corporation-issued debt.

AS 41.41.250 details use of "capital reserve funds" to meet repayment obligations in conjunction with the corporation's indebtedness.

AS 41.41.260 addresses remedies available to holders of debt obligations and their representatives to enforce the timely payment of an obligation or a related obligation.

AS 41.41.270 makes the corporation's obligations negotiable instruments.

AS 41.41.280 explicitly makes the corporation's obligations permissible investments for public officers and for others handling surplus funds as identified in the section's text.

AS 41.41.290 authorizes use of refunding bonds as a device to adjust the corporation's bond obligations to take advantage of more advantageous terms and conditions.

AS 41.41.300 affirms that, because the corporation's obligations are revenue-based debt instruments, the credit of the state is not pledged. Liability on the debt instrument is limited to the assets and revenues of the corporation.

AS 41.41.310 releases the corporation's officers from personal liability with reference to action taken by the corporation with respect to a debt obligation.

Article 3.

The one section in this article, AS 41.41.350, authorizes the Alaska Gas Corporation to acquire and hold property and interests in property "necessary or convenient for the financing of the [Trans Alaska Gas Pipeline] project."

Article 4.

The article contains general provisions:

AS 41.41.900 reaffirms the blanket immunity from taxation that the Alaska Gas Corporation enjoys.

AS 41.41.990 sets out a series of definitions for terms used in the chapter.

Bill section 3 amends AS 39.25 to add employees of the Alaska Gas Corporation as members in the exempt service under the State Personnel Act.

Bill section 4 amends AS 39.50.200 to add the Alaska Gas Corporation's board of directors and executive director as persons who are subject to the state's general conflict of interest law (AS 39.50).

Bill section 5: This uncodified provision directs the preparation and delivery of a "project plan" or feasibility study for planning, design, construction, and operation of a gas transmission pipeline. The specific points that are to be covered or addressed in the feasibility study and a time line for its presentation are set out.

Bill section 6 prescribes initial terms of office for the initially appointed members of the corporation's board of directors in order to establish overlapping terms of office.

JBC:jdr
99-248.jdr

Alaska State Legislature

Special Committee on Oil & Gas

Chairman Jim Whitaker
Capitol Building, Room 13
Juneau, Alaska 99801
Phone: (907) 465-3004
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Committee Meetings
Tuesday and Thursday
10:00am - 12pm
Room 017

Members:

Representative Fred Dyson
Representative Gail Phillips
Representative Brian Porter
Representative Scott Ogan

Representative John Harris
Representative Allen Kemplen
Representative Tom Brice
Representative Harold Smalley

Sponsor Statement

House Bill 170 - Alaska Gas Corporation

Article VIII, Section 2, Constitution of the State of Alaska, specifies that, "the legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." For many years, the State of Alaska has relied heavily on the production of oil to foster its livelihood, provide opportunities for its people, and generate revenues to ensure continued prosperity. We have all seen and enjoyed the positive effects of oil development. However, low oil prices, reduced production, and potential field depletion adversely affect the state's ability to provide a secure future for its people. As we face an enormous budget deficit, we must look beyond our reliance on oil production, budget cutting and taxation as the only means of ensuring a long-term fiscal solution. It is incumbent upon the leaders of this state to recognize that further resource development is critical in order to secure an additional and substantial revenue stream to the State of Alaska. Conservatively, 35 trillion cubic feet of natural gas is stranded on the North Slope, and the failure to recognize this vital resource as a valuable commodity is in direct conflict with the provisions of the Constitution of the State of Alaska.

In order to facilitate the extraction and sale of natural gas, House Bill 170 establishes the Alaska Gas Corporation. The prime responsibility of the corporation is to buy natural gas from the producers on the North Slope and sell that gas to the Asian markets. All functions, other than ownership, including the design, construction, operation and maintenance of a natural gas pipeline from Prudhoe Bay to Valdez, construction and maintenance of a liquefaction and gas conditioning facility, and the operation of a sea transportation facility shall be contracted to private sector businesses.

Bringing gas to market through the construction of a gas pipeline is not a new concept. Numerous studies have concluded that a natural gas pipeline project undertaken by the private sector is not economically viable. Moreover, this scenario only equates to \$300 million of revenue to the state during the peak year of operation. Contrarily, the model depicting complete state ownership significantly increases the rate of return for a natural gas pipeline project. \$1.2 billion per year will be saved through the omission of state, federal and local taxes. Furthermore, capitalization costs will be substantially reduced by the state's ability to issue revenue bonds for construction. Using these assumptions, conservatively, \$53 billion of new revenue will be generated to the state over the next 28 years. State ownership clearly increases the economic viability of this project.

Overcoming a number of additional impediments is essential in order for a project of this nature to become feasible. We have extensively studied the economics, market viability, financial needs, and regulatory obstacles associated with the construction and operation of this project. The analysis of each of these components contributes positively to the feasibility of state ownership. However, in order to truly understand the economic viability of the Alaska Gas Corporation, we must turn to professionals in the engineering, financial and market sectors in order to determine absolute economic feasibility of this project.

House Bill 170 requires a natural gas pipeline feasibility study to be conducted and presented to the twenty-second Alaska State Legislature. This report shall contain specific information pertaining to technical, financial, regulatory and market access matters relating to the project. Consequently, the Alaska Gas Corporation will not be formed until this project has been deemed feasible. This study is of paramount importance in order to move forward and develop our natural resources in the maximum best interest of the citizens of the State of Alaska.

By: Hank Hove, Mayor
Mr. Young
Mr. Prax
Mr. Sonafrank
Mr. Veazey
Ms. Parr
Ms. Cummings
Mr. Sattley
Ms. Webb
Mr. Beck
Mr. LaSota

Introduced: 04/22/99
Amended: 04/22/99
Adopted: 04/22/99
Immediate Reconsideration
Failed: 04/22/99
Adopted: 04/22/99

RESOLUTION NO. 99-032

A RESOLUTION SUPPORTING HB170
AN ACT ESTABLISHING A NATURAL GAS PIPELINE PROJECT

WHEREAS, Alaska has at least 26 trillion cubic feet of natural gas reserves in the Prudhoe Bay field and up to as much as 2 to 3 times that amount of potential natural gas reserves; and

WHEREAS, the Fairbanks North Star Borough is a long standing supporter of the building of a North Slope to Valdez Trans-Alaska Gasline System project both because of the benefits to the community of a clean, inexpensive supply of fuel and the potential benefits of a gasline tax structure; and

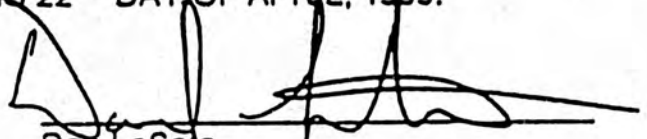
WHEREAS, Representative Jim Whitaker has introduced HB170, which proposes the State of Alaska own the gasline, the private sector build it and communities share in the profits; and

WHEREAS, the proposed structure in HB170 would make the project economically viable and the profits from the gasline would greatly help offset the current fiscal gap by providing up to \$59 billion dollars in revenues to the state/municipalities over the life of the project; and

WHEREAS, the Fairbanks North Star Borough supports the spirit and intent of HB170 and the proposed amendments by the Pipeline Mayors Group that would provide all municipalities in Alaska with a sharing of the profits from the project plus provide a Payment in Lieu of Tax (PILT) to those municipalities with gas project property within their boundaries:

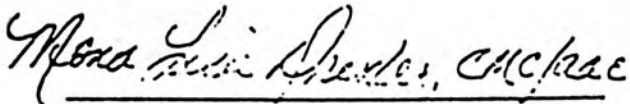
NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North Star Borough Mayor and Assembly urges Governor Knowles and the Alaska State Legislature to take every prudent action necessary to ensure that HB170 is passed and the process begins to develop Alaska's vast natural gas reserves through the building of the Trans-Alaska Gas Pipeline from the North Slope to Valdez, to allow for the instate use of and international marketing of the gas for the financial benefit of all communities throughout Alaska.

PASSED AND APPROVED THIS 22ND DAY OF APRIL, 1999.



Dan LaSota
Presiding Officer

ATTEST:



Mona Lisa Drexler, CMC/AEE
Municipal Borough Clerk

Ayes: Young, Sonafrank, Cummings, Prax, Parr, Webb, Veazey, Beck, LaSota, Sattley
Noes: Solie

CITY OF VALDEZ, ALASKA

RESOLUTION NO. 99-14

A RESOLUTION OF THE CITY COUNCIL OF VALDEZ, ALASKA, SUPPORTING HOUSE BILL 170 AND ENDORSING THE CONCEPT OF MUNICIPAL REVENUE SHARING IN THE PROFITS OF THE ALASKA GAS PROJECT AS SET FORTH IN THE AMENDMENT PROPOSED BY THE PIPELINE CORRIDOR MAYOR'S ORGANIZATION.

WHEREAS, the North Slope Borough, the Fairbanks North Star Borough, and the City of Valdez, are long standing supporters of the building of a North Slope to Valdez Trans-Alaska Gas System (TAGS) project; and

WHEREAS, the City of Valdez and the above-named local government bodies, entities and others established an organization in 1997, Trans-Alaska Gasline Now!, to encourage, promote and advance the construction of the TAGS project; and

WHEREAS, Alaska has at least 26 trillion cubic feet of natural gas reserves in the Prudhoe Bay field and up to as much as 2 to 3 times that amount of potential natural gas reserves; and

WHEREAS, major permits and authorizations for the construction of a gas pipeline from the North Slope to Anderson Bay in Port Valdez and for the export of large volumes of North Slope gas to Asia have been secured; and

WHEREAS, the construction of the gas pipeline over a 7-year period (design/construction) with an estimated cost of \$9 billion (excluding the cost of tankers), could provide up to 10,000 construction jobs over several years and create up to 600 permanent jobs in Alaska's private sector; and

WHEREAS, income to the State of Alaska as the owner of the gas project would greatly help offset the current fiscal gap by providing up to \$59 billion dollars in revenues to the state/municipalities over the life of the project; and

WHEREAS, a gas pipeline from Prudhoe Bay to Valdez could make available, for the first time, clean, economical energy to the 90,000 residents of the communities along the pipeline route as well as to many communities outside of the immediate pipeline corridor, and

WHEREAS, the City of Valdez supports the spirit and intent of House Bill 170 whereby the State would establish the Alaska Gas Corporation for the building of a Trans-Alaska Gas project for the instate use of and international marketing of the vast reserves of natural gas on Alaska's North Slope; and

WHEREAS, the City of Valdez supports the amendments proposed by the Pipeline Mayor's Group that would provide all municipalities in Alaska with a sharing of the profits from the project plus provide a Payment In Lieu of Tax (PILT) to those municipalities with gas project property within their boundaries; and

WHEREAS, the City of Valdez believes this project is essential to the future economic health of both the State of Alaska and our private economy.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that

The City Council of the City of Valdez, Alaska, urges Governor Knowles, and the Alaska State Legislature to take every action necessary to ensure that House Bill 170 is passed and the process begins to develop Alaska's vast natural gas reserves through the building of the Trans-Alaska Gas Pipeline from the North Slope to Anderson Bay in Port Valdez, to allow for the instate use of and international marketing of the gas for the financial benefit of all communities throughout Alaska.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 14th day of April, 1999.

CITY OF VALDEZ, ALASKA

Dave Cobb
Dave Cobb, Mayor

ATTEST:

Sheri L. Caples
Sheri L. Caples, CMC, City Clerk



LAW OFFICES

**WALKER WALKER WENDLANDT & OSOWSKI
LLC**

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Reply to: Anchorage

April 29, 1999

Representative Jim Whitaker
Chairman, Special Committee on
Oil and Gas
Capitol Building, Room 13
Juneau, AK 99801

RE: HB 170

Dear Chairman Whitaker:

As an overview of the proposed amendment to HB 170, I submit the following short section analysis.

Article 9, Sec. 29.60.660

1. Creates a Payment-in-Lieu of Tax (PILT) to communities along the pipeline corridor that have gasline property within their taxing jurisdiction. This essentially treats this property as any other property subject to tax within each community.
2. The profits remaining after the PILT payments would be divided up among all municipalities of Alaska based upon their population with a minimum payment of \$50,000 to each municipality.
3. Municipalities that have already received the PILT would receive a reduced pro rata payment, thereby taking into consideration that those communities have already received a financial benefit through the PILT.

Article 10, Sec. 29.60.665

Communities receiving the PILT would be allowed audit privileges of the expenses of the corporation.

LAW OFFICES

WALKER WALKER WENDLANDT & OSOWSKI
LLC

Representative Jim Whitaker
Chairman, Special Committee on
Oil and Gas
April 29, 1999

Page 2

Article 10, Sec. 29.60.669

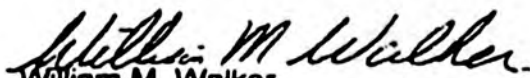
Definition of "profits" and "general fund operating budget".

Article 10, Sec. 29.60.670.

1. A 1% impact fee would be paid to each municipality based upon the estimated cost of construction in each municipality. The funding service of the 1% fee would be part of the project financing.
2. Impact funds would also be available to communities in Alaska with impact, but without pipeline property in their boundaries.
3. All communities in Alaska would be entitled to access to the gas at the cost of the gas plus transportation costs to the location of the pipeline where the community's gas is drawn.

Should you have any questions whatsoever regarding this, please do not hesitate to contact me.

Very truly yours,

WALKER WALKER
WENDLANDT & OSOWSKI, LLC
William M. Walker
WMW/cac

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities Except Ships
\$3.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
\$3 billion for ships

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$3.50 (\$/mmbtu (mcf & infl adj))	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$9 billion capital cost (\$mm)	private ship financing of \$3 billion (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$5.41	553	\$182	69	69	\$0.50	\$58	\$378	175
2008	204	\$5.57	1,138	\$382	119	142	\$0.52	\$119	\$763	376
2009	307	\$5.74	1,759	\$521	261	220	\$0.53	\$184	\$1,186	573
2010	409	\$5.91	2,416	\$570	495	302	\$0.55	\$252	\$1,619	797
2011	511	\$6.09	3,110	\$722	656	389	\$0.56	\$325	\$2,092	1,018
2012	613	\$6.27	3,844	\$777	917	481	\$0.58	\$402	\$2,576	1,268
2013	613	\$6.46	3,959	\$801	944	495	\$0.60	\$414	\$2,653	1,306
2014	613	\$6.65	4,078	\$825	973	510	\$0.61	\$426	\$2,733	1,345
2015	613	\$6.85	4,200	\$849	1,002	525	\$0.63	\$439	\$2,815	1,385
2016	613	\$7.06	4,326	\$875	1,032	541	\$0.65	\$452	\$2,899	1,427
2017	613	\$7.27	4,456	\$901	1,063	557	\$0.67	\$465	\$2,986	1,470
2018	613	\$7.49	4,590	\$928	1,095	574	\$0.69	\$479	\$3,076	1,514
2019	613	\$7.71	4,728	\$956	1,127	591	\$0.71	\$494	\$3,168	1,559
2020	613	\$7.94	4,869	\$985	1,161	609	\$0.73	\$509	\$3,263	1,606
2021	613	\$8.18	5,016	\$1,014	1,196	627	\$0.76	\$524	\$3,361	1,654
2022	613	\$8.43	5,166	\$1,045	1,232	646	\$0.78	\$540	\$3,462	1,704
2023	613	\$8.68	5,321	\$1,076	1,269	665	\$0.80	\$556	\$3,566	1,755
2024	613	\$8.94	5,481	\$1,108	1,307	685	\$0.83	\$572	\$3,673	1,808
2025	613	\$9.21	5,645	\$1,141	1,346	706	\$0.85	\$590	\$3,783	1,862
2026	613	\$9.49	5,814	\$1,176	1,387	727	\$0.88	\$607	\$3,897	1,918
2027	613	\$9.77	5,989	\$1,211	1,428	749	\$0.90	\$626	\$4,013	1,975
2028	613	\$10.06	6,169	\$1,247	1,471	771	\$0.93	\$644	\$4,134	2,035
2029	613	\$10.36	6,354	\$1,285	1,515	794	\$0.96	\$664	\$4,258	2,096
2030	613	\$10.68	6,544	\$1,323	1,561	818	\$0.99	\$684	\$4,386	2,159
2031	613	\$11.00	6,740	\$1,363	1,607	843	\$1.02	\$704	\$4,517	2,223
2032	613	\$11.33	6,943	\$1,404	1,656	868	\$1.05	\$725	\$4,653	2,290
2033	613	\$11.67	7,151	\$1,446	1,705	894	\$1.08	\$747	\$4,792	2,359
2034	613	\$12.02	7,368	\$1,489	1,757	921	\$1.11	\$769	\$4,936	2,429
2035	613	\$12.38	7,586	\$1,534	1,809	949	\$1.14	\$792	\$5,084	2,502

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes 100% private financing of ships at 10%

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities Except Ships
\$2.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
\$3 billion for ships

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$2.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$9 billion capital cost (\$mm)	private ship financing of \$3 billion (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$3.86	395	\$182	69	69	\$0.50	\$58	\$378	17
2008	204	\$3.98	813	\$382	119	142	\$0.52	\$119	\$763	50
2009	307	\$4.10	1,256	\$521	261	220	\$0.53	\$184	\$1,186	70
2010	409	\$4.22	1,725	\$570	495	302	\$0.55	\$252	\$1,619	107
2011	511	\$4.35	2,221	\$722	656	389	\$0.56	\$325	\$2,092	130
2012	613	\$4.48	2,746	\$777	917	481	\$0.58	\$402	\$2,576	170
2013	613	\$4.61	2,828	\$801	944	495	\$0.60	\$414	\$2,653	175
2014	613	\$4.75	2,913	\$825	973	510	\$0.61	\$426	\$2,733	180
2015	613	\$4.89	3,000	\$849	1,002	525	\$0.63	\$439	\$2,815	185
2016	613	\$5.04	3,090	\$875	1,032	541	\$0.65	\$452	\$2,899	191
2017	613	\$5.19	3,183	\$901	1,063	557	\$0.67	\$465	\$2,986	197
2018	613	\$5.35	3,279	\$928	1,095	574	\$0.69	\$479	\$3,076	203
2019	613	\$5.51	3,377	\$956	1,127	591	\$0.71	\$494	\$3,168	209
2020	613	\$5.67	3,478	\$985	1,161	609	\$0.73	\$509	\$3,263	215
2021	613	\$5.84	3,583	\$1,014	1,196	627	\$0.76	\$524	\$3,361	221
2022	613	\$6.02	3,690	\$1,045	1,232	646	\$0.78	\$540	\$3,462	228
2023	613	\$6.20	3,801	\$1,076	1,269	665	\$0.80	\$556	\$3,566	235
2024	613	\$6.39	3,915	\$1,108	1,307	685	\$0.83	\$572	\$3,673	242
2025	613	\$6.58	4,032	\$1,141	1,346	706	\$0.85	\$590	\$3,783	249
2026	613	\$6.78	4,153	\$1,176	1,387	727	\$0.88	\$607	\$3,897	257
2027	613	\$6.98	4,278	\$1,211	1,428	749	\$0.90	\$626	\$4,013	264
2028	613	\$7.19	4,406	\$1,247	1,471	771	\$0.93	\$644	\$4,134	272
2029	613	\$7.40	4,538	\$1,285	1,515	794	\$0.96	\$664	\$4,258	280
2030	613	\$7.63	4,674	\$1,323	1,561	818	\$0.99	\$684	\$4,386	289
2031	613	\$7.85	4,815	\$1,363	1,607	843	\$1.02	\$704	\$4,517	297
2032	613	\$8.09	4,959	\$1,404	1,656	868	\$1.05	\$725	\$4,653	306
2033	613	\$8.33	5,108	\$1,446	1,705	894	\$1.08	\$747	\$4,792	316
2034	613	\$8.58	5,261	\$1,489	1,757	921	\$1.11	\$769	\$4,936	325
2035	613	\$8.84	5,419	\$1,534	1,809	949	\$1.14	\$792	\$5,084	335

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes 100% private financing of ships at 10%

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities Except Ships
\$4.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
\$3 billion for ships

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$4.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$9 billion capital cost (\$mm)	private ship financing of \$3 billion (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$6.95	711	\$182	69	69	\$0.50	\$58	\$378	333
2008	204	\$7.16	1,464	\$382	119	142	\$0.52	\$119	\$763	701
2009	307	\$7.38	2,261	\$521	261	220	\$0.53	\$184	\$1,186	1,075
2010	409	\$7.60	3,106	\$570	495	302	\$0.55	\$252	\$1,619	1,487
2011	511	\$7.83	3,999	\$722	656	389	\$0.56	\$325	\$2,092	1,907
2012	613	\$8.06	4,942	\$777	917	481	\$0.58	\$402	\$2,576	2,366
2013	613	\$8.30	5,091	\$801	944	495	\$0.60	\$414	\$2,653	2,437
2014	613	\$8.55	5,243	\$825	973	510	\$0.61	\$426	\$2,733	2,510
2015	613	\$8.81	5,401	\$849	1,002	525	\$0.63	\$439	\$2,815	2,586
2016	613	\$9.07	5,563	\$875	1,032	541	\$0.65	\$452	\$2,899	2,663
2017	613	\$9.35	5,729	\$901	1,063	557	\$0.67	\$465	\$2,986	2,743
2018	613	\$9.63	5,901	\$928	1,095	574	\$0.69	\$479	\$3,076	2,825
2019	613	\$9.92	6,078	\$956	1,127	591	\$0.71	\$494	\$3,168	2,910
2020	613	\$10.21	6,261	\$985	1,161	609	\$0.73	\$509	\$3,263	2,997
2021	613	\$10.52	6,449	\$1,014	1,196	627	\$0.76	\$524	\$3,361	3,087
2022	613	\$10.84	6,642	\$1,045	1,232	646	\$0.78	\$540	\$3,462	3,180
2023	613	\$11.16	6,841	\$1,076	1,269	665	\$0.80	\$556	\$3,566	3,275
2024	613	\$11.50	7,047	\$1,108	1,307	685	\$0.83	\$572	\$3,673	3,374
2025	613	\$11.84	7,258	\$1,141	1,346	706	\$0.85	\$590	\$3,783	3,475
2026	613	\$12.20	7,476	\$1,176	1,387	727	\$0.88	\$607	\$3,897	3,579
2027	613	\$12.56	7,700	\$1,211	1,428	749	\$0.90	\$626	\$4,013	3,686
2028	613	\$12.94	7,931	\$1,247	1,471	771	\$0.93	\$644	\$4,134	3,797
2029	613	\$13.33	8,169	\$1,285	1,515	794	\$0.96	\$664	\$4,258	3,911
2030	613	\$13.73	8,414	\$1,323	1,561	818	\$0.99	\$684	\$4,386	4,028
2031	613	\$14.14	8,666	\$1,363	1,607	843	\$1.02	\$704	\$4,517	4,149
2032	613	\$14.56	8,926	\$1,404	1,656	868	\$1.05	\$725	\$4,653	4,274
2033	613	\$15.00	9,194	\$1,446	1,705	894	\$1.08	\$747	\$4,792	4,402
2034	613	\$15.45	9,470	\$1,489	1,757	921	\$1.11	\$769	\$4,936	4,534
2035	613	\$15.91	9,754	\$1,534	1,809	949	\$1.14	\$792	\$5,084	4,670

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes 100% private financing of ships at 10%

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$3.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
use of surplus LNG tankers

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$3.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$9 billion capital cost (\$mm)	purchase price of gas (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$5.41	553	\$182	69	\$0.50	\$58	\$309	244
2008	204	\$5.57	1,138	\$382	119	\$0.52	\$119	\$621	518
2009	307	\$5.74	1,759	\$521	261	\$0.53	\$184	\$966	793
2010	409	\$5.91	2,416	\$570	495	\$0.55	\$252	\$1,317	1,099
2011	511	\$6.09	3,110	\$722	656	\$0.56	\$325	\$1,703	1,407
2012	613	\$6.27	3,844	\$777	917	\$0.58	\$402	\$2,095	1,749
2013	613	\$6.46	3,959	\$801	944	\$0.60	\$414	\$2,158	1,801
2014	613	\$6.65	4,078	\$825	973	\$0.61	\$426	\$2,223	1,855
2015	613	\$6.85	4,200	\$849	1,002	\$0.63	\$439	\$2,290	1,911
2016	613	\$7.06	4,326	\$875	1,032	\$0.65	\$452	\$2,358	1,968
2017	613	\$7.27	4,456	\$901	1,063	\$0.67	\$465	\$2,429	2,027
2018	613	\$7.49	4,590	\$928	1,095	\$0.69	\$479	\$2,502	2,088
2019	613	\$7.71	4,728	\$956	1,127	\$0.71	\$494	\$2,577	2,151
2020	613	\$7.94	4,869	\$985	1,161	\$0.73	\$509	\$2,654	2,215
2021	613	\$8.18	5,016	\$1,014	1,196	\$0.76	\$524	\$2,734	2,281
2022	613	\$8.43	5,166	\$1,045	1,232	\$0.78	\$540	\$2,816	2,350
2023	613	\$8.68	5,321	\$1,076	1,269	\$0.80	\$556	\$2,901	2,420
2024	613	\$8.94	5,481	\$1,108	1,307	\$0.83	\$572	\$2,988	2,493
2025	613	\$9.21	5,645	\$1,141	1,346	\$0.85	\$590	\$3,077	2,568
2026	613	\$9.49	5,814	\$1,176	1,387	\$0.88	\$607	\$3,170	2,645
2027	613	\$9.77	5,989	\$1,211	1,428	\$0.90	\$626	\$3,265	2,724
2028	613	\$10.06	6,169	\$1,247	1,471	\$0.93	\$644	\$3,363	2,806
2029	613	\$10.36	6,354	\$1,285	1,515	\$0.96	\$664	\$3,463	2,890
2030	613	\$10.68	6,544	\$1,323	1,561	\$0.99	\$684	\$3,567	2,977
2031	613	\$11.00	6,740	\$1,363	1,607	\$1.02	\$704	\$3,674	3,066
2032	613	\$11.33	6,943	\$1,404	1,656	\$1.05	\$725	\$3,785	3,158
2033	613	\$11.67	7,151	\$1,446	1,705	\$1.08	\$747	\$3,898	3,253
2034	613	\$12.02	7,366	\$1,489	1,757	\$1.11	\$769	\$4,015	3,350
2035	613	\$12.38	7,586	\$1,534	1,809	\$1.14	\$792	\$4,136	3,451

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes use of surplus tankers at operating cost only (including 10% profit and taxes)

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$2.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
use of surplus LNG tankers

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$2.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	:	total operating cost (\$mm)	:	total principal + interest to pay off \$9 billion capital cost (\$mm)	:	purchase price of gas \$0.50 (\$/mcf) (infl adj)	:	total gas purchase price (\$mm)	:	total cost (\$mm)	:	state net revenue (\$millions)
2007	102	\$3.86	395	:	\$182	:	69	:	\$0.50	:	\$58	:	\$309	:	86
2008	204	\$3.98	813	:	\$382	:	119	:	\$0.52	:	\$119	:	\$621	:	193
2009	307	\$4.10	1,256	:	\$521	:	261	:	\$0.53	:	\$184	:	\$966	:	290
2010	409	\$4.22	1,725	:	\$570	:	495	:	\$0.55	:	\$252	:	\$1,317	:	409
2011	511	\$4.35	2,221	:	\$722	:	656	:	\$0.56	:	\$325	:	\$1,703	:	518
2012	613	\$4.48	2,746	:	\$777	:	917	:	\$0.58	:	\$402	:	\$2,095	:	650
2013	613	\$4.61	2,828	:	\$801	:	944	:	\$0.60	:	\$414	:	\$2,158	:	670
2014	613	\$4.75	2,913	:	\$825	:	973	:	\$0.61	:	\$426	:	\$2,223	:	690
2015	613	\$4.89	3,000	:	\$849	:	1,002	:	\$0.63	:	\$439	:	\$2,290	:	711
2016	613	\$5.04	3,090	:	\$875	:	1,032	:	\$0.65	:	\$452	:	\$2,358	:	732
2017	613	\$5.19	3,183	:	\$901	:	1,063	:	\$0.67	:	\$465	:	\$2,429	:	754
2018	613	\$5.35	3,279	:	\$928	:	1,095	:	\$0.69	:	\$479	:	\$2,502	:	776
2019	613	\$5.51	3,377	:	\$956	:	1,127	:	\$0.71	:	\$494	:	\$2,577	:	800
2020	613	\$5.67	3,478	:	\$985	:	1,161	:	\$0.73	:	\$509	:	\$2,654	:	824
2021	613	\$5.84	3,583	:	\$1,014	:	1,196	:	\$0.76	:	\$524	:	\$2,734	:	848
2022	613	\$6.02	3,690	:	\$1,045	:	1,232	:	\$0.78	:	\$540	:	\$2,816	:	874
2023	613	\$6.20	3,801	:	\$1,076	:	1,269	:	\$0.80	:	\$556	:	\$2,901	:	900
2024	613	\$6.39	3,915	:	\$1,108	:	1,307	:	\$0.83	:	\$572	:	\$2,988	:	927
2025	613	\$6.58	4,032	:	\$1,141	:	1,346	:	\$0.85	:	\$590	:	\$3,077	:	955
2026	613	\$6.78	4,153	:	\$1,176	:	1,387	:	\$0.88	:	\$607	:	\$3,170	:	984
2027	613	\$6.98	4,278	:	\$1,211	:	1,428	:	\$0.90	:	\$626	:	\$3,265	:	1,013
2028	613	\$7.19	4,406	:	\$1,247	:	1,471	:	\$0.93	:	\$644	:	\$3,363	:	1,044
2029	613	\$7.40	4,538	:	\$1,285	:	1,515	:	\$0.96	:	\$664	:	\$3,463	:	1,075
2030	613	\$7.63	4,674	:	\$1,323	:	1,561	:	\$0.99	:	\$684	:	\$3,567	:	1,107
2031	613	\$7.85	4,815	:	\$1,363	:	1,607	:	\$1.02	:	\$704	:	\$3,674	:	1,140
2032	613	\$8.09	4,959	:	\$1,404	:	1,656	:	\$1.05	:	\$725	:	\$3,785	:	1,174
2033	613	\$8.33	5,108	:	\$1,446	:	1,705	:	\$1.08	:	\$747	:	\$3,898	:	1,210
2034	613	\$8.58	5,261	:	\$1,489	:	1,757	:	\$1.11	:	\$769	:	\$4,015	:	1,246
2035	613	\$8.84	5,419	:	\$1,534	:	1,809	:	\$1.14	:	\$792	:	\$4,136	:	1,283

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes use of surplus tankers at operating cost only (including 10% profit and taxes)

#6

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$4.50 / mmbtu gas in Far East
\$9 billion for all facilities except ships
use of surplus LNG tankers

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$4.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$9 billion capital cost (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$6.95	711	\$182	69	\$0.50	\$58	\$309	402
2008	204	\$7.16	1,464	\$382	119	\$0.52	\$119	\$621	843
2009	307	\$7.38	2,261	\$521	261	\$0.53	\$184	\$966	1,295
2010	409	\$7.60	3,106	\$570	495	\$0.55	\$252	\$1,317	1,789
2011	511	\$7.83	3,999	\$722	656	\$0.56	\$325	\$1,703	2,296
2012	613	\$8.06	4,942	\$777	917	\$0.58	\$402	\$2,095	2,847
2013	613	\$8.30	5,091	\$801	944	\$0.60	\$414	\$2,158	2,932
2014	613	\$8.55	5,243	\$825	973	\$0.61	\$426	\$2,223	3,020
2015	613	\$8.81	5,401	\$849	1,002	\$0.63	\$439	\$2,290	3,111
2016	613	\$9.07	5,563	\$875	1,032	\$0.65	\$452	\$2,358	3,204
2017	613	\$9.35	5,729	\$901	1,063	\$0.67	\$465	\$2,429	3,300
2018	613	\$9.63	5,901	\$928	1,095	\$0.69	\$479	\$2,502	3,399
2019	613	\$9.92	6,078	\$956	1,127	\$0.71	\$494	\$2,577	3,501
2020	613	\$10.21	6,261	\$985	1,161	\$0.73	\$509	\$2,654	3,606
2021	613	\$10.52	6,449	\$1,014	1,196	\$0.76	\$524	\$2,734	3,715
2022	613	\$10.84	6,642	\$1,045	1,232	\$0.78	\$540	\$2,816	3,826
2023	613	\$11.16	6,841	\$1,076	1,269	\$0.80	\$556	\$2,901	3,941
2024	613	\$11.50	7,047	\$1,108	1,307	\$0.83	\$572	\$2,988	4,059
2025	613	\$11.84	7,258	\$1,141	1,346	\$0.85	\$590	\$3,077	4,181
2026	613	\$12.20	7,476	\$1,176	1,387	\$0.88	\$607	\$3,170	4,306
2027	613	\$12.56	7,700	\$1,211	1,428	\$0.90	\$626	\$3,265	4,435
2028	613	\$12.94	7,931	\$1,247	1,471	\$0.93	\$644	\$3,363	4,568
2029	613	\$13.33	8,169	\$1,285	1,515	\$0.96	\$664	\$3,463	4,705
2030	613	\$13.73	8,414	\$1,323	1,561	\$0.99	\$684	\$3,567	4,847
2031	613	\$14.14	8,666	\$1,363	1,607	\$1.02	\$704	\$3,674	4,992
2032	613	\$14.56	8,926	\$1,404	1,656	\$1.05	\$725	\$3,785	5,142
2033	613	\$15.00	9,194	\$1,446	1,705	\$1.08	\$747	\$3,898	5,296
2034	613	\$15.45	9,470	\$1,489	1,757	\$1.11	\$769	\$4,015	5,455
2035	613	\$15.91	9,754	\$1,534	1,809	\$1.14	\$792	\$4,136	5,619

Includes 100% tax-free financing at 6% on all facilities except ships and no federal income taxes
Assumes use of surplus tankers at operating cost only (including 10% profit and taxes)

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$2.50 / mmbtu gas in Far East
\$12 billion cost for all facilities

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$2.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$12 billion capital cost (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$3.86	395	\$171	98	\$0.50	\$58	\$327	68
2008	204	\$3.98	813	\$359	194	\$0.52	\$119	\$672	142
2009	307	\$4.10	1,256	\$485	369	\$0.53	\$184	\$1,038	219
2010	409	\$4.22	1,725	\$520	653	\$0.55	\$252	\$1,425	301
2011	511	\$4.35	2,221	\$658	852	\$0.56	\$325	\$1,835	387
2012	613	\$4.48	2,746	\$699	1,167	\$0.58	\$402	\$2,267	478
2013	613	\$4.61	2,828	\$720	1,202	\$0.60	\$414	\$2,335	493
2014	613	\$4.75	2,913	\$741	1,238	\$0.61	\$426	\$2,406	507
2015	613	\$4.89	3,000	\$764	1,275	\$0.63	\$439	\$2,478	523
2016	613	\$5.04	3,090	\$786	1,314	\$0.65	\$452	\$2,552	538
2017	613	\$5.19	3,183	\$810	1,353	\$0.67	\$465	\$2,629	554
2018	613	\$5.35	3,279	\$834	1,394	\$0.69	\$479	\$2,707	571
2019	613	\$5.51	3,377	\$859	1,436	\$0.71	\$494	\$2,789	588
2020	613	\$5.67	3,478	\$885	1,479	\$0.73	\$509	\$2,872	606
2021	613	\$5.84	3,583	\$912	1,523	\$0.76	\$524	\$2,959	624
2022	613	\$6.02	3,690	\$939	1,569	\$0.78	\$540	\$3,047	643
2023	613	\$6.20	3,801	\$967	1,616	\$0.80	\$556	\$3,139	662
2024	613	\$6.39	3,915	\$996	1,664	\$0.83	\$572	\$3,233	682
2025	613	\$6.58	4,032	\$1,026	1,714	\$0.85	\$590	\$3,330	702
2026	613	\$6.78	4,153	\$1,057	1,765	\$0.88	\$607	\$3,430	723
2027	613	\$6.98	4,278	\$1,089	1,818	\$0.90	\$626	\$3,533	745
2028	613	\$7.19	4,406	\$1,121	1,873	\$0.93	\$644	\$3,639	767
2029	613	\$7.40	4,538	\$1,155	1,929	\$0.96	\$664	\$3,748	790
2030	613	\$7.63	4,674	\$1,190	1,987	\$0.99	\$684	\$3,860	814
2031	613	\$7.85	4,815	\$1,225	2,047	\$1.02	\$704	\$3,976	839
2032	613	\$8.09	4,959	\$1,262	2,108	\$1.05	\$725	\$4,095	864
2033	613	\$8.33	5,108	\$1,300	2,171	\$1.08	\$747	\$4,218	890
2034	613	\$8.58	5,261	\$1,339	2,236	\$1.11	\$769	\$4,345	916
2035	613	\$8.84	5,419	\$1,379	2,304	\$1.14	\$792	\$4,475	944

Includes 100% tax-free financing at 6% on all facilities and no federal income taxes

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$3.50 / mmbtu gas in Far East
\$12 billion cost for all facilities

year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$3.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	:	total operating cost (\$mm)	:	total principal + interest to pay off \$12 billion capital cost (\$mm)	:	purchase price of gas \$0.60 (\$/mcf) (infl adj)	:	total gas purchase price (\$mm)	:	total cost (\$mm)	:	state net revenue (\$millions)
2007	102	\$5.41	553	:	\$171	:	98	:	\$0.50	:	\$58	:	\$327	:	226
2008	204	\$5.57	1,138	:	\$359	:	194	:	\$0.52	:	\$119	:	\$672	:	467
2009	307	\$5.74	1,759	:	\$485	:	369	:	\$0.53	:	\$184	:	\$1,038	:	721
2010	409	\$5.91	2,416	:	\$520	:	653	:	\$0.55	:	\$252	:	\$1,425	:	991
2011	511	\$6.09	3,110	:	\$658	:	852	:	\$0.56	:	\$325	:	\$1,835	:	1,276
2012	613	\$6.27	3,844	:	\$699	:	1,167	:	\$0.58	:	\$402	:	\$2,267	:	1,577
2013	613	\$6.46	3,959	:	\$720	:	1,202	:	\$0.60	:	\$414	:	\$2,335	:	1,624
2014	613	\$6.65	4,078	:	\$741	:	1,238	:	\$0.61	:	\$426	:	\$2,406	:	1,673
2015	613	\$6.85	4,200	:	\$764	:	1,275	:	\$0.63	:	\$439	:	\$2,478	:	1,723
2016	613	\$7.06	4,326	:	\$786	:	1,314	:	\$0.65	:	\$452	:	\$2,552	:	1,774
2017	613	\$7.27	4,456	:	\$810	:	1,353	:	\$0.67	:	\$465	:	\$2,629	:	1,828
2018	613	\$7.49	4,590	:	\$834	:	1,394	:	\$0.69	:	\$479	:	\$2,707	:	1,882
2019	613	\$7.71	4,728	:	\$859	:	1,436	:	\$0.71	:	\$494	:	\$2,789	:	1,939
2020	613	\$7.94	4,869	:	\$885	:	1,479	:	\$0.73	:	\$509	:	\$2,872	:	1,997
2021	613	\$8.18	5,016	:	\$912	:	1,523	:	\$0.76	:	\$524	:	\$2,959	:	2,057
2022	613	\$8.43	5,166	:	\$939	:	1,569	:	\$0.78	:	\$540	:	\$3,047	:	2,119
2023	613	\$8.68	5,321	:	\$967	:	1,616	:	\$0.80	:	\$556	:	\$3,139	:	2,182
2024	613	\$8.94	5,481	:	\$996	:	1,664	:	\$0.83	:	\$572	:	\$3,233	:	2,248
2025	613	\$9.21	5,645	:	\$1,026	:	1,714	:	\$0.85	:	\$590	:	\$3,330	:	2,315
2026	613	\$9.49	5,814	:	\$1,057	:	1,765	:	\$0.88	:	\$607	:	\$3,430	:	2,385
2027	613	\$9.77	5,989	:	\$1,089	:	1,818	:	\$0.90	:	\$626	:	\$3,533	:	2,456
2028	613	\$10.06	6,169	:	\$1,121	:	1,873	:	\$0.93	:	\$644	:	\$3,639	:	2,530
2029	613	\$10.36	6,354	:	\$1,155	:	1,929	:	\$0.96	:	\$664	:	\$3,748	:	2,606
2030	613	\$10.68	6,544	:	\$1,190	:	1,987	:	\$0.99	:	\$684	:	\$3,860	:	2,684
2031	613	\$11.00	6,740	:	\$1,225	:	2,047	:	\$1.02	:	\$704	:	\$3,976	:	2,764
2032	613	\$11.33	6,943	:	\$1,262	:	2,108	:	\$1.05	:	\$725	:	\$4,095	:	2,847
2033	613	\$11.67	7,151	:	\$1,300	:	2,171	:	\$1.08	:	\$747	:	\$4,218	:	2,933
2034	613	\$12.02	7,366	:	\$1,339	:	2,236	:	\$1.11	:	\$769	:	\$4,345	:	3,021
2035	613	\$12.38	7,586	:	\$1,379	:	2,304	:	\$1.14	:	\$792	:	\$4,475	:	3,111

Includes 100% tax-free financing at 6% on all facilities and no federal income taxes

#9

HB 170
Revenue Analysis of North Slope LNG Project
State Ownership of All Facilities
\$4.50 / mmbtu gas in Far East
\$12 billion cost for all facilities

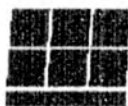
year	gas sold (mm mcf/yr)	far east price of gas in '98 dollars \$4.50 (\$/mmbtu) (mcf & infl adj)	gross revenue (\$mm)	total operating cost (\$mm)	total principal + interest to pay off \$12 billion capital cost (\$mm)	purchase price of gas \$0.50 (\$/mcf) (infl adj)	total gas purchase price (\$mm)	total cost (\$mm)	state net revenue (\$millions)
2007	102	\$6.95	711	\$171	98	\$0.50	\$58	\$327	384
2008	204	\$7.16	1,464	\$359	194	\$0.52	\$119	\$672	792
2009	307	\$7.38	2,261	\$485	369	\$0.53	\$184	\$1,038	1,224
2010	409	\$7.60	3,106	\$520	653	\$0.55	\$252	\$1,425	1,681
2011	511	\$7.83	3,999	\$658	852	\$0.56	\$325	\$1,835	2,164
2012	613	\$8.06	4,942	\$699	1,167	\$0.58	\$402	\$2,267	2,675
2013	613	\$8.30	5,091	\$720	1,202	\$0.60	\$414	\$2,335	2,755
2014	613	\$8.55	5,243	\$741	1,238	\$0.61	\$426	\$2,406	2,838
2015	613	\$8.81	5,401	\$764	1,275	\$0.63	\$439	\$2,478	2,923
2016	613	\$9.07	5,563	\$786	1,314	\$0.65	\$452	\$2,552	3,011
2017	613	\$9.35	5,729	\$810	1,353	\$0.67	\$465	\$2,629	3,101
2018	613	\$9.63	5,901	\$834	1,394	\$0.69	\$479	\$2,707	3,194
2019	613	\$9.92	6,078	\$859	1,436	\$0.71	\$494	\$2,789	3,290
2020	613	\$10.21	6,261	\$885	1,479	\$0.73	\$509	\$2,872	3,388
2021	613	\$10.52	6,449	\$912	1,523	\$0.76	\$524	\$2,959	3,490
2022	613	\$10.84	6,642	\$939	1,569	\$0.78	\$540	\$3,047	3,595
2023	613	\$11.16	6,841	\$967	1,616	\$0.80	\$556	\$3,139	3,703
2024	613	\$11.50	7,047	\$996	1,664	\$0.83	\$572	\$3,233	3,814
2025	613	\$11.84	7,258	\$1,026	1,714	\$0.85	\$590	\$3,330	3,928
2026	613	\$12.20	7,476	\$1,057	1,765	\$0.88	\$607	\$3,430	4,046
2027	613	\$12.56	7,700	\$1,089	1,818	\$0.90	\$626	\$3,533	4,167
2028	613	\$12.94	7,931	\$1,121	1,873	\$0.93	\$644	\$3,639	4,292
2029	613	\$13.33	8,169	\$1,155	1,929	\$0.96	\$664	\$3,748	4,421
2030	613	\$13.73	8,414	\$1,190	1,987	\$0.99	\$684	\$3,860	4,554
2031	613	\$14.14	8,666	\$1,225	2,047	\$1.02	\$704	\$3,976	4,690
2032	613	\$14.56	8,928	\$1,262	2,108	\$1.05	\$725	\$4,095	4,831
2033	613	\$15.00	9,194	\$1,300	2,171	\$1.08	\$747	\$4,218	4,976
2034	613	\$15.45	9,470	\$1,339	2,236	\$1.11	\$769	\$4,345	5,125
2035	613	\$15.91	9,754	\$1,379	2,304	\$1.14	\$792	\$4,475	5,279

Includes 100% tax-free financing at 6% on all facilities and no federal income taxes

*An Introduction to
Seattle-Northwest Securities Corporation
for*

Alaska State Legislature
Special Committee on Oil and Gas

May 6, 1999



SEATTLE-NORTHWEST
SECURITIES CORPORATION

Mark Prussing, Public Finance
1000 SW Broadway, Suite 1800
Portland, Oregon 97205
(503) 275-8309

Description of Seattle-Northwest Securities Corporation

Regional Orientation

Seattle-Northwest Securities Corporation is distinctive among investment banking firms:

- Seattle-Northwest was formed in 1970 as a specialist in public finance. We have celebrated our 28th anniversary in the business.
- We are the leading underwriting and financial advisory firm in the region.
- We are wholly employee-owned, which gives us greater flexibility in serving the needs of our clients and keeps the control of our company in the region we serve.
- Seattle-Northwest has three offices, one in Seattle employing 71 individuals, one in Portland employing 20 individuals and one in Boise employing three individuals.
- Seattle-Northwest's commitment to our clients and our local ownership gives us a strong competitive advantage over other firms.

Seattle-Northwest Securities Corporation
Alaska and Pacific Northwest Focus

Seattle Office
22 Public Finance
30 Sales & Trading
71 Total Employees

Portland Office
8 Public Finance
12 Sales & Trading
20 Total Employees

Boise Office
2 Public Finance
1 Sales & Trading
3 Total Employees

In the face of numerous acquisitions in our industry resulting in fewer firms serving government issuers, Seattle-Northwest has renewed our commitment to our longstanding personal and professional ties to the Northwest to the benefit of our clients.

Company Organization

The company is comprised of three departments:

- Public Finance (Financial Advisory and Underwriting)
- Product Management (Municipal and Taxable Trading and Sales)
- Mortgage-Backed Securities (Trading and Sales)

Seattle-Northwest is a conservatively run company and has always been profitable in its 28 year history. We are employee owned and therefore have minimal turnover.



SEATTLE-NORTHWEST
SECURITIES CORPORATION

Public Finance

Our public finance professionals provide investment banking and financial consulting services to a full range of municipalities. Seattle-Northwest is involved in tax-exempt bond issues from the beginning stages, planning and structuring the financings and coordinating services with other key participants such as bond counsel, rating agencies, insurance companies, and engineers. We are thoroughly experienced in helping our clients meet their capital financing needs through general obligation bonds, revenue bonds, local improvement district bonds, and industrial development bonds.

Financial Advisory

Our financial advisory clients include the State of Washington, the University of Washington, King County, several departments of the State of Oregon, and the City of Seattle, to name a few. Other major clients include the City of Tacoma, City of Boise, Idaho, Portland Public Schools, and numerous school districts throughout the region.

Underwriting

In 1998, Seattle-Northwest was ranked the #1 financial advisor in the Northwest, as well as the #1 underwriter of tax-exempt bond issues in the Northwest (both in par value and number of issues). Over the past five years, Seattle-Northwest has served as underwriter or financial advisor on over 1,100 bond issues with a combined par value of approximately \$16 billion.

1998 Northwest Underwriter Rankings Washington, Oregon, Idaho and Alaska

Ranking	Underwriter	Amount (\$M)	Issues
1	Seattle-Northwest	\$1,676.1	210
2	Goldman Sachs	1,505.6	28
3	Salomon Smith Barney	1,285.4	51
4	PaineWebber	983.3	26
5	Lehman Brothers	864.5	22
6	Dain Rauscher	613.1	43
7	Merrill Lynch & Co.	589.5	6
8	NationsBanc Montgomery	463.9	24
9	Prudential Securities	349.7	20
10	BancAmerica Robertson	341.2	28

Source: Securities Data Co.

1998 Financial Advisor Rankings Washington, Oregon, Idaho, and Alaska

Ranking	Underwriter	Amount (\$M)	Issues
1	Seattle-Northwest	\$1,583.0	34
2	Public Financial Mgmt.	824.9	7
3	Regional Financial Advisors	746.2	33
4	Piper Jaffray	714.4	5
5	Clancy, Gardiner & Pierce	608.0	24
6	Seagraves & Hein	446.3	35
7	CGMS Incorporated	424.3	40
8	Yeastig & Associates	325.1	16
9	A. Dashen & Associates	314.8	15
10	PG Corbin	276.1	4

Source: Securities Data Co.



SEATTLE-NORTHWEST
SECURITIES CORPORATION

Mark W. Prussing, CPA

Mr. Prussing has a wide range of experience in the area of public finance. He began his work with Seattle-Northwest in the late 1980's, specializing in the development of computerized financial models for structuring bond issues, leaving to return to Alaska in 1989. While in Alaska, Mr. Prussing conducted financial advisory services for a variety of issuers including The City and Borough of Sitka, Alaska Pacific University, and the Anchorage Economic Development Council. While involved in this work, Mr. Prussing was asked to serve as the State Comptroller for the State of Alaska. He accepted this role, and worked as part of a team responsible for the management of nearly \$10 billion of the State's financial assets, including the Public and Teachers' Retirement Systems' Funds.

Mr. Prussing rejoined the Portland Office of Seattle-Northwest in the fall of 1998. Since that time he has been involved in the issuance of over \$600 million in municipal bonds. He currently serves as financial advisor for the City of Seattle and King County, Washington.

Mr. Prussing is a CPA, licensed in Alaska, having worked with Peat, Marwick, Mitchell and Co. in both their Anchorage and Portland offices. He holds a Bachelor of Science degree (*cum laude*) from the University of Utah and is a member of the Alaska Government Finance Officers Association. Mr. Prussing is also a past member of the Board of Directors for St. Ann's Care Center in Juneau.



FIRM RESUME

The law firm of Wohlforth, Vassar, Johnson & Brecht, A Professional Corporation, was founded in 1967 and has built a diverse and comprehensive business, commercial and government law practice. The firm is nationally recognized for its municipal and public finance practice and has a deep grounding in Alaska. We also practice in many other areas, including corporate, securities, banking, real estate, environmental, labor and employment, and state, municipal and public authority financing law and commercial litigation. Clients include the Alaska Housing Finance Corporation, Alaska Student Loan Corporation, banks, trust companies, investment banks, securities issuers, corporations, Alaska Native Corporations, various enterprises, nonprofit corporations, rural Alaska communities, and municipalities and state agencies. Its members have served as Commissioner of Revenue, Director of Banking and Securities and in many other Alaska governmental positions.

KENNETH E. VASSAR

EXPERIENCE

ATTORNEY AND MEMBER OF FIRM
Wohlforth, Vassar, Johnson & Brecht,
A Professional Corporation
Anchorage, Alaska

1982 to present

Bond and legal counsel to various bond issuers, including Alaska Housing Finance Corporation, Alaska Student Loan Corporation, Alaska Industrial Development and Export Authority, Alaska Energy Authority, and Alaska Railroad Corporation in issuing a broad range of short- and long-term debt.

Responsibilities have included drafting of bond indentures, supplemental indentures, resolutions, tax and arbitrage certificates, and all closing documents; tax and general law research; volume cap coordination; communication and negotiation with underwriters, credit enhancers, trustees, and other parties; and other work related to bond financings.

ASSISTANT ATTORNEY GENERAL

State of Alaska
Juneau, Alaska

1980 to 1982

Acted as counsel to the Office of the Governor, the Alaska Housing Finance Corporation, the Alaska Industrial Development Authority, and the Alaska Power Authority. Drafted and reviewed legislation affecting these and other clients and prepared recommendations to the Governor regarding the same. Drafted and reviewed regulations for publication in the Alaska Administrative Code.

LEGISLATIVE COUNSEL

Alaska State Legislature, State of Alaska
Juneau, Alaska

1977 to 1980

Drafted primary legislation for state assisted home loan program, for industrial development loan program, for bond-issuing state agency programs, and for state-operated, direct-lending programs. Programs ultimately provided more than two billion dollars for home mortgages in Alaska. Also had responsibility for drafting legislation relating to natural resources and advising legislators and legislative committees regarding constitutional and other legal matters associated with legislation.

ADMITTED TO PRACTICE

State of Alaska, 1977
State of California, 1976 (inactive)
United States District Court, Alaska, 1977

MEMBERSHIPS

Anchorage Bar Association
Alaska State Bar Association
California State Bar Association (inactive)
National Association of Bond Lawyers

EDUCATION

**UNIVERSITY OF THE PACIFIC,
McGEORGE SCHOOL OF LAW**
Sacramento, California
Juris Doctor, 1976

CALIFORNIA STATE POLYTECHNIC COLLEGE
Pomona, California
Bachelor of Arts, Political Science, 1973

REFERENCES

Alaska Industrial Development and Export Authority
480 West Tudor Road
Anchorage, Alaska 99503
Valorie F. Walker
Deputy Director-Finance
269-3000

Alaska Student Loan Corporation
3030 Vintage Boulevard
Juneau, Alaska 99501-7109
Diane Barrans
Finance Director
465-6757

Brian C. Andrews

Financial Consultant, Private Client Group of Merrill Lynch

Brian is a life long resident of Alaska, with twenty-five years of in-state financial management, portfolio management and accounting experience with Banks, Credit Unions, State Government, and Brokerages. After receiving a BS from Colorado State University with majors in finance and accounting, Brian returned to the State with assignments in the financial community as a branch manager for National Bank of Alaska and as the general manager of the Alaska State Employees Federal Credit Union. He then moved on to fulfill the roles of Comptroller, Investment officer and Deputy Commissioner in the Department of Revenue for the State of Alaska. Brian joined Merrill Lynch in January of 1994, where he is responsible for the development of institutional and retail financial services and products to new and existing clients in Alaska. Brian is in charge of the management and financial success of the Juneau office of Merrill Lynch. Brian resides in Juneau, where he actively enjoys the outdoors with his wife and three children.

SCOMM

118:22

Alaska State Legislature

Representative Jim Whitaker

House Special Committee on Oil and Gas, Chairman
House Resources Committee
House Health, Education, and Social Services
Committee
House State Affairs Committee
House Special Committee on Fisheries



House of Representatives
District 31

Session:
State Capitol, Room 13
Juneau, Alaska 99801-1182
Phone: (907) 465-3004
Fax: (907) 465-2070

Interim:
119 N. Cushman St. Suite 213
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Sponsor Statement

House Bill 194 – Disaster Assistance

House Bill 194 makes a technical statutory change as suggested by Legislative Legal Services. The Oil and Hazardous Substance Release Response Fund, under the administration of the Department of Environmental Conservation, was established to provide relief in the event of oil or hazardous substance discharges. In 1994, the name of this fund was changed to the Oil and Hazardous Substance Release *Prevention and* Response Fund, in order to establish an account intended to pay the expenses of making preparations for the possibility of a threatened release of oil or hazardous substances. All statutory references relating to the fund were amended to reflect the new name with the exception of AS 26.23.050(b). House Bill 194 corrects this oversight and brings the section into conformity with AS 46.08.010(a).

HOUSE BILL NO. 194**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTY-FIRST LEGISLATURE - FIRST SESSION****BY REPRESENTATIVE WHITAKER****Introduced: 4/13/99****Referred: House Special Committee on Oil and Gas, Resources****A BILL****FOR AN ACT ENTITLED**

1 "An Act correcting, in the Alaska Disaster Act, a reference to the former oil and
2 hazardous substance release response fund to describe that fund by its correct
3 name."

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

5 * **Section 1.** AS 26.23.050(b) is amended to read:

6 (b) Whenever, and to the extent that, money is needed to cope with a disaster,
7 the first recourse shall be to money regularly appropriated to state and local agencies.
8 The second recourse shall be to money available in the disaster relief fund or, for oil
9 or hazardous substances discharges, the oil and hazardous substance release prevention
10 and response fund, as the governor determines appropriate. If money available from
11 these sources is insufficient, and if the governor finds that other sources of money to
12 cope with the disaster are not available or are insufficient, the governor may,
13 notwithstanding the limitations imposed by AS 37.07.080(e),
14 (1) transfer and spend money appropriated for other purposes; or

1

(2) borrow money for a term not to exceed two years.

FISCAL NOTE

STATE OF ALASKA 2000 LEGISLATIVE SESSION

BILL NO. HB194

Revision Date: 17-Apr-00
Title: An Act correcting, in the Alaska Disaster Act,
a reference to the former oil and hazardous substance...
Sponsor: Rep. Whitaker
Requestor: (S) Calendar 4/17/00

Dept Affected: Military & Veterans Affairs
BRU: Disaster Planning & Control
Component: Disaster Planning & Control
Component Serial No. #1808

Expenditures/Revenues (Inflation not included unless otherwise noted below)

(Thousands of Dollars)

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
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
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CHANGE IN REVENUES (fund code)	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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) 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)

This bill corrects language that references the former oil and hazardous substance release response fund, and describes it correctly as the oil and hazardous substance release prevention and response fund.

There is no fiscal impact to the Division of Emergency Services as a result of implementation of this legislation.

Prepared by: Carol Carroll, Director
Division: Administrative Services
Approved by Commissioner: Phillip Oates
Agency: Military & Veterans Affairs

Phone: 465-4730
Date: 17-Apr-00
Date: 17-Apr-00

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 194

Revision Date/Time (Note if correction) _____ Dept. Affected Environmental Conservation
 Title An Act correcting a reference to the former oil and BRU Spill Prevention and Response
hazardous release response fund Component Prevention and emergency response
 Sponsor Rep. Whitaker
 Requester Senate Resources Component No. 2064

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

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)

This bill will have no fiscal impact

Prepared by: Larry Dietrick, Director Phone 465-5255
 Division Spill Prevention and Response Date/Time 4/14/00 5:37 PM
 Approved by Commissioner [Signature] Date 4-14-00
 Agency Department of Environmental Conservation

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB194

Revision Date: _____
Title: An Act correcting, in the Alaska Disaster Act,
a reference to the former oil and hazardous substance...
Sponsor: Rep. Whitaker
Requestor: (H)O&G

Dept Affected: Military & Veterans Affairs
BRU: Disaster Planning & Control
Component: Disaster Planning & Control
Component Serial No. #1808

Expenditures/Revenues (inflation not included unless otherwise noted below)

(Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
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 (fund code)	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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) 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)

This bill corrects language that references the former oil and hazardous substance release response fund, and describes it correctly as the oil and hazardous substance release prevention and response fund.

There is no fiscal impact to the Division of Emergency Services as a result of implementation of this legislation.

Prepared by: Carol Carroll, Director
Division: Administrative Services
Approved by Commissioner: [Signature]
Agency: Military & Veterans Affairs

Phone: 465-4730
Date: 19-Apr-99
Date: 4-19-99

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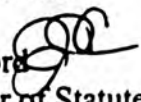
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

March 24, 1999

SUBJECT: Apparent Error in AS 26.23.050

TO: Representative Jim Whitaker, Chair
Oil & Gas Committee

FROM: James P. Crawford 
Assistant Revisor of Statutes

I wanted to point out what appears to be an error in AS 26.23.050(b). This section relates to financing efforts to cope with "disaster emergencies." In subsection (b), there is a reference to the "oil and hazardous substance release response fund":

Whenever, and to the extent that, money is needed to cope with a disaster, the first recourse shall be to money regularly appropriated to state and local agencies. The second recourse shall be to money available in the disaster relief fund or, for oil or hazardous substances discharges, the oil and hazardous substance release response fund, as the governor determines appropriate. If money available from these sources is insufficient, and if the governor finds that other sources of money to cope with the disaster are not available or are insufficient, the governor may, notwithstanding the limitations imposed by AS 37.07.080(e),

- (1) transfer and spend money appropriated for other purposes; or
- (2) borrow money for a term not to exceed two years.

However, that fund was renamed in 1994 as the "oil and hazardous substance release prevention and response fund." Section 21, ch. 128, SLA 1994. Consequently, the reference in AS 26.23.050(b) appears to be obsolete.

Ordinarily, this is the sort of problem that could easily be remedied in a revisor's bill, and I initially thought to include such a correction in this year's bill. However, in this case, when the fund was renamed, two different accounts within the fund were created: (1) the oil and hazardous substance release prevention account; and (2) the oil and hazardous substance release response account. Although the titles of the accounts might provide some clue, there is no definitive way to tell whether the 1994 legislature wanted recourse under AS 26.23.050(b) limited only to one particular account or, alternately, whether recourse could be had with respect to both accounts, at least under some circumstances.

Representative Jim Whitaker
March 24, 1999
Page 2

Because of this uncertainty, I do not think the correction should be made in a revisor's bill. However, given that it involves oil spills, at least in part, I did want to bring the issue to your attention in case you wanted to address the issue in a substantive bill sponsored by the Oil & Gas Committee.

JPC:pl
99-040.plm

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FAX (907) 465-2029
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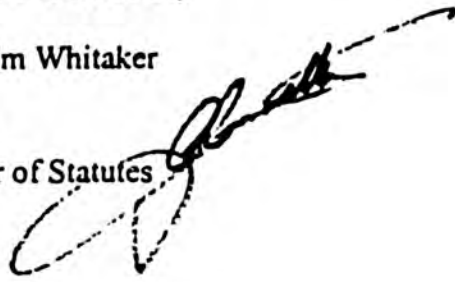
MEMORANDUM

April 9, 1999

SUBJECT: Correcting a reference to the former oil and hazardous substance release response fund in the Alaska Disaster Act (Work Order No. 1-LS0839\A)

TO: Representative Jim Whitaker

FROM: Jack Chenoweth
Assistant Revisor of Statutes



This memo accompanies a bill draft.

The oil and hazardous substance release prevention and response fund is composed of two accounts. One of the accounts, the response account, is intended to provide money "readily available to the commissioner [of environmental conservation] for the payment of the expenses incurred by the Department of Environmental Conservation during a response to a release or threatened release of oil or hazardous substances when authorized by AS 46.08.045 and for related purposes intended to address those releases." AS 46.08.005(1). The balance of the second account, the prevention account, is available for the state to use "during a response to a release of oil or a hazardous substance, other than one described in [AS 46.08.005(1)], and to a threatened release of oil or a hazardous substance, to pay the expenses of making preparations for the possibility of a release or threatened release of oil or hazardous substances, to reduce the amount, degree, or intensity of a release or threatened release, and for other related purposes identified in law." AS 46.08.005(2).

Though the bill, as drafted, does not limit the source of disaster relief by reference to a specific account, another statute, AS 26.23.020(g)(11), indicates which account is to serve as the source:

(g) In addition to any other powers conferred upon the governor by law, the governor may, under AS 26.23.010 - 26.23.220,

(11) use money from the oil and hazardous substance release *response* account in the oil and hazardous substance release prevention and response fund, established by AS 46.08.010, to respond to a declared disaster emergency related to an oil or hazardous substance discharge.

JBC:lmb
99-053.lmb
Enclosure

Commission under AS 26.23.077. (§ 3 ch 104 SLA 1977; am §§ 3, 4 ch 178 SLA 1990; am §§ 1 — 4 ch 32 SLA 1994)

Effect of amendments. — The 1990 amendment, in subsection (a), made stylistic changes in paragraph (5), deleted former paragraph (8) relating to preparation and distribution of catalogs or extracts listing assistance programs, and redesignated former paragraphs (9) through (12) as present paragraphs (8) through (11); and in subsection (e), deleted former paragraph (5) relating to provision for mobile support units, deleted former paragraph (7) relating to surveys, deleted former paragraph (10) relating to registration of certain equipment and housing, redesignated former paragraphs (6), (8), (9), and (11) through (14) as present paragraphs (5) through (11), and deleted "and public information" following "training" in present paragraph (5).

The 1994 amendment, effective August 6, 1994, in subsection (b), substituted "representatives of interjurisdictional disaster planning and service areas" for "interjurisdictional planning and disaster agencies" in the second sentence; in subsection (c), substituted "disaster planners" for "agencies" in the second sentence; in subsection (e), substituted "representatives of interjurisdictional disaster planning and service areas" for "interjurisdictional disaster agencies" in paragraph (5), added paragraph (12), and made a related stylistic change; and added subsection (f).

Sec. 26.23.045. Response corps; depots. (a) The department may establish a response corps. The corps consists of volunteers who register with the department and agree to be trained in techniques for emergency and disaster response and to be available on short notice to carry out responsibilities of the corps under an applicable incident command system. Members of the corps are entitled to per diem and expenses as determined by the department for training and for days spent in service to the state.

(b) The department may maintain emergency response depots in areas of the state identified for that purpose in the state emergency plan developed under AS 26.23.040. The depots shall be equipped in a manner that enables prompt response to emergencies and disasters. (§ 5 ch 32 SLA 1994)

Effective dates. — Section 5, ch. 32, SLA 1994, which enacted this section, took effect on August 6, 1994.

Sec. 26.23.050. Financing. (a) It is the intent of the legislature, and declared to be the policy of the state, that funds to meet disaster emergencies will always be available.

(b) Whenever, and to the extent that, money is needed to cope with a disaster, the first recourse shall be to money regularly appropriated to state and local agencies. The second recourse shall be to money available in the disaster relief fund or, for oil or hazardous substances discharges, the oil and hazardous substance release response fund, as the governor determines appropriate. If money available from these sources is insufficient, and if the governor finds that other sources of money to cope with the disaster are not available or are insufficient, the governor may, notwithstanding the limitations imposed by AS 37.07.080(e),

(1) transfer and spend money appropriated for other purposes; or

(2) borrow money for a term not to exceed two years.

(c) Nothing in this section limits the governor's authority to apply for, receive, administer, and spend grants, gifts, or payments from any source, to aid in disaster prevention, preparedness, response, or recovery. (§ 3 ch 104 SLA 1977; am § 3 ch 59 SLA 1986; am § 5 ch 178 SLA 1990; am § 2 ch 190 SLA 1990)

Effect of amendments. — The first 1990 amendment, in subsection (b), substituted "money" for "funds" in the first and second sentences and substituted the language beginning "the limitations imposed" for "any limitation imposed by AS 37.07.080(e), transfer and spend money appropriated for other purposes or, in situations involving natural disasters,

borrow from the United States government or other public or private sources for a term not to exceed two years" at the end of the third sentence.

The second 1990 amendment, in the second sentence of subsection (b), inserted ", for oil or hazardous substances discharges," and "the governor determines".

maximum extent feasible, utilize the facilities of appropriate public agencies in the administration of the provisions of this chapter. (§ 1 ch 186 SLA 1970)

Sec. 46.07.080. Definitions. In this chapter

- (1) "commissioner" means the commissioner of environmental conservation;
- (2) "village" means an unincorporated community that has between 25 and 600 people residing within a two-mile radius, a second class city, or a first class city with not more than 600 residents. (§ 1 ch 186 SLA 1970; am § 6 ch 104 SLA 1971; am § 53 ch 53 SLA 1973; am § 28 ch 208 SLA 1975; am § 1 ch 72 SLA 1992)

Effect of amendments. — The 1992 amendment, effective September 14, 1992, in paragraph (2), added " , or a first class city with not more than 600 residents" to the end and made stylistic changes.

Chapter 08. Oil and Hazardous Substance Releases.

Article

1. Release Prevention and Response Fund; Reimbursement; Liens (§§ 46.08.005 — 46.08.080)
2. Oil and Hazardous Substance Response Office (§§ 46.08.100 — 46.08.190)
3. General Provisions (§ 46.08.900)

Cross references. — For other provisions related to oil pollution control, see AS 46.04; for other provisions related to hazardous substance release control,

see AS 46.09; for authority of municipalities to implement this chapter, see AS 46.09.060(b).

Article 1. Release Prevention and Response Fund; Reimbursement; Liens.

Section

05. Purpose of fund; description of accounts
10. Fund established
20. Financing of the oil and hazardous substance release prevention account; prevention mitigation account
25. Financing of the oil and hazardous substance release response account; release mitigation account
30. Intent concerning the abatement of oil or hazardous substance releases

Section

40. Uses of the fund
45. Use of the response account; declared disasters
50. Records of the fund
60. Report
70. Reimbursement for containment and cleanup
75. Liens against property as security for state expenditures
80. Regulations

Sec. 46.08.005. Purpose of fund; description of accounts. The legislature finds and declares that the release of oil or hazardous substances into the environment presents a real and substantial threat to the public health and welfare, to the environment, and to the economy of the state. The legislature therefore concludes that it is in the best interest of the state and its citizens to provide a fund containing two accounts. Within the fund,

- (1) one account consists of money readily available to the commissioner for the payment of the expenses incurred by the Department of Environmental Conservation during a response to a release or threatened release of oil or hazardous substances when authorized by AS 46.08.045 and for related purposes intended to address those releases;
- (2) the other account consists of money that the state may use during a response to a release of oil or a hazardous substance, other than one described in (1) of this subsection, and to a threatened release of oil or a hazardous substance, to pay the expenses of making preparations for the possibility of a release or threatened release of oil or hazardous substances, to reduce the amount, degree, or intensity of a release or threatened release,

and for other related purposes identified in law. (§ 1 ch 59 SLA 1986; am § 2 ch 48 SLA 1991; am § 20 ch 128 SLA 1994)

Effect of amendments. — The 1991 amendment, effective September 13, 1991, inserted "and the Department of Transportation and Public Facilities" in the second sentence.

The 1994 amendment, effective October 2, 1994, in the introductory language, substituted "a fund con-

taining two accounts" for "a readily available fund" at the end of the second sentence and added "Within the fund," at the end; added the paragraph (1) designation and rewrote the provisions therein; and added paragraph (2).

Sec. 46.08.010. Fund established. (a) There is established in the state general fund the oil and hazardous substance release prevention and response fund. The fund shall be administered by the commissioner. The fund is composed of two accounts,

- (1) the oil and hazardous substance release prevention account;
- (2) the oil and hazardous substance release response account.

(b) Money from an appropriation made to an account in the fund remaining in that account at the end of a fiscal year does not lapse and remains available for expenditure in successive fiscal years.

(c) The fund shall be used for actual expenses incurred under AS 46.08.040. Except as provided in AS 46.08.040(a)(2)(D) for the acquisition, repair, or improvement of assets as preparedness measures, the fund may not be used for capital improvements. (§ 1 ch 59 SLA 1986; am § 3 ch 48 SLA 1991; am §§ 21 — 23 ch 128 SLA 1994)

Effect of amendments. — The 1991 amendment, effective September 13, 1991, in subsection (c), added "Except as provided in AS 46.08.040(d)(2), the" to the beginning of the second sentence.

The 1994 amendment, effective October 2, 1994, in subsection (a), in the introductory language, inserted "prevention and" in the first sentence and added "The

fund is composed of two accounts," at the end and added paragraphs (1) and (2); in subsection (b), inserted "an account in," substituted "that account" for "the fund," and inserted "does not lapse and"; and, in subsection (c), substituted "in AS 46.08.040(a)(2)(D) for the acquisition, repair, or improvement of assets as preparedness measures" for "in AS 46.08.040(d)(2)."

NOTES TO DECISIONS

Funds validly appropriated. — Because the legislature has made the entire balance of the oil and hazardous substance release response fund available for expenditure, the amounts deposited into the fund

are already validly appropriated and therefore no longer available for appropriation. *Hickel v. Cowper*, 874 P.2d 922 (Alaska 1994).

Sec. 46.08.020. Financing of the oil and hazardous substance release prevention account; prevention mitigation account. (a) The legislature may appropriate from the following sources to the prevention account in the fund:

(1) the annual estimated balance of the account maintained under AS 37.05.142 for deposits into the general fund of the proceeds of the oil conservation surcharge levied by AS 43.55.300;

(2) money received from other state sources, from federal or other sources, or from a private donor;

(3) money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site, but excluding money

(A) from performance bonds and other forms of financial responsibility held in escrow pending satisfactory performance of a privately financed response action; and

(B) described in AS 46.08.025(a)(3);

(4) fines, penalties, or damages recovered under AS 46.08.005 — 46.08.080 or other law for costs incurred by the state as a result of the release or threatened release of oil or a hazardous substance; and

(5) the interest earned on the balance of the accounts maintained under AS 37.05.142 for deposits into the general fund from the proceeds of the surcharges levied under AS 43.55.201 and 43.55.300.

SCOMM

118:23

Alaska State Legislature

House Resources Committee

Co-Chair Beverly Masek
(907) 465-3715
FAX (907) 465-4822
Capitol Building, Room 124
Juneau, Alaska 99801



Co-Chair Bill Hudson
(907) 465-6890
FAX (907) 465-2273
Committee Meetings
M/W/F 1 - 3 p.m.

Members: Vice Chair John Cowdery, Representatives: Ramona Barnes, John Harris, Carl Morgan, Jim Whitaker, John Cowdery, Reggie Joule, and Mary Kapsner

SPONSOR STATEMENT

HB 290-An Act relating to stranded gas pipeline carriers and to the intrastate regulation by the Regulatory Commission of Alaska of pipelines and pipeline facilities of stranded gas pipeline carriers

Before a stranded gas pipeline project can proceed, certain amendments to existing state statutes are required. These changes are intended: 1) to apply to all potential stranded gas pipeline projects, 2) to clarify respective state and federal jurisdictions in regulating such projects, 3) to be complementary to a non-discriminatory federal process which will apply to any export volumes of stranded gas, 4) to provide for local (in state) gas transportation and sales, and 5) to provide needed exemption from public utility designation for a stranded gas pipeline project.

House Bill 290 (HB 290) will amend the Pipeline Act (AS 42.06) to define a stranded gas pipeline consistent with the existing state statute, will clarify that the Regulatory Commission of Alaska's (RCA's) authority in regulating a stranded gas pipeline extends only to the intrastate transportation of gas through such a system, to define a fair, predictable and timely process to identify and dedicate sufficient initial intrastate capacity in a stranded gas pipeline and to establish the criteria for needed pipeline system expansions over the life of a stranded gas pipeline system to accommodate increased demand for in state gas supplies.

HB 290 will amend the Public Utilities Act (AS 42.05) to clarify that stranded gas pipeline systems are exempt from the requirement of operating as a public utility, and will amend the Right-of-Way Leasing Act (AS 38.35) to limit the requirement of common carriage for stranded gas pipeline systems to the transportation of intrastate gas volumes only.

HB 290 also defines *the types of* intrastate transportation services that will be available in a stranded gas pipeline system, provides that in its tariff filed with the RCA a stranded gas pipeline carrier may charge separate rates for those services, and may also charge a reservation *fee* for reserving capacity in a stranded gas pipeline system.

Collectively, these changes are intended to provide greater certainty and predictability in the regulation of stranded gas pipeline systems. This increased certainty will enhance the ability of gas export project sponsors to market Alaska's stranded gas reserves, to compete more effectively with alternative export projects and to attract the large *investments required* to construct and operate the *pipeline* and related facilities necessary to condition, transport and export stranded gas reserves.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 290

Revision Date/ <u>2/7/00 2:25 PM</u>	Dept. Affected <u>DCED</u>	
Title <u>Intrastate Regulation of Stranded Gas</u>	BRU <u>RCA</u>	
<u>Pipeline Carriers</u>	Component <u></u>	
Sponsor <u>House Resources</u>	<u>RCA</u>	
Requester <u>Oil & Gas Committee</u>	Component No. <u>2417</u>	

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	33.8	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	33.8	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	0.0					
1005 GF/Program Receipts	0.0					
1037 GF/Mental Health	0.0					
Other (Regulatory Cost Charge)	0.0	33.8	0.0	0.0	0.0	0.0
TOTAL	0.0	33.8	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time		0.5				
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 290 is not expected to cause any increase to the agency's FY01 budget. One-half of one Utility Engineering Analyst III position (approximately \$33,800) will be necessary in the FY02 budget to process and analyze the increase in workload due to stranded gas pipeline certification applications. In subsequent fiscal years, these applications will be part of the Commission's ongoing certification workload and are not expected to generate additional costs.

Prepared by: <u>G. Nanette Thompson, Chair</u>	Phone <u>276-6222</u>
Division <u>Regulatory Commission of Alaska</u>	Date/Time <u>2/7/00 2:25 PM</u>
Approved by <u>Commissioner Deborah B. Sedwick</u>	Date <u>02/07/00</u>
Agency <u>Dept. of Community & Regional Affairs</u>	

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FISCAL NOTE

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

BILL NO. HB 290

Revision Date/Time (Note if correction)	Jan. 26, 2000	Dept. Affected	Revenue
Title	Stranded gas pipeline carriers regulation	BRU	Revenue Operations
Sponsor	House Resources	Component	Oil and Gas Audit
Requester	House Oil & Gas	Component No.	115

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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
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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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

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)

This bill clarifies the regulatory environment for a potential North Slope natural gas pipeline, and would not impose any additional costs beyond those necessary for regulation currently. It would not create any revenues either.

Prepared by: Roger Marks

Division: Oil and Gas Audit

Approved by Commissioner

Wilson Condon

Agency

Department of Revenue

Phone: 269-0082

Date/Time: 26-Jan-00

Date: 1/26/00

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FISCAL NOTE

STATE OF ALASKA 2000 LEGISLATIVE SESSION

BILL NO. HB 290

Revision Date/Time:

Dept Affected: Natural Resources

Title:

Stranded Gas Pipeline Carriers

BRU:

Oil & Gas Development

Component:

Pipeline Coordinator

Sponsor:

House Resources Committee

Requestor:

(H)O&G

Component No.

1191

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
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
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CHANGE IN REVENUES (fund code)	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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) 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)

There is no anticipated fiscal impact to the Pipeline Coordinator's Office associated with implementation of this legislation.

Prepared by:

Bill Britt

Phone:

271-4412

Division:

State Pipeline Coordinators Office

Date:

01-Feb-00

Approved by Commissioner:

John Shively

Date:

2-1-2000

Agency:

Natural Resources

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MEMORANDUM

TO: REPRESENTATIVES MULDER AND THERRIALT
FROM: NAN THOMPSON, REGULATORY COMMISSION OF ALASKA
SUBJECT: HB 290-TARIFF PROVISION
DATE: 03/23/00
CC: HOUSE FINANCE COMMITTEE MEMBERS

You asked for a list of items that would be excluded from a utility pipeline tariff that a pipeline carrier could argue should be included in their tariff. There are APUC decisions excluding the following types of expenses from utility rates, but no comparable decision excluding them from pipeline rates:

- Public relations costs
- Lobbying expenses
- Charitable contributions
- Association dues
- Extraordinary management compensation
- Research and development costs
- Acquisition adjustments
- Pensions and employee benefits

Only imagination and conscience limit the types of expenses that a pipeline owner could ask be included in their tariff. The sponsor group correctly noted that the RCA would have the authority to exclude the expenses when they are presented to us for review. However, the RCA could not exclude them with the assurance that the pipeline owner would not appeal. An appeal means time delay and uncertainty in the business environment, and additional legal expenses for the RCA and carriers. The carriers would be entitled to argue that those legal expenses should be included in their rates.

How the difference between the utility and pipeline tariff methodology affects the RCA's decision-making process was well-articulated in a 1992 pipeline decision, Re Kenai Pipeline Company, 12 APUC 425 on page 434:

The methodology the Commission uses to determine the value of the property of public utilities is set by statute. A.S. 42.05.441(b) reads as follows: "In determining the value for rate-making purposes of public utility property used and useful in rendering service to the public, the commission shall be guided by the acquisition cost, or, if lower, the original cost of the property to the person first placing it to public service, less accrued depreciation, plus materials and supplies and a reasonable allowance for cash working capital when required. There is no similar provision under AS 42.06. Thus, the Commission is free to determine the appropriate way to value pipeline property for the purposes of ratemaking.

The APUC went on, in that forty-page opinion, to discuss the options and arguments of the parties and make a decision. The RCA can determine what is just and reasonable, but the lack of case law in this area to guide the RCA and the pipeline owners creates room for arguments. Arguments mean delay; litigation expenses and a less predictable environment for instate shippers. The RCA would generally follow its utility tariff decisions, except where the Federal Energy Regulatory Commission (FERC, the federal agency with pipeline jurisdiction) has a different rule. Thus, a prospective in-state shipper would have to reference federal caselaw to predict the likely outcome of a pipeline tariff case.

The APUC has set rates for only two oil pipelines in this state. The Kenai Pipeline case cited above was one, and Cook Inlet Pipeline was the other. Both cases were extensively litigated. The APUC has set tariffs for all other oil pipelines in the based on settlements between the affected parties.

The APUC has set rates for only one gas pipeline under the pipeline statute. The affected parties agreed to those rates as part of a comprehensive settlement package that has no precedential value. All other gas pipeline tariffs have been set using a utility tariff methodology.

AMENDMENT

2

OFFERED IN THE HOUSE

TO: Amendment 1-LS1269\A.2 to HB 290

1 Page 1, lines 1 - 6:

2 Delete all material and insert:

3 "Page 1, lines 1 -3:

4 Delete all material and insert:

5 **""An Act relating to pipeline carriers of undeveloped natural gas produced from**
6 **the North Slope of Alaska and to the intrastate regulation by the Regulatory**
7 **Commission of Alaska of pipelines and pipelines facilities of that undeveloped**
8 **natural gas.""**

9 Page 7, line 15, following "means gas":

10 Insert "that is produced from the area of Alaska lying north of 68 degrees North
11 latitude"

Subject: Message for Jim

Date: Fri, 11 Feb 2000 18:16:59 -0900

From: Lori Backes <lori_backes@legis.state.ak.us>

To: Patricia_Nelson@legis.state.ak.us

Jim...here's a quick sketch of what I managed to get through today:

Concerns of HB 290...

***The need for and effect of excluding the marine terminal facilities from the definition of stranded gas pipeline.**

I still don't get it why they want to exclude them...Nan Thompson, Bill Britt, Roger Marks, and Bill Walker are among those who are concerned about this. Nan is going to discuss it with Bill Britt again, due to marine terminals then not falling under the jurisdiction of JPO, and will get back with me Monday. Roger Mark's concern that they would then be eliminated from right of way leasing is shared vehemently by Ray Gardner, who although is not sure that exclusion would do that, says the bill must not pass with that exclusion if it does do that. This is being addressed by an amendment I've got Chenoweth working on, that would leave the exclusion in...but make sure it does not apply to right of way leasing. Chenoweth thinks the exclusion is alright, and expressed no concern to the regulatory effect of it.

***Continuing to refer to the project as a "Stranded Gas Pipeline"**

Chenoweth, Marks and Thompson agree with my concern, and Chenoweth is drafting the amendment to change all references of such, to..."undeveloped natural gas"...or some such thing to make sure it doesn't mess up what's being done in Cook Inlet.

***Capacity allocated for instate use, both initially and expansion**

Chenoweth has drafted legislation to change to AS 38.05.182 to make "in kind" royalty the priority, as well as instate use, and require legislative approval of the determination.

BUT if that bill doesn't pass...we have no such protection in HB290, other than what Jim Eason and Mike Hurley proposed for lowering the bar to get in. But, even with their plan, the communities will still need to commit up front to buy gas, albeit at "their best guess needs", but for a purchase and transportation price uncertain. AND, if the name change doesn't pass muster, the royalty percentage is questionable anyway. (can you tell I'm still not happy?)

***How to structure the tariffing of the instate portion**

Nan has recommended an amendment to require the tariffing be handle as for a utility as opposed to common carrier. I think it works better...the tariffs allow a return on investment but not really wiggle room for the pipeline project to make a windfall off padding their expenses, and a utility methodology allocates capacity on a public interest basis, rather than pro-rata among all users. (intrastate)

Not related to HB 290;

I got the written response from Tam Cook re: taking gas under eminent domain, and gave a copy to Bill Walker who came by today to discuss both of these issues, and faxed one to Ray Gardner. Will hear from them Monday to see if something can be done.

I contacted the General for the Greely Missile Defense Site, he will send us a letter saying he believes the power needs will roughly match what it currently requires. He did suggest however, that I contact Ft. Wainwright and Eielson, suggesting that they may see some increased need in the future.

Hope you have a good meeting with the constituents!

I'll be here after 10 or 11 Saturday...

Lori

Comments of Keith Hand to D. & H. Committee
2/1/00

2/1/00

HB 290 Testimony

Mr. Chairman and members of the committee, for the record I am Keith Hand and I represent Fairbanks Natural Gas and the current and future natural gas users of the Interior.

Speaking for the Interior citizens in addition to the employees of Fairbanks Natural Gas, we are strong advocates of the development of a natural gas pipeline that will provide North Slope gas to the Interior. We have just become familiar with HB 290 and have not spent a great time studying it, but understand and applaud the effort to advance the foundational framework for the pipeline project. However, we have some concerns with the bill in its current state.

After our limited review, we have the following comments:

- Concern on the pricing of the intrastate rates. What pricing scheme is envisioned? Pro-rata mileage based rates or traditional postage stamp pricing?
- Allocation of pipeline capacity between intrastate use and gas for export abroad.
- Concern regarding the treatment of seasonal peaking demand. Interior space heating historically has experienced a three to one swing in consumption. What assurances can be made that the winter peak demand can be met without overly burdensome costs to be borne by Interior residents?
- We would like to ensure that the intrastate gas consumers will have adequate representation in the planning and design phases of the process. I'm not sure if this would properly be delegated as the responsibility of the RCA, but some overview is justified to meet the concerns of intrastate gas consumers.

In conclusion, let me stress that we have not performed a thorough review of this bill, so we may have additional comments in the future. Overall, we are in favor of the intentions of the bill and the direction it is heading towards, but we have some concerns as addressed, so we currently are withholding our support of the bill in current form. However, we're optimistic an equitable solution is possible for all parties involved and look forward to resolving these issues.

**GOLDEN VALLEY ELECTRIC ASSOCIATION
FAIRBANKS ALASKA**

**WRITTEN COMMENTS IN SUPPORT OF VERBAL PRESENTATION
FEBRUARY, 2000 REGARDING HB 290**

Chairman and Committee members, I am Bradley Evans and I represent Golden Valley Electric Association and its member owners.

Golden Valley represents and has a high duty to serve approximately 37,000 consumers who are potential users of the proposed pipeline through our cooperative association. As such, we have concern over the development of legislation, which governs the access, capacity allocations and charges for intrastate use of the pipeline.

At this time our concerns are:

- **The procedures used for allocation of capacity and access to the line;**
- **The methodology for rate design; specifically we support an approach based on cost causer cost payer over a postage stamp rate design;**
- **We desire some representation in reviewing the design of the line such that intrastate users needs, current and future are adequately and fairly satisfied;**
- **The RCA's jurisdiction should include issues and information on interstate matters if they impact the rate, access, allocation or use by intrastate users of the pipeline;**
- **Because of limited time to prepare for this meeting we ask for another opportunity to provide input after studying the Pipeline Act and the impact(s) this may have on intrastate users;**
- **Intrastate users appear to be disadvantaged having to nominate capacity and negotiate contracts for gas before knowing what transportation costs will be added. Golden Valley is price sensitive to gas conversion in Fairbanks area generation. Existing fuel and purchase power contracts have economic value to our customers which caps our flexibility in switching fuel sources. In essence, we have to know the total price before nominating the desired capacity and;**
- **We have not had adequate time to research the issue of a gas line and our participation in its use. In light of direction of the current language**

Golden Valley requires additional time to study this matter to protect the interest of our consumer-owners.

In summary, Golden Valley supports the efforts required to successfully construct a gas pipeline that fairly serves Alaska residents and consumers while at the same time facilitating the necessary export of gas. In its current form, we do not believe this Bill adequately addresses intrastate user concerns and in some instances may impede or unfairly burden Alaskan consumers when using the pipeline. To the extent this Bill can be modified to satisfy our concerns, Golden Valley would commit its full support to the passage of the bill and construction of the gas pipeline. .

House Bill 290
Comments of Roger Marks
State of Alaska Department of Revenue
February 10, 2000

Last week the administration stated four concerns about this bill:

1. The problem of pre-committing to secure pipeline capacity without knowing the cost.
2. The allocation of capacity between in-state and export use in the event of shortages or excesses of capacity.
3. Exclusion of the marine terminal from the Right-of-Way Leasing Act.
4. Jurisdictional issue of whether the pipeline belongs in the Public Utilities Act or the Pipeline Act.

While we continue to support the basic intent of the bill, and while our concerns about the first three issues have not abated, our thinking over the past week has focused on the last issue. It is difficult to deal with the other issues with their jurisdictional context undefined.

The bill puts the pipeline under the regulatory jurisdiction of AS 42.06, the Pipeline Act. Here are the concerns we have:

The Pipeline Act may only have applicability to common carrier pipelines. However, as we understand the bill, the pipeline may not be operating under what we understand a common carrier to be.

A common carrier pipeline must carry gas that is tendered to it by all prospective gas shippers. If the tendered shipments exceed the available capacity of a common carrier line, then the common carrier must pro-rate on an equal basis the tendered gas. This could potentially mean that in-state utilities that have committed to use a certain amount of capacity on the gas line could have some of their gas "pro-rated" or bumped off the line when a new shipper comes on line.

A common carrier requirement is ill-suited for gas pipelines because utilities, especially home heating utilities, must have assurance that their gas will not be pro-rated by a new gas shipper. Moreover, natural gas is very difficult to store (unlike crude oil) so it is very difficult for utilities to react to a sudden pro-ration of gas shipments.

Therefore today, gas pipelines are typically *contract* carriers where utilities are assured a certain amount of the gas pipeline's capacity.

However, as HB 290 is structured, where the pipeline may function as a common carrier insofar as the pre-construction commitment is concerned, the expansion provisions may be troublesome. As we understand HB 290, if a party wants additional capacity after the pipeline is operational, but none is available, it could only procure the capacity after

requesting construction of additional capacity, and waiting for the time consuming process of the construction.

For example, suppose Fairbanks and Valdez were to pre-commit for 10 and 5 cubic feet of gas, respectively, for a total of 15 cubic feet of gas of capacity in the pipeline. And then suppose after the pipeline is operational, Anchorage wants 85 cubic feet of gas, for a total of 100 cubic feet of demand. But, there is only 15 cubic feet of capacity for in-state use. If this were truly a common carrier, Anchorage would get 85 percent of the 15 cubic feet, and Fairbanks and Valdez would be drastically scaled down. However, under the bill, Anchorage would have to request and await construction of additional capacity for its needs.

While we believe this would make sense, we also believe this may not constitute a "common carrier" as the term has been used in case law. This could create ambiguities, which would decrease certainty rather than enhance it.

Again, we continue to support the basic intent of the bill. However, this pipeline is very different from anything we have ever seen in the state, and the existing body of law has not addressed anything like it. It is difficult to know for sure how laws that were written for something else will apply to it. We will continue to analyze the bill. I am available to answer questions, along with Nan Thompson, Chair of the Regulatory Commission of Alaska, and Michael Barnhill, Assistant Attorney General with the Department of Law.

Comments of Roger Marks

State of Alaska Department of Revenue

House Bill 290

February 1, 2000

This represents a preliminary analysis by the administration, including the Departments of Law, Revenue, and Natural Resources, the Regulatory Commission of Alaska, and the State Pipeline Coordinator's Office.

In-state use of gas would be a very valuable benefit of an Alaska North Slope liquefied natural gas (LNG) project. However, if the gas is commercialized most of the volume will be for export. And the financing of this multi-billion dollar project will require establishment of long term contracts with buyers. A set amount of pipeline capacity will need to be reserved for contractual obligations.

At the same time the economics of the proposed export projects appear to be financially marginal. They could not afford to take North Slope gas to market if they have to bear the cost of pre-investing to provide substantial excess capacity if there were a risk the capacity would not be used. To do so

could affect the economics such that there would be no project, and no one would get gas.

Whereas it is straightforward to arrange for pipeline capacity and gas supplies for intrastate use before construction starts, attaining pipeline capacity after operation begins may be difficult and expensive.

Consequently, the question of how to allocate space and gas needs to be addressed before the line is built.

What this bill does is provide a possible way to reduce the potential gas supply risks perceived by the foreign market, facilitating the marketing of the gas, while providing a mechanism for communities to procure gas. The administration supports this broad intent.

This said, the bill raises complex issues that could have significant long-term impacts. Some of these issues include:

- 1) Local jurisdictions committing in advance to secure pipeline capacity without knowing what the cost will be, especially if the gas purchase contracts are also not in place. (There may be, however,

mechanisms available to reduce risks to buyers without unduly harming the pipeline sponsors.)

2) Allocation of capacity between intrastate and export use in the event of shortages or excesses of capacity.

3) Exclusion of the pipeline from the Alaska Public Utilities Regulatory Act and subjection to the Pipeline Act. We are still analyzing the extent to which the differences between the two may be material.

4) Exclusion of marine terminal facilities from the Right-of-Way-Leasing Act. This may affect the ability of the State to lease State land for such facilities and to oversee land management. It could also affect intrastate shipments of LNG should they be desired.

Thus we are not yet sufficiently comfortable with the measures in HB 290 to endorse them at this time. The multi-agency team will continue to analyze the bill and provide recommendations to the legislature.

To: Lori Backes
House Special Committee on Oil and Gas

From: Roger Marks
Petroleum Economist
Department of Revenue

Date: 1/26/00

Re: HB 290

Background

If North Slope gas is commercialized most of the volume will be for export. The expenditure of billions of dollars for a liquefied natural gas (LNG) project, including the conditioning plant, pipeline, liquefaction plant, and ships, will require the establishment of long-term contracts with buyers. A set amount of gas would need to be used for the contractual obligations, and a fixed amount of pipeline capacity will need to be reserved to carry it. At the same time, communities along the pipeline route may be interested in procuring gas supplies for local residential, commercial, and industrial use.

Whereas it is straightforward to arrange for pipeline capacity and gas supplies for intrastate use before construction starts, attaining pipeline capacity after operation begins may be difficult and expensive. Consequently, the question of how to allocate space and gas once the LNG infrastructure is in place needs to be addressed before the line is built.

Analysis

The certainty provided by the bill may reduce potential gas supply risks perceived by the foreign gas market, and may facilitate marketing of the gas. This said, the bill raises complex issues that could have significant long-term impacts. Some of these issues include:

- Local jurisdictions committing in advance to buying gas without known prices.
- Pricing of gas that results from costly capacity expansion.
- Allocation of gas volumes or capacity between intrastate and export use in the event of shortages or excesses of capacity or gas supply.
- Exclusion of the pipeline from the Alaska Public Utilities Regulatory Act.
- Exclusion of marine terminal facilities from the Right-of-Way-Leasing Act.

Findings

This bill attempts to add certainty to the regulatory environment surrounding intrastate use of gas from a potential North Slope natural gas pipeline. The administration has supported this goal since 1997 when Dr. Pedro Van Meurs identified these issues as

potential concerns for LNG project sponsors. However, we are not yet sufficiently comfortable with the measures in HB 290 to endorse them at this time.

A multi-agency team the Departments of Revenue, Natural Resources, and Law, the Regulatory Commission of Alaska, and the State Pipeline Coordinator's Office will continue to analyze HB 290 and provide recommendations to the legislature.

COMMENTS ON STRANDED GAS PIPELINE BILL
REGULATORY COMMISSION OF ALASKA
G. NANETTE THOMPSON, CHAIR

1. The RCA has no objection to the limitation of its jurisdiction to the intrastate portion of the pipeline. That is true now as a matter of law.
2. Agree that minimizing regulatory uncertainty is important goal. As currently drafted, the bill may not achieve that goal because it creates a hybrid regulatory regime that is somewhere between a common carrier and a utility. Any ambiguity in the regulatory regime would make litigation more likely.
 - Common Carrier pipelines are required to take all product offered, and allocate pro-rata amongst shippers if the demand exceeds the available capacity. Regulators can require capacity expansion under some circumstances, but the costs would be recoverable in tariffed rates.
 - Utilities' capacity is allocated by the RCA according to a public interest standard. Utilities are allowed to recover the cost of increasing capacity from ratepayers under tariffs approved by the RCA. Expansion costs are allocated between the new user and entire system based on who benefits from the expansion.
 - This bill creates a hybrid. The stranded gas pipeline would not be a utility (section 2), but it would also not be a traditional common carrier. The bill replaces the traditional common carrier pro-rata allocation scheme with a new standard. The finding the RCA must make to require capacity expansion- no "undue financial burden" is ambiguous. Ambiguity breeds litigation. Litigation breeds uncertainty and delay in a business environment.

The RCA could regulate the intrastate portion of this project as either a common carrier pipeline or a utility, but the hybrid described in the current draft of the bill is problematic. Alternatively, the legislature could define a new regulatory scheme under a new section of title 42.

3. The bill may unintentionally exclude many intrastate users. Most of the small communities/users along the line will not be able to project need that far in the future and commit to pay costs that have not been defined. The current bill draft requires intrastate users to bid like exporters.
 - The legislature could decide to dedicate a fixed percentage of the pipeline to intrastate uses and require the RCA to allocate that capacity as a utility (public interest concerns), common carrier (pro-rata according to demand) or according to a new regulatory scheme that it defines.
 - The bill could allow unused intrastate capacity to be offered to the exporters.

- The bill could define the circumstances under which the fixed percentage could be modified in the future.

Comments of Daniel M. Dieckgraeff

ENSTAR Natural Gas Company

House Bill 290

February 10, 2000

Mr. Chairman and members of the committee, my name is Daniel Dieckgraeff. I am the Vice President of Finance and Rates for ENSTAR Natural Gas Company in Anchorage. ENSTAR serves over 102,000 customers in South Central Alaska, providing the natural gas that keeps half of the state's population warm.

ENSTAR understands the purpose of HB 290 and we do not object to the overall concept. We can appreciate the sponsor group's desire and need for predictability, especially for the high volume export facility that is planned. We are very supportive of efforts to bring North Slope gas near the State's population centers.

Everyone who has looked at the Cook Inlet knows that gas reserves are declining. The huge fields that we have been living on were all discovered by 1965. Gas discoveries in Cook Inlet in the last 30 years have totaled to less than one year's Cook Inlet production. ENSTAR and the other users of gas know that they need to begin to look at other areas like the North Slope to meet future gas needs.

With respect to HB 290, ENSTAR does have some concerns.

As the bill is currently drafted, it is unlikely that there will be much utility use of the North Slope gas.

Why? In its current form, the bill would require intrastate buyers to commit to take or pay contracts for gas well in advance of the construction of the pipeline. Local utilities

will be unable to commit themselves that far ahead, as they will not know when they will be able to take the gas, nor at what cost.

When the pipeline shows up, ENSTAR and the other utilities utilizing gas can't change from totally relying upon Cook Inlet gas to totally relying upon North Slope gas. We will have to blend-in the change over time and that too poses problems with the type of contracting mandated by the Bill.

Total utility instate gas usage would be a small portion of the total projected gas pipeline throughput. Currently, 60 to 65 billion cubic feet a year of gas is used by utilities in the entire state. The vast majority of that from Cook Inlet production. Demand in Fairbanks and other pipeline route communities could add another 10 to 15 Bcf in demand for a total of 85Bcf per year. That is about 10% of the 2 Bcf per day line that is being discussed by the Sponsor group and about 5% of the 4 Bcf per day line that is being discussed by the Port Authority group.

The pipeline should be designed and this bill should be revised to accommodate those volumes. Alaskan residents should have reasonable access to their gas resource.

ENSTAR sees three primary uses of the gas that comes off the North Slope:

1. The "big export project", more than likely an LNG export facility
2. A large instate project, like an iron ore reduction plant or a chemical plant
3. Instate utility use of gas

The bill provisions appropriately address the big project uses, but not utility use. The bill's provisions lump the instate utilities and large instate projects together. They are very dissimilar.

The LNG project and a large instate project will be sized for their markets. After a normal ramp-up period, usage will remain quite constant.

ENSTAR urges the committee to revise the bill so that there is open access for local utility use. North Slope gas should be available to heat Alaskan homes on reasonable terms. Utility use would be about 5 - 10% of capacity. That amount should not cause economic problems with a pipeline project.

Mr. Chairman, ENSTAR would like to thank you and the Committee for this opportunity to express our views on HB 290. I would be happy to address any questions at this time, or later at your convenience.

**ANS LNG Sponsor Group – HB-290 Testimony
House Oil and Gas Committee
1/27/2000**

Mr. Chairman, members of the committee, for the record, my name is Michael Hurley. I work for ARCO Alaska, Inc in the ANS Gas Commercialization Group in Anchorage, and am currently assigned to manage the commercial regulatory efforts for the Alaska North Slope LNG Sponsor Group.

I am here today to express the sponsor group's support for HB-290. The sponsor group, as Steve Alleman testified to you two weeks ago, has been actively pursuing development of an LNG export project; including the development of a commercial regulatory regime which will provide the regulatory certainty our long term customers require, while at the same time, meeting the needs of the state and federal regulators for adequate access and commercial oversight. HB-290, we believe, strikes that balance, providing the Regulatory Commission of Alaska, clear and unambiguous oversight of intrastate gas transportation.

Section 1 of the bill clarifies the current Right of Way Leasing Act common carriage requirement to apply only to intrastate gas shipments.

The second and third sections of the bill clarify that a stranded gas pipeline system's intrastate shipments would be regulated under the Pipeline Act (AS 42.06), rather than under the Utilities Act (AS 42.05).

In section 4, a new subsection is added to the Pipeline Act creating procedures, within RCA's existing pipeline certification process, for determining the amount of pipeline capacity which should initially be set aside for intrastate transportation.

That process sets out distinct criteria for capacity for Local Distribution Companies (LDCs) which must submit their gas purchase contracts to the RCA under current regulations, and for industrial gas users who must provide written commitments to transport intrastate

gas volumes, supported by take or pay purchase commitments with stranded gas producers.

Likewise, in section 5 of the bill, expansions of a stranded gas pipeline may be ordered by the Commission only if such requests for additional intrastate capacity are supported by firm contractual commitments.

Section 6 allows the RCA to consider allowing a reservation or similar charge for firm intrastate transportation in the intrastate tariff.

Finally, section 7 of the bill adds several definitions of terms referred to in other sections of the bill, in an effort to increase the clarity and understanding of the other sections.

Mr. Chairman, thank you for this opportunity to express our support for HB-290, and if you or any members of the committee have any questions, I'd be happy to address those at this time, or at your convenience.

ALASKA NORTH SLOPE LNG PROJECT

700 G Street, PO Box 100360, Anchorage, AK 99510-0360, Phone: (907) 265-6157, Fax: (907) 265-6838

January 20, 2000

Representative Jim Whitaker, Chair
Alaska State Legislature
House Special Committee on Oil & Gas
State Capitol, Room 13
Juneau, Alaska 99801-1182

Dear Mr. Chairman,

Thank you for the opportunity to meet with you and the members of the Alaska House Special Committee on Oil and Gas last Thursday, January 13th. I appreciated the interest expressed and questions raised by you and your committee regarding the ongoing efforts of the Alaska North Slope LNG Project toward commercializing North Slope gas.

In response to the question posed during that meeting by Representative Kemplen concerning instate gas demand. Based in large part on a previous study of Daniel H. Zorbrist of anticipated instate demand for Fairbanks, Glennallen, and Valdez and upon completion of estimated market penetration, total gas demand including power generation and space heating is roughly estimated to be about 25 Bcf/year (or ~0.07Bcf/day). Using an example North Slope gas pipeline throughput of 1.4 to 1.6 Bcf per day that would be around 4-5% of pipeline throughput. According to the U.S. Department of Energy, gas demand for South Central Alaska could be as high as 260 Bcf/year (0.71 Bcf/day) with sufficient Cook Inlet gas resources to supply that need through at least 2009.

Much of South Central Alaska gas supplies are currently covered by long term, in-state gas contracts. While Fairbanks, Glennallen and Valdez volumes are not currently subject to existing gas supply contracts, they are subject to the development of a local distribution system and the fuel switching capabilities (physical and contractual) of the residential and power generation customers.

Finally, if I may, I'd like to take this opportunity to further clarify my response to Representative Green's question during my testimony relating to common carriage access to the system.

The question (paraphrased) was: If some company exploring for oil or gas in Alaska found a new huge gas field, 1) would they have to build their own pipeline, or 2) would our pipeline be a common carrier?

As further clarification regarding 1) building a separate pipeline, no, they wouldn't necessarily have to build their own pipeline. Our system would be expandable and we would be motivated to increase volumes for our system to help reduce the unit costs for all shippers on our system and would have an incentive to entice more gas through this system.

Regarding common carriage, 2) our system, at least for the export volumes would not be a common carrier. We would have common carriage for intrastate volumes, but the export volumes would be transported by contract carriage, under regulation by the Department of Energy. This would not limit access to our system, but would change the form by which others would gain access. Under the proposed contract carriage regime for exports, when we expanded our system, we would hold an open season for access to that increased capacity. This would satisfy the existing federal and state requirements for a non-discriminatory access process.

These questions and others can be more fully explored in testimony surrounding HB290 as the legislative process unfolds, but I wanted to further clarify my response of January 13, 2000.

Thank you again for the invitation to share our progress with you and your committee last week.

Sincerely,



Steve Alleman
Commercial Manager
907-265-6853

cc to Representatives:

Tom Brice
Fred Dyson
Joe Green
John Harris
Allen Kemplen
Gail Phillips
Brian Porter

* "The Potential In-State Demand for Alaska North Slope Gas", Daniel H. Zornbrist, Petroleum Economist, Division of Oil and Gas, Department of Natural Resources, October 1, 1997.

** DOE/MB Opinion and order no. 1473, April 2, 1999



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February 21, 2000

TO: All Members, House Resources Committee

FR: Ross Coen

RE: House Bill 290

Dear Members of the House Resources Committee,

I am writing with regard to House Bill 290 in order to call your attention to what my organization believes to be a minor and altogether fixable fault in the bill. The Alaska Forum for Environmental Responsibility is a statewide, non-profit group that seeks to hold both government and industry accountable to the laws designed to safeguard Alaska's environment.

In Section 7, Paragraph 16 of HB 290, the definition for "stranded gas pipeline" specifically excludes "marine terminal facilities...including pollution control equipment[.]" I believe that this passage means the following: if this bill passes in its current form and the proposed natural gas pipeline is built by the ANS Sponsor Group then the marine terminal and spill response activities would be exempt from any regulation or oversight by the coordinated state agencies in the Joint Pipeline Office.

One could argue that this minor language in only one House Bill could not possibly grant such a monumental exemption, but it appears nevertheless to set a dangerous precedent as to what the state may regulate and what it may not. You might call it the proverbial first step down that slippery slope.

It is my understanding that the proponents of HB 290 have argued for this exemption because (1) by excluding the marine terminal you would decrease the gas' transportation costs, thereby increasing state revenue; and (2) the Joint Pipeline Office is charged with regulating only pipelines, not facilities. Both points are fallacious.

First, Roger Marks with the Department of Revenue has testified that the state may include regulatory authority on marine terminal oversight while not affecting the transportation costs of the gas. Second, both Bill Britt, the State Pipeline Coordinator, and Mike Barnhill with the Attorney General's office have testified that the state's regulatory authority is expressly defined as to include both pipelines and facilities. A claim to the contrary is not only erroneous, but ignores the more than 25-year history of the Valdez Marine Terminal.

I respectfully request that the House Resources Committee amend HB 290 to remove this exemption found in Section 7, Paragraph 16. Careful oversight of not only the gas pipeline but of all related facilities is necessary to ensure the safe operation of this industry so vital to Alaska's economic future.

Thank you,

A handwritten signature in black ink, appearing to be "Ross Coen".

Ross Coen



CHUGACH ELECTRIC

ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

February 16, 2000

Representative Jim Whitaker
State Capitol RM 13
MS: 3100
Juneau, Alaska 99801-1182

Dear Representative Whitaker:

Thank you for soliciting our comments on HB 290. At this time, Chugach Electric Association, Inc. (Chugach) has the following comments.

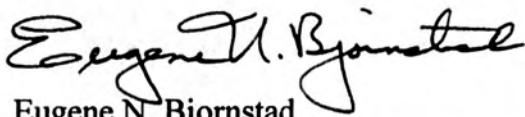
- Chugach supports efforts to develop sources of natural gas within Alaska and particularly within Southcentral Alaska. Certainly a pipeline to access stranded gas assets are a way to accomplish this important objective.
- Chugach expects that any participant that is capable of making a credible commitment to purchase capacity in such a line will deal directly with the builders of the line before the final commitment is made to construct the pipeline.
- Chugach supports efforts to ensure that as a condition of being allowed to build the line, the owners must allow in-state users to commit to purchase capacity in the line on a fair and non-discriminatory basis.
- The certificate of public convenience and necessity approval by the Regulatory Commission under HB 290 is made contingent on a process of notifying and offering access to the pipeline to in-state users. Chugach is presently unpersuaded of the need to establish regulatory oversight of this pipeline. Before creating this additional regulatory review and approval function, the specific anticipated benefits of the added layer of regulation should be clearly and specifically articulated and balanced against the detriments which include delay and the potential for obstruction of beneficial business ventures.

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- Chugach does not agree with the requirement for take-or-pay contracts for utilities well in advance of pipeline construction, rather Chugach supports the concept of some portion of the line being reserved for in-state utilities for some period of time after the line is built.

Chugach will continue to follow this legislation as it is a matter of interest to us.

Sincerely,

A handwritten signature in cursive script, reading "Eugene N. Bjornstad".

Eugene N. Bjornstad
General Manager