

SCOMM

128:29

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____

Bill Version: HB 410

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: Revenue

Title Alaska Natural Gas

BRU Administration & Support

Development Authority

Component Commissioner's Office

Sponsor House Oil & Gas Committee

Requester House Oil & Gas Committee

Component No. 123

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	**	**	**	**	**	**
CAPITAL EXPENDITURES	**	**	**	**	**	**
CHANGE IN REVENUES ()						

FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached pages for bill analysis and explanation of operating/capital costs for the new public authority.

Prepared by: Larry Persily, Deputy Commissioner

Division Department of Revenue

Approved by: Wilson Condon, Commissioner

Agency Department of Revenue

Phone 465-5469

Date/Time 3/13/02 12:48 PM

Date 3/13/2002

HB 410 - Department of Revenue Fiscal Note

PURPOSE OF LEGISLATION

This bill establishes within state government the Alaska Natural Gas Development Authority. The sole purpose of this public corporation would be to engage in one or more of the following activities to bring North Slope natural gas to tidewater at Valdez for export as liquefied natural gas (LNG), with a natural gas pipeline spur from Glennallen to the Southcentral distribution grid:

1. Acquire and condition North Slope natural gas.
2. Design and construct the pipeline.
3. Operate and maintain the pipeline.
4. Design, construct and operate other facilities necessary for delivering the gas to market and to Southcentral.
5. Acquire natural gas market share sufficient to ensure the long-term feasibility of the project.

EFFECT ON BALLOT INITIATIVE

This legislation very closely follows the All-Alaskan Gasline Initiative and, as such, in our opinion, if it is adopted into law this year would result in the lieutenant governor's office removing the All-Alaskan Gasline Initiative from the November 2002 statewide ballot.

DEVELOPMENT COSTS

We have focussed in this fiscal analysis on the up-front costs of planning, designing and constructing the project. We have not estimated annual operating costs for the project.

First, it is important to point out there are no guarantees that this bill will result in a successful project and, under this legislation, the state would be exposed to taking commercial risks that no private firm has yet been willing to assume.

Furthermore, this project could have the effect of displacing a similar private project. Although nothing in this legislation would preclude private developers from proceeding with a separate natural gas project, a state-directed project could dissuade others from undertaking their own effort to commercialize Alaska's North Slope natural gas reserves.

In developing this fiscal note, we did not consider any of the opportunity costs, such as foregone tax revenue (this bill exempts the authority's pipeline from property taxes, whereas a privately built project would not be exempt from property taxes and would pay corporate income taxes).

For purposes of preparing this fiscal note, we estimated the total cost of the project at \$16 billion, including: the gas conditioning plant on the North Slope; the main pipeline to Valdez, Southcentral spur and compressor stations; and a liquefaction plant and marine terminal at Valdez (but excluding LNG tankers). This cost estimate may be at the upper end of projections, but we believe the state should prepare for the high end rather than hope for the low end.

HB 410 - Department of Revenue Fiscal Note

We estimate mobilization and construction would take four years. The estimated cost for acquiring existing permits and engineering, negotiating gas purchase and LNG sales contracts is assumed at \$250 million, spread over two years. These rough estimates also include the cost of operating the Alaska Natural Gas Development Authority, most of which would be contractual costs for consultants and companies with the expertise needed for such a project.

For purposes of the fiscal note, we show the cost to the state for 100% ownership in the project and also the cost if the state holds a 12.5% equity stake. It is possible the state might want to limit its equity investment in the project in order to conserve its limited cash. The terms of any private investments, the risks to other investors and the rewards they might expect cover a wide range of options. We also believe the state would be required to put up 100% of the initial permitting, design and engineering costs in the first year and 50% in the second year before it could attract a partner or partners to share in the actual construction costs.

Year	Cash needs at 100%	Cash needs at 12.5%
One	\$100 million	\$100 million (assumes 100% state funding)
Two	\$150 million	\$75 million (assumes 50% state funding)
Three	\$4 billion	\$500 million
Four	\$4 billion	\$500 million
Five	\$4 billion	\$500 million
Six	\$4 billion	\$500 million

Although this legislation authorizes the Natural Gas Development Authority to issue revenue anticipation notes — presumably to raise the capital for construction of the project without drawing on state funds — it is unrealistic to expect that the authority could borrow any money or obtain any financing until such time that it had permits and a design for the project and signed contracts in hand to buy gas from North Slope producers and sell LNG to customers.

REVENUE

The department believes the provision in this legislation — that the project will be in full production in 2007 — is, at best, overly optimistic by at least one year. We believe it is not possible, assuming this measure were to pass this session, to plan and design and obtain all the necessary permits and specialized equipment and materials and construct the project in 5½ years. Therefore, we have not included any estimate of state revenues in this fiscal note, which extends only to Fiscal 2008. Estimates are extremely difficult to prepare because they depend on the unknown factors of construction costs, purchase price of the gas and market price to sell the gas.

We also believe it is likely there would never be any revenue to the state from this project because Alaska LNG cannot compete in either the Asian or California market. There is too much other gas elsewhere in the world that can be delivered into both markets at a lower cost than Alaska LNG.

HB 410 - Department of Revenue Fiscal Note

The Department of Revenue also wants to point out that any Alaska LNG project would have to overcome several competitive factors to succeed in the marketplace:

- Gas has much lower energy density than oil. To transport it chews up a lot of value. This puts Alaska at a disadvantage to other projects worldwide that do not need 800 miles of pipe to tidewater. The line puts Alaska at a \$2/mcf disadvantage at 1 to 2 bcf/d, and \$1.50 at 4 bcf/d. In addition, conditioning to remove high CO2 levels of North Slope gas is about \$0.30/mcf.
- To reduce the per-unit transportation cost requires a big project, and a big project means big risk. Financiers would prefer fifteen \$1 billion dollar projects to one \$15 billion project. Smaller projects are more adaptable, and can be stopped more easily if things go wrong.
- Current demand for LNG in Asia is about 70 million tons per year (mta). If it were to grow very robustly, at 5% per year for 10 years, demand would be 114 mta in 2010. This is an increase of 44 mta. Current gas projects and easy expansions of existing gas projects could supply 24 mta of this demand. Thus only about 20 mta (3 bcf/d) would be uncontracted. Even at 1 bcf/d (7 mta), Alaska would have to capture one-third of the available market.
- Gas reserves elsewhere around the Pacific Rim are 20 times greater than the volume of North Slope reserves. These reserves are at tidewater and do not need an expensive pipeline. Considering just the easily developed reserves, there will be the potential of more than 200 mta of supply chasing 20 mta of demand.
- LNG shipping costs have come down drastically in recent years: 50% in the past 10 years, due to the proliferation of new shipyards and competition. Accordingly, the maritime shipping distance from market is less important than it used to be. Thus, Alaska's distance advantage relative to Mideast gas suppliers to Asia is no longer as significant.
- Where pricing in Asia used to be tied to oil prices, which resulted in high prices in periods of high oil prices and low prices in periods of low oil prices, the power and utility industries in Japan are becoming deregulated. Thus the utilities will be competing to buy gas at the lowest possible price. With the oversupply of gas looking at the market, there is a sufficient possibility that prices will revert to their marginal costs — and Alaska gas will be the highest marginal cost gas in Asia.
- Alaska LNG could be shipped to the U.S. West Coast instead of or in addition to Asian markets. However, the department estimates it would cost more than \$4/mcf to bring gas from the North Slope to the U.S. West Coast, exceeding the long-term price forecast of \$3 to \$3.50 and exceeding estimates for the cost of imported LNG into the region. This \$4/mcf estimate is based on a \$14 billion, 4 bcf/day project.

Page 5 of 5

HB 410 - Department of Revenue Fiscal Note

- Finally, our analysis of development costs show that moving Alaska natural gas by pipeline to California would be cheaper by more than \$1/mcf than moving it to Valdez, liquefying it, shipping it by tanker and regassifying it in Baja, Mexico or Southern California for distribution.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 410
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Law
Title "An Act establishing the Alaska Natural Gas BRU Civil Division
Development Authority, a public corporation, and . . ." Component Oil, Gas, and Mining
Sponsor House Special Committee on Oil and Gas
Requester House Special Committee on Oil and Gas Component No. 2091

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	116.5	116.5	116.5	116.5	116.5	349.5
Travel	0.2	0.2	0.2	0.2	0.2	0.6
Contractual	22.2	22.2	22.2	22.2	22.2	66.6
Supplies	2.0	2.0	2.0	2.0	2.0	6.0
Equipment	6.5					13.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	147.4	140.9	140.9	140.9	140.9	435.7

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Receipts	147.4	140.9	140.9	140.9	140.9	435.7
TOTAL	147.4	140.9	140.9	140.9	140.9	435.7

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: ☐

POSITIONS

Full-time	1	1	1	1	1	3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 410 establishes the Alaska Natural Gas Development Authority (ANGDA) as a public corporation charged with developing, constructing, managing, and operating a natural gas pipeline from the North Slope of Alaska to tidewater and a spur line to Southcentral Alaska natural gas distribution grid. The attorney general will serve as general counsel for the authority.

The Department of Law believes that the services of one FTE attorney will be required to represent the ANGDA during the development phase of the pipeline(s). Once pipeline operations commence, additional legal services will be required. The Alaska Railroad Corporation employs three FTE attorneys, and we assume the ANGDA would require a similar level of legal services. The bill requires the pipeline be in full production by 2007, and we have added the additional positions in FY 2008 for the purposes of this fiscal note.

Prepared by: Joan M. Kasson
Division: Attorney General's Office
Approved by: Kathryn Daughhetee for Bruce M. Botelho, Attorney General
Agency: Department of Law

Phone (907) 465-5370
Date/Time 3/14/02 3:56 PM
Date 3/14/2002

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

BILL NO. HB 410

ANALYSIS CONTINUATION

HB 410 requires that the ANGDA be self-supporting, with its revenues identified as the source of its operating budget. We assume that Department of Law's financial relationship with the authority will be similar to the other self-supporting public corporations we represent, and that the authority will pay for its legal services through a reimbursable services agreement. Therefore, the fund source is identified as interagency receipts.

Costs are based on the department's FY03 approved cost allocation plan, and include clerical support, communications, space, supplies, data processing, and other normal overhead expenses. One-time equipment costs are not included in the rate, and are added separately in FY 2003 and 2008.

LEGAL SERVICES

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

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

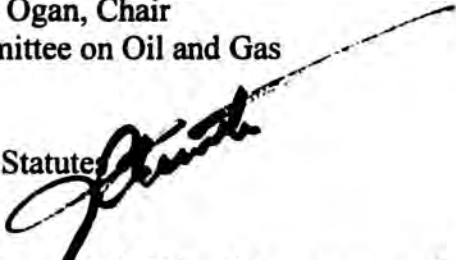
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 13, 2002

SUBJECT: House Bill 410 -- Sectional analysis
(Work Order No. 22-LS1459\A)

TO: Representative Scott Ogan, Chair
House Special Committee on Oil and Gas

FROM: Jack Chenoweth
Assistant Revisor of Statutes 

The measure substantially replicates Initiative 01GSLN.¹ The sponsors of the initiative provided this summary of its contents:

This bill would create the Alaska Natural Gas Development Authority (Authority) as a public corporation of the State. The Authority would acquire and condition North Slope natural gas, and construct a pipeline to transport the gas. The Authority's powers would include buying property or taking it by eminent domain, and to issue state tax-exempt revenue bonds. The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid. The Authority would operate and maintain the gas pipeline, ship the gas, and market the gas.

House Bill 410 follows the content of the initiative in all material respects.²

Bill section 1, an uncodified provision, sets out a set of findings and intent for the bill.

Bill section 2 adds a new chapter, AS 41.41. Within the new chapter are separate articles establishing the Alaska Natural Gas Development Authority as a public corporation of

¹ On Tuesday, Lieutenant Governor Ulmer certified the petition for this initiative as properly filed, thereby scheduling it for inclusion on the November general election ballot.

² My February 8 memo to you that accompanied the first draft of the work order notes that I modified language in the initiative relating to construction contract provisions under article 5 of AS 41.41, added by bill section 2, and omitted from the language of the initiative that board members of the new authority be confirmed by the legislature as violative of the limitation on legislative confirmation discussed in *Bradner v. Hammond*, 553 P.2d 1 (Alaska 1976).

the state, including provisions applicable to a board of directors, staff, and other basic operational requirements (article 1), defining the authority's powers (article 2), boilerplate provisions empowering the authority's issuance of its bonds, notes, and other evidence of indebtedness for its purposes (article 3), setting out the basis for the authority's acquisition of property that it considers "necessary or convenient for the financing of the [gas transmission] project or a part of the project" (article 4), prescribing certain project construction requirements (article 5), and setting out a tax exemption and definitions for terms used in the bill (article 6). The section catchlines summarize the content of the related provisions.

The critical provision for the measure, as for the initiative, is its definition of the "project" for which the Authority is established. Under proposed AS 41.41.990(3):

"project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to tidewater at a point on Prince William Sound, and a spur line from Glennallen to the Southcentral gas distribution grid, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a).

The scope of the project envisioned by the initiative and by this measure does not contemplate the pipeline now under consideration that tracks the Trans Alaska oil pipeline project to the Interior with a connection, following the Alaska Highway, to the North American natural gas grid in northern Alberta. In addition, because the "project" contemplates "operation and maintenance of the pipeline system [AS 41.41.010(a)(3)]," the measure, like the initiative, empowers the Authority to "acquire natural gas supplies," but whether that acquisition occurs in any manner apart from acquisition by purchase in the market is, at best, uncertain under both the initiative and the measure.

Bill section 3 adds the members of the board of directors and the employees of the proposed Alaska Natural Gas Development Authority to the exempt service under the State Personnel Act (AS 39.25).

Bill section 4 adds the members of the board of directors and the Authority's chief executive officer to the list of persons covered by the chapter (AS 39.50) requiring financial disclosures by public officials.

Bill section 5, an uncodified provision, adds a requirement that the board of directors initiate and complete preparation of a development plan for the proposed Alaska natural gas pipeline project.

Bill section 6, another uncodified provision, sets out staggered terms for the persons first appointed to the board of directors of the Authority.

LEGAL SERVICES

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LEGISLATIVE AFFAIRS AGENCY
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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 8, 2002

SUBJECT: Draft bill that is "substantially the same" as Initiative 01GSLN, establishing the Alaska Natural Gas Development Authority. (Work Order No. 22-LS1459\A)

TO: Representative Scott Ogan, Chair
House Special Oil and Gas Committee

FROM: Jack Chenoweth
Assistant Revisor of Statutes



Per Linda Hay's request, the enclosed draft generally adheres to the provisions of the related initiative with these exceptions:

-- I did not carry forward from the initiative the language requiring that board members of the new authority be confirmed by the legislature. The authority is a public corporation; the members of boards of the state's public corporations are not subject to legislative confirmation under the rationale of *Bradner v. Hammond*, 553 P.2d 1 (Alaska 1976).

-- I modified language in AS 41.41.500, substituting for the terms "prehire" and "no-strike" substantially similar verbiage. I would only point out to you that the requirements, even as modified, may present constitutional arguments grounded on claims of equal protection violation. The shortcoming, if any, arises out of the initiative, not as a new provision of this bill.

I did not spend any great amount of time or effort trying to make certain that the substantive provisions of the draft bill are consistent with its stated findings and intent.

JBC:med
02-121.med

NOTICE OF CERTIFICATION OF BALLOT INITIATIVE
Initiative on Gas Pipeline Development Authority

Lieutenant Governor Ulmer certified on September 4, 2001, an application for an initiative petition entitled, "The All-Alaskan Gasline Initiative: An Act establishing the Alaska Natural Gas Development Authority, to maximize revenues for Alaska and jobs and gas for Alaskans".

The following is an impartial summary of the initiative included in the petition booklets and the proposed ballot language:

Initiative on Gas Pipeline Development Authority

This bill would create the Alaska Natural Gas Development Authority (Authority) as a public corporation of the State. The Authority would acquire and condition North Slope natural gas, and construct a pipeline to transport the gas. The Authority's powers would include buying property or taking it by eminent domain, and to issue state tax-exempt revenue bonds. The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid. The Authority would operate and maintain the gas pipeline, ship the gas, and market the gas.

Should this initiative become law?

Lieutenant Governor Ulmer certified the petition for this initiative as properly filed on March 12, 2002. The initiative will appear on the 2002 general election ballot (AS 15.45.150).

The Lieutenant Governor has determined that the petition complies with Alaska Statute 15.45.140 which requires that the petition be signed by 28,783 signatures from qualified voters, which equals ten percent of those who voted in the 2000 general election. Those voters must also reside in at least two-thirds (27) of the election districts in the state. A total of 28,982 signatures were verified.

If the Lieutenant Governor, in concurrence with the Attorney General, determines that the Alaska Legislature passes a law that is substantially the same as the proposed initiative, the petition will be void and not appear on the ballot (AS 15.45.210).

Under Alaska Statute 15.45.240, within 30 days of the date on which notice of this petition certification determination was given, any person "aggrieved by a determination made by the Lieutenant Governor" may bring action in the superior court to have the determination reviewed. The deadline for action is April 11, 2002. The deadline has passed for challenge of the Lieutenant Governor's earlier actions on this initiative.

Additional information, copies of the initiative, interpreter services, or other accommodations can be obtained by contacting the following:

Division of Elections - (907) 465-4611
www.gov.state.ak.us/lrgov/elections/

or

Office of the Lieutenant Governor - (907) 465-3520
www.gov.state.ak.us/lrgov/



Alaska Division of Elections

PETITION STATUS REPORT As of March 12, 2002

01GSLN - The All-Alaskan Gasline Initiative: An Act establishing the Alaska Natural Gas Development Authority, to maximize revenues for Alaska and jobs and gas for Alaskans:
Application was certified September 4, 2001. The petition was filed on January 11, 2002. Lieutenant Governor Ulmer certified the petition for this initiative as properly filed on March 12, 2002. The initiative will appear on the 2002 general election ballot (AS 15.45.150).

**"The All-Alaskan Gasline Initiative:
An Act establishing the Alaska Natural Gas Development Authority,
to maximize revenues for Alaska and jobs for Alaskans"**

01GSLN

AG's File Number: 663.02.0026

Primary Sponsors: Scott Heyworth; Tyrone Neel; Mike Macy

The petition application was received in the Lieutenant Governor's Office on August 1, 2001. A copy of the application and signatures were sent to the Department of Law and Division of Elections on August 1, 2001 for review and verification of signatures. The Division of Elections determined that there were a sufficient number of signatures on August 7, 2001. Legal review was received from the Department of Law on August 31, 2001. The application was certified by the Lt. Governor on September 4, 2001. The petition was filed on January 11, 2002. Lieutenant Governor Ulmer certified the petition for this initiative as properly filed on March 12, 2002. The initiative will appear on the 2002 general election ballot (AS 15.45.150).

Following is the petition booklets' summary language:

Initiative on Gas Pipeline Development Authority

This bill would create the Alaska Natural Gas Development Authority (Authority) as a public corporation of the State. The Authority would acquire and condition North Slope natural gas, and construct a pipeline to transport the gas. The Authority's powers would include buying property or taking it by eminent domain, and to issue state tax-exempt revenue bonds. The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid. The Authority would operate and maintain the gas pipeline, ship the gas, and market the gas.



Alaska Division of Elections

INITIATIVE PETITION BILL LANGUAGE by Petition Sponsors

Petition ID: 01GSLN

The All-Alaskan Gasline Initiative:

An Act establishing the Alaska Natural Gas Development Authority,
to maximize revenues for Alaska and jobs and gas for Alaskans

Posted 9/20/01

Proposed Bill:

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

* Section 1. The uncodified law of the State of Alaska is amended by adding a new section to read:

FINDINGS AND INTENT. (a) The people find that

1. The Phillips-Marathon liquefaction facility at Nikiski has been supplying Cook Inlet natural gas to Japan and Southcentral Alaska at great profit and without interruption since 1969;
2. Cook Inlet gas supplies are dwindling rapidly with shortfalls anticipated as early as the winter of 2003;
3. Alaska's North Slope contains vast proven reserves of natural gas that have been known for at least 25 years but have never been developed;
4. these gas resources have never been offered for sale, because there has been no way to transport them to market;
5. multiple markets in North America and Asia have recently expressed an interest in receiving a proposal from Alaska for the purchase of Alaska gas;
6. if developed, these natural gas resources could represent substantial economic benefits to Alaskans in jobs, state revenue, and gas for Alaska citizens and businesses;
7. the major North slope leaseholders have competing gas reserves in other parts of the world vying for the same markets, creating a conflict of interest for them in advancing the sales of Alaska gas;
8. the North slope Producers agreed in 1991 to strand North Slope gas until at least 2005;
9. given the producer's conflicts of interest and their historic refusal to make North Slope natural gas available it may be necessary to take the gas back;
10. the permits necessary for an Alaskan gasline project have been pledged to the Alaska Natural Gas Development Authority, operating as a port authority, to facilitate the development of the project;

11. there is sufficient gas for an all-Alaskan gasline project;
12. the Alaska Natural Gas Development Authority offers substantial tax benefits that improve the economics of a gasline project;
13. state ownership of the pipeline and associated facilities has the potential to provide substantial revenues to the state and the Alaska Permanent Fund; and
14. Alaska's constitution requires that Alaska's resources are developed, utilized, and conserved for the maximum benefit of Alaska's people.
15. an all-Alaska gasline maximizes jobs for Alaskans, revenues for the Alaskan treasury, and access to gas for Alaskans.

(b) It is the intent of this Act to create the All-Alaskan Natural Gas Development Authority for the purpose of developing, constructing, managing, and operating a gas pipeline from the North Slope of Alaska and a spur line to the Southcentral Alaska natural gas distribution grid.

*Sec. 2. AS 41 is amended by adding a new chapter to read:

**Chapter 41. Alaskan Natural Gas Development Authority.
Article 1. Establishment of the Authority.**

Sec. 41.41.010 Establishment of the authority. (a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

1. the acquisition and conditioning of North Slope natural gas;
2. the design and construction of the pipeline system;
3. the operation and maintenance of the pipeline system;
4. the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
5. the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

(b) The authority is a public corporation and an instrumentality of the state within the Department of Revenue.

(c) The authority has a legal existence independent of and separate from the state.

(d) The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state.

(e) The authority may not be terminated as long as it has bonds, notes, or other obligations outstanding.

Sec. 41.41.020. Authority governing body. (a) The authority shall be governed by a board of directors consisting of seven members from the general public appointed by the Governor and confirmed by the legislature.

(b) The board shall annually elect a chair, and may elect other officers, from among its members.

Sec. 41.41.030. Term of office. (a) The members of the board shall be appointed for terms of three years, and they may be reappointed.

(b) The terms of the members shall be staggered.

Sec. 41.41.040. Removal and vacancies. (a) The governor may remove a member of the board from office. A removal must be in writing and must state the reason for the removal. A member who is removed may not participate in board business and may not be counted for purposes of establishing a quorum after the member serves written notice of removal. A member who is removed is not entitled to honoraria, per diem, or travel expenses authorized under AS 41.41.060 for work performed after the member receives the written notice of removal.

(b) The governor shall promptly fill a vacancy on the board by appointment. An appointee to a vacancy shall hold office for the balance of the term for which the appointee's predecessor on the board was appointed.

(c) A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Sec. 41.41.050. Quorum and voting. Four members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board. Action may be taken only upon the affirmative vote of a majority of the full membership of the board.

Sec. 41.41.060. Compensation of board members; per diem and travel expenses. Members of the board are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 41.41.070. Authority staff. (a) The board may employ and determine the salary of a chief executive officer.

(b) The chief executive officer may, with the approval of the board, select and employ additional staff as necessary.

(c) An employee of the authority, including the chief executive officer, may not be a member of the board. The chief executive officer and the other employees of the board are in the exempt service under AS 39.25.110.

(d) In addition to its employees, the authority may contract for and engage the services of bond counsel, consultants, experts, and financial advisors the corporation considers necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings.

Sec. 41.41.080. Legal counsel. The attorney general

1. is the legal counsel for the authority;
2. shall advise the authority in legal matters; and
3. shall represent the authority in legal actions.

Sec. 41.41.090. Conflicts of interest. (a) Members of the board and the chief executive officer of the authority are subject to the provisions of AS 39.50.

(b) If a member of the board or an employee of the authority acquires, owns, or controls an interest,

direct or indirect, in an entity or project in which assets of the authority are invested, the member shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the first board meeting following the disclosure.

Sec. 41.41.100. Budget. The revenue earned by operations of the authority must be identified as the source of the operating budget of the authority in the state's operating budget under AS 37.07 (Executive Budget Act).

Sec. 41.41.110 Audits. The Legislative Budget and Audit Committee may provide for an annual post audit and annual operational and performance evaluations of the authority's operations and budget.

Sec. 41.41.120. Reports and publications. (a) By September 30 of each year, the board shall publish a report of the authority for distribution to the governor and the public. The board shall notify the legislature that the report is available.

(b) The report must include financial statements audited by independent outside auditors and a statement of the amount of money received by the authority from its operations during the period covered.

Sec. 41.41.130. Tax exemption. The security instruments issued by the authority, the transfer of the security instruments, and the income on the security instruments are exempt from all taxes and assessments in the state.

Sec. 41.41.140 Political activities. The resources of the authority may not be used to finance or influence political activities.

Sec 41.41.150. Public access to information. (a) Information in the possession of the authority is a public record, except that information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding.

(b) The restrictions of (a) of this section do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Article 2. Powers of the Authority.

Sec. 41.41.200 Powers of the authority. In furtherance of its corporate purposes, in addition to its other powers, the authority may

1. sue and be sued;
2. adopt a seal;
3. adopt, amend, and repeal bylaws and regulations;
4. make and execute contracts and other instruments;
5. in its own name acquire property, lease, rent, convey, or acquire real and personal property; a project site or part of a project site may be acquired by eminent domain;
6. acquire natural gas supplies;
7. issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

8. accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;
9. enter into contracts or agreements with a federal agency, agency or instrumentality of the state, municipality, or public or private individual or entity, with respect to the exercise of its powers;
10. charge fees or other forms of remuneration for the use of authority properties and facilities;
11. defend and indemnify a current or former member of the board or an employee or agent of the authority against the costs, expenses, judgments, and liabilities as a result of actions taken in good faith on behalf of the authority; and
12. purchase insurance to protect its assets, services, and employees against liabilities that may arise from authority operations and activities.

Article 3. Revenue Bonds and Notes.

Sec. 41.41.300. Bonds and notes of the authority. (a) The authority, by resolution, may issue revenue bonds and bond anticipation notes in order to provide funds to carry out the purposes set out in AS 41.41.010(a)

(b) The principal and interest on the revenue bonds or notes authorized and issued under (a) of this section are payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of the sale of other bond anticipation notes or, in the event bond or bond anticipation note proceeds are not available, the notes may be paid from other funds or assets of the authority.

(c) Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal government, or a corporation, association, institution, or person, or a pledge of money, income, or revenues of the authority from any source.

(d) Bonds or bond anticipation notes of the authority may be issued in one or more series and shall be dated, bear interest at the rate or rates per year or within the maximum rate, be in the denomination, be in the form, either coupon or registered, carry the conversion or registration provisions, have the rank or priority, be executed in the manner and form, be payable at the times, from the sources, and in the medium of payment and place or places within or outside the state, be subject to authentication by a trustee or fiscal agent, and be subject to the terms of redemption with or without premium, as the resolution or the authority may provide. Bond anticipation notes shall mature at the time or times that are determined by the authority. Bonds shall mature at a time not exceeding a number of years from their date that is determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when these definitive bonds or bond anticipation notes have been executed and are available for delivery.

(e) Bonds or bond anticipation notes may be sold in the manner and on the terms the authority determines.

(f) If an officer whose signature or a facsimile of whose signature appears in a bond, note, or coupon attached to them ceases to be an officer before the delivery of the bond, note, or coupon, the signature or facsimile is valid to the same extent as if the officer had remained in office until delivery.

Sec. 41.41.310. Covenants. In a resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority has power by provisions in the resolution what will

constitute covenants of the authority and contracts with the holders of the bonds or bond anticipation notes to

1. pledge to a payment or purpose all or a part of its revenues to which its right then exists or may thereafter come into existence, and the money derived from the revenues, and the proceeds of bonds or notes;
2. covenant as to the use and disposition of payments of principal or interest received by the authority on loans or other investments held by the authority;
3. covenant as to establishment of reserves or sinking funds and the making of provision for and the regulation and disposition of the reserves or sinking funds;
4. covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;
5. covenant as to bonds and notes to be issued, and their limitations, terms, and conditions, and as to the custody, application, and disposition of the proceeds of the bonds and notes;
6. covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of other debts;
7. covenant as to the payment of the principal of or interest on the bonds or notes, as to the sources and methods of the payment, as to the rank or priority of the bonds or notes with respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;
8. for the replacement of lost, stolen, destroyed, or mutilated bonds or notes;
9. covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;
10. covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operation expenses, payment or redemption of bonds or notes, reserves, or other purposes;
11. establish the procedure, if any, by which the terms of a contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;
12. covenant as to the custody of property or investments, their safekeeping and insurance, and the use and disposition of insurance money;
13. agree with a corporate trustee that may be a trust company or bank having the powers of a trust company within or outside the state as to the pledging or assigning of revenue or funds to which or in which the authority has rights or an interest; the agreement may further provide for other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of a bond or note of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;
14. appoint and provide for the duties and obligations of a paying agent or paying agents or other fiduciaries as the resolution may provide within or outside the state;
15. limit the rights of the holders of a bond or note to enforce a pledge or covenant securing the bonds or notes;
16. make covenants other than and in addition to the covenants expressly authorized in this section of like or different character, and to make covenants to do or refrain from doing acts and things as may be necessary or convenient and desirable in order to better secure bonds or notes or that, in the absolute discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding that the covenants, acts, or things may not be enumerated in this section.

Sec. 41.41.320 Limitations of issuance of bonds. (a) The authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature.

(b) This section does not apply to the issuance by the authority of refunding bonds or to the issuance by the authority of bonds the proceeds of which are intended to be used to refinance the loans held by the authority.

Sec. 41.41.330. Independent financial advisor. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the authority may retain a financial advisor. A financial advisor retained under this section must be independent from the underwriter.

Sec. 41.41.340 Validity of pledge. (a) The pledge of assets or revenue of the authority to the payment of the principal or interest on an obligation of the authority is valid and binding from the time the pledge is made, and the assets or revenue become immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims in tort, contract, or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge.

(b) This section does not prohibit the authority from selling assets subject to a pledge, except that a sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations.

Sec. 41.41.350. Capital reserve funds. (a) For the purpose of securing one or more issues of its obligations, the authority may establish one or more special funds, called "capital reserve funds," and shall pay into those capital reserve funds (1) money appropriated and made available by the state for the purpose of those funds, (2) proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the authority authorizing their issuance, and (3) other money that may be made available to the authority for the purpose of those funds from another source. All money held in a capital reserve fund, except as provided in this section, shall, subject to appropriation, be used as required solely for the payment of the principal of obligations or of the sinking fund payments with respect to those obligations; the purchase or redemption of obligations; the payment of interest on obligations; or the payment of a redemption premium required to be paid when those obligations are redeemed before maturity. However, money in a fund may not be withdrawn from that fund at any time in an amount that would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums, and the sinking fund payments for the payment of which other money of the authority is not available. Income or interest earned by, or increment to, a capital reserve fund due to the investment of the fund or other amounts in it may be transferred by the authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the authority decides to issue obligations secured by a capital reserve fund, the obligations may not be issued if the amount in the capital reserve fund is less than a percent, not exceeding 10 percent, of the principal amount of all of those obligations secured by that capital reserve fund then to be issued and then outstanding in accordance with their terms, as may be established by resolution of the authority, called the "capital reserve fund requirement," unless the authority, at the time of issuance of the obligations, deposits in the capital reserve fund from the proceeds of the obligations to be issued or from other sources an amount that, together with the amount then in the fund, will not be less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the funds are invested shall be valued at par or, if purchased at less than par, at amortized costs as the term is defined by resolution of the authority authorizing the issue of the obligations or by some other reasonable method established by the authority by resolution. Valuation on a particular date must include the amount of interest earned or accrued to that date.

(d) To assure the continued operation and solvency of the authority for the carrying out of its corporate purposes, provision is made in (a) of this section for the accumulation in capital reserve funds of an amount equal to their capital reserve fund requirement.

(e) The chair of the authority shall annually, not later than January 2, make and deliver to the governor and chairs of the house and senate finance committees a certificate stating the sum, if any required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate that sum, and all sums appropriated during the current fiscal year by the legislature for the restoration shall be deposited by the authority in the appropriate capital reserve fund.

(f) This section does not create a debt or liability of the state.

Sec. 41.41.360 Remedies. A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under a trust agreement or resolution authorizing the issuance of the obligations, except as restricted by a trust agreement or resolution, either at law or in equity, may enforce all rights granted hereunder or under the trust agreement or resolution, or under another contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by an officer of it.

Sec. 41.41.370 Negotiable instruments. All obligations and interest coupons attached to them are negotiable instruments under the laws of this state, subject only to applicable provisions for registration.

Sec. 41.41.380 Obligations eligible for investment. Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. These obligations may be deposited with a state or municipal officer of an agency or political subdivision of the state for a purpose for which the deposit of bonds, notes or obligations of the state is authorized by law.

Sec. 41.41.390 Refunding bonds. (a) The authority may provide for the issuance of refunding bonds for the purpose of refunding an obligation then outstanding that has been issued under the provisions of this chapter, including the payment of redemption premium on them and interest accrued or to accrue to the date of redemption of the obligations. The issuance of the bonds, the maturities and other details of them, the rights of the holders of them, and rights, duties, and obligations of the authority in respect of them are governed by the provisions of the is chapter that relate to the issuance of obligations insofar as those provisions may be appropriate.

(b) Refunding bonds may be sold or exchanged for outstanding bonds issued under this chapter, and, if sold, the proceeds may be applied, subject to appropriation and in addition to another authorized purpose, to the purchase, redemption, or payment of he outstanding obligations. Pending the application

of the proceeds of refunding bonds, with any other available funds, to the payment of the principal, accrued interest, and redemption premium on the obligations, being refunded, and if so provided or permitted in the resolution authorizing the issuance of the refunding bonds or in the trust agreement securing them, to the payment of any interest on the refunding bonds and expenses in connection with the refunding, the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States that mature or that will be subject to redemption, at the option of the holders of them, not later than the respective dates when the proceeds, together with the interest accruing on them, will be required for the purposes intended.

Sec. 41.41.400. Credit of state not pledged. (a) Obligations issued under the provisions of this chapter do not constitute a debt, liability, or obligation of the state or of a political subdivision of the state or a pledge of the faith and credit of the state or of a political subdivision of the state but are payable solely from the revenue or assets of the authority. Each obligation issued under this chapter must contain on its face a statement that the authority is not obligated to pay it or the interest on it except from the revenue or assets of the authority and that neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of the principal of or the interest on the obligation.

(b) Expenses incurred by the authority in carrying out the provisions of this chapter are payable from funds provided under this chapter, and liability may not be incurred by the authority in excess of these funds.

Sec. 41.41.410. Credit of state not pledged. A member or other officer of the authority is not subject to personal liability or accountability by reason of having executed or issued an obligation.

Article 4. Property of the Authority.

Sec. 41.41.450. Property of the authority. The authority may acquire, by purchase, lease, or gift, upon terms that it considers proper, land, structures, real or personal property rights, rights-of-way, franchises, easements, and other interests in land it considers necessary or convenient for the financing of the project or a part of the project.

Article 5. Project Construction.

Sec. 41.41.500. Contract terms relating to use of Alaska resources. (a) The authority shall enter into one or more prehire project term agreements with labor organizations that (1) contain no-strike clauses; and (2) secure timely completion of the project and maximum employment opportunities for state residents.

(b) To maximize the economic benefits of the project to Alaskan businesses, the authority shall use Alaska contractors and suppliers to the maximum extent possible to take advantage of the Alaska experience in Arctic engineering and construction.

Article 6. General Provisions.

Sec. 41.41.900. Tax exemption. All obligations issued under this chapter are declared to be issued by a body corporate and public of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income, and other money pledged or available to pay or secure the payment of the obligations, or interest on the obligation, are exempt from state taxation except for transfer, inheritance, and

estate taxes.

Sec. 41.41.990. Definitions. In this chapter,

1. "authority" means the Alaska Natural Gas Development Authority;
2. "board" means the board of directors of the Alaska Natural Gas Development Authority;
3. "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

***Sec. 3.** AS 39.25.110(11) is amended by adding a new subparagraph to read:

(G) Alaska Natural Gas Development Authority;

***Sec. 4.** AS 39.50.200(b) is amended by adding a new paragraph to read:

(57) the board of directors and chief executive officer of the Alaska Natural Gas Development Authority (AS 41.41.020).

***Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

DEVELOPMENT OF PROJECT PLAN. Not later than one year after the first meeting of the board of directors of the Alaska Natural Gas Development Authority, the board shall produce a development plan. The development plan must include

1. estimates of construction costs and timelines;
2. gas procurement prices;
3. use of the state's royalty gas;
4. estimates of revenue to the general fund and the Alaska permanent fund;
5. a revenue sharing plan with municipal governments;
6. a plan for delivery and pricing of natural gas to communities along the pipeline route and to Southcentral Alaska through a spur line;
7. a plan for delivery and pricing of LNG to Yukon River and coastal communities;
8. a payment schedule to companies providing permits or other valuable assets;
9. a marketing plan to approach potential buyers;
10. a plan to maximize Alaskan hire, including project labor agreements; and
11. a plan to ensure meeting the highest environmental and safety standards, including a citizens advisory council.
12. The goal of the authority is to have the Alaskan gas line in full production by 2007.

***Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INITIAL APPOINTMENTS OF MEMBERS OF ALASKA NATURAL GAS DEVELOPMENT AUTHORITY BOARD OF DIRECTORS. Of the members first appointed under AS 41.41.020(a), enacted by sec. 2 of this Act,

1. three members shall be appointed to three-year terms;

2. two members shall be appointed to two-year terms; and
 3. two members shall be appointed to one-year terms.
-



Initiative Petition Status Report



Alaska Division of Elections Home Page

Testimony of Dave Dengel

Given to the House Oil and Gas Committee

March 14, 2002

Thank you Mr. Chairman and members of the committee. My name is Dave Dengel and I am the City Manager for the City of Valdez and the Executive Director for the Alaska Gasline Port Authority.

As many of you know, the City of Valdez along with the Fairbanks North Star Borough and the North Slope Borough have formed the Alaska Gasline Port Authority in the fall of 1999. The mission of the Port Authority is to develop North Slope gas to the maximum benefit of Alaskans. The Port Authority's mission is very much like that as identified in HB 410 and the initiative sponsored by the Citizens Initiative for the All-Alaska Gasline.

Since the fall of 1999 when the Alaska Gasline Port Authority was approved by the voters of Valdez, Fairbanks and the North Slope over \$6 million has been expended by Bechtel, Taylor- DeJongh and O'Melveny & Myers to develop a cost estimate and an economic model for the development of North Slope natural gas. The economic model that has been developed by the Port Authority shows that the Alaska Gasline Port Authority is

economic. The model shows that between \$500 and \$750 million will be available to the State annually through the Port Authority concept.

The Port Authority economic model shows that a publicly owned project is economic and will provide a substantial return to the state and the municipalities. The Port Authority model shows that using the Port Authority concept, the project can be 100% debt financed.

The City of Valdez has worked with Mr. Heyworth and the Citizens Initiative for the All-Alaska Gasline. We support his efforts. He along with members of the legislature have brought to the forefront the development of our natural gas resources. Valdez and the Port Authority have a very good working relationship with the Yukon Pacific Corporation. YPC brings the permits and there economic model, the Port Authority brings the economic model and concept and the Initiative effort and the legislature bring the political will to do the right thing in developing our natural gas.

Valdez is supportive of a project that takes North Slope gas to tidewater and manufactured into LNG and transported to markets. Be those markets be the Pacific Rim countries or the west coast of the United States.

The City of Valdez supports HF 410 and the initiative. Because of the work that has been completed to date by the Port Authority, Valdez would like to offer that the proposed legislation be amended slightly to incorporate the work of the Alaska Gasline Port Authority. Valdez is committed to working with the Port Authority to expand the Board of Directors so that it has a more statewide makeup. We propose that the existing 9 member Port Authority board of directors be included along with a member appointed by the Governor, a member appointed by the Senate President, a member appointed by the Speaker of the House, a member appointed by the Municipality of Anchorage, a member appointed by the City and Borough of Juneau and a member appointed by the Southwest Alaska Municipal Conference. The make up of this board would then have a statewide interest. These board members could then be removed by their respective appointing entities.

By using the work that has been accomplished by the Port Authority and Yukon Pacific and the Citizens Initiative and others, we can continue to move forward with this project.

Mr. Chairman, I applaud you and the other legislators, Senator Taylor and Representative Whittaker who have introduced legislation to form a

statewide authority that will develop Alaska's North Slope gas for the benefit of Alaskans. It is the belief of Valdez that by using the Port Authority that is in place and working with the legislature to amend proposed legislation to include the Alaska Gasline Port Authority, Alaska can move forward with the development of our natural gas resources without delay. By using your political will, Yukon Pacific's permits and economic model and the Alaska Gasline Port Authority, I believe that we can achieve the goals of this legislation and of Mr. Heyworth's initiative to develop North Slope natural gas for the maximum benefit of all Alaskans.

I would like to offer to the committee a presentation by the Alaska Gasline Port Authority to explain our economic model at your convenience.

Again, thank you for providing the City of Valdez the opportunity to comment on this important legislation.

Subject: HB 410 "An Act Establishing the Alaska Natural Gas Development Authority/Proposed amendments

Date: Thu, 14 Mar 2002 15:51:12 -0900

From: andornt@nushtel.com

To: Scott Ogan <Representative_Scott_Ogan@legis.state.ak.us>

To: Chairman Scott Ogan, House Oil and Gas Committee

Fm: Nels Anderson, Jr.

Subject: Proposed amendments to HB 410

Date: 3-14-02

Thank you for the opportunity to make comments in support of the passage of HB 410. I again urge you and your committee to expedite passage of this most important bill that could transform an economy that is struggling to one that would be energized by stranded North Slope gas.

As promised, here are the proposed amendments that I hope you and your committee will consider and hopefully adopt. These amendments make sure that those of us that signed the the All Alaska Gas Line petition will have access to the stranded North Slope gas. Our access to it will help energize our economy, provide new revenue for our treasury, create new jobs that are so desperately needed and allow our state to move confidently into the 21st century with sufficient low cost energy to build a healthy and prosperous Alaska.

"Article VIII, Section 2. General Authority. 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." Alaska State Constitution.

It is under this authority that I request that HB 410 be amended to make it clear that our stranded gas shall be available for in-state use through out all Alaska.

PROPOSED AMENDMENTS:

Page three, line twelve, subsection (4) be amended to read:

**(4) THE DESIGN, CONSTRUCTION, AND OPERATION OF OTHER FACILITIES
NECESSARY FOR DELIVERING THE GAS TO MARKET
AND TO COMMUNITIES THROUGHOUT ALASKA, INCLUDING ANCHORAGE AND THE
RAILBELT."**

Page 15, line 21, subsection (6) be amended to read:

**(6) a plan for delivery and pricing of natural gas to communities along the planned gas pipeline
route and to Southcentral
Alaska through a spur line, including Anchorage and the Railbelt.**

Page 15, line 23, subsection (7) be amended to read:L

(7) a plan for delivery and pricing of liquefied natural gas to Yukon River coastal communities through out Alaska.

If this language is added, HB 410 would truly be in compliance with Article VIII, Section 2 of our State's Constitution.

Thank you for your consideration,

Nels Anderson, Jr.
Box 234
Dillingham, Alaska 99576
907-842-2366
andornt@nushtel.com

PS- Would you please copy this to your committe members? Thank you