

SCOMM

128:30

TONY KNOWLES
GOVERNOR
governor@gov.state.ak.us



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 423
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February 12, 2002

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Speaker Porter:

The State of Alaska has a unique opportunity to jumpstart the construction of the Alaska Highway natural gas pipeline by using creative financing to lower the cost of the project. This bill I am transmitting today authorizes the Alaska Railroad Corporation to issue bonds for the pipeline project, leveraging the ability of the corporation to issue tax-exempt bonds for industrial development. This financing plan can push pipeline construction all the closer in our future, resulting in jobs for Alaskans and revenue to the state while delivering natural gas to a waiting continent.

The railroad's ability to issue tax-exempt bonds to finance industrial development was authored by Alaska Senator Ted Stevens and approved by Congress in 1983 with the transfer of the Alaska Railroad from federal to state ownership. Congress reaffirmed the railroad's authority to issue tax-exempt bonds in the Tax Reform Act of 1986.

Estimates prepared by Goldman Sachs and the Department of Revenue suggest the financing plan presented in this bill will increase the economic viability of the natural gas line construction project by saving the facility owners more than \$1 billion over the life of the project.

The bill allows the Alaska Railroad to provide financing for the acquisition, construction, improvement, maintenance, equipping, and operation of facilities for the transportation of natural gas resources within and outside the state. It specifically authorizes the railroad to negotiate with producers of natural gas and issue up to \$17 billion in bonds for construction of a natural gas pipeline that follows the Trans Alaska Pipeline System from the North Slope to Delta Junction and the Alaska Highway into Canada.

The Honorable Brian Porter
February 12, 2002
Page 2

While the railroad would issue the bonds, neither the railroad nor the state would own the gas line nor be liable for the debt. That responsibility would fall on the private companies that build, own, and operate the gas line. The bill also requires that prior to issuing bonds, the railroad must determine that any contract or lease is sufficient to pay back the bonds as scheduled, maintain reserves for the payments, and pay all costs necessary to secure the bonds.

The railroad has always been important to Alaska's economy. Anchorage was born as a railroad construction town. The railroad supported construction of the Alaska Highway during World War II and the subsequent military buildup in Alaska. It helped build the Trans-Alaska Pipeline System and along its 611 miles of track, the Alaska Railroad carries 7 million tons of freight and half-a-million passengers every year providing jobs to 700 Alaskans.

I urge you to take prompt action on this measure. This is an important step in advancing the construction of an Alaska natural gas pipeline.

Sincerely,



Tony Knowles
Governor

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 423
(11) Publish Date: 2/13/02

Revision Date/Time (Note if correction) _____ Dept. Affected: _____
Title Gas Pipeline Financing BRU Alaska Railroad Corporation
Sponsor Rules by Request Component Alaska Railroad Corporation
Requester Governor Component No. _____

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			163,000.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	163,000.0	0.0	0.0	0.0

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

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						
Bond Proceeds			163,000.0			
TOTAL	0.0	0.0	163,000.0	0.0	0.0	0.0

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 sheet.

Prepared by: Bill O'Leary, Vice President, Finance and Chief Financial Officer
Division: Alaska Railroad Corporation
Approved by: Deborah B. Sedwick, Commissioner
Agency: Department of Community & Economic Development

Phone (907) 265-2516
Date/Time 2/12/02 4:03 PM
Date 2/12/2002

FISCAL NOTE #1

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 423

ANALYSIS CONTINUATION

The bill authorizes the issuance of up to \$17 billion in revenue bonds by the Alaska Railroad Corporation (ARRC) to pay for 70% of the construction of a natural gas pipeline. Based upon current estimates, ARRC could issue \$14,265,000,000 in bonds as early as state Fiscal Year 2005. ARRC will act as a conduit for the issuance of these bonds to allow the debt to be issued as tax exempt. Through modeling, the tax exemption has been shown to reduce the cost of financing the project by over one billion dollars. The Bonds would be solely secured by revenues generated by the pipeline. The Alaska Railroad will bear no liability and have no responsibility for repayment of the bonds.

The projected costs of issuing the bonds determined here will be paid with bond proceeds at closing. Anticipated professional services include those related to financial advisors, attorney's fees (bond counsel, underwriter's counsel, tax counsel, negotiating with producers), rating agencies, underwriters, printing, travel, public notices, and the feasibility consultant. ARRC will front certain minor necessary reimbursable costs from corporation revenues.

For purposes of this fiscal note, it is assumed that bonds with a face value of \$14.265 billion will be issued in FY 2005. The bonds are expected to be issued with a 25 year term and for modeling purposes carry an interest rate of 6.5%. As the project will not generate revenue while under construction, the first two years of interest payments will be made with bond proceeds. Following construction, annual debt service will begin at approximately \$1.3 billion, growing to \$1.4 billion in year 6 and then gradually lowering to \$800 million in the final year. However, ultimately, issuance amounts, dates, term, interest rate, and other significant variables will be dependent upon the financing structure determined by market conditions at the time of sale of the bonds.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 423
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Natural Gas Transportation BRU Administration & Support
by Alaska Railroad Component Commissioner's Office
Sponsor Rules (by request of the Governor)
Requester House Oil and 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	60.0	60.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	60.0	60.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	60.0	60.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	60.0	60.0	0.0	0.0	0.0	0.0

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)

This legislation would authorize the Alaska Railroad Corporation to issue up to \$17 billion in bonds for construction of a natural gas pipeline for the commercialization of North Slope natural gas resources.

Because of the importance of this project to the state's economy and public finances, the complexity of the bond issuance and the large amount of bonds to be sold, it is important that the Alaska Railroad Corporation receive expert advice from the beginning. It also is important that some representative of the Executive Branch be involved in the discussions to ensure that the state's own best interests are represented.

The Department of Revenue proposes to transfer to the Alaska Railroad Corporation, via a Reimbursable Services Agreement, up to \$50,000 per year for the first two years to ensure that the corporation can contract with a financial adviser and bond counsel for this project. The Commissioner's Office also requests \$10,000 per year to cover the expenses of contracting with the state's financial adviser and bond counsel to make certain that the state's own interests, separate from those of the Railroad Corporation, are adequately considered and protected.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division Department of Revenue Date/Time 3/15/02 2:54 PM
Approved by: Wilson Condon, Commissioner Date 3/15/2002
Agency Department of Revenue

Subject: DOR fiscal note HB423

Date: Fri, 15 Mar 2002 15:57:53 -0900

From: Ryan Peterson <Ryan_Peterson@gov.state.ak.us>

Organization: Alaska Office of the Governor

To: Linda J Hay <Linda_Hay@legis.state.ak.us>,

Kelly K Cunningham <Kelly_Cunningham@legis.state.ak.us>

Fiscal note

HB 423 - Natural gas via the railroad

Sponsor: Rules, at gov's request

Hearing: House Oil and Gas, Monday, March 18, 9 a.m.

	HB423-DOR-CO-3.15.02.pdf	Name: HB423-DOR-CO-3.15.02.pdf
		Type: Acrobat (application/pdf)
		Encoding: base64
		Download Status: Not downloaded with message

Alaska Gas Pipeline Financing Alternatives

Use of Tax-Exempt Financing through the Alaska Railroad



February 7, 2002

Table of Contents

Potential Alternative—Tax-Exempt Finance	1
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Analysis of Tax-Exempt Financing Benefits	3
Key Assumptions and Background	4
■ Rates on Debt	
■ Credit	
■ Size	
■ Discount rates	



Tab 1
Tax-Exempt Approach
to Alaska Gas Pipeline
Financing



Alaska Development Projects Have Benefited From Tax-exempt Financing

- Valdez—Producers took advantage of tax exemption for “dock and wharf” related assets which support TAP oil exports. Bonds issued by City of Valdez. Proceeds loaned to producers.
- Fort Knox—AIDEA tax-exempt financed solid waste disposal facility at Fort Knox Gold Mine.
- Snettisham—Tax-exempt financing of Snettisham Dam by AIDEA, used by AEL&P.

The 1977 Marine Terminal Tax-Exempt Revenue Bonds

OFFICIAL STATEMENT

\$250,000,000

City of Valdez, Alaska

5.50% Marine Terminal Revenue Bonds

(Exxon Pipeline Company Project)

Series A

due May 1, 2007

The Bonds will not constitute general obligations of the City or a charge against the general credit or taxing power of the City or the State of Alaska. The Bonds are payable from and secured by the revenues derived under a Sublease Agreement between the City and

EXXON PIPELINE COMPANY

Payment of the principal of, premium, if any, and interest on the Bonds is guaranteed by

EXXON CORPORATION

The Bonds are redeemable on at least 30 days' notice (a) at the direction of Exxon Pipeline Company, as a whole or in part at any time, at 101% of the principal amount on and after May 1, 1987 to and including April 30, 1988 and at decreasing prices thereafter, (b) pursuant to mandatory redemption provisions on May 1, 1998 and each May 1 thereafter to and including May 1, 2006 at 100% of the principal amount and (c) in the event of certain special circumstances, as a whole or in part, at 100% of the principal amount, all as more fully described herein, in each case together with accrued interest to the date fixed for redemption.

Interest on the Bonds will be payable on November 1, 1977 and thereafter semiannually on May 1 and November 1 of each year. Principal and interest are payable at the corporate trust office of The Bank of New York, the Trustee and Paying Agent, in New York, New York. The Bonds will be issued initially as coupon bonds, dated May 1, 1977, in the denomination of \$5,000, and may subsequently be registered as to principal only, or exchanged for fully registered Bonds in denominations of \$5,000 or any multiple thereof.

Successful bidders have agreed to purchase the Bonds at a price of 98.582%. Reference is made to "Description of the Bid Procedure" and "Results of the Bidding" herein. Certain of such bidders may resell Bonds in the over-the-counter market, in negotiated transactions or otherwise, subject to prior sale. There is no agreement between the City, Exxon Pipeline Company or Exxon Corporation and any such bidder as to the price at which any such resale of Bonds may be made and accordingly prices to be paid by the public in these sales may vary between reselling bidders and change from time to time.

In the opinion of Messrs. Chapman and Cutler and Messrs. Wadhvani & Flint, Bond Counsel, interest on the Bonds is exempt from Federal income taxation to the extent, upon the conditions and subject to the limitations stated in "Tax Exemption" herein.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Bond Counsel, the approval of certain other legal matters by Messrs. Davis Polk & Wardwell, which firm has been designated by Exxon Pipeline Company and Exxon Corporation as counsel for the Purchasers, and certain other conditions. It is expected that delivery of the Bonds will be made on or about May 12, 1977 at the office of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N. Y., against payment therefor.

May 1, 1977

NEW ISSUE

In the opinions of bond counsel, based upon existing statutes, regulations, court decisions and rulings, including a ruling from the Internal Revenue Service dated January 19, 1977, interest on the Series 1977 Bonds described herein is exempt from all present Federal income taxes except under certain conditions as explained under the caption "Tax Exemption" herein. Further, in the opinions of bond counsel, under existing statutes, such interest is also exempt from all present Alaska taxes except for inheritance and estate taxes and taxes on transfers by or in contemplation of death.

OFFICIAL STATEMENT

\$265,000,000

CITY OF VALDEZ, ALASKA

5.90% MARINE TERMINAL REVENUE BONDS

(ARCO Pipe Line Company Project)

Series 1977

Dated: February 1, 1977

Due: February 1, 2007

Price 99.5%

(Plus accrued interest from February 1, 1977)

Payable, except to the extent payable from proceeds of the Series 1977 Bonds or from income from the temporary investment of such proceeds, solely from and secured solely by a pledge of subrentals derived from the sublease of the Project by the City to

ARCO PIPE LINE COMPANY

The Series 1977 Bonds will not constitute general obligations of the City or a charge against the general credit or the taxing power of the City or the State of Alaska. The Trustee will receive an unconditional guaranty of the payment of the principal of, premium, if any, and interest on the Series 1977 Bonds from

ATLANTIC RICHFIELD COMPANY

The Series 1977 Bonds will be issuable as coupon bonds in the denomination of \$5,000 each, registrable as to principal only, and as fully registered bonds without coupons in the denominations of \$5,000 and any integral multiple thereof. Coupon bonds and fully registered bonds will be interchangeable as explained under the caption "The Bonds" herein. Principal, premium, if any, and semi-annual interest (February 1 and August 1, commencing August 1, 1977) on the coupon bonds will be payable at the principal office of Seattle-First National Bank, in Seattle, Washington, as Trustee, or at the option of the holder at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York, as Paying Agent. Principal and premium, if any, on fully registered bonds are payable at the principal office of the Trustee. Interest on fully registered Bonds will be paid by check or draft mailed by the Trustee.

The Series 1977 Bonds will be subject to redemption prior to maturity as described herein.

The Series 1977 Bonds are offered, subject to prior sale, when, as and if issued by the City of Valdez, Alaska and accepted by the Underwriters named below, subject to the approval of legality by Messrs. Chapman and Cutler and Messrs. Wadhvani & Flint, as bond counsel, and the approval of certain legal matters by Messrs. Kutak Rock Cohen Campbell Garfield & Woodward, as counsel for the Underwriters, and to certain other conditions. It is expected that delivery of the Series 1977 Bonds will be made on or about February 15, 1977, in New York, New York, against payment therefor.

BLYTH EASTMAN DILLON & CO.

INCORPORATED

BACHE HALSEY STUART INC.

MERRILL LYNCH, PIERCE, FENNER & SMITH

INCORPORATED

DEAN WITTER & CO.

INCORPORATED

Dated: February 8, 1977

Tax-exempt Financing for Alaska Gas Pipeline

- Alaska railroad statute permits tax-exempt bonds to be issued by the Railroad, and such bonds would not be “private activity bonds” requiring volume cap or being subject to AMT, despite the private use of the pipeline.

“Obligations issued by such entity shall be deemed to be obligations of the State...[means tax-exempt]...but not obligations within the meaning of section 103(b)(2) [means not private activity bonds]”

45 U.S.C § 1207(a)(6) (Alaska Railroad Transfer Act)

- The actual ownership of the assets may still be in the hands of private parties allowing them to use depreciation benefits.
- The credit would be “ship-or-pay” contracts, not the Railroad’s or the State’s general credit or assets.

Tab 2
Pipeline Precedent



Alliance Pipeline

CONFIDENTIAL



\$550,000,000

Alliance Pipeline L.P.

\$350,000,000 6.996% Senior Notes due 2019

\$200,000,000 7.877% Senior Notes due 2025

The 6.996% senior notes due 2019 (the "2019 Notes") and the 7.877% senior notes due 2025 (the "2025 Notes") (collectively, the "Notes") are being issued by Alliance Pipeline L.P. ("Alliance USA" or the "Issuer"), a Delaware limited partnership, which owns and operates the Alliance USA Pipeline, the U.S. portion of the Alliance Pipeline System (the "System"). The System is comprised of the Alliance USA Pipeline and the Alliance Canada Pipeline, which is the Canadian portion of the System. The System consists of an approximately 1,875-mile integrated, high-pressure, natural gas mainline pipeline, a series of lateral pipelines located in Canada, and related infrastructure. The System transports natural gas from supply areas in the northwestern Alberta and northeastern British Columbia portions of the western Canadian sedimentary basin ("WCSB") to delivery points near Chicago, Illinois. Thirty-five shippers (the "Shippers") have entered into 15-year primary term transportation contracts (the "Transportation Contracts"), which include extension provisions, with respect to the transportation of 1.325 billion cubic feet ("bcf") of natural gas per day ("bcd") on the System. The System commenced commercial operations on December 1, 2000.

Alliance USA will pay interest on the Notes on June 30 and December 31 of each year beginning on June 30, 2001. The Notes will amortize in semi-annual installments of principal due on the dates stated herein. The Notes will mature on December 31 of their year of maturity. The Notes are being issued under an indenture dated as of June 25, 1999, amended and supplemented on March 8, 2001 (the "Indenture") between Alliance USA and The Bank of New York (the "U.S. Note Trustee"). The Initial Purchasers are offering the Notes inside the United States to qualified institutional buyers ("Qualified Institutional Buyers") in reliance on Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act").

The Notes will be secured by the Transportation Contracts and certain additional collateral described herein, any or all of which may be released under certain circumstances. The Notes will rank equally in right of payment with all other Senior Debt of Alliance USA and senior to any future Subordinated Debt of Alliance USA. The Notes will be solely obligations of Alliance USA and holders of the Notes will have no recourse against the Partners of Alliance USA (other than the USA Managing Partner), or the Sponsors, or against any of the officers, directors, employees, shareholders or affiliates of the USA Managing Partner or any of Alliance USA's Partners or Sponsors, for any failure by Alliance USA to perform or comply with its obligations under the Notes. The Notes will be subject to redemption prior to maturity by Alliance USA, in whole or in part, in certain circumstances as described herein. See "Description of the Notes and the Indenture—Optional Redemption" and "—Mandatory Redemption."

Except as described herein, the Notes will be evidenced by one or more global notes ("Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee for The Depository Trust Company ("DTC"). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Notes will be issued only in registered form in denominations of \$1,000 and integral multiples thereof. See "Description of the Notes and the Indenture."

The Notes will not be listed on any national securities exchange.

See "Risk Factors" beginning on page 21 of this Offering Circular for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Offering Prices

Senior Notes due 2019: 100%

Senior Notes due 2025: 100%

The offering prices set forth above do not include accrued interest. If any interest on the Notes will accrue from March 8, 2001, and must be paid by the purchasers if the Notes are delivered after March 8, 2001.

The Notes have not been registered under the Securities Act and are being offered and sold in the United States only to Qualified Institutional Buyers in reliance on Rule 144A. Prospective purchasers that are Qualified Institutional Buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "Notes to Investors."

The Initial Purchasers expect to deliver the Notes in book-entry form only through the facilities of DTC against payment in New York, New York on March 8, 2001.

Joint Lead Managers and Joint Lead Bookrunners

Goldman, Sachs & Co.

JPMorgan

ABN AMRO Incorporated

Banc of America Securities LLC

Scotia Capital (USA) Inc.

The Royal Bank of Scotland, Financial Markets

Offering Circular dated March 1, 2001.

CONFIDENTIAL



U.S. \$300,000,000

Alliance Pipeline L.P.

7.77% Senior Notes due 2015

The 7.77% senior notes due 2015 (the "Notes") are being issued by Alliance Pipeline L.P. ("Alliance USA" or the "Issuer"), a Delaware limited partnership, formed to develop, design, finance, construct, commission and operate the Alliance USA Pipeline, which is the U.S. portion of the Alliance Pipeline System. The Alliance Pipeline System will be comprised of the Alliance USA Pipeline and the Alliance Canada Pipeline, which is the Canadian portion of the Alliance Pipeline System. The Alliance Pipeline System will consist of an approximately 1,875-mile single integrated high pressure natural gas mainline pipeline, a series of lateral pipelines located in Canada, and related infrastructure. The System has been designed to transport 1.325 billion cubic feet ("bcf") of natural gas per day ("bcd"), on a firm transportation basis, from supply areas in the northwestern Alberta and northeastern British Columbia portions of the western Canadian sedimentary basin ("WCSB") to delivery points near Chicago, Illinois. Currently, 37 shippers (the "Shippers") have entered into 15 year primary term transportation contracts (the "Transportation Contracts") for approximately 98% of the firm transportation capacity of the System. Preparatory construction work on the System began in February, 1999 and construction of the System commenced in May, 1999, with operations expected to commence on or about October 1, 2000.

The development of the Alliance Pipeline System is being sponsored by a group of Canadian and U.S. oil and natural gas pipeline and management companies (collectively, the "Sponsors"). The capital cost of the Alliance Pipeline System is currently estimated by Alliance USA to be approximately US\$3.404 billion (including an allowed return on equity during construction of US\$117.2 million). Alliance USA and the Alliance Pipeline Limited Partnership ("Alliance Canada"), an Alberta, Canada limited partnership (together, "Alliance"), will each be capitalized with approximately 70% debt and 30% equity. Alliance has arranged a US\$2.510 billion credit facility (the "Credit Facilities") and US\$955.7 million of equity commitments from the Sponsors (the "Aggregate Equity Commitments") to fund the currently estimated costs of the System, including a contingency for unanticipated cost overruns. Over the course of construction, Alliance anticipates completing one or more note offerings in the United States and Canada (including this offering of the Notes and a concurrent offering of notes by Alliance Canada) to (i) refinance a portion of the Credit Facilities on terms more consistent with the amortization of the System's regulatory rate base and (ii) fund capital costs of constructing the Alliance Pipeline System. See "Estimated Sources and Uses of Funds."

Alliance USA will pay interest on the Notes on June 30 and December 31 of each year. Interest payments will begin on December 31, 1999. The Notes are being issued under an indenture dated as of June 25, 1999 (the "Indenture") between Alliance USA and Bank of Montreal Trust Company (the "U.S. Note Trustee"). The Initial Purchasers are offering the Notes inside the United States to qualified institutional buyers ("Qualified Institutional Buyers") in reliance on Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). The Notes will be subject to redemption prior to maturity by Alliance USA, in whole or in part, in certain circumstances as described herein. See "Description of the Notes and the Indenture."

Payments of principal, premium, if any, and interest in respect of the Notes will be obligations of Alliance USA. Holders of the Notes (the "Noteholders") will not have any recourse against the partners of Alliance USA (other than the managing general partner of Alliance USA), the Sponsors or their guarantors, or against any of the officers, directors, employees, shareholders or affiliates of the managing general partner of Alliance USA or any of Alliance USA's partners or Sponsors, for any failure by Alliance USA to perform or comply with its obligations under the Notes, except pursuant to the Aggregate Equity Commitments.

Except as described herein, the Notes will be evidenced by one or more global notes ("Global Notes") in fully registered form without coupons, deposited with a custodian for, and registered in the name of, a nominee for The Depository Trust Company ("DTC"). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants. The Notes will be issued only in registered form in denominations of US\$1,000 and integral multiples thereof. See "Description of the Notes and the Indenture."

See "Risk Factors" beginning on page 27 of this Offering Circular for a discussion of certain factors that should be considered in connection with an investment in the Notes.

Offering Price: 100%

Interest on the Notes will accrue from the date of issuance.

The Notes have not been registered under the Securities Act and are being offered and sold in the United States only to Qualified Institutional Buyers in reliance on Rule 144A. Prospective purchasers that are Qualified Institutional Buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferable except in accordance with the restrictions described under "Notes to Investors."

Goldman, Sachs & Co., Scotia Capital Markets (USA) Inc., Chase Securities Inc. and Nesbitt Burns Securities Inc. (individually, an "Initial Purchaser" and, collectively, the "Initial Purchasers") expect to deliver the Notes in book-entry form only through the facilities of DTC against payment in New York, New York on June 25, 1999.

Goldman, Sachs & Co.

Scotia Capital Markets (USA) Inc.

Chase Securities Inc.

Nesbitt Burns Securities Inc.

Offering Circular dated June 18, 1999.

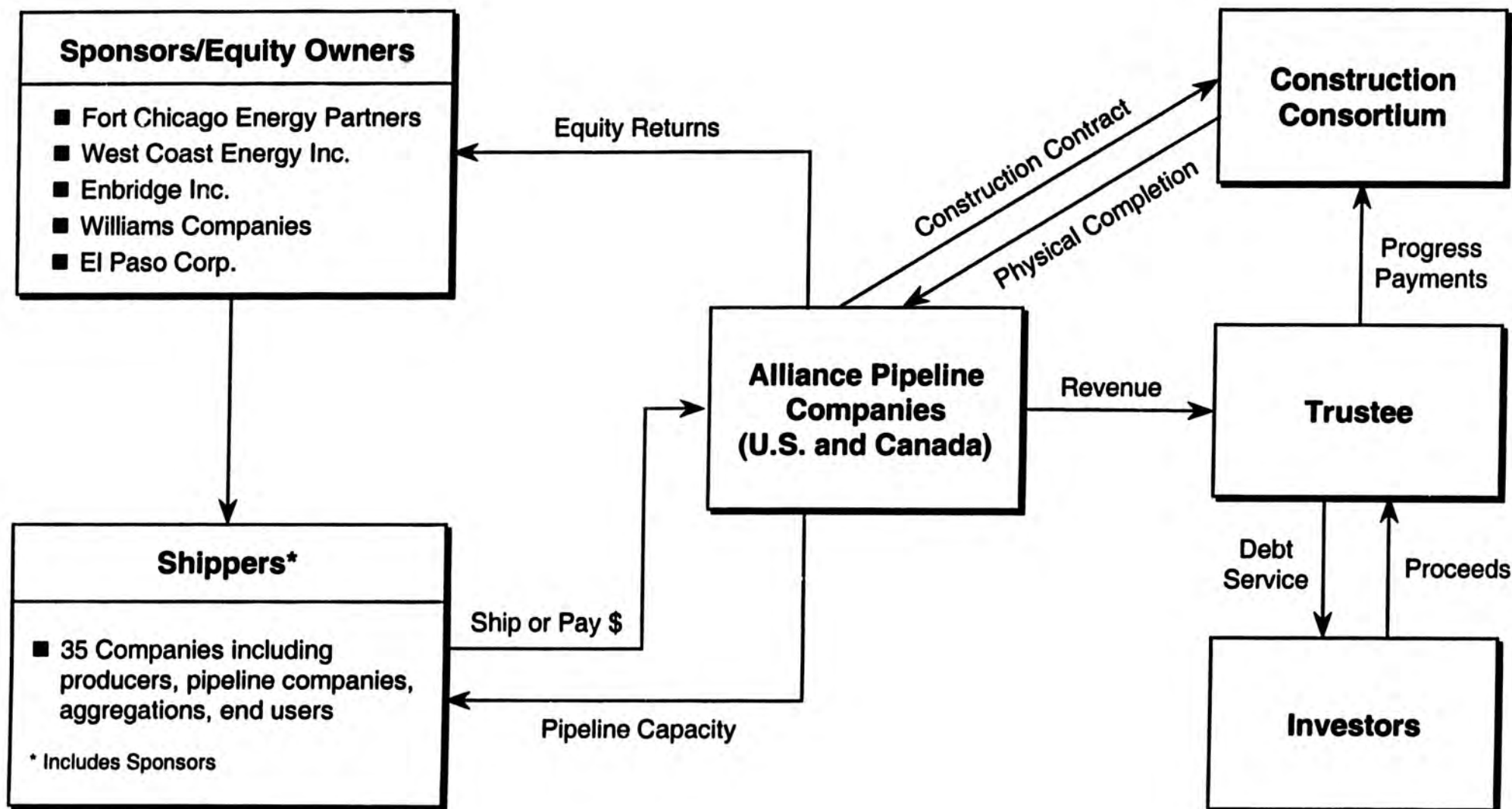
Ship-or-Pay contracts are the key credit item.

Example from Alliance Pipeline:

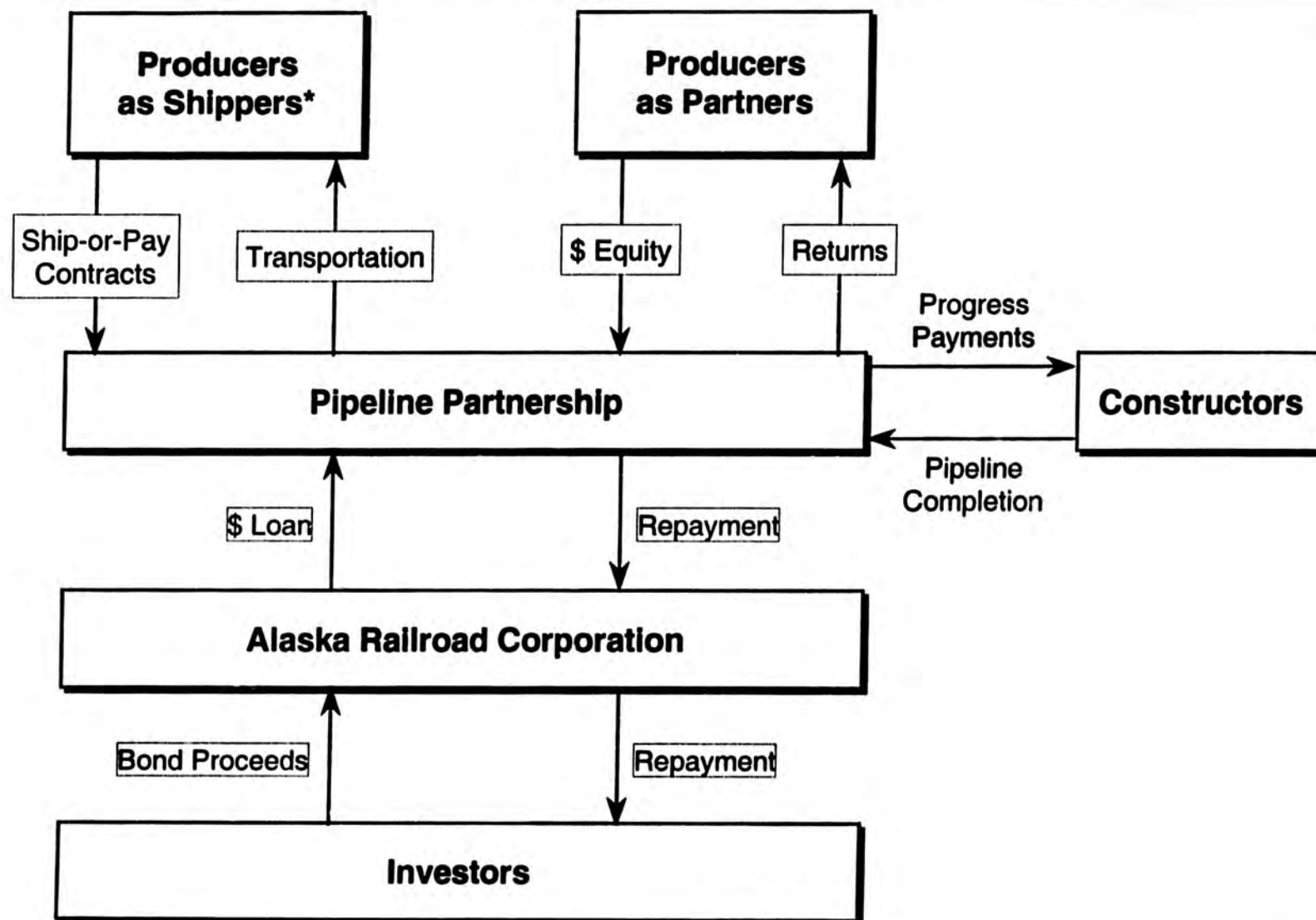
"All of the 1.325 b.c.f.d. of firm transportation capacity of the System has been contracted by the shippers. . ."

- Contracts require payment regardless of pipeline use
- 72.5% of shippers have investment grade rating
- 14.9% were not investment grade, but accepted by lenders
- 12.6% were required to post letters of credit
- Contracts were 15 years in length

Alliance Pipeline Structure



Schematic of Alaska Gas Pipeline Financing Arrangement

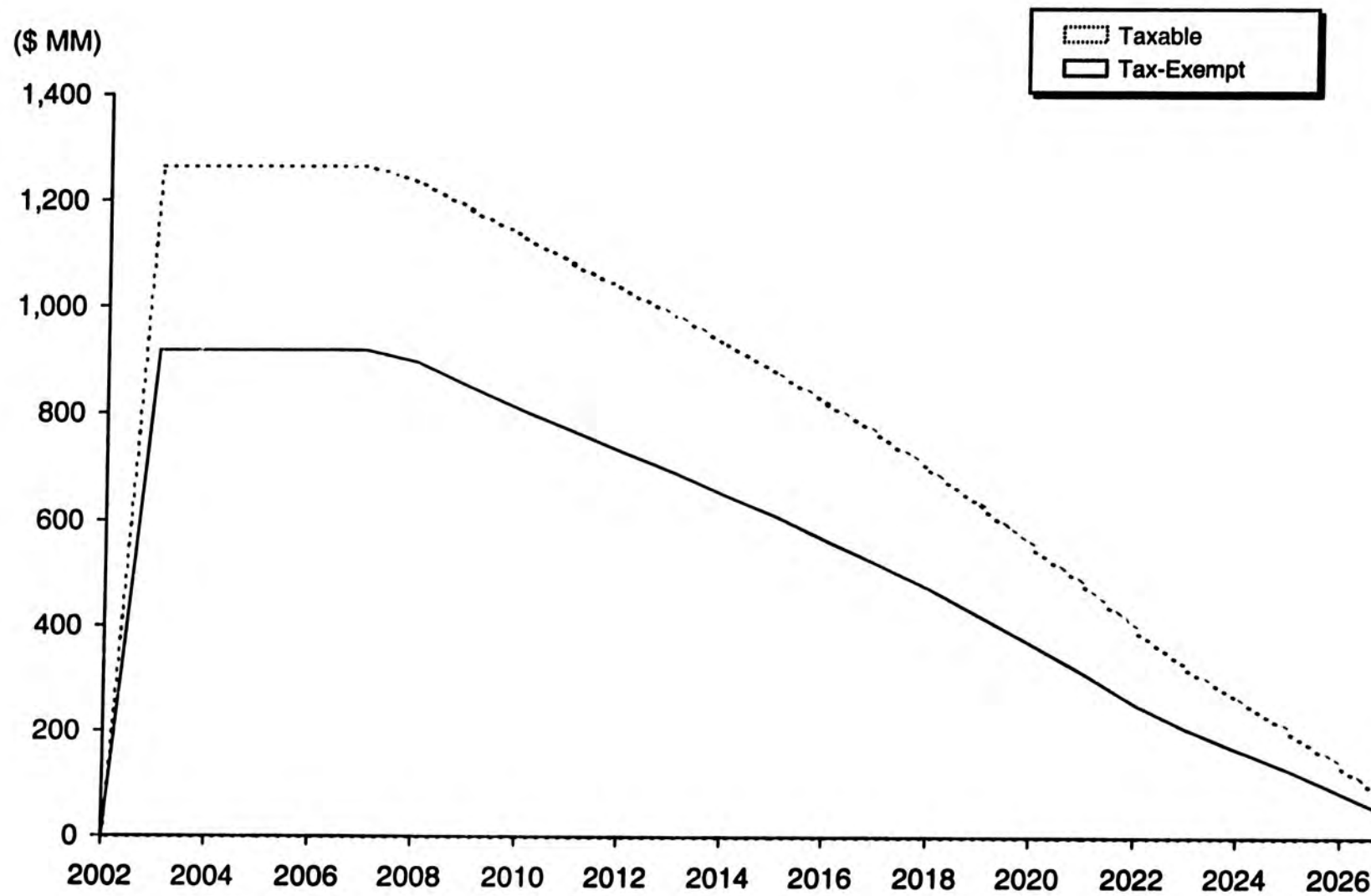


* Shippers would likely include users other than producers.

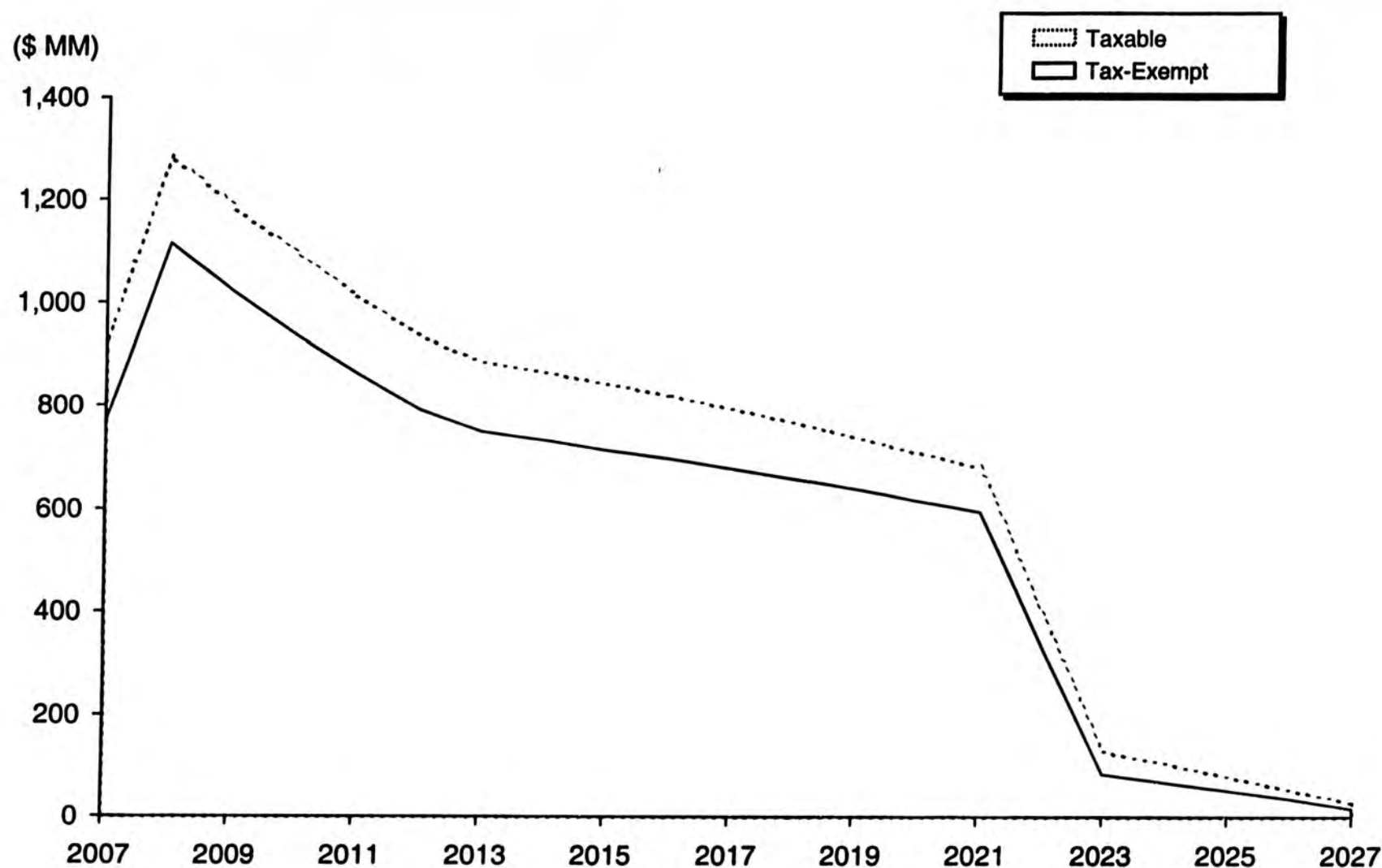
Tab 3
***Analysis of Tax-Exempt
Financing Benefits***



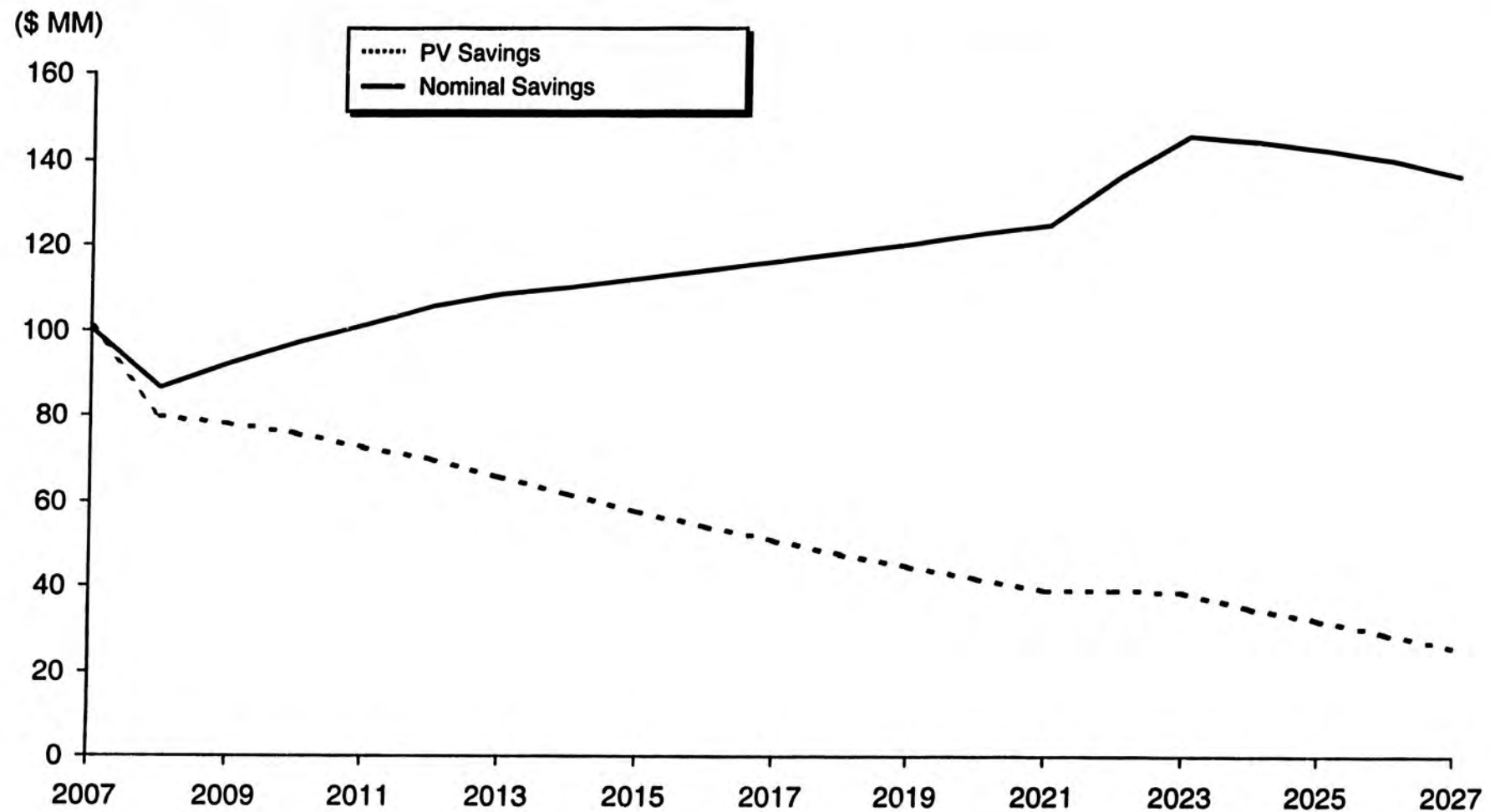
Taxable vs. Tax-Exempt: Gross Interest Cost



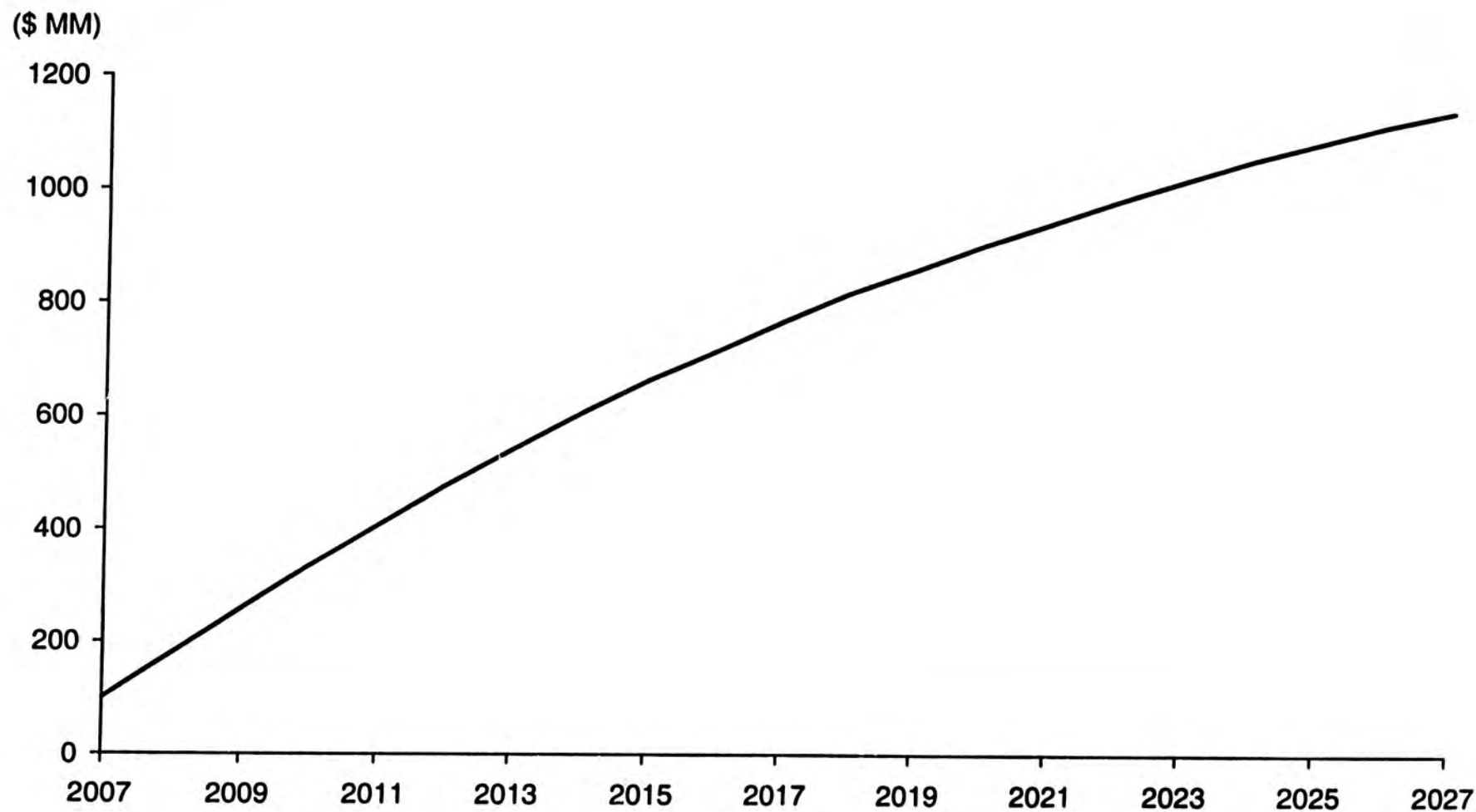
Taxable vs. Tax-Exempt: Tax Benefits to Producers or Pipeline Association with Lease Expense, Depreciation & Interest



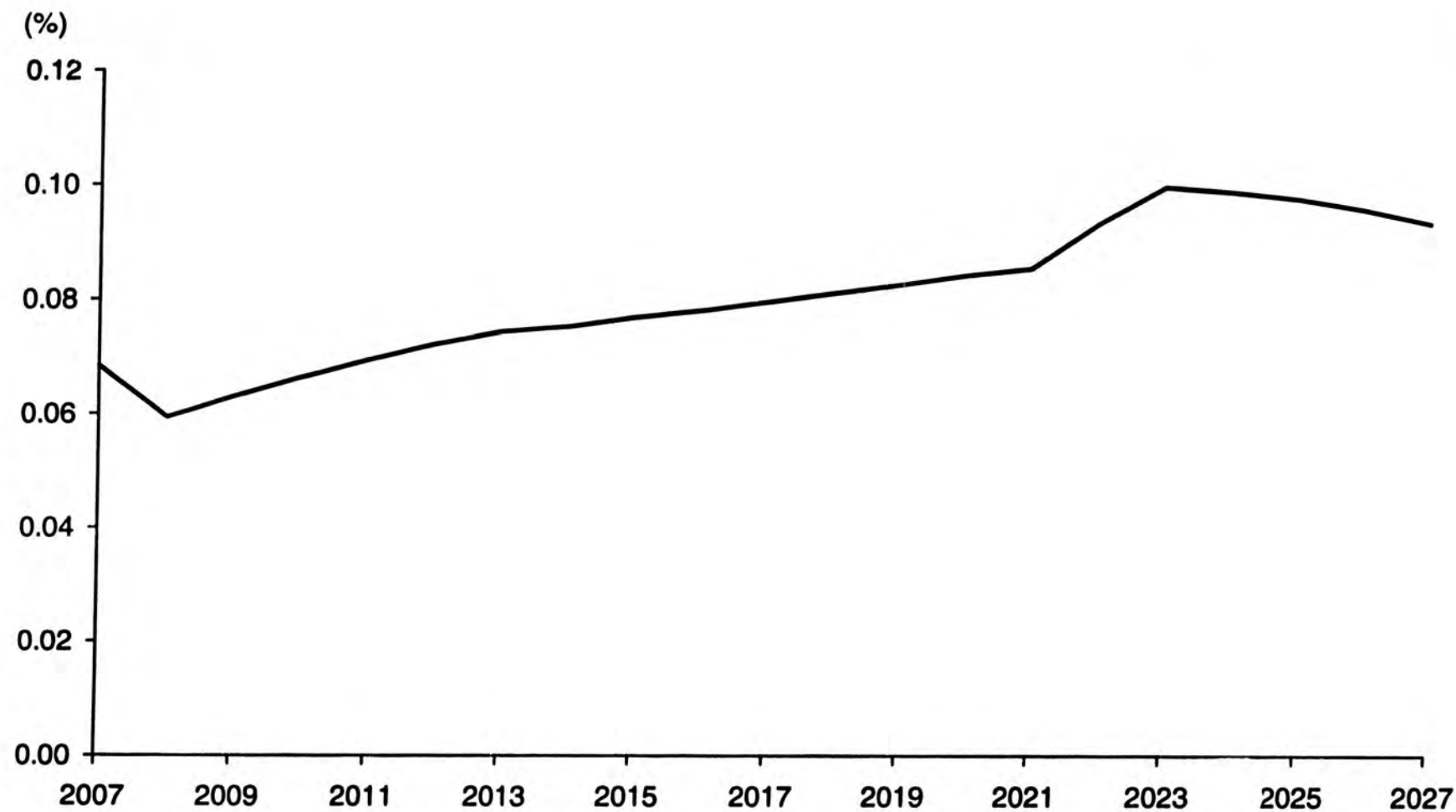
Taxable vs. Tax-Exempt: Annual Present Value Savings From Using the Tax-Exempt Structure



Cumulative Present Value Savings From Using the Tax-Exempt Structure



Taxable vs. Tax-Exempt: After-Tax Savings per MCF From Using the Tax-Exempt Structure



Tab 4
Assumptions



Assumptions

- Dated/Delivered: 1/1/03
- Principal/Interest: January/July
- 30% Equity Contribution
- 41% Corporate Federal/State Tax Rate
- Multi Tranche Financing Over Construction
- 4-Year Level Construction Draw Schedule

- Total Project Cost: \$17 billion
- 4-Year Construction Schedule
- 1.46 Billion TCF/Yr (4 BCF/Day) into pipeline
- 10% line loss

Rationale for Certain Financial Parameters

6.5% tax-exempt cost of debt	100 bps above typical insured municipal revenue bonds today (allowing for size premium)
8.5% taxable cost of debt	Alliance Pipeline yielding 7.9% • Alaska Pipeline bigger (+) • Alaska Pipeline strong credits (-)
8.5% after tax WACC (weighted average cost of capital) for producers	External data • Ibbotson Assoc. Large Petroleum Median WACC 8.78% • Goldman Sachs research average WACC of BP/Exxon Mobil/Phillips 8.20%
Tax rate of 41%	Combined State/Federal marginal rate
Size of \$16 billion debt	Larger than, but comparable to • MTA re-cap \$14.5 billion* • LIPA municipalization \$9 billion • Cal Power Bonds \$12-\$13 billion*

* Pending

Conclusions

- The feasibility of the Alaska Gas Pipeline has been scrutinized due to high capital costs and modest consensus projections of gas prices
- However, developing the pipeline would generate:
 - Equity returns to private participants
 - Financial return and economic benefits to Alaska, including over \$1/2 billion annually in State taxes and royalties
 - Improved national energy security profile
- Tax-exempt finance could potentially save \$1.1 billion PV or nearly 13¢/mcf in pipeline tariff, or 9¢/mcf in after-tax savings, helping to tilt the scales in favor of a go ahead

ALASKA HIGHWAY NATURAL GAS POLICY COUNCIL

Frank Brown and Jim Sampson, Co-Chairs

March 13, 2002

The Honorable Scott Ogan
Alaska State Legislature
State Capitol, Room 108
Juneau, AK 99801-1182

Dear Representative Ogan:

We are writing to express our strong support for HB 423, the railroad bonding bill. This bill represents a unique opportunity for the State of Alaska to aid in the advancement of a natural gas pipeline. Authorizing the Alaska Railroad Corporation to issue tax-exempt bonds to help finance a gas line could lower the overall cost of construction, ultimately moving the project one step closer to fruition.

The Alaska Highway Natural Gas Policy Council spent nine months researching the many issues surrounding gas line development, talking to experts and residents around the state. Through this work, the council developed 61 unanimously supported recommendations. One of our key conclusions was to encourage the exploration of "creative financial structures to facilitate all or part of a gas pipeline and/or in-state gas infrastructure, provided such entities finance their activities through private markets."

The railroad's ability to issue tax-exempt bonds to finance industrial development was authored by Senator Ted Stevens and approved by Congress in 1983 with the transfer of the Alaska Railroad from federal to state ownership. Congress reaffirmed the railroad's authority to issue tax-exempt bonds in the Tax Reform Act of 1986.

Estimates prepared by Goldman Sachs and the Department of Revenue suggest the financing plan presented in this bill could increase the economic viability of the gas line project by saving the owners more than \$1 billion in today's dollars over the life of the project.

This bill would allow the Alaska Railroad to provide financing for the acquisition, construction, improvement, maintenance, and operation of facilities for the transportation of natural gas resources within and outside the state. However, neither the railroad nor the state would own the gas line nor be liable for the debt.

The Honorable Scott Ogan

March 13, 2002

Page 2

Advancing the development of an Alaska gas line is a top priority for all Alaskans. The project will mean jobs for Alaskans and much needed revenue for the state. Building a gas line is also economically important to the nation. Lower 48 consumers are probably the greatest beneficiaries from a gas line delivering a steady supply of affordable, environmentally friendly arctic natural gas. The highway gas line would be the largest privately funded project in this nation's history, giving our national economy a sorely needed shot in the arm and putting Americans to work with jobs in construction, manufacturing, and transportation.

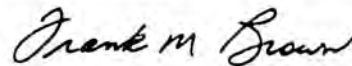
At our February meeting, the Natural Gas Policy Council voted unanimously to support the idea encompassed in HB 423. We urge you to take swift action on this bill. It is time for the State of Alaska to think creatively and act aggressively to help make this important project a reality.

Sincerely,



Jim Sampson
Co-Chair

Sincerely,



Frank Brown
Co-Chair

**Phillips Petroleum Company Testimony
House Oil and Gas Committee Hearing
Thursday, March 14, 2002**

Good Morning, Mr. Chairman, members of the committee. My name is Michael Hurley and I represent Phillips Alaska. I am testifying today in support of HB-423.

We have reviewed the concept embodied in this bill, and our initial view is that the ability to utilize conduit financing, does have the potential to benefit a natural gas pipeline project.

However while we see the potential benefit, additional clarity in several areas is needed and we are continuing with our own due diligence efforts to evaluate the impacts of this proposal more fully.

In the meantime we support the passage of this legislation which would provide the authorization necessary should this become a viable alternative.

Thank you for this opportunity to testify on the bill, I'd be happy to try to answer any questions you might have.



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
(907) 276-0700 Fax: (907) 276-3887 e-mail: Resources@akrdc.org

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March 14, 2002

Representative Scott Ogan
Chair, House Special Committee on Oil and Gas
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

RE: HB423 — Natural Gas Transportation by the Alaska Railroad

Dear Representative Ogan:

On behalf of the Resource Development Council for Alaska, Inc. (RDC), I am writing to express our general support for HB423 — Natural Gas Transportation by the Alaska Railroad. Authorizing the Alaska Railroad to issue tax-exempt bonds for industrial development is a creative and potentially formidable financial mechanism in helping to bring commercialization of North Slope natural gas closer to reality. This legislation allows the Alaska Railroad to offer an attractive incentive to private sector interests considering the pipeline project without undue risk or liability to its core business or to the State.

RDC is a private, membership-funded, non-profit trade association. Our members include companies from the mining, timber, oil and gas, tourism and fishing industries. Also within our ranks are local communities, Native corporations, organized labor and industry support firms. Our mission is to expand Alaska's economic base through the responsible development of the state's natural resources.

while we support the general intent of HB423, we have identified one area of concern. In the past, RDC has argued that the Alaska Stranded Gas Development Act should not be limited to one technology or project-type, and we believe the same argument should be made with regard to any bonding authority for the Alaska Railroad. The private sector should determine which project(s) and/or route to pursue in commercializing North Slope gas. As a matter of policy, we believe State incentives should apply to as broad a cross section of potential projects as possible.

Beyond this issue, we are impressed with the possibilities HB423 offers. The Alaska Railroad has been a driver of Alaska's economic growth for nearly a century. This legislation gives it the tools to be an even more effective force for development in the future. Thank you for considering our position on HB423, and please do not hesitate to contact me with any questions.

Sincerely,

Tadd Owens
Executive Director

\$13.153 Billion in Bonds Issued by AHFC

Mostly for housing-related projects

Work with some big developers: Mark Marlowe and Mark Pfeffer

Financed base housing in FBX and ANC

Conduit Cohoe and Chinook

Non-Housing Bonds Issued by AHFC

- Tobacco Settlement Revenue Bonds
 - First by a State
- University Dormitory Bonds
 - Negotiated with UAA to achieve their goals
- State Capital Project Bonds
 - Funded schools to harbors
- Robert B. Atwood Building Bonds
 - Structured as a g.o. with pass-through revenue

AHFC has issued more bonds than any other issuer in Alaska

Nearly 1/3 of all t/e bonds in the last 10 years

Issues relating to a Tax Exempt bond issuance:

Selecting Appropriate Professionals

Financial, Tax, Legal, and Financing-Specific Experts

F/A, quantitative specialists, attorneys (special tax counsel, bond counsel (AK Statutes), disclosure counsel), engineering specialists, investment advisors, other specialty consultants (WEFA)

Performing feasibility analysis

Tax, financial and project analysis

Does tax code support issuance (language is broad, canadian issue), review financial options (bans, term, optimum selling strategy), project schedule projection to optimize issuance of bonds

Developing Optimal Finance Structure

Coordination with users of project

Factors include desired term/payback, risk profiles of oil companies, construction period estimates, desire for construction financing

Generating Local Support

Not expected to be a problem

Providing Information to the Public

May be limited. Private corp. vs. public entity

Responding to Rating Agency concerns/Obtaining a rating

Generally involves presentations to big three

Marketing the Bonds

Institutional Investors

Retail Investors

Large transaction, probably in smaller pieces as needed, like to increase retail (tobacco 50% retail)

Providing Continuing Disclosure

Quarterly/Annual disclosure requirement to Nationally Recognized Municipal Securities Information Repository

State of Alaska

22nd Legislature - 2nd Session
January 14 - May 14, 2002



State Capitol
Juneau, Alaska 99801-1182

***Presentation to the House Special Committee on
Oil and Gas
by Alaska Housing Finance Corporation
March 25, 2002***

**State of Alaska
Alaska Railroad Corporation**



***Presentation to the Board of Directors
by Alaska Housing Finance Corporation
March 15, 2002***

AHFC Team Participants



- Dan Fauske; CEO/Executive Director, AHFC
 - Judith DeSpain; Deputy Executive Director, AHFC
 - Michael Buller; Chief Administrative Officer, AHFC
 - Joe Dubler; CFO/Finance Director, AHFC
 - Ken Vassar; Senior Partner, Wohlforth Vassar Johnson & Brecht
 - John Wagner; Senior Partner, Kutak Rock
 - Steven Kantor; President, Arimax Financial Advisors
-

AHFC Team



Management and Finance

AHFC Executive Staff

Over 50 years of management
experience

AHFC Finance Department

Multi-billion dollar issuer experienced
in national and international markets

Financial Advisor

Arimax Financial Advisors
Leading Financial Advisor in Alaska

Legal Team

Wohlforth, Vassar, Johnson & Brecht

Leading Bond Counsel
in Alaska

Kutak Rock

One of the nation's leading municipal
bond tax firms

Hawkins Delafield & Wood

The nation's largest law firm devoted
exclusively to municipal bonds

\$13.153 Billion in Bonds Issued by AHFC

- Tax-Exempt Bonds
 - **101 Negotiated Transactions**
 - **25 Competitive Transactions**
 - **\$9.017 Billion**
 - Taxable Bonds
 - **70 Negotiated Transactions**
 - **\$4.136 Billion**
 - Short-Term Debt Issuance
 - **\$150 Million Euro Commercial Paper Program**
 - **\$150 Million Domestic Commercial Paper Program**
 - **Repurchase Agreements in varying amounts**
-

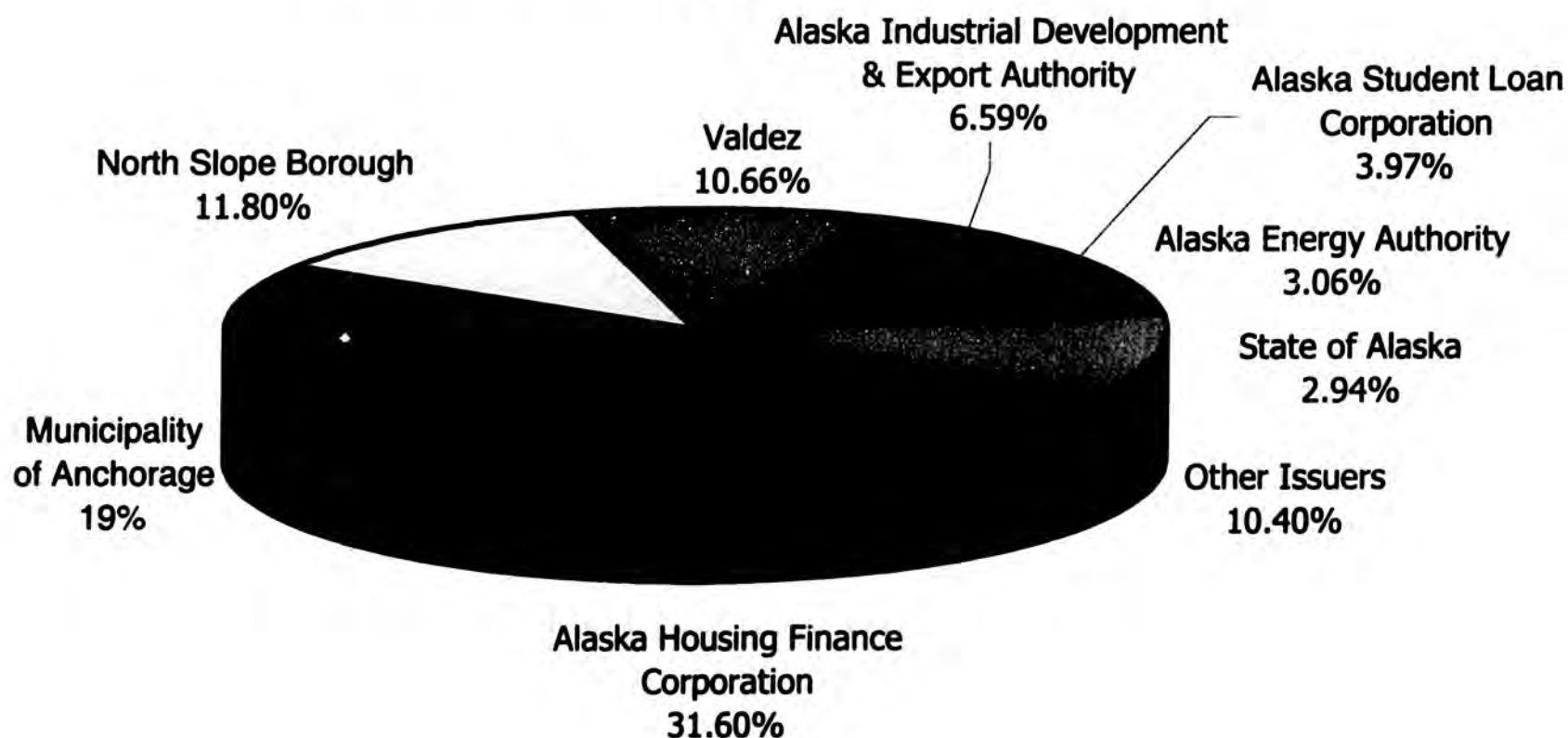
Non-Housing Bonds Issued by AHFC

- Tobacco Settlement Revenue Bonds
 - **\$116 million in 2000**
 - **\$126 million in 2001**
 - University Dormitory Bonds
 - **\$33 million in 1997**
 - State Capital Project Bonds
 - **\$196 million in 1999**
 - **\$74 million in 2001**
 - Robert B. Atwood Building Bonds
 - **\$40 million in 1999**
-

AHFC has issued more bonds than any other issuer in Alaska



Top Issuers of Tax-Exempt Debt in the State of Alaska 1992 to 2002



The Bond Issuance Process



Issues relating to a Tax-Exempt bond issuance:

- **Selecting Appropriate Professionals**
Financial, Tax, Legal, and Financing-Specific Experts
 - **Performing feasibility analysis**
Tax, financial and project analysis
 - **Developing Optimal Finance Structure**
Coordination with users of project
 - **Generating Local Support**
 - **Providing Information to the Public**
 - **Responding to Rating Agency concerns/Obtaining a rating**
 - **Marketing the Bonds**
Institutional Investors
Retail Investors
 - **Providing Continuing Disclosure**
-

SCOMM

128:31

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 439
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Office of the Governor
 Title: "An Act removing provisions under the
Alaska coastal zone management program." BRU: Governmental Coordination
 Sponsor: House Special Committee on Oil & Gas Component: Governmental Coordination
 Requester: House Special Committee on Oil & Gas Component No. 18

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	0.0	0.0	0.0	0.0	0.0	0.0

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

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

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (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)

No fiscal impact.

Prepared by: Patrick Galvin, Director
 Division: Governmental Coordination
 Approved by: David Ramseur, Chief of Staff
 Agency: Office of the Governor

Phone 465-3562
 Date/Time 2/20/02 3:37 PM
 Date 02/20/2002

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LEGISLATIVE AFFAIRS AGENCY
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MEMORANDUM

February 22, 2002

SUBJECT: Consistency Determinations Under the Alaska Coastal Zone Management Program, House Bill 439
(Work Order No. 22-LS1464\C)

TO: Representative Scott Ogan
Attn: Linda Hay

FROM: Kathryn L. Kurtz 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Removes a reference to AS 46.40.096(e), repealed in section 7 of the bill.

Section 2. Prohibits filing a petition for review of a consistency determination under AS 46.40.100(b). Removes post-hearing procedures relating to AS 46.40.096(e), repealed in section 7 of the bill.

Section 3. Removes a reference to AS 46.40.096(e), repealed in section 7 of the bill.

Section 4. Removes a reference to AS 46.40.096(e), repealed in section 7 of the bill.

Section 5. Changes a reference to AS 26.40.100(b)(2), deleted in section 2 of the bill, to AS 26.40.100(b).

Section 6. Removes a reference to AS 26.40.100(b)(2), deleted in section 2 of the bill, to AS 26.40.100(b).

Section 7. Repeals AS 46.40.096(e), providing for an opportunity to petition for review of a consistency determination; and AS 46.40.096(f), limiting the opportunity created in (e).

KLK:med
02-192.med



2002 GOVERNMENT RELATIONS PRIORITIES

THE ALLIANCE

ALASKA SUPPORT INDUSTRY ALLIANCE

PRIORITY: OIL AND GAS DEVELOPMENT

The Alliance supports public policy that encourages responsible exploration and development of Alaska's oil and natural gas resources.

PRIORITY: REGULATORY REFORM

The Alliance advocates for clear, streamlined and equitable state and federal permit systems based on sound science and economics that will encourage private sector investment in the state.

PRIORITY: LONG TERM FISCAL PLAN

It is in the best interest of the State that the legislature and administration adopt a long-term fiscal plan to address the realities of the state's current fiscal gap. A state fiscal plan must address a strategy to bring state spending in line with revenues, encourage and promote economic development, and maintain the state's infrastructure. The most important factor to encouraging future oil and gas development in Alaska will be fiscally responsible government.

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Priority: OIL AND GAS DEVELOPMENT

Alaska is unique from other states in the nation in that our abundant natural resources--primarily the oil and gas resources of the North Slope, have generated almost 80% of the state's annual operating budget for decades. At peak production the North Slope fields produced two million barrels of oil per day. Today North Slope production has declined to approximately one million barrels of oil per day. This is a strong indicator that the economics of the North Slope have and will continue to change. The only way to offset today's production is through new discoveries and added production. The cost of Alaskan oil and gas production coupled with the costs to deliver the product to market must be managed efficiently to remain competitive worldwide and attract investment capital.

The Alliance supports public policy that encourages responsible exploration and development of Alaska's oil and natural gas resources. The Alliance favors the following:

- ▲ Incentives that encourage exploration and production of oil and gas resources in satellite fields, in "frontier" acreage, and the extraction of heavy viscous oil deposits.
- ▲ Expedited permit process for oil and gas exploration and the same expedited process for projects such as a trans-Alaska gas pipeline, a gas-to-liquids facility, or new discoveries.
- ▲ Public policy decisions that improve the commercial viability of developing Alaska's stranded natural gas resources.
- ▲ A stable and predictable oil and gas tax regime.



Priority: REGULATORY REFORM

The Alliance advocates for a clear, streamlined and equitable state and federal permit systems based on sound science and economics to encourage private sector investment in the state.

Specifically, The Alliance supports:

- ▶ The repeal of the "sunset" clause in last year's temporary water use bill. (HB 185)
- ▶ Legislative efforts to address misuse by "public interest" litigants against responsible resource development in Alaska.
- ▶ Partnering between industry and government to provide more reasonable regulations.
- ▶ Reform of the Alaska Coastal Management Program (ACMP) to a more comprehensive and equitable framework to ensure Alaska's regulatory climate is one that promotes private sector investment, namely:

The ACMP process must confine its review of permits to activities with a "direct and significant" coastal impact; and

Provide better criteria for determining which projects are subject to ACMP review; and

Establish firm deadlines for consistency reviews; and

Define the authority of the Department of Governmental Coordination in relation to other state review agencies; and

Require review agencies and public commenters to raise issues in a timely manner; and

Establish better standards for approving or rejecting elevations and petitions.



Priority: LONG TERM FISCAL PLAN

Fiscally sound state and federal government is essential to maintain a healthy oil and gas industry in Alaska. The Alliance supports legislation, regulation and processes that establish sound fiscal management in government.

State revenues rely on substantial private investments in our natural resources. A fiscally sound state government provides the kind of stable environment that allows businesses to invest with confidence. The Alliance strongly supports legislative efforts to balance the state budget, including the use of such tools as results-based budgeting, development of performance measures to determine agency efficiency, and a two-year budgeting cycle. As the state begins to "live within its means," Alaska can more effectively encourage and promote business development, economic investment and jobs for Alaskans. Through fiscal reform, investors can rely on an environment that is stable and attractive to investment capital.

Today the oil and gas industry pays approximately four-fifths (which equates to about 80%) of the cost of state government. We believe that further corporate and industry assessments will discourage future investments in developing Alaska's oil and gas resources.

Additional industry taxes will make Alaska even less attractive, given its remote location as well as heavy crude resources that are more expensive to refine. Alaska cannot afford to discourage investors (and employers) with an unprofitable and punitive business environment.

The Alliance membership is comprised of over 415 businesses and organizations. Collectively they employ over 35,000 people in Alaska.

The Alaska Support Industry Alliance

Founded in 1979, the Alaska Support Industry Alliance — also known as The Alliance, is a non-profit statewide trade association representing businesses and individuals engaged in activities related to oil and gas exploration, development, and production in Alaska. We are oilfield service companies, transportation enterprises, wholesale and retail businesses, professional firms and private citizens. Our mission is to promote responsible, safe, and environmentally sound exploration, development and production of oil and gas resources to benefit all Alaskans.

Our Goals

- To improve public understanding of the relationship between political decisions, industry activity and Alaska's economic health;
- To promote safe and environmentally sound development of Alaska's natural resources;
- To foster and promote a conducive business climate; and
- To foster a skilled Alaskan work force through participation in educational programs.



THE ALLIANCE

ALASKA SUPPORT INDUSTRY ALLIANCE

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email: thelink@gci.net • www.akalliance.org

OIL & GAS NEWS

A S K A



"History will look back on the year 2001 as a turning point for our great nation. After that morning of horror ... three months ago today, each of us was forever changed. Americans have responded with an overwhelming sense of national pride and solidarity. We are a people stronger and more unified than ever."

—Gov. Tony Knowles, Dec. 11, 2001

ewAlaska.com

Alaska's source for oil and gas news

Week of January 6, 2002

GOVERNMENT

AOGA says proposed ACMP regulations unclear, unfair, illegal

Sealaska tells DGC in times of declining state revenues it is not good for state to volunteer to perform 'costly bureaucratic reviews'

By Steve Sutherland
PNA Managing Editor

In an unparalleled move, the 18 members of the Alaska Oil and Gas Association joined with other stakeholders to protest the state's proposed Alaska Coastal Management Program regulations in a Dec. 13 letter to the state Division of Governmental Coordination. Dependent upon the agencies for permits — and therefore normally cautious about strenuously objecting to their proposals — the state's oil and gas companies told DGC that the second draft of the ACMP regulations is unclear, undisciplined, unfair and illegal.

"Nothing less than Alaska's investment and development future is at stake," AOGA said in its cover letter.

AOGA contends the proposed regulations should, but do not, address four basic questions for every project applicant:

1. Does the ACMP apply to my project?
2. What information must I submit for my application to be complete?
3. What standards will be applied to the consistency review of my project?
4. How long will it take to obtain a consistency determination?

"Ridding the draft regulations of ambiguities, unnecessary duplicitous reviews, permit conditions that agencies have no authority to enforce, and undefined timelines will do much to clarify the regulations..."

—Chugach Alaska Corp.

AOGA Members include Alaska's major oil companies

The members of the Alaska Oil and Gas Association are companies that represent the majority of oil and gas exploration, production, refining, transportation and marketing activities in Alaska.

Members include the following:

- Alaska Pipeline Service Co.
- Arctic Slope Regional Corp.
- Arctic Slope Regional Corp. (ASRC) Inc.
- Arctic Slope Regional Corp. (ASRC) Inc.
- Arctic Slope Regional Corp. (ASRC) Inc.
- Arctic Slope Regional Corp. (ASRC) Inc.
- Arctic Slope Regional Corp. (ASRC) Inc.
- Arctic Slope Regional Corp. (ASRC) Inc.

No clear boundaries

DGC's proposed regulations create confusion about which projects in Alaska do or do not require an ACMP review, AOGA said, and they expand the reach of the ACMP to lands beyond the intent of the Legislature. A DGC employee told PNA in September that the agency wants all projects north

see AOGA page 13

continued from page 13

AOGA

The Alaska Miners Association said the ACMP affects not only "big" business, but small business as well.

"The gravity of these proposed regulations for the mining industry must not be underestimated," the association said. "Many of our members are small business-

AOGA contends the proposed regulations should, but do not, address four basic questions for every project applicant:

1. Does the ACMP apply to my project?
2. What information must I submit for my application to be complete?
3. What standards will be applied to the consistency review of my project?
4. How long will it take to obtain a consistency determination?

es which do not have legal and permitting staff that can negotiate their way through these regulations. For all the regulated public, but especially for such small businesses, the ACMP regulations have historically been a major source of permitting difficulty and concern. The proposed regulations would both perpetuate the existing problems and even expand the problems for these small businesses."

Coastal Policy Council to review results

According to Bates, the division has received many comments on the proposed regulations, and will take several months to review and summarize them before proceeding.

"We'll take a hard look, and assuming we move forward, we'll send them to the Coastal Policy Council within the next few months," he said.

The Coastal Policy Council is charged with guiding the direction of the ACMP.

"We're trying to boil down what the issues are, and what the biggest impediments are," Bates said. "We'll look at the comments and see if they preclude us from

Coastal Policy Council Members**Public members**

Southern Southeast Region: Barry Bracken
Northern Southeast Region: Eli Hanson
Prince William Sound Region: Currently Vacant
Lower Cook Inlet Region: Jack Cushing, mayor, City Of Homer
Upper Cook Inlet Region: James Colver
Kodiak-Aleutians Region: Robin Heinrichs, deputy mayor, Kodiak
Southwest Region: Alice J. Ruby
Bering Straits Region: Robert L. Fagerstrom
Northwest Region: Charlotte Brower

State agency officials

Office of Management and Budget: Annalee McConnell, director
Department of Community and Economic Development: Debbie Sedwick, commissioner
Department of Environmental Conservation: Michele Brown, commissioner
Department of Fish and Game: Frank Rue, commissioner
Department of Natural Resources: Patrick Pourchet, commissioner
Department of Transportation and Public Facilities: Joe Perkins, commissioner

The Coastal Policy Council consists of six state agency officials, appointed by virtue of their position; and nine public members representing one of nine coastal geographic areas. Public members serve for two years or until a replacement is appointed. Public members are appointed by the governor from a list of names nominated by municipalities of each region. Nominees must be borough assembly or city council members or mayors.

moving forward."

Bates said DGC was actually trying to make the agency's review process more predictable by clarifying its regulations. If the changes create more problems than they solve, the division might abandon the proposed revisions.

Initially, Bates said, it appears that some of the comments are based on problems with statutes, which can't be changed by DGC, but must be addressed by the Legislature. For instance, the review processes and some of the appeal processes are codified by statute, he said.

"The Legislature must amend statutes, we're the body amending regulations," he said.

Bates said it has been 17 years since the

regulations have been put in place. DGC began an assessment in the early 1990s to address concerns that have arisen over the years, and it was suggested that changes be made to Chapter 50 of the regulations, regarding the contingency review process. That led to the current draft process, which has been under way for two and one-half years, Bates said.

He said there has been a wide range of public involvement, and that DGC has had significant input from both industry and environmental interests. He said the division had gathered a meaningful picture of existing concerns.

"We may be able to move forward," he said. "We'll need the support of every-body involved." ♦

continued from page 1

PELICAN

the ground and three track-mounted drills will bore to depths of 20 feet every 220 feet along a source line. A 4.4 pound charge of Dynoseis will be placed in each hole and the hole will be backfilled.

Source lines will be 990 feet apart. Recording cables with geophones will be placed on the ground, with recording lines 660 feet apart.

The charges will be detonated one at a time. The recording cables, flagging, stakes and cap-wire will be recovered and the process repeated until the program is complete.

The activity will be supported by a helicopter and fixed wing aircraft. The 30 person crew will be staged from existing facilities in Beluga, Tyonak or Shirleyville.

The program will be shot during the winter of 2001-2002 and take approximately 45 days.

—Kristen Nelson

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continued from page 1

AOGA

of the Brooks Range to be subject to an ACMP review. Rather than addressing "direct and significant impacts" on coastal resources, as intended by the Legislature when the program was adopted, the language in the proposed regulations expands the program to include activity that "may affect any coastal use or resource," or activity that "may have a reasonably foreseeable direct or indirect effect on any coastal uses or resources." The DGC employee said even projects that were hundreds of miles from the coast or a river might be subject to an ACMP review because of a "possible indirect effect on coastal uses or resources."

"In these times of declining state revenues, it is not good government for the office of the Governor to volunteer to perform costly bureaucratic reviews of small projects that will only have minor and occasionally esoteric 'effects' on some coastal resources."

—Sealaska Corp.

The state received numerous comments about how difficult it was to determine which projects would fall within the review area. Randy Bates, DGC project analyst told PNA recently.

"It's a source of frustration for stakeholders," Bates said. "There is a clear threshold, but not a clear boundary."

AOGA said DGC is required by state law to identify "the boundaries of the coastal areas subject to the district coastal management program."

In contrast, Washington state regulations clearly limit reviews to upland areas 200 feet landward from the edge of waters covered under its program.

Agencies stop the clock on projects

Another problem, AOGA said, was that it is impossible to determine how long the process will take.

"As currently drafted, the rules contain too many exceptions and loopholes that either stop the clock entirely or allow the schedule to be sequentially extended," AOGA said. "Because the coordinating agency can unilaterally modify the schedule at nearly every step, the applicant is left with no meaningful ability to predict the amount of time that will be needed to complete the process."

To illustrate the problem, AOGA notes the vast majority of pending ACMP consistency determinations for oil and gas exploration and development projects are on a "stopped consistency review clock." PNA's analysis of oil and gas project files shows that in the majority of cases the clock has been stopped by the state Department of Environmental Conservation.

Illegal requirements on permits

AOGA said the draft regulations would "institutionalize" illegal requirements known as "homeless stipulations" on permits for oil and gas projects.

The proposed regulations continue to allow state resource agencies to attach stipulations from the ACMP consistency determination as a requirement of permit approval, AOGA said. By this device, state agencies exceed the authority granted them by the Legislature.

AOGA said homeless stipulations impose new obligations on oil and gas projects, yet have no basis in statute or regulation and are therefore illegal.

AOGA's excerpts from DGC letter

"Despite DGC's best intentions, we believe the current draft is a significant step backward toward an unlawful and dysfunctional permitting scheme, lacking in even the minimum necessary predictability and discipline."

"We do not offer this very critical judgment lightly. Indeed, we want to emphasize that our membership is collectively and individually deeply disturbed by the current draft."

"The significance of the ACMP review process is even larger as advocacy groups increasingly see the ACMP process as the preeminent avenue of choice to protect national and special interest political positions by blocking, delaying or increasing the costs of activities they oppose."

"Unfortunately, AOGA, DGC and other stakeholders face a serious challenge because after much time and effort the current draft regulations are anything but a success story. Alaska cannot sustain further degradation of its regulatory reputation by adoption of ACMP regulations so unclear, undisciplined and ultimately unfair and unlawful."

Further, the proposed regulations delay state permits until after the consistency determination is final. Projects can be delayed by allowing DGC to impose conditions no agency is authorized to impose by attaching them as provisions of other state permits.

Elevation and petition process — a mess

AOGA member companies said they encounter major difficulties with the elevation and petition processes. The association suggests eliminating the current two-tiered elevation process.

An elevation occurs when an issue cannot be resolved at the staff level. If such a stalemate occurs an agency can "elevate" the issue to the appropriate directors of the resource agencies within the Department of Natural Resources, the Department of Fish and Game and DEC.

DGC coordinates the elevation. If, after a series of meetings between the directors, the issue remains unresolved, then the whole process begins again with an elevation of some or all of the issues to the resource agency commissioners.

AOGA believes the directors' level elevation is an unnecessary step in an already flawed process. Most of the issues that are elevated to directors are matters of policy and not fact or science. It is unusual for policy issues to find resolution at the director level; most elevations continue on to the commissioners. AOGA, not a proponent of the elevation process in any form, believes issues should be elevated only to commissioners. At least this eliminates one step that generally just wastes the time of the agencies and the applicants and provides little or no benefit.

Even with modification of elevations to a one-tiered process, procedures under the proposed regulations for conducting elevation meetings and petition hearings must be clarified, AOGA said.

In order to make sense of the proposed regulations, AOGA members attempted to prepare a detailed flow chart of the process, including timelines. The association said ambiguous and circular language made it impossible to develop a clear diagram that would show the required steps in the ACMP process.

In its comments, AOGA suggests that

DGC attempt to create a flow chart of the permitting process under the proposed regulations, noting that many conflicts and complexities are brought to light by diagramming the process.

Diverse interests, similar concerns

Other stakeholders from around Alaska expressed concerns that often coincided with AOGA's criticisms of the proposed regulations.

Sealaska Corp. comments mirrored concern about the effect of the regulations on economic development in the state.

"As we've stressed in the past, these are the most important procedural regulations in Alaska; they are complex; and every turn is fraught with the possibility of costly unintended consequences," Sealaska said.

The Juneau-based Native regional corporation also addressed the practical need to limit the reach of the ACMP review to definable boundaries, as intended by the Legislature. "In these times of declining state revenues, it is not good government for the office of the Governor to volunteer to perform costly bureaucratic reviews of small projects that will only have minor and occasionally esoteric 'effects' on some coastal resource."

Chugach Alaska Corp. said, "Ridding the draft regulations of ambiguities, unnecessary duplicative reviews, permit conditions that agencies have no authority to enforce, and undefined timelines will do much to clarify the regulations..."

The Anchorage-based Native regional corporation said in order for DGC to attain its goals with the regulations, such as consensus building among stakeholders, a clear timeline for the review process must be established.

"In today's world, we can expect virtu-

ally all projects to become controversial," Chugach said. "In order for consensus building to work in these cases, definite deadlines must be established and responsibility clearly assigned."

The Resource Development Council for Alaska said, "Developing a clear, well-organized, equitable framework for the ACMP will be critical to ensure Alaska's regulatory climate is one that does not unduly discourage private sector investment and economic development."

see AOGA page 15

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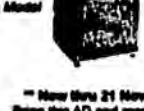
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Pocket GUIDE to the

*Alaska Coastal
Management
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5 steps to project approval in Alaska's coastal zone



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*Working together for
the long-term economic and
environmental productivity
of Alaska's coast.*

Is this guide for you?

This guide is for you if you have little or no experience obtaining permits for projects in Alaska's coastal zone or you just want to learn more about the Alaska Coastal Management Program (ACMP). Here you will learn



Once you understand the permits your project will require, you can design a project that will address these requirements up front and avoid delays later during the permitting process.

how to determine if your project is in the coastal zone, the 5 steps in the coastal consistency review process, answers to some commonly asked questions, and where to go for more information.

By answering the following questions, you should determine whether the Alaska Coastal Management Program applies to your project. If it does, feel assured that this booklet, the Division of Governmental Coordination (DGC), coastal districts, and state resource agencies will help you navigate your project through the ACMP consistency review process. You will find addresses, telephone numbers, and web site addresses for agencies you may need to contact at the end of this booklet.

How do I know if the ACMP applies to my project?

If your project meets the following two criteria, or if you are unsure, you should contact DGC. One of DGC's Project Review Coordinators will help you determine if your project requires an ACMP consistency review and guide you to the state agencies and coastal districts you may need to contact.

If your project is:

1. located in or will affect resources of the coastal zone; and
2. requires a state, federal, or local permit(s), your project may require an ACMP consistency review.

If you are not sure about the location of your project in relation to Alaska's coastal zone or the permits required for your project, keep reading.

How do I know if my project is located in the coastal zone?

Alaska's coastal zone boundaries include more than 44,000 miles of coastline and can extend inland along river drainages as far as 250 miles. This variability can make it difficult to tell if your project is within the coastal zone. The map on pages 20-21 shows a representation of Alaska's coastal zone and coastal districts.

If your project is located within a coastal district, you should contact either DGC at (907) 465-3562 (Juneau) or 269-7470 (Anchorage), or the coastal district to determine whether your project is within its coastal zone. Coastal district contact information is located at the end of this booklet.

Please note that the ACMP also applies to projects in large areas of Prince William Sound and southeast Alaska that are in the coastal zone but not within a coastal district.

How do I know if my project will require state or federal permits?

If you are not sure what permits your project might require, fill out a Coastal Project Questionnaire (CPQ) (for your own information). Even if you don't require an ACMP consistency review, the questions in the CPQ will help you identify what permits might apply to your project and who to contact for more information. If you discover your project requires an ACMP consistency review, you will be well on your way to fulfilling the requirements in Step 1.

Keep reading to learn more about the ACMP consistency review process and how DGC, your local coastal district, and state resource agencies can be of assistance.

Questions & Answers

What is the Alaska Coastal Management Program?

In 1972 Congress passed the Coastal Zone Management Act (CZMA) to promote the orderly development and protection of the country's coastal resources. The CZMA resulted from concern spurred by the increasing demands for development of the nation's coastal areas, population increases near the coast, and declining productivity of the coastal environment. The CZMA established a voluntary partnership among the federal government, coastal states, and local governments to develop individual state programs for managing coastal resources.

Mission of the Alaska Coastal Management Program:

"The ACMP provides stewardship of Alaska's rich and diverse coastal resources to ensure a healthy and vibrant coast that sustains long-term economic and environmental productivity."

The Alaska Coastal Management Program (ACMP) implements legislation passed by the State of Alaska in 1977. With this legislation, called the Alaska Coastal Management Act, Alaska joins the partnership envisioned by the CZMA.

The ACMP improves stewardship of Alaska's coastal land and water uses, and natural resources, by creating a network of local, state, federal, and applicant interests in the project approval process. The networking provided by the ACMP helps to ensure that all aspects of a project are considered during a single review and approval process. This integrated approach promotes both economic and environmental productivity of Alaska's rich and diverse coastal resources.

The ACMP requires that projects in Alaska's coastal zone be reviewed by coastal resource management professionals and found consistent with the statewide standards of the ACMP. These standards and the enforceable policies of an affected coastal district ensure that development interests observe the vision set out for the future by the state and coastal communities. It is called the consistency review process. A finding of consistency with the ACMP must be obtained before permits can be issued for the project.

What criteria does the ACMP use to evaluate my project?

The ACMP applies to projects within or affecting Alaska's coastal zone. The statewide **standards** (6 AAC 80) and coastal district **enforceable policies** of the ACMP provide direction for coastal resources and uses, such as:

- coastal development (whether a project is water-dependent or water-related),
- habitats (such as wetlands, tideflats, or streams),
- air, land, and water quality,
- transportation and utility routes and facilities,
- timber harvest,
- mining and mineral processing,
- subsistence opportunities,
- recreation designations,
- geophysical hazard areas,
- historical and archaeological resources,
- energy facilities, and
- fish and seafood processing.

Using the statewide standards and local enforceable policies, the ACMP evaluates the effects a project will have on the above coastal resources and uses. Projects must be consistent with the requirements found in the standards and enforceable policies.

What is the Coastal Consistency Review Process?

The coastal consistency review process, or *consistency review process*, helps ensure your project meets the statewide standards and coastal district policies. It also serves as the review process for most permits you will need from state resource agencies. This 5-step process advances your project through review and approval requirements in a timely fashion.

The consistency review process is a coordinated review process that benefits applicants and project reviewers alike. Applicants have a single, primary point of contact for their projects. Reviewers benefit by comprehensively reviewing a project only once.

This booklet explains the consistency review process in more detail and how you can get your project approved with a minimum of difficulty. The Division of Governmental Coordination, as well as state resource agencies and coastal districts, are available to help you understand and navigate your project through the consistency review process.

Who is DGC?

The **Division of Governmental Coordination (DGC)** is home to the ACMP. Located in the Office of the Governor, DGC is responsible for the overall administration and operation of the ACMP. In this role, DGC provides assistance to applicants, coastal districts, and state agencies in carrying out their duties and responsibilities under the ACMP.

DGC has connections throughout the ACMP network.



As such, *your first ACMP contact should probably be one of DGC's helpful Project Review Coordinators*. DGC also serves as the coordinator for the consistency review process if your project requires a federal permit or permits from more than one state agency.

The staff at DGC perform a variety of other activities that support the ACMP, including

- preapplication meetings for applicants
- federal funding for the ACMP
- assistance to local districts in getting their coastal management programs approved
- assistance resolving conflicts
- appeals, elevations, and petitions
- ACMP education and training

Who are the State Resource Agencies?

The State of Alaska has three agencies primarily responsible for managing its natural resources and uses of those resources. These **resource agencies** have permitting authorities for specific activities. If your project requires a permit(s) from only one state resource agency, that agency coordinates the consistency review process.

Your project will most likely require one or more permits from at least one resource agency. The state resource agencies include:

- **Department of Natural Resources (DNR)** manages state-owned land and natural resources, including sales and leases.
- **Department of Fish and Game (DFG)** manages the state's fish and wildlife resources and their habitats.

- **Department of Environmental Conservation (DEC)** serves to safeguard the public health and environment from human uses.

What is a coastal district?

Coastal districts are generally local governments, such as cities and boroughs, that contain a portion of Alaska's coastal area. In coastal areas outside the boundaries of local government, coastal districts known as Coastal Resource Service Areas (CRSA) may be formed.

Most coastal districts develop a coastal management program that requires a rigorous state and federal approval process. A district coastal management program contains enforceable policies that guide development affecting the coastal resources within its boundaries. Once approved, a district coastal management program becomes a part of the ACMP.

During the consistency review process, an affected coastal district reviews your project against the enforceable policies of its coastal management program. By complying with its enforceable policies, your project can help the district achieve its goals and objectives for coastal development within its boundaries.

The ACMP consistency review process provides:

- a one-stop, consolidated state response to coastal development projects and related state and federal permit applications;
- specific timeframes and deadlines for reviewing project applications; and
- a fast appeal (elevation) process.

Step 1

Complete a Coastal Project Questionnaire (CPQ)

What is the CPQ?

The **Coastal Project Questionnaire**, commonly called the **CPQ**, serves as the application for getting your project started in the ACMP consistency review process. A project in the coastal zone must receive an ACMP consistency determination, the end product of the consistency review process, before agencies can issue permits for the project.

The CPQ also helps you identify which state and federal permits will be required for your project. In addition, your completed CPQ provides reviewers with a description of your project and serves as your certification that your project will be conducted in a manner consistent with the ACMP. The CPQ (and this guide) includes a list of state agency and coastal district contacts for your convenience.

Who has to fill out a CPQ?

Anyone proposing a project within or affecting coastal areas of Alaska must submit a CPQ, with the following exceptions:

1) Placer miners: submit an *Annual Placer Mining Application* to the Department of Natural Resources (DNR).

2) Aquatic farmers: submit a *State of Alaska Aquatic Farm Permits Application* to DNR.



Federal agencies should contact DGC for information on how the consistency review process is used to review federal activities.

How do I get a CPQ?

Copies of the CPQ are available from DGC, state resource agencies (see the back of this brochure), the

U.S. Army Corps of Engineers (toll-free at 1-800-478-2712), other federal permitting agencies, and local coastal district offices.

What else do I need to know?

One of DGC's Project Review Assistants will help you determine what you need to do and who to contact to get your project ready for the consistency review process.

If your project is located within a coastal district, be sure to contact the district's ACMP coordinator and the planning department early to find out what will be required at the local level.

Once you've determined what permits will be required, be sure to contact those agencies to learn their permitting requirements.

How do I apply for my other permits?

Alaska has streamlined the permitting process to provide developers with a single point of entry. Your CPQ packet will include applications and fees for the permits you will need.

The consistency review process also serves as the permit review process for state resource agencies.

How much does it cost?

There is no charge for the ACMP consistency review process. However, agencies issuing permits for the project may require fees.

Is there anything I can do to pave the way for my project?

Before you finalize project plans or submit your CPQ and other information necessary for a complete application packet, the state can arrange a **preapplication meeting** with you and other review participants to discuss your draft plans. This meeting identifies concerns and information needs, helps you avoid 'pitfalls', and promotes a mutual understanding of your project. To

Pave the way for your project by identifying and addressing concerns before you turn in your application packet. Ask the state for a pre-application meeting.

arrange a preapplication meeting, contact the coordinating agency. In lieu of a meeting, the coordinating agency can distribute materials to review participants for preapplication assistance.

Fill in all the blanks

To complete the CPQ, fill in all the blanks and contact agencies as directed on the CPQ. Filling out the questionnaire properly is important and helps agencies process your project application without delays. If a question is not applicable then put "N/A." If you answer yes to a question and are not applying to that agency for a permit, explain why.

Your signature on the CPQ certifies that you believe your project is consistent with the standards and enforceable policies of the Alaska Coastal Management Program. The standards and enforceable policies are available from DGC and your local coastal district. If you need assistance, contact DGC or your local coastal district.

Is your application packet complete?

Your CPQ package should include:

- The completed CPQ and signed Certification of Consistency;
- Copies of any necessary state and federal permit applications, topographic maps, and plan drawings required by the approving agency. DGC encourages you to send original applications to the state or federal agency issuing the permit. Any fees associated with these permits also go to the issuing agency.
- Any additional pertinent information. Make sure you include a complete description of your entire project to minimize the need to provide more information later.

Step 2

Coordinating agency receives packet

Where do I send the CPQ?

Once you have a completed CPQ and application packet, you should submit it to the state agency responsible for coordinating the coastal consistency review for your project, commonly referred to as the **review coordinating agency**. You can determine the review coordinating agency for your project from the following:

- If your project requires a permit(s) from only one state agency, submit your CPQ and permit applications to that state agency. That agency will coordinate the consistency review for your project.
- If your project requires permits from two or more state agencies, or a permit from a federal agency, then you should submit your CPQ packet to the Division of Governmental Coordination, which will coordinate the consistency review for your project.

If you are not sure where to send your CPQ packet, contact DGC.

What happens next?

The review coordinating agency receives the application packet, decides whether it is complete, and determines if the project needs to undergo a coastal consistency review.

Does my project qualify for expedited review?

Some projects that have no significant impact on coastal resources, or are routine activities, may be exempt from further coastal consistency review requirements. The state maintains a list of permits and projects that qualify for expedited review in 6 AAC 50.050. The list is



referred to as the "Classification of State Agency Approvals" but is commonly known as the "ABC List."

To find out if your project qualifies for expedited review in the ABC List, contact DGC or your review coordinating agency. Projects that are in the coastal zone and not exempt from further review in the ABC List must undergo a full ACMP coastal consistency review.

50-Day Consistency Review Schedule

ACMP Consistency Review Process	Day
Step 1 - Complete CPQ	0
Step 2 - Turn in your Packet	0
Step 3 - Consistency Review Starts	1
Deadline for information requests	25
Comment deadline	34
Step 4 - Proposed Determination	44
Deadline to file for elevation or petition*	49
Step 5 - Final Determination	50
*See page 17	

Step 3

Consistency review starts

50-day coastal consistency review begins

Once your application is received by the review coordinating agency and determined to be complete, the coordinating agency initiates the required public notices. The consistency review starts once all public notices have been issued.

The coordinating agency issues a deadline for reviewer and public comments and circulates your application packet to review participants. The coordinating agency tracks the project during the review and makes sure all interested parties take the opportunity to participate within the designated time frames.

The review coordinating agency will notify you of your review's start date, review number, review schedule, and any other pertinent information. With a few exceptions, the state must complete the consistency review of your project 50 days after the start date.



Do all consistency reviews last 50 days?

Although most projects require a 50-day review, the actual time frame may be shortened or extended under certain circumstances. Alternatives to 50-day consistency reviews are identified below:

- The consistency review of your project may be expedited if your project is a routine activity identified in the ABC List. For more information, refer to *Does my project qualify for expedited review?* in Step 2.
- The 50-day review schedule for your project may be extended for specific reasons. For more information, refer to *Extensions to the review schedule* below.

- If all necessary permits for your project are legally required to be issued within 30 days, the consistency review can be completed within a 30-day time frame as provided in 6 AAC 50.110 (a).
- Federal activities (projects conducted by or for a federal agency) may require a different review schedule. However, this booklet is not designed to address specific review or consistency requirements for federal activities. Contact DGC for more information at (907) 465-8794.

Who reviews the project?

The participants in the coastal consistency review process include: (1) you, the applicant; (2) state resource agencies and the Division of Governmental Coordination; (3) the affected coastal district; (4) other interested members of the public; and (5) federal agencies.

Having had a preapplication meeting can really pay off during step 3. Identifying concerns before the review begins can avoid delays and the need for additional stipulations.

Extensions to the review schedule

The review schedule may be extended for certain reasons as provided in 6 AAC 50.110(b). For example, after demonstrating a need for an extension, reviewers may request an extension:

- For you to provide additional information on your project that is needed for their analysis. The project review may be stopped within specified deadlines until that information is received. Within 7 days of receipt of the additional information, you will be notified of its adequacy.
- To perform a field review within a 10-day limit.
- To coordinate with DNR's process for disposals of interest in state land or resources.
- For a public hearing held as part of the consistency review process.

Step 4

Proposed consistency determination

What happens after reviewers submit comments?

After receiving comments from participants during the review process, the coordinating agency tries to resolve any issues that were raised. The coordinating agency then develops a **proposed consistency determination**. The proposed determination is discussed with you, state resource agencies, and the affected coastal district for concurrence.

What are stipulations?

The proposed consistency determination may include stipulations that modify your project and are necessary to bring it into compliance with the ACMP. These **stipulations**, or conditions of approval, are attached to permits issued for the project. Applicants and reviewers may discuss, or negotiate, the stipulations that will be included in the final determination.

What happens if I don't concur with the proposed consistency determination?

If concurrence cannot be reached by the review deadline, an elevation and/or petition can be requested by you or certain review participants. Please note that the instances of elevation are low. In fact, our statistics show that less than one percent of proposed consistency determinations receive requests for elevation or petition.

For a brief explanation of these processes, refer to *Elevations, Appeals, and Petitions* after Step 5. DGC can provide you with more information than is presented here in the unlikely event that this becomes an issue for your project.

Step 5

Final determination

When does my project get a final consistency determination?

A final consistency determination is issued when you and the project reviewers concur with the proposed determination, including the stipulations. The final consistency determination must be issued by the review deadline, generally 50 days.

When do I get my permits?

Once the final consistency determination is completed, most state agencies issue state permits covered by the determination within five days. However, an agency may find that additional time is necessary to fulfill its statutory requirements. For example, leases and other disposals of state land or resources issued by DNR generally require additional time. DGC or the permitting agency can provide you with more information on when you can expect to receive the permits for your project.



Once all your permits are in place, the real work begins.

Elevations, Appeals, and Petitions

Elevation

If you disagree with the proposed determination on your project, you may request **elevation** (further review) to division directors within state resource agencies. A resource agency or affected coastal district may also request an elevation. This request must be in writing and include a proposed alternative consistency determination that would effectively address your concerns. The directors review the proposed determination and the alternative determination included in the elevation request, then issue a director-level proposed determination.

If you do not agree with the director-level review, you may elevate the review to the commissioners of the resource agencies, who issue a final determination. This is the last step in the administrative process. Each elevation review can take up to 15 days.

Petition

Under AS 46.40.096, certain eligible parties may petition the Coastal Policy Council to review a project if the petitioner believes their comments related to the enforceable policies of an affected coastal district were not fairly considered. These parties may include the project applicant, an affected coastal district, a state agency, or a citizen of an affected coastal district. The petition process must be completed within 30 days. Contact DGC for more information.

Appeal

If your project requires a federal approval and you disagree with the state's final consistency determination, you may also appeal to the U.S. Secretary of Commerce in Washington, D.C., as provided in 15 CFR 930.125(h). DGC can provide you with information on this appeal process upon request.

Looking for more information?

Where you go to obtain more information will depend on the type of information you are seeking and your familiarity with the ACMP consistency review process. **Generally, DGC can provide answers to your questions or direct you to the right person.** However, before and during the application and review process, you will also likely benefit from contacting the local coastal district, and the agency or agencies that will be issuing permits.

If you are new to the ACMP or are unsure where to go, we recommend you contact the Division of Governmental Coordination (DGC). As the administrator of the Alaska Coastal Management Program, DGC's duties include helping applicants navigate the consistency review process and obtaining the information they need to succeed in getting their projects approved.

What other information can DGC provide?

The **Division of Governmental Coordination (DGC)** serves as the information center for the ACMP and the consistency review process. DGC can provide quick answers to whether or not your project is in the coastal zone, what permits you will need, and other questions you have about the project approval process.

DGC also retains copies of:

- all coastal district management programs,
- coastal zone boundary maps,
- ACMP statutes and regulations,
- policies, procedures, special project papers,
- ACMP history and legal opinions, and
- other documents related to the ACMP.

For projects requiring permits from two or more state agencies, or a federal permit, DGC serves as the coordinating agency for the consistency review. In addition, DGC coordinates the review for federal projects proposed in the coastal zone.

What information can other state resource management agencies provide?

The **Department of Natural Resources (DNR)**, **Department of Environmental Conservation (DEC)**, and the **Department of Fish and Game (DFG)** can provide information about the ACMP consistency review process but specialize in providing applicants with permitting requirements under their authority. For projects only requiring a permit from one of these state resource agencies, that agency coordinates the consistency review.

What information can coastal districts provide?

Coastal Districts can provide information about the ACMP consistency review process, but most importantly can share with you local permitting requirements for your project. In addition, coastal districts have expertise of local conditions and community standards, including development priorities, cultural values, and environmental conditions.

What information can I find on the Internet?

If you have access to the internet, be sure to visit the ACMP Website at:

<http://www.alaskacoast.state.ak.us/>

This new site will feature:

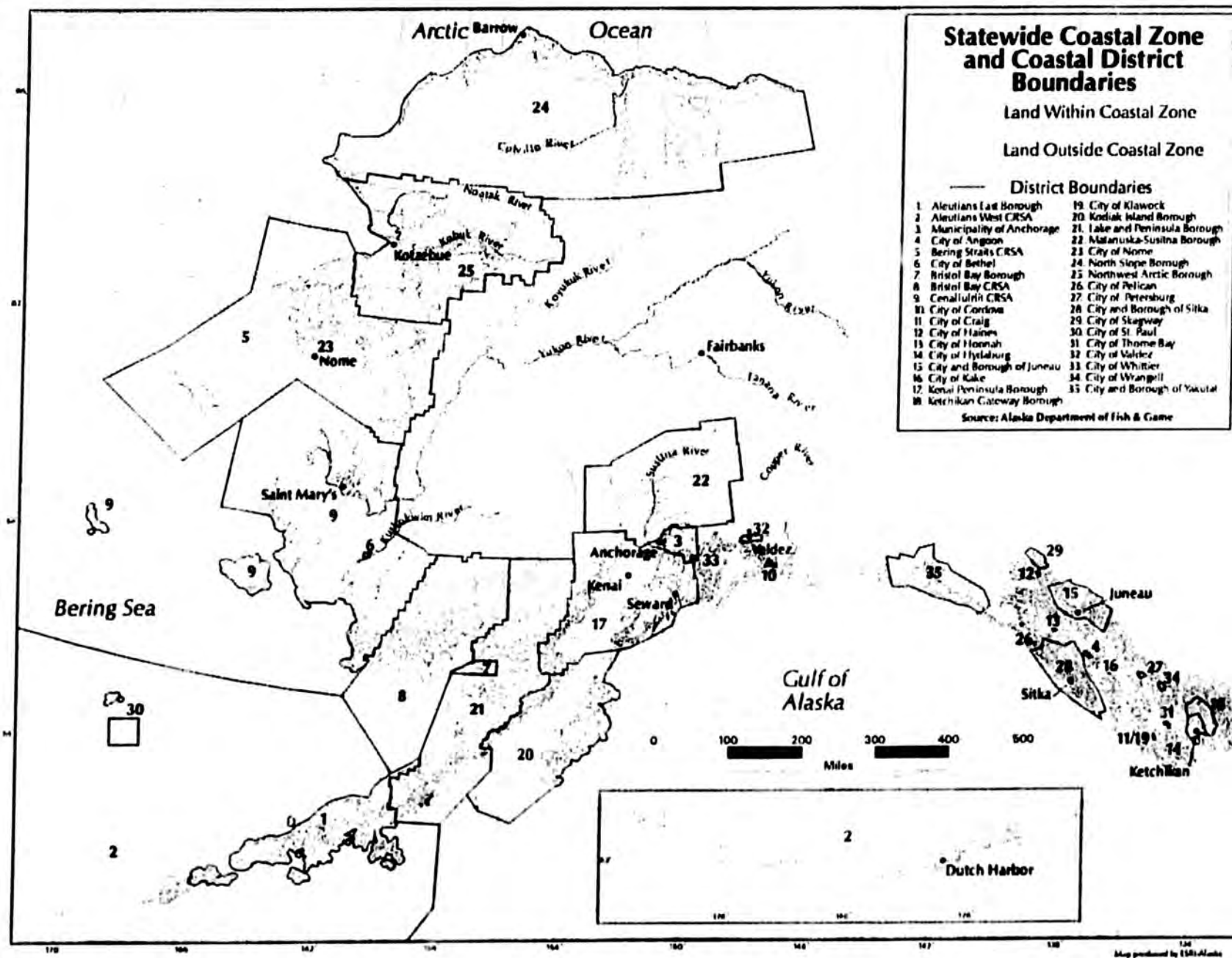
- a downloadable CPQ,
- more complete information about who to contact to help you through the consistency review process,
- access to DGC's project review database,
- coastal district enforceable policies,
- the ACMP statewide standards in 6 AAC 80,
- and much more.

If you need detailed information about an Alaskan community, visit the Department of Community and Regional Affairs community profiles database web page at:

http://www.comregaf.state.ak.us/CF_ComDB.htm

DGC can provide answers to your questions or direct you to the right person.





DGC Contacts: addresses are on back cover



JUNEAU OFFICE

Main Line (907) 465-3562
Fax (907) 465-3075
Web Site Address:
<http://www.alaskacoast.state.ak.us>

Director of DGC 465-3562
Project Review Coordinators 465-2142
Project Review Analysts
ABC List 465-3529
ANILCA 269-7477
Federal Consistency/Supervisor 465-8794
Mining and Timber 465-8791
Oil and Gas 465-8792

ANCHORAGE DGC OFFICE

Main Line (907) 269-7470
Fax (907) 561-6134

Project Review Coordinators 269-7472

JOINT PIPELINE OFFICE

Main Line (907) 271-4317
Fax (907) 272-0690

Project Review Coordinator 271-4317

Coastal District Contacts

Aleutians East Borough

P.O. Box 349
Sand Point, AK 99661
Phone: (907) 383-2699
Telecopy: (907) 383-3496
E-mail: aebclerk@aol.com

Aleutians West CRSA

P.O. Box 920045
Dutch Harbor, AK 99692
Phone: (907) 581-2212
Telecopy: (907) 581-1306
E-mail: awcrsa@ptialaska.net

Anchorage, Municipality of

Department of Community
Planning and Development
P.O. Box 196650
Anchorage, AK 99519-6650
Phone: (907) 343-4261
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Angoon, City of

P.O. Box 189
Angoon, AK 99820
Phone: (907) 788-3653
Telecopy: (907) 788-3821

Bering Straits CRSA

P.O. Box 190
Unalakleet, AK 99684
Phone: (907) 624-3062
Telecopy: (907) 624-3811

Bethel, City of

P.O. Box 388
Bethel, AK 99559
Phone: (907) 543-5301
Telecopy: (907) 543-4186
E-mail: john_malone@ddc-alaska.org

Bristol Bay Borough

P.O. Box 189
Naknek, AK 99633
Phone: (907) 246-4224
Telecopy: (907) 246-6633
E-mail: bbbmgt@bristolbay.com

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Bristol Bay CRSA

Nanvaq Building, Room 207
P.O. Box 849
Dillingham, AK 99576
Phone: (907) 842-2666
Telecopy: (907) 842-2776
E-mail: bbcrsant@nushtel.com

Ceñaliulriit CRSA

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St. Mary's, AK 99658
Phone: (907) 438-2638
Telecopy: (907) 438-2643

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P.O. Box 1210
Cordova, AK 99574
Phone: (907) 424-6200
Telecopy: (907) 424-6246
E-mail: samflora@cordovanet.com

Craig, City of

City of Craig
P.O. Box 725
Craig, AK 99921
Phone: (907) 826-3275
Telecopy: (907) 826-3278
E-mail: jbolling@ptialaska.net

Haines, City of

City of Haines
P.O. Box 1049
Haines, AK 99827
Phone: (907) 766-2231
Telecopy: (907) 766-3179
Web Site: <http://www.haines.ak.us>

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P.O. Box 360
Hoonah, AK 99829
Phone: (907) 945-3663
Telecopy: (907) 945-3445

Hydaburg, City of

P.O. Box 49
Hydaburg, AK 99922
Phone: (907) 285-3761
Telecopy: (907) 285-3760

Coastal District Contacts

Juneau, City and Borough of

Community Development Department
155 South Seward Street
Juneau, AK 99801
Phone: (907) 586-5230
Telecopy: (907) 586-3365
Email: Terry_Stone@mail.ci.juneau.ak.us
Web Site: <http://www.juneau.Lib.ak.us>

Kake, City of

P.O. Box 500
Kake, AK 99830
Phone: (907) 785-3804
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E-mail: clerkake@seaknet.alaska.edu

Kenai Peninsula Borough

144 N. Binkley Street
Soldotna, AK 99669-7599
Phone: (907) 262-4441 x337
E-mail: Glandua@borough.kenai.ak.us
Web Site: <http://www.borough.kenai.ak.us>

Ketchikan Gateway Borough

344 Front Street
Ketchikan, AK 99901
Phone: (907) 228-6610
Telecopy: (907) 247-8439
E-mail: ktnczm@ktn.net

Klawock, City of

P.O. Box 113
Klawock, AK 99925
Phone: (907) 755-2261
Telecopy: (907) 755-2403

Kodiak Island Borough

Community Development Department
710 Mill Bay Road
Kodiak, AK 99615-6340
Phone: (907) 486-9360
Telecopy: (907) 486-9376
E-mail: lfreed@kib.co.kodiak.ak.us (no caps)

Lake and Peninsula Borough

P.O. Box 495
King Salmon, AK 99613
Phone: (907) 246-3421
Telecopy: (907) 246-6602
E-mail: lpboro@bristolbay.com

Coastal District Contacts

Matanuska-Susitna Borough

350 E. Dahlia Avenue
Palmer, AK 99645-6488
Phone: (907) 745-9865
Telecopy: (907) 745-9876

Nome, City of

P.O. Box 281
Nome, AK 99762
Phone: (907) 443-5242
Telecopy: (907) 443-5349
Web Site: <http://www.alaska.net/~nome/>

North Slope Borough

P.O. Box 69
Barrow, AK 99723
Phone: (907) 852-0440 x266
Telecopy: (907) 852-5991
E-mail: jdunham@co.north-slope.ak.us

Northwest Arctic Borough

P.O. Box 1110
Kotzebue, AK 99752
Phone: (907) 442-2500
Telecopy: (907) 442-2930
E-mail: acar@eagle.prtialaska.net
Web Site: <http://www.northwestarcticborough.com>

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P.O. Box 737
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Phone: (907) 735-2202(wk)
Telecopy: (907) 735-2258

Petersburg, City of

P.O. Box 329
Petersburg, AK 99833
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Telecopy: (907) 772-4876
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100 Lincoln Street, #201
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Phone: (907) 747-1812
Telecopy: (907) 747-7403
E-mail: campbell@cityofsitka.com
Web Site: <http://www.CityofSitka.com>

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P.O. Box 415
Skagway, AK 99840
Phone: (907) 983-2297
Telecopy: (907) 983-2151

St. Paul, City of

P.O. Box 901
St. Paul, AK 99660
Phone: (907) 546-2331
Telecopy: (907) 546-3199

Thorne Bay, City of

P.O. Box 19110
Thorne Bay, AK 99919
Phone: (907) 828-3380
Telecopy: (907) 828-3374

Valdez, City of

P.O. Box 307
Valdez, AK 99686
Phone: (907) 835-4313
Telecopy: (907) 835-2992
E-mail: vdzadm@alaska.net

Whittier, City of

P.O. Box 729
Whittier, AK 99693
Phone: (907) 472-2326
Telecopy: (907) 472-2404

Wrangell, City of

P.O. Box 531
Wrangell, AK 99929
Phone: (907) 874-2381
Telecopy: (907) 874-3952
E-mail: ccodev@wrangell.com

Yakutat, City and Borough of

P.O. Box 160
Yakutat, AK 99689
Phone: (907) 784-3323
Telecopy: (907) 784-3281

State Agency Contacts

Primary State Resource Management Agency Contacts

Department of Natural Resources

Web Site: <http://www.dnr.state.ak.us>

Southcentral Alaska:

Public Information Office
3601 C Street, Suite 200
Anchorage, AK 99503-5929
Phone: 269-8400
Fax: 269-8901

Southeast Alaska:

Public Information Office
400 Willoughby, Fourth Floor
Juneau, AK 99801-1790
Phone: 465-3400
Fax: 586-2954

Northern Alaska:

Public Information Office
3700 Airport Way
Fairbanks, AK 99709-4699
Phone: 451-2700
Fax: 451-2751

Department of Fish and Game Division of Habitat and Restoration

Web Site: <http://www.state.ak.us/local/akpages/FISH.GAME/adfghome.htm>

Southcentral Alaska:

333 Raspberry Rd.
Anchorage, AK 99518-1599
Phone: 267-2335
Fax: 267-2464

Southeast Alaska:

P.O. Box 240020
Douglas, AK 99824-0020
Phone: 465-4290
Fax: 465-4272

State Agency Contacts

Northern Alaska:

1300 College Rd.
Fairbanks, AK 99701-1599
Phone: 459-7289
Fax: 456-3091

Department of Environmental Conservation

Web Site: <http://www.state.ak.us/local/akpages/ENV.CONSERV/home.htm>

Southcentral Alaska:

555 Cordova St.
Anchorage, AK 99501
Phone: 269-7500
Fax: 269-7652

Southeast Alaska:

410 Willoughby Ave. Suite 105
Juneau, AK 99801
Phone: 465-5350
Fax: 465-5274

Northern Alaska:

610 University Ave.
Fairbanks, AK 99709-3643
Phone: 451-2360
Fax: 451-2187

Federal Agency Contacts

U.S. Army Corps of Engineers

<http://www.usace.army.mil/alaska>

P.O. Box 898
Anchorage, AK 99506-0898
ATTN: NPACO-RF
Phone: 1-800-478-2712

Your project may also require permits from other federal agencies such as those listed below. However, these agencies do not have consistent or single points of contact for permit information and ACMP requirement. DGC can provide you with appropriate contact information if your project may require permits from these agencies.

Bureau of Land Management

<http://www.ak.blm.gov/>

Environmental Protection Agency

<http://www.epa.gov/region10/www/search.html>

222 W. 7th Ave. #19
Anchorage, AK 99513-7588
1-800-781-0983

Federal Aviation Administration

Federal Energy Regulatory Commission

Minerals Management Service

949 E. 36th Ave.
Anchorage, AK 99508
(907) 271-6010

U.S. Coast Guard

<http://www.uscg.mil.d17uscgd17.html>

U.S. Forest Service

<http://www.fs.fed.us/r10/>

For more information about federal consistency or appeals to the U.S. Secretary of Commerce contact

Office of Ocean and Coastal Resource Management (OCRM)

<http://www.nos.noaa.gov/ocrm/>

OCRM, National Ocean Service
National Oceanic & Atmospheric Administration
U.S. Department of Commerce
1305 East-West Hwy., N/ORM4
Silver Spring, Maryland 20910



**State of Alaska,
Office of the Governor**

Division of Governmental Coordination (DGC)

DGC Web Site:

<http://www.alaska.coast.state.ak.us>

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Suite 500, Juneau, AK

Mailing: P.O. Box 110030,
Juneau, AK
99811-0030

Telephone: (907) 465-3562
Fax: (907) 465-3075

Anchorage DGC Office

Address: 3601 "C" St., Suite 370
Anchorage, AK
99503-5930

Telephone: (907) 269-7470
Fax: (907) 561-6134

Joint Pipeline Office

Address: 411 W. 4th Ave.
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AK 99501-2342

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Funding for this publication provided by the State of Alaska and through the Coastal Zone Management Act of 1972, as amended in 1990, administered by the Office of Ocean and Coastal Resource Management, National Oceanic and Atmospheric Administration, U.S. Department of Commerce. These booklets were printed at a cost of .96 each in Anchorage, Alaska during June, 1998.



February 26, 2002

The Honorable Scott Ogan
Chairman, House Special Committee on Oil & Gas
Alaska State House of Representatives
State Capitol, Room 108
Juneau, AK 99801-1182

Via Fax: (907) 465-3265, Original Via First Class Mail

RE: Support of HB 439

Dear Representative Ogan:

These comments on HB 439 are submitted on behalf of Chugach Alaska Corporation ("CAC"), the Alaska Native Regional Corporation for the Chugach region established pursuant to the Alaska Native Claims Settlement Act of 1971, as amended, 43 U.S.C. § 1601, *et seq.* ("ANCSA"). CAC owns or has valid selection rights to over 930,000 acres of surface estate, subsurface estate and oil and gas rights within the Chugach Region, which stretches from the outer Kenai Coast to Icy Bay along the Gulf Coast near Yakutat. In addition to ANCSA, CAC's rights with respect to its lands are governed by the Alaska National Interest Lands Conservation Act of 1980, 16 U.S.C. § 3101, *et seq.* ("ANILCA"), and the 1982 Chugach Natives, Incorporated Settlement Agreement ("1982 CNI Settlement").

Most of CAC's economically viable lands are within coastal zones subject to the ACMP consistency review process for development activities. For this reason, the ACMP program has an enormous impact on virtually any projects CAC contemplates on its lands.

HB 439 eliminates the ability of a citizen of a coastal district to file a petition, after a proposed consistency determination, asking that the Coastal Policy Council (CPC) determine whether or not their comments opposing the project had been "fairly considered". The petition process has been abused by those opposed to development projects, and has not resulted in any meaningful improvement of the important oversight the program provides to coastal communities. With the development of a lengthy and multi-tiered public comment process, the individual petition is no longer important as an opportunity to be heard but is used instead as an opportunity for delay.

Individual members of the public have an opportunity to be involved in and to comment on not only the ACMP consistency review but also on each and every one of the agency

The Honorable Scott Ogan February 26, 2002

permits. Under the current law if a single individual that lives in the district where the project is proposed submits comments to DGC during the public comment period and the agency subsequently issues a proposed determination that the project is "consistent" - this lone individual has the right to notify DGC of intent to petition the CPC. It does not matter that the coastal district in which the individual lives has approved the project, or the local government has approved the project, or that all the agencies involved have approved the project.

The problems associated with the petition process have been long recognized. In 1984 the CPC itself wrote regulations to end the petition process but neglected to change the statute so petitions remained a problem. The Knowles Administration attempted to end the petition process through SB 186 (which did not pass for other reasons). In 1994 the legislature attempted to correct the abuses and legal ambiguities of the petition process by limiting the right of petition to the single question of whether or not an individual's comments had been "fairly considered" by the DGC. Regulations were finalized in 1999.

In spite of these past efforts to "fix" this problem, from year 2000 to date, 18 petitions were filed. Of the 18, nine were not accepted because of deficiencies in filing; nine were accepted (stopping the project clock); hearings were held on five (the Council ruled against the petitioner in each case); four were withdrawn near or on the day of the hearing, which meant the project was delayed the full time allocated for petition review.

HB 439 removes once and for all this now extraneous right that is being used for delay rather than the original purpose of citizen comment. The legislation does not decrease the many rights and opportunities of individual citizens to provide comments on a project that have been added over the years since the ACMP was enacted. Any citizens can comment to their own coastal district about a project. Any member of the public can comment to a coastal district, or to any agency or to the DGC. Finally, any citizen can go to court.

CAC believes that while other significant reforms of the ACMP program are needed, the growth of frivolous petitions of consistency reviews requires expeditious and focused action provided by HB 439.

We appreciate your attention to our concerns on this issue.

Sincerely,



Rick Rogers,
Vice President Lands and Resources

**Alaska Support Industry Alliance
In support of HB 439**

February 26, 2002

Mr. Chairman and members of the committee. My name is Larry Houle and I am the General Manager of the Alaska Support Industry Alliance. The Alliance is a statewide, non-profit trade association. Our membership consists of 419 businesses, contractors, suppliers and individuals that provide products and services in support of the Alaska Oil and Gas industry. Our membership collectively represents over 35,000 Alaska residents that derive their livelihood in Alaska's Oil and Gas industry.

The purpose of my testimony today is to voice our support for House Bill 439; an act that removes an unnecessary and duplicative administrative petition process from the consistency determination procedure under the Alaska coastal zone management program.

Contrary to an Associated Press article published in Saturday's Anchorage Daily News this bill does not eliminate the citizen appeal process. What this bill does do is eliminate an additional administrative layer in the petition process that, in our opinion, could be used by individuals as an avenue for delay of permits.

The Alaska Coastal Zone Management Program is an extremely open and public process for both local governments and individuals. For years the Coastal Zone Policy Council has attempted to fix this particular "loop-hole" in the Act and we commend Committee for finally addressing this petition process.

HB 439 in its current form will amend the Coastal Zone Management Act in a manner that is consistent with the original intent of law, without taking away the rights of the individual for public comment and input. At minimum three specific avenues for individual comment remain untouched in the Act:

- (1) Individual citizens have the opportunity for public comments in the very early stages when the Districts are first developing their overall plans.
- (2) Individual citizens also have petition and comment opportunities when the Districts and the Dept. of Governmental Coordination's public comment periods are noticed.
- (3) An individual citizen can also comment during each individual Agency's public comment period, unique to a specific project. The greater number of Agencies involved in a project the greater number of opportunities the general public has to comment.

Most people, reasonable or otherwise, understand that delays of 30 to 55 days in a 120-day construction window can be devastating to a project. Speaking for the Contracting community this lack of timeline certainty,

the risk of the "mischievous petition," injects uncertainty into a process that may mean the difference between bidding and not bidding the job.

The Alaska Support Industry Alliance supports responsible oil and gas development in Alaska. Mr. Chairman, we understand and believe there are three main components necessary for oil and gas development:

First, fiscal certainty and a stable, predictable tax regime, something we have had for the last decade or more,

Secondly; access to the land, again, Alaska has enjoyed a predictable lease program; and

Thirdly, a regulatory environment that provides for a fair, consistent and predictable permit process.

Unfortunately, the weakest link in our Alaska exploration and development program is our "regulatory uncertainty." Essentially, the permit process is broken. The long-term ramifications are only starting to surface as some Producing oil companies reduce exploration budgets and potential new entrants for the Oil Patch hold back.

We see HB 439 as a significant step in the right direction, a positive direction toward regulatory reform. We are encouraged by the Committee's efforts here and applaud HB 439's passing.

Thank you for allowing me to testify today.

Testimony on

HB-439, Regarding the Coastal Zone Petition Process

Mr. Chairman, members of the committee. My name is Steve Borell, I am Executive Director of the Alaska Miners Association and I am testifying on behalf of the Association.

The Alaska Miners Association supports House Bill 439. This bill would remove a petition process which now appears is being used as a harassment tactic against some projects within the coastal zone. I am not aware of any mining projects that have yet been affected by this petition process, but at the same time I am not aware of any high-profile mining projects that have gone through this phase of the ACMP process in recent years.

The ACMP consistency review process is extremely detailed and thorough. Every member of the public has the opportunity to comment on the ACMP consistency review and on each of the individual permits that are required by the various agencies, including DNR, DEC and ADF&G.

There are two questions that I am often asked by Legislators:

First, What can be done to streamline the permitting process? and

Second, What can be done to encourage business investment in Alaska?

I believe that removing this redundant and un-necessary petition provision will help answer both of these questions. We urge passage of this bill.



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
(907) 276-0700 Fax: (907) 276-3887 e-mail: Resources@akrdc.org

Founded 1975

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Tadd Owens, Executive Director
Resource Development Council
HB439 Testimony
House Oil & Gas Committee
February 26, 2002

Thank you, Mr. Chairman. For the record my name is Tadd Owens, executive director of the Resource Development Council. RDC is a private, non-profit, trade association representing individuals and companies from Alaska's mining, timber, tourism, fisheries and oil and gas industries. Our mission is to grow Alaska's economy through the responsible development of our state's natural resources.

RDC strongly supports HB439 and urges the House Oil and Gas Committee to move the bill forward. This legislation eliminates a redundant petition process from the Alaska Coastal Management Program (ACMP) without compromising the ability of Alaska's citizens or communities to provide meaningful input and comments regarding development projects within the coastal zone. The petition process targeted by HB439 has been used as a means to delay projects, adding uncertainty and increased costs to doing business in Alaska, while providing no measurable benefit to the environment.

If the Legislature sees fit to remove this particular process from the ACMP, rest assured that Alaskans retain a multitude of opportunities to participate in the evaluation of projects in the coastal zone. Alaskan citizens will continue to have opportunities to participate in and comment on ACMP consistency determinations, as well as the individual state and federal permits associated with any given project. In other words, HB439 provides the kind of permit streamlining that makes sense.

Mr. Chairman, you have RDC's full support on this issue and I appreciate the opportunity to testify this morning.

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: brady@aoga.org
Judith Brady, Executive Director

Testimony of the Alaska Oil & Gas Association House Special Committee on Oil & Gas

February 21, 2002

Re: HB 439: "An Act removing provisions providing an opportunity to petition for review of proposed consistency determinations under the Alaska coastal zone management program."

Chairman Ogan:

For the record, my name is Judy Brady. I am the executive director of the Alaska Oil and Gas Association (AOGA). As you now, AOGA is a private, non-profit trade association. Its member companies represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

AOGA supports the goals of HB 439 to once and for all close off the opportunity to use the petition process in the Alaska Coastal Management Program (ACMP to delay projects).

The costal zone management program provides coastal communities with oversight of their local development and we are supportive of this purpose. This legislation will not diminish this authority.

What this legislation does do is eliminate the ability of a citizen of a coastal district to file a petition, after a proposed consistency determination, asking that the Coastal Policy Council (CPC) determine whether or not their comments opposing the project had been "fairly considered".

The ability of an individual citizen to file a petition on a consistency determination is a holdover from the beginning days of the Alaska Coastal Management Program (ACMP)—when the public comments process was not yet developed. Through the years, with the development of a lengthy and multi-tiered public comment process, the individual petition is no longer important or necessary as an opportunity to be heard.

Today, individual citizens have several opportunities to provide comments on a project. Any citizen can comment to his or her own coastal district about a project. Any member of the public can comment to a coastal district, or to any agency or to the Division of Governmental Coordination (DGC) about a project. Finally, any citizen can go to court. This legislation does not decrease any of these rights. HB 439 does remove the now extraneous right of petition that is being used for delay purposes rather than the original purpose of public comment.

During the coordinated review process, each local, state, and federal agency is not only involved in helping the (DGC) make the consistency determination but is also responsible for reviewing, analyzing, and issuing their own numerous permits and authorizations. Individual members of the public have an opportunity to be involved in and to comment on not only the ACMP consistency review but also on each and every one of the agency permits.

The problem: If a single individual that lives in the district where the project is proposed submits comments to DGC during the public comment period and the agency subsequently issues a proposed determination that the project is "consistent" – this lone individual has the right to notify DGC of intent to petition the CPC. It does not matter that the coastal district in which the individual lives has approved the project, or the local government has approved the project, or that all the agencies involved have approved the project.

This single act of an individual petition automatically extends the consistency review period by up to 50 total days, which includes 20 days for the petitioner to draft the formal petition and then if submitted, another 30 days for the CPC to be convened and make its decision. Neither DGC nor the CPC get to review the merits of the Notice of Petition or the Petition itself. If the "petitioner" meets certain basic requirements, such as being a citizen in the district, and has submitted comments, regardless of the merit of the comments, the right to petition is automatically granted.

The petition process has been the source of concern, legal ambiguity and abuse since the ACMP began in Alaska. In 1984 the CPC itself wrote regulations to end the petition process but neglected to change the statute so petitions remained a problem. The Knowles Administration attempted to end the petition process through SB 186 (which did not pass for other reasons).

In 1994 the legislature attempted to correct the abuses and legal ambiguities of the petition process by limiting the right of petition to the single question of whether or not an individual's comments had been "fairly considered" by the DGC. Regulations were finalized in 1999.

From 2000 to date, 18 petitions were filed: 9 were filed since last year. Of the 18, nine were not accepted because of deficiencies in filing; nine were accepted (stopping the project clock); hearings were held on five (the Council ruled against the petitioner in each case); four were withdrawn near or on the day of the hearing, which meant the project was delayed the full time allocated for petition review.

HB 439 is fourth attempt to resolve the misuse of the petition process. We thank you for focusing on this issue and we support your effort.

Thank You.

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Testimony Before House Oil and Gas Committee

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Mr. Chairman, members of the committee, my name is Ken Donajkowski, I am the Manager responsible for permitting for Phillips Alaska, Inc. Thank you for the opportunity to testify today.

Phillips Alaska, Inc. is testifying in support of HB 439 because the ACMP petition process addressed in this bill significantly delayed a total of 5 consistency determinations. This petition process enables an individual to easily hamper responsible oil and gas development. HB 439 appropriately removes this needless component from the overall ACMP process.

The Alaska Coastal Management Program (ACMP) project approval process is extremely complex and in the short time I have to address Chairman Ogan and this Committee, I cannot attempt to fully discuss its complexities. However, although the following overview is necessarily simplified, it is accurate in characterization and sufficient to highlight Phillip's specific concerns.

The ACMP is set out in Alaska Statutes Title 46, Chapter 40 and its implementing regulations appear at 6 AAC 50. The ACMP is primarily a procedural and not a substantive "process." For most projects, the State Division of Governmental Coordination (DGC) is charged with coordinating on behalf of the state the determination of whether or not a proposed project in and around the State's coastal areas is "consistent" (in compliance) with the applicable standards of the ACMP at 6 AAC 80 and the standards of the applicable coastal district. During the coordinated review process, each local, state, and federal agency is not only involved in helping DGC make the consistency determination but is also responsible for reviewing, analyzing, and issuing their own numerous permits and authorizations.. Moreover, the public has an opportunity to be involved in and comment on the ACMP consistency review and each and every one of the agency permits.

It is here, where the petition process is being manipulated and misused. If a single individual that lives in the district where the project is proposed submits comments to DGC during the public comment period and the agency subsequently issues a proposed determination that the project is "consistent" - this lone individual has the right to notify DGC of intent to petition the Coastal Policy Council. This single act automatically extends the consistency review period by up to 50 total days, which includes 20 days for the petitioner to draft the formal petition and then if submitted, another 30 days for the Coastal Policy Council (CPC) to be convened and make its decision. Neither DGC nor the CPC get to review the merits of the Notice of Petition or the Petition itself. If the "petitioner" meets certain basic requirements, such as being a citizen in the district, and submitted comments, regardless of the merit of the comments, the right to petition is automatically granted.

Removal of the petition process will not decrease the right of the public to provide comments on a project. It will simply eliminate what is now a "right" to needlessly delay

a project. The specific responsibility of the CPC (Coastal Policy Council) is solely to answer the question: "Did DGC "fairly consider" the comments made by the petitioner during the public process." The CPC does not review or address the merits of the petitioners comments just whether the comment was considered.

One Kuparuk field development project - DS 3S - was delayed through this process for 35 days only to have Phillips, our outside attorney, a representative from the North Slope Borough, numerous agency personnel, and the entire CPC show up at the scheduled hearing only to find out that the petitioner had withdrawn the petition minutes before we were to begin. In addition to this needless delay of the project, this resulted in several hundred hours of wasted preparatory work done by DGC employees as well as our own. An entirely unrelated project package was impacted for 15 days because DGC staff needed to prepare for the CPC hearing.

Furthermore, 4 pf Phillips' exploration permitting packages, which also received proposed consistency determinations, were similarly petitioned. In the one case where the petitioner actually "appeared" by telephone to present their petition - the CPC unanimously dismissed it. Two of the remaining three petitions were withdrawn by the petitioner and the last one was dismissed because the actual petition itself was submitted after the 20-day period had expired - but even here a project which met the State's test for consistency was delayed 20 days merely through the submittal of comments and a "notice" that a petition would be filed.

Exploratory drilling on the North Slope is conducted during the few winter months when ice roads can be employed to mitigate tundra impacts. Consequently, the delays brought about by this petition process can result in abandoning a drilling program.

As mentioned above, the ACMP process and the various agency permits required offer the public significant opportunity to raise substantive concerns. This particular petition process has no constructive application. As I have described above, its only use is as a tool to hold hostage responsible projects that would develop the State's resources.

HB439 appropriately does away with this tool.