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To Ben	From Leona
Co. Please add to	Co. CS HB 57
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WORK DRAFT

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23-LS0303V
Chenoweth
2/25/03

CS FOR HOUSE BILL NO. 57()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAUULT, Whitaker

A BILL
FOR AN ACT ENTITLED

1 "An Act amending the manner of determining the royalty received by the state on gas
2 production as it relates to the manufacture of certain value-added products."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 38.05.180(aa) is amended to read:

5 (aa) Within 90 days after the written request of a lessee of a lease issued under
6 this section or of a lessee of federal land from which the state is entitled under
7 applicable federal law to receive a share of the royalty on gas production, the
8 commissioner shall enter into an agreement with the lessee to use or accept the price
9 for the gas established in the contract between the lessee and a gas or electric utility,
10 or between the lessee and a manufacturer of agricultural chemicals, as
11 appropriate, as the value of the state's royalty share of gas production sold by the
12 lessee under the contract

13 (1) but only if

14 (A) for a contract between the lessee and a gas or electric

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1 utility, the primary function of the utility with which the lessee has entered
2 into the contract is to provide, either directly or by selling at wholesale to
3 another utility, gas or electricity to the general public, including residential
4 consumers, within the utilities' service areas, and the utility with which the
5 lessee has entered into the contract is not an affiliated interest, as that term is
6 defined in AS 42.05.990, with the lessee or with a subsequent purchaser of
7 more than 10 percent of the utility's gas or electricity; or

8 (B) for a contract between the lessee and a manufacturer of
9 agricultural chemicals, the primary function of the manufacturer is to
10 engage in the production of a value-added product, and the manufacturer
11 with which the lessee has entered into the contract is not affiliated with the
12 lessee or with a subsequent purchaser of more than 10 percent of the
13 manufacturer's value-added product; for purposes of this subparagraph,
14 the parties to a contract or purchase are affiliated if, in the judgment of
15 the commissioner, one of the parties to the contract or purchase exercises
16 substantial influence over the policies and actions of the other as
17 evidenced by relationship based on common ownership or family interest
18 or by action taken in concert without regard to whether that influence is
19 based upon stockholdings, stockholders, officers, or directors; and

20 (2) unless the commissioner makes a written finding, based on clear
21 and convincing evidence, that

22 (A) the contract price is unreasonably low;

23 (B) the prospective reduction in royalty receipts would not be
24 balanced in a contract entered into for a circumstance described

25 (i) in (1)(A) of this subsection by increased benefits to
26 in-state gas and electric consumers; or

27 (ii) in (1)(B) of this subsection by employment
28 opportunities or other tangible benefits to the state;

29 (C) the lessee and the utility or manufacturer of agricultural
30 chemicals, as appropriate, are related in management, ownership, or other
31 aspect; and

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1 (D) the contract price is not in the best interest of the state.

2 * Sec. 2. AS 38.05.180(bb)(2) is amended to read:

3 (2) "price for the gas established in the contract" includes tax
4 reimbursement amounts, deliverability and other charges, and other forms of
5 consideration paid by the gas or electric utility or by the manufacturer of
6 agricultural chemicals, as appropriate, under the contract;

7 * Sec. 3. AS 38.05.180(bb) is amended by adding a new paragraph to read:

8 (4) "manufacturer of agricultural chemicals" means a person that is a
9 business entity primarily engaging in the manufacturing of nitrogenous and phosphatic
10 based fertilizers, mixed fertilizers, pesticides, and similar chemicals for agricultural
11 purposes.

STATE OF ALASKA

REPRESENTATIVE
MIKE CHENAULT

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HOUSE OF REPRESENTATIVES

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SPONSOR STATEMENT **HOUSE BILL 57**

This bill proposes to add "manufacturer" as a further entity that may claim that benefit of the contract price as the basis for determining royalty due to the state of the gas production.

Fred A Miller
52380 Lisburne St
52380 Lisburne St
Kenai AK 99611-9361

34-870-N Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

I am president of the Nikiski Chamber and Community Council. The passage of HB57 is necessary for the economic well-being of my community. It is important for keeping the Agrium plant operational. We need to keep the jobs we have and create opportunities for more jobs. Do your part! Thank you.

Forrest A Pipkin
PO Box 1734
Kenai AK 99611

35-090-R Statewide

Distribution	Affiliation	Reg Voter
	Agrium	U

XXXXXXXXXX

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

I am an employee of Agrium Nitrogen Operations one of the state's premier value added industries; a cornerstone of the central Kenai Peninsula economy. The passage of HB57 is critical to keeping our plant operational in the years ahead.

Amy M Manuel
Po Box 107
Po Box 107
Kenai AK 99611-0107

33-700-R Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

I am an employee of Agrium Kenai Nitrogen Operations one of the state's premier value added industries; a cornerstone of the central Kenai Peninsula economy. The passage of HB57 is critical to keeping our plant operational in the years ahead.

Carol A Anderson
Po Box 7077
Po Box 7077
Nikiski AK 99635-7077

34-840-R Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

Our plant not only employs 300 people but was the Exporter of the Year in 2002. We add value to one of AK's natural resources as well as helping the U.S. balance of trade. Please encourage our continued operation. I'm content in Kenai burning wood eating grouse as in the 40's but most others aren't.

Judy E Phillips
53244 Josephine Way
53244 Josephine Way
Kenai AK 99611-9631

34-870-N Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

I am an employee of Agrium Kenai Nitrogen Operations one of the state's premier value added industries. Agrium is a cornerstone of the central Kenai Peninsula economy. Passage of HB57 is critical to keeping our plant operating and critical to the economic health of the Kenai Peninsula.

Robin G Bogard
Po Box 7362
Po Box 7362
Nikiski AK 99635-7362

34-840-R Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

In order to sustain the economy and promote jobs on the Kenai Peninsula I urge your support for HB57. This bill will encourage sensible resource development in our communities and help to assure jobs for our families. Thank you.

David E Coombes
211 Crest Dr
211 Crest Dr
Soldotna AK 99669-7425

33-750-R Statewide

Distribution	Affiliation	Reg Voter
		Y

Date POM Sent	Constituency	Bill Number	Response	Subject
01/29/2003	Non	HB 57	Supports	

HB57 helps industry on the Kenai Peninsula. Our economy depends on facilities like Agrium whose operation would be enhanced by this bill. This is good for our community. Please adopt HB57.