ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3103 SCOMM 143: SENATE SPEC.COMM.ON NATURAL GAS DEV. 2005-2006

Natural Gas Development
COMMITTEE
Amendment # #7
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.9
Bailey
6/3/06

AMENDMENT

OFFERED IN THE SENATE BY SENATOR DYSON

TO: SB 2004

Page 3, line 31:

Delete "state"

Insert "project"

Natural Gas Development
COMMITTEE
Amendment # #5A-amended
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

adopted

AMENDMENT to AMENDMENT #4

SB2004

OFFERED BY: Senator Fred Dyson

A

Subparagraph (b), line ~~s 5 and 6~~ 11:

Delete [DEVELOP A TERM FOR THE CONTRACT THAT PROVIDES FOR]

Insert "**modify those terms of the contract relating to**"

~~Subparagraph (c), line 4: After "equal to" insert:~~ delete

~~Delete [EQUAL TO THE AMONT OF THE TAX LEVIED BY LAW.]~~

~~Insert "**equal to or greater than the amount of the tax then levied by law.**"~~

Subparagraph (c), lines 4 through 9: Replace last sentence with the following:

"**In the event taxes levied by law have changed, and remain in effect, in excess of three percentage points from those taxes in effect at the end of the period described in (b) of this section, the commissioner may develop contract provisions for payment in lieu of tax equivalent to the taxes in effect at the end of the period described in (b) of this section.**"

Natural Gas Development
COMMITTEE
Amendment # #5A
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Lodged by: Mindy
divided

AMENDMENT to AMENDMENT #4

SB2004

OFFERED BY: Senator Fred Dyson

Subparagraph (b), line~~s 5 and 6.~~ 11

Delete [DEVELOP A TERM FOR THE CONTRACT THAT PROVIDES FOR]

Insert "**modify those terms of the contract relating to**"

Subparagraph (c), line ~~4~~ 18: After "equal to" insert:

Delete [EQUAL TO THE AMONT OF THE TAX LEVIED BY LAW.]

Insert "**equal to or greater than the amount of the tax then levied by law.**"

~~Subparagraph (c), lines 4 through 9: Replace last sentence with the following:~~

~~"**In the event taxes levied by law have changed, and remain in effect, in excess of three percentage points from those taxes in effect at the end of the period described in (b) of this section, the commissioner may develop contract provisions for payment in lieu of tax equivalent to the taxes in effect at the end of the period described in (b) of this section.**"~~

Special Committee on Natural Gas Development

6/ 4 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	5A		
Motion	adopt - as amended		
Motion by	Dyson		
Objection by	Seekins		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	Pass		

amended by Sen. Dyson w/out objection

Natural Gas Development
COMMITTEE
Amendment # #5B
SB 2004
Son
ged by: Mindy

amendments to SB 2004 not yet acted on vote sheets at the ready behind each

Amendment #5B HELD motion made to adopt 6/4

A !

OFFERED BY: Senator

Subparagraph (b), lines 5 and 6:

Delete [DEVELOP A TERM FOR THE CONTRACT THAT PROVIDES FOR]

Insert "**<u>modify those terms of the contract relating to</u>**"

#5B not offered 6/5/06

Subparagraph (c), line 4: After "equal to" insert:

Delete [EQUAL TO THE AMONT OF THE TAX LEVIED BY LAW.]

Insert "**<u>equal to or greater than the amount of the tax then levied by law.</u>**"

B

Subparagraph (c), lines 4 through 9: Replace last sentence with the following:

"**<u>In the event taxes levied by law have changed, and remain in effect, in excess of three percentage points from those taxes in effect at the end of the period described in (b) of this section, the commissioner may develop contract provisions for payment in lieu of tax equivalent to the taxes in effect at the end of the period described in (b) of this section.</u>**"

HELD

Motion made to adopt 6/4

Here's the scoop:
Amendment #5 was divided to A & B
#5A was amended & adopted

#5B was moved for adoption then held

Special Committee on Natural Gas Development

6/ /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#5B		
Motion	adopt		
Motion by	Dyson		
Objection by			
Removed			
Second Objection by			
Committee Member	**Y**	***Vote***	**N**
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION			

6/4 ~~@~~ 4:30pm - Held

Natural Gas Development
COMMITTEE
Amendment # #5
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

Amend #5 divided into 5A + 5B

AMENDMENT to AMENDMENT #4

SB2004

OFFERED BY: Senator Fred Dyson

Subparagraph (b), lines 11 ~~5 and 6:~~

Delete [DEVELOP A TERM FOR THE CONTRACT THAT PROVIDES FOR]

Insert "**modify those terms of the contract relating to**"

Subparagraph (c), line 1B ~~4:~~ After "equal to" insert:

Delete [EQUAL TO THE AMONT OF THE TAX LEVIED BY LAW.]

Insert "**equal to or greater than the amount of the tax then levied by law.**"

Subparagraph (c), lines 4 through 9: Replace last sentence with the following:

"**In the event taxes levied by law have changed, and remain in effect, in excess of three percentage points from those taxes in effect at the end of the period described in (b) of this section, the commissioner may develop contract provisions for payment in lieu of tax equivalent to the taxes in effect at the end of the period described in (b) of this section.**"

Special Committee on Natural Gas Development

6/ /2006

COMMITTEE ACTION

Bill Number	SB 2004	
Amendment	#5	
Motion	adopt	
Motion by	Dyson	
Objection by	Dyson / Green	
Removed		
Second Objection by		
Committee Member	Y	N
Senator Kookesh		
Senator B. Stevens		
Senator Stedman		
Senator Bunde		
Senator Olson		
Senator Dyson		
Senator Wilken		
Senator Elton		
Senator Hoffman		
Vice-Chair Green		
Vice-Chair Wagoner		
Chair Seekins		
Tally		
Yea		
Nay		
Absent		
MOTION		

Divided w/out objection

A= lines 1-7

B= lines 9-14

Natural Gas Development
COMMITTEE
Amendment # #5
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

AMENDMENT to AMENDMENT #4

SB2004

OFFERED BY: Senator Fred Dyson

A

Subparagraph (b), lin~~es 5 and 6~~ 11:

Delete [DEVELOP A TERM FOR THE CONTRACT THAT PROVIDES FOR]

Insert "**modify those terms of the contract relating to**"

(mark up to final version)

~~Subparagraph (c), line 4: After "equal to" insert:~~

~~Delete [EQUAL TO THE AMONT OF THE TAX LEVIED BY LAW.]~~

~~Insert "**equal to or greater than the amount of the tax then levied by law.**"~~

B

Subparagraph (c), lines 4 through 9: Replace last sentence with the following:

"**In the event taxes levied by law have changed, and remain in effect, in excess of three percentage points from those taxes in effect at the end of the period described in (b) of this section, the commissioner may develop contract provisions for payment in lieu of tax equivalent to the taxes in effect at the end of the period described in (b) of this section.**"

Natural Gas Development
COMMITTEE
Amendment # #3 AG Twice amended
To Bill Number: SB2004
Sponsor: Wilken
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.4
Bailey
6/3/06

ADOPTED

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WILKEN

TO: SB 2004

Page 9, following line 14:

Insert a new subsection to read:

"(f) Before making awards of grants under this section for a fiscal year, the commissioner of commerce, community, and economic development shall provide reasonable public notice of all grant applications received, the recommendations of the relevant municipal advisory group, preliminary determinations made concerning the eligibility of each municipality or organization for a grant, the eligibility of each expenditure or proposed expenditure for a grant, and the proposed allocation of available money among grant proposals. The public notice must specify a time and place for a public hearing during which the commissioner will receive comments concerning the preliminary determinations and allocations of the department. The commissioner shall give reasonable public notice of the final awards of grants made under this section. ~~Final awards take effect~~ 30 days after such public notice is given ~~and~~ final awards take effect and may be paid to the grantees according to procedures established by regulation."

Reletter the following subsections accordingly.

Page 9, following line 25:

Insert a new subsection to read:

"(j) In this section, "direct or severe impact" means a clearly demonstrable effect on a community that proximately contributes to a material change to transportation, infrastructure, law enforcement, emergency services, health and human services, education, labor force, population, wages, subsistence, or ~~another~~ for

cont. →

Amend #3 (cont) - Amended

24-GS2046\A.4

socio-cultural impacts

~~socioculturat element~~ brought about by the construction of a gas pipeline."

(insert hypen)

L

Special Committee on Natural Gas Development

6/ 3 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#3- as amended		
Motion	adopt twice		
Motion by	Wilken		
Objection by	none		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	PASS		

Natural Gas Development
COMMITTEE
Amendment # #3 - amend #1
To Bill Number: SB2004
Sponsor: Wilken
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.4
Bailey
6/3/06

ADOPTED

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WILKEN

TO: SB 2004

Page 9, following line 14:

Insert a new subsection to read:

"(f) Before making awards of grants under this section for a fiscal year, the commissioner of commerce, community, and economic development shall provide reasonable public notice of all grant applications received, the recommendations of the relevant municipal advisory group, preliminary determinations made concerning the eligibility of each municipality or organization for a grant, the eligibility of each expenditure or proposed expenditure for a grant, and the proposed allocation of available money among grant proposals. The public notice must specify a time and place for a public hearing during which the commissioner will receive comments concerning the preliminary determinations and allocations of the department. The commissioner shall give reasonable public notice of the final awards of grants made under this section. Final awards take effect 30 days after public notice is given and may be paid to the grantees according to procedures established by regulation."

Reletter the following subsections accordingly.

Page 9, following line 25:

Insert a new subsection to read:

"(j) In this section, "direct or severe impact" means a clearly demonstrable effect on a community that proximately contributes to a material change to transportation, infrastructure, law enforcement, emergency services, health and human services, education, labor force, population, wages, subsistence, ~~or another~~ or for

cont. →

socio-cultural impacts

~~sociocultural element~~ brought about by the construction of a gas pipeline."

(insert hypen)

L

Special Committee on Natural Gas Development

6/3/2006

COMMITTEE ACTION

Bill Number	SB 2003		
Amendment	#3		
Motion	amend		
Motion by	Elton		
Objection by	Bunde		
Removed			
Second Objection by			
Committee Member	**Y**	***Vote***	**N**
Senator Kookesh	✓		
Senator B. Stevens	✓		
Senator Stedman	✓		
Senator Bunde			✓
Senator Olson	✓		
Senator Dyson	✓		
Senator Wilken	✓		
Senator Elton	✓		
Senator Hoffman	✓		
Vice-Chair Green			✓
Vice-Chair Wagoner	✓		
Chair Seekins	✓		
Tally			
Yea	10		
Nay	2		
Absent	—		
MOTION	Pass		

Natural Gas Development
COMMITTEE
Amendment # #3-amend #2
To Bill Number: SB2004
Sponsor: Wilken
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.4
Bailey
6/3/06

FAILED

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WILKEN
TO: SB 2004

Page 9, following line 14:

Insert a new subsection to read:

"(f) Before making awards of grants under this section for a fiscal year, the commissioner of commerce, community, and economic development shall provide reasonable public notice of all grant applications received, the recommendations of the relevant municipal advisory group, preliminary determinations made concerning the eligibility of each municipality or organization for a grant, the eligibility of each expenditure or proposed expenditure for a grant, and the proposed allocation of available money among grant proposals. The public notice must specify a time and place for a public hearing during which the commissioner will receive comments concerning the preliminary determinations and allocations of the department. The commissioner shall give reasonable public notice of the final awards of grants made under this section. Final awards take effect 30 days after public notice is given and may be paid to the grantees according to procedures established by regulation."

Reletter the following subsections accordingly.

Page 9, following line 25:

Insert a new subsection to read:

"(j) In this section, "direct or severe impact" means a clearly demonstrable effect on a community that proximately contributes to a material change to transportation, infrastructure, law enforcement, emergency services, health and human services, education, labor force, population, wages, or subsistence, ~~or another~~ delete

L

~~sociocultural element~~ brought about by the construction of a gas pipeline." delete

Special Committee on Natural Gas Development

6/ 3 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#3		
Motion	amend (#2)		
Motion by	Bunde		
Objection by	Olson		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			✓
Senator B. Stevens			✓
Senator Stedman			✓
Senator Bunde	✓		
Senator Olson			✓
Senator Dyson	✓		
Senator Wilken			✓
Senator Elton			✓
Senator Hoffman			✓
Vice-Chair Green	✓		
Vice-Chair Wagoner			✓
Chair Seekins			✓
Tally			
Yea	3		
Nay	9		
Absent	—		
MOTION	Failed		

Natural Gas Development
COMMITTEE
Amendment # #3 - amend #3
To Bill Number: SB2004
Sponsor: Wilken
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.4
Bailey
6/3/06

ADOPTED

A M E N D M E N T

OFFERED IN THE SENATE BY SENATOR WILKEN

TO: SB 2004

Page 9, following line 14:

Insert a new subsection to read:

"(f) Before making awards of grants under this section for a fiscal year, the commissioner of commerce, community, and economic development shall provide reasonable public notice of all grant applications received, the recommendations of the relevant municipal advisory group, preliminary determinations made concerning the eligibility of each municipality or organization for a grant, the eligibility of each expenditure or proposed expenditure for a grant, and the proposed allocation of available money among grant proposals. The public notice must specify a time and place for a public hearing during which the commissioner will receive comments concerning the preliminary determinations and allocations of the department. The commissioner shall give reasonable public notice of the final awards of grants made under this section. ~~Final awards take effect~~ 30 days after such public notice is given ~~and~~ Final awards take effect and may be paid to the grantees according to procedures established by regulation."

Reletter the following subsections accordingly.

Page 9, following line 25:

Insert a new subsection to read:

"(j) In this section, "direct or severe impact" means a clearly demonstrable effect on a community that proximately contributes to a material change to transportation, infrastructure, law enforcement, emergency services, health and human services, education, labor force, population, wages, subsistence, or another sociocultural element brought about by the construction of a gas pipeline."

Natural Gas Development
COMMITTEE
Amendment # #3
To Bill Number: SB2004
Sponsor: Wilken
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.4
Bailey
6/3/06

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WILKEN

TO: SB 2004

Page 9, following line 14:

Insert a new subsection to read:

"(f) Before making awards of grants under this section for a fiscal year, the commissioner of commerce, community, and economic development shall provide reasonable public notice of all grant applications received, the recommendations of the relevant municipal advisory group, preliminary determinations made concerning the eligibility of each municipality or organization for a grant, the eligibility of each expenditure or proposed expenditure for a grant, and the proposed allocation of available money among grant proposals. The public notice must specify a time and place for a public hearing during which the commissioner will receive comments concerning the preliminary determinations and allocations of the department. The commissioner shall give reasonable public notice of the final awards of grants made under this section. Final awards take effect 30 days after public notice is given and may be paid to the grantees according to procedures established by regulation."

Reletter the following subsections accordingly.

Page 9, following line 25:

Insert a new subsection to read:

"(j) In this section, "direct or severe impact" means a clearly demonstrable effect on a community that proximately contributes to a material change to transportation, infrastructure, law enforcement, emergency services, health and human services, education, labor force, population, wages, subsistence, or another sociocultural element brought about by the construction of a gas pipeline."

Natural Gas Development COMMITTEE
Amendment # #1
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.5
Bailey
6/3/06

Adopted

AMENDMENT

OFFERED IN THE SENATE BY SENATOR DYSON

TO: SB 2004

Page 3, lines 3 - 4:

Delete "**modifications of taxes on oil and gas, including terms providing for**"

Page 3, line 4, following "taxes":

Insert "**on oil or gas or both**"

Special Committee on Natural Gas Development

6 / 3 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	# 1		
Motion	adopt		
Motion by	Dyson		
Objection by	Dyson		
Removed	✓		
Second Objection by			
Committee Member	**Y**	***Vote***	**N**
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	Pass		

Natural Gas Development
COMMITTEE
Amendment # #11
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

Not offered

These either
· FAILED
· Not offered
or
· Withdrawn

24-GS2046\A.11
Bailey
6/3/06

AMENDMENT

OFFERED IN THE SENATE

OFFERED BY SEN. DYSON

TO: SB 2004

Page 6, following line 18:

Insert new bill sections to read:

"* **Sec. 11.** AS 43.82.400(a) is amended to read:

(a) If the commissioner develops a proposed contract under AS 43.82.200 - 43.82.270, the commissioner shall

(1) make preliminary findings and a determination that the proposed contract terms are in the long-term fiscal interests of the state and further the purposes of this chapter; [AND]

(2) prepare a proposed contract that includes those terms and shall submit the contract to the governor**; and**

(3) if state participation is proposed, submit to the governor all documents reasonably related to the ownership, governance, management, and control of the state's participation at the same time the contract is submitted under (2) of this subsection.

* **Sec. 12.** AS 43.82.410 is amended to read:

Sec. 43.82.410. Notice and comment regarding the contract. The commissioner shall

(1) give reasonable public notice of the preliminary findings and determination made under AS 43.82.400;

(2) make copies of the proposed contract, the commissioner's preliminary findings and determination, **the documents required under AS 43.82.400(a)(3),** and, to the extent the information is not required to be kept confidential under AS 43.82.310, the supporting financial, technical, and market data,

including the work papers, analyses, and recommendations of any independent contractors used under AS 43.82.240 available to the public and to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the finance and resources committees of the legislature; and

(C) the chairs of the special committees on oil and gas, if any, of the legislature;

(3) offer to appear before the Legislative Budget and Audit Committee to provide the committee a review of the commissioner's preliminary findings and determination, the proposed contract, and the supporting financial, technical, and market data; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to the public and all members of the legislature; if the financial, technical, and market data that is to be provided must be kept confidential under AS 43.82.310, the commissioner may not release the confidential information during a public portion of a committee meeting; and

(4) establish a period of at least **90** [30] days for the public and members of the legislature to comment on the proposed contract and the preliminary findings and determination made under AS 43.82.400.

*** Sec. 13.** AS 43.82.430(b) is amended to read:

(b) After considering the material described in (a) of this section and securing the agreement of the other parties to the proposed contract regarding any proposed amendments prepared under (a) of this section, if the commissioner determines that the contract is in the long-term fiscal interests of the state, the commissioner shall submit the contract **with the supporting documentation, including the documents required under AS 43.82.400(a)(3)** to the governor.

*** Sec. 14.** AS 43.82.435 is amended to read:

Sec. 43.82.435. Legislative authorization. The governor may transmit a contract developed under this chapter **with the supporting documentation, including the documents required under AS 43.82.400(a)(3)** to the legislature together with a request for authorization to execute the contract. A contract developed under this chapter is not binding upon or enforceable against the state or other parties to the contract unless the governor is authorized to execute the contract by law. The state and the other parties to the contract may execute the contract within 60 days after the effective date of the law authorizing the contract."

Renumber the following bill sections accordingly.

Page 10, line 23:

Delete "Sections 1 - 12, 15, 16, and 18"

Insert "Sections 1 - 16, 19, 20, and 22"

Page 10, line 25:

Delete "Section 17"

Insert "Section 21"

Special Committee on Natural Gas Development

6/5/2006

COMMITTEE ACTION

No Motion Made... Withdrawn

Bill Number	SB 2004		
Amendment	#11		
Motion	adopt		
Motion by			
Objection by			
Removed			
Second Objection by			
Committee Member	**Y**	***Vote***	**N**
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION			

Natural Gas Development
COMMITTEE
Amendment # #2
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/3/06 Logged by: Mindy

24-GS2046\A.3
Bailey
6/3/06

AMENDMENT NOT OFFERED

OFFERED IN THE SENATE BY SENATOR DYSON

TO: SB 2004

Page 3, lines 3 - 4:

Delete "**modifications of taxes on oil and gas, including terms providing for**"

L

Natural Gas Development
COMMITTEE
Amendment # 13 A
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/5/06 Logged by: Robin

WITHDRAWN

24-GS2046\A.16
Bailey
6/5/06

AMENDMENT

OFFERED IN THE SENATE

TO: SB 2004

Page 6, following line 18:

Insert new bill sections to read:

"* **Sec. 11.** AS 43.82.400(a) is amended to read:

(a) If the commissioner develops a proposed contract under AS 43.82.200 - 43.82.270, the commissioner shall

(1) make preliminary findings and a determination that the proposed contract terms are in the long-term fiscal interests of the state and further the purposes of this chapter; [AND]

(2) prepare a proposed contract that includes those terms and shall submit the contract to the governor**; and**

(3) submit to the governor all documents related to the ownership, governance, management, control, and operation of the project and participating entities at the same time the contract is submitted under (2) of this subsection.

* **Sec. 12.** AS 43.82.410 is amended to read:

Sec. 43.82.410. Notice and comment regarding the contract. The commissioner shall

(1) give reasonable public notice of the preliminary findings and determination made under AS 43.82.400;

(2) make copies of the proposed contract, the commissioner's preliminary findings and determination, **the documents required under AS 43.82.400(a)(3),** and, to the extent the information is not required to be kept confidential under AS 43.82.310, the supporting financial technical, and market data, including the work papers, analyses, and recommendations of any independent

L

contractors used under AS 43.82.240 available to the public and to

(A) the presiding officer of each house of the legislature;

(B) the chairs of the finance and resources committees of the legislature; and

(C) the chairs of the special committees on oil and gas, if any, of the legislature;

(3) offer to appear before the Legislative Budget and Audit Committee to provide the committee a review of the commissioner's preliminary findings and determination, the proposed contract, and the supporting financial, technical, and market data; if the Legislative Budget and Audit Committee accepts the commissioner's offer, the committee shall give notice of the committee's meeting to the public and all members of the legislature; if the financial, technical, and market data that is to be provided must be kept confidential under AS 43.82.310, the commissioner may not release the confidential information during a public portion of a committee meeting; and

~~(4) establish a period of at least **90** [30] days for the public and members of the legislature to comment on the proposed contract and the preliminary findings and determination made under AS 43.82.400.~~

* **Sec. 13.** AS 43.82.430(b) is amended to read:

(b) After considering the material described in (a) of this section and securing the agreement of the other parties to the proposed contract regarding any proposed amendments prepared under (a) of this section, if the commissioner determines that the contract is in the long-term fiscal interests of the state, the commissioner shall submit the contract **with the supporting documentation, including the documents required under AS 43.82.400(a)(3)** to the governor.

* **Sec. 14.** AS 43.82.435 is amended to read:

Sec. 43.82.435. Legislative authorization. The governor may transmit a contract developed under this chapter **with the supporting documentation, including the documents required under AS 43.82.400(a)(3)** to the legislature together with a request for authorization to execute the contract. A contract developed under this chapter is not binding upon or enforceable against the state or other parties to the contract unless the governor is authorized to execute the contract by law. The state and the other parties to the contract may execute the contract within 60 days after the effective date of the law authorizing the contract."

Renumber the following bill sections accordingly.

Page 10, line 23:

Delete "Sections 1 - 12, 15, 16, and 18"

Insert "Sections 1 - 16, 19, 20, and 22"

Page 10, line 25:

Delete "Section 17"

Insert "Section 21"

Special Committee on Natural Gas Development

6 /5 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#13 A		
Motion	to adopt		
Motion by	Dyson		
Objection by			
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	WITHDRAWN		

2 PM

Natural Gas Development Committee
Amendment # #6
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.8
Bailey
6/4/06

WITHDRAWN

AMENDMENT

OFFERED IN THE SENATE — BY SENATOR DYSON

TO: SB 2004

Page 3, line 28, following "waiver":

Insert "on a case-by-case basis"

Page 3, line 28, following "general":

Insert "and the consent of the legislature"

L

Special Committee on Natural Gas Development

6/ 4 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#6		
Motion	adopt		
Motion by	Dyson		
Objection by	Seekins		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	Withdrawn		

Natural Gas Development
COMMITTEE
Amendment # #8
To Bill Number: SB 2004
Sponsor: Dyson
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.10
Bailey
6/3/06

Withdrawn

AMENDMENT

OFFERED IN THE SENATE BY SENATOR DYSON

TO: SB 2004

Page 9, line 14, following "section.":

Insert "Before making a final determination of the grants to be awarded, the commissioner shall submit recommendations for annual grant allocations to the Legislative Budget and Audit Committee for approval. The Legislative Budget and Audit Committee shall approve or modify the commissioner's recommendations within 10 days after receipt from the commissioner. If the Legislative Budget and Audit Committee does not respond to the commissioner within 10 days, the commissioner may proceed with grant payments as recommended."

L

Special Committee on Natural Gas Development

6/4/2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#8		
Motion	adopt		
Motion by	Dyson		
Objection by	Dyson		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	WITHDRAWN		

Natural Gas Development
COMMITTEE
Amendment # #9
To Bill Number: SB 2004
Sponsor: Hoffman
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.7
Bailey
6/4/06

WITHDRAWN

AMENDMENT

By: Sen. Hoffman

OFFERED IN THE SENATE

TO: SB 2004

Page 3, line 26:

Delete "a new subsection"

Insert "new subsections"

Page 4, following line 2:

Insert a new subsection to read:

"(c) The commissioner shall include in any contract developed under this chapter gas pipeline "rolled in" expansion pricing to provide for expansion of the pipeline that encourages further gas exploration."

L

This amendment makes it mandatory that future expansions are priced on a roll-in basis.

Rolled-in pricing spreads the cost of expansion over both existing and new customers.

Incremental pricing puts all the cost associated with expansion on the parties who cause the expansion.

Rolled-in pricing is the only way to encourage exploration.

- It takes a long time to explore and develop gas properties. Independents will not be in a position to bid on capacity initially – they will be dependent on the second, third and maybe even fourth round of pipeline expansion to get their gas to market
- With rolled-in pricing, all participants will know up front that any gas they discover will have access to expansion capacity on competitive terms.
- If the pipeline isn't expanded, they probably won't commit the money to explore, drill of develop their leases
- If pricing of pipeline expansion is not guaranteed to be based on roll-in pricing, it will be prohibitively expensive for new customers and be a disincentive to invest in Alaska. (rolled-in pricing is the rule in Canada, and we would be at a competitive disadvantage if we don't assure new shippers of rolled-in pricing)
- Since rolled-in pricing is the rule in Canada, using rolled-in pricing would make us consistent along the entire length of the line

---

The contract does not address expansion with a view toward encouraging exploration

FERC established a presumption that future expansion would be priced on a rolled-in basis. They did this after consideration of the unique aspects of the Alaska pipeline – that it likely will be a producer-owned single pipeline.

But the contract does not:

- Commit all parties to use rolled-in pricing for looping-based expansion
- Doesn't address voluntary expansion at all
- The contract has a possible barrier. In the section on state-initiated expansion – the contract guarantees the right of the 'mid-stream entity' to reject any expansion certificate that departs in any material way from what was proposed (for instance - if the FERC requires rolled-in pricing after the Sponsors have proposed to use incremental pricing)

distribute
When #9
comes up

Provided by Sen. Hoffman

Quotes from the FERC (The Federal Energy Regulatory Commission) Briefing Paper Nov. 9 2004

The challenge for FERC was to create rules that give birth to competition, even in the face of an Alaska gas pipeline that will be a natural monopoly and may be owned by those with production interests better served by suppressing competition.

Interested parties recognize that if rolled-in tariffs accompany expansions achieved through adding compression and incremental tariffs are the price of expansions through looping, incremental tariffs will serve as the ultimate form of capacity allocation. Moreover, the mere possibility of incremental tariffs threatens competition in exploration, and may doom an Alaska gas pipeline to transporting nothing more than 6.0 billion cubic feet/day.

Without advance assurance that rolled-in pricing will be available for all expansions, those who would otherwise undertake exploration with the knowledge that they might not be ready to commit to capacity for the first open seasons may simply forego exploration.

Uncertainty about tariff methodology will reduce the competition within the gas industry in Alaska and, ultimately, will reduce the amount of gas produced from Alaska. Otherwise stated, companies that do not own or effectively control the pipeline will be at a severe competitive disadvantage and may be economically denied capacity.

Drilling efforts in Alaska require long lead times as a result of the remoteness of the resource and the limits imposed by the seasons. Consequently, companies must have reason to believe that future pipeline expansions will be undertaken when production volumes make them economic. Without having a long-term guarantee that expansions will be priced on a rolled-in basis, companies are unlikely to risk their capital by drilling in Alaska. There are obviously many other locations where they can drill and have reasonable assurance that their gas will have an outlet once it is developed.

Inasmuch as rolled-in pricing of pipeline expansions is the rule in Canada, companies are likely to drill there unless they have some assurances that Alaska production can access a pipeline under comparable rate terms. More drilling in Canada and less in Alaska is not an optimal result either for the State of Alaska or for the nation, especially since our federal government is providing substantial financial backing for this pipeline.

With rolled-in pricing all participants will know up front that any gas they discover will have access to expansion capacity on competitive terms.

Under incremental pricing there will almost certainly be no competition after the less expensive capacity goes into service. Expansions, priced incrementally, will virtually preclude new exploration programs by companies other than the preexisting holders of pipeline capacity. Thus, to comply with the Commission's statutory obligations under § 103 of the Act, the Commission must address at least one aspect of rate design for expansions as a critical element of open season rules, and in that context it must require that the initial pipeline and all expansions must be based on a rolled-in rate design."

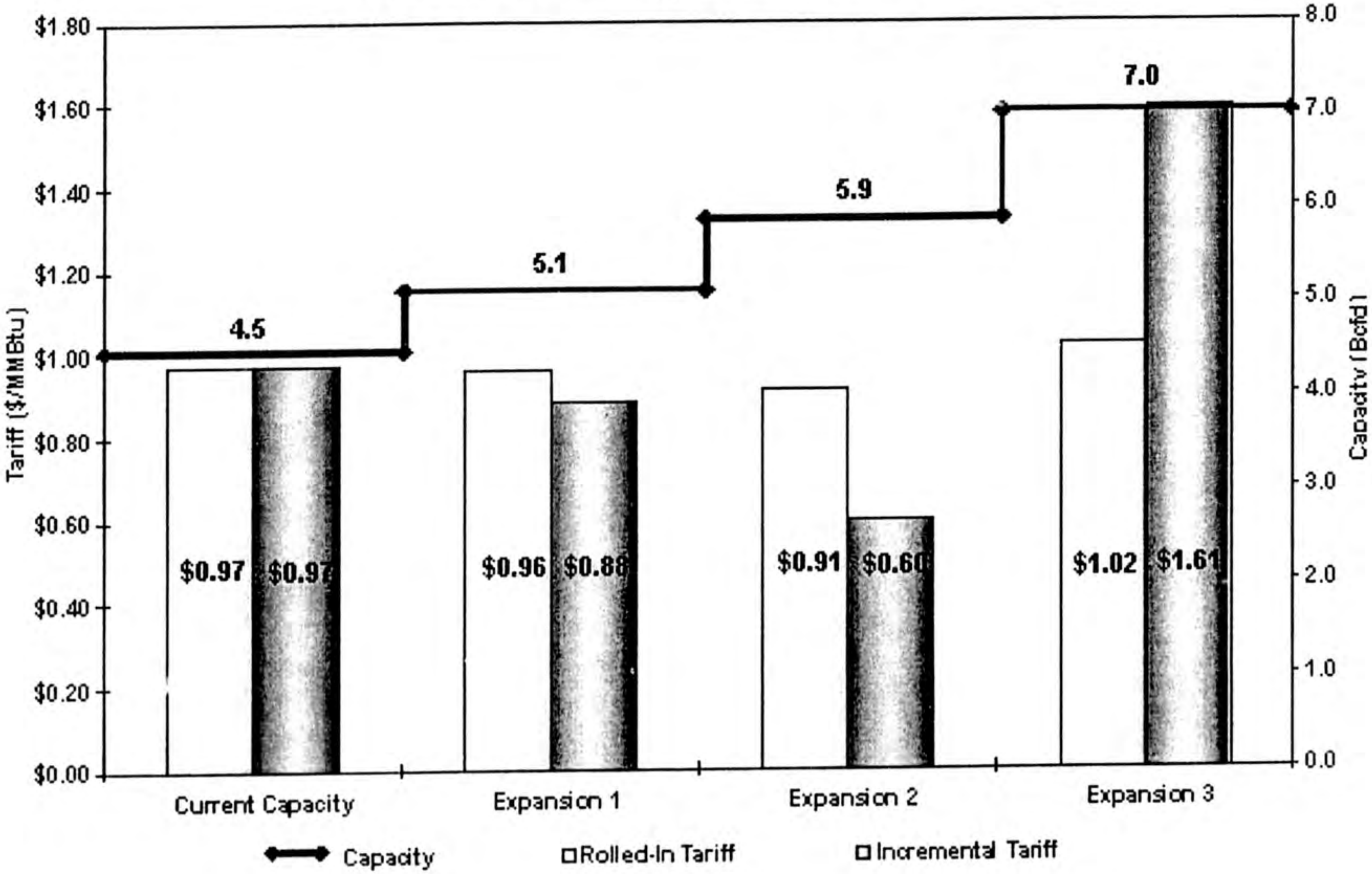
Special Committee on Natural Gas Development

6 / 4 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	#9		
Motion	adopt		
Motion by	Hoffman		
Objection by	Seekins		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	WITHDRAWN		

Indicative Expansion Tariffs



Provided by Sen B. Stevens

Mandatory Expansion Under 2004 Federal Law

FERC must find:

1. Rates must recover costs (including return on investment)
2. **<u>Existing shippers must not subsidize expansion</u>**
3. Expansion shippers will comply with existing tariff
4. Facilities will not adversely affect financial or economic viability of project
5. Facilities will not adversely affect overall operations
6. Proposed facilities will not diminish contract rights of existing shippers
7. All environmental reviews must be completed
8. Adequate downstream facilities must exist or be expected to exist

State-Initiated Expansion Under Contract

9. **Must not require existing shipper to pay a higher rate than w/o an expansion**
10. **Must not require existing shipper to be assessed a higher fuel retention percentage than w/o expansion**
11. Only available every 5 years
12. Minimum volume (50,000 Mcf on Gas Transmission Lines/125,000 Mcf on Mainline)
13. Does not require Project Entity to construct lateral from the Pipeline
14. No more than 100-miles of looping
15. Min. vols. exclude producer affiliate vols. But rate calculations must include producer affiliate vols.
16. Expansion shipper must meet credit standards of tariff
17. Expansion shipper pays in advance its share of costs related to cert. Application
18. Expansion shipper obligates itself to pro-ration in open season

Article 8.7 of Contract

Article 8.7 is effective unless *FERC* determines that any of its provisions are contrary to *Law*. **If *FERC* issues a certificate on a basis different than the expansion proposal filed by the *Project Entity*, then the *Project Entity* shall reject the certificate** unless any such difference is minor or all the members of the *Project Entity* vote otherwise.

Alaska's Status Quo

- For oil an gas arrangements Alaska uses
  - Lease structure
  - Royalty / Tax regime
  - Manages through regulation

SENATE FINANCE COMMITTEE
Amendment # 16
To Bill Number: SB 2004
Sponsor: Therriault / Seekins
Date: 6/5/06 Logged by: Robin

FAILED

24-GS2046\A.17
Wayne
6/5/06

AMENDMENT

OFFERED IN THE SENATE

TO: SB 2004

Page 3, line 26:

Delete "a new subsection"

Insert "new subsections"

Page 4, following line 2:

Insert a new subsection to read:

"(c) Nothing in a contract under this chapter diminishes the legal authority of the Regulatory Commission of Alaska or indemnifies any person or entity from future decisions of the Regulatory Commission of Alaska or a successor to the Regulatory Commission of Alaska."

L

Special Committee on Natural Gas Development

6/5 /2006

COMMITTEE ACTION

2 pm

Bill Number	SB 2004
Amendment	#16
Motion	to adopt
Motion by	Wilken
Objection by	Wilken / Green
Removed	
Second Objection by	

Committee Member	**Y**	***Vote*** **N**
Senator Kookesh	✓	
Senator B. Stevens		✓
Senator Stedman		✓
Senator Bunde		✓
Senator Olson	✓	
Senator Dyson	✓	
Senator Wilken	✓	
Senator Elton	✓	
Senator Hoffman		✓
Vice-Chair Green		✓
Vice-Chair Wagoner	✓	
Chair Seekins		✓

Tally	
Yea	6
Nay	6
Absent	
MOTION	FAILED

Natural Gas Development
COMMITTEE
Amendment # #10 A
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

FAILED

24-GS2046\A.13
Bailey
6/4/06

11:15 am 6/5/06

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

Amend 10A

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, following "AS 43.82.435":

Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:

(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);

(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a

Special Committee on Natural Gas Development

6 / 5 /2006

COMMITTEE ACTION

Bill Number	SB 2004	
Amendment	10 A.	
Motion	to adopt	
Motion by	Wagoner	
Objection by	Green	
Removed		
Second Objection by		
Committee Member	**Y** ***Vote***	**N**
Senator Kookesh		✓
Senator B. Stevens		✓
Senator Stedman		✓
Senator Bunde		✓
Senator Olson		✓
Senator Dyson	✓	
Senator Wilken	✓	
Senator Elton	✓	
Senator Hoffman		✓
Vice-Chair Green		✓
Vice-Chair Wagoner	✓	
Chair Seekins		✓
Tally		
Yea 4		
Nay 8		
Absent		
MOTION	FAILED	

Natural Gas Development
COMMITTEE
Amendment # #10 A
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

Action: Rescinded

24-GS2046\A.13
Bailey
6/4/06

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, following "AS 43.82.435":

Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:

(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);

(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a

Special Committee on Natural Gas Development

6 / 5 /2006

COMMITTEE ACTION

Bill Number	SB 2004	
Amendment	10 A	
Motion	to rescind action	
Motion by	Hoffman	
Objection by	Dyson Elton Wagoner	
Removed		
Second Objection by		
Committee Member	**Y**	**N**
Senator Kookesh	✓	
Senator B. Stevens	✓	
Senator Stedman	✓	
Senator Bunde	✓	
Senator Olson	✓	
Senator Dyson		✓
Senator Wilken		✓
Senator Elton		✓
Senator Hoffman	✓	
Vice-Chair Green	✓	
Vice-Chair Wagoner		✓
Chair Seekins	✓	
Tally		
Yea 8		
Nay 4		
Absent —		
MOTION	PASSED	

Natural Gas Development
COMMITTEE
Amendment # #10 A Amended
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.13
Bailey
6/4/06

ADOPTED

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

10A

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, ~~following "AS 43.82.435":~~

~~Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:~~

~~(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);~~

~~(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a~~

Natural Gas Development
COMMITTEE
Amendment # #10 A
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.13
Bailey
6/4/06

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

10A

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, following "AS 43.82.435":

Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:

~~(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);~~

~~(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a~~

Special Committee on Natural Gas Development

6 / 5 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	10 A		
Motion	to adopt		
Motion by	Wagoner		
Objection by	Stevens		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh	✓		
Senator B. Stevens			✓
Senator Stedman			✓
Senator Bunde	✓		
Senator Olson	✓		
Senator Dyson	✓		
Senator Wilken	✓		
Senator Elton	✓		
Senator Hoffman			✓
Vice-Chair Green			✓
Vice-Chair Wagoner	✓		
Chair Seekins			✓
Tally			
Yea	7		
Nay	5		
Absent	—		
MOTION	PASSED		

Natural Gas Development
COMMITTEE
Amendment # #10 — DIVIDED
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.13
Bailey
6/4/06

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, following "AS 43.82.435":

Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:

(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);

(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a

default of the state's obligation, but shall be considered only to reduce the state's ownership interest on a pro rata basis based on the amount of the failed appropriation relative to the amount of the capital or operating obligations funded by the remaining project owners;

(3) the Operating Agreement must provide that

(A) the state may not agree to a waiver of sovereign immunity without a reasonable monetary limit on that waiver under the facts and circumstances;

(B) the state may not indemnify or otherwise hold harmless any person or entity that has been adjudged in a judicial, administrative, or alternative dispute resolution proceeding to be liable for negligence or misconduct in the performance of the person's or entity's duty or has been adjudged guilty of a crime or had a criminal adjudication withheld subject to probationary terms;

(C) the state may not eliminate claims for actual damages incurred by the state and may not eliminate the equitable rights to seek specific performance and injunctive relief; and

(D) the rights and limitations provided in this paragraph shall apply to collateral agreements to be entered into under this section;

(4) the Operating Agreement must provide that, in the event of a dispute between or among the members of the entity, a subsidiary entity, an affiliate of a member, a member representative, and any other person or legal entity that has a membership or ownership interest in an owner entity of the project, that dispute shall be subject to the dispute resolution terms and procedures set out in the contract as approved by the legislature under AS 43.82.435; for purposes of this paragraph, "dispute" means a dispute, matter, controversy, or claim arising out of or relating to any owner entity of the project, any ownership interest in the project, any agreement between or among the members or owners of any owner entity of the project arising out of or relating to that owner entity of the project, or the operation, management, or implementation of the project, including its interpretation, construction, performance, enforcement, privileges, rights, or obligations; those dispute resolution terms must

incorporate equivalent presumptions and burdens of proof as set out for civil trials in Rule 301, Alaska Rules of Evidence, Presumptions in General in Civil Actions and Proceedings, and Rule 302, Alaska Rules of Evidence, as amended, Applicability of Federal Law in Civil Actions and Proceedings;

(5) the Operating Agreement must provide that the managing members and member representatives owe a duty to act in the best interest of the entity and perform their duties in good faith toward the goal of implementation of the project;

(6) the Operating Agreement must provide that the entity may not effect a material change or amendment to the Qualified Project Plan without the review and authorization of the legislature;

(7) the Operating Agreement must provide that the members of the governing body of any subsidiary entity organized by the entity shall be the members of the governing board of the entity, unless otherwise authorized by the legislature;

(8) the Operating Agreement must provide that the state has the unilateral right to initiate expansions of the project if the state funds or obtains third-party funding from a creditworthy customer for the expansion or extension and must include terms for voluntary expansion, including

(A) holding periodic binding or nonbinding open seasons to assess market demand for expansion every three to five years;

(B) committing to satisfy all creditworthy demands for capacity expansion in reasonable engineering increments;

(C) committing to expansion for creditworthy shippers in less than reasonable engineering increments when the shippers commit to contributions in aid of construction sufficient to keep the project entity whole, including authorized return; and

(D) committing the project entity to propose and defend the use of rolled-in pricing for all expansions;

(9) the Operating Agreement must provide that, in the event the entity elects to contract with a vendor to operate the entity or implement the project, the vendor shall be independent of and not an affiliate of the members of the entity;

(10) the Operating Agreement must provide that the state member shall

have the right to participate in all meetings of the governing board of the entity and vote on all decisions of the entity, including decisions affecting tax allocations between or among the taxpaying members of the entity;

(11) the Operating Agreement must provide that the state member shall have the right to review all books and records of the entity, including all contracts, and to audit the finances of the entity at any time and from time to time;

(12) the Operating Agreement must provide that, on termination, liquidation, or dissolution of the entity, the state shall have a right of first refusal and option to acquire all of the assets of the entity at the then fair value of the assets;

(13) the Operating Agreement must provide that, in the event a member seeks to transfer or divest its ownership interest in the entity, the state shall have a right of first refusal and option to acquire the member's ownership interest at the then fair value of the interest;

(14) the Operating Agreement must provide that, in the event that the entity seeks to transfer or divest any or all of the project assets, the state shall have a right of first refusal and option to acquire the project assets at the then fair value of the project assets;

(15) the Operating Agreement must include a right of first refusal and option by which the state may acquire all or any part of the project assets at the then fair value of the project assets in the event that the Federal Energy Regulatory Commission, United States Department of Energy, the United States Department of Justice, the Federal Trade Commission, or other applicable federal or state agency or adjudicatory body orders one or more qualified sponsors, the qualified sponsor group, or an affiliate of a qualified sponsor or sponsor group to divest any or all ownership interest in the project;

(16) the Operating Agreement must provide that the project entity shall use project financing supported by federal guarantee instruments as defined in the Alaska Natural Gas Pipeline Act to the maximum extent available from the United States Treasury and must limit the equity portion of project capitalization to not more than 20 percent of total capital;

(17) for the purposes of the provisions required by this subsection, the

Operating Agreement must define "fair value" as the value as agreed to by the affected members or as determined under the dispute resolution process if agreement cannot be reached; "fair value" shall be determined based on original cost less depreciation, comparable sales, or income approach valuation methodologies"

Special Committee on Natural Gas Development

6/5 /2006

COMMITTEE ACTION

Bill Number	SB 2004
Amendment	#10
Motion	adopt
Motion by	WAGONER
Objection by	
Removed	
Second Objection by	

Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION			

Special Committee on Natural Gas Development

6 / 5 /2006

COMMITTEE ACTION

Bill Number	SB 2004	
Amendment	#10	
Motion	To Table The Amendment	
Motion by	Stevens	
Objection by		
Removed		
Second Objection by		
Committee Member	**Y** ***Vote***	**N**
Senator Kookesh		✓
Senator B. Stevens	✓	
Senator Stedman	✓	
Senator Bunde		✓
Senator Olson		✓
Senator Dyson		✓
Senator Wilken		✓
Senator Elton		✓
Senator Hoffman	✓	
Vice-Chair Green	✓	
Vice-Chair Wagoner		✓
Chair Seekins	✓	
Tally		
Yea	5	
Nay	7	
Absent		
MOTION	FAILED	

9:00 AM

Special Committee on Natural Gas Development

6/5 /2006

COMMITTEE ACTION

Bill Number	SB 2004		
Amendment	10B – Q		
Motion	to withdraw		
Motion by	Wagoner		
Objection by			
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION			

10 B - Q Not offered

Natural Gas Development
COMMITTEE
Amendment # #10
To Bill Number: SB2004
Sponsor: Wagoner
Date: 6/4/06 Logged by: Mindy

24-GS2046\A.13
Bailey
6/4/06

AMENDMENT

OFFERED IN THE SENATE BY Wagoner

TO: SB 2004

A phil

Page 6, line 23, following "project":

Insert "and each project entity to be created to own and operate any part of the project"

Page 6, line 24, following "chapter.":

Insert "Each collateral agreement shall be a condition subsequent to the proposed contract developed under this chapter shall be subject to review and authorization to execute by the legislature and, on approval, may be entered into by the public corporation as provided in (b) of this section."

Page 6, line 26, following "AS 43.82.435":

Insert ", except that, with respect to collateral agreements submitted by the commissioner of revenue to the legislature within the 180-day time limit, the time limit shall be extended to five days after authorization has been approved. Each project entity collateral agreement to be negotiated must incorporate the following minimum elements:

B phil

(1) if organized to do business in the state, the project entity shall be a limited liability company organized under AS 10.50 (Alaska Revised Limited Liability Company Act);

C phil

(2) for project entities organized under AS 10.50, the operating agreement adopted under AS 10.50.095, or equivalent governing document for project entities organized under other jurisdictions ("Operating Agreement"), must include the limitation that the state's obligation to fund continuing capital and operating obligations shall be subject to annual appropriation by the legislature, and that the state's failure to appropriate a capital or operating obligation may not be considered a

C

default of the state's obligation, but shall be considered only to reduce the state's ownership interest on a pro rata basis based on the amount of the failed appropriation relative to the amount of the capital or operating obligations funded by the remaining project owners;

D

Phil

(3) the Operating Agreement must provide that

(A) the state may not agree to a waiver of sovereign immunity without a reasonable monetary limit on that waiver under the facts and circumstances;

(B) the state may not indemnify or otherwise hold harmless any person or entity that has been adjudged in a judicial, administrative, or alternative dispute resolution proceeding to be liable for negligence or misconduct in the performance of the person's or entity's duty or has been adjudged guilty of a crime or had a criminal adjudication withheld subject to probationary terms;

(C) the state may not eliminate claims for actual damages incurred by the state and may not eliminate the equitable rights to seek specific performance and injunctive relief; and

(D) the rights and limitations provided in this paragraph shall apply to collateral agreements to be entered into under this section;

E

Phil

(4) the Operating Agreement must provide that, in the event of a dispute between or among the members of the entity, a subsidiary entity, an affiliate of a member, a member representative, and any other person or legal entity that has a membership or ownership interest in an owner entity of the project, that dispute shall be subject to the dispute resolution terms and procedures set out in the contract as approved by the legislature under AS 43.82.435; for purposes of this paragraph, "dispute" means a dispute, matter, controversy, or claim arising out of or relating to any owner entity of the project, any ownership interest in the project, any agreement between or among the members or owners of any owner entity of the project arising out of or relating to that owner entity of the project, or the operation, management, or implementation of the project, including its interpretation, construction, performance, enforcement, privileges, rights, or obligations; those dispute resolution terms must

Phil E

incorporate equivalent presumptions and burdens of proof as set out for civil trials in Rule 301, Alaska Rules of Evidence, Presumptions in General in Civil Actions and Proceedings, and Rule 302, Alaska Rules of Evidence, as amended, Applicability of Federal Law in Civil Actions and Proceedings;

Phil F

(5) the Operating Agreement must provide that the managing members and member representatives owe a duty to act in the best interest of the entity and perform their duties in good faith toward the goal of implementation of the project;

Doug G

(6) the Operating Agreement must provide that the entity may not effect a material change or amendment to the Qualified Project Plan without the review and authorization of the legislature;

Phil H

(7) the Operating Agreement must provide that the members of the governing body of any subsidiary entity organized by the entity shall be the members of the governing board of the entity, unless otherwise authorized by the legislature;

I

Dow

(8) the Operating Agreement must provide that the state has the unilateral right to initiate expansions of the project if the state funds or obtains third-party funding from a creditworthy customer for the expansion or extension and must include terms for voluntary expansion, including

(A) holding periodic binding or nonbinding open seasons to assess market demand for expansion every three to five years;

(B) committing to satisfy all creditworthy demands for capacity expansion in reasonable engineering increments;

(C) committing to expansion for creditworthy shippers in less than reasonable engineering increments when the shippers commit to contributions in aid of construction sufficient to keep the project entity whole, including authorized return; and

(D) committing the project entity to propose and defend the use of rolled-in pricing for all expansions;

Phil J

(9) the Operating Agreement must provide that, in the event the entity elects to contract with a vendor to operate the entity or implement the project, the vendor shall be independent of and not an affiliate of the members of the entity;

K

(10) the Operating Agreement must provide that the state member shall

Phil K

have the right to participate in all meetings of the governing board of the entity and vote on all decisions of the entity, including decisions affecting tax allocations between or among the taxpaying members of the entity;

Phil L

(11) the Operating Agreement must provide that the state member shall have the right to review all books and records of the entity, including all contracts, and to audit the finances of the entity at any time and from time to time;

Phil M

(12) the Operating Agreement must provide that, on termination, liquidation, or dissolution of the entity, the state shall have a right of first refusal and option to acquire all of the assets of the entity at the then fair value of the assets;

N Phil

(13) the Operating Agreement must provide that, in the event a member seeks to transfer or divest its ownership interest in the entity, the state shall have a right of first refusal and option to acquire the member's ownership interest at the then fair value of the interest;

(14) the Operating Agreement must provide that, in the event that the entity seeks to transfer or divest any or all of the project assets, the state shall have a right of first refusal and option to acquire the project assets at the then fair value of the project assets;

Phil O

(15) the Operating Agreement must include a right of first refusal and option by which the state may acquire all or any part of the project assets at the then fair value of the project assets in the event that the Federal Energy Regulatory Commission, United States Department of Energy, the United States Department of Justice, the Federal Trade Commission, or other applicable federal or state agency or adjudicatory body orders one or more qualified sponsors, the qualified sponsor group, or an affiliate of a qualified sponsor or sponsor group to divest any or all ownership interest in the project;

Don Phil P

(16) the Operating Agreement must provide that the project entity shall use project financing supported by federal guarantee instruments as defined in the Alaska Natural Gas Pipeline Act to the maximum extent available from the United States Treasury and must limit the equity portion of project capitalization to not more than 20 percent of total capital;

Q

(17) for the purposes of the provisions required by this subsection, the

Operating Agreement must define "fair value" as the value as agreed to by the affected members or as determined under the dispute resolution process if agreement cannot be reached; "fair value" shall be determined based on original cost less depreciation, comparable sales, or income approach valuation methodologies"

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 7/12/06

Date of 5-Day Notice: Special Session
(in accordance with Uniform Rule 23)

FURTHER:

DATE TURNED IN TO OFFICE: 4 Aug 2006

Senate Special Committee on Natural Gas Development considered SENATE BILL NO. 3002

SB 3002 STRANDED GAS AMENDMENTS

"An Act relating to the Alaska Stranded Gas Development Act; relating to municipal impact money received under the terms of a stranded gas fiscal contract; relating to determination of full and true value of property and required contributions for education in municipalities affected by stranded gas fiscal contracts; and providing for an effective date."

and recommends:

[✓] be **replaced** with [ ] SCS or [✓] CS SB 3002 (NGD)

[ ] adopt **previous** [ ] SCS or [ ] CS ______ (______)

[ ] attached amendment(s)

[ ] adopt ______ Letter of Intent

[ ] further referral to ______ Committee

SENATE BILL:
[ ] Same Title
[✓] New Title

HOUSE BILL:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	7/12/06			✓	#1
Nat. Res.	7/12/06			✓	#2

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
[signature]		✓			
[signature]		✓			
[signature]		✓			
[signature]		✓			
Albert Kookesh		✓			
[signature]		✓			
Gary Wilken				✓	
[signature]		✓			
[signature]		✓			
[signature]		✓			
CHAIR: Ralph Seekins		✓			

LEGAL SERVICES

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

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

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

MEMORANDUM August 4, 2006

SUBJECT: Technical correction to amended title (CSSB 3002(NGD)
(Work Order No. 24-GS2095\I))

TO: Senator Seekins
Chairman of the Senate Special Committee on Natural Gas Development
Attn: Brian Hove

FROM: Dennis C. Bailey DB
Legislative Counsel

This memo is to bring to your attention a technical amendment to the title change approved by Amendment 13. We have added "and determinations" to the descriptive language of the commissioner's duties in order to conform more closely with the existing statutory language.

If you have any concerns about this technical amendment please let me know.

DCB:lmb
06-203.lmb

Enclosure

Special Committee on Natural Gas Development
SB 3002

~~AMEND #~~	SPONSOR	TOPIC	MOVED	OBJECT	AMEND	VOTE	ADOPT
CS	"G"						
CS	"F"	adopted	8/3	pm failed to report from committee			
CS	"Y"	adopted	8/4	4:00pm			
X							

Special Committee on Natural Gas Development

8/4/2006

COMMITTEE ACTION

Bill Number	SB 3002	
Amendment	CS "Y"	
Motion	adopt as Working document	
Motion by	Seekins	
Objection by	none	
Removed		
Second Objection by		
Committee Member	**Y**	**N**
Senator Kookesh		
Senator B. Stevens		
Senator Stedman		
Senator Bunde		
Senator Olson		
Senator Dyson		
Senator Wilken		
Senator Elton		
Senator Hoffman		
Vice-Chair Green		
Vice-Chair Wagoner		
Chair Seekins		
Tally		
Yea		
Nay		
Absent		
MOTION	Pass	

Special Committee on Natural Gas Development

8/3/2006

COMMITTEE ACTION

Bill Number	SB 3002	
Amendment	CS "F" - as amended	
Motion	Report from Committee	
Motion by	Green	
Objection by	Wilken/Elton/Bunde	
Removed		
Second Objection by		
Committee Member	**Y**	**N**
Senator Kookesh		✓
Senator B. Stevens	✓	
Senator Stedman	✓	
Senator Bunde		✓
Senator Olson		✓
Senator Dyson		✓
Senator Wilken		✓
Senator Elton		✓
Senator Hoffman	✓	
Vice-Chair Green	✓	
Vice-Chair Wagoner		✓
Chair Seekins	✓	
Tally		
Yea	5	
Nay	7	
Absent	—	
MOTION	Fail	

Special Committee on Natural Gas Development

8 / 3 /2006

COMMITTEE ACTION

Bill Number	SB 3002		
Amendment	CS "F"		
Motion	adopt		
Motion by	Green		
Objection by	none		
Removed			
Second Objection by			
Committee Member	Y	***Vote***	N
Senator Kookesh			
Senator B. Stevens			
Senator Stedman			
Senator Bunde			
Senator Olson			
Senator Dyson			
Senator Wilken			
Senator Elton			
Senator Hoffman			
Vice-Chair Green			
Vice-Chair Wagoner			
Chair Seekins			
Tally			
Yea			
Nay			
Absent			
MOTION	Pass		

Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 3 Aug 2006 TIME: ________________

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 8

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
CS SB 3002 (NGD) 24-GS2095\F
Bailey 8/3/06
plus amendments - attached
#9
#10
#11

Thanks
mindy

Adopted 8/4/06

24-GS2095\Y
Bailey
8/4/06

CS FOR SENATE BILL NO. 3002(NGD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - THIRD SPECIAL SESSION

BY THE SENATE SPECIAL COMMITTEE ON NATURAL GAS DEVELOPMENT

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska Stranded Gas Development Act; amending the time allowed for the commissioner of revenue to summarize public comments, propose amendments, if any, and make findings; and providing for an effective date."

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

*** Section 1.** AS 43.82.430(a) is amended to read:

(a) Within **120** [30] days after the close of the public comment period under AS 43.82.410(4), the commissioner of revenue shall

(1) prepare a summary of the public comments received in response to the proposed contract and the preliminary findings and determination;

(2) after consultation with the commissioner of natural resources, if appropriate, and with the pertinent municipal advisory group established under AS 43.82.510, prepare a list of proposed amendments, if any, to the proposed contract that the commissioner of revenue determines are necessary to respond to public comments;

(3) make final findings and a determination as to whether the proposed contract and any proposed amendments prepared under (2) of this subsection meet the requirements and purposes of this chapter.

* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).