

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 155 3320

Some of those communities will be abandoned.

I urge you, the members of the State Senate, not to transfer our wealth, our jobs, and our future to Canada.

Don't grant exclusive control over this resource to Canada, with no commitment to build a gasline.

Don't sell us out!

WHAT HAPPENED TO THE DEMOCRATIC PROCESS?

This Owner State called Alaska is the only region in the world...

... where the land and resources are commonly owned by all residents, and yet it is a democracy.

And Alaska's democratic process is being tested this week.

The people of Alaska overwhelmingly support an All Alaska Gasline.

Over 62% voted for an All-Alaska gasline in 2002.

Who silenced the people's voice?

Have we lost our precious democracy?

Not if you at this table save it.

GOVERNOR PALIN HAS MADE THE WRONG DECISION

As most of you know, I endorsed Sarah Palin as candidate for Governor in 2006. I co-chaired her campaign.

She has proven to be a good governor.

But I cannot be silent on this decision, because it is so bad for Alaska.

She knows my views.

On April 7, I flew here to Juneau to advise her that this was the most important decision since statehood.

I met with her again on July 1 in Anchorage.

I asked over and over, "Why build an Alaska gasline through Canada?"

It's a question she didn't answer.

Now it is up to you to reverse that decision for the good of the Alaska people.

If you take this step, Governor Palin, in her heart of hearts, may be thankful.

She has a gift of moving beyond temporary defeats and turning them into victories.

I haven't given up.

If you vote down TransCanada, I think she will embrace the All Alaska line....as she used to.

Let me describe what can happen if you deny this license.

The doors will swing wide open to a wonderful new era for Alaska.

The next step will be to "Build It and Own It".

If we all put our shoulders to the wheel, we can start getting North Slope gas to Alaskans in the Interior in five or six years.

Then we will move our gas to the highest and most profitable markets...

...and by keeping the gasline within our boundaries, we will keep the jobs, all the jobs, here at home.

These jobs belong to Alaskans. Not to Canadians.

Don't sell us out!

How much will an All-Alaska gasline system cost:

About half of the \$50 billion estimated by the TransCanada line.

Here are the estimates that I believe are valid:

The gas treatment plant on the North Slope - \$5 billion.

The pipeline from Prudhoe to Valdez - \$12 billion.

The liquefaction plant in Valdez - \$8 billion. For a total of \$25 billion.

And we don't have to build Jones Act LNG tankers. There are plenty available for hire to ship our gas to market.

As anyone in business knows, you have to spend money to make money.

If Alaska invests \$7 billion in an All Alaska gasline, the market will jump at the chance to finance the rest.

It's not only do-able, it would be the best investment we could make.

Keep in mind Wall Street is a risky place to be right now.

It's the right time to diversify Alaska's portfolio.

BUILDING AND OPERATING THE ALL-ALASKA GASLINE

For those not familiar with government-owned infrastructure, let me describe the steps we should take:

1. It starts with a decision. A decision by our Governor, supported by the legislature.

Remember when JFK announced we were going to the moon?

2. Then she names a project director who hires the best gas pipeline builder in North America.

State employees will not build the gasline.

The best pipeliners in our country will build it.

3. Once the pipeline is built, it will be operated by the private sector through a management contract.

Such contracts are used worldwide world to manage pipelines and market gas.

Keep in mind, that an All Alaska pipeline would be built much faster and cheaper than either of the two Canadian lines being proposed.

Because it can start nearly immediately.

It would follow the Right of Way of the trans-Alaska oil line.

Permits and rights-of-way already exist.

And for those who criticize projects created by the State of Alaska, take a second look.

The All-Alaska natural gas pipeline will follow in the tradition of our state's roads, ports and highways.

And think of the Ted Stevens International Airport, the Bradley Lake Hydro facility, the Four Dam Pool and the Alaska Railroad.

And don't forget the Permanent fund.

THE DIFFERENCE BETWEEN MAXIMIZING AND MONETIZING OUR NATURAL RESOURCES

I want to take a minute now to clarify the difference between monetizing and maximizing our resources.

Monetizing means transforming our gas into cash for the State Treasury.

Maximizing the benefits, however, includes revenue for our treasury...

.... and more important, it means using those resources to build an economy for our people

...through well paying jobs and opportunities for our home grown businesses.

One of the greatest failures of AGIA was that it failed to require that the priority use of our gas liquids must be within the state.

That was a fatal flaw.

The intent of our founders was to create an outstanding quality of life in Alaska.

With the rich gas liquids in Prudhoe gas, generations of our people will earn a decent salary so they can afford to live here...

... raise their children here, and enjoy all the glories of the North.

HOW WILL THE STATE GET THE GAS IT NEEDS FOR A STATE-OWNED ALL- ALASKA GASLINE?

First of all, keep in mind that...

...IT'S OUR GAS!

The State has the power of taxation and ultimate control over all leases on state land.

All the State has to do is announce we will build the All-Alaska line and invite the producers to use it.

They will join us in a heartbeat.
They recognize they have made tens of billions from Alaska's lands and resources.

They do not want to be shut out of the great promise ahead of us.

Alaska has all the power and precedence it needs to choose where to build its pipeline,
and the market where it will sell its gas.

It simply needs to choose not to yield that power.

Don't sell us out!

Remember who you are.

Remember where you are.

This is Alaska.

Don't sell us out!

And the very worst thing to do would be to yield control.... and pay someone
\$500 million to take it.

The world is watching to see if you will fall for something this wrong for our state.

But I want to end on a positive note.

Your vote can build a culture here dreamed of by Alaskan visionaries for a century.

A society of productive people.

Your vote will determine if this Senate will live up to your pledge as public servants...

...to care for the residents of this unique Owner State and make it a model for the world.

Yes. Alaska can inspire people all over the globe to follow our lead.

Thank you.

Juneau

presented to SENR 7-28-08

SB/14B 3001



Official Business

ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

- Member, Senate Resources Committee
- Member, Community & Regional Affairs
- Member, World Trade

Session: January - May

State Capitol, #423

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July 28, 2008

MEMORANDUM

To: Legislators

From: Senator Tom Wagoner

Subject: Exporting Alaska's Gas

The attached copy of HR 6515 and the section from an amendment introduced by Senator Bingham, Chairman of the Senate Committee on Energy and Natural Resources, is distributed for your information. It seems to be fairly representative of how the majority in Congress feel about the exporting of Alaska gas to other than domestic markets in the Continental United States.

Thank you for taking the time to review this material.

**SECTION FROM AN AMENDMENT INTRODUCED BY SENATOR BINGAMAN (D-NM)
CHAIRMAN OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES**

INTRODUCED ON JULY 24, 2008 – CURRENTLY PENDING ON THE SENATE CALENDAR

SEC. 251. SENSE OF SENATE ON ALASKA NATURAL GAS PIPELINE.

(a) Findings.-Congress finds that-

(1) more than 35,000,000,000,000 cubic feet of natural gas reserves have been discovered on Federal and State land open to leasing as of the date of enactment of this Act in the North Slope area of the State of Alaska, but that natural gas is being injected underground because the natural gas cannot be transported to markets in the lower 48 States; and

(2) in 2004, Congress passed the Alaska Natural Gas Pipeline Act (15 U.S.C. 720 et seq.)-

(A) to expedite the Federal regulatory process for siting of an Alaska natural gas pipeline;

(B) to establish a Federal office to coordinate the permitting process;

(C) to authorize a loan guarantee for the construction of an Alaska natural gas pipeline;

(D) to provide accelerated depreciation for an Alaska natural gas pipeline; and

(E) to provide favorable tax treatment for a gas conditioning plant in the North Slope area of the State of Alaska.

(b) Sense of Senate.-It is the sense of the Senate that-

(1) the Alaska natural gas pipeline is a critically important national infrastructure project that would benefit all consumers in the United States;

(2) all parties interested in the development of an Alaska natural gas pipeline, including oil and gas producers, pipeline companies, the State of Alaska, Federal agencies, Canadian authorities, and others, should, and are encouraged by the Senate, to accelerate their efforts to work together to allow that critical national infrastructure project to move forward; and

(3) an Alaska natural gas transportation project would provide significant economic benefits to the United States and Canada and, to maximize those benefits, the sponsors of the Alaska natural gas transportation project should make every effort to-

(A) use steel that is manufactured in North America; and

(B) negotiate a project labor agreement to expedite construction of the pipeline.

110TH CONGRESS
2D SESSION

H. R. 6515

To amend the Naval Petroleum Reserves Production Act of 1976 to require the Secretary of the Interior to conduct an expeditious environmentally responsible program of competitive leasing of oil and gas in the National Petroleum Reserve in Alaska, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 16, 2008

Mr. RAHALL (for himself, Mr. WELCH of Vermont, Ms. SUTTON, Ms. CASTOR, Mr. CARSON, Mrs. BOYDA of Kansas, Mr. WALZ of Minnesota, Ms. GIFFORDS, Mrs. GILLIBRAND, Mr. HODES, Mr. HALL of New York, Mr. SPACE, Mr. SIRES, Mr. WILSON of Ohio, Mr. YARMUTH, Mr. COURTNEY, Mr. MCNERNEY, Mr. FALEOMAVAEGA, and Mr. FOSTER) introduced the following bill; which was referred to the Committee on Natural Resources, and in addition to the Committees on Foreign Affairs and Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Naval Petroleum Reserves Production Act of 1976 to require the Secretary of the Interior to conduct an expeditious environmentally responsible program of competitive leasing of oil and gas in the National Petroleum Reserve in Alaska, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the "Drill Responsibly in
3 Leased Lands Act of 2008".

4 **SEC. 2. NATIONAL PETROLEUM RESERVE IN ALASKA:**
5 **LEASE SALES.**

6 Section 107(a) of the Naval Petroleum Reserves Pro-
7 duction Act of 1976 is amended to read as follows:

8 "(a) IN GENERAL.—The Secretary shall conduct an
9 expeditious environmentally responsible program of com-
10 petitive leasing of oil and gas in the National Petroleum
11 Reserve in Alaska in accordance with this Act. Such pro-
12 gram shall include no fewer than one lease sale in the Re-
13 serve each year during the period 2009 through 2013."

14 **SEC. 3. NATIONAL PETROLEUM RESERVE IN ALASKA: PIPE-**
15 **LINE CONSTRUCTION.**

16 The Secretary of Transportation shall facilitate, in an
17 environmentally responsible manner and in coordination
18 with the Secretary of the Interior, the construction of
19 pipelines necessary to transport oil and gas from or
20 through the National Petroleum Reserve in Alaska to ex-
21 isting transportation or processing infrastructure on the
22 North Slope of Alaska.

23 **SEC. 4. ALASKA NATURAL GAS PIPELINE PROJECT FACILI-**
24 **TATION.**

25 (a) FINDINGS.—The Congress finds the following:

1 (1) Over 35 trillion cubic feet of natural gas re-
2 serves have been discovered on Federal and State
3 lands currently open to oil and gas leasing on the
4 North Slope of Alaska.

5 (2) These gas supplies could make a significant
6 contribution to meeting the energy needs of the
7 United States, but the lack of a natural gas trans-
8 portation system has prevented these gas reserves
9 from reaching markets in the lower 48 States.

10 (b) FACILITATION BY PRESIDENT.—The President
11 shall, pursuant to the Alaska Natural Gas Pipeline Act
12 (division C of Public Law 108-324; 15 U.S.C. 720 et seq.)
13 and other applicable law, coordinate with producers of oil
14 and natural gas on the North Slope of Alaska, Federal
15 agencies, the State of Alaska, Canadian authorities, and
16 other interested persons in order to facilitate construction
17 of a natural gas pipeline from Alaska to United States
18 markets as expeditiously as possible.

19 **SEC. 5. PROJECT LABOR AGREEMENTS AND OTHER PIPE-**
20 **LINE REQUIREMENTS.**

21 (a) PROJECT LABOR AGREEMENTS.—The President,
22 as a term and condition of any permit required under Fed-
23 eral law for the pipelines referred to in section 3 and sec-
24 tion 4, and in recognizing the Government's interest in
25 labor stability and in the ability of construction labor and

1 management to meet the particular needs and conditions
2 of such pipelines to be developed under such permits and
3 the special concerns of the holders of such permits, shall
4 require that the operators of such pipelines and their
5 agents and contractors negotiate to obtain a project labor
6 agreement for the employment of laborers and mechanics
7 on production, maintenance, and construction for such
8 pipelines.

9 (b) PIPELINE MAINTENANCE.—The Secretary of
10 Transportation shall require every pipeline operator au-
11 thorized to transport oil and gas produced under Federal
12 oil and gas leases in Alaska through the Trans-Alaska
13 Pipeline, any pipeline constructed pursuant to section 3
14 or 4 of this Act, or any other federally approved pipeline
15 transporting oil and gas from the North Slope of Alaska,
16 to certify to the Secretary of Transportation annually that
17 such pipeline is being fully maintained and operated in
18 an efficient manner. The Secretary of Transportation shall
19 assess appropriate civil penalties for violations of this re-
20 quirement in the same manner as civil penalties are as-
21 sessed for violations under section 60122(a)(1) of title 49,
22 United States Code.

1 **SEC. 6. BAN ON EXPORT OF ALASKAN OIL.**

2 (a) **REPEAL OF PROVISION AUTHORIZING EX-**
3 **PORTS.**—Section 28(s) of the Mineral Leasing Act (30
4 U.S.C. 185(s)) is repealed.

5 (b) **REIMPOSITION OF PROHIBITION ON CRUDE OIL**
6 **EXPORTS.**—Upon the effective date of this Act, subsection
7 (d) of section 7 of the Export Administration Act of 1979
8 (50 U.S.C. App. 2406(d)), shall be effective, and any other
9 provision of that Act (including sections 11 and 12) shall
10 be effective to the extent necessary to carry out such sec-
11 tion 7(d), notwithstanding section 20 of that Act or any
12 other provision of law that would otherwise allow exports
13 of oil to which such section 7(d) applies.

14 **SEC. 7. ISSUANCE OF NEW LEASES.**

15 (a) **IN GENERAL.**—After the date of the issuance of
16 regulations under subsection (b), the Secretary of the In-
17 terior shall not issue to a person any new lease that au-
18 thorizes the exploration for or production of oil or natural
19 gas, under section 17 of the Mineral Leasing Act (33
20 U.S.C. 226), the Mineral Leasing Act for Acquired Lands
21 Act (30 U.S.C. 351 et seq.), the Outer Continental Shelf
22 Lands Act (43 U.S.C. 1331 et seq.), or any other law au-
23 thorizing the issuance of oil and gas leases on Federal
24 lands or submerged lands, unless—

25 (1) the person certifies for each existing lease
26 under such Acts for the production of oil or gas with

1 respect to which the person is a lessee, that the per-
2 son is diligently developing the Federal lands that
3 are subject to the lease in order to produce oil or
4 natural gas or is producing oil or natural gas from
5 such land; or

6 (2) the person has relinquished all ownership
7 interest in all Federal oil and gas leases under which
8 oil and gas is not being diligently developed.

9 (b) DILIGENT DEVELOPMENT.—The Secretary shall
10 issue regulations within 180 days after the date of enact-
11 ment of this Act that establish what constitutes “diligently
12 developing” for purposes of this Act.

13 (c) FAILURE TO COMPLY WITH REQUIREMENTS.—
14 Any person who fails to comply with the requirements of
15 this section or any regulation or order issued to implement
16 this section shall be liable for a civil penalty under section
17 109 of the Federal Oil and Gas Royalty Management Act
18 of 1982 (30 U.S.C. 1719).

19 (d) LESSEE DEFINED.—In this section the term “les-
20 see”—

21 (1) includes any person or other entity that
22 controls, is controlled by, or is in or under common
23 control with, a lessee; and

24 (2) does not include any person who does not
25 hold more than a minority ownership interest in a

1 lease under an Act referred to in subsection (a) au-
2 thorizing the exploration for or production of oil or
3 natural gas.

4 **SEC. 8. FAIR RETURN ON PRODUCTION OF FEDERAL OIL**
5 **AND GAS RESOURCES.**

6 (a) **ROYALTY PAYMENTS.**—The Secretary of the In-
7 terior shall take all steps necessary to ensure that lessees
8 under leases for exploration, development, and production
9 of oil and natural gas on Federal lands, including leases
10 under the Mineral Leasing Act (30 U.S.C. 181 et seq.),
11 the Mineral Leasing Act for Acquired Lands (30 U.S.C.
12 351 et seq.), the Outer Continental Shelf Lands Act (30
13 U.S.C. 1331 et seq.), and all other mineral leasing laws,
14 are making prompt, transparent, and accurate royalty
15 payments under such leases.

16 (b) **RECOMMENDATIONS FOR LEGISLATIVE AC-**
17 **TION.**—In order to facilitate implementation of subsection
18 (a), the Secretary of the Interior shall, within 180 days
19 after the date of the enactment of this Act and in con-
20 sultation with the affected States, prepare and transmit
21 to Congress recommendations for legislative action to im-
22 prove the accurate collection of Federal oil and gas royal-
23 ties.

Use of Loan Guarantees

The Alaska Natural Gas Pipeline Act of 2004 ("ANGPA") provides that the DOE can "enter into agreements" with the holders of a certificate of public convenience and necessity from the FERC for issuance of loan guarantee instruments for the project. These guarantees can be for as much as 80% of the project cost, not to exceed \$18 billion (escalated for inflation).

To date the DOE has not issued any regulations regarding how this program will be administered and it is possible that no regulations will be issued (since none are required by ANGPA). Thus the rules with respect to the use of a loan guarantees are not yet finally established.

However, since the effect of a loan guarantee from the Federal government is to lower the financing cost of the project it is clear that the intent of this provision is to help lower the cost of the Alaskan pipeline project.

It would thus be reasonable to expect that TransCanada's proposal to use a significant portion of the available loan guarantees to finance any cost overruns would be acceptable to the DOE since this will have the effect of reducing the financing costs related to overruns.

Further, there is no reason to believe that DOE would preclude or prohibit TransCanada's utilization of any unused loan guarantee capacity to refinance higher cost project debt. This would have the effect of lowering the overall projects cost and would be generally consistent with the Congressional intent when it provided for the loan guarantee vehicle in the first instance.

Significantly, Goldman Sacks report (pages 34-35 of Appendix H to the Commissioners' Findings) suggests that this approach would likely be used, but, because of the absence of specific DOE rules, Goldman Sacks did not incorporate that approach into their analysis.

From: Greenberg
Traurig

Dist by: Senator WAGONER
7/28/2008

Ⓢ SENATE Sp. Cmte on ENERGY



Official Business

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- Member, Senate Resources Committee
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14 or 4 of this Act, or any other federally approved pipeline
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17 such pipeline is being fully maintained and operated in
18 an efficient manner. The Secretary of Transportation shall
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23 thorizing the issuance of oil and gas leases on Federal
24 lands or submerged lands, unless—

25 (1) the person certifies for each existing lease
26 under such Acts for the production of oil or gas with

1 respect to which the person is a lessee, that the per-
2 son is diligently developing the Federal lands that
3 are subject to the lease in order to produce oil or
4 natural gas or is producing oil or natural gas from
5 such land; or

6 (2) the person has relinquished all ownership
7 interest in all Federal oil and gas leases under which
8 oil and gas is not being diligently developed.

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10 issue regulations within 180 days after the date of enact-
11 ment of this Act that establish what constitutes “diligently
12 developing” for purposes of this Act.

13 (c) FAILURE TO COMPLY WITH REQUIREMENTS.—
14 Any person who fails to comply with the requirements of
15 this section or any regulation or order issued to implement
16 this section shall be liable for a civil penalty under section
17 109 of the Federal Oil and Gas Royalty Management Act
18 of 1982 (30 U.S.C. 1719).

19 (d) LESSEE DEFINED.—In this section the term “les-
20 see”—

21 (1) includes any person or other entity that
22 controls, is controlled by, or is in or under common
23 control with, a lessee; and

24 (2) does not include any person who does not
25 hold more than a minority ownership interest in a

1 lease under an Act referred to in subsection (a) au-
2 thorizing the exploration for or production of oil or
3 natural gas.

4 **SEC. 8. FAIR RETURN ON PRODUCTION OF FEDERAL OIL**
5 **AND GAS RESOURCES.**

6 (a) **ROYALTY PAYMENTS.**—The Secretary of the In-
7 terior shall take all steps necessary to ensure that lessees
8 under leases for exploration, development, and production
9 of oil and natural gas on Federal lands, including leases
10 under the Mineral Leasing Act (30 U.S.C. 181 et seq.),
11 the Mineral Leasing Act for Acquired Lands (30 U.S.C.
12 351 et seq.), the Outer Continental Shelf Lands Act (30
13 U.S.C. 1331 et seq.), and all other mineral leasing laws,
14 are making prompt, transparent, and accurate royalty
15 payments under such leases.

16 (b) **RECOMMENDATIONS FOR LEGISLATIVE AC-**
17 **TION.**—In order to facilitate implementation of subsection
18 (a), the Secretary of the Interior shall, within 180 days
19 after the date of the enactment of this Act and in con-
20 sultation with the affected States, prepare and transmit
21 to Congress recommendations for legislative action to im-
22 prove the accurate collection of Federal oil and gas royal-
23 ties.

SCOMM

155:30

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Kim Elton
Sen. Lyda Green
Sen. Lyman Hoffman
Sen. Lesil McGuire
Sen. Donald Olson
Sen. Gary Stevens
Sen. Joe Thomas
Sen. Bill Wielechowski
Sen. Fred Dyson
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Fourth Special Session
Twenty-Fifth Legislature

Senate Special Committee on Energy

Tuesday July 29, 2008

Senate Finance Room 532

1:00-4:30 p.m.

- SB 3001/HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska

- Key Issues Discussion & Questions from Committee

Pat Galvin, Commissioner, DOR

Tom Irwin, Commissioner, DNR

Bonnie Harris, Sr. Asst. AG, DOL

Tony Palmer, VP AK Business Development,
TransCanada

Steve Porter, LB&A Consultant

Don Bullock, Legal and Research Services, LAA

Teleconference
Testimony – By Invitation

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Kim Elton
Sen. Lyda Green
Sen. Lyman Hoffman
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800-862-3878

Senate Special Committee on Energy Twenty-Fifth Legislature

Date: July 29, 2008
To: Kirsten Waid, Senate Secretary
From: Senator Charlie Huggins, Chair
Re: Meeting Schedule

Committee Schedule For July 28-August 2, 2008

Unless indicated otherwise meeting will be held in
Senate Finance Rm 532

Monday July 28, 2:00-5:00 p.m.

Teleconference

- SB 3001/HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska.

Tuesday July 29, 1:00-4:30 p.m.

Teleconference

- SB 3001/HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska.

Committee Discussion of Key Issues

Wednesday July 30, 2:00-5:00 p.m.

Teleconference

- SB 3001/ HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska.

Testimony by Invitation

SCOMM

155:31



- Hoffman
- McGuire
- Wielechowski
- Olson
- Thomas
- Stedman
- Stevens
- Elton
- Wagoner
- Green
- Dyson
- Huggins

SENATE COMMITTEE REPORT

DATE: 7/24/08

FURTHER:

DATE TURNED
IN TO OFFICE: 7/31/08

Senate Special Committee on Energy considered HOUSE BILL NO. 3001(efd fld)

HB 3001 APPROVING AGIA LICENSE

"An Act approving issuance of a license by the commissioner of revenue and the commissioner of natural resources to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee, under the Alaska Gasline Inducement Act."

and recommends:

☐ be replaced with ☐ SCS or ☐ CS _____ ()

☐ adopt previous ☐ SCS or ☐ CS _____ ()

☐ attached amendment(s)

☐ adopt _____ Letter of Intent

☐ further referral to _____ Committee

SENATE BILL:

☐ Same Title
☐ New Title

HOUSE BILL:

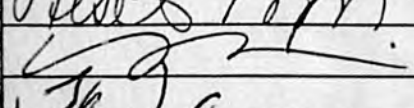
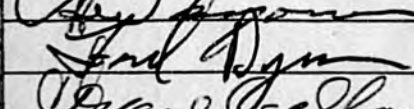
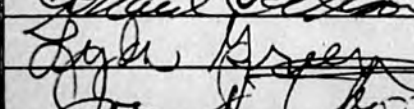
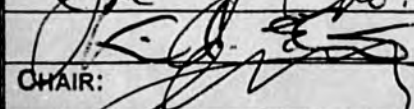
☐ Same Title
☐ Technical Title
Change
☐ New Title w/
SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	5/28			✓	1
REV	5/26	✓			2

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	STEVEN	✓			
	STEDMAN		✓		
	HOFFMAN		✓		
	MCBURN				✓
	Wielechowski	✓			
	WAGONER	✓			
	DUSEON	✓			
	OLSON				
	GREEN				
	Thomas	✓			
	Elda	✓			
CHAIR:	HUGGINS		✓		

SENATE COMMITTEE REPORT

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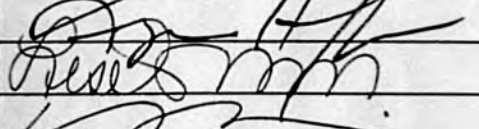
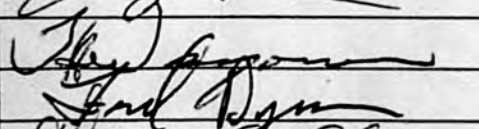
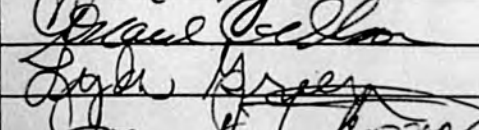
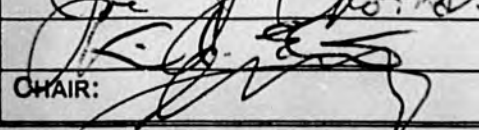
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	HOFFMAN		✓		
	MCBURN				✓
	Wielechowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				
	GREEN				
	Thomas	✓			
	Elton				
CHAIR:	HUGGINS		✓		

SENATE COMMITTEE REPORT

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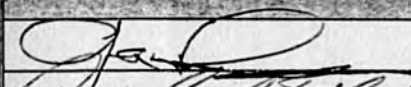
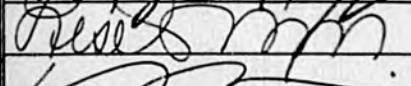
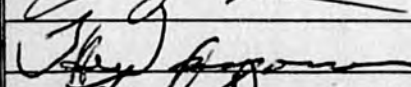
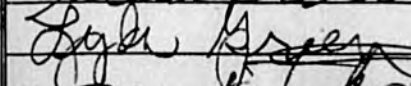
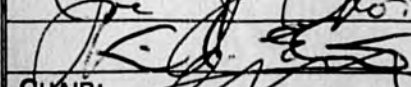
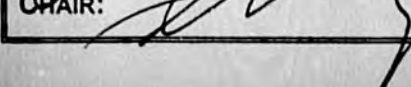
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	HOFFMAN				
	MCBURN				
	Wielechowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				
	GREEN				
	Thomas	✓			
	Elta	✓			
CHAIR:	HUGGINS		✓		

SENATE COMMITTEE REPORT

DATE: 7/24/08

FURTHER:

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	STEADMAN		✓		
	HOFFMAN				
	MCBURN				
	WIELECHOWSKI	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				
	GREEN				
	THOMAS	✓			
	ELTON	✓			
CHAIR:	HUGGINS				

SENATE COMMITTEE REPORT

DATE: 7/24/08

FURTHER:

DATE TURNED
IN TO OFFICE: 7/31/08

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	STEADMAN		✓		
	HOFFMAN		✓		
	MCBURN				✓
	Wielechowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				
	GREEN		✓		
	Thomas	✓			
	Elta	✓			
	HUGGINS		✓		
CHAIR:					

SENATE COMMITTEE REPORT

DATE: 7/24/08

FURTHER:

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IN TO OFFICE: 7/31/08

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	Wielechowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				
	GREEN				
	Thomas	✓			
	Elta	✓			
CHAIR:	HUGGINS				

HB 300
256H3055
AA.8

7 years 5 may

7-30/-08 Passed SENR cmty

Sched to Floor 7-31-08

7 years 5 days

3rd reading
25-GH3005 A.A.

8-1-2008

Weirchowski
Olson
Thomas
Stevens
Elton
Wagoner
Dyssen

Hoffman
McGuire
Stedman
Green
Huggins

HOUSE BILL NO. 3001(efd fld)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FOURTH SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Amended: 7/23/08
Introduced: 6/3/08

CH move
left of intent
floor 8-1-2008 18 years, 1 day
amend #1 failed
#2

A BILL

FOR AN ACT ENTITLED

1 "An Act approving issuance of a license by the commissioner of revenue and the
2 commissioner of natural resources to TransCanada Alaska Company, LLC and
3 Foothills Pipe Lines Ltd., jointly as licensee, under the Alaska Gasline Inducement Act."

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

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

7 APPROVAL OF ISSUANCE OF LICENSE UNDER THE ALASKA GASLINE
8 INDUCEMENT ACT. The commissioner of revenue and the commissioner of natural
9 resources are authorized to issue a license under AS 43.90.010 - 43.90.990 to TransCanada
10 Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee.

HB3001b

-1-

New Text Underlined [DELETED TEXT BRACKETED]

HB 3001(efd fld)

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 3001
(H) Publish Date: 6/3/08

Identifier (file name): 3001-DNR-O&G-05-28-08
Title: Alaska Gasline Inducement Act License
Sponsor: Rules Committee
Requester: Governor
Dept. Affected: Natural Resources
RDU: Resource Development
Component: Oil and Gas Development
Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
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 Interagency Receipts							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would give approval for issuance of a license by the commissioners of the departments of Natural Resources and Revenue under the Alaska Gasline Inducement Act (AGIA). The success of the state's gasline project could mean billions of dollars in future state revenues.

Prepared by: Kevin Banks, Acting Director
Division: Division of Oil and Gas
Approved by: Tom Irwin, Commissioner
Natural Resources
Phone: 269-8800
Date/Time: May 28, 2008
Date: May 28, 2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 3001
(H) Publish Date: 8/3/08

Identifier (file name): 08-0055-DOR-DAS-6-27-08
Title: AGIA License Approval
Sponsor: Ruies
Requester: Governor
Dept. Affected: 04 Revenue
RDU: Admin and Support
Component: Admin Services
Component Number: 125

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES		500,000.0					
----------------------	--	-----------	--	--	--	--	--

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

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
TOTAL							

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Passage of this bill approves the issuance of a license by the Commissioners of Revenue and Natural Resources to TransCanada Alaska Company, LLC and Foothills Pipe Lines, LTD., jointly as licensee, under the Alaska Gasline Inducement Act. The approval of this license along with the appropriation of \$500 million in a separate bill entitles TransCanada Alaska Company, LLC and Foothills Pipe Lines, LTD to reimbursement of up to \$500 million of qualified expenditures under regulations adopted by the Department of Revenue (15 AAC 90.010- 15 AAC 90.030). The Department of Revenue will make these reimbursements with the cooperation of the Alaska Gasline Inducement Act coordinator in the Office of the Governor and with technical advice from the Department of Natural Resources. No additional staffing or funding will be required by the Department of Revenue as a result of the passage of this bill.

Prepared by: Jerry Burnett
Division: Admin Services
Approved by: Jerry Burnett
Department of Revenue
Phone 465-2312
Date/Time 5/26/08 12:00 AM
Date 5/26/2008

8/1/2008 Huggins move
Senate adopt ltr of
intent as Senate ltr
of intent.

18 years 1 day

HB3001 House Letter of Intent

The purpose of the award of an exclusive license to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd. (hereafter referred to as TransCanada) is to expedite bringing North Slope gas to market. To meet the Alaska Constitution's mandate to develop Alaska's resources for the maximum benefit to Alaskans, it is the intent of the legislature that the executive branch continues to aid project proposals in addition to just a TransCanada pipeline into Canada. It is the intent of the legislature that an AGIA license will enable and encourage an All Alaska gas line/liquefied natural gas (LNG) project within the TransCanada project.

Recognizing that high energy prices have resulted in an energy crisis in communities throughout the state, it is the intent of the legislature that an award of an exclusive license to TransCanada not interfere with the rapid delivery of North Slope gas to Alaskan markets. The legislature urges the construction of a project that would facilitate delivery of in-state gas by way of a project built as part of a TransCanada project.

To prepare for an open season that includes an All Alaska gas line/LNG project in conjunction with the TransCanada project into Canada, it is the intent of the legislature that such project receives the assistance of the executive branch and be granted expedited review and action by state agencies.

Nothing in this letter of intent is intended to alter the obligations of the parties under the law, and nothing in this letter is intended to encourage the violation of these obligations.

Samuel
Gibson
Gara
Holmes
Kerttula
Kelly
CRAWFORD
Gatto
Bobbins
Buch
Seaton
Gardner
Harris
Hawker
Doll
Johnson
Salmon
Meyer
Edgman

Bill History/Action for 25th Legislature

BILL: HB3001

SHORT TITLE: APPROVING AGIA LICENSE

BILL VERSION: HB 3001(EFD) FLD

CURRENT STATUS: (S) ENR

STATUS DATE: 07/24/08

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

HEARING: (S) ENR July 30 2:00 PM SENATE FINANCE 532 -- Testimony <Invitation Only> -- TELECONFERENCE

TITLE: "An Act approving issuance of a license by the commissioner of revenue and the commissioner of natural resources to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee, under the Alaska Gasline Inducement Act."

Bill Number:	Display Bill	Next Bill
Full Text	Fiscal Notes	Amendments
	Intent	Minutes

Display Committee Action with Bill History

Jrn-Date	Jrn-Page	Action
06/03/08	3064	(H) READ THE FIRST TIME - REFERRALS
06/03/08	3064	(H) RLS
06/03/08	3064	(H) FN1: ZERO(DNR)
06/03/08	3064	(H) FN2: (REV)
06/03/08	3064	(H) GOVERNOR'S TRANSMITTAL LETTER
06/03/08	3064	(H) WRITTEN FINDINGS & DETERMINATION
07/02/08	3178	(H) BILL CARRIES OVER TO FOURTH SPECIAL SESSION
07/21/08	3234	(H) RLS RPT 3DP4DNP
07/21/08	3234	(H) DP: KERTTUI A. GUTTENBERG, COGHILL
07/21/08	3234	(H) DNP: JOHNSON, FAIRCLOUGH, SAMUELS, HARRIS
07/21/08	3234	(H) FN1: ZERO(DNR)
07/21/08	3234	(H) FN2: (REV)
07/21/08	3236	(H) RULES TO CALENDAR 7/21/2008
07/21/08	3236	(H) READ THE SECOND TIME
07/21/08	3237	(H) ADVANCED TO THIRD READING 7/22 CALENDAR
07/22/08	3241	(H) READ THE THIRD TIME HB 3001
07/22/08	3241	(H) RETURN TO SECOND FOR AM 1 UC
07/22/08	3241	(H) AM NO 1 FAILED Y9 N30 A1
07/22/08	3243	(H) RETURN TO SECOND FOR ALL AMS UC
07/22/08	3243	(H) AM NO 2 FAILED Y15 N25
07/22/08	3245	(H) AM NO 3 FAILED Y11 N27 A2
07/22/08	3247	(H) AM NO 4 FAILED Y17 N23
07/22/08	3249	(H) AUTOMATICALLY IN THIRD READING
07/22/08	3249	(H) BEFORE THE HOUSE IN THIRD READING
07/22/08	3250	(H) PASSED Y24 N16
07/22/08	3250	(H) EFFECTIVE DATE(S) ADOPTED Y28 N12
07/22/08	3251	(H) SAMUELS NOTICE OF RECONSIDERATION
07/23/08	3260	(H) RECON TAKEN UP - IN THIRD READING
07/23/08	3260	(H) PASSED ON RECONSIDERATION Y23 N16 E1
07/23/08	3261	(H) EFFECTIVE DATE(S) FAILED Y25 N14 E1
07/23/08	3262	(H) ADOPTED HOUSE LETTER OF INTENT Y39 E1
07/23/08	3268	(H) TRANSMITTED TO (S)
07/23/08	3268	(H) VERSION: HB 3001(EFD) FLD

07/24/08 3197 (S) READ THE FIRST TIME - REFERRALS
07/24/08 3197 (S) ENR
07/24/08 3197 (S) REFERRED TO SENATE SPECIAL COMMITTEE ON ENERGY

Similar Subject Match or Exact Subject Match

CONTRACTS

LEGISLATURE

LICENSING

OIL & GAS

PIPELINES

RESOURCES

REVENUE

Bill Number:

[Return to Basis Main Menu \(25th Legislature\)](#)

offered 7/30/08
withdrawn
SENK
25-GH3055\AA.9
Chenoweth/Bullock
7/30/08

#2

AMENDMENT

OFFERED IN THE SENATE

TO: HB 3001(efd fld)

1 Page 1, line 3, following "Act":

2 Insert "; and providing for an effective date"

3

4 Page 1, following line 10:

5 Insert new bill sections to read:

6 **"* Sec. 2.** The uncoded law of the State of Alaska is amended by adding a new section to
7 read:

8 **CONTINGENT EFFECT OF LICENSE APPROVAL.** The provisions of sec. 1 of this
9 Act are contingent on

10 (1) the written offer of the parties identified jointly as the licensee in sec. 1 of
11 this Act to the parties having control of significant North Slope natural gas reserves that are
12 proposing an alternative natural gas pipeline project to participate in good faith negotiations
13 as described in this paragraph, and, if the offer is accepted, the negotiation in good faith as
14 described in the paragraph; the negotiations shall seek to secure common agreement to
15 eliminate proposals for competing natural gas pipeline projects, as that phrase is defined in
16 AS 43.90.440, for North Slope natural gas reserves; it is material to the state's interest in the
17 negotiations that an agreement between the parties have the result of foregoing the need for
18 issuance of a license under AS 43.90, including the appropriation of licensee reimbursements
19 as authorized by AS 43.90.110(a)(1); to implement this paragraph,

20 (A) negotiations shall be conducted among

21 (i) the commissioners of revenue and natural resources or their
22 respective representatives;

23 (ii) representatives of the parties identified jointly as the

1 licensee in sec. 1 of this Act; and

2 (iii) representatives of the parties having control of significant
3 North Slope natural gas reserves that are proposing an alternative natural gas
4 pipeline project;

5 (B) the parties identified in (A) of this paragraph may

6 (i) include in the negotiations representatives of other entities
7 whose presence may be useful to achieve the outcome described in this
8 paragraph, as these parties may mutually agree; and

9 (ii) agree to conduct the negotiations with or without use of the
10 services of a mediator, as the parties may themselves determine; if the parties
11 agree to use of the services of a mediator, the mediator shall be a person whose
12 identity is mutually agreeable to the parties; and

13 (C) negotiations undertaken under this section are not to be considered
14 meetings of a governmental body of a public entity of the state that are subject to the
15 requirements of AS 44.62.310 - 44.62.312; and

16 (2) the passage of a number of days set out in this paragraph following the
17 condition described in the corresponding subparagraph; when the condition described in this
18 paragraph has been met, the commissioners of natural resources and revenue shall issue the
19 license; under this paragraph, the commissioners may not issue the license before the effective
20 date of sec. 1 of this Act, and

21 (A) unless subject to the limitation set out in this subparagraph, shall
22 issue the license not sooner than 180 days after the date of final execution of the
23 common agreement among the parties that is substantially as described in (1) of this
24 section; however, if, under the terms of that agreement, the parties consent to forego
25 the need for issuance of a license under AS 43.90, then, notwithstanding any other
26 provision of law, the commissioners may not issue the license; or

27 (B) shall issue the license not sooner than 45 days after the earlier of
28 the date that

29 (i) the commissioners advise the governor that one or more of
30 the parties described in (1)(A)(iii) of this section have notified them, or either
31 of them, that the party or parties will not participate in the negotiations

1 described in this section; or

2 (ii) the parties described in (1)(A)(ii) and (1)(A)(iii) of this
3 section certify to the governor that they have mutually agreed that negotiations
4 to secure the common agreement as described in (1) of this section to eliminate
5 proposals for competing natural gas pipeline projects for North Slope natural
6 gas reserves cannot be obtained.

7 * **Sec. 3.** Section 2 of this Act takes effect immediately under AS 01.10.070(c)."

offered 7/30/08 SENIR

25-GH3055\AA.9
Chenoweth/Bullock
7/30/08

AMENDMENT #2

OFFERED IN THE SENATE

TO: HB 3001(efd fld)

1 Page 1, line 3, following "Act":

2 Insert "; and providing for an effective date"

3

4 Page 1, following line 10:

5 Insert new bill sections to read:

6 "** Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 CONTINGENT EFFECT OF LICENSE APPROVAL. The provisions of sec. 1 of this
9 Act are contingent on

10 (1) the written offer of the parties identified jointly as the licensee in sec. 1 of
11 this Act to the parties having control of significant North Slope natural gas reserves that are
12 proposing an alternative natural gas pipeline project to participate in good faith negotiations
13 as described in this paragraph, and, if the offer is accepted, the negotiation in good faith as
14 described in the paragraph; the negotiations shall seek to secure common agreement to
15 eliminate proposals for competing natural gas pipeline projects, as that phrase is defined in
16 AS 43.90.440, for North Slope natural gas reserves; it is material to the state's interest in the
17 negotiations that an agreement between the parties have the result of foregoing the need for
18 issuance of a license under AS 43.90, including the appropriation of licensee reimbursements
19 as authorized by AS 43.90.110(a)(1); to implement this paragraph,

20 (A) negotiations shall be conducted among

21 (i) the commissioners of revenue and natural resources or their
22 respective representatives;

23 (ii) representatives of the parties identified jointly as the

1 licensee in sec. 1 of this Act; and

2 (iii) representatives of the parties having control of significant
3 North Slope natural gas reserves that are proposing an alternative natural gas
4 pipeline project;

5 (B) the parties identified in (A) of this paragraph may

6 (i) include in the negotiations representatives of other entities
7 whose presence may be useful to achieve the outcome described in this
8 paragraph, as these parties may mutually agree; and

9 (ii) agree to conduct the negotiations with or without use of the
10 services of a mediator, as the parties may themselves determine; if the parties
11 agree to use of the services of a mediator, the mediator shall be a person whose
12 identity is mutually agreeable to the parties; and

13 (C) negotiations undertaken under this section are not to be considered
14 meetings of a governmental body of a public entity of the state that are subject to the
15 requirements of AS 44.62.310 - 44.62.312; and

16 (2) the passage of a number of days set out in this paragraph following the
17 condition described in the corresponding subparagraph; when the condition described in this
18 paragraph has been met, the commissioners of natural resources and revenue shall issue the
19 license; under this paragraph, the commissioners may not issue the license before the effective
20 date of sec. 1 of this Act, and

21 (A) unless subject to the limitation set out in this subparagraph, shall
22 issue the license not sooner than 180 days after the date of final execution of the
23 common agreement among the parties that is substantially as described in (1) of this
24 section; however, if, under the terms of that agreement, the parties consent to forego
25 the need for issuance of a license under AS 43.90, then, notwithstanding any other
26 provision of law, the commissioners may not issue the license; or

27 (B) shall issue the license not sooner than 45 days after the earlier of
28 the date that

29 (i) the commissioners advise the governor that one or more of
30 the parties described in (1)(A)(iii) of this section have notified them, or either
31 of them, that the party or parties will not participate in the negotiations

1 described in this section; or
2 (ii) the parties described in (1)(A)(ii) and (1)(A)(iii) of this
3 section certify to the governor that they have mutually agreed that negotiations
4 to secure the common agreement as described in (1) of this section to eliminate
5 proposals for competing natural gas pipeline projects for North Slope natural
6 gas reserves cannot be obtained.

7 * Sec. 3. Section 2 of this Act takes effect immediately under AS 01.10.070(c)."

Offered 7/30/08 SENR
discussed
Withdrawn

25-GH3055\AA.8
Chenoweth/Bullock
7/30/08

AMENDMENT #1

OFFERED IN THE SENATE

TO: HB 3001(efd fld)

1 Page 1, following line 10:

2 Insert a new bill section to read:

3 "** Sec. 2. The uncoded law of the State of Alaska is amended by adding a new section to
4 read:

5 CONTINGENT EFFECT OF LICENSE APPROVAL: INDEMNIFICATION FOR
6 LIABILITIES TO WITHDRAWN PARTNERS. (a) The provisions of sec. 1 of this Act are
7 contingent on the commissioner of revenue and the commissioner of natural resources
8 obtaining from the licensee the licensee's written agreement that the state will not reimburse
9 the licensee for qualified expenditures under AS 43.90.110(a)(1) before the licensee
10 indemnifies the state against any loss of revenue because of a liability of the licensee to
11 ~~withdrawn partners~~. The indemnification is required regardless of whether the state receives

12 its royalty share of the production of natural gas in kind or in value. In this subsection,
13 "licensee" includes the licensee and a successor in interest to the licensee subject to AS 43.90.

14 (b) To implement this section, the commissioner of revenue, in consultation with the
15 commissioner of natural resources and the attorney general, shall

16 (1) review the partnership agreement and other documents associated with the
17 Alaskan Northwest Natural Gas Transportation Company, commonly referred to as ANNGTC;

18 (2) identify the partners and the successors in interest to the partners in the
19 Alaskan Northwest Natural Gas Transportation Company;

20 (3) determine the extent of any liability or potential liability of the licensee to
21 each partner or successor to a partner based on any partnership agreement or other agreement
22 between the partners of the Alaskan Northwest Natural Gas Transportation Company;

23 (4) determine the effect on revenue to the state should the licensee be found

1 liable to a partner or successor to a partner under the partnership agreement and other
2 agreements between the partners and their successors in the Alaskan Northwest Natural Gas
3 Transportation Company; the effect on revenue to the state includes

4 (A) the costs associated with delays in the construction of the project;

5 (B) an effect on the tariff;

6 (C) an effect on the state's taxes and royalties;

7 (D) the effect on the state if the state acquires an ownership interest in
8 the project; and

9 (E) other effects on revenue to the state identified by the commissioner
10 of revenue; and

11 (5) determine the form and amount of indemnification required to be provided
12 by the licensee to the state to shield the state from the possible effects on revenue determined
13 under (4) of this subsection.

14 (c) Unless the parties otherwise agree, an agreement entered into under this section
15 may provide that a dispute between the commissioner of revenue and the licensee over the
16 extent of any liability of the licensee determined under this section and the form and amount
17 of indemnification required to be provided by the licensee shall be resolved under
18 AS 44.62.330 - 44.62.630 (Administrative Procedure Act) or other form of alternative dispute
19 resolution agreed to by the licensee and the commissioner of revenue, in consultation with the
20 attorney general.

21 (d) In this section,

22 (1) "licensee" and "project" have the meanings given in AS 43.90.900;

23 (2) "withdrawn partners" means the partners and successors in interest to the
24 partners of the Alaskan Northwest Natural Gas Transportation Company identified by the
25 commissioner of revenue in (b)(2) of this section."

AMENDMENT #1

OFFERED IN THE SENATE
TO: HB 3001(efd fld)

1 Page 1, following line 10:

2 Insert a new bill section to read:

3 **"* Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 CONTINGENT EFFECT OF LICENSE APPROVAL: INDEMNIFICATION FOR
6 LIABILITIES TO WITHDRAWN PARTNERS. (a) The provisions of sec. 1 of this Act are
7 contingent on the commissioner of revenue and the commissioner of natural resources
8 obtaining from the licensee the licensee's written agreement that the state will not reimburse
9 the licensee for qualified expenditures under AS 43.90.110(a)(1) before the licensee
10 indemnifies the state against any loss of revenue because of a liability of the licensee to
11 withdrawn partners. The indemnification is required regardless of whether the state receives
12 its royalty share of the production of natural gas in kind or in value. In this subsection,
13 "licensee" includes the licensee and a successor in interest to the licensee subject to AS 43.90.

14 (b) To implement this section, the commissioner of revenue, in consultation with the
15 commissioner of natural resources and the attorney general, shall

16 (1) review the partnership agreement and other documents associated with the
17 Alaskan Northwest Natural Gas Transportation Company, commonly referred to a ANNGTC;

18 (2) identify the partners and the successors in interest to the partners in the
19 Alaskan Northwest Natural Gas Transportation Company;

20 (3) determine the extent of any liability or potential liability of the licensee to
21 each partner or successor to a partner based on any partnership agreement or other agreement
22 between the partners of the Alaskan Northwest Natural Gas Transportation Company;

23 (4) determine the effect on revenue to the state should the licensee be found

1 liable to a partner or successor to a partner under the partnership agreement and other
2 agreements between the partners and their successors in the Alaskan Northwest Natural Gas
3 Transportation Company; the effect on revenue to the state includes

4 (A) the costs associated with delays in the construction of the project;

5 (B) an effect on the tariff;

6 (C) an effect on the state's taxes and royalties;

7 (D) the effect on the state if the state acquires an ownership interest in
8 the project; and

9 (E) other effects on revenue to the state identified by the commissioner
10 of revenue; and

11 (5) determine the form and amount of indemnification required to be provided
12 by the licensee to the state to shield the state from the possible effects on revenue determined
13 under (4) of this subsection.

14 (c) Unless the parties otherwise agree, an agreement entered into under this section
15 may provide that a dispute between the commissioner of revenue and the licensee over the
16 extent of any liability of the licensee determined under this section and the form and amount
17 of indemnification required to be provided by the licensee shall be resolved under
18 AS 44.62.330 - 44.62.630 (Administrative Procedure Act) or other form of alternative dispute
19 resolution agreed to by the licensee and the commissioner of revenue, in consultation with the
20 attorney general.

21 (d) In this section,

22 (1) "licensee" and "project" have the meanings given in AS 43.90.900;

23 (2) "withdrawn partners" means the partners and successors in interest to the
24 partners of the Alaskan Northwest Natural Gas Transportation Company identified by the
25 commissioner of revenue in (b)(2) of this section."

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Kim Elton
Sen. Lyda Green
Sen. Lyman Hoffman
Sen. Lesil McGuire
Sen. Donald Olson
Sen. Gary Stevens
Sen. Joe Thomas
Sen. Bill Wielechowski
Sen. Fred Dyson
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Fourth Special Session

Twenty-Fifth Legislature

Senate Special Committee on Energy

Wednesday July 30, 2008

Senate Finance Room 532

2:00-5:00 p.m.

- SB 3001/HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska

- Key Issues Discussion & Questions from Committee

✓ Pat Galvin, Commissioner, DOR

Tom Irwin, Commissioner, DNR

✓ Bonnie Harris, Sr. Asst. AG, DOL

MARTY RUTHERFORD, Dep. Commissioner, DNR

Tony Palmer, VP AK Business Development,
TransCanada

Steve Porter, LB&A Consultant

Don Bullock, Legal and Research Services, LAA

Teleconference
Testimony – By Invitation

Juneau
Spec. Session

presented by Senator Dyson
SEN 7-30-2008
SB/HB 3001



TransCanada

In business to deliver

July 28, 2008

Honorable Lyda Green
President of the Senate
Alaska State Capitol

Honorable John L. Harris
Speaker of the House of Representatives
Alaska State Capitol

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2035
fax 403.920.2318
email tony_palmer@transcanada.com
web www.transcanada.com

Dear President Green and Speaker Harris:

Re: TransCanada Alaska Company LLC's AGIA Schedule

Over the last few days several questions have been raised with respect to TransCanada Alaska's schedule for implementing the AGIA license in the event the Senate votes to approve it. I have addressed this issue numerous times, most recently in the Senate Special Committee on Energy on July 22, but wish to ensure that you are fully aware of TransCanada Alaska's commitments. TransCanada Alaska will have legally binding schedule obligations if the Senate approves the AGIA license.

In my testimony over the last 50+ days, I have repeated TransCanada Alaska's commitment to complete an open season by July 2010 if the license is issued in early August 2008. In addition, we have committed to file with the Federal Energy Regulatory Commission (FERC) for a certificate of public convenience and necessity by 2012. TransCanada cannot control the length of time FERC takes to issue that certificate, but we would anticipate receiving the same by 2014. Finally, once shipper contracts and regulatory approvals are secured, the next steps are project sanction and initiation of construction to achieve a target in-service date of September 2018.

TransCanada Alaska's proposed schedule has been clearly set out for the Legislature and in public interviews across Alaska since hearings commenced in early June. All public statements by TransCanada executives have been consistent with this schedule. I want to reaffirm TransCanada's commitment to this schedule if the Senate approves TransCanada Alaska's application as approved by the House of Representatives and the AGIA license is issued in early August 2008.

Sincerely,

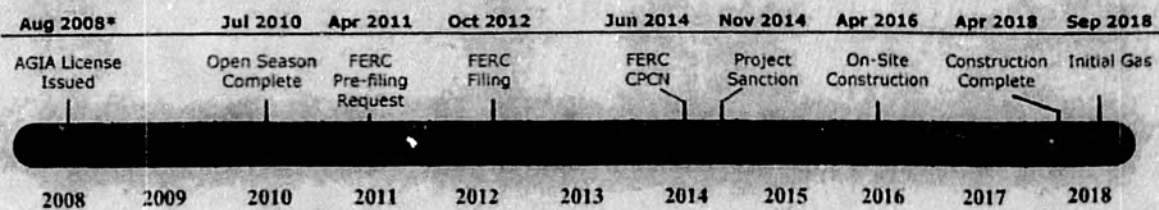
/S/

Anthony M. Palmer
Vice President
Alaska Development

Attachment

cc: Members of Alaska Legislature (sent via email)

Project Schedule



* AGIA license assumed to be issued in August 2008

7:55 PM
A

7-30-2008
Presented SENR
Juneau,
NATIONAL BANK
FINANCIAL

ARCTIC NATURAL GAS (GAS) AND ARCTIC GAS PIPELINES

The attached document titled "Memorandum On Arctic Natural Gas (Gas) and Arctic Gas Pipelines" analyzes what we view as salient issues surrounding the potential supply and delivery of Arctic gas (including Alaskan North Slope (ANS); the Beaufort Basin (including the Mackenzie Delta); Canada's Arctic Islands, and the central Mackenzie Valley).

We believe that our participation in the northern pipeline hearings before the National Energy Board in 1976 and 1977 has contributed to our perspective on the salient issues involved in the Arctic gas debate.

The contents of the Memorandum, unless indicated otherwise, reflect solely the results of our study and, at times, our provocative interpretation of certain issues. This may challenge mainstream thinking. If, and to the extent it does, we view our underlying objective of stimulating thought and discussion as met.

By design and on purpose, the memorandum is, in places, repetitive. We view repetitiveness as the most-effective tool for driving important messages home.

The memorandum appears to be, at times, excessively detailed. This, we believe, is warranted by the complex aspects of the current and future role of the ANS as a large source of petroleum and gas. Moreover, attention to detail is, in our view, mandatory, as the *devil is always in the detail*. Also, the Arctic poses unique and monumental challenges to petroleum and gas activities. Being aware of them avoids drawing inappropriate conclusions and inferences.

Because of the co-production and economic interdependence of gas and petroleum on the ANS, it became unavoidable to include in our study the production and delivery to markets of petroleum (crude oil and natural gas liquids) from the ANS. This has added enormous complexity.

The study's Summary attempts to condense its salient issues. We do not intend to summarize the Summary, except to state that a gas pipeline from the Mackenzie Delta may be completed between November 2007 and November 2010. For gas from the ANS, we view its delivery to the Lower 48 states in non-upgraded form as the least attractive both economically and financially. In any case, we do not envisage completion of an Alaska gas pipeline (AGP) before 2012, if ever. However, in the interim, Canada and the United States must solve the *nasty little secret* - the understanding between both nations to replace Canadian gas exported through the pre-build facilities with Alaskan gas, once an AGP is completed. Depending on the outcome, the United States may have an incentive not to build an AGP.

Because of the study's length, we are prepared to provide hard copies if requested to do so by clients.

Winfried Fruehauf, Ph. D.
Ramin Burney, Associate

November 2002

The opinions expressed in this memorandum are solely those of the analyst, Winfried Fruehauf, and do not necessarily reflect those of the NBF Oil & Gas team in Calgary.

7:55 PM

~~7-30-2008~~ 7-30-2008

Presented SENK
Juneau

A report by the
Natural Bank of Canada
(2001)

2001
Report

SUMMARY

Purpose of the Study

The attached study is designed to provide considerable (some readers might say excessive) detail on Arctic petroleum, gas and gas pipelines. It is also, in part, repetitive, by design, to emphasize important issues. However, exploring for, developing, producing, commercializing and transporting Arctic petroleum and gas is extremely complex and, in many respects, unique and novel. It reflects the fact that hydrocarbon-related activities in the Arctic setting must observe and respect that, as harsh and brutal as the Arctic environment is, it is also surprisingly fragile. This is why industry operates on the Alaskan North Slope (ANS) under most stringent and costly environmental restrictions. As always, the "devil" is in the detail. Awareness of details of the Arctic setting aids the understanding of the complexities and challenges of producing petroleum on the ANS now and gas on the ANS and in the Mackenzie Delta (Delta) in the future.

Summary Conclusions

The Nasty Little Secret – unless resolved, may result in incremental supplies of ANS gas to the 48s of as little as 1 bcf/d

The "nasty little secret" (see Pages 11-12; 141; 143-144) relates to the understanding between the USA and Canada that, in return for Canadian gas exported through the "pre-build" facilities of the (never-completed) Alaska Natural Gas Transportation System (ANGTS) prior to its completion, the USA would "repay" Canada with Alaskan gas, once an Alaskan gas pipeline (AGP) is completed. Average-day exported at about 3.3 bcf/d. To date, more than 12 tcf of Canadian gas have been exported. Hence, the USA may wish to avoid building an AGP, lest the "nasty little secret" be awakened from its slumber.

Current Prospects for a Mackenzie Valley Gas Pipeline (MVGP)

We are currently expecting construction of a stand-alone MVGP late in this decade with start-up as early as November 2007 and as late as 2010 (Pages 31; 40-41; 43-46; 138).

Current Prospects for an Alaska Gas Pipeline (AGP)

We do not anticipate gas production for markets outside Alaska in this decade and, perhaps, never, because we view the sale of non-upgraded gas via pipeline to the Lower 48 States (48s) as the lowest-value option for commercializing ANS-gas (see Pages 31; 37; 114-120; 125-126).

Current Petroleum and Gas Production on the ANS

In our view, the ANS is now and will likely remain petroleum country beyond the end of this decade. Estimated petroleum production (crude oil and C₄+NGL) is estimated to average about 1 million b/d in the near future. Gas co-production can reach about 9 bcf/d. Except for field uses, losses and unaccounted-for gas, the balance of gas is re-injected into the oil reservoirs on the ANS for pressure maintenance. Water and miscible floods, the globe's largest, are additional petroleum-lifting mechanisms (see Pages 52-53; 58-60; Appendices 2 & 3).

Author's
view of
ANS
Gas

Commencement of ANS-Gas Production Would Emaculate Petroleum Net-backs

Commencement of gas production for markets would place the existing petroleum-production levels and infrastructures on the ANS and along the entire petroleum-value chain under considerable stress and cause petroleum production to decline, unless mitigative techniques can be deployed economically that would, at the very least, stabilize petroleum production. However, the effectiveness and cost of such techniques cannot be predicted with certainty (see Pages 48-49; 79; 127-129).

If an Alaskan gas pipeline (AGP) were operative today, petroleum producers would suffer a significant loss in netback. In the second quarter of 2002, we estimate the spot gross netback for ANS-crude oil @ US\$20.07/b or about US\$3.46/mmBTU (Page 116-117; 128). In comparison (the MANSP's "4.5 bcf/d-Pipeline Study Case" (Page 106)), based on the major Alaskan North Shore producers (MANSP) best-case pipeline-toll of about US\$0.91-0.93/mmBTU, and an AECO-C-price of US\$3.25/mmBTU, the best-case gross net-back (net of compressor fuel) for gas would be US\$1.65/mmBTU, for a net-back differential of 2.1: 1 in favour of petroleum. To achieve this netback, the MANSP would have to invest anywhere from US\$18.6 billion to 19.4 billion in a pipeline and related facilities. This disregards the corporate net-back enhancement generated by refining and distribution margins of integrated ANS-producers.

The virtually total lack of data for a MVGP makes net-back estimates for Delta-gas extremely difficult. Field development costs for about 6 tcf of proven gas reserves are estimated at about US\$0.20/mmBTU. Based on an AECO-C price of US\$3.00/mmBTU, plant-gate (Inuvik) gross netbacks for Delta-gas, excluding compressor fuel, would be US\$1.95-2.00/mmBTU (Page 46).

Deferral Of Stranded Assets/Costs Of Pipelines and Expectations for an Earnings Bonanza - "...not too much to write home about" (W.C. Fields)

In the worst case, U.S. and Canadian gas pipelines, viewing building, owning and operating Arctic gas pipelines as potential saviours from the scourge of stranded assets/costs and as earnings bonanzas, may be bitterly disappointed, because the MANSP and the Producers Group (PG) in the Delta may build, own and operate Arctic gas pipelines or may sell equity interests to limited partnerships, income trusts etc., because they can outbid pipelines by using pre-tax economics and tolerating more leverage than pipeline companies (Pages 33-35; 114-117).

However, should the MANSP and PG invite pipelines as equity investors, we doubt that the stake of a single pipeline would exceed 10%. At that level, first-year pipeline returns on equity, discounted at 14% p.a. to the present, are de minimis (Pages 15-17).

Have the Supporters of the ANGTS an Exclusive Right to Build It and Preclude Third Parties from Building Their Own Arctic Gas Pipelines? - we do not think so

TransCanada PipeLines (TRP) and its affiliate Foothills Pipe Line have attempted to resuscitate the ANGTS. However, we believe that the Hair-/Meatball (about US\$4.3 billion) has been the spoiler. Hence, we believe that, if TRP and FPL are to succeed in building an AGP, they may have to bury the ghost of the ANGTS and embark on "Plan B." (See Pages 146-158.)