

12260

HOUSE RES

25-LS0181VE  
Bellock  
3/28/07

**CS FOR HOUSE BILL NO. 176( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVE WILSON**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act creating the Fort Rousseau Causeway State Historical Park."**

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

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

5 **LEGISLATIVE FINDINGS.** The legislature finds that

6 (1) state parks promote and support public use of natural, scenic, and cultural  
7 resources through the protection and management of those resources; and

8 (2) the establishment of the Fort Rousseau Causeway State Historical Park as  
9 a state park with consistent protection and regulation is in the best interest of the people of the  
10 state.

11 **\* Sec. 2.** AS 41.21 is amended by adding new sections to article 2 to read:

12 **Sec. 41.21.190. Purpose of AS 41.21.190 - 41.21.194.** The purpose of  
13 AS 41.21.190 - 41.21.194 is to establish, subject to valid existing rights, the state-  
14 owned or acquired land and water described in AS 41.21.191 as the Fort Rousseau  
15 Causeway State Historical Park. The primary purposes of establishing the land and

1 water areas described in AS 41.21.191 as the Fort Rousseau Causeway State Historical  
 2 Park are to promote, support, and preserve public use by maintaining and protecting  
 3 the area's fish and wildlife habitat, cultural resources, and scenic values.

4 **Sec. 41.21.191. Fort Rousseau Causeway State Historical Park established.**

5 The upland, shoreland, tideland, and water overlying the land owned or acquired by  
 6 the state within the following described parcels are established as the Fort Rousseau  
 7 Causeway State Historical Park:

8 Township 56 South, Range 63 East, Copper River Meridian described as:

9 The following lots located within United States Survey 3926:

10 Section 2: That portion of Lot 86 within Section 2

11 That portion of Lot 86A within Section 2

12 That portion of Lot 90 within Section 2

13 Lot 91

14 Lot 92

15 Section 3: E1/2SE1/4NW1/4NE1/4NW1/4

16 E1/2NE1/4SW1/4NE1/4NW1/4

17 NW1/4SE1/4NE1/4NW1/4

18 SW1/4NE1/4NE1/4NW1/4

19 Lot 74

20 Lot 75

21 Lot 75A

22 Lot 76

23 That portion of Lot 77 within Section 3

24 Lot 78

25 Lot 78A

26 Lot 79

27 Lot 80

28 Lot 80A

29 Lot 81

30 Lot 81A

31 Lot 82

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- Lot 82A
- That portion of Lot 83 within Section 3
- Lot 84
- Lot 84A
- Lot 85
- Lot 85A
- That portion of Lot 86 within Section 3
- That portion of Lot 86A within Section 3
- Lot 87
- Lot 88
- Lot 89
- That portion of Lot 90 within Section 3
- Section 4: That portion of Lot 77 within Section 4
- That portion of Lot 83 within Section 4

**Sec. 41.21.192. Designation of management responsibility.** The state-owned land and water described in AS 41.21.191 is assigned to the department for control, maintenance, and development consistent with the purposes and provisions of AS 41.21.190 - 41.21.194.

**Sec. 41.21.193. Incompatible uses.** The commissioner may designate by regulation incompatible uses within the land and water of the Fort Rousseau Causeway State Historical Park.

**Sec. 41.21.194. Additions to park.** Land and water outside of the boundaries established under AS 41.21.191 may be added to the Fort Rousseau Causeway State Historical Park only by an act of the legislature.

# Alaska State Legislature

Representative Peggy Wilson  
House District 2  
Putting Alaska's Families First

## MEMORANDUM

DATE: March 29, 2007

TO: Representative Carl Gatto, Co-Chair  
Representative Craig Johnson, Co-Chair  
House Labor and Commerce Committee

FROM: Representative Peggy Wilson, Chair (PL)  
House Health Education and Social Services Committee

SUBJ: House Bill 176 – Request for Hearing

HB 176 is an act creating the Fort Rousseau Causeway State Historical Park.

I am requesting a hearing for House Bill 176 at your earliest convenience. This is an act creating the Fort Rousseau Causeway State Historical Park. Attached you will find a copy of HB 176, fiscal note, sponsor statement, and a sectional analysis. I have also provided a brief development plan summary as provided by the Sitka Trail Works, Inc. I will provide additional backup when it becomes available.

Please let Cliff Stone of my staff know if there is anything else we can provide. Thank you for your consideration.

# Alaska State Legislature

*Representative Peggy Wilson*

*House District 2*

*Putting Alaska's Families First*

## **SPONSOR STATEMENT**

**House Bill 176**

### **“An Act creating the Fort Rousseau Causeway State Historical Park.”**

In the build up for WWII, the Department of the Army constructed fortifications at several locations encircling Sitka Sound. An 8,000 foot rock and gravel road was built connecting several small islands west of the then Navy's Sea Plane and Operating Base in Sitka. This causeway terminated at the Army's command headquarters named Fort Rousseau on Makhnati Island.

Some of the original concrete structures built by the military are still in fair condition. They include a tri-level command post, anti aircraft gun batteries, three ammo magazines and two bunkers. Construction of the Sitka Airport in the late 1960's, eliminated pedestrian and vehicle access. The Causeway lands, most of which belong to the State of Alaska, remained under management by the Alaska Department of Transportation and Public Facilities as part of the Sitka Airport. This management is being transferred back to the Alaska Department of Natural Resources and would be ultimately managed by the Division of Parks and Outdoor Recreation similarly to Sitka's other two small, urban historic state park units – Old Sitka and Castle Hill.

The proposed Fort Rousseau Causeway State Historical Park is a small, 58 acre upland area with a sliver of tidelands large enough for the footprint of a dock. It is consistent with the purpose behind the establishment of parks. In part, it promotes growth and development and provides opportunities and enjoyment for our citizens and visitors alike.

In FY 2006, an Alaska Trails Initiative grant was awarded to the Sitka Trail Works for Phase 1 of the WWII Causeway development. This included cleanup under the supervision of the State Historic Preservation Office. Phase 1 will continue with site assessment and survey work.

History is a bridge to the past. The Causeway has been added to the National Register of Historic Places and designated a historical landmark by the National Parks Service. Preservation of the unique historical features of the Fort Rousseau area will remind all visitors about Alaska's role in WWII and allow for a glimpse into the life of the soldiers who stood ready to defend their country.

March 5, 2007

25-LS0181\C

# Alaska State Legislature

Representative Peggy Wilson

House District 2

Putting Alaska's Families First

## SECTIONAL ANALYSIS

### House Bill 176

#### **“An Act creating the Fort Rousseau Causeway State Historical Park.”**

HB 176 amends Title 41.21 under Parks and Recreational Facilities. This legislation establishes the above named park and corresponding language for management and uses within its boundaries.

**Section 1.** Amends uncodified law by adding legislative findings citing the general purpose of state parks and establishing that the Fort Rousseau Causeway State Historical Park is in the best interest of the state.

**Section 2.** Amends AS 41.21 by adding new sections to article 2.

Sec. 41.21.190 establishes the purpose of AS 41.21.190 – AS 41.21.194.

Sec. 41.21.191 establishes the boundaries of the Fort Rousseau Causeway State Historical Park by describing the exact land and water parcels by referring to normal cadastral survey information.

Sec. 41.21.192 assigns the control, maintenance, and development to the Department of Natural Resources (DNR).

Sec. 41.21.193 allows the DNR commissioner to designate incompatible uses within the park.

Sec. 41.21.194 clarifies that any land and water outside of the boundaries as established may only be added by an act of the legislature.

March 5, 2007

25-LS0181\C

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HB176-DNR-Parks-03-27-07  
 Bill Version: HB176  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title Creating Fort Rousseau Causeway State RDU Parks & Recreation Mgt  
Historical Park Component Parks Management  
 Sponsor Rep. Wilson  
 Requester H RES Component No. 452

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	13.5	13.5	13.5	13.5	13.5	13.5
Travel						
Contractual	2.0	2.0	2.0	2.0	2.0	2.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	0.3	0.3	0.3	0.3	0.3	0.3
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	16.8	16.8	16.8	16.8	16.8	16.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>	<b>16.8</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Costs associated with managing the Fort Rousseau Causeway State Historical Park in its initial development of trails and picnic sites includes some Park Ranger presence and maintenance crew; supplies for brochures, trail maintenance, equipment maintenance and fuel; and boat charter costs associated with accessing the site.

Discussion is underway to develop a contractual plan for the area with the intention to generate revenue.

Prepared by: Chris Degernes, Acting Director Phone 269-8702  
 Division State Parks Date/Time 3/27/2007  
 Approved by: Tom Irwin, Commissioner Date 3/27/2007  
 Agency Natural Resources

## **Sitka Fort Rousseau Historical State Park (World War II Causeway) Development Plan Summary**

Provided by Sitka Trail Works, Inc.  
Executive Director, Deborah Lyons

### **Project Development Goals**

- I. Restore local recreational opportunities.
- II. Preserve and interpret state and national history
- III. Provide a quality visitor experience, compatible with community values
- IV. Honor and accommodate Sitka Tribe of Alaska concerns:
  - a. Minimal interference with subsistence harvest of kelp and seaweed
  - b. No disturbance of burial sites
  - c. Acknowledge the role of Alaska natives in WW II

### **Objectives**

- I. Make the area clean, safe and accessible so that it can be enjoyed in its present state.
- II. Perform the necessary environmental, cultural and historic surveys and site mapping to document current conditions.
- III. Produce a site plan and an interpretation plan to guide the capital investment and development of the area.
- IV. Secure the capital investments needed to install the dock, install interpretative signage, complete historic building restoration, construct visitor center/administration building, and repair portions of the causeway road.

### **Project Narrative**

Sitka Trail Works, members of the community, and the Sitka State Parks Advisory Board, are collaborating to restore the abandoned Fort Rousseau site for public recreation and cultural interpretation. The site is located on Alaska State lands with a few small in-holdings under the jurisdiction of the BLM. (See the attached project description from the 2003 Trail Plan). Sitka Trail Works has a full time Executive Director, office staff, a nine member, all-volunteer Board of Directors and over 300 active supporting member households. The organization is guided by the 2003 Sitka Trail Plan and the Memorandum of Understanding with the State of Alaska and City and Borough of Sitka. Extensive successful fundraising has already occurred and preliminary clean up and planning for the area is underway.

Once the area is restored and developed locals and visitors would be able to access historic Fort Rousseau by boat, via a dock in Whiting Harbor, and could walk 5,000 ft of the original 8,000 ft Causeway. Guided tours would be offered and visitors would be able to view the ammo magazines, gun emplacements and enter the old command post, while learning about Alaska's role in the Second World War. One single wooden structure, the old fuse house, is a candidate for reconstruction and could become part of the interpreted features. The area is level, vegetated with alders, spruce and wildflowers. It is exceptionally scenic affording fantastic views of the town of Sitka and Sitka Sound. Revenues from the tours would support maintenance of the area.

Sitka Trail Works has received an Alaska Trails Initiative Grant (ATI) of \$140,000 and will be receiving Federal Transportation funds (approximately \$340,000) in FY 09 and FY 10 to be applied to the project. Total cost to develop the area is expected to be over \$1 million dollars and to take four to five years.

Placement of a dock and interpretive signage by FY 09 would allow the area to begin returning revenue from cruise ship tourists being lightered to Whiting Harbor. Ultimately, restrooms, a small interpretation center and an apartment for the on site personnel could be constructed. It would be most economical to combine these functions in a single simple building, most likely on Sasedni Island. Final recommendations for interpretation and site design will be finalized in Phase One planning documents currently being developed by AK DPOR staff. It may be possible to repair the Causeway and allow a vehicle to be driven to the interpretation center, but special arrangements would need to be made with the FAA to allow traffic through the airport. Preliminary discussions suggest this could be allowed if limited to pre-screened official or approved personnel. Even limited access by a vehicle would allow for less expensive maintenance and upkeep.

In FY 07 ATI grant funds were used to clear brush from the old causeway road, to clean up garbage and debris and correct some unsafe conditions around the old structures. All work was accomplished under the supervision of the State Historic Preservation Office, and with the permission of the landowners. This work accomplished a primary objective: making the area clean and safe so that it can be enjoyed in its present state.

The project is now in Phase One survey and assessment. Sitka Trail Works has transferred \$60,000 in grant funds via Reimbursable Services Agreement (RSA) to the AKDNR DPOR and the SHPO for site mapping, site interpretation and cultural resources work. STW also engaged Carson Dorn Engineering to do a Phase I site assessment for hazardous materials (\$14,000). STW has applied for additional Phase One funding of \$130,000 to finish the cultural resources survey and the site and interpretation plans. Further clean up within the buildings is needed and continuing brushing and maintenance. These services will be provided by STW in FY '08 from the ATI grant funds.

When the State personnel have completed their work, and produced a site plan and an interpretation plan STW will use those documents to raise further funds, possibly from private foundations and Federal Historic grant programs. In the meantime, STW is exploring use of cruise ship head tax dollars for construction of the proposed dock in Whiting Harbor and has submitted a Congressional appropriations request for funds to repair a portion of the Causeway. ATI funds for construction of the dock or other capital improvements have also been applied for, but may not be available until FY 09. An FY '08 \$100,000 State Legislative Capital match has also been applied for.

The goal is to improve the area so that local can picnic and camp there and tours can be offered to visitors. Conservative preliminary projections suggest that \$80,000 in revenue from commercial user tour fees could be paid to the State annually. This source of income would allow the State (and/or a contract vendor) to pay for the cost of operations and maintenance.

### **Historical Background**

In the 1940's the Department of the Army constructed fortifications at several locations encircling Sitka Sound, all designed to protect the Sitka Naval Air Station from attack by the Japanese. An 8,000 ft. rock and gravel road was built connecting seven islands west of the Sitka Naval Operating Base. The causeway road joined historic Fort Ray on Charcoal Island with Army command headquarters named Fort Rousseau, on Makhnati Island. Three concrete ammo magazines, wooden troop support structures and gun emplacements were built out along the island chain. In 1945 the post was de-commissioned but still remained accessible to residents and staff at the BIA hospital on Japonski Island. Access to the Causeway and the historic ruins was severely limited when the Sitka airport was built. Over time, no vehicle traffic was allowed to cross the airport runway, and the only way to access the causeway was to go by skiff to Whiting Harbor. The area deteriorated; unmaintained, subject to vandalism, and illegal camping.

Repeated unsuccessful attempts were made by private citizens, the City and Borough of Sitka, the Historical Society and the National Park Service to place the Causeway under management for recreation and historic preservation. Lack of funding, clear management authority and even a lack of appreciation for the unique historic significance of the area contributed to failure of these attempts. Fortunately, the

Causeway was added to the National Register and designated part of the Sitka Naval Operating Base and US Army Coastal Defenses National Historic Landmark by the National Parks Service.

The land, most of which belongs to the State of Alaska, remained under rather passive management by the FAA as part of the Sitka Airport. Today the FAA is in the process of transferring these lands (unnecessary for airport management) back to the State. Portions of the Causeway constructed over submerged lands were recently discovered to belong to the BLM. BLM is developing Recreation and Public Purpose status for these small lots under their jurisdiction.

The World War II Causeway project was included in the 2003 Sitka Trail Plan. This cooperative planning document was signed by all the local land managers and is coordinated and implemented by the non profit Sitka Trail Works. The plan lists major recreational infrastructure objectives for the community for the next twelve years. The World War II Causeway project, on page 46, envisions development of the entire causeway area for recreation and hiking. Access is to be restored via a dock in Whiting Harbor (or in conjunction with the planned airport runway expansion). Management authority is to be placed with AK DNR DPOR. (See attachment).

When the 2003 Sitka Trail Plan was adopted Sitka Trail Works went to work building needed partnerships and finding the necessary funds to renovate the old Causeway. With the support of the City and Borough Assembly, Sitka State Parks Citizen's Advisory Board, Sitka Historical Society and many others, Sitka Trail Works successfully secured funding for the project from several sources. See the outline of funding raised to date, expenditures to date, future funds and future anticipated expenses. STW plans to continue in their fundraising efforts and their goal is to assist with raising the necessary capital funding to develop the area for recreation and tourism.

### **Project Development and Capital Funding Plan**

#### Funds committed to date: (In hand)

1. \$144,000 FY 2006 Alaska Trails Initiative (ATI) grant to Sitka Trail Works, Phase I WW II Causeway
2. \$340,000 FY 2009-10 Federal Transportation Bill appropriation for the WWII Causeway

#### Funds currently applied for: (Probable)

3. \$130,000 FY 2007 Alaska Trails Initiative (ATI) Additional Phase I funding
4. \$100,000 FY 08 AK State Legislative Capital Matching grant

#### Future funding: (Probable with continued work by Sitka Trail Works))

5. \$152,000 FY 2007 ATI Phase II – Interpretation signage and building restoration
6. \$500,000 FY 2008 Cruise ship tax revenue-Whiting Harbor dock
7. \$250,000 FY 09 AK Legislature Capital Grant Visitor Center and building restoration
8. \$250,000 FY 09-10 Rasmuson Foundation for Visitor Center
9. \$200,000 FY 2010 Federal Transportation Bill for Causeway repair
10. \$300,000 FY 09 FUDS-EPA-Private Foundation- Clean-up/containment of fuel areas

#### Allocation of funds

1. \$144,000 \$70,000 to Sitka Trail Works – Causeway has been cleared of brush, garbage removed. Safety problems are being resolved. Initial Environmental assessments completed by contract with Carson Lorn. World War II consulting services and Sitka Tribe of Alaska consulting fees paid.

\$10,000 via RSA (Reimbursable Services Agreement) to AK DPOR for site plan and interpretation  
 \$50,000 via RSA to the State Historic Preservation Office - \$25,000 for site mapping by DNR DPOR and \$25,000 to begin cultural resources survey and inventory.

- 3. \$130,000
  - \$30,000 via RSA to complete site and interpretation plans
  - \$50,000 via RSA to SHPO to complete cultural and historic resources inventory and survey.
  - \$20,000 Sitka Trail Works FY 07 brushing, clean up and project development
  - \$30,000 Hazmat clean up (batteries, fuel contamination, asbestos)
- 4. \$100,000
  - Apply \$100,000 State Capital match for SAFE-TEA-LU funds and ant needed capital projects
- 5. \$152,000
  - STW- Site Interpretation signage and features
- 2. \$340,000
  - Apply SAFE-TEA-LU appropriation to capital costs of site interpretation and building restoration

<b>World War II Causeway – Fort Rousseau Historical State Park Development Timeline</b>				
	FY 06	FY 07	FY 08	FY 09 First year of tours
<b>Expense projections</b>				
Site maintenance – Clean up and brushing. Project development.	STW – ATI grant funded \$70,000	STW- ATI grant funded. \$20,000	STW – ATI grant funded. \$20,000	AK DPOR or Vendor Contract \$54,670 (see projections)
<b>Outside investments to project – Funds raised by Sitka Trail Works</b>				
AKDPOR Site and Interpretation planning	\$10,000 ATI RSA	\$30,000 ATI RSA		
SHPO	\$50,000 ATI RSA	\$50,000 ATI RSA		
Install dock			\$500.00 Cruise ship tax	
Tour Revenues				\$67,200 (See projections)
Install Interpretation signage, etc.			\$152,000 ATI	
Construct visitor Center				Multiple grant sources

## Fort Rousseau Historical State Park - World War II Causeway

### Tour Income projections

Capacity	Visitors	Ticket	Revenue
100%	4480	\$ 20	<u>\$ 89,600</u>
75%	3360	\$ 20	<u>\$ 67,200</u>
50%	2240	\$ 20	<u>\$ 44,800</u>

If the WWII Causeway tours are advertised on the Cruise ships, sales of tours can be expected to be equal to or greater than a similar tour business, Bike and Hike.

Bike & Hike tours average 3,500 per year. If the cruise ships advertise the tours they will also add a commission charge to the tour.

The visitor may pay \$50-\$70 for the tour with \$20-\$40 going to the cruise line, \$10/head for vessel transportation and \$20 to AKDPOR.

Income projections could increase significantly if AM and PM tours are offered or higher fees were charged.

<b>Sample Vendor Operated Expense Projections.</b>					
Assuming the area is developed and tours can be offered					
FY 2009 at the earliest					
Salaries and wages					
	Supervisor	8400	\$ 8,400.00	14 wk 40 hrs @ 15/H	
	Tour guides (3)	7280	0	14 wk 40 hrs @ 13/H	
			\$21,840.00		
	Interp Center	6160	\$ 6,160.00	14 wk 40 hrs @ 11/H	
			\$36,400.00		
Payroll taxes (15%)			\$ 5,460.00		
Veh Fuel			\$ 980.00		70 wk 1 fill up x 14 wks
Boat Fuel			\$ 1,960.00		140 wk
			0		
Veh. Maintenance			\$ 700.00		\$50/wk
			0		
Interp materials			\$ 3,500.00		
Advertising			\$ 500.00		
Safety equipment			\$ 250.00		
Maintenance supplies			\$ 2,100.00		\$150 wk
Occupancy expense			\$ 1,000.00		fuel, electricity, water
	<b>Total</b>		<b>\$52,850.00</b>		

**Cultural Interest Trails**

*World War II Causeway*

<b>World War II Causeway</b>	
Total Length	1 mile
Difficulty Level	Easy, ADA accessible
Trail Surface	Varies
Associated facilities	Interpretive signs, Whiting Harbor float & reconstructed WWII emplacements

be available year-round to residents and would provide an historical excursion for visitors. The Sitka Americans with Disabilities Act Committee has placed a high priority on completing this project.

**Planning and Design**  
 Planning would include the completion of a cultural resource survey and completion of the necessary permits. Negotiations with the landowner, the Alaska Dept. of Natural Resources, would also be needed. A topographic survey, design of the float, trails, and interpretive materials would follow.

**Lead Agency and Project Participants**  
 Lead agency: Sitka Trail Works, Inc.  
 Project participants: Alaska Department of Transportation & Public Facilities, City & Borough of Sitka, Sitka Historic Preservation Society, commercial users, State Historic Preservation Officer.

**Project Description**  
 The Sitka World War II causeway has the potential to be the best and most informative World War II historic walk in Southeast Alaska. Users of this trail would be able to explore fascinating underground ammunition bunkers or stand on a gun platform and look out to the open ocean. The Causeway Trail has commercial potential as a destination for independent visitors and cruise ship passengers.

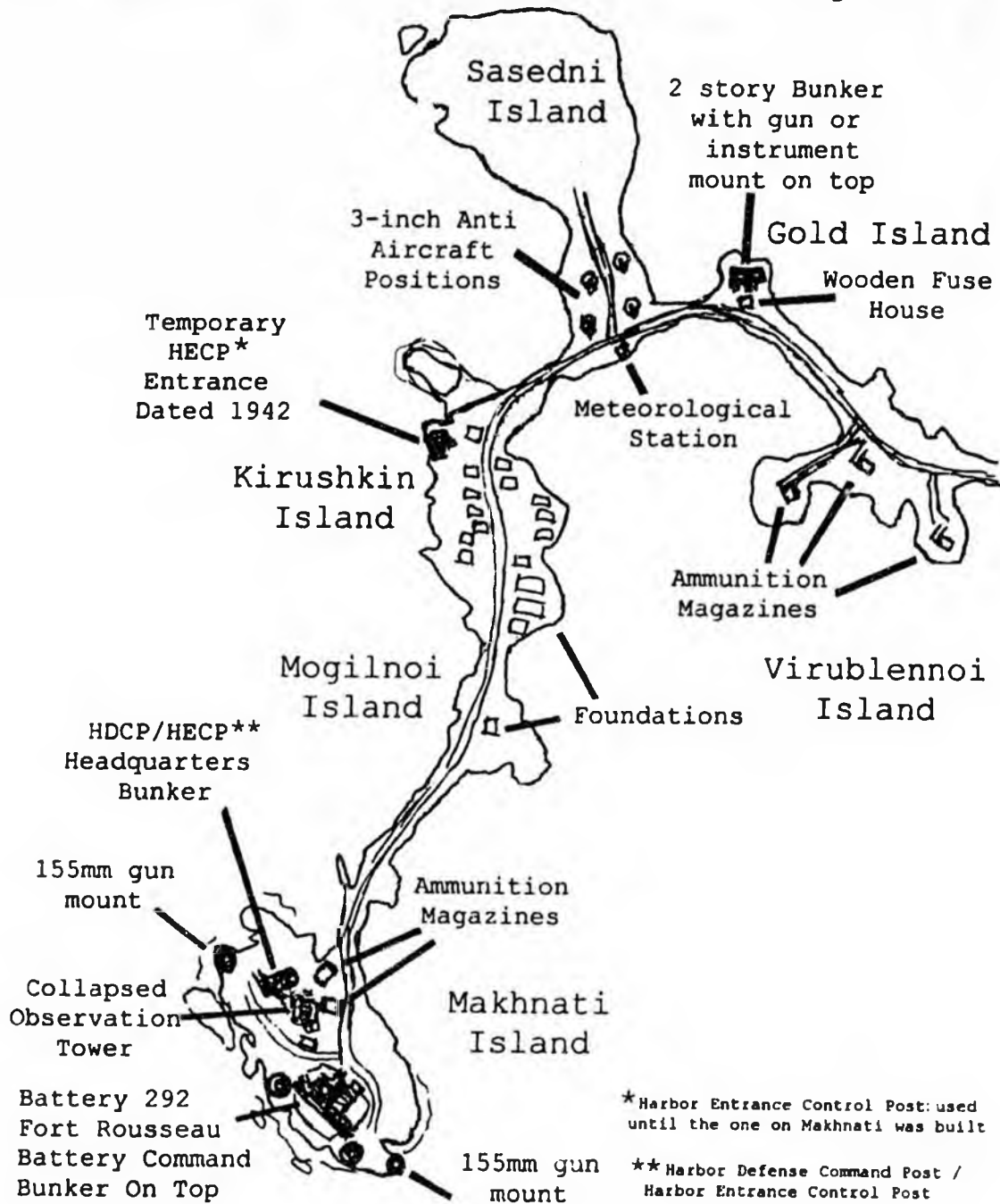
A floating dock facility at Whiting Harbor is proposed and the causeway would be developed to wheelchair accessible standards. The causeway riprap would be repaired where needed. A survey of World War II artifacts would be prepared to guide the development of the trail and its interpretation. Tours could be offered during the summer.

**Public Needs Met**  
 This trail would be a monument to one of the significant periods in Sitka's history. It would

<b>World War II Causeway</b>			
Items	Quantity	Cost/Unit	Total (x 1,000)
Trail Construction	1 mile		\$135.0
Signs, Information & literature			\$40.0
Whiting Harbor Float			\$300.0
Causeway Riprap Repair			\$200.0
Historical Restoration & Improvements			\$150.0
Vault Toilet			\$75.0
Contingency			\$100.0
Planning, Design & Administration			\$150.0
<b>Total Projected Cost</b>			<b>\$1,150.0</b>

# Sitka Causeway WWII Remains Today

Map By  
Matthew Hunter  
May 2000





## Sitka Historical Society

### Isabel Miller Museum

330 Harbor Drive Sitka, Alaska 99835

Voice: 907 747 6455 Fax: 907 747 6588

Sitka's history lives on at one of the nation's premier small museums

Karen L. Metzner  
Administrator

Sharyn Ferrick  
Marketing Manager

27 April 2004

Representative Don Young  
2111 Rayburn HOB  
Washington, DC 20515

Dear Representative Don Young,

Re: Letter in Support of Sitka Trail Works

Sitka Trail Works addresses a community need that spreads across the spectrum of Sitka's residents. Sitka's trails are an essential part of Sitka's community and have historical significance.

References can be found in early writings after the Alaska purchase, to the Indian River Trail, trails up Mt. Venstovia, Gavin Hill and Harbor Mountain.

Just prior to WWII, when the U.S. government was realizing that war in the Pacific was a possibility, preparations for a possible war with Japan came to Sitka: in 1937, a Navy seaplane base was established on Sitka's Japonaki island, and by 1939, it was a Naval Air Station; Fort Ray was established on nearby Charcoal and Alice Islands in 1941, and a top secret radar installation was built on Harbor Mountain. The trails across Gavin Hill and up Harbor Mountain became an important part of the harbor defense system established here.

As part of the enormous military preparations in Alaska, the trails established behind Sitka and on Japonaki Island serve as a visual reminder of a historic time when the United States prepared for a foreign invasion.

The Sitka Historical Society and the Isabel Miller Museum heartily endorse the efforts of Sitka Trail Works in preserving, maintaining and promoting our natural history and historic past.

Sincerely,

Karen Metzner  
Administrator

cc: Senator Ted Stevens, Senator Lisa Murkowski and Sitka Trail Works

**RESOLUTION No. 2005-28**

**A RESOLUTION OF THE CITY AND BOROUGH OF SITKA SUPPORTING DESIGNATION OF THE WORLD WAR II CAUSEWAY MARINE PARK BY THE ALASKA LEGISLATURE**

**WHEREAS**, the community of Sitka deeply values the preservation and interpretation of historical sites within the City and Borough in order to further the education and understanding of citizens and visitors of the events that have shaped our local, state and national heritage; and

**WHEREAS**, the WW II Causeway project involves the design and construction of an ADA accessible walkway that will link refurbished and interpreted features of the military ruins, including gun emplacements, bunkers and an infirmary along a one mile roadbed built by the Army in the 1940's; and

**WHEREAS**, the Causeway is a contributing property of the Sitka Naval Operating Base and US Army Coastal Defenses National Historic Landmark and Darrell Lewis, the USDI NPS National Historic Landmark historian stated in a letter dated July 19, 2005 that, "Rehabilitation and interpretation of this property would compliment and enhance other preservation efforts... in the landmark."; and

**WHEREAS**, the World War II Causeway project is listed on page 46 of the 2003 Sitka Trail Plan and the City and Borough of Sitka are partners to the plan and have contributed time and resources to the development of the beneficial projects found there in; and

**WHEREAS**, the Sitka State Parks Citizens Advisory Board has recommended creation of the World War II Causeway Marine Park in order to clarify management authority and to allow for Federal Transportation funds to be utilized for the project; and

**WHEREAS**, Sitka Trail Works has applied for and will be receiving an Alaska Trails Initiative Program grant of \$133,000 for Phase I development of the site and a clear and proper designation of the Marine Park property will facilitate the orderly development of the project among the State agencies involved; and

**WHEREAS**, the project is designed to generate revenues through user fees and will complement and support the other historic State Parks in Sitka at Castle Hill and Old Sitka; and

**WHEREAS**, amendment of AS 41.21 will describe the property and formally include this valuable project within the Alaska State Park system providing for management of the site for the public benefit in perpetuity;

**THEREFORE, BE IT RESOLVED**, that the Assembly of the City and Borough of Sitka, Alaska by this resolution affirms and supports the designation of the World War II Causeway property as a State Marine Park by an act of the legislature of the Great State of Alaska.

**PASSED, APPROVED, AND ADOPTED** by the assembly of the City and Borough of Sitka, Alaska on this 25<sup>th</sup> day of October 2005.

  
Marko Dapceвич, Mayor

ATTEST:

  
Colleen Pellet, CMC, Municipal Clerk

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The 25th Alaska State Legislature, 1st Session



**Sponsor Statement: House Bill 176**

# Create Fort Rouseau Causeway Park

Sponsored by Rep. Peggy Wilson

*"An Act creating the Fort Rouseau Causeway State Historical Park."*

**Posted:** March 5, 2007 : v1 - 25-LS01811C  
**Status:** (H) RES : 2007-03-05  
**Next Hearing:** (H) RES : 2007-04-04 1:00 pm, Room 124  
**Contact:** Cliff Stone, 465-3824, Chief of Staff

In the build up for WWII, the Department of the Army constructed fortifications at several locations encircling Sitka Sound. An 8,000 foot rock and gravel road was built connecting several small islands west of the then Navy's Sea Plane and Operating Base in Sitka. This causeway terminated at the Army's command headquarters named Fort Rouseau on Makhinati Island.

Some of the original concrete structures built by the military are still in fair condition. They include a tri-level command post, anti aircraft gun batteries, three ammo magazines and two bunkers. Construction of the Sitka Airport in the late 1960's, eliminated pedestrian and vehicle access. The Causeway lands, most of which belong to the State of Alaska, remained under management by the Alaska Department of Transportation and Public Facilities as part of the Sitka Airport. This management is being transferred back to the Alaska Department of Natural Resources and would be ultimately managed by the Division of Parks and Outdoor Recreation similarly to Sitka's other two small, urban historic state park units - Old Sitka and Castle Hill.



Rep. Peggy Wilson (R-2)  
Chair, (H) HES Com.

The proposed Fort Rouseau Causeway State Historical Park is a small, 58 acre upland area with a sliver of tidelands large enough for the footprint of a dock. It is consistent with the purpose behind the establishment of parks. In part, it promotes growth and development and provides opportunities and enjoyment for our citizens and visitors alike.

In FY 2006, an Alaska Trails Initiative grant was awarded to the Sitka Trail Works for Phase 1 of the WWII Causeway development. This included cleanup under the supervision of the State Historic Preservation Office. Phase 1 will continue with site assessment and survey work.

History is a bridge to the National

Register of Historic Places and designated a historical landmark by the National Parks Service. Preservation of the unique historical features of the Fort Rouseau area will remind all visitors about Alaska's role in WWII and allow for a glimpse into the life of the soldiers who stood ready to defend their country.



Ft. Rouseau WWII Ammo Magazine



Ft. Rouseau WWII era cannon

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Rep. Peggy Wilson

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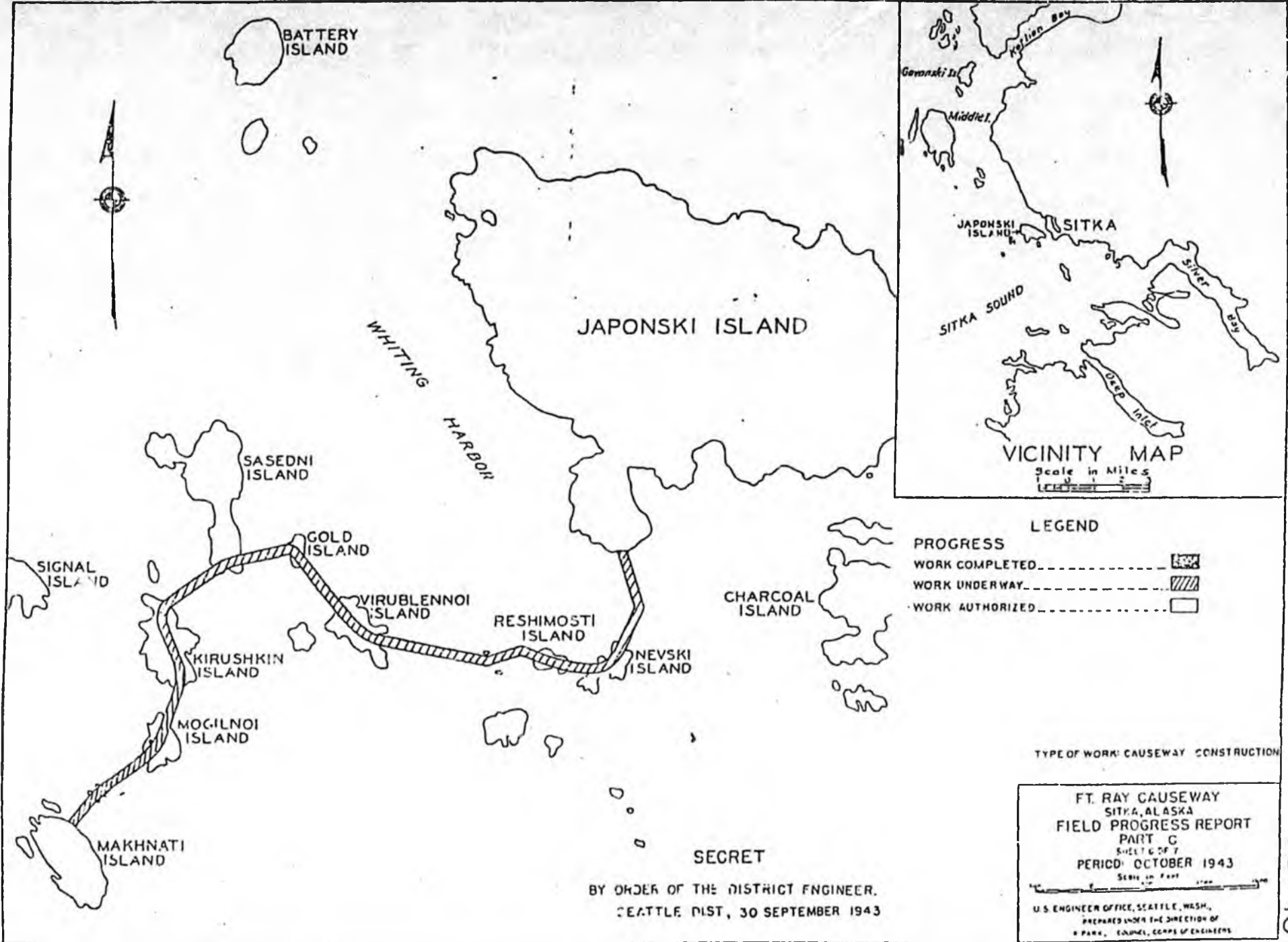


Mogilnoi

WAR DEPARTMENT

SECRET

CORPS OF ENGINEERS, U. S. ARMY



**LEGEND**

PROGRESS

WORK COMPLETED ..... [Solid Box]

WORK UNDERWAY ..... [Hatched Box]

WORK AUTHORIZED ..... [Dashed Box]

TYPE OF WORK CAUSEWAY CONSTRUCTION

**FT. RAY CAUSEWAY**  
 SITKA, ALASKA  
**FIELD PROGRESS REPORT**  
 PART C  
 SHEET 6 OF 7  
 PERIOD: OCTOBER 1943  
 SCALE IN FEET 1" = 100'

U.S. ENGINEER OFFICE, SEATTLE, WASH.,  
 PREPARED UNDER THE DIRECTION OF  
 H. PARK, ENGINEER, CORPS OF ENGINEERS

SECRET

BY ORDER OF THE DISTRICT ENGINEER.  
SEATTLE DIST, 30 SEPTEMBER 1943

SECRET

53  
15



# United States Department of the Interior

NATIONAL PARK SERVICE  
240 W. 5<sup>th</sup> Ave., Room 114  
Anchorage, Alaska 99501

IN REPLY REFER TO:  
H34 (AKP.O-RCR)

APR 4 2007

Representative Craig Johnson, Co-Chair  
House Resources Committee  
State Capitol  
Juneau, Alaska 99801

Dear Representative Johnson:

This letter is in support of HB 176, a bill to designate the Fort Rousseau Causeway a State Historical Park. As you know, the Fort Rousseau Causeway in Sitka is part of the Sitka Naval Operating Base and U.S. Army Coastal Defenses National Historic Landmark (NHL), created in 1984 to commemorate Alaska's role in World War II. Per the Historic Sites Act of 1935 the National Park Service administers the National Historic Landmarks program for the Secretary of the Interior. In this role the National Park Service provides guidance and technical assistance to NHL owners and interested parties.

Since its designation the Causeway portion of the NHL has suffered from neglect and vandalism. Cut off from Japonski Island, the road system and the rest of the NHL by the Rocky Gutierrez Airport, the Causeway has not received the interest that the Sitka Naval Operating Base portion of the NHL has seen. In 2004, Sitka Trail Works (STW) contacted our office regarding their plans to develop a trail system and interpretive plan for the World War II buildings on the Causeway. The National Park Service believes that the best preservation of an historic site occurs when the site is used and appreciated, and we have been working in support of STW since being contacted.

Designating the Fort Rousseau Causeway a State Historical Park would lend further recognition to Alaska's vital role in World War II and encourage preservation efforts currently underway. We support this designation and encourage passage of HB 176.

If you have any questions or concerns regarding these comments please contact Darrell Lewis, Historian, at (907) 644-3470.

Sincerely,

Marcia Blaszak  
Regional Director

cc:  
Representative Peggy Wilson, State of Alaska  
Judith Bittner, Alaska State Historic Preservation Officer  
Deborah Lyons, Executive Director, Sitka Trail Works

**HB**

**177**

**CORRECTION**

**Discard: CSHB 177(RES)**  
**(Work Order 25-GH1060L)**

**and retain this corrected version.**  
**(Work Order 25-GH1060O)**

*Corrected April 30, 2007*  
*Chief Clerk's Office*

# HOUSE COMMITTEE REPORT

(9)

Date Referred to Committee: April 4, 2007

FURTHER REFERRALS: Finance

Date of Committee Action: 4-24-2007

The RESOURCES Committee considered:

HB 177

HOUSE BILL NO. 177

NATURAL GAS PIPELINE PROJECT

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

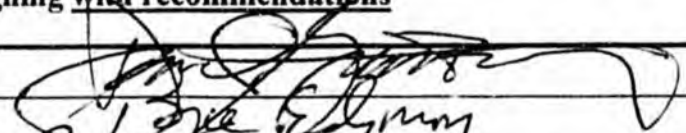
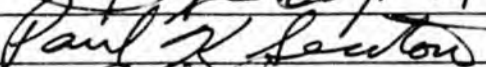
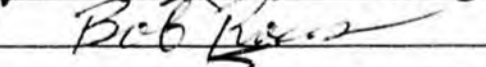
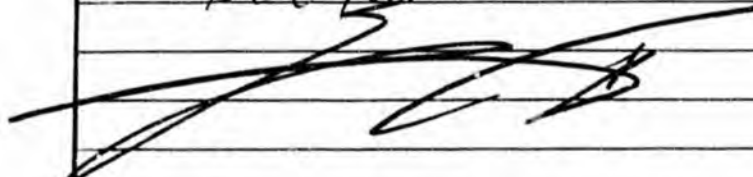
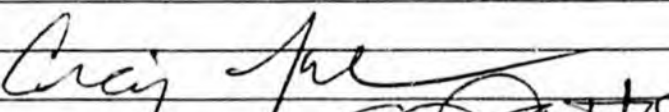

Recommends it be replaced with  HCS or  CS for HB 177 (RES)  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LWF  
 LAW  
 LEG  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
LWF		✓		
GOV		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	1			✓
CED	2			✓
DNR	3			✓
DNR	4	✓		
REV	5	✓		

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	EDGMON	X			
	SEATON	✓			
	ROSCS	✓			
	KAWASAKI	X			
Chair: 	Johnson	✓			
Chair: 	Gatto	✓			

# HOUSE COMMITTEE REPO 7

(9)

Date Referred to Committee: April 4, 2007

FURTHER REFERRALS: Finance

Date of Committee Action: 4-24-2007

The RESOURCES Committee considered:

HB 177

**HOUSE BILL NO. 177**

**NATURAL GAS PIPELINE PROJECT**

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

Recommends it be replaced with  HCS or  CS for HB 177 (RES)  
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 LEG  
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 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
LWF		✓		
GOV		✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	1			✓
CED	2			✓
DNR	3			✓
DNR	4	✓		
REV	5	✓		

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	EDGMON	X			
	SEATON	✓			
	ROSAS	✓			
	KAWASAKI	X			
Chair:	Johnson	✓			
Chair:	Gatto	✓			

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HB 177CS(O&G)-DNR-O&G-04-10-07  
 Bill Version: CS HB 177 (O&G)  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title Natural Gas Pipeline Project RDU Resource Development  
 Component Alaska Gasline Inducements Act  
 Sponsor Rules Committee  
 Requester House Resources Component No. new

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>500,000.0*</b>					
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes the Alaska Gasline Inducement Act (AGIA) which would create a competitive public process for inviting applications for a license under this Act. The application process would include certain application requirements before an application can be considered as well as criteria by which the Commissioners of Natural Resources and Revenue will evaluate all qualifying applications.

The Act would also create inducements including: state matching contributions for pipeline construction in an amount not to exceed \$500 million and the benefit of a state gas pipeline coordinator.

Under the AGIA, the licensee or its designated affiliate would be entitled to state matching contributions for qualified expenditures (post license costs incurred by the licensee that are directly and reasonably related to obtaining a certificate of public necessity and convenience from the FERC or RCA for development of the project).

(Continued on next page).

Prepared by: Kevin Banks, Acting Director Phone 269-8800  
 Division Oil and Gas Date/Time 4/10/2007  
 Approved by: Tom Irwin, Commissioner Date 4/10/2007  
 Agency Natural Resources

## FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. CS HB 177 (O&G)

### ANALYSIS CONTINUATION

Until the close of the first binding season, the state will match up to 50 percent of the licensee's qualified expenditures pursuant to the amount specified in the application. After the close of the first binding open season, the state may match the qualified expenditures at the amount specified but the amount may be no greater than 80 percent. Over a five year period, these contributions may not exceed \$500 million. The present value of the state's total \$500 million contribution would be roughly \$415 million, because state spending will be spread over several years.

AGIA will generate a number of project benefits that could more than offset its costs. The size of these benefits will depend on ultimate project scope and market prices, which AGIA leaves to the competitive process. Actual benefits will vary depending upon project terminus (Alberta, Chicago), size (1.2 Bcf/day, 4.5 Bcf/day), mode of transport (pipeline only, pipeline plus LNG facilities), among other things. Illustrative benefits shown here assume a 4.3 Bcf/day project to Alberta, Canada with a construction cost that is 50% greater than assumed in 2001. Results are presented in present value dollars, assuming a discount rate of 5%, to recognize that a dollar of state benefit received in the future will be worth less than a dollar spent today.

First, AGIA is likely to result in a project sooner than if no pipeline legislation is passed. By having the state agree to shoulder a large share of the up-front capital that is particularly risky, AGIA ensures that in exchange project proponents commit to move the project forward past clearly defined benchmarks. Because AGIA results in a project sooner, the current value of project revenues to the state is enhanced. Assuming a gas price of \$5.50, if AGIA accelerates project startup by one year, from 2017 to 2016, state benefits will exceed \$1.6 billion; a two-year acceleration in the project returns \$3.2 billion; a three-year acceleration generates \$4.9 billion.

Second, AGIA's requirement of a minimum 70 percent share of debt in the determination of tariffs ensures that the state will not pay unnecessarily high transportation costs. Without this protection, project tariffs could be calculated on the basis of 60 or even 50 percent debt and still pass regulatory scrutiny. The tariff benefits of a 70 percent debt structure, rather than 60 percent or 50 percent, are 28 cents and 55 cents per MMBtu, respectively. The savings to the state are \$1.25 billion and \$2.63 billion, respectively. Meanwhile, lower tariffs improve project economics for holders of both existing and yet to be discovered gas reserves, thereby increasing the likelihood that the project will commence sooner. The degree to which such savings are realized depends on how, absent AGIA's requirements, project tariffs would otherwise have been determined.

Third, AGIA's pipeline access provisions promise to increase competition for exploration and development of Alaska's gas resources, leading to earlier and more significant pipeline expansions. The value to the state of such expansions is scenario specific, and cannot be accurately predicted. That said, if AGIA's expansion provisions caused the pipeline to expand by 10% in year 3 of its operations, whereas without AGIA such an expansion would not occur, the increase in state royalty and taxes would be roughly \$3 billion in today's dollars. Even if the chances that such an expansion would otherwise not occur were only one in five the AGIA investment of \$500 million would more than pay for itself in this provision alone.

Finally, AGIA will directly ensure lower tariffs. The state's direct investment in up-front development costs would reduce the cost of moving gas to Alberta by roughly 4 cents. The present value royalty and tax benefits of this 4 cent tariff reduction come to \$183 million. Put differently, assuming \$5.50 gas prices, during pipeline operation the state will receive roughly 45% of the value of its contribution in increased royalty and production tax benefits. And at gas prices of \$7.50 or higher the state's up-front contribution actually generates more in royalty and tax benefits than it costs.

This fiscal note assumes that the FY07 Supplemental Appropriation for Gasline requested in HB138/SB82-Sec2(a&b) will be fully funded.

\* \$300,000,000 was appropriated last year (SLA2006/Ch13/Sec14) from the general fund to Alaska Housing Finance Corporation for the purpose of funding capital projects including financing expenses and may be available to partially fund the matching grant.

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note: HB177CS-DOLWD-CO-04-12-07

Bill Version: CSHB 177(O&G)

( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_

Department: Labor and Workforce Development

Title: Natural Gas Pipeline Project

RDU: Office of the Commissioner

Component: Commissioner's Office

Sponsor: Rules Committee

Requester: House RES

Component Number: 340

**Expenditures/Revenues**

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>6,500.0</b>	<b>18,750.0</b>	<b>11,500.0</b>	<b>11,500.0</b>	<b>11,500.0</b>	<b>11,500.0</b>
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	6,500.0	18,750.0	11,500.0	11,500.0	11,500.0	11,500.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>6,500.0</b>	<b>18,750.0</b>	<b>11,500.0</b>	<b>11,500.0</b>	<b>11,500.0</b>	<b>11,500.0</b>

Estimate of any current year (FY2007) cost: None

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See Attached.

Prepared by: Guy Bell, Assistant Commissioner

Phone: 465-2700

Division: Commissioner's Office

Date/Time: 4/12/07 4:11 PM

Approved by: Click Bishop, Commissioner

Date: 4/12/2007

Agency: Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(O&G)

ANALYSIS: (continued)

The Alaska Gasline offers Alaskans the opportunity for thousands of high paying jobs with tremendous legacy potential. To ensure Alaskans are considered first for these jobs, the state needs to invest up-front in determining the best way to deliver that workforce by placing Alaskans first, maximizing job opportunities for all Alaskans, including rural Alaskans and Alaska Natives, developing a training plan taking into account existing skills versus required skills, and developing training infrastructure, and implementing and expanding training programs so employers hire Alaskans qualified for pipeline jobs.

This fiscal note outlines the Alaska Department of Labor and Workforce Development's (DOLWD) estimate of the cost of a comprehensive training program to deliver a prepared Alaska workforce for the Alaska Gas Pipeline. The investment is broken down over a six year period as follows:

**FY 08 Gasline Project Budget Request: \$ 6,500.0 GF**

**1. Pipeline Training Center \$ 4,100.0 GF**

This would fund a grant to the Alaska Works Partnership to build and equip a comprehensive pipeline trades training facility in Fairbanks. The facility would contain classroom and shop space for pipeline trades training classes. The center will also include a gas compressor training module. Trades to be trained would include but not be limited to pipefitters, heavy equipment operators, plumbers, carpenters, mechanics and electricians. It is estimated that up to 8,000 Alaskans will be trained at this facility through FY 13.

**2. Strategic Planning and Research \$ 850.0 GF**

This would fund three activities: (1) strategic planning to be overseen by the Commissioner of the Department of Labor and Workforce Development and the Alaska Workforce Investment Board; (2) Gas line Occupational Supply and Demand Analysis; and (3) Rural Alaskan and Alaska Native Skills Inventory and Gasline Employment Interest.

**Commissioner's Office, Gasline Workforce Plan \$ 275.0 GF**

Funding to retain experts to assist the Commissioner and the Workforce Investment Board in developing a comprehensive Gasline Workforce Development strategy. Areas of technical assistance include innovative training strategies, training technology upgrades, workforce health and safety issues and development of an outcome driven workforce analysis system. This support will allow the Commissioner's Office to incorporate the specialized knowledge associated with meeting the workforce development needs of a mega project with the resources already available through the various divisions of the department. The department will ensure that Alaska's workforce development concerns for the gas line are well described and articulated to potential producers or contractors.

FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(O&G)

ANALYSIS: (continued)

*Research & Analysis Section* \$ 250.0 GF

The department's Research & Analysis Section (R&A) will assess the supply and demand for labor resulting from both the construction and operation of the gas pipeline. In an effort to ensure that a qualified workforce exists at the time of gasline construction, DOLWD will conduct an occupational supply and demand analysis to identify potential workforce gaps.

R&A will assist with the development of strategies to close the projected skills gap. Strategies may include the identification of "training gaps" and the development of career information products that encourage Alaskans, of all ages, to consider potential shortage occupations when planning their careers.

*Alaska Labor Exchange System Improvement* \$ 325.0 GF

The Employment Security Division will improve the web-based, Alaska Labor Exchange System (ALEXsys) to allow the department to complete a state-wide inventory of workers' individual skill sets and better identify a qualified Alaskan workforce and potential training opportunities for Alaskans in preparation for the construction and maintenance phases of the Alaska gasline.

3. Direct Training \$ 500.0 GF

This investment will continue and expand the extremely successful pipeline trades training program in Fairbanks. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

4. University of Alaska \$ 750.0 GF

Engineering and Construction Management programs.

5. Alaska Laborers Training School \$ 300.0 GF

To purchase a D3 Rock Drill to enhance training delivery.

**FY 09 Gas Pipeline Project Budget Request: \$ 18,750.0 GF**

1. Other Training Infrastructure \$ 15,000.0 GF

Provide essential upgrades to various training facilities throughout the state to provide site-specific specialized training. Potential sites include AVTEC and Regional Training Centers located throughout rural Alaska.

3. Direct Training \$ 2,500.0 GF

This investment will continue and expand the extremely successful pipeline training in Fairbanks, and other targeted training as determined by the training priorities developed by the department and the Alaska Workforce Investment Board. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(O&G)

ANALYSIS: (continued)

4. University of Alaska                    \$ 1,250.0 GF  
Engineering and Construction Management programs.

**FY 10 to FY 13 Gas Pipeline Project Budget Request:    \$ 46,000.0 GF**

1. Direct Training                    \$ 40,000.0 GF

Annual investment of \$10 million to continue and expand training. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

2. University of Alaska    \$ 6,000.0 GF

Provide \$1,500.0 annually to support Engineering and Cons. uction Management programs.

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: CSHB177(O&G)-OOG-EO-4-18-07  
 Bill Version: CSHB 177 (O&G)  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_

Dept. Affected: OOG

Title "An Act relating to the Alaska Gasline Inducement Act...."

RDU Executive Operations

Component Executive Office

Sponsor Rules Committee

Requester House Resources Committee

Component No. 6

**Expenditures/Revenues**

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	78.6	368.6	378.2	385.9	396.6	404.6
Travel	8.0	20.0	20.0	20.0	20.0	20.0
Contractual	18.2	56.4	56.4	56.4	56.4	56.4
Supplies	8.0	20.0	20.0	20.0	20.0	20.0
Equipment	20.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>132.8</b>	<b>465.0</b>	<b>474.6</b>	<b>482.3</b>	<b>493.0</b>	<b>501.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	132.8	465.0	474.6	482.3	493.0	501.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>132.8</b>	<b>465.0</b>	<b>474.6</b>	<b>482.3</b>	<b>493.0</b>	<b>501.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note assumes the office will begin functioning at the onset of the last quarter of FY08.

Personal services consists of a state gas pipeline coordinator (R28A), an inter-governmental coordinator (R24), and an executive secretary (R14).

Prepared by: Gail Fenumiai, Asst. Administrative Director

Phone 465-3885

Division Division of Administrative Services

Date/Time 4/20/2007, 2:40pm

Approved by: Linda J. Perez, Administrative Director

Date 4/20/2007

Agency Office of the Governor

ALASKA STATE LEGISLATURE  
House Resources Committee

**Carl Gatto, Co-Chair**

State Capitol Building, Room 108  
Juneau, AK 99801-1182  
(907) 465-3743  
FAX (907) 465-2381  
Rep\_Carl\_Gatto@legis.state.ak.us



**Craig Johnson, Co-Chair**

State Capitol Building, Room 126  
Juneau, AK 99801-1182  
(907) 465-4993  
FAX (907) 465-3872  
Rep\_Craig\_Johnson@legis.state.ak.us

MEMORANDUM

TO: Legislative Legal – attn: Don Bullock

FROM: Heath E. Hilyard, Committee Aide  
House Resources Committee

RE: CSHB 177 Drafting Request

DATE: April 25<sup>th</sup>, 2007

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The House Resources Committee adopted and moved out CSHB 177 (25-GH01060K) with the following amendments. I have included the typed amendments where provided by the members.

Page 3, line 5 – after “certificate” INSERT “or amended certificate”

Page 3, lines 13-15 – DELETE subsection (3)

Page 4, line 4 – INSERT “, which may not be the route described in AS 38.35.017(b).”

Page 4, line 8 – after “points” INSERT “unless the application proposes specific in-state delivery points.”

Page 4, line 10 CONCEPTUAL – after “project” INSERT “a detailed description of all pipeline access and tariff terms that the applicant would propose to offer,”

Page 4, line 24 – after “services” DELETE remaining language through line 26

Page 11, lines 2-5 – DELETE subsection (c)

Page 12, line 6 – DELETE “six” REPLACE WITH “five”

Page 13, approx line 3 CONCEPTUAL – from 25-GH1060M (O&G), page 11, line 16-17 INSERT subsection (5) and renumber appropriately

Page 14, line 22 CONCEPTUAL – after “certificate” INSERT “or amended certificate” and conform all similar references of the same nature throughout the entire document.

Page 14, line 24 & line 30 – after “if” DELETE “, at the time the certificate is awarded,”

Page 15, line 17 – after “In this section” SUBSTITUTE “effective date of the certificate” for “time the certificate is awarded”

Page 15, line 8 – after “abandon” INSERT “and transfer the certificate”

Page 15, line 15 CONCEPTUAL – between “(a)” and “(b)” INSERT “or” DELETE “, or (c)”; after “designee.” INSERT “A transfer under (c) of this section is at 50 percent of the licensee’s net cost.”

Page 15, line 27 – INSERT “conservation” between “gas” and “commission”

Page 16, line 11-12 – after “and” DELETE “so long as terms of the license continue to apply” and SUBSTITUTE “until commencement of commercial operations”

Page 17, line 31 CONCEPTUAL – INSERT “or state’s designee” between “state” and “all” and conform all similar references of the same nature throughout the entire document.

Page 17, line 28 through Page 18, line 2 – DELETE the entire section

Page 18, line 31 – DELETE “typically”

Page 19, lines 3-4 – DELETE subsection (d) and renumber accordingly

Page 19, lines 26-29 – after “coordinator.” DELETE all material through “elected.”

Page 19, line 17 – between “state” and “of” INSERT “50 percent”

Page 22, line 15 – DELETE “incorporate into the lease terms of the relevant regulation as fixed contract terms” REPLACE with language on Page 22, line 22 from “incorporate” through the semi-colon.

25-GH1060K  
Bullock  
4/24/07

**CS FOR HOUSE BILL NO. 177(RES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered:**  
**Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Gasline Inducement Act; providing inducements for the**  
2 **construction of a natural gas pipeline and shippers that commit to use that pipeline;**  
3 **establishing the Alaska Gasline Inducement Act matching contribution fund; providing**  
4 **for an Alaska Gasline Inducement Act coordinator; making conforming amendments;**  
5 **and providing for an effective date."**

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

7 **\* Section 1. AS 43 is amended by adding a new chapter to read:**

8 **Chapter 90. Alaska Gasline Inducement Act.**

9 **Article 1. Inducement to Construction of a Natural Gas Pipeline in this State.**

10 **Sec. 43.90.010. Purpose.** The purpose of this chapter is to encourage  
11 expedited construction of a natural gas pipeline that

12 (1) facilitates commercialization of North Slope gas resources in the  
13 state;

(2) promotes exploration and development of oil and gas resources on the North Slope;

(3) maximizes benefits to the people of the state <sup>of</sup> ~~from the~~ development of oil and gas resources in the state; and

(4) encourages <sup>state</sup> oil and gas lessees and other persons ~~in the state~~ to commit natural gas from the North Slope to a gas pipeline system for transportation to markets in this state or elsewhere.

**Article 2. Alaska Gasline Inducement Act License.**

**Sec. 43.90.100. Gas project.** (a) The commissioner of revenue and the commissioner of natural resources, acting jointly, may award an Alaska Gasline Inducement Act license as provided in this chapter. The person awarded a license under this chapter is entitled to the inducement set out in AS 43.90.110.

(b) Nothing in this chapter precludes a person from pursuing a gas pipeline project independently from this chapter.

**Sec. 43.90.110. Natural gas pipeline project construction inducement.** (a) Subject to the limitations of this chapter, a license issued under this chapter entitles the licensee or its designated affiliate to receive

(1) subject to appropriation, state matching contributions in <sup>an</sup> ~~a~~ total amount not to exceed \$500,000,000, paid <sup>in total</sup> ~~to the licensee~~ <sup>over a</sup> ~~during the~~ five-year period <sup>immediately</sup> following the date the license is awarded; the payment period may be extended under an amendment or modification under AS 43.90.210; a payment under this paragraph shall be made according to the following:

(A) on or before the close of the first binding open season, the state shall match the licensee's qualified expenditures at the level specified in the license; however, the state's matching contribution may not <sup>be more than</sup> ~~exceed~~ 50 percent of the qualified expenditures incurred before the <sup>close</sup> ~~end~~ of the first binding open season;

(B) after the close of the first binding open season, the state shall match the licensee's qualified expenditures at <sup>the</sup> ~~the~~ level specified in the license; however, the state's matching contribution may not be greater than 80 percent of the qualified expenditures incurred after the close of the first

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binding open season;

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(C) ~~(a)~~ <sup>are</sup> qualified expenditure<sup>are</sup> ~~(is)~~ a cost<sup>are</sup> that ~~(is)~~ incurred after the

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license is issued under this chapter, ~~(is incurred)~~ by the licensee or the licensee's

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designated affiliate, and <sup>are</sup> ~~(is)~~ directly and reasonably related to obtaining a

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certificate<sup>or amended cert</sup> of public convenience and necessity from the Federal Energy

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Regulatory Commission or the Regulatory Commission of Alaska, as

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appropriate, for development of the project; <sup>in this subparagraph,</sup> "qualified expenditure" does not

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include overhead costs, litigation costs, ~~(the cost of an asset or work product~~ <sup>producing</sup>

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*the issuance of the license*

~~(acquired by the licensee before the license is issued,~~ <sup>or</sup> ~~civil penalties,~~ <sup>or criminal</sup> ~~criminal~~

10

penalties] or fines; and

11

(2) the benefit of an Alaska Gasline Inducement Act coordinator who

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has the authority prescribed in AS 43.90.250; and .

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(3) the benefits of coordination with qualified training organizations

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that prepare individuals for employment in gas pipeline project management,

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construction, operation, maintenance, and other gas pipeline-related positions.

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(b) The commissioner of revenue in consultation with the commissioner of

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natural resources shall adopt regulations for determining whether an expenditure is a

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qualified expenditure for the purposes of (a) of this section.

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**Sec. 43.90.120. Request for applications for the license.** (a) The

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commissioners shall commence a public process to request applications for a license

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under this chapter as soon as practicable after the effective date of this chapter.

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(b) The commissioners may use independent contractors <sup>advise</sup> to assist ~~(them)~~ in

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developing the <sup>provisions for the</sup> application and in evaluating ~~(the)~~ applications received, <sup>for license</sup> under this chapter.

24

(c) The provisions of AS 36.30 do not apply to requests for applications under

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this chapter.

*An application for a license must be consistent with the terms of the request for applications under 43.90.120 and must*

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**Sec. 43.90.130. Application requirements.** In order to be considered for the

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license, an applicant shall file an application that is consistent with the terms of the

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request for applications under AS 43.90.120 and shall

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(1) <sup>be filed</sup> file the application by the deadline established by the

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commissioners in the request for applications;

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(2) provide a detailed description of a proposed natural gas pipeline

1 project for transporting natural gas from the North Slope to market, which may  
2 include multiple design proposals, including different proposals for pipe diameter,  
3 wall thickness, and transportation capacity, and which shall include

4 (A) the route proposed for the natural gas pipeline; ✓

5 (B) ~~the location of~~ receipts and delivery points and the size and  
6 design capacity of the proposed natural gas pipeline at the proposed receipt and  
7 delivery points, except that this information is not required for in-state delivery  
8 points; unless the application proposes specific in-state delivery points

9 (C) an analysis demonstrating the <sup>project's</sup> economic and technical  
10 viability ~~of the project~~; as required in the request for application

11 (D) an economically and technically viable work plan, timeline,  
12 and associated budget for developing the proposed project <sup>including how the applicant will perform</sup> ~~and work associated~~  
13 ~~with the project that includes~~ field work, environmental studies, design and  
14 engineering; <sup>how the applicant will implement</sup> ~~implementing~~ practices for controlling carbon emissions from  
15 natural gas systems as established by the United States Environmental  
16 Protection Agency, and <sup>how the applicant will comply</sup> ~~complying~~ with all applicable state, federal, and  
17 international regulatory requirements that affect the proposed project; the  
18 applicant shall address the following:

19 (i) if the proposed project involves a pipeline into or  
20 through Canada, a detailed description of the applicant's plan to obtain  
21 necessary rights-of-way and authorizations in Canada, a description of  
22 the transportation services to be provided and a description of rate-  
23 making methodologies the applicant will propose to the regulatory  
24 agencies, an estimate of rates and charges for all services, and a  
25 detailed description of all access and tariff terms that the applicant  
26 would propose to offer;

27 (ii) if the proposed project involves marine  
28 transportation of liquefied natural gas, a description of the marine  
29 transportation services to be provided and a description of proposed  
30 rate-making methodologies; an estimate of rates and charges for all  
31 services by third parties; a detailed description of all proposed access

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and tariff terms for liquefaction services or, if a third party would perform liquefaction services, the identification of that third party and the terms applicable to the liquefaction services; a complete description of the marine segment of the project, including the proposed ownership, control, and cost of liquefied natural gas tankers, the management of shipping services, liquefied natural gas export destination, regasification facilities and pipeline facilities needed for transport to market destinations; the entity or entities that would be required to obtain necessary export permits and licenses or a certificate of public convenience and necessity from the Federal Energy Regulatory Commission for the transportation of liquefied natural gas in interstate commerce if United States markets are proposed; and all rights-of-way or authorizations required from a foreign country;

(3) if the proposed project is within the jurisdiction of the Federal Energy Regulatory Commission, commit to

(A) conclude, by a date certain that is not later than 36 months after the date the license is issued, a binding open season that is consistent with the requirements of 18 C.F.R. Part 157, Subpart B (Open Seasons for Alaska Natural Gas Transportation Projects) and 18 C.F.R. 157.30 - 157.39;

(B) apply for Federal Energy Regulatory Commission approval to use the pre-filing procedures set out in 18 C.F.R. 157.21 by a date certain, and use those procedures before filing an application for a certificate or amended certificate of public convenience and necessity; and

(C) apply for a Federal Energy Regulatory Commission certificate or amended certificate of public convenience and necessity to authorize the construction and operation of the proposed project described in this section by a date certain;

(4) if the proposed project is within the jurisdiction of the Regulatory Commission of Alaska, commit to

(A) conclude, by a date certain that is not later than 36 months after the date the license is issued, a binding open season that is consistent with

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1 the requirements of AS 42.06; and

2 (B) apply for a certificate of public convenience and necessity  
3 to authorize the construction and operation of the proposed project by a date  
4 certain;

5 (5) after the first binding open season, commit to assess the market  
6 demand for additional pipeline capacity at least every two years through public  
7 nonbinding solicitations or similar means;

8 (6) commit to expand the proposed project in reasonable engineering  
9 increments and on commercially reasonable terms that encourage exploration and  
10 development of gas resources in this state; in this paragraph,

11 (A) "commercially reasonable terms" means that, subject to the  
12 provisions of (7) of this section, revenue from transportation contracts covers  
13 the cost of the expansion, including increased fuel costs, and a reasonable  
14 return on capital as authorized by the Federal Energy Regulatory Commission  
15 or the Regulatory Commission of Alaska, as applicable, and there is no  
16 impairment of the proposed project's ability to recover the costs of existing  
17 facilities;

18 (B) "reasonable engineering increments" means the amount of  
19 additional capacity that could be added by compression or a pipe addition  
20 using a compressor size or pipe size, as applicable, that is substantially similar  
21 to the original compressor size and the original pipe size;

22 (7) make a commitment that the applicant

23 (A) will propose and support the recovery of mainline capacity  
24 expansion costs, including fuel costs, from all mainline system users through  
25 rolled-in rates as provided in (B) and (C) of this paragraph or through a  
26 combination of incremental and rolled-in rates as provided in (D) of this  
27 paragraph;

28 (B) will propose and support the recovery of mainline capacity  
29 expansion costs, including fuel costs, from all mainline system users through  
30 rolled-in rates; an applicant is obligated under this subparagraph only if the  
31 rolled-in rates would increase the rates

1 (i) not described in (ii) of this subparagraph by not more  
2 than 15 percent above the initial maximum recourse rates for capacity  
3 acquired before commercial operations commence; in this sub-  
4 subparagraph, "initial maximum recourse rates" means the highest cost-  
5 based rates for any specific transportation service set by the Federal  
6 Energy Regulatory Commission, the Regulatory Commission of  
7 Alaska, or the National Energy Board of Canada, as appropriate, when  
8 the pipeline commences commercial operations;

9 (ii) by not more than 15 percent above the negotiated  
10 rate for pipeline capacity on the date of commencement of commercial  
11 operations where the holder of the capacity is not an affiliate of the  
12 owner of the pipeline project; for the purposes of this sub-  
13 subparagraph, "negotiated rate" means the rate in a transportation  
14 service agreement that provides for a rate that varies from the otherwise  
15 applicable cost-based rate, or recourse rate, set out in a gas pipeline's  
16 tariff approved by the Federal Energy Regulatory Commission, the  
17 Regulatory Commission of Alaska, or the National Energy Board of  
18 Canada, as appropriate; or

19 (iii) for capacity acquired in an expansion after  
20 commercial operations commence, to a level that is not more than 115  
21 percent of the volume-weighted average of all rates collected by the  
22 project owner for pipeline capacity on the date commercial operations  
23 commence;

24 (C) will, if recovery of mainline capacity expansion costs,  
25 including fuel costs, through rolled-in rate treatment would increase the rates  
26 for capacity described in (B) of this paragraph, propose and support the partial  
27 roll-in of mainline expansion costs, including fuel costs, to the extent that rates  
28 acquired before commercial operations commence do not exceed the levels  
29 described in (B) of this paragraph;

30 (D) may, for the recovery of mainline capacity expansion costs,  
31 including fuel costs, that, under rolled-in rate treatment, would result in rates

1 that exceed the level in (B) of this paragraph, propose and support the recovery  
2 of those costs through any combination of incremental and rolled-in rates;

3 (E) will not enter into a negotiated rate agreement that would  
4 preclude the applicant from collecting from any shipper, including a shipper  
5 with a negotiated rate agreement, the rolled-in rates that are required to be  
6 proposed and supported by the applicant under (B) of this paragraph or the  
7 partial rolled-in rates that are required to be proposed and supported by the  
8 applicant under (C) of this paragraph;

9 (8) state how the applicant proposes to deal with a North Slope gas  
10 treatment plant regardless of whether that plant is part of the applicant's proposal, and,  
11 to the extent that the plant will be owned entirely or in part by the applicant, commit to  
12 seek certificate authority from the Federal Energy Regulatory Commission if the  
13 proposed project is engaged in interstate commerce or from the Regulatory  
14 Commission of Alaska if the project is not engaged in interstate commerce; for a  
15 North Slope gas treatment plant that will be owned entirely or in part by the applicant,  
16 for rate-making purposes, commit to value previously owned assets that are part of the  
17 gas treatment plant at net book value; describe the gas treatment plant, including its  
18 design, engineering, construction, ownership, and plan of operation, the identity of any  
19 third party that will participate in the ownership or operation of the gas treatment  
20 plant, and the means by which the applicant will work to minimize the effect of the  
21 costs of the facility on the tariff;

22 (9) propose a percentage and total dollar amount for the state's  
23 matching contribution under AS 43.90.110(1)(A) and (B), to be specified in the  
24 license;

25 (10) commit to propose and support rates for the proposed project and  
26 for any North Slope gas treatment plant that the applicant may own, in whole or in  
27 part, that are based on a capital structure for rate-making that consists of not less than  
28 70 percent debt;

29 (11) describe the means for preventing or managing cost overruns for  
30 the proposed project, and the measures for minimizing the effect from any overruns;

31 (12) commit to provide a minimum of five delivery points of natural

1 gas in this state;

2 (13) commit to offer firm transportation service to delivery points in  
3 this state as part of the tariff regardless of whether any shippers bid successfully in a  
4 binding open season for firm transportation service to delivery points in this state, and  
5 commit to offer distance-sensitive rates to delivery points in this state consistent with  
6 18 C.F.R. 157.34(c)(8);

7 (14) commit to establish a local headquarters in this state for the  
8 proposed project;

9 (15) to the extent permitted by law, commit to

10 (A) hire qualified residents from throughout the state for  
11 management, engineering, construction, operations, maintenance, and other  
12 positions on the proposed project;

13 (B) contract with businesses located in the state;

14 (C) establish hiring facilities or use existing hiring facilities in  
15 the state; and

16 (D) use, as far as is practicable, the job centers and associated  
17 services operated by the Department of Labor and Workforce Development  
18 and an Internet-based labor exchange system operated by the state;

19 (16) waive the right to appeal the issuance of a license to another  
20 applicant or to appeal the determination under AS 43.90.180(b) that no application  
21 merits the issuance of a license;

22 (17) commit to negotiate, before construction, a project labor  
23 agreement; in this paragraph, "project labor agreement" means a comprehensive  
24 collective bargaining agreement between the licensee or its agent and the appropriate  
25 labor representatives to ensure expedited construction with labor stability for the  
26 project by qualified residents of the state;

27 (18) commit that the state matching contribution received by the  
28 licensee may not be included in the applicant's rate base and shall be used as a credit  
29 against the licensee's cost of service;

30 (19) provide a detailed description of the applicant and other entities  
31 participating with the applicant in the application and the project proposed by the

1 applicant; and persons the applicant intends to involve in the construction and  
2 operation of the proposed project; the description must include the nature of the  
3 affiliation for each person, the commitments by the person to the applicant, and other  
4 information relevant to the commissioners' evaluation of the readiness and ability of  
5 the applicant to complete the project presented in the application; and

6 (20) otherwise demonstrate the readiness and ability to perform the  
7 activities specified in the application, including following the detailed work plan,  
8 timeline, and operation within the associated budget.

9 **Sec. 43.90.140. Initial application review; additional information requests;**  
10 **complete applications.** (a) The commissioners shall review each application filed  
11 under AS 43.90.130 to determine whether it is consistent with the terms of the request  
12 for applications and meets the requirements in AS 43.90.130. The commissioners shall  
13 reject an application that does not meet the terms of the request for applications or the  
14 requirements in AS 43.90.130.

15 (b) The commissioners may request additional information relating to the  
16 application.

17 (c) If, within the time specified by the commissioners, the applicant fails to  
18 provide the additional information requested under (b) of this section, or submits  
19 additional information that is not responsive, the application shall be rejected.

20 (d) For an application not rejected under this section, the commissioners shall  
21 make a determination that the application, including any requested additional  
22 information, is complete.

23 **Sec. 43.90.150. Proprietary information and trade secrets.** (a) At the  
24 request of the applicant, information submitted under this chapter that the applicant  
25 identifies and demonstrates is proprietary or is a trade secret is confidential and not  
26 subject to public disclosure under AS 40.25, unless the applicant is granted a license  
27 under this chapter. After a license is awarded, all information submitted by the  
28 licensee under this chapter, and retained for the purposes of this chapter, shall be made  
29 public.

30 (b) If the commissioners determine that the information submitted by the  
31 applicant is not proprietary or is not a trade secret, the commissioners shall notify the

1 applicant and return the information at the request of the applicant.

2 (c) An applicant that challenges the award of a license or the process for  
3 making the award shall be considered to have consented to the disclosure of all of the  
4 information submitted under this chapter by the applicant making challenge, including  
5 information held confidential under (a) of this section.

6 (d) In this section, "proprietary" means that the information is treated by the  
7 applicant as confidential and the public disclosure of that information would adversely  
8 affect the competitive position of the applicant, or materially diminish the commercial  
9 value of the information to the applicant.

10 **Sec. 43.90.160. Notice, review, and comment.** (a) The commissioners shall  
11 publish notice and provide a 60-day period for public review and comment on all  
12 applications determined complete under AS 43.90.140.

13 (b) Applications received under this chapter are not subject to public  
14 disclosure under AS 40.25 until the commissioners publish notice under this section.  
15 However, information that the commissioners have determined is confidential under  
16 AS 43.90.150 may not be made public even after the notice is published under (a) of  
17 this section, except as provided in AS 43.90.150. If information is held confidential  
18 under AS 43.90.150, the applicant shall provide a summary of the confidential  
19 information that is satisfactory to the commissioners, and the commissioners shall  
20 make the summary of the confidential information available to the public.

21 (c) Information provided by an applicant to the commissioners under this  
22 chapter, including information determined by the commissioners to be confidential  
23 under AS 43.90.150, shall be disclosed to the legislative auditor, the fiscal analyst who  
24 serves as head of the legislative finance division, agents and contractors of the  
25 legislative auditor and the fiscal analyst, and members of the legislature, on request  
26 and after the individual making the request signs a confidentiality agreement prepared  
27 by the commissioners.

28 **Sec. 43.90.170. Application evaluation and ranking.** (a) The commissioners  
29 shall evaluate all applications determined to be complete under AS 43.90.140,  
30 consider public comments received under AS 43.90.160(a), and rank each application  
31 according to the net present value of the anticipated cash flow to the state from the

1 applicant's project proposal using the factors in (b) of this section and weighted by the  
2 project's likelihood of success based on the commissioners' assessment of the factors  
3 listed in (c) of this section.

4 (b) When evaluating the net present value of anticipated cash flow to the state  
5 from the applicant's project proposal, the commissioners shall use an undiscounted  
6 value and, at a minimum, discount rates of two, six, and eight percent, and consider

7 (1) how quickly the applicant proposes to begin construction of the  
8 proposed project and how quickly the project will commence commercial operation;

9 (2) the net back value of the gas determined by the destination market  
10 value of the gas and estimated transportation and treatment costs;

11 (3) the ability of the applicant to prevent or reduce project cost  
12 overruns that would increase the tariff;

13 (4) the initial design capacity of the applicant's project and the extent  
14 to which the design can accommodate low-cost expansion; and

15 (5) other factors found by the commissioners to be relevant to the  
16 evaluation of the net present value of the anticipated cash flow to the state, including  
17 the value of state income tax or equivalent payment in lieu of tax and supplemental  
18 profit-sharing to the state if contractually stipulated.

19 (c) When evaluating the project's likelihood of success, the commissioners  
20 shall consider

21 (1) the reasonableness, specificity, and feasibility of the applicant's  
22 work plan, timeline, and budget required to be submitted under AS 43.90.130,  
23 including the applicant's plan to manage cost overruns, insulate shippers from the  
24 effect of cost overruns, and encourage shippers to participate in the first binding open  
25 season;

26 (2) the financial resources of the applicant;

27 (3) the ability of the applicant to comply with the proposed  
28 performance schedule;

29 (4) the applicant's organization, experience, accounting and operational  
30 controls, technical skills or the ability to obtain the necessary equipment or the  
31 ability to obtain the necessary equipment;

- 1 (5) the applicant's record of  
2 (A) performance on projects not licensed under this chapter;  
3 (B) integrity and good business ethics; and  
4 (6) other evidence and factors found by the commissioners to be  
5 relevant to the evaluation of the project's likelihood of success.

6 (d) In this section, "net present value" means the discounted value of a future  
7 stream of cash flow.

8 **Sec. 43.90.180. Notice to the legislature of intent to issue license; denial of**  
9 **license.** (a) If, after consideration of public comments received under AS 43.90.160(a)  
10 and evaluation of complete applications under AS 43.90.170, the commissioners  
11 determine that an application proposes a project that will sufficiently maximize the  
12 benefits to the people of this state and merits issuance of a license under this chapter,  
13 the commissioners shall

14 (1) issue a determination, with written findings addressing the basis for  
15 the determination; the determination becomes a final agency action in accordance with  
16 AS 43.90.190;

17 (2) publish notice of intent to issue a license under this chapter with  
18 written findings addressing the basis for the determination; and

19 (3) submit the determination along with the findings, supporting  
20 documentation, and a copy of the notice published under (2) of this subsection to the  
21 presiding officer of each house of the legislature for action as provided in  
22 AS 43.90.190.

23 (b) If, after the evaluation of complete applications under AS 43.90.170, the  
24 commissioners determine that no application sufficiently maximizes the benefits to the  
25 people of this state and merits issuance of a license under this chapter, the  
26 commissioners shall issue a written finding that addresses the basis for that  
27 determination.

28 (c) The commissioners' determination under this (b) of this section is a final  
29 agency action.

30 **Sec. 43.90.190. Legislative approval; issuance of license.** (a) After the  
31 presiding officer of each house of the legislature receives a determination from the

1 commissioners under AS 43.90.180, the rules committee of each house of the  
2 legislature shall introduce a bill in the committee's respective chamber that provides  
3 for the approval of the license proposed to be issued by the commissioners.

4 (b) If a bill approving the issuance of the license passes the legislature within  
5 90 days after the last date a presiding officer receives a determination by the  
6 commissioners under AS 43.90.180, the commissioners shall issue the license as soon  
7 as practicable after the effective date of the Act approving the issuance of the license.

8 (c) Notwithstanding a legislative rule that prohibits the carryover of a bill after  
9 the end of a special session or after the end of a regular session of a legislature, a bill  
10 introduced under (a) of this section that is not passed or not withdrawn, defeated,  
11 vetoed, or indefinitely postponed shall be carried over to any subsequent regular or  
12 special legislative session convened during the 90-day period described in (b) of this  
13 section in the same reading or status it was in at the time of adjournment. However, a  
14 bill introduced under (a) of this section may not be carried over to the first regular  
15 session of a legislature.

16 (d) If the legislature fails to approve the issuance of the license, the  
17 commissioners

18 (1) may not issue the license that the legislature failed to approve; and

19 (2) may request new applications for a license under AS 43.90.120.

20 **Sec. 43.90.200. Certification by regulatory authority and project sanction.**

21 (a) A licensee that is awarded a certificate of public convenience and necessity from a  
22 regulatory agency with jurisdiction over the project shall accept the certificate when  
23 all rights of administrative appeal relating to the certificate have expired.

24 (b) If, at the time the certificate is awarded, the licensee has credit support  
25 sufficient to finance construction of the project through ownership of rights to produce  
26 and market gas resources, firm transportation commitments, or government financing,  
27 the licensee shall sanction the project within one year after the effective date of the  
28 certificate of public convenience and necessity issued by the regulatory agency with  
29 jurisdiction over the project.

30 (c) If, at the time the certificate is awarded, the licensee does not have credit  
31 support sufficient to finance construction of the project through ownership of rights to

1 produce and market gas resources, firm transportation commitments, or government  
2 financing, the licensee shall sanction the project within five years after the effective  
3 date of the certificate of public convenience and necessity issued by the regulatory  
4 agency with jurisdiction over the project.

5 (d) If the licensee fails to sanction the project timely as required under this  
6 section, the licensee shall, upon request by the state,

7 (1) seek approval from the Federal Energy Regulatory Commission or  
8 the Regulatory Commission of Alaska, as applicable, to abandon to the state or the  
9 state's designee; and

10 (2) assign to the state or the state's designee all project data,  
11 engineering designs, contracts, permits, and other data related to the project that are  
12 acquired by the licensee during the term of the license before the date of the  
13 abandonment or transfer.

14 (e) The transfer of any certificate of public convenience and necessity or  
15 transfer under (d) of this section as a result of failure to comply with (a), (b), or (c) of  
16 this section is at no cost to the state or the state's designee.

17 (f) In this section, "time the certificate is awarded" means the date after which  
18 all rights of administrative appeal relating to the certificate have expired.

19 **Sec. 43.90.210. Amendment of or modification to the project plan.** Subject  
20 to the approval of the commissioners, a licensee may amend or modify its project plan  
21 if the amendments or modifications improve the net present value of the project to the  
22 state, are necessary because of an order issued by the Alaska Oil and Gas  
23 Conservation Commission, or are necessary as a result of changed circumstances  
24 outside the licensee's control and not reasonably foreseeable before the license was  
25 issued. An amendment or modification approved under this section must be consistent  
26 with the requirements in AS 43.90.130 and, except for an amendment or modification  
27 required because of an order by the Alaska Oil and Gas Commission, may not  
28 diminish the net present value to the state of the project or the likelihood of success for  
29 the project.

30 **Sec. 43.90.220. Records, reports, conditions, and audit requirements.** (a) A  
31 licensee shall maintain complete and accurate records of all expenditures and

1 commitments of state contributions received under this chapter, including receipts and  
2 records showing the payment or cost of purchased items and services, the names and  
3 addresses of the sellers and service providers, and the dates of service or delivery.

4 (b) Upon reasonable notice, the commissioners may audit the records, books,  
5 and files of the entity receiving the state money or making the expenditures and  
6 commitments under this chapter.

7 (c) With respect to information relating to the project, the commissioners may  
8 conduct hearings or other investigative inquiries, compel the attendance of witnesses  
9 and production of documents, and require the licensee to furnish information and  
10 documents relating to the project in hard copy or electronic format.

11 (d) After a license has been issued and so long as the terms of the license  
12 continue to apply, the licensee shall allow the commissioners to

13 (1) have a representative present at all meetings of the licensee's  
14 governing body and meetings of equity holders that relate to the project;

15 (2) receive all relevant notices and information sent to the governing  
16 body and equity holders;

17 (3) enjoy the same access to information about the licensee as the  
18 governing body members and equity owners receive; and

19 (4) receive relevant reports or information from the licensee that the  
20 commissioners reasonably request.

21 (e) A licensee shall maintain the records and reports required under this  
22 section for seven years from the date the licensee receives state money under this  
23 chapter.

24 **Sec. 43.90.230. License violations; damages.** (a) A licensee is in violation of  
25 the license if the commissioners determine that the licensee has

26 (1) committed money received from the state under this chapter for an  
27 expenditure that is not a qualified expenditure under AS 43.90.110;

28 (2) substantially departed from the specifications set out in the  
29 application without state approval of a project plan amendment or modification under  
30 AS 43.90.210;

31 (3) violated any provision of this chapter or any other provision of

1 state or federal law material to the license; or

2 (4) otherwise violated a material term of the license.

3 (b) The commissioners shall provide written notice to the licensee identifying  
4 a license violation. The commissioners and the licensee have 90 days after the date the  
5 notice is issued to resolve the violation informally.

6 (c) The commissioners may suspend disbursement of state matching  
7 contributions to the licensee beginning on the date that the notice of violation issued  
8 under (b) of this section is sent to the licensee. The commissioners may resume  
9 disbursement on the date that the commissioners determine that the violation is cured.

10 (d) If the commissioners and the licensee are unable to resolve the violation  
11 within the time specified in (b) of this section, the commissioners shall provide the  
12 licensee with notice that the violation has not been cured and provide the opportunity  
13 for the licensee to be heard. If after notice and hearing the commissioners determine  
14 that the violation has not been cured, the commissioners shall issue a written decision  
15 that is a final administrative action for purposes of appeal to the superior court in the  
16 state.

17 (e) If the determination issued under (d) of this section finds an unresolved  
18 violation, the commissioners may impose one or more of the following remedies:

19 (1) discontinuation of state matching contributions under this chapter;

20 (2) recoupment of state money that the licensee has received under this  
21 chapter to date, with interest, regardless of whether the licensee has expended or  
22 committed that money;

23 (3) license revocation;

24 (4) assignment to the state or the state's designee of all project data,  
25 engineering designs, contracts, permits, and other data relating to the project that are  
26 acquired by the licensee during the term of the license; and

27 (5) any other remedies provided by law or in equity.

28 (f) If the license is revoked under (e) of this section, the licensee

29 (1) may not submit an application for the license in the event a request  
30 for applications is issued under AS 43.90.120 after the date of revocation; and

31 (2) shall deliver to the state all project data, engineering designs,

1 contracts, rights-of-way, and other work product of the licensee that is related to the  
2 licensed project.

3 **Sec. 43.90.240. Abandonment of project.** (a) If the commissioners and the  
4 licensee agree that the project is uneconomic, the project shall be abandoned, the  
5 inducement provided for in AS 43.90.110 terminated, and the state and the licensee no  
6 longer have an obligation under this chapter with respect to the license except for  
7 requirements imposed on the licensee under (f) of this section and AS 43.90.220.

8 (b) If the commissioners or the licensee determine the project is uneconomic  
9 and the other party disagrees, the disagreement shall be settled by arbitration  
10 administered by the American Arbitration Association under the substantive and  
11 procedural laws of this state, and judgment on the award rendered by the arbitrators  
12 may be entered in a superior court in the state. In the event of arbitration, each party  
13 shall select an arbitrator from the American Arbitration Association's National Roster  
14 and the two arbitrators shall appoint a third arbitrator from the American Arbitration  
15 Association's National Roster who shall serve as the chair of the three-member  
16 arbitration panel. If the arbitration panel determine that the project is

17 (1) uneconomic, the state and the licensee no longer have any  
18 obligation under this chapter with respect to the license, except for requirements  
19 imposed on the licensee under (f) of this section and AS 43.90.220; or

20 (2) not uneconomic, the obligations of the licensee and the state  
21 continue as provided under this chapter and the license.

22 (c) The arbitration panel in (b) of this section shall make a determination that  
23 the project is uneconomic only if the panel finds that the party claiming the project is  
24 uneconomic has proven by a preponderance of the evidence that the

25 (1) project does not have credit support sufficient to finance  
26 construction of the project through firm transportation commitments, government  
27 assistance, or other sources of financing; and

28 (2) predicted costs of transportation at a 100 percent load factor, when  
29 deducted from predicted gas sales revenue using publicly available predictions of  
30 future gas prices, would result in a producer rate of return that is below the rate  
31 typically accepted by a prudent oil and gas exploration and production company for

1 incremental upstream investment that is required to produce and deliver gas to the  
2 project.

3 (d) In an appeal of a final determination rendered by the arbitrators under (b)  
4 of this section, the person making the appeal has the burden of proof.

5 (e) If the state makes a payment to the licensee under AS 43.90.440, the  
6 license is considered abandoned, and the state and the licensee no longer have any  
7 obligations under this chapter with respect to the license, except that the licensee must  
8 comply with the

9 (1) requirements imposed on the licensee under AS 43.90.220  
10 regarding state money received by the licensee before the license was considered  
11 abandoned; and

12 (2) requirements of AS 43.90.440.

13 (f) If the commissioners and the licensee agree that the project is uneconomic  
14 or an arbitration panel makes a final determination that the project is uneconomic, the  
15 licensee shall deliver to the state or the state's designee all engineering designs,  
16 contracts, permits, and other data relating to the project that are acquired by the  
17 licensee during the term of the license upon reimbursement by the state of the net  
18 amount of expenditures incurred and paid by the licensee that are qualified  
19 expenditures for the purposes of AS 43.90.110.

20 **Sec. 43.90.250. Alaska Gasline Inducement Act coordinator.** (a) There is  
21 created in the office of the governor the position of Alaska Gasline Inducement Act  
22 coordinator. Administrative support for the position shall be provided by the office of  
23 the governor. The position shall continue until one year after commencement of  
24 commercial operations of the project.

25 (b) The governor shall appoint a person to the position of Alaska Gasline  
26 Inducement Act coordinator. The initial appointment is subject to confirmation by the  
27 legislature and an appointment is subject to reconfirmation by the legislature during  
28 the first regular legislative session after a general election at which a governor is  
29 elected. The individual serving as the Alaska Gasline Inducement Act coordinator may  
30 be removed from the position at the discretion of the governor.

31 (c) The Alaska Gasline Inducement Act coordinator is entitled to receive an

1 annual salary equal to Step A, Range 28, of the salary schedule set out in  
2 AS 39.27.011(a) for Juneau.

3 (d) The Alaska Gasline Inducement Act coordinator shall, in conjunction with  
4 the commissioners,

5 (1) coordinate expeditious performance of all activities by state  
6 agencies for the project;

7 (2) ensure compliance by state agencies with the provisions of this  
8 chapter; and

9 (3) coordinate with the Office of the Federal Coordinator for Alaska  
10 Natural Gas Transportation Projects (29 U.S.C. 720d) for natural gas transportation  
11 projects in the state.

12 **Sec. 43.90.260. Expedited review and action by state agencies.** (a) A review  
13 conducted and action taken by a state agency relating to the project shall be expedited  
14 in a manner consistent with the completion of the necessary approvals in accordance  
15 with this chapter.

16 (b) Notwithstanding any contrary provision of law, a state agency may not  
17 include in any project certificate, right-of-way, permit, or other authorization issued to  
18 the licensee a term or condition that is not required by law if the coordinator  
19 determines that the term or condition would prevent or impair in any significant  
20 respect the expeditious construction and operation or expansion of the project.

21 (c) Unless required by law, a state agency may not add to, amend, or abrogate  
22 a certificate, right-of-way, permit, or other authorization issued to a licensee if the  
23 coordinator determines that the action would prevent or impair in any significant  
24 respect the expeditious construction, operation, or expansion of the project.

### 25 **Article 3. Resource Inducement.**

26 **Sec. 43.90.300. Qualification for resource inducement.** (a) Notwithstanding  
27 any contrary provision of law, a lessee or other person that demonstrates to the  
28 satisfaction of the commissioners that the person has committed to acquire firm  
29 transportation capacity in the first binding open season of the project is qualified to  
30 receive the resource inducement set out in AS 43.90.310 and 43.90.320 for gas  
31 produced on the North Slope and shipped in firm transportation capacity acquired in

1 the first binding open season of the project. The inducement in AS 43.90.310 is  
2 contractual.

3 (b) A gas producer receiving a voucher under AS 43.90.330 is qualified to  
4 receive the resource inducement in AS 43.90.310 and 43.90.320 for the gas shipped in  
5 the firm transportation capacity described in the voucher for the period described in  
6 AS 43.90.330.

7 **Sec. 43.90.310. Royalty inducement.** (a) Before the start of the first binding  
8 open season to be conducted by the licensee, the commissioner of natural resources  
9 shall adopt regulations that provide a method to determine the monthly value of the  
10 state's royalty share of gas production and provide terms under which the state will  
11 exercise its right to switch between taking its royalty in value or in kind for gas  
12 committed for firm transportation in the first binding open season of the project or  
13 shipped in the firm transportation capacity described in a voucher received by the gas  
14 producer under AS 43.90.330. The regulations must

15 (1) minimize retroactive adjustments to the monthly value of the state's  
16 royalty share of gas production;

17 (2) provide a method for establishing a fair market value for each  
18 component of the state's royalty gas that is based on pricing data from reliable and  
19 widely available industry trade publications and that uses appropriate adjustments to  
20 reflect

21 (A) deductions for actual and reasonable transportation costs  
22 for the state's royalty gas, including a reasonable share of the costs associated  
23 with unused capacity commitments on gas pipelines from the North Slope to  
24 the first destination market with reasonable market liquidity;

25 (B) location differentials between the destination markets  
26 where North Slope gas could be sold;

27 (C) reasonable and actual costs for gas processing; and

28 (D) deductions permitted under the 1980 Royalty Settlement  
29 Agreement for Prudhoe Bay gas; and

30 (3) establish terms under which the state will exercise its authority to  
31 switch between taking its royalty gas in value and in kind to ensure that the state's

1 actions do not unreasonably

2 (A) cause the lessee or other person to bear disproportionate  
3 transportation costs with respect to the state's royalty gas;

4 (B) interfere with the lessee's or other person's long-term  
5 marketing of its production.

6 (b) If a lessee or other person qualified for resource inducement under  
7 AS 43.90.300 agrees under (c) of this section, the lessee or other person is entitled to  
8 elect whether

9 (1) to calculate its gas royalty obligation under the regulations adopted  
10 under (a) of this section for natural gas transported on a firm contract negotiated  
11 during the project's first binding open season or under the methodology set out in the  
12 existing leases from which the gas is produced, and

13 (A) upon the request of the lessee, the commissioner of natural  
14 resources shall contractually amend the existing lease to effect the election  
15 under this paragraph and incorporate into the lease terms of the relevant  
16 regulation as fixed contract terms; and

17 (B) the election under this subsection remains in effect until  
18 new regulations are adopted as a result of a review under (d) of this section, at  
19 which time, a lessee or other person qualified under AS 43.90.300 may change  
20 its election under this paragraph; upon the request of the lessee, the  
21 commissioner of natural resources shall contractually amend the lease to  
22 incorporate as fixed contract terms the relevant revised regulatory provisions;  
23 or

24 (2) to enter into a contract with the state that amends the existing lease  
25 terms by

26 (A) extending the required period of notice that the state must  
27 provide before exercising the state's right to switch between taking its royalty  
28 in value or in kind for gas committed for firm transportation in the first binding  
29 open season of the project; or

30 (B) eliminating the ability of the state to take its royalty in kind  
31 for gas in the quantity and volume committed to the firm transportation

1 capacity acquired during the first binding open season of the project, if the  
2 person entitled to this election agrees to provide gas for in-state residential and  
3 commercial uses at the delivery points described in the license at the same  
4 value as would be received by the state if the state receives its royalty in value  
5 with the corresponding distance-sensitive transportation charges; if the lessee  
6 or other person exercising this election fails to adequately supply the in-state  
7 gas requirements, after reasonable notice, or if the contract effectively prevents  
8 the state from exercising its rights with other lessees to switch between taking  
9 its royalty in value or in kind because of various unit agreements among  
10 lessees, the election is considered to terminate, and the provisions of the  
11 original lease relating to the state's taking its royalty gas in kind or in value  
12 apply.

13 (c) To claim the inducement under (b) of this section, a lessee or other  
14 qualified person shall agree, on an application form provided by the Department of  
15 Natural Resources, that the lessee or person, and the lessee's or person's affiliates,  
16 successors, assigns, and agents will not protest or appeal a filing by the licensee to roll  
17 in expansion costs of the mainline up to a level that is required in AS 43.90.130(7).  
18 The agreement not to protest may not preclude the lessee or other qualified person, or  
19 the affiliates, successors, assigns, and agents of the lessee or other qualified person,  
20 from protesting a filing to roll in mainline expansion costs that licensee is not required  
21 to propose and support under AS 43.90.130(7).

22 (d) The commissioner of natural resources shall provide for review of the  
23 regulations adopted under (a) of this section at least every two years after the  
24 commencement of commercial operations to determine whether the regulations  
25 continue to minimize retroactive adjustments to the monthly value of the state's  
26 royalty share of gas production under current conditions; the commissioner shall  
27 amend the regulations when the requirement is not being met.

28 (e) No provision of this chapter precludes the election set out in (b) of this  
29 section, nor may the commissioner of natural resources assert any provision of any  
30 existing lease or unit agreement as precluding the elections set out in (b) of this  
31 section.

1           **Sec. 43.90.320. Gas production tax exemption.** (a) If a person qualified for  
2 resource inducement under AS 43.90.300 agrees under (c) of this section, the person is  
3 entitled to an annual exemption from the state's gas production tax in an amount equal  
4 to the difference between the amount of the person's gas production tax obligation  
5 calculated under the gas production tax in effect during that tax year and the amount of  
6 the person's gas production tax obligation calculated under the gas production tax in  
7 effect at the start of the first binding open season held under this chapter. If the  
8 difference is less than zero, the gas production tax exemption is zero.

9           (b) The exemption under this section may be applied within the 10 years  
10 immediately following commencement of commercial operations and only applied to  
11 production taxes that are levied on North Slope gas shipped through firm  
12 transportation capacity the person acquired during the first binding open season or  
13 shipped in the firm transportation capacity described in a voucher received by the gas  
14 producer under AS 43.90.330.

15           (c) The person claiming the exemption under this section shall agree that the  
16 person and the person's affiliates, successors, assigns, and agents will not protest or  
17 appeal a filing by the licensee to roll in mainline expansion costs up to the level that  
18 the licensee is required to propose and support under AS 43.90.130(7); the agreement  
19 required under this subsection may not preclude the person or the person's affiliates,  
20 successors, assigns, and agents, from protesting a filing to roll in mainline expansion  
21 costs that the licensee is not required to propose and support under AS 43.90.130(7).

22           **Sec. 43.90.330. Inducement vouchers.** (a) A person that acquires firm  
23 transportation capacity in the first binding open season of the project, that does not  
24 hold an oil and gas lease on the North Slope, and that is not an affiliate of a person that  
25 holds an oil and gas lease on the North Slope, may apply to the commissioners for a  
26 voucher under this section. A voucher issued by the commissioners must describe the  
27 firm transportation capacity in the project to which the voucher is applicable.

28           (b) A voucher issued by the commissioners under this section entitles the  
29 holder of the voucher to the resource inducements in AS 43.90.310 and 43.90.320 for  
30 gas shipped in the firm transportation capacity acquired by the person applying for the  
31 voucher during the first binding open season of the project and described in the

1 voucher. The voucher may be transferred to a gas producer that has a binding  
2 obligation to sell gas to the person transferring the voucher under a gas purchase  
3 agreement.

4 (c) A gas producer holding a voucher may claim the resource inducements for  
5 gas shipped through the firm transportation capacity described in the voucher and only  
6 on gas that is produced and delivered to the purchaser on the North Slope. A gas  
7 producer may claim the resource inducements under this subsection until the earlier of  
8 the termination of the binding gas purchase agreement or the expiration of the  
9 inducements by operation of law.

#### 10 Article 4. Miscellaneous Provisions.

11 **Sec. 43.90.400. Alaska Gasline Inducement Act matching contribution**  
12 **fund; disbursements; audits.** (a) There is established in the general fund an Alaska  
13 Gasline Inducement Act matching contribution fund. The fund consists of money  
14 appropriated to it by the legislature for disbursement to pay the state's matching  
15 contributions under AS 43.90.110. Money appropriated to the fund may be spent for  
16 the purposes of the fund without further appropriation. Appropriations to the fund do  
17 not lapse under AS 37.25.010, but remain in the fund for future disbursements.  
18 Nothing in this subsection creates a dedicated fund.

19 (b) The Department of Revenue shall manage the fund, and may invest money  
20 in the fund so as to yield competitive market rates as provided in AS 37.10.071.  
21 Income earned on the fund shall be accounted for separately and may be appropriated  
22 annually to the fund.

23 (c) The commissioners shall adopt regulations that provide for application to  
24 receive matching contributions for qualified expenditures as provided under  
25 AS 43.90.110, and that provide for periodic audits of the use of money disbursed as  
26 matching contributions under this chapter.

27 (d) Within 10 days after the convening of each regular session of the  
28 legislature, the commissioners shall submit to the legislature a report that lists the  
29 disbursements from the fund during the preceding fiscal year with a written  
30 justification for each disbursement and the projected amount of money that will be  
31 required for contributions in each of the next three fiscal years.

1           **Sec. 43.90.410. Regulations.** The commissioner of revenue may adopt  
2 regulations on behalf of the commissioners for the purpose of implementing the  
3 provisions of this chapter. The commissioner of revenue and the commissioner of  
4 natural resources may change regulations adopted under authority outside of this  
5 chapter as necessary to implement the provisions of this chapter.

6           **Sec. 43.90.420. Statute of limitations.** A person may not bring a judicial  
7 action challenging the constitutionality of this chapter or a license issued under this  
8 chapter unless the action is commenced in a court of the state of competent  
9 jurisdiction within 90 days after the date that a license is issued.

10           **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter  
11 becomes delinquent, the payment bears interest at the rate applicable to a delinquent  
12 tax under AS 43.05.225.

13           **Sec. 43.90.440. Licensed project assurances.** (a) Except as otherwise  
14 provided in this chapter, the state grants a licensee assurances that the licensee has  
15 exclusive enjoyment of the inducement provided under this chapter before the  
16 commencement of commercial operations. If, before the commencement of  
17 commercial operations, the state extends to another person preferential royalty or tax  
18 treatment or grant of state money for the purpose of facilitating the construction of a  
19 competing natural gas pipeline project in this state, and if the licensee is in compliance  
20 with the requirements of the license and with the requirements of state and federal  
21 statutes and regulations relevant to the project, the licensee is entitled to payment from  
22 the state of an amount equal to three times the total amount of the expenditures  
23 incurred and paid by the licensee that are qualified expenditures for the purposes of  
24 AS 43.90.110 that the licensee incurred in developing the licensee's project before the  
25 date that the state first extended preferential treatment to another person. The payment  
26 under this subsection is subject to appropriation. Upon payment by the state of the  
27 amount owed under this section, the licensee shall, at no additional cost to the state,  
28 assign to the state or the state's designee all engineering designs, contracts, permits,  
29 and other data related to the project that were acquired by the licensee during the term  
30 of the license.

31           (b) In this section,

1 (1) "competing natural gas pipeline project" means a project designed  
2 to accommodate throughput of more than 500,000,000 cubic feet a day of North Slope  
3 gas to market;

4 (2) "preferential royalty or tax treatment" does not include

5 (A) the state's exercise of its right to resolve disputes involving  
6 royalties and taxes;

7 (B) the state's exercise of its right to modify royalties as  
8 authorized by law in effect on the effective date of this section; or

9 (C) the benefits of a large project permit coordinator authorized  
10 by a law in effect on the effective date of this section.

11 **Sec. 43.90.450. Assignments.** (a) A licensee may transfer all or part of the  
12 license, including the rights and obligations arising under the license, if, after  
13 publishing notice of the proposed transfer, providing notice to the presiding officer of  
14 each house of the legislature, and providing a period not less than 30 days for public  
15 review and comment,

16 (1) the transfer is approved in writing in advance by the  
17 commissioners; and

18 (2) the transfer does not increase or diminish the obligations created by  
19 the license or diminish the likelihood of success of the project or the net present value  
20 of the license to the state.

21 (b) Notwithstanding the commissioners' approval of a transfer of all or part of  
22 a license under (a) of this section, the transferor of the license remains subject to the  
23 requirements of AS 43.90.220 regarding all state money received by the licensee  
24 before the effective date of the transfer.

25 (c) A person may transfer that person's rights to the royalty inducement under  
26 AS 43.90.310 and the gas production tax exemptions under AS 43.90.320 only in  
27 connection with a sale or merger that results in transfer of all the person's assets in the  
28 North Slope of this state, along with the person's firm transportation capacity contracts  
29 in the project.

30 (d) Except for the transfer of a voucher to a producer under AS 43.90.330(b),  
31 a person receiving a voucher under AS 43.90.330 based on the person's acquisition of

1 firm transportation capacity in the first binding open season of the project may transfer  
2 the voucher only if the transfer is in connection with the permanent assignment by the  
3 person of 100 percent of the firm transportation capacity acquired in the first binding  
4 open season of the project.

5 **Sec. 43.90.460. Conflicting laws.** Nothing in this chapter shall be construed to  
6 repeal or abrogate the administrative, regulatory, or statutory procedures and functions  
7 of state and federal law governing the development and oversight of a project.

8 **Sec. 43.90.470. State pipeline employment development.** The commissioner  
9 of labor and workforce development shall develop a job training program that will  
10 provide training for Alaskans in gas pipeline project management, construction,  
11 operations, maintenance, and other gas pipeline-related positions.

#### 12 **Article 5. General Provisions.**

13 **Sec. 43.90.900. Definitions.** In this chapter, unless the context otherwise  
14 requires,

15 (1) "affiliate" means another person that controls, is controlled by, or is  
16 under common control with a person and includes a division that operates as a  
17 functional unit;

18 (2) "Alaska Gasline Inducement Act coordinator" and "coordinator"  
19 means the person appointed under AS 43.90.250;

20 (3) "commencement of commercial operations" means the first flow of  
21 gas in the project that generates revenue to the owners;

22 (4) "commissioners" means the commissioner of revenue and the  
23 commissioner of natural resources;

24 (5) "control" means the possession of ownership interest or authority  
25 sufficient to, directly or indirectly, and whether acting alone or in conjunction with  
26 others, direct or cause the direction of the management or policies of a company, and  
27 is rebuttably presumed if the voting interest held is 10 percent or more;

28 (6) "equity holder" means the

29 (A) stockholders of a corporation;

30 (B) members of a limited liability company;

31 (C) partners of a partnership;

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(D) joint venturers of a joint venture;

(E) members of a governmental authority and similar persons;

or

(F) holders of any other entity or person;

(7) "gas processing" means the treatment of gas downstream of the point of production to extract natural gas liquids;

(8) "governing body" means a corporation's board of directors, a limited liability company's managing members, a partnership's general partners, a joint venturer's joint venturers, a governmental authority's board or council members, and similar entities;

(9) "lease" means an oil and gas or gas lease issued by this state;

(10) "lessee" means a person that holds a working interest in an oil and gas or gas lease issued by this state;

(11) "license" means a license issued under this chapter;

(12) "licensee" means the holder of a license issued under this chapter and all affiliates, successors, assigns, and agents of the holder;

(13) "North Slope" means that part of the state that lies North of 68 degrees North latitude;

(14) "North Slope gas" means natural gas produced on the North Slope;

(15) "open season" means the process that complies with 18 C.F.R. Part 157, Subpart B (Open Seasons for Alaska Natural Gas Transportation Projects);

(16) "project" means a natural gas pipeline project authorized under a license issued under this chapter;

(17) "recourse rates" means cost-based rates with a minimum and maximum range that are approved by the Federal Energy Regulatory Commission, the Regulatory Commission of Alaska, or the National Energy Board of Canada, as appropriate, and set out in the pipeline's tariff; "recourse rates" includes only those rates that the pipeline must make available to all shippers;

(18) "sanction" means financial commitments to go forward with the project as evidenced by entering into financial commitments of at least

1 \$1,000,000,000 with third parties;

2 (19) "under common control with" has the meaning given "control" in  
3 this section;

4 (20) "unit agreement" means an agreement executed by the working  
5 interest owners and royalty owners creating the unit.

6 **Sec. 43.90.990. Short title.** This chapter may be cited as the Alaska Gasline  
7 Inducement Act.

8 \* **Sec. 2.** AS 36.30.850(b) is amended by adding a new paragraph to read:

9 (45) contracts for an arbitration panel to determine whether a project is  
10 uneconomic under AS 43.90.240, and contracts for the development of application  
11 provisions for licensure and for the evaluation of those applications under AS 43.90.

12 \* **Sec. 3.** AS 39.25.110 is amended by adding a new paragraph to read:

13 (41) the Alaska Gasline Inducement Act coordinator appointed under  
14 AS 43.90.250.

15 \* **Sec. 4.** AS 40.25.120(a) is amended to read:

16 (a) Every person has a right to inspect a public record in the state, including  
17 public records in recorders' offices, except

18 (1) records of vital statistics and adoption proceedings, which shall be  
19 treated in the manner required by AS 18.50;

20 (2) records pertaining to juveniles unless disclosure is authorized by  
21 law;

22 (3) medical and related public health records;

23 (4) records required to be kept confidential by a federal law or  
24 regulation or by state law;

25 (5) to the extent the records are required to be kept confidential under  
26 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure  
27 or retain federal assistance;

28 (6) records or information compiled for law enforcement purposes, but  
29 only to the extent that the production of the law enforcement records or information

30 (A) could reasonably be expected to interfere with enforcement  
31 proceedings;

1 (B) would deprive a person of a right to a fair trial or an  
2 impartial adjudication;

3 (C) could reasonably be expected to constitute an unwarranted  
4 invasion of the personal privacy of a suspect, defendant, victim, or witness;

5 (D) could reasonably be expected to disclose the identity of a  
6 confidential source;

7 (E) would disclose confidential techniques and procedures for  
8 law enforcement investigations or prosecutions;

9 (F) would disclose guidelines for law enforcement  
10 investigations or prosecutions if the disclosure could reasonably be expected to  
11 risk circumvention of the law; or

12 (G) could reasonably be expected to endanger the life or  
13 physical safety of an individual;

14 (7) names, addresses, and other information identifying a person as a  
15 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the  
16 advance college tuition savings program under AS 14.40.803 - 14.40.817;

17 (8) public records containing information that would disclose or might  
18 lead to the disclosure of a component in the process used to execute or adopt an  
19 electronic signature if the disclosure would or might cause the electronic signature to  
20 cease being under the sole control of the person using it;

21 (9) reports submitted under AS 05.25.030 concerning certain  
22 collisions, accidents, or other casualties involving boats;

23 (10) records or information pertaining to a plan, program, or  
24 procedures for establishing, maintaining, or restoring security in the state, or to a  
25 detailed description or evaluation of systems, facilities, or infrastructure in the state,  
26 but only to the extent that the production of the records or information

27 (A) could reasonably be expected to interfere with the  
28 implementation or enforcement of the security plan, program, or procedures;

29 (B) would disclose confidential guidelines for investigations or  
30 enforcement and the disclosure could reasonably be expected to risk  
31 circumvention of the law; or

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(C) could reasonably be expected to endanger the life or physical safety of an individual or to present a real and substantial risk to the public health and welfare;

(11) the written notification regarding a proposed regulation provided under AS 24.20.105 to the Department of Law and the affected state agency and communications between the Legislative Affairs Agency, the Department of Law, and the affected state agency under AS 24.20.105;

(12) records that are

(A) proprietary or a trade secret in accordance with AS 43.90.150;

(B) applications that are received under AS 43.90.120 - 43.90.140 until notice is published under AS 43.90.160.

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

FIRST REQUEST FOR APPLICATIONS FOR THE LICENSE. It is the intent of the legislature that the first request for applications for the license by the commissioners under AS 43.90.120, enacted by sec. 1 of this Act, be issued within 90 days after the effective date of this Act.

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

EXPEDITED CONSIDERATION OF COURT CASES. It is the intent of the legislature that the courts of the state, when considering a case related to the development and construction of a natural gas pipeline under this Act or to the commitment of a shipper to acquire firm transportation capacity during the first binding open season for a project developed under this Act, expedite the resolution of the case by giving the case priority over all other civil cases to the extent permitted under the Alaska Rules of Court.

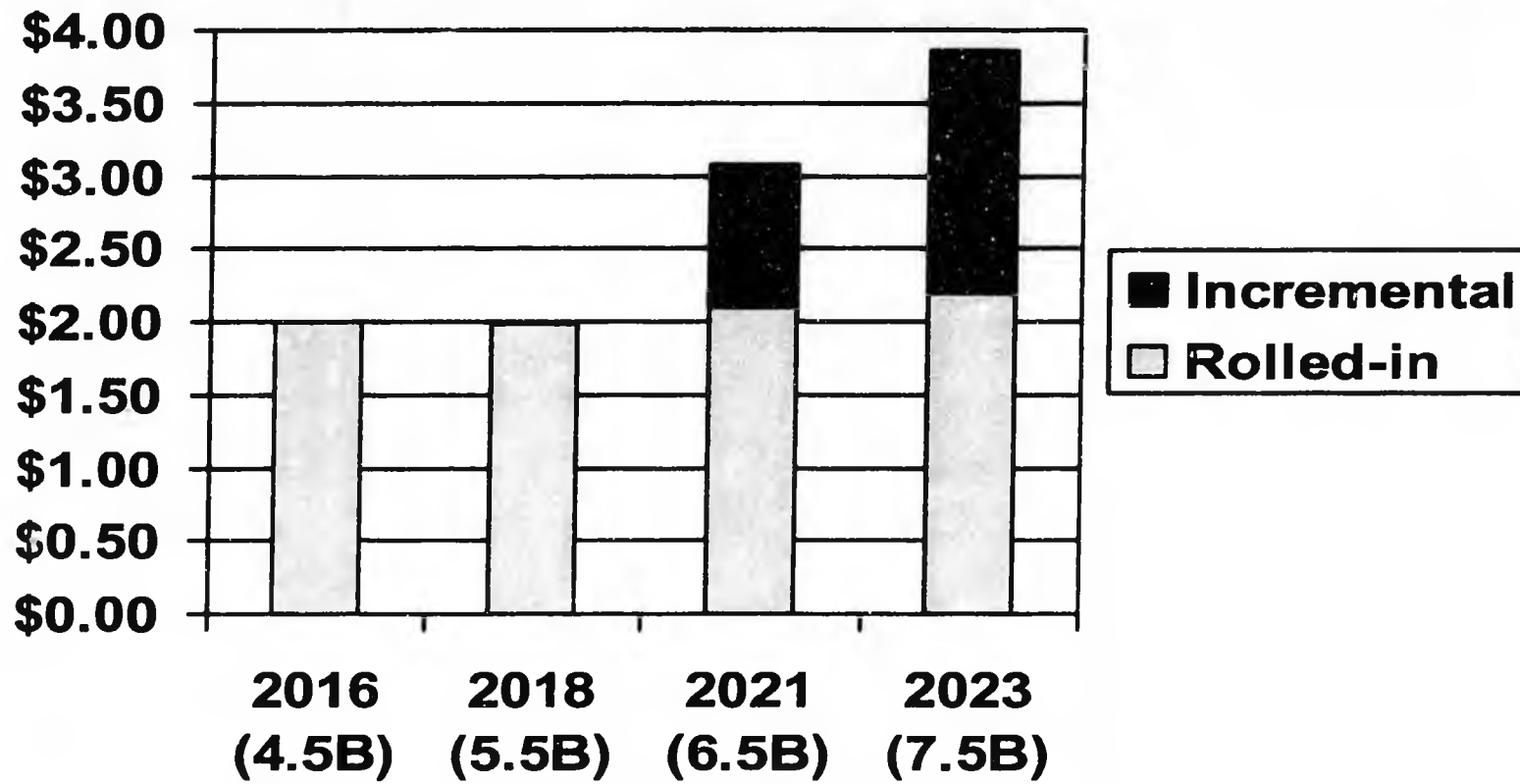
\* Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to read:

SEVERABILITY. Under AS 01.10.030, if any provision of this Act, or the application of it to any person or circumstance, is held invalid, the remainder of this Act and the application to other persons or circumstances are not affected.

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\* Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

**AGIA RATE POLICY**  
**Rolled-in vs Incremental**



25-GH1060K  
Bullock  
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**CS FOR HOUSE BILL NO. 177(RES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered:**  
**Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Gasline Inducement Act; providing inducements for the**  
2 **construction of a natural gas pipeline and shippers that commit to use that pipeline;**  
3 **establishing the Alaska Gasline Inducement Act matching contribution fund; providing**  
4 **for an Alaska Gasline Inducement Act coordinator; making conforming amendments;**  
5 **and providing for an effective date."**

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

7 **\* Section 1. AS 43 is amended by adding a new chapter to read:**

8 **Chapter 90. Alaska Gasline Inducement Act.**

9 **Article 1. Inducement to Construction of a Natural Gas Pipeline in this State.**

10 **Sec. 43.90.010. Purpose.** The purpose of this chapter is to encourage  
11 expedited construction of a natural gas pipeline that

12 (1) facilitates commercialization of North Slope gas resources in the  
13 state;

1 (2) promotes exploration and development of oil and gas resources on  
2 the North Slope;

3 (3) maximizes benefits to the people of the state from the development  
4 of oil and gas resources in the state; and

5 (4) encourages oil and gas lessees and other persons in the state to  
6 commit natural gas from the North Slope to a gas pipeline system for transportation to  
7 markets in this state or elsewhere.

8 **Article 2. Alaska Gasline Inducement Act License.**

9 **Sec. 43.90.100. Gas project.** (a) The commissioner of revenue and the  
10 commissioner of natural resources, acting jointly, may award an Alaska Gasline  
11 Inducement Act license as provided in this chapter. The person awarded a license  
12 under this chapter is entitled to the inducement set out in AS 43.90.110.

13 (b) Nothing in this chapter precludes a person from pursuing a gas pipeline  
14 project independently from this chapter.

15 **Sec. 43.90.110. Natural gas pipeline project construction inducement.** (a)  
16 Subject to the limitations of this chapter, a license issued under this chapter entitle the  
17 licensee or its designated affiliate to receive

18 (1) subject to appropriation, state matching contributions in a total  
19 amount not to exceed \$500,000,000, paid to the licensee during the five-year period  
20 immediately following the date the license is awarded; the payment period may be  
21 extended under an amendment or modification under AS 43.90.210; a payment under  
22 this paragraph shall be made according to the following:

23 (A) on or before the close of the first binding open season, the  
24 state shall match the licensee's qualified expenditures at the level specified in  
25 the license; however, the state's matching contribution may not exceed 50  
26 percent of the qualified expenditures incurred before the end of the first  
27 binding open season;

28 (B) after the close of the first binding open season, the state  
29 shall match the licensee's qualified expenditures at the level specified in the  
30 license; however, the state's matching contribution may not be greater than 80  
31 percent of the qualified expenditures incurred after the close of the first

1 binding open season;

2 (C) a qualified expenditure is a cost that is incurred after the  
 3 license is issued under this chapter, is incurred by the licensee or the licensee's  
 4 designated affiliate, and is directly and reasonably related to obtaining a  
 5 certificate of public convenience and necessity from the Federal Energy  
 6 Regulatory Commission or the Regulatory Commission of Alaska, as  
 7 appropriate, for development of the project; "qualified expenditure" does not  
 8 include overhead costs, litigation costs, the cost of an asset or work product  
 9 acquired by the licensee before the license is issued, civil penalties, criminal  
 10 penalties, or fines;

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 amended certificate

11 (2) the benefit of an Alaska Gasline Inducement Act coordinator who  
 12 has the authority prescribed in AS 43.90.250; and

13 (3) the benefits of coordination with qualified training organizations  
 14 that prepare individuals for employment in gas pipeline project management,  
 15 construction, operation, maintenance, and other gas pipeline-related positions.

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16 (b) The commissioner of revenue in consultation with the commissioner of  
 17 natural resources shall adopt regulations for determining whether an expenditure is a  
 18 qualified expenditure for the purposes of (a) of this section.

19 **Sec. 43.90.120. Request for applications for the license.** (a) The  
 20 commissioners shall commence a public process to request applications for a license  
 21 under this chapter as soon as practicable after the effective date of this chapter.

22 (b) The commissioners may use independent contractors to assist them in  
 23 developing the application and in evaluating the applications received.

24 (c) The provisions of AS 36.30 do not apply to requests for applications under  
 25 this chapter.

26 **Sec. 43.90.130. Application requirements.** In order to be considered for the  
 27 license, an applicant shall file an application that is consistent with the terms of the  
 28 request for applications under AS 43.90.120 and shall

29 (1) file the application by the deadline established by the  
 30 commissioners in the request for applications;

31 (2) provide a detailed description of a proposed natural gas pipeline

1 project for transporting natural gas from the North Slope to market, which may  
2 include multiple design proposals, including different proposals for pipe diameter,  
3 wall thickness, and transportation capacity, and which shall include

4 (A) the route proposed for the natural gas pipeline; *#20 Section*

5 (B) the location of receipt and delivery points and the size and  
6 design capacity of the proposed natural gas pipeline at the proposed receipt and  
7 delivery points, except that this information is not required for in-state delivery  
8 points; *unless the application proposes specific in-state*

*#21*

9 *delivery points;* (C) an analysis demonstrating the economic and technical  
10 viability of the project; *#22 Section*

11 (D) an economically and technically viable work plan, timeline,  
12 and associated budget for developing the proposed project and work associated  
13 with the project that includes field work, environmental studies, design and  
14 engineering, implementing practices for controlling carbon emissions from  
15 natural gas systems as established by the United States Environmental  
16 Protection Agency, and complying with all applicable state, federal, and  
17 international regulatory requirements that affect the proposed project; the  
18 applicant shall address the following:

19 (i) if the proposed project involves a pipeline into or  
20 through Canada, a detailed description of the applicant's plan to obtain  
21 necessary rights-of-way and authorizations in Canada, a description of  
22 the transportation services to be provided and a description of rate-  
23 making methodologies the applicant will propose to the regulatory  
24 agencies, an estimate of rates and charges for all services; *[*and a  
25 detailed description of all access and tariff terms that the applicant  
26 would propose to offer; *]*

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27 (ii) if the proposed project involves marine  
28 transportation of liquefied natural gas, ~~the~~ a description of the marine  
29 transportation services to be provided and a description of proposed  
30 rate-making methodologies; an estimate of rates and charges for all  
31 services by third parties; a detailed description of all proposed access

1 and tariff terms for liquefaction services or, if a third party would  
 2 perform liquefaction services, the identification of that third party and  
 3 the terms applicable to the liquefaction services; a complete description  
 4 of the marine segment of the project, including the proposed  
 5 ownership, control, and cost of liquefied natural gas tankers, the  
 6 management of shipping services, liquefied natural gas export  
 7 destination, regasification facilities and pipeline facilities needed for  
 8 transport to market destinations; the entity or entities that would be  
 9 required to obtain necessary export permits and licenses or a certificate  
 10 of public convenience and necessity from the Federal Energy  
 11 Regulatory Commission for the transportation of liquefied natural gas  
 12 in interstate commerce <sup>2</sup> if United States markets are proposed <sup>2</sup>; and all  
 13 rights-of-way or authorizations required from a foreign country;

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 withdraw

14 (3) if the proposed project is within the jurisdiction of the Federal

15 Energy Regulatory Commission, commit to

16 (A) conclude, by a date certain that is not later than 36 months  
 17 after the date the license is issued, a binding open season that is consistent with  
 18 the requirements of 18 C.F.R. Part 157, Subpart B (Open Seasons for Alaska  
 19 Natural Gas Transportation Projects) and 18 C.F.R. 157.30 - 157.39;

20 (B) apply for Federal Energy Regulatory Commission approval  
 21 to use the pre-filing procedures set out in 18 C.F.R. 157.21 by a date certain,  
 22 and use those procedures before filing an application for a certificate or  
 23 amended certificate of public convenience and necessity; and

24 (C) apply for a Federal Energy Regulatory Commission  
 25 certificate or amended certificate of public convenience and necessity to  
 26 authorize the construction and operation of the proposed project described in  
 27 this section by a date certain;

28 (4) if the proposed project is within the jurisdiction of the Regulatory  
 29 Commission of Alaska, commit to

30 (A) conclude, by a date certain that is not later than 36 months  
 31 after the date the license is issued, a binding open season that is consistent with

1 the requirements of AS 42.06; and

2 (B) apply for a certificate of public convenience and necessity  
3 to authorize the construction and operation of the proposed project by a date  
4 certain;

5 (5) after the first binding open season, commit to assess the market  
6 demand for additional pipeline capacity at least every two years through public  
7 nonbinding solicitations or similar means;

8 (6) commit to expand the proposed project in reasonable engineering  
9 increments and on commercially reasonable terms that encourage exploration and  
10 development of gas resources in this state; in this paragraph,

11 (A) "commercially reasonable terms" means that, subject to the  
12 provisions of (7) of this section, revenue from transportation contracts covers  
13 the cost of the expansion, including increased fuel costs, and a reasonable  
14 return on capital as authorized by the Federal Energy Regulatory Commission  
15 or the Regulatory Commission of Alaska, as applicable, and there is no  
16 impairment of the proposed project's ability to recover the costs of existing  
17 facilities;

18 (B) "reasonable engineering increments" means the amount of  
19 additional capacity that could be added by compression or a pipe addition  
20 using a compressor size or pipe size, as applicable, that is substantially similar  
21 to the original compressor size and the original pipe size;

22 (7) make a commitment that the applicant

23 (A) will propose and support the recovery of mainline capacity  
24 expansion costs, including fuel costs, from all mainline system users through  
25 rolled-in rates as provided in (B) and (C) of this paragraph or through a  
26 combination of incremental and rolled-in rates as provided in (D) of this  
27 paragraph;

28 (B) will propose and support the recovery of mainline capacity  
29 expansion costs, including fuel costs, from all mainline system users through  
30 rolled-in rates; ~~an applicant is obligated under this subparagraph only if the~~  
31 ~~rolled-in rates would increase the rates~~

1 (i) not described in (ii) of this subparagraph by not more  
 2 than 15 percent above the initial maximum recourse rates for capacity  
 3 acquired before commercial operations commence; in this sub-  
 4 subparagraph, "initial maximum recourse rates" means the highest cost-  
 5 based rates for any specific transportation service set by the Federal  
 6 Energy Regulatory Commission, the Regulatory Commission of  
 7 Alaska, or the National Energy Board of Canada, as appropriate, when  
 8 the pipeline commences commercial operations;

9 (ii) by not more than 15 percent above the negotiated  
 10 rate for pipeline capacity on the date of commencement of commercial  
 11 operations where the holder of the capacity is not an affiliate of the  
 12 owner of the pipeline project; for the purposes of this sub-  
 13 subparagraph, "negotiated rate" means the rate in a transportation  
 14 service agreement that provides for a rate that varies from the otherwise  
 15 applicable cost-based rate, or recourse rate, set out in a gas pipeline's  
 16 tariff approved by the Federal Energy Regulatory Commission, the  
 17 Regulatory Commission of Alaska, or the National Energy Board of  
 18 Canada, as appropriate; or

19 (iii) for capacity acquired in an expansion after  
 20 commercial operations commence, to a level that is not more than 115  
 21 percent of the volume-weighted average of all rates collected by the  
 22 project owner for pipeline capacity on the date commercial operations  
 23 commence;

24 (C) will, if recovery of mainline capacity expansion costs,  
 25 including fuel costs, through rolled-in rate treatment would increase the rates  
 26 for capacity described in (B) of this paragraph, propose and support the partial  
 27 roll-in of mainline expansion costs, including fuel costs, to the extent that rates  
 28 acquired before commercial operations commence do not exceed the levels  
 29 described in (B) of this paragraph;

30 (D) may, for the recovery of mainline capacity expansion costs,  
 31 including fuel costs, that, under rolled-in rate treatment, would result in rates

1 that exceed the level in (B) of this paragraph, propose and support the recovery  
 2 of those costs through any combination of incremental and rolled-in rates;  
 3 (E) will not enter into a negotiated rate agreement that would  
 4 preclude the applicant from collecting from any shipper, including a shipper  
 5 with a negotiated rate agreement, the rolled-in rates that are required to be  
 6 proposed and supported by the applicant under (B) of this paragraph or the  
 7 partial rolled-in rates that are required to be proposed and supported by the  
 8 applicant under (C) of this paragraph;

9 (8) state how the applicant proposes to deal with a North Slope gas  
 10 treatment plant regardless of whether that plant is part of the applicant's proposal, and,  
 11 to the extent that the plant will be owned entirely or in part by the applicant, commit to  
 12 seek certificate authority from the Federal Energy Regulatory Commission if the  
 13 proposed project is engaged in interstate commerce or from the Regulatory  
 14 Commission of Alaska if the project is not engaged in interstate commerce; for a  
 15 North Slope gas treatment plant that will be owned entirely or in part by the applicant,  
 16 and, for rate-making purposes, commit to value previously owned <sup>used</sup> assets that are part of the  
 17 gas treatment plant at net book value; describe the gas treatment plant, including its  
 18 design, engineering, construction, ownership, and plan of operation; the identity of any  
 19 third party that will participate in the ownership or operation of the gas treatment  
 20 plant, and the means by which the applicant will work to minimize the effect of the  
 21 costs of the facility on the tariff;

22 (9) propose a percentage and total dollar amount for the state's  
 23 matching contribution under AS 43.90.110(1)(A) and (B), to be specified in the  
 24 license;

25 (10) commit <sup>that the applicant will</sup> to propose and support rates for the proposed project and  
 26 for any North Slope gas treatment plant that the applicant may own, in whole or in  
 27 part, that are based on a capital structure for rate-making that consists of not less than  
 28 70 percent debt;

29 (11) describe the means for preventing or managing cost overruns for  
 30 the proposed project, and the measures <sup>by which the applicant plans to</sup> for minimizing the effect from any overruns;

31 (12) commit to provide a minimum of five delivery points of natural

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1 gas in this state;

2 (13) commit to offer firm transportation service to delivery points in  
3 this state as part of the tariff regardless of whether any shippers bid successfully in a  
4 binding open season for firm transportation service to delivery points in this state, and  
5 commit to offer distance-sensitive rates to delivery points in this state consistent with  
6 18 C.F.R. 157.34(c)(8);

7 (14) commit to establish a local headquarters in this state for the  
8 proposed project;

9 (15) to the extent permitted by law, commit to

10 (A) hire qualified residents from throughout the state for  
11 management, engineering, construction, operations, maintenance, and other  
12 positions on the proposed project;

13 (B) contract with businesses located in the state;

14 (C) establish hiring facilities or use existing hiring facilities in  
15 the state; and

16 (D) use, as far as is practicable, the job centers and associated  
17 services operated by the Department of Labor and Workforce Development  
18 and an Internet-based labor exchange system operated by the state;

19 (16) waive the right to appeal the issuance of a license to another  
20 applicant or to appeal the determination under AS 43.90.180(b) that no application  
21 merits the issuance of a license;

22 (17) commit to negotiate, before construction, a project labor  
23 agreement; in this paragraph, "project labor agreement" means a comprehensive  
24 collective bargaining agreement between the licensee or its agent and the appropriate  
25 labor representatives to ensure expedited construction with labor stability for the  
26 project by qualified residents of the state;

27 (18) commit that the state matching contribution received by the  
28 licensee may not be included in the applicant's rate base and shall be used as a credit  
29 against the licensee's cost of service;

30 (19) provide a detailed description of the applicant and other entities  
31 participating with the applicant in the application and the project proposed by the

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1 applicant; and persons the applicant intends to involve in the construction and  
2 operation of the proposed project; the description must include the nature of the  
3 affiliation for each person, the commitments by the person to the applicant, and other  
4 information relevant to the commissioners' evaluation of the readiness and ability of  
5 the applicant to complete the project presented in the application; and

6 (20) otherwise demonstrate the readiness and ability to perform the  
7 activities specified in the application, including following the detailed work plan,  
8 timeline, and operation within the associated budget.

9 **Sec. 43.90.140. Initial application review; additional information requests;**  
10 **complete applications.** (a) The commissioners shall review each application filed  
11 under AS 43.90.130 to determine whether it is consistent with the terms of the request  
12 for applications and meets the requirements in AS 43.90.130. The commissioners shall  
13 reject an application that does not meet the terms of the request for applications or the  
14 requirements in AS 43.90.130.

15 (b) The commissioners may request additional information relating to the  
16 application.

17 (c) ~~If, within the time specified by the commissioners, the applicant fails to~~  
18 ~~provide the additional information requested under (b) of this section, or submits~~  
19 ~~additional information that is not responsive, the application shall be rejected.~~

20 (d) ~~For an application not rejected under this section, the commissioners shall~~  
21 ~~make a determination that the application, including any requested additional~~  
22 ~~information is complete.~~

23 **Sec. 43.90.150. Proprietary information and trade secrets.** (a) At the  
24 request of the applicant, information submitted under this chapter that the applicant  
25 identifies and demonstrates is proprietary or is a trade secret is confidential and not  
26 subject to public disclosure under AS 40.25, unless the applicant is granted a license  
27 under this chapter. After a license is awarded, all information submitted by the  
28 licensee under this chapter, and retained for the purposes of this chapter, shall be made  
29 public.

30 (b) If the commissioners determine that the information submitted by the  
31 applicant is not proprietary or is not a trade secret, the commissioners shall notify the

1 applicant and return the information at the request of the applicant.

2 <sup>H25</sup> (c) An applicant that challenges the award of a license or the process for  
3 making the award shall be considered to have consented to the disclosure of all of the  
4 information submitted under this chapter by the applicant making challenge, including  
5 information held confidential under (a) of this section.

6 (d) In this section, "proprietary" means that the information is treated by the  
7 applicant as confidential and the public disclosure of that information would adversely  
8 affect the competitive position of the applicant, or materially diminish the commercial  
9 value of the information to the applicant.

10 **Sec. 43.90.160. Notice, review, and comment.** (a) The commissioners shall  
11 publish notice and provide a 60-day period for public review and comment on all  
12 applications determined complete under AS 43.90.140.

13 (b) Applications received under this chapter are not subject to public  
14 disclosure under AS 40.25 until the commissioners publish notice under this section.  
15 However, information that the commissioners have determined is confidential under  
16 AS 43.90.150 may not be made public even after the notice is published under (a) of  
17 this section, except as provided in AS 43.90.150. If information is held confidential  
18 under AS 43.90.150, the applicant shall provide a summary of the confidential  
19 information that is satisfactory to the commissioners, and the commissioners shall  
20 make the summary of the confidential information available to the public.

21 (c) Information provided by an applicant to the commissioners under this  
22 chapter, including information determined by the commissioners to be confidential  
23 under AS 43.90.150, shall be disclosed to the legislative auditor, the fiscal analyst who  
24 serves as head of the legislative finance division, agents and contractors of the  
25 legislative auditor and the fiscal analyst, and members of the legislature, on request  
26 and after the individual making the request signs a confidentiality agreement prepared  
27 by the commissioners.

28 **Sec. 43.90.170. Application evaluation and ranking.** (a) The commissioners  
29 shall evaluate all applications determined to be complete under AS 43.90.140,  
30 consider public comments received under AS 43.90.160(a), and rank each application  
31 according to the net present value of the anticipated cash flow to the state from the

1 applicant's project proposal using the factors in (b) of this section and weighted by the  
2 project's likelihood of success based on the commissioners' assessment of the factors  
3 listed in (c) of this section.

4 (b) When evaluating the net present value of anticipated cash flow to the state  
5 from the applicant's project proposal, the commissioners shall use an undiscounted  
6 value and, at a minimum, discount rates of two, <sup>Five</sup>~~six~~, and eight percent, and consider

7 (1) how quickly the applicant proposes to begin construction of the  
8 proposed project and how quickly the project will commence commercial operation;

9 (2) the net back value of the gas determined by the destination market  
10 value of the gas and estimated transportation and treatment costs;

11 (3) the ability of the applicant to prevent or reduce project cost  
12 overruns that would increase the tariff;

13 (4) the initial design capacity of the applicant's project and the extent  
14 to which the design can accommodate low-cost expansion; and

15 (5) <sup>original v M, pg 11, line 16-17</sup> other factors found by the commissioners to be relevant to the  
16 evaluation of the net present value of the anticipated cash flow to the state, including  
17 the value of state income tax or equivalent payment in lieu of tax and supplemental  
18 profit-sharing to the state if contractually stipulated.

19 (c) When evaluating the project's likelihood of success, the commissioners  
20 shall consider

21 (1) the reasonableness, specificity, and feasibility of the applicant's  
22 work plan, timeline, and budget required to be submitted under AS 43.90.130,  
23 including the applicant's plan to manage cost overruns, insulate shippers from the  
24 effect of cost overruns, and encourage shippers to participate in the first binding open  
25 season;

26 (2) the financial resources of the applicant;

27 (3) the ability of the applicant to comply with the proposed  
28 performance schedule;

29 (4) the applicant's organization, experience, accounting and operational  
30 controls, technical skills or the ability to obtain them, necessary equipment or the  
31 ability to obtain the necessary equipment;

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- 1 (5) the applicant's record of  
 2 (A) performance on projects not licensed under this chapter;  
 3 (B) integrity and good business ethics; and  
 4 (6) other evidence and factors found by the commissioners to be  
 5 relevant to the evaluation of the project's likelihood of success.

6 (d) In this section, "net present value" means the discounted value of a future  
 7 stream of cash flow.

8 **Sec. 43.90.180. Notice to the legislature of intent to issue license; denial of**  
 9 **license.** (a) If, after consideration of public comments received under AS 43.90.160(a)  
 10 and evaluation of complete applications under AS 43.90.170, the commissioners  
 11 determine that an application proposes a project that will sufficiently maximize the  
 12 benefits to the people of this state and merits issuance of a license under this chapter,  
 13 the commissioners shall

14 (1) issue a determination, with written findings addressing the basis for  
 15 the determination; the determination becomes a final agency action in accordance with  
 16 AS 43.90.190;

17 (2) publish notice of intent to issue a license under this chapter with  
 18 written findings addressing the basis for the determination; and

19 (3) submit the determination along with the findings, supporting  
 20 documentation, and a copy of the notice published under (2) of this subsection to the  
 21 presiding officer of each house of the legislature for action as provided in  
 22 AS 43.90.190.

23 (b) If, after the evaluation of complete applications under AS 43.90.170, the  
 24 commissioners determine that no application sufficiently maximizes the benefits to the  
 25 people of this state and merits issuance of a license under this chapter, the  
 26 commissioners shall issue a written finding that addresses the basis for that  
 27 determination.

28 (c) The commissioners' determination under this (b) of this section is a final  
 29 agency action. (d) ~~deleted~~ w/in 90 days

30 **Sec. 43.90.190. Legislative approval; issuance of license.** (a) After the  
 31 presiding officer of each house of the legislature receives a determination from the

1 commissioners under AS 43.90.180, the rules committee of each house of the  
2 legislature shall introduce a bill in the committee's respective chamber that provides  
3 for the approval of the license proposed to be issued by the commissioners.

4 (b) If a bill approving the issuance of the license passes the legislature within  
5 90 days after the last date a presiding officer receives a determination by the  
6 commissioners under AS 43.90.180, the commissioners shall issue the license as soon  
7 as practicable after the effective date of the Act approving the issuance of the license.

8 (c) Notwithstanding a legislative rule that prohibits the carryover of a bill after  
9 the end of a special session or after the end of a regular session of a legislature, a bill  
10 introduced under (a) of this section that is not passed or not withdrawn, defeated,  
11 vetoed, or indefinitely postponed shall be carried over to any subsequent regular or  
12 special legislative session convened during the 90-day period described in (b) of this  
13 section in the same reading or status it was in at the time of adjournment. However, a  
14 bill introduced under (a) of this section may not be carried over to the first regular  
15 session of a legislature.

16 (d) If the legislature fails to approve the issuance of the license, the  
17 commissioners

18 (1) ~~may not issue the license that the legislature failed to approve; and~~

19 (2) may request new applications for a license under AS 43.90.120.

20 **Sec. 43.90.200. Certification by regulatory authority and project sanction.**

21 (a) A licensee that is awarded a certificate of public convenience and necessity from a  
22 regulatory agency with jurisdiction over the project shall accept the certificate when  
23 all rights of administrative appeal relating to the certificate have expired.

24 (b) If at the time the certificate is awarded, the licensee has credit support  
25 sufficient to finance construction of the project through ownership of rights to produce  
26 and market gas resources, firm transportation commitments, or government financing  
27 the licensee shall sanction the project within one year after the effective date of the  
28 certificate of public convenience and necessity issued by the regulatory agency with  
29 jurisdiction over the project.

30 (c) If at the time the certificate is awarded, the licensee does not have credit  
31 support sufficient to finance construction of the project through ownership of rights to

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1 produce and market gas resources, firm transportation commitments, or government  
2 financing, the licensee shall sanction the project within five years after the effective  
3 date of the certificate of public convenience and necessity issued by the regulatory  
4 agency with jurisdiction over the project.

5 (d) If the licensee fails to sanction the project timely as required under this  
6 section, the licensee shall, upon request by the state,

7 (1) seek approval from the Federal Energy Regulatory Commission or  
8 the Regulatory Commission of Alaska, as applicable, to abandon to the state or the  
9 state's designee; and

10 (2) assign to the state or the state's designee all project data,  
11 engineering designs, contracts, permits, and other data related to the project that are  
12 acquired by the licensee during the term of the license before the date of the  
13 abandonment or transfer.

14 (e) The transfer of any certificate of public convenience and necessity or  
15 transfer under (d) of this section as a result of failure to comply with (a), (b) <sup>or</sup> (c) of  
16 this section is at no cost to the state or the state's designee.

17 (f) In this section, "~~time the certificate is awarded~~" means the date after which  
18 all rights of administrative appeal relating to the certificate have expired.

19 **Sec. 43.90.210. Amendment of or modification to the project plan.** Subject  
20 to the approval of the commissioners, a licensee may amend or modify its project plan  
21 if the amendments or modifications improve the net present value of the project to the  
22 state, are necessary because of an order issued by the Alaska Oil and Gas

23 Conservation Commission, or are necessary as a result of changed circumstances  
24 outside the licensee's control and not reasonably foreseeable before the license was  
25 issued. An amendment or modification approved under this section must be consistent  
26 with the requirements in AS 43.90.130 and, except for an amendment or modification  
27 required because of an order by the Alaska Oil and Gas Conservation Commission, may not  
28 diminish the net present value to the state of the project or the likelihood of success for  
29 the project.

30 **Sec. 43.90.220. Records, reports, conditions, and audit requirements.** (a) A  
31 licensee shall maintain complete and accurate records of all expenditures and

\* The transfer under (c) of this section is at the licensee's net cost.

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1 commitments of state contributions received under this chapter, including receipts and  
2 records showing the payment or cost of purchased items and services, the names and  
3 addresses of the sellers and service providers, and the dates of service or delivery.

4 (b) Upon reasonable notice, the commissioners may audit the records, books,  
5 and files of the entity receiving the state money or making the expenditures and  
6 commitments under this chapter.

7 (c) With respect to information relating to the project, the commissioners may  
8 ~~conduct hearings or other investigative inquiries, compel the attendance of witnesses,~~  
9 ~~and production of documents, and require the licensee to furnish information and~~  
10 ~~documents relating to the project in hard copy or electronic format.~~

11 (d) After a license has been issued and ~~so long as the terms of the license~~  
12 ~~continue to apply~~, the licensee shall allow the commissioners to <sup>until commencement of commercial operations #36</sup>

13 (1) have a representative present at all meetings of the licensee's  
14 governing body and meetings of equity holders that relate to the project;

15 (2) receive all relevant notices and information sent to the governing  
16 body and equity holders;

17 (3) enjoy the same access to information about the licensee as the  
18 governing body members and equity owners receive; and

19 (4) receive relevant reports or information from the licensee that the  
20 commissioners reasonably request.

21 (e) A licensee shall maintain the records and reports required under this  
22 section for seven years from the date the licensee receives state money under this  
23 chapter.

24 **Sec. 43.90.230. License violations; damages.** (a) A licensee is in violation of  
25 the license if the commissioners determine that the licensee has

26 (1) committed money received from the state under this chapter for an  
27 expenditure that is not a qualified expenditure under AS 43.90.110;

28 (2) substantially departed from the specifications set out in the  
29 application without state approval of a project plan amendment or modification under  
30 AS 43.90.210;

31 (3) violated any provision of this chapter or any other provision of

1 state or federal law material to the license; or

2 (4) otherwise violated a material term of the license.

3 (b) The commissioners shall provide written notice to the licensee identifying  
4 a license violation. The commissioners and the licensee have 90 days after the date the  
5 notice is issued to resolve the violation informally.

6 (c) The commissioners may suspend disbursement of state matching  
7 contributions to the licensee beginning on the date that the notice of violation issued  
8 under (b) of this section is sent to the licensee. The commissioners may resume  
9 disbursement on the date that the commissioners determine that the violation is cured.

10 (d) If the commissioners and the licensee are unable to resolve the violation  
11 within the time specified in (b) of this section, the commissioners shall provide the  
12 licensee with notice that the violation has not been cured and provide the opportunity  
13 for the licensee to be heard. If after notice and hearing the commissioners determine  
14 that the violation has not been cured, the commissioners shall issue a written decision  
15 that is a final administrative action for purposes of appeal to the superior court in the  
16 state.

17 (e) If the determination issued under (d) of this section finds an unresolved  
18 violation, the commissioners may impose one or more of the following remedies:

19 (1) discontinuation of state matching contributions under this chapter;

20 (2) recoupment of state money that the licensee has received under this  
21 chapter to date, with interest, regardless of whether the licensee has expended or  
22 committed that money;

23 (3) license revocation;

24 (4) assignment to the state or the state's designee of all project data,  
25 engineering designs, contracts, permits, and other data relating to the project that are  
26 acquired by the licensee during the term of the license; and

27 (5) any other remedies provided by law or in equity.

28 (f) If the license is revoked under (e) of this section, the licensee

29 (1) may not submit an application for the license in the event a request  
30 for applications is issued under AS 43.90.120 after the date of revocation; and

31 (2) shall deliver to the state, all project data, engineering designs,

or the state's designee. - #37 (Conceptual)  
Apply throughout the bill where applicable

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