

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 RES 12669

NOW THEREFORE BE IT RESOLVED to promote the timely development of Alaska's natural gas resources, the City of Wasilla supports the passage of the Alaska Gasline Inducement Act (AGIA) introduced by Governor Palin, and urges The 25<sup>th</sup> Legislature of Alaska, to complete passage of AGIA by the end of the current legislative session.

BE IT FURTHER RESOLOVED that this resolution shall be forwarded to Governor Palin, Lieutenant Governor Parnell, and all the members of the 25<sup>th</sup> Legislature of Alaska

ADOPTED by the Wasilla City Council on April 23, 2007.

  
\_\_\_\_\_  
DIANNE M. KELLER, Mayor

ATTEST:

  
\_\_\_\_\_  
KRISTIE SMITHERS, MMC  
City Clerk

[SEAL]

**Paul L. Craig, Ph.D.**  
**American Board of Professional Psychology**  
**Board Certified in Clinical Neuropsychology**  
pcraig@apcl.net

4048 Laurel Street, Suite 201  
Anchorage, AK 99508

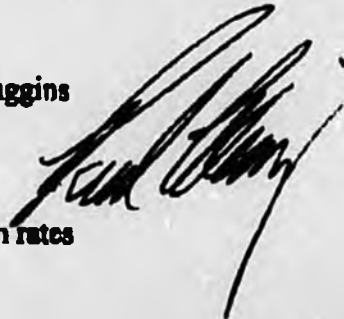
Phone (907) 274-8200  
Fax (907) 274-8211

May 8, 2007

To: Senator Charlie Huggins

From: Dr. Paul Craig

Re: AGIA and rolled-in rates



Via Fax

On behalf of my fellow Alaskans, all of whom are interested in the economic well-being of Alaska, please support AGIA as proposed by Governor Palin. Please do not alter the terms of AGIA. Leave the provisions for:

***Mandatory Gasline Expansion;***

*and*

***Rolled-in Rates***

in the bill as proposed by Governor Palin.

Thank you for supporting AGIA and all of its terms as submitted by Governor Palin – the governor who was elected by a landslide in 2006 given her fresh, fair, and competitive approach to dealing with construction of a gasline as well as the future needs and economic well-being of Alaska.

I am aware that the big producers would like to go back to the Murkowski proposal, for which VECO lobbied, which would have given three companies an exclusive 45-year oligopoly allowing them to control North Slope gas production – essentially forever. But the voters spoke when Governor Palin was elected. Let's support her proposal, which will be good for one and all including the three large producers even though it won't provide them with the monopoly they were hoping for last year.

Thank you for supporting AGIA with rolled-in rates.

## Jody Simpson

---

**From:** Blythe Campbell [blythe@alaska.com]  
**Sent:** Monday, May 07, 2007 4:21 PM  
**To:** Sen. Charlie Huggins; Sen. Joe Thomas; Sen. Fred Dyson; Rep. Kevin Meyer; Sen. Lyman Hoffman; Rep. Mike Hawker; Rep. Richard Foster; Rep. Harry Crawford; Rep. Bill Thomas; Rep. Mary Nelson; Sen. Kim Elton; Rep. Les Gara; Sen. Bert Stedman; Sen. Donny Olson; Rep. Mike Chenault; Rep. Ralph Samuels; Rep. Mike Kelly; Rep. Bill Stoltze; Rep. Reggie Joule  
**Subject:** Don't Let Warren Buffet Leverage Alaska  
**Follow Up Flag:** Follow up  
**Flag Status:** Green  
**Attachments:** Leverage.doc



Leverage.doc (25  
KB)

Ladies and Gentlemen:

I've attached a letter regarding my concerns about AGIA's bias toward MidAmerican, and the serious negative consequences to the State of Alaska should MidAmerican be selected as the "winner" of Alaska's pipeline license.

I am a third-generation Alaskan with three children. I do not work for an oil producer, explorer, or oilfield service company. After 25 years working in marketing jobs in Alaska, I am finally self-employed and in a position to state my personal positions.

I've done many hours of personal research on FERC regulation and MidAmerican's utility acquisitions and operations, which I would be happy to share with you.

Blythe Campbell

Blythe Campbell  
PO Box 112387  
Anchorage, Alaska 99511  
(907) 345-1066

May 7, 2007

House and Senate Finance Committee Members

Ladies and Gentlemen:

I watched Pat Galvin testify before the House Resources committee on April 27. He said the State needs third-party pipeline companies to bid on the pipeline to "leverage the producers." Otherwise, he says, the producers will leverage us.

But Galvin said Trans-American doesn't like the way AGIA forces them to certification and Enbridge won't bid unless the producers are involved. That leaves MidAmerican, the utility holding company owned by Warren Buffet.

Warren Buffet is a very smart man, and he's figured out how to make money with regulated utilities, where, in his words, he can "deploy large sums of capital at a fair return". He and his staff were instrumental in lobbying Congress to repeal the 1934 Public Utility Holding Company Act (PUHCA) so Berkshire Hathaway could directly own public utilities - low risk, high return businesses.

I believe that a pipeline constructed and operated by MidAmerican will not provide the lowest possible transportation cost for Alaska's gas. Further, AGIA's debt/equity provision has the opposite effect than intended when you look at how MidAmerican finances its operations.

Not only will MidAmerican earn a regulated rate of return on the total costs of building and operating the pipeline, giving them very little incentive to control costs, those pipeline costs include interest payments to Berkshire Hathaway that are well above market rates for debt financing.

Based on FERC guidelines, the rate of return is a function of three components - the capitalization rate of the pipeline, the cost of debt, and the allowed rate of return on the pipeline company's equity.

FERC generally allows companies to include the actual cost of debt, and allows a return on equity (ROE) based on a fairly complicated formula that in the past 30 years has resulted in an ROE between 12% and 14%.

**Members of the House and Senate Finance Committees**

**May 3, 2007**

**Page 2**

The general wisdom, and the reason for AGIA's debt/equity requirement, is that equity financing is more expensive than debt financing. Having a high debt ratio should lead to a lower tariff. The way MidAmerican operates, however, the opposite is true.

Warren Buffet has \$50 billion in "float" – insurance premiums that have been paid in but due to good luck and good management, have not had to be paid out. This money costs the company nothing, and is used to acquire companies and to loan money to the company's subsidiaries.

MidAmerican has borrowed \$1.5 billion from Berkshire Hathaway, in the form of "trust preferred securities" that carry a current interest rate of 11.5%. You can assume that Berkshire Hathaway will loan MidAmerican the \$30 billion to construct the pipeline at that, or a higher rate, to compensate Berkshire Hathaway for the project's risks. Since these interest costs will be included in the rate base that determines the tariff, a higher debt ratio does not benefit the State; but it does benefit Berkshire Hathaway.

Now, Warren Buffet and MidAmerican are not bad guys. They are in business to make money. But if we design legislation to favor them, thinking we're clever enough to leverage the producers, we may find ourselves leveraged up to our necks by them or another third-party pipeline company.

That's why AGIA, and other legislation that attempts to put its arms around the very complex world of natural gas economics, and corporate high finance, is doomed to fail. We've got well-meaning bureaucrats with well-meaning staff but we don't pay enough to attract state employees who are as smart as Warren Buffet.

It's time to let the market figure out how to build a gas pipeline, and get out of their way. If the producers, or a third-party pipeline builder, need something from the State of Alaska to make it work, let's ask what that is and figure out if we're willing to provide it.

I strongly believe that, rather than leverage the producers, AGIA as currently written neatly leverages the State of Alaska.

Sincerely,

**Members of the House and Senate Finance Committees**

**May 3, 2007**

**Page 3**

**Blythe Campbell**

To the Chair,

Members of the committee, thank you for this opportunity to testify on the Alaska Gasline Inducement Act. Alaska's natural gas has the potential to secure our economic future and I applaud the Governors' efforts to cause a pipeline to be constructed.

A project like this comes along once in a generation. We have one chance to get it right. We can and should do a better job than we did on TAPS. I listened to legislative council Don Bullock testify yesterday and agree with his comments counseling you to include everything the state needs from this project, in the bill.

So what do we need? As Representative Samuels says the tariff the tariff the tariff. We need a low tariff to ensure that the state receives fair compensation for its resource and that independent companies can afford to ship their gas in the pipeline. How do we get a low tariff? One way that is not addressed, to the extent possible is to ensure a steady, productive, and predictable cost and supply of labor. By including the requirement for a negotiated Project Labor Agreement in the bill we can ensure labor stability through a no strike no lockout provision. We can be sure of a competent workforce that has been trained in standardized programs that include both classroom and extensive on the job training. The cost of labor will be known because the wages and benefits can be agreed to prior to the start of work and the use of in state hiring halls will give Alaskans the best opportunity to get the jobs associated with the gasline.

I urge members of the committee to include the requirement for a licensee to commit to negotiate a Project Labor Agreement for construction of the pipeline and all related infrastructure. Again thank you for the opportunity.

John Brown  
Operating Engineers  
Local 302

JSRES/HOIL  
Committee  
3/21/07

Written Testimony  
Submitted @  
Fairbanks LIO



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Resources / House OIG  
 Committee on SB 104 / HB 177 Dated \_\_\_\_\_  
Committee Name  
Bill / Subject

Honorable Senators and Representatives,

Please amend AGIA to include language on project labor agreement provisions in the AGIA application requirements.

I am a proud UNION employee and I support project labor agreements and local hire. Give Alaska residents certainty in Alaska hire and give the gas line certainty in its labor supply. We will be trained and ready

to go.  
 SIGNED: Marta Mueller Mark Mueller

Testifier

ASEA / AFSCME Local 52

Representing

516 Auklet Place Fairbanks AK 99709  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the 3-21-07 HB 177  
 Committee on HB 177 Committee Name Dated 3-21-07  
Bill / Subject

HB 177

P.00 Ak always finds itself w/ incomplete info  
 and not enough time to act. ex. Wildlife.

I hope that you folks bury your partisanship  
 and do something for Alaskans - this IS  
 our future. I don't care how cute the governor  
 is - if she repeats what the republicans  
 did last administration - she's as ugly  
 and ignorant as Frank...

Lets do this - above table, in the open, w/out  
 special interest influence and lets try some  
 common sense.

SIGNED:

[Signature] Jerry, Siple Jr  
 Testifier

ASEA GGU  
 Representing

675 7th Ave Ste A. FBKs AK 99701  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate resources

Committee on HB177 Committee Name Senate resources  
Dated 21 MARCH 2006

I have lived in Alaska for 23 years. I am concerned about HB177 not containing any provisions for a project labor agreement protecting first rights to hire for Alaskan's. I want to secure a Gas line for Alaska built by Alaskan's. I am an Electrical Instructor for the IBEW 1547, responsible for training & educating wireman apprentices to fill future electrical journeyman requirements. The wealth of information received by electrical apprentices ensures a competitive edge for the future growth & industrial development of Alaska. Please protect our future by protecting & securing Alaskan Jobs. Thank you.

SIGNED: James Dwyer

Testifier

IBEW 1547

Representing

1333 Denali St Anchorage AK 99509

Address / Phone Number

(907) 479-4449



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the S. RESOURCES OIL AND GAS  
 Committee on HB177 Dated 3/21/09  
 Bill / Subject Committee Name

I SUPPORT A PROJECT LABOR AGREEMENT. I ASK THAT  
 THIS COMMITTEE MEMBERS BRING LEGISLATION FORWARD  
 AND MAKE THIS PART OF ANY CONTRACT AGREEMENT.

THANK YOU.

SIGNED:

CARY JOHNSON  
 Testifier

IBEW 1547  
 Representing

Box 8167 FBKS AK 99708  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the oil and gas  
 Committee on HB 177 Committee Name  
 Dated \_\_\_\_\_  
Bill / Subject

This bill is flawed and incomplete until it contains an agreement that defines hiring and wages. Alaska demands local hire for union jobs at union wages!

SIGNED:

Derek Hendrickson  
 Testifier Derek Hendrickson

Myself  
 Representing

2008 Jack St. Fairbanks 374-7886  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the \_\_\_\_\_

Committee on SB 177 Committee Name

Bill / Subject

Dated 3/21/07

I support a project labor agreement  
and local Hire

SIGNED:

Adam Petrillo  
Testifier

IBEW / NECA  
Representing

3029 Tongass Blvd Juneau A.K. 99801  
Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the SENATE RESOURCES  
 Committee on 177 Committee Name  
 Dated 3-27-07  
Bill / Subject

I KNOW THAT GETTING THE GAS LINE GOING AND  
 HAVING A P.L.A. IS THE ONLY WAY TO GO FOR THE  
 STATE OF ALASKA AND ITS WORKERS. MY FAMILY HAS BEEN  
 IN ALASKA FOR SIX GENERATIONS ALL LABOR RELATED  
 UNION MEMBERS.

SIGNED: BRIAN CARLTON IBEW 1547  
 Testifier  
IBEW 1547  
 Representing  
1333 DENALI ST ANCHORAGE AK  
 Address / Phone Number 1-888-563-1547



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate requires  
Committee on HB177 Committee Name  
Dated 3-21-07  
Bill / Subject

I support a PLA agreement

SIGNED:

Ree Kissinger

Testifier

IBEW

Representing

Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Oil and gas

Committee on HB177 Committee Name Dated 3-21-07

Bill / Subject  
I support a project labor agreement to  
Promote Alaskan Hire!

SIGNED:

Clint F Brooks  
Testifier

IBEW / NECA  
Representing

1225 Molly Rd Fairbanks AK 99709 455-4492  
Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Oil and gas  
Committee on H 3B 177 Committee Name  
Bill / Subject Dated 3/2/07

IBEW supports a project  
Labor agreement

SIGNED:

Alan Rock  
Testifier

IBEW / NECA  
Representing

1431 Sanning Dr. Fairbanks 99712  
Address / Phone Number



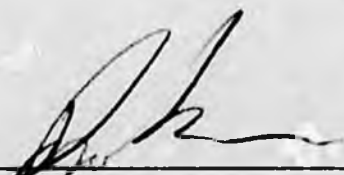
# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the State Resources

Committee on HB 177 Committee Name  
Bill / Subject Dated MARCH 21 - 07

I support PLA and AGLA agreement

SIGNED:

 BOGDAN Lukinov  
Testifier

IBEW 1547  
Representing

2915 WILSON ST APT H 4 479-1987  
Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Resources  
 Committee on PLA Committee Name Dated 3/21/07  
Bill / Subject

This Gasline and all of the components that go along with it cannot be constructed without a Project Labor Agreement in the Gas Pipeline Agreement. This topic is extremely important to me and the rest of the Alaskans I represent. Thank you for your time.

*Joel Burger*

SIGNED: *Joel Burger* Joel Burger  
Testifier  
IBEW Local 1547 / other ALASKAN workers  
Representing  
168 Carlyle Way 978-4584  
Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the S. Legislative Oil and Gas  
Committee on HB 177 Committee Name  
Dated \_\_\_\_\_  
Bill / Subject

I support having a project labor  
agreement included in the AGIA

SIGNED:

[Signature]

Testifier

IBEW

Representing

1535 Birchwood Way Fairbanks AK

Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Resources  
 Committee on PFA HB-177 Committee Name Dated 3-20-07  
Bill / Subject

The PFA, is needed to keep TAXIFFS costs down, have control & productivity & to have the best method of getting ALASKANS to work.

Leon F. Tomasi  
 4785 Amherst Dr

SIGNED:

Leon F. Tomasi

Testifier

T.O.C.E. - 307

Representing

4785 Amherst Dr, FBKS, AK, 99709  
 Address / Phone Number



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Oil and Gas /  
 Committee on Gas Line Projects. Committee Name Dated March 4, 2007  
Bill / Subject  
 NAME: Paul Seaborn

It is imperative that when  
 construction of the Gas line begins  
 that local hire is used and  
 the most effective means is  
 to have local Union representation.

SIGNED:

Nolly Kennedy  
 Testifier

LABORERS # 942  
 Representing

P.O. Box 890 Anchorage, Alaska 99556  
 Address / Phone Number

# Bill History/Action Display



**BILL:** HB 177

**SHORT TITLE:** NATURAL GAS PIPELINE PROJECT

**BILL VERSION:**

**CURRENT STATUS:** (H) O&G

**STATUS DATE:** 03/05/07

THEN RES. FIN

**SPONSOR(s):** RULES BY REQUEST OF THE GOVERNOR

**HEARING:** (H) O&G Mar 21 5:30 PM SENATE FINANCE 532 -- Public Testimony -- -- New Time & Location Change -- TELECONFERENCE

**HEARING:** (H) O&G Mar 22 3:00 PM BARNES 124 TELECONFERENCE

**HEARING:** (H) O&G Mar 23 8:30 AM CAPITOL 106 -- Please Note Time & Location Change -- TELECONFERENCE

**HEARING:** (H) O&G Mar 24 1:00 PM SENATE FINANCE 532 -- Public Testimony -- -- Please Note Time & Location Change -- TELECONFERENCE

**HEARING:** (H) O&G Mar 26 8:30 AM CAPITOL 106 -- Plase Note Time & Location Change -- TELECONFERENCE

**HEARING:** (H) O&G Mar 27 3:00 PM BARNES 124 TELECONFERENCE

**HEARING:** (H) O&G Mar 28 8:30 AM CAPITOL 106 -- Please Note Time & Location Change -- TELECONFERENCE

**HEARING:** (H) O&G Mar 29 3:00 PM BARNES 124 TELECONFERENCE

**HEARING:** (H) O&G Mar 30 8:30 AM CAPITOL 106 -- Please Note Time & Location Change -- TELECONFERENCE

**TITLE:** "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."

**Bill Root:**

**Committee Action with Bill History**

Jrn-Date	Jrn-Page	Action
03/05/07	0384	(H) READ THE FIRST TIME - REFERRALS
03/05/07	0384	(H) O&G, RES, FIN
03/05/07	0384	(H) FN1: ZERO(ADM)
03/05/07	0384	(H) FN2: ZERO(CED)
03/05/07	0384	(H) FN3: ZERO(DNR)
03/05/07	0384	(H) FN4: (DNR)
03/05/07	0384	(H) FN5: (REV)
03/05/07	0384	(H) GOVERNOR'S TRANSMITTAL LETTER
03/05/07	0384	(H) REFERRED TO OIL & GAS

Similar Subject Match or Exact Subject Match

- AUDITS
- CONSTRUCTION
- CONTRACTS
- DISCLOSURE
- FUNDS
- LICENSING
- OIL & GAS
- PERMITS
- PIPELINES



# FAX Transmittal

ALASKA ~~DEPARTMENT OF LABOR~~  
~~INDUSTRIAL DEVELOPMENT~~

Employment Security Division

SARAH PALIN, GOVERNOR

To: *John Higgins*  
Fax No.: *465-3265*

Date: *5-1-07*

From: *Paul D. Kendall*

Phone No. of Sender:  
Subject: *222-7882*

Page 1 of

*AGIA*  
**PLEASE PLACE IN AGIA RECORD**  
**\* PLEASE PASS ON TO**  
**Wielochowski & OTHER CHAIRMAN**  
**OF AGIA - RENEWABLES - ALUMINUM**  
**& RAILROAD PROJECT**  
**FOR FYI -**

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*Paul D. Kendall*

*5-1-07*

*222-7882*

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~~Auxiliary aids are available upon request for individuals with disabilities. Alaska Department of Labor, Industrial Development, 1000 West 12th Avenue, Anchorage, Alaska 99501.~~

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222-7882*

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*More  
Thomas*

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is 100% organic, 20%-60% solids (dependent on application), non-toxic, waterproof ... when cured and is applied by mixing it with water. When the water ...  
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**Our Future is Hydrogen.**

Earth hope by providing

and dwindling fossil fuels. Its purpose is to provide broader awareness to this remarkable energy carrier. Both the automobile and of industries have realized that hydrogen will be the energy of the future. beliefs held by many politicians and world governments. These industries will be major players in our hydrogen economy.

Describing the planet's need for an alternative energy source, *Our Future is Hydrogen!* shows why hydrogen is the basis of the alternatives. The reader will appreciate hydrogen's value by learning of its properties, history, safety, applications, and current status. The transition to a hydrogen economy has just begun, accelerated by California's zero-emission requirements in 2003.

*"Our Future is Hydrogen!" is an excellent book well arranged and well written. There are some hydrogen energy-related books on the market, but I think this will be one of the best, especially as far as the lay person is concerned.*

T. Nejat Veziroglu, Ph.D., University of Miami  
President, International Association for Hydrogen Energy

Dr. Robert Siblerud is an author and environmental physiologist. He has helped coordinate a number of new energy conferences searching for answers to our environmental dilemma.



ISBN 0-9666856-3-6



9 780966 685633



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*Paul D. K...  
2-27-7882*

Our Future is Hydrogen!

# Our Future is Hydrogen!

ENERGY, ENVIRONMENT,  
AND ECONOMY



ROBERT SIBLERUD

ROBE

665.B1  
SIBLERUD

MAY-01-2007 TUE 11:32 AM AES MIDTOWN JOB CNTR

FAX NO. 907 269 4738

P. 02

hydrides, in which hydrogen adheres to the surfaces and crevices in finely shaved metal. Once heated, the metal releases the hydrogen that is converted into energy.

Distribution of hydrogen to the consumer can occur through the existing fossil fuel infrastructure. Hydrogen produced at natural gas facilities can use the existing pipelines that supply natural gas to customers around the country. Trucks can transport liquid hydrogen and compressed hydrogen to refueling stations, similar to today's gasoline distribution system.

The one great advantage of hydrogen is that it can be produced on-site, an occurrence that will come about more frequently during the transition period. Communities, industries, and private individuals will have the option of producing their own hydrogen with renewable means. The existing infrastructure is in place to begin the transition to a hydrogen economy.

## HYDROGEN PRODUCTION

### Steam Reformation

Steam reformation is the most widely used technique for hydrogen production today, being the most efficient and economical. It basically involves converting hydrocarbons (such as natural gas) and steam to hydrogen, carbon dioxide, and carbon monoxide. The four-step process involves the following:

1. purification of the feedstock to remove sulfur; and carbon oxides;
2. steam reforming of the hydrocarbon to form hydrogen and carbon oxides;
3. converting carbon monoxide to carbon dioxide; and
4. final purification to remove carbon dioxide, carbon monoxide, and remaining hydrocarbons.

Only light hydrocarbons, which can completely vaporize without leaving a carbon residue, are used. Carbon residues can hinder the catalysts in the steam reforming process. Natural gas is the preferred feedstock for hydrogen production. Other feedstocks include naphtha, and Number 2 fuel oil. Natural gas is easy to handle, has the highest hydrogen to carbon ratio (4:1), and generally has low levels of sulfur contamination. Because

natural gas reacts more easily with water than with other hydrocarbons, lower temperatures can be used for the conversion.

The steam reformation process uses a large amount of energy and high pressure. It requires a temperature from 760 to 925 degrees centigrade, at a pressure twenty times that of atmospheric pressure. Catalysts are used to improve the efficiency of the reaction. They are usually compounds of nickel oxides mixed with oxides of aluminum, calcium, manganese, or other minerals.

Steam reformation is reversible, meaning hydrogen can convert back to methane. To ensure a minimum concentration in the reformed gas, the process usually employs a steam to carbon ratio of 3:5 at processing temperatures of 815 degrees centigrade and pressures up to 35 times atmospheric pressure. This allows for 80 percent of the hydrocarbons to be converted to carbon oxides. Energy intensive, the steam reformation process accounts for a significant amount of the total energy usage. In other words, energy is needed to manufacture hydrogen.

After the reforming process, the gas mixture is fed through a heat recovery step and reacted with excess steam. This converts carbon monoxide to carbon dioxide, reducing the carbon monoxide to less than 1 percent. The remaining carbon monoxide and carbon dioxide can be removed using a methanation reaction, leaving a hydrogen purity of 97 to 98 percent, which is adequate for most uses as a fuel. To reach 99.97 percent purity, a pressure swing adsorption technique is used, passing the raw gas through a series of activated carbon beds.

### Partial Oxidation

Partial oxidation is similar to steam reformation in the production of hydrogen. The process involves steam, oxygen, and hydrocarbons that are converted to hydrogen and oxides of carbon. The process of partial oxidation requires additional facilities to separate oxygen from nitrogen in the air and requires separation equipment for the conversion and removal of carbon dioxide. Compared with steam reformation, an additional step is required, where oxygen is used to oxidize hydrocarbons to provide sufficient energy to drive the process and release additional amounts of hydrogen. Feedstocks range from methane to coal.

5-1-07

P. D. Kendall

Paul Kendall

*Paul Howard***Coal Gasification**

In their ninety gasification plants, Texaco has been the leader in developing coal gasification technology. From a single ton of Kentucky Number 9 coal, almost 50,000 cubic feet of hydrogen can be produced. This process is the cleanest commercial method of coal utilization today. Sulfur is removed and transformed in the process; it is then sold as an agricultural chemical. A resultant dry synthetic gas is saturated with water to suppress nitrogen oxide emissions.

Texaco's Cool Water Coal Gasification Program plant is located on 195 acres midway between Los Angeles and Las Vegas, with an adjacent 103 acres used for railroad loops, coal handling, and storage. In this plant, coal is converted to a synthetic gas that has approximately one-third the heating value of natural gas. The synthetic gas is routed into a catalytic water solution for a reaction. An oxygen atom is removed from a water (steam) molecule and added to a carbon monoxide molecule to make carbon dioxide. Therefore, each carbon monoxide molecule becomes a carbon dioxide molecule, and each water molecule becomes a hydrogen molecule. This leaves a mixture of hydrogen and carbon dioxide that is routed to an acid-gas removal section where the carbon dioxide is removed. The resulting gas stream is primarily hydrogen. The clean synthetic gas is fired in a combustion turbine, and the resultant heat produces steam. This steam drives a turbine. The net electricity produced from this plant is equivalent to about 4,300 barrels of oil per day, producing 117 megawatts and serving the energy needs of 100,000 households. This product is equivalent to the 70 million cubic feet per day of hydrogen produced by a 1000-ton-a-day coal plant.

Texaco's cool water program has received worldwide recognition. Emissions of sulfur oxides, nitrogen oxides, and particulates average about 10 percent of the maximum levels permitted by the EPA for new coal fuel electric generating plants. Texaco believes coal gasification is the preferred option for hydrogen production plants on a long term basis. The Japanese Ube Ammonia Industry Company uses Texaco's gasification system to convert 1,650 tons of coal per day into hydrogen for the manufacture of 1,000 tons of ammonia per day.

**Steam-Iron Process**

The steam-iron process was commonly used to produce industrial hydrogen before the inexpensive natural gas steam reformation process was developed. This technology involves steam being reacted with hot iron to produce gas at a temperature ranging from 815 to 870 degrees centigrade. The first step involves coal gasification that uses steam and regular air, producing a mixture mostly of carbon monoxide and hydrogen. The mixture is introduced into a second chamber with iron, producing iron oxide (FeO). The third step involves the transfer of the hot iron to a steam-iron reactor. The iron oxidizes in the presence of steam to produce an iron oxide (Fe<sub>3</sub>O<sub>4</sub>) and a hydrogen-rich gas. The gas mixture is purified by condensing out the steam and running the remaining gas through a methanation reaction, resulting in 97 percent pure hydrogen gas. This process requires a great amount of power.

**Water Electrolysis**

To produce hydrogen electrolytically requires only pure water and electrical energy. In an ideal world, nonpolluting renewable resources such as solar thermal energy, photovoltaics, wind energy, or hydroelectric power would generate the needed electricity. Current renewable techniques are not economically feasible for large-scale hydrogen production. Electric energy from fossil fuels for electrolysis is expensive, with costs three to five times greater than hydrogen production from fossil fuels.

In electrolysis, electricity decomposes water into its constituents, gaseous hydrogen and oxygen. Two electrodes are used in electrolysis, one positive and one negative. They are immersed in a current-conducting electrolyte that may consist of a mixture of water with a salt, acid, or base. The most common electrolytes used are alkaline electrolytes such as potassium hydroxide (KOH). These electrolytes conduct electricity very well and are quite stable, with minor corrosion problems.

The positively charged potassium ion (K<sup>+</sup>) is reduced and reacts with the water to form a hydrogen atom (H) and a hydroxyl atom (OH). The highly reactive hydrogen atoms bind to the metal of the negative cathode. These atoms can combine

with one another to form hydrogen molecules ( $H_2$ ), which leave the electrode as a gas. At the positive anode, the hydroxyl atoms attach to one another, producing water and oxygen. Two oxygen atoms combine to form an oxygen molecule.

As technology advances, the efficiency of water electrolysis continues to improve. Three promising advanced technologies are under investigation:

1. Advanced water electrolysis involves operating the cells at temperatures greater than 100 degrees centigrade. This improves voltage efficiency, decreasing the amount of energy required to produce hydrogen.
2. Solid polymer electrolysis technology involves a solid rather than a liquid electrolyte. Its compactness and simplicity make it a viable technology for commercial electrolysis. Nafion is the solid polymer used. When saturated with water, the polymer becomes acidic and conducts ions. Nafion is presently very expensive since it requires high amounts of platinum catalyst loading.
3. High temperature electrolysis uses a solid electrolyte that does not corrode. It decreases the need for electrical energy and minimizes over voltage. The materials are costly, and the process requires a high temperature heat source.

### Thermal Decomposition

Thermal decomposition (pyrolysis) of natural gas can produce hydrogen. At temperatures above 900 degrees centigrade and pressures up to 150 psi (150 pounds per square inch or 10 atmospheres), methane almost completely decomposes to carbon and hydrogen. Energy required for methane decomposition is less than that required for steam reformation of methane. However, the thermal efficiency for steam reformation is 75 percent higher than for methane decomposition. On the positive side, no carbon dioxide emission occurs in the thermal decomposition of methane by pyrolysis.

A low-cost process for hydrogen production involves thermal decomposition of water vapor at temperatures up to 2,800 degrees centigrade using solar energy and oxygen in high-temperature ceramic membranes. Avoiding conversion of solar energy to electrical energy minimizes the energy required to produce hydrogen.

### Biomass Gasification

Technology to produce hydrogen by biomass gasification with steam and oxygen has been progressing. Biomass, such as plant matter, uses solar energy (photosynthesis) as the primary energy source to produce hydrogen, thereby becoming a feedstock. Biomass is defined as all plant and animal material that can be converted into energy. Biomass comes from a variety of sources including residues, wastes, and crops grown for energy use. Plants used for energy production include crop residues, forest residues, standing vegetation, and energy crops. Growing biomass by rapid crop rotation for wood production is one type of energy farm.

Animal waste, mainly from livestock, can be used as an energy source in the form of manure. Municipal solid wastes are also used as a feedstock for hydrogen, with the organic fraction extracted by size reduction and separation processes. Industrial wastes generated by food processing plants such as canneries, breweries, and sugar mills can produce hydrogen. Even the organic fraction of sewage wastewater can be used after it is separated and dried.

Modern technologies can convert biomass into a variety of products including methane, methanol, oils, charcoal, or directly into hydrogen. Through steam reformation or gasification, hydrogen can be extracted from all these hydrocarbons.

In the United States, energy from biomass could supply an estimated equivalent of 7 million barrels of oil per day. Waste resources could supply 40 percent, and energy crops could supply 60 percent, grown on 80 million acres of excess agriculture land. The crops of sugarcane and sorghum on 66.4 million acres that were taken out of U.S. production between 1981 and 1988 could have supplied enough energy to generate 34 percent of the nonnuclear power generated in 1986. In other words, biomass could supply a great amount of hydrogen.

### Hydrogen From Bacterial Sources

Hydrogen can be acquired from bacteria. Cyanobacteria have two important hydrogen metabolizing enzymes. Nitrogenase produces hydrogen molecules and hydrogenase consumes them. To

produce hydrogen, Cyanobacteria must be kept in an anaerobic (oxygen-free) environment. Otherwise, they would consume their own hydrogen. They are ideal microorganisms for producing hydrogen because of their ability to perform photosynthetic carbon dioxide fixation, and because they can thrive in a simple inorganic environment.

Photosynthetic bacteria can produce hydrogen from organic acids, alcohols, sugars, and a few sulfur compounds at a high rate for longer periods than can Cyanobacteria.

Anaerobic digestion is used to produce methane gas and other useful residues from a variety of carbonaceous materials. The waste from one set of organisms is the food for another set. Digestion takes place in the presence of anaerobic bacteria. Cellulose and hemi-cellulose are broken down by enzymes to form soluble organic compounds. These compounds are converted to hydrogen, carbon dioxide, and acetate by acid-producing bacteria. Methane is produced by methanogen-producing bacteria from the hydrogen, carbon dioxide, and acetates.

Stirred tanks are the mainstays of most digestion systems. Anaerobic digestion is the preferred process for gasification of high-moisture grains. The resultant gas (mostly methane) has a medium fuel value. Hydrogen can be obtained from the gas through steam reformation, but the additional process is not cost effective at present.

### Renewable Sources

Hydrogen is already produced in great quantities today, about 500 billion cubic meters annually. However, only 1 percent is produced from solar, wind, or water. The predominant source (about 50 percent) is natural gas.

A breakthrough has occurred at the National Renewable Energy Laboratory (NREL), headquartered at Golden, Colorado. NREL recently announced the invention of a semiconductor device that converts light into hydrogen that is suitable for a fuel. In one step, light goes in and hydrogen comes out. NREL claims the device has an efficiency twice any previous device that converts light energy to hydrogen. Scientists are curious to examine the technology underlying this remarkable claim.

## HYDROGEN STORAGE

Until this time in the hydrogen story, storage has presented a major hindrance in the progression toward a hydrogen economy. Hydrogen has a low energy density, meaning that it requires a considerably greater volume for storage than does gasoline. This translates into larger storage tanks and shorter driving ranges for vehicles. Consumers are used to traveling great distances before refueling their vehicles. Rapidly developing technology promises to extend these driving ranges to make them comparable with those of gasoline vehicles. Three major storage systems exist for hydrogen: compressed hydrogen gas, liquid hydrogen, and metal hydrides.

### Compressed Gas

Because of hydrogen's low energy density, a compressed hydrogen gas tank at one time needed to be twenty times larger than a comparable gasoline tank. This figure has been reduced as the compression tank technology has progressed.

The high-pressure vessels used to store hydrogen are typically aluminum cylinders wrapped with carbon fibers in fiberglass. Other designs being researched include aluminum wrapped with Kevlar or graphite, plastic liners wrapped with graphite, and high-strength aluminum cylinders. Both volume and mass are issues for storing hydrogen as a compressed gas. A pressurized hydrogen system at approximately 3,000 psi weighs nearly three times more than a comparable liquid hydrogen system. The volume can be reduced by increasing the pressure of the compressed gas, potentially up to 8,000 psi. For these high-pressure vessels, cost and safety become an issue. Compressing the hydrogen gas to these pressures requires more energy.

At one time, a hydrogen vehicle with a 100-mile range, compared with the range of an electric vehicle, would require two hydrogen tanks weighing about 100 pounds. Such a vehicle would lose about one-half of its trunk space. A hydrogen vehicle with a 200-mile range is also possible, but the trunk space would essentially be eliminated by adding two more tanks. Higher pressure storage vessels have extended the driving ranges.

Pam D. Kervel



*National Geo* COMPUTER IMAGE BY CHUCK CARTER  
*11-73*  
*Special Edition: Water* *Paul D. Kendall*

## The world's water supply

If all earth's water fit in a gallon jug, available fresh water would equal just over a table spoon— less than half of one percent of the total. About 97 percent of the planet's water is seawater; another 2 percent is locked in icecaps and glaciers. Vast reserves of fresh water underlie earth's surface, but much of it is too deep to economically tap.

**Sharon Long**

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**From:** Stacy Schubert [president@anchoragechamber.org]  
**Sent:** Friday, May 04, 2007 9:21 AM  
**To:** governor@gov.state.ak.us  
**Subject:** Letter to Governor Palin, Producers, and All Alaskans

**Open Letter to Governor Palin, Alaska's Major Producers, and all Alaskans:**

The Anchorage Chamber of Commerce has been representing the interests of business and improving quality of life in Anchorage since 1915. We boast more than 1,200 members who employ in excess of 70,000 people. Our members range from small "mom and pop" shops to multi-national corporations.

We are not experts in building a gas pipeline, nor are we in a position to proffer advice about the specifics of what should or should not be included in a pipeline process. We do take our responsibilities as citizens seriously and we have made every effort to become informed about the critical issues involved in such a mega-mega project.

As business people and as Alaskans, we assume responsibility to underscore the importance of getting a natural gas pipeline built and to encourage action that results in such an outcome. It is not hyperbole to suggest the economic future of our state hinges on this project. We, therefore, write this letter to express our concern, not about any specifics in Alaska Gasline Inducement Act ("AGIA") but rather a concern about the positioning, the tone and the stated philosophies that we feel are combining to hinder the prospect of realizing a viable project. This "zero sum" game that has been established - pitting the interests of the major producers against the interest of the State is an inherently false and ultimately harmful dichotomy. The truth is the major producers and State have worked together as partners for more than 40 years, growing and developing our state

Do not be mistaken: When it comes to building a natural gas pipeline, the Anchorage Chamber is not advocating for a specific proposal or for a specific group. We are instead asking, in fact, pleading with all parties to make a concerted and sustained effort to place the common good at the forefront of the debate.

We ask Governor Palin's Administration to reach out to the major producers to get them involved and invested in the process. As exclusive owners of the leases of the gas, it is unrealistic to suggest they are not critical to the success of the project. As representatives of the business community, we are further concerned any project premised on a notion that gas can be acquired via litigation not only rests upon grave uncertainty but also creates a chilling environment for all Alaskan businesses.

We ask the major producers, BP, ConocoPhillips and ExxonMobil, to take advantage of this precious and precarious moment in our state's history to firmly and finally establish your place as partners with the people of Alaska in both word and in deed. Recognizing that you have interests throughout the world and have the ability to walk away from this project, we ask that you do not. We ask that you demonstrate your commitment to Alaska and Alaskans, not by agreeing to a deal which is economically unsound but instead by continuing to look for points of agreement until such time as the goal of a viable pipeline is achieved.

At the Anchorage Chamber, we are fortunate. We have worked arm in arm with the major producers on many occasions. They are not a faceless global corporation but instead are Phil, Alice, Brian, Tom, Carla, Dave and many more. Despite many ups and downs during the past 40 years you and your

predecessors have partnered with the State of Alaska to build a prosperous and vibrant state. Knowing this, and knowing you, we ask that in this critical hour that will define our future, you make an extraordinary outreach effort.

In Alaska we are fortunate to live in a state with a population so small that our legislators and public officials are truly also neighbors and friends. Thus, we know the Administration and the Legislature are comprised of people with integrity, doing the best they can to achieve the brightest financial future for all Alaskans. We applaud your efforts to bring competition and market forces to bear on this vital project. We ask, however, that you avoid the tendency to have too much pride in your creation, and allow instead for modifications which permit greater flexibility and thereby increase cooperation and the likelihood that AGIA will result in a viable and profitable pipeline project.

We will continue to monitor your progress on this matter. We will be particularly watchful for signs that you are listening to the voice of Alaskans who urge you to put aside distrust and entrenched positions, and to reach out and work cooperatively with all interested parties in a manner which is productive and geared toward the common good. We thank you for your efforts thus far and we remain hopeful that you will do your collective best to get a gas pipeline built as we lay the economic future of our state in your hands.

Sincerely,

William J. Evans  
Board Chairman, 2006-07

Stacy Schubert, IOM  
President

Stacy Schubert, IOM  
President  
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"Making Change"

"Every man owes part of his time and money to the business or industry to which he is engaged. No man has a moral right to withhold his support from an organization that is striving to improve conditions within his sphere."

-- President Theodore Roosevelt, 1908

Thank you for supporting the Anchorage Chamber of Commerce!

**SB**

**109**

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/7/07

FURTHER:

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Resources Committee considered      SENATE BILL NO. 109

### SB 109 OIL & GAS CONSERVATION COMMISSION

"An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date."

and recommends:

be replaced with  SCS or  CS SB 109 (RES)

adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt \_\_\_\_\_ Letter of Intent

further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
_____	
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

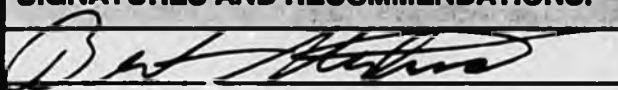


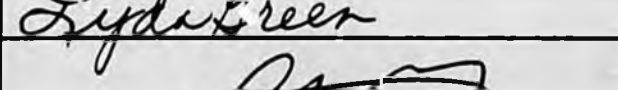

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
ADM	3/7			✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	SHERMAN	✓			
	Liederhouski			✓	
	STREET	✓			
	Green	✓			
CHAIR: 	AUGUNAS	✓			



## **LEGISLATIVE BUDGET & AUDIT COMMITTEE**

**Representative Ralph Samuels, Chairman**

### **MEMORANDUM**

**TO:** Senator Charlie Huggins, Chair  
Senate Resources Committee

**FROM:** Representative Ralph Samuels, Chair *RLS*  
Legislative Budget & Audit Committee

**DATE:** March 8, 2007

**RE:** Hearing Request for Senate Bill 109

I respectfully request the scheduling of Senate Bill 109 – *“An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date.”* - for a hearing at your earliest possible convenience.

# ALASKA STATE LEGISLATURE

**Sen. Charlie Huggins, Chair**  
**Sen. Bert Stedman, Vice Chair**  
**Sen. Lyda Green**  
**Sen. Gary Stevens**  
**Sen. Lesil McGuire**  
**Sen. Bill Wielechowski**  
**Sen. Thomas Wagoner**



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

## Senate Resources Committee

Friday April 13, 2007  
3:30 p.m. – 5:30 p.m.

### AGENDA

- **SB 109 Oil & Gas Conservation Commission**

**John Norman, Alaska Oil and Gas Conservation Commission**  
**Cheryl Sutton, LB&A Committee Aide to Representative Samuels**

- **SB 96 Establishing A Renewable Energy Fund**

**Senator Johnny Ellis, Sponsor**  
**Dana Owen, Legislative Aide to Senator Ellis**

**Testimony: Time Limit May Be Set**

**CS FOR SENATE BILL NO. 109(RES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

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

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the regulation and permitting of drilling and other operations by the**  
2 **Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the**  
3 **commission, to reconsideration and appeal of decisions and the allocation of costs in**  
4 **investigations and hearings before the commission, and to information filed with and**  
5 **fees of the commission; and providing for an effective date."**

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

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

9 **LEGISLATIVE INTENT OF SECS. 10, 14, AND 15 OF THIS ACT. (a) It is the**  
10 **intent of the legislature through secs. 10 and 15 of this Act to confirm by clarification that**  
11 **AS 22.10.020(d), or court rules, have superseded inconsistent provisions of AS 31.05.080(b)**  
12 **as they existed the day before the effective date of this Act.**

13 **(b) It is the intent of the legislature through the enactment of AS 31.05.150(f) in sec.**

1 14 of this Act to confirm by clarification the long-standing interpretation of AS 31.05.150(d),  
2 as that section read before the effective date of this Act, by the Alaska Oil and Gas  
3 Conservation Commission that civil penalties may be administratively assessed by the  
4 commission and if not paid are recoverable by suit in the appropriate superior court as  
5 determined by court rules.

6 \* Sec. 2. AS 31.05.030(d) is repealed and reenacted to read:

7 (d) The commission may require

8 (1) identification of ownership of wells, producing leases, tanks,  
9 plants, and drilling structures;

10 (2) the making and filing of reports, well logs, drilling logs, electric  
11 logs, lithologic logs, directional surveys, and all other subsurface information on a  
12 well for which a permit to drill has been issued by the commission, subject to the  
13 following:

14 (A) the reports required to be filed by the commission under  
15 this paragraph shall be filed within 30 days after the completion, abandonment,  
16 or suspension of the well; and

17 (B) the well logs, drilling logs, electric logs, lithologic logs,  
18 directional surveys, and all other information required to be filed by the  
19 commission under this paragraph shall be filed within 90 days after the  
20 completion, abandonment, or suspension of the well, unless extended by the  
21 commission on request;

22 (3) the drilling, casing and plugging of wells in a manner that will  
23 prevent the escape of oil or gas out of one stratum into another, the intrusion of water  
24 into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water,  
25 and prevent blowouts, cavings, seepages and fires;

26 (4) the furnishing of a reasonable bond with sufficient surety  
27 conditions for the performance of the duty to plug each dry or abandoned well or the  
28 repair of wells causing waste;

29 (5) the operation of wells with efficient gas-oil and water-oil ratios,  
30 and may fix these ratios;

31 (6) the gauging or other measuring of oil and gas to determine the

1 quality and quantity of oil and gas;

2 (7) every person who produces oil or gas in the state to keep and  
3 maintain for a period of five years in the state complete and accurate records of the  
4 quantities of oil and gas produced, which shall be available for examination by the  
5 commission at all reasonable times;

6 (8) the measuring and monitoring of oil and gas pool pressures;

7 (9) the filing and approval of a plan of development and operation for  
8 a field or pool to prevent waste, ensure a greater ultimate recovery of oil and gas, and  
9 protect the correlative rights of persons owning interests in the tracts of land affected.

10 \* Sec. 3. AS 31.05.030(e) is amended to read:

11 (e) The commission may regulate

12 (1) for conservation purposes and, to the extent not in conflict with  
13 regulation by the Department of Labor and Workforce Development or the  
14 Department of Environmental Conservation, for public health and safety  
15 purposes,

16 (A) the drilling, producing, and plugging of wells;

17 (B) the perforating, fracture simulation, [SHOOTING] and  
18 chemical treatment of wells;

19 (C) the spacing of wells;

20 (D) the disposal of salt water, nonpotable water, and oil field  
21 wastes;

22 (E) the contamination or waste of underground water;

23 (F) the quantity and rate of the production of oil and gas from a  
24 well or property; this authority shall also apply to a well or property in a  
25 voluntary cooperative or unit plan of development or operation entered into in  
26 accordance with AS 38.05.180(p);

27 (G) the underground injection of gas for purposes of  
28 storage;

29 (2) the disposal of drilling mud, cuttings, and nonhazardous drilling  
30 operation wastes in the annular space of a [AN OIL OR GAS] well for which a  
31 permit to drill has been issued by the commission [OR IN THE ANNULAR

1 SPACE OF A WATER WELL ASSOCIATED WITH OIL OR GAS  
 2 EXPLORATION AND PRODUCTION]; in this paragraph, a "nonhazardous drilling  
 3 operation waste" means a waste, other than a hazardous waste identified by the  
 4 Environmental Protection Agency in 40 C.F.R., Part 261, its regulation identifying and  
 5 listing hazardous wastes, associated with the act of drilling a [AN OIL OR GAS] well  
 6 for exploratory or production purposes.

7 \* Sec. 4. AS 31.05.030(f) is amended to read:

8 (f) The commission may classify a well or a specific portion of a well  
 9 [WELLS] as an exploratory, development, service, or stratigraphic test well and  
 10 may classify a development well as an oil or gas well [WELLS] for purposes  
 11 material to the interpretation or enforcement of this chapter.

12 \* Sec. 5. AS 31.05.030(j) is amended to read:

13 (j) For exploration and development operations involving nonconventional  
 14 gas, the commission

15 (1) may not

16 (A) issue a permit to drill under this chapter if the well would  
 17 be used to produce gas from an aquifer that serves as a source of water for  
 18 human consumption or agricultural purposes unless the commission  
 19 determines that the well will not adversely affect the aquifer as a source of  
 20 water for human consumption or agricultural purposes; or

21 (B) allow injection of produced water except at depths below  
 22 known sources of water for human consumption or agricultural purposes;

23 (2) shall

24 (A) regulate hydraulic fracturing in nonconventional gas wells  
 25 to ensure [ASSURE] protection of drinking water quality;

26 (B) regulate the disposal of wastes produced from the  
 27 operations unless the disposal is otherwise subject to regulation by the  
 28 Department of Environmental Conservation or the United States  
 29 Environmental Protection Agency;

30 (C) [REPEALED

31 (D)] as a condition of approval of a permit to drill a well for

1            regular production [OR PRODUCTION TESTING] of coal bed methane,  
 2            require the operator to design and implement a water well testing program to  
 3            provide baseline data on water quality and quantity; the commission shall  
 4            make the results of the water well testing program available to the public.

5   \* Sec. 6. AS 31.05.035(a) is amended to read:

6            (a) For all wells for which a permit to drill has been issued by the commission  
 7            [SINCE JANUARY 3, 1959], the commission may require:

8                    (1) the making and filing of reports, well logs, drilling logs, electric  
 9                    logs, lithologic logs, directional surveys, and all other subsurface information on a  
 10                   well for which a permit to drill has been issued by the commission [DRILLED  
 11                   FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
 12                   GEOLOGIC INFORMATION];

13                   (2) the filing of flow test information and all logs, except experimental  
 14                   logs and velocity surveys run on a well and not required by (1) of this subsection; and

15                   (3) the operator to make available for copying the digitized log  
 16                   information, if it is available, on any log required to be filed under (1) or (2) of this  
 17                   subsection.

18   \* Sec. 7. AS 31.05.035(c) is amended to read:

19            (c) The reports and information required in (a) of this section that relate to an  
 20            exploratory or stratigraphic test well and those portions of an application for a  
 21            permit to drill an exploratory or stratigraphic test well that the commission  
 22            determines contain proprietary engineering or geotechnical information shall be  
 23            kept confidential for 24 months following the 30-day filing period unless the owner of  
 24            the well gives written permission to release the application and reports and  
 25            information at an earlier date. If the commissioner of natural resources finds that the  
 26            required reports and information contain significant information relating to the  
 27            valuation of unleased land in the same vicinity, the commissioner shall keep the  
 28            reports and information confidential for a reasonable time after the disposition of all  
 29            affected unleased land, unless the owner of the well gives written permission to  
 30            release the reports and information at an earlier date. Well surface and bottom hole  
 31            locations [LOCATION], well depth, well status, [AND] production data, and

1 production reports required by the commission to be filed subsequent to the 30-day  
2 filing period shall be considered public information and may not be classified  
3 confidential. Production data, as used in this subsection, means volume, gravity and  
4 gas-oil ratio of all production of oil or gas after the well begins regular production.

5 \* **Sec. 8.** AS 31.05.035 is amended by adding a new subsection to read:

6 (f) Confidentiality under (d) of this section is not applicable to information  
7 submitted with or as part of a petition for a commission order or to information  
8 submitted for or as part of a hearing before the commission.

9 \* **Sec. 9.** AS 31.05.080(a) is amended to read:

10 (a) Within 20 days after written notice of the entry of an order or decision of  
11 the commission, or such further time as the commission grants for good cause shown,  
12 a person affected by it may file with the commission an application for  
13 reconsideration [THE REHEARING IN RESPECT] of the matter determined by the  
14 order or decision, setting out [FORTH] the respect in which the order or decision is  
15 believed to be erroneous. The commission shall grant or refuse the application in  
16 whole or in part within 10 days after it is filed, and failure to act on it within this  
17 period is a refusal of it and a final disposition of the application. If reconsideration  
18 [THE HEARING] is granted, the commission may enter a new order or decision after  
19 reconsideration [REHEARING] as may be required under the circumstances.

20 \* **Sec. 10.** AS 31.05.080(b) is repealed and reenacted to read:

21 (b) A person who has applied for reconsideration and is dissatisfied with the  
22 disposition of the application for reconsideration may appeal to the superior court. The  
23 questions reviewed on appeal are limited to the questions presented to the commission  
24 by the application for reconsideration.

25 \* **Sec. 11.** AS 31.05.085(a) is amended to read:

26 (a) During a hearing or investigation held under this chapter, the commission  
27 may allocate the costs of the hearing or investigation among the parties, including the  
28 commission, as is just under the circumstances. In allocating costs, the commission  
29 shall consider the regulatory cost charge paid by a person under AS 31.05.093 and  
30 may consider the results, evidence of good faith, other relevant factors, and mitigating  
31 circumstances. The costs allocated may include

1 (1) the costs of any time devoted to the investigation or hearing by  
 2 hired consultants, whether or not the consultants appear as witnesses or participants;  
 3 [AND]

4 (2) any out-of-pocket expenses incurred by the commission in the  
 5 particular proceeding; and

6 (3) when the investigation or hearing relates to a violation of a  
 7 provision of this chapter, a regulation adopted under this chapter, or an order,  
 8 stipulation, or term of a permit issued by the commission, the costs of any time  
 9 devoted to the investigation or hearing by the commission staff.

10 \* Sec. 12. AS 31.05.090 is repealed and reenacted to read:

11 **Sec. 31.05.090. Permits to drill wells.** (a) A person must apply for and receive  
 12 a permit from the commission before drilling

13 (1) a well in search of oil or gas;

14 (2) a well in support of the recovery or production of oil or gas;

15 (3) an underground injection well for the purpose of gas storage; or

16 (4) an underground injection well for which the state has acquired  
 17 primary enforcement responsibility under AS 31.05.030(h).

18 (b) A person must submit a separate permit application for each well. The  
 19 permit application must be in the form required by the commission and include all  
 20 information required by the commission.

21 (c) After receiving an application under (b) of this section, the commission  
 22 shall promptly approve or deny the application for a permit to drill.

23 (d) In making a determination under (c) of this section, the commissioner shall  
 24 consider whether the

25 (1) proposed well is contrary to law, a provision of this chapter, a  
 26 regulation adopted under this chapter, or an order, stipulation, or term of a permit  
 27 issued by the commission; or

28 (2) applicant is in violation of a provision of this chapter, a regulation  
 29 adopted under this chapter, or an order, stipulation, or term of a permit issued by the  
 30 commission and the magnitude of such violation.

31 \* Sec. 13. AS 31.05.093(c) is amended to read:

1 (c) The commission shall determine the regulatory cost charges levied under  
2 this section so that the total amount to be collected approximately equals the  
3 appropriations made for the operating costs of the commission under this chapter for  
4 the fiscal year [, LESS THE ESTIMATED TOTAL OF THE FEES TO BE  
5 COLLECTED UNDER AS 31.05.090. IF THE AMOUNT THE COMMISSION  
6 EXPECTS TO COLLECT UNDER THIS SECTION AND UNDER AS 31.05.090  
7 EXCEEDS THE APPROPRIATIONS MADE FOR THE OPERATING COSTS OF  
8 THE COMMISSION UNDER THIS CHAPTER, THE COMMISSION SHALL, BY  
9 ORDER, ADJUST THE REGULATORY COST CHARGES SO THAT THE TOTAL  
10 AMOUNT OF THE REGULATORY COST CHARGES AND FEES THAT ARE  
11 COLLECTED APPROXIMATELY EQUALS THE APPROPRIATIONS MADE  
12 FOR THE OPERATING COSTS OF THE COMMISSION UNDER THIS CHAPTER  
13 FOR THE FISCAL YEAR].

14 \* **Sec. 14.** AS 31.05.150 is repealed and reenacted to read:

15 **Sec. 31.05.150. Penalties.** (a) In addition to the penalties in (b) - (e) of this  
16 section, a person who violates a provision of this chapter, a regulation adopted under  
17 this chapter, or an order, stipulation, or term of a permit issued by the commission is  
18 liable for a civil penalty of not more than \$100,000 for the initial violation and not  
19 more than \$10,000 for each day thereafter on which the violation continues.

20 (b) A person who knowingly commits an act specified in AS 11.46.630(a) for  
21 the purpose of evading a provision of this chapter, a regulation adopted under this  
22 chapter, or an order, stipulation, or term of a permit issued by the commission, is  
23 guilty of a class A misdemeanor.

24 (c) A person who knowingly aids or abets another person in the violation of a  
25 provision of this chapter, a regulation adopted under this chapter, or an order,  
26 stipulation, or term of a permit issued by the commission, is subject to the same  
27 penalty as that prescribed in this chapter for the violation by the other person.

28 (d) In addition to the penalties in (a) - (c) and (e) of this section, the  
29 commission may impose a civil penalty for each 1,000 cubic feet of natural gas flared,  
30 vented, or otherwise determined to be waste as defined in AS 31.05.170. The penalty  
31 shall be twice the fair market value of the natural gas at the point of waste.

1 (e) A person who knowingly violates a provision of this chapter, a regulation  
 2 adopted under this chapter, or an order, stipulation, or term of a permit issued by the  
 3 commission is guilty of a misdemeanor punishable by a fine of not more than \$10,000  
 4 a day for each day of violation.

5 (f) The commission may assess the civil penalties provided in this section and,  
 6 if not paid, the penalties are recoverable by suit filed by the attorney general in the  
 7 name and on behalf of the commission in the superior court. The payment of a penalty  
 8 does not relieve a person on whom the penalty is imposed from liability to any other  
 9 person for damages arising out of the violation.

10 (g) In determining the amount of a penalty assessed under (a) of this section,  
 11 the commission shall consider

12 (1) the extent to which the person committing the violation was acting  
 13 in good faith in attempting to comply;

14 (2) the extent to which the person committing the violation acted in a  
 15 wilful or knowing manner;

16 (3) the extent and seriousness of the violation and the actual or  
 17 potential threat to public health or the environment;

18 (4) the injury to the public resulting from the violation;

19 (5) the benefits derived by the person committing the violation from  
 20 the violation;

21 (6) the history of compliance or noncompliance by the person  
 22 committing the violation with the provisions of this chapter, the regulations adopted  
 23 under this chapter, and the orders, stipulations, or terms of permits issued by the  
 24 commission;

25 (7) the need to deter similar behavior by the person committing the  
 26 violation and others similarly situated at the time of the violation or in the future;

27 (8) the effort made by the person committing the violation to correct  
 28 the violation and prevent future violations; and

29 (9) other factors considered relevant to the assessment that are adopted  
 30 by the commission in regulation.

31 \* **Sec. 15.** AS 31.05.080(c) and 31.05.080(d) are repealed.

1       \* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3               **REVISOR'S INSTRUCTION.** The revisor of statutes is instructed to change the  
4 heading of AS 31.05.080 from "Rehearings and appeals" to "Reconsiderations and appeals."

5       \* **Sec. 17.** This Act takes effect immediately under AS 01.10.070(c).

**SENATE BILL NO. 109**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

**Introduced: 3/7/07**

**Referred:**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the regulation and permitting of drilling and other operations by the**  
2 **Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the**  
3 **commission, to reconsideration and appeal of decisions and the allocation of costs in**  
4 **investigations and hearings before the commission, and to information filed with and**  
5 **fees of the commission; and providing for an effective date."**

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

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

9 **LEGISLATIVE INTENT OF SECS. 10, 15, AND 18 OF THIS ACT.** (a) It is the  
10 intent of the legislature through secs. 10 and 18 of this Act to confirm by clarification that  
11 AS 22.10.020(d), or court rules, have superseded inconsistent provisions of AS 31.05.080(b)  
12 as they existed the day before the effective date of this Act.

13 (b) It is the intent of the legislature through sec. 15 of this Act to confirm by

1 clarification the long-standing interpretation of AS 31.05.150(d) by the Alaska Oil and Gas  
2 Conservation Commission that civil penalties may be administratively assessed by the  
3 commission and if not paid are recoverable by suit in the appropriate superior court as  
4 determined by court rules.

5 \* Sec. 2. AS 31.05.030(d) is amended to read:

6 (d) The commission may require

7 (1) identification of ownership of wells, producing leases, tanks, plants  
8 and drilling structures;

9 (2) the making and filing of reports, well logs, drilling logs, electric  
10 logs, lithologic logs, directional surveys, and all other subsurface information on a  
11 well for which a permit to drill has been issued by the commission [DRILLED  
12 FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
13 GEOLOGIC INFORMATION], and the required reports [AND INFORMATION]  
14 shall be filed within 30 days and the logs and other subsurface information shall be  
15 filed within 60 days after the completion, abandonment, or suspension of the well;

16 (3) the drilling, casing and plugging of wells in a manner that will  
17 prevent the escape of oil or gas out of one stratum into another, the intrusion of water  
18 into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water,  
19 and prevent blowouts, cavings, seepages and fires;

20 (4) the furnishing of a reasonable bond with sufficient surety  
21 conditions for the performance of the duty to plug each dry or abandoned well or the  
22 repair of wells causing waste;

23 (5) the operation of wells with efficient gas-oil and water-oil ratios,  
24 and may fix these ratios;

25 (6) the gauging or other measuring of oil and gas to determine the  
26 quality and quantity of oil and gas;

27 (7) every person who produces oil or gas in the state to keep and  
28 maintain for a period of five years in the state complete and accurate records of the  
29 quantities of oil and gas produced, which shall be available for examination by the  
30 commission [DEPARTMENT OF NATURAL RESOURCES OR ITS AGENTS] at  
31 all reasonable times;

- 1 (8) the measuring and monitoring of oil and gas pool pressures;
- 2 (9) the filing and approval of a plan of development and operation for
- 3 a field or pool in order to prevent waste, ensure [INSURE] a greater ultimate recovery
- 4 of oil and gas, and protect the correlative rights of persons owning interests in the
- 5 tracts of land affected.

6 \* Sec. 3. AS 31.05.030(e) is amended to read:

- 7 (e) The commission may regulate
- 8 (1) for conservation purposes and, to the extent not in conflict with
- 9 regulation by the Department of Labor and Workforce Development or the
- 10 Department of Environmental Conservation, for public health and safety
- 11 purposes,
- 12 (A) the drilling, producing, and plugging of wells;
- 13 (B) the perforating, fracture simulation, [SHOOTING] and
- 14 chemical treatment of wells;
- 15 (C) the spacing of wells;
- 16 (D) the disposal of salt water, nonpotable water, and oil field
- 17 wastes;
- 18 (E) the contamination or waste of underground water;
- 19 (F) the quantity and rate of the production of oil and gas from a
- 20 well or property; this authority shall also apply to a well or property in a
- 21 voluntary cooperative or unit plan of development or operation entered into in
- 22 accordance with AS 38.05.180(p);
- 23 (G) the underground injection of gas for purposes of
- 24 storage;
- 25 (2) the disposal of drilling mud, cuttings, and nonhazardous drilling
- 26 operation wastes in the annular space of a [AN OIL OR GAS] well [OR IN THE
- 27 ANNULAR SPACE OF A WATER WELL ASSOCIATED WITH OIL OR GAS
- 28 EXPLORATION AND PRODUCTION]; in this paragraph, a "nonhazardous drilling
- 29 operation waste" means a waste, other than a hazardous waste identified by the
- 30 Environmental Protection Agency in 40 C.F.R., Part 261, its regulation identifying and
- 31 listing hazardous wastes, associated with the act of drilling a [AN OIL OR GAS] well

1 for exploratory or production purposes.

2 \* Sec. 4. AS 31.05.030(f) is amended to read:

3 (f) The commission may classify a well [WELLS] as an exploratory,  
 4 development, service, or stratigraphic test well and may classify a development  
 5 well as an oil or gas well [WELLS] for purposes material to the interpretation or  
 6 enforcement of this chapter.

7 \* Sec. 5. AS 31.05.030(j) is amended to read:

8 (j) For exploration and development operations involving nonconventional  
 9 gas, the commission

10 (1) may not

11 (A) issue a permit to drill under this chapter if the well would  
 12 be used to produce gas from an aquifer that serves as a source of water for  
 13 human consumption or agricultural purposes unless the commission  
 14 determines that the well will not adversely affect the aquifer as a source of  
 15 water for human consumption or agricultural purposes; or

16 (B) allow injection of produced water except at depths below  
 17 known sources of water for human consumption or agricultural purposes;

18 (2) shall

19 (A) regulate hydraulic fracturing in nonconventional gas wells  
 20 to ensure [ASSURE] protection of drinking water quality;

21 (B) regulate the disposal of wastes produced from the  
 22 operations unless the disposal is otherwise subject to regulation by the  
 23 Department of Environmental Conservation or the United States  
 24 Environmental Protection Agency;

25 (C) [REPEALED

26 (D)] as a condition of approval of a permit to drill a well for  
 27 regular production [OR PRODUCTION TESTING] of coal bed methane,  
 28 require the operator to design and implement a water well testing program to  
 29 provide baseline data on water quality and quantity; the commission shall  
 30 make the results of the water well testing program available to the public.

31 \* Sec. 6. AS 31.05.035(a) is amended to read:

1 (a) For all wells for which a permit to drill has been issued by the commission  
2 [SINCE JANUARY 3, 1959], the commission may require:

3 (1) the making and filing of reports, well logs, drilling logs, electric  
4 logs, lithologic logs, directional surveys, and all other subsurface information on a  
5 well for which a permit to drill has been issued by the commission [DRILLED  
6 FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
7 GEOLOGIC INFORMATION];

8 (2) the filing of flow test information and all logs, except experimental  
9 logs and velocity surveys run on a well and not required by (1) of this subsection; and

10 (3) the operator to make available for copying the digitized log  
11 information, if it is available, on any log required to be filed under (1) or (2) of this  
12 subsection.

13 \* Sec. 7. AS 31.05.035(c) is amended to read:

14 (c) The application for a permit to drill an exploratory or stratigraphic  
15 test well and the reports and information required in (a) of this section that relate to  
16 an exploratory or stratigraphic test well shall be kept confidential for 24 months  
17 following the 30-day filing period unless the owner of the well gives written  
18 permission to release the reports and information at an earlier date. If the  
19 commissioner of natural resources finds that the required reports and information  
20 contain significant information relating to the valuation of unleased land in the same  
21 vicinity, the commissioner shall keep the reports and information confidential for a  
22 reasonable time after the disposition of all affected unleased land, unless the owner of  
23 the well gives written permission to release the reports and information at an earlier  
24 date. Well surface and bottom hole locations [LOCATION], well depth, well status,  
25 [AND] production data, and production reports required by the commission to be filed  
26 subsequent to the 30-day filing period shall be considered public information and may  
27 not be classified confidential. Production data, as used in this subsection, means  
28 volume, gravity and gas-oil ratio of all production of oil or gas after the well begins  
29 regular production.

30 \* Sec. 8. AS 31.05.035 is amended by adding a new subsection to read:

31 (f) Subsection (d) of this section does not apply to information submitted in

1 connection with a petition for a commission order or a hearing before the commission.

2 \* **Sec. 9.** AS 31.05.080(a) is amended to read:

3 (a) Within 20 days after written notice of the entry of an order or decision of  
4 the commission, or such further time as the commission grants for good cause shown,  
5 a person affected by it may file with the commission an application for  
6 **reconsideration** [THE REHEARING IN RESPECT] of the matter determined by the  
7 order or decision, setting **out** [FORTH] the respect in which the order or decision is  
8 believed to be erroneous. The commission shall grant or refuse the application in  
9 whole or in part within 10 days after it is filed, and failure to act on it within this  
10 period is a refusal of it and a final disposition of the application. If **reconsideration**  
11 [THE HEARING] is granted, the commission may enter a new order or decision after  
12 **reconsideration** [REHEARING] as may be required under the circumstances.

13 \* **Sec. 10.** AS 31.05.080(b) is repealed and reenacted to read:

14 (b) A person who has applied for reconsideration and is dissatisfied with the  
15 disposition of the application for reconsideration may appeal to the superior court. The  
16 questions reviewed on appeal are limited to the questions presented to the commission  
17 by the application for reconsideration.

18 \* **Sec. 11.** AS 31.05.085(a) is amended to read:

19 (a) During a hearing or investigation held under this chapter, the commission  
20 may allocate the costs of the hearing or investigation among the parties, including the  
21 commission, as is just under the circumstances. In allocating costs, the commission  
22 shall consider the regulatory cost charge paid by a person under AS 31.05.093 and  
23 may consider the results, evidence of good faith, other relevant factors, and mitigating  
24 circumstances. The costs allocated may include

25 (1) the costs of any time devoted to the investigation or hearing by  
26 hired consultants, whether or not the consultants appear as witnesses or participants;  
27 [AND]

28 (2) any out-of-pocket expenses incurred by the commission in the  
29 particular proceeding; **and**

30 **(3) when the investigation or hearing relates to a violation of this**  
31 **chapter, a regulation adopted under this chapter, or an order of the commission.**