

HOUSE CONCURRENT RESOLUTION NO. 12
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES RAMRAS, Johnson

Introduced: 3/12/09

Referred: House Special Committee on Energy, Resources

A RESOLUTION

1 **Requesting that the governor and the attorney general review and reevaluate the license**
2 **issued to TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as**
3 **licensee, under the Alaska Gasline Inducement Act to determine whether the project**
4 **proposed by the licensee sufficiently maximizes the benefits to the people of the state and**
5 **merits continuing the license, taking into consideration economic changes affecting**
6 **project financing, the availability of liquefied natural gas and natural gas from**
7 **nonconventional sources, the state's risk of paying treble damages associated with an in-**
8 **state gas pipeline, and the expected budget deficit; and requesting that the governor and**
9 **the attorney general report the outcome of the review and reevaluation within six**
10 **months.**

11 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

12 **WHEREAS** the state of the national and global economy has been officially declared
13 a "recession," and current energy markets and credit markets are in turmoil, thereby creating

1 new uncertainties for the economic feasibility of the large diameter gas pipeline contemplated
2 by the licensee under AS 43.90 (Alaska Gasline Inducement Act) as well as the ability of the
3 licensee to finance the construction; and

4 **WHEREAS** aggressive developments of shale and other nonconventional gas
5 resources in the Lower 48, such as the Barnett shale formation in Texas, thought to be the
6 largest onshore natural gas field in the United States, with some experts estimating that it
7 contains up to 30 trillion cubic feet of gas, and the Bakken shale formation of the Williston
8 Basin Province, Montana and North Dakota, which is thought to contain 1.85 trillion cubic
9 feet of associated/dissolved natural gas, and 148,000,000 barrels of natural gas liquids, have
10 brought substantial new domestic natural gas production to market; and

11 **WHEREAS** technological advancements in the field of shale gas recovery have called
12 into question the economic viability of a long distance, large diameter pipeline; and

13 **WHEREAS** shale gas in the continental United States is closer to large markets and
14 already enjoys thousands of miles of pipe and transmission lines where the construction of
15 risk and cost have already been mitigated; and

16 **WHEREAS** there are surplus receiver ports for liquefied natural gas along the coasts
17 of the United States that are vastly underutilized and have altered the fundamentals of the
18 domestic natural gas market; and

19 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
20 acting jointly, determined that the joint application of TransCanada Alaska Company, LLC,
21 and Foothills Pipe Lines Ltd. proposed a natural gas pipeline project that will sufficiently
22 maximize the benefits to the people of the state and merits issuance of a license under
23 AS 43.90 (Alaska Gasline Inducement Act); and

24 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
25 acting jointly, published a notice of intent to issue a license to TransCanada Alaska Company,
26 LLC, and Foothills Pipe Lines Ltd., jointly, under AS 43.90 (Alaska Gasline Inducement Act)
27 and forwarded the published notice along with the findings, supporting documentation, and
28 determination to the presiding officer of each house of the Alaska State Legislature; and

29 **WHEREAS** the Alaska State Legislature approved the issuance of the license to
30 TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, by
31 passing HB 3001 during the Fourth Special Session of the Twenty-Fifth Alaska State

1 Legislature; and

2 **WHEREAS** the commissioner of revenue and the commissioner of natural resources,
3 acting jointly, have issued the license approved by the Alaska State Legislature; and

4 **WHEREAS** AS 43.90.440 entitles TransCanada Alaska Company, LLC, and
5 Foothills Pipe Lines Ltd., jointly as licensee, to a payment from the state of an amount equal
6 to three times the total amount of the expenditures incurred and paid by the licensee that are
7 qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in
8 developing the licensee's project if, before the commencement of commercial operations,

9 (1) the state extends to another person preferential royalty or tax treatment or
10 grant of state money for the purpose of facilitating the construction of a competing natural gas
11 pipeline project in this state; and

12 (2) the licensee is in compliance with the requirements of the license and with
13 the requirements of state and federal statutes and regulations relevant to the project; and

14 **WHEREAS** the people of the state have a present need for natural gas produced from
15 the North Slope, and it is in the best interests of the state to pursue a means for delivering
16 natural gas produced from the North Slope to the people of the state before the
17 commencement of commercial operations of the project proposed by TransCanada Alaska
18 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee; and

19 **WHEREAS** the development of a project for the delivery of natural gas from the
20 North Slope before the commencement of commercial operations of the project proposed by
21 TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, may
22 require the state to extend to another person preferential royalty or tax treatment or grant of
23 state money for the purpose of facilitating the construction of a natural gas pipeline; and

24 **WHEREAS** current revenue projections for Alaska indicate that Alaskans will be
25 facing a budget deficit in the years ahead, further jeopardizing the state's ability to pay treble
26 damages to the licensee should the state become liable to the licensee for violating the
27 assurance to the licensee in AS 43.90.440; and

28 **WHEREAS** the licensee's ongoing work, including field work, continues to increase
29 the state's liability for reimbursing the licensee; and

30 **WHEREAS** a project other than the project proposed by TransCanada Alaska
31 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, that receives preferential

1 royalty or tax treatment or a grant of state money may be considered a competing natural gas
2 pipeline project to the project pursued under the license issued to TransCanada Alaska
3 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee; and

4 **WHEREAS** it is in the best interest of the state that the state have maximum
5 flexibility to take any action necessary to develop its natural gas and to meet the energy needs
6 of the people of the state; and

7 **WHEREAS** the entitlement of TransCanada Alaska Company, LLC, and Foothills
8 Pipe Lines Ltd., jointly as licensee, to a payment by the state of an amount equal to three
9 times the total amount of certain qualified expenditures incurred and paid by the licensee
10 handicaps the state from pursuing all reasonable alternatives for the development of a project
11 to deliver natural gas from the North Slope to the people of the state or for export from the
12 state for the benefit of the people of the state; and

13 **WHEREAS** it is in the best interest of the state to eliminate the risk of a payment of
14 an amount equal to three times the total amount of certain qualified expenditures incurred and
15 paid by the licensee so that the state may pursue all reasonable means for the development of
16 the state's natural gas and to meet the energy needs of the people of the state; and

17 **WHEREAS** the dilemma for Alaska is whether or not a large diameter gas pipeline
18 into a North American hub market is commercially viable; and

19 **WHEREAS** it is unclear if there is a value for the state to spend up to \$500,000,000 to
20 create competition when it is uncertain, even if there are two or more competing projects,
21 whether or not those projects will ultimately be commercially viable;

22 **BE IT RESOLVED** that the Alaska State Legislature requests that the governor and
23 the attorney general review and reevaluate the license issued to TransCanada Alaska
24 Company, LLC, and Foothills Pipe Lines Ltd., jointly as licensee, under AS 43.90 (Alaska
25 Gasline Inducement Act) to determine whether the project proposed by the licensee
26 sufficiently maximizes the benefits to the people of the state and merits continuing the license,
27 taking into consideration economic changes affecting project financing, the availability of
28 liquefied natural gas and natural gas from nonconventional sources, the state's risk of paying
29 treble damages associated with an in-state gas pipeline, and the expected budget deficit; and
30 be it

31 **FURTHER RESOLVED** that the governor and the attorney general are requested to

- 1 report the outcome of their review and evaluation within 180 days after this resolution is
- 2 passed by the legislature.