OIL & GAS COMPETITIVENESS REVIEW BOARD

November 17, 2014
1:03 p.m.

Taken at:
Alaska Gasline Development Corporation
Calais Building One
3201 C Street, Suite 604
Anchorage, Alaska 99503

Oil & Gas Competitiveness Review Board:

Kristin Ryan, Chair
Commissioner David Mayberry
A.J. "Joey" Merrick, II
Peter Stokes
Bill Barron
Tom Maloney
Kara Moriarty
Curt Freeman (telephonic)
Deputy Commissioner Mike Pawlowski (telephonic)
Rodney Brown (telephonic)

Others participating:

Stephanie Alexander, Department of Revenue
Tim Tyherd, Department of Revenue
Dorie Choquette (telephonic)
Akis Gialopsos (telephonic)

PROCEEDINGS

CHAIR RYAN calls the meeting to order, and calls the roll. He asks for a motion to approve the agenda.

MR. MALONEY makes a motion to approve the agenda.

MR. STOKES seconds.

The motion is approved.

CHAIR RYAN begins with a presentation from the Department of Revenue.

MR. RYHERD states that he is a commercial analyst. He presents an outline for the report that is due in about two-and-a-half months. He states that the draft outline he proposes reflects the structure of the report. He adds that all should have copies of it as well as the Alaska Oil and Gas Fiscal Regime book, which was published in January of 2012, and is available on line. He goes through the outline and asks for any questions or discussion.

MR. MALONE states that this particular information will be very useful. He continues that the Department of Revenue is updating a variety of long-term forecasts for the State, and asks if there will be perspective forward-looking information on the development of the North Slope included. He also asks about the basis of the production forecast.

MR. RYHERD replies that he was not intimately involved in the kind of components that went into the forecast.

A short discussion ensues.

COMMISSIONER MAYBERRY states that it is fine to update this as part of a broader work product. He continues that in terms of the report that is due in January, it does not seem that this outline addresses the statutory factors that are outlined in 43.98.04, subsection 6(a). He adds that those four particular topics are: regulatory permitting changes that might be suggested to enhance competitiveness; an examination of Alaska's labor pool to provide workforce through the industry; a snapshot of oil and gas infrastructure in the State and deficiencies that might be identified; and, essentially, observations on the State's tax regime. He states that what is outlined here could be relevant background information, but there is a need to pay attention to the specific items in the statute, as well.

MR. STOKES states that this is a great update of what was done, and is a piece of the overall puzzle. He continues that there are some other elements from labor, infrastructure, and other areas to address. He adds that to give the Legislature a view of what has been accomplished in the short period, it is necessary to understand the four areas that are laid out in the statute. He adds that this is a great background piece of information with a great update of the material that was done a few years ago.

CHAIR RYAN asks Mr. Ryherd if his plan is to update this regardless of the Board's decisions.

MR. RYHERD replies that it is a valid document that is helpful to the discussion and will be more helpful if it is updated. He adds that if the group is going in a different direction, he did not know.

CHAIR RYAN asks how quickly the bulk of this could be drafted.

MR. RYHERD replies that a straightforward compilation of the numbers would be had in a couple of weeks. He asks if that analysis and discussion should be applied to a peer group.

MR. MALONEY states that this type of information would be extremely valuable, along with forecasted activities that assist with conclusions.

MS. MORIARTY states that she thinks the bulk of the report will be this comparison to other regions, and suggests, in addition to talking about how it compares against the peer groups, there should be something in the report of how this group is really different.

CHAIR RYAN states that there is a general consensus to move forward with updating this draft so that it reflects the current information. She adds that there is also interest in having some basic information in the initial report on these other topics.

DEPUTY COMMISSIONER PAWLOWSKI states that what he is hearing is consistent with his vision for the report, which is a different cover, title recognition. He continues that it is not the same report that was done before, but a newer report from the Competitive Review Board. He states that in that report there would be: an executive summary; initial observations of the Board, which would include a plan forward for work scope, identification of additional information that is being gathered and a description of the end goal to be achieved; and adding in the update of this report. He adds that he could see the report being ready by the beginning session or early into the first month of the session.

MR. STOKES agrees with extracting from what is in the Revenue Sources Book to frame what the other Departments would be looking at for a forward plan.

DEPUTY COMMISSIONER PAWLOWSKI states that, in the report, an example could be set and then be recommended to work with other Departments to do that. He states appreciation and thanks Mr. Ryherd for all the work that he does for the Department.

MR. STOKES states that the whole Board concurs with that. He continues that a way to coordinate the other three pieces is needed and asks how the Chair sees that going forward.

CHAIR RYAN replies, that is a good question for the Board. She continues that she is not sure what would be a good metric for environmental regulatory efficiencies in the sector. She adds, to continue looking in the performance measures that can be used in the Legislature.

MR. BARRON states that he is struggling with the direction of the report itself and where this Board is trying to get to in the long term and the short term. He continues that if the mission of this Board is to try and establish and ground them factually on what is currently being done and what the current limitations are as a State, then it is a strong piece to establish those limits and handicaps. He states that the first report should state the things that are important -- the things that differentiate this group. These areas that are going to be targeted and attacked in the next report. He adds that the piece is lacking the recognition of how this industry is changing over time in Alaska. He continues that one of the issues that needs to be looked at is product price among all the drivers.

A discussion ensues.

DEPUTY COMMISSIONER PAWLOWSKI states that the challenge in the first report is to provide that long-term vision of where the Board is going.

MS. MORIARTY states that because of the statutory deadline of January 31, 2015, a comprehensive recommendation on all these categories will not be included. She suggests identifying time lines and deadlines for accountability. She states that the charge is to: establish or maintain a salient collection of information; review historical, current, and potential limits; identify factors that affect investment; review the competitive position of the state; and establish procedures for confidentiality.

MR. MALONEY states that whatever objective measures that might assist in any categories would be helpful. He continues, possibly looking at what might impact existing fields, whether they are the largest ones or some of the newest ones.

CHAIR RYAN asks when to start putting this to paper.

DEPUTY COMMISSIONER PAWLOWSKI states that one way he thought of about progressing and moving forward is to take the reaction to Tim's outline; prepare and start to draft what the actual outline will look like; bounce that off the numbers; then, identify either spreading out the burden or have the Department of Revenue take it on. He continues the need to get through, beginning the first week in December, to issue the big Revenue Sources Book. He adds that after publishing, attention can turn to doing a bit more with this report. He states that the RSB is typically released the first week in December, a week prior to the unveiling of the Governor's budget. He continues that by the end of the month there will be a clear vision of what the report should look like.

CHAIR RYAN asks if there are specific recommendations the Board wants to pass on to Departments.

MR. STOKES replies that he views this as an opportunity to bring across all Departments to bear on the topic of oil and gas and being competitive. He states that every year every Department comes and updates the Legislature. He continues that culling the things that are important to this statute and Board should be strived for.

CHAIR RYAN asks for any further discussion of the draft report.

MS. MORIARTY states that this statute was modeled after the board in Alberta. She asks if anyone has looked at any of the reports that the Canadian Competitive Review Board may have put together.

CHAIR RYAN states that Deputy Commissioner Pawlowski was going to ask Senator McGuire to reach out to the Penmore contacts.

MR. GIALOPSOS states that Deputy Commissioner Pawlowski stepped out. He relates that Senator McGuire's office has been reached out to leverage the contacts. He continues that the hope is to have some new information about a member coming out to speak before this Board, to lend their experience, and any advice.

CHAIR RYAN thanks Mr. Gialopsos.

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A short discussion ensues.

CHAIR RYAN suggests some conversations with specific industry people to get a balanced perspective and feedback.

MS. MORIARTY replies that depending on what is asked from the industry's perspective, they will be very hesitant to get it in a public document and on the public record. She suggests going through an RFP process for a survey where the answers are anonymous and confidential.

COMMISSIONER MAYBERRY suggests pointing to the statute, listing some topics and soliciting public opinion. He adds then if a company wants to issue public comments, it can.

DEPUTY COMMISSIONER PAWLOWSKI asks how to advertise the open public comment question.

COMMISSIONER MAYBERRY states that there is a public notice database for all agencies to put out notice, and he is sure that DNR and Division of Oil and Gas could basically hit all those. He continues that it could be fairly general about the Board; what it is doing; investigating these various topics; see the statute; would like your opinions on issues affecting the competitiveness of the State of Alaska in the oil and gas industry.

MR. STOKES suggests not only soliciting from industry, but also soliciting from the public. He adds, properly designing the questions so that the feedback can help the Board and the State. He states that unless there is some real need to make recommendations to the Legislature, he would go with things that are already recognized.

CHAIR RYAN states that it is a good idea to broaden the feedback to include the general public. She continues that a lot of people have really good ideas, and it would be good to hear from them also. She states that the oil spill response to dispersant use is pretty controversial, and that many of the companies are strongly advocating that they be allowed to use dispersants as a primary response tool in case of an event. She continues that the way the statutes are written, that would not be allowed in the current scenario. She explains that the statutes require that picking the oil up is the primary response tool, and if that fails, then dispersants are a secondary response tool. She adds that some of the companies are strongly advocating changing the statutes to allow dispersants as a primary response because mechanical recovery is very expensive. She asks for any other discussion on how to proceed on the report.

MS. MORIARTY suggests that after the Department of Revenue is done with the Revenue Resources Book, taking up the task of updating this outline.

A discussion ensues on how to proceed.

CHAIR RYAN asks for any further discussion on the draft report. There being none, she moves on to the next item of business on the agenda, which is the draft RFP. She calls a ten-minute break.

(Break.)

CHAIR RYAN calls the meeting back to order. She recognizes Deputy Commissioner Pawlowski.

DEPUTY COMMISSIONER PAWLOWSKI states that the RFP process takes about 45 days and may take up to 60. He continues that it includes the actual crafting of the final RFP draft; time for the Board to review the final draft; there is a mandatory 21-day posting period for the on-line public notice site; then, as proposals come in, there is time for a committee to review the responses, and then make a recommendation on the RFP. He adds, that typically takes 10 to 14 days and is followed by a notice of intent to award. Then there is a mandatory 10-day period in which parties can protest. He states that an issue for the group is first identifying someone to review the proposals; that is limited to State employees and public officials. He suggests that at the base level, the selection committee would be made up of three State employees that are members of the Board directly from the agencies, with the potential to make the selection committee the entire Board. This depends on what the Department of Law says. He states that there are two different strategies around an RFP: first is to just identify the information desired and ask for proposals to provide that; second is to get more specific and provide the questions. He continues that the first strategy is the better one for this report, which will look to the vendor community to provide ideas and experiences.

A discussion ensues on the RFP proposals.

DEPUTY COMMISSIONER PAWLOWSKI suggests that a flat-fee contract is the better way to go on proposals like this. He states that these things get complicated and burn a lot of oversight expense.

The discussion continues.

DEPUTY COMMISSIONER PAWLOWSKI suggests 35 percent to management plan for the project and 15 percent for experience and qualifications; and trying to write the experience and qualifications very sternly.

CHAIR RYAN states that the experience section does require that the individuals assigned to the project have the qualifications and experience.

COMMISSIONER MAYBERRY suggests increasing the percentage to the management plan.

DEPUTY COMMISSIONER PAWLOWSKI states 30 percent for the project plan and 20 percent for experience and qualifications.

CHAIR RYAN asks if there are any other sections that need to be discussed.

DEPUTY COMMISSIONER PAWLOWSKI replies no, but adds that it has been very helpful going through the draft.

MR. STOKES states appreciation for the fast-tracking.

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CHAIR RYAN states that the next item on the agenda is scoping for future discussions and when the next meeting will be held.

DEPUTY COMMISSIONER PAWLOWSKI asks to defer and to let Stephanie work with all the members to identify that, especially the State agency people.

MS. MORIARTY agrees and asks if there is something that the Board can do to help with the workload of the agency staff.

DEPUTY COMMISSIONER PAWLOWSKI states that his specific ask of fellow board members is for some ideas on what language might look right in a report, or writing a vision on a page or two and sending it in through Stephanie to Akis. He adds, that would help orient all in the right direction for a draft report. He asks to put it out prior to the Thanksgiving holiday.

CHAIR RYAN asks for a motion to close the meeting.

MS. MORIARTY makes a motion to adjourn the meeting.

MR. MALONEY seconds.

CHAIR RYAN adjourns the meeting.

(Meeting concluded at 3:49 p.m.)

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