

OIL & GAS COMPETITIVENESS REVIEW BOARD

January 6, 2015

9:04 a.m.

Taken at:

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

OIL & GAS COMPETITIVENESS REVIEW BOARD:

Tom Hendrix, Chair
Commissioner David Mayberry
Commissioner Randy Hoffbeck
Tom Maloney
Peter Stokes
Rodney Brown
Curt Freeman
Director Kristin Ryan
A. J. (Joey) Merrick

Others participating:

Stephanie Alexander, Department of Revenue
Tim Ryherd, Department of Revenue
Dan Robinson, Department of Labor
Commissioner Patrick Kemp, Department of Transportation
Deputy Commissioner Kim Rice, Department of Transportation
Bob Pawlowski, Department of Natural Resources
John Tichotsky, Chief Economist, Department of Revenue
Deputy Commissioner Dona Keppers, Department of Revenue
Josh Kindred, AOGA

PROCEEDINGS

CHAIR HENDRIX calls the meeting to order, and asks Ms. Alexander to call the roll. He asks for a motion to approve the agenda.

MR. MALONEY makes a motion to approve the agenda.

COMMISSIONER HOFFBECK seconds.

There being no objection, the motion is approved.

CHAIR HENDRIX states that the presenter this morning is Dan Robinson from the Department of Labor.

MR. ROBINSON states that he is the chief of research analysis at the Department of Labor and has been there for about ten years. He begins, stating that the Department produces Alaska Economic Trends, a monthly publication which is mostly job-based. He continues that the most recent one on oil and gas was July 2013. He talks about the decline in production, adding that roughly 550,000 barrels are being produced each day and there are about 15,000 oil and gas jobs. He explains the employment more fully, and then talks about the fluctuation in the oil prices. He moves on and talks about the residency of the oil and gas workforce. He states that a report is produced every year called The Residency Status of Alaska Workers. He continues that about a third of the oil and gas industry workers are nonresidents; explaining that as defined by the Permanent Fund Dividend eligibility criteria where a person has to be in the state for a full calendar year before being eligible for a PFD. He adds that even if deciding never to leave the state, it still takes almost two years before being eligible for a PFD. He points out that very rarely is there an increase in nonresident employment without a corresponding increase in resident employment. He goes through some of the employment data in other industries, explaining and answering questions as he goes along. He states that the bottom line for oil and gas is that the most current forecast says there is more growth coming. He continues that one of the very important complications is that Alaska has huge migration flows; 50,000 people a year leave and roughly 50,000 people a year come to Alaska. This has a huge impact on the workforce and is very difficult to project.

A discussion ensues.

MR. ROBINSON moves on to comparing the Alaska workforce to other states and talks about labor costs and types of workers needed.

MR. MALONEY asks about the mechanism companies would use in finding workers.

MR. ROBINSON replies that the Alaska Workforce Investment Board has a broad mission to guide public spending on training, and they have a good dialogue there. He states that there is the extraction of data from online job postings, which is an interesting new data source. He continues, explaining as he goes along. He concludes his presentation and asks for any questions.

CHAIR HENDRIX thanks him.

MR. STOKES states that it was very informative and well done. He asks a few questions on some of the topics, and a discussion takes place.

CHAIR HENDRIX asks how long it would take to aggregate information from the database on the 350 member companies if a list was provided.

MR. ROBINSON replies that would not be a big job and would probably take an afternoon.

CHAIR HENDRIX states that a report is due soon and there is a need to have a dashboard of where we started and a metric that can be measured against over time that is meaningful and can

be updated without costing the State a tremendous amount of money to process new data. He continues that this would be able to provide a view from the oil and gas perspective.

MR. ROBINSON states that if the Alliance list has all of the companies that the group is interested in, that might not be a problem; but if some are missing, the comparison gets muddy.

CHAIR HENDRIX, again, thanks Mr. Robinson and calls a break.

(Break.)

CHAIR HENDRIX reconvenes the meeting and states that Commissioner Patrick Kemp will give a short overview and discussion on the Department of Transportation and Public Facilities. He continues that one of the real important questions is: What different potential plans, projects are there that either might be on the shelf or in the State's budget or federal budget for ports, roads, facilities, anything related to resource development, whether it is a large-bore pipeline, an oil field, a road to oil and gas resources. We are very interested in knowing what the DOT might have that would help get to the resources and help develop them.

COMMISSIONER KEMP states that he is prepared to talk about how they are getting ready for the potential gas lines. He continues that his department has very little involvement right now in roads to resources and resource extraction. He states that the point on Ambler Road was transferred to AIDEA a few years ago because it was more of a P-3 concept than a design-build concept. He continues that they are working closely with AIDEA on the EIS and over at Copper to develop that roadway. He states that the Foothills West Project was handed over to Linc Energy because focus on that was lost. He continues that Linc Energy was talking about extracting oil and gas out of Umiat and piping it directly to the Dalton Highway. It was best that they take the lead on that. He adds that notice was given last week that the project is being shut down by the Corps and is in Linc's hands now. He states that the department has no involvement in the Tanana River Bridge out in Nenana, but is constructing a road to the edge of the river in Tanana which is under construction and about halfway done. He adds, that will be the first road to be built in quite a while by the Department, and he thinks that it will have a dynamic on the river for economics and a way to get to resources. He moves on to the Skagway River Bridge, another road to resources, which had to do with a heavy haul out of the mines in the Yukon Territory. He states that they do have a roads-to-resources coordinator, and adds that all the resources seem to be hundreds of miles away from tidewater.

CHAIR HENDRIX asks if there was a major gas pipeline would there be any work that needs to be done to facilitate laydown for pipe or storage for pipe or roads to move pipe.

COMMISSIONER KEMP replies that he can honestly say that the transportation system is in pretty good shape for the gasline. He adds that they have been replacing bridges for the last ten years and are taking out the weak links in the system. He states that the Parks Highway is in a lot better shape with a number of passing lanes installed, which are good because that is a safety aspect. He adds that there are more passing lanes planned on the Seward Highway.

CHAIR HENDRIX asks about the corridor coming out of Valdez on the Richardson Highway.

COMMISSIONER KEMP replies that the Richardson has an average daily traffic of about 500 vehicles and feels it is in good shape, but not for a heavy haul.

DIRECTOR RYAN asks about the increased amount of accidents on the Dalton Highway with spills from refined product going north, and if statistics are showing increased traffic.

COMMISSIONER KEMP replies that there is increased traffic with increased activity on the Slope. He adds, that is an industrial highway and is not for the public. He continues that there is public traffic on it, but is mainly an industrial type road. He states, that creates a dilemma in whether to put a lot of the federal aid dollars into an industrial road, and we are looking for some solutions to tackle the problem.

A discussion ensues.

MR. STOKES asks if any “bottlenecks” have been identified that need to be taken care of in the next five to six years before the actual stringing of pipes begins.

COMMISSIONER KEMP replies that there is a pipeline coordinator in the Department who is in Fairbanks working on both initiatives. He states that the issues are being categorized in five types: No. 1, the companies will have to be responsible for mitigating the traffic impacts; second, improvements to the Dalton; third, pavement consideration; fourth is a second bridge at the Yukon River crossing; and fifth is to become more efficient with the maintenance.

The discussion continues.

CHAIR HENDRIX states that it is incumbent on this board to help figure this all out and look ahead to make sure that there is an infrastructure to support the construction project and remove the roadblocks that may happen.

COMMISSIONER KEMP thinks that this board should take the point on helping with finding a source of funding, which is important as far as efficiency. He states that in the State Transportation Approval Plan, which has to include all funding sources, there is a new category called LNG, and that is just for gasline projects. He continues that they want to start filling out those in a ten-year plan and see what needs to be done.

DEPUTY COMMISSIONER RICE states the need to make sure that the places that might fall apart during construction be identified before, not during.

A short discussion ensues.

CHAIR HENDRIX thanks Commissioner Kemp and moves on to the redline of an RFP with the goal to get through this today, make any corrections or changes to complete it so it can be finished and posted on the website. He states that it is a request for proposal that has been worked on the last few sessions. He goes through it beginning with the top.

COMMISSIONER HOFFBECK asks if the redlines have been reviewed by Law, or are they just ideas.

MS. ALEXANDER replies, just ideas.

COMMISSIONER HOFFBECK states the need for some scrutiny from the Law office.

CHAIR HENDRIX states that after the corrective statement is worked through, it could be passed on to Law for review and further the process. He asks how long a person could anticipate having an RFP review process done.

COMMISSIONER RYAN replies that it is not common to bring the Department of Law into these. He continues that there are procurement rules that need to be followed, adding that it is more an issue of following procurement rules than any legal law.

CHAIR HENDRIX states that the timeline is very realistic because if this gets through procurement and legal review prior to the end of the month, he is confident that that would be ample time to answer. He begins with the first bullet and then the group goes through all the redlines on the document, discussing and explaining as they go along.

CHAIR HENDRIX states that once a competitive response on this RFP is received, then there can be a sit-down and work with the polling folks to really design what is required to get the needed answers.

The discussion continues.

CHAIR HENDRIX states that the intent from inception was for the board to craft questions in such a manner that the people this is sent out to, the investors that might come and harvest the resources, would answer those questions by region.

COMMISSIONER MAYBERRY agrees.

MR. FREEMAN agrees.

The discussion continues.

CHAIR HENDRIX breaks for lunch.

(Lunch break taken from 12:10 p.m. to 1:35 p.m.)

CHAIR HENDRIX calls the meeting back to order and carries on with the discussion of the draft RFP to try to get it finished up for review. He states that before the break the group was talking about the scoping and asks for any further work on that.

The discussion continues.

COMMISSIONER HOFFBECK states a concern that this is a preliminary report to get an idea of where to focus, and it needs to be clear that this is for the group to focus in on what the key issues are and is not intended to be the answer, because it is going to be very subjective.

CHAIR HENDRIX agrees that it needs to be written in a manner and delivered in a manner that this is not the solution or an answer.

The discussion continues.

COMMISSIONER HOFFBECK states that the time frames might be a little tight as to asking the Legislature for money to fund this RFP. He suggests adjusting the dates based on how quickly the Legislature responds.

CHAIR HENDRIX states that if the dates can be changed to March, then the appropriate string of dates to follow that will have to be chosen.

The discussion continues.

CHAIR HENDRIX states that, in the process of having the first initial meeting, it should be very specific, explaining what and how those deliverables look. He adds that this will be a lot clearer when meeting the first time.

MR. MALONEY suggests making sure that the good opinions of people that are in the departments who have focused on whatever are received.

DIRECTOR RYAN states, from her perspective, she envisioned those department perspectives coming out to the whole board, not necessarily through this contractor. She continues that she has been hearing from all sorts of departments about things that departments would like to see happen. She adds that it may be harder to get free-flowing information from industry that may want to be confidential.

COMMISSIONER HOFFBECK asks to be enlightened on the idea of using the smaller market, the U.S./North American kind of market as a peer group.

MR. RYHERD explains that the peer group on that outline has the dichotomy of being broad so that a realistic comparison can be made, and we also want to keep it narrowed and focused enough so that the audience does not get lost when they read through this document. He explains more fully.

CHAIR HENDRIX thanks Mr. Ryherd and moves back to the RFP. He asks if there are any other changes to make to the draft RFP before it is sent back to Procurement for review.

MR. FREEMAN makes a motion to approve the RFP with the corrections.

MR. MALONEY seconds.

There being no objection, the motion is approved.

CHAIR HENDRIX asks Stephanie to make the corrections as noted, and then send it back for a quick review. He moves on to the Department of Revenue and recognizes John Tichotsky. He adds that the Department of Revenue is going to discuss the Revenue Sources Book for Fall 2014.

MR. TICHOTSKY states that he has handed out some copies of the Revenue Sources book and adds that they are available on-line, as well. He continues that there is basic current data and also some of the forecast data and explains the QR codes on the chapters. He states that this year's specialty chapter is the Arctic chapter. He continues that a lot of the data that relates to arctic resources, which are mostly oil and gas, has been included. He points out that the revenue forecast and the historical forecast is actually collected by human beings, some of which have worked for the Department for a very long time. He goes through, explaining who some of the employees are, and then moves on to some of the highlights that may be of interest. He answers questions as they come up. He completes his summary of the information that can be found in the Revenue Sources Book and states that he is extremely proud of the economists that came up with the QR codes and the spreadsheets. He tells the board to feel free to use the data and the figures in the report that is being worked on.

CHAIR HENDRIX asks for any other questions, and then thanks Mr. Tichotsky for his time. He calls for a break.

(Break taken.)

CHAIR HENDRIX calls the meeting back to order and moves on to the draft outline. He recognizes Tim Ryherd.

MR. RYHERD states that the current version of the draft is a little modified from the previous version. He continues that he inserted the elements, specifically the infrastructure element, which was addressed in part by the Department of Transportation this morning. He adds that he sees the infrastructure as broader than just roads and DOT related. He sees it as pipelines and facilities, as well.

A discussion ensues.

CHAIR HENDRIX states that he would like to have a telephone conference and get some assignments for contact to get information back in here that can be used in the first report.

The discussion continues.

MR. RYHERD moves on to the next element which is regulatory, environmental, and permitting structure. He states that these are kind of big issues without easy definitions.

The discussion continues.

MR. PAWLOWSKI offers support for Mr. Ryherd to sit down, go over the information that supports what is going on in the leasing and permitting and plan of operation, plan of development.

CHAIR HENDRIX thanks Mr. Pawlowski.

The discussion continues.

MR. FREEMAN states the need for an introduction that goes on to the peer group which essentially explain why the report is being created, and the planned schedule of reports in the future.

COMMISSIONER MAYBERRY states that, globally, he likes the outline and adds that it is very thorough. He suggests an addition of an introduction of who the group is, the mission, what is being done and why. Then, at the end explain the ongoing work, future deliverables that are planned as the future work of the board.

CHAIR HENDRIX agrees.

DIRECTOR RYAN states that it is important for all to know what this board is going to deliver.

The discussion continues.

CHAIR HENDRIX moves on to when the next meeting is.

MS. ALEXANDER suggests a week from now.

CHAIR HENDRIX states that there is a seven-day notification window for public notice, which means the earliest date, if the draft is ready, would be around the 13th. He asks if the draft needs to be posted before the meeting, or if it can post immediately before the meeting.

MS. ALEXANDER replies that the draft does not have to be attached. All that is needed is to notice the meeting as a public meeting.

MR. STOKES asks if there is a realistic idea of when this will actually be presented to the Legislature.

CHAIR HENDRIX replies January 31, 2015, or as soon thereafter in relation to these four areas. He asks Ms. Alexander to find out how to get on the legislative schedule. He adds, that can be discussed at the next meeting.

A short discussion ensues.

CHAIR HENDRIX states that the next meeting will be on Friday, the 23rd. He asks Ms. Alexander to see if there is a meeting room available for the people in Anchorage, and the others will be telephonic. He thanks everyone for their time, and welcomes all the new folks. He adjourns the meeting.

(Meeting adjourned at 4:03 p.m.)