

ALASKA MUNICIPAL LEAGUE

RESOLUTION #2012-01

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE SUPPORTING A LARGE VOLUME GASLINE WHICH WOULD SIGNIFICANTLY REDUCE THE COST OF ENERGY IN THE FAIRBANKS/NORTH POLE AREA AND OTHER PARTS OF ALASKA WITH GAS VIA A GASLINE FROM PRUDHOE BAY TO FAIRBANKS AND CONTINUING SOUTH TO GLENALLEN, CONNECTING TO A SPURLINE FROM GLENALLEN TO THE EXISTING SOUTH CENTRAL GAS GRID AND CONTINUING TO THE KENAI PENINSULA FOR EXPORT AND PROVIDING FOR EXPORT FROM THE ICE FREE DEEP WATER PORT AT VALDEZ

WHEREAS, Alaska is fortunate to have 35 trillion cubic feet of known gas reserves plus potentially an additional undiscovered hundreds of trillions of cubic feet of natural gas on Alaska's North Slope region, the development of this resource will greatly increase the volume of oil put into the Trans Alaska Pipeline (TAPS), providing economic and revenue benefits to Alaska; and

WHEREAS, Alaska, rich in natural resources, suffers from having the highest cost of energy and coldest temperature days per capita in the nation; and

WHEREAS, the Alaska Constitution, Article 8, Section 1 states, "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest," and Section 2 mandates, "The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people;" settlement requires access and affordable, competitive energy to develop commerce to sustain the settlement of Alaska; and

WHEREAS, the legislature is to be commended for taking steps to provide for the development of natural gas, the first effort being AGIA, which is an international line through Canada and which pays incentives of \$500 million, and which is not likely to be built unless in phases due to shale gas exploitation in North America; the second effort was HB 369, passed by the 26th Alaska Legislature in April 2010, establishing the Alaska Gasline Development Corporation (AGDC), as a subsidiary corporation of AHFC, to pursue developing a project plan for delivering North Slope natural gas to interior and south-central Alaska. The legislature received AGDC's Project Plan in July 2011. The plan described how a 737-mile long, 24-inch diameter Alaska Stand Alone Gas Pipeline (ASAP) project could be feasibly designed, financed, constructed and operated as the legislation directed. However, as proposed, it does not provide for maximum settlement or benefit and has an inequitable tariff structure; and

WHEREAS, each legislative proposal for developing natural gas should include an evaluation of the following considerations:

- a. Does the routing of the pipeline encourage the greatest settlement of Alaska's land and provide for the maximum development of Alaska's resources? Does it facilitate the ability of the people to affordably live where cities and communities have already been established?
- b. Is the tariff equal to all parts of the pipeline, the resource being equally owned by all?
- c. Is the tariff as low as possible due to the ability to export?
- d. Is the diameter of the pipe as large as possible to be able to competitively market the resource?
- e. Are the terminals or take-off points placed for maximum integration into existing energy production and transmission infrastructure?

WHEREAS, AGDC's ASAP project would route through national and state parks along the Parks Highway, which has minimal settlement or development opportunities, thereby providing for minimal benefit to Alaskans; and because a 12-inch diameter pipe will be built approximately 35 miles from the main pipe, to supply interior Alaska, but will stop 20 miles from the 2 oil refineries and the 120 (plus) megawatt electric generation plant in North Pole, which produces much of the gasoline, heating oil, jet fuel, and electricity for use throughout interior, rural and south-central Alaska, but the pipeline that is to benefit Alaskans, in its current form, will require interior Alaskans to pay a greater tariff than the consumer in south-central twice; and additional tariff for a spur from the mainline, and additionally to construct the line to North Pole and/or beyond – negatively affecting the economics of such a spur to interior Alaska; and

WHEREAS, AGDC's ASAP line projects the tariff by eventual demand, the actual price to the consumer may be too expensive to encourage an infrastructure build-out and home or business conversions, but that dynamic could be changed by incentivizing the build-out and heating oil conversions in interior Alaska by ensuring that the tariff is the same system-wide; if the cost to the consumer is not economical, make it economical by increasing the market of consumers through export opportunities from ports on the Kenai and at Valdez; if exports can't be facilitated because of the restrictions of AGIA, then either:

- a. The legislature should get us out of AGIA to allow for an in-state gasline with throughput greater than 500 million standard cubic feet per day (MMcfd); or
- b. The legislature should amend the provisions of HB 369 to ensure the routing of the 24-inch line is down the Richardson Highway, supplying the greater number of communities, including North Pole, Eielson AFB, Salcha, Delta Junction, Ft. Greely, and Glennallen, and bringing the energy supply to mining projects in operation or being permitted, such as Pogo Mine; or
- c. The legislature or administration should marry AGIA and ASAP, thus allowing a large diameter pipeline to be built down the Richardson corridor to Delta, as a possible Phase 1 of the Trans Canada line, and be continued south to Glennallen, connecting to a spur line from Glennallen to the existing south-

central gas grid and continuing to the Kenai Peninsula for export, and providing for export from the ice free, deep water port at Valdez; and

WHEREAS, it is time that this take place by moving natural gas throughout Alaska in such a way, to provide a source of cheap, clean energy to heat our homes and businesses to the maximum number of Alaskans; the cost of energy in the Fairbanks/North Pole area, including the military bases, is threatening the very existence of our interior communities; and

WHEREAS, the high cost of energy at our interior military bases could be a deciding factor if the bases were once again evaluated on a closure criteria; and

WHEREAS, the world markets for natural gas made into liquefied natural gas (LNG) are seeking suppliers of LNG to their countries, for example, Japan is seeking contracts from far away states like Pennsylvania and from northern Europe, which have travel distances far greater than the 3,400 miles from Alaska to Tokyo, making Alaska LNG far more competitive when export is provided for; and

WHEREAS, export is already provided for from the Kenai; and Governors Bill Egan, Walter Hickel, Jay Hammond and the late Senator Ted Stevens all supported and took steps in advancing the building of an All-Alaska Gasline, parallel to the Trans Alaska Oil Pipeline to Fairbanks and continuing south to tidewater at Valdez for liquefaction and export; and

WHEREAS, because of the robust economics in the Asian energy markets in need of LNG, Alaska finally has the opportunity to monetize its natural gas in such a manner that would bring billions of dollars each year in additional revenues to the state and low cost energy to Alaskans; and

WHEREAS, only a large volume gasline from Prudhoe Bay to Fairbanks and continuing south to the deepwater port at Valdez, the All-Alaska line, or through Glennallen to south-central and the Kenai, provides significant benefits to all Alaskans.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Governor and Legislature to:

1. Utilizing the considerations and three options within this resolution, take immediate steps to advance the building of a large volume gasline from Prudhoe Bay parallel to the TAPS to tidewater at Valdez, with the maximum amount of off-take locations at every logical local point, such as the Yukon River, Fairbanks, all interior military bases, Delta Junction, and Glennallen, to points south, for maximum gas distribution throughout Alaska.
2. Make an analysis that evaluates the benefits of taking LNG or compressed natural gas (CNG) from Valdez, and the Yukon River to coastal communities throughout Alaska, that are currently utilizing diesel fuel as the source of power generation and space heating.

BE IT FURTHER RESOLVED that this resolution is to be distributed to the Governor, Legislature, AGDC, AGPA, AML, Trans Canada.....

PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE on the 11th day of November, 2011.

Signed: _____
Shirley Marquardt, President, Alaska Municipal League

Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League