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Growing Alaska Through Responsible Resource Development

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February 1, 2013

The Honorable Mike Chenault
The Honorable Mike Hawker
Alaska House of Representatives
Capital Room 208
Juneau, AK 99801

RE: HB 4

Dear Speaker Chenault and Representative Hawker,

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing in support of HB 4, which empowers the Alaska Gasline Development Corporation (AGDC) to further advance an in-state gas pipeline.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

Reliable and affordable energy supplies are critically important to Alaska residents and are vitally needed to grow our economy and provide energy for resource development projects and community development. RDC has consistently supported the development of commercially-viable energy from diverse sources, including coal, natural gas, hydroelectric and other renewable and nonrenewable alternatives. RDC has also supported public policies and fiscal decisions to improve the commercial viability of developing Alaska's North Slope and Interior natural gas resources. HB 4 removes constraints identified by AGDC in moving an in-state gas line development project forward: funding the project to an open season; providing needed confidentiality for collaboration with private entities and information sharing; and establishing contract carrier status to support firm commercial transportation commitments.

The economics of natural gas delivery are inversely proportionate to line capacity, and a 500 MCF or smaller line faces significant economic challenges. HB 4 requires any line to stand on its own, underpinned by capacity commitments and without incurring

future financial liabilities to the State. Future appropriations, loan guarantees or other underwriting of an AGDC gas line project would require legislative approval. Should such become necessary, RDC would evaluate the appropriateness of public financial support carefully. The ultimate determination of whether to commit additional public funds would need to be based on the project's merits, the impacts on competing sources of energy, and the burden such a project may put on the fiscal health of the State.

The best case for Alaska is a large capacity line serving both in-state and export (or Lower 48) markets. While market forces will dictate the viability of a large capacity line, HB 4 allows AGDC to participate in a large diameter gas line project. AGDC could add value to such a project by providing for the in-state gas infrastructure to meet our growing energy needs, both residential and industrial.

HB4 establishes AGDC as a stand-alone agency with a specific mission to deliver gas to Alaskans at the most affordable price. Given the growing concern we have with regard to the long-term fiscal sustainability of our State, we encourage the AGDC enabling legislation to sunset the agency should future circumstances render its mission obsolete or unachievable.

RDC looks forward to passage of HB 4. Ultimately free market forces will allow project economics to dictate the best energy solutions for Alaska consumers considering both price and reliability. HB4 provides an appropriate balance by providing public sector support in early stages sufficient to bring the project to an open season where economics will determine the project's fate.

RDC applauds your leadership as cosponsors of this legislation, and we appreciate the opportunity to share our views of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Rogers", with a long horizontal flourish extending to the right.

Rick Rogers
Executive Director