

Doniece Gott

From: LIO Fairbanks
Sent: Wednesday, April 10, 2013 3:57 PM
To: Senate Finance Committee; Senate Finance
Subject: HB 4 Testimony

Please enter into the record and post to BASIS the testimony below to the Senate Finance Committee on HB 4: Alaska Gasline Development Corp; RCA from Merrick Peirce, District 2

Dear Senators,

I listened to Senate Finance discuss HB4 this afternoon. In your discussion about the potential liability HB4 may cause Alaska, due to the terms of AGIA, I urge you to consider the following:

It is not AGDC's job to ensure Alaska does not potentially have hundreds of millions of dollars of liability if the terms of the exclusive license with Trans Canada are violated. This obligation falls with the legislature. This due diligence obligation is your job.

TransCanda is not going to volunteer that passage of HB4 may result in an enormous cash windfall for Trans Canada because the legislature busted the terms of AGIA by funding a project that potentially exceeds 500 MCD of capacity.

Why would you not want to get legally binding assurances from TransCanada that they agree that HB4 does not violate the terms of their exclusive license?

Consider, also, the fact that it is well documented that the bullet line does not have economy of scale with a 500 MCFD throughput. The cost of bullet line gas exceeds the Henry and AECO hub gas prices by a multiple of three. This fact precludes an export component. It is also well documented that Cook Inlet gas is cheaper, and plentiful for in state use. USGS, DOE, the DNR Commissioner, and the explorers within the Cook Inlet believe a 19 TCF supply exists under the inlet. It is also documented the capex to drill out the Cook Inlet (about \$2 billion per PFC Consultants) is substantially less than building a uneconomic bullet line.

AGDC has made it clear that they are looking at building a 36" diameter gasline that could move 1.6 BCFD. Since it is well established that bullet line gas is NOT economic for either in state use, or export, with a clearly uneconomic 500 MCFD project, how in the world could the state go to court and argue that you were funding a project that is economic? This is absurd. This does not pass the red face test.

The finance costs for the debt and equity service on this bullet line assuming a \$10 billion capex, and a 75/25 debt to equity ratio and an 11% equity return would be between \$500 and \$600 million dollars per year. If this cost was evenly apportioned over 400,000 in state users it would exceed \$1,400 dollars per person. How in the world is this economic?

Note, as well, that other testimony has made it very clear that it would be far less expensive to provide gas through the entire Parks Highway corridor to Fairbanks with a small diameter, spool-able pipeline such as the Flex Steel 8", 1,500 PSI line.

It makes absolutely no sense why the sponsors of HB4 want to keep Alaska locked in study hall, studying a project- at enormous expense- that makes no economic sense, and at present, potentially exposes the state to hundreds of millions on liability due to violations of the terms of AGIA.

Merrick Peirce

AS 43.90.440 AGIA term attached:

Sec. 43.90.440. Licensed project assurances. (a) Except as otherwise provided in this chapter, the state grants a licensee assurances that the licensee has exclusive enjoyment of the inducements provided under this chapter before the commencement of commercial operations. If, before the commencement of commercial operations, the state extends to another person preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state, and if the licensee is in compliance with the requirements of the license and with the requirements of state and federal statutes and regulations relevant to the project, the licensee is entitled to payment from the state of an amount equal to three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in developing the licensee's project before the date that the state first extended preferential treatment to another person. The payment under this subsection is subject to appropriation. Upon payment by the state of the amount owed under this section, the licensee shall, at no additional cost to the state, assign to the state or the state's designee all engineering designs, contracts, permits, and other data related to the project that were acquired by the licensee during the term of the license. The payment under this subsection is in full satisfaction of all claims the licensee may bring in contract, tort, or other law related to the events that gave rise to the payment.

Doniece Gott

From: Wendy Loya <wendy.loya@yahoo.com>
Sent: Thursday, April 11, 2013 3:20 PM
To: Senate Finance Committee
Subject: Slow down on in-state gas line

Dear Senate Finance Committee,

I am concerned that Alaskans, including you, do not have enough information on how an in-state gasline will play out economically. It seems to me that if industry thought this was a profitable idea, they would pursue it. I think in fact they backed away from the Denali pipeline project? The same for AGIA or a similar large diameter export.

Please do not rush this through, we need full information on the uncertainties of the economics for various scenarios in order to make the right decision on Alaska's energy future.

Thank you,
Wendy Loya
Eagle River, AK 99577

Doniece Gott

From: Tessa Linderman <tessacaroline@hotmail.com>
Sent: Wednesday, April 10, 2013 11:59 AM
To: Senate Finance Committee
Subject: HB4-vote no

After listening to testimony yesterday on HB4 I am even more convinced that this is the **WRONG** direction for Alaska. As a lifelong Alaska, I urge you to vote against this short sighted plan that will only cost the state more money with no revenue. Please do not be swayed by what Outsiders are trying to convince you is a good plan--listen to true Alaskans that know this is a bad deal for Alaska.

Sincerely,

Tessa Linderman