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Dear Resource Committee Members;

I urge the Resources Committee to pass HB 132 on to the full house for a vote.

Alaskans might be closer than we have ever been to seeing North Slope gas brought to market but we still do not know whether a commercially viable project can be put together. So this is not the time to embark on a competing pipeline project to improve our negotiating position with the North Slope producers – which is the direction the Governor seems to want to take.

Therefore, the legislature needs to pass this bill (and override the Governor's veto if necessary) to provide explicit instructions to the administration and the AGDC to stick to the current development plan.

Governor Walker repeatedly demonstrated that he does not understand how to put a major gas pipeline project together while he was involved with the Alaska Gas Line Port Authority. In fact, he used funds that were contributed to the port authority to develop a gas line project to thwart the effort of the Murkowski administration to work with the producers. He also criticized the AGIA effort after the port authority failed to submit a 'responsive' proposal – even though they were given a second chance to improve their proposal. He also recklessly claimed that the state could simply walk away from the agreements it had made and fight it out in court. This was even before he had a clear idea that any gas line project was commercially viable.

Mr. Walker was also involved in the port authority's failed attempt to establish an LNG trucking project to bring gas to the interior a few years ago. That project failed when the Fairbanks North Star Borough residents realized the port authority was exposing them to unnecessary financial exposure because they were attempting to make financial commitments to purchase Fairbanks Natural Gas before they had confirmed that they had the legal authority to engage in the project and performed the due diligence to make sure the entire project worked.

(The port authority backed away from the project when the assembly made the appropriation the port authority was seeking contingent on a positive vote of the people. The recent debacle with the Interior Gas Utility and the North Slope liquefaction plant proved that the people's hunch was correct.)

The Governor's recent action to replace AGDC board members who were well versed in the industry with political hacks who have no industry experience and glibly stating that simply being an Alaskan and purchasing 300 gallons of heating fuel is sufficient experience demonstrates that he doesn't even appreciate the fiduciary responsibility of a board to the people of Alaska.

The Governor also told those board members to refuse to sign confidentiality agreements, which is surprising considering that the failed effort to setup the port authority LNG trucking project – including purchasing FNG and hiring the president of FNG before publicly announcing the port authority's intention - was conducted entirely in executive sessions.

The Governor's contention that all is needed for the project are customers and a supply of gas further demonstrates his lack of understanding of how to compete in the natural gas market. The 'expressions of interest' he touts are of no value until we have an understanding of how much it will cost to bring the gas to market and therefore can talk seriously about a price.

Alaskan gas cannot be honestly marketed until we have a firm idea of whether the transportation cost will enable us to sell the gas for a price that makes it worth producing. That cannot be determined until the work that the state is performing in conjunction with the North Slope lease holders and Trans-Canada is completed.

If it turns out that the state thinks the gas is worth producing, but the leaseholders do not, then we can talk about finding other partners and developing an alternative project. But we certainly do not need to look for new partners until we determine that the current partnership will not work out.

In conclusion, the legislature must assert its policy setting authority, because the Governor has clearly demonstrated that he does not understand the complexities involved with the project or the ramifications of his reckless actions.

The governor has threatened to veto this bill, therefore the committee should move the bill forward as soon as possible to give the full body time to pass it and then override the governor's veto.

Thank you for your consideration.

Mike Prax

PS. A full legislative investigation of the Alaska Gas line Port Authority is in long overdue.