

Testimony of Harold Heinze on HB 132

House Resources on March 14, 2015

Mr. Chairman and members of the House Resources Committee, my name is Harold Heinze. I am a 40 plus year resident of Anchorage.

I have 50 years of experience in pipelines and oil production. I have worked on North Slope gas issues in both the private sector (as Engineering Manager for ARCo at Prudhoe Bay field startup, and CEO of both ARCo Alaska & ARCo Transportation Co) and in the public sector (as Commissioner of the Department of Natural Resources and as Senior Resource Development Advisor to the Governor during the Hickel administration, and as CEO of the Alaska Natural Gas Development Authority during three administrations from 2003 to 2012).

Thank you for the opportunity to address some important points in the legislature's direction of AGDC in regards to your major decision this fall during special session on proceeding with a transportation system for North Slope gas.

In October of 2013 I offered public comment at the first board meeting of the newly formed AGDC. I encouraged them to:

1. Assure that the public is well informed of all aspects of utilizing Alaska natural gas
2. Conduct business open enough on a continuing basis that the public is brought along
3. Assure that all alternatives are considered and evaluated as to their public good and impacts.

In following the progress of work and reviewing available reports I am concerned that alternative paths and alternative projects for utilizing North Slope gas have NOT been evaluated.

I believe that this fall during the special session that an informed public is vital for your major incredibly-important decision on proceeding to the States multi-billion-dollar commitment to the AK LNG project. You are picking the horse and you should work hard to assure that Alaskans share you wisdom and commitment.

I would suggest to you that HB 132 could be amended to include direction for full evaluation and publication of Alaska's alternative projects and choices. In particular the decision on royalty in-kind vs royalty in-value should be fully vetted and disseminated through the Royalty Board public process.

Additionally, I would observe that HB 132 will probably be the only AK LNG project related legislation during this regular session and this is the best opportunity for the Legislature to direct preparations for the fall special session on State involvement with the North Slope producers.

This fall you will be sitting as "Alaska's Board of Directors" making as big a State fiscal decision as I remember since 1969. Importantly, it also will be the riskiest decision that State has ever made. Each of the 60 members will be acting individually as a "fiduciary". Each of you is entirely responsible for your decision. The body must assure that each member has and understands the information he or she needs to make a responsible decision.

You have a 6 month window to develop and vet alternative projects, alternative deals, risks, and rewards. I ask that you consider this bill as a positive vehicle to instruct and focus the additional information requirements for you and the public at large.