



March 23, 2015

House Speaker Mike Chenault
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

The Alaska Support Industry Alliance is writing in support of H.B. 132 – legislation affirming Alaska Gasline Development Corporation's policy direction.

As you know, the Alliance is comprised of private sector companies operating in the oil, gas and mining industry here in Alaska. As such, we don't believe private sector companies should "compete" against a sovereign that has unilateral authority in permits and right of ways and the power to tax. The word "alignment" has been used repeatedly over the last few years with regard to the AK LNG project. It is a foundational principal that must be a part of a project this large. We are concerned this project won't go forward without it.

By creating "competition, we believe somebody loses. Alignment is meant to ensure everyone wins. By staying the course set by the legislature with regard to AKLNG, we believe Alaskans stand to benefit the most.

The state of Alaska is closer than we have ever been to an LNG project. As business owners and contractors we know that means continued work, jobs and a strong economic future for our state. We support the parameters that H.B. 132 would set and look forward to this legislation becoming law.

Sincerely,

Rebecca Logan
General Manager, Alaska Support Industry Alliance

Cc: Representatives Hawker, Millett, Johnson, Herron, Olson, Nageak, Talerico, Tilton

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 your 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.

Lynn Willis, Eagle River, March 6, 2015, Testimony regarding HB132

I remember when, with much fanfare, the AGDC/ASAP pipeline was described as our "ace in the hole" or "backup" to the AKLNG project. That strategy absolutely made the AGDC/ASAP a competing project to some degree as it was intended to motivate the producers into action. Now AGDC/ASAP has become the Cheshire cat of Alaska - morphing into whatever you want it to be and all you often see is the smile. With the removal of the AGIA restriction of 500 million cubic feet per day why shouldn't the AGDC/ASAP project explore being a more economically viable project benefiting from increased volumes for sale?

The Alaskan Government cannot decide the fate of any gas line project. With all due respect, the point of decision "boardroom" for these projects will be the boardroom(s) of those who hold the leases for the gas and the boardroom(s) of those who might purchase the gas in the volumes necessary to make it viable. This has been reality since day one. Please stop deluding us and, more importantly, yourself.

And how many "bites" of the gas pipeline apple do think Alaska can afford. We already have spent over \$300 million on AGIA with not an inch of pipe purchased nor a molecule of gas sold. Now we face, according to your own consultants, in the next few years \$50-125 million of investment in AKLNG Pre-feed and perhaps another \$250-\$500 million equity investment in Feed costs alone (ref page 4 of enalytica presentation "AKLNG 101" dated February 16, 2015). How could we possibly afford another "do over" with an AGDC/ASAP project?

In my opinion, a sovereign has no business being in business as an equity partner. Our political system does not rely on "nationalized" industry and this AKLNG equity partnership is a poor compromise. The role of the sovereign is to tax, regulate and provide maximum benefit to the governed and equal opportunity for all - not to blatantly pick sides. Isn't this "partnership" in AKLNG intended, at least to some degree, intended to compensate for the malfeasance of those who created the fiscal mess we find ourselves in by not acting as responsible stewards of our revenues and cash reserves?

Mike Prax, 1015 Meadow Rue, North Pole, 99705

(907) 378-5667

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.

March 14, 2015

Testimony ~ HB 132

Chairman Nageak, Co-Chair Talerico and members of the Resource Committee, thank you for allowing us to finally speak to HB 132.

My name is Alan Lallaster. I am President of Gakona Junction Village, Inc. located in the Copper Valley on the Richardson Highway about 15 miles north of Glenallen. Unfortunately I was unable to get to our LIO to testify today so I am submitting my testimony posthumously.

I must say that after listening to three sessions on this bill and not being able to testify, it has been an arduous task for those of us that, by necessity, are donating their time and treasure to speak to this important issue.

In the first session, all the time was taken by the members of the committee asking a myriad of questions for over the two hours, leaving no time for public testimony. Probably because no one was allowed to testify on day one, some of us were discouraged and only one came prepared to testify on day two.

The third day we never did hear the report from AGDC, again because even before the presenters were allowed to speak, Representative Hawker interrupted and asked for a quick moment to ask a question. That question obfuscated the issue with an abundance of questions levied by Representative Hawker and others on the committee, again leaving your constituents floating in the wind as time ran out.

Please understand that many of us, across the state, are limited by time and distance to be able to come to our LIO's to speak to the issues, for which we all have concerns, and it would be prudent on the part of the committee chairs to make ample time for us to testify if you are calling a session for that purpose.

Now, having taken this moment to vent a bit, I would like to quickly speak in opposition to HB 132.

As I read the bill, it seems that its prime purpose is to deny any work that would allow the state to consider an alternative plan to AK-LNG. If, as you all seem to agree, AK-LNG is the definitive and only proper line to give Alaskans the best and lowest cost in natural gas, there is little about which you should be concerned. But if something happens in ongoing of negotiation and studies over the next two years, that would preclude AK-LNG from

progressing, is it not wise to have a plan to which you can defer, so as to not lose time and money by gearing up from the beginning, once again?

We know there is ample natural gas to power the Anchorage Bowl and its neighbors for decades at their current levels. So the question is which plan will best serve the people of Alaska and allow us to market our gas to end users in the Pacific Rim. Of course, there is an economy in size so the larger the pipe the more product can be sold. That is pretty simple but seems to be lost by some in the legislature.

With a 3.6 billion dollar short fall of funds available to run the state for the foreseeable future, is it not a sensible plan to back up our work in designing a pipe with as many alternatives as possible to insure that we Alaskans see the benefits of gas over diesel and wood to heat and power our homes and businesses should AK-LNG fail to meet the level of economics need to proceed?

I ask that, given these issues and the fact that the Governor has publicly stated to Veto the bill should it reach his desk, are there not a host of more important issues to which you can turn your attention that will benefit the state far greater than playing with these seemingly politically motivated, delaying tactics?