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Date: March 26, 2015 at 7:41:41 PM AKDT
To: <Senator.Cathy.Giessel@akleg.gov>
Cc: <Senator.John.coghill@akleg.gov>, Representative Tammie Wilson
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Subject: HB 132

After listening to the hearing on HB 132 on Wednesday afternoon and reviewing the documents pertaining to the legislation that are available on the legislature's web site, I remain convinced that the legislature needs to give specific instructions to the Governor regarding commercialization of Alaska's gas by passing this bill.

The Governors vague response to the specific questions posed by the House Resource Committee did little to assuage my concern that he and his associates under-appreciate the complexities of commercializing North Slope gas and especially the importance of acting in 'good faith' to successfully complete any project related to that endeavor.

I appreciate Mr. Heinze's observation that the legislature should not simply dismiss any alternatives to the current proposal and move forward blindly. I don't think that has happened, but the legislature could do a better job of helping Alaskans understand how it arrived at its decision.

But that is not the primary question before you.

The Heads of Agreement the State made with the other participants doesn't preclude looking into alternatives or marketing the State's share of the gas. Article 4.5 (pg 9) of the agreement states:

"During the Pre-FEED phase, each of the Producer Parties and the State would initiate preliminary, individual LNG or gas sales or shipping efforts. During the FEED phase, each of those Parties would seek to execute individual LNG (or gas) sales and shipping agreements."

We see from this that administration can 'market Alaska's gas' within the terms of the agreement. Doing so might even strengthen the project.

However, the Governor's unilateral decision to market Alaska's gas outside of the project, replace highly qualified board members for no valid reason, instruct the people he appointed to the AGDC board to refuse to sign project confidentiality agreements, publicly intimate that project partners are not aligned with the State's interest, and his aside that state will respect the partner's desire for a firewall between the state's (now competing project) and the AKLNG project even though the partners don't have a firewall between this project and their other projects indicates to the business world that the State is not acting in good faith.

The governor assumes that he has a mandate to act because he won an election. I do not accept that assumption. The fact is that a majority of those Alaskans who voted cast their vote for someone other than Mr. Walker. But even if he did happen to receive a majority of votes,

he would not have a mandate to ignore prior agreements negotiated in good faith and codified by the legislature.

Those who testified in opposition to HB 132 seemed to base their position on the possibility of getting a better deal with other partners. Whether that is possible is pure conjecture; but if we assume it is possible, we must consider whether any other potential partner would be foolish enough to enter into an agreement that is subject to the whims of the next governor that happens on the scene, and if they are foolish enough to enter into such a situation, would it be prudent to do business with them?

Clearly, a prudent person would not risk entering into a long term agreement with a fickle partner unless they could cover their risk before we could change our mind.

The Governor might be correct that a better deal could be obtained by partnering with gas purchasers rather than gas producers. (Although he has offered no credible evidence to suggest that is true.) But we will not be able to reach a legitimate deal with any partner unless the State is perceived to be acting in good faith.

The legislature must exercise its responsibility to protect Alaska's reputation by overriding the Governor's impulsive actions and giving him clear direction for the future, otherwise it will reinforce Alaska's reputation as a fickle partner.

Please pass HB 132 out of committee with a strong "do pass" recommendation.

Thank you for your consideration,

Mike Prax