

HOUSE FINANCE COMMITTEE
May 1, 2007
1:49 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:49:03 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Richard Foster
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas, Jr.

MEMBERS ABSENT

None

ALSO PRESENT

David Van Tuyl, Director, Gas Commercialization Manager, BP Exploration-Alaska; Ron Brintnell, Alaska Gas Project Manager, Enbridge; Former Governor Walter Hickel; David Gottstein, Co-Chair, Backbone; Representative Bob Buch; Representative Anne Fairclough

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 177 "An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

CSHB 177 (RES) was heard and HELD in Committee for further consideration.

[1:50:02 PM](#)

HOUSE BILL NO. 177

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

Co-Chair Chenault pointed out an error in the previous CS to HB 177.

Co-Chair Meyer MOVED to ADOPT the work draft to HB 177, labeled 25-GH1060\O.

Representative Gara OBJECTED. He asked if the motion was to adopt Version O in order to make the one change. Co-Chair Chenault replied that it was.

Representative Gara WITHDREW his objection. There being NO OBJECTION, it was so ordered.

FORMER GOVERNOR WALTER HICKEL testified in support of HB 177:

Our North Slope natural gas is Alaska's greatest opportunity to guarantee the long-term viability of our state. And Alaska is on the right course to make a gas line a reality in this generation. It's a large project and worthy of our great state. I am just back from Moscow where I have been working with Russian leaders on two other great projects. The opening of the Northern Sea Route to the world - a decision that will link the Pacific and the Atlantic oceans. It will be a breakthrough of the same dimension as the Panama Canal.

The second great project is a tunnel beneath the Bering Strait, linking the U.S. and Russia. Those who attended the Conference last Tuesday in Moscow realize how serious the Russians are about this visionary concept. This link between the United States and Russia is going to happen, and it's going to change the world.

Alaska's immediate opportunity is our North Slope natural gas. And it is up to our Governor and this legislature to make sure it is used for the maximum benefit of our people, as mandated by our constitution. Keep in mind that the people of Alaska. - the voters who elected you - are the owners of this gas. You and Governor Palm are the trustees of their inheritance, won in our statehood battle and our Statehood Act.

The companies who hold Prudhoe Bay leases have purchased the right to "produce" our gas. That's why we call them the "producers." But they don't own the gas.

And they are required, through the leases they hold, to sell our gas if they can earn a "reasonable profit. So let's get started.

Governor Sarah Palm's plan is a good one. She has thrown open the process to make sure that the State finds the very best and most timely project. Her team has designed legislation to put the needs of Alaskans first. It means revenues for state government, gas for our homes, gas for our businesses, and gas for our remote villages that are in desperate need of affordable energy.

It means making sure that the valuable gas liquids are available for in-state processing to create high-paying legacy jobs for generations of Alaskans. It means a pipeline that encourages exploration by the producers and by other companies, large or small, that believe they can find more gas. Belief is the key to prospecting and it is the key to life.

Believe me, we haven't begun to explore the natural gas potential of our state. And we need a pipeline that will accommodate the discoveries of those believers. In my view, this does NOT mean shipping our gas through Canada. Any Canadian route has to resolve First Nation land claims, treaty problems, and a long, expensive route, legal issues among competing Canadian interests, and one bidder who wants to use our gas in the Alberta tar sands to produce oil, an outrageous plan for trillions of cubic feet of clean Alaska gas so needed by our nation and the world.

In my view and in the view of the majority of Alaskans, "maximum benefit" means an All Alaska Gasline from Prudhoe to Valdez. It means a pipeline started sooner and completed sooner. It means an energy source for our villages and cities. It means feedstock for value-added industries and jobs in Alaska.

We addressed the same issue in the 1960's and 70's on the North Slope oil. We had to force the oil companies to drill at Prudhoe Bay. When I was elected Governor in 1966, BP had already given up. So had all the others except Atlantic Richfield. In early 1967, I flew to Prudhoe to meet with their head geologist Harry Jamison and he announced that they, too, were going to pull out. I said, "If you don't drill, I will."

In 1968, that rig discovered the biggest oil field in the history of North America. But two years later as

Interior Secretary, I had to take Exxon to the mat, or there wouldn't have been a trans-Alaska oil pipeline.

Now we have another Governor who is ready to stand up and do what has to be done. And the people are behind her. Ladies and gentlemen of the State Legislature, this is your moment to step forward and stand with her. The people of Alaska want a gas line now. Together you can make history, and Alaska will long remember this generation of leadership.

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Representative Gara thanked Governor Hickel for supporting early efforts toward having a gas pipeline.

DAVID GOTTSTEIN, CO-CHAIR, BACKBONE, spoke in support of HB 177. He related that he and Former Governor Walter Hickel, Co-Chair the group Backbone. He thanked the committee for their efforts in working through the details of AGIA. He focused on the broad issues that sometimes get lost in the detail:

Backbone is in support of AGIA and its major components because it provides for a competitive process, creates material incentives, and attempts to provide for the maximum benefit to the residents of Alaska. Even a recent Dittman poll indicates that the public, by more than two to one, believe the \$500 million incentive package is worthwhile.

My biggest caution to you today is to be very, very careful as to whom you listen to. What we know undeniably is that the representatives of the North Slope producers are paid to persuade and convince you that what is good for them is good for the State. It is simply paid advertising without any checks and balances. As a result, much of what they say must be challenged.

Let me offer some examples. They say that only the producers are capable of financing and building a pipeline of this magnitude. That couldn't be further from the truth, and we trust that Alaska's leaders are smart enough not to believe it.

Even if the likes of TransCanada, Mid-America and Sempra weren't already at our doorsteps, each fully capable and experienced enough to bring the appropriate parties to the table with bona-fida bids, the private equity markets alone have over a trillion, yes that is a trillion dollars of money under management constantly looking for deals. And with the forecasted price of gas and the Federal loan guarantees, they, along with the

investment banking community will be chomping at the bit to get a piece of such an investment grade investment opportunity. So don't let the producer's spin doctors convince you otherwise. The only thing that is necessary to get a pipeline financed and going is access to a sufficient quantity of gas to make it economical. Point Thomson and our royalty gas alone, does that.

In football it's touchdowns, in baseball it's runs, in the North Slope producers attempt to control the process, maintain a monopoly grip, and own the pipeline, it's propaganda and influence peddling. This is a standard practice all over the world when it comes to big companies and big profit opportunities. If they can't control it, they want to stop the process, or at least slow it down as much as possible.

Let's dispel another fabrication; that AGIA's process is an exclusive one. As I read it, it is come one come all, and is not exclusive at all. The main beauty of AGIA is that it is a defined competitive process that will result in a pipeline sooner rather than later. It will provide more to our residents, as it will attract a more vibrant bidding pool that by definition will require more from the winning, bidding participants. AGIA doesn't preclude the chosen licensee from enriching their pipeline proposal by adding additional participants and aspects after a successful bid, as long as it doesn't mean less to the State.

The State has so much at stake, and is in a powerful position to choose what is in the best interests of our state, that it would be a shame to abdicate that in favor of what is truly an exclusive, non-competitive process of dealing just with the producers, just because the foxes say they know what is best for the henhouse.

Do we really want to repeat the mistake of putting our fiscal future in the hands of those with a long and proven history of overcharging on the oil pipeline, and only paying up when the court of last resort rules so, or after a successful negotiation for a fraction of the dollars at stake, as a result of a political settlement? Can we really take what the producers say seriously when they won't even attempt to engage in any truly honest and meaningful dialogue?

But it gets worse. They keep saying they own the gas. They don't. They have strong economic rights to produce the gas conditioned upon certain performance requirements. All you have to do is reference our constitution and the Mineral Leasing Act setting forth

our rights and obligations to understand that.

The sincerity in which these hyperboles are put forward has me believe that the presenters believe it, because their bosses want them to believe it. When in fact, we own the resources, and when our tenant violates the lease, we not only have a right, but a duty to wrestle control back of our vast gas resources and make them available to a hungry nation.

But there's more; the North Slope producers, through a slight of hand amendment gimmickry, are attempting to accomplish with amendments what they are failing to accomplish with their aforementioned propaganda, by asking you to provide for non-conforming bids and or to require their upstream participation. This would put them right back in control of our destiny.

I think your esteemed colleague Representative Doogan might have said it best about the producer's attempt to build a pipeline when he said, "If they wanted to build one, they'd be building one. They are immensely profitable companies. The federal government is offering loan guarantees. And they control the most important chips in the entire game, the North Slope gas that makes a pipeline possible. They have everything they need to build a pipeline. They aren't building one. The only logical conclusion is that they don't want to build one."

I believe Representative Doogan is right, or at least the three producers won't be able to get together and agree to a project to move forward anytime in the foreseeable future. The North Slope producers were offered everything imaginable under the Stranded Gas Act, and still chose defiance. The people spoke in the last election, recognizing the Murkowski plan represented a huge giveaway. Why should we think if we offer them less, that they will do more now?

We are in a game of chicken with the North Slope producers, and we lose if we don't have the backbone to secure access to our gas and offer it in a free market and open process. The nanosecond that a line is approved, I believe the producers will participate, rather than being left out of one of the biggest investment opportunities in U.S. history, risk losing their leases due to obvious non-performance, or face the wrath of Congress for their intransigence. We urge you to limit amendments to ones that increase the likelihood of a successful open season process, rather than ones that tilt in favor of producer control.

The sad thing is that the corporate heads of the North

Slope producers are spending all their time trying to lean us back to their own exclusive sole-source process, instead of trying to be competitive. They are gambling that propaganda is a cheaper way to get what they want than the cost of being competitive. In a time when our legislative and public processes are subject to heightened federal judicial scrutiny due to the potential of conflicts of interest, let's prove them wrong. Let's pass AGIA with the few meaningful amendments that, in your wisdom, will increase the chances of a good pipeline route sooner than later. Don't force a special session, and thereby increase the risk of failure to act.

No one in the world gets fiscal certainty. If we were to go to the North Slope producers and demand fiscal certainty, and say, for example, if you build a pipeline and own it, we absolutely need the value of \$70 per barrel no matter what the value in the market, they would laugh at us. There is no such thing as fiscal certainty. It's just another ploy on their part to control the mechanism.

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DAVID VAN TUYL, GAS COMMERCIALIZATION MANAGER, BP EXPLORATION-ALASKA, referred to a handout entitled "Alaska Natural Gas Pipeline Project - Testimony on AGIA" (copy on file.) He addressed Slide 2 - the opportunity and challenge: BP wants and needs a gas pipeline. The pipeline should be built for a low capital cost and to be operated cost efficiently. Low costs would provide incentive for further exploration. The gas project would extend the oil production life in Alaska. The project remains commercially challenged.

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Mr. Van Tuyl referred to Slide 3 - BP Disagrees with Administration's Economics. He voiced concern that the administration's economic analysis is misleading. He maintained that the project is not wildly profitable. Firm commitments must be accounted for in project economics. The upstream pays for the midstream. Long-term cash generation is highly important. There is a need for a common understanding of the project to determine the best way forward.

Representative Gara questioned if Mr. Van Tuyl is referring to an analysis by Econ One last year. Mr. Van Tuyl said he was referring to that analysis.

Mr. Van Tuyl continued to explain that without firm transportation (FT) commitments, a binding legal obligation,

there is no project. The core issue is whether the commitments require the producer to absorb the risk. He emphasized that long-term cash flow is highly important. The FT commitments need to be for well beyond 10 years.

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Mr. Van Tuyl delved into what is so important about FT - Slide 4. Firm transportation commitments by resource owners are needed for a gas pipeline company to get financing. FT is a binding financial obligation. FT requires multi-billion dollar commitments by resource owners. Long-term commitments represent real risk. The two risks are price risk and supply risk and are borne by those making the commitment.

Mr. Van Tuyl addressed Slide 5 - Project Risk Resides with the Resource Owners. He detailed the various risks depicted: price, fiscal, production, toll, fiscal schedule, cost, and finance. All risks are either borne directly by the resource owners or passed to them via the market or toll. Those bearing a risk are commercially motivated to manage that risk.

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Mr. Van Tuyl turned to AGIA - Slide 6. He maintained that AGIA needs significant modification to result in a successful project. As drafted, BP will not be able to submit a bid that conforms to the requirements under AGIA. As drafted, it is difficult to envision circumstances that would allow BP to make a firm transportation commitment to a licensed project under AGIA. The negotiated rate protection is unavailable upon expansion. Subsidization of competitors is commercially unreasonable. Resource terms are insufficient to justify FT commitment. BP intends to bid if AGIA is appropriately modified.

Mr. Van Tuyl listed Key Concerns Preventing BP Bid Under AGIA - Slide 7. He listed sections of the bill that have problems for BP. Slide 8 continues the list of unacceptable conditions in HB 177.

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Mr. Van Tuyl discussed Slide 9 - How AGIA can help deliver a successful project: address areas of key concern listed on prior slides, allow applicants to respond to the state's objectives, avoid exclusivity to ensure a pipeline gets built, address fiscal terms to encourage FT commitments needed for a successful project, and allow due process of appeal, remove potential Order 2004 conflict, and other clarifying edits.

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Mr. Van Tuyl communicated BP's Vision for Alaska - Slide 10. He related BP's long history in Alaska and looked into a 50-year future, which is only possible with a gas pipeline. BP wants to bid under AGIA and hopes it will be modified appropriately.

Mr. Van Tuyl discussed What a Successful Gasline Means - Slide 11. It means jobs for Alaskans, additional revenue for future generations, increased economic activity, and new businesses created. It also means a long-term gas supply opportunity for Alaskans and a more diversified economy for decades.

Co-Chair Chenault asked if BP would submit a bid that does not conform to AGIA. Mr. Van Tuyl said BP would like to work within the framework of AGIA.

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Representative Gara asked about other subsidies that benefit BP. He questioned BP's role as a gas developer and the relation to last year's PPT break. Mr. Van Tuyl asked if midstream costs are what Representative Gara is referring to. He voiced concern about the tax rate of 22.5 percent. Representative Gara said he is talking about upstream field development costs. The producer is allowed a 22.5 percent deduction of all gas field development costs from oil taxes, and a credit for upstream costs. According to Econ One, whoever owns Point Thomson would have to pay about \$3 billion to develop, with the state paying about \$1 billion of that amount. Mr. Van Tuyl said any upstream field investments would be included. Prudhoe Bay is already developed; Point Thomson would apply.

Representative Gara wondered about rolled-in rates as a subsidy. Mr. Van Tuyl said AGIA could result in higher shipping rates for initial shippers. It does reference 15 percent, but the mechanics of how that language works doesn't limit the increase of the initial shippers to 15 percent. It depends on the rate the very first day of production. The Federal Energy Regulatory Commission (FERC) said if the initial rate goes down as a result of the roll-in, that is not a subsidy. BP suggests that FERC be allowed to adjudicate rates.

Representative Gara asked if BP accepts rolled-in rates such as are done in Canada. Mr. Van Tuyl reported that rolled-in rates are the norm and not the concern. If the rolled-in rates result in a subsidy, that is of concern. Representative Gara gave a hypothetical example. Mr. Van Tuyl said that is the regulation in Canada; however, in the United States FERC adjudicates rates.

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RON BRINTNELL, ALASKA GAS PROJECT MANAGER, ENBRIDGE, provided a handout entitled, "Alaska Natural Gas Pipeline" (copy on file.) He shared background information about Enbridge. He maintained that Alaska gas is needed and expediency is important and real progress needs to be made. He commented on the market window and degradation of the market window. He noted that the demand for oil and gas continues to grow. He stressed that volatility is an issue.

Mr. Brintnell began his slide overview. He noted on Slide 2 that Enbridge is an international company that has grown steadily with 50,000 miles of pipelines. Enbridge owns and operates the world's longest liquid petroleum pipeline, and delivers 70 percent of WCSB crude oil. He highlighted areas served by Enbridge lines. Mr. Brintnell noted transmission lines deep in the Gulf of Mexico. They own and operate in Inuvik, which has taught them about Arctic conditions.

Mr. Brintnell turned to Slide 3 - Unparalleled Experience in Recent Pipeline Development. He observed that Enbridge is one of the global 100 most sustainable corporations in the world. He noted that they will have \$15 billion worth of pipeline projects over the next 10 years. These projects will provide unmatched experience in managing labor, construction, procurement, environmental, regulatory and cost-control challenges. He stressed support for local hiring. He noted that pipeline construction has changed in the last 5 - 10 years. He maintained that the market has changed with Enron and now there is more regulatory oversight. Utilities no longer play a large role in project development. He reported that Enbridge is currently working with FERC and the National Energy Board coordinating all of the cross border permits. Enbridge is also working with environmental groups, as well as with Canadian First Nations and the Lower 48 Indian Bands.

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Mr. Brintnell noted that they are working with a number of groups and have first-hand knowledge to face the challenges proposed by the Alaska gas pipeline.

Mr. Brintnell spoke to the Alliance pipeline - Slide 4. He noted that it was the brainchild of producers. Enbridge was a small part of the initial project. Producers wanted to understand the costs and risks and concluded that they did not need to be part of the pipeline ownership.

Mr. Brintnell referred to statements regarding Moving the Project Forward Requires Producer Alignment - Slide 5. He

addressed the statement "no producers - no pipelines". He argued that North Slope producers are in the best position to assume the risk and make shipping commitments.

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In response to a question by Representative Gara, Mr. Brintnell noted that if no one steps up to be the shippers, there is no pipeline. He did not feel it would be necessary for the producers to own the pipeline, but acknowledged that it would make sense for them to want to.

Mr. Brintnell stressed that Enbridge wants to be part of a consortium and believes that they can add value to the project. They will not submit an application under AGIA. The project is too risky for Enbridge without the producers.

Mr. Brintnell observed that there is a relatively small group of pipeline companies. He maintained that when the numbers add up, the gas will flow. Economics will result in commitments. He stressed that potential buyers of Alaska gas have heard for a long time that a project was geared up, which did not occur. He concluded that this causes uncertainty.

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Co-Chair Meyer questioned how much time the state would have to develop the gas. Mr. Brintnell noted that it would take at least a couple of years for the producers to come to open season. He expressed concern with potential hurricanes in the Gulf. Co-Chair Meyer questioned the viability of alternative supplies such as coal. Mr. Brintnell noted that environmental issues are a concern, but emphasized that companies will find a way to be competitive.

Mr. Brintnell discussed Slide 6 - Moving the Project Forward; Don't Just Focus On the Pipeline. He acknowledged the work of the Governor, but expressed concern with the way AGIA is drafted. He noted that the major focus is on the pipeline, not on the producer/shipper.

Mr. Brintnell spoke to legislation. He compared discussions on AGIA to trying to discuss a bill and noted that language must be drafted before a bill can be heard. He concluded that AGIA adds unnecessary regulatory complexity with respect to rolled-in rates.

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Mr. Brintnell addressed shipping commitments. When a utility commits to a supply of gas, they are committing their customers. In 15-20 years the costs may increase for the "moms and dads" due to the addition of other shippers.

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In response to a question by Representative Gara, Mr. Brintnell noted that the risk is the same for vintage pipelines in Canada. Newer lines have negotiated tariffs. He acknowledged that rates move, but explained that they are capped. The National Energy Board prefers negotiated rates. Representative Gara clarified that the rates can go up at the end of the 15-year period. Mr. Brintnell explained that after 15 years, shippers would be solicited.

Co-Chair Chenault summarized that current shippers would have to renegotiate after 15 years. Mr. Brintnell explained that current shippers in the Alliance pipeline could extend the contract, at the same rates, but if they do not, new rates could be negotiated.

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Representative Kelly observed that FERC left Alaska with an ambiguous rolled-in rate. He argued that the 15 percent would be a bonus. Mr. Brintnell explained that there is a presumption of rolled-in, but that shippers would have to go to the regulators to go up without a rebuttal assumption. As AGIA is written, original shippers would have to agree to the rate increase; there is no rebuttal. Representative Kelly pointed out that they would be in nominal dollars.

Representative Gara summarized that the old pipeline system utilizes rolled-in rates; under the new system, negotiated rates are allowed. Mr. Brintnell expected that negotiations with customers would occur at the end of the 15 years. If vintage pipelines are expanded, then rolled-in rates would occur. The Alliance pipeline would be competitive.

Representative Gara concluded that the Alliance pipeline has a negotiated rate, which could result in a loss of their suppliers.

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Mr. Brintnell discussed Slide 7 - Moving the Project Forward. He voiced concern about Section 43.90.130, Application requirements, on page 3 of the bill. Enbridge does not understand why the legislature would want to create a process that might stymie innovation and result in the best project not moving forward.

Mr. Brintnell noted that Enbridge competes on a day-to-day basis in a variety of manners. He maintained that competition would result in more money to the state. He stressed that there might be different options that would

provide as good of results, but that AGIA does not allow alternatives. He provided an analogy.

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Mr. Brintnell turned to Slide 8 - Canadian Oil Sands Development Valuable Lessons. He observed that the potential could be huge in Alaska, but there has to be a pipeline. He referred to the Canadian Oil Sands Development in Alberta for valuable lessons. He did not think the Alaskan project would succeed in its current form.

Mr. Brintnell highlighted Slide 9 - Moving the Project Forward; Understanding What Is Achievable. He stressed that it might seem reasonable that the shippers would turn up, but that they feel it is a risky venture. Shipping commitments will have conditions. He did not think it was reasonable to get unconditional commitments to build the project.

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Mr. Brintnell pointed to Slide 10 - Moving the Project Forward - Understand Canada. He stressed that no company has the exclusive right to build a pipeline to ship Alaskan gas in Canada. The market should decide who develops the Canadian portion of the line. He referred to a document that is Enbridge's assessment of issues pertaining to the Canadian portion of the Alaska pipeline (copy on file.)

Representative Gara asked if there would be rolled-in rates if the Alaska pipeline goes through Canada. Mr. Brintnell did not think there would be rolled-in rates; the National Energy Board (NEB) prefers negotiated settlements. NEB would have to look at the proposed shipping agreements and expansions.

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Representative Crawford observed that the difference between the existing and new pipelines is competition. In Alaska, there will be no competition. He suggested that there should be some protections for new explorers. Mr. Brintnell observed that pipeline development was considerably different 30 years ago in Canada. He referred to a recent pipeline to show an example of competition. He stressed the need to get the pipeline going first.

Representative Crawford stated that his goal would be to have action in Prudhoe Bay. In Louisiana, producers can no longer own the pipelines. He maintained that competition works.

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Mr. Brintnell reiterated that the best people to make a pipeline flow are the shippers. He acknowledged that they may not remain in the long-term. He added that FERC and the National Energy Board have stronger controls than they did 30 years ago. The rolled-in rate issue is not a preferential treatment. The issue is should the shipper have to pay more for someone to come in later.

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Representative Crawford questioned if smaller producers come to the table and commit to the pipeline, would they not benefit. Mr. Brintnell acknowledged that they would benefit, but stressed that no one would benefit if there is not a project.

Representative Gara concluded that the rolled-in rates are a battle between the shippers and owners and have more to do with the economics of the pipeline. Mr. Brintnell spoke from a shipper's perspective and stressed that it is was not fair.

Representative Gara noted that the fear is that if rolled-in rates are used, the tariff would raise to such a point that no new shippers would come in. Mr. Brintnell agreed, but stated that he could not speak for a future shipper. He pointed out that the initial shippers are being asked to bear risk for a future shipper.

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Mr. Brintnell spoke to Slide 11 - Understand Canada. He listed the five principals that Canada would apply to all pipeline decisions: the market will decide; decisions must be supportive of a modern regulatory regime; there must be a project management approach; pipelines must support Aboriginal economic development; and the decisions must ensure that Canadian benefits are realized. There must be more benefits than costs.

Mr. Brintnell concluded with Slide 12 - Final thoughts. He said that Enbridge believes that outstanding fiscal issues are the "elephant in the living room". He maintained that an unconditional commitment is not achievable. He stressed that creativity must be allowed; innovation drives the market place. Government financial assistance is not essential. The government can achieve key goals without adding to the regulatory process. He maintained that Canada will be ready for the project. He urged Alaska not to put in place regulations that are all about process.

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Representative Gara spoke to "must haves" contained in the legislation. He did not feel that any of them were onerous.

Mr. Brintnell stated that the rolled-in rate is a large issue. Open season is another. He did not think that there would be a binding open season. Typically there would be discussions with shippers before a binding open season occurred. He further noted that the 10% tax issue is not a pipeliner's issue, unless the producers are not the shippers.

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Representative Gara countered that open season is necessary. Mr. Brintnell addressed the economics from a shipper's perspective. He further noted that the only way to resolve the issue is to negotiate with the producers. He said that AGIA language is not acceptable to producers right now. He underlined the importance of further discussions with the producer.

Representative Kelly summed up the testimony by saying that the state can wait and the producers will come. Or, the legislature can support the governor's proposal. He further noted that he felt the "must haves" outlined in AGIA are reasonable. He asked Mr. Brintnell his opinion on which direction the legislature should go.

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Mr. Brintnell said he thought Alaska should not give up on negotiations. He recommended that AGIA be modified to provide for flexibility. He went on to say the way AGIA is written now, Enbridge's application would not abide by what is outlined in AGIA.

Representative Gara asked if, when looking at profit margins in gas development, producing gas would be a profitable venture.

Mr. Brintnell said he could not speak for producers as he is not one. He said he believes that the producers do want to move the project forward. He concluded that he is defending the producers because Enbridge wants this project to move forward.

ADJOURNMENT

The meeting was adjourned at 3:59 PM.