

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 27, 2007

3:13 p.m.

MEMBERS PRESENT

Senator Charlie Huggins, Chair
Senator Bert Stedman, Vice Chair
Senator Lyda Green
Senator Gary Stevens
Senator Lesil McGuire
Senator Bill Wielechowski
Senator Thomas Wagoner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 104

"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."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 104

SHORT TITLE: NATURAL GAS PIPELINE PROJECT

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/05/07	(S)	READ THE FIRST TIME - REFERRALS
03/05/07	(S)	RES, JUD, FIN
03/14/07	(S)	RES AT 3:30 PM BUTROVICH 205
03/14/07	(S)	Heard & Held
03/14/07	(S)	MINUTE(RES)
03/16/07	(S)	RES AT 3:30 PM BUTROVICH 205
03/16/07	(S)	Heard & Held
03/16/07	(S)	MINUTE(RES)
03/19/07	(S)	RES AT 3:30 PM BUTROVICH 205
03/19/07	(S)	Heard & Held
03/19/07	(S)	MINUTE(RES)
03/21/07	(S)	RES AT 3:30 PM SENATE FINANCE 532

03/21/07 (S) Heard & Held
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03/21/07 (S) Heard & Held
03/21/07 (S) MINUTE(RES)
03/22/07 (S) RES AT 4:15 PM FAHRENKAMP 203
03/22/07 (S) Heard & Held
03/22/07 (S) MINUTE(RES)
03/23/07 (S) RES AT 1:30 PM BUTROVICH 205
03/23/07 (S) Heard & Held
03/23/07 (S) MINUTE(RES)
03/24/07 (S) RES AT 1:00 PM SENATE FINANCE 532
03/24/07 (S) Heard & Held
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03/27/07 (S) RES AT 3:00 PM BUTROVICH 205

WITNESS REGISTER

MR. BRINTNELL, Director
Gas Development
Enbridge Inc.

POSITION STATEMENT: Delivered PowerPoint presentation on SB 104.

ACTION NARRATIVE

CHAIR CHARLIE HUGGINS called the Senate Resources Standing Committee meeting to order at [3:13:38 PM](#). Present at the call to order were Senator Wielechowski, Senator Stedman, Senator Green, Senator Wielechowski, Senator Stevens, Senator Wagoner and Chair Huggins. Senator McGuire arrived as the meeting was in progress.

SB 104-NATURAL GAS PIPELINE PROJECT

[3:13:58 PM](#)

CHAIR HUGGINS announced the consideration of SB 104. He introduced Ron Brintnell and Darren Cleveland of Enbridge.

[The following is a verbatim transcript of this meeting.]

RON BRINTNELL, Director, Gas Development, Enbridge Inc.: Good afternoon, Mr. Chairman, Senators. My name is Ron Brintnell. I

am director of gas pipeline development for Enbridge. With me here today is Darren Cleveland, Manager of Gas Development with Enbridge, as well. I very much appreciate the opportunity to come and talk to you this afternoon. It's a very important topic. We hope to be here many times and to hope move this thing forward. My hope is that this will be a dialogue, not a presentation. So feel free to jump in and ask lots of questions. I know you will, but I'm just opening it up to make this a dialogue today.

I'd first like to reiterate a message that one of my colleagues brought about a week and a half ago which is that we need this gas; we need to get this project going now. Expediency is really important. The North American supply for gas is tight and it's going to get tighter. We could potential have demand [indisc.] increased volatility. We need to get the gasline going and we need real progress, not just the appearance of progress.

I don't plan on going into a very long commercial on Enbridge, but I thought it might be useful to at least provide a little background for those of you that aren't familiar with the company. So, just very briefly - Enbridge has about 10,000 miles of natural gas gathering and transmission lines; we have an extensive oil and gas network throughout North America; through our 50 percent ownership in the Alliance pipeline and our 60 percent ownership in the Vector Pipeline, both of which are cross-border in both Canada and the United State, we move about 2.5 bcf/day across the border. We also move about half of the Gulf of Mexico natural gas and that's also about 2.5 bcf/day.

We also have extensive northern expertise and experience. We have been in the north with both oil and natural gas pipelines for about 20 years now. We're the only company that has experience both building and operating pipelines buried in discontinuous and continuous permafrost. So, we're uniquely positioned from a northern perspective. I guess the key to that is that's history and we don't want to focus on history. We want to focus on going forward and what's happening in the present. There is no sense dwelling on the past.

Moving to the third slide, I guess, I want to very briefly touch on what Enbridge is up to now, because we think that's relevant. Dwelling on what people have done in the past isn't as important as looking at what's going on here and now.

Enbridge has about \$15 billion worth of projects that we're currently working on - pipeline projects. Most of that is

targeted out of the Alberta Tar Sands. But pipelining in terms of building pipelines, getting them permitted across borders,[indisc.]. So over the next 5 or 10 years we'll have a pretty significant opportunity to move those projects along and we'll have unmatched current relevant experience managing construction, labor costs, cross-border permitting. We'll be engaging contractors, steel mills and we're going to be recruiting and training workers. I guess the message I want to send today is 'Alaska is welcome.' We need all the people we can get to come to build these pipelines. There's a real opportunity for Alaskans to come and get trained on the projects we're working on. So, there's no risk of Canadians coming across the border and building the Alaska pipeline. The reality is we can't get enough people to build the pipelines we want to do in the next 5 to 10 years. So we welcome the opportunity to come and train Alaskans on the projects we're going to build in the 5 to 10 years.

I guess the other message I want to send is that at the end of the day, we want to earn our way into the Alaska line and we think we can add value and earn our way in through this recent experience, knowledge and training.

Turning now to the issue at hand, when Enbridge was last here in Juneau and it wasn't that long ago. I guess it was about a week and a half ago, we were quite encouraged to hear that people appreciated our willingness to be open and frank. So, I think you can tell from this slide that we intend to keep that going today.

We've become associated with the phrase: 'No producers, no pipe.' And we truly believe that to be the case and we've said so publicly for some 30-odd years - while others have only done so recently. So, this is a message we've been bringing home for years now. We believe the North Slope producers are best positioned to make the shipping commitments and if you don't get shipping commitments, you won't be able to finance and you won't be able to build a pipe - end of story. And as I said in the opening we need the gas soon, so we need to get this thing going. We need to have that dialogue - up front - otherwise we're going to be at risk in North America to lose the gas to coal; we're going to be at risk to lose to nuclear; or more importantly or more scary, to lose it altogether.

If the gas isn't available or at least available at a decent price where it isn't volatile - people can put up with higher prices - they can't put up with volatility - manufacturing is

going to go offshore. So, we need to be able to have concrete movement on this project. And the first step that we see in getting that moving forward is to create the State of Alaska and producer alignment. And that means that both parties have to be willing to focus on what's essential versus what's desirable. And it also means not recreating the wheel.,

CHAIR HUGGINS: Senator Wielechowski.

[3:20:38 PM](#)

SENATOR WIELECHOWSKI: Thank you, Mr. Chair. I appreciate what you perceive what you perceive to be the solution here. It's been 30 years; the producers have not agreed to produce their gas. They have been asked multiple times what we can do to achieve the alignment that we need. I still don't have a clear answer to that question. I guess I'm not really sure what more we can do. The gas belongs to the people of Alaska and I guess from my perspective, if the producers - and certainly I think this is a legal perspective - if they're not willing to produce their gas, then that's our gas and we have a right to take those leases and produce that gas.

So I guess I disagree with you. It would be nice to have state producer alignment, but I don't know what more we can do for the producers to bring them to produce this gas.

MR. BRINTNELL: Mr. Chair, Senator, we, and not being a producer, you know, don't - we're not in that dialogue on what the producers need. We understand they need fiscal stability. That's what they've been saying in terms of understanding what the risk is going to be on the line. I understand the state's frustration with not moving the pipeline along. I can tell you candidly in the presentation later on, we don't believe that going into a long litigious process of trying to get the gas back will get it going. We think that negotiation is key; I understand and appreciate the state's frustration with maybe not understanding where the producers are coming from. We can only encourage that you get back to the table. In the dialogue that we've had with producers, and like I said we're not a producer - the fiscal stability issues are not ours. We're a pipeline company and we'll get into what that means and what we bring to the table at the end of the day.

I can understand, or we, can understand why they want to know what the tax situation is going to be like on a long term basis. The in this project is huge and so from our perspective, we understand where the producers are coming from. I can also

appreciate the fact that the state is saying they haven't produced it for a number of years. What can we do to get them going? All I can say is that the dialogue we've had - the producers are willing to engaging open and honest and upfront dialogue. They're willing to get the process moving and we'd encourage that that continue, that that open door be continued that you ask them what they're looking for and be willing to give up and compromise and I think they will to. I mean, when people say that's our final offer, I think I heard it today from someone - in reality that's the final offer for today. I think negotiation is just that. It's negotiation and you have to be willing to persevere and get going. And so, I understand your frustration, Senator, in saying we've been trying to do that. I hear similar frustration from the producers. We can only encourage the pipeline company for you to have that discussion.

We're kind of skipping ahead of everybody, but our message will be that as an independent pipeline company, we wouldn't be prepared to step up and take the risk to progress this project without knowing there was that alignment. The risk is too great.

[3:25:10 PM](#)

[SENATOR MCGUIRE joined the meeting.]

Slide 5 - I guess the first thing we want to do is we want to acknowledge the Governor and her team because they do deserve recognition for the priority they placed on the Alaska line. WE know through dialogue we've had with her and her team that they understand how important this supply is to North America. But we are concerned that AGIA is going to fall short - that it won't produce the desired results.

AGIA's major focus seems to be on the pipeline rather than the producers and I know this is a broken record and you're going to hear it over and over again from me today, but we think the key focus has to be on creating alignment with the producers. That's what has to happen and we've consistently said that for years. From the pipelines perspective, from members perspective, it's just too risky to spend billions of dollars hundreds of millions of dollars without knowing up front that producers will step and make the shipping commitments which will underpin the financing for the project. You've got to have that upfront.

The other concern we've got is that we think AGIA adds unnecessary regulatory layers. A lot of time was spent a few years back in the FERC process developing a very uniquely FERC process. A lot of input was put into that. We believe that will

serve the project well. We don't believe you need to add another layer to that. Slide 6....

[3:26:14 PM](#)

CHAIR HUGGINS: Now, excuse me. In that respect, you're talking about the language in AGIA that's redundant in some cases with FERC?

MR. BRINTNELL: That's correct, Senator. We think that some of the wording in AGIA is adding additional regulatory complexity that doesn't necessarily need to be there. It's adding that extra layer and we understand why it was put in there - for the desire to have certainty and I'll get into it later on. Unfortunately, the certainty the state might be desiring we don't think is achievable.

I think the word that's come up and I think I read it a few times and I've heard it a few times over the last couple of weeks is alignment. It's come up a fair bit over the next couple of weeks. Training alignment with the producers is critical because they're key to financing the pipeline and once again, if I'm repeating myself, it's on purpose, because that's the message we want to hammer home. Banks will require firm shipping commitments backed by highly credit-worthy companies and we're talking about billions and billions of dollars - not just the capital to build the pipeline, but the shipping commitments - we're talking billions and billions of dollars. So, the list of parties that have got that credit worthiness to satisfy the banks is going to be pretty short.

We think it's pretty reasonable for the producers to want to control the project at least during the development and construction phases as they are going to bear the risk and want to control it.

CHAIR HUGGINS: Yes, Senator McGuire.

[3:27:56 PM](#)

SENATOR MCGUIRE: Can I ask who you see on that list.

MR. BRINTNELL: Senator, sorry, Mr. Chairman, Senator the list of who might be large enough?

SENATOR MCGUIRE: Yeah.

MR. BRINTNELL: The size of the project - probably major oil and gas companies - potentially some significant utilities depending

on how big their commitment is. But even a relatively small commitment - and when I say small, let's talk \$100 million/day, \$200 million/day - this is billions of dollars in commitments. So, when you look at that impact on a company's books on their ability to do other things, it's significant. So, even a relatively small commitment on the Alaska line is a huge commitment in terms of dollars. So, the list will not be that significant.

SENATOR MCGUIRE: Do you see MidAmerica on that list?

MR. BRINTNELL: MidAmerica? I personally can't speak for MidAmerica, but I also can't see MidAmerica necessarily being a shipper. So when we talk about shipping commitments here, the ability to actually step up and make the commitments to finance the project - because it's not the person building the project that is going to finance it, it's the shipping commitments that will finance it.

SENATOR MCGUIRE: So you're distinguishing between the shippers. Okay, so just in wrap-up so you don't think a conglomerate of independent shippers would ever meet the financial requirement necessary to make it commercially viable. So, it would have to involve the three major producers.

MR. BRINTNELL: Mr. Chairman, Senator, I guess there are two aspects to that. A shipper shouldn't step up to make a shipping commitment without also getting the gas supply. So, depending on what your independent conglomerate was made up of, they are not only making a shipping commitment for billions of dollars, they are going to have to make a commitment to buy the gas which will be many multiples of the commitment for the shipping commitment. So there are utility conglomerates and others that might be able to - but it'll be tough.

CHAIR HUGGINS: Please continue.

[3:30:17 PM](#)

MR. BRINTNELL: As I was mentioning, we think it is reasonable for the producers to want to control it because they are going to - at least during the development and construction phase - because ultimately they are going to have to bear the lion's share of the risk. There may be the ability to have some risk sharing, but given the size and scope of this project, it's going to be limited. When you think about it, even conservative figures now price this out at a \$20 billion project.

CHAIR HUGGINS: Senator Wagoner.

SENATOR WAGONER: Thanks, Mr. Chairman. The only experience the State of Alaska has had was with the producers in building the pipeline has been the TAPS line. That's a line that started out to be \$850 million to \$1 billion; and it wound up being between \$8.5 billion and \$9 billion. I'm still having a lot of problems getting a comfortable feeling of having the producers tell me that they're the only ones that can build this project and the reason they want to build the project is they want to hold the costs down. Because if they're the only ones plus the State of Alaska that commit gas to that line, where is the incentive for them to hold the cost of construction down to reasonable levels. Because they take money out of one pocket and pay themselves from the other pocket. The State of Alaska bears the brunt because we don't have that pocket. Can you answer that?

MR. BRINTNELL: Mr. Chair, Senator Wagoner, I can understand your concern on that issue. Not having been around during the TAPS time I can't speak to what happened at TAPS. I can address the issue of wanting to control costs. First of all, you are going to have FERC oversight. FERC will look into what is reasonable and what is not. That is under the purview of FERC to do so - same as NEB in Canada. They have the ability to say that was a reasonable cost or not. I understand your concern around are they just taking from Peter to pay Paul. One of the ways that you may be able to satisfy yourself that that's not the case is once again to go through the FERC process. Even if the state is not at the table as part of the process, the state certainly will be able to be a significant intervener in the FERC process. And that is a public process.

I understand the state's desire to have as much public as possible. The FERC process is a very public process. You've got the ability to say we don't think that's reasonable - at that process. The other thing, too, is and I'll talk about this is, we believe that there may be an opportunity for an independent pipeline company, like Enbridge, to be part of that process. We'd like to be part of that process. We'd like to be part of a consortium. We do believe that the producers need to be part of that consortium, but there may be a roll for a company like Enbridge to play a part in that.

SENATOR WAGONER: Thank you.

CHAIR HUGGINS: Continue.

[3:33:21 PM](#)

MR. BRINTNELL: That's a good segue into what I wanted to finish this slide off - that we have had a long, fairly intensive experience with dealing with the producers on pipeline projects. It's been learned over many years of negotiations and literally billions of dollars in capital investments. The challenge, Senator Wagoner - Mr. Chairman is always to create structure that stands the test of time. When you go into these things you can't know up front all the things that are going to happen over the life of the project - 25, 30, 40 years. So the challenge for developers with pipeline group, for the states, for the producers is to create structures that can be flexible enough to accommodate things that are going to come up over time.

If we try and negotiate everything into a deal now, it's going to take forever. But if you can create flexible scenarios and contracts that allow for things to come up - and if people are willing to be open and frank with each other when things change, you can negotiate things and change things as time goes along.

[Slide 7] We've even today I've heard some talk about the fact that it might be reasonable to assume that eventually the producers are going to be either show up or they'll be enticed - and I put enticed in quotation marks - to provide their gas. Even today I've heard that. We think it's a very risky assumption even with the cost-sharing that's been put forward in AGIA.

SENATOR WIELECHOWSKI: I don't understand why it's a risky assumption to think that the producers would show up if the project is commercially viable. How can they not show up to an open season if it is a commercially viable project?

MR. BRINTNELL: They would show up if it was commercially viable. The question as I understand it - and I can't speak for the producers - is trying to define what is commercially viable. We understand that they would like to have certainty around certain tax issues, fiscal issues so your definition of commercially viable may be different than theirs. It's not just monetary, it's also around how viable is that monetary base for the project. Gas prices are volatile as I mentioned earlier when I started. A couple years ago there was \$7 gas, then we were down to \$3 and now we're back up to \$6 again so I can understand why the producers would like some stability. So it depends on how you define commercially viable.

SENATOR WIELECHOWSKI: You're in the pipeline business. You build pipelines all over North America certainly. I'm imagining you've studied this project. Do you think this is a commercially viable project?

MR. BRINTNELL: The short answer is yes. We believe this project can go ahead. But it can't go ahead until there is alignment between the state and the producers. And our definition of commercially viable - can this project move ahead? Absolutely we think there is a project to be had here. Absolutely given the supply, given the desperate need for the gas, there is a project to be had here.

SENATOR WIELECHOWSKI: So if I'm following you correctly, there is the desperate need for gas in North America, however for some reason the only people who can do this in a commercially viable manner are the producers.

MR. BRINTNELL: Mr. Chairman, Senator, the only reason that's the case is because in order to have a pipeline project, we have to have gas. And we have to have gas to have shippers. Right now, the state and the producers are the owners of the gas so in order to get the project moving, we need the owners of the gas to be willing to commit to ship on the pipeline. And so getting that alignment, to get a shipper is the key here.

SENATOR WIELECHOWSKI: Just one last follow-up. The gas is desperately needed. In your opinion the project is commercially viable. I guess I'm having a hard time understanding why the producers wouldn't agree to commit their gas under that circumstance. More of a statement than a question.

MR. BRINTNELL: If I could, Mr. Chairman - just I guess one clarification. I did say it was commercially viable if you could get resolution of the issue on tax stability and fiscal stability. I think you get the producers saying the same thing. That it's a commercially viable project subject to understanding the risk on a go-forward basis. And one of those is understanding the tax situation. That's not something that we're engaged in. It's not a debate that us as an independent pipeline project are involved in. But we do understand it through years of developing projects. Even more recently - the \$15 billion of projects we're looking at right now in developing. We understand why the producers need to understand the game. These are risky projects. Like I said, they're going to spend - whoever steps up to ship is going to spend billions of dollars - billions and billions of dollars. Not just building the pipeline, but

committing the shipping on it. And that's the risk they have to make well in advance of the project being built. So we can appreciate where their heads at.

SENATOR MCGUIRE: Two questions. So AGIA in its current form today I understand your testimony summed up in one sentence. You will not be an applicant for AGIA.

MR. BRINTNELL: Mr. Chair, Senator McGuire, as AGIA is currently put forward no we wouldn't be an applicant because the risk is too great.

SENATOR MCGUIRE: Okay. Number two my question is in factoring in the FTs and the supplies that you need, would you be willing, have you considered a partnership between yourself and TransCanada for the portion of the line that goes through the Canadian part that they believe they have the right-of-way to?

MR. BRINTNELL: Mr. Chairman, Senator McGuire, I guess two points. We've always been willing to partner with whoever on the project. We think that the project is big enough that it can have partners. We think they should be able to add value. Whether that's on the Canadian side or the Alaska side. So we would certainly be willing to partner with TransCanada. At the end of the day, the project should be able to bring in partners that add value. We think we can, but we still fundamentally believe that the producers have to be part of that game-plan.

SENATOR WAGONER: I don't want to run down a rabbit trail, but the one thing that's always left out of the statement that you made there and it's: There is risk and there is the requirement to spend billions of dollars, but the other thing is the reward. And we never talk about the reward of billions of dollars that people are going to make off this project. And the rewards are humungous. So when we talk about risk and expenditure of dollars, let's talk about the reward at completion of the project - what the reward is too because the reward is going to be huge.

MR. BRINTNELL: If I could, Mr. Chairman, Senator Wagoner, absolutely. And I think the reward though goes well beyond the initial pipeline and the initial commitment to build. I think it was just in the paper yesterday or even today about how extensive the gas potential could be here in Alaska. It's huge - I mean it's staggering. So the key here is not to just focus on the near-term opportunity, but the larger game-plan. If you look at - step back for a minute and use the Alaska tar sands as a

bit of an analogy. When that got started, no one anticipated that it would be what it is today. And we started with one pipeline project and then it snowballed. If there truly is the amount of gas hydrates and the potential that Alaska that there is, then the initial pipeline is just the beginning. So I think not only do the producers and pipeline companies put the state - and North America in general has to look at the fact that the potential here is well beyond the initial.

SENATOR WAGONER: Thank you.

CHAIR HUGGINS: Senator McGuire.

SENATOR MCGUIRE: My apologies, Mr. Chairman, I just thought of one more question. TransCanada stated yesterday that if AGIA were amended by just one part, which would be the removal of the requirement to continue on to the FERC application itself, past the initial open season with financing - if that one part was removed, that they would be an applicant - if that one part were removed for you, would you be an applicant?

MR. BRINTNELL: Mr. Chair, Senator McGuire, not likely. I say not likely because I'd have to see how that changed AGIA. The reason being is that even to getting up to the point where you made your application, you're going to be spending hundreds of millions of dollars. It's not insignificant and at the end of the day, yes you could stop then, but it's reverse to the process we are used to. Typically, long before one gets to a FERC application, you've spent your time negotiating, cajoling and finding out what the various parties want in the deal. Typically, we would know the answer to an open season before we have it. I mean it seems a failure if you have an open season and it's not sufficient. Usually what happens and especially in a binding open season is it's an opportunity to top-up. It's non-exploratory surgery. It's we know the answer - who else might step up. And we would typically do that long before we spent anywhere near the dollars that are contemplated under AGIA right now.

[3:43:50 PM](#)

SENATOR MCGUIRE: Sorry Mr. Chairman. So you would reject an exclusive license? You're telling me you would reject an exclusive license that would give you the ability if you didn't have to go to the FERC application for let's say \$10-\$20 million just to get to your open season. You would reject the ability to have that exclusive license.

MR. BRINTNELL: Mr. Chair, Senator McGuire, it's not a function of rejecting exclusive license. It's a function of understanding the probability of success. At the end of the day, even though I have something in my hands that may be perceived to be valuable - I'm not saying it's not - its value is only in if I get to the final stage. Even tens of millions of dollars is not insignificant and it's not just a function of the dollars that are spent. It's also "reputational." Enbridge is a pipeline company - energy company - we have a good reputation. We would be expending not only capital, but reputational capital. If we were to go up there and try and move process forward and have dialog not only here in Alaska, but in Canada as well with First Nations, with landowners - Before you would spend that reputational capital, you'd want to make sure that you have a project and that in our view means having that dialog with the producers first.

If we were able to have a dialog with the producers with others and develop a consortium that we felt ultimately there was going to be somebody that stepped up at the time of the open season, yes we would apply.

SENATOR MCGUIRE: How would the bill prevent you from having that conversation? I mean that's the whole point of the bill. It's to get you to talk with the producers and others to build that consortium to figure out what the tradeoffs are. It's just a series of must-haves. How does the bill in any way prevent you from having those conversations. I'm confused.

MR. BRINTNELL: Mr. Chair, Senator McGuire, it doesn't. The short answer is but AGIA is not needed to have that dialog. We wouldn't - as Enbridge we wouldn't necessarily - we wouldn't reject the state's money, but we don't need it. So as much as it's nice to have that ability to call upon somebody else's money, we don't believe that it's necessary to move the project forward.

SENATOR MCGUIRE: What's the harm in having it then?

MR. BRINTNELL: Mr. Chair, Senator McGuire, nothing. So if someone is willing to step up, more power to them. We just don't think for Enbridge it's necessary.

CHAIR HUGGINS: Senator Stedman.

SENATOR STEDMAN: Can we just explore that a little bit. If you go to open season and accept contribution from the state and

open season fails and you go on past open season picking up the 80/20 split where the state's picking up 80 percent and you're picking up 20 percent going off to the FERC certificate and you folks in there at some time feel it's uneconomical and a waste of your 20 percent and the state feels it's an economically viable project, and you go to the arbitrator and the arbitrator decides with the state- What position are you in?

MR. BRINTNELL: Mr. Chair, Senator Stedman, I'm not sure I understand the question, but let me take a shot at it. I think it would be difficult for me to answer it because as I said earlier, I don't think we as Enbridge would get ourselves in that position. To have gone that far down the track and had an open season that didn't work because as I mentioned, it's not only the dollars, but it's the reputation, it's everything else. Fundamentally, if someone has gone that far down the track and has not gotten alignment and gotten shippers, then something has gone off the rails. Any yes, you risk - whoever that might be might risk losing your dollars, but it's difficult for me to discuss somebody else's position. We wouldn't get ourselves in that position.

[3:48:20 PM](#)

SENATOR STEDMAN: I think in that case you'll find that the bill requires you to return the money to the state. So if I hear you correctly, what you're saying is you don't need the money from today to get you to open season, but if it was your money, our money or some 50/50 split, if open season failed, you are not interested in expensing your capital to get to the FERC certificate through a failed open season. Is that correct?

MR. BRINTNELL: Mr. Chair, Senator Stedman, I think long before we - one got to the open season - the failed open season, you'd have spent a significant amount of capital and time. We couldn't see ourselves getting to even that point. Fundamentally it's critical to understand early-on, whether shippers are going to show up or not. That's fundamental to moving a project forward.

SENATOR STEDMAN: Yesterday we had a presenter in that was a pipeline company and they talked about the cost to open season in the tens of millions and the cost of going through an open season forward would be in the hundreds of millions and they weren't interested in the latter. Could you help the committee get a feel for the cost of getting to open season would be on this project? And if you don't have that, you could get back to us, but I'm very curious on your professional guesstimate on what should be expensed to get to a successful open season.

MR. BRINTNELL: Mr. Chair, Senator Stedman, I guess what I might be able to do is actually even talk it as this slide 7 because I think it goes to it a bit. It depends upon what your open season is trying to do. There is not doubt, you will not get an unconditional "commitmentship" period. There will be conditions on - by the producers, by shippers - subject to financing and defining milestones. So depending upon how you define the open season, will define how much money you spend. If the potential shippers want things nailed down pretty significantly in terms of: What is the cost going to be? What do the tariffs look like? What does the timing look like? - you'll have to spend a whole lot more money because you're going to have to spend that time and commitment doing the engineering, doing the designs and so it depends on how firm you want your open season. If it is a non-binding or binding with lots of outs, you could spend less money. If you really want a binding open season - and even that will have some outs to it - then you're going to have to spend a lot more money. So I'm not evading the question, it just depends on how firm you want your open season.

SENATOR STEDMAN: If I asked my mother what a significant amount of money is and I asked you, I'd get two different answers though. What is - are we talking 10s of millions 100s of millions? Are we talking a billion? What's a ballpark figures and you can try to nail it down later.

MR. BRINTNELL: Mr. Chair, Senator Stedman, if one was to get to what we would hope would be a binding open season, you'd be spending 100s of millions because that's what you're going to have to define the project to the point where you can have a binding commitment by the shippers.

SENATOR STEDMAN: If you go to the binding open season and say you have to expense say 100 300 million or some number, earlier in your testimony you said that the financial help being offered in the bill - the 500 million was not needed. Am I understanding you correctly that to go to a binding open season in the neighborhood of a few hundred million dollars, you don't need financial assistance from the state?

MR. BRINTNELL: Mr. Chair, Senator Stedman, we would not get into the point where we would spend hundreds of millions of dollars developing the project to have a binding open season without first having a dialog with the potential shippers and understanding what it is going to take to get them to the table to get them to commit. So you would be firming up your shipping

commitments and your understanding of what it's going to take to get a project as you go along. So it wouldn't be a function of spending all those dollars up front. And then seeing if they'd show up. So because - that's typical of our process - because that's typical, we would know as we went along, how much money to spend. You may come to - as you go along you may say 'You know what, we're not getting to where we need to get to. Let's stop spending.'

3:53:22

SENATOR McGUIRE: Yesterday when we...heard from TransCanada, they said in the tens of millions; Why such a discrepancy?

MR. BRINTNELL: I can't speak for TransCanada. It could be that they're defining a different type of open season. I don't know. So I can't speak for TransCanada why their number would be that much different than ours. I can just tell you that if we're truly talking about a binding open season, then you have to spend a lot of money to get to the point where you can define the project that well.

CHAIR HUGGINS: One of the scenarios that I think TransCanada described was an open season, was at about a six-month timeframe, and I think that's where the number came in.

MR. BRINTNELL: In that case I would suspect, and again I can't speak for my colleagues across the street, it would probably be a non-binding open season. So it would be this exploratory process to find out where the potential shippers are sitting; what do they want? And in that case, yes, it would be a lot less money, but it would be a lot less certain too.

SENATOR McGUIRE: Has Enbridge ever had an open season that failed? And if so, what did you do about it?

MR. BRINTNELL: Good question. To the best of my knowledge, we have not had a binding open season that failed, and I could be wrong.

SENATOR McGUIRE: Have you had an exploratory open season that failed?

MR. BRINTNELL: Yeah, I mean, the process of building a pipeline is all about putting lots of ideas out there to see if someone will bite. We have put forward concepts that the market is not ready to accept or just doesn't want, so absolutely...that's the business we're in. Enbridge is in the business of developing

pipeline projects. If we weren't putting forward ideas that failed, we wouldn't be doing our job. So that's part of the process is to put forward ideas, see if you can get commitments, but, at the same time, if I was to propose that we spend hundreds of million of dollars to find out whether we've got a project or not, then I wouldn't be here.

SENATOR MCGUIRE: Wait a second. You're changing the equation there--tens of millions exploratory to see who will bite--not hundreds of millions.

MR. BRINTNELL: This project is on a scale unheard of previously. When we're dealing with projects, we're talking about \$15 billion of projects we're going to build as Enbridge over the next few years. The biggest one of that is about four and a half billion. So the number of billions of dollars of projects--the amount you have to spend on some of these projects--differs. This project is quite different--and its risk, its scope. So the amount you have to spend may be different here than what we have to spend on other projects. Plus, to be frank, some of the places we're building pipelines are different from here. The market's different, the players are different, the knowledge base is different. No one has built a pipeline from the North Slope of Alaska to Alberta before. So the amount of time and effort and dollars that have to be spent to get to the point where you have enough certainty to have an open season will be different than, say, another pipeline from the tar sands to the lower 48.

[3:57:10 PM](#)

SENATOR STEDMAN: Could we get an elaboration on Slide 7; there's the middle bullet, third item down--Ship resolution of Alaska state taxation issues. Could you kind of explain that whole bullet and what you're talking about there?

MR. BRINTNELL: This goes back to the same point of fiscal issues. We use the word 'taxation' here; I guess it probably could just as easily been [fiscal?]. Understanding is--the producers have a desire for fiscal stability. We read that to be taxation stability, but can't speak for them. That's just an interpretation of the issues--it's this fiscal stability issue.

SENATOR STEDMAN: I'm talking about--when you're talking about the FERC certificate--an acceptable FERC certificate. And then there's criteria that could be imbedded in that. I understand what that one line says, but.

MR. BRINTNELL: Which one are we looking at?

SENATOR STEDMAN: It's the same thing. It's the same one you're talking about, where it says 'shippers resolution of Alaska state taxation issues'. So if I...am I interpreting this correctly that you could get a FERC certificate issued with clauses in it, one of which would be to get resolution of the taxation issues?

MR. BRINTNELL: It's quite possible that the shipping commitments that one might get for this project would have that condition. It's quite possible. So, and that would be part of, you know, when one takes to the FERC certificate, you've got these commitments and FERC would look at that. Hopefully that's resolved before hand. But it's possible that that could be part of what's in an application.

SENATOR STEDMAN: I'd like the next bullet down, kind of, touched on again too. It says the unconditional commitment to proceed will not happen, and that ties into some language in the bill, and can you elaborate on that. And it would be nice to tie it into the bill a little more directly.

MR. BRINTNELL: We know that there is desire both by the state and in AGIA to have an unconditional commitment--what I hear over and over again is: But they're not committing to anything. We hear them but no one's committing to anything. What we're trying to be pretty frank about is that we do not believe, as Enbridge, you will get an unconditional commitment to build this pipeline. We don't think it's possible to get an unconditional commitment to build the pipeline just given the risks. Any pipeline we've ever built, all the pipelines we're proposing to build now have these kinds of provisions in them. We don't know whether the regulator's going to come down and put forth a condition that we just can't live with. And so there's always these kind of outs because there needs to be. You can't give an unconditional commitment to build because the risk is too great and you don't know what those conditions might look like. Secondly, just given all that's going on in the labor market, all that's going on with costs, we don't know what's going to happen with costs in this project. So, once again, there has to be the ability to say, you know what, when we started this process it looked economic, we went through the process and spent significant dollars to find out what it's really going to cost, and guess what, it's not economic and we have to stop it. And so that's what that means, is that we don't believe that you will get an unconditional commitment to build a pipeline because the risk is

too great for someone to give you that just given these two issues.

CHAIR HUGGINS: If I might, I just--for the committee members, but myself--we invited you to come here because we believe that you have some interest in this. And, I, as the Chairman in resources, appreciate your frankness to us, and what I think I've heard you say is that you're interested in this project. You have some concerns about this project and, specifically, when it comes to open season, which I've said many times, I consider to be maybe the critical event, that you want to have a level of confidence--of assurance--that open season is going to be successful. Is that roughly what you said?

MR. BRINTNELL: That's not only roughly, it's probably dead on. I mean, an open season that fails should not happen.

CHAIR HUGGINS: So we, as Alaskans, I mean, I appreciate your candor. It would be easy for you to come here and say: AGIA's perfect. We want to bid on the project, and we're going to go home and do that. Just pass it out and here we go. But you came here and says: We want to bid on your project, but we have some concerns. And to the extent that you have concern, I appreciate every piece of candor you have, because Alaskans need to hear that. Are we going to act on all of your concerns? Probably not. If we act on fifty percent of them, you'll probably be very lucky, but we need to hear that because ten years from now there may be some people saying, you know, I remember those guys from Enbridge and we should've paid attention. I don't want us to get into that sort of scenario, so to the extent that you're will to be candid with us, I'm willing to listen to you.

MR. BRINTNELL: I appreciate that, I mean, because the last thing we want to do is to not appear that we don't want this project to go ahead, absolutely. At the end of the day, if Enbridge is not part of this project and it goes ahead, we're going be happy. Our utility needs the gas. We've got mums and dads in Toronto, and I know the lower 48 and here in Alaska they've got mums and dads who want the gas too. We want this project to go ahead. We will do what we can to help move it forward, but we think that we've got some experience that can help it move forward, but we've also, amongst ourselves, come to the conclusion that we cannot be anything but candid these days. The timing is critical; we've got to get on with it, and if we're not candid, who's going to be?

SENATOR WIELECHOWSKI: I appreciate your candor as well, and if I'm understanding you, what you're essentially telling us, from your interpretation, is the key change that you need--would like to see in AGIA--is fiscal certainty. Is that correct?

MR. BRINTNELL: Whether it be through AGIA or some other means, fiscal certainty, we believe, is important to the producers based on what they're saying, and without the producers stepping up as shippers, we don't believe you have a project. So, if that's backwards way of saying yes to your question, I guess the answer's yes. But it's not necessarily associated with AGIA, it's just period. In order to get the process moving - to get a pipeline - fiscal stability appears to be, and it certainly isn't dialogue we've had - important to the producers. It's not an issue that directly involves us because we're not a producer. But we can understand it, and so that seems to be the key to get the project moving.

SENATOR WIELECHOWSKI: And then, if I could just follow up with that, I assume that what you're also saying then is the ten-year tax lock-in does not provide enough fiscal certainty for you-for your organization.

MR. BRINTNELL: I can't say that that's not enough for our organization because the ten-year provision does not apply to a pipeline company. It would apply to the producers who [are] ultimately shippers, and not being able to speak for them, but only hearing what you hear, it doesn't sound like it's enough, but I can't say that's not enough for us because it doesn't apply to us.

SENATOR WIELECHOWSKI: OK, and one more follow up: Then it would appear to me then that you are basing your testimony, your opposition to AGIA based on what the producers have testified. Is that a fair statement?

MR. BRINTNELL: Not necessarily what they testified, but certainly through dialogue. We've had ongoing dialogue with the producers for several years now, just as you have. We are hopeful that we can be part of the project. We keep telling the producers we have value to add. We think we do. And so it's not just a function of what we've heard in the public domain, it's also a function of what we've heard in one-on-one conversations. It's also a function of conversations we've had outside of this project. It's not inconsistent with many of the projects we've developed before. So their message about needing to understand

the game before they can make a commitment to a pipeline project is not inconsistent with what we've heard in other projects.

SENATOR WIELECHOWSKI: Have you ever entered into an agreement to build a pipeline with less fiscal certainty than is provided with this project under the current terms?

MR. BRINTNELL: I don't know, because in those cases it's not fiscal stability for us, it's stability for the producers. As I mentioned before, we typical don't get in to spending significant amounts of dollars till we understand whether we have shippers or not. Whether they've, obviously in the case of the projects we're moving forward with, they must feel they have the comfort to move forward on.

SENATOR WIELECHOWSKI: And then just one final comment. I think you made a statement at the beginning of your testimony that when someone says 'no deal,' that means, a lot of times, no deal for today. And I guess I know you know your organization certainly knows that this is high stakes and that there is a certain degree of puffing or bluffing as you say, and I guess I would just urge you to keep that in the back of your mind as we proceed in this matter and we hear—because I've heard from a lot of different people that we can't do this project without them, and I know someone's not being completely up front with me when I have everyone telling me that we can't do it without them.

[4:07:40 PM](#)

MR. BRINTNELL: If I may, I can tell you upfront that this project can move forward without Enbridge. We think we can add some value, but I can tell you that this project can move forward without us. We can add value. You say that everyone's saying that. We're not saying that. We think we can be part of the project—should be part of the project—but it can move forward without us. But it needs shippers. I can tell you there is no project without shippers.

SENATOR STEDMAN: If we could—could we talk about rolled-in rates and incremental rates and the impact that they have from Enbridge's perspective, maybe? There's a...I'll just leave you with a wide open question on that, how is that? And then I'll respond back to you. But we all recognize there's a 15 percent cap on rolled-in rates, and the size of the line and relative expansion, can you give me your thoughts on where the tariff's gonna head—up or down or stay the same?

CHAIR HUGGINS: Just for planning purposes, it appears that TransCanada is only about half through in the House, so we're not pressed for time. So continue on.

MR. BRINTNELL: I think I can address your question. For some time, and more so a few years ago, we've talked about the fact that Enbridge could potentially be a shipper. We still think we might potentially be a shipper. Our utility needs gas. We don't know if we can or not, but we think we might be. I can speak from understanding the utility's perspective that having a tariff that might go up is a challenge if you think about it--putting our utility hat on. We potentially go out to our regulator, the Energy Board, and say, look, we believe the Alaska gasline needs to go ahead; we believe that we could use some of that gas that potentially is utility--and I can't speak for our utility--I'm just speaking hypothetically here--but we have a role to play, and oh by the way, after we've made a commitment the tariff might go up. You're putting that risk right back on the mums and dads that I spoke about earlier, 'cause ultimately they're the ones who are going to bear that risk. We think that's a challenge and difficult and not fair--to be frank--because those who bear the risks up front shouldn't be penalized for bearing that risk.

SENATOR STEDMAN: I'm confused. I'm not a gas guy, so you got to simplify it a little bit more. When we're talking about...rolled-in rates impacting mom and pop, are you talking about incremental or what...you need to define it more and to the expansion of the pipe, what's going to happen to the tariff if it...goes from four and a half to 5.7 or what have you. Is it going up or down or?

MR. BRINTNELL: I apologize for not being clear. What I was talking to was the potential that the tariff might go up after the fact. So, my utility [indisc.] has made a commitment, for example, to be a shipper, gone ahead and got approvals to be a shipper, and it doesn't have to be a utility, it could be an industrial--it could be the producers. They've gotten approval to be a shipper; they've done their economics and said this makes sense. And then after the fact, the tariff goes up. And we talked about before--we're talking about billions and billions of dollars of expenditures--about commitments, you know...even a \$200 million or a hundred million a day commitment is billions of dollars in commitments. A 15 percent increase can be significant. And that sort of happens, and so on a rolled-in basis, so if we're starting out with a pipeline that has a rate of X, and as we start to expand it, the rates get to the point

where it goes beyond the initial cost. That's what happens if you're doing a rolled-in rate, you potentially get to a point where--you've expanded to the point where the costs will be beyond the rolled-in rate. You haven't added enough shippers to justify the cost, or at least keep the cost the same as they were initially.

4:12:01 PM

SENATOR STEDMAN: Let me try the question another way. The bill requires support of rolled-in rates to a 15 percent impact on the original tariff. Is that good or bad, and who's it good for and who's it bad for, and should it be 20 percent or 10 percent, or not in the bill, or?

MR. BRINTNELL: I think that clarifies, OK, who's it good for? It's good for those who come later, because they will know that the initial shippers will help them do--to be able to get in later on anytime they want, so, in other words, it's not clear when those later shippers are going to come on. Who it's bad for: it's the initial shippers because they don't have the certainty--the long-term certainty--of what that tariff's going to be. So, if a shipper comes along ten years from now and says I want in, and it causes the tariff to go up, then all of the initial shippers get to help pay for them getting in. So that's obviously beneficial for the shipper that comes later.

4:13:12 PM

SENATOR STEDMAN: We had testimony yesterday that, with the 15 percent incremental rolled-in rates, we could actually expect the tariff to decline in a pattern like a J-curve, or even up to seven billion bcfs a day, the tariff would never exceed the original tariff. So, as expansion, compression sort of kicking in, your tariff would actually be declining, get into some looping and starts going up a little bit, you end up with a J-curve but again it doesn't come - it never surpasses the original tariff, and I guess what I'm looking for is a correlation between what your thoughts are as a pipeline company, and the previous presenter, and then to our consultants to actually see an economic model so we can get an idea, what is this 15 percent rolled-in rate issue, because according to the testimony yesterday the tariff would be going down, not up, and it wouldn't be needed. Mr. Chair, do I have that scrambled?

MR. BRINTNELL: Mr. Chair, Senator Steadman, no you don't have it scrambled. I mean, initially, depending on the initial design, that we don't have this thing initially designed yet, but there will be the ability to add compression, and add more volume.

Until we have it designed and know what the initial volumes are gonna be, and we won't know that until there's an [indisc.] open season, you can't, you won't design it 'til you know what to design it for, but once you've designed it, absolutely, they'll be the ability to add cheap incremental volumes via compression. Depending upon how much volume you have though, let's loose-guide a bit and get into that scenario where these hundreds of tcfs of gas hydrate start to kick in, you may go well beyond the ability for compression to kick in. now that's a good scenario - I mean, you're getting to the point where you're adding more and more gas, but it may mean that if it was truly rolled-in, then it will go beyond the initial tariff. The FERC process that we went through a couple years ago, I guess three years ago now, took the unusual step of making the Alaska line have rolled-in rates. Typical lower 48 is that incremental volumes are incremental rates, in this case, the FERC saw that it was important enough to have proviso that rolled-in rates be in there, but you had the ability to appeal. I think where AGIA goes a step further is saying, well, you do, but not until 15 percent. FERC didn't go that far.

CHAIR HUGGINS: The follow-on to Senator Stedman's question - the 15 percent factor, of the rise in the rate, yesterday as I recall we heard that would be an extraordinary amount of gas to do that - have you done any modeling that shows when you would hit that 15 percent plateau?

MR. BRINTNELL: Mr. Chair, the short answer is no, we have not. The reason being is that until we have better define what the initial project looks like, we can do lots of scenarios but the short answer's no we haven't.

[4:16:37 PM](#)

CHAIR HUGGINS: Right. Let's change gears for a moment and talk about Canada and this project going through Canada. McKinsey has some difficulties; are there any difficulties that McKinsey is experiencing that we as Alaskans should be aware of that might apply to the pipeline we are discussing today?

MR. BRINTNELL: Mr. Chair, good question. Uh, drawing parallels between MacKenzie and Alaska is, is, tricky because they're different projects. The process that will apply to the Alaska project is different than the process currently applying to the McKinsey line. The MacKenzie line has a joint review panel looking in the environmental issues; the Alaska line won't have that. But, in terms of challenges, it'll be important for the Alaska line to have open and frank dialogue with first nations,

there'll be challenges no different here - environmental issues, that's no different than here; I think trying to draw parallels between MacKenzie and Alaska, um, well you can do it, I'm not sure why you would because they're different projects. I don't think that you'll see that Alaska will face the same issues that MacKenzie did, and to be frank, Alaska - the Canadian government has realized that MacKenzie line had challenges too, and they even recently have said, look, we need to get a streamlined process, we need to make sure that we've learned the lessons from MacKenzie, and I think they have.

CHAIR HUGGINS: And to follow up on that, here in the last couple months NEB [National Energy Board] had a representative in Anchorage at an energy conference and, uh, essentially went on record as saying once Alaska turns over a package to be addressed by Canada, NEB, that it would be about 24 months for them to be able to work through that package, to begin progress if you will on the pipeline. Your thoughts on that milestone?

MR. BRINTNELL: Mr. Chair, I think it's probably right, I think you'll find that Canada will be able to progress the project from a regulatory perspective in the same time frame that Alaskan FERC can progress the project. Our alliance experience, for example - we progressed the pipeline on both sides of the border about step and step. So, I don't think that you'll, if you, if the question is, is Canada going to delay the project, I think the short answer is no. Uh, the NEB, the Canadian government's gonna make sure that Canada won't delay the project 'cause it's, they're aware of the fact that we need the gas.

CHAIR HUGGINS: And, one final and we'll go to Senator Wielechowski; recently there were some of our legislators who were back in Washington D.C. and we were talking about the energy situation in North America and the lower 48 and Alaska and the pipeline, and for the first time a FERC official sort of cut through and says, look, conversation about market in the lower 48, market in Canada, Alaska, it's the continent. It's North America, and North America is the market, and the interoperability between Canada and the lower 48 in this case in particular - you look at either for energy source, or pipelines and moving things, infrastructure, that were there, have a mature working relationship, are there some things that we should be aware of that maybe are counter to that description of working relationship between Canada and the United States as it comes to energy?

MR. BRINTNELL: Mr. Chair, not that I can think of the top of my head, I mean, my understanding is that the Canadian government and the federal government and Alaskans and the territories and the provinces are all talking to each other, I can certainly tell you that from the perspective of Canada, they're trying to move things ahead. The federal government is in dialogue with the provinces the applicable provinces, Alberta, B.C., Yukon, on what they can do right now to help move the project along. They're in dialogue with the first nations, in fact we're gonna go up to the Yukon in about three weeks. The territories and the provinces and the Canadian government has sponsored a first-nation conference to talk about the project and just, you know, on a higher level get the dialogue going. I think that there is good dialog between the state and Canada and the lower 48.

SENATOR WIELECHOWSKI: We did hear from TransCanada yesterday and what I took away from that, at least, my interpretation of what they were saying was, if we don't use TransCanada, then there are problems with permits, easements, first-nation treaties, they believe they have an exclusive right to go through Canada, they believe that they have been permitted and so they don't have to go through the NEB process, and another project would have to go through the NEB process which is a process which is bogging down MacKenzie right now; they believe they've already gone through the environmental process and so they believe that they have some tremendous advantages which make it much to their advantage, and make it very difficult for another organization or group of organization to build that line through Canada; do you agree with that assessment?

MR. BRINTNELL: Mr. Chair, Senator Wielechowski, um, I think you raised a lot of issues there, and let me try and tick them off one at a time, and tell me if I haven't got them all. Let's deal first with the issue of exclusivity, 'cause I think that's -- we talk about lots of things, at the end of the day that's what we're really talking about, does TransCanada have exclusive rights to public, to Canada or not. We've been pretty clear for a number of years now that we believe they do not. Do they have certain permits? Do they have certain things they were granted? Absolutely, and they're entitled to them. But that's different than saying that they have the exclusive right to build the pipeline.

The things they've been granted under the Northern Pipeline Act are theirs; if they can get a commercial arrangement in place to have shippers, if they can get the producers on board to go with their ideas, bully for them. Then they should do it. But that

doesn't mean you have the exclusive rights to build a pipeline in Canada.

In terms of where's Canada coming from, Darren just handed me something here, about a year ago, May 2006, Minister Jim Prentice, Minister of Northern Affairs, and Northern Development, who's responsible for pipelines in Canada, gave a speech to the Canadian Pipeline Association, and he outlined a few key points that, from his perspective, a government had to have in any pipeline project had to have whether is be Alaska, whether it be MacKenzie; if I might, I'd just, you know, go through those, 'cause it might clarify a couple of things from where Canada's coming from. Basically five principles: first, it mustn't interfere with market forces. It says it'll let the market aside, by them they mean the government, the local market aside, so read it the way you might want on that.

Second, our decision must be supportive of a modern regulatory regime. The NPA [Northern Pipeline Act] is 30 years old. We would dispute that they don't have to go through a modern regulatory process, and we would dispute that they would have all of the things they need to build a pipeline today - they don't. Project managed approach - that just means they're gonna go with step, you know, step by step. That's gotta be supportive of regional economic development; in Canada today it's expected that a pipeline company, any developer, will deal amicably with First Nations. And yes, TransCanada has a right of way through part of the Yukon, it's through part of the Yukon, and it's a right-of-way. Not necessarily access to the right-of-way, and it's not all the way through the Yukon. At the end of the day, the laws in Canada require that you deal amicably with First Nations. We believe that there's the ability to do that and have a very good engagement.

About a year ago, well I guess it was a year ago, I came and gave testimony and brought with me Chief Mike Smith, who was the chair of the Aboriginal Pipeline Coalition, still is, in the Yukon. He basically said that they're open to dialogue. When asked what kind of discussions they've been having with TransCanada, they've said it was a meet-and-greet. So I'm not sure they'd necessarily, they being the First Nations, they would necessarily agree that TransCanada has what they say they have. And I guess, for the last point, as Jim Prentice says, any pipeline project must ensure that Canadian benefits are realized and a week and a half ago we talked about what does that mean, and I think what it means is that Canada wants to make sure that when the Alaska line goes through that it's treated fairly, that

there's net benefits, not net costs, that there's money for Alaska, that there's the opportunity for Canadians, in particular the people of the Yukon, to potentially get gas off the line too, seems reasonable; the Yukon wants the ability to put gas on, that seems reasonable; the First Nations want to be dealt with fairly, so, I think the short answer, long answer I guess, is that we don't believe TransCanada has the exclusive right to build it, we do believe that they do have certain entitlements, not looking to take that away from them. If they can get a commercial arrangement to build the pipeline with the shippers, that's great, but it doesn't give them exclusivity.

[4:26:50 PM](#)

SENATOR STEDMAN: Mr. Chairman, could we switch gears just for a minute and talk about a couple of points in the bill, one of them is a requirement for 30 percent equity and 70 percent debt as a maximum equity position, 30 percent? Should we have 20/80, or 90/10? Or you guys want 50/50 or - not that I'm gonna give you 50/50.

MR. BRINTNELL: Mr. Chair, Senator Stedman, recent projects, you know, our Alliance project is 70/30; the Maritime's Northeast project that runs through Canada down to the Lower 48 is 75/25. You know, 70/30 is not unreasonable. Would we want 50/50? I think the short answer is that should the extension get the banks to step up, you would look at doing that. I mean, the financial institutions will step up to this project if it has the underpinnings, the shipping commitments, that it needs. So, 70/30 is not unreasonable - could it go higher than 70/30? Maybe.

SENATOR STEDMAN: It would be nice if 20 years from now Alaska's kind of like Alberta where we have the whole infrastructure built up and the petrochemical industry, and jobs, and in the bill it talks about take-off points, and they have a number of five, and there was some previous work done that had a number of four, three of which we can identify, one of which we really couldn't - from your viewpoint, have you looked at Alaska - do you have any opinion on how many take-off points the state of Alaska should have to ensure that in the future we do have gas for the citizens of Alaska and eventually a petrochemical industry in the state?

MR. BRINTNELL: Mr. Chair, Senator Stedman, take-out points are easy, to be frank. I mean, uh, a take-out point is a valve, so the ability to add take-out points when you're actually building the building design, the project's gonna be easy, it doesn't add

much to the cost; the tricky part is being able to get the gas off of the take-off point to the intended market, whatever town or city it might be. So, you know, you can't have an infinite amount of take-out points but four or five, six, three, I don't think it, it doesn't add materially to the cost of the project; I think it's the function of just sitting down and saying, ok, where realistically do you need one, knowing that you may never actually take gas off there, but adding it early on is easy. One of the things that we're doing right now is we're, we use Enbridge where we're doing some testing to see if we can't find ways to make it more economic for small loads to get gas off the line. That's the tricky part, is you're talking about the valve's cheap, relatively speaking, but you then have let-down stations, you have costly pieces of equipment to, you know, millions of dollars, to potentially supply a small load. And, how much can those small loads afford to pay? So, what we're doing right now is trying to find ways to make it more economic for the small loads to be able to take gas off. The number of take-out points is easy; how many do you want within reason?

CHAIR HUGGINS: OK, we have about three minutes for wrap-up; you get two of those.

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MR. BRINTNELL: I'll make it one. I'm gonna skip through slide eight, because basically the only reason I put it in there, and we've already gone through this, I think, ad infinitum, was to emphasize that the application process is a highly detailed process. In order to have an application, you want to have a lot of things. You want to spend a lot of money, and before you do that you wanna make sure you've got your ducks in a row on shipping commitments. So, I'm gonna skip slide eight unless there's questions on it. In wrap-up, slide nine, and I think the points sort of speak for themselves, we've said it before: we don't think AGIA resolves the key issue, which is trying to get shippers to the table, getting the producers to the table, and our understanding is that's around the - they have fiscal tax issues. We need to get back to table.

We believe through our dialogue with producers that they are genuinely interested in moving this project forward. I wouldn't say that if I didn't believe it. We genuinely believe they're interested in moving forward, but they've gotta understand the tax provisions, understand the risks. Without their support we don't think you have an AGIA - that, uh, you don't have a project, with or without AGIA. We talked a fair bit about financial assistance; we don't think it's essential. It'd be

nice to have the money, you know, we wouldn't turn down the money, if given the opportunity, but we wouldn't be going after state assistance if we didn't know we had a project through shipping commitments.

You can achieve what you need without changing the regulatory game-plan, we believe, and most importantly here, not most importantly, but certainly importantly, I know the state desperately wants to have someone say, 'I will build the project. I'll step up, I'll build it, I'll commit to it, I'll have it done by day X.' We just don't honestly believe that that's realistic; the risk is too big. We don't do it for any of our projects. Games can change even on our smaller projects. Anyone who's willing to step up to build the projects will have outs. And finally, I'll go back to how I started. Enbridge understands the importance of getting the project going, with or without us; we need the gas. North America needs the gas. We're gonna do what we can to help it along, continue to have more dialogue like this. We'll continue to have dialogue with the producers, but at the end of the day, if it goes ahead with or without us, hopefully it goes ahead, but whether it goes ahead with or without us we'll be happy because the gas'll start moving. We encourage you to encourage the state to continue to have the dialogue that they need to have with getting those shipping commitments.

CHAIR HUGGINS: Thank you very much. Number one, we say thanks for coming and meeting our invitation, and I'll say again we appreciate your candor. I mean, sometimes people don't like the things they hear, but sometimes maybe you need to hear them. Sometimes they may be valid - may not be, as I've already said there are probably at least 50 percent of the things you have concerns about will just continue to be concerns. If we address 10 or 15 percent of that you'd probably be lucky, but in the same token we appreciate your candor in that, and some of the things you have said are consistent with what we heard from another pipeline company and I think we'll probably hear from a third and we'll see if there's full alignment in some of your comments but it's important for us to hear those kinds of things because I think what you said, you're concerned about business not about friendships, not those kind of things.

This is about how to make money and in our case we want Alaska to make a lot of it and hopefully you're a partner in that process. To that extent we say thank you very much and good luck in your presentation to the other body. Tomorrow we're meeting with the administration, essentially review of what we've heard

for the last couple weeks and then on Thursday we will hear from Kern River Transmission Company, which is a subsidiary of MidAmerica Corporation. And continuing that's the first opportunity that they can make themselves available but we will hear from them and then as a reminder to the committee we're scheduled through the weekend and as I said previously we're operating without regard to hours, weekend, holidays, or creature comforts. With that we're adjourned. [4:34:42 PM](#).

[End of verbatim transcript.]