

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ENERGY**

April 7, 2009  
3:06 p.m.

**MEMBERS PRESENT**

HOUSE SPECIAL COMMITTEE ON ENERGY

Representative Bryce Edgmon, Co-Chair  
Representative Charisse Millett, Co-Chair  
Representative Nancy Dahlstrom  
Representative Kyle Johansen  
Representative Pete Petersen  
Representative Jay Ramras

**MEMBERS ABSENT**

Representative Chris Tuck

**COMMITTEE CALENDAR**

Overview: North Slope natural gas pipeline projects.  
Presentations by:  
Bud Fackrell, Denali Pipeline Project  
Tony Palmer, TC Alaska

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

TONY PALMER, Vice President, Alaska Development  
TransCanada PipeLines Limited (TransCanada)  
Calgary, Alberta  
Canada

**POSITION STATEMENT:** Presented an overview of TransCanada's  
Alaska Pipeline Project and reviewed questions provided by the  
co-chairs.

BUD FACKRELL, President  
Denali-The Alaska Gas Pipeline (Denali)  
Anchorage, Alaska

**POSITION STATEMENT:** Presented PowerPoint an overview of the Denali Alaska Gas Pipeline project and reviewed questions provided by the co-chairs.

**ACTION NARRATIVE**

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**CO-CHAIR CHARISSE MILLETT** called the House Special Committee on Energy meeting to order at 3:06 p.m. Representatives Dahlstrom, Ramras, Johansen, Edgmon, and Millett were present at the call to order. Representative Petersen arrived as the meeting was in progress.

OVERVIEW: NORTH SLOPE NATURAL GAS PIPELINE PROJECTS  
PRESENTATION BY TONY PALMER, TC ALASKA

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CO-CHAIR MILLETT announced that the first order of business would be a presentation by Tony Palmer, TC Alaska.

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TONY PALMER, Vice President, Alaska Development, TransCanada PipeLines Limited (TransCanada), Calgary, Alberta, began his presentation by remarking that he has reviewed the questions prepared by the co-chairs of the House and Senate Energy Committees and will attempt to be responsive to them during his presentation.

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MR. PALMER reminded members he previously discussed some of the slides in his PowerPoint presentation two weeks ago. Thus, he planned to quickly cover some of the slides. He referred to slide 1, titled "TransCanada's Alaska Pipeline Project," which shows a map of TransCanada's Alaska Pipeline Project, and also highlights alternatives to deliver gas within Alaska: to Valdez enroute to the Lower 48, to Asian markets, and also to the Alberta Hub enroute to the Lower 48. He stated that slide 2, titled "TransCanada's Alaska Pipeline Project" depicts a map showing potential pipeline routes.

MR. PALMER discussed slide 3, titled "Project Design," noting it identifies two alternatives described on the previous map; one to the Lower 48 via the Alberta Hub, and another to the liquefied natural gas (LNG) markets via Valdez. He related with

respect to the Alberta Hub, that TransCanada's design has not changed since its application. He recapped the specifications of 5 billion cubic feet/day (Bcf/d) for a gas treatment plant, and 4.5 Bcf/d for a pipeline, and 48-inch diameter at 2500/2600 pounds per square inch gauge (PSIG). However, he noted one change made after TransCanada held discussions with potential shippers modified specifications for the pipeline. Thus, TransCanada will be proceeding with the LNG design at 3 Bcf/d, with a 48-inch diameter pipeline for the course of the open season that will be conducted next year. Since technical viability slides have previously been discussed, he would only make a brief statement for some slides. He stated that pipe prices [slide 4] today for delivery to Alaska remain at the same level as when the Alaska Gasline Inducement Act (AGIA) application was prepared in Fall 2007.

MR. PALMER referred to slide 5, titled "Economic Technical Viability - Recent Crude Oil (WTI) Price Forecasts - Jan 09". With respect to the LNG, TransCanada will not provide an analysis on the liquefaction plant, ships, or the ultimate markets, but only for the gas treatment plant and the pipeline. He emphasized the necessity to provide some proxy with respect to the LNG component. This slide also depicts the January, 2009 forecast for crude oil prices. He explained oil prices are expected to range from \$80 to \$120 per barrel by 2018. If this forecast is correct, gas prices will have recovered, which would result in a significant netback for the LNG project, he stated. He noted that slide 6 "Recent Alberta Hub Gas Price Forecasts," shows recent price forecasts by consultants and also examines all sources of supply and demand for North America including global LNG and shale. This forecast predicts that by 2018 gas prices will have recovered and will be "north of \$8 at that time" and if so, will make this an attractive and viable project, he opined. He referred to slide 7, titled "Economic/Technical Viability - U.S., EIA Alberta Hub Gas Price Forecasts," which describes a similar analysis. He pointed out that the gray lines on the graph depict various consultants that are listed on slide 6. Additionally, the State of Alaska (state) provided TransCanada with a specific U.S. Government Energy Information Administration (EIA) forecast from 2006 to use in its application. The EIA forecast, the latest one available as of Fall 2007, is depicted by the green line on the graph and allows comparison. He pointed out that the red line shows the most recent EIA forecast completed on December 2008, which is about \$2 in MMBtu higher.

MR. PALMER referred to slide 8, titled "Economic/Technical Viability - Impact on Project Economics." He explained that the AGIA application required TransCanada to show the value for governments and producers using the numbers provided by the EIA. Using the figures provided by the EIA two years ago, it would have produced \$350 billion. He offered that this provides the funding source for governments to pay their costs and also would provide value to them. He referred to the far right column of the slide, to the most recent forecast labeled "March 2009." This projects an additional \$125 billion, about one-third higher from the price forecast at the time of the AGIA application, he noted. He stated slide 9, titled "Project Schedule, Work Plan and Budget" is the first of the new slides in his presentation. The blue line represents TransCanada's project timeline, including schedule, work plan, and budget. He explained that the license was issued to TransCanada on December 5, 2008. He stressed that nothing has changed from the initial projection made during the AGIA process. He commented that TransCanada originally filed in Fall 2007 and anticipated licensure by April 2008, which was delayed. He offered that this updated schedule was presented to the Alaska Legislature in June 2008. He highlighted specific events, noting TransCanada remains on target to complete its open season by July 2010, that in April 2010, TransCanada will send out proposals to its potential customers, assuming that the Federal Energy Regulatory Commission (FERC) has approved TransCanada's open season procedures. He explained customers would be required to respond by the end of July 2010. He offered to address the FERC pre-filing request later in the presentation as it was raised as an issue.

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CO-CHAIR MILLETT asked if TransCanada has a failed open season in July 2010, whether TransCanada will meet the FERC pre-file date of April 2011.

MR. PALMER answered yes. He elaborated that under the AGIA statute and license that TransCanada has an obligation to do so. He offered that if the project has not advanced as a result of discussions with FERC, TransCanada still has an obligation under the AGIA license to meet the pre-filing request and the FERC filing in 2012, regardless of whether TransCanada has a failed open season in 2010. He reviewed other events on the timeline, and reiterated the FERC filing is scheduled for October 2012. He stated TransCanada is subject to FERC regulations although it cannot control the timing of events after that date. He

continued by stating TransCanada has projected that FERC would grant a certificate of public convenience and necessity (CPCN) by June 2014. So long as TransCanada has customers, and regulatory approvals by that date, it would move forward to project sanction in November, 2014. If sanctioned, TransCanada would move forward with onsite construction in April 2016, with an anticipated completion date and initial gas in the Fall 2018. Since the AGIA application contains a comprehensive work plan, he remarked that he would refrain from discussing that plan today. He reminded the committee of the reams of papers that were filed during the AGIA process from the Fall 2007 through the Summer 2008. He offered the estimated capital cost of the project was \$26 billion and remains so, including over \$600 million for development costs through the open season and regulatory certification. He reiterated that the cost estimates are unchanged today. He related that TransCanada will complete a new capital cost estimate in the next 12 months and by March or April 2010 an update on the \$26 billion capital cost estimate should be available. He offered his belief that he would be able to share the figures with first potential customers and the public.

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MR. PALMER referred to slide 10, titled "Engineering, Environmental, Field, Commercial and Regulatory Update - Open Season Phase 2008 to July 2010." He outlined TransCanada's "Key Objectives" which include developing a class IV cost estimate to support the open season. He noted class IV refers to a standard engineering term related to the level of accuracy for an open season. Further, TransCanada will continue to identify the pipeline routing within the study corridor to guide stakeholder and public engagement. Additionally, this slide identifies the environmental activities, which he offered to update from the last briefing. Subsequent to the last briefing, TransCanada met with the FERC chairman and remains encouraged by the discussions being held. However, TransCanada has not resolved issues identified for the committee two weeks ago, he stated. He remarked that he is optimistic that TransCanada will be able to resolve issues soon, with respect to an early pre-filing and to meet the goals of FERC. He underscored TransCanada's goal, which is to conduct a successful open season.

MR. PALMER referred to slide 11 titled, "TransCanada Open Season Work Plan (August 2008- July 2010)." He stated that TransCanada brings significant advantages to this project due to its in-house expertise and over 2,000 employees that currently

transport 20 percent of North American natural gas. This expertise and experience means that TransCanada does not have to build a construction plan "from scratch." He highlighted that TransCanada has economies of scale which will benefit the project, was emphasized in its application, and is the primary reason TransCanada believes it can provide development costs inexpensively and efficiently. Additionally, TransCanada has standardized operating and construction procedures in place for all activities. He remarked that TransCanada runs a major pipeline system today that is interstate and interprovincial. Thus, this provides advantages in terms of capital cost estimates, development costs, and ultimately in terms of the success of the project. He opined that for these reasons TransCanada can maintain lower costs while achieving environmental and safety standards. He stated the capital costs are benchmarked as lower than its competitors in the U.S. and in Canada. Additionally, TransCanada's operating costs will be lower, which was previously outlined for the legislature. Further, TransCanada is a proven leader in development of U.S. and Canadian interstate and interprovincial natural gas pipelines, he stated. Finally, TransCanada has major gas and oil pipelines underway and was the recipient of the 2008 Global Pipeline Award for leading edge technology, which is applied to maintain low costs and to continue to advance the efficiency of projects.

MR. PALMER referred to slide 12, titled "Engineering," explaining he previously noted that TransCanada commenced the project after the Alaska State Legislature's approval last year. Since reimbursement under AGIA did not commence until December 5th, 2008, TransCanada has not submitted its first billing, but anticipates the bill will be forthcoming next week and will cover costs through the end of March 2009. He offered his belief that the estimate provided several weeks ago remains TransCanada's best estimate. He reviewed engineering aspects, including that TransCanada performed aerial photography for both alternatives "before the snow flew," which enabled them to perform desk work this winter. He explained that TransCanada commenced the borehole work on geotechnical work along the right-of-way and as of last week has conducted 120 borehole samples and expects to complete the remainder this month. He stated that it has collected arctic engineering test data and research on frost heaves. He anticipated that over the next quarter TransCanada will complete its winter geotechnical field program and terrain mapping in Alaska, will determine necessary requirements for a summer geotechnical field program in Alaska, and will continue route reconnaissance and corridor selection in

Alaska, as well. As previously stated, TransCanada let the contract for the pre-feed work on the Gas Treatment Plant (GTP) to URS [Alaska] and work has commenced. Additionally, TransCanada made its initial contacts with the Prudhoe Bay and Point Thompson operators and hopes to conduct interface meetings shortly.

MR. PALMER referred to slide 13, titled "Environmental." He pointed out for any members not familiar with gas pipelines that photographs on this slide illustrate examples of the actual work performed during construction at an open river crossing. He remarked that lots of digging is involved. He pointed out that the photograph on the right shows what the area looked like after the pipeline is "in the ground and re-vegetated," which is what the pipeline will look like after it is completed. Next, he noted the photograph demonstrates that no evidence of construction remains except for the "cut line" through the trees. He explained work that was performed from August 2008 through the first quarter of 2009, including that TransCanada has established a Global Information System (GIS) platform to support planning and permitting. He noted TransCanada also has provided preliminary environmental constraints information for Alaska routing, Alaska and Canada construction planning, and has completed an initial route update review in Canada. He pointed to the right side of the slide to the outlook for the second quarter of 2009. He anticipated that TransCanada will complete environmental information needs analysis with the regulatory agencies to support construction planning, cost estimates, and environmental work planning. Additionally, TransCanada will commence development of a request for proposal (RFP) for TransCanada's environmental contractor, which should be issued in the third quarter of 2009.

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MR. PALMER referred to slide 14, titled "Regulatory/Permitting" and stated that during the period from August 2008 through the first quarter of 2009 TransCanada performed preliminary environmental permitting strategy for Alaska and Canada, and submitted all permit applications to support winter geotechnical program for a list of agencies listed on the slide such as North Slope Borough, Department of Natural Resources (DNR), Alaska Department of Fish & Game (ADFG), U.S. Fish and Wildlife Service (USFWS), U.S. Department of the Interior, Bureau of Land Management (BLM). Additionally TransCanada completed the permitting for the winter geotechnical field program. He pointed out the right hand side of the slide, which provides an

outlook for the second quarter of 2009. He explained that TransCanada will continue ongoing FERC discussions with respect to the pre-file date, and will continue multi-department engagement with the Northern Pipeline Agency (NPA) in Canada. He noted he will elaborate on the Canadian aspects later in the discussion. Additionally, TransCanada will continue discussions with individual agencies to update environmental information needs analysis for the U.S. and Canada.

MR. PALMER referred to slide 15, titled "Regulatory/Permitting (cont'd)," and stated that he would not review the individual meetings that were held but noted that TransCanada already conducted multi-agency meetings in the U.S. beginning in January, and in Canada commencing in March 2009. The slide listed dates and U.S. multi-agency meetings, as follows:

January 5- FERC

January 6- in Washington, D.C; Office of Federal Coordinator, Departments of Defense, Homeland Security, Interior Transportation, Commerce, State, Treasury, Advisory Council on Historic Preservation, Environmental Protection Agency, FERC, Council on Environmental Quality, Office of Management and Budget.

January 14/15 -in Anchorage/Fairbanks; JPO/SPCO, ADNR, ADOT, ADF&G, SHPO, ADEC, NOAA, EPA, DOI(BLM), OFC, USFWS & University of Alaska Fairbanks

February 25 and March 9 - NPA engagement meetings - in Ottawa

March 10 - FERC

March 16-19 - continued multi-agency meetings in Anchorage and Fairbanks

MR. PALMER stated slide 16, titled "Commercial" depicts a photograph of the road along the side of the construction trench and on the right hand side shows a compression station. He predicted that five or six compression stations of this size and scale will be located approximately every 120 miles in Alaska.

MR. PALMER offered a reference for scale, such that the photograph of the compression station shown is about 1000 feet by 1000 feet. He indicated that the larger building shown is the compressor building, which is about twice the height of a two-story building or one-sixth to one-eighth of the height of a megawatt wind station tower. He offered that TransCanada is also building a huge number of wind towers in Canada. He suggested for those interested in the environmental footprint

that compressor stations similar to this would be located along the right-of-way about every 120 miles.

MR. PALMER referred to the right hand portion of slide 16, to the outlook for the second quarter of 2009. He stated that TransCanada has commenced discussions with potential shippers, which was previously described two weeks ago. He explained that TransCanada will soon "kick off the In-State Gas Study" and has already sent out requests to interested parties, received responses, and anticipates awarding the contract later this month. He stated that TransCanada will continue discussions with potential shippers, and to will develop plans for the open season. He listed steps toward open season for those not familiar with the pipeline business, such as that TransCanada will "flesh out" the commercial terms, conditions, and precedent agreements for potential customers. Those agreements must be filed with FERC, and contain the specifics that will be sent to customers a year from now, he stated.

MR. PALMER noted that slide 17, titled "Canadian Authorizations and Right-of-Way," emphasized an important factor and differentiates TransCanada from the other party proposing to advance an Alaska gas project through Canada. He highlighted and reemphasized what was presented two weeks ago, that project delays are the critical factor in final capital costs. He reminded members about the MacKenzie Project, which is in its sixth year of regulatory review. He detailed that the filing was made under the National Energy Board (NEB) six years ago, with a decision anticipated by the end of this year. He asked to compare and contrast that with what TransCanada has in place under the Northern Pipeline Act (NPA). Further, he stressed that TransCanada has sole access to specific legislation, regulations, and right-of-way for this project in Canada. He explained that the NPA was passed in 1978, approximately 19 years after the National Energy Board Act (NEBA) was passed. He recalled that some people believe the NEB structure is the model for the modern structure. However, he pointed out that the NEB was passed 19 years after the NEBA. The NPA is specific to this project, and is similar to specific legislation for the Alaska Natural Gas Pipeline Act of 2004 (ANGPA). This project is available only to TransCanada by the treaty that sets out the rights and responsibilities of both countries, Canada and the U.S. for this project. He stated TransCanada's subsidiary "Foothills" is the named party in the treaty as the Canadian sponsor of the project. He cautioned that other parties that wish to "move gas from Alaska through Canada and back into the U.S." will have substantial issues to resolve. He referred to

the NPA, pointing out that it is a single-window regulatory agency available only to TransCanada, that TransCanada has a proven track record with the pre-build in 1981 and 1982, and for the five expansions through 1998. Furthermore, TransCanada holds the certificate of Public Convenience and Necessity for this project in Canada. He asked members to contrast TransCanada's advantage with what any other party would have to achieve. He opined that TransCanada has exclusivity to build this pipeline. He related that the re-staffing of Northern Pipeline Agency is underway. Additionally, TransCanada has held rights-of-way through the entire Yukon province in Canada for approximately 25 years, which again is exclusive to TransCanada.

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MR. PALMER referred to slide 18, titled "Canadian Authorizations and Right-of-Way," and mentioned steps TransCanada has taken with respect to First Nations. In addition to holding the rights-of-way through the Yukon the NPA also sets out specific terms, conditions, and benefits for First Nations. He stated that TransCanada has commenced negotiations on participation agreements to supplement the NPA terms and conditions for First Nations. He pointed out that letters were sent to all eight First Nation organizations just over a month ago, that positive responses were received from a quarter of them, and TransCanada has begun negotiations with them. Additionally, TransCanada has 50 years of environmental experience in Canada and about 40 years of experience in the U.S, he related. He also emphasized that TransCanada has proven expertise with FERC and Canadian forums, and in Canada the "go/no go decision" has already been made, which once again is exclusive only to TransCanada, he opined. He detailed TransCanada's successful experience with previous pipelines, such that it has built 7,000 miles of interstate and interprovincial pipelines in the 1990s on schedule and on budget. He specified that a \$12 billion, 4,000 mile pipeline is currently under construction, which represents about half the total cost of this proposed project. He opined that TransCanada has constructed projects that are longer and more technically challenging than the proposed Alaska natural gas pipeline project, noting TransCanada's experience spans over 50 years.. He pointed out that TransCanada currently transports two-thirds of Canadian gas and approximately 20 percent of North American gas. He offered to compare and contrast TransCanada's performance against any other party in the industry.

MR. PALMER referred to slide 19, titled "LNG." He stated that in the initial open season potential shippers will have an

opportunity to nominate gas deliveries to points within Alaska, within Canada, to Asia and the Lower 48 via Valdez, and also to the Lower 48 via the Alberta Hub. He noted that TransCanada would only complete the gas treatment plant and the pipeline, but not the liquefaction, shipping, or downstream facility. He related that TransCanada has commenced the necessary design, engineering, environmental, field and commercial work to provide potential customers with Capital Cost Estimates (CAPEX), tolls, and commercial terms for the LNG alternative at the same time it would provide information for the Alberta Hub.

MR. PALMER referred to slide 20, titled "Timing of Initial Open Season, FERC Pre-filing, FERC Application." He explained that information has been covered in slide 9 of his presentation, but recapped significant dates noting the initial open season must be concluded by July 2010, the FERC pre-filing request is scheduled in 2011, and that TransCanada is currently in discussion with FERC as to whether the specific timing would be advanced. He reiterated the FERC filing is due in 2012, regardless of whether the initial open season is successful. He offered that if the open season is unsuccessful, that TransCanada will hold discussions with potential customers on an ongoing basis. He also stressed that TransCanada is committed to hold subsequent solicitations of interest to customers at least every two years.

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MR. PALMER referred to slide 21, titled "Gas Treatment Plant (GTP)," stating that the design was addressed in slide 3 for the Alberta Hub and LNG options. He stated that TransCanada will develop and own the plant only if necessary. He related that TransCanada has commenced work on GTP for the initial open season since no other party has come forward to indicate it is prepared to own it. He reminded members the pre-feed contract has been awarded to URS Corporation in March 2009, and that a subsidiary of Arctic Slope Regional Corporation (ASRC), ASRC Energy Services, will subcontract for them.

MR. PALMER referred to slide 22, titled "Cost Analysis," and remarked that TransCanada's estimated the project costs at \$26 billion in its application in November 2007, including \$600 million for development costs through the initial open season and for regulatory certification. He offered his belief that one of the principal reasons that TransCanada can keep the development costs low is because of its experience and expertise. While there are not any changes to these estimates

at present, TransCanada will have completed an estimate a year from now, which will be shared with the public. In the event of capital cost overruns, the AGIA provides for a proposed return reduction in the AGIA application, as well as the work plan, management oversight, and track record for controlling costs.

MR. PALMER referred to slide 23, titled "In-State Gas Deliveries." He mentioned that TransCanada's AGIA application committed to five delivery points in Alaska and a single distance-sensitive rate, subject to FERC approval, for Alaska consumers. The status is unchanged. He commented that TransCanada hopes to award the in-state study soon, anticipates the study will be completed later this year, and the results will assist TransCanada with definite delivery points and will also determine the distance-sensitive rate.

MR. PALMER referred to slide 24, titled "Alaska Contractors/Suppliers."

REPRESENTATIVE DAHLSTROM asked whether TransCanada has a list of out of state contractors and if TransCanada has signed a commitment with Bechtel Corporation.

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MR. PALMER answered no. He explained that URS was selected for the GTP and Colt WorleyParsons for the AGIA pipeline. He elaborated that these parties are performing the pre-feed work on the GTP and the AGIA pipeline at this time.

MR. PALMER referred to slide 25, titled "Alaska Headquarters, Alaska Hire, Project Labor Agreement for Construction." He explained that the AGIA application indicated that TransCanada expected all of the work to be performed in Calgary through the open season process. However, he offered that TransCanada has opened an office in Alaska; TransCanada signed the lease on December 1, 2008, and the Anchorage office opened in February 2009. He stated that approximately 42 Alaskans were hired in-state, either directly by TransCanada or by its contractors. He explained that TransCanada has participated in alignment meetings with the Alaska Department of Labor & Workforce Development. He added that the 42 employees that were hired are in addition to the URS employees.

MR. PALMER referred to slide 26, titled "Alaska Headquarters, Alaska Hire, Project Labor Agreement for Construction (Cont'd)." He explained that TransCanada has reimbursement agreements in

place with Alyeska, BLM (Alaska), and the Joint Pipeline Office (JPO). He noted that these agreements were necessary in order to perform the geotechnical work this winter. He pointed out the considerable effort undertaken after TransCanada's licensure in December 2007 that went into securing reimbursement agreements to complete the winter program. He pointed out the Project Labor Agreement (PLA) for Construction is required for the construction phase of the project and is set out in the AGIA statute. He noted that TransCanada has met with Alaska labor leadership to discuss initial plans and the path forward towards construction phase. He mentioned TransCanada held numerous meetings with communities and groups, as well as an LNG information meeting in Valdez.

MR. PALMER referred to slide 27, titled "Project Ownership and Construction." He stated that at present TransCanada is the sole project sponsor. He stressed TransCanada's preference for other parties to develop and construct the GTP, although he indicated TransCanada will do so if necessary. He related that TransCanada has clearly stated for the past 18 months that it will offer an equity opportunity to shippers in the initial open season that subscribes to a threshold volume. He offered that TransCanada held discussions with potential shippers and several that have expressed an interest in becoming a shipper and equity partner with TransCanada. Others have not, he noted, but discussions are ongoing. He opined that the initial open season will determine if parties wish to take up the opportunity.

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MR. PALMER referred to slide 28, titled "TransCanada's Readiness, Financial Capacity and Technical Ability," noting that he discussed this at a prior meeting two weeks ago. He mentioned that TransCanada's AGIA application comprehensively set out its readiness, financial and technical capacity. He explained that this slide outlines recent access to capital markets. He noted that TransCanada issued \$5.5 billion Canadian, and \$4.4 billion U.S., since November 2008. He offered that the proposed TransCanada Alaska pipeline would have access to the \$18 billion U.S. Federal Loan Guarantee, that financing will commence at the decision to proceed, some five years out.

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MR. PALMER referred to slide 29, titled "Website." He revealed that TransCanada's website is available for interested parties

at [www.transcanada.com](http://www.transcanada.com) and by clicking on the Alaska Pipeline icon. He provided some details on e-mails that the TransCanada website has received. Overall, TransCanada's website has received 110 e-mails and each one has been answered. He estimated an average of 21 emails per month, with about 21 percent generated in Alaska, a larger number from the Lower 48, and some from Canada. The e-mails request information on a variety of topics ranging from contract vendor and job opportunities to general project information.

MR. PALMER referred to slide 30, titled "Summary." He recapped his presentation by stating that the AGIA bill was approved, the license was issued, and TransCanada's commitment remains unchanged. He offered that TransCanada is aggressively advancing the project on all fronts. He stated that TransCanada has solid access to capital markets and current gas price forecasts of \$125 billion to producers and governments as compared to the projections in its application filed some 18 months ago. He opined that major projects like this one succeed or fail based on long term project economics and not short term swings in natural gas prices. He informed members that TransCanada will keep the legislature regularly informed, and that TransCanada remains focused on costs, schedules, and attracting customers. He offered his belief that is what will allow this project to become a success, not just for Alaska and TransCanada, but for the North American market.

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CO-CHAIR EDGMON mentioned that Senator Begich addressed the legislature earlier today and expressed a growing concern in Washington D.C. about the pipeline.

MR. PALMER recalled the comment. He stated that TransCanada has not been active in Washington D.C. since the election, although TransCanada has met with staff several times. He offered his belief that TransCanada's president has met with U.S. Senator Begich in an introductory meeting. He related that the administration has expressed support for the project, but has not indicated what form the support will take. He remarked that TransCanada is interested in following up on the discussions with the administration. He reiterated that TransCanada's commitment for the TransCanada Alaska Pipeline Project. He recalled that Senator Begich also identified some support for the project. He noted that climate change should be positive for the natural gas business, generally. He specified that some form of bridge fuel is necessary to get to renewable energies.

He opined that TransCanada believes that natural gas is the appropriate fuel for that bridge, not just for this project, but for shale gas and conventional Lower 48 gas. He pointed out that this project must also compete with shale gas, global LNG, and conventional Lower 48 and Western Canadian gas. He predicted that if TransCanada can maintain its schedule and keep costs under \$3 that Alaska gas will compete very well in the global market.

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CO-CHAIR MILLETT asked Mr. Palmer to elaborate on First Nations dialogue. She expressed concern that some issues and access to First Nations' lands may exist.

MR. PALMER referred members back to slide 17, and to the Right-of-Way bullet. He reminded members that TransCanada received the rights-of-way for the entire Yukon province in 1983. Thus, the right-of-way has been held for some 25 years. Ten years after the right-of-way was secured, the umbrella final agreement was reached between the government of Canada, the government of the Yukon Territory, and all Yukon First Nations' governments. That agreement recognized TransCanada's right-of-way, and in fact, as every First Nation's land claim has been settled along the right-of-way, there has been a specific carve out of the TransCanada right-of-way. He offered that six of the eight First Nations' governments have settled land claims. Two First Nations government's have not and these two remaining First Nations governments must agree with Canadian government, not TransCanada. Once completed, he offered his belief that the TransCanada right-of-way will be "carved out" since it is recognized in the final agreement. He opined that TransCanada is in a very different circumstance than the McKenzie Gas Project. He explained that the four major oil companies that comprise the McKenzie Gas project had to first obtain access and benefits agreements. He pointed out that TransCanada has access with the rights-of-way secured. He inquired as to the benefits to the First Nations from this project, then answered that the NPA set out in its terms and conditions benefits for the First Nations in documents that have been public for over 30 years. He asserted that TransCanada is prepared and has openly offered by letter to improve the benefits to the First Nations if they wish to sign a participation agreement with TransCanada. He reiterated that half of the First Nations' governments have expressed interest and that two have commenced negotiations in this first month. He opined that in the event TransCanada is successful in signing participation agreements in the next 12

months, it would be positive for the project. If not, TransCanada will rely on the already established legal terms and conditions approximately 30 years ago. He offered his belief that TransCanada is in a strong legal position with respect to the issue of First Nations.

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CO-CHAIR MILLETT recessed to the call of the chair at 3:49 p.m.

OVERVIEW: NORTH SLOPE NATURAL GAS PIPELINE PROJECTS  
PRESENTATION BY BUD FACKRELL, DENALI PIPELINE PROJECT

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CO-CHAIR MILLETT reconvened the meeting at 4:39 p.m.

BUD FACKRELL, President, Denali - The Alaska Gas Pipeline (Denali), began his presentation by introducing himself. He offered that his slide presentation should answer the 20 questions the committee co-chairs previously submitted to him.

MR. FACKRELL referred to slide 2, titled "Denali - On track for success." He explained the Denali - the Alaska Gas Pipeline (Denali) timeline, such that the first major milestone is to conduct an open season in 2010. He related that Denali is on target for that projected milestone. He explained the Denali organization is already in place. He offered his belief that when the Denali project is viewed from a macroeconomic standpoint, that the project is economically viable and has a place in the Lower 48 supply and demand for natural gas. He noted that with the economic downturn, price of natural gas requires a long-term view.

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MR. FACKRELL pointed out that the project has to be economic and must be able to compete with other sources of gas. He mentioned that shale gas is a real resource base, and Denali will need to compete with shale gas, conventional gas, and LNG imports. He offered his belief that there is significant increase in LNG import capability in the U.S. today. He opined that the theme in Washington, D.C. from the new administration is that natural gas is a bridging fuel to the renewable resources. Since Alaska has an abundance of natural gas, it is likely that this project fits in the administration's theme. However, the present economy cannot be ignored, he cautioned. While Denali tends to

focus on a long-term view, the existing gas price and costs could burden any project. He stated that part of Denali's focus is to meet the schedule and maintain costs as low as possible to move the project through open season. He reiterated that Denali is committed to their schedule, despite the downturn in the U.S. economy.

MR. FACKRELL referred to slide 3, titled "Denali Project Description." He explained that the project begins on the North Slope with a gas treatment plant (GTP) at Prudhoe Bay. The GTP is intended to remove impurities, such as carbon dioxide, and to dehydrate, compress, and chill the gas. He reminded members that once built the plant will be the largest GTP of its kind in the world. He provided an historical perspective on plants such that in 1977, the Prudhoe Bay compression station was the largest treatment plant built, and when built in 1986, the NGL (CGF) and was the largest of its type in the world. He remarked that the proposed GTP would be larger than the above two plants combined. He commented that the GTP provides a large component in the project. He explained overall components of the proposed pipeline such that it will be a large diameter, high pressure, buried pipeline. The proposed route would follow the TransAlaska Pipeline System (TAPS) to Delta Junction and then would follow the Alaska-Canadian Highway (ALCAN) to Alberta, Canada, and that he would discuss other options later in the presentation. Since the distance to Albert is approximately 2,000 miles, compressor stations will be built about every 100 to 200 miles at 40,000 horsepower (hp) each. If the pipeline were extended into the Lower 48 an additional 1,500 miles of pipeline would be required. He highlighted the key slide in his presentation is slide 4, titled "The Denali Project - 4 BCFD to North American consumers," which shows a map of the Denali's gas pipeline that would provide 4 Bcf/day of natural gas to North American consumers, which is about 6 to 8 percent of the current U.S. daily consumption. He opined that the size of the project is primary reason why this project is on President Obama's list as a clean energy project.

MR. FACKRELL noted the darker line on slide 4 shows the proposed Denali pipeline as it follows the TAPS line, then travels along the ALCAN Highway. He explained that an existing hub in Alberta would allow gas to flow into the Alberta Hub or potentially into a new proposed pipeline to the Lower 48. He noted that the flow would be dictated by shippers who will inform Denali as to whether they want to pay tariffs in the existing Alberta Hub or whether tariffs offered in the new proposed pipeline to the Lower 48 would be more advantageous.

MR. FACKRELL referred to slide 5, titled "Denali Terms of Service." He opined that a significant point is that Denali is an open access pipeline under the law. He recalled hearing rumors that the pipeline would not be open access. However, that is not so, he stated. He asserted that the bill passed by the Congress dictated open access, and the FERC put in place the rules to ensure open access to the pipeline. He reminded members of testimony given during the AGIA debate by FERC Director, Office of Energy Projects, Mark Robinson, from testimony given during the AGIA debate, and read, "People have open access to the pipeline, not just the producers." He asserted that open access is important from the perspective of a pipeline company. He outlined other terms of service for the proposed Denali Alaska gas pipeline: that the proposed Denali gas pipeline would provide distance sensitive transportation rates for local use; would provide for efficient expandability, would solicit shippers every two years regarding expansion; would provide at least five offtake points; and would provide offtake points in Canada, if warranted.

MR. FACKRELL referred to slide 6, titled "Regulatory Framework - Canada and U.S." He illustrated regulatory frameworks in Canada and the U.S. He explained that two regulatory frameworks are available in Canada, explaining that the Northern Pipeline Act (NPA) is exclusive to one party, and Denali would not file under the NPA. He offered that the National Energy Board Act (NEBA) has been in existence for some time and continues to modernize its rules, including incorporating the latest environmental laws in Canada. He noted that Denali would follow the National Energy Board (NEB) process.

MR. FACKRELL stated that the pipeline process in the U.S. is controlled by the FERC. Thus, a certificate would have to be garnered from the FERC. He asserted that the AGIA is not an exclusive license to build a pipeline. He stated that Denali will move forward outside the AGIA.

MR. FACKRELL referred to slide 7, titled "Denali Progress - Key Accomplishments." He listed the key accomplishments detailed on the slide. He stated that Denali has spent \$55 million in 2008 on the project. Denali has mobilized its project team, established headquarters in Anchorage, established Canadian Headquarters, obtained approval of the FERC pre-filing request; filed right-of-way on federal lands with the BLM, held a successful 2008 summer field program, conducted community outreach meetings in Alaska and Canada, established an

Archeology Technician program with UAF. Additionally, Denali is an active member of Alaska Department of Labor & Workforce Development task force, Denali met with state, federal, and Canadian government officials, Denali awarded two major contracts for the GTP and the pipeline, and Denali has performed preliminary engineering for the proposed pipeline.

MR. FACKRELL expanded on Denali's key accomplishments, explaining that Denali has 90 to 100 people in its core team in Alaska, Canada, with a few people located in Houston, Texas. He offered that about 80 personnel are located in Alaska and the core team will remain constant. Additionally, dozens of other contractors are working on a variety of projects associated with Denali. The Anchorage office is approximately 40,000 square feet of office space in January at the new building located at 188 Northern Lights Boulevard, he mentioned. Additionally Denali has a building located in the Gulf Canada building in Calgary. He noted that the federal ROW represents about a third of the federal land in Alaska, which is a key piece of Denali's pipeline right-of-way.

[4:50:11 PM](#)

MR. FACKRELL referred to slide 8 titled, "FERC Pre-filing and BLM Right-of-Way Application." He related that Denali filed early at the advice of FERC, which provides Denali with a distinct advantage. He explained other benefits to pre-filing include Denali's established working relationship with FERC. He related that the BLM established a formal process to use BLM resources and reimburse them for right-of-way. He anticipated Denali signing the reimbursable services agreement (RSA) with the BLM in the next week or so.

[4:50:49 PM](#)

REPRESENTATIVE JOHANSEN recalled earlier testimony that Denali does not want to spend any more money than is necessary. He also recalled TransCanada's testimony such that it chose not to pre-file because of the expense involved. He inquired as to the reason Denali chose to pre-file given the cost involved.

MR. FACKRELL answered that first, pre-filing is a requirement for the FERC process. Secondly, he stated that the FERC advised Denali to pre-file, which it has found it to be very beneficial. He reiterated Denali's focus on containing costs and meeting its schedule. However, he stressed that Denali has found the pre-filing to be beneficial since it helps it to align resource

reports and maintain ongoing conversations with FERC as the project moves through the process.

[4:51:53 PM](#)

REPRESENTATIVE JOHANSEN understood that pre-filing prior to open season is a more expensive route to take.

MR. FACKRELL answered that Denali does not view pre-filing with FERC as an extra expense. Due to the size of the project, the dialogue with FERC regulators is valuable. Thus, he offered his belief that the pre-filing costs will be beneficial to the overall project. In further response to Representative Johansen, Mr. Fackrell explained that BP Exploration (Alaska) Inc. and ConocoPhillips have expertise since they operate over 50,000 miles of pipeline around the world. Further, he stated that these companies have a pipeline company in the Lower 48 that routinely work with FERC. Thus, he emphasized that Denali is very comfortable with the FERC process.

[4:54:01 PM](#)

CO-CHAIR MILLETT asked for a comparison of the costs to pre-file now as to postponing pre-filing later on in the process. She inquired as to whether it would cost more for Denali to pre-file now.

MR. FACKRELL responded that the costs would be incurred either way. He agreed that Denali, or any company, would not want to incur costs until necessary. However, Denali deemed that given the magnitude of this project that contact with FERC early on would make them a partner in the process, he stated. Thus, the advantage in incurring costs now for pre-filing was warranted.

MR. FACKRELL referred to slide 9, titled "2008 Work." He reiterated that Denali spent \$55 million in 2008. He maintained that Denali had an outstanding safety record, with no injuries this season. He related that Denali opened field office in Tok, Alaska. He summarized the summer field work performed, stating that a majority of the work centered on a 200-mile corridor between Delta Junction and the Canadian border, that Denali surveyed over 200 miles of wetlands, investigated 70 archeological sites, shot over 1,700 miles of ortho-photography from a fixed-wing plane, and shot over 730 miles of immersive video from a helicopter. Additionally, Denali performed engineering route reconnaissance work, he stated. He also opined that Denali has a good base to move forward to open

season, with a minimal need to perform any additional field work in Alaska.

MR. FACKRELL presented slide 10, titled "Who's Been Working with Denali." He described many of the over 30 contractors listed as "good, Alaskan companies" and also that some of the companies listed are Canadian companies. Further, additional information is available on the Denali website, he noted.

MR. FACKRELL referred to slide 11 titled "Two Major Engineering Contracts Awarded." He emphasized that the two major engineering contracts awarded represented a milestone for Denali. He elaborated on the contract with Fluor WorleyParsons Arctic Solutions, as a joint venture between Fluor and WorleyParsons for the GTP. The engineering companies will help build a cost and schedule for the project. He surmised that WorleyParsons has designed and built more facilities than anyone else. Secondly, Denali recently signed a contract with Bechtel. He gave details on Bechtel, such that it is a worldwide construction company, with expertise with pipelines and will supplement the pipeline team.

MR. FACKRELL presented slide 12, titled "2009 Plans Focused on Open Season." He told members that the program is much broader than its 2008 program. He related that Denali is focused on cost, schedule, and pre-filing requirements. Its efforts are on providing the best cost estimate it can given the project as it is today. He explained that it wants its shippers to have confidence that Denali has "worked this." In 2001 - 2002, the producers spent \$125 million over an 18 month period on an overall cost estimate, which is being expanded today. He opined that Fluor WorleyParsons and Bechtel will be instrumental in building that cost estimate. He mentioned ongoing work with DNR, FERC, NEB, and the Office of the Federal Coordinator (OFC). He noted that Denali will continue to work to meet its FERC pre-filing requirements and will engage the FERC third-party environmental contractor. He acknowledged costs are associated with this, but offered that the contractor will be instrumental in the environmental impact statement (EIS) for the project. He listed steps to a successful open season, such as working with AKDOTPF infrastructure for roads, bridges, and ports, as well as field work in Canada. He offered praise for the collaborative effort it has undertaken with Workforce Development, including the UAF, Department of Labor & Workforce Development (DLWD), and the survey crew training. He opined that the effort being made is an effort to reach a project labor agreement (PLA), but is to develop the work force and negotiate the PLA at the appropriate

time. Another important piece of the process is the stakeholder engagement in Alaska and Canada. Finally, he stated that Denali will progress the commercial work that underpins an open season, including putting together its office.

MR. FACKRELL related that slide 13, titled "Denali is the only project proponent that..." and listed reasons Denali has distinct advantages over other proponents. He emphasized that Denali's producers have decades of Alaskan, Canadian, and Arctic construction and operational experience; that Denali has the desire and experience to construct and operate the GTP; that Denali has already pre-filed with the FERC; that Denali is the only company that has established a significant Alaska headquarters office; and Denali is only spending its own money to move the project forward. He stressed that Denali cannot ignore the economic environment today, but will maintain its long-term focus. He further stressed that Denali will be careful with expenditures and exercise effective cost management.

[5:03:12 PM](#)

CO-CHAIR EDGMON recalled TransCanada's testimony today and asked Mr. Fackrell to address how Denali will handle the Canadian rights-of-way and permits.

MR. FACKRELL reminded members the two routes that are possible to authorize a process in Canada are the NPA and the NEB processes. He acknowledged that the NPA is exclusive, but stated that the NEB process is open to any party. He pointed out that BP and ConocoPhillips currently have operations in Canada. Additionally, Denali also has personnel in Canada and is interacting with the NEB, the Canadian Environmental Agency (CEA), and with the Yukon Environmental and Socio-Economic Board (YESAB). He said Denali is pleased with the interactions and progress thus far. He remarked that the NEB process is very similar and closely aligned to the FERC process.

[5:04:57 PM](#)

REPRESENTATIVE JOHANSEN recalled slides 17 and 18 of TransCanada's presentation, pointing out the numerous times the Canadian authorizations under NPA seem to be exclusive to TransCanada. He speculated that the only reason anyone could compete would be through another path.

MR. FACKRELL affirmed that Denali would follow a path without exclusive rights. He explained that Denali would not have spent the money it has thus far if Denali did not believe another path existed for approval. He insisted that no exclusivity exists for building a pipeline in Canada. He relayed that Denali has held conversations with the NEB and clearly another path exists, which is set out in the NEB process. He acknowledged that the NPA process is exclusive, and then reiterated that a second process, the NEB process exists, and is the one Denali would use.

[5:06:12 PM](#)

REPRESENTATIVE PETERSEN referred to slide 5. He suggested one concern raised is that the producers would fill the line with their own gas, which would result in less exploration by smaller companies resulting in less development in oil & gas fields in Alaska. He asked if Denali is an open access pipeline, what the shipping price will be and if it could be competitive with TransCanada. He expressed interest in encouraging exploration in Alaska.

MR. FACKRELL responded that Alaska Natural Gas Pipeline Act of 2004 (ANGPA) specifically addresses that point and is the law that will prevent Denali from keeping out competitors. He acknowledged that concern about blocking exploration was shared by the Congress. Thus, the Congress gave stewardship to FERC to write the rules to insure that doesn't happen. He expanded on this, explaining that Denali will undergo the same open season that TransCanada will undergo. He speculated that it would be a fair process, that Denali would be scrutinized even more than TransCanada, but that FERC will govern that overall process. He reiterated that this is the law, that the Congress has the responsibility to insure that whoever operates the pipeline does not stifle exploration on the North Slope.

[5:08:55 PM](#)

MR. FACKRELL, in response to Representative Johansen, referred to slide 12 and agreed that Denali would work with the OFC.

[5:09:18 PM](#)

CO-CHAIR EDGMON asked if any scenario could be imagined in which Denali would partner with TransCanada.

MR. FACKRELL answered that the Denali owners have expressed a willingness to entertain any partnership that would reduce risk and add value to the pipeline project. He opined that since TransCanada is an AGIA licensee, and is being paid by the State of Alaska (SOA) that it is obligated to the terms and conditions of AGIA. He asserted that Denali is not subject to AGIA. Further, Denali's owners did not file an application under AGIA because they did not believe it would result in a viable pipeline. However, he reiterated that Denali remains open to anyone who could add value and reduce risk.

5:10:38 PM

CO-CHAIR EDGMON asked what stage in the project Denali could determine whether TransCanada would be considered a worthy partner, such that TransCanada might be able to offer cost efficiencies.

MR. FACKRELL referred to the Denali timeline. Currently, Denali is focused on an open season, holding an offering, and obtaining commitments from potential shippers. He emphasized that not enough gas exists for two pipelines. He offered that once Denali and TransCanada are past the initial open season more information on how to proceed would be available. He offered his belief that currently, no advantage exists for Denali to partner with TransCanada, but serious impediments exist under AGIA. In further response to Co-Chair Edgmon, Mr. Fackrell contended that the BP and ConocoPhillips have built big projects worldwide, with expertise to build a complex project like this pipeline. He expounded that BP and Conoco have over 50,000 miles of pipeline throughout the world. He detailed that BP currently operates a 1,000 mile oil and gas pipeline from the Caspian Sea to the Mediterranean Sea through three countries. He reemphasized that Denali possesses the expertise. Additionally, Denali companies built the North Slope facilities. He offered that Denali's personnel are ready and eager to build this pipeline.

5:14:37 PM

REPRESENTATIVE PETERSEN asked for more details on obtaining the permits in Canada.

MR. FACKRELL clarified that the NEB process is available to anyone. He answered that either the NPA or NEB process can issue a certificate for a pipeline. While the NPA process is

exclusive to TransCanada, the NEB process is availability to anyone, he stated.

[5:15:43 PM](#)

CO-CHAIR MILLETT asked whether Denali is in contact with the First Nations.

MR. FACKRELL answered yes, that Denali has met with First Nations. He stated that Denali continues to have dialogue with First Nations along the proposed route. He reminded members that BP and ConocoPhillips are established entities and offered that Denali will focus on and build on these relationships in Canada in 2009.

[5:16:41 PM](#)

CO-CHAIR MILLETT asked for suggestions for the next step in the process for Alaska and whether the state needs to concentrate on developing fiscal terms.

MR. FACKRELL answered that as a pipeline company Denali is not seeking fiscal terms, but must attract shippers. He related that shippers will need to bear the risk of developing the reserves, for cost overruns on the pipeline, and associated tariffs. Further, shippers bear the uncertainty of the price of gas "at the other end." He speculated that if shippers also need to bear the uncertainty of an unknown tax regime that it may not result in a successful project. He assured members that potential shippers will want to know the risks involved. He suggested the tax regime would be important for the legislature and state to focus on to foster a successful project.

[5:17:56 PM](#)

CO-CHAIR MILLETT asked whether Denali is working on an agreement with Exxon Mobil Corporation (ExxonMobil).

MR. FACKRELL related that Denali offered Exxon Mobil an ownership when the organization was formed that offered ownership to Exxon. He alluded to current conversations with ExxonMobil, and Denali is willing to review the project status with them, but no decisions have been made.

[5:18:47 PM](#)

CO-CHAIR MILLETT mentioned that at a recent energy conference the subject of mediation with FERC was explored. She inquired as to whether it would be beneficial to have FERC mediate between Denali and TransCanada.

MR. FACKRELL reiterated Denali's dilemma due to the terms and conditions of AGIA. He stressed moving the pipeline project forward. He opined that if the two projects proceed through open season and continue on it would be troublesome for FERC. He reiterated Denali's goal to move the project forward. He opined that Denali can achieve a good cost estimate. Further, potential shippers can have confidence in the team. Thus, Denali will continue to concentrate on a successful open season, he stated.

[5:21:31 PM](#)

CO-CHAIR EDGMON asked for an overall cost estimate for the Denali project.

MR. FACKRELL answered that its estimate is \$30 billion. However, he pointed out that three producers spent \$125 million and 18 months to perform the last cost estimate was in 2002. He related that Denali will perform another cost estimate over the next year. He offered his belief that is fundamental in order for Denali to conduct a successful open season.

[5:22:18 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:22 p.m.