

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

February 4, 2010

3:07 p.m.

MEMBERS PRESENT

Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Jay Ramras
Representative Pete Petersen
Representative Chris Tuck

MEMBERS ABSENT

Representative Bryce Edgmon, Co-Chair
Representative Charisse Millett, Co-Chair

COMMITTEE CALENDAR

OVERVIEW(S): BY ADMIRAL TOM BARRETT, OFFICE OF THE FEDERAL
COORDINATOR, ALASKA NATURAL GAS TRANSPORTATION PROJECTS: ALASKA
NATURAL GAS PIPELINE PROJECTS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ADMIRAL TOM BARRETT, U.S. Coast Guard Retired; Deputy Federal
Coordinator
Office of the Federal Coordinator
Alaska Natural Gas Transportation Projects
Anchorage, Alaska

POSITION STATEMENT: Presented an update on the Alaska natural
gas pipeline projects.

ACTION NARRATIVE

[3:07:00 PM](#)

REPRESENTATIVE JOHANSEN called the House Special Committee on
Energy meeting to order at 3:07 p.m. Present at the call to

order were Representatives Petersen, Tuck, and Johansen. Representatives Ramras and Dahlstrom arrived as the meeting was in progress.

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Overview(S): By Admiral Tom Barrett, Office Of The Federal Coordinator, Alaska Natural Gas Transportation Projects: Alaska Natural Gas Pipeline Projects

REPRESENTATIVE JOHANSEN announced that the only order of business would be an overview by Admiral Tom Barrett, Deputy Coordinator of the Office of the Federal Coordinator, Alaska Natural Gas Transportation Projects.

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ADMIRAL TOM BARRETT, U. S. Coast Guard Retired, Deputy Federal Coordinator, Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects, said that his presentation would update the committee on the status of the natural gas pipeline projects and provide new information on energy issues relative to the state. As a federal official, he said he does not want to intrude on state business; actually, one of the roles of the Office of the Federal Coordinator (OFC) is to provide timely, accurate, and comprehensive information on the projects to assist the committee as it makes decisions. In 2004, the OFC was tasked by Congress to expedite the movement of Arctic gas to North American markets. This goal includes the elimination of "red tape" by reducing the bureaucracy, at least on the federal side, and coordinating with other relevant organizations such as the state, tribes, and the Canadian authorities, to reduce the cost of the project. Some of the areas of responsibility of the OFC are: upfront coordination with other federal agencies and other parties; the authority to enforce compliance with certain conditions of law such as to prevent unnecessary delay by federal agencies; and to oversee construction and operation of the facility in its "start-up."

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ADMIRAL BARRETT continued to explain that the OFC also holds a charter to provide information about the project to stakeholders, Congress, the administration, the state legislature, and the public. In order to facilitate the coordination of interests, he noted that the OFC meets regularly with the federal agencies involved with the project at the site,

and it also meets regularly with the state and with Denali - The Alaska Gas Pipeline (Denali) and the Alaska Gasline Inducement Act (AGIA) permitting staff, to understand the issues and prevent "friction from developing." In addition, the OFC meets regularly with Canadian authorities on the issues of dual permitting. Addressing the fact of two applicants moving toward the same project, he said the goal of the OFC is to provide a level playing field on the federal permitting side so that any applicant is treated fairly and equitably. Admiral Barrett pointed out that there are at least 22 agencies and a number of departments that all would have a part in the construction of a gas pipeline. Further responsibilities of the OFC include compliance and information. For example, after the Federal Energy Regulatory Commission (FERC) issues a Certificate of Public Convenience and Necessity (CPCN) there is a deadline of 18 months and the OFC would investigate any unnecessary delays. He relayed that the OFC began a gap analysis mainly using information from the Trans-Alaska Pipeline System (TAPS) to identify issues that may arise from permitting in the existing right-of-way (ROW), and the construction of a large pipeline energy project. In addition, the OFC prepared the first phase of an implementation plan for Denali and a similar plan is in progress for TransCanada's Alaska Pipeline Project (APP). Basically, an implementation plan is a schedule to ensure that the agencies are "in sync" and none fall behind. Furthermore, the OFC has prepared a prototype geographic information system (GIS) for the project by organizing information from TAPS and integrating new technology such as the global positioning system (GPS) for mapping. Admiral Barrett advised that Alaska's baseline mapping is inaccurate and out-of-date, and he described the process for the improved mapping of Atigun Pass that could also be used for the benefit of aviation and subsistence, geographic, and wildlife studies.

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REPRESENTATIVE RAMRAS asked the Admiral to relate his career background information.

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ADMIRAL BARRETT described his career that began with 35 years in the U.S. Coast Guard. He then returned to the mapping effort and pointed out a significant inaccuracy in existing mapping. Admiral Barrett opined that integrated information will provide greater public transparency for web access and better understanding. The prototype is currently available for review

by federal and state agencies and an assessment of its merit will be completed prior to further funding of the project. He turned to the subject of a permit matrix and observed because any large pipeline project requires hundreds of permits and approvals, the OFC seeks to understand the approval process and also to understand the data requirements for making decisions on the permits. For example, if an agency will be making a decision on permitting, the OFC needs to know what information the agency needs, and to watch for overlaps so the same data is not requested by separate agencies. Admiral Barrett relayed that OFC chaired a technical work team in Anchorage to discuss the technical issues of the pipeline project such as seismic, regular permafrost, discontinuous permafrost, environmental changes over 30 years, wetlands, and the construction of a large gas treatment plant.

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REPRESENTATIVE DAHLSTROM asked for more information on the maps.

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ADMIRAL BARRETT further explained that light detection and ranging (LIDAR) was used for a base map. However, for a study such as a wetlands study by the U.S. Army Corps of Engineers (USACE), overlays are added to display the wetlands, wildlife, or land ownership. He described the difficulties in using the present mapping system and the importance of accurate mapping to the residents of Alaska.

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REPRESENTATIVE DAHLSTROM requested a future demonstration of the new mapping system.

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REPRESENTATIVE JOHANSEN offered to relay Representative Dahlstrom's request to the committee co-chairs.

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ADMIRAL BARRETT continued to the subject of current developments of the pipeline projects. He indicated that the in-state gas study is part of the initial FERC filing by APP. After FERC approval, there will be an opportunity for public comment and FERC will require the applicant to resolve any issues to its

satisfaction. At this time, open season is scheduled to finish by the end of July. He noted that FERC held briefings to clarify the process. Denali has indicated that its filing will be in April; he opined both projects have invested much to lay out the actual project descriptions and initial cost estimates.

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REPRESENTATIVE RAMRAS recalled a meeting last year at the U.S. Department of Energy (DOE) where there was interest by the Obama Administration in the Alaska natural gas pipeline; in fact, the national security value of the pipeline was clear. However, he wondered why the administration was neutral about the economics of the project. Representative Ramas asked for Admiral Barrett's perspective on how the committee reconciles its duty to develop a profitable gas pipeline with the position of the administration.

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ADMIRAL BARRETT agreed that the markets will be the driver for the pipeline. Fundamentally, the OFC believes that in the long-term there will be room in the market for Alaska's natural gas. He shared that Larry Persily, nominee for the position of Federal Coordinator, OFC, testified that transportation costs will be lower for shale gas, but the production costs will be more. Admiral Barrett opined "the sense" in Washington [D.C.] is that the Alaska gas pipeline is a good project because the loan guarantees are available and there is legislative support on the national level. In fact, although DOE has put a great deal of emphasis on renewable sources of energy, it recognizes that a huge piece of the U.S. energy supply cannot be replaced quickly, and natural gas is needed during the transition to renewables. He stressed that there is good support for the project and he has heard it said, "Tell us what else we might consider doing that would be helpful."

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ADMIRAL BARRETT observed that the California Environmental Protection Air Resources Board has approved the construction of a natural gas facility in the San Francisco Bay area because it has a 50 percent cleaner footprint than some other options. He has also heard that Alaska gas would provide about 8 percent of the U. S. market for natural gas, thus a long-term and stable source of gas from Alaska will stabilize prices and will encourage users to convert to natural gas. He concluded that

there is no opposition to the project, and his personal opinion is that Alaska must do everything: get more oil out of Prudhoe Bay, go offshore, and leverage the state's assets. All in all, the natural gas pipeline project is less controversial and more benign environmentally than other options. Admiral Barrett then encouraged the committee to watch cap-and-trade legislation, the national energy bill, and other policy initiatives moving in Washington D.C. that have potential impacts on the project. The project has strong support from the Department of Labor; in fact, the project is a \$30 to \$40 million privately funded "stimulus bill," unlike the California high-speed rail project that would be totally funded by government. Turning to the jobs issue, he praised the training programs that are underway in Fairbanks, and said, "Labor is very strong behind [the project], your NGO's are not fighting it ... the economic benefits are huge." In case the committee was not aware, he pointed out that the FERC open season regulations are designed to permit competition, so the fact that there are two applicants is accommodated by its regulatory design. On the subject of infrastructure analysis, he encouraged the committee to consider that the state infrastructure such as the haul road, aviation facilities, port facilities, and transportation facilities, is "thin."

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ADMIRAL BARRETT relayed that the OFC filed comments that the critical habitat area designations for polar bears are overly broad, based on the scientific information presented. Similarly, the OFC plans to "file on belugas." He cautioned that if the movement of a significant amount of pipe is tied up at the ports in Cook Inlet, additional costs due to delay will be added to a project of any size. In truth, looking at broader national level agency actions that are linked to Alaska's general transportation infrastructure would have big implications for the project. Admiral Barrett then stressed that even in-state projects need federal permits of different types; actually, a conflict to avoid is that of precedents attached to an in-state line that have negative implications for permits for the main line.

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REPRESENTATIVE RAMRAS asked for comments on the suggestion that the state should not build a pipeline, but wait for the [polar] ice to melt and ship the gas out as LNG.

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ADMIRAL BARRETT advised that issues of a deep water port in the Arctic are different than those of a deep water port in the Gulf of Mexico because, even with melting, there is a lot of ice and it is moving with incredible force behind it. An advantage of the on-shore infrastructure is "you've got Prudhoe Bay; a you've got TAPS coming out of there." He opined the Arctic Ocean is "not going to go from ice to no ice, it's going to go to less ice for a long time," and with the implications thereof.

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REPRESENTATIVE RAMRAS asked what the role of the Coast Guard will be in the Arctic for the next quarter of a century.

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ADMIRAL BARRETT responded that the Coast Guard will have multiple roles, including the following missions: assert national sovereignty; manage and protect U.S. interests; provide search and rescue; address environmental and fish concerns; energy development; and law enforcement.

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REPRESENTATIVE PETERSEN asked Admiral Barrett to talk about issues regarding oil and gas projects in Canada.

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ADMIRAL BARRETT advised that the Mackenzie Valley Natural Gas Project recently submitted a study to the (Canada) National Energy Board. He expressed his point of view that there is room in the market for both pipelines, due to the fact that Canadian natural gas supplies are on a downturn. However, the study indicated that the project is subject to 150 conditions and the OFC is in the process of reviewing those conditions. Also, in regard to the development of oil sands in Canada, environmental communities "like the gas line project, as long as it's not used, in their terms, 'to get more dirty oil out of the oil sands'." The answer to this concern is that U.S. law requires that an equal volume of gas must enter, and exit, Canada. In addition, First Nations have concerns similar to those of Alaska Natives regarding land use and subsistence issues. Admiral

Barrett said the OFC will work closely with agencies to manage issues brought up by tribal interests.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 3:5[7] p.m.