

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

Anchorage, Alaska  
December 15, 2009  
9:34 a.m.

**MEMBERS PRESENT**

Representative Craig Johnson, Co-Chair  
Representative Mark Neuman, Co-Chair  
Representative Peggy Wilson  
Representative David Guttenberg  
Representative Scott Kawasaki (via teleconference)  
Representative Chris Tuck

**MEMBERS ABSENT**

Representative Bryce Edgmon  
Representative Kurt Olson  
Representative Paul Seaton

**OTHER LEGISLATORS PRESENT**

Representative Nancy Dahlstrom (via teleconference)  
Representative Les Gara  
Representative Carl Gatto  
Representative Kyle Johansen (via teleconference)  
Representative Jay Ramras  
Senator Charlie Huggins  
Senator Bert Stedman  
Senator Gary Stevens  
Senator Joe Thomas (via teleconference)  
Senator Thomas Wagoner

**COMMITTEE CALENDAR**

PRESENTATION: ALASKA'S IN-STATE GAS

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

HARRY NOAH, Project Manager  
In-State Gas Project  
Alaska Mental Health Trust Land Office

Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation entitled, "Alaska In-State Gas Pipeline Project."

MIKE METZ, Consultant to the In-State Gas Project  
through Michael Baker Jr., Inc.  
Michael Baker Corporation  
(No address provided)

**POSITION STATEMENT:** Assisted Mr. Noah in providing the PowerPoint presentation entitled, "Alaska In-State Gas Pipeline Project."

TOM IRWIN, Commissioner  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided information and answered questions in regard to Alaska's in-state gas.

MARTY RUTHERFORD, Deputy Commissioner  
Office of the Commissioner  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions in regard to Alaska's in-state gas.

JOHN REEVES, Special Assistant to the Commissioner  
Office of the Commissioner;  
Coordinator, Alaska Gas Pipeline Transportation Project  
Department of Transportation & Public Facilities (DOT&PF)  
Fairbanks, Alaska

**POSITION STATEMENT:** Provided information and answered questions in regard to Alaska's in-state gas.

#### **ACTION NARRATIVE**

[9:34:03 AM](#)

**CO-CHAIR MARK NEUMAN** called the House Resources Standing Committee meeting to order at 9:34 a.m. Present at the call to order were Representatives Tuck, Kawasaki (via teleconference), Wilson, Guttenberg, Johnson, and Neuman. Also present were Representatives Dahlstrom, Gara, Gatto, Johansen (via teleconference), and Ramras, and Senators Huggins, Stedman, Stevens, Thomas, and Wagoner.

PRESENTATION: ALASKA'S IN-STATE GAS

9:34:16 AM

CO-CHAIR NEUMAN announced that the only order of business is an update on Alaska's in-state gas.

9:36:18 AM

HARRY NOAH, Project Manager, In-State Gas Project, Alaska Mental Health Trust Land Office, Department of Natural Resources, began his PowerPoint presentation by noting that his review of the status of the In-State Gas Project will include a report on the work that has been completed to date and an outline of the work remaining to be done [slide 2]. He explained the state's approach on this project is to seek to encourage the development of an in-state gas pipeline by reducing risk to a future pipeline developer (slide 3).

9:37:15 AM

MR. NOAH said the state began the project by identifying the three legs of a stool for reducing the risk to a future pipeline developer (slide 4). The first leg was to define the costs. An engineering study was initiated to look at both the pipeline costs and the facility costs, such as conditioning on the North Slope, gas compressor stations, and so forth. The second leg was to acquire the initial major permits, such as the U.S. Army Corps 404 permit and the federal and state right-of-way. The permitting process has two parts: 1) the environmental impact statement (EIS) process and the resolution of the conceptual issues, and 2) the Notice to Proceed (NTP) process where most of the money associated with the permitting of a project is spent and where the detailed engineering comes in. The project's intent was to do the conceptual permits and get through the EIS process.

9:39:29 AM

MR. NOAH, in response to Co-Chair Neuman, said he will be reviewing what has been completed to date, the specific costing studies that are ongoing, the permitting schedule that has been outlined by the federal lead agency, and suggestions for a way forward that he has as a 30-year resident of Alaska.

9:40:16 AM

MR. NOAH resumed his presentation, noting that the third leg of the stool is what has been identified as letters of intent between commercial entities - the buyers and sellers of the gas. A "commercial working group" was put together to encourage those groups to work towards letters of intent to sell and buy gas. The vision is to let the market place decide whether this is a viable project because that is the test here. At the end of this process, it is possible that those commercial entities will come back saying they are close but need some help to close the gap. That would then be the legislature's decision, as that is not part of the work effort that this in-state gas program is progressing right now.

[9:42:42 AM](#)

CO-CHAIR JOHNSON, in regard to allowing the market to decide, asked whether there has been a response yet from the commercial buyers and sellers.

MR. NOAH replied yes. He said that the last commercial working group meeting was attended by everyone who could either sell gas from the North Slope or buy gas. While none of the Railbelt utilities were in attendance, the meeting did include representatives from there. It is too early for the utilities to commit and the project was just at the point of starting to ask them to engage. One area being looked at for cost reduction is gas conditioning on the North Slope. He met with the North Slope producers to ask whether there is a way to integrate into existing facilities as much as possible to reduce the cost of gas conditioning, and each one came back individually to say their company would be happy to.

MR. NOAH said there is no question in his mind, that "Agrium," the Railbelt utilities, and to a certain extent, "Conoco" in terms of its LNG plant, are interested in buying gas. The price is the question, and the project has not yet gotten to that point. The project was not going to be in the business of predicting the total commodity price because that is a commercial discussion between those two entities. The project was trying to focus on the cost of transport.

MR. NOAH, in further response to Co-Chair Johnson, stated that there is so much politics in Alaska right now that the situation is unattractive for those commercial entities, and this is something that needs to be sorted through somehow. He reiterated that the project's intent was to make this a

commercial deal and let the marketplace determine the timing and the scope of whether this project is viable.

[9:46:21 AM](#)

MR. NOAH commenced his presentation by describing the work completed to date (slide 5). He said the work, studies, and permit applications for the alternative routing analysis of pipeline routes have been completed from south of Fairbanks to Cook Inlet and are available electronically and on paper. Not much difference was found between a Richardson Highway route and a Parks Highway route, other than the Richardson Highway route is longer, which equates to about \$500 million more in cost. The engineering focus was therefore put on the Parks Highway, given the goal is the lowest cost project. As a basis of the permitting process, the project description was next completed. A detailed project description is currently underway which, if the project continues, will be sold by the state as an asset. The engineering firm has reviewed the ENSTAR Natural Gas Company (ENSTAR) capital cost estimate for the pipeline. The major permit applications have been prepared and filed and the scoping process has started. A letter has been sent to the Federal Energy Regulatory Commission (FERC) requesting a jurisdictional determination. In this letter, the state maintained that it does not see the in-state gas pipeline as regulated by FERC. Finally, the compressor station locations were set for the permitting process, which means the hydraulics of the pipeline have been done.

[9:49:15 AM](#)

MR. NOAH, in response to Co-Chair Neuman, reiterated that the goal is not for the state to build the project, but to encourage some private company in the future to build the project. He said the state is therefore looking at four scenarios for compressor stations: 250 million, 500 million, 750 million, and 1 billion [standard cubic feet per day (scfd)], with each scenario having a different number of compressor stations. At the lower end, the engineering team plans to look at a smaller diameter pipeline, 16-18 inches, to see what the numbers are. The base case in general is a 24-inch pipeline. The intent is simply to lay the numbers out so everyone can see them, thereby making it a transparent process both for the commercial community and the public. The intent is not to set a flow, but to show what the costs are at different levels of flow in the pipeline.

[9:50:38 AM](#)

CO-CHAIR NEUMAN noted that there has been talk of a 48-inch pre-build pipeline going to Canada and a smaller diameter pipeline going to Southcentral Alaska via either the Parks Highway or the Glenn Highway. He asked whether the In-State Gas Project is looking at this scenario.

MR. NOAH explained that the engineering work being done is like an erector set - it can be looked at in terms of segments or size in order to answer questions like this. In addition to the 24-inch line, engineers have looked at what it would cost if a 48-inch line was built to, say, Fairbanks, and then a 24-inch line continued from there. It was found that this cost would be roughly \$2.5 billion in addition to what it would cost to build a 24-inch line from the North Slope to Cook Inlet. The assumption is that everyone will be interested in these various numbers and how they fit together, so the plan is to have those available. A route to Western Alaska with the endpoint at Donlin Creek Gold Mine is also being looked at and those numbers will be available as well.

[9:53:17 AM](#)

CO-CHAIR JOHNSON inquired whether there has been discussion about a Point Thomson take-off because that gas is much cleaner and does not need as much conditioning, thereby allowing the conditioning plant to be scaled down.

MR. NOAH responded it was felt that to make the project viable there needed to be focus on how to have the least cost for gas conditioning possible, particularly since lower flow levels might possibly require higher gas conditioning levels (slide 6). Prudhoe Bay gas has about 12 percent more carbon dioxide and higher hydrogen sulfide, which needs to be conditioned out. Therefore, ideas in the study phase include looking at: 1) integrating into existing North Slope facilities to reduce the cost, and 2) bringing the gas to Point MacKenzie and conditioning it there. A "peaking plant" would be located in the Fairbanks area. It is unknown what the difference is, but that is one of the things being looked at.

[9:55:36 AM](#)

MR. NOAH added that if a methane-only gasline is desired, then the Gubik gas field would be a great opportunity because it appears that that gas is not high in carbon dioxide and few

problems associated with it. Right now it appears Point Thomson is "sweet gas." A pipeline route from Point Thomson to Pump Station 2 has been looked at by the project with the idea that it might be a less expensive pipeline because it would go along the foothills higher in the watershed and have a shorter length of river crossings. The project assumed that Point Thomson gas could come over from Point Thomson on the pipeline that is being looked at right now by "Exxon." He explained that this scenario was looked at because the project was set up with the idea to flow gas in 2015 or early 2106, which is a very aggressive schedule. It would be physically impossible to meet this schedule if the segment of pipeline between where this pipeline ends and Point Thomson were left out because that would then require another environmental impact statement (EIS). He said he cannot emphasize enough how aggressive the schedule is.

[9:58:00 AM](#)

MR. NOAH, in further response to Co-Chair Johnson, stated that at this point in time the [conditioning plant] costs are unknown and the purpose of doing this work is to put together all of these costs so everyone can see them. It gets to a point in any of these projects where it must be worked - it is not a cookie-cutter thing - there must be striving to make it work. He said he thinks that at this point [the conditioning plant] is up to the commercial working people and is part of the discussion with them. The state cannot go to the producer and say "tell us how to integrate into your facility." It has to be a joint effort at this point in time and that is the approach that the project is trying to take.

[9:59:29 AM](#)

CO-CHAIR JOHNSON asked whether discussions have occurred with "Exxon," the leaseholder at Point Thomson, about going directly from Point Thomson to Pump Station 2.

MR. NOAH responded yes. The last meeting of the commercial working group was about six weeks ago and those conversations were just starting then, so the discussions were hazy. No one said no and no one opposed taking a look at this.

[10:00:47 AM](#)

REPRESENTATIVE GUTTENBERG inquired whether the administration is investigating an alternative to the commercial aspect in which the state owns the pipeline and builds it as a public utility.

This would be a way for the state to guarantee that the people have reasonable rates, he opined.

MR. NOAH replied that the direction he was given was that this would be looked at as a commercial deal and he was to try to make it a viable commercial project. At some point in the future the numbers will be available and those decisions can be made by the legislature in consultation with the governor. Regardless of whether the state or a private developer builds the pipeline, there must be someone that wants to sell gas and someone that wants to buy gas. Therefore, the same commercial discussions must go on to make it work - letters of intent are still needed, as are all the things outlined in this program. It is too early to make that decision and it is an alternative that can be dealt with at the end of the process, because everything that is currently being done is still needed to be able to make that decision.

[10:03:43 AM](#)

REPRESENTATIVE GUTTENBERG said he thinks [a state-owned alternative] should be considered if the state wants to continue jump-starting a pipeline - the Alaska Gasline Inducement Act (AGIA) being one such jump-start. He said he thinks the state should consider the benefits that investment in the infrastructure will provide the state; for example, reducing the cost of energy will be a huge advantage to the state regardless of the cost. While he appreciates Mr. Noah's answer, he said he thinks there are a lot more questions that should be answered at this point rather than waiting.

[10:05:07 AM](#)

MR. NOAH returned to his presentation, noting that a second issue to come out of the project's initial work is the marketability of natural gas liquids (NGL's) at tidewater Cook Inlet (slide 6). One theory is that if the tariff charge is based on the British Thermal Units (BTU's) being transported rather than just the flow, the overall tariff could be reduced by moving more BTU's down the line. That is essentially what "Exxon" and TransCanada are talking about doing - moving as much of the gas liquids down to Alberta as possible to make the line work. Essentially, one of the ways to deal with the costs of these pipelines is to move as much liquids as possible and literally use the methane just as the transport vehicle. He questions how much of the NGL's can be sold and at what price if they are at tidewater in Cook Inlet, but this is an unknown. It

makes sense to say that the butane, propane, and pentanes could be sold, but that is not known and is therefore one of the things that has to be tested, and that is one of the things that the project originally had planned as part of this process.

[10:06:40 AM](#)

CO-CHAIR NEUMAN noted that trying to reduce energy costs throughout Alaska is a big issue. The state spends a lot of money in assistance, he said, and perhaps the diesel generator plants throughout Alaska could be converted to propane, thereby using some of Alaska's resources inside of Alaska to help reduce costs. He offered his understanding that about half of the liquids are propane totaling about 12,000-15,000 barrels a day, which is way more than the state could use. He asked whether any work to reduce the costs for in-state energy has been done by the In-State Gas Project, given that propane's value is about 4-6 times higher than that of methane. In addition, he opined, this would add value to Alaska's resources by creating jobs within the state and would reduce the cost of that final flow of methane to the nozzles of all the furnaces in Southcentral Alaska and elsewhere on the pipeline.

[10:08:03 AM](#)

MR. NOAH reiterated that he sees this as a whole set of building blocks. For example, there needs to be an understanding of what it will cost to transport the gas stream to, say, Point Mackenzie. After that a determination must be made as to what can be received from selling the gas. Once this information is known, these other different things can be dealt with. He advised that in moving gas from the North Slope to Cook Inlet in an in-state gas pipeline, there are only two ways to drive the cost down: 1) increase the volume to the greatest extent possible, or 2) have the state subsidize it. He explained that the project has taken the approach of looking at what can be done to make this commercially viable, not that it was the project's decision, but just as a sort of mechanics in this whole process to determine what it will cost, and then let the commercial people make the decisions or ultimately the legislature may want to make decisions. There are a lot of things going on here and until the numbers are known it is too early to deal with "here's what the propane is going to cost." The project cannot say what the cost is going to be because those are commercial discussions. This project is just the mechanics, with the idea being to put the numbers together and

encourage the commercial people to make agreements amongst themselves.

10:10:08 AM

CO-CHAIR NEUMAN surmised that Mr. Noah's answer to his question is yes, the project is looking at values, quantities, qualities, and product that can be moved down the pipeline to help with the costs.

MR. NOAH responded that his project is looking at what would be available in terms of flow and so forth, not what is the current in-state market for propane. The Alaska Natural Gas Development Authority (ANGDA) is doing that, he said, and with so many people in state government spending money on all the various energy issues he did not see any need for his project to replicate those things. So, the answer is that the project is not actually looking at how to market propane in-state; rather the project is looking at what it would cost to get to Nenana or Point MacKenzie.

CO-CHAIR NEUMAN agreed there are a lot of different groups working on a lot of different energy issues within the state. They do not talk to each other either, he added.

10:11:05 AM

CO-CHAIR JOHNSON said he sees the state's expenditures on the various projects as the state's involvement and participation in a pipeline, possibly one that is competitive with the AGIA pipeline, that is more than 0.5 billion standard cubic feet per day (Bscfd). He asked whether the project has discussed if its work to date has subjected the state to treble damages under the AGIA contract.

MR. NOAH replied that the intent of his project is to put together a package for the state to sell, and the package would include an engineering study and it is hoped it will also include permits and letters of intent. The project's intent is to sell that package for about what it cost to create it. He said it has not been his intent to get into the middle of the AGIA discussion. Commissioner Irwin and Deputy Commissioner Rutherford have a well-thought-out position that the project should be careful not to affect the economics of the big pipeline. Everyone wants a big pipeline, there is no downside to that in any way. This question must be dealt with technically and therefore the answer is that the project has not

been having any internal discussions about the AGIA process and triple damages. The project has simply been a group of mechanics trying to put together a project and providing the numbers. The project is not saying the pipeline has to be more than 500 million standard cubic feet per day (MMscfd). Rather, the project is telling the legislature that there are two ways to reduce the cost of gas to Cook Inlet - increase the flow or subsidize the cost of the line - and this is not the project's decision. The project is just the guys putting together the numbers.

[10:13:49 AM](#)

CO-CHAIR NEUMAN inquired whether a third way to reduce the cost would be to put down a higher value product given that the project is looking at BTU's as well as volume, which is quantity and quality.

MR. NOAH answered that if NGL's could be marketed at a good profit from Cook Inlet, then that would be true. However, that is currently unknown and is therefore an outstanding question at this point. The reason it makes sense to take those NGL's to, say, Calgary, is that it has an existing infrastructure to buy that, so there is no question that those can be used in Calgary at this point in time. The question Alaska must ask itself is, What is the basis of Alaska's economy? Alaska has a lot of policy decisions that need to be sorted out, he opined. They are not black or white, right or wrong. They just need to be sorted out, and this cannot be done without first having the numbers necessary to start the policy discussions.

[10:15:28 AM](#)

MR. NOAH returned to his presentation (slide 7) and explained that the In-State Gas Project was set up on a schedule to move gas in 2015 or 2016. This is a very aggressive schedule, so the project came up with internal milestones to do this. The first milestone is to complete the basic cost of transport numbers by early summer 2010 so commercial working people can see them and, it is hoped, start discussions. For the coming budget, the project has suggested another \$6.5 or \$6.7 million, most of which is for field work to gather basic engineering data that a company could use to do its detail design. This data will be used to update the cost of transport [in November 2010] as work continues into the project description. The lead federal agency has come up with a program to enable completion of this initial permitting by February 2011, which is a very aggressive

schedule. The agency is taking a different approach than it normally does and the state needs to applaud this effort. It is the project's intent to sell the state package through a bidding process that is completed by April 2011; to do this the intent is to start the process of finding a buyer in the fourth quarter of 2010. The internal work plan is being driven by the 2015-2016 end date. Energy projects are so long-term that the decisions made today will affect everything in 2015, he pointed out. The legislature must realize that anything it does that slows this process down will delay the start-up.

[10:18:41 AM](#)

MR. NOAH reviewed the detailed schedule of permitting (slide 8), noting that scoping meetings are going on right now. A contractor is in place, and the individual permit applications are available to anyone wishing a copy. When looking at an EIS, it should be realized that a person walking the pipeline route would trip over the numerous stakes on that route. There are already volumes of pages about these routes, so it is hoped that this is an EIS process that can be completed relatively quickly. While people need to make decisions, he said he thinks the issues are clear. If this were a project starting from the very beginning it would cost a fortune, but so much money has been spent prior to this that that information can be used to move this project along in a timely manner.

[10:19:54 AM](#)

MIKE METZ, Consultant to the In-State Gas Project through Michael Baker Jr., Inc., Michael Baker Corporation, stated he is the manager of right-of-way, Keith Meyer (ph) is the engineering manager, and Ward Whitmore (ph) is the process facilities manager. He said he will review the ongoing engineering plan.

[10:20:27 AM](#)

REPRESENTATIVE GARA asked whether his assumption is correct that "the big diameter pipeline" would provide cheaper gas than an in-state pipeline, and an in-state pipeline is if the big pipeline does not go in time.

MR. NOAH answered "absolutely."

[10:21:12 AM](#)

REPRESENTATIVE GARA said he has always struggled with the conundrum that Fairbanks has a more immediate need for energy while Anchorage is trying to figure out where it will get a source of energy for its next generation. He asked whether it is a realistic scenario that a pipeline could get gas to Fairbanks at cheaper than what Fairbanks is currently paying, but it would be more expensive gas for Anchorage than what Anchorage could get from elsewhere. He further asked whether there is an economical way to get natural gas to Fairbanks to help its energy needs without saddling Anchorage with gas that might be more expensive than gas from Cook Inlet or elsewhere.

[10:22:14 AM](#)

MR. NOAH responded that these questions are at the heart of the policy decisions that must be made. If "the big line" was coming along in a timely manner, there is no question that he would say to "stop all this." The problem is that there is no way to define what that schedule is. If these projects are worked on for 20 years, the circle just keeps going around and around in relation to "the big line" as the enthusiasm builds up only to then decide it is not going to work once the engineering is completed. The intent of the In-State Gas Project was to determine what the cost would be for a project that the state can control. The only way that Fairbanks gets reasonably-priced gas is if a pipeline is going by, because the market there is not big enough to sustain a pipeline coming from the south unless the state just wants to buy it. Also, because there is not a lot of natural gas already there, people are not yet ready to take the gas. The conundrum is what Representative Gara just said - What is the schedule for "the big line?" Also, at what point in time does the state say it is going to move on? There is no question that the state wants to encourage a big pipeline. However, when does the state say it must take care of itself? If an assumption is made that the gas is going to be more expensive in Cook Inlet because "the big line" is coming along, then what is being said is that "the big line" is a given and it is only a question of time; however, he does not know whether that is true.

[10:24:54 AM](#)

REPRESENTATIVE GARA said the answer on Fairbanks is disappointing because the ideal circumstance would be to get those people quick, cheap gas now.

MR. NOAH replied that if there is gas in the Nenana Basin it will work great.

[10:25:12 AM](#)

REPRESENTATIVE GARA said he thinks the big prize the state must keep its eye on is "the big gasline," which means the industry and state must come together. He expressed his concern that the public may be interpreting an in-state gasline as meaning cheap gas. He asked whether it is possible that gas from an in-state gasline might be at a low price.

MR. NOAH answered that he thinks it is possible, but he would need to know a number so he is sure he understands what Representative Gara means.

REPRESENTATIVE GARA said Anchorage Municipal Light & Power (ML&P) had a great contract two years ago that was "below five."

[10:26:08 AM](#)

MR. NOAH responded that to encourage development of the "LNG plant" that is most likely going to shut down and to encourage redevelopment of the "Agrium plant," then the gas price could not be more than about "nine max" or just slightly less than that. To sell gas in-state the North Slope producers must get a return that is equal to, or greater, than the return on gas that goes to the Lower 48. It must be a commercial deal or the producers will not do it. With that in mind, the question is whether the tariff can be driven down enough to make it work, and that is the unanswered question here. It is not necessarily true that North Slope gas is going to be expensive. It gets back to what he said earlier - there must either be as much flow through the pipeline as possible or the state must subsidize it. If everything is cut in half because of all the different alternative energy and the gas pipeline, then the energy will be expensive. The market is so small that most of it must be captured for about 20 years to drive these costs down.

[10:28:00 AM](#)

MR. METZ added that without a large industrial user the volumes are pretty small for just the domestic market. To saddle the tariffs with the capital recovery would drive the prices very high and that is why Mr. Noah is talking about subsidization.

MR. NOAH clarified he is only saying that if the flow is not allowed to go to the maximum demand.

MR. METZ pointed out that then the state would have to worry about the limit of 500 billion cubic feet.

MR. NOAH agreed.

[10:28:48 AM](#)

SENATOR HUGGINS suggested going to the Alaska Oil and Gas Conservation Commission (AOGCC) to ask what the impacts would be on the fields and other dynamics if an offtake of this amount was begun this year.

MR. NOAH agreed it would be useful to learn from the AOGCC what level of offtake from the field can be done without destroying the oil reservoir. This would provide a data point as part of the policy discussion.

CO-CHAIR JOHNSON said he sent a letter on December 7, 2009, to Commissioner Irwin, Department of Natural Resources (DNR), asking the department to request the AOGCC to start a study on the allowable offtake. He related that he was told this request must come from the producers or the department because the legislature does not have standing.

[10:30:59 AM](#)

MR. METZ began his presentation by summarizing the ongoing engineering work plan for the next year (slide 9). He said the main purpose is to develop cost of transport for various project options. The facilities are being identified and the pipeline design is being updated for further cost estimate. The aim is to increase the level of confidence in the system cost estimates by further defining both facilities and pipeline design by doing a certain level of engineering on the pipeline. A cost of transport will be done for the various scenarios that have been identified. These have been discussed with the commercial group - the leaseholders, the sellers, and the buyers - and some ideas have been developed, such as processing in the Cook Inlet area or increasing the amount of NGL's and therefore increasing the BTU content of the gas. Documentation of all of the studies, which will be transparent, will then be provided to parties interested in developing a commercial project.

[10:33:04 AM](#)

MR. METZ, in regard to cost of transport, explained there are two phases of development (slide 10). In early summer 2010 there will be a cost of transport delivery with the focus on facility costs, such as for NGL plants, saddle plants, and the gas conditioning facility. Also being incorporated into this is the newly available Legacy Data accessed through the [state and federal] Joint Pipeline Office (JPO) and the Alaska Department of Transportation & Public Facilities (DOT&PF). In late 2010, there will again be cost of transport delivery and that will be focused on incorporating the field program data collected over summer [2010] and an updating of the pipeline cost.

[10:34:08 AM](#)

MR. METZ said work to-date has identified four basic scenarios (slide 11). All the scenarios start with the use of residue gas which has a lower NGL content. The first scenario is [Central Gas Facility (CGF)] residue gas only, North Slope gas conditioning, and extraction at Cook Inlet of the NGL's - propane, butane, and methane. The second scenario is [CGF] residue gas only with Cook Inlet gas conditioning and NGL extraction at a combined tidewater plant. The third scenario is [CGF] residue gas with North Slope conditioning and NGL extraction. This scenario has two variations: 1) all the NGL's are given back to the unit with only methane exported from the North Slope or, 2) preferential export of propane on the line without the ethane, which is the base case that the commercial team wanted to look at and therefore is still being carried forward. The fourth scenario is [CGF] residue gas spiked with the [CGF] stabilizer overhead gas which is rich in NGL, North Slope gas conditioning, and Cook Inlet NGL extraction, provided there is a market for the NGL's. Each of these four cases has four flow scenarios: 250, 500, 750, and 1000 [million standard cubic feet per day (MMscfd)]. Thus, the project is looking at 16 different cases. By developing the facilities costs like an erector set - piece by piece - the various costs can be combined into each scenario.

[10:36:46 AM](#)

CO-CHAIR NEUMAN surmised that each of the four scenarios would have a direct effect on the end cost of methane delivered to homes throughout Southcentral Alaska. He asked whether that end cost would be determined as part of this process.

MR. METZ replied yes, definitely. The project will come up with a list of various scenarios and the costs associated with each so that the list can then be pulled down and the best opportunities looked at in more detail.

[10:37:32 AM](#)

CO-CHAIR JOHNSON presumed that CGF stabilizer overhead gas is a richer gas.

MR. METZ answered yes.

CO-CHAIR JOHNSON asked whether it is necessary to process that on the North Slope or could it be processed at Cook Inlet.

MR. METZ said the process team is looking at that right now. The stabilizer overhead has high NGL content as well as high carbon dioxide content, so the team is looking to see how that might be blended. At the present time, the team is trending toward North Slope conditioning.

CO-CHAIR JOHNSON inquired whether anyone is currently doing NGL extraction and conditioning at the same time, which would garner the benefit of the same site, same building, and same permit.

MR. METZ responded yes, that can be done. The NGL portion is a separate plant, but it can be incorporated into the same site.

[10:38:52 AM](#)

CO-CHAIR JOHNSON asked whether the carbon dioxide could be injected into Cook Inlet wells to get more oil production if the extraction and conditioning were done at Cook Inlet.

MR. METZ replied that this is being looked at and there are several fields in the Cook Inlet that could take that amount of carbon dioxide.

CO-CHAIR JOHNSON inquired whether this injection would enhance oil production.

MR. METZ answered he does not know very much about the use of carbon dioxide in Cook Inlet because no carbon dioxide has been available there and so it has not been thought about much. In further response, he agreed it is a good thought.

[10:39:54 AM](#)

CO-CHAIR NEUMAN noted that the aforementioned scenarios represent quite a few jobs that would be done in Alaska, so the legislature must look at that along with looking at the effects on the state's general fund revenue.

MR. METZ responded that the project's job is to give legislators the pieces so they can be combined in various ways to get an idea of what the cost of transport would be.

10:41:03 AM

MR. METZ explained that the project's facilities work plan focuses on the development of schematic flow diagrams and cost estimates for each of the components of a gas conditioning plant (slide 12). These will probably be looked at in units of 250 [MMscfd] so that they could be combined into 500, 750, and 1000 [MMscfd]. Process flow simulations are being developed and process flow diagrams are being generated with major equipment for estimating the cost. Therefore, the cost estimate is being done by each component; in other words, the NGL component is going to be different from the gas conditioning component. So, the conditioning trains, the NGL trains, and the NGL fractionation and storage are being looked at.

MR. METZ stated that on the pipeline work plan, investigation on cost reduction opportunities is continuing (slide 13). A field verification investigation will be conducted, which will include boots on the ground and drilling. Development of a more detailed design basis for the pipeline is currently being done. More detailed design criteria and procedures related to the design of the line will also be prepared so that the costs can be better defined. All of this will be rolled into documentation that will be available.

10:43:01 AM

MR. METZ explained that in the investigation of cost reduction opportunities (slide 14), the project is trying to improve the route constructability. A lot of studies have been done north of Livengood, so there is a good idea from those previous studies as to where that best route is located; additional work still needs to be done south of Livengood. There is constant looking at differences in how the line might be designed to optimize pipeline hydraulics. Length reductions are being looked at and reroute recommendations were recently made that would reduce some length. Also being investigated are ways to

reduce right-of-way preparation and reclamation work. Additionally, a study is being conducted to investigate replacing compressor station refrigeration with air coolers. The hydraulics work has indicated there may not be very much benefit from the refrigeration and perhaps the location of the compressor stations can be optimized to use natural ground cooling combined with air coolers for cooling the gas. All of this is pointing to a refined mile-by-mile geotechnical characterization of the pipeline, which is needed to apply design procedures and come up with a better cost estimate.

[10:44:41 AM](#)

MR. METZ reviewed the field investigations that will be undertaken (slide 15). These include river crossing assessments and verification of the crossings, especially some of the major crossings. A geotechnical borehole program is being worked on with the Department of Transportation & Public Facilities (DOT&PF). A material site program is being started in collaboration with DOT&PF which will include assessment of current sites and the identification and verification of new sites, especially north of Livengood. The initial work has been done on characterizing active fault crossings. Some of that work needs to be finalized so it is known exactly where in the field these are located and what amount of movement is anticipated. An additional constructability assessment will be done with boots on the ground to look at the route to ensure optimization of cross-slope approaches to steep slopes and so forth. As part of the logistics update there will be a program where the roads, access roads, camps, and storage yards along the route are characterized.

[10:46:09 AM](#)

CO-CHAIR NEUMAN understood that the people of Denali National Park & Preserve would love to have the natural gas, as opposed to the diesel currently being used, should the pipeline route be along the Parks Highway.

MR. NOAH identified two possible routes near the park: one going right down the highway in the ditch and one going just outside the park across the river and along the bench. The cost of both routes is about the same; however, the route through the park would get tied up in Title 11 of the Alaska National Interest Lands Conservation Act (ANILCA). Under Title 11 an EIS would need to be done and approval received from the U.S. Secretary of the Interior, the President, and Congress. Senator

Lisa Murkowski introduced a bill that would allow the National Park Service to make the decision and avoid the Title 11 process. The project told the park service to work things out if it wants the line through the park, but the project has applied for the route going around the park.

[10:47:59 AM](#)

MR. METZ discussed project documentation over the next year (slide 16). The design basis will be formally documented, as will the design criteria and procedures. The technical description of the pipeline and facilities will be detailed. The construction and logistics plan will be updated and a new cost estimate provided for the pipeline. That cost estimate will build on the original one that was done by ENSTAR, which is a very detailed cost estimate. It is anticipated that two different groups will work on it independently and then a comparison of the cost estimates will be made at the end. A detailed alignment sheet series will be issued and it will be all geographic information system (GIS). The GIS is currently up and running, and the Legacy Data and additional digital elevation modeling (DEM) data are still being put into it. Applications to that are being written to help in defining and characterizing the route.

[10:49:39 AM](#)

MR. METZ, in response to Co-Chair Neuman, explained that GIS is the geographical information system, which provides a platform for putting real-world coordinates on all the facilities. It allows information from a variety of sources - such as topographic maps, digital elevation models, and Light Detection And Ranging (LIDAR) data - to be combined which allows the rapid evaluation of alternatives.

[10:50:49 AM](#)

MR. NOAH outlined the issues facing Alaska (slide 17). He said that in the next 10 years the economy of Alaska may change dramatically due to (declining) flow through the Trans-Alaska Pipeline System (TAPS) and loss of federal dollars. Right now there really is no long-term, affordable energy source for Fairbanks, the Railbelt, and Western Alaska. While there is gas in Cook Inlet, the big bubble of gas is no longer there and there will likely always be the one to three year supply scenario versus demand in Cook Inlet.

10:52:02 AM

MR. NOAH addressed a diagram showing the current energy tug-of-war going on in the state (slide 18). He described the diagram as being a circle with numerous ropes [projects] pulling out from that circle. Inside the circle are a major gas sale off the North Slope and an in-state energy supply. No one is together because all the different projects are pulling in different directions, and one project wants to kill the other. Everyone wants the same thing and wants to do what is right for Alaska, but no one can figure out why the others do not agree with his or her plan. All kinds of energy are included in these various projects, but nothing is moving forward. There is no major sale off the North Slope and no gas supply. Until everyone gets together it is just a thrashing of each other, and the legislature is funding most of this. It can be argued that up to this point the dollars have been well spent; but if the spending continues and no one makes a decision, civil war will be created within state government and there is no profit in that. What is happening right now is not positive, he opined.

10:54:03 AM

CO-CHAIR NEUMAN agreed, but said he does not want to get too far into this because the legislature is aware of this.

MR. NOAH allowed that he is as guilty as anyone else - he got tired of the argument and just stopped talking to people; so he is not saying he is right and everyone else is wrong. The problem is that the state is not advancing and it is at the point where the politicians and leaders of the state need to sort things out. The decisions are hard and he would like to make some suggestions.

10:55:51 AM

MR. NOAH noted that a lot of time and money has been spent by the legislature working toward the open season (slide 20). Everyone wants it to work, but if some underlying factors are not dealt with, the open season will be mush and non-conclusive. Is the state going to deal with the issue of fiscal certainty? There is no law that says this must be done, but the fundamental question being asked by the producers is whether the state will grab hold of the gasline and suck it dry from a financial standpoint should the oil pipeline run out. While this is political dynamite right now, it must be dealt with or else the

open season will be heavily conditioned and will just keep rolling from one year to the next.

[10:57:23 AM](#)

MR. NOAH said his first suggestion, which may be politically impossible given that everyone is running for office, is that some basic conclusions must be made about whether fiscal certainty is going to be dealt with so the chances for this open season can be improved. To say that it does not mean anything if the open season does not work is incorrect. The state must take care of itself in terms of these economic issues and in terms of energy supply.

MR. NOAH noted that the schedule TransCanada has right now is that if everything goes well on this open season, a decision on whether to go forward with the pipeline will be made by November 2014. He said it is perfectly reasonable from a business standpoint to get an open season, deal with the fiscal certainty issue at some point in time, get FERC and all the permitting and stipulations that are cost items out of the way, figure out the First Nations issue, and then do a feasibility study and decide. However, the question is whether it is in the state's best interest to wait that long when there is no assurance that there is going to be a pipeline. That has to be answered. If everything keeps floating like the way it is now, the state does not get to any answers. The state is coming up with numbers, but not putting everything into context and coming up with a plan that allows this to move forward.

[10:59:29 AM](#)

MR. NOAH pointed out that the state is also working on the concept of having 50 percent of its energy be renewable by 2025 (slide 21). While there is no argument that this is a good idea, the market is small and there is only so much demand. The state must therefore rectify at this point in time whether renewable energy makes sense. The state must determine its backup plan, but it must sort out whether the plan is to fund renewable energy or an in-state gas pipeline because funding both of these is distorting and confusing the marketplace. On one hand the state wants people to come in commercially to do things, but on the other hand there is a hammer that the state may decide to do these things itself, which confuses the marketplace. "You, the politicians, need to make some decisions," he said. The first question is whether [politicians] are going to deal with fiscal certainty because,

if not, that means the pipeline is going to be delayed for some period of time. The other question is whether [politicians] are going to fund renewable energy and, if not, that answers that question because that is going to be more expensive energy than energy that comes from an in-state gas pipeline.

[11:01:25 AM](#)

REPRESENTATIVE RAMRAS referred to slide 18 as a means for talking about some of the potential commercial users for gas that would create jobs for Alaskans, revenue for the state, and opportunity for different regions. He named some industrial anchors that could be substituted in the boxes surrounding the circle in the diagram: "Donlin, Pebble, International Tower Hill, restarting Agrium, continuing the Conoco LNG export facility," as well as a gas-to-liquids plant. He asked Mr. Noah to discuss how in-state gas would integrate into the aforementioned industrial use and what the potential volume could be for an in-state line. He agreed with Mr. Noah that the uncertainty of whether "a large line" will be built on schedule tends to push back the likelihood that the state can proceed with real resource development in Alaska.

[11:04:57 AM](#)

MR. NOAH responded that continuance of the existing big industrial users will require an investment around the magnitude of \$100 million. The "LNG plant" coming on at full production would require about 300 million [standard cubic feet] per day and the "Agrium" plant would use about 160 million [standard cubic feet] per day, for a total of about 460 million [standard cubic feet]. Railbelt electrical demand is about 110 million [standard cubic feet], and the ENSTAR demand is about 100 million [standard cubic feet]. The potential demand for Fairbanks would be about 30 million [standard cubic feet] per day, although that demand does not exist today. If Donlin Creek Gold Mine went on line and if the mine used gas in its equipment, the use would be about 33 million [standard cubic feet] per day. He said he has heard a number of scenarios for the Pebble Mine ranging from 80-150 million [standard cubic feet] per day. He noted that if gas was brought from somewhere near Nenana to the Donlin Creek Gold Mine, it could then be brought around the back side and around through Bristol Bay to the Pebble Mine. While all of Western Alaska would not necessarily have gas, the gas could be used for power plants to electrify the area.

[11:07:29 AM](#)

MR. NOAH further pointed out that bringing gas from Nenana to Donlin Creek Gold Mine could be done by possibly building a seasonal road, which would change the economics for both Donlin and the people living out there because the winter road could be used. This area has major mineralization, much of which is gold, so this area may have more potential than the Ambler district. If, say, \$5 billion is spent for an in-state pipeline and, say, at a guess, \$600 million is spent to build a line to Donlin Creek Gold Mine, the Donlin gold is worth \$4.5 billion and 800 jobs for 20 years. Spending \$100 million to upgrade both the "Agrium" and "LNG" plants would bring back the jobs that were there.

[11:09:35 AM](#)

MR. NOAH advised that while a "big pipeline" will create economic activity, an in-state line will create a lot of economic activity between 2013 and 2018, a time period during which there is a real potential for economic decline. The decisions that legislators make now will have a lot to do with how the state's economy looks in the future; if decisions are put off because they are too hard or politically unacceptable, everything will just keep on moving out from where the state is right now.

CO-CHAIR NEUMAN agreed and said that to him this is a statewide energy plan.

[11:10:55 AM](#)

MR. NOAH, in response to Co-Chair Johnson, said the natural gas total demand that he cited for Representative Ramras would be about [670] MMscfd in demand, with about [63] MMscfd in real potential demand because Pebble cannot yet be considered real potential demand.

[11:11:32 AM](#)

REPRESENTATIVE RAMRAS said he would like to get a number for what it would mean to the state treasury in royalties, given that the state would get a royalty from both the "big pipeline" as well as an in-state line. He would also like to know what it would mean for the aggregate of jobs, electrifying other parts of the state, and gasifying Fairbanks. He asked whether there is a number for the valuation of the "Agrium plant." He offered

his understanding that it would cost about \$3 billion to replace that plant and that the Chinese government is talking about dismantling the plant and reconstructing it across the ocean in another country.

[11:13:23 AM](#)

MR. NOAH replied that while he gave numbers, Cook Inlet is not going to magically stop producing gas. It cannot be assumed that all of [the gas supply] will come from one source such as the North Slope, and he does not know right now how those two feather together. He said he does not know the in-place value of the "Agrium plant" and the only decision he has been told about is that the plant will not be scrapped or pieced out; however, discussions are occurring with the Chinese government to pick up that plant. He said he thinks the assumption that the plant's owners are not interested in re-starting that plant is incorrect. He said he also does not think it is correct that the plant would have to have "\$2 gas" anymore to make it work, although he does not know right now what that number would need to be to make it work. That is part of the work his project is trying to do, he added.

[11:15:33 AM](#)

REPRESENTATIVE RAMRAS recalled a visit to the U.S. Department of Energy's Office of Fossil Energy in Washington, D.C., in April 2009 where it was discussed how difficult it is to get permits to export natural gas. He related that Alaska has achieved "old partner trading status" with Japan and has been exporting gas for 40 years out of the "Kenai LNG plant," which presently has a license to export up to 100 billion cubic feet per year. However, he said that this year, due to how distressed the Cook Inlet is, that number is likely to be in the low 20's. He recounted a recent visit with the [Kenai] plant supervisor in which he was told employees are concerned about their jobs and the plant's viability in the market. He asked how Mr. Noah sees things going for this facility.

[11:16:41 AM](#)

MR. NOAH answered that the plant will have to renew its export license if it is going to continue to operate and there is a sense that the plant will not be able to renew it. This gets back to the politics of Alaska. Decisions need to be made. If Alaska does not want these plants, all it has to do is nothing, and they will go away. But, if Alaska wants them to operate,

then the state must make some effort. Alaska probably needs them more than they need Alaska. Alaska has been rich for a long time, but now Alaska is about to be not so rich. It is a shame to let these folks go, he opined. Decisions need to be made as to whether [legislators] are going to try to make the open season work and whether renewable energy is going to be funded. And, if [legislators] do not want to do that, are they willing to let the marketplace decide whether these in-state gas projects will work or not? The state has itself wrapped around the axle with all these different things right now and they need to be sorted out. He said, "It's the politicians that have to sort it out, because quite honestly you are the guys that are creating the issue; you're funding all these different things ... time to make some decisions."

[11:18:49 AM](#)

SENATOR WAGONER supported the re-opening of "Agrium" and keeping "ConocoPhillips" operating. He inquired whether there is documentation from Agrium stating its willingness to participate in an in-state gasline if it could receive a particular amount of gas at a particular price and additional deliverability agreements to have that gas delivered for 10 years. He related that one Agrium representative has told him there is no way the plant would be re-opened without those guarantees.

[11:19:46 AM](#)

MR. NOAH confirmed that this has been expressed to him as well, and that "Agrium" would prefer 20 years versus 10. This is exactly the process the project has been going through, he said. Everybody needs the numbers to make a decision. This is why the commercial working group was put together and the purpose of the letters of intent. If the project has the cost, the permits, and the letters of intent in hand, then that is a very interesting package for a pipeline developer; but the project just has not gotten there yet. The in-state program is exactly what Senator Wagoner has described and he thinks there is an interest if the numbers work. It may be that the project gets to the end of the process and the numbers do not quite fit together, in which case the state may have to come forth and ask what needs to be done to close the gap. However, he reiterated, this process is not there yet.

[11:21:24 AM](#)

SENATOR HUGGINS recalled that Mr. Noah was once the commissioner of the Department of Natural Resources.

MR. NOAH replied yes.

SENATOR HUGGINS understood that when Mr. Noah entered his present capacity for in-state gas he had stated he was not interested in politics and wanted to do a project, not a report.

MR. NOAH answered yes.

[11:21:53 AM](#)

SENATOR HUGGINS continued, saying it seems to him that Mr. Noah is a victim of the civil war mentioned earlier. He offered his apologies. He related that when Mr. Noah took this job, legislators had great expectation based upon Mr. Noah's capability, enthusiasm, and reputation for getting things done. It appears [legislators] have derailed this process, he opined, because Mr. Noah will be gone come January 2010 and someone new will be there. Every time leadership changes it sets things back, and as was said earlier by Mr. Noah, the biggest potential enemy of getting this project done is delays and failing to make the aggressive timeline. He asked whether Mr. Noah agrees that the psychology of marketing a large amount of gas is significant to Alaskans.

MR. NOAH agreed.

[11:23:42 AM](#)

SENATOR HUGGINS inquired whether Mr. Noah agrees that the state may need to throw in a lot of money to provide Fairbanks with an assured supply of gas.

MR. NOAH said he thinks he would agree.

SENATOR HUGGINS asked whether Mr. Noah believes "in-state gas" is a default to "a big pipeline," as has been portrayed by some people.

MR. NOAH responded he thinks it is a matter of semantics at this point. In-state gas can either come down "the big line" through a spur line or a bullet line, and on this he would prefer to stay out of the politics.

SENATOR HUGGINS inquired whether he is remembering accurately that Mr. Noah said there is potential for significant jobs in this process beyond just construction.

MR. NOAH agreed.

[11:25:14 AM](#)

SENATOR HUGGINS further asked whether he is correct that Mr. Noah said future jobs would be supported by an assured supply of affordable energy.

MR. NOAH replied that one of two things must be done. If gas is brought off the North Slope, the only way to have reasonably priced gas is to increase the flow or to subsidize it; a low flow would be expensive gas. If only the residential market in Anchorage and Fairbanks is dealt with, it would be relatively expensive gas. With only about 650,000 Alaskans, there really is a problem. No one working on this is evil or anything else, each person just wants to make something happen. The state's leaders must make some decisions. While the numbers can be further refined, the basic information and numbers are there and it is time to make some decisions and move forward. If it is decided to wait for the "big pipeline" for all kinds of good reasons, so be it, but then what is the plan? Because this thing is so complicated and there are so many players in it now, there is no focus on the questions to be answered and how to do them. "Time to make some decisions," he reiterated. It is legislators and the governor who must sit down and start doing this. It is now time for legislators to decide how to advance this. Lots of people are working on these numbers and they are happy to answer questions, but legislators are darn close to having the information that is needed.

[11:27:56 AM](#)

SENATOR HUGGINS pointed out the interdependence of various industries on an energy supply. He said he is dedicating himself to work as hard as he can to do in-state gas because there is no Cook Inlet action plan that will provide gas in a timely manner. Fairbanks is on its knees because of the high price of energy. He thanked Mr. Noah for what he has done for Alaska.

CO-CHAIR NEUMAN said he thinks Senator Huggins speaks for a lot of legislators and people in Alaska.

11:30:14 AM

CO-CHAIR JOHNSON said he shares many of Senator Huggins' sentiments. He expressed his concern about a possible delay by the void created with Mr. Noah's departure. He inquired why Mr. Noah is leaving, but said Mr. Noah can choose not to answer this question.

MR. NOAH responded that nobody asked him to leave, he has a cherry processing plant in Oregon he needs to tend to and it is not about personalities. He said it is not true, at least on his part, that he, Commissioner Irwin, and Deputy Commissioner Rutherford are mad at each other; he just came to the conclusion that legislators need to make some decisions.

CO-CHAIR JOHNSON offered his appreciation for Mr. Noah's service.

11:32:09 AM

SENATOR WAGONER understood the need to make decisions and that the longer the state waits the less opportunity there will be for the state to get its industrial base back up and running. He asked when figures would be available for the delivered cost of gas for just residential use, residential and commercial use, and then industrial use on top of that. He further asked what subsidy the industrial use would provide on the tariff for the residential and commercial use. Noting the Cook Inlet gas on top of this, he inquired whether there is a way to come up with a matrix that shows all of these figures.

MR. NOAH replied absolutely. However, he cautioned, one of the problems with, say, bringing gas off the North Slope in a 24-inch line is that future growth is anticipated, and in the meantime there is capacity that is not being paid for. He pointed out that a smaller diameter pipeline could be brought down, thereby reducing the cost and risk to residential customers. So, he continued, when the aforementioned question is asked, there are all these other things that go in with it and the work plan that is set up will be able to answer that question. The 250 MMscfd is somewhere in the neighborhood of that residential use.

11:34:45 AM

SENATOR WAGONER commented that he does not think it is being very visionary to say a small line would be brought down.

MR. NOAH agreed, but said it affects that tariff.

SENATOR WAGONER acknowledged that that would be the case, but said he was building on a progression getting up into the industrial. He related that there are people interested in the gas liquids who have been to Kenai to look at potential plant sites in the area of Nikiski where there are docks available as well as space available for industrial docks.

MR. NOAH reiterated that this information will be able to be seen because the work is being done in increments of 250 million, 500 million, 750 million, and 1 billion [standard cubic feet per day], and the base-case scenario is a 24-inch line. He said he thinks ENSTAR's pipeline numbers right now are pretty reasonable, and all that needs to be added are the gas conditioning costs. As long as the work continues going the way it is now, there should be good numbers in about three or four months.

[11:36:59 AM](#)

CO-CHAIR JOHNSON requested further clarification on when those fairly dependable numbers would be available.

MR. NOAH said he thinks there will be numbers, but they may not be the end-definitive numbers; it is really the facility costs that are the question right now. In further response to Co-Chair Johnson, he said legislators have received copies of the numbers that the [In-State Gas Project] gave to the commercial working group about six weeks ago, and in that are some numbers from ENSTAR. The project has looked at ENSTAR's numbers and determined they are reasonable numbers at this point in time in the costing process.

[11:38:23 AM](#)

CO-CHAIR JOHNSON requested that those preliminary cost-of-delivery numbers be submitted to the record for this meeting.

CO-CHAIR NEUMAN agreed to have that done. He requested Mr. Noah to discuss the numbers.

MR. NOAH replied that he does not have the numbers memorized.

[11:39:13 AM](#)

REPRESENTATIVE RAMRAS related that in the [November 18, 2009] letter he wrote [to Governor Parnell], he presumed those numbers would be \$2 at the wellhead, \$1 for conditioning, and nearly \$3 for transportation, for a total of \$6 [per million cubic feet] prior to hitting a local distribution cost. He inquired whether this is a reasonable assumption for a threshold of 500 MMscfd.

MR. NOAH responded that he thinks the \$3 cost for a 500-million-cubic-feet-per-day pipeline is a reasonable cost. He said he really does not know what the conditioning cost is, and therefore he is hesitant to say what that cost is. The \$2 at the wellhead is a commercial number, and he does not know how he stands behind that number.

[11:41:07 AM](#)

REPRESENTATIVE RAMRAS stated that the notion many people have proceeded on with a large diameter gas pipeline is that if the market is at \$5, there is an approximate \$4 transportation cost, which would be a netback at the wellhead of \$1 per million cubic feet. The barrel of oil equivalent (BOE) is about 6:1, so that would be about a \$24 BOE tariff. It is currently \$5 per barrel to move oil on the TAPS line, so it would be about \$20 to move an equivalent amount of energy to Alberta or Chicago. He therefore presumed the state would be able to work with the producers to come up with a cost of the wellhead range for a small diameter line.

CO-CHAIR NEUMAN recessed the meeting until 2:00 p.m.

[2:44:54 PM](#)

CO-CHAIR NEUMAN called the meeting back to order at 2:45 p.m.

MR. NOAH, in response to Representative Ramras, said he does not have anything more to say in regard to the last three pages of his presentation as they were contained within the [morning's] discussions. He offered to answer any further questions.

MR. NOAH, in response to Co-Chair Neuman, stated that the cost-of-delivery numbers had been given to the committee aide.

[2:46:54 PM](#)

REPRESENTATIVE RAMRAS noted that one of the recommendations [on slide 24 of Mr. Noah's presentation] is to put the backup plan on a specific schedule. He asked what Mr. Noah means by this.

MR. NOAH pointed out that when looking at all the different options, gas from the North Slope is truly not in Alaska's control because it is the market that will determine when that gas goes to the Lower 48. Additionally, drilling in Cook Inlet is up to the producers unless the state decides it wants to pay producers to drill. He said he thinks the numbers show that an in-state gas pipeline is the most cost-effective thing that can be done in terms of energy, and if this is chosen as the backup plan it should be put on a specific schedule. The state can always look to see if the "big line" is coming along or whether drilling in Cook Inlet has found a big new discovery. But absent that, if there is not something actually moving forward within [the state's] control, then all of this will just keep moving out in front. Try and make the open season work, he advised, "and if it does, that will tell you something." But if it does not, then [legislators] need to decide whether it is alternative energy or in-state gas, and if it is either of those two it needs to be put on a schedule and allowed to move forward. "You can always slow down," he added.

[2:48:59 PM](#)

CO-CHAIR NEUMAN requested Mr. Noah to state how he feels development for an in-state gas pipeline should move forward and the timelines he would suggest.

MR. NOAH said many of the milestones are in the handout he provided regarding the schedule that the project is working on right now for an in-state gas pipeline. He said his point is that there is a need for a specific plan, and a plan has task and schedule with it. This has to do with all the energy issues that are being dealt with. He recommended that the governor and the legislature come up with a specific plan that outlines the order of what will be done next, not numerous options.

CO-CHAIR NEUMAN inquired what specific qualifications Mr. Noah thinks his successor should have.

MR. NOAH replied, "That is absolutely the governor's choice."

[2:51:12 PM](#)

CO-CHAIR JOHNSON said his definition of a successful open season is one that can be taken to the bank and financed. He asked whether Mr. Noah would consider the open season to be failed or unclear if the gas is bid with many contingencies.

MR. NOAH said not necessarily on a commercial standpoint because having all the commercial terms worked out on a project of that scale would be tough. However, he would consider it inconclusive if a list of things needed from the state were to come back because then the state stays in the same place it is right now. Would the legislature and the governor be prepared to take those issues on? There is nothing that says the legislature has to; it is just that the legislature must make that decision. If the legislature decides no, or cannot put together enough consensus to deal with that, it means the "big project" is just going to remain in limbo.

MR. NOAH related that the goal of the Alaska Gas Producer Pipeline Team (AGPPT) study, which ended in 2002 and was funded by the producers, was to have enough information put together to make a Federal Energy Regulatory Commission (FERC) filing. It is now 2009 and information is being gathered to do a FERC filing. While people have probably spent a lot of money upgrading the cost estimate, nothing has really advanced from 2002. Producers wanted several things when they closed that study up: 1) they wanted the federal government to give them construction loan guarantees, which they got; 2) they wanted fiscal certainty on whether the state was going to tax them at the time when the oil line goes down, which they have not gotten; 3) they needed to know what is going to occur in Canada with the First Nation groups; and 4) they needed to know the stipulations from FERC. As good business is doing, they are just going down the list and will continue doing that until they get those answers and then they will do a feasibility study. If at the end of this open season it is inconclusive because the question of fiscal certainty is put back in the state's lap, will legislators look at that in 2011, 2012, or when? He said his point is that this thing just keeps rolling because there is no specific set schedule. However, the coming economic problems and lack of energy problems are still coming.

[2:55:22 PM](#)

MR. NOAH added that if [legislators] decide not to deal with the fiscal certainty issue, then that is a decision point. If [legislators] decide not to fund alternative energy, then the market is totally open for an in-state gas pipeline. [Legislators] need to go through this hierarchy of decisions because, despite the tremendous amount of money and energy being spent, there is no forward movement on a major gas sale and

getting energy in-state. There is lots of activity, but it is up and down, not forward.

2:56:09 PM

REPRESENTATIVE RAMRAS noted that the schedules outlined on slides 7 and 8 show the record of decision being issued in February 2011 and [the bidding process] for selling the state package in April 2011. He said some [legislators] consider the term "conditioned open season," which is the term being used for the coming open season, as being a euphemism for "failed open season." He assumed that if the state stays on this schedule, and it is economic enough to attract private sector interest, the go or no-go point will be reached in about 14 months. At that point, money would be exchanged for this package and there is an implied commitment, such that dirt would be turned in 2012. He asked whether he is correct in understanding this to be the schedule for an in-state line.

MR. NOAH began his response by stating that the project wants the open season to work.

REPRESENTATIVE RAMRAS interjected that the administration has made it quite clear that it will be a conditioned open season. However, he said that this is not part of his question.

2:59:58 PM

MR. NOAH allowed that construction by spring or early summer 2012 is quite a stretch, and that it depends on how much effort a company is willing to put out. This is why he has repeatedly stated that this schedule is extremely aggressive, he said. A company can do this, but the company cannot bobble around at all, and this is why having the commercial players lined up is so important. If someone got this package and then had to line up the commercial players after that, then it would not happen. Doing the commercial work in parallel is very important.

3:01:12 PM

REPRESENTATIVE RAMRAS assumed that the April 2011 buyer of the state's package should expect that it can move forward on an in-state line.

MR. NOAH explained that the buyer will have to get a whole group of notices to proceed in terms of the permits and will have to go to final design of that pipeline. There is a lot of work to

do and this is where the schedule is very aggressive. So, yes, this schedule can occur, but there cannot be any roadblocks in the way for it to stay on that schedule.

CO-CHAIR NEUMAN thanked Mr. Noah for his work.

3:03:22 PM

TOM IRWIN, Commissioner, Department of Natural Resources (DNR), set the foundation from which he is speaking by quoting from an August 3, 2009, letter that he, Mr. Noah, and Department of Revenue Commissioner Pat Galvin received from Governor Parnell:

The well-being of our economy and people depends in significant part on cheaper energy. Thanks to Governor Palin's leadership we have a team working on in-state gas options for Alaskans. We remain committed to that work and will continue driving hard to assure Alaska's resources power Alaskan's homes.

MR. IRWIN said he personally supports this direct order from the governor. To further set the foundation from which he is speaking, he also quoted from Governor Parnell's December 2, 2009, response to a letter from Representative Ramras:

My commitment to bring a long-term, stable supply of energy to all Alaskans remains strong. My administration continues to evaluate the merits of a stand-alone pipeline from the North Slope, the foothills of the Brooks Range, and the Nenana Basin to Fairbanks and Southcentral Alaska, as well as a spur line to the Southcentral region from a major pipeline to the Lower 48. I want to assure you that all options to bring affordable and dependable energy to the Interior and the Railbelt are being explored.

COMMISSIONER IRWIN said the governor's letter closes by stating that the directives outlined in his August 3, 2009, letter remain in effect.

3:05:50 PM

REPRESENTATIVE RAMRAS interjected that he wrote an eight-page letter and the aforementioned quote was 100 percent of the response he received.

3:06:11 PM

COMMISSIONER IRWIN offered his appreciation for Co-Chair Neuman sending a letter to Governor Parnell which stated that Mr. Noah would be giving testimony [at this hearing]. He further related that Co-Chair Neuman's letter requested Governor Parnell to send members of his administration able to address the following: 1) the direction the governor will take in development of Alaska's in-state gas and infrastructure, and 2) questions raised in the November 18 [2009] letter from the chair of the House Judiciary Standing Committee. Commissioner Irwin said he is prepared to address both.

[3:06:49 PM](#)

CO-CHAIR NEUMAN offered his belief that Commissioner Irwin would also be addressing a letter to the administration from Representative Chenault, Speaker of the House.

COMMISSIONER IRWIN answered yes.

[3:07:13 PM](#)

COMMISSIONER IRWIN pointed out that the work done by Mr. Noah and his technical group has provided a real foundation, which is respected as are his team members. Governor Parnell has made it clear that he wants Mr. Noah's team to remain involved. He said Mr. Noah was being modest and has, at the governor's request, provided a list of qualifications that are important for the project manager's job, and the governor is pursuing looking at those qualifications.

COMMISSIONER IRWIN related that Governor Parnell supports the "bullet line" work, and [the department] also supports the "bullet line." The proof of the pudding is that in the governor's announced budget yesterday, \$6.5 million was proposed to carry forward the work on the "bullet line."

[3:08:59 PM](#)

COMMISSIONER IRWIN said he is convinced the AGIA project is working and moving forward. For example, when AGIA was presented it was heard the state would not get a qualified bidder, but the state got the premier pipeline company in North America [TransCanada]. It was heard that TransCanada could not be used because of the "withdrawn partner issue," but that has been resolved. It was heard that there would never be a company interested in joining this, but [Exxon Mobil Corporation

(ExxonMobil)] has signed an agreement with TransCanada. How the two companies have approached this is significant. When TransCanada presented its proposal it said it would design the pipeline but would like someone more qualified to do the gas treatment plant, and there is no company better qualified than ExxonMobil. These two large "A-team" companies know what they are doing and have come together in a seamless fashion in a very short time. Today they are designing a pipeline from the North Slope to Alberta as well as a pipeline to Valdez where commercial parties can come together.

[3:11:20 PM](#)

COMMISSIONER IRWIN said the state has gained several things from this. One gain was access to all of the data in the \$125 million study completed by the producers [in 2002]. Another gain was access to all the information for thousands of drill holes from the "Alyeska line." The design of North America's largest pipeline project has begun. The state has full access to inspect what is being done and how it is being done. These two companies are committed to making this work. Progress is being made, AGIA is moving forward, and legislators will see that progress at the end of January [2010] when the full filings are made for open season and the design, criteria, and information become available. ExxonMobil joined TransCanada because it sees that as the way to work with the state and as the way to get through Canada. Thus, the state has a good system going as well as significant progress.

[3:12:54 PM](#)

COMMISSIONER IRWIN said he is talking about AGIA because it is critical the state not get sidetracked since that is the economic long-term future of Alaska; AGIA does not exclude the work on the "bullet line." The time issue on the "big line" is the gas treatment plant for which real data needs to be received. Mr. Noah is right, the same kind of work on a gas treatment plant must still be looked at for the "bullet line" and Mr. Noah's team is needed for putting that information together. He said AGIA is working, but other significant things have to be done and [the administration] is working on them; it all links together. Short term, the state has an energy issue and the administration supports the conservation efforts; everyone can do better in every office.

[3:14:00 PM](#)

COMMISSIONER IRWIN, in recognition of the issues the state is facing, specified that work is being done on gas storage for the Cook Inlet. [The department] will be publishing a report imminently on Cook Inlet reserves that shows there are significant reserves left in Cook Inlet - the issue is they must be drilled, there must be deliverability, and the costs and incentives for having companies do that must be determined. The gas is there, it just needs to be drilled.

COMMISSIONER IRWIN noted the state has land management issues and is working on development plans across the state for the short-term. He said there is no lack of oil for "Flint Hills" where two cracking columns are currently being run at full bore. In his opinion, this is the sweet spot for Flint Hills on price. In the mid-term the state is working on alternative energy - for example, the \$25 million [transmission] line from [proposed] wind generators on Fire Island to Anchorage. More and more is being heard about underground coal gasification, and an independent company is investing in this.

COMMISSIONER IRWIN disagreed that the state is doing too many things and said these are critical things. He offered to talk about geothermal, exploration licenses, and LNG export if they brought up later. For the long-term, he said there is AGIA, the "spur line," and the "bullet line."

[3:16:27 PM](#)

CO-CHAIR JOHNSON inquired whether Commissioner Irwin agrees or disagrees with Mr. Noah's statement that the state needs to focus, pick a project, and move on with it; rather than the current track of investigating multiple types of projects.

COMMISSIONER IRWIN responded, "I believe we have to make decisions." As indicated in Mr. Noah's presentation, all of the information is not yet known; for example, neither the timing nor the cost of the gas treatment plant is yet known. What is good for the Railbelt could be a very different answer for rural villages. While the state cannot be everything to everybody, it can focus on energy, and that is what is being done by the different groups investigating different types of energy generation in different locations throughout Alaska. He argued that if [legislators] were to make a decision today, they would be lacking the information from all the design on AGIA, as well as lacking the "bullet line" information. He said his proposal is that [legislators] need to make decisions, but that they need to do it with more information.

COMMISSIONER IRWIN, in response to Co-Chair Neuman, stated he is bringing all of this up because it was discussed earlier and he does not want premature decisions to be discussed without that input.

[3:18:56 PM](#)

CO-CHAIR NEUMAN referenced Mr. Noah's contention that a lot of good people are working on a lot of good projects, but without good coordination between them. Coordination is the commissioner's job, he opined. He asked Commissioner Irwin what his plan is to bring these together, as requested in the governor's letter, because there is concern among legislators that communication and coordination is not happening.

[3:20:54 PM](#)

COMMISSIONER IRWIN replied he thinks [the department] has been trying its very best to comply with the spirit and the letter of the governor's letter. "We believe information should be shared," he said. For example, the "bullet line" data needs to be shared in relation to AGIA, but the issue is that neither group is finished with that imminently soon. Upon receipt of the governor's letter, he assigned Deputy Commissioner Rutherford to meet with Mr. Noah and to access Kevin Banks [Director, Division of Oil & Gas]. Mr. Noah reports to a different area, although everyone is all the same team, which is the administration. [The department] is communicating what it can as quickly as it can, although no one would disagree that there can always be more communication. Legislators and the administration are all working for Alaskans and there needs to be communication; however, he said he thinks legislators need to be very, very careful with all of the facts when deciding whether to exclude a project and whether today is the right day to make this decision. There is a time urgency, not a crisis, and there is a difference. He said the increased communication will start with him.

[3:23:21 PM](#)

CO-CHAIR JOHNSON asked whether Commissioner Irwin has talked with Mr. Noah's team members to learn if they are willing to stay on after Mr. Noah's departure.

COMMISSIONER IRWIN answered he is not hiring that individual, only relaying the governor's statement that he wants that team

and he therefore has no doubt this is what the governor is doing. While he believes a newly-hired leader would ask the team to stay on, he believes the team members would want to know who the leader is first.

[3:24:43 PM](#)

CO-CHAIR JOHNSON understood that Commissioner Irwin is not involved in the hiring of Mr. Noah's replacement and is not involved enough with Mr. Noah's team members to talk with them about whether they will be staying.

COMMISSIONER IRWIN responded he is not doing that because a member of the governor's staff, Mr. Gene Therriault [Senior Policy Advisor/In-State Energy], is the person responsible for doing that. Mr. Therriault reports to the governor as does he, but he has no doubt the governor will request those team members to stay. He said that for the good of the state he hopes the team members will decide to stay, and he will talk to the team members if he is asked to do so.

[3:26:04 PM](#)

REPRESENTATIVE RAMRAS said he shares Commissioner Irwin's view that it is a time urgency. He offered his belief that the state is on the cusp of an energy crisis for Alaskans, and that residents of the Interior are in full-blown energy crisis and therefore have a unique vulnerability. He inquired whether Commissioner Irwin believes the "bullet line" is a backup plan.

COMMISSIONER IRWIN replied that it depends. It is a necessity to move it forward because it is one of the arrows in the quiver. The timing and the costs need to be known. He said he takes Mr. Noah's word that the timing is aggressive. When [the administration] gave legislators AGIA, a very aggressive plan was not given. The reality is that the gas treatment plant [GTP] needs to be firmed up and is critical to get done. But is the "bullet line" a backup? What happens if gas is found in Nenana? He said he is hoping for great success in Nenana, and therefore [the administration] does not want to exclude that commercial development by proclaiming that all is done and it is the "bullet line."

[3:27:51 PM](#)

REPRESENTATIVE RAMRAS related that the in-state gas pipeline team said there are five increments so that the plan can be

adjusted accordingly should "Foothills gas," or "Nenana gas," or "Prudhoe Bay gas" show up. He asked whether the in-state gasline is considered a backup plan or not, and if it is, at what point the button is pushed to start down that approach. He reviewed the schedule presented by Mr. Noah and asked whether Commissioner Irwin agrees with this schedule.

COMMISSIONER IRWIN answered he cannot verify the timing, but in his mind the trigger has already been pulled because the work is already being done. If the legislature supports the governor's proposed budget the work will continue. Is it the primary backup today? Maybe. It is an analysis today that needs to be kept on track.

[3:29:16 PM](#)

REPRESENTATIVE RAMRAS inquired whether Mr. Irwin would support the future buyer of the state's package proceeding with work on an in-state gasline as a backup plan or as a plan to move forward that is unimpeded by DNR.

COMMISSIONER IRWIN responded there is no benefit of [DNR] impeding anything. Today that is an analysis, and as Mr. Noah explained that buyer would have to go do an EIS. Commercial parties are not going to totally sanction that, but it should keep moving forward. It is too critical to the people in Alaska for [the department] to decide today to stop or throw out anything. Things must keep moving and by [2011] the state will be so much wiser because it will have AGIA information, responses on open season, more information from the In-state Gas Project, responses on what happens with Cook Inlet, and perhaps another chance at a drill rig in Minto Flats or the foothills. A lot of sequential things are taking place and today is not the day to chuck out options; today is the day to make sure that all of these things are progressing.

[3:31:20 PM](#)

REPRESENTATIVE RAMRAS asked whether DNR will support - 12 months from now in the fourth quarter of 2010 and provided there is a conditional open season - putting this basket of permits, preliminary EIS work, and the engineering work up for sale to a bidder who will then pursue an in-state gas pipeline.

COMMISSIONER IRWIN replied that before he can say yes, he needs to know the cost of the "bullet line," the new timing of the "bullet line," who the commercial players are, and who the

parties are that are buying and selling the gas. He said he cannot be asked to give a blanket yes or no on anything because he must know the details before he can answer. As DNR commissioner, he will support anything that makes economic sense to get Alaskans economic energy.

[3:32:14 PM](#)

REPRESENTATIVE RAMRAS said he is talking about a buyer purchasing those permits, not the state moving forward in evaluating the risk variables. Will DNR support putting up for sale that basket of intellectual property with the implied notion that the buyer could proceed with an in-state "bullet line" and have DNR's support, he asked.

COMMISSIONER IRWIN answered that if there is a commercial opportunity he does not see any reason why DNR would not, knowing what is known today.

[3:33:03 PM](#)

CO-CHAIR JOHNSON inquired whether Commissioner Irwin sees taking 500 million cubic feet per day off the North Slope or Point Thomson as being any kind of a threat to a large diameter pipe.

COMMISSIONER IRWIN responded that [the administration] planned for that in AGIA. Then, what is being looked at is economies of scale and it is important for the state to consider that. If the "big line" moves forward, which he thinks it will, the best way to get economic gas energy is a "spur line" and this is provided for in AGIA. He does not see a competition there, and [the administration] made that clear and this is why 500 million cubic feet per day is in there. Also, as part of AGIA and part of the filing, it is required that the parties - TransCanada and ExxonMobil - do an in-state gas consumption analysis and this will be shared with everyone. That is in progress and will be critical to look at. It will show different consumption rates and where and when, and this will tie-in the help on this discussion.

[3:34:37 PM](#)

CO-CHAIR JOHNSON, in regard to Mr. Noah's statement that about 600 MMscfd is needed in addition to the 500 MMscfd to truly open the state for business, asked whether the work being done now on this pipeline is subjecting the state to treble damages.

COMMISSIONER IRWIN replied no. However, the issue that must be looked at is that Cook Inlet is not going to stop immediately. He said he believes Mr. Noah used the figures 250 million, 500 million, 750 million, and 1000 MMscfd.

[3:35:31 PM](#)

CO-CHAIR JOHNSON clarified that he is referring to Mr. Noah's statement about how much gas would be needed for Donlin Creek Gold Mine and gas-to-liquids (GTL) which would not necessarily come to Anchorage or be competitive with Cook Inlet gas, although anything that comes further would be competitive. He said he thinks the state has had too narrow a view of energy and should be looking at gasifying Alaska and therefore that is the number he wants to look at in terms of bringing gas.

[3:36:12 PM](#)

COMMISSIONER IRWIN answered that it must be decided what will be done with the gas. For example, [the department] has heard that Donlin Creek Gold Mine would rather take gas from Cook Inlet for the economics of it. A Cook Inlet study will shortly be released, at which time the numbers can be considered. It is a long ways to bring gas from the North Slope and it would kill the Cook Inlet basin, but it might be the decision that the "power people" make. Consumption of the 600 MMscfd plus the amount produced by Cook Inlet will not all happen at once. Thus, at startup and for a period of time there would need to be subsidization, because a low flow and a bigger line is not the economic way to go unless it is subsidized. The following must be looked at: timing of startup, where the 600 MMscfd of gas would be used, how quickly industry would switch over to it, and where that industry will start in the timeline for its permits. A timeline for when Donlin Creek Gold Mine and the Pebble Mine would start is currently unclear; thus, while the state can use them in its long-term planning, it cannot count on that into the bank when the first gas is run down the line.

COMMISSIONER IRWIN, in regard to exporting LNG, said [DNR] was terribly misquoted as [the department] would love to see the "LNG plant" running. [The department] supported that the last time by asking the companies to drill seven wells and they have honored that. This time, after watching what has happened in Cook Inlet, [DNR] believes that it is not a matter of drilling seven wells but of replacing the reserves that have been consumed. Legislators, the administration, and the companies need to have this important discussion. The LNG cannot continue

being shipped out at the current rate, the reserves must be replaced. [The department] has not said to shut down that plant; rather the reserves need to be replaced.

[3:38:53 PM](#)

REPRESENTATIVE RAMRAS, in regard to the "Conoco LNG facility," asked whether that is a reasonable standard that is going to allow for the survivability of that potential industrial anchor for a small diameter gas pipeline or whether that is a mechanism to accelerate a decision by the owners of the facility to not keep it open.

COMMISSIONER IRWIN responded that it could be a very important standard to keep replacing reserves in Cook Inlet to protect the people who are using gas. Should that be taken off the North Slope? If [legislators] think that is a critical step, "we could agree," he said. However, once the timing of the "bullet line" is seen and if it is close to the same time and LNG export is determined as the commercial way to go, then the question that must be asked is, Why not go to major LNG export given that a line to Valdez is already being designed?

[3:40:28 PM](#)

REPRESENTATIVE RAMRAS proffered that setting a condition on a producer that the producer does not want to meet is the same as the state not contributing to keeping that industrial anchor open, regardless of which gas line becomes a reality.

COMMISSIONER IRWIN replied that the timing needs to be looked at. The permits time-out in a year and [the "Conoco LNG facility"] will make its decision long before the "bullet line" gets here.

REPRESENTATIVE RAMRAS interjected that [DNR] can make that rational for [the "Conoco LNG facility"] by attaching unreasonable conditions.

COMMISSIONER IRWIN asked whether Representative Ramras is then proposing accelerating the depletion of resources in Cook Inlet and wishing to explain to the people in Anchorage where their gas went. The two sides to this story must be managed very carefully, because he does not think this is what Representative Ramras is proposing.

[3:41:57 PM](#)

REPRESENTATIVE RAMRAS said it is the gas that is coming out of Cook Inlet in the summer that is being talked about. He offered his understanding that there is insufficient storage and the "LNG plant" is being used for a makeshift storage facility in the winter. He related that while visiting that facility last week, people told him the state is leaving them high and dry and that they are anticipating looking for work. After March 2011, will the people at the "Conoco LNG facility" be looking for work, he inquired.

COMMISSIONER IRWIN answered he does not think so. He said a look at DNR's record will show that DNR went to bat for the "LNG plant" the last time. At that same time, DNR also protected the Alaskans in Anchorage by getting seven wells drilled, along with an agreement to help other explorers in the area put gas into that "LNG plant" when there is the capacity. The [LNG] plant would be shut down anyway in the high demand period of the winter, so DNR ended up being the plant's biggest advocate. He reiterated that the department must manage both, and noted that Deputy Commissioner Rutherford was the major player in working out all the issues last time.

[3:43:52 PM](#)

CO-CHAIR NEUMAN added that these questions are due to frustration. He returned the discussion to the topic of an in-state gasline and how that would be done and how jobs will be created for Alaskans.

COMMISSIONER IRWIN responded that the in-state gasline certainly will [create jobs for Alaskans].

CO-CHAIR NEUMAN surmised that under order of the governor, DNR will be supporting every available option and continue looking at every available option to sell Alaska's resources anywhere and everywhere it can.

COMMISSIONER IRWIN replied absolutely. The department has to pursue all these issues. He reiterated that he does not think it is a crisis, but that it is an absolute priority these things get sorted out. The department is pro-business and would love to see more export. However, DNR cannot work in a vacuum as the U.S. Department of Energy will make sure the in-state needs are met before an export is allowed.

[3:46:53 PM](#)

REPRESENTATIVE RAMRAS, in regard to a gas conditioning plant on the North Slope, asked whether Mr. Noah has the authority to discuss "shared services" with the producers to be able to propose that with the basket of assets for a potential buyer for the development of the "bullet line."

COMMISSIONER IRWIN answered that this is not an issue as long as it is information that is shared both ways. In further response, he clarified that [the department] does not see much opportunity on the slope to not build a facility that handles the new flow, so [DNR] would be interested in finding out what shared facilities, given that he does not know of a specific gas treatment plant that will prepare 600 MMscfd for a gasline.

[3:47:51 PM](#)

REPRESENTATIVE RAMRAS inquired whether In-State Gas Project personnel can talk to "Exxon" about potentially using Point Thomson gas which is superior with 4 percent carbon dioxide instead of 12 percent carbon dioxide and no hydrogen sulfide.

MARTY RUTHERFORD, Deputy Commissioner, Department of Natural Resources (DNR), responded that Commissioner Irwin cannot speak to this issue because the Point Thomson unit has been defaulted and is in litigation before Judge Gleason of the [Alaska Superior Court, Third District]. Settlement discussions are occurring on the unit issues with the previous working-interest owners. A second piece to this is defaulted leases, which is making its way through the administrative appeals process and is in front of Commissioner Irwin. Therefore, Commissioner Irwin cannot be involved in any discussion about either elements of the litigation discussions. Because the question of litigation is involved, everyone must take extreme care when discussing the Point Thomson area. However, there are companies led by "ExxonMobil" that are working on the leases that they did receive back from Commissioner Irwin and they are free to have any discussions they want about those leases.

[3:50:01 PM](#)

CO-CHAIR NEUMAN asked whether there have been conversations with "Exxon" or any other producers about in-state use via a smaller diameter gas pipeline.

MS. RUTHERFORD said she will take this question because it was phrased in such a way that it could involve Point Thomson. She

specified that neither she nor Commissioner Irwin has had conversations with any of the producers about their ability to speak with anybody else within the administration about processing gas for an in-state line. She said she thinks the producers are all free to do so and she hopes they do have that discussion. [The department] would be interested in knowing whether there is capacity within existing facilities to process new gas, whether it is gas into a "main line" or a "bullet line," because [the department's] perspective is that the capacity within any existing facility is inadequate.

CO-CHAIR NEUMAN said he believes these discussions did occur between producers and Mr. Noah.

MS. RUTHERFORD answered that Mr. Noah probably did those discussions, but she does not know. She deferred the question to Mr. Noah.

[3:52:01 PM](#)

REPRESENTATIVE RAMRAS requested an explanation of the relationship between DNR and the in-state energy advisor, Mr. Therriault, as well as an explanation of the relationship between the In-State Gas Project and DNR and Mr. Therriault. He said he is concerned that one message is being received from DNR and another from Mr. Therriault.

COMMISSIONER IRWIN responded that he was asked to represent the administration and that he is speaking for the administration. The relationship with Mr. Therriault is excellent, he said, and Mr. Therriault understands the requirements in his directive from the governor, as does DNR. [The department] fully supports the governor on this and it fully supports Mr. Therriault. [The department] wants to see all of this moving forward. He said he trusts that if Representative Ramras talks with Mr. Therriault real concurrence will be found.

[3:53:29 PM](#)

REPRESENTATIVE RAMRAS said it was not. Mr. Noah has obvious passion for the project and has resigned out of frustration over trying to advance the project. Representative Ramras surmised that because Mr. Noah did not express frustration with the governor, his frustration must be with DNR and Mr. Therriault.

COMMISSIONER IRWIN replied that he cannot put words in Mr. Noah's mouth. He said he supports Mr. Noah and that Mr. Noah

has done a lot for Alaska as both a commissioner and an individual to advance resource development. Commissioner Irwin stressed that he, the governor, and Mr. Therriault are all on the same page.

[3:56:22 PM](#)

CO-CHAIR NEUMAN interjected that it seems obvious there was a lot of frustration. He asked how things will be pulled back together.

COMMISSIONER IRWIN answered that he will not duck what Mr. Noah said today. He said he thinks there will be unanimity in pulling it back together. While choosing Mr. Noah's replacement is not in his purview, he is sure the new person will be good and that the team will be asked to stay engaged. Given the many technicalities, sensitivities, and legalities involved, there is much internal argument within DNR, but it is not disrespectful, and this is because DNR cannot afford to get it wrong. "We don't agree with folks on things," he continued. He said he has felt all along that the "bullet line" needs a gas treatment plant (GTP) because of what was learned with AGIA. But that does not mean [the department] is against the "bullet line" or against Mr. Noah and his team. It is important to share ideas and argue because these issues are critical to Alaskans and this is promoted internally within DNR. He said he wants people to be able to respectfully disagree and present the reasons supporting their positions. Speaking for the governor, Commissioner Irwin emphasized that the governor's support for the "bullet line" is shown through his words and his proposed budget.

[3:59:34 PM](#)

CO-CHAIR JOHNSON said he believes his constituents view the in-state gas pipeline as the number one priority. Therefore, he thinks it is important to make a decision on who the new project manager is and that this be done quickly so the team and momentum can be maintained. He asked whether Commissioner Irwin has any idea as to what the timing might be.

COMMISSIONER IRWIN responded that he can comfortably say it will happen in less than a month, but looking at resumes takes time. He said he trusts that Co-Chair Johnson's constituency wants economic, reliable, long-term energy that jobs can be built upon, not just a "bullet line." When the "bullet line" and AGIA

data come out in January [2010], [the administration] has an obligation to make sure that Alaskans know the details on this.

[4:01:45 PM](#)

CO-CHAIR JOHNSON agreed and said he appreciates the 30-day comment period. He expressed his concern that the information may not be as solid as it could be if a new project leader is not in place by that time.

COMMISSIONER IRWIN stated he will relay to the governor to make certain not to lose the good people on the project team. Because they are on contract, this can be done by keeping them on contract.

[4:02:24 PM](#)

REPRESENTATIVE RAMRAS inquired whether Commissioner Irwin is requiring the project team to build its own gas treatment plant or precluding the team from pursuing the existing gas conditioning facility on the North Slope.

COMMISSIONER IRWIN replied that what has been learned from AGIA is that there is going to be a need for these large facilities. He said 600 MMscfd is a huge amount of gas and is a big facility and there would be no reason not to consider an existing facility if it is there.

REPRESENTATIVE RAMRAS surmised the project team can proceed with exploring from an engineer's standpoint, the expanding, modernizing, or augmenting of the existing gas treatment facility shared by the producers.

COMMISSIONER IRWIN answered, "Of course, but we don't see those facilities there; we will be interested to hear about them."

[4:03:53 PM](#)

REPRESENTATIVE RAMRAS asked whether the in-state gas pipeline team can continue having meetings between commercial group buyers and sellers. He understood that this was discouraged by someone in the administration.

COMMISSIONER IRWIN responded that he thinks this is the governor's call, but he cannot answer it too much because some of those buyers and sellers could get to Point Thomson.

REPRESENTATIVE RAMRAS requested the deputy commissioner to answer his question.

MS. RUTHERFORD replied that the decision as to whether the coordinator can begin to facilitate commercial arrangements will be made by the governor's office. The only limitation that she knows has been placed on the coordinator is specifically referenced in the governor's August 5, 2009, letter where he states that any royalty discussions must be led by DNR. She noted that the project, as "we" understood it, was to analyze the costs, timing, and costs schedule for putting together a project so that it could be made available to the private sector through a request for proposals (RFP). Commercial negotiations takes it a step further and she said she is not that knowledgeable about what was intended there.

4:05:38 PM

REPRESENTATIVE RAMRAS reiterated his question as to whether the in-state gas pipeline team can continue having meetings between commercial group buyers and sellers.

MS. RUTHERFORD repeated she thinks that is a call the governor's office has to make. The only limitation she knows of is that royalty issues must be led by DNR.

REPRESENTATIVE RAMRAS inquired whether Ms. Rutherford is speaking for the governor, Mr. Therriault, or the administration right now.

MS. RUTHERFORD said she does not know the answer to that, but she does know that royalty issues are outside any coordinator's purview.

4:06:13 PM

CO-CHAIR NEUMAN asked whether the commissioner supports commercial working groups meeting with the in-state gas pipeline team.

COMMISSIONER IRWIN pointed out that those kind of negotiations can go from very innocent to very detailed. He said he would support real close communications with the two groups - "bullet line" and DNR - to make sure there is only one message because there could be something else going on in that particular world with royalty reduction, lease permitting, and so forth, and care

must be taken not to cross lines there. "We certainly can commit to working with the bullet line team," he said.

4:07:39 PM

REPRESENTATIVE CHENAULT, in regard to no net loss for the Cook Inlet, understood the state's position was that it would support "ConocoPhillips" in filing for an extension [of its LNG export license] provided "ConocoPhillips" replaced the reserves.

COMMISSIONER IRWIN said that is conceptual. That got into a very detailed, long, projected negotiation with the parties, and all parties behaved professionally. He said he thinks two things: gas for Alaskan consumption must be protected, and that means drilling and no brown-outs; and business in the Kenai is wanted. However, where it goes is critical because the Department of Energy will also be looking at what is the depletion rate.

4:09:09 PM

REPRESENTATIVE CHENAULT agreed, but said he may look at it from the standpoint that the state held "ConocoPhillips" over a barrel when it required the drilling of seven wells and allowing other explorers to put gas into that facility. He asked whether any explorer other than "Conoco" or "Marathon" has put gas into that facility since that contract was extended.

COMMISSIONER IRWIN responded that he is not aware if any have. He clarified that those parties asked [DNR] to get involved to sort out all of the issues to help get the LNG facility permitted again; so, [DNR] did not charge out there saying it wanted to butt in.

4:10:08 PM

REPRESENTATIVE CHENAULT agreed that the state did help, but in his opinion the state threw in its support for the extension after ["ConocoPhillips"] agreed to the seven wells and the other explorers. He said he likes the idea of no net loss, except if this is going to be done to the Cook Inlet and the Cook Inlet gas supply, then he is wondering what the effect would be if this was required of the three big producers on the North Slope to have a no net loss on oil production.

COMMISSIONER IRWIN pointed out that there is significant oil on the North Slope for the refineries, so the refineries are not

being shorted. The issue with Cook Inlet is the immediate concern of running out of gas. To export, the state and the companies will be required to ensure that the contracts in Anchorage are taken care of first.

[4:11:55 PM](#)

REPRESENTATIVE CHENAULT agreed that he does not want people in Anchorage, Fairbanks, or the Kenai Peninsula to run out of gas.

COMMISSIONER IRWIN quipped that he thinks people are already sending emails for Representative Chenault's suggestion.

REPRESENTATIVE CHENAULT continued. No one wants that gas supply to go away. The "LNG plant" is playing Russian roulette with having to store gas for the winter-time highs. If the plant goes away, so will the production wells, he opined. The production is high in the summertime, but the consumption is not. While it is as much a short gas supply in the wintertime, it is certainly a deliverability problem and not a supply of gas. He is worried the facility will be shut down and that if there is not a gas supply to bring it back online in enough time it will be mothballed and another 100 jobs will be lost, along with the previous loss of the 500 "Agrium" jobs, and it is due to a lack of gas supply in the Cook Inlet. Bringing a "bullet line" to the Cook Inlet kills the 500 Cook Inlet exploration and production jobs. He has deep concerns about any exploration in Cook Inlet given the beluga whales and other concerns and said it will become harder to explore both on and offshore in the Cook Inlet. He will do what it takes to keep those people working, as well as to try to take care of the consumers in the state, but it must be remembered that they do go hand-in-hand.

[4:16:28 PM](#)

CO-CHAIR JOHNSON noted that he sent a letter to Commissioner Irwin on December 7, 2009, which asked about starting the Alaska Oil and Gas Conservation Commission (AOGCC) process of establishing an allowable offtake from Prudhoe Bay.

COMMISSIONER IRWIN replied that the letter was received and the Division of Oil & Gas is working on it.

CO-CHAIR JOHNSON asked for the commissioner's or the department's position on getting a head start on allowable offtake on the North Slope.

COMMISSIONER IRWIN deferred to the staff of the Division of Oil & Gas. He said the question is legitimate and staff is preparing a legitimate answer that will be received soon and will be supportable for all parties.

CO-CHAIR JOHNSON inquired whether the commissioner feels the legislature has standing to request AOGCC to begin that study.

COMMISSIONER IRWIN said he does not know the answer to that.

4:18:03 PM

REPRESENTATIVE RAMRAS asked what the commissioner or deputy commissioner sees as the industrial anchor for a "bullet line" should the "Conoco LNG facility" shut down.

COMMISSIONER IRWIN answered he is not approaching it that the facility will be lost. "Our goal is to keep that facility running and protect people in Anchorage," he said. He spelled out what he would like to see: economic energy for people in Anchorage, an LNG plant that is running at large volumes, cheap energy for Eielson Air Force Base and Fort Wainwright, and conversion from diesel to gas for the Railbelt. He said he does not know whether "Agrium" will be able to come back because he does not know if the gas can be made cheap enough for Agrium to compete elsewhere in the world. He recognized that Fort Knox would not have been possible without economic energy. He assured members that he understands the gravity of the situation and therefore the programs are being worked on to get those answers as quickly as possible.

4:19:55 PM

REPRESENTATIVE RAMRAS reiterated his question in regard to a potential industrial anchor for a "bullet line."

COMMISSIONER IRWIN deferred an answer for three weeks at which time he will be able to see the projected numbers for consumption that are included in the report that "TransCanada" and "ExxonMobil" file with FERC.

REPRESENTATIVE RAMRAS stated that adding up the residential and light commercial use does not get anywhere near making a reasonably-sized pipeline economic because Eielson Air Force Base and Fort Wainwright are not industrial anchors.

COMMISSIONER IRWIN said he wants to wait for the aforementioned report. In further response, he stated that in the FERC filing the parties are required to do in-state gas consumption and that this is what he wants to look at.

[4:22:07 PM](#)

CO-CHAIR NEUMAN commented that he will let the numbers speak for themselves. Maybe there is no drilling in Cook Inlet because the producers want to keep their gas for 20 years from now, he mused. He related that the director of the Division of Oil & Gas told him that the division is not doing anything on in-state gas because the concentration is solely on AGIA. He said he is looking at this as a state-wide energy plan with an energy supply for uses all over Alaska, such as Donlin Creek Gold Mine, Red Dog Mine, Pebble Mine, and opening up mineral-rich land. A state-wide energy plan is not just shipping all of the state's gas outside of Alaska. The department is not talking about how to use the state's resources to create more jobs for Alaskans, he contended.

COMMISSIONER IRWIN reaffirmed that he would like to meet with the aforementioned folks when Co-Chair Neuman meets with them. Focus will continue on AGIA, the "bullet line," Cook Inlet, and the other things he listed earlier, he said.

[4:25:25 PM](#)

CO-CHAIR JOHNSON asked whether the FERC filing includes such things as a potential gas-to-liquids (GTL) plant, additional export, and consumption projections, and whether the state will use that number to play its own "what if" games for projected usage as opposed to what FERC will approve as a pipeline. He also asked what incentive the [AGIA license holder] would have to go to FERC with a consumption report that says the state is going to need 1.0 billion standard cubic feet per day (Bscfd) of gas when FERC is going to say that the [license holder] must carve that out of the 3.5-5.5 Bscfd flow in the "big pipeline." Given a low in-state gas consumption number would make FERC more likely to issue the permit, the [AGIA license holder] is negatively incentivized to make that number bigger, he opined.

[4:27:28 PM](#)

MS. RUTHERFORD understood that the pipeline owners are playing the "what if" game in their analysis and are looking at the options available over time that might be pursued for in-state

gas demand in the various regions. She has not seen the most current draft of the analysis, but she is told that that is what they will be accommodating and that they will also be running probabilities associated with those. In regard to whether the pipeline owners would be opposed to in-state offtake, she explained that a specific provision of AGIA is for spur lines off the main line. Pipeline companies make their money off pipelines and so the more pipelines the better. That does not mean they would want to see a huge offtake of gas - such as 1.0 Bscfd - which would change the economics of the throughput to the North American market. However, under AGIA, [TransCanada] had to accommodate an offtake of up to a 500 MMscfd before triggering the treble damages; so that was part of part of [the company's] proposal which it understood well. A "spur line" of over 500 MMscfd that comes off [TransCanada's] "main line" does not trigger the treble damages, she pointed out.

[4:29:11 PM](#)

CO-CHAIR JOHNSON said he thinks the state needs to move sooner rather than later and, therefore, what is being talked about is a "bullet line," not a "spur line." He reiterated that he does not see incentive for "Exxon" or "TransCanada" to have a probability study that is going to get to the 0.6 Bscfd number that Mr. Noah talked about because it takes the economics out of it. "TransCanada" testified that taking 0.5 Bscfd off in advance might jeopardize the project, he recalled, and in his opinion that is why this is the magic number that is included in AGIA.

[4:30:15 PM](#)

MS. RUTHERFORD responded that the [AGIA license holder] is required to do an adequate analysis of in-state demand and this will be reviewed by FERC. Whether it suits their economics or not, she said she believes [TransCanada] and "ExxonMobil" are committed to doing the best work possible in determining the growth opportunities for in-state demand.

MS. RUTHERFORD further noted that the LNG export license runs out at the end of the first quarter of 2011. Should "Conoco" and "Marathon" decide to pursue an extension, that is still ahead of the "bullet line" possibility. It was in the context of that extension that she and Mark Meyer answered questions from the Anchorage Daily News and talked about a no net loss or re-establishing the reserve base so that the Railbelt, which is dependent on the gas supply out of the Cook Inlet, does not go

dark and cold in the interim between when a "bullet line" or a "spur line" is available to replace depleting reserves.

[4:33:11 PM](#)

JOHN REEVES, Special Assistant to the Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), noted that he is the Alaska Gas Pipeline Transportation Project coordinator and that [DOT&PF] is part of Mr. Noah's team; for example, DOT&PF is the applicant for the in-state gasline. He became interested two years ago when Governor Palin said maybe the state should build a gasline if no one else does. He subsequently looked into who would have this statutory authority and found that it would be DOT&PF and this was confirmed by the attorney general. He helped to review the Request For Proposals (RFP's) that Mr. Noah contracted out to the engineering firms and said that DOT&PF is willing to help other parties in addition to Mr. Noah's team, including "TransCanada, Exxon, Denali group, the ANGDA group." The problem is that DOT&PF does not know where the gasline is going, which gasline is going to be built, what supply routes will need to be fortified, where the pipe is coming from and going to, and what size and how long the pipe is. [His department] was getting a pretty good idea of these things through Mr. Noah's team and the speed at which Mr. Noah's team was doing things. He said Mr. Noah is doing good work and it is a shame to lose him. When DOT&PF requested that it be able to identify gravel sources in the EIS for use in the construction of this gasline as well as any future gaslines, Mr. Noah agreed and [the department] is still working on that. Mr. Metz just sent him the drill hole data from the pits his firm has checked so far.

[4:36:44 PM](#)

CO-CHAIR NEUMAN asked whether an in-state gas pipeline is proceeding along at a good clip and what permits have been received at this point.

MR. REEVES replied that [DOT&PF] has applied for a couple of permits that started the process with the EIS. He said [DOT&PF] is available to provide help for "TransCanada" and "Exxon" when they get to that point. Mr. Noah's team is going more quickly and [DOT&PF] was facilitating that by going as quick as it could in its role of providing assistance. He allowed that he probably thinks an in-state gasline is especially important because he is from Fairbanks.

[4:37:58 PM](#)

MR. REEVES, in response to Co-Chair Johnson, said his opinion is that Mr. Noah is leaving the project because he is incredibly frustrated with the project not moving ahead and maybe even that brakes have been put on it. In response to further questions from Co-Chair Johnson, he said it was not DOT&PF who put the brakes on and he does not know who did because Mr. Noah answers to the governor's office, not him. He added that it is no accident that DOT&PF is the applicant. "If this is the project that gets built before the big line, then good for us; and if it is a spur line that comes off the bigger pipeline, then we're going to be right there to help whoever that is going be," he said. The gasline was a good idea at the start and it still is. For purposes of full disclosure, Mr. Reeves said he chaired the Alaska Gasline Port Authority for a couple of years and still thinks the "Valdez project" is the best project.

[4:40:45 PM](#)

MR. REEVES, in response to Representative Ramras, stated that he came to DOT&PF to help get a project. He agreed that Mr. Noah did the same. He said he thinks that if this project gets sold, DOT&PF will be the one to sell it because the permits and applications are in DOT&PF's name. It is not hard to build a gas pipeline, he said. It is not hard to weld pipe to pipe and bury it in the ground. A 24-inch line could be built [to Anchorage] in two years and a 12-inch line could be built in a year and a half. An 8-inch line could be built to Fairbanks in less than a year.

MR. REEVES noted that he and Rick van Nuinheis (ph) purchased the Alaska Gold Company, which was originally the United States Smelting, Refining, and Mining Company. They split the company and he received the gold properties in Fairbanks which are now his company called the Fairbanks Gold Company. He also received the archives for the original company in which he found an extensive report on the Railbelt usage of gas from Umiat and Gubik prepared by the Alaska Development Authority in 1954. The report shows how much oil and gas is in Umiat and where. This report concluded that a gasline should be built to Fairbanks, he related, and at the time that cost was projected to be \$16 million. This just keeps going around and around, as Mr. Noah said, and lots of work has been done it. It just boils down to deal making, he opined.

[4:46:17 PM](#)

MR. REEVES, in response to Co-Chair Neuman, said he does not support an in-state gasline, he prefers a gasline to Valdez; however, he is willing to help whichever project is going forward. In further response, he agreed that there are all kinds of opportunities for this gas. In regard to the 0.6 Bscfd, he has the same concerns about possible treble damages. The world has changed since AGIA was signed. He said he was a big supporter of it when it first came out, despite his disappointment of the port authority being "kicked to the curb" as a result. He said the question he has is if it had been known that "Exxon" was going to come along and take over the "TransCanada" project, Would legislators have voted to give them \$500 million to begin with? He offered his assistance to any members requesting it.

[4:49:37 PM](#)

CO-CHAIR NEUMAN inquired whether DOT&PF will continue moving on this project.

MR. REEVES answered he cannot look that far ahead at DOT&PF, but he is old school in getting things done. He noted that in the time the committee met today, he could have put together four sections. The state needs to say do it and just go do it.

REPRESENTATIVE RAMRAS said he shares Mr. Reeves' sentiments and the state should just build something and he is for small pipes and small dreams. A backward step was taken here today, he opined, as he had hoped members would be hearing about moving forward with potential in-state gas usage.

REPRESENTATIVE CHENAULT commented that he liked what Mr. Reeves had to say.

CO-CHAIR NEUMAN thanked Commissioner Irwin and his team.

[4:53:00 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 4:53 p.m.