

SENATE FINANCE COMMITTEE  
January 27, 2014  
9:09 a.m.

[9:09:45 AM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:09 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair  
Senator Kevin Meyer, Co-Chair  
Senator Anna Fairclough, Vice-Chair (via teleconference)  
Senator Click Bishop (via teleconference)  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson (via teleconference)

MEMBERS ABSENT

None

ALSO PRESENT

Angela Rodell, Commissioner, Department of Revenue; Joe Balash, Commissioner, Department of Natural Resources; Michael Pawlowski, Deputy Commissioner, Strategic Finance, Department of Revenue; Senator Hollis French; Senator Bill Wielechowski; Senator Charlie Huggins.

PRESENT VIA TELECONFERENCE

Daniel Fauske, President, Alaska Gasline Development Corporation.

SUMMARY

PRESENTATION: COMMERCIAL AGREEMENTS FOR ALASKA LNG PROJECT;  
THE HEADS OF AGREEMENT

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^Presentation: Commercial Agreements for Alaska LNG Project; the Heads of Agreement

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ANGELA RODELL, COMMISSIONER, DEPARTMENT OF REVENUE, explained the binder, "A Roadmap to Production of North Slope Gas" (copy on file). She stated that the day's discussion would highlight the Heads of Agreement for the Alaska Gasline Development Corporation (AGDC) and TransCanada. She felt that the project was very important and exciting for Alaska.

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JOE BALASH, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, stated that the bodies of agreement were an alignment of the parties to bring the gas to market, and provide expertise. He stated that there were key differences in the liquid natural gas (LNG) project. He stressed that there were some regulatory issues. He explained that the findings of the study contributed to the decisions that were included in the analysis and agreements. He stated that the main result of the study was the relationship between the state and the producers, and highlighted some differences.

Commissioner Balash continued to discuss the basic notions of the "Heads of Agreement" document (copy on file). He stated that the presentation would include the broad aspects of the Heads of Agreement (HOA). He remarked that the HOA demonstrated a fundamental shift in approach. The state would assert an equity interest in the resource, and take control of the terms of financing the state's share of the infrastructure. He felt that the shift would pay huge dividends to the people of Alaska and to the treasury over time. He stated that terms and conditions would be discussed in a broad sense, but would be utilized on a phased approach. He explained that there would be a set of broad terms presented, and would seek approval to advance into the next phase of development and commercialization. There were many broad things that matter to Alaskans, regardless of approach or projects: getting liquid natural gas (LNG) to communities and businesses; identifying terms that would ensure that Alaskans get jobs associated with the development of the project; and maximizing value as a resource owner and incentivize additional exploration and development beyond the proven resource. He stressed that the HOA would achieve each of those goals and objectives. He encouraged the committee to focus on the provisions in

Article 6, which was directed to the regulatory and access terms for instate use. He stated that page 16, Article 11 outlined the provisions specific to Alaska Hire, training, and workforce development. He explained that Appendix A spoke to the principles for expansion of the project.

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MICHAEL PAWLOWSKI, DEPUTY COMMISSIONER, STRATEGIC FINANCE, DEPARTMENT OF REVENUE, presented the PowerPoint, "Heads of Agreement, a Presentation to the Senate Finance Committee" (copy on file). He stated that the purpose of the presentation was an explained of how to read the HOA document, which was a broad roadmap for the development and commercialization of North Slope LNG. He stated that there were some nuances, so he wanted to methodically explain each section in order to feel comfortable with the document.

Mr. Pawlowski discussed slide 2, "What is a Heads of Agreement?"

Definition:

"A non-binding document outlining the main issues relevant to a tentative partnership agreement. Heads of agreement represents the first step on the path to a full legally binding agreement or contract, and serves as a guideline for the roles and responsibilities of the parties involved in a potential partnership before any binding documents are drawn up."

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Mr. Pawlowski looked at slide 3, "The Heads of Agreement is for the Alaska LNG Project." He stated that the slide was intended to explain the large scale of the project and its components. He stated that previous efforts by the state to commercialize North Slope gas had focused on two of the components: a treating plant and a pipeline. He stressed that an LNG project was more complicated by the inclusion of the liquefaction plant and a storage and loading facility. He stressed that it was a world class and world scale project.

Mr. Pawlowski discussed slide 4, "Organization of the Heads of Agreement."

The Heads of Agreement (HOA) is broken into 16 sections that include:

-Recitals of recent events and understandings between the parties.

-13 Articles covering guidelines for the development of the project and the roles and responsibilities of the Parties to the agreement.

-An appendix articulating access and expansion principles for the project.

-An exhibit that provides copies of the 3 letters to Governor Parnell from the Producer Parties and TransCanada.

Mr. Pawlowski highlighted slide 5, "Guide to who is being referred to the in Heads of Agreement."

"The Administration"

Includes:

- Department of Natural Resources (DNR)
- Department of Revenue (DOR)

References may also be made to "Commissioners" or the "State" in the HOA.

"The Parties" or "Party"

Includes:

- The Administration
- The Alaska Gasline Development Corporation ("AGDC") or an AGDC Subsidiary
- TransCanada Alaska Development Inc. ("TADI")
- ExxonMobil Alaska Production Inc. ("EMAP")
- ConocoPhillips Alaska, Inc. ("ConocoPhillips")
- BP Exploration (Alaska) Inc. ("BP")

Mr. Pawlowski explained slide 6, "Guide to who is being referred to in the Heads of Agreement."

"Alaska LNG Parties"

Includes:

- The Alaska Gasline Development Corporation ("AGDC") or an AGDC Subsidiary
- TransCanada Alaska Development Inc. ("TADI")
- ExxonMobil Alaska Production Inc. ("EMAP")
- ConocoPhillips Alaska, Inc. ("ConocoPhillips")
- BP Exploration (Alaska) Inc. ("BP")

"Producer Parties"

Includes:

- ExxonMobil Alaska Production Inc. ("EMAP")
- ConocoPhillips Alaska, Inc. ("ConocoPhillips")
- BP Exploration (Alaska) Inc. ("BP")

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Mr. Pawlowski highlighted slide 7, "Key Recitals."

1. Recognizes changed circumstances in the Lower 48 natural gas markets led Governor Parnell to call for a change in direction, under AGIA, in the development of North Slope Gas to an LNG project.
2. Recognizes funding by the State under AGIA has supported key activities for the LNG project but that both the Administration and TransCanada believe it is appropriate to transition from the AGIA license to focus on the Alaska LNG project.
3. Recognizes that AGDC is pursuing the Alaska Stand Alone Pipeline ("ASAP") project and that the Alaska LNG project and ASAP intend to cooperate with one another.
4. The Alaska LNG Parties wish to ramp up the Pre-FEED phase of the Alaska LNG project, which is estimated to cost over \$400 million.

Recitals:

The purpose of the Recitals section, found on pages 2 through 4 of the Heads of Agreement, is to provide context for the agreement, describe recent events and articulate certain roles, goals and direction for the Alaska LNG Project and Alaska Stand Alone Pipeline ("ASAP") project currently being advanced by the Alaska Gasline Development Corporation (AGDC).

Mr. Pawlowski discussed slide 8, "Key Definitions."

1. "Enabling Legislation" describes the key components of legislation (described in more detail in Article 7) necessary to advance the project.
2. "MOU" refers to the agreement, referenced in Article 5.4, between TransCanada and the Administration to transition from the AGIA license to a commercial relationship.
3. "Pre-FEED" means the pre-front-end engineering and design work and activities for the Alaska LNG project that are sufficient to support filings for the Federal Energy Regulatory Commission (FERC).
4. "RIK" means Royalty in Kind as described in Article 8.1.1, where in lieu of receiving payments for the value of the State's royalty, the State takes a share of the gas produced.
5. "TAG" means "Tax as Gas" as described in Article 8.1.1, where in lieu of receiving payments for production tax the State would receive a share of the gas produced.

Definitions:

Article 1 of the Heads of Agreement begins on page 4 and goes through page 7 of the agreement. In Article 1 a reader can find definitions for key terms used throughout the agreement.

It is important to note that when a term is capitalized in the agreement it is referring to a specific term that is defined in Article 1.

Mr. Pawlowski displayed slide 9, "Key Provisions."

## Article 2: Principles

1. Recognizes that if Enabling Legislation is passed that the Parties would negotiate contracts that would incorporate the principles in the agreement.

## Article 3: Benefits of the Alaska LNG Project

1. Gas to Alaskans: The opportunity for competitively priced, reliable in-state gas supply;
2. Jobs to Alaskans: Creating jobs for Alaskans in the exploration, development, production and transportation of natural gas.
3. Revenues to the State: Additional revenues to the State.
4. Opportunities for additional gas development: Infrastructure enhances opportunities for more gas development.

### Principles and Benefits:

Articles 2 and 3 of the Heads of Agreement are found on page 8 of the agreement.

Article 2 describes how the Heads of Agreement sets out the guiding principles upon which the Parties wish to progress work on the Alaska LNG Project and a roadmap for project.

Article 3 describes broadly some of the key benefits of developing the Alaska LNG Project to stakeholders.

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Mr. Pawlowski highlighted slide 10, "Key Activities."

1. The development of sufficient information for evaluating the technical, cost, and schedule aspects of the Alaska LNG Project.

2. The development of key project services agreements for the State's gas with TransCanada and AGDC (or an AGDC subsidiary).

3. The Parties would work to develop mutually agreeable gas offtake and balancing agreements.

4. The State and each of the Producer Parties would initiate preliminary, individual LNG or gas sales or shipping efforts.

1. This may also include the State (directly or through AGDC or an AGDC subsidiary) working with each Producer individually to develop agreements for the disposition of a portion of the State's LNG (Article 8.3.3).

Alaska LNG Project Work:

Article 4, found on pages 8 and 9 of the Heads of Agreement, describes what work will be conducted during the Pre-FEED stage of the project.

The Pre-FEED stage is expected to take between 18 and 24 months.

The Pre-FEED stage would be followed by a review by each Party, its management and the decision to proceed to the next stage ("FEED") would be up to each individual Party.

Mr. Pawlowski discussed slide 11, "Putting Pre-FEED in Context." He stated that the slide came from Exhibit 1-B on page 32 of the HOA. He stated that the slide put the phases into context. He noted that the concept-selection stage of the project was almost complete. He pointed out that the developments included several moments where each party made the determination as to whether the project should proceed. He stated that the Pre-FEED stage was expected to take between 12 and 18 months and cost between \$4 and \$500 million. He remarked that once the Pre-FEED stage was complete, the expectations of billions of dollars would be utilized.

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Mr. Pawlowski highlighted slide 12, "Key Provisions."

1. State participation in the Alaska LNG Project could yield significant benefits to the State including:

- A. Maximizing the value of the State's resources for the people of Alaska.
- B. Deliver gas to Alaskans.
- C. Public transparency of State's approval process.
- D. An opportunity for additional State revenues.
- E. Access and pro-expansion principles for the Alaska LNG Project.
- F. Improving alignment of interests between the State and the Producer Parties.
- G. Reducing valuation and other potential disputes between the Producer Parties and the State.

2. State will participate in the infrastructure by entering into agreements with TransCanada and a Subsidiary of AGDC to carry the State's interest in the infrastructure.

3. The State's interest should be consistent with the State's share of the gas (20 percent-25 percent).

#### State Participation in the Project

Article 5 begins on page 9 of the Heads of Agreement and concludes on page 11 of the agreement. The Article describes broadly the reasons for State participation in the Alaska LNG Project, the Parties support for State participation and how the State would participate in the project.

Additionally, Article 5 also describes how the Administration would participate during the Pre-FEED stage and provides principles for access to information during the life of the project.

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Senator Hoffman wondered if the 20 to 25 percent would also include 20 to 25 percent of the construction cost of \$45 to \$60 billion. Mr. Pawlowski replied that the percentage included the construction, with the key being the

investment in the infrastructure consistent with the share of the gas.

Mr. Pawlowski displayed slide 13, "Key Provisions."

1. At least five Alaskan offtake points for Alaskans to get their gas.
2. Locations of offtake points will be developed in consultation with AGDC. AGDC's work on ASAP will greatly benefit the State and Alaska LNG Project in developing these locations.
3. Each Party's shares in capacity would be managed on a proprietary basis; essentially creating "projects within a project."
4. AGDC and TransCanada's shares of capacity in the project are committed to provide access to third parties on terms developed with the State.

Regulatory Framework, Access and Expansion:

Article 6 begins on page 11 and continues through page 12 of the Heads of Agreement. Article 6 describes the Parties commitment, during Pre-FEED to advance the Alaska LNG Project under Section 3 of the Natural Gas Act.

The Article is designed to recognize the availability of a tailored regulatory framework under Section 3 and that the access and expansion terms developed for the project would be consistent with Appendix A of the Heads of Agreement.

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Mr. Pawlowski explained slide 14, "Why expansion principles are important."

Alaska has significant gas resources on the North Slope.

Current known reserves are 35 trillion cubic feet (TCF); USGS estimates of technically recoverable conventional gas resources are more than 240 TCF.

Pro-expansion guarantees Alaskan land beyond Prudhoe and Pt. Thomson continue to be explored for gas and that the gas will get into the line and benefit Alaskans.

Mr. Pawlowski displayed slide 15, "Appendix A: Pro-Expansion Principles."

A key foundation for Article 6: Regulatory Framework, Access and Expansion is found in Appendix A (pages 21-23) of the Heads of Agreement.

These principles provide high level principles governing the expansion of any component of the Alaska LNG Project.

The Appendix commits the Parties to the principle that components of the Project (treatment plant, pipeline etc.) can be expanded and a new LNG train can be installed.

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Mr. Pawlowski highlighted slide 16, "Enabling Legislation."

Article 7 begins on page 12 and continues through page 13 of the Heads of Agreement. The article describes in broad terms the necessary component of "Enabling Legislation" that the Parties believe is necessary to advance through Pre-FEED for the AK LNG Project.

The Article describes a two stage process where:

1. General take terms and mechanisms for State participation are enacted during the 2014 Legislative session.
2. Project enabling contracts are returned to the Legislature for review in a 2015 legislative session.

The Timeline:

April 2014: Legislature passes enabling legislation.

2014 - 2015: Administration and Alaska LNG Project Parties develop project enabling contracts, including, but not limited to, agreements with TransCanada and AGDC for project services for the State Gas Share, gas offtake and balancing agreements with the Producer Parties, and preliminary LNG or gas sales contracts.

2015: Legislature considers project enabling contracts.

2015-2016: Parties decide whether to advance to FEED.

Mr. Pawlowski explained slide 17, "Key Provisions."

Royalties and Production Taxes:

Article 8 which begins on page 13 and continues through page 15 of the Heads of Agreement describes changes to the State's royalty and tax system that will facilitate progress on the Alaska LNG Project by creating a predictable State Gas Share.

The State Gas Share is the combination of royalty in kind (RIK) gas and tax as gas (TAG) received by the State for its Production Tax.

The Article also provides guidance for the range of Production Tax (~7 percent-13 percent) that the Parties believe will enable the Alaska LNG Project to advance.

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Senator Dunleavy wondered if there was a provision to prevent one party from backing out of the project. Mr. Pawlowski replied that it was a part of the commercial agreements that get developed during the Pre-FEED stages resolving exactly what happens for a coalition of the willing to proceed with participation in the project. He stressed that the state would retain rights to assets that allow the continuation of the project. He stressed that the HOA highlighted why it was so important to keep the project. He stated that there was a group of invested parties, but there was no foregone conclusion.

Mr. Pawlowski continued to discuss slide 17:

1. Alaska Statute AS 38.05.182(a) provides that "royalties on oil and gas shall be taken in kind unless the commissioner (DNR) determines that the taking in money would be in the best interest of the state."
2. The November 2013 "Alaska North Slope Royalty Study" performed by Black & Veatch identified potential issues related to the State taking in-kind; primarily those associated with marketing risk.
3. In Article 8.3.3 the Producer Parties commit, if asked by the State to "negotiate separately with the state in good faith to enter into an agreement with the State regarding the purchase or other disposition of a portion of the LNG that is made from the State's deliveries (RIK + TAG) of natural gas to the Alaska LNG project."

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Mr. Pawlowski looked at slide 18, "Key Provisions."

1. The Administration, in consultation with local governments, will develop payments in lieu of property tax and impact payments during construction for the project.
2. Project enabling contracts negotiated between the Parties will need to be of sufficient duration to support investment decisions, permit realization of a competitive economic return, to enable necessary financing, and to support gas and LNG sales agreements; all of which are needed by the State as well as the Alaska LNG Project Parties to advance the project.
3. General support for the development of necessary infrastructure and other local, State and federal permitting requirements.
4. A healthy, long-term oil business.

Other Project Enabling Terms and Additional State Support for the Alaska LNG Project

Articles 9 and 10, found on page 15 of the Heads of Agreement detail other terms necessary to advance the Alaska LNG Project through Pre-FEED and into FEED.

Those terms include a broad range of continued State and stakeholder support at the local, state and federal level for the project.

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Mr. Pawlowski highlighted slide 19, "Alaska Hire and Content; Key Estimates."

Article 11 is found on page 16 of the Heads of Agreement and provides key direction for the Alaska LNG Parties in developing the project.

These include guidance to:

- Hire Alaska residents,
- Contract with Alaska businesses,
- Participate with the State Department of Labor and Workforce Development to update training plans and provide training, and
- Commit to negotiate in good faith project labor agreements for the Alaska LNG Project.

Estimated Total Cost: \$45 - \$65 billion

Jobs:

Producing Fields: 500 - 1,500  
Gas Treatment Plant: 500 - 2,000  
Pipeline: 3,500 - 5,000  
Liquefaction Plant: 3,500 - 5,000  
Storage/Loading: 1,000 - 1,500  
Peak Construction: 9,000 - 15,000  
Operations: ~1,000 jobs in Alaska

Mr. Pawlowski looked at slide 20, "While North Slope gas commercialization is challenging, working together, we can maintain the momentum toward our shared vision for Alaska." He stated that the photo on the slide was of Pt. Thompson.

He remarked that the development of the gas resource at Pt. Thompson was a key foundational element for the Alaska LNG project development.

Co-Chair Meyer wondered if there was a timeline in the presentation. He specifically asked when construction would occur. Commissioner Balash replied that there were different phases of the project. He stated that the soonest phase would occur in 2017 and the longest would be 2018 or 2019.

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Co-Chair Meyer stated that there was no discussion of the actual bill, because the bill was in the Senate Resources Committee. He expressed concern, because the discussion was redundant. He felt that the issue was positive, because there was a partnership between the state and the producers. He remarked that there was some leverage with the state's "bullet line." He wondered if there were any other differences that could be added to the discussion. Commissioner Balash replied that there were some key distinctions with regard to why this project was different. He specifically pointed out that the producers were behaving differently. He remarked that the settlement agreement for ending the dispute at Pt. Thompson called for a couple of very key decision points. He explained that the structure of the Pt. Thompson was an acknowledgement that the acreage belonged to the State of Alaska, and if nothing occurred the property was returned to the state. There was a certain amount of time that the working interest owners at Pt. Thompson had to get the field into production initially and more fully develop the field. The initial undertaking in the settlement agreement was to bring the initial production system (IPS) online to produce condensate through a cycling program, which must be put into production to deliver hydrocarbons into the pipeline by 2016. He stated that there would be a period of time under which the working interest owners must commit to develop and then commit to more fully invest in the field. He stated that "fully invested field" was outlined in three options: 1. expand the cycling program; 2. blow the field down, and take the gas to Prudhoe Bay for increased oil recovery; and 3. sanction a major gas sale project. He stated that of those three options, the third option was the greatest economic driver. He felt that because of third option, the working interest owners were highly motivated

to keep the property at Pt. Thompson. He stressed that the commitment must be made by 2019, which lined up well with the timelines that had been presented.

Commissioner Balash furthered that Prudhoe Bay was a unique hydrocarbon system that had produced billions of barrels of oil, and had the promise to produce trillions of cubic feet of gas. He explained that the gas had been re-injected for the recent 20 years to recover more oil. He stated that, historically, when the companies had evaluated various opportunities to commercialize North Slope gas, they had to take into account the oil that would not get produced, if the gas was blown down and sold. When the company calculated that particular loss of opportunity, it would negatively affect the overall economics. The field economics were currently approaching the turning point in the field's economics; specifically in the recovery of gas versus oil. The continued re-injection of Prudhoe Bay gas would stop returning the same benefit that it had previously. Therefore, the negative hit on the economics from the loss of the economics of the oil was disappearing.

Vice-Chair Fairclough stated that she was going to go offline, because she was boarding a plane.

Commissioner Balash stated that the profiles of oil production in Prudhoe Bay and a gas blow down circumstance resulted in the oil losses decreasing. This profile would result in the desire to produce and sell the gas.

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Co-Chair Meyer stressed that the industry did not often explore for oil, because typically the found gas was stranded. He felt that the addition of a gas pipeline would encourage more oil production.

Mr. Pawlowski remarked that the issue was not about what might happen, but rather what was currently occurring. He explained that the previous summer had a significant summer field season conducted. He stated that the companies were quietly perusing land acquisition for the LNG terminal. He felt that there were present-day activities that gave more promise than past activities.

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Senator Hoffman looked at slide 11, and noted that there would be at most 17,000 jobs. He then looked at slide 19, and noted that the number of jobs was 30,000. He wondered where the discrepancy was in those numbers and how they could be reconciled. He also looked at page 19, and wondered if the Pre-FEED could be put into a concept section. He wondered what the state was doing to prepare Alaskans for the new jobs within the timeframe. Commissioner Balash stated that there had been previous efforts that prepared Alaska for the jobs. He stated that there was a strategic workforce training plan that examined the occupations that would be included in the various stages of the project.

Senator Dunleavy remarked that there was new idea that gas would become more valuable than using it as a vehicle to get the oil out of the ground. He wondered how the efforts to produce more oil would affect the long-use system of re-injecting gas. Commissioner Balash responded that the specifics for any investment decisions would vary case by case. He stated that the legislature had recently accomplished was to take what was a moving tax rate with corresponding moving deductions and stabilized the horizons so investments could be made with an eye to a longer term. He stated that some of those decisions would go to the infield activities at Prudhoe Bay to allow the decision making to proceed in a more straight forward manner.

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Mr. Pawlowski furthered that it was important to distinguish between the Prudhoe Bay initial producing area, and the Prudhoe Bay unit. British Petroleum had discussed the pilot project at the Sag River Formation, which was another stratum of oil that was within the Prudhoe unit, but not a part of where the gas was located. He stressed that there were developments in the unit that were different than the gas relationships, that he felt would result in gas and oil production occurring simultaneously.

Co-Chair Kelly wondered if the construction of the project would qualify for production tax credits. Mr. Pawlowski replied that there were concerns regarding the definition of "point of production" for the purposes of the production tax. He stated that activities upstream of the point of production were eligible for capital credits.

Commissioner Balash furthered that the way that progressivity was calculated was related to Alaska's Clear and Equitable Share (ACES). He stated that the tax rate that changed under ACES was increased as a function of the profitability of the oil on a per-barrel basis.

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Co-Chair Meyer surmised that most of the gas would be from Pt. Thompson and blended with gas from Prudhoe Bay. He wondered what the blended gas royalty would be. Commissioner Balash replied that the royalties at Prudhoe Bay were generally and mostly one-eighth royalties or 12.5 percent. At Pt. Thompson the royalties were mostly one-eighth leases at 16 and two-thirds. He furthered that some were one-seventh at 14 and six-sevenths. He stated that the exact ratio for the project that depended on the decisions made by the Alaska Oil and Gas Conservation Commission (AOGCC). The operators of the fields would need to secure off-take allowances from the commission, and those off-take allowances would potentially be approved in different time sequences. He stressed that Pt. Thompson had a tremendous amount of gas at high pressure and would be capable of rapid production.

Co-Chair Meyer queried the regulatory body that would oversee the pipeline. Commissioner Balash responded that the regulatory jurisdiction would be either entirely Federal Energy Regulatory Commission (FERC) Section 3; some combination of FERC Section 3 and Section 7; or FERC Section 3 and Regulatory Commission of Alaska (RCA). He stated that the jurisdiction of the respective agencies would dictate that decision. He stated that the state would see how FERC Section 3 could fit over the entirety of the project and allow all of the goals of the state.

Co-Chair Meyer assumed that the partnership with TransCanada would eliminate the AGIA license. Commissioner Balash replied that the state had agreed with TransCanada to terminate the license upon passage of the enabling legislation.

Senator Dunleavy wondered what would happen with the remaining money for that agreement. Commissioner Balash replied that there was no obligation to reimburse the remaining \$170 to \$200 million that was authorized under the AGIA license. The information under the license that

had been developed under the license that was pertinent and relevant to AK LNG would be contributed to AK LNG by the licensee.

Senator Bishop stated that he would ask his questions in person.

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Senator Olson wondered how far into the project the state had to participate, before the state did not have the ability to step away from the project. Mr. Pawlowski replied that one of the defining characteristics of the process was that there were multiple points along the path where the state had the opportunity to take a step away from the project. The state always had the ability to step away, but the cost of stepping away would be higher as the project develops, because the state had invested in the project.

Senator Dunleavy looked at the AGIA agreement, and wondered at what stage of the process that current agreement would cease to exist and merge into this project. Commissioner Balash responded that he and Commissioner Rodell had signed an MOU with TransCanada. Under the AGIA statute, he and Commissioner Rodell were vested with the authority to abandon the AGIA license. He stated that they outline with TransCanada stated that the process itself would involve the passage of the enabling legislation, abandonment of the license, and execution of a precedent agreement for transportation service.

Senator Dunleavy surmised that it was a three step process. Commissioner Balash disagreed, and furthered that the agreement to terminate the license was triggered by passage of the enabling legislation.

DANIEL FAUSKE, PRESIDENT, ALASKA GASLINE DEVELOPMENT CORPORATION (via teleconference), stated that he had no comments to contribute to the discussion.

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ADJOURNMENT

[10:40:17 AM](#)

The meeting was adjourned at 10:40 a.m.