

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

January 27, 2014

3:31 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop (via teleconference)
Senator Lesil McGuire
Senator Anna Fairclough
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION ON GASLINE ISSUES: HEADS OF AGREEMENT-MEMORANDUM OF UNDERSTANDING

-HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ANGELA M. RODELL, Commissioner
Alaska Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Provided an overview for the Heads of Agreement.

JOE BALASH, Commissioner
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided an overview for the Heads of Agreement.

MIKE PAWLOWSKI, Deputy Commissioner
Alaska Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Provided an overview for the Heads of Agreement.

ACTION NARRATIVE

[3:31:11 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Dyson, Fairclough, French, McGuire, and Chair Giessel.

PRESENTATION ON GASLINE ISSUES: HEADS OF AGREEMENT

[3:31:41 PM](#)

CHAIR GIESSEL said the committee will begin the discussion of Alaska gasline issues. She declared that the committee will review the Heads of Agreement (HOA) document.

[3:32:28 PM](#)

CHAIR GIESSEL welcomed Senator Bishop to the meeting via teleconference.

[3:32:34 PM](#)

SENATOR BISHOP announced that he was joining the committee online from Fairbanks.

[3:32:44 PM](#)

ANGELA M. RODELL, Commissioner, Alaska Department of Revenue (DOR), Juneau, Alaska; said this is a very exciting time for the state of Alaska. The state has been working for a long time on figuring out how to bring to bear commercialization of the state's North Slope gas and to find a way to create opportunity for Alaskan jobs, gas, and revenue.

COMMISSIONER RODELL explained HOA is an "umbrella" format in which the state and the parties to the agreements have come together, including [TransCanada-Alaska Development Inc. (TADI)] and Alaska Gasline Development Corporation (AGDC). She asserted that HOA shows the roadmap laid out over the past two years and provides a framework to address the Governor's gasline bill. She said today's HOA overview will provide a framework and a basis for understanding and to answer questions the committee may have about the specific agreement. She noted that the Memorandum of Understanding (MOU) with TransCanada will be addressed at a later meeting. She set forth that DOR wants to work with the

legislature to continue working forward and moving the very important gasline project to the state's future forward.

3:34:58 PM

JOE BALASH, Commissioner, Alaska Department of Natural Resources (DNR), Anchorage, Alaska; announced that the state is at a point in time and in a place with regard of the development of the Alaska Gasline Project (AKGP) is unique. He noted that there were a couple of particular things that are unique about AKGP that has him excited as an Alaskan.

COMMISSIONER BALASH pointed out that with enabling legislation passage, the state and each of the producer parties are going to undertake the initial marketing efforts that will hopefully result in the sales and purchase agreements of North Slope Liquid Natural Gas (LNG). He said over the past couple of decades many fine Alaskans have gone out and attempted to sell Alaska LNG in the Asia marketplace without gas or agreements to procure gas. He asserted that the current gasline proposal is quite different.

He addressed HOA and noted that the approach taken with the other parties is a phased approach where each set of parties can make commitments that are commensurate with those commitments being made by the others. He summarized that the intent is a two year commitment and tens of millions of dollars on the state's part. He explained that all of the chips are not being placed in one hand and no one is being asked to sign up for a 30 year contract. He said what is being asked for are a couple of key things that will enable the state to engage the market and really test whether the state has a project that can fulfill all of the goals that Alaskans have had for so many years.

3:37:22 PM

He explained the key differences in considering an LNG pipeline project as opposed to a North America based overland project. He said there are differences in the market, regulatory jurisdiction, and types of contracts involved. The biggest difference is there has to be a buyer at the other end of the contract for an LNG project. When the project pursued a North America based project, gas was to be taken from the North Slope fields through highly regulated infrastructure, all the way to a very deep, liquid, and transparent market place. He said the question was not whether the gas could be sold, but how much the gas could be sold for. He continued that the big contract in question was the shipping contract, typically taken out by the producer.

COMMISSIONER BALASH said when analyzing LNG arrangements, having a buyer in place is required. He said the basis for an LNG project is the Sales and Purchase Agreement (SPA), a daisy-chain of contracts. He explained that an LNG buyer is typically from a country that does not have domestic energy supplies of its own; therefore they are highly interested in energy security and check every link in the chain, all the way up the reserves that they are buying.

He said knowing that there were differences with an LNG project caused a need to know more. He recounted that DNR commissioned, with the assistance of DOR, a study to engage in an investigation of all the differences in LNG to understand how the state can maximize its value.

[3:39:34 PM](#)

He found that due to some differences in the regulatory authority that would govern an LNG project, the liquefaction charges that might be levied against Alaska's gas as royalty owners could be quite high. He noted that there were memories of what had gone on with pipelines in the past and the memories caused pause to reflect on why the state has had challenges and problems with the producers over the years. He asserted that the challenges and problems came down to a misalignment of interests. He said the question of tolls and tariffs is to minimize their impact in order for the state to maximize its royalty revenue in addition to the desire to see the barrier to entry as low as possible. He said at the end of the day the state is going to pay for its share of the infrastructure through tariffs and tolling arrangements on the liquefaction. He purposed taking a look at what would happen if the state was to pay for its share of the infrastructure upfront and take an equity position in the project. What the DNR found in the study and the conclusions fed into the thinking on HOA and the approach to take going forward.

[3:41:36 PM](#)

He said regardless of whether the discussion addressed an overland project or an LNG project; there are some key things that matter greatly to Alaskans:

- Getting gas to Alaska's homes, communities, and businesses;
- Making sure Alaskans get the jobs available from construction and operation, as well as work for that state's businesses;

- Making sure that Alaska maximizes its resource value, incentivizes additional exploration, and develops the incredible bounty of natural gas resource that is present on the North Slope.

COMMISSIONER BALASH set forth that today's presentation will show that the material has "checked the box" and some very good things have been accomplished for the people of Alaska at the initial development stage of the agreements that will follow. He remarked that the DNR worked hard over the provisions being presented and is eager to explain them to the committee.

[3:43:04 PM](#)

MIKE PAWLOWSKI, Deputy Commissioner, Alaska Department of Revenue (DOR), Juneau, Alaska; said the purpose for the presentation is to give the public, legislators and their staff the ability to read the HOA in the appropriate context, understand the terms, and how the terms relate to each other. He set forth that the DNR and DOR will provide their perspectives on what is seen as valuable pieces that support the state's interests.

MR. PAWLOWSKI explained that the Heads of Agreement (HOA) is not a binding legal agreement or contract. HOA is a good faith effort, a first step in alignment of principals, and a guidance document for the parties as they start to pursue binding legal agreements. The HOA process was an effort to put together a plan, not just for the legislature, but for the public on how the project will proceed with all of the parties aligned behind the plan. HOA is saying, "Under these terms we will all progress." He asserted that HOA is not locking-in and not shutting down opportunity, but provides a guidance and pathway.

He said from an Alaskan's perspective, what is uniquely exciting about the HOA effort is that the agreement exhibits a title page that shows an agreement among and by the Administration, AGDC, TADI, ExxonMobil Alaska Production Inc. (EMAP), ConocoPhillips Alaska, Inc. (ConocoPhillips), and BP Exploration (BP). The HOA was the visionary alignment where for the first time the state sees the groups and parties working together for solutions rather than fighting over divisive things. HOA was really the effort that is going to push a very complex and large scale project forward.

[3:45:16 PM](#)

MR. PAWLOWSKI said he intends to give members of the committee and the public a picture of what is so different about the

Alaska LNG Project (AKGP). He referred to a letter that was addressed to Governor Parnell in October 1, 2012; noted as Exhibit 1B of the HOA. The letter shows that AKGP is more than just the treatment plants and the pipelines that Alaskans are familiar with. He explained that AKGP includes the addition of the liquefaction plant which in any measure is a world-scale investment. He detailed that the liquefaction plant build-out will require between 100,000 and 150,000 tons of steel in addition to employing a workforce between 3,500 and 5,000 people on 400 to 500 acres. The liquefaction plant is a massive addition to AKGP and supplements the already large undertakings of a pipeline, treatment plant, storage facilities, load facilities, and the work in the producing fields that initially includes Prudhoe Bay and Point Thomson. He said AKGP's current estimates run \$45 to \$65 billion. He set forth that AKGP is a world class effort being undertaken by world class parties.

He explained that HOA's organization is comprised of 16 segments. The first segment opens with recitals of recent events with understandings between the parties about happenings for past, present, and future. There are 13 articles that govern specific guidelines for the development of projects, the role and responsibilities of the individual parties to the agreement, and how the parties will work under different regulatory and expansion frameworks going forward. He noted that Appendix A articulates the key expansion and access. He addressed an exhibit that references three letters to Governor Parnell regarding the process that the state has been under for the past several years regarding transitioning away from the overland project under the Alaska Gasline Inducement Act (AGIA) license to what the plan is in HOA going forward.

3:47:32 PM

He noted the importance to first recognize who is being referenced in HOA. He said there are four terms that define different roles and responsibilities throughout the HOA document and noted as follows:

1. Administration: applies broadly to the Department of Natural Resources (DNR) and the Department of Revenue (DOR); the state agencies that are charged with managing both the royalty interests and the taxing interests have a specific place in the project as fiduciaries and as the agencies charged with managing the resources. There will be references to "Commissioners" that pertain to DNR and DOR. References to "State" applies when there are appropriate regulatory capacities for the state that are

separate and apart from what are specifically addressed in HOA directly for the project.

2. Parties or Party: is used to imply the Administration; The Alaska Gasline Development Corporation (AGDC) or an appropriate subsidiary; TransCanada Alaska Development, Inc. (TADI); ExxonMobil Alaska Production, Inc. (EMAP); ConocoPhillips Alaska, Inc. (ConocoPhillips); and BP Exploration-Alaska, Inc. (BP). The "Parties" or "Parties" refers to everyone including the Administration.
3. Alaska LNG Parties: is a much more specific term that includes the Alaska Gasline Development Corporation (AGDC) or an AGDC subsidiary, TADI, EMAP, ConocoPhillips, and BP. The Administration is not included. The reason is an attempt to help separate the agencies' appropriate roles for both shorter and longer terms. The agencies have an interest in managing Alaska's resource, but not necessarily an interest in being in the operational day-to-day efforts of a project; those are appropriately separated from regulatory functions and taxing authorities of the state to TADI or AGDC to carry on day-to-day commercial work in the project. As the project moves forward the intent is to remove the agencies from the day-to-day commercial operations and allow the business to be the business as long as the interests of the state are protected. Alaska LNG Parties is specifically those with an interest in the ownership of the infrastructure and the capacity created by that infrastructure, that being separate than the ownership gas in the infrastructure, which is where the Administration has an interest.
4. Producer Parties: have interest in the producing fields. There is a lot of work that will have to happen between the Administration and the Producer Parties to setup how gas is delivered to the state or the project. There are places where the Producer Parties are separate from the Administration and from the Alaska LNG Parties.

[3:51:41 PM](#)

MR. PAWLOWSKI addressed "Key Recitals" in pages 2 through 4 of the HOA. He explained that the purpose of the Recitals Section is to describe the context for the agreement, recent events, and articulate certain goals and direction for the Alaska LNG Project. He pointed out that "Key Recitals" recognize the following:

1. Changed circumstances: Governor Parnell called for a change in direction under the AGIA License in the

development of North Slope Gas Project to an LNG Project; that process started several years ago and has led to the development of the HOA document.

2. Funding by the State under AGIA: provided support for key activities for the LNG Project that both the Administration and TADI believe that transitioning from AGIA to a more commercial relationship was appropriate. The Summer Field Season conducted north of Livengood in 2013 is an example of a key activity.
3. AGDC is pursuing the Alaska Stand Alone Pipeline (ASAP) Project: the two parties intend to cooperate with the Alaska LNG Project. The Governor made reference to the recognition during his State of the State address as Alaska's "ace in the hole."
4. Alaska LNG Parties: wish to ramp up the Pre-Front End Engineering and Design (FEED) phase of the LNG project, which is estimated to cost over \$400 million during the next 12 to 18 months.

[3:53:50 PM](#)

MR. PAWLOWSKI said Article 1 of the HOA goes from pages 4 - 7 of the agreement. He noted that Article 1 provides key definitions. He explained that capitalized terms have very specific meanings. He noted key terms used in the agreement as follows:

1. Enabling Legislation: describes the key components of the legislation necessary to advance the project. Enabling Legislation as constructed in the statute will be compared with what is envisioned in HOA. The documents will be matched up going forward.
2. Memorandum of Understanding (MOU): refers to the agreement, referenced in Article 5.4, between the state and TransCanada. The MOU allows for the transition from the AGIA license into a more traditional commercial relationship of a shipper-transporter.
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. Royalty in Kind (RIK): is what is described in Article 8.1.1. Alaska can take its share of gas produced in lieu of receiving payment for its royalty value.
5. Tax as Gas (TAG): used where there is an opportunity for certain production tax obligations to be paid with "molecules" instead of in value.

[3:56:07 PM](#)

MR. PAWLOWSKI addressed "Key Provisions" from "Principles and Benefits" set out in Articles 2 and 3. The Key Provision for a principle set out in Article 2 is as follows:

Recognizes that if enabling legislation is passed that the Parties, including the Administration, would negotiate contracts that would incorporate the principles in the agreement; this is consistent with the phased-approach where the HOA provides the guiding principles that will then inform the work on much more detailed agreement in and amongst the different parties to the HOA.

He explained Article 3 regarding the Key Provisions for benefits of the Alaska LNG Project as follows:

1. Gas to Alaskans,
2. Jobs for Alaskans,
3. Revenues to Alaska,
4. Opportunities for additional gas development.

He referred to Commissioner Balash's statement that the interests for the state have not changed. He asserted that the HOA process positively demonstrates parties working together to solve problems and support benefits going forward.

He said Article 4 is a key article in HOA and describes the work that will be conducted during the Pre-FEED stage. The Pre-FEED stage is expected to take between 18 and 24 months. After Pre-FEED is done, each party will reevaluate the project, the stage of the project, and make the individual decision to advance. The Governor described the process as a "staged approach." He explained that measured and methodical steps will be taken to advance the Alaska LNG Project through the stage-gates as more is learned and each party's commitment grows.

He explained "Key Activities" described in Article 4 about the Pre-FEED stage as follows:

1. The development of sufficient information for evaluating the technical, cost, and schedule aspects of the Alaska LNG Project; this is comparable to the development of a blue-print.
2. The development of key project services agreements for Alaska's gas with TransCanada and AGDC or subsidiary. State agencies and Administration will have to enter into agreements for the movement of gas through the pipeline and through the liquefaction facility by working with the

agencies' counterparties and agents in a transparent way to protect Alaska's value.

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

MR. PAWLOWSKI noted a previous reference of how gas comes into AKGP and how the state takes possession of the gas; that is a key contractual and development work that has to happen during the Pre-FEED period. He said there are two fields that are initially underpinning the Alaska LNG Project at the beginning: Point Thomson and Prudhoe Bay. He said Point 3 in key Article 4's "Key Activities" addresses how the state is taking its share from Point Thomson and Prudhoe Bay combined as delivered into the LNG Project and then taken out as LNG.

[3:59:36 PM](#)

He remarked about the Royalty Study that was issued by DNR and referenced by Commissioner Balash as a key piece of work that identified some deep concerns the state had in engaging in taking gas in-kind. One of the key concerns was the State's inexperience in marketing. In Article 8.3.3 there is a commitment by the State and Producer Parties to work together with each producer to individually develop agreements for the disposition of a portion of Alaska's LNG. During the Pre-FEED stage the State will have the opportunity, not the requirement, to pursue joint-marketing with each producer individually for a share of the LNG; that goes a long way to solving the State's inexperience in engaging in the LNG market where the Producer Parties participate on a daily basis.

SENATOR DYSON addressed Point 3 and asked if "mutually agreeable" includes a decision by the Alaska Oil and Gas Conservation Commission (AOGCC).

MR. PAWLOWSKI answered that AKGP and production of gas at Prudhoe Bay and Point Thomson will have to go through the AOGCC. He said the provision noted in Point 3 is not contemplating how to work with the AOGCC; they are a separate entity and will define what needs to be done to protect Alaska's hydrocarbons. He set forth that the provision is in reference to the State working with the Producer Parties to develop how the State gets gas and manages balancing of the different streams to meet Alaska's obligations. AOGCC will maintain a completely separate review process.

SENATOR DYSON asked to confirm that AOGCC will not be involved in the Pre-FEED stage. He assumed that AOGCC will be involved

with the outcome from Point 3 and will do its job to protect the people of Alaska's interests.

4:02:21 PM

MR. PAWLOWSKI answered correct. He said AOGCC will be involved at a later date to protect Alaska's interests.

COMMISSIONER BALASH disclosed that DNR shares a concern with the in-kind approach in that the State does not control which field is produced and what amount; it really matters to the State due to varying royalty rates between Prudhoe Bay and Point Thomson. He asserted that the State does not want to be stuck short or long because of a decision made by AODCC as to which field can or should be produced first or last. He explained that the off-take agreements will speak to how much of the gas that is produced comes to the State and the balancing agreements will help to make sure the State does not windup short or long either in a moment or over any given period of time. He continued that Point 3 refers to agreements between DNR-DOR and the Producer Parties as to what amount of the gas will come to the State as a function of production, AOGCC's overlay is not addressed.

SENATOR DYSON asked for further clarity in Commissioner Balash's comments.

CHAIR GIESSEL noted clarification has occurred later in prior testimonies that she attended.

4:04:11 PM

SENATOR FRENCH addressed Point 3 and asked if AOGCC will or will not be involved.

MR. PAWLOWSKI specified that AOGCC is above any decision that gets made between parties. AOGCC is a separate approval process that is designed to protect the state's resource in hydrocarbons and maximizing hydrocarbon recovery. He specified that AOGCC has a role to play, but not within Point 3.

SENATOR FRENCH noted that AOGCC is thought of as setting the offtake from the North Slope; what is safe to be produced from Prudhoe Bay, Point Thomson, and Kuparuk. He said the rate AOGCC has set so far is far below what is eventually believed a gas pipeline will deliver. He asked when the AOGCC's decision will be revisited.

COMMISSIONER BALASH replied that the operator at each field will need to submit an application to AOGCC for setting the allowable

offtake that will very likely come in the Front End Engineering and Design (FEED) stage of development. He noted an interesting tension will occur prior to gas offtake regarding the possibility for added investment for oil recovery.

4:06:26 PM

MR. PAWLOWSKI addressed the phased stages of development. He noted that the State and the Parties are finalizing the Concept Selection Stage of the project; at that point there is a stop-and-go decision whether to move AKGP into the Pre-FEED stage. He declared that the Parties believe that there is an opportunity for Alaska gas to compete globally in the LNG market. The next step is to go through the ramp-up of the Pre-FEED stage. Once the Pre-FEED stage ends in 18 to 24 months, a stop-and-go phase occurs to decide whether to move on to the FEED stage, each party makes that decision for themselves. The investment in the Pre-Feed stage is hundreds of millions of dollars, the FEED stage is in the billions, and the Engineering Procurement and Construction (EPC) phase is in the tens of billions. The commitment to AKGP and the investment grows during stage gate advancement. The HOA is the governing document for how to advance through the Pre-FEED stage; that is the decision on the table. He said there will be lots of other agreements that will come back to the legislature and the public as AKGP moves to the FEED stage. He noted that increased commitment by all of the parties will occur in order to move AKGP forward.

4:08:21 PM

He addressed Article 5 and noted that the article describes how the State would participate in AKGP and recognizes some "key provisions" and elements of state participation as follows:

1. State participation in the AKGP could yield significant benefits to Alaska as follows:
 - A. Maximizing the value of the state's resources for the people of Alaska.
 - B. Delivering gas to Alaskans.
 - C. Public transparency of the state's approval process.
 - D. An opportunity for additional state revenues; with that investment in infrastructure comes a return on the investment.
 - E. Access and pro-expansion principles for AKGP that the state achieves by being an owner in the Project and having access to the rights, not the obligation, but the rights to expand AKGP.
 - F. Improving alignment of interests between the State and the Producer Parties.

- G. Reducing valuation and other potential disputes that Alaska is used to over the last several decades. Again, having people work together to solve problems, rather than fighting over AKGP.
2. State participation in the infrastructure by entering into agreements with TransCanada and a subsidiary of AGDC to carry the state's interest in the infrastructure.
 3. State's interest should be consistent with the state's share of the gas.

MR. PAWLOWSKI said Article 5 describes the state's share of the gas as a combination of the state's royalty interest and production tax interest. The HOA contemplates a range somewhere between 20 and 25 percent, something mutually agreeable to move the project forward through pre-FEED.

4:10:22 PM

He said Article 6 describes the regulatory framework and references some of the access and expansion principles that will govern AKGP not just during the Pre-Feed stage, but through the life of the project. He explained four "key provisions" in Article 6 as follows:

1. At least five Alaskan offtake points for Alaskans to get access to their gas.
2. Locations of offtake points will be developed in consultation with AGDC. AGDC's work on ASAP by working with Alaskans and planning for the development of in-state gas really adds value to AKGP. AGDC's open season work going through the first quarter of 2015 matches up on the calendar to the Pre-FEED work being conducted by AKGP. There is a lot of potential for synergy and cooperation that we have not identified and would be premature to identify at this point; this is one we saw right out the gate that provided real benefits to Alaskans and AKGP.

He said the regulatory framework recognizes that there is an opportunity because FERC, Section 3, provides the availability of what can be a tailored regulatory framework where the State, working with the Parties, can develop commercial terms that meet the regulatory needs of the state to protect the state's interest and provide access to other producers into the project. He set forth that the regulatory framework has led to the third key provision in Article 6 as follows:

3. Each Party's shares in the capacity of the infrastructure are managed by each party on a "live and let live" basis.

MR. PAWLOWSKI explained that Key Provision 3 provides a real opportunity for the State to make sure upfront that its capacity, working with TransCanada and AGDC, can operate as noted in the fourth key provision:

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.

He summarized that Key Provision 4 does not say that other parties won't manage theirs to provide the noted benefits, but the opportunity is upfront and clearly existing on the state's share of the infrastructure.

[4:12:42 PM](#)

He explained why the expansion principles are important as follows:

1. Alaska has significant gas resources on the North Slope.
2. Current known reserves are 35 trillion cubic feet (TCF). The USGS estimates of technically recoverable conventional gas resources in the Arctic are more than 240 TCF. The AKGP needs to be about opening up the opportunity for the North Slope gas, in addition to the state's gas, to find an avenue and way to market.
3. Pro-expansion principles guarantee Alaska land beyond Prudhoe Bay and Point Thomson continue to be explored for gas and that gas will get into the line to benefit Alaskans.

He addressed "Appendix A: Pro-Expansion Principles" in Article 6. He explained that the Parties will be committed to some very core principles. He specified that each owner of a component or a share of a component has the right, but not the obligation, to expand or participate in the expansion. He pointed out in Appendix-A that the bias is towards expansions proceeding; as long as those are developed on a sole risk basis. The opportunity exists to open the infrastructure to more parties to come in. He emphasized that all of the Parties have agreed to the process for initiating expansion and providing the opportunity of each of the owners to participate. The owners participate in the expansion by making the expansion bigger. He asserted that the expansion provision is a critical piece to the

HOA and movement under the regulatory principles in Article 6 is as follows:

You see attention in connection between Article 6 and the state's willingness and interest in advancing, under FERC Section 3, through that tailored regulatory framework, to the development of the commercial principles detailing what these pro-expansion principles are saying today.

4:15:00 PM

SENATOR MCGUIRE stated her appreciation towards the "Big Three" producers, but noted previous discussions on the limitations presented by the way the Unit Operating Agreement was drafted in a way that has materially prevented opportunities for one party or independents from doing things they want to do that might benefit Alaskans. She noted the "legalize" language in HOA and asserted that there are always attorneys willing to defend both sides of an agreement. She set forth her desire to have some discussion to know that the thought exists to really think through that the HOA is pro-Alaska. She said she is aware the gasline will be operated as a contract carrier and understands the desire to protect the Parties, but noted the future necessity for Alaska to provide an opportunity to expand. She remarked seeing circumstances where someone could argue that expansion could materially affect a company's bottom line and precipitate a stance against expansion.

MR. PAWLOWSKI replied that there are caveats to any expansion policy that are contained within HOA. He continued as follows:

One of the things from my experience and I believe Commissioner Balash shares as well in working through this document is especially in the development of these pro-expansion principles, we really saw one of the benefits that TransCanada as a partner brings to the table. Remember why TransCanada was engaged during the AGIA process, there were many Alaskans that thought having a pipeline company being able to operate as an independent pipeline company brought benefits because their bias was always towards expansion. The flip side of that is that their interest is in the expansion not necessarily keeping costs down in the same way that the producers want to in defending the value of their gas. So there was always that tension. But on the expansion side in being able to operate as a third party pipeline

company; we saw this as enabling that and I encourage you as TransCanada comes before this committee as a panel, asking them about do they see these expansion principles providing them the opportunity to really have those expansions and there are some "terms of art" here, but they represent some very clear decisions at the federal level around how expansions work and we'll be able to get into that detail with the committee in the future.

4:17:54 PM

SENATOR MCGUIRE asked to clarify that "terms of art" specifies FERC rulings and languages specifically related to expansions.

MR. PAWLOWSKI replied that Senator McGuire is referring to the "Panhandle Decision."

He addressed "enabling legislation" referenced in Article 7 in HOA. He explained that Article 7 describes the necessary components of enabling legislation that the Parties believe is necessary to advance the project through Pre-Feed. Article 7 describes the two-stage process that the Governor articulated in the State of the State Address. The HOA asks the legislature to take a look at setting general take-terms today and enabling the Administration, AGDC, and TransCanada to really get to work crafting some of the more detailed agreements by testing the markets, seeing if there is a viable project, and then having the contracts come back to the legislature as the project advances through Pre-FEED. More detailed design work will be received and better project estimates provided before a decision in the FEED stage is made. He explained that the legislation was developed by the Administration and the committees will need to engage all of the parties to match the legislation up to the necessary components of HOA.

4:19:46 PM

He explained the advancement timeline through enabling legislation as follows:

- April 2014: Legislature passes enabling legislation.
- 2014 - 2015: Administration and Alaska LNG Project Parties develop project enabling contracts.

MR. PAWLOWSKI noted that unlike previous efforts, there is not the belief that one contract will make AKGP go forward. He said there are multiple agreements with the market, service

providers, and producers that are going to need to be developed to govern an LNG project. He pointed out that multiple agreements are one of the challenges of an LNG project that are different than an overland pipeline project.

He continued to address the advancement timeline as follows:

- 2015: Legislature considers project enabling contracts.
- 2015 - 2016: Parties decide whether to advance to FEED.

[4:20:55 PM](#)

He addressed Article 8 and explained that the article describes the royalties and production tax mechanisms that will provide the type of clarity needed for parties to know what the state's share is in addition to other Parties in each element of the infrastructure. He referenced the State Participation Provisions and noted that the state's participation in the infrastructure needs to be consistent with the state's share of the gas. He specified that the state's share of the gas is derived from a combination of royalty plus production tax.

He explained some "Key Provisions" in the Royalty Section as follows:

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;" that is the law of the land directing the Commissioner to gas in-kind.
2. The November 2013 "Alaska North Slope Royalty Study" performed by Black & Veatch identified potential issues related to Alaska taking in-kind, primarily those associated with marketing risk. What Article 8 really recognizes is that we see real opportunities in-kind and we see some risks, but we need to work together with all of the parties to minimize those risks and maximize those benefits. We believe some of the terms that they agreed to in the HOA provide the first material step to solving those problems.
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." That willingness

to step up and work with the State on the marketing issue provides an avenue to start to solve some of that in-kind concern.

MR. PAWLOWSKI explained that Article 8 additionally covers the concept of taxes-gas. He said as legislation moves forward there is an opportunity to provide the ability to pay production taxes with molecules instead of money, just as royalty would be paid with molecules instead money; those molecules will be sold through contract converted into revenues flowed back to the state. He set forth that as the legislation continues, the committee will see the way DNR and DOR are structured to work together to manage the flow back to the General Fund and defend the interest. He summarized as follows:

The HOA provides, given resolution of some of the issues and risks that we see, that this is an opportunity to maximize the state's value and we see a chance here to move forward. We look forward to working with all of the parties to advance under this agreement.

[4:23:45 PM](#)

SENATOR DYSON referenced Article 8 and noted a previous issue with oil and gas producers in dealing with "fiscal certainty." He summarized that the proposal in Article 8 is kind of a "back door" way of having production taxes around the principle of future legislators not being bound by present actions.

COMMISSIONER BALASH replied that what Senator Dyson is touching on is something that is going to be a very important facet of the negotiations and contracting that takes place over the next few months. There is going to be a number of things that the parties have to sit down and work through in answering the "what ifs." He noted that one "what if" is going to be what if the legislature changes taxes, up or down, and what opportunities or challenges will be presented. He pointed out that the State will have multiple commercial relationships and interconnections by and among the Parties. He continued to address the question regarding fiscal uncertainty as follows:

Ultimately how we resolve that question is going to receive an inordinate amount of scrutiny in 2015. We aren't certain how that's going to be solved today. What I can tell you is that the desire, fundamentally, for some measure of predictability as to our share of the gas and the duration of the terms for the state

will become very important because if we're going to take out capacity on our infrastructure for 20 plus years, we're going to want some certainty from the upstream parties that they're going to provide gas. We're also going to have the need for understandings around the market against the sale of the LNG itself. The manner by which all of the Parties achieve those elements of certainty that allow them to get comfortable with the decision to invest is going to be one ultimately based on some interdependence.

4:27:10 PM

SENATOR DYSON asked if there is a mechanism whereby future legislatures would be precluded from changing production, profit, or windfall taxes somehow related to getting payment in molecules instead of dollars.

COMMISSIONER BALASH replied that his expectation is not a "thou shalt not." He explained that the question is what will happen "if."

SENATOR DYSON clarified that Commissioner Balash is saying that the intent is trying to structure the agreement so that if an irresponsible legislature or administration in the future tried to kill the "golden goose," the trip-wires within the contract would make it demonstrably not in their interest to kill the goose.

MR. PAWLOWSKI offered that moving on to the next topic touches on the question Senator Dyson raised.

He addressed Articles 9 and 10 in HOA that detailed other terms that are necessary to advance a project. He continued to describe Articles 9 and 10 as follows:

At the stage we are at in this project, we collectively, not just state, don't know what is necessary to advance the project. When you talk about durability or frameworks and how long the contracts are going to be, we don't have the answers to those yet. There's an important difference between trying to do something through a back-door rather than saying, "They're going to have to be sufficient duration to contracts to make a project work;" those are all going to be done in the light of public and part of a public discussion over the next several years, it's not a "We should make that decision today." We need to continue

to work for, not just what the other Parties need, but what the state does. Article 9.2 talks about some key criteria for duration. There can be durability, but it is for specific reasons and it is to support investment decisions, permit realization of a competitive economic return to enable necessary financing, and to support gas and LNG sales. There's going to be reasons why things need to have durability, not durability for durability's sake. One of the things we talk about is if there is not gas committed, what is the durability around that. We have to work through those problems, they are going to be big problems, but that is part of the phased staged approach to this project. As commitments from both sides build, the level of commitment of both sides build until we have a project.

[4:30:45 PM](#)

SENATOR DYSON declared that he should not have used the phrase "back door." He asserted that he did not mean sneaky, but a really different way of approaching the stability in limiting. He asserted that some of Mr. Balash's statements sound almost like production tax as being part of the royalty framework.

MR. PAWLOWSKI replied that the attempt with the production tax as "gas concept" is to, from an economic perspective, get closer to the royalty and there are a number of reasons why to do that. He explained that production tax is a cost, if a producer is looking at marketing gas it is a cost. He pointed out that the carve-out for Cook Inlet's tax ceiling was largely because changes in the production tax at the time flowed through to the rate payers in the contract. The end result was a carve-out for Cook Inlet taxes to protect the gas market in Cook Inlet. Having the production tax shift over to something that is similar to royalty will remove that as a cost from the perspective of a producer who is trying to market. He noted that some important nuances regarding the production tax shift will be addressed in later legislation. He said everything is about how cheaply all of our gas gets to compete with British Columbia, Russia, and the Australian projects that are trying to chase the same market. There are still costs in the state-take, but by shifting production tax to something that is supported by state investment, we don't have to cut the tax to the same way, yet we can allow the gas to be competitively priced.

[4:32:34 PM](#)

SENATOR FRENCH asked to clarify that Alaska's production, royalty, and property taxes will all be collapsed into one payment which will come to the state in gas rather than money.

MR. PAWLOWSKI replied that a key difference is that the property tax is not included. He explained that the state gas share is a combination of the royalty plus the production tax. The property tax and the corporate income tax are separate considerations that are outside of the state's gas share.

He continued with Articles 9 and 10, calling attention to Point 1 regarding property tax. He said property tax on a \$45 to \$65 billion piece of infrastructure is a major cost to the project. There are substantial property tax revenues derived from an infrastructure investment the size of AKGP. He explained that Alaska's property tax is shared with municipalities in local jurisdictions. He asserted that the Administration was not going to come to the table with a proposal for property tax without engaging in a consultative process with the tax paying and tax jurisdictions, in addition to municipalities that are not directly related to the project. He said in HOA is the idea that in consultation with local governments, another thing that will be pursued is the development of a payment in lieu of tax system and impact payments to govern the project. There is a lot of opportunity to help, we have seen many bills introduced the years to suspend property taxes during construction, as incentives to move the project forwards. He asserted that the state needs to work together with communities who are going to share the taxing jurisdiction to develop what is the best way to benefit them and the state to move the project forward; that is a whole separate substantial revenue stream to both the state and municipalities for the project.

[4:34:57 PM](#)

SENATOR FRENCH asked where corporate income tax was being addressed.

MR. PAWLOWSKI replied that there is no contemplation of anything related to corporate income tax. He noted that corporate income tax will be addressed in HOA and specified in the statutes introduced to the legislature that there is a key part of including the production tax gas in the apportionment factor for the calculation of corporate income tax to be sure we are doing the apportionment factors correctly for corporate income tax. There is no real changes to corporate income tax that are necessary.

[4:35:33 PM](#)

MR. PAWLOWSKI continued to address "key provisions" in Articles 9 and 10 that included: the development of infrastructure; local, state, and federal permitting requirements; and the continuation of a healthy, long term oil business. He said the development of gas and the competitiveness of gas will depend on how the cost of the Prudhoe Bay and North Slope infrastructure are being borne. He summarized that a healthy, long term oil business is key to moving gas forward.

He addressed Article 11 and explained that the provision provides key principles that are guidance for the project going forward that are very important to Alaskans. He set forth that AKGP's estimated cost is \$45 to \$65 billion with a peak construction workforce of 9,000 to 15,000 jobs. He noted that the exciting part of an LNG project is the long term operational jobs that exist in Alaska. He explained that pipelines have a smaller operational workforce than an LNG plant; current AKGP estimates show 1,000 long term jobs in the operations stage. He noted the importance in understanding the need to be sure that AKGP was supporting key principles to Alaskans by:

- Hiring Alaska residents,
- Contracting with Alaska businesses,
- Participating with the Alaska Department of Labor Workforce Development to update training plans,
- Providing training for potential Alaskans to work on the project,
- Committing to negotiating in good faith for project labor agreements.

He said all of the previously mentioned key principles provide a mechanism for Alaskans to participate in and benefit from AKGP. He set forth that AKGP is a multigenerational economic opportunity for the state.

He referenced Point Thomson and noted the importance in the Administration's efforts to work together with the working interest owners to come to an amicable settlement. He asserted that the Point Thomson Settlement jump-started and served as a foundation in the development of AKGP. He detailed that the reserves of gas at Point Thomson are critical to moving AKGP forward with the Prudhoe gas. He mentioned a quotation from a letter dated October 2012 to Governor Parnell as follows:

While North Slope gas commercialization is challenging, working together, we can maintain the momentum toward our shared vision for Alaska.

MR. PAWLOWSKI noted the difference made from the Point Thomson Settlement as follows:

When I think as Alaskans we find so different about this effort is that it provides a mechanism in the Heads of Agreement in going forward for the parties to work together instead of fighting over a project that is going to be critical to Alaska's future.

[4:38:58 PM](#)

He revealed that a website [www.dnr.alaska.gov/AKgas.htm] will be accessible for the legislature and public to follow additions to the supportive information and documents provided for AKGP.

SENATOR FAIRCLOUGH noted that Alaskans will want to know why TransCanada.

COMMISSIONER BALASH explained that the State has been working with TransCanada in the AGIA framework and the proposed project is a step forward and continuation. He set forth that the State is leaving the AGIA license behind with TransCanada and continuing to move forward with TransCanada. He explained that a presentation on terms with TransCanada will be presented to the committee at the following meeting. He specified that the terms with TransCanada will be a more traditional commercial relationship. He said the presentation will highlight for the committee and the public the reasons why it makes sense for the state from a commercial and quantifiable standpoint. He explained that qualitatively there are a couple of things he can point to regarding TransCanada:

1. Preeminent pipeline company in North America,
2. Knows how to operate in the Arctic,
3. Demonstrated to be a worthy partner with DNR,
4. Shouldered up with the other Parties and found solutions to problems.

COMMISSIONER BALASH declared that at the end of the day what the DNR sees as the real value is to have a company that is going to be able to do the following:

1. Step in and operate like an independent pipeline company,
2. Knows the state,

3. Has been in Alaska and is familiar with issues that are important to Alaskans,
4. Not going to face a steep learning curve.

He explained that the Administration considered strongly whether to continue forward with TransCanada and the fact that TransCanada was prepared to meet Alaska's terms was no small thing. He revealed that DNR will get into the specific combination of the terms, the debt to equity ratio, and some of the options that will be held by the state.

[4:42:21 PM](#)

SENATOR FAIRCLOUGH set forth for the departments to be prepared to answer why TransCanada would put U.S. interests in front of Canadian interests when Canada has a project that is trying to compete specifically with the same market that Alaska is going after. She said she would like the people of Alaska to hear the safeguards that are in place to make sure Alaskan interests are in front of Canadian interests in reference to AKGP.

SENATOR MICCICHE stated that he finds Section 9.3 interesting, especially 9.3.1(b) in reference to impact payments during construction. He asked if Mr. Pawlowski could explain impact payments and if the costs could be incurred as an additional service prior to there being any taxable value.

MR. PAWLOWSKI replied that DOR has not delved into impact payments when consulting with local communities. He explained that impact payments are traditionally meant to substitute for what would be the property tax value during the construction period. He said assets are put into place with taxable value during the construction period. He continued to address working with communities to determine impact payments as follows:

How exactly the impact payments and the payment in lieu of taxes are structured is going to depend a lot on the needs of the project in terms of net present values and the needs of the communities for revenue before construction. As you know there is a major impact on communities of an influx of workers, of the needs of the infrastructure, so there's got to be a balance somewhere of how those impact payments are supporting those very real needs at the local level while providing an opportunity for the project's sponsors, which in this case would also include the state, to achieve a strong value on the commercialization of the project going forward. We

don't have an answer, we have not predetermined what the numbers should look like, and we look forward to the process of working with communities to get there. As in the Pre-FEED stage, we know more about what the needs are going to be at the community levels.

[4:45:16 PM](#)

SENATOR MICCICHE declared as a former small town mayor that he believes it is an excellent consideration to have an agreement and is glad to see it. He remarked that communities will be comforted to know that they are being looked out for pre-construction completion. He said he will be working with the Department of Labor on the legal constraints for Alaska hire. He noted testimony on gas to Alaskans, jobs to Alaskans, and revenue to the state. He asserted that "jobs to Alaskans" is something that he would like to revisit pertaining to the extent of the constraints. He asserted how AKGP is received will vary dramatically and depend on opportunities existing for young Alaskans.

COMMISSIONER BALASH replied that the intent is to deal with "jobs to Alaskans" in a new way and wait until right before construction begins in order to not allow lawyers enough time before jobs are available.

SENATOR DYSON commented that there is an awful lot that is not being said during the overview. He mentioned being in the legislature for 18 years and noted two issues regarding labor agreements:

1. Construction unions with bylaws that do not allow Alaskan hire if out of state union members are on the membership rolls.
2. Senator Bishop will provide great help to the committee to support an Alaskan who is qualified and can be licensed under state law can become a bargaining unit member. Bargaining units should have Alaskans on their books in other jurisdictions.

MR. PAWLOWSKI added that through settlements and contracts there are a lot more things that can be done about Alaska-hire than through statutes. He noted that the departments can assist the committee in providing guidelines for contractual development. He asserted that HOA has captured the Alaska-hire principal and noted the importance of structuring the agreement going forward.

[4:48:30 PM](#)

SENATOR FAIRCLOUGH noted Senator Dyson's concerns. She specified that one of the issues on a project labor agreement for her consideration is going to be retirement portability. She referenced the period during the Trans-Alaska Pipeline System (TAPS) and noted that many people left without seeing the benefit from their work in savings accounts without funds. She addressed Senator Micciche's consideration for negotiations on social impacts and noted during TAPS construction the increase in rape and domestic violence in smaller communities. She said she hoped that the particular social impacts noted will not go unnoticed. She noted that those directly involved in TAPS may not have known about the social impacts, but the state did pickup quite a bit of cost in placing support facilities across Alaska to support individuals that were traumatized, taken advantage of, and had their lives changes.

She inquired from an Alaskan perspective if individuals will have an opportunity to participate in AKGP. She specified that other bills addressed distributing a "permanent fund" so there is investment cash flow coming into some households that allow Alaskans to be a part of a long term pipeline investment. She expressed her desire for the ability for Alaskans to invest or at least be able to buy shares in one of the participating AKGP entities. She noted the importance of affordable energy throughout Alaska and addressed AKGP's offtake points. She asked if there will be added cost for smaller communities receiving low pressure gas from the offtake points.

MR. PAWLOWSKI replied that Steve Butt, AKGP Project Manager will address the technical aspects with the committee at a future meeting. He noted that the Administration has been focusing on LNG opportunities beyond the project's traditional route. He noted an example of micro-scale LNG delivered on the water and Alaska's potential future benefits from small scale LNG.

He addressed investment participation and noted DOR's commissioner is aware of the complications that come along with investment by Alaskans. He said DOR will work with the committee to address investment challenges and opportunities.

[4:53:21 PM](#)

SENATOR FRENCH asked about Alaska's relationship with the other HOA members between now and whenever it wraps up. He inquired how the State works with the other members. He asked about the \$400 million cost for AKGP's Pre-FEED phase and Alaska's share.

COMMISSIONER BALASH replied that the \$400 million is a total figure and Alaska's share would be a fraction of that. He reiterated that the percentage for the state will be somewhere between 20 to 25 percent and the state's share will be \$80 to \$100 million. He pointed out that the agreement with TransCanada will not require Alaska to front any cash or meet cash calls during the Pre-FEED phase or subsequent phases so long as the state maintains a relationship with TransCanada. He detailed that the state's share is actually going to be a fraction further of the \$80 to \$100 million. He explained that the costs will be reviewed during the course of the fiscal note analysis in making sure that the State's subsidiary is sufficiently capitalized to meet the expected cash call needs during the Pre-FEED phase.

SENATOR FRENCH addressed the election between Royalty in Kind (RIK) and Royalty in Value (RIV) as something Alaska has always treasured and enjoyed being able to exercise. He said RIK and RIV are one of Alaska's prerogatives of being sovereign. He asserted that HOA and enabling legislation will surrender RIK and RIV to producers by letting them make a onetime and irrevocable choice. He asked why Alaska should give up something that the state enjoys using for multiple years in the oil area.

[4:55:46 PM](#)

MR. PAWLOWSKI replied that the choice on tax as gas is not given to the producer. He specified that the choice of tax as gas depends on the DNR initially making modifications to specific leases. The option for tax as gas only becomes available if the state elects to do so and then the tax as gas option becomes available.

SENATOR FRENCH asked about the royalty side.

[4:57:03 PM](#)

COMMISSIONER BALASH addressed the recent Royalty Study that specified legitimate commercial complaints with regard to the state's ability to switch back and forth from RIV to RIK. He noted that the state's ability to switch back and forth does not always create problems, what matters is how much of the gas in question is being committed to Sales and Purchase Agreements (SPA). He explained that Prudhoe Bay has 24 trillion cubic feet of gas and if the collection of SPAs total 16 trillion cubic feet of gas, the state's ability to switch is not going to create a complication for the buyer, seller, and relationship. He stated that a commercial hardship may occur if the state decides to switch when the SPAs necessary to underwrite AKGP add

up to 24 trillion cubic feet. He noted the challenge for a seller to tell a buyer that gas is available for 20 years unless people in Alaska decide to switch. He remarked that the choice to keep RIV and RIK switchable is going to impact the state's value one way or the other. He continued to explain as follows:

Whether we feel it in the value we realize or whether we make a long term commitment to one form or the other, there is a choice to be made here and we can choose to keep it on a switchable basis, but it is going to impact our value one way or the other and that is something that when we do get to the legislation you will see we are not asking for a choice to be made and left, it is going to depend upon the circumstances that we face based on the lessee that is approaching us. Again, going back to the question of whether or not the SPAs involved are committing all of the gas, or just some of the gas.

[4:59:37 PM](#)

SENATOR FRENCH replied that he looked forward to the conversation.

CHAIR GIESSEL asked how Commissioner Balash would respond to people who asked why AKGP will go forward when so many have failed.

COMMISSIONER BALASH remarked about the collection of parties that have signed on to HOA has not existed over the past 10 to 15 years. He said the collection of parties alone is not the answer and a commensurate commitment level will be required for AKGP to proceed during development. He set forth that the State is going to reserve certain prerogatives and choices by maintaining its "ace in the hole" through AGDC and the ASAP Project. He noted that the impact from the Point Thomson Settlement (PTS) goes directly to the producers' commercial interests. He explained that PTS resulted in an obligation on the part of the lessees to do certain things to hold their leases. The lessees acknowledged that the land is the state of Alaska's and doing nothing will result in lessees losing their leases. He said first along the way to development at Point Thomson is the initial production system; a relatively small cycling project that will kick out 10,000 barrels a day of liquids and needs to be brought online by early 2016. He explained that the working interest owners at Point Thomson will be able to keep some of their acreage if the small cycling project is brought online by 2016 and the rest may be kept if

the field is more fully developed. He detailed three ways for the Producers to meet their PTS obligation by 2019:

1. Expand the cycling effort,
2. Blowdown Point Thomson and move gas over to Prudhoe Bay and recover more black oil,
3. Sanction a major gas sale project.

COMMISSIONER BALASH addressed the scheduled progression from Pre-FEED to FEED to Final Investment Decision (FID) and the associated timelines. He noted that FID is projected to occur in 2017 or 2018, beating the 2019 date. He asserted that retaining Point Thomson lease positions, staying on plan, and committing to sanction before 2019 is important to the lessees.

[5:03:16 PM](#)

He pointed out an issue that has confounded folks who want to commercialize Prudhoe Bay and that is the gas impact consequence on oil. He explained that Prudhoe Bay is both an oil and gas field. He said for many years the Prudhoe Bay gas has been reinjected in order to recover more oil. He revealed that every time gas is reinjected, less oil is recovered and a point of diminishing returns is reached in terms of using up the energy to recycle gas. He asserted that there is ultimately a tipping point, a point at which there is no longer a loss associated with gas blowdown at Prudhoe Bay. He said estimates based on a limited set of data suggest that the tipping point is going to arrive somewhere in the early part of the next decade, which coincides with the first dates that come out of the AKGP timelines. He noted that BP, the operator, has access to more detailed information and can provide the committee with additional information about when the tipping point might occur.

SENATOR DYSON set forth that as Prudhoe Bay development moves towards trying to harvest heavy oil, carbon dioxide (CO2) stripped from the gas is almost like magic in lifting heavy oil. He asserted that there will be a "sweet spot" in CO2 use that will add to the economics of the gas treatment plant and facility.

[5:05:27 PM](#)

COMMISSIONER BALASH replied that Senator Dyson's observation is a very true statement.

MR. PAWLOWSKI added that he looks at what is different today and in the future. He noted recent activity with an office opening and land acquisition in Kenai. He said land is in place or at

least a good assessment of land rights in order to file an export license. He set forth that people are actually doing the work that needs to be done to move AKGP forward and the work is happening now. He stated that he does not just look at what is driving the longer term, but are the parties doing what is necessary today to advance the project and the answer is clearly yes due to the work that started a few months ago.

5:06:22 PM

CHAIR GIESSEL announced that TransCanada will be attending the next committee meeting to address the Memorandum of Understanding (MOU).

5:06:47 PM

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee at 5:06 p.m.