ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
March 24, 2015
10:16 a.m.

MEMBERS PRESENT

Representative Jim Colver, Co-Chair
Representative Liz Vazquez, Co-Chair
Representative Benjamin Nageak
Representative David Talerico
Representative Cathy Tilton
Representative Matt Claman
Representative Adam Wool

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 118
"An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

- MOVED CSHB 118(ENE) OUT OF COMMITTEE

PRESENTATION: RESOURCES ENERGY~ INC.

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 118
SHORT TITLE: MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/15	(H)	READ THE FIRST TIME - REFERRALS
02/18/15	(H)	ENE, CRA, FIN
03/05/15	(H)	ENE AT 10:15 AM CAPITOL 106
03/05/15	(H)	Heard & Held
03/05/15	(H)	MINUTE(ENE)
03/17/15	(H)	ENE AT 10:15 AM CAPITOL 17
03/17/15	(H)	Heard & Held

03/17/15	(H)	MINUTE(ENE)
03/24/15	(H)	CRA AT 8:00 AM BARNES 124
03/24/15	(H)	ENE AT 10:15 AM CAPITOL 17

WITNESS REGISTER

GENE THERRIAULT, Deputy Director for Energy Policy and Outreach
Alaska Energy Authority
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Speaking on behalf of the administration, explained changes in the proposed committee substitute for HB 118.

MARY ANN PEASE, Vice President & General Manager
Resources Energy, Inc.
Anchorage, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation entitled "REI Update" and dated 3/24/15.

EIJI MAEZAWA, Executive Vice President & Chief Operating Officer
Resources Energy, Inc.
Anchorage, Alaska
POSITION STATEMENT: Participated in the PowerPoint presentation by Resources Energy, Inc.

ACTION NARRATIVE

10:16:34 AM

CO-CHAIR JIM COLVER called the House Special Committee on Energy meeting to order at 10:16 a.m. Representatives Nageak, Talerico, Tilton, Vazquez, and Colver were present at the call to order. Representatives Wool and Claman arrived as the meeting was in progress.

HB 118-MUNI ENERGY IMPROVEMNT ASSESSMNTS/BONDS

10:17:05 AM

CO-CHAIR COLVER announced that the first order of business would be HOUSE BILL NO. 118, "An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

10:18:44 AM

CO-CHAIR VAZQUEZ moved to adopt the proposed committee substitute (CS) for HB 118, labeled 29-GH1021\W, Shutts, 3/21/15, as the work draft.

10:18:51 AM

CO-CHAIR COLVER objected.

10:18:58 AM

GENE THERRIAULT, Deputy Director for Energy Policy and Outreach, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development (DCCED), reminded the committee that at the hearing on 3/17/15, two proposed amendments to HB 118 were incorporated into one motion and adopted. However, in order to explain how both amendments were included in Version W of the bill, he addressed both of the amendments separately as they were labeled on 3/17/15. The amendment previously labeled 29-GH1021\A. 1, Shutts, 3/11/15 read:

Page 1, following line 5:
Insert a new bill section to read:
"* **Section 1.** AS 29.10.200 is amended by adding a new paragraph to read:
(65) AS 29.49 (energy improvement assessment programs)."

Page 1, line 6:
Delete "**Section 1**"
Insert "**Sec. 2**"

Renumber the following bill section accordingly.

Page 10, following line 12:
Insert a new section to read:
"**Sec. 29.49.890. Application of chapter.** This chapter applies to home rule and general law municipalities."

MR. THERRIAULT said the first part of the foregoing amendment is found in the proposed CS on page 1, lines 6 and 7, and the second part appears on page 10, beginning on line 31; AEA agreed that the language of the amendment has been properly incorporated into the bill. The amendment previously labeled 29-GH1021\A.3, Shutts, 3/16/15 read:

Page 4, lines 9 - 10:
Delete "as provided by"
Insert "required under"

Page 4, line 14, following "(I)":
Delete "a"

Page 4, line 19:
Delete ", including the report required by"
Insert "and the report required under"

Page 4, line 20:
Delete "a resolution"
Insert "an ordinance"

Page 4, line 22:
Following "report":
Insert "required"
Following "AS 29.49.070":
Insert ", which may be incorporated by reference"

Page 4, lines 25 - 29:
Delete all material.

Reletter the following subsections accordingly.

MR. THERRIAULT directed attention to Version W, page 4, line 30, and stated that the word "resolution" has been replaced with the word "ordinance," and on page 5, lines 5-9, language has been struck. Again, AEA agreed that the amendment has been properly incorporated. The CS also includes a number of other small, stylistic changes recommended by Legislative Legal Services (LLS), Legislative Affairs Agency. Finally, LLS suggested - and AEA agreed - that remaining questions about the bill regarding the proposed powers of municipalities could be addressed in the next committee of referral, the House Community and Regional Affairs Standing Committee. In that regard, Mr. Therriault advised that the administration has no intention to expand a municipality's power of taxation beyond that which already exists.

10:22:25 AM

CO-CHAIR VAZQUEZ directed attention to letters in the committee packet from the Alaska Bankers Association and AEA in support of

the bill. She read a letter from the Alaska Bankers Association dated 3/16/15 in part:

> Mortgage holders have a provision that safeguards their interest starting line 31, page 6: Section 29.49.080. Notice of mortgage holder required for participation. Before a municipality may enter into a written contract ... with a record owner of real property to impose an assessment to repay the financing of a qualified project under this chapter, the property owner shall give the holder of a mortgage lien on the property at least 30 days' written notice.

CO-CHAIR VAZQUEZ suggested the following technical change: by certified mail.

10:24:08 AM

CO-CHAIR COLVER removed his objection. Co-Chair Colver [moved to report CSHB 118, Version 29-GH1021\W, Shutts, 3/21/15], out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 118(ENE) was reported out of the House Special Committee on Energy.

[Co-Chair Colver passed the gavel to Co-Chair Vazquez.]

10:25:19 AM

The committee took an at ease from 10:25 a.m. to 10:32 a.m.

PRESENTATION: RESOURCES ENERGY, INC.

10:32:14 AM

CO-CHAIR VAZQUEZ announced that the next order of business would be a presentation by Resources Energy, Inc.

10:33:04 AM

MARY ANN PEASE, Vice President & General Manager, Resources Energy, Inc. (REI), informed the committee the [Fukushima Daiichi nuclear disaster] in March 2011, was the starting point for REI due to the Japanese government's interest in replacing nuclear power with imported liquefied natural gas (LNG) in Japan. Alaska came to the forefront as a source for LNG because of a long history of participation by trading houses in the

Trans-Alaska Pipeline System (TAPS). The focus of the project has now become the Cook Inlet because of its stranded gas reserves, demand for its gas from the utilities, and the incentive for increased exploration and development that would come with a small-scale export project planning to deliver gas to market prior to 2020. She noted that the proposed plant would deliver LNG not only to the export market, but also to demands for LNG within Alaska (slide 3).

10:35:43 AM

MS. PEASE advised there are government to government agreements in place between the Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community & Economic Development (DCCED), the governor's office, and the Department of Natural Resources (DNR), along with agreements with several Native organizations. In addition, proposed Japanese buyers include city gas and electric utilities, and industrial users in a changing marketplace in Japan for LNG. Joint venture partners are an important component of the project - in Japan and in the U.S. (slide 4). Ms. Pease presented a timeline of REI's activities dating from 2011 through 2014. Most recently, in December 2014, REI signed a cooperation agreement with the governor's office and continues to work under a cost reimbursement agreement with AIDEA. These agreements have provided beneficial analyses on economic options for the project (slide 5). Resource Energy Inc.'s proposed Greenfield LNG plant would be located on private land adjacent to Port MacKenzie, and geotechnical work has begun at the site to ensure that soil conditions are appropriate. Also, Cook Inlet reservoir and production analyses have been completed. Ms. Pease pointed out that the timeline is critical in order to ensure that the project can deliver LNG for export to Japan by 2020 (slide 6). A recent U.S. Geological Survey report showed Cook Inlet holds 19 trillion cubic feet (tcf) of gas potential, but to realize this potential Cook Inlet producers need to aggregate production and bring together smaller independent producers. This is an opportunity for independent Cook Inlet producers including NordAq Energy Inc., Cook Inlet Energy, Furie Operating Alaska, Buccaneer Energy/Cosmopolitan, and Hilcorp Alaska. She acknowledged that the production from individual companies, with the exception of Hilcorp, could not supply 160 million cubic feet per day of gas (mmcfd) which is needed for the proposed project, therefore the project requires an aggregation concept. Some of the required infrastructure is already in place, such as that of the electric utilities, although the proposed location in Port MacKenzie would require an additional nine miles of

pipeline to bring the gas to tidewater (slides 7 and 8). A detailed reservoir, economic, and production study demonstrated on a proved and probable (2P) basis that the range of reserves in the Cook Inlet would be sufficient to meet the utility demand of the Railbelt for 20-25 years, in addition to the demand of the LNG export project. She restated REI's guiding principle that gas needed in Alaska can be taken from the proposed plant at any time (slide 9). A graph showed the results of the reserve study completed by Dr. Michael Donnelly, Global Energy Consultancy (slide 10). Ms. Pease observed that additional drilling and exploration by independents would produce excess reserves that would be available for the base furthload of the project; in addition, other areas would be opened to exploration by the completion of a new pipeline.

10:43:06 AM

MS. PEASE turned to the concept of building a module LNG plant. Studies have suggested considering the General Electric Oil & Gas (GE) module LNG plant, and the Samsung Heavy Industries and Air Products and Chemicals, Inc. (APCI) modules (slide 11). She explained that modular construction is preferred for Cook Inlet due to the cost of labor, engineering, and design needed to construct a "stick built" facility. Modular units are easy to transport and deploy (slide 12).

REPRESENTATIVE CLAMAN asked for an estimate of the cost of the LNG facility.

MS. PEASE said the current cost estimate for the LNG plant is at a plus or minus 50 percent; after the front-end engineering design (FEED) phase, the cost estimate improves to plus or minus 10 percent. At this time, the estimate is $1.8 billion to build a one million ton plant, which is approximately the same size as the existing ConocoPhillips Alaska, Inc. plant in Kenai. In further response to Representative Claman, she agreed that the plant is considerably smaller than that of the Alaska LNG (AKLNG) project.

MS. PEASE restated the importance of a smaller project that can be started in a short period of time to continue Alaska's relationship in exporting LNG to Japan for the last 45 years. She identified contractors that are providing technical and feasibility services (slide 13). Turning to the project schedule, she pointed out that June 2015, is the target for the start of FEED. The project is in contact with the Federal Energy Regulatory Commission (FERC) and the U.S. Department of

Energy (DOE), and anticipates pre-filing the DOE application in 2015 as well. Pre-filing and formal application to FERC are targeted for 2016, and the engineer, procurement, and construction (EPC) contract is targeted for 2017-2018 (slide 14). Advantages that Alaska holds over competitors are: forty-five year track record of delivering LNG to Japan; shipping time of nine days; avoid Panama Canal toll which adds a surcharge; no controversy over conventional gas (slide 15).

10:49:09 AM

CO-CHAIR COLVER asked about competition from British Columbia.

MS. PEASE said REI is closely monitoring Canadian projects; however, Japanese buyers have seen delays in Canada and some projects have stalled due to First Nation issues, thus there is uncertainty, and a strong focus remains on a supply from Alaska. Although projects in Texas, Louisiana, and Oregon may be competitive, all have problems with the applicable regulatory regimes and high construction costs. She has heard that a small, modularized approach - that can expand - is the wave of the future; furthermore, LNG projects look at a 20-year supply.

REPRESENTATIVE WOOL asked how much LNG is currently exported from Alaska to Japan.

MS. PEASE will supply this information to the committee.

10:52:34 AM

MS. PEASE, in response to Co-Chair Vazquez, said Alaska's track record with Japan stems from the existing ConocoPhillips Alaska, Inc. plant in Cook Inlet which provided an uninterrupted supply of gas. She opined Japan's industry and its utilities are interested in continuing this relationship.

10:54:00 AM

EIJI MAEZAWA, Executive Vice President & Chief Operating Officer, Resources Energy, Inc., informed the committee the demand for natural gas worldwide is 260 million metric tonnes per annum (mmtpa), of which Asia buys 65 percent (slide 17). At this time, about 86 mmtpa of LNG are imported to Japan, although between 2012 and 2015 demand is in decline due to the Fukushima Daiichi nuclear disaster. Mr. Maezawa said the demand will return to a normal level of about 76 mmtpa in 2015, and by 2020

there will be a gap between supply and demand of 8 mmtpa, which is a window of opportunity for the REI project.

MS. PEASE pointed out the 8 [mmtpa] gap in 2020 increases to over 51 mmtpa in 2030 (slide 17).

MR. MAEZAWA, in response to Co-Chair Vazquez, provided a brief background of his experience working on international gas projects in Indonesia, Malaysia, and Canada. He also worked for a Japanese oil and gas exploration company, and has 40 years of experience in oil projects, and 30 years of experience in all facets of the LNG industry worldwide.

10:59:49 AM

REPRESENTATIVE CLAMAN asked for the cause of the declining supply of LNG as shown on slide 17.

MR. MAEZAWA explained that some of the supply gap is due to the potential expiration of existing long-term contracts. For example, Indonesian long-term contracts will expire in 2025, so Alaska must compete with other countries that can be expand and extend existing contracts.

REPRESENTATIVE CLAMAN observed that the chart illustrates contracts that are expiring, but is not a projection of a decline in the worldwide supply of natural gas.

MR. MAEZAWA presented a graph comparing the price of LNG in Japan, the United Kingdom, and the U.S. from 2001 to 2014, prior to the decline of crude oil prices. In October 2014, the landed price of LNG in Japan cost about $16 per million British thermal units (mmBtu). In comparison with the Henry Hub price of about $4 per mmBtu, the cost in Japan is much higher. At this time, the price is about $10 per mmBtu in Japan (slide 18).

CO-CHAIR COLVER asked for an overview of how competitive the price of Alaska's gas must be to compete with Japan's other sources such as Australia and Qatar.

MR. MAEZAWA said marine transportation is nearest from Alaska to Japan, and estimated the transportation cost to Japan from Alaska to be between $1 per mmBtu to $2 per mmBtu, compared to $3 per mmBtu for gas transported through the Panama Canal.

11:04:00 AM

CO-CHAIR COLVER surmised REI is looking for a gas supply from Alaska because Alaska gains a $2 per mmBtu advantage in marine transportation over the West Coast.

MR. MAEZAWA advised this is one advantage from the Japanese point of view, in addition, Japanese buyers need a stable price and long-term contracts.

CO-CHAIR VAZQUEZ raised the importance of national security to purchasers.

MR. MAEZAWA said that is the most important aspect.

CO-CHAIR COLVER inquired as to the status of negotiations with Cook Inlet producers for long-term supplies of gas for the proposed plant.

11:05:54 AM

MS. PEASE said discussions with Cook Inlet producers are very positive, and REI has letters of interest in supplying gas to the project for export; the project is not through FEED stage, although positive discussions continue with every one of the Cook Inlet producers.

REPRESENTATIVE WOOL returned attention to slide 17, and questioned whether the price Alaska could offer for long-term contracts in 2025 would be a factor.

MS. PEASE said absolutely.

REPRESENTATIVE WOOL directed attention to slide 18, and asked whether the decline in the price of Japanese LNG Cocktail (JLC) is due to the decline in the price of crude oil, or due to transportation cost.

MR. MAEZAWA said the price of Japanese LNG Cocktail is based on the price of Japan Crude Cocktail (JCC). There is a mitigation mechanism in the pricing formula - to protect the seller and the buyer - through the negotiation of long-term contracts.

11:09:24 AM

MS. PEASE added that at the LNG Producer-Consumer Conference 2014, held in Tokyo, LNG buyers and governmental entities discussed the need for a new competitive-based LNG pricing formula. The traditional link to oil prices is changing as

Japan has invested in many projects, which serves to bring down the prices.

11:11:03 AM

The committee took an at ease from 11:11 a.m. to 11:23 a.m.

11:23:29 AM

MR. MAEZAWA provided a map that illustrated the electric power and city gas companies from Hokkaido Electric Power to Kyushu Electric Power (slide 19).

MS. PEASE pointed out a typographical error on slide 19: Sudan should read Oman.

MR. MAEZAWA said Tokyo Electric Power and Chubu Electric Power recently merged for the joint procurement of LNG. The two companies entered in a joint venture agreement, and he characterized this as a major event related to power companies in Japan. It is anticipated that in 10 years, Japan's total LNG imports will be about 90 mmtpa, of which Tokyo Electric and Chubu Electric demand would be 40 mmtpa (slide 20).

MR. MAEZAWA noted that REI is focusing on providing to the Kyoto and Hyogo Prefecture Governments one million tons of LNG from Cook Inlet after the deregulation of electricity and city gas business in 2020 (slide 20). He pointed out that after 2016, retail markets will be open to competition, and in 2017, city gas retail markets will be open; in 2020, there will be an "unbundling of electricity transmission lines." This means the electric power transmission lines will be utilized by third parties, and there will be third party access to LNG terminals. Thus the prefecture governments have taken the initiative to form a private public partnership (PPP) to construct an LNG terminal and power plant to consume about one million tons of LNG from Cook Inlet (slide 33). In Japan, most LNG terminals are located on the Pacific Ocean. After the Fukushima disaster, the Japanese government took the initiative to strengthen a national resilience plan, and one step is to construct an LNG terminal. The project will consist of a terminal and a power plant for city gas and industrial gas sales. The prefecture also will form a PPP project (slide 20). The basic business model is to form a PPP-type organization for an LNG project in the cities of Maizuru in the Kyoto Prefecture and in the city of Hirohata in the Hyogo Prefecture. The LNG receiving volume will be 500,000 tons for each city. The total cost of the

receiving terminals and power plants on the Japan seaside is equal to $1 billion for each project. In addition, a 100 kilometer pipeline is planned from Kyoto to Hyogo (slide 21).

11:32:06 AM

MS. PEASE pointed out that in terms of the proposed project structure, there are many needed components. For the liquefaction facility, in addition to the Japanese investors, there will have to be a competent U.S. operator joining with REI on the project, a consortium of Japanese banks participating in the project, and other equity investors from the U.S. and Japan. Other components necessary are the gas suppliers from Cook Inlet and, later on, from other parts of Alaska such as the Foothills region (slide 22).

CO-CHAIR COLVER asked about REI's corporate ownership structure.

MS. PEASE answered REI is a Delaware-based corporation with offices in Anchorage. The corporation is wholly owned by Energy Resources, Inc., (ERI) in Tokyo. The Hyogo Prefecture Governments established ERI, along with other Japanese investors and corporations. Energy Resources, Inc. has a board of directors, and the project is being driven by its investors and buyers interested in seeing if the project is economically viable in terms of delivering LNG to Japan. Involved are the governments of Kyoto and Hyogo, many industrial customers, the city and gas companies, and other entities.

CO-CHAIR COLVER asked about the source of REI's capital and its access to equity resources for this project.

MR. MAEZAWA said ERI shareholders are from one of the biggest LP gas wholesalers in Japan, are who are interested in new business with LNG, and other investors are being solicited.

MS. PEASE added that discussions are underway and confidential, but she assured the committee that the prospective entities are familiar with Alaska and the project.

CO-CHAIR VAZQUEZ asked for the estimated cost of the project.

11:36:18 AM

MS. PEASE described the project in three parts: The first part is the upstream side which can happen by acquisition, a farm-in agreement, or gas sales contracts. The cost of an acquisition

would be approximately a $1 billion investment; on the other hand, gas sales contracts would be based on the price of gas. The other part of the project is the LNG plant including storage, power plant, and marine facilities, which have an approximate cost of $1.8 billion.

MR. MAEZAWA, in further response to Co-Chair Vazquez, said there are 10 members on the board of directors, with 30 staff members in Tokyo who are experienced in LNG projects' promotion from upstream to marketing operations, including engineering and marine transportation.

CO-CHAIR VAZQUEZ asked what interests are represented by the members of the board.

11:38:24 AM

MR. MAEZAWA said (Indisc.). The REI advisory board chairman is David Marchin (ph), formerly of Occidental Oil and Gas, [Mr. Maezawa] is the executive vice president and COO, and Shunichi Shimizu is president and CEO.

MS. PEASE turned to the subject of the regulatory schedule for project development. On a positive note, the federal government will not be an obstacle to Alaska gas exports, although the "all in" regulatory schedule can take two years. Furthermore, DOE and FERC have provided valuable guidance to REI on the project (slide 24-26). Locating at Port MacKenzie is important to REI because the proposed property is near the existing port, and would provide easy access to loading and offloading facilities. She pointed out that an LNG export facility cannot have a joint use dock, but must use a dedicated barge and dock facility; however, the dock at Port MacKenzie could be used for transporting supplies and there is road access and a nearby workforce (slide 27).

CO-CHAIR COLVER observed that the proposed LNG modular plant would be sited at Port MacKenzie on private land with its own dock. Currently, the proposed AKLNG project route is 60 miles west, and he asked how AKLNG would affect the REI project, and whether REI could finance a spur pipeline to link the two proposed projects.

MS. PEASE acknowledged the other proposed projects, AKLNG and the Alaska Stand Alone Pipeline (ASAP). There is a distance advantage to connecting with ASAP; however, an additional pipeline of any distance affects the economics of a project.

Furthermore, agreements are required for an offtake point at any certain location. She clarified that developing North Slope gas is complementary to the REI proposal because other regions of the state have vast gas resources for development.

11:44:57 AM

CO-CHAIR COLVER understood that for AKLNG the state will take 25 percent of its royalty and production taxes in gas, and asked whether REI seeks to acquire access to royalty gas.

MS. PEASE said no; however, REI participated in two open seasons and a solicitation of interest on the larger project.

REPRESENTATIVE CLAMAN asked for clarification on the location of the proposed LNG plant.

MS. PEASE said Port MacKenzie has been chosen as the site.

CO-CHAIR VAZQUEZ asked whether Ms. Pease had studied the beluga whale population in Cook Inlet and anticipated any related problems.

11:47:22 AM

MS. PEASE said she has experience in critical habitat and the Endangered Species Act from her participation in the extensive studies process for the "ports projects" and the Knik Arm Crossing. There are clear indications that infrastructure and critical habitat can coexist if done property. She opined this is not an obstacle for the project; in fact, accommodations can be made as this is a land-based project.

REPRESENTATIVE WOOL inquired as to whether the Port of Valdez was considered by a feasibility study.

MS. PEASE answered that one of REI's first studies identified Valdez as a preferred option on a much larger-scale project.

MS. PEASE, in response to Co-Chair Vazquez, said the stated timeframe for completion of the project is to have the first LNG deliveries in 2020. She returned to the next steps for the project, pointing out that the KBR Inc. study and cost estimate have been completed, and the next step is front-end engineering design (FEED). She restated that REI has acquired a land option agreement valid through December 2015. Discussions with DOE and FERC are continuing, and completion of the joint venture

partners are in the final phases. The start date for FEED will be moved to June, along with definitive market participants, certainty of gas supply, and financial arrangements (slide 29). Ms. Pease provided REI contact information to the committee (slide 30).

MR. MAEZAWA informed the committee that Qatar is currently the largest supplier of LNG to Japan, closely followed by Australia (slide 34).

11:52:01 AM

MS. PEASE, in response to Co-Chair Vazquez, said Alaska has the potential to supply a significant amount. In further response to Co-Chair Vazquez, she said the constraints to making the proposed project a bigger project are the quick construction timeline and utilizing Cook Inlet gas, which is limited and reserves must be brought into production. The next hurdle is the alignment of pipelines when North Slope, Foothills, and outer continental shelf (OCS) gas becomes available. At that point, modularized facilities can be easily expanded.

CO-CHAIR COLVER asked how the legislature can support the project.

MS. PEASE said REI has a productive relationship with AIDEA. She opined the legislature can assist with regulatory hurdles, and ensure the project has a voice in order to participate with other pipeline projects. Ms. Pease offered that REI represents market potential with opportunities for major growth. Working in concert with ASAP and AKLGN is important, and REI seeks to inform the other projects of the opportunities presented by the robust Japan market.

CO-CHAIR VAZQUEZ asked what hurdles arise within the next six months to one year.

MS. PEASE returned attention to the HDR Regulatory Schedule which illustrated the regulatory and permitting process (slide 26). There are many entities to contact; she said the Alaska Gasline Development Corporation is an example of a governmental entity that is successful in its endeavors, and REI would benefit from an Alaska-based sponsor to help with permitting issues such as critical habitat. She expressed her belief that an export project focused on jobs and economic development, and that will also provide energy in-state, makes a promise and a commitment to the state. Finally, Japanese engineers have a

working knowledge of how to transport LNG in intermodal shipping (ISO) containers on railcars, barges, and trucks.

11:58:44 AM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:58 a.m.