

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 23, 2015

1:05 p.m.

MEMBERS PRESENT

Representative David Talerico, Co-Chair
Representative Mike Hawker, Vice Chair
Representative Bob Herron
Representative Craig Johnson
Representative Kurt Olson
Representative Paul Seaton
Representative Andy Josephson
Representative Geran Tarr

MEMBERS ABSENT

Representative Benjamin Nageak, Co-Chair

OTHER LEGISLATORS PRESENT

REPRESENTATIVE MIKE CHENAULT
SENATOR CLICK BISHOP

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Alaska Gasline Development Corporation Board Of Directors

Joe Paskvan - Fairbanks

- HEARD

Rick Halford - Eagle River

- HEARD

Hugh Short - Bethel

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOE PASKVAN, Appointee

Board of Directors

Alaska Gasline Development Corporation (AGDC)

Fairbanks, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Gasline Development Corporation Board of Directors.

RICK HALFORD, Appointee

Board of Directors

Alaska Gasline Development Corporation (AGDC)

Eagle River, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Gasline Development Corporation (AGDC) Board of Directors.

HUGH SHORT, Appointee

Board of Directors

Alaska Gasline Development Corporation (AGDC)

Bethel, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Gasline Development Corporation (AGDC) Board of Directors.

ACTION NARRATIVE

[1:05:25 PM](#)

CO-CHAIR DAVID TALERICO called the House Resources Standing Committee meeting to order at 1:05 p.m. Representatives Seaton, Josephson, Tarr, Hawker, Olson, and Talerico were present at the call to order. Representatives Herron and Johnson arrived as the meeting was in progress. Representative Chenault and Senator Bishop were also in attendance.

CONFIRMATION HEARING(S):

Alaska Gasline Development Corporation Board of Directors

[1:06:40 PM](#)

CO-CHAIR TALERICO announced that the only order of business is the confirmation hearing for the Alaska Gasline Development Corporation Board of Directors. He requested the first appointee, Mr. Joe Paskvan, to present his testimony.

[1:07:06 PM](#)

JOE PASKVAN, Appointee, Board of Directors, Alaska Gasline Development Corporation (AGDC), testified as appointee to the Alaska Gasline Development Corporation (AGDC) Board of Directors. He said he was born in the territory of Alaska and was seven years old at statehood. A gasline in Alaska has been talked about since before he was born, he noted. It is an issue that is very close to heart of everyone in Alaska, certainly in Interior Alaska where Alaskans are being crushed by the high cost of heating oil for homes and businesses. He said he has been in private law practice since 1981 and was an elected official for a number of years. Having been active in his community as a hockey coach, church committee member, and Sunrisers Rotary Club, he would like the opportunity to serve as a public member of the AGDC Board of Directors. With his legislative experience he will be able to help the board work with the legislative process to advance the goal of House Bill 4 [28th Alaska State Legislature], which is to provide the lowest [gas] rates to Alaskans.

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MR. PASKVAN stated his belief that the Alaska Stand Alone Pipeline Project (ASAP) is not in competition, nor should it be in competition, with the Alaska LNG Project (AK LNG). He said he found out about [Resolution No. 2015-01] at the [3/12/15 AGDC Board of Directors] meeting regarding the question of American National Standards Institute (ANSI) standard 900 pipe as compared to ANSI standard 600 pipe. In regard to the resolution he listened to Mr. Dave Cruz of the board's Technical Committee and Mr. Frank Richards [AGDC staff member] and advisor to the board for the ASAP Project. He related that Mr. Richards indicated AGDC had assembled a technical team capable of putting together an industry standard class 3 cost estimate for an ANSI 600 pipe, and that this technical [team] had arctic engineering skills in addition to general skills, and that if the team was disbanded it would be difficult to come back at a later date and put together a skilled team to try to get an ANSI 900 class 3 industry standard cost estimate. Mr. Paskvan said it will take two to three weeks for the additional cost estimates, then the team would be disbanded because its work is done. An ANSI 900 standard has the potential for greater compression, 2220 pounds per square inch (PSI) pipe pressure as compared to 1480, so the gas treatment facility and additional compression stations also need to be addressed. It is not to develop a competing project, he reiterated, it was never advanced as a competing project. It was purely that AGDC has a technical team with arctic skills that has put forward an industry standard cost estimate for the

ANSI 600 pipe and whether that should also be done for the ANSI 900 pipe, and the determination was that it was appropriate given AGDC had skilled who could very timely put together an industry standard class 3 cost estimate.

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MR. PASKVAN said it appears he will be on the Commercial Committee and possibly the Technical Committee. His skills as an attorney would apply to the Commercial Committee in regard to contracts and retaining experts, since as an attorney he is experienced in retaining experts to advise him for ensuring he is able to get to the heart of a matter as efficiently as possible. The goal is that AK LNG proceed forward, whether it is a 42 inch or a 48 inch line. Only if the producers determine at the stage gate that they do not want to move forward with AK LNG is it a question as to what is the alternative that Alaska might pursue. In respect to the resolution, he further pointed out that the line was a 36 inch line before the resolution and is a 36 inch line after the resolution; as well, it was a lean gas product in the pipeline before the resolution and is a lean gas product in the pipeline after the resolution. He reiterated that the ASAP line will only be relevant should AK LNG not proceed through the stage gate.

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REPRESENTATIVE JOSEPHSON recalled that Mr. Paskvan was co-chair of the Senate Resources Standing Committee during some key moments in the history of all of this. He noted that Title 31 states the governor should consider [a potential board member's] expertise in natural gas pipeline construction, operation, and marketing, as well as finance, large project management, and so forth. He requested Mr. Paskvan to describe his background and knowledge in the context of where things are at now relative to Mr. Paskvan's role on the Senate Resources Standing Committee.

MF. PASKVAN replied that facts count for him because he knows that to present a legal case he must have the facts. As co-chair of the Senate Resources Standing Committee, he and his staff worked hard to understand the facts. The committee joined the American Society of Petroleum Engineers in order to have access to the society's documents. The committee wanted to learn by going back into the society's history regarding what issues exist within the industry and what the society was identifying as the science of petroleum. He takes facts very

seriously, he said, and tries to advance that within the policy structure.

REPRESENTATIVE JOSEPHSON requested Mr. Paskvan to describe his background in regard to the debates during passage of the Alaska Gasline Inducement Act (AGIA) and Alaska's Clear and Equitable Share (ACES) and how they may or may not have guided Mr. Paskvan at this point.

MR. PASKVAN responded he was in the legislature for the ACES debates, but not the AGIA debates. He inquired whether Representative Josephson is focusing on the issues of internal rates of return and reserves.

REPRESENTATIVE JOSEPHSON said yes.

MR. PASKVAN answered the question is so broad that it can be a day-long discussion.

[1:19:06 PM](#)

REPRESENTATIVE HAWKER asked whether Mr. Paskvan applied, or was approached, to be on the AGDC Board of Directors.

MR. PASKVAN replied he isn't sure exactly how that occurred other than he had indicated to people, one being Mr. Whitaker [Governor Walker's chief of staff], that he was not interested in something full-time, but rather something part-time in the oil and gas industry that would utilize his years as co-chair of the Senate Resources Standing Committee.

REPRESENTATIVE HAWKER concluded that Mr. Paskvan was more or less recruited for some state job and that Mr. Paskvan had said he wanted a part-time, not full-time, job and this is the one that was found for him.

MR. PASKVAN responded that no one approached him with a full-time job. The question was whether he might be interested in doing something, and like many Alaskans his response was that if the governor believes he can help, then he wants to help because that is his duty as an Alaskan. So he had said he would help but didn't want to do something full-time year around, in part because he wants to spend time with his family, has been a lawyer for 35 years, and is at a stage in his life where he wants to work very hard on AGDC because he thinks AGDC can deliver the lowest rates to Alaskans and he can participate in that and honor Alaska.

REPRESENTATIVE HAWKER, regarding Mr. Paskvan's interest in a less demanding, part-time position, stated that the AGDC Board of Directors has been very active and very involved, so it has been a full-time job. He requested Mr. Paskvan to explain how he will approach being a director given how the directors have been working in the past.

MR. PASKVAN acknowledged it is sometimes multiple days per week and certainly multiple days per month, but not something that is 8:00 to 5:00 Monday through Friday. For example, on April 8 the board has both a commercial meeting and a technical meeting followed by a full board meeting on April 9. Prior to those meetings he will prepare and will then be at the meetings for those two days. He can be back in Fairbanks with his wife after the full board meeting is done and therefore it is not like he must move to Anchorage to be part of the board.

[1:24:02 PM](#)

REPRESENTATIVE OLSON asked whether Mr. Paskvan has ever represented the Alaska Gasline Port Authority (AGPA) or been on AGPA's board.

MR. PASKVAN answered no.

[1:24:40 PM](#)

REPRESENTATIVE SEATON offered his appreciation to Mr. Paskvan for talking about [Resolution No. 2015-01]. He recalled Mr. Paskvan's statement that the [3/12/15] board meeting was the first time Mr. Paskvan had heard of the resolution. Representative Seaton understood the decision was unanimous by both continuing and new board members.

MR. PASKVAN replied yes, it was at the recommendation of Mr. Richards who was advising the board, his own personal questions, and the statements of Chair Burns and Mr. Cruz of the Technical Committee.

REPRESENTATIVE SEATON inquired whether the governor asked Mr. Paskvan to take a vote one way or another on this resolution.

MR. PASKVAN responded the governor had not personally contacted him. He was told by Mr. Whitaker. The governor did not call and say he had to do this in order to be on the board, there was no contact whatsoever.

REPRESENTATIVE SEATON inquired whether the chief of staff had asked Mr. Paskvan to take a certain vote on this resolution.

MR. PASKVAN answered no, [Mr. Whitaker] did not contact him at all; [Mr. Whitaker] just told him that he was on the board. Once on the board, he said, his lines of communication went through Chair John Burns as far as coordinating all of the issues. Neither Mr. Whitaker nor the governor contacted him before the meeting, he reiterated.

REPRESENTATIVE SEATON understood the purpose of the resolution was to determine whether, with higher compression and higher thickness of pipe walls, the volume would be large enough to make the 36-inch pipe an economical project.

MR. PASKVAN replied the short answer is yes. The longer answer is the expectation that some additional cost for quantity of scale would lower the ultimate rates for the consumer. Projects with greater scale always deliver lower rates to the consumer. Getting that class 3 industry standard cost estimate would move [AGDC] further along the road towards determining that. Only if the AK LNG falters would ASAP need to step forward, and if that is the case, he wants to ensure creating an economic project, if not a more economic project, to deliver the lowest rates to Alaskans.

[1:28:28 PM](#)

REPRESENTATIVE HAWKER recalled that at the committee's [3/13/15] meeting, members had requested a transcript of AGDC's [3/12/15] Board of Directors meeting so that committee members could understand exactly what was said and exactly who responded to what. He said he listened in on that AGDC board meeting, and today he is hearing a couple of things that do not quite comport with his understanding of exactly how things were characterized. He asked whether the committee has received the AGDC transcript.

CO-CHAIR TALERICO confirmed the transcript had been requested, but said the transcript has not yet been received.

REPRESENTATIVE OLSON recalled the committee being told the transcript would be received by [3/20/15].

CO-CHAIR TALERICO answered he is unsure but recalls that date as well. He assumed the committee will have the transcript very

soon, at which time it will be distributed to all committee members.

REPRESENTATIVE HAWKER asked what Mr. Paskvan thinks of the statutory requirements placed by the legislature on the considerations that the governor shall take into account when making appointments to the AGDC Board of Directors. He asked Mr. Paskvan to address exactly how he qualifies under each one of those criteria.

MR. PASKVAN allowed he has not been involved in the oil or gas patch and does not bring that skill set to the table. As a public board member, he said, he brings to the table the Alaskan viewpoint as far as someone from pre-statehood days to this day and as a former legislator to try to ensure that the Alaskan consumer benefits as much as possible. He cited AS 31.25.020 [which states the board shall have five public members] and that [the governor shall consider an individual's expertise and experience in natural gas pipeline construction, operation, and marketing; finance; large project management; and other expertise and experience that is relevant to the purpose, powers, and duties of the corporation.] Mr. Paskvan said he has strong marketing skills, but not necessarily within the natural gas pipeline arena. Regarding large project management, he said that is not a management issue and, as he indicated earlier, in his role as an attorney he has been involved in litigation that dealt with state contracts on behalf of public corporations, as well he has dealt with private construction disputes over large construction projects. He said he is generally familiar with the construction industry and public finance construction issues, but not within the oil and gas industry.

REPRESENTATIVE HAWKER said the key criteria [in AS 31.25.020] are experience in natural gas pipeline construction, operation, marketing; experience in finance; and experience in large project management. He then opined that [Mr. Paskvan's] qualifications are that he is an Alaskan who cares.

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REPRESENTATIVE TARR noted that the statutory language says the governor "shall" consider an individual's expertise, it doesn't disqualify an individual as a public member for not perfectly fitting. When comparing Mr. Paskvan's experience to former AGDC board members, she said she thinks there are some similarities to that legislative background and legal background that could be beneficial. Each of the three new appointees has an area of

expertise that could provide benefit in moving forward. She requested Mr. Paskvan to talk about his role as a board member and the relationship he would have with the AGDC staff, who would be the more technical experts, for assistance to the Technical Committee. She offered her understanding that AGDC board members are not the people actually completing some of those work projects, and that board members rely on strong relationship with the AGDC staff and outside contractors to ensure that enough information as is necessary is had.

MR. PASKVAN replied that when the resolution came up with this issue of an ANSI standard for a pipe, he addressed his questions to fellow board member Mr. Cruz, who has a considerable wealth of knowledge in the oil and gas industry. Mr. Cruz discussed this issue and explained what the purpose of the pipe was. Mr. Paskvan said that when it then came to the policy issue of why this should be done, he asked Mr. Frank Richards, who was advising the entire board, why [AGDC] would want to pay for that class 3 industry standard cost estimate. Mr. Paskvan maintained that he can provide benefit to the AGDC board while others on the board, Mr. Cruz for example, have greater skills in the actual oil and gas industry.

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REPRESENTATIVE JOSEPHSON asked whether Mr. Paskvan did any work as co-chair of the Senate Resources Standing Committee on predecessor bills to House Bill 4 that did not advance.

MR. PASKVAN responded the short answer is that he was co-chair of the Senate Resources Standing Committee at the time some of those bills came through. He stated his belief that the AGDC board should be, and is, nonpolitical. He continued: "We are here to advance the AK LNG Project and to have a fallback that can be as economic as possible. That's where we're at right now. And I think that that's why I'm here."

REPRESENTATIVE JOSEPHSON, relative to the fallback, inquired whether Mr. Paskvan perceives a consideration of the ANSI 900 as a modification of Alternative 1, which is House Bill 4, the ASAP line, or sees it as a whole new project.

MR. PASKVAN answered that first of all it is not a project. It is simply a cost estimate within the parameters of the 36 inch, lean gas pipeline that existed before the resolution. It didn't go from a 36 inch line to a 42 inch or 48 inch line. It didn't go from a pipe ANSI standard that exceeds, for example, AK LNG's

pipe wall thickness standard. What happened during that resolution is, in his understanding, within the intent of House Bill 4 to advance an ASAP project. It is just to get cost estimates while AGDC has a skilled team with arctic engineering skills. This team will soon be disbanded and once disbanded it would be very costly to get that cost estimate and would potentially cause a great delay in time as well.

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REPRESENTATIVE HAWKER, in regard to relying on staff and relying on others, asked whether it is correct that Mr. Paskvan voted in favor of the resolution as it was proposed to figure out the cost of upgrading/enlarging these two new pipe sizes and pipe configurations.

MR. PASKVAN replied he was one of the board members who unanimously voted to look at the ANSI 600 and ANSI 900, and with the ANSI 900 the additional gas treatment issues and compression issues as far as a cost structure.

REPRESENTATIVE HAWKER inquired what Mr. Paskvan's foundation was for knowing and being comfortable in making this decision which involves spending state money. A certain amount of money was set aside to move forward with a gas pipeline project, he said, and given the state doesn't have a lot of money right now he doesn't want to see that money squandered or wasted in any way. He asked what information Mr. Paskvan had in order to know that those particular two pipe configurations were the right ones to look at, and that once more information was known there wouldn't be yet more configurations to look at. Representative Hawker said he doesn't believe it was ever discussed on the record at that [board] meeting and suggested that maybe board members knew something that wasn't on the record.

MR. PASKVAN responded that ANSI 600 and ANSI 900 were presented, and that he thinks an ANSI 1500 was also presented but the board was not interested in addressing an ANSI 1500 wall thickness. It was solely to increase it to the ANSI 900, he said, and that was based upon the discussions from Mr. Cruz and the recommendations and statements of Mr. Richards.

[1:41:35 PM](#)

REPRESENTATIVE HAWKER said he is hearing that "the why" for Mr. Paskvan's [decision on the resolution] is that it was at the recommendation of Mr. Richards and on the testimony of Mr. Cruz.

Representative Hawker said he has listened to that part of the [board meeting] and he does not believe he heard Mr. Richards recommending anything, only that Mr. Richards evaluated options in response to questions. He said his concern is how Mr. Paskvan knew it was the right decision to make.

MR. PASKVAN offered his understanding that Mr. Richards, as the ASAP advisor to the board, separate from Mr. Fritz Krusen who is the AK LNG advisor to the board, was saying a skilled [team] was together, that the class 600 study was either done or very near complete, and that this additional study could be completed probably within the terms of when this [team] would be disbanded anyway, and if not, it was just a smidgen longer. Mr. Paskvan said his takeaway was that Mr. Richards believed the board's action to be a good thing. He said he wishes he and everyone else had a copy of the transcript because he believes that Mr. Richards was giving the benefits of why the board should advance the resolution.

[1:43:50 PM](#)

REPRESENTATIVE HAWKER related that at the end of the discussion on pipe sizing he heard Mr. [Joe] Dubler [AGDC Vice President, Commercial Operations] providing information for [the board] to utilize in its decision making. He maintained that Mr. Dubler and Mr. Richards were providing information, not telling the board what to do. Representative Hawker offered his belief that [the board] was informed that staff had professional concerns that the action [the board] was taking might violate a contractual relationship that AGDC has in another matter. He asked whether Mr. Paskvan took that counsel into consideration, and if so, how Mr. Paskvan determined not to follow the advice of staff and to pass the resolution without knowing for sure whether a contractual agreement was being violated.

MR. PASKVAN replied that he believed [the board] was not and that [the board] was advised that it was not. In further response, Mr. Paskvan said he does not believe that [the board] violated any contractual relationship and he does not believe that anyone told [the board] that it was [violating a contractual relationship].

REPRESENTATIVE HAWKER requested the committee specifically get a transcript for exactly how the board was counseled and how the board members reacted to it. Given the sanctity of contract, he said, this is an issue of a lot of concern.

1:46:01 PM

REPRESENTATIVE HAWKER recalled Mr. Paskvan stating that he is going to be on the Technical Committee. Representative Hawker understood that Chair Burns has been on the record stating that to be on the Technical Committee requires the individuals on that committee to have executed the accepted confidentiality agreements. He asked whether Mr. Paskvan is willing to execute those agreements.

MR. PASKVAN responded that he has indicated he is willing to sign an appropriate confidentiality agreement, he agrees with that, and his understanding is that such a confidentiality agreement is being evaluated. As an attorney he understands the absolute critical necessity in the appropriate circumstance to maintain absolute confidentiality and probably appreciates the confidentiality issue more than most because of the ethics to his profession of confidentiality.

REPRESENTATIVE HAWKER asked whether Mr. Paskvan is indicating that the current confidentiality agreements are not appropriate. He further asked whether the current confidentiality agreements that were negotiated with the Department of Law, AGDC's counsel, and the other contracting parties, are adequate for Mr. Paskvan to sign.

MR. PASKVAN answered that none have been presented to him, his understanding is that "they're working on it," and he does not have a problem in signing that. To the extent that he is being asked to comment upon something he has not seen....

REPRESENTATIVE HAWKER interjected and allowed that his question is therefore inappropriate. He withdrew the question.

MR. PASKVAN added that he absolutely agrees with and will sign the confidentiality agreement.

1:48:18 PM

REPRESENTATIVE TARR opined that the new board members provide more geographic diversity to the membership than previously because it now extends up to Interior Alaska. She asked whether Mr. Paskvan would like to comment about his role from the Interior perspective, given the energy crisis in that area.

MR. PASKVAN replied that his region of Alaska is economically hurting right now, primarily for two reasons. First is the high

cost of energy. The potential for a large diameter line, 42 inches or 48 inches, will give Interior Alaska the best solution to its number one economic problem. Second is the uncertainty of U.S. military presence in Interior Alaska due to the possibility of government cutbacks to the military.

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CO-CHAIR TALERICO requested Mr. Paskvan to describe what he thinks is the right course forward.

MR. PASKVAN responded that job number one is AK LNG; the state's role through AGDC is to promote AK LNG, whether AK LNG moves forward with a 42 inch line or a 48 inch line. The bigger the line the better due to the potential for reduced unit cost by bigger volume. If AK LNG falters, then Alaskans deserve to have the best shot at an economically viable alternative if one exists.

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CO-CHAIR TALERICO opened public comment on Mr. Paskvan's confirmation. After determining that no one wished to testify, Co-Chair Talerico closed public comment.

CO-CHAIR TALERICO requested the second AGDC board appointee, Mr. Rick Halford, to present his testimony.

1:52:12 PM

RICK HALFORD, Appointee, Board of Directors, Alaska Gasline Development Corporation (AGDC), testified as appointee to the Alaska Gasline Development Corporation (AGDC) Board of Directors. He began by noting that while he is a 1968 graduate of Alaska Methodist University, his real education started in this room when he was on the House Resources Standing Committee and the first issue was the consideration of an interim tariff for the Trans-Alaska Pipeline System (TAPS). Committee members must make decisions. The education that committee members receive is one of the greatest benefits and one reason why he stayed in the legislature for 24 years. Industry will try to educate members from their point of view. He had incredible opportunities to learn as either a resources committee member or a resources chair for the majority of his 24 years, as well as the opportunity to serve multiple times as a majority leader in both the House and the Senate and go through many of these projects. Some of the most interesting were the opportunity to

read both BP and Atlantic Richfield Company's (ARCO) books and business plans in the BP/ARCO merger. It was an experience in signing a confidentiality agreement and taking a position and having to live up to that confidentiality agreement even though he would have very much liked to explain all the information that he saw. It was a window into those two industries that is very important. They are our partners - not our friends, not our enemies - [the state] needs to defend itself and give them the opportunity to defend themselves in any of these things. He offered his belief that conflict between the small line and the large line is probably the most dangerous thing due to negative power. But, positive power is had when everyone works together. It's going to be very, very difficult to advance a gasline in this climate in this world at this time and everyone must be working together. He said he gets discouraged when he sees the differences rising to the point of difficulty in terms of it advancing a project. Obviously, the "majors" project is the project that has the greatest chance, maybe the only chance, but having some fallback is important. He continued: "All I felt we were doing when that resolution was put before us, and it was put before us without any warning to me either, was looking at a different grade of pipe so that at some other time you could look at compressor stations, you could look at gas conditioning, you could look at gas liquefaction. The pipe is the cheapest part of the whole project, whether it is big or small. The other two components overwhelm the cost of the pipe. But if you had a higher pipe standard you might be able to, at a later date, choose to up the capacity to make something more economic. But it is always understood that the major pipeline, the big pipeline, from the producers who have the economic horsepower to carry it forward, is the first option. It's only as an alternative that any of the rest of the stuff was considered." He added that he very much believes that a pipeline is possible, but he also believes it is going to be very difficult.

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REPRESENTATIVE HAWKER offered his appreciation for the political experience of Mr. Halford. He said it is fair to say that Mr. Halford is not a pipeline person as per those other statutory requirements, but the extensive experience that Mr. Halford brings certainly carries some weight. Probably one of the greatest things crafted into the concept behind AGDC and now the AK LNG Project, he opined, was to eliminate politics from the process. Representative Hawker asked whether Mr. Halford, given his political experience, will be able to divorce politics from his decision making and truly make decisions as a professional

with experience and knowledge in gas pipeline construction, operation, marketing, finance, and major project management.

MR. HALFORD replied that everyone lives in a world of politics, whether it is the politics of our own family or own business, and he doesn't know how that can be totally separated. This project is going to be driven by economics. In a contest between economics and politics, economics eventually wins. He said he believes his advantage is the experience that he gained in chairing the merger committee and being a member of a gasline committee in approximately 1999, where he listened to a lot of people who were trying to teach from their perspective what the details of their business was. He does not think politics can ever overwhelm logic or economics, he opined, and he doesn't want to see politics do that. Unless it is economic, a project is never going to happen. "We have a lot of opportunity to stop us from getting a gasline in this cycle, and very, very careful opportunities to get a gasline if possible," he added.

[2:00:12 PM](#)

REPRESENTATIVE HAWKER requested Mr. Halford to talk specifically to his experience with gaslines and gasline companies.

MR. HALFORD responded that he was involved in the Alaska Gasline Port Authority (AGPA) in dealing with Sempra Energy and looking at some of the things that Sempra was interested in. But, he doesn't pretend to be an expert on gasline companies - he has met with them and listened to them and to all of the companies of today and some of the past. He said he doesn't believe a public member will be found who is a gasline specialist, nor were the previous public members gasline specialists. But, he continued, he does believe that the experience in dealing with those interests for that many years - in their internal documents in the merger, in their external proposals over the years on tax issues, development issues, investment credit issues, construction issues, and all the other pieces - is a part of the education that board members get.

REPRESENTATIVE HAWKER, expressing concern, inquired about Mr. Halford's relationship with the Alaska Gasline Port Authority.

MR. HALFORD answered that about a decade ago he was a consultant to the Alaska Gasline Port Authority for a year or so.

REPRESENTATIVE HAWKER asked how much Mr. Halford was paid.

MR. HALFORD replied he cannot remember the amount, but it was much more than he initially thought reasonable until he realized that he saved AGPA money when he advised not to do some things.

REPRESENTATIVE HAWKER noted that according to a research story by the "Journal of Commerce," Mr. Halford was paid \$100,000 in 2005 for lobbying work. Representative Hawker asked whether that is an accurate statement.

MR. HALFORD responded he thinks that is accurate and he thinks they paid him more than that to continue, but he does not remember what the provisions were.

REPRESENTATIVE HAWKER said he and several other of the committee's members were in that 2005 session. He said AGPA has continued to be extremely critical of the AK LNG process and the AGDC development. He inquired whether Mr. Halford, having worked for AGPA, still agrees with its position of opposing what the legislature has accomplished in the recent years.

MR. HALFORD answered that that was a decade ago and he doesn't know what AGPA's current position is. When he worked for AGPA on the Sempra proposal he thought it had some merit at the time. He added that his interest is in supporting anything that has the economics to go forward.

[2:03:48 PM](#)

REPRESENTATIVE TARR recalled her geographic diversity question to the previous appointee and noted that Mr. Halford spends part of his time in Western Alaska. She asked how it might help the AGDC Board of Directors to have some of these perspectives from around the state in terms of thinking about projects and opportunities for in-state gas.

MR. HALFORD replied the sad part is that the system will work for the Railbelt and Fairbanks, but that it is going to be very, very difficult to get the benefits out to rural Alaska. But, he said, if it successfully generates income to the state, that income and those services provided with that income can help rural areas. For example, power cost assistance works, it makes things a little bit more equal. However, the fact is that a gallon of milk or a gallon of aviation gas in Dillingham costs about \$8 today and that's a huge difference in the economics of the world. It costs a fortune to do anything in those places so a person has to make a lot more to be able to make it economic. Economic development and the survival of rural Alaska is a very

important part of any consideration or issues being looked at by the committee and a gasline is just one of them.

2:05:23 PM

REPRESENTATIVE HERRON inquired what Mr. Halford's reaction was when asked by the governor to be a member of the AGDC board.

MR. HALFORD responded that the governor asked without much discussion, he answered "sure" and didn't spend a lot of time thinking about it. He expected to have more interaction on the topic, but instead a lot of other things went on. He was just getting ready to resign from the Compensation Commission, a commission that has an exclusion on any other activity, so he went ahead and resigned. He didn't hear anything from the governor's office or the boards and commission for four to six weeks, and then they made the appointment. They didn't do a lot in terms of endorsing a position or trying to explain to him. He met with the staff at the Alaska Gasline Port Authority and with DNR to get some ideas about the background and where things were at this point. However, he got almost no reaction or interaction or callback from the governor's office on the issue. It doesn't mean the governor's office wasn't concerned, but that's the way it worked.

REPRESENTATIVE HERRON related that some people had quite some consternation regarding the governor's remarks about competing pipelines. He inquired whether Mr. Halford thinks the AGDC board should be in the business of attempting to market gas.

MR. HALFORD answered he doesn't know. He said he thinks the governor's vision seems to be a market driven pipeline and the governor wants to see if there is some interest from that direction. His understanding is that that is not a common model, but it may not be impossible. He said he has a lot of faith in the governor's energy and desire to do something. Although it is unfortunate that the leaders of the state are cast in a position of disagreement on an area that is very, very important to have agreement to go forward, he hopes [AGDC] can explore at least some of the market questions to see if there is potential. In Japan and Korea there is potential for premium values for gas. He is just working his way up the process to gather information at this point. He said he thinks it very, very important that the legislative branch and the executive branch are together. The way the separation of powers works, the legislature is the appropriating arm and has the resources

to do something, but the governor is in charge of the personnel that do it. Without agreement, he said, failure is guaranteed.

[2:09:11 PM](#)

REPRESENTATIVE SEATON asked whether Mr. Halford's recollection of the [3/12/15 board] meeting in which the resolution came forward to study the ANSI 900 and the higher compression is that a team was in place to do that rapidly whereas once the team was dissolved it would be costly to do that in the future.

MR. HALFORD replied that that is the way it was presented. He said he tried to separate the issues to be just the size of the pipe because he thought that was the most containing issue. A lower strength pipe can never be upgraded. But the pipe was the smallest component. It costs a huge amount of money to "up engineer" the gas conditioning and the liquefaction. He said he was interested in limiting the question to just the grade of pipe because he thought that was easier and less expensive. As it was, that motion passed that way, but a further motion went back and said to look at the costs of gas conditioning and liquefaction. So, it ended up being the same even though he had made an effort to simplify it. When looking at a backup plan, the most flexibility is probably the wisest thing to have. That's why he thought the board was going to look at just pipe size, but then ended up looking at the whole thing. He said he shares Representative Hawker's concern about conserving money and the massive expenditures for studies that never end up with result. However, the process is such that a number of good projects must be studied in order to get one good project going, so things are studied for hundreds of millions of dollars that are in conflict with each other. He said he hopes that what is received for not a lot of money is some simple understandable numbers and that it maximizes the benefit of a potential that's only a potential backup plan. He stated it doesn't threaten the producers, shares information with the producers, lives up to the confidentiality requirements, and doesn't endanger something that is already a very delicate balance.

[2:12:14 PM](#)

REPRESENTATIVE HAWKER said he thinks the record will show that Mr. Halford was a registered lobbyist back in the Alaska Gasline Port Authority (AGPA) days.

MR. HALFORD responded that he did register at least one year, but maybe not the second year when he may not have had that much interaction.

REPRESENTATIVE OLSON recalled Mr. Halford visiting his office in 2004 and making no bones about identifying himself as a lobbyist.

MR. HALFORD concurred, saying he went through the registration process.

REPRESENTATIVE OLSON further recalled that it was when the North Slope Borough was trying to pull out and Mr. Halford came by to visit him.

MR. HALFORD said he doesn't remember the details, but remembers he was obviously a lobbyist.

REPRESENTATIVE HAWKER, regarding the state conducting a marketing activity, inquired whether Mr. Halford is familiar with the name of Audie Setters.

MR. HALFORD replied he doesn't think so, although the name is familiar.

REPRESENTATIVE HAWKER urged Mr. Halford to become familiar with Mr. Setters because Mr. Setters has a significant contract with the Department of Natural Resources (DNR) dedicated to pursuing markets for Alaska's natural gas that might be generated from any pipeline project. Representative Hawker inquired whether Mr. Halford thinks it would be better for the state to have DNR be the one looking at marketing Alaska's resources or something that should be transferred to AK LNG itself.

MR. HALFORD responded he does not know the answer and would need to listen to a lot more data.

REPRESENTATIVE HAWKER offered his respect for Mr. Halford's answer. He said the state does, and has had, a very significant ongoing marketing activity that Mr. Halford, as a member of the AGDC board, should make a point to be aware of.

MR. HALFORD answered he thinks he may have heard from DNR Deputy Commissioner Marty Rutherford that the aforementioned name is someone who could provide information.

[2:14:58 PM](#)

REPRESENTATIVE HAWKER recollected a dialogue he heard somewhere that if the pipe is built heavily up front initially it doesn't have to be used until necessary, but it would be in place at such time as the demand might be there for it. He asked whether Mr. Halford's statements can be interpreted as favoring this "prebuild concept," where more is built today than needed in anticipation of expanded service in the future.

MR. HALFORD replied he has not thought that through to the prebuild concept at all. All he was doing was asking the question, How much does it cost to upgrade the pipe so that if expanding the capacity was wanted it could be done? He said he just wanted a number because the numbers are overwhelming in terms of their size, and if that were the one place where flexibility could be built in and then deal with compressor stations, a larger gas conditioning plant, and LNG at a future time, there would be more flexibility. All he was looking for was flexibility.

REPRESENTATIVE HAWKER, regarding the teams/contractors at AGDC that have done the work to get to where things are today, noted that those contracts had largely been "stood down" in favor of AK LNG. He pointed out that enabling legislation was approved last year to not move forward any further on the backup project. Testimony before the committee has been that that project has been slowed down to let AK LNG get legs and run. Utilizing those contractors right now for anything is going to require investing money, Representative Hawker opined, and the governor has his executive order (EO) that prohibits advancement of the ASAP Project. He asked how Mr. Halford expects to pay for these contractors.

MR. HALFORD responded that that was discussed and a condition in the resolution is that the administration has to deal with that. He said it was Mr. Richards' interest in keeping the team together that "kind of carried the overall committee" to say it will look at more than just pipe size. So, the board ended up back at the same resolution that was introduced, but the board did it in a circle that came back around. The argument of keeping that team together and not losing that expertise is what brought it back around against the opinion of just looking at pipe size. "And we all agreed to that as we listened to it, but it was Frank Richards trying to keep that team together and it was also the executive director advocating for that, saying that, 'that if we don't have these people we won't be able to get those answers.'"

2:18:53 PM

REPRESENTATIVE JOSEPHSON inquired whether Mr. Halford has any recollection of the staff during this meeting offering some admonishment that the resolution might broach a question about violations of previous agreements, that it was treading on some grey area that was worrisome to anyone on the staff.

MR. HALFORD answered "there was concern about confidentiality agreements and what they could share and what they couldn't share." As was brought up by Representative Hawker, there was significant discussion about confidentiality. The attitude was that there was some concern about the specific confidentiality agreement that had been offered before, but that there could be confidentiality agreements drawn that were a little bit narrower that people would feel comfortable with. There was some discussion of that in the committee. He said he thinks there were staff members that said things that were a little bit different in perspective. There was one person from the LNG project versus the small project and they had a little bit of difference, but the board followed the things that they agreed on. There were concerns, he continued, and the concerns are legitimate in terms of the other project and how the two projects share information and how they get along and whether they are competitors or allies. There was even some discussion of ending up with one project that was an amalgam of the two.

2:20:57 PM

REPRESENTATIVE HAWKER argued that his recollection had nothing to do with the discussion of confidentiality agreements and contracts, but rather with Mr. Dubler's counsel that moving forward with the resolution violated the terms of a business contract with other parties. Representative Hawker said he has concerns that a question raised by a senior AGDC staff member was ignored.

MR. HALFORD replied that the resolution was brought forward without the board having seen it before the meeting. There were questions that went both directions and it seemed like staff members were not in total agreement.

2:22:09 PM

REPRESENTATIVE JOSEPHSON said Mr. Halford strikes him as someone who is comfortable in a setting where he is given a set of choices and asked to make decisions.

MR. HALFORD responded that the people sitting here today know they have to be able to live that way and have to be able to say no to somebody who tomorrow will be asked for his or her support. And that's the way the political world works and the better a person is at it the more successful he or she will be.

REPRESENTATIVE JOSEPHSON offered his understanding that Mr. Paskvan stated that through Senate Bill 138 the legislature issued a directive that in effect said this is currently the primary development and LNG plan. He asked whether Mr. Halford agrees with that.

MR. HALFORD confirmed that, absolutely, the large line is the primary plan.

[2:23:39 PM](#)

REPRESENTATIVE HERRON noted Mr. Halford is one of three people replacing three former members of the AGDC board. He inquired whether Mr. Halford has reviewed and can comment on the history of the previous members' body of work.

MR. HALFORD answered he is not sure it is fair to comment on their body of work and their world and their time. He said he knows they spent a lot of money to get a lot of information and he hopes it is all very valuable to the current board and gives some backup. The legislature granted incredible latitude to the AGDC board to ask those kinds of questions and find those things out - in a backup position. He said it is the broadest latitude he has seen in any legislative creation in the time that he has been involved in looking at those things.

REPRESENTATIVE HERRON clarified his question is whether the work done by those former board members has proven valuable to the process that will continue.

MR. HALFORD replied he very much hopes so; he does not have any information that would say it is not. It is a large amount of money and a large amount of analysis. If [AK LNG] goes forward, everything spent on the information for the backup is money expended that didn't have to be spent. So that's the balance that has to be looked at in terms of what is spent. Having a backup is important and having it be as good as it can be is

important, but not to the extent of threatening the primary purpose or to the extent of spending money that doesn't need to be spent.

[2:25:54 PM](#)

REPRESENTATIVE TARR surmised Mr. Halford has some level of comfort because the work can take place immediately before the team is disbanded, but that Mr. Halford has put his commitment to the AK LNG Project as the primary project.

MR. HALFORD responded "absolutely."

REPRESENTATIVE TARR asked whether Mr. Halford sees the April 9 [2015] AGDC Board of Directors meeting as being where there will be a decision point. She asked whether Mr. Halford agrees that the information will be received quickly and that this new evaluation will not threaten the AK LNG Project. She further asked how much time Mr. Halford is willing to let go by before something is pushed aside.

MR. HALFORD answered he would like to know pretty quickly and believes the team should be able to produce information on the pipe strength standard pretty quickly. The other parts of it are going to be the more expensive and more time consuming, he said, and he is not totally convinced a huge amount of money has to be spent to totally redesign a gas conditioning plant to a much, much larger size; but he is going to listen. The argument that carried the day, at least for asking the question, was that this team was still together and this needed to be asked now.

REPRESENTATIVE TARR said it sounds like Mr. Halford has no problem being an independent voice and will be willing to question whatever information is presented. She asked whether Mr. Halford agrees that this will be his role moving forward.

MR. HALFORD replied, "If we can work together, I think we have a reasonable chance of success; if we cannot work together I think there is no chance of success of having a gasline in my lifetime."

[2:28:39 PM](#)

REPRESENTATIVE HAWKER said he thinks the statement was just made that nothing [AGDC] is currently doing is threatening or will threaten any of the projects and [AGDC] has until April 9 with no consequences. He requested Mr. Halford to explain what

happened with AGDC's supplemental environmental impact statement (SEIS). He further requested Mr. Halford to comment on the statements made by Mr. Fauske before the House Resources Standing Committee that he felt that the same considerations could very well apply to federal uncertainty and federal concern about moving forward on the AK LNG export permit.

MR. HALFORD responded that he thinks the SEIS is a 30 day delay to see what the interaction is between the executive and legislative branches this session and whether people can get together and go forward.

REPRESENTATIVE HAWKER stated the U.S. Army Corps of Engineers suspended work on the SEIS. He maintained that the proposal put on the table by the AGDC board implies very strongly that the backup project is not an in-state gas project, but rather an LNG export project. That would mean the Corps of Engineers isn't the permitting agency, but rather the Federal Energy Regulatory Commission (FERC) is the permitting agency. So, he posited, it is far more than a 30-day delay while this is sorted out and there is the potential of having to go through a complete start-over in designing the backup project.

MR. HALFORD answered that the only thing the board decided was to ask the question about the cost of the cheapest component, and then the second action added the other components. He said he looks at it as wanting to know what it costs to find out. Finding out the pipe question is the easiest part of it, finding out the liquefaction and particularly the gas conditioning is the most expensive part of it and there's a question as to whether even the same process will work if it is upsized. The questions overwhelm any answers. The only one that is relatively simple is the pipe question and if an answer can be had in two weeks then the question was certainly worth asking. The other questions depend on what they cost.

REPRESENTATIVE HAWKER maintained that that is the level of uncertainty that has caused the permitting process to be put on hold. When questioned, Mr. Fauske indicated that the aggregate of these doubts, new questions, and no one being able to say what the plan is now, could very well cause concerns with the export permitting by FERC because [the partners] are not aligned and working together as was established under Senate Bill 138. He asked whether Mr. Halford shares the concern that it is problematic to have a lack of alignment and questions being raised so close to a decision on front-end engineering and design (FEED) or whether Mr. Halford's opinion is that there are

absolutely no problems with re-engineering the whole process within 12-24 months of FEED.

MR. HALFORD replied the questions have to be answered very quickly because the dangers are real. The opportunity may be real, but if an answer doesn't come back quickly and it is unknown what the options are, then Representative Hawker is right. Confusion is just as big a danger as misalignment or lack of agreement, he said, so his hope is that a plan, with concurrence of the governor's office, will be presented to the AGDC board at the next board meeting. He agreed that Representative Hawker's questions are very legitimate and said he has the same questions.

[2:33:50 PM](#)

REPRESENTATIVE JOHNSON inquired why Mr. Halford wouldn't have taken a couple of days to determine whether there was a contractual violation, given the advice from AGDC staff in this regard and Mr. Halford's own statements that the dangers are real, people must work together, and there is a lot of risk. He opined that it is counterintuitive to get advice that may dis-align everyone and not take the opportunity to determine whether it is or is not a contractual violation. It seems a little reckless, he added, or shows a disregard for the partnership to move forward, to hope there aren't ramifications rather than waiting a couple of days to find out for sure.

MR. HALFORD responded that, in his mind, both the impoundment language in the governor's large projects "thing" and that issue were to be considered by the staff as they went forward with the resolution. So, the board was asking to get a number first on the pipe and secondly on the rest of it, that's all, and he couldn't see how that could be a violation of anything. In regard to dealing with the governor's executive order on suspending restrictions, he said he thinks the staff has to come up with a justification and how it works and what to do and they have to do that with regard to dealing with any agreements that they're also a part of in their other role. That is their job.

REPRESENTATIVE JOHNSON asked why not wait to advance the resolution to find out for sure that it did not violate a contract, given the advice that it might.

MR. HALFORD answered, "How can asking for the cost of a pipe size violate a contract?"

REPRESENTATIVE JOHNSON said if he got advice from someone that it may be in violation, he would want to make sure of that before he moved forward, regardless of what he personally thought.

MR. HALFORD replied there were other people advising that unless this team is utilized the team will go away and this is the way it has to be done. There were other people advocating for looking at a same size pipe strength standard, he said. It didn't seem to him that asking the question could violate anything. The discussion went more to the confidentiality agreements and how to get a new confidentiality agreement and that is what he was concentrating on in that whole period of the discussion.

[2:37:48 PM](#)

REPRESENTATIVE TARR remarked it will be good when the committee gets the transcripts because, as she understands it, the questions were related to confidentiality and potential sharing of information and that was what was broadly being defined as contract disagreement. She asked whether there were two separate confidentiality issues about sharing information and how that data might be shared versus a contract that would have actually been violated.

MR. HALFORD reiterated that the board was just asking questions about size that didn't seem to affect anything else. He said he too would like to see what the transcript says because much of this runs together. I was trying to learn a whole lot of things at the same time, trying to be objective, and yet also gathering information as fast as possible. Basically, [AGDC] is 100 percent of the small pipeline and also 25 percent of the biggest component of the big pipeline and [AGDC] has an obligation to everybody else who is involved. Plus there are all the staff things. There is \$150 million and 30 or 40 contract employers and 20 or 25 employees, so there are a lot of people and trying to figure out what their roles are. There are two people that seem to be the managers of one project and the other project and trying to understand what they're saying. The whole concept that [the legislature] has developed is a good concept. To have a backup is a good idea. But the details of managing that through one public corporation are going to be a little bit cumbersome.

[2:40:04 PM](#)

CO-CHAIR TALERICO announced that the committee will receive the [3/12/15 AGDC Board of Directors] transcript by mid-week.

2:40:26 PM

REPRESENTATIVE JOSEPHSON understood that any slowing of the SEIS is the slowing of the ASAP backup plan.

MR. HALFORD concurred.

REPRESENTATIVE JOSEPHSON understood that the ASAP Project was ahead of the AK LNG Project and that AK LNG needed to catch up and even pull ahead of ASAP.

MR. HALFORD concurred, saying that this was pointed out.

2:40:51 PM

REPRESENTATIVE OLSON inquired as to whether the Alaska Gasline Port Authority is active or inactive.

MR. HALFORD responded he doesn't know.

REPRESENTATIVE OLSON remarked that it seems like there are a lot of former Alaska Gasline Port Authority people working in the administration: the governor, his chief of staff, the attorney general, Mr. Halford, and at least one staff member of AGDC. He asked who else there might be.

MR. HALFORD answered he doesn't know.

REPRESENTATIVE OLSON inquired whether it is coincidental.

MR. HALFORD replied he doesn't think it is coincidental, people have been trying to get a gasline for years. They've had different visions of what it should be, different attitudes toward how to make it work, and there hasn't been agreement. To get a gasline is going to take a level of agreement that hasn't been seen in a long time.

REPRESENTATIVE OLSON noted that an attempt was made last week to amend HB 132 to include a study of the Richardson Highway with the terminus in Valdez. He said that amendment came out of the clear blue and didn't go anywhere. This route has been studied since 1975 or 1976, so this amendment is what made him curious.

MR. HALFORD responded he doesn't know. He said the economics are going to drive it where ever it goes and whatever it does. "When you look at the big numbers," he continued, "I don't think we have the horsepower to move the majors unless we're together and that's going to be difficult." The majors always represent their shareholders very well and it is always very, very difficult for small democracies to deal with the expertise the majors bring to the table.

[2:43:01 PM](#)

REPRESENTATIVE SEATON, regarding his name being brought up in relation to the contracts that are on hold, said his understanding is a little different than what was portrayed. His understanding is that those contracts were put on hold because if [AGDC] continued spending money on things that were of benefit to AK LNG as well, then [AGDC] was spending 100 percent state dollars on something that [AGDC] was required to give free to AK LNG as a participant. He expressed his concern that board members are up for confirmation and there is talk about some potential amorphous contract violation, yet the chairman of the board and the continuing board members also voted for this resolution. The people most familiar with the contracts voted for this resolution, so [the committee] is making a mountain out of a mole hill when talking about new members and their support for what the continuing members were proposing. He asked whether this is correct in understanding that the consideration of the ANSI 900 and expanded capacity is in response to having the ability to know whether it would be a more economic project.

MR. HALFORD answered correct.

[2:44:58 PM](#)

REPRESENTATIVE JOHNSON requested Mr. Halford to explain what he meant by a new plan that would be brought forward by the board in concurrence with the governor.

MR. HALFORD replied that he said that's his hope and he hopes the board sees something by the next meeting.

REPRESENTATIVE JOHNSON said he is concerned about "concurrence with the governor." He asked what Mr. Halford means by that.

MR. HALFORD responded he has not had that much communication. He said he thinks the staff, the governor's office, the

Department of Natural Resources (DNR), and everybody involved should be trying to come up with the answers being asked here. As a board member he wants to see that also.

REPRESENTATIVE JOHNSON inquired what will happen if the board comes forward with a plan that doesn't have the governor's concurrence.

MR. HALFORD reiterated that if the legislature is not on board, if the executive is not on board, then the AGDC board is not going to get anywhere either. "Unless we have agreement, we're not going to be able to go forward," he said.

[2:46:25 PM](#)

CO-CHAIR TALERICO opened public comment on Mr. Halford's confirmation. After determining that no one wished to testify, Co-Chair Talerico closed public comment.

[2:46:56 PM](#)

REPRESENTATIVE TARR asked what committees Mr. Halford might be serving on.

MR. HALFORD answered he hasn't decided. The technical committee is probably going to be the most educational but the one that may drive the project the most may be the marketing committee and that is probably where he is most interested. "In the short term we can drive economics through the political system," he said, "but in the long term, economics wins, and that's to me probably the most interesting hope is that our interest and the majors' interest can be aligned at minimum pain to either side."

[2:48:00 PM](#)

CO-CHAIR TALERICO requested the third AGDC board appointee, Mr. Hugh Short, to present his testimony.

REPRESENTATIVE HERRON stated for record that Mr. Short is his nephew-in-law.

[2:48:33 PM](#)

HUGH SHORT, Appointee, Board of Directors, Alaska Gasline Development Corporation (AGDC), said he would like to address Representative Johnson's earlier conversation and the legal

questions that came up. First, however, he spoke from the following written statement [original punctuation provided]:

I am honored to be before you today to be considered to serve you, the Governor, and the State of Alaska, as a board member of the Alaska Gasline Development Corporation.

The economic future of the State of Alaska is in a precarious situation with the dramatic drop in oil prices globally. I am thankful to each of you for your leadership and the responsibility that you bear, to lead us through this difficult economic situation toward a sustainable future.

As a board member of AGDC, I would take my responsibility seriously. My top six priorities would include pursuing:

1. competitively priced, reliable in-state gas;
2. Commercialization of ANS gas resources through the sale of LNG to global markets and access for instate demand
3. Creating jobs for Alaskans in the exploration, development, production and transportation of natural gas
4. Increasing opportunities for Alaska-based businesses
5. Providing additional revenues to the State of Alaska and LNG partners
6. Building infrastructure for the development of onshore and offshore oil and gas exploration and production

With that, I would like to briefly discuss my background and how I believe that I would be a qualified and effective board member for AGDC.

I have served in a career in business and finance, most recently as the Chairman and CEO for the Pt Capital family of companies. Pt Capital is in the midst of building a private equity firm that focuses on investments in small to mid-market companies in Alaska, Canada, Iceland and Greenland. Our company is a first for Alaska, as traditional private equity investment in Alaska has been through PE firms that are headquartered outside. I have built this company

anchored by one of the largest sovereign wealth funds globally with one of the most pristine reputations, and surrounded by other well-regarded investors.

Additionally, our subsidiary Pt Securities is the most northern FINRA - regulated, SEC-registered, broker/dealer investment bank in North America. Pt Securities works with small and mid-market companies that have needs to raise capital and debt for the growth and development of their business.

Both of these services are first to market companies that have been created to help spur the further development of a strong, financial services sector in Alaska.

During my over two-year tenure as chairman of the Alaska Industrial Development and Export Authority, more than \$530 million in capital and associated contributions by partners were appropriated; in addition the board approved due diligence on another \$295 million in infrastructure development projects, including the first investments in offshore drilling rigs.

As Chairman of the Alaska Energy Authority, concurrent to the Chairmanship of AIDEA, I was responsible for the implementation of the Susitna-Watana Hydroelectric Project. The project will generate 50 percent of the current Railbelt's electric demand, or 2,800,000 megawatt hours (MWh) of annual energy, once it comes online in 2024. The installed capacity is 600 megawatts (MW). As proposed, Susitna-Watana Hydro will include construction of a dam, reservoir and related facilities in a remote part of the Susitna River. Transmission lines connecting into the existing Railbelt transmission system and an access road will also be constructed.

The Alaska Energy Authority is in the early stages of a long, complex permitting process with the Federal Energy Regulatory Commission (FERC), which I led as Chairman of AEA. The anticipated cost is \$5.19 billion, including licensing and construction.

When I took over as Chair of both AEA [Alaska Energy Authority] and AIDEA [Alaska Industrial Development

and Export Authority], performance evaluations had not been completed in a few years. I found this unacceptable and immediately began to work with staff to implement these important management tools. We tied key performance metrics to overall organizational goals of both AEA and AIDEA, and focusing the work of the board on the large strategic items that drove results.

As the President and CEO of Alaska Growth Capital, Alaska's only Business and Industry Development corporation, I was responsible for the deployment of over \$240MM of financing for the construction of a telecommunications network for GCI, utilizing creative finance tools to ensure the best possible cost of capital to support the high cost Arctic, rural built out. The remote communication towers create state of the art communication networks, improving health care, economic opportunities, and life/safety for many in rural Alaska.

In addition to this, I was responsible for the financing of businesses that worked in Alaska's oil, mining, tourism, retail, logistics, and transportation industries. These companies form the support foundation for the core natural resource exploration and production that drives our economy in Alaska. In a state that is so dependent on the access to lands and resources, the financial support of AGC was vital to the business operations of many companies that otherwise would not be able to access capital.

On a personal note, my Inupiaq mother Mildred Short was born in the isolated community of Moses Point in 1942, just outside of Elim. My father Hugh Short Sr., who turns 90 this year, immigrated to Alaska in 1956 from northern British Columbia. I was born in the western town of Bethel, and had the honor of serving as the mayor of the community. I live in Girdwood now with my wife of 19 years, Trina, and our three daughters Madilyn, Karis and Elizabeth

As a board member for the Alaska Gasline Development Corporation, I would work to ensure that the business of the AGDC was squarely on the focus of commercializing Alaska's gas, not politics. I have a track record of focusing on ensuring that the State

does not make bad business decisions, and creates opportunity and jobs for those that live here. I would use this to serve on the board and contribute to the important task at hand, with the Governor and Legislature, to make Alaska's gas competitive globally and build the important infrastructure necessary to make this happen.

[2:55:58 PM](#)

REPRESENTATIVE JOSEPHSON inquired whether the six priorities listed by Mr. Short were in any particular order.

MR. SHORT replied there is no prioritization as he thinks all of those are important. He pointed out that those priorities are from the Heads of Agreement that the State of Alaska signed. He said he thinks those are very clear goals that the state's partners, TransCanada, and the State of Alaska have endorsed. He offered his belief that those are important milestones and goals for this project.

REPRESENTATIVE JOSEPHSON requested Mr. Short to address the previous conversations with the other two nominees.

MR. SHORT replied that when the transcripts are received by the committee, members will clearly see that he asked the question to the [AGDC] CEO and president, AGDC's general counsel, and Joe Dubler as to whether any contracts are being violated with the motions and the resolution that was presented. The transcripts will show that the answer he got back from [AGDC's] general counsel, Ken Vassar, was that there are no violations of any contracts, the biggest hurdle is that "A037" would have to be lifted in order to spend more money. He said Joe Dubler also made a remark approximately that same time that there are provisions within AK LNG where data that is shared between ASAP and AK LNG may have to be revisited if [AGDC] moves above 500 million cubic feet. So, Mr. Short continued, the data that is shared between the two projects would need to be discussed among the partners and there was about 30 minutes of conversation around what that means - what data, whose data is it. It will be seen in the transcripts that [AGDC] doesn't own the data necessarily. So, he specified, he wants to be very clear that from his perspective he did ask the question. He is very concerned that [AGDC] doesn't violate any contracts; it is an important part of any partnership.

[2:58:47 PM](#)

REPRESENTATIVE HAWKER said he thinks he may still have a difference of opinion on exactly what was being discussed at what time in relation to the questions. He urged that the committee get those transcripts so they can be accurately evaluated. Representative Hawker said he recalls Mr. Short stating at the AGDC board meeting that he wants to make this the most competitive project in the world. He asked what Mr. Short means by competitive.

MR. SHORT responded that the consumption of LNG globally has been growing at a significant pace - double digit growth annually. In addition, some very large projects are coming on stream around the world, including in Mozambique, Australia, and Yamal. So, a lot of additional LNG is already past final investment decision (FID) and into construction, and ultimately coming into the market. To be successful, [an Alaska project] is going to have to compete against all of these projects and be able to provide the gas where ever [an Alaska project] can get the contracts necessary for project financing. He said his job as a board member is to ask the tough questions. He asked numerous questions during that AGDC board meeting to ensure that [AGDC] is always keeping an eye on the ball - that at the end of the day it's going to be the market that determines [the project's] success and being able to operate, manage, and provide the revenues to the State of Alaska, not necessarily the infrastructure itself. So, when he says competitively, he is keeping in mind to compete on a global basis.

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REPRESENTATIVE HAWKER said he heard Mr. Short state the need to be able to successfully market [Alaska's] product against a common fungible product available from other sources in the world. That marketing is a function of DNR, Representative Hawker maintained, not AGDC. He asked whether that affects Mr. Short's thoughts on this.

MR. SHORT answered that his role as a board member for AGDC "is around strategy and ensuring that our team is representing us in the partnership with AK LNG as well as ASAP." He said he believes very firmly that if marketing occurs "that's not a role for the board of directors to do and perhaps that would be a role for our partners within AK LNG, we don't have the capacity; or, perhaps it is a role for our governor to do as the chief executive officer of the State of Alaska." Members of the AGDC Board of Directors are not experts in marketing, and he is glad

to hear about the consultants on board at DNR as he did not know that before. He said he believes [marketing] is something that is a big hurdle for [the AGDC] project.

REPRESENTATIVE HAWKER offered his appreciation for Mr. Short coming to visit with him earlier and noted that Mr. Short is one of his constituents. He related that he and Mr. Short talked about marketing and buying and the global markets, and in that conversation Mr. Short talked about his experience in his capital company and the contacts he has and people and experience all over Asia. He quoted Mr. Short as having said that he wanted to put his "people with ours to make a transaction work." However, Representative Hawker continued, that raised the question about either an actual conflict of interest or the appearance of a conflict of interest. He requested Mr. Short to resolve this for him.

MR. SHORT replied that he thinks Representative Hawker's characterization of his statement is inaccurate. The statement that he said, or perhaps should have said more clearly, is that there are a number of partners out there globally - buyers that are very interested in Alaska gas. Probably the three largest markets that need to be focused on as the State of Alaska and as partners in AK LNG is the emerging Chinese market, which is growing faster than any other LNG market and which started in 2006. Malaysia is becoming a net importer of LNG as opposed to exporting LNG. And India. The expertise that he has of following and understanding the markets adds to his ability to be an effective board member for AGDC. He pointed to his record as a board member for the Alaska Industrial Development and Export Authority (AIDEA), as well as the Alaska Energy Authority (AEA), and the stellar ethical conduct that he had and no conflicts. At that time he was an employee of Alaska Growth Capital and Arctic Slope Regional Corporation (ASRC) had a contract with AIDEA to pursue an Arctic port. So, he walled himself off of any conversations internally in AIDEA and he walled himself off internally at ASRC so that there was no information that came to him, nor did he have any vote or any vested interest in that project because of the potential appearance or potential conflicts.

REPRESENTATIVE HAWKER concurred with Mr. Short's portrayal of what was said in their prior meeting in regard to Mr. Short successfully walling himself off from conflicting decisions. Representative Hawker asked whether Mr. Short is stating here that he did not say in their prior meeting that he has market contacts in Asia and wants to put his people with "ours".

MR. SHORT responded he is stating that the way Representative Hawker heard that, if that is the way it was heard, is incorrect in the conversation context. He apologized for missing the context and said he does not believe that that was the intent nor the way that it was stated and he believes there are no issues there.

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REPRESENTATIVE TARR noted Mr. Short's strong financial background and asked which committees Mr. Short would like to be on to best serve the AGDC board.

MR. SHORT answered he has been assigned to the commercial and governance committees, although he is unsure whether it is final. He said he was assigned to the governance committee because of his management role at AIDEA and AEA and assigned to the commercial committee because of his understanding of global macro-economics.

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CO-CHAIR TALERICO opened public comment on Mr. Short's confirmation. After determining that no one wished to testify, Co-Chair Talerico closed public comment.

CO-CHAIR TALERICO announced that the committee will wait on moving these confirmations until after the committee receives the [3/12/15] AGDC Board of Directors meeting transcripts.

CO-CHAIR TALERICO, responding to Representative Olson, agreed to provide committee members with at least 24 hours to read the transcripts before putting the confirmations back on the committee's agenda. He further noted that any paperwork signed at the committee level neither pledges allegiance to moving the appointees forward in confirmation nor means opposition to confirming the appointees. It only verifies that hearings have been held at the committee level. Responding to Representative Tarr, he noted that the confirmation hearing scheduled for 6:00 p.m. today was cancelled due to a scheduling conflict. Responding further to Representative Tarr, Co-Chair Talerico said public testimony would be taken at the next confirmation hearing for the three appointees.

[The confirmation hearing was continued and concluded at the committee's meeting held on April 1, 2015.]

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:10 p.m.