

HB

177

4/21/07

Testimony of Dave McClure
HB 177 – House Resources Committee
April 21, 2007

My name is David McClure, I serve as Executive Director of the Bristol Bay Housing Authority, and also as Chairman of the Board of the Southwest Alaska Vocational Education Center which is located at the USAF Base in King Salmon.

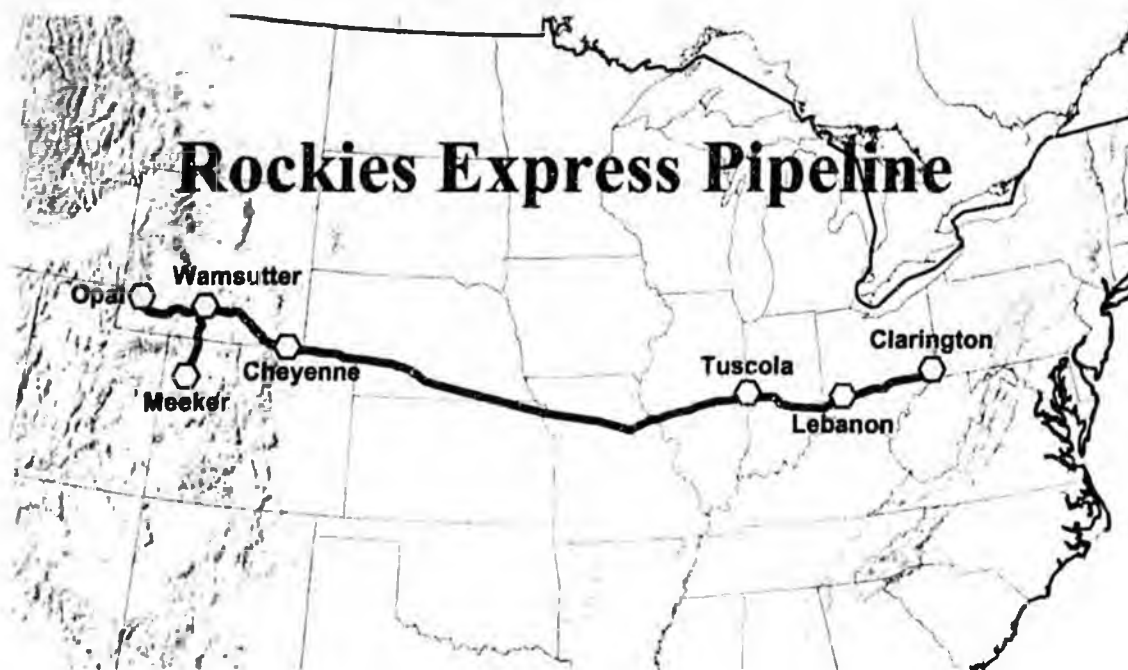
Thank you for the opportunity to testify...

I support the CSHB 177, and specifically, subsection 17 of Section 43.90.130, which includes a project labor agreement in the application process. This PLA is vital to ensuring residents of our region, and our state, are hired for the workforce to be employed during construction and operation of the pipeline.

During the construction of our Voc Ed Center, we created a partnership and project labor agreement with the trade Unions in the State, in coordination with Alaska Works Partnership, which was highly beneficial to the residents of the region. The facility was completed with at least 85% local labor, both journeyman and apprentices. Including that project and in subsequent years, we have had over 120 local folks enrolled in a general building maintenance repair and apprenticeship programs, with ten percent of those folks gaining journeyman status.

I also support Section 43.90.470, concerning job training programs. I ask that this section include reference to training centers, including those in Anchorage, Fairbanks, and the rural regional training centers such as the Southwest Alaska Voc Tec Center, the People's learning Center in Bethel, the centers in Kotzebue and St. Marys.

In conclusion, the Project Labor Agreement and use of the training centers in the State of Alaska are critical and crucial for maximizing the use of Alaska workers in this important project.



Kinder Morgan Energy Partners L.P. and Sempra Pipelines & Storage ("Partners") are jointly pursuing the development of a new natural gas pipeline that would link producing areas in the Rocky Mountain region to the upper Midwest and Eastern United States.

The Rockies Express pipeline will be constructed with 42-inch diameter or larger pipe, sufficient compression and appurtenant facilities to provide transportation capacity of up to 2 billion cubic feet per day. As part of this long haul pipeline project, the Partners have entered into a memorandum of understanding with Entrega Gas Pipeline Inc, an affiliate of EnCana Corporation, to purchase the Entrega pipeline system. The Partners intend to consolidate the Entrega pipeline system, which has been approved by the Federal Energy Regulatory Commission ("FERC") and is currently under construction, with Rockies Express.

To provide access to major Rocky Mountain supply areas in western Wyoming and to meet an in-service objective of June 2009 for the complete pipeline from the supply areas to Clarington, Ohio, the Partners will seek FERC authorization to expand Entrega westward and to construct Rockies Express eastward from the Cheyenne Hub, located in Weld County, Colorado. This authorization will be sought through multiple certificate filings. FERC will individually approve or reject each certificate application and approval of one certificate does not guarantee approval of certificates seeking authority to construct additional facilities.

The Entrega expansion certificate will seek approval to extend the Entrega pipeline westward to the Opal Hub, located in Lincoln County, Wyoming. The Rockies Express certificate 1 pipeline segment will originate at the Cheyenne Hub and extent eastward to a pipeline interconnection with Panhandle Eastern Pipeline Company in Audrain, county, Missouri. The Partners intend to seek

approval to consolidate Entrega and Rockies Express in certificate 1. The certificate 2 pipeline segment will originate at the terminus of certificate 1 facilities and extent eastward to the Lebanon Hub in Warren County, Ohio. The certificate 3 pipeline segment will originate at the Lebanon Hub and extent eastward and establish a new hub, interconnecting with numerous pipelines proximate to Clarington, Ohio.

If shippers make adequate long haul transportation commitments to the Rockies Express pipeline and provided FERC and other required approvals and authorizations are received on a timely basis, the Partners expect that Entrega and Certificate 1 segment will be completed by January 1, 2008. The Certificate 2 segment will be completed and operational by December 31, 2008 and the Certificate 3 segment will be completed and operational by June 30, 2009.

The Alliance Pipeline System

BACKGROUND

The Alliance Pipeline system is designed to transport high energy natural gas from northeastern British Columbia and northwestern Alberta to the Chicago, Illinois area market hub.

The Pipeline

Initial throughput volume of $37.5 \times 10^6 \text{ m}^3$ (1.325 billion cubic feet per day) of high-energy natural gas (up to 44.2 MJ/m^3 ; 1188 Btu/cf) at a maximum allowable operating pressure of 12,000 kpa (1740 psi).

CANADIAN SYSTEM

Mainline

- 339 km (211 miles) of 42-inch and 1220 km (758 miles) of 36-inch diameter steel pipe
- 42 receipt points connecting with lateral pipelines totalling about 729 km (453 miles), ranging in length from about 0.3 to 142 km (0.2 to 92 miles), and in diameter from 4 to 24 inches
- 7 mainline compressor stations of about 23 to 29 MW (31,000 to 40,000 hp), each spaced about 195 km (120 miles) apart
- mainline block valves about every 32 km (20 miles) apart

Laterals

- 729 km (453 miles), of steel pipe ranging in length from about 0.3 to 142 km (0.2 to 92 miles) and in diameter from 4 to 24 inches

U.S. SYSTEM

- 888 miles (1429 km) of 36-inch diameter steel pipe
- 7 compressor stations of about 31,000 hp (23 MW), each spaced about 120 miles (193 km) apart.
- mainline block valves spaced about every 20 miles (32 km) apart
- 7 delivery points (Aux Sable Liquid Products, Nicor Gas, NGPL, Midwestern Gas, Peoples Energy, ANR, Vector Pipeline)



Compressor Stations

There are fourteen mainline compressor stations, spaced about 193 km (120 miles) apart, along the pipeline route.

Operation of the System

Highly-trained and experienced area office staff are responsible for the everyday operation and maintenance of the system. Each area office is responsible for specific segments of the system and is typically staffed by five to seven employees, including a Team Leader, Electrical, Instrumentation and Control (EI &C) Technicians, a Mechanical and Communication Technician.

Safety Measures

All design and operating codes and standards, which have been developed to foster safe design and operation of pipeline systems, are being met or exceeded.

Pipeline wall thickness is 20-50% thicker than most operating pipelines, helping to mitigate risk of third-party damage by such equipment as a backhoe. Increased wall thickness also reduces the possibility of failure caused by external corrosion.

In addition to participating in the "Call Before You Dig" program, to further maximize safety, pipeline right-of-way (ROW) markers have been installed at



roads, fences and at other prominent locations along the ROW. The program requires that prior to any third-party excavation on, or near, the ROW, Alliance be contacted to locate the line so the pipeline will be avoided.

During the first five years of operation, an in-line inspection of the pipeline, with a "smart pig", will be conducted to detect any anomalies which may affect pipe integrity. In-line inspections will then be conducted on a regular basis to monitor the performance of the pipe coating and cathodic protection systems.

Buried piping is protected against external corrosion by fusion-bond epoxy coating and cathodic protection. As the pipeline transports clean, sweet natural gas, internal corrosion protection is unnecessary. The transmission pipeline is internally coated for flow efficiency, however.

Remote operation and monitoring is conducted from a central gas control site which is staffed 24 hours a day, 365 days a year. An advanced-technology leak detection system can locate even small leaks before they propagate. Leaks are anticipated to be extremely infrequent because of the inspection procedures that took place during pipe production as well as the x-ray or ultrasonic inspection of all welds and the coating testing and inspection procedures undertaken during construction.

Instrumentation and control systems monitor process conditions and detect the presence of fire, smoke or natural gas, enabling a station to be shut down without human intervention. Shut down of a compressor station can also be initiated by emergency shut down pushbuttons located throughout the site.

Automatic fire suppression systems are installed within the gas turbine enclosure and compressor stations.

Redundant and back-up communications systems can be used during emergency situations.

Aerial and ground surveillance is conducted on a regular and frequent basis.

A cathodic protection system is used to inhibit external corrosion of the pipe.

If power is lost in critical circuits (i.e., emergency shut down, unit control, valve control, etc.), station controls will shut down the station or equipment in a safe manner.

Safety equipment (i.e., first aid, fire extinguishers, eye wash) is strategically located at the site.

Emission levels are within the limits defined by appropriate regulations, which are currently much lower than were historically permitted.

The Alliance Partnership

The Alliance Pipeline System is owned by affiliates of the following companies:

Enbridge Inc. (TSX:ENB) - 50%

Fort Chicago Energy Partners LP (TSX:FCE.UN) - 50%

Alliance Contacts

Jim Walsh
Vice-President, Canadian Operations

Mike McGonagill
Vice-President, U.S. Operations

Paul Anderson
Integrated Stakeholder Services

600, 605-5th Avenue SW
Calgary, AB, Canada, T2P 3H5

6385 Old Shady Oak Rd
Eden Prairie, MN, U.S.A., 55433

Telephone: 1-800-717-5017
Fax: 403-266-4495
E-mail: Info@alliance-pipeline.com
Internet: www.alliance-pipeline.com



Call before you dig.

© 2004 Alliance Pipeline Limited Partnership and Alliance Pipeline L.P.
Alliance Pipeline Limited Partnership is a limited partnership formed under the laws of Alberta
Alliance Pipeline L.P. is a limited partnership formed under the laws of Delaware
Alliance Pipeline Ltd. is the General Partner of the Alliance Pipeline Limited Partnership
Alliance Pipeline Inc. is the Managing General Partner of the Alliance Pipeline L.P.

March 2, 2004



THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

360 West Benson Blvd., Suite 200 * Anchorage, AK 99503 * Phone (907) 563-2226 * Fax (907) 561-8870

- Position on the Alaska Gasline Inducement Act - Senate Bill 104 / House Bill 177

First and foremost, the Alliance wants a gas project ... sooner rather than later, and with the greatest long-term benefits for the State of Alaska, Alaskan workers, Alaskan businesses and all Alaskans. North Slope gas commercialization holds the key to Alaska's future.

We understand the importance and urgency of transforming our gas potential into a gas project. The opportunity to market our gas won't last indefinitely, and there's a very real risk of losing it altogether if we don't act quickly. Project costs are escalating, prospective utility customers are making long-term commitments for other fuel sources (such as coal), the threat of being displaced from key markets by LNG imports is growing, and North Slope oil production continues to decline. Given the long lead time for a gas project and gas revenues flowing into state coffers, this puts Alaska's fiscal future in further peril.

The Alliance commends the governor and her team for developing a plan quickly after taking office and concur with the general principles set out in the legislation. We also believe the Alaska Gasline Inducement Act will fail in its objective of achieving a gas project unless changes are made prior to passage:

Bid requirements set out in the bill are too prescriptive and should be replaced with broad objectives (e.g., ensuring pipeline access for explorers and ensuring access to in-state supplies). As currently stated, the bid requirements will limit competition in the bidding process, as well as creativity in satisfying the state's needs. There may be more than one way to reach mutually beneficial outcomes, and the prescriptive nature of the current bill guarantees they'll never be explored. It also likely will preclude some prospective applicants from participating.

The bill places too much emphasis on mitigating the short-term financial risks incurred by the pipeline builder and too little to address the much longer-term and greater risks of gas shippers. As more than one pipeline company has testified during the legislative process, "no producers, no project." The bill offers shippers little more than a non-binding "trust me" commitment for fiscal stability lasting a fraction of the project life, and does nothing to fix gas severance tax rates that even the administration admits are too high (22.5%).

The \$500 million incentive is unnecessary and imprudent. The legislature's decision to make it a bid variable rather than a bid requirement was a step in the right direction. With one exception, companies that have testified have said the handout isn't needed, and we don't believe it's the best use of state funds, either. We're concerned about any provision that turns pretenders into contenders for a state license, and we're skeptical about placing Alaska's future into the hands of an entity that requires a \$500 million contribution in order to pursue a \$30 billion project. Applicants that need to be "bought" with the \$500 million may not be worth acquiring.

Testimony of Dave McClure
HB 177 – House Resources Committee
April 21, 2007

My name is David McClure, I serve as Executive Director of the Bristol Bay Housing Authority, and also as Chairman of the Board of the Southwest Alaska Vocational Education Center which is located at the USAF Base in King Salmon.

Thank you for the opportunity to testify...

I support the CSHB 177, and specifically, subsection 17 of Section 43.90.130, which includes a project labor agreement in the application process. This PLA is vital to ensuring residents of our region, and our state, are hired for the workforce to be employed during construction and operation of the pipeline.

During the construction of our Voc Ed Center, we created a partnership and project labor agreement with the trade Unions in the State, in coordination with Alaska Works Partnership, which was highly beneficial to the residents of the region. The facility was completed with at least 85% local labor, both journeyman and apprentices. Including that project and in subsequent years, we have had over 120 local folks enrolled in a general building maintenance repair and apprenticeship programs, with ten percent of those folks gaining journeyman status.

I also support Section 43.90.470, concerning job training programs. I ask that this section include reference to training centers, including those in Anchorage, Fairbanks, and the rural regional training centers such as the Southwest Alaska Voc Tec Center, the People's learning Center in Bethel, the centers in Kotzebue and St. Marys.

In conclusion, the Project Labor Agreement and use of the training centers in the State of Alaska are critical and crucial for maximizing the use of Alaska workers in this important project.



Fax Cover Sheet

Anchorage Legislative Information Office
Office - (907) 269-0111 Fax - (907) 269-0229

465-3872 465-4993

To: HRES Fax: 465-2381 Phone: 465-3743

From: ANC LIO

Instructions: PUBLIC TESTIMONY FROM HRES 4-21-07
MEETING ON HB 177

Date: 4-21-07 Time: _____

Number of Pages: ~~26~~ 15 (including cover sheet)



THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources
360 West Benson Blvd., Suite 200 • Anchorage, AK 99503 • Phone (907) 563-2226 • Fax (907) 561-8870

HOUSE RESOURCES TESTIMONY

On HB 177
April 21, 2007

Thank you for this opportunity to testify on House Bill 177, the Alaska Gasline Inducement Act. My name is Paul Laird, and I'm general manager and testifying on behalf of the Alaska Support Industry Alliance.

Our 400-plus member companies provide the goods and services that make Alaska's oil, gas and mining industries possible, and provide more than 30,000 jobs for Alaskans.

First and foremost, the Alliance wants a gas project ... sooner rather than later, and with the greatest long-term benefits for the State of Alaska, Alaskan workers, Alaskan businesses and all Alaskans. North Slope gas commercialization holds the key to Alaska's future.

We understand the importance and urgency of transforming our gas potential into a gas project. The opportunity to market our gas won't last indefinitely, and there's a very real risk of losing it altogether if we don't act quickly. Project costs are escalating, prospective utility customers are making long-term commitments for other fuel sources (such as coal), the threat of being displaced from key markets by LNG imports is growing, and North Slope oil production continues to decline. Given the long lead time for a gas project and gas revenues flowing into state coffers, this puts Alaska's fiscal future in further peril.

The Alliance commends the governor and her team for developing a plan quickly after taking office and concur with the general principles set out in the legislation. We also believe the Alaska Gasline Inducement Act will fail in its objective of achieving a gas project unless changes are made prior to passage:

Alliance House Resources testimony on HB 177
Page 2

Bid requirements set out in the bill are too prescriptive and should be replaced with broad objectives (e.g., ensuring pipeline access for explorers and ensuring access to in-state supplies). As currently stated, the bid requirements will limit competition in the bidding process, as well as creativity in satisfying the state's needs. There may be more than one way to reach mutually beneficial outcomes, and the prescriptive nature of the current bill guarantees they'll never be explored. It also likely will preclude some prospective applicants from participating.

The bill places too much emphasis on mitigating the short-term financial risks incurred by the pipeline builder and too little to address the much longer-term and greater risks of gas shippers. As more than one pipeline company has testified during the legislative process, "no producers, no project." The bill offers shippers little more than a non-binding "trust me" commitment for fiscal stability lasting a fraction of the project life, and does nothing to fix gas severance tax rates that even the administration admits are too high (22.5%).

The \$500 million incentive is unnecessary and imprudent. The legislature's decision to make it a bid variable rather than a bid requirement was a step in the right direction. With one exception, companies that have testified have said the handout isn't needed, and we don't believe it's the best use of state funds, either. We're concerned about any provision that turns pretenders into contenders for a state license, and we're skeptical about placing Alaska's future into the hands of an entity that requires a \$500 million contribution in order to pursue a \$30 billion project. Applicants that need to be "bought" with the \$500 million may not be worth acquiring.

The process promotes a monopoly, and the state has an abysmal record of picking "winners." Alpetco. Healy clean coal. Delta barley. Alaska Seafood International. Alaska's history is strewn with the remnants of projects for which the state picked "winners," and the gas line legislation is based on the same dubious premise. The state should be doing whatever it can to promote any viable gas project, but the Alaska Gasline Inducement Act virtually guarantees that the licensee picked by a pair of commissioners will be the only game in town. Provisions like treble damages for granting streamlined permitting, state-funded training and the services of a pipeline coordinator to a competing project need to be amended to eliminate "exclusivity."

Alliance House Resources testimony on HB 177
Page 3

Existing shippers should not be forced to subsidize expansion shippers by sharing the cost of pipeline expansions. The bill attempts to pre-empt the authority of the Federal Energy Regulatory Commission (FERC) to administer access, expansion and tariff issues by dictating rolled-in tariff rates for expansions that would increase rates as much as 15%. Let FERC do its job. If the state believes an expansion is in Alaska's best interest and is eager to contribute public funds to the project without securing equity, it could underwrite pipeline expansions in order to maintain tariff rates. There may be instances - for example, gas production from federal OCS acreage - when rolled-in rates aren't in the state's interest, either.

The bill needs clear and objective criteria for evaluating applications. This is fundamental to having an "open and transparent process." Recent legislative amendments dictating that proposals be judged on the basis of net present value to the state and the applicant's ability to deliver on its promises enhanced the bill, and further specificity is needed.

Safeguards against construction cost overruns for the state and shippers are inadequate. Both the state and shippers need to be involved in and have oversight of a project execution plan that provides the greatest netbacks at the wellhead. A third-party pipeline builder with no production interests will have no incentive to reduce costs and no ability to "guarantee" the tariff in advance.

The Alaska Gasline Inducement Act may be our last and best chance to make a North Slope gas project a reality, but only if it's fixed before it's passed. In order to succeed, the bill must acknowledge the interests of Alaskans, of the developer and transporter and of North Slope producers and shippers.

Thank you.

My name is Joey Merrick, I'm from Eagle River and I'm also the Business Manager of Laborers' Local 341. We represent over 2100 members in south central Alaska comprised of Pipeline, Building Trades, Heavy and Highway workers.

We want to be sure that we are on record in support of a gas project as it is vital to Alaska's Future. We appreciate Governor Palin's and the Legislators efforts to bring our gas to market and to put Alaskan's to work.

There are many aspects of AGIA, but the issue that I would like to focus on, is the most important issue for the people that I represent and that is putting the Alaskan people to work.

The best way to do that is with a Project Labor Agreement. It is a way that you can guarantee that Alaskan workers will be dispatched through Alaskan Hiring Halls and Alaskan Apprentices will be afforded opportunities to learn their craft and to keep their wages and benefits in Alaska to help maintain the economy.

Only through a Project Labor Agreement can we make sure that Alaska Native Hire will take place and we can help the growing unemployment rates in the Rural Villages.

We would encourage you to make sure that a Project Labor Agreement will stay in the AGIA to be sure that the Alaska Workers are able to take advantage of the Biggest Project in the states history and that Alaskans can help develop our gas.

Thank you for allowing me to speak on behalf of the Laborers Local 341.

a. j. Merrick II

HOUSE RESOURCES TESTIMONY**On HB 177****April 21, 2007**

Thank you Mr. Chairman and members of the Resource Committee for this opportunity to testify on House Bill 177, the Alaska Gasline Inducement Act. My name is Eric Dompeling; I am Vice President of the Alaska Support Industry Alliance.

When I came to Alaska 37 years ago, there was a term that doesn't get used as much today "We don't care how they do it outside!" Over the course of those 37 years, things have changed in Alaska; we now provide roughly 20% of the oil consumed in the United States; the revenue that comes from that oil development supports the state economy. But it was not the State that risked the capital to explore and develop those leases.

AGIA is intended to expand resource sales, this time the gas associated with North Slope Oil. Gas has been produced at Prudhoe Bay for 30 years and in that time has been an economic boon by maintaining pressure at Prudhoe Bay which in turn has allowed an additional 6 to 7 billion barrels of oil to be produced. Today that gas, that 7 Billion Cubic Feet of Gas, being produced with the oil and reinjected everyday is creating a handling issue and needs to be shipped to market. This gas project will be world class by any definition, but we are not alone in the development of World Class Resources. There is a project already underway in Qatar that has 1,500 trillion cubic feet of known reserves, 42 times larger than all 35 trillion Cubic Feet of gas currently producible on the North Slope. The Pipelines are in place the Tankers are built and the expansion is moving forward.

We have heard for years from oil producers that any project must compete globally for capital investment and be judged on the return on the capital invested. Based on that factor alone Construction and expansion of any project will not be prescribed; but determined by the economics.

The North Slope gas project will ultimately not be a political decision, it will be an economic decision by a resource leaseholder, whether they have known reserves or are exploring hoping to develop future reserves. In a free market, the tariffs will determine if a line gets built or expanded. In order to promote a project the States role should be to ensure that the resource owners know what the terms and conditions will be, I urge you not to leave the tax issue open to interpretation. open ended contracts expose both sides of any agreement to litigation not construction.

The efforts of Governor Palin and her team, to advance The North Slope gas project, through AGIA; are applauded by all Alaskans including the members of the Alliance. However, the Inducement Act as currently drafted does not include clear objective criteria for evaluating the economics of a project, without those economic objectives this project will not move forward. Attempts by government entities to determine economic viability do not have an enviable track record. Let the market decide by asking for a " Best Proposal" offer that is open and transparent and can be judged by the merits of the economics, because in the end it all comes down to the Tariff!

I spoke earlier about Alaskan's not caring how things are done outside! Today we compete in a Global Market, let us not focus only on Alaska's wants, but focus on how we compete for the development of our resources in that Global arena. The Alaska Gasline Inducement Act may be the best opportunity to make a North Slope gas project a reality, if it is to succeed, the bill must acknowledge the interests of not only Alaskans, but those of the project developer, the transporter and the North Slope producers and shippers.

Thank you for your time, this concludes my testimony.

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946
www.aktrucks.org

Aves Thompson, Executive Director
Alaska Trucking Association
AGIA Testimony, SB104 / HB177
Saturday, April 21, 2007

Thank you. Mr. Chairman and members of the committee, I am Aves Thompson, Executive Director of the Alaska Trucking Association. The Alaska Trucking Association is a state wide organization representing trucking interests from Barrow to Ketchikan for more than 49 years. Our more than 200 members represent all of the diverse trucking operations in the state and many associate members who provide goods and services to our industry. On behalf of ATA, I thank you for the opportunity to testify on the subject of AGIA.

The highest priority of the Alaska Trucking Association is to get a gas line built, up and running and delivering Alaska's gas to market. We applaud the Governor and her team for promptly presenting AGIA to the legislature for their consideration.

We believe like others, that AGIA has a chance to bring a gas line to fruition. We also believe that certain changes must be made to make the gas line a reality. I will address some of the important issues as we see them.



If you got it, a truck brought it...

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946
www.aktrucks.org

-
- Bid requirements of the bill are far too specific. The better approach may be to set performance specifications or expectations or outcomes and let the bidders address how they will meet those expected outcomes. There may be other ways to reach these mutually beneficial outcomes, and the prescriptive nature of the current bill guarantees we will never hear the alternatives.
 - The bill needs clear and objective criteria for evaluating applications. Some recommendations for criteria are:
 - Best financial return to the state,
 - Lowest level of risk of delays due to lawsuits, etc,
 - Highest probability of success,
 - Jobs, instate use of gas, etc.
 - Expansion provisions for adding gas to the line.
 - The bill places too much emphasis on mitigating the short-term financial risks incurred by the pipeline builder and too little to address the much longer-term and greater risks of gas shippers. Fiscal certainty is an important issue for those that will be asked to commit to long term firm transportation agreements worth billions of dollars over the life of the agreements. Some notion of future tax or royalty law or at least, policy must be part of the deal.
 - As a corollary to the previous point, we feel the \$500 million giveaway is unnecessary and imprudent as we would like to see the successful licensee be financially capable of making their decisions based on the sound economics of the project rather than a subsidy or handout from the state.



If you got it, a truck brought it...

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1948
www.aktrucks.org

- It seems that existing shippers should not be forced to subsidize new shippers by sharing the cost of pipeline capacity expansions. It would seem more equitable and predictable to provide that the new shippers pay the cost of expansion.

These are a few of our concerns and I'm sure you will hear from others today as they share their testimony. The Alaska Trucking Association is eager for this project to succeed and stands ready to assist in any way to help make this dream a reality.

Thank you for your time.



If you got it, a truck brought it...

- Position on the Alaska Gasline Inducement Act -
Senate Bill 104 / House Bill 177

My name is Maynard Tapp and I am a citizen of Alaska since 1990 and Alaskan in spirit since 1954 when my dad worked in Barrow for the Coast Guard.

DO THE DEAL NOW

At Thursday's spot price for natural gas at \$7.510 per MMBTU the states share @12.5% would be \$0.94 per MMBTU.

If 1MMBTU is approximately 1,000 Cubic feet then, at a production of 4.5 Billion Cubic feet per day, the state of Alaska revenues loss is \$4,224,375 per day.

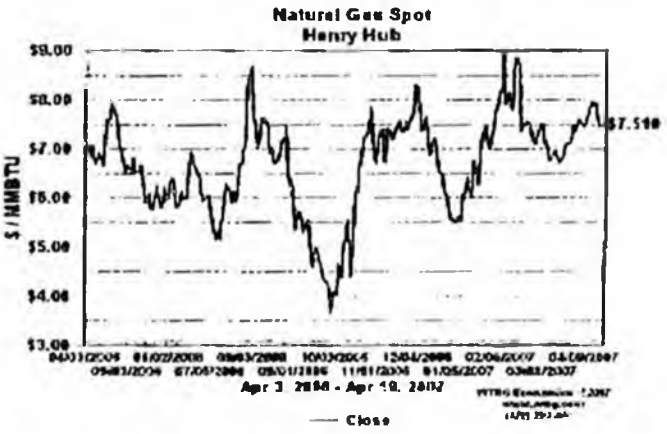
I worked on the Gasline Study from Jan 2001 until March 2002 (15 months) this study spent approximately \$125MM to get near the end of Conceptual Design. We accomplished a lot during that timeframe. Everyone worked hard and fast. The results of that effort indicated that the producer's wanted to move forward with the pipeline project.

It will take any new player at least 15 months say 450 days to get to the point where the producers study ended. At \$4.2MM per day that totals \$1.9 billion dollars loss in state revenues just to get to the place we are today, close to the end of Conceptual Design.

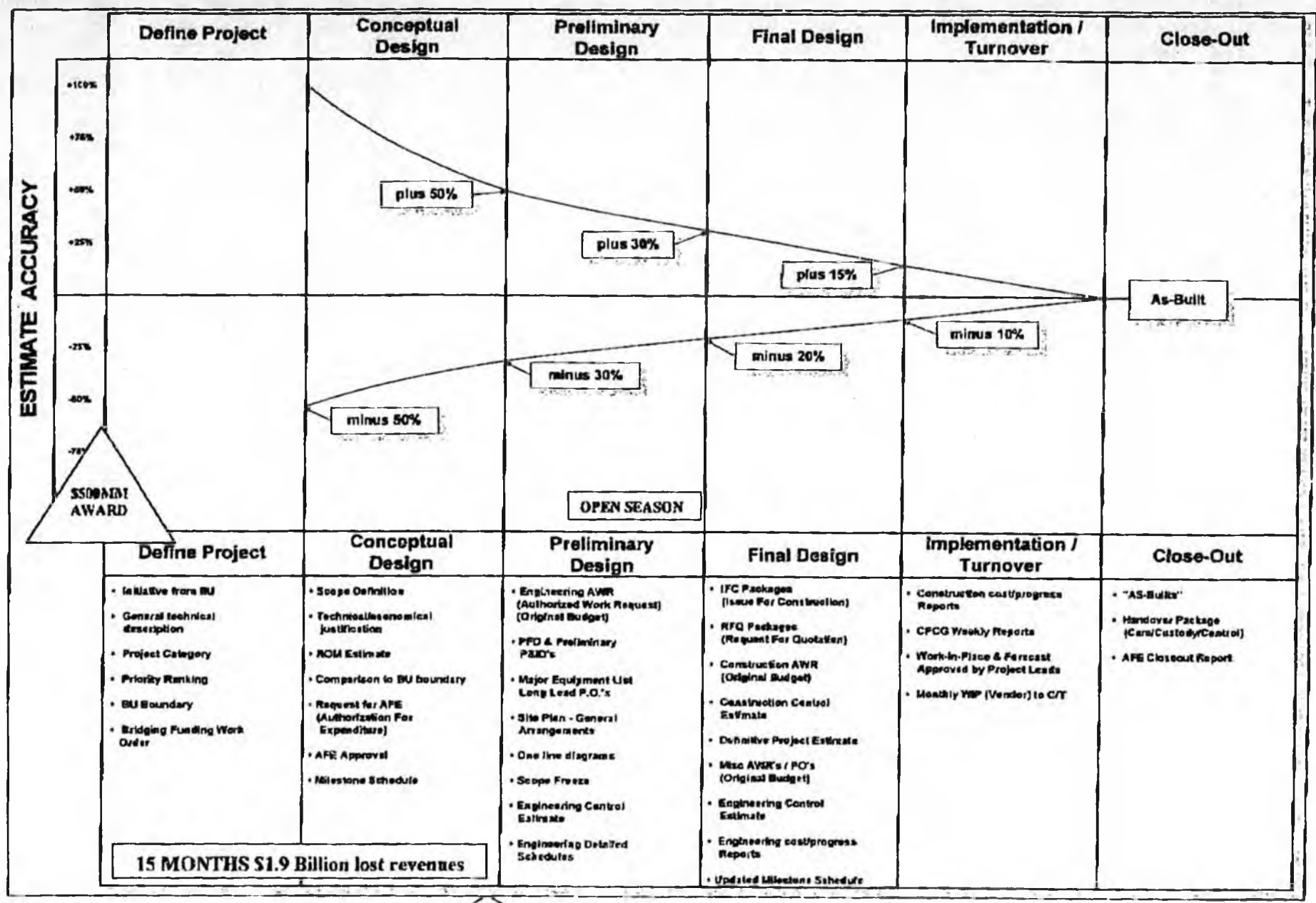
At the same time Prudhoe Bay production is declining at 6% per year and therefore the related state revenues from the oil production is declining at the same rate. And at the same time competing projects and technologies are moving forward.

The chart I am including in my testimony is one that I attained when working with a world class engineering company. It is used to help them determine the amount of contingency used at any point during the lifecycle of a project. It is, therefore, a measure of confidence that a project has regarding known and unknown costs. These milestones cannot be compressed. You already have two to three years of testimony.

Will you learn anything more in the next 15 months and \$1.9 billion in lost revenues.



**BE LEADERS
PLEASE
DO THE DEAL NOW**



SUMMIT AWARD

OPEN SEASON

15 MONTHS \$1.9 Billion lost revenues

EST. WHERE PRODUCERS ARE NOW

NOTES 4-20-07 Friday

Pages 4— Lines 1 thru 180

4 **TO: Governor, Attorney General, Legislature, DNR.DOR and the Alaskan Citizens.**
FROM: Paul D. Kendall
907-222-7882
REF: AGIA construction and review comments (SB 104 HB 177)

8 I strongly believe you should gather and pass an Initiative or whatever it is to stay in session for the rest of the Year...Pass an act to pay your selves a salary for this year,,some form of emergency budget reserve allocation or
 12 expenditure which will allow this process to go on..

There are many critical details to come and more need for insights into a few more critical sectors listed below.

16 And you need to be meeting as an entire body outside of Juneau for the community to participate with sit down commentary—as you know, inspiring your people is part of your job..

20 Energy has become in essence HUGE because the need for corporate capital investment opportunity has seized the Public Utility Sector and has become a means of recapitalization from an entire society.

24 The magnitude of the general public being used as a recurring and or streaming income on a daily and monthly basis and its impacts is very large;

And you, ladies and Gentlemen have jumped in with both feet and are in the middle of the fray, whether you know it, or like it, or not..


28 In order for Alaska to stay on top of this you are going to have to stay engaged for an extended, up close and personal mode for a while yet...

To Mention just few below:

32 "Capacity", "The Take", "The Take", and "The Take", "Social Impacts Infrastructure", "Tailgating Large Projects" such as Agrarlum and ARR, Gas price charges to Residential Users at "True and Actual Cost / Impact Accounting allocations, The Texas Company purchase of ENSTAR, (GTP needs to be looked at) "Coal Gasification Process", Hydrogen Gas and several others need an unhurried, methodical, and professional accounting
 36 for and awareness testimonies and hearings.....

ENERGY HAS BECOME INTERWOVEN INTO NEARLY; IF NOT VIRTUALLY EVERY SECTOR AND THE VERY FABRIC OF OUR SOCIETY; INCLUDING OUR HOMES AND FAMILIES—

40 -THE UNDERTAKING YOU ARE INVOLVED IN IS OF CONSIDERABLE MAGNITUDE WITH IMPLICATIONS NEAR AND FAR TO US ALL.....

44 

48 Ladies and Gentlemen,
 I strongly suggest, again, that you contact the Governor or their designated
 of Los Angeles, San Francisco, Sacramento, Seattle, Portland, and a few
 other Leading Cities located South and South West of the Alberta Hub...
 You should invite emissaries from these cities and States to come to
 52 Alaska ASAP.

The reason for this request is for a South West Coastal States and Alaska
 Round Table Forum. And to inform them as fellow Americans rich in
 potential resources we feel compelled to reach out to them to see if there
 56 are future needs they may have that we may want to keep in mind so as not
 to send our assets to other locations around the world.

(Or, how about our Governor on a TV commercial in California with
 Juneau, Fairbanks, Anchorage and Mat-Su in the background inviting
 60 Calles to come and talk and See our "BIG< WILD< LIFE" ? sorry, I just
 couldn't resist—pdk --humor—but I am serious about the add you --
 Anchorage BWL folks with our \$\$\$\$)

64 Do they have any energy or other needs that they may want us to fill for
 them as our closest American Neighbors?

And here is why in my opinion this should do this;

- It is the right thing to do
- 68 It is the honorable thing to do
- It is the American thing to do
- It is the Alaskan thing to do
- It is a smart business decision

72 It is a necessary business component for decisions

If Alaska is forced into Co-Venturing

How can you not do this ?

76 How can you plan long range for the resource developments if you do not
 do this ?

How can you not look at gas from Field and Well head to End user?

Are we at a disadvantage if we do not know the process of purchase by the
 End User???

80 If California is considered a leading Economy, and a leader in Innovations,
 Political influences, Intellectual Institutions, state of the arts technologies
 and Energy users ?

I repeat, what if they wanted to buy our gas and finance the gas line?

84

What if in addition they wanted to form a partnership in Research and
 Development in Renewable Energies..That could jump Alaska by light years
 in catch-up for next generation energies..

88 What if larger than expected gas and resource discoveries are made and
 you need customers for overflow ?

92

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 177(O&G)

1 Page 30, following line 21:

2 Insert a new bill section to read:

3 "** Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 EXPEDITED CONSIDERATION OF COURT CASES. It is the intent of the
6 legislature that the courts of the state, when considering a case related to the development and
7 construction of a natural gas pipeline under this Act or to the commitment of a shipper to
8 acquire firm transportation capacity during the first binding open season for a project
9 developed under this Act, expedite the resolution of the case by giving the case priority over
10 all other civil cases to the extent permitted under the Alaska Rules of Court."

11

12 Renumber the following bill sections accordingly.

13

14 Page 31, line 4:

15 Delete "sec. 9"

16 Insert "sec. 10"

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GATTO

TO: CSHB 177(O&G)

1 Page 9, line 7:

2 Delete "and"

3

4 Page 9, following line 7:

5 Insert a new paragraph to read:

6 "(20) commit to establish an interest-bearing trust account to hold
7 funds required by a regulatory agency having jurisdiction over the project for the cost
8 of dismantlement, removal, surrender, or abandonment of the project, or for the
9 restoration of the right-of-way in conjunction with the dismantlement, removal,
10 surrender, or abandonment of the project; and"

11

12 Renumber the following paragraph accordingly.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

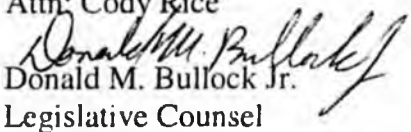
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 21, 2007

SUBJECT: Port Authority Amendments to CSHB 177(O&G)
(Work Orders 25-GH1060\M.12 - M.14)

TO: Representative Carl Gatto
Attn: Cody Rice

FROM: 
Donald M. Bullock Jr.
Legislative Counsel

You requested a number of amendments based on language presented to you by the Alaska Gasline Port Authority. Please review these amendments very carefully to ensure that they are consistent with your intent.

The suggested language was very general and often referred to sources outside of the Alaska Statutes. For example, the description for an amendment referred to "PBU, " which I presume is the Prudhoe Bay Unit, and a "Rule 9 limit." Neither term is used within the statutes and should be defined if those terms are used. I drafted amendment 25-GH1060\M.11 based on the suggestion and used more general terms, which I hope may reach the same intended results.

Amendment 25-GH1060\M.12 requires the applicant proposing the project to speculate about the availability of gas on the North Slope. Most of the existing language in AS 43.90.130 in CSHB 177(O&G) requires the applicant to submit information for which the potential pipeline developer will have first-hand knowledge. Amendment M.12 requires speculation about what and when some third party may act and how much that third-party might spend.

Similarly, amendment 25-GH1060\M.13 is a question that may be more appropriate for a producer than a potential pipeline operator. The effect on oil production of gas production is not related to the pipeline project except to the extent an oil production requirement may depress the availability of natural gas for the pipeline.

Amendment 25-GH1060\M.14 relates to the availability of gas liquids for value-added processing. Unless the pipeline operator will also be the purchaser of North Slope gas production, the pipeline operator would have little say about what happens to the natural gas at the delivery point. Perhaps I could reword the amendment for you if you want to expand AGIA from a pipeline inducement act to something more. If the focus changes,

Representative Carl Gatto

April 21, 2007

Page 2

you should review the overall bill so that all necessary changes may be made that are consistent with the expanded focus.

I did not draft an amendment to require the timeliness of project construction to be given a high priority. This requirement is already expressed in the net present value criteria and the timeliness factor in AS 43.90.170(b) on page 11 of the bill. If you want an amendment to that subsection, please provide me with your suggested language.

DMB:Imb
07-107.lmb

Enclosures

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GATTO

TO: CSHB 177(O&G)

1 Page 14, lines 13 - 15:

2 Delete "are necessary as a result of changed circumstances outside the licensee's
3 control and not reasonably foreseeable before the license was issued"

4 Insert "maintain or improve the net present value to the state of the project or the
5 project's likelihood of success"

6

7 Page 14, lines 16 - 17:

8 Delete "and may not diminish the net present value to the state of the project or the
9 likelihood of success for the project"

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GATTO

TO: CSHB 177(O&G)

- 1 Page 3, line 25, following "requirements":
2 Insert "(a)"
3
4 Page 5, line 24:
5 Delete "section"
6 Insert "subsection"
7
8 Page 6, line 10:
9 Delete "section"
10 Insert "subsection"
11
12 Page 9, following line 10:
13 Insert a new subsection to read:
14 "(b) If an applicant requires an initial rate of natural gas production from an
15 area on the North Slope that is greater than that authorized by the Alaska Oil and Gas
16 Conservation Commission at the time the commissioners issue a request for
17 applications under AS 43.90.120, the applicant is required to file a request with Alaska
18 Oil and Gas Commission for an increase in the rate of production from that area before
19 filing the application."
20
21 Page 11, line 17:
22 Delete "AS 43.90.130(9)"
23 Insert "AS 43.90.130(a)(9)"

1

2 Page 20, line 31:

3 Delete "AS 43.90.130(7)"

4 Insert "AS 43.90.130(a)(7)"

5

6 Page 21, line 5:

7 Delete "AS 43.90.130(7)"

8 Insert "AS 43.90.130(a)(7)"

9

10 Page 22, line 3:

11 Delete "AS 43.90.130(7)"

12 Insert "AS 43.90.130(a)(7)"

13

14 Page 22, line 9:

15 Delete "AS 43.90.130(7)"

16 Insert "AS 43.90.130(a)(9)"

A M E N D M E N T

OFFERED IN THE HOUSE
TO: CSHB 177(O&G)

BY REPRESENTATIVE GATTO

1 Page 5, following line 11:

2 Insert a new subparagraph to read:

3 "(E) if the project proposed by the applicant requires the
4 discovery of additional gas, a timeline for the discovery and development of
5 new gas reserves and a cost estimate for the exploration and development;"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE GATTO

TO: CSHB 177(O&G)

1 Page 5, following line 11:

2 Insert a new subparagraph to read:

3 "(E) an analysis of how the proposed project may affect the
4 production of oil on the North Slope, including the effect on the rate of
5 production and the affect on the total volume of oil that may be produced;"

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GATTO

TO: CSHB 177(O&G)

1 Page 8, following line 30:

2 Insert a new paragraph to read:

3 "(19) state whether the project will make gas liquids available in the
4 state for value-added processing;"

5

6 Renumber the following paragraphs accordingly.