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**(FILE 2)**

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Friday, August 01, 2008 7:25 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Steve Quinn: Senate enters final days on gas line decision

## Senate enters final days on gas line decision

MORE TALK: Green, Huggins have said a vote will be taken today.

By STEVE QUINN  
The Associated Press

Published: July 31st, 2008 07:57 PM  
Last Modified: July 31st, 2008 05:31 AM

JUNEAU - The Alaska Senate is prepared to vote today on whether the state should award TransCanada Corp. a license to pursue a natural gas pipeline project.

[Click to enlarge](#)

The 20 members are scheduled to meet at 11 a.m., giving them just under 37 hours to decide whether TransCanada Corp. should receive an exclusive license to pursue a project backed by Gov. Sarah Palin.

The House approved the measure last week, but the Senate's energy committee didn't pass the bill until late Wednesday night, one week later.

The Senate was originally scheduled to meet this morning, but did not meet until late afternoon, and that floor session lasted 20 minutes.

Senate President Lyda Green, R-Wasilla, said that contrary to some criticism earlier in the week, there has been no effort to delay the vote.

Green said the Senate is maintaining the schedule she and Sen. Charlie Huggins, R-Wasilla, outlined publicly last week, and that was to take a vote by Friday.

"We are pretty much on schedule," Green said. "These things take time, and you don't want to rush it."

Rules Chairman Gary Stevens, R-Kodiak, said he expects some lawmakers to offer amendments. Should they pass, it would require the House to support those, but time could run out before the House would vote.

"I'm sort of hoping they might be defeated because I'm concerned about sending an amended bill to the House," Stevens said. "I'd rather send a clean bill without any amendments on it. But, I think things will hold from there. Time will tell."

The license does not guarantee construction, but many lawmakers believe it's the first step toward ending a decades-long battle to open up North Slope natural gas for use in the North American market.

The license calls for TransCanada to move forward on federal permitting applications for the 1,715-mile pipeline that is estimated to cost between \$26 billion and \$30 billion.

The approval comes with up to \$500 million in seed money and sets up a race with a late entry from a joint venture between oil giants BP PLC and Conoco Phillips.

The two companies recently told Wall Street analysts they have begun field work and will remain on course with their project.

The project, called Denali, was proposed in April, five months after TransCanada submitted its plan under the bid requirements of the Alaska Gasline Inducement Act that the companies found to be too restrictive.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Thursday, July 31, 2008 7:51 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skiprydog@att.net  
**Subject:** News-Miner editorial: Tick tock; With time slipping, Senate should reject pipeline license

**Tick tock****With time slipping, Senate should reject pipeline license**

Published Thursday, July 31, 2008

It's hard to imagine, but the proposed North Slope natural gas pipeline has been knocked from the front pages of late. The news of the indictment against Sen. Ted Stevens and of the heavy rain and subsequent floodwaters in the Fairbanks area have delivered a one-two media punch.

But the gas line very much remains an issue.

Time is almost up in Juneau. The Senate has until 11:59 p.m. Saturday to act on legislation that would give an exclusive state license to TransCanada, the only company to submit a bid that Gov. Sarah Palin said conformed with the requirements of the Alaska Gasline Inducement Act she championed.

The House, in less-than-overwhelming fashion, voted 24-16 last week to award the license to TransCanada. That's an outcome quite different from the 39-1 vote last year in favor of AGIA itself.

The proposal by TransCanada hasn't had a smooth ride. The questions are plentiful, and the presence of a competing proposal by BP and ConocoPhillips can't be ignored — especially since those two companies, along with Exxon Mobil, hold the leases to the gas that will be needed for the pipeline. The companies have already begun field work and committed spending \$600 million to the planning.

TransCanada has lots of fans in the pipeline-building industry. That's what TransCanada does: build pipelines. The company also has many fans in the Legislature.

The oil companies, most everyone knows, don't seem to have lots of fans outside of Juneau. And that tends to be a concern of those who inhabit the Capitol.

But the decision to award a license shouldn't be a popularity contest.

The decision should be based on a genuine belief that awarding the license to TransCanada is the absolute best way to go.

It's just difficult to see how that's the case.

**As time winds down on the Legislature's special session, we urge the Senate to make sure it votes — and that it votes no on granting the license.**

## **An Alaskan Abroad**

### **AGIA effective date memo**

Attached is a legal opinion asked for by North Pole Rep. John Coghill on what options the Palin administration has if the Legislature doesn't approve the immediate effective date on the TransCanada proposal. Download the opinion [here](#).

Under AGIA, TransCanada's license application is valid for nine months from the date it was submitted to the state. That period expires next month. So what happens if the Legislature approves the license but doesn't make it effective until after Sept. 1?

Such a scenario could give TransCanada the chance to back out of the deal. That's one potential hiccup.

Another possibility is that the administration could issue the license after approval, but before the effective date because it is the actual passage of the bill, not the effective date, that signals the Legislature's sanction of the application. Such an act would not necessarily invalidate the license, according to the legis legal attorneys.

Should the courts disagree and suspend the license until the effective date, however, the license would not be voided, just delayed, the attorneys wrote.

And finally, the attorneys said that the administration could fall back on the separation of powers doctrine and issue the license without the Legislature's OK.

The administration could also simply argue that delaying the license via the effective date would deprive the majority of legislators their vote to approve the license in the first place.

Hmmm, interesting stuff.

July 26, 2008 | [Permalink](#)

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Listed below are links to weblogs that reference [AGIA effective date memo](#):

### **Comments**

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 27, 2008 11:53 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianra Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Wesley Loy/blog: Hickel, Knowles to testify on gas line

## **Hickel, Knowles to testify on gas line**

Posted by Wesley Loy

Posted: July 26, 2008 - 11:31 pm

From Wesley Loy in Juneau –

Two distinguished guests will be testifying Monday afternoon before the Senate Special Committee on Energy: former Alaska governors Wally Hickel and Tony Knowles.

It's no secret what these two gentlemen will say – they oppose the state granting an exclusive license and \$500 million to TransCanada Corp. as incentives to build a natural gas pipeline.

**Some lawmakers can't understand why such testimony is even needed at this point, saying it's all been heard already.**

**They want to vote now and accuse the Senate leadership of stalling in hopes of killing the license by next Saturday's deadline.**

**"They're waiting for some votes to drop off, but I don't think it's going to happen," said Kenai Republican Sen. Tom Wagner, who is among an apparent majority of senators favoring the license. "It may get real nasty before it's over."**

The House already has approved the license.

**Rynniva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Sunday, July 27, 2008 11:54 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Dan Fagan/Daily News: So-called conservatives sell out for gain

**So-called conservatives sell out for gain**

DAN FAGAN  
 COMMENT

Published: July 26th, 2008 10:56 PM  
 Last Modified: July 26th, 2008 03:04 AM

Be proud if people consider you an extremist. Some of our greatest leaders accomplishing the most good throughout history have been considered extremists.

There's nothing wrong with being passionate about what you believe, or taking a stand even if it's unpopular and could cost you in the end. There's nothing wrong with deeply held beliefs, convictions and principles. There's nothing wrong with being an extremist.

Middle-of-the-roaders are for the weak-hearted. The passionless. The uncommitted. Going along to get along sucks.

Anchorage Rep Les Gara is an extremist. When this ultra-liberal starts singing the praises of AGIA, I get worked into a mini-frenzy. It's hard for me to hear.

But I admire that Gara has done his homework, made a judgment and is willing to fight for what he believes. It just so happens that just about everything he believes I find wrong-headed. But Gara is a man on a mission fighting for a cause. I admire that.

While I'll admit I do get worked up when liberals start spouting off, it's nothing compared with the near-intense anger I feel when a conservative proposes or supports a liberal policy for the sole purpose of political gain. I am sure this equally angers my friends on the left when their like-minded back conservative policy for personal gain.

Remember the movie "Braveheart." It profiles William Wallace. A man with passion. A man with purpose who dedicated himself to a cause. He didn't have a personal-gain bone in his body.

The 1995 Mel Gibson movie takes you on an emotional roller coaster as we see Wallace trying to free Scotland while going against the oppressive King Longshanks.

Longshanks is an evil soul and holds little virtue. He's easy to dislike. But the movie really riles up your anger when during a crucial battle, some of Wallace's own countrymen betray him for personal gain.

This movie helps me relate to why the very thought of Lt. Gov. Sean Parnell makes my bones hurt. Before Parnell decided to run for governor I used to talk with him about issues and policies. He was a staunch conservative.

In fact he's the main reason I voted for Sarah Palin. I thought Parnell, like William Wallace, would march into Palinista land, sword in one hand, shield in the other, ready to fight for his conservative beliefs.

7/27/2008

With the strength of his convictions I believed Parnell would rid Palinista land of liberalism, socialism and anti-oil populism.

But instead Parnell entered Palinista land, jumped off his horse, threw down his shield and sword, fell on his knees and surrendered.

Just this past week on my radio show, Parnell made the ridiculous claim that ACES provided stability for investors. The largest tax increase in the history of Alaska, a pure money grab with no thought of how it will affect future investment, provides stability for investors?

Raising taxes to the point where there is no blood left in the turnip promotes stability? I know Parnell does not really believe that.

But just as with the cowards who betrayed William Wallace for personal gain, Parnell has betrayed the conservative movement so he can secure the endorsement of a governor he believes he needs to get elected to Congress.

A William Wallace, Sean Parnell is not.

And then there is Anchorage Rep. Kevin Meyer. Another man who believes in the conservative movement. He believes in the private sector. He believes in the free market. All things AGIA is in direct opposition to.

So why would Meyer vote in favor of AGIA? I believe Meyer, who works for Conoco Phillips, is afraid he'll been seen as too pro oil. Therefore he laid aside his convictions and voted for personal gain.

Meyer says he voted the way he did because the question before him was, did TransCanada comply with the law of AGIA? If it did, he must vote for it. That was his benchmark.

No asking if is it good for the state? No asking whether it will it get us a pipeline. Just the passionless, robotic, near deadlike approach you would expect from someone afraid of a fight.

A William Wallace, Kevin Meyer is not.

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Dan Fagan is a radio talk show host on KFQD, 750-AM. E-mail, [dan@kfqd.com](mailto:dan@kfqd.com).

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]**Sent:** Saturday, July 26, 2008 11:02 AM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Daily News editorials: Gas line hurdles; Senate should stop stalling/House mischief; Gas line deal survives floor vote

## Gas line hurdles

Senate should stop stalling

Published: July 25th, 2008 12:06 AM

Last Modified: July 25th, 2008 04:11 AM

The Legislature's work on TransCanada's gas line proposal is nearing a climax and things are getting squirrely.

Talk around the Capitol is that Senate leaders who oppose the deal may delay the vote another full week. That would push the decision right up against the expiration date TransCanada set on its offer.

There is no reason for senators to flog the issue any further. **Lawmakers have done an admirable amount of homework on gas line questions since early June.** Nearly two months later, those who have been paying attention should know enough to decide one way or the other on the TransCanada contract.

But opponents of the deal know they won't win a head-on battle, so they're fighting a guerilla war of attrition. They won one skirmish in the House, when they defeated the normally routine procedural move that would have allowed the deal to take effect immediately. That process requires a supermajority vote, which the opponents withheld.

The delayed effective date doesn't kill the deal, but it could delay the start of TransCanada's work up to 90 days. **It was an act of political vandalism against a project that opponents couldn't kill outright. Ironically, AGIA opponents are using political delaying tactics at the same time they are flogging TransCanada for not having a faster schedule for building the gas line.**

**Alaskans really need our politicians to stop playing politics with the TransCanada proposal.** It's time to get the competing parties -- TransCanada and Conoco/BP -- out of the political arena so they can start devoting all their energy to moving each of their projects forward.

**If Senate leaders wait until the last minute to vote, they just create more opportunity for mischief on the gas line deal and invite horse-trading on other special session issues.** Let's have the vote quickly so legislators can move on and decide what kind of energy relief, if any, they plan to offer Alaskans.

**BOTTOM LINE:** The Senate should quit stalling and vote.

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### House mischief

*Gas line deal survives floor vote*

7/26/2008

**Tuesday's debate over the gas line was not the Alaska House of Representatives' finest hour. Though Gov. Palin's proposed \$500 million partnership with TransCanada passed with a few votes to spare, members had to turn aside three mischievous amendments that would have sunk the deal.**

First up was Anchorage Rep. Craig Johnson. His amendment barred the state from spending money with TransCanada until the state certifies that gas from Point Thomson is available to TransCanada's pipeline. Alaska's four biggest oil companies are fighting to hold onto their state leases at Point Thomson, which has lain undeveloped for three decades. Two of the four – Conoco Phillips and BP – are pushing an alternative pipeline proposal.

Rep. Johnson's move might have given Point Thomson leaseholders the power to kill their pipeline competition by withholding their gas. And if uncertainty over Point Thomson gas means TransCanada's project won't fly, it also means the supposedly superior gas line proposal from Conoco and BP won't fly either. Johnson's colleagues knew a ruse when they saw one. His amendment went down, 9 to 30.

Next Rep. Johnson joined with Fairbanks Rep. Jay Ramras to play the all-Alaska card. Their amendment would have unilaterally rewritten a major provision of the deal. It said the state is allowed to build or aid an all-Alaska pipeline that exports LNG to Asia – fundamentally contradicting the state's pledge not to support a project that competes with TransCanada's proposal. **Approving this bit of blatant political pandering to the All-Alaska camp would have blown apart the whole agreement.**

**Then Rep. Ramras launched the goofiest amendment of all.** He apparently thinks TransCanada executive Tony Palmer doesn't like Alaska enough to live here. The state's bid terms require TransCanada to operate from an Alaska office, but that's not good enough for Ramras. He wanted to withhold any state funds from TransCanada until it pledges that its "principals, individual partners, and corporate officers" will live here in Alaska.

**OK then, what about applying the same terms to Conoco and BP – no pipeline tax concessions unless they make the same pledge?**

No, Rep. Ramras didn't go there. Instead, he complimented their pipeline project because it comes from people who actually live here already. (Oops. That same day, BP and Conoco announced that the chief financial officer on the pipeline project would be Mehmet Muftuoglu, from Conoco's London office.)

Two of the nettlesome amendments were cleverly constructed to be "non-severable." That means if any of them were struck down in court – as well they might – the entire TransCanada deal would go down too.

A solid majority in the House had the good sense to spurn the mischief-makers, take a clean up-or-down vote on the deal, and approve it. Here's hoping the Senate will show similar good judgment.

**BOTTOM LINE: The House eventually did the right thing.**

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Monday, July 21, 2008 8:22 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Sarah Palin/Daily News: It's time for lawmakers to approve gas line contract

## **It's time for lawmakers to approve gas line contract**

COMPASS: *Other points of view*

By GOV. SARAH PALIN

Published: July 20th, 2008 11:03 PM

Last Modified: July 20th, 2008 01:27 AM

As we approach the final vote in the Alaska Gasline Inducement Act process (AGIA), I sincerely commend the members of our Alaska Legislature for conducting such a thorough review of this administration's recommendation to issue the AGIA license to TransCanada Alaska.

This Legislature has listened to hundreds of hours of thoughtful discussion from consultants and experts, as well as from Alaskans who care deeply about the state's future. We all appreciate the many hours our legislators have spent listening to testimony and considering this historic decision.

As legislators built into the AGIA law last year, there is only one formal question remaining that should be answered during this special session, and that's whether legislators will answer "yes or no" on issuing the license, as proposed by the commissioners.

I remind Alaskans that an effort to derail this process continues, tirelessly. Failing to successfully argue against the TC Alaska proposal or the commissioners' finding, this group would now undermine the AGIA process by asking whether to change the terms of AGIA or place new conditions on the AGIA license. This question was even raised during some committee hearings.

**Aside from the fact that changing AGIA at this point violates the law, it's inappropriate and brings everyone back to square one. In fact, we know that the legislative legal counsel has already stated that if AGIA requirements were changed, the application would not be complete and we'd have to start over. So we'd ask the Legislature at this point to act in good faith and keep our word to TransCanada, since TC Alaska and other applicants acted in good faith to satisfy the legislators' legal requirements contained within AGIA.**

**Additionally, changing the terms of AGIA at this late point in the game and after public input also raises constitutional due process issues because the new terms might have encouraged others to apply who didn't, or preclude TransCanada from applying in the first place.**

**Finally, a last-minute change sets a horrible precedent if the result is that we have to begin the process over again because legislators added new terms. It's not realistic to expect businesses to go through the process all over again and absorb the time and expense when they know the state may change the rules yet again after they submit their application.**

And so, for those reasons, this administration believes that it would be incredibly dangerous to change the ground rules or the commissioners' license as proposed. **The simple truth is that changing the ground rules as written into the AGIA law last year is the same thing as voting against issuing a license. It is a "no" vote.**

We have come so far in finally getting Alaska's valuable natural gas resources to market in a way that protects the state's interests and benefits all Alaskans. I remain confident that with a "yes" vote, we will have a natural gas pipeline that will benefit the people of this state, and the nation, for generations.

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Sarah Palin is governor of Alaska.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Wednesday, July 23, 2008 7:55 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Pat Forgey: House OKs TransCanada plan

## House OKs TransCanada plan

### Members vote 24-16 to back proposal for pipeline across Canada

By Pat Forgey | JUNEAU EMPIRE

The Alaska House of Representatives on Tuesday night handed Gov. Sarah Palin a big victory in her quest for a natural gas pipeline for Alaska.

After defeating a series of amendments that would have undermined Palin's Alaska Gasline Inducement Act, members of the Republican-controlled House voted 24-16 to support TransCanada's proposal for a pipeline across Canada to the U.S. Midwest.

"We're very pleased," said Tony Palmer, TransCanada's vice president for Alaska Development, after the vote Tuesday evening. Department of Revenue Commissioner Pat Galvin warned that there was still a crucial Senate vote ahead.

The House action is expected to be finalized this morning, but a vote by the Senate isn't expected until next week.

Under the provision of AGIA, approval is required by Aug. 2, or the deal dies.

With approval, TransCanada will get an exclusive license to develop a pipeline, \$500 million from Alaska and requirements that the pipeline would be open to new explorers who find gas on the North Slope.

"The license that's before us is just exactly where we need to go," said Rep. Mike Kelly, R-Fairbanks.

Republican legislators like Kelly were divided on the pipeline, with many backing Majority Leader Rep. Ralph Samuels, R-Anchorage, the only legislator out of 60 who opposed AGIA more than a year ago.

Others, however, have said since they made a mistake voting for AGIA.

"I made a big one there," said Rep. Bob Roses, R-Anchorage, of his vote for AGIA last year. He wound up voting against the deal Tuesday.

That \$500 million subsidy was keyed upon by AGIA opponents, many of who have been longtime allies of the state's oil producers. Two of those producers, ConocoPhillips and BP, proposed their own pipeline after AGIA began moving forward.

One ConocoPhillips employee who serves in the legislature, Rep. Kevin Meyer, R-Anchorage, voted for the

TransCanada license. He didn't speak during debate, but earlier told the Empire that supporting it couldn't hurt and might help get the state a gas pipeline.

Rep. Gabrielle LeDoux, R-Kodiak, said she wanted an all-Alaska line.

"We give half a billion dollars to a foreign company to ship gas to a foreign country," she said.

Rep. Jay Ramras, R-Fairbanks, was among those opposed.

"This is a giveaway, and we're getting nothing of value in return," Ramras said.

Rep Paul Seaton, R-Homer, said what AGIA's subsidy was buying for the state was an independent pipeline designed to encourage new exploration across the North Slope.

"What we're buying is a basin-opening project," he said.

Rep. Beth Kerttula, D-Juneau, House Minority Leader, said bringing in TransCanada would mean an independent pipeline, not one controlled by the oil producers, such as happened with the trans-Alaska oil pipeline.

"This is the way out of the monopolistic system Alaska has been living under for many years," she said.

Multiple legislators called the TransCanada deal a gamble, but came to different conclusions.

Rep. Wes Keller, R-Wasilla, likened it to a poker game in which the ante was small and the pot was huge.

"There's no way I'm going to fold now," he said, and backed Palin on the deal.

Rep. Mike Hawker, R-Anchorage, said TransCanada didn't have the gas to fill a pipeline, making a deal with the Calgary, Alberta, company too risky.

"Making a gamble is something that I'm very, very uncomfortable with," she said.

He urged a deal with the current oil producers instead, who already hold much of the North Slope's gas under lease but have so far been unwilling to develop it.

Palin came in to office backed by many supporters of an all-Alaska gas pipeline to a liquefied natural gas export terminal at Valdez. She opposed unpopular former Gov. Frank Murkowski's plan to offer the oil companies tax breaks to develop the gas.

Since then, she and many of those who supported that deal have changed their minds about LNG exports, but one who didn't was former Gov. Wally Hickel.

Once a Palin ally, Hickel recently took out advertisements threatening legislators who backed the TransCanada plan.

That may have backfired with Rep. Bob Lynn, R-Anchorage.

"I don't respond well to threats," he said. "Never did. Don't now."

Lynn said the \$500 million was an investment by the state in getting it the pipeline it needed.

"Five hundred million is peanuts compared to the billions we'd have been liable for if we'd approved Frank Murkowski's proposal," he said.

Rep. Jay Ramras, R-Fairbanks, gave an impassioned speech calling on the Legislature to abandon the AGIA

process, and focus on getting the state's gas to the state's consumers.

"People in the Interior are hurting," he said.

Palin has rolled out her own proposal for in-state gas usage in addition to AGIA, but Ramras called that effort "goofy" and recommended scrapping AGIA and starting over with a new focus.

• Contact reporter Pat Forgey at 586-4816 or e-mail [patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).



Brian Wallace / Juneau Empire

Discussing bill: House Minority Leader Beth Kerttula, D-Juneau, speaks Tuesday during a gas line debate on the House floor.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@y3hoo.com]**Sent:** Saturday, July 19, 2008 10:03 AM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Petroleum News/Daily News: New Enstar contracts face opposition from two fronts**New Enstar contracts face opposition from two fronts**

HEARING: Regulatory commission is scheduled to examine request.

By Petroleum News

Published: July 19th, 2008 12:24 AM

Last Modified: July 19th, 2008 12:36 AM

**Comments filed to date on Enstar Natural Gas Co.'s request for approval of its new gas supply contracts is shaping up as a doozy of a fight.****The state – with Chugach Electric Association – is objecting to the Anchorage-based natural gas distribution company's latest attempt to secure gas to meet near-term needs of its Cook Inlet-area customers.**

The Regulatory Commission of Alaska is looking at whether natural gas supply contracts Enstar signed with Conoco Phillips Alaska and Marathon Oil Co. this year will provide a reliable source of supply at a reasonable price.

Those contracts were part of a settlement between the state and the two Cook Inlet natural gas producers in which the state agreed to support a two-year extension of the export license for their liquefied natural gas plant at Nikiski in exchange for assurance that local needs for natural gas are met and that local suppliers have access to the LNG facility, owned by Conoco and Marathon.

Chevron supplies most of Enstar's gas under a contract with Union Oil Co. of California; Unocal is now part of Chevron. The Unocal contract, approved by the commission in 2001, set the price of gas using the average Henry Hub natural gas price for the previous three years. The commission rejected a 2005 contract with Marathon that used similar pricing.

Enstar's contracts with Conoco and Marathon are for supplies not covered by Chevron.

**The commission has scheduled a hearing the last week of July and the first week of August.****RUNNING ARGUMENT****The Cook Inlet gas producers have long argued – and the regulator appeared to agree in 2001 – that Cook Inlet prices are artificially low because the gas cannot be easily sold anywhere else, but that prices tied to Lower 48 gas prices are necessary for oil and gas companies to find investment in exploration and development projects worthwhile.**

In 2006 RCA rejected – based on price – a contract Enstar negotiated with Marathon in 2005 that, like the 2001 Unocal contract, was tied to Lower 48 natural gas prices. The state attorney general's public advocacy section opposed that contract and also opposes the new contracts.

7/25/2008

Anchorage-based Chugach Electric, the state's biggest power company and a big buyer of natural gas, and other Cook Inlet natural gas purchasers also oppose the new contracts.

In a mid-May filing Enstar told the commission that the attorney general's comments are based on a "fundamental misunderstanding of the commercial reality" Enstar faces. The attorney general's opposition means Enstar faces a supply shortfall in January 2009, Enstar said.

Enstar has been unable to negotiate "every favorable term" the attorney general mentioned, the company said.

"The producers are not legally obliged to accept contract terms that they view as inconsistent with current market realities," Enstar said.

#### **CAN THE GAS COMPANIES LEAVE?**

Chugach Electric brought in attorney Spencer Hosie, who filed testimony saying the issue is not whether Cook Inlet offers the best investment opportunities for companies holding oil and gas leases, but whether the gas can be sold for a price that make production reasonably economic.

Hosie said the Enstar argument is that if the regulators do not approve the proposed contracts that the producers may not continue to invest in Cook Inlet and that they may shut-in some gas rather than sell to Enstar on other terms.

Those are "hollow threats," he said, because under their oil and gas leases the producers have "a duty to develop and market their gas."

Because of the relationship created in an oil and gas lease -- "a type of 'cooperative venture,' where the landowner relies on the producers to develop the field and market the production for the benefit of both," producers aren't free to make development decisions based solely on their own interests, Hosie argued. "Instead, all decisions, including decisions to develop and invest capital, must be made with 'due regard' for the interests of the royalty owner, the landowner. In simple terms, while the producers need not treat the royalty owner any better than they treat themselves, they may not treat the royalty owner worse."

Producers have an obligation to go forward if a project is "reasonably profitable," he said.

Hosie said the work the companies have put into earning an extension of their export license is proof that Cook Inlet natural gas is profitable.

The producers, through Enstar, are not demanding that their Cook Inlet gas business be made profitable, only that it be made more profitable, he said.

Gene Dubay, an executive with Enstar's parent company, filed testimony that Enstar needs 32.3 billion cubic feet. The proposed contracts cover expected shortfalls of 2.1 billion cubic feet next year, growing to 10.7 billion in 2013.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Thursday, July 24, 2008 5:17 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Calgary Herald: Alaska lawmakers back TransCanada pipeline

## **Alaska lawmakers back TransCanada pipeline**

**Company seeking producer support. State votes 24-16 in favour of \$26B project**

**Jon Harding, Calgary Herald**

Published: Thursday, July 24, 2008

Now that politicians in Alaska back TransCanada Corp.'s largest single pipeline project ever, the question turns to whether dominant North Slope resource owners can be convinced to ship gas down the long-awaited link between Alaska and Alberta.

Alaska lawmakers argued into the night Tuesday before a majority approved TransCanada's plan for a \$26-billion to \$30-billion US, 2,700-kilometre natural gas line from Prudhoe Bay through Alaska, the Yukon and northeastern British Columbia to Alberta. A re-vote Wednesday mirrored the earlier result.

After weeks of fiery debate across Alaska in which Canada was at times cast as a potential obstacle in the way of U.S. energy security, the state's 40-member House of Representatives voted 24-16 in favour of Bill 3001, which grants TransCanada an exclusive state licence to proceed with the project.

The licence also means the Calgary company can tap \$500 million US worth of planning subsidies offered up by the state.

The bill still requires approval from the Alaska senate, which will occur no later than Aug. 2.

From there, TransCanada would seek approvals from U.S. and Canadian regulators, all the while attempting to garner shipping commitments from Alaska's three big producers, without which the project could be too risky to move forward with.

Construction would be virtually impossible to finance without shipper support from the likes of ConocoPhillips, BP PLC and especially ExxonMobil Corp., which is the largest owner of stranded North Slope natural gas reserves.

ConocoPhillips and BP, meanwhile, have their own pipeline proposal in the works, and their plan to move the project, called Denali, to an open season by late 2010 at a cost of up to \$600 million did not change with the favourable decision for TransCanada, Conoco chief executive Jim Muiva told analysts on a conference call.

"We intend to continue our efforts," ConocoPhillips spokesman Charlie Rownton said later Wednesday.

Tony Palmer, TransCanada's vice-president for Alaska development, said in an interview TransCanada continues to have discussions with Conoco, BP and ExxonMobil but he suggested commercial terms around tolls and equity stakes in the Alaska line would be proposed after Senate approval.

**"We've had ongoing discussions with all three North Slope producers for many years so at this point we**

**are targeting to get a licence in the next 10 days," Palmer said. "Hopefully, we'll achieve that and if we do we'll move quickly to continue discussions with those parties."**

Palmer said he doubts two projects would ever get built.

"I don't believe there will be both projects at the end of the day," he said.

"It's not unusual at this stage of the game to have competing pipeline projects; you see that all across North America in both the oil pipeline business and gas as well. At some point, one project either succeeds or fails, or there is some alignment of interests," said Palmer.

The debate in Alaska largely pitted Denali against TransCanada's proposal, which was favoured by Republican Gov. Sarah Palin.

The Conoco-BP plan does not conform to the Alaska Gasline Inducement Act, brought in by Palin last year to protect the state's interests, and while Denali has not sought any state subsidy, a previous project floated by Conoco, BP and ExxonMobil sought billions worth of concessions.

**Palmer said TransCanada will continue to request bridge-shipper backing from Washington to let the project push forward without commitments from the big three producers.**

**"It's more likely we would be discussing it with the next administration and the next Congress . . . to see if they have any interest in those concepts."**

**Observers believe ExxonMobil holds the final card on any Alaska pipeline and is positioned to leverage one project against the other, playing a waiting game to secure the best tolling arrangement.**

**"I think Exxon will wait until everyone is worn down -- if you will -- and then come in with a plan," said Fadel Gheit, an analyst at Oppenheimer & Co. in New York. "There will be very little resistance by then because these other players will have exhausted everything else."**

Mulva would not comment on whether ExxonMobil will join the Denali project.

"Ultimately we would like to see everyone participate," he said.

TransCanada's proposal offers an equity stake to only those shippers that commit gas in the initial open season, an industry term for the period when firm shipping commitments are sought.

Exxon did not tip its hand during presentations on the pipeline earlier this month to the Alaska legislature, but it said an equity stake in a pipeline equal to throughput was "key."

"ExxonMobil would carefully evaluate any open season offering," said Marty Massey, the U.S. joint venture manager for ExxonMobil Production Co.

"If commercially reasonable terms and conditions are offered, ExxonMobil would be willing to participate in the open season and make firm transportation commitments for the share of gas production from our North Slope leases."

The pipeline would be operating by 2019, according to TransCanada. The long-delayed project would feed 4.5 billion cubic feet of gas a day into Alberta's emptying web of lines that ultimately deliver gas to southern markets.

[jharding@theherald.canwest.com](mailto:jharding@theherald.canwest.com)

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NEWS-MINER EDITORIAL

**'No' on the license**

Senate should steer Alaska elsewhere on pipeline project

Published Thursday, July 24, 2008

The Alaska House of Representatives voted 24-16 this week to give TransCanada a state license to build the North Slope natural gas pipeline and sent the license legislation to the Senate, where its passage seems generally to be expected when the upper chamber votes next week.

We urge the Senate to come to a different conclusion than the House, to realize that the Alaska Gasline Inducement Act process is not the way to go and that giving a license to TransCanada under AGIA is not the best course to take.

We realize, though, that this view is likely held by only a minority of legislators and, possibly, the public. But the absence of numbers doesn't mean the absence of correctness.

Gov. Palin will, in all probability, get to sign the awarding of the license to TransCanada, a reputable Canadian pipeline-building company that has filed a responsible pipeline application in accordance with the gas act.

But, as has been noted here and elsewhere many times, TransCanada has no gas of its own. It will need the gas held under legitimate lease by BP, ConocoPhillips and Exxon Mobil for its project to proceed. TransCanada needs the oil companies to commit the gas to its project so it can secure financing — no financing, no project.

That's an inescapable fact.

TransCanada by itself gets Alaska nothing.

BP and ConocoPhillips, as most people should know by now, have embarked on their own pipeline project and have committed to spending \$600 million on preliminary work — including field work that is under way — during the next three years. So it is difficult to see what is gained by giving a license to TransCanada. And the state "license" isn't even the one that matters; that one comes from the Federal Energy Regulatory Commission. BP and ConocoPhillips have already begun the process to take their North Slope project to FERC.

Is the TransCanada proposal being kept around to keep pressure on the oil companies? Some people think so. But does Alaska need to be giving \$500 million in financial support to TransCanada to keep applying the pressure? That's what an AGIA license will give to the company. Is that the best use of that money? It seems that BP and ConocoPhillips have, after these many years, made a big-time commitment to work toward building the gas line.

Gov. Palin's signature on the TransCanada license legislation will commit the state to working exclusively with TransCanada. The state won't be able to do anything, like talking with the oil companies, that could be construed as advancing a project that would be a rival of the TransCanada project.

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Alaska will be locked in and maybe locked out.

The granting of a license to TransCanada will be a landmark moment for Gov. Palin and for the state. That's something that the governor's opponents and supporters should be able to agree on.

Just what type of landmark — a famous one or an infamous one — is where they differ.

We think it will be an infamous one. Giving \$500 million to TransCanada isn't necessary. Half a billion is a lot of money, even for a state flush with cash. Too many questions surround the TransCanada proposal. And there's another project proceeding at a faster clip.

There's still time for the Senate to correct Alaska's course by voting against giving TransCanada a license.

## Community Discussion

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### andora

7/24/2008, 12:37 a.m.  
Suggest removal

AGIA needs to be approved as soon as possible. Then we have to get to energy relief for Alaskans. We need the Alaska State Royalty Oil to be refined and distributed to Alaskans at \$2.00 a gallon for all fuels. Anything less than a fuel subsidy program will leave Alaska's economy in a shambles.

### SmallBob

7/24/2008, 12:56 a.m.  
Suggest removal

Trans Canada will start building a gasline 10 years from now.....or.....Never.

### akflyfisher91

7/24/2008, 1:13 a.m.  
Suggest removal

ok, I guess I don't get it, why are so many people backing transcanada?

### Preston\_Lancashire

7/24/2008, 1:21 a.m.  
Suggest removal

Wow ... I've always thought the jokes about the DNM and oil companies were a joke until now.

### MarieBarr

7/24/2008, 1:39 a.m.  
Suggest removal

Why on earth should the State let the oil companies strong arm us into following their plan? The State had a process, they publicized this process, the oil companies had their chance during this process. Just because they don't like how it turned out does not mean they can tell the state "Well, we lost when we did it your way,

so now we're going to force you to play our way"

The oil companies need to remember that it is Alaska's oil, and we ultimately are the ones in control.

### Thomas

7/24/2008, 1:50 a.m.  
Suggest removal

Why does anyone care who owns the leases?

the oil companies haven't said they would refuse to transport gas on a TC line... They just use mouthpieces to ominously point out that they think they own the gas.

Many countries have a law in their Competition Laws called "refusal to deal". That is exactly what this falls under. It's extortion, saying "Do it our way, or we'll make sure it doesn't happen at all"

Continuing along that path is not in the long-term best interests of this state.

Look at point thompson. BP/exxon/etc will never risk the possibility of losing their leases. If they refuse to ship gas, which again, they won't do, the legal machine starts and they lose billions.

It's a scare tactic, an obvious one, an unethical one, and DNM is eating it up saying it's delicious and everyone else should think so too.

### 11801N

7/24/2008, 2:35 a.m.  
Suggest removal

I ain't buying the hype that Big Oil will build a gas line, no way. I do agree that this deal with the Canucks is rotten to the core. Michael Dukes (for you new people-he has the most popular radio show in Fairbanks) was playing a recording of the head of TransCanada, their CEO, who was saying that Alaska was last on their list of gas line projects- heck, they will not even get around to Alaska until the end of the next decade. So what does that mean? Another 15 years for Fairbanks to get affordable energy? I am ready to toss out all the incumbents who voted for this. These people- and the News-Miner, should have been paying better attention.

The good folks who testified said over and over and over again that they want a gas line owned and controlled by Alaska. If people do not want a Canadian gas line, then their wishes should be respected.

The legislators that ignored our wishes: Kawasaki, Guttenberg, Kelly and Cognill.

### Skagdog

7/24/2008, 5:54 a.m.  
Suggest removal

Maybe G P has a cousin or somethin at transcanada

### woodman

7/24/2008, 6:57 a.m.  
Suggest removal

Tom Erwin Commissioner of DNR, on the Michael Duke's show yesterday really ripped the treasurer of the Port Authority and the Port Authority apart. Erwin said, the Port Authority had the poorest presentation of all and even with the State bending over backwards couldn't help them. Erwin countered every contention presented by

the Port Authority's treasurer. Wonder if Dukes will present both sides and play the statement issued yesterday by the Chief of Transcanada and replay the discussion he had with Erwin.

### Fairbanksgas

7/24/2008, 7:24 a.m.  
Suggest removal

Transcanada is not perfect, but at this time it is our best bet to get a project going.

The State of Alaska has almost a perfect record in defeating the oil companies in court. The producers are not going to risk losing leases that are worth tens of billions. They are going to play hardball but in the end the gas will be committed to the pipeline project.

### custertwilson

7/24/2008, 8:03 a.m.  
Suggest removal

Icebreakers Haven't been heard !

Why are we discussing Pipes at all ?

The reason this is so "IF" is Imported LNG can beat Alaska Pipe's cost, at every possible market (except Exxon's Over the Top could edge the farthest source, Qatar -- at Chicago, only).

The reason -- SEA TRAVEL IS CHEAPER !!

Just take the Valdez Plan & remove \$20 ugly Billion in Pipeline.  
... besides: a PIPE IS FIXED AT BOTH ENDS.

A pipe to Prudhoe means KILLING THE OIL.

Now current standards would not extract all 13.6 Billion barrels left there BUT if Future Tech can, & Alaska RUINS it, the lawsuit would be for:

1.5 TRILLION DOLLARS !

Plus Punitive Damages !

Think about it.

And:

BUSINESS WILL FLEE THE STATE before the Pipe completes -- to avoid being among the Property owners that have to PAY IT (that's what happens when Municipalities BANKRUPT -- \$3 Trillion works out to \$4.5 million per Alaskan !)

### BigMike

7/24/2008, 8:05 a.m.  
Suggest removal

"We realize, though, that this view is likely held by only a minority of legislators and, possibly, the public. But the absence of numbers doesn't mean the absence of correctness."

Correctness in terms of impact on DNM advertising dollars?

Instead of calling these articles the DNM's Opinion, why not just have a separate column titled "BigOil Views"?

Thankfully our state currently has enough legislators that have not been bought and sold by BigOil and will make the right vote.

I predict another DMN editorial tomorrow on why Palen should be investigated for Monegan fixing.

7/24/2008 8:05 a.m.

**ONAPA**

To the Editor who wrote the Editorial: Who is this WE you keep writing about?

We voted to build an Alaska Gas Pipeline last year. Then Alaska voted into law the Alaska Gasline Inducement Act through the full Legislature. We recieved one acceptable proposal that met the State's requirements for a pipeline. We should be awarding that license to build the line effective immediately. We will hope that the producers that hold the leases participate in the open season. If they fail to do so then we can take their leases back for failure to produce. We can then let other companies bid on the leases with a clause that requires production.

Those are our options. The producers had at least 25 years to build a line at lower costs than those c today, which now, they say makes the line economical.

Why is Alaska supporting Trans Canada Alaska, because they are willing and able to build a line that meets our requirements. I have yet to hear one of the competing plans' comparison to the AGIA requirements. Denali Group and the Port Authority's all Alaska Pipeline plans leave out one big player and that is Alaska, the will of the people, and what Alaska requires in a line.

We don't have to build it, but our input upfront is missing from the other two plans. That alone makes me wonder why our legislature thinks we can get a better deal from the competitors that aren't playing by the same rules.

I announce I want a house built. Only one company submits a bid meeting my requirements. A year later two other companies tell my neighbors they have a better plan and are going to build my house on my land using my resources. Who should I hire to get what I want?

**woodman**

7/24/2008, 8:31 a.m.  
Suggest removal

Again, thank goodness Sam Bishop is returning

**darkhorse**

7/24/2008, 8:37 a.m.  
Suggest removal

BigMike

See what happens when you form an opinion and state it publicly! Burst a few bubbles and, oh boy, it's like you attacked someone's religion. Here's an idea. Why not invite someone from the DNM editorial board on your show? Mr. Irwin (not Erwin) was evidently on yesterday in a tit-for-tat with Mr. Pierce. Why not invite Dermot Cole, Kelly Bostian or Rod Boyce (or all three) tomorrow? I think the audience would like to hear a program like that. I would certainly be interesting and informative to me to hear how they decide what topics to editorialize and how the content is developed. I'd listen to the whole show.

While I don't always agree with the editorials, I certainly find them to stimulate thought. And I've always known it isn't "reporting." It is "opinion" - something we all have and something we are all free to express.

Give it some thought. It could be a hit.

**custertwilson**

7/24/2008, 8:38 a.m.  
Suggest removal

Alaska's PPT means you earn almost \$2 for every \$1 of Big Oil Profit.

If you Disagree with them SOMONE is shooting themselves in the Foot.

Why would they decrease their OWN Profits ?

Worry about them scamming you on the Tariffs, but on matters of them making PROFITS FROM SALES – they cannot MAKE money without YOU MAKING MORE.

... it's Alaska that's got it's own bullets in its own feat.

**DistantThunder**

7/24/2008, 8:41 a.m.  
Suggest removal

UNOBTAINIUM ..

Aside from the 200^tcf of gas in proven leases onshore there's recent estimates of over 1000tcf of gas offshore in the BeaufortSea and Chukchi. The big pushers of the big-steel-pipeline is the hard-core military-industrial-complex who originally blueprinted this big-steel-megaproject in WW2 .

...they just wanna make it look like it's a populist-progressive project

The gas&oil that gets spotted by the exploration companies is immediately assessed and valuated and mortgaged 3times by the brokers

The value becomes hyper-inflated before it's drilled.

The boardroom pirates have been doing this for hundreds of years Every potential resource on the planet gets assessed and "taxed" including you and the house you live in, yes, you are just a commodity too. If you can see it from satellite, then you can begin claiming it and banking on it.

It seems obvious Juneau and BigBiz don't give "two whoops in hell" about how much money they expect to throw at this megaproject. The more drama they can whip up about the "passing of gas" the more "important" thus expensive the project becomes. The producers of this movie are busy loading imaginary and inflationary expenses to this project.

The most expensive epic movie ever filmed, so you should expect to pay \$5000.00 per ticket at the box-office [or \$5k/month for your gas-bill]

In all of the journalism written about this daily the most commonly used adjective used to describe this "Big Steel Pipeline" is "e x p e n s i v e". Paid-shill journalists are comparing the expense of getting access to the hydrocarbons in the Caspian-Region to the costs of drilling in the arctic. Does anybody know what the real-cost of spewing 2000tons of Depleted-Uranium around Iraq is gonna be??

In 1974, when sitting at the desk in Fairbanks ordering some Crouse-Hinds and Allen-Bradley motor-starters and switchgear, I began joking... "I don't care if it's made from Unobtainium, we need it here yesterday, and hell no I don't care what it costs, just send the invoice to this office address in Seattle."

Should the oil companies own their own pipeline ??  
Suuure, why not... then all of NorthAmerica can be a "company

town" that's replaced the dollar for hydrocarbon-script.  
The Sherman Anti-Trust Act has as much teeth nowadays as an impeachment.

Exposed to \$50trillion of debt...  
The US-Congress has already spent the money that the economy will earn in the next 50years by selling to us our own resources.

<http://www.michaeljournal.org/myth.htm>

The Gas is already gone.....  
stolen by spendaholics

Anybody wanna build a cheap gasline to get some affordable gas?

### BigMike

7/24/2008, 9:10 a.m.  
Suggest removal

Darkhorse

I think you got this BigMike confused with the REALLY BIG Mike. I support TransCanada, Palin, and Irwin.

I thought Irwin's coments on Duke's show yesterday were right on.

And yes it would be interesting to have the DNM editorial board on his show. But I fear without input from BigOil they wouldn't have much to say.

### MatthewErickson

7/24/2008, 9:17 a.m.  
Suggest removal

There's a lot of analogies out there that really hit home.

When you and your family is sitting in the cold, do you wait another 6 years till someone proposes to build a 'perfect' house, or would you be willing to accept an imperfect one, as long as it meets your basic standards?

Oil companies make money for their share holders. That's their justification. Like a lawyer who gets his client off of a murder charge over a technicality, they're just doing their job to the best of their ability. That's what they tell themselves, and us, so they can sleep at night.

They will not cash in the natural gas ticket, if it means they will loose money on oil. They know they can delay on the natural gas even longer till the oil is played out, and natural gas prices are tripled what they are now.

They have no ethical reservations when it comes to making money. If they can get away with it, they will. This is why I support TransCanada. They are not oil. They just want to build a pipeline. Their interest lies in doing it as quickly as feasibly possible, to start making money as soon as possible.

I would however, like to see the state sponsor a 'bullet line' to the interior. Fairbanks needs a strong natural gas supply now. Not only for the heating alternative, but also for air quality. On that alone, we should be able to tap into some of that federal money for air quality improvements.

### DistantThunder

7/24/2008, 9:31 a.m.

custerwilson... if you really wanna show how easy it is to ship gas

Suggest removal

out of the arctic by boat I'll show you a shortcut.

Did you know that you can take an old smelly fish-freezer ship and park it off Point Thomsen in deep water [there's a dropoff there], then you can run a raw-gasline to a 10ton-gizmo parked on the bottom next to your deep-anchor at 1500' deep. The product you get onboard the ship from the riser-pipe attached to the 10ton-gizmo looks like softserve icecream, but it's really methane-hydrate.

Methane-Hydrate compresses the effective volume of nat-gas by a factor of 160. LNG's ratio is 600:1

But with low-overhead expense you can make a good profit shipping the 160:1 methane-hydrate to market...

...this is how you prove that ArcticShipping is more cost-effective, by demonstrating that it can be done for an initial investment of less than \$10million.

But you'd better have your boat totally festooned with video-surveillance cameras, and recording sonar, with satellite uplink, and every other security method you can think of..

..because just one phonecall from an office in Houston will order a Navy Submarine to "accidentally" surface under your boat project, just like they did with the other "accidental collisions"...

The people controlling the hydrocarbon game aren't interested in getting gas to market cheaply..

..they wanna make it as expensive as possible.

They know that if in 2012 there will be an order to Caterpillar for \$600million of side-boom pipelayers, then they will buy stock in Caterpillar 6months before the order is cut.

When swimming in the deep end of the pool you might find out there is no bottom there.

**DenaliGuy**

7/24/2008, 9:35 a.m.  
Suggest removal

"The oil companies need to remember that it is Alaska's oil, and we ultimately are the ones in control!"

Good point, ManeBarr, except 'oil companies' should be replaced by 'multinationals'. I cannot accept any corporation dictating policy to our government, contract or not. Any proposal accepted by our legislature should state:

1. A guarantee of a commitment to build (not to study).
2. A stipulation that the state reserves the right to further other projects it deems necessary in order to manage the resource in the best interest of the people of the state, regardless of size or cost.

If this doesn't sit well with the multinationals, too bad. We use our own cash and resources and do it ourselves. The oil and gas belong to us, not them; all we have done is lease the extraction rights, not conveyed ownership.

Of course, it's all moot; Anchorage has decided this is the right course and we all know who is really in power in this state. The interior is Alaska's red-headed stepchild, and there is no glass slipper that's going to change that.

**dmt**

7/24/2008, 10:52 a.m.  
Suggest removal

The Newsminer really owes an explanation to its readers on WHY they are so pro oil and anti Palin. We are now seeing a feeble

attempt by the pro big oil legislatures (Ramras and Harris) attempting to railroad the plan and Palin by calling for a "special, indepth investigation on the recent top cop dismissal. Our country and state are heading for an economic disaster not seen since the dirty thirties. Why are they trying to divert the state's attention away from the very pertinent, serious issues? One can't help but feel someone is receiving "something". Newsminer, fess up.

### Non\_Lemming

7/24/2008, 11:11 a.m.  
Suggest removal

I would like to know how to get access to the sound bite Michael Duke's used on his show in which the CEO of Transcanada states they won't even begin the Alaska line until the latter end of the next decade. I heard it and was absolutely appalled. If he is correct, that is 10 years minimum before construction, not production, will begin.

### este

7/24/2008, 11:49 a.m.  
Suggest removal

This failed when Carter tried to do it. Why does anyone think it can work now?

### cleary

7/24/2008, 12:08 p.m.  
Suggest removal

Big oil boycotted AGIA in hopes of crushing it. Now that we are proceeding with AGIA they suddenly want to build a line of their own. The only thing big oil wants less than to build a gas line of their own right now is to have someone else build one. If AGIA is not approved we will see the Denali Line slowly fade away.

### 11801N

7/24/2008, 12:29 p.m.  
Suggest removal

Non-Lemming, here is what I could find. This was the top guy over at TransCanada. their CEC, so it is pretty clear what the Canadians' priorities are. Alaska is #4 on the list.

And this is the kind of stuff they are saying before they have approval- imagine what will come later.

452-4448 is the number for the LIO. If it is OK that we pay these guys 500 million, and Fairbanks has to wait for gas for 15 years- then tell 'em you want the Canadian deal. If not, well, what I do not understand is with all the money we have, why not build this line ourselves?

<http://watch.bnn.ca/the-business-news/ju...>

### DistantThunder

7/24/2008, 12:29 p.m.  
Suggest removal

The Prudhoe Gas has never been stranded, and Alyeska has been shipping out as much NGL's as possible mixed with the crude all along. This is the REAL-cause of the ExxonValdez disaster[not Hazelwoods DU].

Gaslines are not nosebleed-expensive to build, just ask Gazprom.

Running a \$10mil 4" plastic-hose into Prudhoe's posterior orifice will make the delirious patient with the persistent bowel obstruction combative, but with enough video cameras in the operating theater

the gas will pass, and the delirium will subside.  
It doesn't require \$500mil exploratory brain surgery followed by a \$30billion bypass operation.

**YukonJohn**

7/24/2008, 12:30 p.m.  
Suggest removal

Transcanada is not perfect, but at this time it is our best bet to get a project going.

FairbanksGas, I agree. And TC was the only company to submit a proposal within the AGIA process.

DenaliGuy, you know that you and I agree on almost everything!! This is not different, and it IS OUR GAS!! Hey, we are going to try to come down for a bit this weekend, but my darling has to work and if we get down, it will be Saturday and maybe we might can spend the night. I just got back from California last night from firefighting and am TIRED, but we really do want to come down!! I hope you are doing well, and hope to see you soon.

**Post a comment**

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Password:  (Forgotten your password?)

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## Daily News - Miner

# Arctic holds vast reserves of oil, natural gas, scientists say

The Associated Press

Published Thursday, July 24, 2008

WASHINGTON -- Some 90 billion barrels of oil and a third of the world's undiscovered natural gas lie beneath an area north of the Arctic Circle, government scientists estimate in the largest-ever survey of the energy resources there.

The U.S. Geological Survey, which announced the findings Wednesday, called the region, which includes parts of the United States, Russia and Canada, "the largest unexplored prospective area for petroleum remaining on Earth."

All told, the area accounts for about a fifth of the world's recoverable oil and natural gas reserves, the USGS says: 13 percent of the oil, 30 percent of natural gas and 20 percent of natural gas liquids.

At today's current consumption rate of 86 million barrels a day, the yet-to-be-tapped oil in the Arctic would supply global demand for three years. Pursuing it is sure to be controversial with environmental groups that want to protect the pristine wilderness and the area's endangered species.

The oil is considered "technically recoverable" using existing technology, but the survey did not consider the cost of overcoming obstacles to drilling, such as permanent sea ice or deep ocean waters. Melting caused by global warming has opened up some areas that were previously considered too difficult to reach. Oil companies have already spent billions to secure leases to explore some of the uncharted waters.

About 84 percent of the undiscovered oil and gas is offshore, the USGS estimated, but much of it is close enough to land to fall under national territorial claims.

About a third of the oil found in the survey is off the coast of Alaska. The majority of the natural gas is concentrated in two Russian provinces.

"Before we can make decisions about our future use of oil and gas and related decisions about protecting endangered species, native communities and the health of our planet, we need to know what's out there," USGS Director Mark Myers said in releasing the report Wednesday, the product of a four-year study.

"With this assessment," he said, "we're providing the same information to everyone in the world so that the global community can make those difficult decisions."

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On the Net:

<http://energy.usgs.gov/arctic>

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Thursday, July 24, 2008 7:42 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Pat Forgey: TransCanada continues to face hurdles; Legislative opponents keep up fight after House approves plan

## **TransCanada continues to face hurdles**

### **Legislative opponents keep up fight after House approves plan**

By Pat Forgey | Juneau Empire

The Alaska House of Representatives met Wednesday to finalize its approval of TransCanada Corp.'s pipeline plan under the Alaska Gasline Inducement Act.

Instead, it spent the morning arguing over what appeared to be a few final attempts to derail Gov. Sarah Palin's pipeline effort.

**"This is mucking around in dinky procedural ways with Alaska's future and getting our gas to market, but that's part of the process,"** said Rep. Beth Kerttula, D-Juneau, House minority leader.

Opponents first tried to attach to the bill approving Palin's TransCanada effort new conditions that might violate the Alaska Gasline Inducement Act deal, and then voted down a clause allowing it to take effect immediately.

Eventually, the bill passed 23-16 and was sent to the Senate, where approval also is required.

Lawmakers, TransCanada and Palin administration officials are trying to figure out what effect Wednesday's actions will have on the bill.

Reps. Ralph Samuels, R-Anchorage, and Gabrielle LeDoux, R-Kodiak, on Wednesday produced a "letter of intent" in support of in-state natural gas use, but which could have undermined the AGIA agreement with TransCanada.

That letter was similar to an amendment to the AGIA license bill that failed the previous day and which AGIA supporters said could derail the TransCanada plan.

AGIA, which was passed 59-1 by the Legislature last year, gives the Legislature the power to approve or reject, but not amend, the TransCanada proposal.

Pipeline backers first saw the letter of intent when they were handed it on the House floor, Kerttula said.

"I had real problems with it," she said.

**Negotiations between the parties amended the letter enough that it offered support for in-state gas, without threatening the TransCanada deal. That won lukewarm support from all sides.**

**Samuels said the letter had to be weakened to win support for its passage. He would have "much preferred something more firm, with more teeth," he said.**

The letter followed an attempt Tuesday to do the same thing in an amendment to the bill. Samuels said that was what was important, not the letter of intent that actually was approved.

**"In light of what we did with the amendment last night, I'm not sure (the letter) adds much of anything," Samuels acknowledged.**

The Legislature also rejected the usually routine step of making the bill effective immediately. That takes a supermajority and fell just short.

**Without formal approval of a specific effective date, bills instead become law 90 days after passage.**

**AGIA backers said that could prevent TransCanada from beginning work immediately and making use of the last of the summer construction season.**

**"It sets the project back," said Pat Galvin, commissioner of the Department of Revenue.**

**After the vote Tuesday, TransCanada's Tony Palmer said his company was prepared to begin at least some work immediately upon passage.**

**Rep. David Guttenberg, D-Fairbanks, said that delays may cost TransCanada this season and drive up costs.**

**"If it sets it back that much, we're talking a lot of money," he said.**

With Senate action still ahead, it is not clear what effect the House's rejection of the immediate effective date may mean.

The AGIA bill provides TransCanada with a \$500 million subsidy, in exchange for developing an independent pipeline that state officials say they need to get Alaska's vast Arctic gas resources developed.

Racing to compete with TransCanada is a pipeline supported by North Slope oil producers BP and ConocoPhillips. That pipeline, called Denali, has already opened a field office in Tok to begin work.

• Contact reporter Pat Forgey at 586-4816 or e-mail [patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 8:50 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippy.dog@att.net  
**Subject:** Stefan Milkowski/blog: AGIA comes to the House, again

**AGIA comes to the House, again**By Stefan Milkowski

Published Wednesday, July 23, 2008

If you thought the House was done with AGIA, you were wrong.

When the House went in at 9 this morning for a reconsideration vote on the bill, a new letter of intent popped up that basically promoted the all-Alaska gas line.

Letters of intent don't carry the weight of law – and wouldn't be considered an amendment to AGIA in this case – but they do help clarify what lawmakers want from a bill.

And this one seemed to clash with AGIA. It basically said the Legislature wanted the governor to keep working on other gas line proposals even after issuing a state license to TransCanada.

Chaos ensued.

The House took a break, and lawmakers gathered in impromptu groups with TransCanada executives and members of Gov. Palin's gas line team. New drafts emerged from printers and copy machines.

Rep. Ralph Samuels, a vocal opponent of AGIA and not really a fan of the all-Alaska line, sponsored the letter. Port authority project manager Bill Walker said he helped draft it.

The goal, Walker told me, wasn't to take down AGIA or TransCanada, but just to make it clear that lawmakers wanted the state to keep working on an in-state/LNG export project within the bounds of AGIA. (TransCanada has promised to build a line to Valdez if the port authority or anyone else can put a project together.)

By 11 a.m., the second floor was crowded with lawmakers and legislative aides, TransCanada executives, administration officials, reporters and others. Summer tourists had to squeeze through.

AGIA supporters worked frantically with state officials and TransCanada to ensure the letter wouldn't interfere with the license. (The latest version specifies "Nothing in this letter of intent is intended to alter the obligations of the parties under the law . . .")

Some lawmakers scoffed at the letter or described it as political cover from constituents set on the all-Alaska plan. Others said it sent an important message.

Rep. Scott Kawasaki stood in the hallway and read a memo he'd requested from the Legislative Affairs Agency explaining what a letter of intent does and doesn't do.

Rep. John Coghill, convinced the letter wouldn't interfere with the license, went to his office.

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House Speaker John Harris, who voted against the license last night, took a few practice golf swings in the Speaker's Chamber, then put on a coat and went for ice cream.

A House committee is taking testimony on Palin's energy bills, and lawmakers are scheduled to reconvene on the floor at 12:30. Or thereabouts.

UPDATE: After some lively, somewhat accusatory debate, the letter passed 39-0.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Wednesday, July 23, 2008 8:34 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Steve Quinn: Fate of gas line in Senate's hands

## **Fate of gas line in Senate's hands**

By STEVE QUINN  
The Associated Press

Published: July 23rd, 2008 06:44 PM  
Last Modified: July 23rd, 2008 06:44 PM

JUNEAU - The fate of a multibillion-dollar pipeline that could unlock 4.5 billion cubic feet of North Slope gas reserves daily and power North American homes and businesses for decades now rests in the hands of 20 Alaska state senators.

The state House today reaffirmed its Tuesday night vote to award an exclusive license to TransCanada Corp., which must move forward on federal permitting applications for the 1,715-mile pipeline estimated to cost \$26 billion to \$30 billion.

This leaves the Senate to approve or reject the license by Aug. 2. Republican Senate President Lyda Green said her energy committee still has a few questions to pose, but **she expects for the Senate to vote on Gov. Sarah Palin's license recommendation by late next week.**

While the license in no way guarantees construction, it calls for TransCanada to move forward on a costly process of pursuing a federal certificate. The company would also get up to \$500 million in state seed money.

"We are not pursuing this project to spend a lot of our money and the state's money and just end up with a certificate," said TransCanada vice president Tony Palmer. "Our goal is to successfully get a certificate, successfully attract customers and successfully complete a project."

As the debate in Washington, D.C., over domestic natural gas and oil production grows increasingly divisive and partisan, Alaska's pipeline discussion is being closely watched.

And should Alaska's Senate concur, it will still be at least the year 2018 before any market sees Alaska's gas. Plus, there is still a competing pipeline moving forward without the state's startup money.

That project is a joint venture between North Slope oil producers and gas leaseholders Conoco Phillips and BP, which believed Palin's Alaska Gasline Inducement Act of 2017, or AGIA, was too restrictive.

**Conoco Chief Executive Jim Mulva told analysts today that the joint venture project named Denali will progress even if the TransCanada proposal gets full legislative support.**

The two companies already have filed paperwork for preliminary federal permitting and \$40 million worth of field work is under way. They also plan to eventually solicit bids to ship gas in the pipeline, a process known as open season.

### **CONOCO MOVES AHEAD**

**In Conoco's quarterly earnings conference call, one analyst asked Mulva about pipeline developments in Alaska. Mulva said that "irrespective of what takes place with approval or not by the state Legislature, we continue to go forward with BP on the Denali project, doing our field work this summer and moving right through a process of open season that we expect here in the next few years. So it doesn't change at all the aggressiveness in the plan that we've announced with respect to Denali and our work between Conoco Phillips and BP."**

Alaska House Rep. Mike Kelly, a Fairbanks Republican and former utility chief executive, said he has no problems with competing pipelines moving forward. Kelly added that TransCanada's credentials as one of North America's largest pipeline companies also helped him vote yes.

"I like their integrity," Kelly said. "They are the best at what they do and they are dead serious about building a pipeline. They don't own any gas and they are very used to talking to producers into putting their gas into a pipeline. It's what they do best."

The final House vote of 23-16 Wednesday came after a unanimous vote to adopt a "letter of intent" for the pipeline bill that says the Legislature wants the Palin administration continue to aid other pipeline projects, especially a liquefied natural gas pipeline project to Valdez.

Conoco was one of six companies to submit a bid to the state by Nov. 30 last year, but the Houston-based company did so outside of the state's guidelines and Palin quickly rejected it.

As of 2006, about 19 percent of electricity generated domestically comes from burning natural gas, a 10 percent increase from 1986, according to a recent Rice University report. Additionally, more than 50 percent of Americans heat homes with natural gas.

**The prospect of an Alaska gas line gained momentum in recent years with natural gas futures trading in the mid-\$10 range and the likelihood of prices falling sharply becoming increasingly remote.**

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 8:25 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pearson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** AP: Conoco Phillips reports big profit jump

## Conoco Phillips reports big profit jump

By JOHN PORRETTO  
The Associated Press

Published: July 23rd, 2008 01:35 PM  
Last Modified: July 23rd, 2008 01:35 PM

**HOUSTON - Record crude prices helped oil giant Conoco Phillips' second-quarter profit climb 13 percent from adjusted results a year ago, beginning what is expected to be a string of robust earnings announcements from major oil companies. The company's profits from Alaska production grew 31 percent.**


**The Houston-based company said today profits rose to \$5.44 billion for the April-June period, from \$301 million in the year-ago quarter. A year ago, Conoco incurred a \$4.5 billion charge related to its former assets in Venezuela.**

Second-quarter revenue increased to \$71.4 billion from \$47.4 billion a year ago.

The profits exceeded the average expectations of Wall Street analysts surveyed by Thomson Financial.

**Conoco said its profits from Alaska production totaled \$700 million during the quarter, up from \$535 million a year earlier.**

Brian Youngberg, an analyst with Edward Jones, said overall results were decent, but he noted production volumes again were below the prior-year period - a disturbing pattern for the past several quarters related to maturing fields, planned and unplanned maintenance and other factors.

 Click here to find out more!

Youngberg said the company might have to increase

production by 5 to 7 percent in the final months of the year to meet full-year goals.

"After the third quarter, they're going to be enough behind their 2008 guidance that the fourth quarter better be good," he said. "They've said it would be better, and I think people will hold them to that."

Conoco, the third-largest U.S. oil company, is the first of the oil majors to report second-quarter earnings. It is the largest oil producer in Alaska.

**Exxon Mobil Corp. and Chevron Corp., among others, are scheduled to report results next week. Like Conoco, most are expected to post huge profits because of triple-digit oil prices.**

Conoco's one-time charge in the year-ago quarter was linked to its refusal to sign deals last spring with the Venezuelan government to keep pumping oil under tougher terms posed by President Hugo Chavez's government.

Excluding that impairment, earnings from the most-recent quarter easily topped those of a year ago, driven by profits from its exploration and production arm.

As expected, however, spiking crude prices in the second quarter were a drain on earnings at Conoco's refining and marketing operations.

The company said net income from its E&P sector amounted to \$4 billion, about 85 percent higher than adjusted profits from a year ago. Far higher prices for crude and natural gas lifted results, which were somewhat offset by higher production taxes, lower volumes and increased operating costs.

Oil prices have retreated in recent trading sessions to below \$130 after climbing above \$147 a barrel earlier this month. Still, prices remain about 70 percent above where they were a year ago and up about 35 percent from the start of the year.

Conoco's daily production in the most-recent quarter averaged 1.75 million barrels of oil equivalent a day, down from 1.91 million barrels a year ago. The company attributed the decline to the expropriation of its Venezuelan oil projects last year and normal field decline.

Production results include Conoco's Canadian Syncrude operations but not its Russian Lukoil business.

**Alaska production oil and liquids production averaged 261,000 barrels a day, down from 285,000 a day during the same three months last year.**

**Looking ahead, the company said it expects third-quarter production to be similar to the second quarter.**

Earnings fell sharply on the refining and marketing side, to \$664 million from \$2.36 billion a year ago - a decline Conoco said earlier this month was not unexpected.

The root of the problem was refining margins, which were squeezed by higher crude prices. Those margins reflect the difference between the cost of crude and what the company makes on refined products such as gasoline.

The company said it generated \$5.4 billion of cash from operations in the quarter, which enabled it to repurchase \$2.5 billion shares of its own stock - part of a plan to repurchase \$10 billion worth of shares for all of 2008. It also paid \$700 million in dividends.

Exploration expenses before taxes amounted to \$208 million in the second quarter, up from \$259 million in the year-ago period.

Profits for the first six months of 2008 was \$9.6 billion, versus \$3.85 billion a year ago, including the Venezuelan charge. Revenue rose to \$126 billion from \$88.7 billion.

*The Anchorage Daily News contributed to this article.*

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 7:45 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy: Alaska House approves gas pipeline plan

## Alaska House approves gas pipeline plan

24-16 VOTE: Several amendments go down; the Senate gets it now.

By WESLEY LOY  
[wloy@adn.com](mailto:wloy@adn.com)

Published: July 23rd, 2008 12:05 AM  
 Last Modified: July 23rd, 2008 03:56 AM

JUNEAU – Members of the House of Representatives voted late Tuesday to approve an exclusive state license for a Canadian energy company proposing to build a natural gas pipeline down the Alaska Highway to Alberta.

The 24-16 vote supports the license for Calgary-based TransCanada Corp., one of the continent's biggest gas pipeline operators. The House could take a re-vote today before sending the proposal to the Senate.

The vote came after House members soundly defeated several amendments offered by skeptics of the deal.

During hours of debate, some lawmakers said licensing TransCanada would be a landmark step toward construction of a nationally important superpipe while others predicted a state-subsidized failure.

The legislation the lawmakers have weighed this summer in special session, House Bill 3001, would authorize the administration of Gov. Sarah Palin to award TransCanada a license that carries up to \$500 million to help plan a pipeline likely to cost more than \$30 billion. Lawmakers must pass a separate bill to appropriate the money for TransCanada.

Palin picked TransCanada from among a handful of bidders that submitted applications under AGIA, the Alaska Gasline Inducement Act, which lawmakers passed last year.

One of Palin's top gas line team members, state Revenue Commissioner Pat Galvin, and TransCanada's Alaska point man, Tony Palmer, barely cracked a smile after the 9 p.m. vote. They know they've still got work left to win a similar vote in the Senate, with hearings scheduled for today.

"I'm not going to celebrate until this is over," Palmer said.

"We've got a long ways to go," added Galvin, standing in the bustling hallway just outside the House chamber. He said he expected the vote might have been closer in the House.

Sixteen Democrats and eight Republicans voted in support of the license, with one Democrat and 15 Republicans voting against. Among those voting no were House Speaker John Harris, R-Valdez, and House Majority Leader Ralph Samuels, R-Anchorage.

Twelve Anchorage and Mat-Su area lawmakers voted in support of the license, including Rep. Kevin Meyer, a South Anchorage Republican who has a job with oil company Conoco Phillips. Eight area representatives voted

against.

## PARTNERSHIP OR DISASTER?

The license is not a contract for actual construction. Rather, it grants cash and favored status to TransCanada to try to assemble the package of customers, financing and permits necessary to start digging and welding.

"This does not get us to a pipeline," said Rep. John Coghill, R-North Pole. But he said licensing TransCanada is "a good partnership" that will put the state on the right path to achieve one of its most prized economic development goals.

During the debate, Rep. Bob Lynn, R-Anchorage, reminded lawmakers that the House passed AGIA last year by a vote of 39-1, and they shouldn't abandon the process.

To back off now, Lynn said, "would be a disaster from which we might never recover."

But others see disaster – a waste of state money and years of lost time – coming from the other direction.

Rep. Mike Hawker, R-Anchorage, delivered a long speech citing a litany of worries with the deal.

"AGIA – I'm a little bit afraid it stands for Alaska Goofs It Again," he said.

Hawker said an earlier state attempt to broker a gas pipeline deal, under former Gov. Frank Murkowski, justifiably fell apart in 2006.

The AGIA deal also will fail, Hawker said, because only the financial marketplace, and not the government, can sort out the conflicting players and pick a winning project.

The major oil companies that control most of the North Slope's vast natural gas reserves – BP, Conoco Phillips and Exxon Mobil – oppose the TransCanada deal.

Two of the companies, BP and Conoco, recently formed a partnership called Denali to build a competing pipeline down the Alaska Highway. The oil companies didn't apply for the \$500 million subsidy under AGIA.

On Monday, BP distributed a letter to some lawmakers urging them to reject the TransCanada license and touting Denali's superiority.

The Senate has until midnight Aug. 2 to also pass the TransCanada license or the deal is off.

Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 586-1531.

## North Slope gas pipeline proposals

### TRANSCANADA

- PROJECT: 1,715 miles, to Alberta, Canada
- Capacity: 4.5 billion cubic feet a day
- Status: Awaiting Alaska Legislature vote on an exclusive state license and \$500 million subsidy

7/24/2008

- Key strength: Experienced pipeline builder and owner
- Key weakness: Owns no North Slope gas production that could go in its pipe
- What's next: If Legislature approves the license by Aug. 2, TransCanada over the next several years would start preliminary pipeline work and seek commitments from North Slope producers to use any pipeline the company would build

#### **BP-CONOCO PHIL LIPS**

- PROJECT: About 2,000 miles, into Alberta, Canada
  - Capacity: 4 billion cubic feet a day
  - Status: Several years of pre-construction studies and other work begun this summer
  - Key strength: Companies own natural gas that could flow through the pipeline
  - Key weakness: Companies want changes to state tax laws that state officials might not want to give
- 

#### **How they voted**

##### **FOR: 24**

- REPUBLICANS: Bob Lynn of Anchorage, Kevin Meyer of Anchorage, Carl Gatto of Palmer, Wes Keller of Wasilla, John Coghill of North Pole, Mike Kelly of Fairbanks, Paul Seaton of Homer, Bill Thomas of Haines
- Democrats: Bob Buch of Anchorage, Sharon Cissna of Anchorage, Harry Crawford of Anchorage, Mike Doogan of Anchorage, Les Gara of Anchorage, Berta Gardner of Anchorage, Max Gruenberg of Anchorage, Lindsey Holmes of Anchorage, Andrea Doll of Juneau, Bryce Edgmon of Dillingham, David Guttenberg of Fairbanks, Scott Kawasaki of Fairbanks, Reggie Joule of Kotzebue, Beth Kerttuia of Juneau, Mary Nelson of Bethel, Woodie Salmon of Beaver

##### **AGAINST: 16**

- REPUBLICANS: Nancy Dahlstrom of Anchorage, Anna Fairclough of Eagle River, Mike Hawker of Anchorage, Craig Johnson of Anchorage, Bob Roses of Anchorage, Ralph Samuels of Anchorage, Bill Stoltze of Chugiak, Mark Neuman of Big Lake, Mike Chenault of Nikiski, John Harris of Valdez, Kyle Johansen of Ketchikan, Gabrielle LeDoux of Kodiak, Kurt Olson of Soldotna, Jay Ramras of Fairbanks, Peggy Wilson of Wrangell
- Democrat: Richard Foster of Nome

**Rynnieva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 7:46 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Steve Quinn: Alaska House OKs gas pipeline license

**Alaska House OKs gas pipeline license**

By STEVE QUINN / Associated Press Writer

Published: July 22nd, 2008 10:10 PM  
 Last Modified: July 22nd, 2008 10:11 PM

The Alaska State House of Representatives has approved a state license for a Canadian company to pursue a natural gas pipeline project that could unlock 4.5 billion cubic feet of North Slope gas reserves daily.

The House backed the plan on a 24-16 vote Tuesday. A reconsideration vote is planned Wednesday, but that's usually a formality. If approved then, the bill will go to the state Senate, which must approve or reject it before Aug. 2.

Lawmakers in Alaska's House voted to support Gov. Sarah Palin's proposal to award TransCanada Corp. an exclusive license to pursue federal certification for the 1,715-mile pipeline estimated to cost between \$26 billion and \$30 billion.

TransCanada Vice President Tony Palmer wasn't ready to celebrate just yet, nor would he make any predictions on how the Senate's vote will play out.

"I'm always uncertain until I see the votes," Palmer said. "I had no expectations as to how the votes would go until I saw the buttons pressed."

The license doesn't guarantee pipeline construction. It simply calls for TransCanada to embark on a costly process of pursuing a federal certificate, but also with up to \$500 million in state seed money.

There's the rub, said Rep. Mike Hawker, an Anchorage Republican who spoke out against the Alaska Gasline Inducement Act, or AGIA, license before casting a dissenting vote.

"We have to make it very clear is that this AGIA license is not a commitment to do anything other than process a whole lot of paper," Hawker said. "There is no commitment to move a shovel full of dirt toward a pipeline project."

Rep. Les Gara, an Anchorage Democrat, backed Palin's endorsement of TransCanada with the same understanding as Hawker, but with a different outlook.

"I think this is going to put the state on a stable footing," Gara said. "There is no clear path to a gas line. This is the clearest path to a gas line that protects the state's interest. That's all it is."

Even if the Senate concurs, it will still be at least another 10 years before any market sees Arctic gas. And there is still a competing pipeline moving forward without the state's startup money.

That project is a joint venture between North Slope oil producers and gas leaseholders ConocoPhillips and BP PLC, who believed Palin's AGIA format was too restrictive.

7/23/2008

In the end, Majority Leader Ralph Samuels said it's not the government's role to pick a winner. The Anchorage Republican was the lone dissenting vote when the law was passed last year, but had more support this year.

"The government is ill equipped to pick a winner in the marketplace," Samuels said. "We've simply blessed a winner in AGIA here."

House Rules Chairman John Coghill, a North Pole Republican, disagreed before voting yes.

"We are not picking a winner here, because there is not gas going to market," Samuels said. "What we are picking here is somebody who will work with us under certain conditions.

"It gets us lined up with a pipeline builder who not only knows how to do it, but we get to know how they do it both in cost and timeline."

The vote takes the state another step away from a contract unsuccessfully pushed by former Gov. Frank Murkowski.

He settled in principle with BP, Exxon Mobil Corp. and ConocoPhillips on fiscal terms - taxes and royalties - for producing the North Slope gas.

The deal would have frozen oil taxes for 30 years and gas taxes for up to 45 years for the three major oil companies, but it did not guarantee a pipeline would get built.

The Legislature would not vote on it because many lawmakers believed it was too much of a giveaway to the energy industry, about \$10 billion over the lifetime of the deal.

This Legislature, however, acted under AGIA, a year-old law that established detailed requirements for those interested in building a pipeline.

It was also a law that had BP, ConocoPhillips and Exxon Mobil balking and refusing to submit plan under those guidelines last at the Nov. 30, 2007 deadline.

TransCanada's was one of five applications that applied and the only one deemed compliant under the AGIA guidelines. Meanwhile BP and ConocoPhillips weighed in three months ago their a pipeline project called Denali.

And the two companies have already filed paperwork for preliminary federal permitting and \$40 million worth of field work is under way.

But Denali's 12- to 15-page plan is routinely criticized as sorely lacking details compared to TransCanada's itemized offering found in thick three-ring binders.

Some lawmakers believed turning back TransCanada would have left Alaska only with the Denali plan and would set the state back several years.

"I don't want to go back to where I was with the oil companies completely running the show," said Rep. Mike Kelly, R-Fairbanks.

"I do not wish to go return to a one-option scenario that has been sold to us with a power-point presentation," he said. "If we turn this down that would be a serious, serious mistake."

**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 7:47 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: House Passes AGIA

## House Passes AGIA

In a vote of 24-16 the Alaska House of Representatives passed AGIA and in doing so handed exclusive rights and a \$500 million subsidy to TransCanada to try and gain federal certification to build a natural gas pipeline.

The debate lasted for hours with many speeches bordering on a complete lack of sensibility.

Rep. Bob Lynn gave a twenty minute rambling speech in support of AGIA where he condemned the producers for slick advertisements and then minutes later lamented the lack of slick advertisements from TransCanada. He went on claim that AGIA will provide an open access pipeline when FERC has already said that anyone who builds the pipeline will have an open access as the law requires it.

Rep Mike Hawker invoked the image of John Galt. "Can government change the laws of economics and nature" Hawker asked.

"We are not going to dictate the projects economics to the market" Hawker warned his colleagues.

"I have a feeling that AGIA is going to stand for Alaska Goofs It Again."

Rep. Wes Keller claimed that the terms of AGIA were open to all parties which was an incredibly disingenuous statement. Those who have watched this process know that it was specifically written to exclude the North Slope producers, which is evident by the fact that none of them bid. He went on to say that the project would be driven by market forces, which ignores the fact that AGIA tries to dictate market forces as pointed out by Rep. Hawker.

Rep. Bob Roses made one of the most compelling speeches of the evening.

"I made a big mistake in voting for AGIA last year" he said before going into a laundry list of concerns that will have tremendous impacts on the legislatures ability to manage AGIA in the future. "We've given away our rights as a legislature" Roses said, pointing out that future legislatures will have no ability to negotiate better terms.

Rep. Paul Seaton offered more of the same baseless arguments in support of AGIA bringing into play the ridiculous duty to produce argument by claiming that with TransCanada is willing to build the line.

Of course Seaton should know that TransCanada can't build the line without the producers agreeing to pay for it and the producers have already stated they will not commit gas under AGIA.

In addition, Seaton called AGIA the way to a basin opening pipeline even though federal regulators have already testified twice that this pipeline will be a basin opening pipeline no matter who builds it.

Finally it was Rep. Ralph Samuels who invoked the great Alaska Seafood plant, ALPETCO and the grain silos as clear lessons from history that government cannot pick a private sector winner. "Government interjecting itself into markets has been a colossal failure, a colossal failure, a colossal failure.

But to show you the absurdity and questionable process that AGIA has become, you need to look no further than an amendment proposed by Rep. Ralph Samuels.

Samuels proposed an amendment that would have prohibited releasing any of the state's \$500 million to TransCanada until they publicly released their 2004 gas pipeline proposal they have demanded be kept secret. Samuels held up a sealed envelope and asked his colleagues to vote to unseal the envelope. The amendment failed 23-17.

Why would any lawmaker in a day and age of openness and transparency not support such an amendment?

Next the bill goes to the Senate where it will be voted on next week, but I anticipate the same result.

AGIA will pass and become law, in two years TransCanada will have a failed open season and then the fun begins. Lets just hope AGIA supporters are still around to be responsible for their vote.

**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 8:02 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** KTVA: House passes AGIA license

## House passes AGIA license

By Matthew Simon, CBS 11 News Reporter

Article Last Updated: 07/23/2008 12:06:07 AM AKDT



In a 24 to 16 vote Tuesday night the House of Representatives made history saying yes to Governor Palin, and giving Canadian pipeline company TransCanada state benefits. Governor Palin says this AGIA license will eventually induce TransCanada to build a natural gas pipeline.

TransCanada's Alaska Vice President, Tony Palmer, was "very pleased" with the vote's results. The 24-16 outcome was pretty much in line with what was expected to happen. The vote came after four amendment attempts failed to change the AGIA bill's language.

Anchorage Rep. Craig Johnson pushed to keep the state from reimbursing TransCanada the 500 million dollars AGIA promises, unless the state moved to resolve Point Thomson oil and gas field legal issues. Fairbanks Rep. Jay Ramras pushed two amendments. One would have requested a small-liquefied natural gas (LNG) facility be built in Valdez; the second would have required all TransCanada officials to live in Alaska. The fourth amendment came from Majority Leader Ralph Samuels. The Anchorage Representative wanted confidential language from a previous TransCanada plan made public.

In the end, the administration was successful at keeping the AGIA bill intact in its original form, following a highly emotional debate.

"It might turn out to be *Alaska Goofs It Again*," said Anchorage Representative Mike Hawker. The stinging acronym Hawker gave for to the governor's Alaska Gasline Inducement Act goes to the heart of why he argued against an AGIA license. Hawker says, "I believe passing AGIA will effectively kill the opportunity for the All Alaska Line to proceed under their current vision."

Hawker, and many of the *no* votes, say they have a problem with AGIA's promises to give TransCanada half a billion state dollars and the promise to pay for damages if the project does not work. In exchange, the state has taken the position the benefits will induce the company to seek a federal pipeline-building license."

On AGIA Ramras added, "It's a fools errand. We've taken out the state's checkbook to create an urban legend."

The *no* voters say AGIA's promises virtually create a monopoly, while leaving out all other gasline stakeholders.

Anchorage Representative Bob Roses says, "When we first had this project move I was looking forward to being able to say 'yes.' Until I got into all the details and realized I couldn't."

But *yes* voter, House Minority Leader Beth Kerttula, says AGIA's 20 must-have requirements will break a monopoly. "This is the way to break the monopoly and bring competition into the system. There's a role for government in this; and that is to assure we don't see these types of grips on resources."

North Pole Rep. John Coghill, also a *yes* vote, say an AGIA license is a first step forward to get Alaska's gas to market. "But I think it's the best thing for Alaska at the point. Move forward. We have a deliberative plan."

The process continues Wednesday morning when House members will take a reconsideration vote. After that the legislative process continues over in the Senate. There is a feeling around Juneau the Senate vote will take place within the next week. This whole process is far from over, though, as the special session clock continues to tick. Once senators vote, the House must agree on any changes made.

**To contact Matthew, call 907-273-3186.**

## Rynniva Moss

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 23, 2008 8:02 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** KTUU: House approves TransCanada license

### House approves TransCanada license

Posted: July 22, 2008 08:07 PM  
 Updated: July 22, 2008 10:24 PM

 Video Gallery

by Lon Tipton  
 Tuesday, July 22, 2008

<1>



**House approves TransCanada license**

2:32



Rep. Mike Hawker, R-Anchorage (Courtesy Gavel to Gavel)

JUNEAU, Alaska –The Alaska House of Representatives agreed Tuesday to grant TransCanada a license for a natural gas pipeline

Legislators spent the better part of Tuesday night debating the issue before taking a vote.

Shortly after 9 o'clock the House voted 24 to 16 to approve the license.

Of the 40 members about 20 debated the issue. And the House seemed to be split down the middle before the vote.

Some expressed their apprehension to hail the move as a victory.

"I think we have to make it clear and I just ask folks please remember in the public that this AGIA license is not a commitment to do anything other than process a whole lot of paper," said Rep. Mike Hawker, R-Anchorage.

"This is not a clear path to a gasline. There is no clear path to a gasline," said Rep. Les Gara, D-Anchorage. "This is the clearest path to a gasline that protects the state's interests. That's all it is."

Others said they simply thought AGIA is the wrong move.

"When this governor has gone on to better things, we're gonna see AGIA come to a crash and an end and the urban legend will be over," said Rep. Jay Ramras, R-Fairbanks.

Some lawmakers wholeheartedly endorsed the measure.

"There's an alignment between TransCanada and an alignment between Alaska and there's enthusiasm from TransCanada to get this project done," said Rep. Harry Crawford, D-Anchorage. "Lord knows there's enthusiasm from a lot of us to get this project done and I believe I'm gonna relish my vote tonight."

The House has adjourned until 9 a.m. Wednesday for reconsideration. More often than not, move for reconsideration doesn't get picked up and votes stay the same.

Still, there is the possibility the vote could change.

Contact Lori Tipton at [ltipton@ktuu.com](mailto:ltipton@ktuu.com)



Rep. Jay Ramras, R-Fairbanks (Courtesy Gavel to Gavel)



Rep. Harry Crawford, D-Anchorage  
(Courtesy Gavel to Gavel)

Also on KTUU.COM

► [House AGIA vote expected tonight!](#)

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Tuesday, July 22, 2008 9:19 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitne; ; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** KTUU: Administration notches victory in AGIA debate

### Adminlstration notches victory in AGIA debate



Gov. Sarah Palin (Courtesy Office of the Governor)

by Mike Ross  
Monday, July 21, 2008

**ANCHORAGE, Alaska** – The governor's gas line plans came under attack Monday at the state Capitol.

Some lawmakers say Alaska needs more protection but the governor says they are trying to derail the gas line at the last minute.

Gov. Sarah Palin, in her weekly gas line briefing, said last-minute changes in the Alaska Gasline Inducement Act, AGIA, legislation being brought up now in Juneau would set a horrible precedent and could force the state to start the gas line bid process all over again.



Rep. Ralph Samuels, R-Anchorage (Courtesy Gavel to Gavel)

"I remind Alaskans that an effort to derail this process continues, tirelessly," she said. "This administration believes that it would be incredibly dangerous to change the ground rules or the commissioner's license as proposed. Dangerous and unfair."

**House Majority Leader Ralph Samuels and other lawmakers argue that Alaska needs more protection in the deal.**



Rep. Craig Johnson, R-Anchorage (Courtesy Gavel to Gavel)

"With all due respect to the administration they've put a lot of work into this. We're a separate and equal branch of government," he said. "It is our duty. We do not work for the executive branch. Period."

One legislative proposal would have taken out the provision that would force the state to pay TransCanada hundreds of millions of dollars in penalties if a competing in-state gas line is built.

"I think everywhere we've gone we've heard that gas for Alaskans is the top issue in front of people," said Rep. Craig Johnson, R-Anchorage.

Another proposed change would have made TransCanada promise to protect the state financially if the company's partners in a failed gas line project 20 years ago try to collect billions of dollars in damages.

**"Sixteen billion dollars is the number that will floated around and I guarantee there's going to be nine lawyers somewhere that are gonna look at a way to \$50,000, \$50 million, \$500 million something with that many zeros after it, this issue is not going to disappear," Samuels said.**

Ultimately the Palin administration won the first round. All of the proposed changes were rejected in the House Rules Committee.

But more attempts to change the gas line deal are expected when AGIA reaches the House floor for a make-or-break vote.

**Speaker John Harris says a vote on the gas line bill is expected Tuesday on the House floor. The measure would then move to the state Senate, where it's expected to face tougher debate.**

Contact Mike Ross at [mross@ktuu.com](mailto:mross@ktuu.com)

**Rynniva Moss**


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**From:** Scott, Antony G (DNR) [antony.scott@alaska.gov]  
**Sent:** Monday, July 21, 2008 9:27 PM  
**To:** Rynniva Moss  
**Cc:** Balash, Joseph R (GOV)  
**Subject:** RE: 500 mcf Formula  
**Attachments:** 35\_thomas.pdf; 062008%20ANGDA%20It's%20the%20Open%20Season%20Special%20Session%20Joint%20Committee.pdf

Rynniva:

sorry I haven't gotten in touch sooner.

Please understand that the Administration has not developed its own assessment of in-state gas demand for more than 5 years. My presentation relied on studies that have been performed in the last year or two by others. The reference on Slide 3 is my first presentation. The reference on Slide 6 of my presentation is the second attachment. Unfortunately, neither study has a breakdown at the level that you are interested in. I appreciate that the main concern is that there is plenty of ability to meet in-state need -- including all military bases, etc. I'd point out that when Elmendorf started purchasing its electricity from Municipal Power and Light (rather than generating themselves) there was only a small uptick in electricity demand for electricity. It's hard to see how bases can materially move things to the point where there are problems under AGIA.

Your subsequent email asked about gas demand for cars -- either CNG, or electric, I'm assuming. I don't think either study looked at this, but I really don't know. But when imagining possible future demand scenarios I think it's crucial to remember two things. First, none of these infrastructure changes happen overnight; it takes a long time to turn over the automobile stock, for example. Second, the prohibition under AGIA of subsidizing competing projects **expires** upon first gas of the AGIA project, so by the time that possible future demand increases could matter a North Slope gasoline will be in place and the state can then do what it wants.

Please call me if you have further questions. My cell is 748-8915.

Thanks very much,

Antony

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**From:** Rynniva Moss [mailto:Rynniva\_Moss@legis.state.ak.us]  
**Sent:** Mon 7/21/2008 5:25 PM  
**To:** Scott, Antony G (DNR)  
**Subject:** 500 mcf Formula

I acquired your power point from Senate Judiciary but it doesn't really have a breakdown other than ammonia-Urea, LNG, Gas Utilities, Power Generation. Do you have a breakdown by individual users:

Example:

Fairbanks Natural Gas  
 Natural gas delivery to consumers in Anchorage, Kenai, Barrow and other take off points along the line.  
 Flint Hills Refinery  
 Ft Wainwright  
 Eielson  
 Ft Richardson  
 Elmendorf  
 Other military installations in the state  
 Propane plant Yukon River  
 etc

7/22/2008

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]

**Sent:** Tuesday, July 22, 2008 8:12 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter, skippydog@att.net

**Subject:** Daily News editorial: Time to vote; Legislature has done more than enough homework on AGIA deal

## Time to vote

*Legislature has done more than enough homework on AGIA deal*

Published: July 21st, 2008 10:32 PM

Last Modified: July 21st, 2008 11:31 PM

In its special session on the gas line, the Legislature is tackling one of the biggest questions in our state's young history.

The commitment at issue is huge – as much as \$500 million in matching money for TransCanada's future expenses, plus more than \$100 million in penalties if the state decides to switch course and give financial help to a competing project.

The payoff to making the right call will be much, much bigger: tens of billions of dollars in future state revenues from gas that has been stranded on the North Slope, and billions of private dollars and thousands of jobs, as companies pursue more natural gas.

Nobody can accuse lawmakers of rushing this profound decision.

Legislators have held almost a month of hearings so far. They have traveled several thousand miles – from Juneau to Fairbanks to Anchorage, to Mat-Su, to Kenai, to Barrow, to Ketchikan and back to Juneau – to hear from Alaskans.

Legislators and the Palin administration have spent millions of dollars on advice from consultants, lawyers and independent experts. The Legislature's Web site lists 122 reports, analyses and documents from companies involved and independent experts. The Palin administration has posted as much, or more, information on its own gas line Web site.

Legislators returned to work Monday on the gas line – day 48 of their summer session on the subject – with still more hearings.

That's overkill.

### NO DEAL-BREAKERS TURNED UP

Despite skeptics' and opponents' best efforts, lawmakers have found no deal-breaker arguments against Gov. Palin's proposal. The alternative offered by Conoco and BP – which they declined to submit through the state's competitive process and launched only after TransCanada submitted its bid – is too skeletal and too devoid of binding commitments to eliminate the value of TransCanada as a competitor.

Legislators who paid attention have learned why the state's proposed partnership with TransCanada, an independent pipeline company, is better for future competition and has a bigger payoff for the state treasury and Alaska's economy. In short, it will promote more favorable terms for independent gas shippers and lower rates for

7/22/2008

using the pipeline, which will encourage more drilling and more gas production, which means more jobs and more state revenue.

Advocates of an all-Alaska alternative haven't been able to sink the TransCanada deal. Their project – exporting liquid gas from Valdez to Asia – is an appealing concept but lacks the multibillion-dollar private sector backing of the two alternatives. The Valdez route can be done as a spur off the gas line to Alberta – and is more likely to happen after the overland route is under way.

#### LAST-DITCH EFFORT

Supporters of the BP/Conoco proposal are making a final effort to derail legislative approval of the TransCanada partnership. They say legislators should back off and give the two camps a chance to work out a deal that merges their projects.

Conoco Phillips says that approving TransCanada's proposal will actually make it harder for the competitors to unite behind a common project. That's because it locks the state and TransCanada into terms that limit Conoco's future options, cost the company money and discourage collaboration. Conoco says it and BP will go ahead with their own project, so the state is causing costly duplication of effort and wasting \$500 million of its money.

Alaskans and legislators should stop for a minute and ask: Why didn't the North Slope gas holders apply for that \$500 million of state incentives?

The answer is simple. Because the companies expected to make more money by turning down that half-billion dollars and getting out from under the terms the state wants – terms the Legislature very deliberately set when it passed the Alaska Gasline Inducement Act (AGIA).

That doesn't mean BP and Conoco are bad. It's just that their first responsibility is to protect and advance their own interests.

#### WHAT'S BEST FOR ALASKA?

Alaskans have to remember: What's best for those companies is not necessarily what's best for Alaska.

Conoco has been clear – before committing to build a project, it will ask the state for future certainty about "fiscal terms." The bill for that "certainty" could be billions of dollars more than the \$500 million of matching money the companies turned down.

AGIA is working. It prompted Conoco and BP to move forward with their own gas line proposal. But while we have two competing projects, we still have a long way to go to a pipeline. Ultimately, only one project will move forward and get built, and it will likely be a joint effort of the gas holders and TransCanada. For now, though, keeping two capable, motivated parties pushing toward the finish line appears to be the best way to get a gas line on terms that best serve the interests of Alaska.

The Legislature has done its homework. Now it's time to do its job:

Vote yes or no.

**BOTTOM LINE:** Let's have the vote on AGIA, then move on to energy cost relief measures.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]**Sent:** Monday, July 21, 2008 8:47 PM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Steve Quinn: Alaska House readies for gas pipeline vote

## Alaska House readies for gas pipeline vote

Steve Quinn/The Associated Press

Published Monday, July 21, 2008

JUNEAU – The next vote cast by the Alaska House of Representatives will not only be one of the most important in the state's 49-year history, but it will also send a message far outside the state's borders.

On Tuesday, the 40 members must decide whether TransCanada Corp. deserves a license - and with that, as much as \$500 million in seed money from the state - to pursue a natural gas pipeline project.

It's a vote that will be closely watched not only in the state, but by the industry worldwide, by those on Capitol Hill debating energy policy and by energy officials from the Canadian government.

A pipeline means unlocking 4.5 billion cubic feet of North Slope gas reserves daily, and this decision comes when domestic natural gas and oil production is one of the most divisive and partisan subjects in Washington, D.C.

Lawmakers in Alaska's House and then the Senate have less than two weeks to either support or reject Gov. Sarah Palin's proposal to award TransCanada Corp. an exclusive license to pursue federal certification for a 1,715-mile pipeline.

Alaska already sits at the heart of several political energy battles: the potential exploration and production in the Arctic National Wildlife Refuge and offshore drilling in federal waters.

**The upcoming vote will be no less contentious and could produce a political legacy for Palin as well as the Legislature that devoted two regular sessions and three special sessions to shoring up resource development and a tax structure.**

**The House's Tuesday vote comes about 10 days after U.S. Sen. Ted Stevens told The Associated Press that lawmakers should follow Palin's lead.**

He didn't endorse Palin's plan outright, for there's a competing project by BP PLC and ConocoPhillips on the drawing board, and these companies aren't asking for up-front money.

Still, in a recent 18-minute address in the state Capitol, Stevens implored the state's Legislature to act so the federal government can give the state necessary assistance for an interstate pipeline. It's estimated to take a decade for permitting and construction after the approval is given.

**"I would hope they follow the governor's lead, and get it done," Stevens told The Associated Press. "It's got to be done. Now, I can't tell them how to vote, but a decision is absolutely necessary now."**

Lawmakers said they expect Palin to get the necessary support, but it won't be the slam dunk she received when they passed the Alaska Gasline Inducement Act last year (59-1 between House and Senate).

7/22/2008

That new law established bid requirements for those interested in building a pipeline. It was also a law North Slope leaseholders BP, ConocoPhillips and Exxon Mobil found too restrictive; they never submitted a plan under those guidelines.

But BP and ConocoPhillips did respond in April with their own joint venture, a pipeline project called Denali. The two companies have already filed paperwork for preliminary federal permitting and field work is under way.

The year-old law also set aside the Stranded Gas Development Act. Under that law, former Gov. Frank Murkowski reached an agreement in principle that established firm terms - royalties and taxes - for up to 30 and 45 years on oil and gas production, respectively. The oil companies said they needed the tax structure to be put in place before moving forward on a pipeline.

Lawmakers refused to vote on it because enough believed the deal gave the oil companies too much financial consideration - about \$10 billion in concessions over the life of the contract - in return for too little and that it ultimately gave away the state's sovereignty.

That deal also didn't guarantee pipeline construction, but neither does awarding a license to TransCanada.

The license simply calls for TransCanada to embark on a costly process of pursuing a federal certificate. Under the new law, the license also means the state will help with those startup costs up to \$500 million.

Backers believe a "no" vote sets the state's efforts back at least two years to the time Murkowski's plan failed to get legislative support, and leaves the state with no guarantees of any progress.

They also remain dubious about the Denali pipeline plan as it reprises memories of BP's pipeline maintenance problems that two years ago led to a partial shut down of Prudhoe Bay, the nation's largest oil field.

Denali's 12-page plan is routinely criticized as sorely lacking details compared to TransCanada's itemized offering found in three-ring binders the size of a two New York City phone directories stacked on top of each other.

Still, TransCanada has its share of critics and they fall into several camps.

Some lawmakers still prefer an in-state pipeline to address the state's soaring energy costs that put Alaska's energy crisis ahead of the nation. They say they can't wait until 2018 for gas to be available to in-state users.

Others question TransCanada's ability to strike a deal with producers BP, ConocoPhillips and Exxon Mobil to ship gas long term. These are called firm transportation commitments and they underpin financing a multibillion dollar pipeline. Without it, there is no pipeline.

Others still simply have more faith in the Denali plan. They like the financial wherewithal of the oil giants who are routinely reporting record quarterly profits, and the head start Denali has over TransCanada.

Whatever the outcome, the vote will stand as memorable, said House Rules Chairman John Coghill, a 10-year lawmaker whose father, Jack, was one of the state's constitutional framers.

**"It's probably one of the more historic votes. It is historic in that Alaska is linking together with a pipeline company to try to move gas to market."**

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Monday, July 21, 2008 8:42 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Andrew Halcro: Amendments to AGIA die in House Rules

## Amendments to AGIA die in House Rules

The House Rules Committee this afternoon killed three proposed amendments to the AGIA license being considered for TransCanada.

The amendments would have indemnified the state from any financial liability if TransCanada's withdrawn partners liability were to come into play. Lawmakers are concerned about the possible resulting from a partnership that TransCanada was part of twenty years ago with other companies on a former Alaska gas pipeline project.

The liability today stands at over \$10 billion dollars. And even though both TransCanada and the Pa. administration said the state was already protected, they opposed the amendment which would have simply put it into writing.

Another amendment would have held back the state's \$500 million inducement until the dispute over Point Thomson has been resolved. The major producers have all testified that without Point Thomson gas there will be no gas pipeline. Some lawmakers worried about giving TransCanada the \$500 million to push forward with the dispute over Point Thomson in litigation and could remain there for years.

The final amendment would have also held back the state's \$500 million inducement until TransCanada agreed to release it's 2004 proposal to the state under the Stranded Gas Development Act. TransCanada has refused to release it's previous proposal that was negotiated with DNR's Marty Rutherford, instead making lawmakers sign confidentiality agreements that prohibits them from speaking publicly about the proposal.

The AGIA license bill heads to the House floor for a vote tomorrow.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Monday, July 21, 2008 8:39 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman, Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski/blng: AGIA comes to the House

**AGI/ comes to the House**

By Stefan Milkowski

Published Monday, July 21, 2008

The House Rules Committee took up AGIA this afternoon after a long weekend away. The big question -- and the one likely to be at the fore over the next week -- is whether or not lawmakers should amend the bill, and whether or not they can.

The Rules Committee, which doesn't traditionally amend bills, moved the bill out of committee unchanged and without objection, but did consider a number of amendments.

One would have changed requirements in the AGIA license involving other gas pipelines built within the state. Another would have required TransCanada to provide blanket indemnification to the state regarding a potential liability owed by the company to former project partners. A third would have required the state to resolve the Point Thomson dispute before providing any reimbursements to TransCanada.

Lawmakers debated both the merits of the various amendments and the risk that amending the bill would jeopardize the whole AGIA process, which involves a legal agreement between the state and pipeline builder.

Committee chair Rep. John Coghill suggested a vote to amend the bill could effectively be a vote against the bill.

"This is amendable," he said, citing a strong belief in the separation of powers between the various branches of government. "The consequences of that, though, are significant."

## Democrats push for oil exploration on available land

By ANDREW TAYLOR  
The Associated Press  
(07/17/08 09:35:33)

WASHINGTON - Seeking to blunt GOP efforts to permit oil exploration off Atlantic and Pacific coasts, House Democrats are pushing legislation they say would spur oil drilling on already available land in Alaska, the West and the western Gulf of Mexico.

Republicans scoffed that the so-called Drill Act - imposing a tougher "use it or lose it" rule on leases already held by oil companies - would do little to boost oil exploration, saying current policies are aimed at the same goal. A vote was set for today.

On the eve of the vote, the Interior Department issued a major new lease in Alaska's National Petroleum Reserve, known as NPR-A. The Democratic bill would require a more active Interior Department leasing program on the reserve, which is located to the west of the off-limits Arctic National Wildlife Refuge, the subject of a long-standing battle between environmentalists and the oil lobby.

"Democrats brought forth their 'use it or lose it' bill without knowing it was already the law of the land," said GOP whip Roy Blunt, R-Mo. "Today we're reminded that the majority's efforts to 'unlock' NPR-A are about as necessary as passing a bill ordering the sun to rise."

The oil lease proposal is an effort by Democrats to counter a push by congressional Republicans to lift a long-standing drilling ban on most offshore U.S. waters.

With gasoline prices exceeding \$4 per gallon, public opinion on energy issues is shifting in favor of a more permissive stance on drilling, even though the idea of opening the Atlantic and Pacific coasts, or the eastern Gulf off Florida's beaches to oil and gas companies has been long seen as a nonstarter.

Democrats are scrambling to appear pro-drilling - hence the "Drill Act" title for today's bill - even as their leaders appear dead set against reversing the long-standing drilling bans along the Atlantic and Pacific coasts.

Democrats say the industry should first go after oil and natural gas in areas where they hold leases. They also say Republicans are simply seeking political advantage with a pro-drilling plan that won't deliver new U.S. oil for another decade or so and that the GOP's fixation on drilling is a smoke screen for the Bush administration's inability to prevent the sharp spike in gasoline prices.

"The administration's responsibility was to protect the American people from this kind of gouging, and they did nothing," said Sen. Christopher Dodd, D-Conn. "So today they're trying to deflect the very legitimate criticism of, 'What did you do on the watch?'"

In the Senate, Majority Leader Harry Reid, D-Nev., unveiled a bill this week aimed at curbing speculation in the oil markets that Democrats say has contributed to the rapid rise in the price of

oil. Action could begin this week.

Republicans hope to use the bill as a vehicle for votes on further offshore exploration, among other pro-energy production measures.

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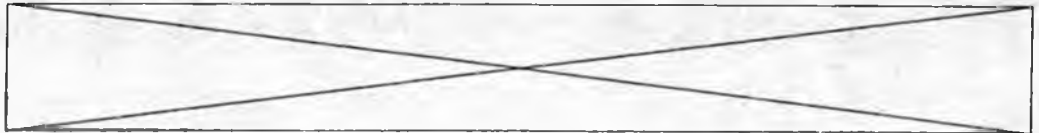
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## Pearce: Beware delay, rising pipeline costs

Posted by Wesley Loy  
 Posted: July 15, 2008 - 11:16 pm  
 From Wesley Loy in Juneau -

Drue Pearce, a former state legislator now serving as federal coordinator for Alaska natural gas transportation projects, says each year of construction delays on a pipeline "will be very, very costly" due to rising costs, according to a report from Platts, an energy information service.

Nothing much new here, except for the funny part about TransCanada's pipeline project meeting "most of" Gov. Sarah Palin's requirements under her Alaska Gasline Inducement act.

Anyway, here's the report:

### At Platts Energy Podium, Federal Coordinator Pearce Says Escalating Price Tag Is Biggest Hurdle to Alaska Natural Gas Pipeline

WASHINGTON, July 14, PRNewswire - The escalating price tag for the proposed Alaska natural gas pipeline is the biggest obstacle facing the massive project, the top US official coordinating permitting said here on Monday.

Appearing at the latest Platts Energy Podium event in Washington, Federal Coordinator of Alaska Natural Gas Transportation Projects Drue Pearce said competing project proposals to ship gas from Alaska's North Slope to major US markets are navigating treacherous political, financial and logistical terrain, but progress has been made on all fronts. The best-case scenario for completion of a project is around 2018, Pearce said, adding that "a more realistic first-gas date, but still optimistic, is probably 2019."

But as steel prices continue rising, permitting and construction delays will increase the price tag for one of the largest energy infrastructure projects in US history. The greatest risks are cost overruns and how that might impact the cost of shipping about 4 billion cubic feet per day (Bcf/day) of gas from Alaska to Chicago.

"Those delays will be very, very costly if they happen," said Pearce, who has been federal coordinator since late 2006. Once a project is permitted by state and federal agencies, a single-season construction delay could add "hundreds of millions, if not billions of dollars," she warned, adding that "once we get through licensing, then the financial markets will have to make the decision" on whether to go ahead with the project.

Asked to describe her level of certainty that the long-delayed project will be built within the next 10 to 15 years, Pearce said she was "very optimistic" it will happen. "I see full glasses, not empty glasses. I do believe we're closer than we've been in 30 years, and I believe it's time for the gas to come to market. The Lower-48 states are going to need the gas delivered in a pipeline at a stable price, a stable delivery, so I'm very optimistic that now is the time to get it built."

The project is moving along on two tracks. North Slope oil and gas producers BP and ConocoPhillips have jumped ahead of TransCanada in the effort to secure a permit from the US

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### Contributors

#### Kyle Hopkins

Kyle Hopkins writes about Anchorage city government and politics. He covered last year's campaign for governor, and has blogged extensively about Alaska politics for the past year. He grew up in Southeast Alaska and was a reporter at the Fairbanks Daily News-Miner and Anchorage Press. E-mail Kyle at [khopkins@adn.com](mailto:khopkins@adn.com)

#### Sean Cockerham

Sean Cockerham writes about Alaska state politics. He spent three years based in Juneau for the Daily News before joining the Tacoma News-Tribune two years ago to write about Washington state politics. He went to Iraq twice for the News Tribune, and previously wrote about Alaska government and politics for the Fairbanks Daily News-Miner. Now he's back in Anchorage. E-mail Sean at [scockerham@adn.com](mailto:scockerham@adn.com)

#### Erika Bolstad

Erika Bolstad covers Alaska issues, including the congressional delegation, from Washington, D.C., for McClatchy Newspapers. Before joining the bureau this summer, she spent seven years as a reporter at the Miami Herald, where she covered politics, government and the state legislature. E-mail Erika at [ebolstad@adn.com](mailto:ebolstad@adn.com)

### Archive

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Federal Energy Regulatory Commission. FERC has agreed to begin the "pre-filing process" for the producers' proposed Denali Pipeline, which means the producers can begin some field work this summer. BP and ConocoPhillips bypassed a formal process for getting a state endorsement from Alaska, saying the conditions were too prescriptive and did not address outstanding tax issues.

Denali would be sited along the Alaska Highway. Canadian affiliates would then transport the gas from the Alaska border into Alberta. BP and ConocoPhillips told FERC the pipeline would connect either to existing Canada-to-US pipelines, or the sponsors would build a pipeline southeast from Alberta to the US border and, perhaps, across parts of North Dakota, Minnesota, Iowa and Illinois to the Chicago area.

Denali is the producers' alternative to a proposal by TransCanada that awaits approval from the Alaska Legislature. Alaska Governor Sarah Palin's administration has supported the TransCanada project because it met most of the requirements of the Alaska Gasline Inducement Act, which establishes the conditions for developers to obtain a state endorsement and a \$500 million financial incentive.

State officials have encouraged the companies to merge the two projects into one, both to gain momentum as a single initiative and because projected gas production would not fill two pipelines, Pearce said. However, she said, the companies do not appear to be heeding this advice.

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12 July 17, 2008 - 7:14am | leowassille

**Meanwhile**

let's put an end to all special session activities, so princess Lesil can lavish in all the amenities she set up for her conference.

Yeah, we don't want the State of Alaska to appear rude or anything.

[reply](#) | [flag this »](#)

July 17, 2008 - 7:55am | Stags\_Leap

**Leo**

Lesil is hot. Give the girl a break already.

[reply](#) | [flag this »](#)

11 July 17, 2008 - 8:54am | Stags\_Leap

**Op-Ed Piece**

great comments here:

<http://newsminer.com/news/2008/jul/17/hoping-more/?opinion>

[reply](#) | [flag this »](#)

10 July 16, 2008 - 8:53pm | jerrydfuller

**Drue Pearce**

Is this the same Drue Pearce that left her Senate district for this position, leaving an appointment of Ben Stevens into her Senate Seat?

Why was this new position so important that she would give her Senate seat to Ben Stevens? Obviously, she knew who would be appointed to her seat.

Chilling!

[reply](#) | [flag this »](#)

July 16, 2008 - 11:21pm | Sheridan\_Sheraton  
**How's about a "Alaska Gasline Indictment Act?"**  
 How's about a "Alaska Gasline Indictment Act?"

reply | flag this =>

9 July 16, 2008 - 8:40pm | Staga\_Leap

**Lack of Progress**

"Alaska Governor Sarah Palin's administration has supported the TransCanada project because it met "most" of the requirements of the Alaska Gasline Inducement Act, which establishes the conditions for developers to obtain a state endorsement and a \$500 million financial incentive."

"State officials have encouraged the companies to merge the two projects into one, both to gain momentum as a single initiative and because projected gas production would not fill two pipelines, Pearce said. However, she said, the companies do not appear to be heeding this advice."

reply | flag this =>

July 16, 2008 - 8:54pm | rfn  
**Evil + Evil = Good? NOT!**

TransCanada/(non)producers. Evil twins auguring no good for Alaskans.

Fortunately, environmental "concerns" and "First Nations" land claims (some call them "shakedowns" but have their own agenda) will keep either or any combination from happening.

Time to end the fixation on accepting minimal return on Alaska resources and seeing our own resources used to harm our air cargo industry.

The lack of progress...caused by the factors I have cited, not any pushed by personal-grudge critics...is a good thing.

Build an in-state pipeline. Build a chemical industry. Build a facility to produce LNG, propane, CNG for consumption by Alaskans in Alaska. Subsidize CNG conversion of vehicles but lay these twin monsters to rest.

reply | flag this =>

July 16, 2008 - 11:56pm | Cartman3\_15  
**Quiet in here, eh?**

No sign of the usual suspects. They must hate this news.

At least they see it for what it is. Unlike others, who appear to be blinded by their obsession.

As usual, rfn, you make good sense. The TC plan may not offer the "perfect" path to follow, but it is decent. I believe it offers great potential to evolve into something even better, which should include an LNG/gas-for-Alaskans component and whatever ancillary industries came out of it.

When the dust settles, no "side" will have gotten everything it wanted. But everyone will be better off than previously.

And, hopefully, good lessons will have been learned.

reply | flag this =>

8 July 16, 2008 - 8:27pm | Cartman3\_15

**"Progress has been made**

on all fronts," former state Senate president and current Federal Coordinator of Alaska Natural Gas Transportation Projects Drue Pearce said about the current state of a potential natural gas pipeline in Alaska. "I do believe we're closer than we've been in 30 years, and I believe it's time for the gas to come to market."

reply | flag this =>

7 July 16, 2008 - 11:23am | Stumpy10

**Oiled birds- What Exxon Valdez and the Palin Plan have in Common**

The vast, man-made lakes of oily water created in Canada as gas is used to cook oil out of the Tar Sands are killing Alaska's migratory birds.

Seems that this spring hundreds of waterfowl- at least 500- were killed when these migratory birds landed in the oily waste created by Tar Sands developers.

Once covered in crude oil, the birds drowned.

The migratory flyway that is used by millions of birds that migrate into Alaska every year is directly over these vast man-made lakes of toxic waste.

When the last kill off of birds occurred, it took whistle-blowers to inform Environment Canada of the disaster- which Syncrude apparently had tried to cover up.

Speaking of cover ups- why didn't Alaska media report to Alaskans about this disaster?

It was front page news all over Canada. Why are Alaskans being kept in the dark? It is Alaska's gas that these corporations desire to use to fuel the tar sands environmental disaster...

The number for the Anchorage LTO is 269-0111. Lets pull the plug on this Canadian pipeline deal.

reply | flag this »

6 July 16, 2008 - 9:07am | Stags\_Leap

#### First Nations

I agree with rfn -with respect to this issue. At least 20 different tribes in Canada that own land the proposed TC pipeline would traverse. There is not an agreement in place with these tribes to use their lands....and there is no timeline for when that may happen -or if it will happen.

Point is -why in the heck should we give away \$500 Million of our money to a Canadian company for a non-viable project that has so many question marks?

Palin won't be around in 10 years when it becomes painfully obvious to everyone that AGIA and the TC proposal were both failures. Palin won't be there to take the heat. And our elected officials who vote to support this pig with lipstick -will only have themselves to blame.

reply | flag this »

July 16, 2008 - 2:56pm | rfn

#### In the overwhelming zeal

to blame Governor Palin for California's forest fires, war in The Sudan and even the Johnstown flood, one small thing has been overlooked.

The (non)producer's (non)scheme to pump Alaska's natural gas to the tar pits has to cross the same land the TransCanada scheme has to cross. By your very own description, then, the (non)producer plan is "non-viable". As to timetable, there is one timetable that can be relied upon. If/When AGIA is laid to rest the others will discover obstacle after obstacle. The camps will close. The papers will be stacked and weighted down for some future day and peace will rule the planet. Except for the pre-paid advertising though it will take on a more wistful aspect. Y'know....we would have liked to and, gee, it's just too hard with today's technology. Like, in the world of that Great Valley Heroine: "The going got tough so we tough got gone."

Before there was AGIA there were demands for "certainty" (translation: Low to no taxation) and threats to never proceed. No action, however. It might be worth \$500 million just to keep the wheels turning! If that seem expensive, just ratchet the presently inadequate tax on the obscene profits a notch.

Myself, I'd prefer to hear that ratchet click several notches... Then add one or two more to show we noticed about Exxon.

reply | flag this »

5 July 16 2008 - 8:51am | rfn

#### If either

the Trans Canada or (non)producer pipeline schemes to hand Alaska's oil over to Canadian tar sand cookers and petro-chemical factories go forward....

Big If!

But let your imagination run hog wild and assume that either is started. Then also let your imagination suggest how many times the cost will be multiplied over the course of the 20+ years this cockamamie project will be tied up in court over "environmental concerns". And that's just in the American courts. Add a few more for Canada to come to terms with their "First Nations".

What's the name used for amounts over one thousand trillion dollars?

reply | flag this »

4 July 16, 2008 - 6:39am | Stags\_Leap

#### The Great TC-Palin Deception

"Alaska Governor Sarah Palin's administration has supported the TransCanada project because it met most of the requirements of the Alaska Gasline Inducement Act, which establishes the conditions for developers to obtain a state endorsement and a \$500 million financial incentive." - I guess that means Palin lied to all Alaskans when she stated the TC proposal met all of the AGIA requirements. Can someone shed light on the discrepancy here?

"State officials have encouraged the companies to merge the two projects into one, both to gain momentum as a single initiative and because projected gas production would not fill two pipelines, Pearce said. However, she said, the companies do not appear to be heeding this advice." - so the Palin strategy of compelling the producers via the courts apparently is failing.

My point all along has been that AGIA and Palin's TC proposal cannot produce a viable project without the producers on board. And this dog and pony show by Palin administration is only producing longer delays in the long-run...which is costing all Alaskans BILLIONS every year this project is delayed.

reply | flag this »

July 16, 2008 - 7:25am | JoeBagadonuts

#### oh brother

just let it go, dude. you were wrong before, wrong all along, and you're wrong now.

taking what is obviously a misstatement by a reporter unfamiliar with the goings on here in Alaska and trying to turn it into "the governor lied" is just ludicrous. you've lost all credibility.

and your attempt to paint the state's strategy as "failed" even as progress is being made before your

eyes is borderline psychotic.

AGIA works, has worked, is working. Nobody's ever said the project will happen without the producers, that's a canard that your side rolls out continually and frankly the only issue everyone agrees on.

without AGIA, no producer movement

with AGIA, TWO separate producer proposals and a whole lot of global interest.

yeah, the Gov's plan is delaying things. I don't think even you believe that.

reply | flag this =>

July 16, 2008 - 10:08am | Emperor

**"AGIA works, has worked, is working"**

It didn't work to bring in multiple qualifying offers that Alaskans would be able to choose from. It produced one proposal that kinda sorta qualified if you squint your eyes a little.

AGIA has nothing to do with the CP/BP project. That's a project going ahead in spite of the Administration and AGIA. Not because of it. Queen P and her court of fools did everything they could to stop ANY other projects including the CP/BP project and the ENSTAR Bullet Line project.

Even when the legislature foolishly approve the state license for TransCANADA they are still too far behind the leaseholders to get to the "Open Season". That's 500 Million simply down the drain. 500 Million that could have been spent on Public Safety or improving transportation infrastructure.

If you want to believe in the AGIA fairy tale, that's fine. But don't try and force your delusions on to people that have even a modicum of common sense.

And yes she has delayed things by refusing to negotiate with the lease holders when she took office.

reply | flag this =>

July 16, 2008 - 1:57pm | JoeBagadonuts

**they ARE moving forward  
they ARE moving forward NOW**

the WERE NOT moving forward BEFORE

how has she delayed anything, napoleon?

reply | flag this =>

July 16, 2008 - 5:34pm | LillyDaddy

**Actually,**

I think Bonaparte is longing for colonial days, when the oilies told us how things were gonna be.

reply | flag this =>

July 16, 2008 - 5:47pm | rfn

**They still tell us.**

It's just that only a few are listening.

Or should I say "reading"...when their talking-point e-mails arrive each morning from Texas and London. Some even get up in the middle of the night to read the ones from England. Time zones, y'know. They just sorta stagger outta bed.....

reply | flag this =>

July 16, 2008 - 5:49pm | LillyDaddy

**Wha?**

They don't leap outta bed?

reply | flag this =>

July 16, 2008 - 7:35am | Stags\_Leap

**Palin's TC proposal**

It is significant if the TC proposal doesn't meet some of the AGIA requirements. Don't try and play this one down like it's a non-issue. When a CEO or Governor says a proposal has met ALL-or 100%-of the requirements, that is different from saying it has met MOST of the requirements.

What requirements has the TC proposal NOT met? Is the Legislature fully informed?

reply | flag this =>

3 July 16, 2008 - 3:53am | KodiakFlyer

**What's**

"hundreds of millions, if not billions of dollars," plus \$500 million?

A lot of money, that's for sure. If this thing doesn't get built soon, things are going to be uuuuuugly for Sarah.

reply | flag this =>

2 July 16, 2008 - 12:34am | Stumpy10

**Amazing**

One would think that Federal Coordinator Pearce would know what has happened with new gas discoveries within the United States that just made this mega-project uneconomic.

Pearce does make a god case, though, for Alaska to stop fooling around and move forward with the All Alaska Gas Line- avoiding all the nonsense and delays we'd have to endure waiting on the Canadians.

Didn't anyone tell Drew that the Canadians have until 2018 to decide to build the project?

reply | flag this »

July 16, 2008 - 7:31am | JoeBagadonuts

**new gas discoveries**

is that why the price of natural gas is MORE THAN DOUBLE what it was this time last year?

I'm no rocket scientist, but I've always been told that when new supply is added to the supply/demand balance, then the price goes DOWN, not up. hmmm.

your project is a loser. Ing is only viable if there's a real pipeline to spur off of. you have no project, never have had. too much fiddling around, spending borough tax dollars on trips to houston, san diego, and tokyo.

the Ing ponzi scheme will never get us a pipeline, just get on board with the real project or go get a job.

reply | flag this »

July 16, 2008 - 11:08am | Stumpy10

**Supply and demand-**

The massive, NEW natural gas discoveries within the Lower 48 have not been brought on-line yet.

When these reserves are brought on-line well ahead of any Canadian line, gas prices will decline.

That of course makes an even more compelling case for Alaska to not be locked into a North American market that is saturated with supply.

reply | flag this »

July 16, 2008 - 1:59pm | JoeBagadonuts

**markets respond to what WILL**

markets respond to what WILL happen

if what you predict were as certain as you make it out to be, the market would already have responded.

you continue to promote the Ing scam by tossing out a bunch of lies. nobody believes you that's why your project is in the toilet

reply | flag this »

July 16, 2008 - 3:18pm | Stumpy10

**Sheesh, some basics for you Donuts.**

Ever hear of Pebble? Hundreds of billions of dollars worth of gold are in that discovery. Have the gold markets reacted to the fact that that gold is still in the ground?

If your nutty theories were true, gold prices would be falling...

The same logic applies to gas, oil, or any other commodity that must be drilled, mined, or extracted.

The current markets react to what is available for consumption- today.

I can't believe I am having this conversation.

reply | flag this »

July 16, 2008 - 3:46pm | JoeBagadonuts

**if it looked, even for a moment, like that gold would be mined**  
then gold prices might react.

same is true of the marcellus shale play.

you're a joke and so is your project. north america is clearly the preferred market for major gas projects.

reply | flag this »

July 16, 2008 - 4:15pm | Stumpy10

**My goodness...Donuts**

Please tell me that you do NOT work for the Palin administration. Please.

I'll sleep much better tonight if you do not.

The use of facts and logic versus magical thinking is the key difference between charting a strategic policy that succeeds or fails.

The smartest energy researchers have looked at the lower 48 markets- and the massive new gas reserves found there (many hundreds of trillions of cubic feet of gas more than are estimated to exist in the NSB by DNR) and they've proclaimed the Canadian line uneconomic for that purpose.

reply | flag this »

July 17, 2008 - 6:56am | **JoeBagadonuts**  
**we know who you work for Stump**  
 "the use of facts..."

Is it using facts to simply state "the smartest energy researchers have looked" at the TC project and deemed it economic. When was the competition for "smartest energy researcher" held and who won?

you're an idiot, and that's why your project is in the toilet. LNG as a standalone is a scam to enrich the individuals involved. Individuals, not Alaskans. that's you, stumped. scammers and flakes.

reply | flag this »

July 16, 2008 - 4:22pm | **rfn**  
**This would be a genuine concern**

If anybody thought there was ever any intention for Alaska's natural gas to help things in the lower-48.

There IS a reason both the Trans Canada and (non)producers pipeline pipedreams end at the Alberta tar pits.

It has nothing to do with getting any energy to the lower-48, much to do with making pseudo-petroleum to peddle to China and just a wee tiny bit to do with piping cheap jet fuel to Prince George's mega-airport cleverly designed to such the air cargo business out of Alaska.

Now it emerges those wily Canadians are not only planning to poison Alaska's air cargo business, they're already poisoning our birds with those tar-traps on the migratory fly-way.

reply | flag this »

July 16, 2008 - 3:55am | **KodlakFlyer**  
**Bingo**

Why ship it all the way to Chicago when we need it in Alaska!

reply | flag this »

July 16, 2008 - 11:28pm | **Sheridan\_Sheraton**  
**Let's Bait tlamb...**

Well Stumps 10, // since the socialists dems have already pushed an agenda of commitment to 'bargaining' through some shadowy, yet legislated and yet undescribed 'unions' ' the legislature and union types (includes those of Canadian persuasion), Then How about instead the Chinese socialists, who already have it down through years of the 'bargain' of communism?

BTW ETHAN ...I like how the California Legislature has declared a position of neutrality towards unions. Can your buddies and former legislative pals reconsider this added tax on the people who will build the pipe?

If you are dealing with Dem-socialist mentality on already uncertain terms, why not go straight to the source, Communist China for the bestest for mostest for leastest cheapest labor, and instead of 2028 or whatever... 'getter done for the market that wants to do it now?

reply | flag this »

1 July 16, 2008 - 12:01am | **Cartman3\_15**

**"Progress has been made**  
 on all fronts."

Let the spinning begin.

reply | flag this »

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**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Wednesday, July 16, 2008 8:42 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Pat Forgey: Former ally criticizes Palin on gas line plan

## Former ally criticizes Palin on gas line plan

### Former Gov. Wally Hickel helped Palin get elected, but now challenges her pipeline effort

By Pat Forgey | JUNEAU EMPIRE

Just when Alaska has one, if not two, natural gas pipeline proposals appearing to be within its reach, a revered elder statesman is urging rejection, and saying the state should try to instead develop an even better deal elsewhere.

Both TransCanada Corp. and a competing venture sponsored by ConocoPhillips and BP are proposing natural gas pipelines across Canada to the Midwest.

Former two-time Gov. Wally Hickel has long had a passionate belief in exporting Alaska's gas to lucrative Asian markets as liquefied natural gas, and is urging the Legislature to reject a gas pipeline that would let Canadians control Alaska's gas.

"Another government is going to decide when and where that gas will go, and how it will be taxed - that's not what we won at statehood," said Malcolm Roberts, top aide to the former governor.

The Legislature is currently considering awarding a license to TransCanada that would bring with it state support for the project. The two oil companies are rushing to head off TransCanada with their own pipeline proposal.

"It may be only the TransCanada proposal that is getting the producers to move," said Rep. Beth Kerttula, D-Juneau, a pipeline backer.

Hickel urged that the TransCanada license be rejected, and the state instead build its own all-Alaska line to a Valdez LNG export terminal.

Hickel's tactics, though, including full-page newspaper ads that appeared around the state Monday, are getting more talk than his risky proposal.

The former governor sent an e-mail to all state legislators saying an ad was coming, and threatened to link those who supported TransCanada to the Corrupt Bastards Club, and listed Marty Rutherford, head of Palin's gasoline team along with that of felon Bill Allen, a prominent member of the informal club. The self-described club came to light in court documents and testimony about Republicans accused of oil-related intrigue.

Gov. Sarah Palin, an erstwhile ally, told Hickel that he'd gone too far with his efforts to derail the TransCanada plan.

7/16/2008

She said the ad was "misleading, distorts the truth, and slanders our public servants."

A number of members of the club backed an earlier gasline plan that was supported by the state's oil industry. Many of those, including legislators and those trying to influence them, are in federal prison, while others are awaiting sentencing and trial.

That angered Department of Natural Resources Commissioner Tom Irwin, who lost his job in the previous administration when he challenged a gas pipeline deal supported by members of the club.

"To suggest that choosing a gasline option that differs from our vision is somehow corrupt is so wrong," Irwin shot back in an e-mail to Hickel and Roberts.

He said he was "totally and irrevocably disgusted" in the insinuation about Rutherford, his top deputy.

Roberts said the Corrupt Bastards Club reference was removed from the ad before it ran in newspapers. The intent was not to suggest Rutherford had done anything wrong, which Roberts acknowledged that linking her name with admitted criminal Allen might suggest.

"As soon as it was brought to our attention we removed that," he said. "That was my mistake, and I've apologized for it."

Hickel's ad, which ran Monday in the Empire, also listed numerous prominent Alaskans as backing his position on the gasline, including fellow former governors Bill Egan, Ernest Gruening and Jay Hammond.

**All have been dead for some years, nowever, and are unable to corroborate Hickel's claim of support.**

Roberts said the ad was simply trying to list the kind of people who would have supported an all-Alaska line.

"Governor Hickel was involved in the battle for statehood, and many of the people listed in the ad were his colleagues in fighting for control of resources," Roberts said.

One of the few live Alaskans Hickel listed as a supporter was Scott Heyworth of Anchorage, who said he's actually backing Palin's AGIA process and asked Hickel to stop using his name.

"I'm on record many many times supporting AGIA's passage," Heyworth wrote to Hickel.

Heyworth was the sponsor of an earlier ballot measure in favor of an all-Alaska pipeline.

**Roberts said they would comply with a request from Heyworth.**

"We have a new version," Roberts said. "The new version omits him."

• Contact reporter Pat Forgeyat 523-2250 or e-mail [patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).



Brian Wallace / Juneau Empire File

No longer allied. Former Gov. Walter Hickel, right, listens as Gov. Sarah Palin speaks during a news conference on the Alaska Gasline Inducement Act in May 2007 at the Governor's Mansion.

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Wednesday, July 16, 2008 12:00 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy: Feds to sell controversial Slope leases

## Feds to sell controversial Slope leases

By **WESLEY LOY** | [wloy@adn.com](mailto:wloy@adn.com)

Published: July 16th, 2008 10:56 AM  
Last Modified: July 16th, 2008 10:57 AM

**The federal government intends to hold a major oil and gas lease sale this fall in portions of the National Petroleum Reserve-Alaska, officials in Washington, D.C., announced today.**

**The Bureau of Land Management, which acts as landlord for the Indiana-sized reserve on Alaska's North Slope, today issued a "record of decision" spelling out land to be leased.**

Much of the NPR-A has been the subject of environmental challenges in court.

"The rapid increase in energy costs facing our nation is driven by a worldwide imbalance in energy supply and demand," Interior Secretary Dirk Kempthorne said. "Developing the NPR-A in an environmentally sound manner will contribute to our domestic oil and natural gas supplies. Together with new production from other offshore and onshore areas, these increased supplies will help stabilize energy costs."

**The lease sale in the reserve's northeast and northwest sections could result in development of 8.4 billion barrels of oil as well as trillions of cubic feet of natural gas, the BLM said.**

[x Click here to find out more!](#)

**Under the record of decision, the BLM defers leasing for 10 years on land currently unavailable for leasing north and east of Teshekpuk Lake.**

**The plan includes protections for the polar bear, including requirements to consider impacts on areas used by polar bears for denning.**

"This decision provides for the protection of high-value wildlife, including waterfowl and caribou, and meets the subsistence needs of North Slope residents while making lands with oil and gas potential available for leasing," said Tom Lonnie, the agency's Alaska director.

*Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 586-1531.*

Wednesday » July  
16 » 2008

## TransCanada announces \$7B Keystone expansion

**Jon Harding**  
Calgary Herald

Wednesday, July 16, 2008

CALGARY - TransCanada Corp. is ploughing ahead with a \$7 billion US expansion of its Keystone project only four months into construction of the giant oil pipeline's first phase.

Canada's largest pipeline company said in a statement early Wednesday its decision follows a successful round of negotiations in which producers in Alberta agreed to ship 300,000 barrels of oil a day for an average term of 18 years on the second major piece of Keystone, which will have a capacity to move 500,000 barrels of oil a day to the U.S. Gulf Coast.

The line will follow a path from Hardisty, Alberta, southeast to Nebraska, south to Cushing, Okla., and then on to refinery row on the Texas coast.

A binding open season - a period in which further hard-and-fast shipping commitments beyond the initial 300,000 barrels a day will be sought - begins today, TransCanada said.

The first phase of Keystone, which will move 530,000 barrels a day of Alberta crude into the U.S. Midwest by 2009, is now being built. The first phase will ultimately extend from Illinois west to Nebraska, merging the two phases to head south.

In total, the whole Keystone system would move 1.1 million barrels a day of Alberta crude south at a cost \$12.2 billion US and could be expanded to a capacity of 1.5 million barrels a day, said Russ Girling, TransCanada's president of pipelines, in an interview.

Keystone's first phase will be in service by late 2009, with the second phase following by 2012, he said.

TransCanada's 50-50 partner in Keystone is American oil giant ConocoPhillips, a major player in the booming Alberta business.

While ConocoPhillips is a shipper on both phases.

"The Keystone expansion will be the first direct pipeline to connect a growing and reliable supply of Canadian crude oil with the largest refining market in North America," said Hal Kvisle, TransCanada's chief executive, in a statement. "The Keystone pipeline will be constructed and operated as an integrated system with delivery points in the U.S. Midwest and U.S. Gulf Coast."

[jharding@theherald.canwest.com](mailto:jharding@theherald.canwest.com)

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## TransCanada, ConocoPhillips Plan \$7 Billion Expansion (Update3)

By Ian McKinnon

July 16 (Bloomberg) -- **TransCanada Corp.**, owner of Canada's largest pipeline system, and **ConocoPhillips** plan a \$7 billion pipeline expansion to provide additional capacity to ship crude from western Canada to U.S. Gulf Coast refiners.

The 500,000-barrel-a-day expansion of the Keystone pipeline is expected to start by 2012, Calgary-based TransCanada said today in a statement. Customers have signed contracts for 300,000 barrels a day.

Houston-based **ConocoPhillips**, the third-biggest U.S. oil company, and TransCanada are spending \$5.2 billion on Keystone to transport 590,000 barrels a day by 2009 to U.S. Midwest refineries. The \$7 billion addition would allow Alberta oil-sands output to be processed by Gulf Coast oil refiners who represent almost half of the U.S.'s refining capacity.

"We are sort of the link in the middle of major capital plans" by producers and refiners to spend billions to produce oil from Alberta's tar-like deposits and process the oil into fuels including gasoline, **Russ Girling**, president of TransCanada's pipeline unit, said in an interview.

Companies extracting and refining oil from Alberta's tar sands wanted an option to ensure their plans are supported by increased transportation capacity, Girling said. Producers and refiners will have an option to acquire up to 15 percent in both phases of Keystone, according to the statement.

"They're willing to sign up to ensure that they can get their crude from one end to the other because they're making big investments at both ends of the pipe," Girling said.

**Valero Energy Corp.**, the largest U.S. refiner, said in a separate statement it agreed to be a potential shipper.

### Increased Oil Exposure

The project illustrates TransCanada's plans to boost earnings by increasing its exposure to oil, said **Gavin Graham**, who helps manage about \$5.5 billion as chief investment officer of the Guardian Group of Funds Ltd. Guardian owned about 1.12 million shares of TransCanada as of March 31, according to data compiled by Bloomberg.

"Looking out for the next four years, you have a pretty good idea of where the growth in earnings is going to come from," he said in a telephone interview from Toronto. "It's not massive as we're maybe talking 5 to 8 percent growth, which in the present environment looks pretty attractive."

The expansion's impact on earnings depends on costs, ownership and timing, though TransCanada forecasts earning about 7.5 percent to 9 percent from its investment, according to Girling.

### Alberta to Port Arthur

The expansion includes a 36-inch (91.4-centimeter) line that extends about 3,200 kilometers (1,989 miles) to Port Arthur, Texas, from Hardisty, Alberta. An 80-kilometer line may be built to deliver Canadian oil to refineries in the Houston area, the companies said.

The new line will allow direct access between Alberta and Gulf refiners, cutting transit time by about 15

to 20 days, Girling said. The proposed shipping rate is confidential and won't be disclosed, he said.

High oil and gas prices are boosting costs for energy projects around the globe. TransCanada plans to lock in costs for about 40 percent of the expansion by year-end, Girling said. TransCanada will be responsible for 25 percent of any budget over-runs and shippers will handle the rest, he said.

TransCanada Chief Executive Officer Hal Kvisle announced the possible expansion of Keystone in April at the company's annual meeting in Calgary without disclosing costs or timing.

About C\$20 billion (\$19.97 billion) is estimated to be invested this year to extract and process heavy crude from Alberta's oil-soaked sands, the Canadian Association of Petroleum Producers said last month in a report.

#### Oil-Sands Production

Oil-sands output is pegged to more than triple to 3.54 million barrels of oil a day by the end of the next decade, from 1.2 million in 2007, the Canadian forecast said.

TransCanada added 11 cents to C\$37.95 in Toronto Stock Exchange trading. ConocoPhillips dropped \$1.63, or 1.9 percent, to \$83.19 in New York Stock Exchange composite trading as crude oil prices fell for a second day.

Irving, Texas-based **Exxon Mobil Corp.** is the largest U.S. oil company, followed by **Chevron Corp.** of San Ramon, California.

To contact the reporter on this story: **Ian McKinnon** in Calgary at [imckinnon1@bloomberg.net](mailto:imckinnon1@bloomberg.net).

*Last Updated: July 16, 2008 16:22 EDT*



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**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 15, 2008 3:34 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Daily News: Exxon opposes paying interest

## Exxon opposes paying interest

ERIKA BOLSTAD and WESLEY LOY  
Anchorage Daily News

Published: July 15th, 2008 12:57 PM  
Last Modified: July 15th, 2008 12:58 PM

**Exxon Mobil says it should not have to pay \$488 million in interest on the punitive damages awarded for the company's role in the 1989 Prince William Sound oil spill, saying "there is no good reason" for the U.S. Supreme Court to assess interest.**

Last week, the people owed money from the Exxon Valdez lawsuit asked the Supreme Court to make it clear that they should receive interest payments, even though the court cut the punitive damages award in June from \$2.5 billion to no more than \$507.5 million.

**The company today submitted a nine-page brief to the high court opposing the application of interest, which could bring the total sum Exxon owes from the 1999 spill to nearly \$1 billion.**

In its filing, the oil giant said that "the court has held that \$507.5 million is the legally correct amount necessary to deter Exxon and others from future oil spills."

"The deterrent for future oil spills will thus be the same whether post-judgment interest is paid or not," the company wrote. "Future spills in Exxon's position will know that their punishment will be in an amount up to the extent of the damage they cause."

**Also, the company adds that there is "no reason" to penalize it by awarding another \$488 million when "the substantial delay here was not in any sense Exxon's fault" but was that of the plaintiffs who disagreed with a lower court decision.**

The company also describes the court case as "far from the kind of victory that could be described as "clear-cut." The case isn't the same as those where courts award interest, Exxon's lawyers argued, because even though the amount of the award was reduced, "it is substantially affirmed and upheld."

**With interest, and minus attorney fees, an estimated \$628 million would be divided among the more than 32,000 plaintiffs in the case.**

Return to [adn.com](http://adn.com) or go to tomorrow's Anchorage Daily News for a full report on this development.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 15, 2008 9:59 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Daily News/blog: Bush on ANWR, gas prices

**Bush on ANWR, gas prices**

Posted by Alaska\_Politics

Posted: July 15, 2008 - 9:08 am

From Erika Bolstad in Washington D.C. --

President Bush had a press conference today to talk about the economy. Bush had plenty to say about energy, and Alaska/ANWR came up a few times, so here are some quotes:

**Here's what Bush said when asked -- other than drilling -- what sort of things he was advocating to bring gas prices down shorter term:**

"First of all, there is a psychology in the oil market that basically says, supplies are going to stay stagnant while demand rises. And that's reflected somewhat in the price of crude oil. Gasoline prices are reflected -- the amount of a gasoline price at the pump is reflected in the price of crude oil. And therefore, it seems like it makes sense to me to say to the world that we're going to use new technologies to explore for oil and gas in the United States -- offshore oil, ANWR, oil shale projects -- to help change the psychology, to send a clear message that the supplies of oil will increase.

"Secondly, obviously good conservation measures matter. I've been reading a lot about how the automobile companies are beginning to adjust -- people -- consumers are beginning to say, wait a minute, I don't want a gas guzzler anymore, I want a smaller car. So the two need to go hand in hand. There is no immediate fix. This took us a while to get in this problem; there is no short-term solution. I think it was in the Rose Garden where I issued this brilliant statement: If I had a magic wand -- but the President doesn't have a magic wand. You just can't say, low gas. It took us a while to get here and we need to have a good strategy to get out of it."

**And on whether he though oil producers were doing their part to explore areas of the U.S. that are already open to oil and gas development? (Note Alaska comes up again.)**

Do I think they're investing capital to find more reserves with the price at \$140 a barrel? Absolutely. Take an offshore exploration company. First of all, it costs a lot of money to buy the lease, so they tie up capital. Secondly, it takes a lot of money to do the geophysics, to determine what the structure may or may not look like. That ties up capital. Then they put the rig out there. Now, first of all, in a federal offshore lease, if you're not exploring within a set period of time, you lose your bonus; you lose the amount of money that you paid to get the lease in the first place.

And once you explore, your first exploratory, if you happen to find oil or gas, it is -- you'll find yourself in a position where a lot of capital is tied up. And it becomes in your interest, your economic interest, to continue to explore so as to reduce the capital costs of the project on a per-barrel basis. And so I -- I think -- I think they're exploring. And hopefully a lot of people continue to explore so that the supply of oil worldwide increases relative to demand.

Now, people say, what about the speculators? I think you can't help but notice there is some volatility in price in the marketplace, which obviously there are some people in the -- buying and selling on a daily basis. On the other

7/15/2008

hand, the fundamentals are what's really driving the long-term price of oil, and that is, demand for oil has increased, and supply has not kept up with it. And so part of our strategy in our country has got to be to say, okay, here are some suspected reserves and that we ought to go after them in an environmentally friendly way.

A buddy of mine said, well, what about the reefs? So I'm concerned about the reefs. I'm a fisherman, I like to fish, reefs are important for fisheries. But the technology is such that you can protect the reefs. You don't have to drill on top of a reef. You can drill away from a reef and then have a horizontal hole to help you explore a reservoir.

It's like in Alaska. You know, in the old days, you would have had to have -- if you ever go out to West Texas, you'll see, there's like a rig every 20 acres, depending upon the formation. In Alaska you can have one pad with a lot of horizontal drilling, which enables you to exploit the resources in a way that doesn't damage the environment. These are new technologies that have come to be, and yet we've got an old energy policy that hasn't recognized how the industry has changed. And now is the time to get people to recognize how the industry has changed.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 15, 2008 9:01 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy: House to vote next week on TransCanada deal

**House to vote next week on TransCanada deal**

AGIA: Legislative leaders say prospects are now favorable.

By WESLEY LOY  
[wloy@adn.com](mailto:wloy@adn.com)

Published: July 15th, 2008 12:12 AM  
 Last Modified: July 15th, 2008 12:51 AM

**JUNEAU – The state House of Representatives will vote a week from today on the natural gas pipeline license, Speaker John Harris said Monday.**

Assuming it passes, House Bill 3001 would then move to the Senate, which has until midnight Aug. 2 to approve or reject the license for Calgary-based energy firm TransCanada Corp.

**Harris, R-Valdez, said he's likely to vote no on the state license, which carries a \$500 million planning subsidy for TransCanada. But Harris believes a solid majority in the House -- perhaps 25 or 26 of the 40 members -- will vote in favor.**

**Senate President Lyda Green, R-Wasilla, said she believes a narrow majority in the Senate also supports awarding the license. She said she plans to vote no.**

Lawmakers convened in special session have been holding hearings in Juneau and elsewhere since June 3 on what many call one of the most important decisions they've ever faced.

Some lawmakers see the license as a good way to spur construction of a pipeline, while others believe the \$500 million subsidy is a bad bet for the state.

Popular Gov. Sarah Palin has made the TransCanada license her top priority.

But Palin is only the latest in a string of Alaska governors searching for the right formula to persuade a company or companies to build a pipeline to carry vast North Slope gas reserves to market.

The project, hugely risky because of its \$30 billion price tag, could ignite a second pipeline construction boom in Alaska and yield billions of dollars in tax and royalty revenue for the state, which is watching its vital oil production dwindle.

The license, which the state can issue under the Alaska Gasline Inducement Act of 2007, is not a contract for actual construction.

Rather, it would obligate TransCanada only to seek permission from pipeline regulators to build, assuming the firm can round up sufficient financing and customers.

In recent days, Democratic legislators had pressed the predominantly Republican leadership in the House and Senate to get on with a vote, accusing them of holding long and repetitive hearings in a possible effort to "filibuster" or kill the TransCanada deal.

But Republican leaders including Wasilla Republican Sen. Charlie Huggins, who has presided over the hearings as Senate Resources Committee chairman, said Monday he and other members were still gleaning valuable information from energy company executives, economists, lawyers, pipeline regulators and others.

House Minority Leader Beth Kerttula, D-Juneau, said she and other Democrats had hoped the vote would come by today, as the Legislature effectively will take a break for the rest of the week so some legislators can attend a multistate government conference in Anchorage.

"I'm glad to have a date certain," she said. "That's a good start."

**The House on Monday will bring HB 3001 to the floor, with the vote likely coming the next morning, Harris said. It's likely a reconsideration vote will occur the following day.**

Assuming the bill passes, it moves to the Senate.

**The full Senate will not take up the bill immediately.**

**First, Green said, it must clear a 12-member "supercommittee" composed of members of the Senate Finance and Resources committees.**

The supercommittee includes Green, Charlie Huggins, Lesil McGuire, Gary Stevens, Bert Stedman, Tom Wagoner, Bill Wielechowski, Lyman Hoffman, Donny Olson, Kim Elton, Joe Thomas and Fred Dyson.

Aside from the pipeline bill, lawmakers also have a slate of energy bills Palin placed on the special session agenda.

One bill would appropriate \$821 million to pay each Alaskan a \$1,200 "resource rebate" to help offset high energy costs. Another would appropriate \$377 million to help fund the TransCanada subsidy and make road and bridge improvements to support the massive pipeline building project.

**Harris said Monday he'd like the Senate to deal first with the energy bills, then move them along to the House.**

**But Green said she's leery of the appropriation bills, saying such legislation easily could balloon with additions. So she believes some of the bills, such as the one for TransCanada and road construction, are best saved for the regular session next year.**

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Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 586-1531.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Tuesday, July 1<sup>st</sup>, 2008 9:22 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Daily News editorial: Fairbanks; Big state subsidies for coal aren't answer for energy woes

## Fairbanks

*Big state subsidies for coal aren't answer for energy woes*

Published: July 14th, 2008 11:15 PM

Last Modified: July 14th, 2008 11:43 PM

Fairbanks residents need help, there's no doubt about it. They have faced steep increases in heating bills that make many worry about next winter.

It's disappointing, though, that the local government is pointing to coal as a major solution. Coal is the one source of energy Fairbanks has in abundance, as North Star Borough Mayor Jim Whitaker points out. He and others are talking about turning it into a liquid fuel to displace expensive heating oil.

But burning coal shouldn't be the answer in an era when the world has to reduce emissions of greenhouse gases. Coal is a powerful source of greenhouse gas emissions -- it produces about twice as much per unit of heat as natural gas does. Fairbanks should push more environmentally appropriate options, like a natural gas pipeline to the area or hydropower.

Whitaker says the Fairbanks project would not add to carbon emissions, but he can't point to any similar project that is carbon neutral. The supposedly "clean coal" technology Fairbanks is exploring is still experimental.

"There are no commercial projects yet in existence in the United States," says Bob Shavelson, executive director of the nonprofit group Cook Inlet Keeper, which is watchdogging Alaska coal development proposals. Private financiers balk at investing in such projects, he said, because of the environmental issues.

"Coal-to-liquids is so much more energy-intensive and polluting than oil and natural gas," said Shavelson.

Whitaker has also left us puzzled with the allegation that the state is discriminating against his region by allegedly helping keep Cook Inlet natural gas prices low for Anchorage-area residents. That's unconstitutional favoritism in the use of state-owned resources, he said in a letter sent to state attorney general Talis Colberg earlier this month. Whitaker threatened possible legal action unless the state extends similar favoritism to his region.

Putting \$21 billion (that's B as in billion) into a fund for alternative energy projects statewide would do the trick, he suggested. That way, his town would have oodles of money for the dubious coal-to-liquids idea he is promoting.

Here's what Mayor Whitaker is really saying to the state: "Hey, what you're doing is wrong! But we'll shut up if you cut us in on the action."

That's no way to cure anybody's energy problems.

**BOTTOM LINE:** Fairbanks needs targeted energy aid, but not from a \$21 billion state energy slush fund.



Does this  
WALLET  
make my  
REAR LOOK  
BIG?

NO WAY,  
SPEAKER  
HARRIS.  
BUT IT DOES  
make your  
HEAD  
LOOK SMALL.



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**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Tuesday, July 15, 2008 9:11 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Stefan Milkowski: FERC asserts role in Alaska natural gas pipeline

## FERC asserts role in Alaska natural gas pipeline

By [Stefan Milkowski](#)

Published Tuesday, July 15, 2008

JUNEAU — State lawmakers wrapped up weeks of expert testimony on TransCanada's gas pipeline proposal on Monday with a discussion of the role federal regulators would play in shaping the line.

To build a natural gas pipeline from the North Slope into Canada, TransCanada or any other pipeline builder would need a certificate from the Federal Energy Regulatory Commission. The FERC will also have the ultimate say in how the pipeline is financed, how shipping tolls are set, and who pays for future pipeline expansion.

The FERC's broad authority has led some lawmakers to question whether commitments made by TransCanada under the Alaska Gasline Inducement Act have any real value. The commitments require TransCanada to propose a financing mechanism aimed at keeping shipping costs low and a system for pipeline expansions aimed at ensuring North Slope development.

**On Monday, an official with the FERC testified that elements of the state license would be considered where applicable but wouldn't have a direct bearing on whether or not TransCanada was granted a federal certificate.**

Jeff Wright, deputy director of the FERC's Office of Energy Projects, added that FERC guidelines and federal pipeline legislation would ultimately determine FERC's treatment of the specific financial proposals TransCanada made under AGIA.

Regulatory lawyers working for Gov. Sarah Palin's administration and TransCanada argued AGIA commitments would greatly improve the state's chances of getting what it wanted from the FERC.

**"It's a huge advantage," said Ken Minesinger, a lawyer advising Palin's gas line team. "It's tremendously valuable, and it puts the state in a much stronger position than it would be otherwise."**

**Curt Moffatt, a lawyer representing TransCanada, argued that a project with state backing under AGIA would likely fare well before the FERC's ruling commission.**

**"You have a very high probability ... that the commission will grant that application," he said.**

**A lawyer working for the Legislature, Bill Moqel, challenged their optimism. He stressed that the FERC would have the final say on various issues, even if the state and TransCanada came in asking for the same thing.**

**"All we have right now with AGIA is a two-legged stool," he said, referring to the positions of the state and TransCanada.**

7/15/2008

Much of the discussion Monday focused on how the pipeline would be financed, and whether a requirement to use a certain amount of debt financing would help the state. (Pipeline companies are allowed to charge higher shipping tolls if they invest more of their own money in the project.)

**Mogel warned again that requiring TransCanada to propose a certain debt-equity ratio didn't guarantee the FERC would agree to it, suggesting the state could get stuck with a lower ratio, and therefore higher tolls.**

**But Minesinger responded that the regulatory agency did not typically mandate financing that resulted in higher costs for users, adding that any battles were usually to lower costs.**

**The ratio proposed by TransCanada was about "as good as it gets," he said.**

Lawmakers also discussed the impact of the competing pipeline project pursued by North Slope producers ConocoPhillips and BP under the joint-venture Denali.

Wright, the FERC official, testified that the FERC could ultimately grant certificates to both builders. But he added that the FERC would not allow either entity to turn dirt until it had firm commitments from gas producers to use its pipeline.

Don Shepler, another lawyer working for the administration, used Mogel's analogy of a two-legged stool to argue that a TransCanada pipeline under AGIA was more likely to secure terms in the state's interest than a project outside AGIA, such as Denali.

"The alternative to awarding a license is you may find yourself looking at a one-legged stool," he said, suggesting the state would be on its own before the FERC.

#### **AGIA vote scheduled**

House and Senate leaders met Monday to plan the timing of a vote on the AGIA license. Lawmakers have until Aug. 2 under the pipeline law, but many are already calling for a vote on the proposal.

**House leadership agreed to shoot for a floor debate and vote on July 22.**

**The Senate did not announce a firm schedule, but Sen. Charlie Huggins, a Wasilla Republican and chair of the Senate committee reviewing the proposal, said he planned to hold a committee vote on the bill some time next week.**

**Rynniva Moss**


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**From:** Christopher Clark [cgcaiaska@yahoo.com]  
**Sent:** Tuesday, July 15, 2008 9:05 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Pat Forgey: Legislature hears last public input on gas line before votes start next week

## Legislature hears last public input on gas line before votes start next week

### Juneau residents weigh in on plans for natural gas development

By Pat Forgey | JUNEAU EMPIRE

The Alaska Legislature completed the last of a series of public hearings Tuesday on a natural gas pipeline contract that's taken them from Ketchikan to Barrow in the last month.

Next week, the House of Representatives is expected to take its first vote on Gov. Sarah Palin's proposal to issue a license to TransCanada Corp. to develop a natural gas pipeline to bring North Slope gas to market, House Majority Leader Ralph Samuels said Tuesday.

The Alaska Gasline Inducement Act, under which TransCanada has applied for state support, gives the Legislature until Aug. 2 to make a decision.

The public hearing Tuesday evening was the last formal action of the full Legislature before many members head to Anchorage for a conference of state legislators from the West Coast.

**Less than a third of the legislators were in attendance to hear testimony in person Tuesday night, but only a handful of Juneau residents showed up to make their opinions known.**

Juneau's Henry Stevens said developing Alaska's natural gas would provide the state with a clean burning fuel, while also helping Alaskans with their own heating bills.

"People like me and you have to pay four to five dollars for heating oil," he said.

Sen. Charlie Huggins, R-Wasilla, chaired the special joint legislative committee reviewing the TransCanada proposal.

**Turnout at the hearings around the state the lawmakers called a "road show" was less than he hoped for, Huggins said, but many of those testifying thanked the Legislature for the opportunity.**

**Bill Warren of Nikiski, a retired pipefitter who worked on the trans-Alaska pipeline, praised the open process and contrasted it with that of former Gov. Frank Murkowski.**

**"I really liked the road show," he said. He urged passage of the TransCanada application, saying it was the**

**best way to protect Alaska's interest against the oil companies that want to build their own pipeline.**

**"I do not trust the oil cartel at all, they are too big and powerful," he said.**

Merritt Pierce of Fairbanks, however, said he had another way of protecting Alaska's interests. He supported an all-Alaska line, exporting liquefied natural gas to Asia through Valdez.

He said the state's possible gas reserves were worth \$5 trillion at current market prices in Japan, but only \$2.8 trillion at Midwest market prices.

TransCanada is proposing an overland pipeline to the Midwest.

"That's just nuts, why would we want to sell our gas for trillions less," he said.

Anchorage's Jerry McCutcheon urged rejection of TransCanada, saying the company's former partners in another pipeline venture could bring claims against any new project.

"AGIA is a disaster," he said.

**Valdez resident James Williams urged an all-Alaska line and LNG export through Valdez as well, saying he didn't want Alaska's gas controlled by Canada.**

**"As far as I'm concerned they're a hostile nation," he said.**

Alan Keech of Tok said those proposing other ways to market Alaska gas had the opportunity under AGIA to propose their own projects. Only TransCanada submitted a qualifying proposal, he said.

"This company has fulfilled its obligations ... you should honor AGIA," he said.

Alfred McKinley of Juneau said many Alaska residents wouldn't be able to work on much of a pipeline through Canada, because those with a drunk driving conviction can't cross the border.

He supported a line to Valdez that even those people would be able to work on.

"Everybody fouls up once or twice," he said.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Monday, July 14, 2008 8:51 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koenernan; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Andrew Halcro: Who is John Galt?

## Who is John Galt?

Around noon on Monday, emails from lawmakers started burning up the net with reports of a secret meeting scheduled in Anchorage later this week.

The rumored meeting was to have gathered lawmakers who are growing increasingly nervous on voting yes to give TransCanada an AGIA license.

One email asked, Is it true that there was a meeting this morning and teleconferenced in John Galt? Another one surmised the meeting with Galt might have already been leaked to the press. Still another one stated that Governor Palin was asked about the rumor and she responded, who is John Galt.

For fans of Ayn Rand's famous novel Atlas Shrugged, Galt was one of the main characters in the book as well as the hero. Galt's role in the novel is one who fights the rising tide of government's influence due to nationalizing the private sector and suffocating the free market spirit.

As it turned out, the John Galt that was rumored to be meeting with lawmakers in a secret rendezvous was the one in the same as Rand's character Galt.

Obviously a well-played joke to make a point about AGIA being heavy on the government influence and light on the free market spirit.

**Rynniva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Monday, July 14, 2008 8:43 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Suttcn; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski/blog: The delay, maybe

## The delay, maybe

By Stefan Milkowski

Published Monday, July 14, 2008

House and Senate leaders were scheduled to meet at 12.15 to decide when to vote on AGIA. Sometimes leadership meetings are public and sometimes they aren't, but lawmakers generally don't like to slam doors on anyone. So when the media (radio, TV, newspaper) started loitering in the House Speaker's chamber – with Speaker Harris' implied permission – Senate leaders failed to show.

Cell phones emerged, and House leaders filed out, all headed in different directions.

Most reconvened a few minutes later down one flight of stairs in Senate President Green's office. When I peaked my head in the door, Green said No.

So this is not an open meeting? I asked.

No.

A media stakeout ensued.

**The question of whether closed meetings should be allowed is important, but not really timely. Today, the real issue was what the Senate was talking about.**

Under AGIA, lawmakers have a few more weeks to vote, but many lawmakers are already calling for action, saying new information isn't going to change anyone's mind, and some suspect that opponents of AGIA are intentionally holding things up.

-The lawmaker in charge of the hearings and schedule, Sen. Charlie Huggins, is a strong critic of approving the TransCanada license. (Huggins says he still has questions and values the new information.)

-A delayed vote would benefit TransCanada's main competitor, Denali.

**-And hey, anything could happen! The old adage is, If you have the votes, vote. If you don't, talk. (There's widespread belief that most lawmakers support TransCanada.)**

Another thing that could be playing into the timing is Palin's package of proposals to provide energy relief. Vote-

7/15/2008

trading is hard to prove, but it's hard to imagine it doesn't happen.

**In this case, opponents of AGIA could try to leverage the governor or other lawmakers for more money through energy relief in exchange for support on AGIA. (That leverage would disappear after a vote.)**

Excuse me for speculating, but that's what I'm hearing.

Oh, and the meeting.

Senate members stayed in for a long time, resuming today's hearing about 20 minutes behind schedule.

**They still don't have a firm schedule, but Sen. Charlie Huggins, who chairs the Senate committee reviewing the bill, said he plans to hold a committee vote by the end of next week.**

**The House plans to hold a floor debate and vote on the license next Tuesday.**

**Rynniva Moss**

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**From:** Will Vandergriff  
**Sent:** Monday, July 14, 2008 3:45 PM  
**Subject:** FW: WSJ MarketWatch - Pearce Says Escalating Price Tag is Biggest Hurdle to Alaska Natural Gas Pipeline  
**Importance:** High

FYI courtesy JT, WV

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**From:** Jeff Turner  
**Sent:** Monday, July 14, 2008 3:41 PM  
**Subject:** WSJ MarketWatch - Pearce Says Escalating Price Tag is Biggest Hurdle to Alaska Natural Gas Pipeline  
**Importance:** High



<http://www.marketwatch.com/news/story/platts-energy-podium-federal-coordinator/story.aspx?guid=%7BFF98117D-54EA-44C9-965A-0D9D99A9F5F7%7D&dist=hppr>

## At Platts Energy Podium, Federal Coordinator Pearce Says Escalating Price Tag is Biggest Hurdle to Alaska Natural Gas Pipeline

Last update: 5:46 p.m. EDT July 14, 2008

WASHINGTON, July 14, 2008 /PRNewswire via COMTEX/ -- The escalating price tag for the proposed Alaska natural gas pipeline is the biggest obstacle facing the massive project, the top US official coordinating permitting said here on Monday.

Appearing at the latest Platts Energy Podium event in Washington, Federal Coordinator of the Alaska Natural Gas Transportation Projects Drue Pearce said competing project proposals to ship gas from Alaska's North Slope to major US markets are navigating treacherous political, financial and logistical terrain, but progress has been made on all fronts. The best-case scenario for completion of a project is around 2018, Pearce said, adding that "a more realistic first-gas date, but still optimistic, is probably 2019."

But as steel prices continue rising, permitting and construction delays will increase the price tag for one of the largest energy infrastructure projects in US history. The greatest risks are cost overruns and how that might impact the cost of shipping about 4 billion cubic feet per day (Bcf/day) of gas from Alaska to Chicago.

"Those delays will be very, very costly if they happen," said Pearce, who has been federal coordinator since late 2006. Once a project is permitted by state and federal agencies, a single-season construction delay could add "hundreds of millions, if not billions of dollars," she warned, adding that "once we get through licensing, then the financial markets will have to make the decision" on whether to go ahead with the project.

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Asked to describe her level of certainty that the long-delayed project will be built within the next 10 to 15 years, Pearce said she was "very optimistic" it will happen. "I see full glasses, not empty glasses. I do believe we're closer than we've been in 30 years, and I believe it's time for the gas to come to market. The Lower-48 states are going to need the gas delivered in a pipeline at a stable price, a stable delivery, so I'm very optimistic that now is the time to get it built."

The project is moving along on two tracks. North Slope oil and gas producers BP and ConocoPhillips have jumped ahead of TransCanada in the effort to secure a permit from the US Federal Energy Regulatory Commission. FERC has agreed to begin the "pre-filing process" for the producers' proposed Denali Pipeline, which means the producers can begin some field work this summer. BP and ConocoPhillips bypassed a formal process for getting a state endorsement from Alaska, saying the conditions were too prescriptive and did not address outstanding tax issues.

Denali would be sited along the Alaska Highway. Canadian affiliates would then transport the gas from the Alaska border into Alberta. BP and ConocoPhillips told FERC the pipeline would connect either to existing Canada-to-US pipelines, or the sponsors would build a pipeline southeast from Alberta to the US border and, perhaps, across parts of North Dakota, Minnesota, Iowa and Illinois to the Chicago area.

Denali is the producers' alternative to a proposal by TransCanada that awaits approval from the Alaska Legislature. Alaska Governor Sarah Palin's administration has supported the TransCanada project because it met most of the requirements of the Alaska Gasline Inducement Act, which establishes the conditions for developers to obtain a state endorsement and a \$500 million financial incentive.

State officials have encouraged the companies to merge the two projects into one, both to gain momentum as a single initiative and because projected gas production would not fill two pipelines, Pearce said. However, she said, the companies do not appear to be heeding this advice.

Sponsored by Platts, a division of The McGraw-Hill Companies, Platts Energy Podium provides an ongoing forum for prominent newsmakers and the press to address important energy and environmental issues. Members of the media may receive complementary registration for Energy Podium events by contacting Nancy Covey at 202-942-8719, [Nancy\\_Covey@platts.com](mailto:Nancy_Covey@platts.com). A recording of the Drue Pearce session is available via podcast at <http://platts.com/energypodium/index.xml/>.

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Monday, July 14, 2008 1:45 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** AP: BP to begin developing Liberty oil field

## BP to begin developing Liberty oil field

BY JEANNETTE J. LEE  
The Associated Press

Published: July 14th, 2008 11:46 AM  
Last Modified: July 14th, 2008 11:46 AM

BP said it will begin developing its Liberty oil field, which will involve drilling the world's longest wells to reach an offshore reservoir in the Beaufort Sea.

The company today said oil production is expected to begin in 2011. Production is expected to peak at 40,000 barrels a day.

Liberty is expected to yield about 100 million barrels of oil. That would make it a relatively small field by North Slope standards.

New production is intended to offset declining production on North Slope and keep oil flowing down the trans-Alaska oil pipeline.

The company estimates field development will cost \$1.5 billion. Work will start this summer with a seismic survey.

The field is on federal leases on the outer continental shelf, about six miles offshore from Alaska's northern coast.

The Anchorage Daily News contributed to this article.

**Rynniva Moss**

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**From:** Will Vandergriff

**Sent:** Monday, July 14, 2008 4:53 PM

**Subject:** Update: Exxon Mobil moves forward disputed gas field (AP version on ADN wire)

FYI – WV.

[http://www.adn.com/news/alaska/ap\\_alaska/story/464632.html](http://www.adn.com/news/alaska/ap_alaska/story/464632.html)

## **Exxon Mobil moves forward disputed gas field**

*(07/14/08 15:43:56)*

Exxon Mobil Corp. has hired contractors with plans to begin work on an oil and gas field the state of Alaska wants to take back.

The state's Department of Natural Resources rejected Exxon Mobil's most recent development plan for the Point Thomson field. The dispute is still in court, but the Irving, Texas, company announced Monday it's still moving forward with work.

The field's rich cache of oil and gas sit at the heart of a dispute over a proposed natural gas pipeline, which some lawmakers believe cannot be successful until the state's dispute gets resolved.

Exxon Mobil is the operator for leases purchased 31 years ago, but never developed; BP PLC and Chevron also have a stake in the unit.

The state has been trying to strip Exxon and its partners of the leases since late 2006 under both Gov. Sarah Palin and her predecessor, former Gov. Frank Murkowski.

Exxon Mobil recently told lawmakers that it's serious about this development plan and considers it vital to any gas pipeline project that would go into Canada and eventually serve U.S. markets.

The Alaska Legislature should within a week take a vote on whether to issue a state license to TransCanada Corp. to build a pipeline that would take natural gas from Alaska's North Slope into Canada and then down to the Lower 48.

ConocoPhillips and BP have joined forces on a competing pipeline that is not seeking a state license or the accompanying \$500 million in state incentives.

Exxon Mobil's \$1.3 billion Point Thomson plan includes drilling that will begin the 2008-2009 winter season.

It's considered a first phase that will initially produce about 200 million cubic feet of natural gas, plus 10,000 barrels per day of liquid condensate removed from the gas and sold through existing and new pipelines.

The state's natural resources commissioner Tom Irwin, however, rejected this plan proposed in February. A Superior Court ruling is expected by year's end.

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7/15/2008

**Rynniva Moss**

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**From:** Will Vandergriff

**Sent:** Monday, July 14, 2008 4:53 PM

**Subject:** Update: Exxon Mobil moves forward disputed gas field (AP version on ADN wire)

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[http://www.adn.com/news/alaska/ap\\_alaska/story/464632.html](http://www.adn.com/news/alaska/ap_alaska/story/464632.html)

**Exxon Mobil moves forward disputed gas field**

(07/14/08 15:43:56)

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7/15/2008

## Rynniva Moss

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**From:** Will Vandergriff

**Sent:** Monday, July 14, 2008 4:48 PM

**Subject:** Update: Bush Lifts Ban on U.S. Offshore Oil, Gas Drilling (via bloomberg)

FYI - WV.

<http://www.bloomberg.com/apps/news?pid=20601087&sid=a362RHmsy71s&refer=home>

Bush Lifts Ban on U.S. Offshore Oil, Gas Drilling (Update2)

By Daniel Whitten and Catherine Dodge



July 14 (Bloomberg) -- President George W. Bush said today he's lifting a presidential ban on drilling for oil and natural gas on the U.S. Outer Continental Shelf, setting up a showdown with Congress over a separate ban it put in place in the 1980s.

"Today I've taken every step within my power to allow offshore exploration of the OCS," Bush said in a statement at the White House. "This means the only thing standing between the American people and these vast oil resources is action by the U.S. Congress."

Democratic leaders in both houses of Congress rejected the president's call, saying the move to end the moratorium would have no effect on prices and better options are available.

Pressure to permit drilling off the Pacific and Atlantic Ocean coastlines and in the Eastern Gulf of Mexico has been building as oil and gasoline prices have surged to records.

Congress has barred drilling since 1983 through an annual Interior Department spending bill. That ban could be lifted if Bush refused to sign the department's fiscal 2009 appropriations measure that is now being debated in the House and Senate. The president's father, George H.W. Bush, imposed the existing executive moratorium.

Kevin Book, senior analyst at Friedman, Billings, Ramsey Group in Arlington, Virginia, said Bush's announcement probably won't lead to new drilling. Congress can restore the moratorium, and governors, many of whom oppose drilling, would have the final word, he said in a research report.

"While this will put pressure on national lawmakers and local governments, it is not by itself sufficient to conquer a complex web of competing incentives," Book said.

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## Florida, California

Florida Republican Governor Charlie Crist said last month he supports offshore drilling. Arnold Schwarzenegger, California's Republican governor, opposes it, as do many East Coast governors.

"This is no short-term answer," New Jersey Governor Jon Corzine, a Democrat, told reporters in a conference call today. "It would be stopped by most of the states on the east and west coasts."

Senator John McCain of Arizona, the presumptive Republican presidential nominee, today reiterated his support for allowing more drilling, although he said the states should decide whether to open coastal areas. His Democratic opponent, Senator Barack Obama of Illinois, opposes it.

"If offshore drilling would provide short-term relief at the pump or a long-term strategy for energy independence, it would be worthy of our consideration, regardless of the risks. But most experts, even within the Bush administration, concede it would do neither," Obama campaign spokesman Bill Burton said in a statement today.

## Available Supply

About 17.8 billion barrels and 76 trillion cubic feet of gas are off-limits to drilling as a result of congressional and presidential moratoria, according to the Minerals Management Service, an agency of the U.S. Interior Department.

The oil available would amount to just over two years of U.S. consumption. Bush today said the potential reserve from the restricted areas would last almost 10 years.

Democrats have blocked congressional efforts to lift the ban, arguing that Republican estimates of available energy resources are overstated and doing so would have no short-term effect. Democrats in both chambers are pushing legislation to force oil companies to start drilling on 68 million acres where they already hold leases.

"We've given the oil companies ample opportunities to increase supply but they have failed to deliver," Senate Democratic Leader Harry Reid of Nevada said at a press conference today.

House Speaker Nancy Pelosi of California, in a statement, called the Bush plan "a hoax" that will "neither reduce gas prices nor increase energy independence."

## 'Positive for Consumers'

"The prospect of considerable supply, even though it may take some time to bring on line, changes decisions of energy buyers, hedgers and investors," said William Whitsitt, president of the American Exploration and Production Council, which represents oil and gas companies. "There is no doubt in my mind that this can have a positive effect for consumers."

Jim Presswood, an energy advocate for the Natural Resources Defense Council, said he isn't sure Bush will veto a spending bill that includes the moratorium because of the effect on other programs. Blocking government spending presents "a much deeper political problem," Presswood said.

Crude oil for August delivery rose 10 cents to settle at \$145.18 a barrel at 2:45 p.m. on the New York Mercantile Exchange. Futures reached a record \$147.27 a barrel on July 11 and have risen 96 percent in

the past year.

To contact the reporters on this story: Daniel Whitten in Washington at [dwhitten2@bloomberg.net](mailto:dwhitten2@bloomberg.net);  
Catherine Dodge in Washington at [Cdodge1@bloomberg.net](mailto:Cdodge1@bloomberg.net)

*Last Updated: July 14, 2008 15:35 EDT*

## Rynniva Moss

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Monday, July 14, 2008 9:26 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@alt.net  
**Subject:** Wesley Loy: First Nations watch gas pipeline closely

## First Nations watch gas pipeline closely

CANADA: Palin's advisers don't expect conflict over rights of way.

By WESLEY LOY  
wloy@adn.com

Published: July 14th, 2008 12:01 AM  
 Last Modified: July 14th, 2008 01:37 AM

JUNEAU – The proposed Alaska natural gas pipeline is very long – 1,715 miles, to be exact.

**And although we call it the Alaska gas line, more than half of it, or 965 miles, would be laid in Canada.**

State legislators considering whether to award a license and \$500 million in planning dollars to TransCanada Corp. on Sunday shifted their focus away from all the Alaska aspects of the pipeline to look at the Canadian challenges involved.

**One message came through loud and clear – don't ignore the Canadians, especially the aboriginal groups known as First Nations, who have a constitutional right to be consulted by the Canadian government on how a big project like the gas line might affect land they own or use for hunting and fishing.**

Look at a map of TransCanada's pipeline route -- it runs from the Alaska border through the Yukon and British Columbia to Alberta -- and you'll see a patchwork of First Nations lands.

**TransCanada executives say more than 40 First Nations groups are expected to be "active stakeholders" in the pipeline project.**

Failure to adequately address their concerns could be "fatal to a project," according to a Canadian law firm advising Gov. Sarah Palin, who is recommending lawmakers award the license to TransCanada.

But lawyers for the Palin administration as well as the Legislature said Sunday they believe TransCanada can navigate the First Nations issues, seeing no "showstoppers" that might block construction of the pipeline.

The lawyers, however, warned that it could take several years -- longer than TransCanada has said -- to gain full clearance for the pipeline, with plenty of potential for lawsuits and for the project to be used as "leverage" in unresolved aboriginal land claims cases.

**Keith Bergner, a Vancouver lawyer advising the Legislature, said none of TransCanada's pipeline would cross land owned outright by a First Nations group. Rather, most of the pipe would cross publicly owned land, just as the 750-mile Alaska section would.**

**But two First Nations groups in the Yukon -- the White River First Nation near the Alaska border and the Kaska Nation in the eastern Yukon -- have unresolved land claims. British Columbia might also have land**

claims cases.

During hearings since early June on the gas line, state lawmakers have heard from executives with TransCanada and oil companies BP and Conoco Phillips, which are partnering on a competing gas pipeline from the North Slope gas fields down the Alaska Highway to the existing gas distribution network in Alberta.

TransCanada and the BP-Conoco partnership both have begun the process of talking with First Nations representatives about concerns or demands they might have.

**Like the lawyers advising the state, company executives said Sunday they're confident the Alaska pipeline can be built across Canada without endless First Nations snags.**

**"You have to talk to a whole bunch of people. You have to reach agreements with a whole bunch of groups," said David Van Tuyl, gas commercialization manager for BP Alaska.**

BP has plenty of experience working with First Nations in Canada and with Canadian pipeline regulators, Van Tuyl said.

Calgary-based TransCanada's point man on the Alaska gas line, Tony Palmer, asserts his company is in a better position than the oil companies to lay a pipeline through First Nations country.

**For one thing, the Canadian government 25 years ago awarded a TransCanada subsidiary an easement through the Yukon, and that right of way is still good, Palmer said.**

TransCanada also says it already has worked out other land-use details and has a long record of building pipelines across Canada. Palmer said the company can satisfy First Nations concerns on the Alaska gas line.

"We believe it can be done, and we believe we have an advantage over any other project," he said.

**Lawyers for the Palin administration agree TransCanada might have a bit of a head start, but note the company "does not have any secure rights" across British Columbia and Alberta.**

**State Sen. Hollis French, D-Anchorage, helped organize Sunday's hearing on the Canadian pipeline.**

**"It's a new subject, and I felt strongly that we had to have a hearing on it," he said.**

French said he heard nothing to persuade him it's a bad idea to license a pipeline project into Canada.

Legislators are expected to continue hearings today and vote on the TransCanada license by Aug. 2.

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Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 586-1531.

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**From:** Christopher Clark [cgcaska@yahoo.com]

**Sent:** Monday, July 14, 2008 9:03 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Daily News editorial: This one's over the top

## **This one's over the top**

*\$21 billion energy proposal is a throw-money-at-it plan*

Published: July 13th, 2008 10:42 PM

Last Modified: July 13th, 2008 01:39 AM

**As money pours into the state treasury, some legislators are going crazy with ideas for spending it all. A proposal making the rounds in Juneau calls for spending \$21 billion (yes, billion) on renewable and alternative energy.**

**That's a breathtakingly outrageous and irresponsible amount of money.**

The Legislature already passed a bill this year to spend \$250 million on renewable energy projects like hydro-power and wind power over the next five years.

**But Rep. John Harris thinks we need to spend 80 times as much. He drafted the bill for a \$21 billion, five-year energy project fund. The money isn't just for renewable energy; it's for "alternative" energy projects as well.**

That's to make room for an unproven Fairbanks project that uses coal -- not a renewable resource -- to produce liquid fuels.

Fairbanks North Star Borough Mayor Jim Whitaker helped Harris develop the \$21 billion bill, which so far is just in draft form.

**"That number was chosen because that is a number that is meaningful," said Whitaker. It will give substance to a statewide energy plan the administration is working on, he said.**

Maybe the state will need to put more than currently planned into renewable energy, but \$21 billion?

That's enough money to fund the state's entire K-12 education system for two decades. Educating children is a constitutionally mandated function of state government. Supplying cheaper energy is not.

There's simply no need to change the renewable energy fund to an "alternative" energy fund that encompasses projects using coal, a dirty-burning fossil fuel.

Many ideas for getting affordable fuels to Alaskans are on the table. We're studying a Susitna dam, an in-state natural gas pipeline, wind power, geothermal. Exploring them all could burn up a lot of state money.

There's a TV show called "House" where a doctor named House is given the most difficult cases to diagnose. Every episode, House makes one wrong diagnosis after another, subjecting patients to extreme treatments that send them to the brink of death, before he finally arrives at the right answer.

**Speaker Harris is playing Dr. House. He's ready to throw \$21 billion at Alaskans' energy problems, with no idea which ones might actually work. Even with \$140-a-barrel oil, Alaska can't afford that kind of gamble. What Speaker Harris wants to do is not an energy policy – it's a political move that will empty the state's pocketbook.**

**BOTTOM LINE: Keep the focus on renewable projects, and keep the dollars committed to a reasonable amount.**

## Hydro project revives as energy alternative

**CHAKACHAMNA: The \$1.75 billion proposal once had a dam but now has a drain.**

By GEORGE BRYSON

gbryson@adn.com

(07/13/08 00:03:57)

About three dozen proposals stood out as winners last month in a new competition for \$5 million in seed money to kick-start alternative energy projects across Alaska.

Nearly all envision medium- to small-scale projects: a wind farm on Kodiak Island (total cost: \$24 million), a series of "low-impact hydro" projects in Kenai Peninsula streams (\$19 million apiece), a geothermal plant at Manley Hot Springs (\$880,000).

Towering over them all, however, was a giant from days gone by: an ambitious hydropower project at Chakachamna Lake, about 85 miles west of Anchorage. Total cost: \$1.75 billion.

Driving such ideas, developers say, is the increasingly high cost of energy derived from fossil fuels in Alaska and the improving affordability of green alternatives. That and the sudden availability of state oil-windfall cash.

As a result, legislators recently appropriated \$25 million to help build a Fire Island wind farm in one bill and authorized spending \$250 million on future renewable energy projects in another.

Some want to go even further, drafting a bill last week to spend \$21 billion over the next five years for "alternative energy" projects -- a term that would allow a massive state investment in a controversial coal-to-clean-fuel plant.

By that measure, Chakachamna appears almost modest. As now envisioned by Pribilof-based TDX Power -- a Native-owned firm that's backed other renewable energy projects in Alaska -- it no longer includes the dam featured in a 1980s version of the same project.

Think of it now as nothing more than a drain pipe in the neighboring Tordrillo Mountains. Or a very deep hole that engineers would drill into the bottom of 14-mile-long Chakachamna Lake to funnel water from the mountains down a 24-foot-wide tunnel 12 miles long.

After descending nearly 1,000 vertical feet, the water would enter a huge subterranean power plant built near sea level. There it would jet past four turbines, generating about 1.6 billion kilowatt-hours of power a year -- enough to electrify nearly a third of all the homes from Fairbanks to Anchorage to Homer.

The water would then re-enter the Chakachamna drainage system through an outlet at McArthur River, while the power would connect to the Railbelt energy grid through two parallel transmission lines stretching 42 miles to the big gas-fired power plant at Beluga. Over the long run, TDX officials say, the hydro project could provide less expensive electricity to all of the state's Railbelt communities.

All without interrupting the downstream flow from Chakachamna Lake, or forcing salmon to migrate

their way up constrictive fish ladders. Or spending more each year to produce increasingly expensive gas-fired electricity. Or burning dirty coal.

It could, that is, if it's built.

#### DREAMS OF BIG DAMS

Big hydro ideas frequently falter in Alaska, as Chakachamna project manager Eric Yould can well attest. He once headed the Alaska Energy Authority and throughout the 1980s oversaw a plethora of state proposals to build big dams.

True, none of them were quite as breathtaking as the 1960s plan to build the mile-wide Rampart dam across the Yukon River, a project that would have flooded nearly all of the Yukon Flats while creating a 280-mile-long reservoir larger than Lake Erie.

(On the positive side, the Rampart dam would have generated about 50 times more electricity than Alaska required in 1960 and possibly would have attracted dozens of new industries to the state. On the downside, it would have submerged Fort Yukon and a half-dozen other villages under a hundred or so feet of water while drowning the habitat of 12,000 moose. The naysayers eventually prevailed.)

Consequently, a state proposal two decades later to build a series of four dams along the upper Susitna River, about halfway between Anchorage and Fairbanks, seemed level-headed by comparison. Susitna would have generated about 6.5 billion kilowatt-hours of electricity a year (about one-fifth the size of Rampart).

But even that was more than the 5 billion kilowatt hours all the communities along the Railbelt consume today.

Susitna was also expensive. It would have cost \$5.3 billion back then, or about \$11 billion today. When a top economist said the state would need to dip into its Permanent Fund savings account to make it affordable, the project was shelved as both economically and politically unfeasible.

#### LOWER LIGHT BILLS?

Mostly forgotten in the war over Susitna, Yould said, was a much more modest plan to build a 600-foot-wide dam with a tunnel at Chakachamna Lake. The state paid Bechtel Corp. \$300,000 to study and engineer the project, but beyond that it never got much attention.

"Even then we concluded Chakachamna was an economically feasible project," Yould said last week. But Susitna was the favored son, and it didn't make sense to develop two projects in the same neighborhood.

Instead, in the late 1980s, the state developed the Bradley Lake dam -- with a power output about one-quarter of Chakachamna's -- in the mountains northeast of Homer. Now Bradley is the largest hydropower project in the state.

Alaska renewable energy activist Chris Rose loves Bradley Lake, which now provides some of the cleanest and cheapest power in Alaska -- costing a mere 4 cents per kilowatt hour to produce. Which might bode well for Chakachamna.

Not long ago, the cost to Anchorage utilities of purchasing gas-fired electricity was just as cheap. But no longer. With supplies of Cook Inlet natural gas running low and natural gas prices doubling

in recent years, hydropower projects have become much more competitive. Rose finds the turnaround amazing.

"When Bradley Lake was being discussed as a project in the late '80s and early '90s, a lot of people were kind of ridiculing it back then, saying, 'Hey, we have natural gas-fired power so cheap, why would you ever want to build something that costs 4 cents a kilowatt hour?' Well, of course now it's some of the cheapest power we've got."

Better than that, Yould says, hydropower plants don't suffer hardly at all from rising costs. The fuel they run on is free and inexhaustible. And while gas-fired power plants might last 20 years, hydropower plants can last 200. Once they're paid for, they're money in the bank.

"If you build a hydropower project, it's sort of analogous to buying a home," Yould said. "You have a high up-front capital expense. But as time goes by, your mortgage stays the same -- as opposed to a person who rents a house and the rent continues to go up as inflation goes up. The rented house is analogous to natural-gas-fired generation."

At least that's the argument that TDX officials will make to the boards of the Railbelt's six local electric utilities fairly soon. They'll need some of them to agree to acquire Chakachamna power before the project can proceed, Yould said.

With such guarantees in hand, government licensing of the project could conclude in four years and construction could begin. The hydro plant could be running by 2015.

The private sector could develop Chakachamna on its own -- and TDX Power is looking for a major partner, Yould said. But the project would become substantially cheaper and instantly more attractive to power purchasers if the state chipped in a major share, just as it did with Bradley Lake, paying about half of that project's \$328 million tab.

"I can tell you the utilities, in the back of their minds -- they would not be averse to that," Yould said.

#### WHAT ABOUT THE FISH?

Apart from the high front-end costs, however, dams and big hydro projects can also slam into opposition from environmentalists. Sometimes for good reasons. The 1930s construction of the Grand Coulee dam in Washington state devastated salmon runs on the Columbia River. The 1950s erection of the Glen Canyon dam in Arizona flooded a close cousin to the Grand Canyon.

In Alaska, a fledgling environmental movement in the 1960s decided to fight back, beginning with the Rampart dam -- then continued with over-my-dead-body opposition to Susitna, which would have dramatically tamed one of the state's premier white-water rivers.

At Chakachamna, the issue could well be fish -- though project engineers will also have to consider four adjacent glaciers, an active volcano (neighboring Mount Spurr) and the Castle Mountain earthquake fault that passes near the lake. But first, consider the fish.

All five species of salmon migrate up the McArthur and Chakachamna rivers. According to Bechtel's 25-year-old stream survey, about 40,000 sockeye salmon find their way to the lake.

So the engineers' original hydro proposal -- which would have raised the lake level by as much as 13 feet by plugging the outlet with a 49-foot-high dam -- called for building an intricate fish ladder so the salmon might reach their spawning grounds.

In a presentation to the Society of American Engineers last year, TDX Power CEO Nicholas Goodman noted that Chakachamna's success or failure at addressing fish issues "will likely drive the project."

Recently, those same concerns -- coupled with an equal desire to cut costs -- prompted the company to scrap the dam and fish ladder concept altogether. A new team of engineers determined that raising the lake level won't be necessary, Yould said. Nearly as much power can be harvested by allowing Chakachamna to remain at its natural level through most of the summer.

As the tributaries dry up in the fall, the lake level will drop dramatically -- perhaps as much as 60 feet -- as water leaves the Chakachamna through both the drain and the river, Yould said. But water for the river will continue to flow from the lake by passing through a new system of barrel gates installed near the outlet, and salmon will still be able to swim upstream.

"It eliminates the fish ladder altogether," he said.

Some of the 800 members of Cook Inletkeeper -- an environmental group that represents local commercial, sport and subsistence fishermen -- want to hear more about the project, according to executive director Bob Shavelson. Yould and Goodman have already addressed their group once.

"What does that diminished stream flow mean for the Chakachamna runs?" Shavelson asked rhetorically. "We're very concerned with fish impacts."

But his membership is much more wary about a proposal to develop a large coal mine near Beluga, which could discharge "millions of gallons of mine waste" into the salmon-rich Chuitna River, Shavelson said. And the group definitely prefers clean, renewable energy alternatives, like hydro, geothermal and wind projects.

"So we're looking at the energy picture in Cook Inlet where there is kind of a fork in the road," he said. "We can go backwards toward coal, or we can go forwards to what we see as world-class renewable energy."

Yould and Goldman hope that includes Chakachamna.

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Find George Bryson online at [adn.com/contact/gbryson](http://adn.com/contact/gbryson) or call 257-4318.

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### **Project at a glance**

**DESCRIPTION:** Hydroelectric development would divert water from Chakachamna Lake, with a surface elevation of about 1,142 feet, to a power house in the McArthur River basin about 200 feet above sea level.

**LOCATION:** East end of 14-mile-long Chakachamna Lake, about 85 miles west of Anchorage on the south flank of Mount Spurr.

**TUNNEL:** Unlined 12-mile, 24-foot-diameter tunnel from lake to power plant. A drop of 942 feet.

**POWER PLANT:** Water from tunnel will empty into four 10-foot, steel-lined penstocks that power four generating units with a combined maximum capacity of 330 megawatts. The plant will be built

in an underground cavern about 250 feet long, 65 feet wide and 130 feet high, a space that is roughly the size of a football field 13 stories tall.

**TRANSMISSION LINE:** Two 230-kilovolt lines, each about 42 miles long, will connect to the existing power grid at the Beluga Power Station.

**ESTIMATED COST:** \$1.75 billion

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**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 13, 2008 7:16 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Stefan Milkowski/blog: Legal issues

## Legal issues

By [Stefan Milkowski](#)

Published Sunday, July 13, 2008

TransCanada might be a little optimistic with its timeline, but is probably ahead of anyone else on pipeline permitting issues, legal experts working for the Legislature and administration testified Sunday.

**Keith Bergner, the legislative expert, said permitting the pipeline project will be difficult for any prospective builder. But he added that authorizations already held by TransCanada "arguably give it a few steps down the path."**

**Loyola Keough, the administration's expert, said his firm's analysis showed that permitting would likely take seven years rather than the five and a half TransCanada assumed in its application.**

**The firm identified a number of things could cause TransCanada's timeline to slip, he said. "[But] we certainly did not see any showstoppers."**

Keough echoed the idea that TransCanada had certain assets that set it ahead of other prospective builders.

Revenue Commissioner Pat Galvin said Keough's conclusions regarding TransCanada's timeline were factored into its analysis of the project.

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 13, 2008 7:14 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Stefan Milkowski/blog: Tensions over timelines

## Tensions over timelines

By Stefan Milkowski

Published Sunday, July 13, 2008

Frustration over what some are calling a "filibuster" on the TransCanada vote was the context Sunday for an accusation from Rep. Les Gara that Rep. Jay Ramras was part of the problem.

Gara claimed in a letter to House Speaker John Harris that Ramras told him he had the "right to delay a vote on this project so he could go home tonight."

Ramras replied in an e-mail to the News-Miner that he was indeed going home, but denied that his doing so would affect the timing of a vote in any way.

**From what I can tell, decisions on timing will be made by legislative leaders and Ramras is not to blame (or credit) for any delay in the vote. What he said or didn't say to Gara is beyond me.**

**The point is that frustration is growing.**

**Rynniva Moss**

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**Sent:** Sunday, July 13, 2008 7:12 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Steve Quinn: Alaska gas line project vote a week away

## **Alaska gas line project vote a week away**

By STEVE QUINN / Associated Press Writer

Published: July 13th, 2008 06:32 PM  
Last Modified: July 13th, 2008 06:36 PM

TransCanada Corp. wants a license to proceed on a pipeline project that will move North Slope natural gas to Midwest markets, but it will have to wait another week before the Alaska Legislature takes a vote.

It was generally expected the final vote would be taken no later than Tuesday before many lawmakers leave the capital for at least five days to attend the Council of State Governments West annual meeting in Anchorage.

With hearings still on the calendar through Tuesday, that's not going to happen, and this troubles some lawmakers who are also mindful of energy assistance bills that still need vetting and approval before the special session ends Aug. 7.

Lawmakers have only until Aug. 2 to either approve or reject Gov. Sarah Palin's recommendation to award TransCanada an exclusive license to pursue federal permits and commitments to ship natural gas in a 1,715-mile line.

It's a vote lawmakers deem among the most important in the state's 50-year history because energy production has been the state's economic lifeline.

**"The harm in waiting another five or six days is you only have so many days,"** said Rep. Mike Doogan, an Anchorage Democrat.

**"The last time I've looked at (the session agenda), we've got four or five other things to do,"** he said. **"Even if you go right to the end of the hearing schedule, you've still got time to deal with this."**

House Rules Chairman John Coghill, R-North Pole, said he understands the concerns, but the state has committed to hosting this conference several years ago.

**"If it was in Seattle, I would not encourage people to go, but we requested to host this,"** Coghill said. **"It's the obligation, not necessarily the group, that I pay a higher respect to."**

**"The closer you get to people having to make a decision, the higher level of intensity you're going to find the questioning. All of this takes reflective time on an issue like this."**

The Senate plans to let the House vote first, said Senate Rules Chairman Gary Stevens, R-Kodiak, who added he believes the 20-member Senate has the votes to back Palin's selection of TransCanada.

**"My position is let's wait until the House votes yes," Stevens said. "If the House votes yes, and passes it out, then the Senate will be here to take a vote.**

**"If they don't vote yes, then there is no reason to be here to take a vote. I'd like to see the House pass it out, so we can consider it."**

TransCanada was one of five companies that applied under the bid requirements of the state's Alaska Gasline Inducement Act on Nov. 30, 2007.

In early April, BP PLC and ConocoPhillips announced a joint venture named Denali that would pursue a competing project, and lawmakers suddenly had two projects to weigh.

**Lawmakers are directly considering one project, but essentially have two choices: approve a license for TransCanada and let the company go forward; decline it and thereby give default approval to the Denali project.**

TransCanada supporters like the Calgary-based company's proven record for building and maintaining pipelines and believe an independent pipeline owner is friendly toward future expansion and North Slope exploration.

Some say a pipeline owned by North Slope leaseholders BP, ConocoPhillips and Exxon Mobil Corp. creates a monopoly that is not conducive to further exploration by other companies.

Recent federal regulatory rulings saying owners of the 800-mile, trans-Alaskan line - primarily the oil producers - overcharged for shipping oil have enhanced this concern.

A license to TransCanada, however, in no way assures pipeline construction. It does provide up to \$500 million seed money toward a guarantee TransCanada will embark on an expensive pursuit of federal certification.

The \$500 million is one problem for those looking to turn down Palin's backing of TransCanada, especially when BP and ConocoPhillips aren't asking for any upfront money and have already begun field work.

**Critics also aren't convinced TransCanada can negotiate a deal with North Slope leaseholders to ship gas. These are called firm transportation commitments and underpin the financing of the multibillion dollar project. Without them, there is no project.**

**But Denali doubters are dubious of the two companies' intentions, saying the companies are dangling their late arriving proposal to lure away TransCanada supporters.**

And as pipelines go, lawmakers also have fresh memories of BP's pipeline maintenance troubles that led to a partial shut down of the nation's largest oil field two years ago.

Maintenance issues led to a 200,000 gallon leak and produced a misdemeanor guilty plea to a federal environmental crime for failing to prevent a crude spill across a swath of delicate tundra.

**House Rep. Mike Kelly, a Fairbanks Republican, said he likes what he sees in TransCanada, but also sees nothing disruptive with Denali's late entry.**

**"I'm an options guy, and it's my strong preference that we keep TransCanada in play," he said "The fact that (Denali) is advancing a project as well certainly gives us more choice and indicates more interest than we've seen in the past."**

## Rynnieva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 13, 2008 5:20 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Stefan Milkowski/blog: The real crisis

## The real crisis

By Stefan Milkowski

Published Sunday, July 13, 2008

A few hours before today's gas line hearings, Interior lawmakers gathered in the Capitol to take on another big issue – the energy crisis that threatens to cripple the region's economy.

The mayors of Fairbanks, North Pole, and the Fairbanks borough called the meeting and traveled to Juneau for it.

**Interior residents are paying four times as much to heat their homes as they were five years ago, they told lawmakers, and young people are talking about leaving Alaska. Real income has plummeted, and mainstays of the economy like Eielson Air Force Base and the Flint Hills refinery are at serious risk of shutting down.**

There wasn't much debate over the urgency, so talk turned to solutions and strategy.

Which big energy projects could help? Who would be an ally in funding those projects? And how can Fairbanks lawmakers convince others that Anchorage gets a big subsidy no one else gets?

Borough mayor Jim Whitaker took a stab at the last one with a recent letter to Gov. Sarah Palin arguing that state regulation of Cook Inlet gas probably violated the Alaska Constitution.

Restrictions on exporting Cook Inlet gas result in price and supply restrictions that effectively subsidize natural gas for the Southcentral area, Whitaker said this morning.

I don't want to sue, but will if I have to, he said.

**Don't sue, lawmakers told him.**

**A victory could simply mean higher gas prices in Southcentral and the Interior, they said, and suing certainly wouldn't make any friends in the Legislature.**

**What about subsidizing North Slope crude for the Fairbanks area?**

**Could that really work? asked Sen. Therriault, who noted the state would have to regulate the refinery price, wholesale price, and distribution price all at once.**

**Probably not, said Whitaker.**

7/16/2008

And even if it could work, lawmakers probably wouldn't support it, said Rep. Kelly.

"People down here are not going to vote to Chavez it," he said, referring to Venezuelan president Hugo Chavez.

Maybe the best idea is to convince others there is a subsidy, they agreed, and try to get some money for energy projects around the state that don't use oil or gas.

The synthetic fuels project already being studied in Fairbanks seems to make the most sense, said Whitaker.

All three mayors offered their support for a proposal to commit \$21 billion to renewable and alternative energy projects over the next five years.

Lawmakers talked about other projects, like a small-scale, in-state natural gas pipeline, or a giant hydroelectric project on the Susitna River, and how they might all fit together.

OK, but what about this winter? asked North Pole mayor Doug Isaacson. "Our constituents are crying for help."

There is Palin's plan to give everyone \$1,200, lawmakers noted, some offering a tentative backing. But that doesn't fix the long-term problem, they said, and it's going to be hard to take away.

And it's not fair, suggested Rep. Guttenberg.

"Everybody in Anchorage -- everybody -- gets a flat-screen TV," he said. "We just get to stay warm. Where's the equity in that?"

Guttenberg handed out a sheet showing how the checks would look if they took into account the price of heating fuel and the severity of the climate. **People in Fairbanks would get about \$1,800 each. Residents in the Yukon-Koyukuk region would get \$2,738, and people in Anchorage would get \$474.**

"This is how you distribute funds in the state," he said later.

For now, lawmakers are debating the TransCanada proposal. But soon enough, they'll turn to the issue many lawmakers say their constituents care more about -- energy.

**Expect a battle just as large and nearly as complex.**

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Sunday, July 13, 2008 9:15 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: Denali

# Denali

The President of the Denali Pipeline Group Bud Fackrell, testified in front of the legislature this week outlining the Denali project and their progress to date.

Fackrell outlined the work that is now underway with 75 subcontract employees doing field work out of their Tok office and their intention of spending \$40 million this summer alone. To put that into perspective, TransCanada's AGIA application commits to spending only \$40 million of their own money in the next two years.

He stated that the group was close to exercising leases on 28,000 square feet of office space and is busy staffing up his team. In contrast, TransCanada's AGIA application states they won't open up a project office until after open season which will be two years away.

**In what turned out to be three hours of political speeches disguised as questions from certain lawmakers, Fackrell was peppered with inquiries that bordered on billigerence.**

**Representative Carl Gatto accused Fackrell of fronting a fraud. What I see are splashy ads saying what a great company you are, but I see little substance, Gatto said. He went to say that he doubted the sincerity of the Denali project.**

**Fackrell responded by saying he understood why some might doubt their effort but instructed Gatto, "Don't trust us, watch us." His comments actually echoed the same message made by both Presidents of Conoco and BP when Denali was announced back in April.**

Unfortunately, Gatto's ignorance and billigerence got the better of him.

Gatto demanded that the pipeline company president answer if he did not specifically say "Don't trust us," and he wanted a yes or no answer.

Fackrell was so surprised at the question that I don't think he knew how to respond. Here was a state legislator, a representative of the people, asking him to agree that he said "Don't trust us," implying that they were not trustworthy, when the clear meaning of the statement was just the opposite.

Then Fackrell tried to clarify one more time, but at that point he realized that Gatto was not looking for the truth; he was trying to turn his statement on its head and get him and agree to something he did not intend and did not believe.

Imagine, this is the same Carl Gatto who once said in a Resource Committee hearing "I was a homesteader - absolutely miserable homesteader - complete failure - put every nickel into it, didn't get a penny out of it. Slaved away- just couldn't do it - just total failure - you do what you have to do - you fail at something, go do something different."

**And now Carl Gatto has gone from a being a complete failure in managing a piece of raw land to determining Alaska's economic future by voting for AGIA next week.**

7/16/2008

Fackrell was unshaken by Gatto and other hostile lawmakers who tried to pin him in a corner with leading questions and misleading statements. In doing so, he showed the patience and clarity needed to manage the largest oil & gas project in the world.

To see the Denali action plan presented to the legislature click the attachment.

**See this Article in Print!**

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**Rynniva Moss**

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**Subject:** Andrew Halcro: Is AGIA slipping? Democrats push for a vote

## **Is AGIA slipping? Democrats push for a vote**

On Saturday, members of the Democratic minority in the House called on Speaker John Harris to push forward a vote as soon as possible on TransCanada's AGIA license.

In a letter sent Saturday, Democrats claimed the hearings have become repetitive. But there is more to the story here than meets the eye. The suggestion that these hearings have grown repetitive is a complete red herring.

This week the debate over TransCanada's AGIA license has broken new ground by covering new information with new participants.

On Thursday, lawmakers heard from the first time from Denali President Bud Fackrell. On Friday and Saturday, lawmakers had the most informative session of this exercise when a round table consisting of major North Slope producers, TransCanada and the administration sat before lawmakers for over 12 hours and answers questions.

**Democrats want to rush the vote not because it's getting repetitive, but because TransCanada is losing votes.**

**On my radio show yesterday, Representative Mike Hawker told my listeners that more and more lawmakers are having doubts about voting for TransCanada now that they're hearing the other side of the story.**

Over the last two days there has been significant new facts brought into the discussion that cast more doubt on the viability of AGIA and this entire process. Not to mention the fact that every time some loudmouth lawmaker stands up to make an argument, they get shut down.

**This discussion hasn't gotten repetitive....now that we're hearing more than the Palin administration's spin cycle....it's gotten competitive.**

**Rynniewa Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Sunday, July 13, 2008 9:07 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniewa Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Dillon/blog: Public negotiations

**Public negotiations**

**The producers continue to be evasive about the fiscal terms they want to build a North Slope natural gas pipeline. That should be a red flag to legislators.**

The producers made quite clear their desire to lock in fixed tax and royalty terms on both gas and oil production for 30 years or more the last time the state sat down at the negotiating table with them. Why should we believe anything would be different now? Such terms would cost the state billions of dollars in lost revenue and make little sense with oil and gas prices ascending higher every day.

And while the cost of building the pipeline may be rising, other details of the project are not. The producers should have no problem calculating the cost and profitability of the project.

**The fact that BP and ConocoPhillips are trying to undermine TransCanada's proposal with their own alternative is a sign that the state is on the right course. The fact that BP and ConocoPhillips won't provide specifics about how the project would be structured is another major red flag for lawmakers.**

There's a nice editorial in the *Anchorage Daily News* today that sums up the pro-AGIA argument.

**Interesting comments by Exxon Mobil's Marty Massey this week that the supermajor likes neither the TransCanada or the BP/ConocoPhillips proposals. Exxon played the spoiler in the producers' negotiations with Murkowski. It looks like a role the Irving, Texas-based company is still comfortable playing.**

Expect the Legislature to vote on the TransCanada proposal around July 22. They have until Aug. 2, but I suspect the vote will happen a little sooner.

July 13, 2008 | [Permalink](#) | [Comments \(0\)](#) | [TrackBack \(0\)](#)

**Rynnleva Moss**

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**Subject:** Andrew Halcro: Answering AGIA: The round table serves up reality

## Answering AGIA: The round table serves up reality

In what arguably was the best two days of hearings during this entire six-week long legislative review on AGIA, lawmakers spent over twelve hours getting answers from those who will pay for the most expensive oil & gas project in the world.

In a vigorous round table exchange, North Slope producers, TransCanada and state officials all took part in a give and take that provided much needed balance to a discussion that so far had been largely based on the view from the Palin administration.

Not only were lawmakers finally allowed to question North Slope producers, but they also got to see the direct interaction between the producers, TransCanada and the administration.

Due to length of the hearings, I've broken down the Q & A's into topics.

### **Fiscal Certainty & the State's economic modeling**

Wendy King from ConocoPhillips asked that if fiscal certainty wasn't important as some have alleged, why would TransCanada require 25 years of certainty through ship or pay contracts? If TransCanada needs 25 year certainty to build the pipeline, that proves the shippers need 25 year certainty to pay for the pipeline.

Sen. Bill Wielechowski told Exxon's Marty Massey that they have risk factors everywhere, and asked why should the state grant fiscal certainty.

Massey replied that Wielechowski was wrong. "We have agreements with governments everywhere that outline the economics of the project. It's normal business."

Exxon's Massey said the state's economic analysis was based on "simplifying assumptions." The analysis ignores the reality of the real risk that firm transportation commitments represent, by classifying them as normal operating expenses. Massey stated that under the proper analysis, the net present value to his company isn't \$13.5 billion as stated in the state's analysis, but zero.

Sen. Gene Therriault asked Massey if it was true that those FT's represented just a footnote on their balance sheet. Yes Massey replied, but the entire footnote currently existing on Exxon's balance sheet today is \$3 billion. With this project it would increase to almost \$80 billion, which makes a dramatic difference.

John Zager from Chevron put the risk in perspective. The reliance on net present value as the state has done is only one way companies look at the economics of the project. Firm transportation commitments represent a real transfer of value that in this case would equal upwards of \$125 billion. This is quickly approaching the market cap of both Chevron and Conoco, Zager stated.

### Pipeline ownership

In one area that looks to be a real problem for an AGIA project is the fact that all North Slope producers present on Saturday stated that they would expect to have a percentage share of ownership in the pipeline that is commensurate to the percentage share of gas they commit to ship.

"We would expect our ownership would equal our throughput" said Exxon's Massey. The other producers present at the table, BP, Chevron and ConocoPhillips all agreed with Exxon's position. Having ownership of the pipe allows us to mitigate our risk they said.

Some lawmakers, as well as TransCanada raised issues with this idea. While TransCanada has offered an equity position to gas shippers willing to commit at first open season, they have repeatedly stated that they wanted to retain control by owning north of 51%.

We're not interested in building and operating a pipeline that will be owned by someone else, TransCanada's Tony Palmer stated on Saturday.

The rub of course is that if all of the gas shippers take a percentage of pipeline ownership based on their gas throughput, that would leave TransCanada (since they don't own gas) at zero percent ownership.

Representative Les Gara attempted to call Exxon out on this position. There is one pipeline project that you ship 40% of the gas on and only own 9% of the pipeline, Gara stated. Exxon's Massey replied although he wasn't familiar with the creation that specific project, he could say that the pipeline Gara was referring to was only half full today.

### On gas availability & Point Thompson

In a discussion that provided one of the most robust exchanges, Revenue Commissioner Galvin stated that the issue of Point Thompson gas being available is a separate question than the question about advancing a pipeline.

Galvin went on to state that in some projects they move forward with only 40% of proven reserves. This drew a heated response from the producers.

John Zager from Chevron again stated there was not enough gas without Point Thomson, especially if the ownership was in doubt due to litigation. In addition Zager pointed out, with additional demands from gas take off to power the slope, to the gas needed for a bullet line to hopes for an LNG project, the state was wrong in saying there was plenty of gas.

In addition, Zager did a good job of describing the misleading sound of using the terms proven and known reserves. Just because these reserves are proven or known, doesn't mean they will be commercially viable.

For instance, when you buy a twelve ounce can of soda, you get twelve ounces of soda. But if you say a gas field had twelve ounces of gas, you're not guaranteed to get twelve ounces of gas.

Because gas fields don't develop in a perfect triangle, sometimes you might get ten ounces, sometimes you might get six ounces or sometimes you might get nothing. There are substantial risks and the producers made it clear that they were not willing to bet on the come with the most expensive oil & gas project in the world.

Both Dave Van Tuyl from BP and Wendy King from Conoco warned against drawing simplistic comparisons like Galvin had done. This is a unique project due to its size that comes with huge risks that cannot be compared to any other project or gas basins in the world they warned.

One interesting comment came from Cathy Foerster, a Commissioner with the AOGCC.

In response to Revenue Commissioner Galvin's comment that Point Thompson gas would not be available for

open season, Foerster stated that she had been writing about that fact in her reports for the last three years.

This is alarming and highlights questions of credibility about the state's push for AGIA.

Last year during the creation of AGIA, Galvin and his staff included Point Thomson revenues as part of the dog & pony show to prove to lawmakers that the natural gas pipeline was so profitable.

In fact, during a meeting with the Palin gas line team I asked specifically about their modeling of Point Thomson and would it be in play for open season. Do your economics assume that the billions in necessary investment in Point Thomson infrastructure will be made and the revenue from Point Thomson gas will be available at pipeline start up?

Anthony Scott from the Oil & Gas Division replied, "yes."

However Foerster stated on Saturday that she's been writing reports for the last three years saying that Point Thomson gas wouldn't be available. It now seems these reports were ignored by the Palin administration when they came up with their misleading economic modeling last year.

And now they want to say that Point Thomson gas isn't critical for open season?

### Telling exchanges

If you've watched this process long enough, you can clearly see that there are lawmakers who don't have any interest in the facts or the merits of the answers, it's all about the politics.

Lawmakers like Gatto, Gara and Wielechowski have all become what I call the buzz saw boys. Every time they open their mouths, they walk face first into a buzz saw.

On Saturday, Wielechowski called out Conoco's Wendy King. The Denali project calls for a 4.5 bcf a day pipeline and yet you're saying proceeding without gas is a "dangerous place to go", Weilechowski asked in a huff.

But once again, buzz saw Bill tried to twist an answer out of context.

King's comments were in response to Commissioner Galvin's overly simplistic statement that other gas basins have proceeded in the past with only 40% of proven reserves identified so the North Slope could do the same.

King and others testified that other gas basins are dramatically different than the North Slope, with many areas to draw gas from. On the North Slope, there are only two proven gas fields; Prudhoe Bay and Point Thomson. This was said in reference to the importance of having certainty with regards to Point Thomson before open season.

What King said was that making an overly simplistic comparison as Galvin did, with a project as unique and risky as Alaska's is, was a dangerous place to go.

And what would be a session without the foolish comments from Les Gara?

On Saturday he told the producers that they had their chance to bid under AGIA and didn't. Gara of course ignored the substantial laundry list of reasons why they couldn't bid under AGIA and also ignored the fact that TransCanada's wouldn't even be at the table if not for the State picking up 85% of the cost of the process.

But more importantly, Gara's rebuke of the producers for not bidding on AGIA, ignored what was a very troubling admission by one his colleagues, Representative Bob Roses.

### Representative Roses revelations

Representative Bob Roses dropped a bombshell of sorts when he stated one of the reasons why the producers

didn't bid on AGIA was because the Palin administration quashed amendments that would have allowed them to bid.

They would go from being in support to changing their minds overnight, Roses said. He went on to say administration officials always explained their flip flops on discussions they had with pipeline companies.

When asked if the administration had ever conferred with the producers over amendments, none could recall ever being approached. When Commissioner Galvin was asked to respond, he avoided answering the question by saying there were a lot of people involved on the administration side so he couldn't answer.

Roses also said that TransCanada has stated that if they knew they were going to be the only bidder on AGIA, they would have bid differently.

### **The takeaway**

All in all I don't believe the two days of substantial testimony changed many minds, but for those of us who have watched this process with doubts from day one, it was the final nail in the coffin of any thought that at the end of the day, the producers and TransCanada would strike a deal and walk off building a pipeline under the terms of AGIA.

The producers highlighted too many areas of fundamental disagreement with AGIA from the pipeline ownership to the unrealistic financial terms that favor TransCanada to the unfair terms that would have anchor shippers subsidize their competitors.

I predicted it in my first blog last year on April 2, 2007 and it still remains true today; AGIA will fail because it ignores critical legal and fiscal realities.

**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Sunday, July 13, 2008 8:25 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** News-Miner opinion piece: AGIA is the ticket for Alaska gas line success

**AGIA is the ticket for Alaska gas line success**

Britton Kerin, Community Perspective

Published Sunday, July 13, 2008

It has recently been suggested that the state would do better to build a small, local, low-capacity gas line (a so-called bullet line) than to get one under the Alaska Gasline Inducement Act. This is economic nonsense.

You don't save anything by consuming a sellable resource yourself. The suggestion that we opt out of the money economy and allow producers to barter gas to us in exchange for a hypothetical production arrangement — their choice is a poor one.

The arguments for the bullet line come from people who dislike AGIA but who lack a palatable alternative to put before the public. They claim that the main gas line will go unused or that AGIA will somehow drive producers to go elsewhere.

First, let's consider the possibility of the line going unused. Does this really seem likely? A substantial state investment will create a strong political expectation that gas will be shipped on some sort of acceptable terms, and the producers know it. Owning a line would put the state in a much better position to negotiate terms.

Consider the highly unlikely worst-case scenario in which producers continue their brinkmanship to the bitter end and build an entire separate line. Even if they find a way to make us pay for their intransigence, we'd still probably come out ahead. The trans-Alaska oil pipeline cost \$8 billion to build and has delivered 150 billion barrels of oil at a conservatively estimated average price of around \$20 a barrel. This works out to an annual rate of return of about 21 percent. Even if the initial cost had been \$16 billion, the return would still be about 18 percent — a good investment, even assuming historical oil prices that will probably never return. Since much of the cost of construction of a gas line will be wages paid to Alaska workers, the AGIA prospect looks even better for the public than this rough historical analogy suggests.

What about the oft-repeated idea that the oil companies will take their capital elsewhere? Usually, the people who make this argument don't say where exactly they think the money will go. Venezuela and Russia are effectively renationalizing their oil industries and no foreign energy investment in those countries can be considered truly secure. African oil states are chaotic, to say the least. The Middle East is mostly closed to the oil majors. Northern Europe is lovely, but they're better at collecting royalties than we are. Embarrassingly for democracy in general and our past state government in particular, Libya and Indonesia also get better rates for their people's resources. In general, the foreign investment opportunities for oil and gas producers have contracted significantly over the past decades and continue to do so today.

So why are the producers so slow to develop our reserves? The short answer is that we've given away too much in terms of promises to allow them to do so at some time of their choice in the future. Oil and gas are indeed some of the most valuable resources on the planet, so it's a bit counterintuitive that you have to force producers to actually take the stuff out and sell it. But in civilized countries that respect contracts, this is exactly what you must do. The producers don't have the threat of impending chaos or seizure of their property to motivate them to produce today. Since the prices of oil and gas are expected to continue to rise, they may not have any other

motivation. Furthermore, once production has begun, it is often politically unfeasible to stop it again. If leases extend far enough into the future without requiring production, it's theoretically possible that producers wouldn't want to start extraction even if we paid them. Our state's past approach of attempting to bribe producers simply doesn't work: In the absence of a stick, no carrot is large enough.

AGIA and the determination of the Palin administration not to extend exploitation rights indefinitely to producers that never produce offers the best hope in a long time for a real gas line. If our representatives really have the best interests of the public at heart, they should support her team's efforts and be prepared to prosecute the law in court if necessary. At the least, they should refrain from weakening the state's negotiating position by saying in public that they are unprepared to do so.

Britton Kerin is a lifelong Fairbanksan and is an electrical engineer by training.

**Rynniva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Saturday, July 12, 2008 8:14 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski: Producers list concerns over TransCanada line

## **Producers list concerns over TransCanada line**

By Stefan Milkowski

Published Saturday, July 12, 2008

JUNEAU — The major North Slope producers shared their concerns about a TransCanada natural gas pipeline on Friday in a discussion Revenue Commissioner Pat Galvin tried to paint as entirely predictable.

**Top executives with BP, ConocoPhillips and Exxon Mobil all said they thought the Canadian pipeline builder was seeking too much profit, not taking enough of the project risk and asking too much of the main pipeline users — specifically, the three producers.**

**"We have some real concerns with the terms TransCanada is required to offer," BP's Dave Van Tuyl said.**

The executives expressed concerns about the requirements TransCanada would have to meet under the Alaska Gasline Inducement Act and about provisions TransCanada proposed in its AGIA application.

An executive with Chevron, another North Slope producer, echoed many of the concerns.

**Galvin, representing Gov. Sarah Palin's gas line team, explained that under AGIA, TransCanada would still be able to negotiate shipping rates with the major producers and could find ways to balance profits and risk between the producers and the pipeline company.**

**He argued that the oil companies' testimony amounted to the beginning of those negotiations.**

**"In the end, this is going to be a deal cut between the state, the pipeline, and the shippers," he said. "... What you're hearing today is the negotiating process that's going to unfold inevitably."**

Galvin argued the requirements imposed by AGIA, which deal with the financing, construction and operation of the line, were critical to ensuring the state's interests were met.

**But some lawmakers suggested the requirements could get in the way of the producers and a pipeline company working out a deal.**

**"We're not going to get there if we keep going down the route we're going," said Rep. Mike Hawker, an Anchorage Republican.**

**One of the main concerns expressed by the producers involves a requirement in AGIA aimed at keeping shipping costs low for companies wanting access to the pipeline after it goes into service. The provision requires TransCanada to expand the pipeline every two years if there's sufficient interest and to ask federal regulators to spread the cost of the expansion among all shippers rather than just new ones.**

**The executives argued their companies shouldn't have to subsidize their competitors if the so-called**

rolled-in rates would increase their shipping costs.

Despite their concerns, none of the executives ruled out shipping gas on a TransCanada pipeline or joining TransCanada as an equity owner.

Van Tuyl and Wendy King of ConocoPhillips said they saw advantages to the pipeline project ConocoPhillips and BP are pursuing outside AGIA through the joint-venture Denali.

But Exxon's Marty Massey said his company had not yet decided which pipeline project had the greater chance of bringing all parties together. Neither of the two proposals would result in a "commercially viable" project as currently proposed, he said.

Of the three executives, Massey made the strongest demands.

He said Exxon would want to own a fraction of any pipeline equal to the fraction of gas the company committed to ship down the line.

He added that he would not rule out an agreement that broke some of the "must-have" requirements in AGIA.

"That's what I'm hoping for," he said.

Galvin said later the must haves were set in law and were "not subject to negotiation by the administration or TransCanada."

State lawmakers have until Aug. 2 to decide whether or not to award TransCanada a state license and up to \$500 million in seed money.

Hearings are scheduled to continue through the weekend.

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## Daily News - Miner

### Lawmaker finds legal lesson about Point Thomson strategy from 'Seinfeld'

By [Dermot Cole](#)

Published Saturday, July 12, 2008

Those who want to drop the state case with Exxon regarding Point Thomson could learn a lesson from "Seinfeld," according to Rep. Les Gara, an Anchorage Democrat.

I was eager to learn this lesson, but Gara didn't have the chance to finish it Friday during the televised gas line hearing from Juneau.

Sen. Charlie Huggins, who was running things, interrupted Gara, saying that not everyone watches "Seinfeld" as much as Gara. Huggins more or less told him to drop it, so Gara did.

Later, I contacted Gara to find out what he intended to say.

"My point was that we've got to negotiate smartly, not stupidly and there is some suggestion by some of the legislators that we should just drop the Point Thomson case and Exxon will give us a good deal," Gara said.

He said the legal lesson stems from an episode of the TV show in which Kramer spills coffee on himself and seeks damages from "Java World" because his beverage was too hot. I think there was something about a defect in the cup.

The attorney from "Java World," Mr. Star, addressed Kramer and his attorney, Jackie Chiles, with an opening offer.

Star said, "Let's make this short and sweet. We're prepared to offer you all the free coffee you want in any of our stores throughout North America and Europe. Plus ..."

Before hearing the rest of the opening offer, Kramer shouted, "I'll take it."

He couldn't wait to get free coffee. I can see how a jurist might find that instructive.

*Dist. by Rep Gara (in response to letter with questions that have been asked about)*

...

**EXXON VIEW:** Neither the proposed TransCanada pipeline, nor the Denali effort by BP and ConocoPhillips are “commercially viable projects,” according to testimony by Marty Massey of Exxon.

...

**DENALI PROJECT:** An Anchorage man wrote to Sen. Hollis French to express frustration about how hard it has been for his son, a new UAF graduate, to find a way to apply for a job with the Denali project.

“He and I have spent hours on the Internet and banging on ConocoPhillips and BP doors searching for an entry-level field job,” he said.

“We have come to the conclusion that Denali does not exist at all. No offices, no actual people who answer phones or make themselves available. No Internet links with contacts or employment opportunities for Alaskans.”

This harsh assessment, which was conveyed to the president of Denali at the legislative hearing Thursday, should lead to action on the company’s part.

Its Web site contains information about the project, but no specific information about how to apply for jobs and what jobs are available.

Denali, which says it plans to spend \$40 million on field work this year and has hired contractors, should include those details.

...

**LOCAL PROJECTS:** The new building at Wilbur Street and Airport Way is to be the future home of the International Brotherhood of Electrical Workers, perhaps by fall.

The Plumbers and Steamfitters, meanwhile, are building new digs to the west, near the intersection of Airport Road and the Parks Highway.

A Best Western hotel is also under construction along Sportsman’s Way, near the old TVSA quarters.

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Friday, July 11, 2008 9:13 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy/Daily News blog: Stevens covers a lot of ground

## Stevens covers a lot of ground

Posted by Wesley Loy

Posted: July 11, 2008 - 8:21 pm

From Wesley Loy in Juneau –

U.S. Sen. Ted Stevens, R-Alaska, delivered a 25-minute speech to state legislators today, then stuck around to take some questions and meet the press.

He jumped right into his main theme, energy, and didn't bother with any jokes or small talk at the top.

Among the items Stevens touched upon:

- He urged the rich state to "invest" some of its billions into ambitious energy projects to relieve the energy pinch hurting every community. Several times, he mentioned a plan to convert Alaska coal into liquid fuel or gas. We published a **story** on the idea yesterday. **Fairbanks North Star Borough Mayor Jim Whitaker, a former state legislator, is leading the project. Stevens said a big plant to convert the coal could be located on Eielson Air Force Base near Fairbanks, with the Air Force possibly helping finance it. He said he'll attend a July 18-19 meeting in Fairbanks on the project. Finding new sources of power for Alaska's high-cost military bases is critical to keeping them off the federal base closure list, Stevens said.**
- He declined to recommend lawmakers vote yes on a state natural gas pipeline license for TransCanada Corp., as Gov. Sarah Palin wants. "That's not my province," he said. But he did urge legislators to make a decision – any decision – soon on the pipeline. If they don't, then it likely will be another year or two, after the election and a new Legislature is seated, before we see any movement on the pipeline, Stevens said.
- Provoked by a question from state Sen. Bill Wielechowski, D-Anchorage, that big oil companies are just sitting on federal oil and gas leases rather than drilling, Stevens went on a rant about environmental activists suing endlessly to block exploration of such places as the remote Chukchi Sea. He said he's working on an amendment to limit the time courts can take to rule on such challenges.
- After Rep. Les Gara, D-Anchorage, noted many Alaska seniors are having a hard time finding a doctor, Stevens said part of the problem is that doctors in Alaska face "atrocious" insurance costs, so it's hard to keep them here.
- **Stevens told us reporters he believes Republican presidential contender John McCain is seriously considering Palin as a vice presidential running mate. But Stevens added he's had many tilts with McCain over the years, and "I'm not on McCain's advisory team for selecting a vice president."**

Click [here](#) to read the senator's full prepared speech to the Legislature.

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Friday, July 11, 2008 8:57 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Steve Quinn: Sen. Stevens talks energy with state lawmakers

## **Sen. Stevens talks energy with state lawmakers**

By STEVE QUINN / Associated Press Writer

Published: July 11th, 2008 06:46 PM  
Last Modified: July 11th, 2008 06:47 PM

**U.S. Sen. Ted Stevens said Friday that Alaska state lawmakers should follow Gov. Sarah Palin's lead and move forward on a natural gas pipeline plan.**

**Before addressing the state legislature, Stevens told The Associated Press that Palin has "shown the right leadership to bring about a decision."**

Stevens continued his recent public support of Palin, a fellow Republican who once challenged the veteran senator to provide details of an ongoing federal investigation.

The federal scrutiny stems from Stevens' long-standing relationship with an oil field services company's top executive who pleaded guilty of bribing state lawmakers.

**Stevens, who is up for re-election, stopped short of a full endorsement of Palin's Alaska Gasline Inducement Act, while imploring lawmakers to take the state's energy crisis seriously.**

Lawmakers have until Aug. 2 to either support or reject Palin's proposal to award TransCanada Corp. an exclusive license to pursue federal certification for a 1,715 mile pipeline.

**"I would hope they follow the governor's lead, and get it done," Stevens told the AP. "It's got to be done. Now, I can't tell them how to vote, but a decision is absolutely necessary now."**

It was last fall when Palin - who had not been in office for even a year - stood up to Stevens, the longest serving Republican in the Senate.

She wanted Stevens to explain why the FBI is investigating the remodel of his home in Girdwood and his ties to former VECO Corp. CEO Bill Allen, who pleaded guilty last year to bribing Alaska state legislators.

A year ago, the FBI and the IRS searched Stevens' Girdwood home, - a ski resort community that makes up Anchorage's southern edge.

During a federal corruption trial for a former state lawmaker, Allen testified he sent company employees to work on the remodel in 2000.

Stevens has said he paid all the bills presented to him, and that the investigation should work to its conclusion without any appearance that he attempted to influence the outcome with comments.

Since then, he's continued to work seemingly undaunted by the investigation while making periodic visits to Alaska's major hubs as well as the rural areas that take as many as two days to reach from Washington D.C.

"I don't know what they are finally going to do," Stevens said of the investigators. "This is something that's taken a long period of time.

"That cannot interfere with my job as a senator; if I thought for a minute it did, I would leave the office. I don't believe it can or should interfere with my job as a senator."

There had been no public alliance between Stevens and Palin, the two of the state's most powerful Republicans, since then - until July 2, when the pair backed each other's long- and short-term plans for energy reform.

**On Friday, he reiterated support for Palin, who was out of town.**

**Throughout his visit to Juneau, Stevens praised Palin for her 18 months in office, her plans to handle the state's energy crisis and her deft ability at being the state's chief executive and mother to a newborn with Down Syndrome.**

**He said she would make an ideal running mate for presumed Republican presidential candidate John McCain in the upcoming general election. It's a buzz that he says remains strong back in Washington D.C.**

**"People come up and ask me what is she like and how is she doing?" Stevens said. "I've been asked that, and I've told them I think she would be a good vice president."**

The issue driving his second visit to the state's Capitol this year - and his first ever address made during a special legislative session - was the state's plan to pursue energy projects.

The state is not only debating Palin's gas line plan, but also an energy relief package that includes a \$1,200 payout to most Alaskans and lifting the state's fuel tax.

Many state lawmakers say some relief is needed because fuel prices in some parts of the state are three and four times the national average.

The state is awash in cash because of soaring oil prices - which are inching toward \$150 a barrel - timed with a new tax law the Legislature passed last fall.

**Stevens said the state should direct some of those funds to alternative or renewable energy projects, something already in motion from this year's regular session.**

For his part, Stevens promised the state to continue what has been a futile pursuit to drill for oil in the Arctic National Wildlife Refuge and an effort to secure state revenue for federal offshore drilling.

"I think the time is now to act and I hope you agree," Stevens told lawmakers. "I encourage you to confront these issues in the special session.

"We can have differences on a lot of things, but unless we are able to deliver Alaskan energy solutions, we will never be able to convince Congress to deliver national energy solutions which will benefit Alaska."

In six weeks, Stevens faces a challenge in the August primary from former state lawmaker Dave Cuddy and four other Republicans.

A likely Democratic opponent in November is Anchorage Mayor Mark Begich, whose own energy plan calls opening fields ANWR.

"I'm glad to see Sen. Stevens agree with me about the importance of energy efficiency and innovation, but that's not the agenda he's been pushing for the past 40 years," Begich said Friday in a prepared statement. "It took an election year to get him talking about the real needs of Alaska families."

**Rynniva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]

**Sent:** Friday, July 11, 2008 7:55 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Daily News: Former governors question TransCanada plan

## Former governors question TransCanada plan

HICKEL, KNOWLES: Both say their proposals make more sense.

By SEAN COCKERHAM  
scockerham@adn.com

Published: July 11th, 2008 04:29 AM

Last Modified: July 11th, 2008 05:21 AM

**While the state Legislature is in special session to decide whether to give TransCanada Corp. a license for a gas pipeline, two former governors are arguing doing so would be a big mistake.**

Former Gov. Tony Knowles wants legislators to postpone the decision and have TransCanada negotiate with the oil companies that have their own pipeline project.

Former Gov. Wally Hickel, meanwhile, is calling for the Legislature to reject the proposed license for TransCanada. He wants the state to build its own "ali-Alaska" natural gas pipeline from the North Slope to Valdez.

Gov. Sarah Palin wants to give TransCanada the license and a \$500 million subsidy to pursue construction of the gas pipeline. Palin has said it is far more likely to be successful and lucrative than a standalone all-Alaska option.

**But Hickel argues this is too important to be left in the hands of the Canadians.**

**"Why turn over control of a resource this valuable to a foreign country?" Hickel said in a written statement Thursday. "If TransCanada gets the license, they and their government will determine when it will be built, who gets the jobs, how much it will be taxed ... and how our gas will be used."**

Hickel was co-chair of Palin's 2006 campaign for governor and said it's nothing personal.

"I admire Sarah. She is a caring leader and has done a great job. But on this issue, her advisors have taken her down the wrong road," Hickel said. "It's up to the Legislature to save her, save Alaska and save themselves from the worst decision of the 21st century."

Palin also says the TransCanada plan is better than the competing "Denali" project the oil companies BP and Conoco Phillips are working on. Palin argues the TransCanada proposal includes guarantees that benefit the state – such as shipping rates and timelines – and doesn't leave Alaska at the mercy of the oil companies and what she expects will be their demands for tax breaks.

But BP and Conoco, unlike TransCanada, hold leases to the North Slope gas that is needed for the pipeline and aren't asking for a \$500 million subsidy. **Knowles said what's needed is for the companies and TransCanada to unite in a single project.**

**That's what the state should focus on, he said, rather than committing to TransCanada.**

7/11/2008

**"Let's start the negotiation now with all the parties. All the Legislature would have to do is put (the license decision) on hold, 90 days, 120 days, into next session," Knowles said Thursday at a Resource Development Council lunch. "Put it on hold and let's see how serious the parties are ... we'll save \$500 million in the process."**

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Find Sean Cockerham online at [adn.com/contact/scockerham](http://adn.com/contact/scockerham) or call him at 257-4344.

**Rynniva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Friday, July 11, 2008 7:52 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koenehan; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski: Denali president put in hot seat over natural gas pipeline commitment

## **Denali president put in hot seat over natural gas pipeline commitment**

By [Stefan Milkowski](#)

Published Friday, July 11, 2008

JUNEAU — Denali's commitment to its natural gas pipeline project and its willingness to accommodate the state's wishes were the two main issues Thursday when company president Bud Fackrell addressed state lawmakers.

The Legislature is considering whether or not to issue an exclusive state license to Canadian pipeline builder TransCanada under the Alaska Gasline Inducement Act. But North Slope producers ConocoPhillips and BP are pursuing their own project outside AGIA through a joint-venture called Denali — The Alaska Gas Pipeline.

Lawmakers tried to gauge Denali's commitment to the project.

"I don't have any comfort at all in the ads I see," said Rep. Carl Gatto, a Republican from Palmer. "They look good, but they have no substance to them. I want to see the action plan."

Fackrell responded by saying he did have a plan. Denali plans to spend \$40 million on field work this year and \$600 million during the next few years to develop a detailed cost estimate and solicit shipping commitments from gas producers, he said.

"I'm not asking you to trust us, I'm asking you to watch me," he added. "We're not going to spend \$600 million in three years for an advertising campaign."

Lawmakers also questioned Fackrell about Denali's willingness to commit to the various "must-have" requirements spelled out in AGIA. BP and ConocoPhillips did not apply under AGIA and described the requirements as too restrictive.

Fackrell said Denali would meet some of the requirements, including holding an open season, when the company will seek interest from shippers; offering lower shipping rates in Alaska than in Canada; and soliciting interest from gas producers in pipeline expansions every two years.

He did not commit to voluntarily expanding the pipeline when there is sufficient interest or to using a financing mechanism required in AGIA aimed at keeping shipping tolls low. Even where Fackrell did commit, lawmakers questioned the nature of the promise.

Sen. Kim Elton, a Democrat from Juneau, noted that Fackrell's verbal commitments weren't backed up by any kind of contract, as TransCanada's would be, and suggested the company put its commitments into its ads.

**Sen. Bill Wielechowski, an Anchorage Democrat, asked if Fackrell was willing to put its promises in writing, with penalties for breaking them.**

**Fackrell responded by pointing to the work already underway and planned for the next few years, adding, "I have a project plan."**

At times, Fackrell deferred questions to Denali's parent companies. When asked about changes in the state's taxes and royalties sought in connection with the project, Fackrell said Denali would not seek concessions as a pipeline builder, but added that BP and ConocoPhillips would seek them as gas producers.

**Fackrell did not explicitly urge lawmakers to deny TransCanada a state license under AGIA, but expressed concerns that doing so could stall Denali's project and limit the state's ability to provide the necessary fiscal terms.**

He warned that backing TransCanada could jeopardize the pipeline project, but promised that Denali would push forward even if lawmakers approved the license.

"We're committed to move forward," he said. "Whatever decision you make here, Denali will continue to go."

Lawmakers offered different reactions to the testimony.

Sen. Bert Stedman, a Republican from Sitka, said the presentation demonstrated Denali was a viable project and not a "flim-flam company put in place with alternative motives."

Wielechowski, on the other hand, argued the Denali push amounted to "Conoco and BP's attempt to negotiate fiscal terms."

He added that the commitments Fackrell refused to make were "some of the really critical ones," such as voluntarily expanding the pipeline and using the financing structure called for in AGIA.

Local lawmakers said the testimony didn't diminish their support for TransCanada's project.

**Rep. Mike Kelly, a Republican from Fairbanks, pointed to TransCanada's record of low tariffs and said he was convinced the producers were seeking control rather than the lowest cost pipeline.**

**Sen. Gene Therriault, a North Pole Republican, said he was still concerned about producer control of the pipeline and the lack of firm commitments.**

"They didn't have to ask permission to start Denali and they won't have to ask our permission to stop it," he said.

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Friday, July 11, 2008 8:00 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Loren Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Daily News opinion piece: Independent gas line will best serve Alaska's interests

## Independent gas line will best serve Alaska's interests

COMPASS: *OTHER POINTS OF VIEW*

By REP. LES GARA

Published: July 11th, 2008 12:27 AM

Last Modified: July 11th, 2008 03:53 AM

**The current gas pipeline debate is nothing less than a battle for this state's sovereignty.**

I, some of my colleagues and the governor believe a simple truth: Alaska will be much better served by a gas pipeline owned by an independent company, and not one that includes concessions that would be demanded if we proceed with a gas line owned by Exxon, British Petroleum or Conoco.

Those companies hold the North Slope leases to Alaska's largest known reserves of natural gas. Granting them a monopoly over both Alaska's largest known gas supply and our gas pipeline should be a last, not the first, resort.

The employees of these companies do our economy an important service. But it's easy to forget that the CEOs who make the business decisions for these multinational companies have a legal duty to take as much value from our natural gas for their shareholders, at the expense of our residents. That's why British Petroleum and Conoco oppose an independently owned pipeline and seek monopoly control over this project.

Why does an independent project serve our interests better? And how are companies like British Petroleum working to block an independent pipeline?

Under the Alaska Gasline Inducement Act we passed last year, we adopted protections that British Petroleum and Conoco, and to a lesser extent Exxon, have vocally opposed. The TransCanada-Alaska project complies with the act.

The major gas holding companies have an interest in forcing the state to grant them billions in tax concessions. If they own the pipeline, they can hold back construction until we say "uncle" and grant the concessions they demand. While BP and Conoco say they have a gasline proposal they dub "Denali," to date it contains few details about terms or the concessions they demand.

Our law also imposes a "fair transportation rate" requirement. That will help competing companies explore for and develop new gas reserves that this state needs. The major gas holding companies have an interest in deterring competition by overcharging competitors for moving gas through the line.

So, how will the major gas holding companies try to block an independent line?

First, you'll see lots of expensive ads.

And, as expert Spencer Hosie stated at hearings this summer, British Petroleum and Conoco will send signals that

7/16/2008

they won't sell their North Slope gas into an independent gas line. No company will build a \$20 billion-to-\$35 billion gas line unless BP, Conoco and Exxon put their natural gas into it.

While that threat makes for good theater, the state shouldn't flinch at it. In response to a letter that I and 11 other Democrats sent to the major oil companies, Exxon seems to concede they are required to sell their gas, according to Mr. Hosie. The other companies will have to do the same.

Mr. Hosie rightly explains that Alaska's oil and gas leases impose a "duty to produce" natural gas once it's profitable. This legal duty is the hammer that will convince the major oil companies to help with a gas line project. While they can threaten to withhold our natural gas, they do so at the peril of having their multi-billion-dollar leases revoked and bid to more willing companies. They'll push this threat only so far.

It would be a stretch to say there is a quick, easy way to a gas pipeline. But the best path forward is to push an independent line that promotes competition, gas for Alaska's communities, and Alaska's tax and political sovereignty.

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Les Gara is a Democrat who represents downtown Anchorage in the Alaska House of Representatives. He can be contacted at 269-0106 or [rep.les.gara@legis.state.ak.us](mailto:rep.les.gara@legis.state.ak.us).

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]**Sent:** Thursday, July 10, 2008 8:58 PM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pieron; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Andrew Halcro: Doogan on the bullet line & the car rental analogy

## Doogan on the bullet line & the car rental analogy

On Wednesday morning during legislative discussions on the recently announced bullet line rolled out by Governor Sarah Palin, Representative Mike Doogan did what he does so well: summarize a situation in a concise sentence.

### Doogan on the proposed bullet line:

"As I understand it, what's different between today and the day before there was a press conference is that there has been the announcement of a partnership that has yet to be formed, to ship gas that has yet to be discovered, in what seems to be the wrong direction, in a pipeline that has yet to be built and details will follow."

Classic Doogan...and his comments drew the only round of applause I have ever heard in a legislative setting without it being someone's birthday.

### The Car Rental Analogy

On Wednesday, Continental Energy Systems CEO Gene Dubay was explaining to lawmakers about the challenges they have with the deliverability of gas and how supply and demand impact cost.

He used an example that is one of my favorites; the seasonal car rental analogy.

"I paid north of \$300 for a rental car in Anchorage for three days, that's not the price I pay in the winter time. It's a reflection of the fact that there is more demand, I believe, in the summer time than there are rental cars", Dubay stated.

Dubay is exactly right and his analogy highlights two critical points that we have argued in relation to the gas pipeline; taxes and risk.

With regards to taxes, out of his \$300 dollar bill, \$84 of that was for city and state taxes. (Thanks, Pete Kott, hope prison is treating you well)

With regards to risk, not a summer goes by that someone doesn't ask why there aren't more cars in the summer. The answer is easy; because there is a long, long winter. Like any business, you only take on the amount of risk that you feel your company can handle...not the amount of risk that government thinks you can handle like AGIA prescribes.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]

**Sent:** Thursday, July 10, 2008 8:53 PM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Voice of the Times: What about aid to Alaska's communities?

## **What about aid to Alaska's communities?**

**WE ARE SCRATCHING** our heads about the new state proposal to spend \$21 billion on alternative energy, trying to make sense of it.

**We find it unimaginable that the Legislature would look at such a seemingly crackpot scheme but has still not seriously considered sharing state largesse with the local communities.**

Larger cities like Anchorage are still paying horrendous property taxes, others are paying high sales taxes, and some villages are laying off their few employees — including police officers — because of empty treasuries. The \$1,200 energy checks will help, but not much. The need is much greater than that.

This seems to be one more indication that Alaska's government priorities have gone astray, dangerously so.

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]**Sent:** Thursday, July 10, 2008 8:49 PM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Stefan Milkowski/blog: Exxon blows in, makes demands**Exxon blows in, makes demands**By [Stefan Milkowski](#)

Published Thursday, July 10, 2008

Exxon Mobil might have sounded like a willing pipeline partner in recent months, publicly committing to ship its North Slope gas down a TransCanada or producer-owned pipeline.

But the company offered a caveat then -- it would need "commercially reasonable" terms -- and on Thursday, a top executive suggested what those terms might be.

Exxon's U.S. joint interest manager, Marty Massey, said his company would want to own a chunk of the pipeline, for one.

"Our requirement is we need to own equal to our throughput," he said. (If Exxon commits 40 percent of the gas, it wants to own 40 percent of the line.)

Exxon would also want more certainty on fiscal terms. Massey didn't say whether the current gas production tax rate was OK, or how long he would want it locked in, but said the 10-year statutory lock-in offered in AGIA didn't offer "any fiscal predictability." (It's not contractual.)

Massey surprised me (and I think others) in the boldness of his demands. At one point, he spoke from the perspective of a pipeline builder -- he said Exxon would aim for an 80-20 debt-equity ratio -- despite not being involved at this point in any pipeline project.

At another, he recommended going back to open negotiations -- What are your needs? What are my needs? Can we find creative solutions? Massey suggested things like royalty-in-kind and tax-in-kind (a relic from the SGDA contract) should be back on the table.

Sen. Hollis French, D-Anchorage, responded that he at least wasn't ready to give more than lawmakers agreed to give last year under AGIA.

"At least from my perspective, that's sort of our last, best offer," he said. "If that's not enough, I think we need to know before we get to open season."

Massey acknowledged there would be a "hurdle to overcome" if the other producers also wanted to own a share in TransCanada's line equal to their throughput (TransCanada would end up with nothing) and argued that alignment between the state and producers was critical for making a gas line go.

But he didn't offer a specific recommendation on the AGIA vote, and said Exxon was still trying to figure out which project -- TransCanada under AGIA or Denali outside it -- was more likely to lead to alignment among parties and, ultimately, a successful project.

**"The question . . . is does AGIA help align the parties to achieve a successful project?" he said. ". . . I don't think we have the answer today to know which way to go."**

Somewhat more predictably, Massey also said the state should back Exxon's current Point Thomson project and approve its plan of development. He added that Point Thomson gas was critical for a pipeline project, and that Exxon's plan was the fastest way to make it available.

**Rynniva Moss**

**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Thursday, July 10, 2008 8:44 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Steve Quinn: BP, ConocoPhillips joint gas line proposal touted

**BP, ConocoPhillips joint gas line proposal touted**

Steve Quinn/The Associated Press

Published Thursday, July 10, 2008

JUNEAU -- Bud Fackrell says the Denali pipeline project proposed by oil giants BP PLC and ConocoPhillips is not a publicity stunt to sway lawmakers away from backing off a proposal by TransCanada Corp.

On Thursday, he tried to convince skeptical state lawmakers that the joint project is legitimate and on a progressive track this summer.

Fackrell, president of the joint venture, addressed them during a legislative hearing on Gov. Sarah Palin's gas line proposal.

Denali is a competing project to Palin's preferred choice, the one proposed by TransCanada Corp. under the state's Alaska Gasline Inducement Act.

Lawmakers have until Aug. 2 to support or reject Palin's recommendation to award TransCanada an exclusive license.

The joint venture came to the party late - about four months after TransCanada submitted its proposal under the AGIA guidelines - but some lawmakers say the project should not be dismissed.

Lawmakers backing the oil companies' effort say they favor this plan because it doesn't require the \$500 million in seed money that would go to TransCanada Corp. along with the exclusive license to pursue federal permits.

Doubters say the Denali project sorely lacks details and information, and they wasted little time in questioning the company's intent.

**"What I see from Denali is an awful lot of money spent on full-page ads describing a wonderful company who is going to make great opportunities for the state," said Rep. Carl Gatto, R-Wasilla. "I don't have any comfort at all in the ads.**

**"My feeling is that the public may be getting the exact same feeling, that they are splashy ads. They look good, but they have no substance to them. I want to see an action plan."**

Fackrell stressed that Denali is a separate pipeline company and deferred questions about fiscal issues related to natural gas production, royalties and taxes to the parent companies.

Fackrell stuck to a script, reiterating the company's intent to spend up to \$600 million on field and engineering work toward a time when it solicits long-term commitments from companies to ship gas; this is known as an open season.

**In short, Fackrell told doubters to wait and see.**

**"I'm not asking you to trust me; I'm asking you to watch me," Fackrell said. "Both of my owners have been here 50 years."**

**Sen. Bill Wielechowski, D-Anchorage, asked why the Denali project offers no guarantees of progress toward construction or long-term commitments from the oil producers seeking to build the pipeline.**

**"We've got written commitments; we've got penalties," Wielechowski said of the plan under which TransCanada seeks a license. "We don't have that with Denali. Can you give us any guarantees?"**

Fackrell said the commitments are in place and in practice with workers in the field right now.

"The commitment I'd like to give you is this company was formed by two major producers in the state," Fackrell said. "We stated from the very beginning we are committed to having an open season by 2010. I'm spending \$40 million this summer."

Rep. Mike Doogan, D-Anchorage, wasn't satisfied and provided the strongest push back.

He said cost overruns on the producer-constructed, 800-mile trans-Alaskan oil pipeline more than 30 years ago should be a red-flag to anyone backing a line owned by the North Slope leaseholders.

"I'm going to assume that your company is a real company, and frankly that scares me," Doogan said. "When they were finished, the cost overruns were, the kindest number I've seen was 800 percent, but I think the real number was 1,000 percent."

**"So I've got some concerns about the majors' abilities to build a pipeline at anything like the initial cost estimates (\$30 billion). How much experience does your project team have in building pipeline these kind of projects in a regulated environment like North America?"**

Fackrell cited the two companies' ownership of more than 50,000 miles of pipeline worldwide, while pointing out BP's pipelines in the Caspian Sea and the Gulf of Mexico as examples of strong project development.

**"We are in the business of building projects; that's what I do," Fackrell said. "The companies that can build the pipeline the most efficiently for you are these two companies who have operated on the North Slope for 50 years."**

"We know the North Slope. We've proven we can do it. If any two companies can pull it off within the cost estimates, it's these two companies."

Sen. Bert Stedman, R-Sitka, said BP and ConocoPhillips wouldn't risk credibility loss and potential shareholder backlash by investing time and money on a ruse.

"For publicly traded corporations, they would have a whole litany of legal issues if they were running a sham and running a shell corporation to do nothing but running interference," Stedman said. "Not only would they have to answer to shareholders, they'd have to answer to people of the state and federal regulators, recognizing they could still terminate the project if it's deemed uneconomical."

## Rynnieva Moss

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Thursday, July 10, 2008 8:39 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koenernan; Paul Labelle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski/blog: Hardball with Denali

## Hardball with Denali

By [Stefan Milkowski](#)

Published Thursday, July 10, 2008

Denali's Bud Fackrell was in Juneau today pitching his pipeline project, and **lawmakers didn't let him off easy. It took 45 minutes to get through the first slide of his PowerPoint.**

How many new people have you hired? Where's your office? Is your project a sham?

Fackrell mostly stayed calm, responding to the most aggressive questions with, "Thank you for the question."

The biggest line of questioning involved which of the 20 "must-have" requirements in AGIA Denali is willing to commit to. The requirements deal with how the project is financed, built, and expanded, among other things.

Fackrell committed to a few. Rates will be distance-sensitive in Alaska, and the pipeline will solicit interest in pipeline expansion every two years, he said.

But even then, the commitments had caveats. Lawmakers and Fackrell went back and forth about whether Denali would for sure solicit interest or was only planning to. (Fackrell said in the end that they would for sure, but didn't directly commit to expanding the pipeline if there was interest.)

Fackrell did not commit to the debt-equity ratio under AGIA, which was aimed at keeping shipping costs low.

Fackrell repeated a number of times Denali's commitment to moving ahead with the project, spending \$40 million this summer and \$600 million to get to open season.

**"I'm not asking you to trust me," he said. "I'm asking you to watch me."**

When asked, he expressed concerns about approving a pipeline license for TransCanada under AGIA, and he warned that going with TransCanada could jeopardize the whole project.

At times, it seemed unclear who Fackrell was speaking for, and how Denali related to ConocoPhillips and BP. Fackrell touted the experience and financial might of the parent companies, but refused to address the fiscal concessions they might seek. (The producers are scheduled to testify tomorrow.)

Of course, the big news of the day was the indictment of Sen. John Cowdery. **A good chunk of the bipartisan Senate majority disappeared after the announcement, and the group held a caucus meeting over lunch to discuss the issue.**

**Rynniva Moss**

**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Thursday, July 10, 2008 7:49 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy: \$21 billion Alaska energy plan proposed

**\$21 billion Alaska energy plan proposed**

RENEWABLE AND ALTERNATIVE: Inclusion of coal in projects leaves some lawmakers less than happy.

By WESLEY LOY  
 wloy@adn.com

Published: July 10th, 2008 12:02 AM  
 Last Modified: July 10th, 2008 01:31 AM

JUNEAU – State lawmakers here for a special session on the natural gas pipeline are quietly considering another blockbuster energy idea – plowing nearly \$21 billion into "renewable" and "alternative" energy projects.

But some legislators say a dirty word, coal, appears all through the proposed legislation that's making the rounds in the Capitol.

The bill, which has not yet been introduced and is labeled "work draft," has language saying the intent is for lawmakers to contribute \$20.75 billion to a renewable and alternative energy grant fund over the next five years.

The money, presumably, would come from the state's huge oil revenue surpluses, assuming they continue.

The draft legislation says energy projects such as a plant that "produces ultraclean fuels from coal" would be eligible for funding.

The main backers of the coal provision are local officials from the Fairbanks area, where skyrocketing energy prices have people alarmed, said House Speaker John Harris, R-Valdez.

Harris said his office worked on the draft legislation with Fairbanks North Star Borough Mayor Jim Whitaker and others.

He couldn't say for sure, but Harris expects the draft bill to be formally introduced at some point during the 30-day special session that began Wednesday.

But some lawmakers criticized the legislation, saying that most people understand renewable and alternative energy to include wind, solar, geothermal, hydroelectric, tidal or biomass projects – not coal.

"Coal is not renewable energy and by any fair definition it's not really alternative energy," said Rep. Les Gara, an Anchorage Democrat.

House Minority Leader Beth Kerttula, D-Juneau, said she was struck by the staggering dollar figure in the bill – \$21 billion.

"Yeah, that's a rather large number, to put it mildly, even with our surpluses," she said.

**Two Fairbanks lawmakers, Republican Reps. Mike Kelly and Jay Ramras, said Wednesday they had not yet seen the draft legislation.**

**But Kelly, formerly chief executive of the electric power utility in Fairbanks, said he likes the idea of using known technology to convert the state's abundant coal into a liquid fuel that local consumers could use.**

**"We've got a hundred-year coal supply for the nation in Alaska," he said.**

Ramras said a big worry is finding alternative power supplies for Eielson Air Force Base near Fairbanks. He said a recent federal law requires Air Force bases to use more alternative energy sources.

He said Eielson is at risk of landing on the military's base-closure list because of high costs in Fairbanks.

Lawmakers are meeting in special session to consider bills related not only to a natural gas pipeline from the North Slope to Alberta, Canada, but other energy-related legislation including a proposed \$1,200 "resource rebate" for each Alaskan.

**State Natural Resources Commissioner Tom Irwin said Wednesday he also had not yet seen the draft legislation on renewable and alternative energy grants, though he'd heard about the \$21 billion figure.**

**"I didn't even know it was all typed up as a bill yet," he said.**

Irwin declined to comment on the bill before reading it closely. However, he said the Palin administration believes the state needs to move into more renewable and alternative forms of energy, especially now that it has billions of spare dollars to invest.

Whitaker, the Fairbanks borough mayor, could not be reached for comment Wednesday.

**But Harris said he's encouraged Whitaker and other Fairbanks officials to come to Juneau to lobby for the draft bill.**

**Gara said he's not necessarily opposed to using coal-based energy "as a last resort."**

**He said his main objection to the draft bill is that steering money to coal projects will detract from the focus on true and cleaner renewable and alternative energy ideas.**

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Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 1-907-586-1531.

**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 09, 2008 8:23 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** News-Miner: Funding, logistics slow cheers for In-state gas line

**Funding, logistics slow cheers for in-state gas line**By Rena Delbridge

Published Wednesday, July 9, 2008

FAIRBANKS — Gov. Sarah Palin's proposed in-state gas line, unveiled Monday with some fanfare, faces uncertain prospects with its funding and gas supply, according to some of those involved in the project.

Palin announced a public-private partnership between the state, Enstar Natural Gas Co. and the Alaska Natural Gas Development Authority to build a small-diameter "bullet line" within the next five years. The plan is to link Anchorage, Fairbanks and the North Slope in a way that will ease Fairbanks' home heating oil woes soon while opening a route for North Slope gas to reach Anchorage markets in the long-term.

The smaller line eventually could serve as the in-state spur of a major pipeline, such as the one proposed by TransCanada or the joint proposal by BP and ConocoPhillips.

Officials with the state, Enstar and ANGDA agree the line would put infrastructure in place to allow Alaskans to access their resources, but each party envisions that happening in a somewhat different way. The state is hoping to send a signal to explorers that the market demands more gas, thereby spurring new exploration and assuring a steady energy supply for Southcentral, said Joe Balash, special assistant to the governor on oil and gas issues.

Enstar is looking to a line that could feed Anchorage markets with North Slope gas as Cook Inlet contracts become shorter and more difficult to arrange, said Curtis Thayer, director of corporate and external affairs for the utility.

And the voter-created ANGDA, which can access funding outside of the state treasury, said the bullet line keeps Alaska's options open into the future, with the potential for boosting propane and liquefied natural gas markets as well, said Harold Heinze, CEO.

How a spur line plays out could hinge on supply. Enstar and ANGDA seem less confident than the state that Cook Inlet can continue supplying gas to meet needs, citing some lapses already at peak winter use in Anchorage.

"We have been unsuccessful in negotiating contracts over five years due to the deliverability of gas in the Cook Inlet," Thayer said. Because of that, he added, Enstar has had to look elsewhere for gas sources. The Anchorage-area utility serves about half of Alaska's population with 3,000 miles of distribution lines in Southcentral.

"Do we want to roll the dice, or do we want to spend the money and build a line to the (North Slope) foothills?" Thayer asked. "We know there is gas on the North Slope. The thing is, we don't have the gas in Cook Inlet. The gas does not exist in Cook Inlet."

Fairbanks Natural Gas President Dan Britton said he, too, has questions about Palin's proposal to deliver Cook Inlet natural gas to Fairbanks.

"We are doing that today but struggle to get contracts for Cook Inlet gas," he said. "It's hard for me to

**understand what the justification might be for a multi-billion investment when you're unable to secure a longer gas supply."**

One possible supply could come from Anadarko's development of the Gubik field in the North Slope foothills, Thayer said. FNG also is turning to the North Slope, with plans to build a liquid natural gas facility in the next few years and truck the product to Fairbanks markets.

Whether Palin's bullet line stops at Fairbanks or reaches the North Slope depends on whether Cook Inlet gas can supply the line and whether exploration underway in the Nenana and Copper River basins turns into development, according to an administration press release.

**Heinze, of ANGDA, said a bullet line might bridge the gap for Fairbanks until a large line links the North Slope with Canada and the Lower 48. He said the general view is that Cook Inlet has "lots of potential" but that he and Enstar are somewhat more skeptical.**

Enstar officials estimated Cook Inlet supplies could run out by 2014, he said.

**"There is no doubt there are some real problems," Heinze said. "On the other hand, the administration is very confident, and they are the landowner."**

The governor's office said it believes Cook Inlet has strong resources.

"What we're trying to do here is create access to markets for gas that we believe is in Cook Inlet, our geologists believe is in Cook Inlet. It's creating the opportunity for that gas to make it into the market and get sold," Balash said.

**Balash acknowledged that the proven reserves in Southcentral are falling into the nine- to 10-year range, but he said a changing supply-demand ratio may drive new exploration.**

The Richardson Route was previously considered by ANGDA, and offers a known path and access to potential military and industrial clients, while avoiding permitting problems that could crop up near a national park, Heinze said. Exact routing is one of the things the team will have to discuss.

Progress of any kind probably won't be made until after the legislative special session on TransCanada's pipeline proposal under the Alaska Gasline Inducement Act wraps up this summer.

**Balash expected the group to then iron out a timeline, evaluate financing options and decide how each party can contribute.**

**"We have a pretty healthy treasury and the ability to do some things, the luxury to do some things now," he said. "At the end of the day it's likely that we'll be asking the Legislature for some form of financial support or commitment or guarantees — something that helps bring surety to the project."**

In Fairbanks, Britton said that once a larger supply of gas reaches the city, either through the bullet line or trucked in as LNG, an expansion could be in order to the 50-plus miles of distribution line already in place.

"The timing of expansion would depend on people's interest level and the economics of the expansion," Britton said. Conditions, roads and populations all figure into the cost equation, he said, although on average new distribution may run \$200,000 per mile.

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 09, 2008 8:18 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koelerman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl S...on; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@a...et  
**Subject:** Pat Forgey: Legislature returns today; Oil industry officials scheduled to have first say this week



Brian Wallace / Juneau Empire

Lawmaker lands in Juneau: Rep. Bill Thomas, R-Haines, who also is a commercial fisherman, ties up his fishing boat Tuesday at the Don D. Statter Harbor in Auke Bay. Thomas arrived in Juneau to attend the special session, which begins today.

Wednesday, July 09, 2008

Story last updated at 7/9/2008 - 9:29 am

## Legislature returns today

## Oil industry officials scheduled to have first say this week

By Pat Forgey | JUNEAU EMPIRE

The Alaska Legislature will convene in Juneau today for its second special session of the year, continuing discussion of the state's plans to bring a natural gas pipeline to the North Slope.

During this session, the Legislature will for the first time hear from the state's North Slope oil producers, who hold leases on vast supplies of natural gas but have been reluctant to build the pipeline needed to commercialize it.

Finally developing those gas resources could come at a crucial time for Alaska, as flow through the trans-Alaska pipeline has declined from its 2 million barrels a day in the 1980s to about 700,000.

The Legislature is considering issuing a license to TransCanada Corp., of Calgary, Alberta, to build a pipeline. That license would require TransCanada to structure its pipeline so as to spur more exploration and development of the North Slope, and provide \$500 million in state money to help with initial permitting.

At the same time, two of the state's big producers, BP and ConocoPhillips Co. are racing forward with their own proposal, called "Denali - the Alaska Gas Pipeline LLC."

Industry allies in the Legislature are urging their colleagues to reject the TransCanada license and let the producers build the line.

The two companies are heavily promoting their pipeline plans in the media, but have provided few details about how their project would be structured.

Bud Fackrell, heading up the Denali project, which has already begun survey work out of a field office in Tok, will testify at the invitation of the Legislature about the project Thursday, while Exxon Mobil will testify Friday.

**Rep. Beth Kerttula, D-Juneau, said she was looking forward to hearing what the companies have to say.**

**"Let them tell us why they haven't produced so far, and built their own line," she said.**

**Kerttula said Gov. Sarah Palin's Alaska Gasline Inducement Act, which produced the TransCanada proposal, is likely what is prompting BP and ConocoPhillips to start on their own pipeline proposal.**

Last week two Democratic senators, members of the majority coalition that governs the Senate, called for more information about the project as well, saying they haven't been able to give it serious consideration because so far the companies have provided only "scant" information about their proposal.

Sens. Bill Wielechowski and Hollis French, both of Anchorage, said TransCanada provided the state with great detail on how it would structure its deal to meet Alaska's development needs.

"We have yet to hear an equally detailed description from ConocoPhillips or (BP) about how your proposal would meet the needs of Alaskans," a letter the two recently sent to Fackrell reads.

The AGIA requires proposals seeking a \$500 million state subsidy meet a series of "must haves," such as tariff structure and debt to equity ratios, to ensure the pipeline will be profitable for both the state and the owners.

**Palin energy advisor Joe Balash said he's curious to find out what's being proposed by the producers as well.**

**"Are they willing to pursue Federal Energy Regulatory Commission certification, regardless of open season results in 2010?" he asked. "Are they prepared to pursue a project labor agreement?"**

Fackrell will provide an overview of the Denali project at the request of the Legislature, said ConocoPhillips spokesperson Natalie Lowman. She said she did not yet have details of his presentation.

Also scheduled for this week is a presentation by the Consensus Building Institute, requested by Sen. Lesil McGuire, R-Anchorage, also a member of the majority coalition but more aligned with the oil producers.

She credited AGIA with moving the state toward a gas pipeline, but said both sides need to be brought together by a mediator to bring the state and the natural gas leaseholders together.

"How do we get North Slope gas producers to commit to putting gas into a TransCanada line when they have every intention to building their own?" McGuire asked in a letter to legislative leaders.

The Legislature resumes meeting today, and under the provision of AGIA has until Aug. 2 to approve the TransCanada license.

• Contact reporter Pat Forgey at 523-2250 or e-mail [patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]**Sent:** Wednesday, July 09, 2008 8:20 AM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Daily News: North Slope oil production down in June

## North Slope oil production down in June

**5.5 PERCENT: Planned shutdown of trans-Alaska pipeline and Slope field maintenance behind the drop.**

### Petroleum News

Published: July 8th, 2008 11:19 PM

Last Modified: July 8th, 2008 03:24 AM

**North Slope oil production averaged 666,873 barrels per day in June, a 5.5 percent drop from May's average.**

All the fields there, except Northstar, had less production in June, driven by a planned shutdown of the trans-Alaska oil pipeline at the end of the month and planned field maintenance.

The pipeline shutdown June 28-29 for 24 hours to replace a remote gate valve near Fairbanks and piping at Pump Station 9, said Michelle Egan, spokeswoman for Alyeska Pipeline Service Co., the oil-company consortium that runs the 800-mile pipeline. Pump Station 9 is the southern-most of the working pump stations, about 250 miles north of Valdez. Another maintenance shutdown is planned for next month.

**North Slope production bottomed out at 250,001 barrels on June 28, according to the state Department of Revenue.****The biggest oil field, Prudhoe Bay, and its smaller satellite fields averaged 285,765 barrels a day in June, down 2.5 percent.****Kuparuk River, the second biggest field, averaged 142,547 barrels a day, down 4.7 percent.** The total includes oil from the nearby Tabasco, Tarn and Meltwater satellite fields as well as from the West Sak field.

The Alpine field and its satellites averaged 112,036 barrels a day, down 2.7 percent.

The largest drop occurred at Lisburne, Point McIntyre and Niakuk, which combined for 21,951 barrels a day, down 37 percent. The Revenue Department said planned maintenance began at Lisburne on June 1 and production was depressed for half the month.

The second-biggest drop – 21 percent – was at the Milne Point field, which averaged 28,251 barrels a day. Scheduled maintenance there began June 28.

The Northstar field averaged 35,641 barrels a day, up 23 percent. Oil company BP had lowered Northstar output earlier this year for maintenance and its production is returning to pre-maintenance levels.

In Cook Inlet, oil production averaged 13,111 barrels a day, up 2 percent from May.

## Rynniewa Moss

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Wednesday, July 09, 2008 8:16 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniewa Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Daily News editorial: Maybe it's not so strange ...

## Maybe it's not so strange ...

*Send gas north from Cook Inlet to Fairbanks?*

Published: July 8th, 2008 11:10 PM  
 Last Modified: July 8th, 2008 02:04 AM

**Good thing Enstar, an upstanding, multimillion-dollar private company, was at Gov. Palin's press conference Monday. Otherwise, a sober-minded observer might have wondered -- have the governor and the Alaska Natural Gas Development Authority gone crazy?**



[Click to enlarge](#)

Instead of shipping gas from the North Slope south to Fairbanks and Southcentral, the government leaders were talking about shipping gas north to the Golden Heart city from Cook Inlet.

That's Cook Inlet, where local utilities are already wondering how they'll get enough natural gas to supply their own customers in the coming decade. Where the Agrium fertilizer plant shut down because it couldn't get natural gas feedstock.

Not only that, Gov. Palin and the gas development authority were talking about sending the gas north on an L-shaped route through Glennallen. That's roughly 100 miles longer than a bullet line shooting straight along the Parks Highway.

On the surface, Monday's deal makes as much sense as trying to feed New York City with grain from the Arizona desert, instead of the fertile plains of the Midwest.

**But there was Enstar, chief proponent of the small, in-state "bullet" pipeline from the North Slope, lending**

7/9/2008

credibility to the whole affair.

#### ALASKA GAS AS A CHESS GAME

If you look deeper at what's going on, and think of gas development throughout Alaska as a huge chess game, Monday's announcement begins to make a little more sense.

The new partnership may not produce the L-shaped, northbound gas project the parties were talking about Monday. But in the bigger chess game, the players in this deal are creating more options for themselves.

Here's how.

Cook Inlet still has lots of untapped potential for natural gas. Companies don't have much incentive to look for it because there is no ready market for any big, new discovery. Today's Cook Inlet gas supplies were found by companies looking for oil.

#### WHAT ENSTAR GAINS

Anything that might stimulate Cook Inlet gas exploration helps Enstar in a couple of ways.

It improves the odds the company can get new gas to supply existing customers in Southcentral. It also creates an alternative source of gas for expanding Enstar's network to the rest of the Railbelt, including Fairbanks and the missile defense system at Delta Junction. The more gas Enstar moves, the more money it makes.

Right now, Enstar's only option for expanding is the bullet line from Anadarko's holdings in the North Slope foothills to Fairbanks and Southcentral. Having a Cook Inlet supply option would give Enstar leverage in negotiations with Anadarko. The Anadarko option is already giving Enstar leverage with Cook Inlet gas producers -- something Enstar has lacked until now. It doesn't matter to Enstar if gas is moving north to south or vice versa, as long as it's moving to Enstar customers.

Partnering with the gas line development authority could give Enstar cheaper, tax-free government financing for a pipeline.

#### WHAT THE STATE GAINS

Monday's announcement does a couple of things for the state, too. The L-route through Glennallen would help open markets for gas prospects that have been found on state land in the Copper Center basin. A line taking gas north from Cook Inlet would also help stimulate drilling on state leases in Southcentral.

Finally, the partnership announced Monday has political value for the Palin Administration. It's a way to say to Fairbanks, "We feel your pain. We're working on your energy problem."

It's also a way to mollify those who complain that the governor is too focused on shipping gas out through Canada, instead of getting gas to Alaskans. This arrangement gives the Alaska Natural Gas Development Authority -- created by voter initiative in 2002 -- something useful to do. The agency can issue bonds to finance the project. It has also secured a right of way for a gas line from Palmer to Glennallen and can do similar work north from Glennallen to Delta Junction.

Last but not least, the deal raises the prospect that Cook Inlet gas producers might demand space in an export line running through Canada. If so, they would give the Palin administration strong private sector supporters for its goal of making that line accessible and affordable for new explorers.

#### LESS THAN ADVERTISED

For now, what the Palin Administration announced Monday is much less than advertised. It's nothing more

than an agreement to talk about new gas line options in the Railbelt. All that talk about dates that construction might begin and gas might begin to flow was premature.

Enstar and the state have basically agreed to start seeing each other. They are not married to anything yet, and they definitely have not conceived a viable project.

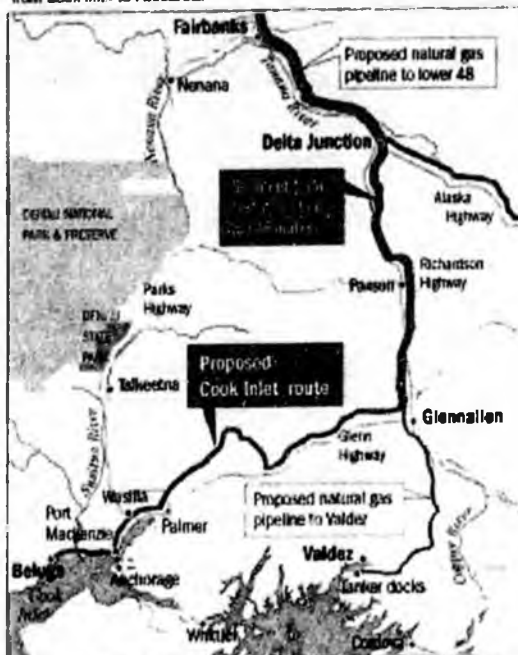
But what they have done is send a strong message to North Slope gas holders -- you're not the only game in town.

**BOTTOM LINE:** Think of gas development in Alaska as a chess game, and the strange arrangement unveiled Monday begins to make more sense.

adn.com

### Gas line route options

Federal and the state are talking about a pipeline taking gas north from Cook Inlet to Fairbanks.



Source: Alaska Natural Gas Development Authority. RON ENOSTRON - Anchorage Daily News

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**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 08, 2008 5:57 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: Playing it by ear? The populist pipeline plan

## Playing it by ear? The populist pipeline plan

Yesterday, during the press conference when Governor Palin, Enstar and ANGDA announced their plans to create a partnership to study building a bullet line that would ship natural gas from Cook Inlet north to Fairbanks, the question of state support for the project came up.

I get the feeling from the populace that they would be okay with the state making an investment in this project, the governor stated. The executive with Enstar added that with state support, this line was a slam dunk.

This is where we all should take a deep breath and closely listen to exactly what these folks are talking about.

One of the most passionate proponents of the bullet line is ANGDA Board Chair Scott Heyworth. He was the catalyst for the ANGDA initiative back in 2002 and has advocated tirelessly in support of a spur line or bullet line to get gas to southcentral because of diminishing gas supplies in Cook Inlet.

Now with this new proposal calling for gas to be shipped from Cook Inlet to the interior, after years of hearing concerns about how Cook Inlet is running out of gas, the biggest question asked yesterday was "where are you going to get gas to fill a north bound pipeline, when gas is getting tighter in the south?"

Heyworth's comments yesterday during the press conference on this question highlight how economic sense shouldn't be allowed to give way to passion when someone else is paying the bill...in this case that someone would be you.

"There's been a lot of questions asked here about 'and where's the gas coming from and are we building a pre-build and we don't have gas'? I'd just like to give you the momentum feeling that ANGDA has had for quite awhile.

We start building a pre-build. I know where there is 35tcf of gas. We just have to get up there. So lets get or work force trained, working, get the ditches going and lets get to Delta Junction. I feel like it helps actually spur TC Alaska and Denali to have a little more competition, because we're coming. We're coming north.

We'll get to Delta Junction, if some things perhaps have some set backs or have fallen apart, lets go to Fairbanks.

If we get to Fairbanks and things still aren't happening this line could go all the way to the slope, so we can take it in sections.

We just play it by ear."

Just play it by ear? On a project that will cost upwards of \$4 billion?

There are a lot of unknowns that need to be known, but one thing is known for sure; this state shouldn't invest one dime in a multi billion dollar project with the understanding that it is playing it by ear.

We've heard that tune before....and it always ends up on a very sour note.

7/9/2008

**Rynnieva Moss**

**From:** Sharon Long  
**Sent:** Wednesday, July 09, 2008 9:11 AM  
**To:** Rynnieva Moss  
**Subject:** RE: Carryover of HB 3001

Thank you!

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Sharon J. Long, Staff  
 Senate Resources Committee  
 Senator Charlie Huggins, Chair  
 Interim: (907)269-0149  
 Session: (907) 463-4907

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**From:** Rynnieva Moss  
**Sent:** Wednesday, July 09, 2008 9:10 AM  
**To:** Sharon Long  
**Subject:** Carryover of HB 3001

In the past, the legislature has carried over bills by concurrent resolution, but AGIA had specific language that included the carryover provision.

Sec. ~~43.90.190~~. Legislative approval; issuance of license.

(a) After the presiding officer of each house of the legislature receives a determination from the commissioners under AS 43.90.180, the rules committee of each house of the legislature shall introduce a bill in the committee's respective chamber that provides for the approval of the license proposed to be issued by the commissioners.

(b) If a bill approving the issuance of the license passes the legislature within 60 days after the last date a presiding officer receives a determination by the commissioners under AS 43.90.180, the commissioners shall issue the license as soon as practicable after the effective date of the Act approving the issuance of the license.

—(c) Notwithstanding a legislative rule that prohibits the carryover of a bill after the end of a special session or after the end of a regular session of a legislature, a bill introduced under (a) of this section that is not passed or not withdrawn, defeated, vetoed, or indefinitely postponed shall be carried over to any subsequent regular or special legislative session convened during the 60-day period described in (b) of this section in the same reading or status it was in at the time of adjournment. However, a bill introduced under (a) of this section may not be carried over to the first regular session of a legislature.

(d) If the legislature fails to approve the issuance of the license, the commissioners

—(1) may not issue the license that the legislature failed to approve; and

—(2) may request new applications for a license under AS 43.90.120.

7/9/2008



July 9, 2008

## Congress Feels Pressure for Action on Oil Prices

By **CARL HULSE** and **DAVID M. HERSZENHORN**

WASHINGTON — Senator **Susan Collins**, Republican of Maine, said anxiety over fuel oil costs is at crisis proportions in her state. Senator Amy Klobuchar, Democrat of Minnesota, said oil drilling advocates weighed in from the sidelines as she marched in a Fourth of July parade.

Senator **Bob Casey**, Democrat of Pennsylvania, heard it even closer to home, from his own teenager. "My daughter said, 'Dad, what are you going to do about gas prices?'" Mr. Casey said.

After spending a week in their states and districts with angry and frightened consumers, many lawmakers have returned to Capitol Hill convinced that Congress cannot afford a prolonged stalemate over energy policy.

"This is the No. 1 issue on people's minds, very clearly," said Senator **Kent Conrad**, Democrat of North Dakota and one of a bipartisan group of 10 senators who met Tuesday morning to pursue ideas on a compromise energy plan that could be enacted this year.

With Republicans pushing for more domestic oil and gas production and many Democrats focusing on alternative energy sources, finding consensus will not be easy Congressional leaders acknowledge.

Democratic leaders in the Senate also are not ready to embrace the idea of a bipartisan compromise on energy legislation, in part out of concern about adopting a position at odds with their expected presidential nominee, Senator **Barack Obama** of Illinois.

Mr. Obama, who has called for higher mileage standards and investments in alternative energy, so far has espoused the traditional Democratic view that domestic drilling is not the answer to high prices — a view he affirmed in a new television advertisement that began running Tuesday in four battleground states.

"This notion that somehow there's this acre of off-shore that **George W. Bush** is holding back, that if Congress would just let him sign the executive order that would produce the oil to bring down gas prices," said Senator **Richard J. Durbin** of Illinois, the No. 2 Democrat. "Doesn't that sound like a little bit of fantasy land?"

But with the public in an uproar over the cost of gasoline and fuel oil, many lawmakers in the House and Senate said Congress, with approval ratings at new lows, cannot stand by and simply trade accusations over who is responsible.

Neither Republicans nor Democrats are being spared in the minds of voters, one said. "They blame 'the government,'" said Ms. Collins, who noted that many Maine residents were panicked at the possibility of

paying \$5,000 to heat their homes this winter.

She and other lawmakers said they could see the contours of a deal that included new incentives for renewable fuels, more freedom for drilling in waters off states that sanction the drilling and a potential crackdown on speculation in the oil-futures market.

In both parties, there was a notable shift in tone.

Senator Harry Reid of Nevada, the majority leader, has made a refrain in recent weeks of saying, "We cannot drill our way out of this problem." But he opened his news conference on Tuesday with a different approach: "Let's begin the discussion here by saying, Democrats support domestic production."

He also hinted at a potential element of compromise legislation: that any oil produced from wider access to federal lands off shore be reserved for domestic use and barred from export. At the same time, he noted that Senator John McCain of Arizona, the Republican presidential candidate, had opposed similar restrictions in the past.

There was no indication from Mr. Reid or other lawmakers that a deal was imminent. And lawmakers acknowledged that none of the proposals under consideration would lower gasoline prices any time soon.

Republicans continued their call for expanded oil drilling, while emphasizing their willingness to compromise.

"When I was in Texas this last week, this is the No. 1 issue on people's minds," Senator John Cornyn said. "When people fill up their trucks or S.U.V.'s in Texas and pay over \$100 to fill up their vehicle, it gets their attention, and they are looking to Congress to frankly get out of the way and allow America to develop more of its own natural resources as we take other measures to conserve energy and become more efficient."

At the same news conference, Senator Mel Martinez, Republican of Florida, said: "I don't think that solar and renewables are any more of an answer tomorrow than opening up more areas for exploration would be," Mr. Martinez said. "All of these are long-term solutions."

He added, "In my way of thinking, the most immediate thing we could do to impact prices is consume less."

In the House, Democratic leaders affirmed their view that oil companies were not exploring all the leases they held now and said they did not want to be seen as hitting a political panic button.

Speaker Nancy Pelosi sought Tuesday to put pressure on President Bush, calling on him to release "a small portion" of the Strategic Petroleum Reserve to boost supply and cut price. Republicans said the call for more oil bolstered their argument for domestic drilling.

Should an energy measure begin to take shape, lawmakers have a variety of their own ideas to offer. Mr. Casey, the Pennsylvania senator, is proposing a bill that would subsidize the cost of fuel for volunteer firefighters responding to emergencies. Senator John W. Warner, Republican of Virginia, has resurrected the 55-mile-per-hour speed limit.

Virtually every lawmaker has stories to tell of constituents hurt by fuel costs. [Senator Pat Roberts](#), Republican of Kansas, has been telling colleagues about John Grau, a cattle farmer he met last month, the day after his home in Soldier, Kan., was destroyed by a tornado.

Mr. Grau told the senator that he was less worried about rebuilding, which he could afford, than about the pain of high gasoline prices. "He was concerned about the people who worked for him," an aide to the senator said. "He said the gas prices were really a hardship for them."

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**Rynnieva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Wednesday, July 09, 2008 8:26 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul LaLolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Jullanna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** News-Miner editorial: Energy relief

**Energy relief**

Published Wednesday, July 9, 2008

The Alaska Legislature returns to work today for the start of another special session, an extension actually, and a variety of energy topics are on the agenda. Added to the list this time around is some form of financial assistance for Alaskans as the winter months near and the price of heating oil and electricity remain high.

Gov. Sarah Palin late last month came out with a slimmed-down version of an energy assistance proposal after lawmakers and others criticized her original plan. **The governor deserves continued credit for responding to what is shaping up as a dire problem for a large portion of the state's population, chiefly that part that lives outside of the low-cost energy enclave of Anchorage.**

What the governor proposes now is to give each Alaska resident a one-time payout of \$1,200. The outright payment is a departure from her previous, and flawed, plan to give Alaskans a debit card that would be used to pay energy bills.

The governor also wants to help with the price of motor fuels, which continue to pinch consumers. She proposes a one-year suspension of the state's gasoline tax of 8 cents per gallon. Taxes would also be suspended on marine, aviation and jet fuels.

The overall plan could yet have other components, like what to do to help utility companies and cooperatives. **The governor originally proposed \$475 million of grants to utilities to help them lower the cost of consumers' bills, but that idea is undergoing some reworking.**

Even though the governor has scaled back her plans, concerns remain.

**For starters, the governor's proposal is for one year only. But what about next year and the year after that? Alaskans could come to expect the state will ride to their rescue each year. A sense of entitlement, one arising out of a principle that the state's profits from oil revenue should be shared directly with the masses, could manifest itself. An entitlement program could soon be born. That risk needs to be considered, even though the state is awash in cash from high oil prices.**

**Also, handing out money hardly encourages people to conserve energy. And energy conservation needs to be a practice instilled throughout homes and businesses in Alaska.**

And there's no guarantee at all that people will spend the \$1,200 payment on energy bills. The state could be giving money away only to still find people in need this winter.

But we recognize that, for many people, those concerns pale when laid alongside the concern about having the ability to stay warm in the dead of the arctic night.

**These are tough times, and the cold will only make them tougher without some form of aid. Gov. Palin and legislators, who will be called upon to approve the governor's plans, are correct to propose the state intervene in what should ordinarily be a matter for the marketplace. But they need to intervene cautiously by exploring all the ramifications and avoid the temptation to shovel cash willy-nilly to a public increasingly asking for help.**



# THE WALL STREET JOURNAL ONLINE

July 9, 2008

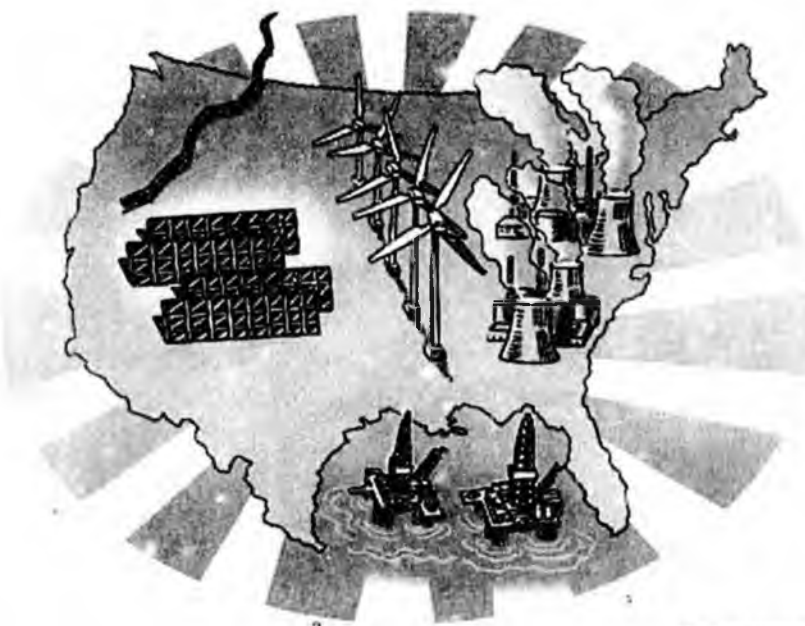
## OPINION

### My Plan to Escape the Grip of Foreign Oil

By **T. BOONE PICKENS**  
*July 9, 2008; Page A15*

One of the benefits of being around a long time is that you get to know a lot about certain things. I'm 80 years old and I've been an oilman for almost 60 years. I've drilled more dry holes and also found more oil than just about anyone in the industry. With all my experience, I've never been as worried about our energy security as I am now. Like many of us, I ignored what was happening. Now our country faces what I believe is the most serious situation since World War II.

The problem, of course, is our growing dependence on foreign oil – it's extreme, it's dangerous, and it threatens the future of our nation.



Martin Kozlowski

Let me share a few facts: Each year we import more and more oil. In 1973, the year of the infamous oil embargo, the United States imported about 24% of our oil. In 1990, at the start of the first Gulf War, this had climbed to 42%. Today, we import almost 70% of our oil.


This is a staggering number, particularly for a country that consumes oil the way we do. The U.S. uses nearly a quarter of the world's oil, with just 4% of the population and 3% of the world's reserves. This year, we will spend almost \$700 billion on imported

oil, which is more than four times the annual cost of our current war in Iraq.

In fact, if we don't do anything about this problem, over the next 10 years we will spend around \$10 trillion importing foreign oil. That is \$10 trillion leaving the U.S. and going to foreign nations, making it what I certainly believe will be the single largest transfer of wealth in human history.

Why do I believe that our dependence on foreign oil is such a danger to our country? Put simply, our economic engine is now 70% dependent on the energy resources of other countries, their good

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judgment, and most importantly, their good will toward us. Foreign oil is at the intersection of America's three most important issues: the economy, the environment and our national security. We need an energy plan that maps out how we're going to work our way out of this mess. I think I have such a plan.

Consider this: The world produces about 85 million barrels of oil a day, but global demand now tops 86 million barrels a day. And despite three years of record price increases, world oil production has declined every year since 2005. Meanwhile, the demand for oil will only increase as growing economies in countries like India and China gear up for enhanced oil consumption.

Add to this the fact that in many countries, including China, the government has a great deal of influence over its energy industry, allowing these countries to set strategic direction easily and pay whatever price is needed to secure oil. The U.S. has no similar policy, because we thankfully don't have state-controlled energy companies. But that doesn't mean we can't set goals and develop an energy policy that will overcome our addiction to foreign oil. I have a clear goal in mind with my plan. I want to reduce America's foreign oil imports by more than one-third in the next five to 10 years.

How will we do it? We'll start with wind power. Wind is 100% domestic, it is 100% renewable and it is 100% clean. Did you know that the midsection of this country, that stretch of land that starts in West Texas and reaches all the way up to the border with Canada, is called the "Saudi Arabia of the Wind"? It gets that name because we have the greatest wind reserves in the world. In 2008, the Department of Energy issued a study that stated that the U.S. has the capacity to generate 20% of its electricity supply from wind by 2030. I think we can do this or even more, but we must do it quicker.

My plan calls for taking the energy generated by wind and using it to replace a significant percentage of the natural gas that is now being used to fuel our power plants. Today, natural gas accounts for about 22% of our electricity generation in the U.S. We can use new wind capacity to free up the natural gas for use as a transportation fuel. That would displace more than one-third of our foreign oil imports. Natural gas is the only domestic energy of size that can be used to replace oil used for transportation, and it is abundant in the U.S. It is cheap and it is clean. With eight million natural-gas-powered vehicles on the road world-wide, the technology already exists to rapidly build out fleets of trucks, buses and even cars using natural gas as a fuel. Of these eight million vehicles, the U.S. has a paltry 150,000 right now. We can and should do so much more to build our fleet of natural-gas-powered vehicles.

I believe this plan will be the perfect bridge to the future, affording us the time to develop new technologies and a new perspective on our energy use. In addition to the plan I have proposed, I also want to see us explore all avenues and every energy alternative, from more R&D into batteries and fuel cells to development of solar, ethanol and biomass to more conservation. Drilling in the outer continental shelf should be considered as well, as we need to look at all options, recognizing that there is no silver bullet.

I believe my plan can be accomplished within 10 years if this country takes decisive and bold steps immediately. This plan dramatically reduces our dependence on foreign oil and lowers the cost of transportation. It invests in the heartland, creating thousands of new jobs. It substantially reduces America's carbon footprint and uses existing, proven technology. It will be accomplished solely through private investment with no new consumer or corporate taxes or government regulation. It will build a bridge to the future, giving us the time to develop new technologies.

The future begins as soon as Congress and the president act. The government must mandate the formation of wind and solar transmission corridors, and renew the subsidies for economic and alternative energy development in areas where the wind and sun are abundant. I am also calling for a monthly progress report on the reduction in foreign oil imports, as well as a monthly progress report on the state of development of natural gas vehicles in this country.

We have a golden opportunity in this election year to form bipartisan support for this plan. We have the grit and fortitude to shoulder the responsibility of change when our country's future is at stake, as Americans have proven repeatedly throughout this nation's history.

We need action. Now.

**Mr. Pickens is CEO of BP Capital.**

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**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Tuesday, July 08, 2008 8:43 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Ketchikan Daily News editorial/Juneau Empire: Don't let politics delay decision on gas pipeline plans

Tuesday, July 08, 2008

Story last updated at 7/8/2008 - 9:26 am

## **Alaska editorial: Don't let politics delay decision on gas pipeline plans**

This editorial appeared in the Ketchikan Daily News

When it comes to natural gas pipeline proposals, there are three major players - TransCanada, BP and ConocoPhillips together, and the state of Alaska.

Greatest among them is Alaska.

Alaska is the owner of what is believed to be at least 35 trillion cubic feet of natural gas. The gas is most valuable once it gets to market.

Getting it to market is the state's dilemma.

The Legislature convened in a special session called by Gov. Sarah Palin last month to review the state's options. While the only question to be answered officially is whether to endorse or reject Palin's recommendation that TransCanada be awarded a license designed to lead to pipeline construction, other options exist.

**Lawmakers can follow Palin's recommendation; they can reject it and pursue a pipeline with BP and ConocoPhillips; they can tie themselves into political knots of disagreement and fail to move ahead with getting the gas to market.**

**The latter option is simply unacceptable.**

Lawmakers must stay in special session until a pipeline option is chosen, or encourage both TransCanada and the oil companies to move forward with their proposals.

TransCanada proposes a 1,715-mile line from the North Slope to a pipeline hub in Calgary, Alberta, which connects to all major markets on the continent.

It would accept half a billion dollars from Alaska to move its line to construction.

Then TransCanada would need to acquire gas for its line from the oil companies that hold the leases on the natural gas: BP, ConocoPhillips and Exxon Mobile.

BP and Conoco Phillips trotted out a plan, called Denali - The Alaska Gas Pipeline, in April.

It involves building a 2,000-mile line from the North Slope to Alberta, and if necessary, a 1,500-mile line into the Lower 48. The plan already is in motion. It doesn't require a \$500 million investment from the state.

The two pipeline proposals exceed the TransAlaska Oil Pipeline in project magnitude. The oil pipeline is 800 miles long.

The state negotiated for several years with oil companies in an effort to get a pipeline built.

Nothing prevented the oil companies from beginning a pipeline years ago.

Neither Alaska, nor the market destined to accept the natural gas, can afford further delays, and the previous delays raise a flag of caution for lawmakers wishing to drive through a plan this summer.

The TransCanada plan isn't without its own flag. Alaskans are concerned about the half-billion-dollar contribution TransCanada requires, asking whether the proposal is a sound investment for the state when it has to contribute that amount.

If the oil companies had started their pipeline project in recent years, they wouldn't find themselves in competition for state support.

And the state likely would be investing its \$500 million in other economic projects in Alaska communities.

**But the competition exists. It's the competition that finally might get Alaska's natural gas into the Lower 48 where Americans need it.** It also needs to be piped into Alaska homes. Alaskans need the line, too - as owners and consumers of natural gas.

Alaskans don't want politics as usual when these plans are considered.

This situation requires looking at the plans objectively, weighing the pros and cons, and choosing the best plan for Alaska and Alaskans.

The Palin administration has worked steadily for the past year and a half toward a pipeline plan.

Those involved aren't economic slouches. Their process and recommendation deserves, and Alaskans demand, a critical and fair review.

**Then vote it up or down, but don't leave Alaskans without a pipeline moving toward construction.**

**Rynnleva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]**Sent:** Tuesday, July 08, 2008 8:13 AM**To:** Tim Beintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Luster; Rynnleva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Dermot Cole: Latest in-state pipeline plan raises questions about gas supply, consumer cost

## **Latest in-state pipeline plan raises questions about gas supply, consumer cost**

By Dermot Cole

Published Tuesday, July 8, 2008

If there is a reason for Fairbanks to support a small-diameter gas pipeline from Fairbanks to Anchorage via the Richardson and Glenn highways, the proponents did not provide one Monday.

Instead, they justified the longer route with vague comments about development of Ahtna lands that might have natural gas potential — an uncertain prospect at best — and providing natural gas to the missile defense system.

Neither of those ideas warrants going the long way around and the extra hundreds of millions, including an unknown state subsidy, that would be required.

We need to hear far more from the Palin administration, as well as from Enstar and the Alaska Natural Gas Development Authority before this largely undefined "partnership" goes ahead.

And the Palin administration should make sure it is not advertising more than it can deliver, pledging "the first phase of a bullet line to bring Alaska gas to Alaskans within the next five years."

The shortest distance between two points is a straight line. In this case, the straight line is more or less along the Parks Highway, not the Richardson and Glenn highways.

With a state subsidy in the offing, the long route needs a better defense than was offered Monday by the governor.

Also unclear from the announcement is where the gas would come from, who would pay for the construction and what the costs would be to get gas to Fairbanks within the next five years.

The idea advanced by the governor is that by building from the south to the north, this plan would spur Cook Inlet and Copper River basin exploration for gas and by 2013 gas from down south would be heating homes in Fairbanks.

But there already is a shortage of gas in Southcentral that is expected to get worse in the years ahead. A year ago, the state said Cook Inlet natural gas production was expected to drop 64 percent by 2015 and continue to slide in the years after that.

Adding to the confusion is the suggestion from the administration that by 2014 the small-diameter gas line might continue north to the foothills of the Brooks Range, allowing gas to flow from north to south to supply Fairbanks and Anchorage.

As I write this, I am awaiting enlightenment as to just how gas will flow north for a little while and then south. That doesn't sound like much of an incentive to encourage further Cook Inlet exploration in an era when many projects are competing around the world for exploration dollars and the highest possible return.

The governor's news release said the idea of building a line to the northern foothills of the Brooks Range, from which gas would be shipped south, is only one possibility.

The governor's news release said the state "hopes to see new discoveries of natural gas within the Cook Inlet basin and along the in-state pipeline's corridor" within the next five years.

"If not, the project's second phase could continue building the line north to access gas supplies in the North Slope foothills or beyond, making them available to Interior and Southcentral Alaska by 2014. If phase two is not needed, the in-state line could be connected to the main North Slope line when it is completed around 2018 to 2020."

None of that explains why the Richardson and Glenn highways route was chosen.

**The state plan leaves out the Doyon prospects in the Nenana area, which, by all accounts, seem to be moving ahead and hold great promise.**

At this point, I am more impressed with the original Enstar proposal, which the state said a few weeks ago was still under study. That proposal was to build a pipeline in about the same time period and ship gas south from the foothills, recognizing Cook Inlet supplies are in decline. There was no plan or need to ask for a state subsidy, Enstar said at that time.

**We need a better explanation of the logic behind this proposal and, just maybe, a shorter route.**

## Rynnieva Moss

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Tuesday, July 08, 2008 8:33 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Petroleum News/Daily News: Point Thomson battle lurks in gas line debate

## Point Thomson battle lurks in gas line debate

CHEVRON: Oil giant is depending on access to big Slope field.

Petroleum News

Published: July 7th, 2008 10:56 PM  
 Last Modified: July 7th, 2008 11:08 PM

Oil giant Chevron is a small player on Alaska's North Slope compared with BP, Conoco Phillips and Exxon Mobil.

But it could have a lot of natural gas to commit to a gas pipeline project if the state and other leaseholders can resolve their fight over the Point Thomson field keep the current ownership intact, a Chevron executive told state legislators recently.

**Chevron's potential share of Point Thomson gas is some 2 trillion cubic feet, and if it has that gas, there is a pipeline coming and a development plan for Point Thomson, Chevron would nominate natural gas in an "open season," said John Zager, the company's Alaska manager.**

An open season is when gas producers would commit to ship their production through a particular pipeline, letting the pipeline owners get financing for construction.

Point Thomson is the state's second biggest gas field, behind Prudhoe Bay, and a relatively large oil field.

The state Department of Natural Resources this year ended the Point Thomson unit, saying the leaseholders haven't done enough in the past 30 years to develop the field into a working field like Prudhoe. That issue is in litigation.

### REASONABLE ECONOMICS

**If Point Thomson "gets resolved favorably from our side, then we' be a significant player in a pipeline. If it doesn't, we're just going to be a little trivial part" of gas shipments, Zager told Alaska legislators.**

They were meeting in special session on whether to back a gas pipeline project proposed by TransCanada Corp. and endorsed by the Palin administration.

**Chevron holds small interests in several North Slope fields, including a mere 1 percent share of Prudhoe. But its share of Point Thomson is 25 percent.**

"We will commit to firm transportation for our known gas reserves in a pipeline we are confident provides reasonable upstream economics and returns," he said.

Zager said "known gas" is important. If Point Thomson is resolved so that Chevron retains its interest there, and if "we've got a pipeline coming and we have a development plan (for Point Thomson), then we would be sure we'd

want to nominate and save space for our ... gas."

As far as "reasonable upstream economics and returns," for Chevron that means "reasonable economics" for Point Thomson, because that is where Chevron has the bulk of its gas.

Zager said Chevron isn't involved in either the TransCanada or the BP-Conoco project dubbed Denali but might be interested in becoming an owner.

#### KNOWN RISKS

One issue for a pipeline project and Chevron are the variables that could make a project and commitment of gas more attractive, or less.

Whether the state disbands Point Thomson ownership is a controllable variable: "We could get together and we could solve that and we'd have confidence going forward in what our reserves are going to be" for an open season two or three years out, Zager said.

Future gas prices are not controllable: It's a big risk, but it is one companies in the business are used to taking, Zager said.

The cost of a multibillion-dollar pipeline project is partially controllable. Steel and labor costs are not controllable, he said, but pipeline design and project management are controllable.

One thing Chevron will look at is the pipeline cost that's included in the open season: "How confident are we that that number will not be exceeded when the actual bill comes due?"

Zager said when you sign a shipping commitment, "you're giving a blank check" to the pipeline developer, and if a \$30 billion project becomes a \$40 billion project, "your ship-and-pay commitment just went up commensurately.

Your wellhead price went down commensurately. And what you thought was an economic project at Point Thomson may not be anymore."

What Chevron will look at is the quality of work done before the open season and its confidence in the pipeline developer. It will also do its own assessment as to whether it thinks the number in the open season will be met.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]**Sent:** Tuesday, July 08, 2008 8:10 AM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** News-Miner editorial: Energy message - Borough mayor is right: Anchorage doesn't get it

## **Energy message - Borough mayor is right: Anchorage doesn't get it**

Published Tuesday, July 8, 2008

It's an unorthodox approach and one that will not immediately win plaudits from Southcentral Alaska, but Fairbanks North Star Borough Mayor Jim Whitaker has a good point about the political response to Alaska's energy crisis.

**In short, it's this: Residents of the most populous region of the state are not in the same bind as people elsewhere in Alaska who depend on heating fuel for energy and electricity, and they are apathetic about the problem in other regions of Alaska.**

In Anchorage and its environs, low-priced natural gas is helping hold down the cost of energy and limiting the economic damage of record oil prices.

The Fairbanks area does not have that luxury. The combination of sudden increases in gasoline, heating fuel and electricity is putting families in a pinch — or worse — and is costing our economy hundreds of millions of dollars.

It's true that Mayor Whitaker sometimes comes across as a musk ox in a gift shop, as demonstrated by his move to challenge the constitutionality of state support for low-priced natural gas in Southcentral. But he's not doing this to deny anything to that region, but to raise the point that the rest of the state could use help from the state as well.

We hope that our fellow Alaskans in Anchorage will recognize the economic damage being done by skyrocketing fuel costs, particularly in areas without inexpensive hydroelectric power or natural gas.

In Gov. Sarah Palin's agenda for the special session that begins Wednesday, we see elements that may come together to form a compromise on energy issues.

Our governor has issued a call that features both short-term aid and a proposal for a longer-term renewable energy grant fund.

The former includes proposals for direct aid to Alaskans and an expansion of the power cost equalization program. For the longer term, there is a proposal for a \$20 billion alternative energy grant fund that could be a key to creating the right conditions for expansion of new energy sources.

**House Speaker John Harris of Valdez and Mayor Whitaker envision a grant program that could be funded by the temporary surpluses our state is enjoying from record world oil prices.**

**These surpluses will not last and it's vital to take steps today that can allow us to transform the one-time-only oil dollars into alternative projects, ranging from hydroelectric power to synthetic fuels.**

We agree with the mayor that the long-term economic viability of Fairbanks is at stake. It's not hard to imagine how energy prices could lead to a renewed effort to close Eielson Air Force Base.

7/8/2008

It's urgent for our governor and Legislature to help deal with this situation now.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Tuesday, July 08, 2008 7:50 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Tim Bradner/Journal of Commerce: Lawmakers continue gasline debate after first session closes

Web posted Sunday, July 6, 2008

## **Lawmakers continue gasline debate after first session closes**

**By Tim Bradner**  
*Alaska Journal of Commerce*

State legislators will soon be on the final lap in considering Gov. Sarah Palin's proposed license for TransCanada Corp. to tackle a \$30 billion-plus North Slope gas pipeline. Lawmakers have been out on a road show to sample public opinion, with hearings held so far in Anchorage, Fairbanks, Palmer, Kenai and Barrow. Legislators will be in Ketchikan July 8 and will return to Juneau July 9.

Technically, the 30-day special session called by the governor June 3 ended July 3, but that's a procedural issue, since a second special session will be called. The Alaska Gasline Inducement Act gives lawmakers 60 days to consider the TransCanada license, which means the drop-dead date is in early August, which is when TransCanada's proposal also expires if the Legislature has failed to act.

### **House Speaker John Harris says he wants final action by July 16.**

The consensus opinion, for now, is that the Legislature will approve the license, but as the proposal has been aired in community meetings, which included state administration officials making the pitch, issues have emerged that have made legislators uncomfortable.

**In the judiciary meeting, state Sen. Bill Wielechowski, D-Anchorage, summed up the two biggest worries: The \$500 million state grant and the treble-damages liability to TransCanada the state would assume.**

**Treble damages would amount to three times TransCanada's own expenditures, or \$360 million. If the deal goes sour, the state's \$500 million contribution in addition to the \$360 million would bring the state's total exposure to \$860 million, according to information provided by the administration.**

**Beyond that, a subset of concerns have emerged, including the fact that the treble damages would trigger if the state provides assistance, the definition of which is unclear but almost certainly includes funds, to a spur or bullet pipeline to Southcentral Alaska or Valdez that carries more than 500 million cubic feet per day, which is below the volume needed for any significant manufacturing based on natural gas or a major liquefied natural gas project.**

**Legislators are interested in helping fund a spur pipeline to lower the cost of bringing**

**North Slope gas to consumers in Southcentral Alaska, and are worried that the damages provision may inhibit a larger and more efficient spur line to carry also gas for a major industrial project.**

State Revenue Commissioner Pat Galvin told the Senate Judiciary Committee in a June 26 meeting that any spur pipeline taking 500 million cubic feet per day would trigger TransCanada's treble damages claim.

Galvin also said, in a meeting in Kenai June 27, that the damages provision would trigger if the Legislature modified the state natural gas production tax as a matter of general law, which would affect gas committed for transport through the competing Denali pipeline project that is now underway, or the proposed state-backed TransCanada project.

**Because changing the tax in general law would benefit the competing Denali pipeline, it would trigger TransCanada's claim for damages.**

**What administration officials have said previously is that they would consider modifications to the production tax but only for gas committed to TransCanada. Just how the administration might accomplish this legally, so that there is no unconstitutional tax preference, is unclear.**

**Many legislators, including Sens. Charlie Huggins, R-Mat-Su, and Lesil McGuire, R-Anchorage, are worried that there is no actual contract between the state and TransCanada to spell out details of a hugely complex project that will involve tens of billions of dollars.**

**Administration officials say the license itself constitutes an adequate contract when combined with the state's request for applications and TransCanada's application, both from last year, as well as the transcript of questions and answers during legislative hearings.**

Huggins, McGuire and other lawmakers feel that isn't enough, and there will be so many loose ends so as to become a minefield for disputes between the state and TransCanada. Galvin and other state officials don't want to see the process get slowed down by having to work out a detailed contract, however. What is now in the record is sufficient to resolve disagreements, they said.

As to the \$500 million state subsidy, the governor, Galvin and other officials seemed to have convinced most legislators that the expenditure is worth the special conditions TransCanada has agreed to in the license, to hold open seasons to solicit for new gas, to expand the pipeline if new gas is offered by explorers, and to structure financing in a way that tariffs, or transportation costs, are as low as possible.

## Rynnleva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Tuesday, July 08, 2008 7:44 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnleva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Andrew Halcro: AGIA Lite: Cook Inlet Gas to Fairbanks?

# AGIA Lite: Cook Inlet Gas to Fairbanks?

Just two day before the legislature reconvenes in Juneau to decide the fate of the AGIA license for TransCanada, Governor Palin announced a plan to address the pleas for help with in state gas use.

Dubbed AGIA Lite by the governor, the two groups who will form the partnership, Enstar and ANGDA, held a press conference that seemed long on hope but lite on the details.

The initial proposal calls for Enstar and ANGDA to begin working together immediately on designing a 460 million cubic feet per day bullet line from Cook Inlet to Fairbanks. Project engineering and costing are scheduled to be done by January of 2009, with any enabling legislation to be presented to the legislature next session.

The aggressive timeline calls for construction to begin by 2011 and gas flowing to interior Alaska by 2013. The partnership between ANGDA and Enstar just came together within the last two weeks according to reports.

**During the press conference, few answers were given to key questions. Most of the questions were answered with, "Yet to be determined" given as the response. Asked who would operate the line, what was the cost, who would finance the line and what the route would be; there were no firm answers.**

And the biggest question of all drew the most curious response.

For the last few years we have seen consistent reports about natural gas supplies in southcentral diminishing beginning around 2013 and our Enstar bills have reflected the tighter supply concerns.

**When asked about where the gas would come from to fill the pipeline, everyone in the room seemed to subscribe to the theory that pre-building the pipeline would stimulate gas development in Cook Inlet.**

Reports have shown there is significant amount of gas in Cook Inlet that hasn't been discovered due to the economic challenges. With a small population base and a smaller industrial base, monetizing the gas once it was found has so far proven to be a barrier for companies to invest in Cook Inlet exploration.

In addition, other possible gas developments in the Copper Valley basin have been suggested as possible gas finds.

**Even with that said, the prospects of financing a line based on gas yet to be discovered are questionable.** During the press conference, the governor seemed to say her reading of the populist view of Alaskans would support the making a major investment in the project, which of course would allow the project to possibly be built and subsidized without being fully subscribed by gas shippers.

Enstar has already been working on a proposed bullet line that would have taken the Parks Highway and is estimated to cost \$3.3 billion, but the state's preferred route is the Richardson Highway that would add an additional 80 to 90 miles and increase the cost.

**In an interesting exchange, Eric Lidgl from the Petroleum News asked if anyone had held any discussions with the Cook Inlet producers, ConocoPhillips or Marathon, about the possibility of increased exploration if the bullet line was a possibility.**

**The answer was no.**

Another interesting question came from Fairbanks.

As you've read on our website, Fairbanks North Star Borough Mayor Jim Whitaker sent a stern letter to the governor and lawmakers, warning them of legal action if the state didn't take **immediate steps to remedy the growing energy crisis in Fairbanks.**

**Dermot Cole from the Fairbanks Daily News Miner asked about the tariff. Since Fairbanks would be the last stop on the pipeline route, we'd pay the highest tariff, how would that help us, he asked.**

However if the state was to subsidize a major portion or the entire cost of the project, it would make the tariff much lower.

But this is where it gets tricky for the state.

One of Mayor Whitaker contentions in his letter was that the state was violating the equal access provisions in Alaska's constitution by providing lower cost Cook Inlet natural gas exclusively to residents of southcentral.

**If the state subsidizes residents along the pipeline route up to Fairbanks with cheap gas due to the state's investment, what would stop a community that didn't benefit from the bullet line from sending the same letter and claiming the same constitutional violations?**

The announcement today is positive but as we've come to learn...the devil is always in the details. And there were very few details today.

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Monday, July 07, 2008 6:05 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter, skippydog@att.net  
**Subject:** Wesley Loy: State, Enstar to partner on small gas line

## State, Enstar to partner on small gas line

By **WESLEY LOY**  
wloy@adn.com

Published: July 7th, 2008 05:49 PM  
Last Modified: July 7th, 2008 05:49 PM

The state will partner with Enstar Natural Gas Co. to build a pipeline to carry gas through the state's midsection, Gov. Sarah Palin said today.

The goal is to provide affordable gas to Fairbanks and other parts of Alaska facing high energy costs, Palin said.

And the state itself might invest in the project, expected to cost \$3 billion or more, she said.

The pipeline would complement a much larger proposed pipeline to carry North Slope gas into Canada and the Midwest, the governor and company spokesmen said.

The smaller line would be reversible - that is, capable of carrying gas south from the North Slope or north from Cook Inlet, where it's possible drillers could find big new gas fields, they said.

Construction could begin by 2011, and gas could be flowing by 2013, according to the governor's timeline.

**Today's announcement at Palin's downtown Anchorage office left many practical questions unanswered, however, and came only two days before state legislators are to reconvene in Juneau to continue hearings on TransCanada Corp.'s proposed megapipeline to Alberta.**

Palin is urging the lawmakers to award TransCanada a state license and a \$500 million subsidy for the project under AGIA - the Alaska Gasline Inducement Act of 2007.

Some lawmakers and other critics have accused Palin of focusing too heavily on shipping Alaska gas out of state and not enough on supplying local needs.

Palin said today she's never lost sight of addressing local energy demand, and said the partnership with Enstar, the main gas utility for Southcentral Alaska, is one way to do it.

**She denied today's announcement was timed to shore up support for the AGIA license.**

**"It's not out of fear that AGIA is not going to work," she said.**

But a board member with the Alaska Natural Gas Development Authority, a tiny state agency that will join forces with Enstar, said the partnership came together only in the last week or so.

Voters created the authority in 2002 to pursue a natural gas pipeline, long one of the state's top economic development priorities. Harold Heinze, a former Arco Alaska Inc. president, runs the agency.

#### MANY QUESTIONS

The in-state pipeline would carry about 460 million cubic feet of gas per day, compared to the much larger volume of 4.5 billion cubic feet being proposed for the Canada pipeline.

Palin and her aides said many details about the smaller gas pipeline, which she dubbed "AGIA lite," have yet to be worked out.

Among the questions:

\* How much would the pipeline cost, and exactly what route would it take?

\* Where would the gas to fill it come from? Palin and her aides conceded it would rely on gas that hasn't yet been discovered in the North Slope Foothills, in various Interior basins, and in Cook Inlet. They said the pipeline could encourage Cook Inlet gas exploration by providing a market for a big discovery - the gas could flow north into the big pipeline to Canada.

\* Who, other than the state, would fund a pipeline some 700 miles long without firm gas supplies to fill it?

Enstar has been studying a \$3.3 billion pipeline that would stretch from Cook Inlet north along the Parks Highway to Fairbanks and beyond to the North Slope Foothills, where Texas-based oil company Anadarko Petroleum Corp. has been drilling for gas.

The development authority, meantime, has studied a pipeline along the Glenn and Richardson highways from the Interior. This has been described as a "spur line" that would tap into the big Canada line to bring gas to Southcentral, where known Cook Inlet gas fields that have long heated and powered the region are nearing depletion.

State and Enstar officials said both routes will be considered under the new partnership.

Scott Heyworth, acting board chairman for the gas development authority, said financing won't be a problem. He said the partnership came together quickly in recent days.

"This is going to be a hot project," said Heyworth, who sat next to Palin during today's press conference. "We're going to find the financing."

## Rynniewa Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Monday, July 07, 2008 8:03 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynniewa Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: AGIA's Hail Mary Gas Tax Strategy

# AGIA's Hail Mary Gas Tax Strategy

Over the last few weeks I've heard both talk show callers as well as read blog comments asserting that AGIA is responsible for Denali and the recent tax hike approved by the legislature (ACES) has had no impact on the progress towards a gas pipeline.

In order to think that AGIA was responsible for both the ConocoPhillips proposal last December and the Denali project this spring, you'd have to ignore the fact that all of the major producers testified when the legislature was crafting AGIA that they wanted to bid, but AGIA didn't provide for a commercially viable project.

More highlighting the fallacy of this argument later in the blog.

Last week on a local talk show, a guest stated, "when ACES was passed, a lot of people said it would harm future investment. But here we are with the producers pushing ahead with the Denali Project." The host replied that he hadn't heard that before and thought that was a great point.

No it wasn't a great point because it wasn't accurate.

In fact trying to use the emergence of Denali to prove the recent tax hike on the oil & gas industry was harmless ignores the fact that current gas tax rate under ACES is completely irrelevant for two important reasons; nobody is producing gas today so there is no way to judge its impact but more importantly everybody realizes the gas tax structure today, won't be in place tomorrow, if the state hopes to attract the final investment decision needed to build the gas pipeline.

Look, it's one thing to adopt a massive tax increase on a thirty year old legacy oil field, but that approach won't work if you're trying to attract new investment for the most expensive privately financed oil & gas project in North American history.

During testimony on AGIA in April of 2007, Department of Revenue Commissioner Pat Galvin was asked about the state's existing gas tax rate before ACES was adopted. Galvin replied, "Our level of confidence in the current tax rate is relatively low".

A few days later in the House Resources Committee, lawmakers queried Commissioner Galvin about why the state wouldn't make necessary adjustments to the tax rate before asking for competitive bids under AGIA.

With all the concerns about the lack of fiscal predictability in AGIA, why wouldn't you want to nail down something as critical as tax rates, asked one Representative. How do you expect someone to submit a complete bid if they don't know what their tax rates are going to be, asked another.

"You have moved from a question of whether the producers need to have this level of certainty that they keep talking about at the time they submit the application or whether its at the time they commit their gas. What we have structured in the bill is that level of certainty we believe is appropriate at the time they commit their gas", Galvin answered.

This was AGIA speak for, "we have designed the bill so the producers can't bid on AGIA, so we will only attract independent pipeline companies."

Twenty four hours after Commissioner Galvin said the state had determined that it wasn't important for AGIA applicants to know the actual tax rate, the House Resources Committee took testimony from a prospective applicant who disagreed and told the committee just how critical it is for private companies in the real world.

"To make a sound and fundamental good decision, I have to know" replied Marty Massey from Exxon when asked about the importance of knowing the tax rate. "I don't know, I really don't know what rate to run the economics at because it can change, all of it can change", Massey testified on April 12, 2007.

A year later, we have confirmation that AGIA was never about attracting the most qualified applicants through a competitive process. If it was, you wouldn't have a process where the state ignored those who could build the project while subsidizing those who can't.

The bottom line is that setting a competitive tax rate wasn't a priority, because AGIA was always geared towards a third party pipeline company who wouldn't pay the tax rate.

On January 19, 2008, days after TransCanada was announced as the only viable AGIA applicant, Marcia Davis, Deputy Commissioner of the Department of Revenue testified in front of the Senate Resources Committee.

Davis was asked if the legislature should begin discussions about changing the gas tax in anticipation of open season. "Beginning the gas talk discussion is certainly not inappropriate", she replied.

Davis went on to admit that the tax rate "effects what a producer puts into their consideration as they approach an open season and decide whether to tender their gas".

Whoa....hold on a minute. Isn't that exactly what Marty Massey from Exxon said almost a year earlier when the producers were advocating changes to AGIA to make it commercially viable so they could offer a competitive bid?

Yes, it is.

**However for Galvin and company, they viewed the gas tax rate as leverage to force the producers to commit gas to a TransCanada pipeline, thus forcing a marriage governed by the vows of AGIA.**

But they completely underestimated the producers willingness to start their own project; even though every major producer testified last year during the AGIA hearings that they were interested if the state amended AGIA to promote a commercially viable project.

This is exactly why Commissioner Galvin was so animated last week when lawmakers asked about treble damages if the legislature adopted a new tax structure. At the end of the day, a competitive tax structure could result in the producers moving ahead with Denali while AGIA's chosen one, TransCanada, waits at the altar after spending hundreds of millions of state dollars preparing for the wedding.

Don't do it, Galvin said. Don't think you're going to get cute and walk right up to that line because we will have to pay them treble damages, he added, sounding desparate that his AGIA Hail Mary might be usurped by the legislature.

But this is where Palin's gas line team knows they're on thin ice with AGIA.

**The state can't adopt a tax structure and offer it to the producers only if they commit their gas to a TransCanada's pipeline. That would violate just about every equal access provision and restraint of trade clause known to man kind.**

**So instead, the administration's strategy is to try and force the producers to accept the terms of AGIA by committing their gas to a TransCanada pipeline in exchange for a favorable tax structure. If the**

**legislature were to adopt a commercially reasonable tax structure before the producers caved in, the legislature would effectively neuter the administration's entire strategy.**

I've said it before and I'll say it again; this arranged marriage concept is plain foolish and will put the project at risk.

Two weeks ago when FERC testified in front of the legislature they talked at great length about the urgency of not wasting time due to the major investments being made around the globe in search of natural gas.

Mark Robinson from FERC talked about how arctic gas has a competitive disadvantage and most of today's investment in gas infrastructure is going into equatorial areas like the Gulf of Mexico. And he pressed the need to get moving quickly due to the fact that other gas supplies were quickly being explored and developed.

Meanwhile, here we are trying to develop our arctic gas playing the role of Sheriff Bart in Blazing Saddles.

Aiming our own gun at our own head while warning investors that if they take one more step we'll shoot.

This approach sets up a dangerous game of chicken that the state will not win, while our economy loses.

Meanwhile the next time you hear someone say that AGIA is responsible for Denali, or that AGIA is going to be responsible for getting a gas pipeline built, remind them of the facts.

Last year the producers testified the reason they couldn't bid on AGIA without amendments was because it didn't provide for a commercially viable project.

This year TransCanada testified the reason they needed the \$500 million subsidy from the state was because AGIA required them to do things they wouldn't normally do in a regular commercial project.

And if anyone thinks the most expensive oil & gas project in the world will be built by a process where both the investors and the state's straw man have already stated that the terms in AGIA are not consistent with a normal commercial project, they're fooling themselves.

## Daily Policy Digest

### Economic Issues

July 7, 2008

#### ZIMBABWE CAN'T PAPER OVER ITS MILLION-PERCENT INFLATION ANYMORE

Robert Mugabe has kept his embattled regime in Zimbabwe afloat on a sea of paper money. Now he'll have to try to do it without the paper, says the Wall Street Journal.

The Munich-based company, Giesecke & Devrient, that has supplied Zimbabwe with the special blank sheets to print its increasingly worthless dollar caved in to pressure on Tuesday from the German government for it to stop doing business with the African ruler.

Mugabe's regime relies on a steady supply of the paper to print the bank notes that allow it to pay the soldiers and other loyalists who enable him to stay in power, says the Journal. This has led to hyperinflation, which has ravaged the economy of Zimbabwe:

- With an annual inflation rate estimated at well over 1 million percent, new Zimbabwean dollars with ever more zeros need to be printed every few weeks because the older ones lose their worth so quickly.
- A 500,000 Zimbabwe note issued in late 2007 is already out of circulation, and is worth just 0.00004 U.S. cents.
- Vending machines are no longer in use in Zimbabwe, because a single soda would require the deposit of billions of coins.
- A Coke sells on the black market for around 15 billion Zimbabwean dollars.
- A loaf of bread costs 30 billion Zimbabwean dollars.

Steve H. Hanke, a professor of applied economics at Johns Hopkins University, says hyperinflation is a very simple equation -- stop printing money and it stops.

Source: Marcus Walker and Andrew Higgins, "Zimbabwe Can't Paper Over Its Million-Percent Inflation Anymore," Wall Street Journal, July 2, 2008; and Rod Nordland, "Where the Money Isn't," Newsweek, July 2, 2008.

For WSJ text:

<http://www.moneyweb.co.za/mw/view/mw/en/page94?oid=213457&sn=Detail>

For Newsweek text:

<http://www.newsweek.com/id/144387>

For more on Economic Issues:

[http://www.ncpa.org/sub/dpd/index.php?Article\\_Category=17](http://www.ncpa.org/sub/dpd/index.php?Article_Category=17)

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**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 08, 2008 7:50 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Tim Bradner/Journal of Commerce: Lawmakers continue gasline debate after first session closes

Web posted Sunday, July 6, 2008

## **Lawmakers continue gasline debate after first session closes**

**By Tim Bradner**  
*Alaska Journal of Commerce*

State legislators will soon be on the final lap in considering Gov. Sarah Palin's proposed license for TransCanada Corp. to tackle a \$30 billion-plus North Slope gas pipeline. Lawmakers have been out on a road show to sample public opinion, with hearings held so far in Anchorage, Fairbanks, Palmer, Kenai and Barrow. Legislators will be in Ketchikan July 8 and will return to Juneau July 9.

Technically, the 30-day special session called by the governor June 3 ended July 3, but that's a procedural issue, since a second special session will be called. The Alaska Gasline Inducement Act gives lawmakers 60 days to consider the TransCanada license, which means the drop-dead date is in early August, which is when TransCanada's proposal also expires if the Legislature has failed to act.

### **House Speaker John Harris says he wants final action by July 16.**

The consensus opinion, for now, is that the Legislature will approve the license, but as the proposal has been aired in community meetings, which included state administration officials making the pitch, issues have emerged that have made legislators uncomfortable.

**In the judiciary meeting, state Sen. Bill Wielechowski, D-Anchorage, summed up the two biggest worries: The \$500 million state grant and the treble-damages liability to TransCanada the state would assume.**

**Treble damages would amount to three times TransCanada's own expenditures, or \$360 million. If the deal goes sour, the state's \$500 million contribution in addition to the \$360 million would bring the state's total exposure to \$860 million, according to information provided by the administration.**

**Beyond that, a subset of concerns have emerged, including the fact that the treble damages would trigger if the state provides assistance, the definition of which is unclear but almost certainly includes funds, to a spur or bullet pipeline to Southcentral Alaska or Valdez that carries more than 500 million cubic feet per day, which is below the volume needed for any significant manufacturing based on natural gas or a major liquefied natural gas project.**

**Legislators are interested in helping fund a spur pipeline to lower the cost of bringing**

**North Slope gas to consumers in Southcentral Alaska, and are worried that the damages provision may inhibit a larger and more efficient spur line to carry also gas for a major industrial project.**

State Revenue Commissioner Pat Galvin told the Senate Judiciary Committee in a June 26 meeting that any spur pipeline taking 500 million cubic feet per day would trigger TransCanada's treble damages claim.

Galvin also said, in a meeting in Kenai June 27, that the damages provision would trigger if the Legislature modified the state natural gas production tax as a matter of general law, which would affect gas committed for transport through the competing Denali pipeline project that is now underway, or the proposed state-backed TransCanada project.

**Because changing the tax in general law would benefit the competing Denali pipeline, it would trigger TransCanada's claim for damages.**

**What administration officials have said previously is that they would consider modifications to the production tax but only for gas committed to TransCanada. Just how the administration might accomplish this legally, so that there is no unconstitutional tax preference, is unclear.**

**Many legislators, including Sens. Charlie Huggins, R-Mat-Su, and Lesil McGuire, R-Anchorage, are worried that there is no actual contract between the state and TransCanada to spell out details of a hugely complex project that will involve tens of billions of dollars.**

**Administration officials say the license itself constitutes an adequate contract when combined with the state's request for applications and TransCanada's application, both from last year, as well as the transcript of questions and answers during legislative hearings.**

Huggins, McGuire and other lawmakers feel that isn't enough, and there will be so many loose ends so as to become a minefield for disputes between the state and TransCanada. Galvin and other state officials don't want to see the process get slowed down by having to work out a detailed contract, however. What is now in the record is sufficient to resolve disagreements, they said.

As to the \$500 million state subsidy, the governor, Galvin and other officials seemed to have convinced most legislators that the expenditure is worth the special conditions TransCanada has agreed to in the license, to hold open seasons to solicit for new gas, to expand the pipeline if new gas is offered by explorers, and to structure financing in a way that tariffs, or transportation costs, are as low as possible.

## Rynnleva Moss

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Tuesday, July 08, 2008 8:26 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynnleva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Daily News editorial: Energy - Alaskans are asking for help, and some is on the way

### Energy

Alaskans are asking for help, and some is on the way

Published: July 7th, 2008 10:44 PM  
Last Modified: July 7th, 2008 11:54 PM

Around the state, Alaskans are clamoring for relief from horrendous fuel price increases.

That includes villagers looking at diesel costs more than doubling with this summer's barge shipments and Fairbanks residents reeling from gasoline and electric utility price rises.

Do something, these residents are saying to the state.

In fact, the state is already doing quite a lot, both to offer quick help to its citizens and to drive down energy costs into the future.

That's not to say the state can't do more -- but here are some ways it is already helping:

- Out-and-out heating grants for the poorest: The Legislature added \$10 million in state money to a federal program that provides grants to offset the cost of home heating. The money is available to families with incomes up to one and a half times the federal poverty level.
  - Grants for weatherizing homes: This fund holds \$200 million, which can be tapped by middle-income as well as low-income families. In Anchorage, for example, the income limit is \$78,700 for a family of four.
  - Grants up to \$10,000 to any homeowner to make a house more energy-efficient and save you money. An energy auditor makes recommendations, you get the work done and Alaska Housing Finance Corp. sends you a check. There's \$100 million in this fund. There's still time, the AHFC says. For more information, do a Web search for Alaska Housing Finance Corp.
- <[> /1%3B%3B%7Esscs%3D%3fh<http://www.mtasolutions.com>  
Advertisement <<http://ad.doubleclick.net/jump/mi.adn00/News/Opinion;dcove=d;?l=story;lv16=ADNEditorial;ac=News;ac=Opinion;loc=ats;pos=MREC01;sz=300x250;tile=3;ord=123456789?>>>](http://ad.doubleclick.net/click%3Bh=v8/36f7/3/0/%2a/d%3B202632307%3B0-0%3B1%3B17655429%3B4307-300/250%3B27164225/27182)
- Subsidized rural power: The Power Cost Equalization program, created to help the Bush when the Legislature was pouring money into urban energy projects like hydropower, is meant to cut electricity costs. The Legislature put \$28 million into the fund this year -- a 75 percent increase from just three years ago. But it's not enough to make up today's difference in city and rural energy costs. The state should add more to this fund or give aid to Bush utilities and their customers another way.
  - Renewable energy projects: A new program sets aside \$50 million per year for five years for renewable energy projects like wind power, geothermal and hydro-power.
  - Fire Island: On top of that, the Legislature committed \$25 million to help secure private financing for a proposed wind power project on Fire Island in Anchorage. Securing

this long-term supply of low-cost, renewable energy will help the entire Railbelt.

All that, and the Legislature will consider additional measures in a special session under way this week, including \$1,200 payments to all Permanent Fund dividend recipients to take away the pain of higher fuel costs.

BOTTOM LINE: We're hurting, but there's quite a bit of help out there already, and more is likely.

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Sunday, July 06, 2008 10:50 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Petroleum News/Daily News: Gas line would require major road repairs

**Gas line would require major road repairs****\$2 BILLION: Work would leave few funds for other projects.**

Petroleum News

Published: July 5th, 2008 11:21 PM  
 Last Modified: July 5th, 2008 11:32 PM

A multibillion-dollar gas pipeline project from the North Slope could require a multibillion-dollar state investment in improving roads, bridges and other facilities.

The state Department of Transportation and Public Facilities said the cost of road and other work needed to support pipeline construction could run to \$2 billion.

That came in a report from Frank Richards, deputy transportation commissioner, to legislators meeting in special session to consider allowing a state license and subsidy to a gas project sponsored by TransCanada Corp.

Much of the proposed work would qualify for federal highway funds, Richards said.

**The state's federal highway program runs about \$350 million a year, he said. The \$2 billion in work to prepare for a gas pipeline, spread out over six years, about equals that \$350 million.**

However, federal highway funding is declining, and the state has other transportation needs that could use the highway money.

**Should the gas line fund the effort? Under previous rulings of the Federal Energy Regulatory Commission, which would oversee the pipeline, the gas line couldn't be charged for use or deterioration of the highways, "unless you were able to charge all users," Richards said.**

At a legislative hearing in Fairbanks, Rep. Anna Fairclough, R-Eagle River, questioned charging highway use against the gas pipeline, a charge that would lower the value of North Slope gas.

"I believe that that's counterproductive to the discussions we've been having about exploration and opening up the North Slope basin," she said.

There has been considerable discussion about how a low pipeline fee would encourage explorers to look for gas.

**MORE EARTH-MOVING**

**A gas pipeline project would be harder on roads than the trans-Alaska oil pipeline was when built in the 1970s, Richards said.**

**Because the gas pipeline will be buried, there will be more earth-moving -- about half of the 800-mile oil pipeline is above ground. Because the pipe will be thicker, 1 1/4 inches thick vs. the half-inch pipe used for the oil pipeline, the loads will be heavier.**

There will also be large modules for the compressor stations, he said.

Richards said the department also believes there will be more points of entry and possibly more air traffic.

"And we also know that the condition of our pavements along the existing highway systems are nearing the end of their useful life, so we will likely have deteriorating pavement conditions," he said.

#### **\$1 BILLION NEEDED ON DALTON**

**Half the money -- \$1 billion -- would go to 36 projects along 415 miles of the Dalton Highway, which parallels the northern half of the oil pipeline.**

Richards said much of this work was identified in the long-range transportation plan published in the spring, which included \$12 billion in projects. The Dalton Highway work is first on the department's list because of big bridge crossings, some \$75 million in total, Richards said.

"That work can be out this winter, bid and under construction by this time next year, and we'll be able to put folks to work," he said.

Rep. Mike Doogan, D-Anchorage, questioned why the department would want to work first on the Dalton Highway rather than on the other highways that "Alaskans are going to be driving on."

Richards said truckers "drive the freight and goods north to the North Slope," so work on that road benefits Alaskans now as well as being needed for pipeline construction.

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Sunday, July 06, 2008 10:45 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: The Final Week: An AGIA Primer

# The Final Week: An AGIA Primer

As the Legislature heads for final wrapup in Juneau, here's a status report:

One more community meeting is planned July 8, in Ketchikan. Legislators reconvene in Juneau July 9 to continue hearings with a goal of taking action by July 16. They must act by August 2 or the TransCanada proposal is void.

At this point it appears the votes are there to pass it. Legislators have qualms, more so, in fact, as times goes on. But the concerns don't outweigh the political factors. Gov. Palin is very popular and, well, it is an election year after all. Aside from that, most legislators believe the Denali project will be the one that really goes because it has the money behind it.

However, there is a group of lawmakers who feel the license to TransCanada and the \$500 million state subsidy is justified just to keep the producers working on the Denali project. Many also believe license will also expedite a consortium being formed by TransCanada and the producers, and while there are concerns that the terms of AGIA might complicate or impede the parties from coming together these are not being voiced enough to impede likely approval of the plan.

### ***Central thrust, Key provisions and problems***

Basically, AGIA's central thrust is to encourage a pipeline developed and owned by an independent pipeline company, TransCanada, and to discourage a project developed by producing companies. The genesis of the policy was in problems the state experienced with the producer-owned trans-Alaska oil pipeline, tariffs, etc. That the Federal Regulatory Energy Commission rules on gas pipeline are sharply different than rules on oil pipelines (particularly when the TAPS issues were settled with the state) isn't given much weight by the current administration. The position is not to trust the FERC and to wrangle special protections by contract with a pipeline company. The state's "must haves" include provisions for expansions, rolled-in tariffs for expansions and a particular tariff structure that the current administration says will keep tariffs low.

Since FERC really makes the decisions on all these issues all that AGIA guarantees is committing the pipeline to ask FERC for certain things. There can be no assurance it will actually happen that is up to FERC. Still, having the pipeline ask FERC counts for something. Legislators have to decide whether the state gets enough extra leverage through this to justify the \$500 million grant and exposure to treble-damages liability.

### ***The emerging hot-buttons for legislators***

**Constraints on spur line and bullet lines:** The administration is quite clear that any spur or bullet line over 500 million cubic feet per day that receives state assistance will trigger treble damages. However, any significant industrial customer for a spur line or bullet line (an LNG plant in Valdez being considered by Mitsubishi, for example) could easily exceed 500 million cubic feet per day when combined with utility demand. Legislators are unhappy about having their options limited by the AGIA contract.

**Constraints on modifications of fiscal terms to help the Denali project:** Even a change in general law that benefits production of gas for either a TransCanada or Denali project, would seem to trigger this liability, according

to Commissioner Galvin.

**Not having terms and conditions spelled out in a detailed contract:** The lack of a contract document that spells out terms and conditions bothers many legislators. The administration is strongly resisting calls that a contract be prepared because of the time it will take. The TransCanada proposal and the state's Request for Applications constitute a binding contract, the administration says. The record of hearings will be sufficient to clarify any ambiguities. Many lawmakers doubt this.

**Secondary issues, at this point:** Some legislators are concerned about lack of discussion on who will pay for the estimated \$2 billion in public transportation infrastructure updates needed to handle the huge logistical effort for the pipeline, and for needed repairs after construction is complete. In the previous Murkowski pipeline negotiations it was understood that the producers would front-end these costs. There is little discussion now about this, and whether TransCanada will pay for them or whether the obligation will be with the state.

Likewise, there is little discussion of community impacts, and who will foot the bill. The Denali project people seem willing to embrace recommendations put together by pipeline-affected municipalities in the Murkowski negotiations. There has been little discussion so far of TransCanada accepting this, if it develops the project. Presumably this burden would also fall to the state.

***Thanks to Bradners' Legislative Digest for their analysis.***

## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 06, 2008 10:31 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Merrick Peirce/News-Miner opinion piece: All-Alaska line is state's best option for gas

## All-Alaska line is state's best option for gas

Merrick Peirce, Community Perspective

Published Sunday, July 6, 2008

**If the criminal leadership of the Alaska Legislature had followed the edict of Alaska voters who overwhelmingly voted to build the All-Alaska Gasline in 2002, we would have affordable energy in the Interior today. We would not now be worrying about the cost of fuel oil, which may hit \$7 per gallon before next winter is over.**

But those "leaders" within the Legislature and the discredited Murkowski administration rolled over to do the bidding of the multinational corporations who sit on five trillion dollars worth of our natural gas and ignored the voters' wishes.

Some of those legislators are in prison today. Others remain under criminal investigation and residents here are overpaying for energy by at least \$200 million per year.

Governor Sarah Palin came into office on the promise of building an "Alaskan" gasline and got off to an admirable start with AGIA a year and a half ago.

But we have a very different situation today than when AGIA was conceived. Massive budget surpluses and a crippling energy crisis require that we take direct control and build the gas line ourselves. **All of the good things that AGIA was intended to promote can be preserved by direct Alaska control and ownership of our gas line.**

Here is what we know, and do not know, about the TransCanada plan.

**Commissioner Tom Irwin is being absolutely honest when he says that awarding a license to TransCanada will not guarantee a gas line. This is not acceptable. We deserve certainty. Giving an exclusive license to TransCanada could be a death sentence for the Interior.**

We do not know what corporation may someday own TransCanada — and the exclusive license we intend to grant. Russia-controlled Gazprom, Exxon Mobil or Conoco Phillips could acquire TransCanada with ease.

**We do not know the route of the proposed gas line or the location of the gas delivery points. That determination will be left to the owners of TransCanada and future commissioners. For \$500 million, one would think that legislators would want to know such things. Particularly our Interior legislators. What if TransCanada decides to route the gas line outside of the Fairbanks North Star Borough to reduce the length of the line and avoid property taxes? If the legislature was foolish enough to agree to the license, they lose any say over the route.**

We have learned that whoever controls TransCanada may not issue project sanction until 2018. Can the Interior wait another decade while a foreign, multinational corporation located within a country that is a competitor to

Alaska decides to build a gas line that is absolutely critical to our future? We'd have to be utterly insane to take such an avoidable risk.

Governor Palin must understand that we have different circumstances that absolutely require that we reject the TransCanada deal and move forward with an Alaskan gas line. Alaskans deserve that certainty.

**An Alaskan gasline to Valdez has a firm cost of \$11.7 billion. Our surplus this year is about ten billion. The surplus next year may be 15 billion. If Alaska took a 70/30 debt to equity ratio in the project, the direct Alaska investment would only be about \$3.5 billion. The regulated rate of return on equity would be 14 percent, or about double what Alaska earns from our permanent fund.**

By getting gas to the Interior within five years, the Interior saves at least \$1 billion — and maybe our military barracks — a point ignored by the economic models prepared by the administration.

The public hearings around Alaska that the administration — and certain legislators — tried to avoid had a recurring theme. Alaskans who testified overwhelmingly rejected TransCanada in favor of the All-Alaska Gasline. This is consistent with polls and the anti-TransCanada public comment submitted within the AGIA public comment period.

Alaskans understand. With the All-Alaska gasline Alaska keeps the profits here. We control the timing. We control the number and location of Alaska gas delivery points. We get gas flowing here within five years — not in 2020. We keep value-added industry and jobs here in Alaska. And we sell our gas for trillions more because we'd be accessing premium, world markets.

**This public policy discussion is about an issue of profound importance to Alaska. I've challenged the Palin administration to have a series of public debates- instead of the one-sided monologs that have occurred thus far. The Palin administration has not responded.**

**Merrick Peirce serves on the board of the Alaska Gasline Port Authority. The opinion expressed is his own.**



Thursday » July  
10 » 2008

## Mackenzie Pipeline or Pipe Dream?

### Grand plan for Alaskan gas mired in uncertainty

**Ed Struzik**

Edmonton Journal

Sunday, July 06, 2008

In the summer of 2001, Northwest Territories Finance Minister Joe Handley was sitting on the banks of the Mackenzie River betting \$50 that a multibillion-dollar pipeline transporting Arctic gas up the 1,200-kilometre-long valley would be built before Alaska could figure a way of piping gas from its fields in Prudhoe Bay.

Like executives from Imperial Oil Ltd., which had a vision for the all-Canadian project, Handley was so confident of the prospects of success, he suggested 2007 was not an unrealistic date for completing the project, estimated at \$4 billion.

That was then. This is now.

Now, after a term as the N.W.T. premier, Handley is taking time at his cabin outside Yellowknife to ponder a more lucrative future outside

of politics.

The way things have been going lately, he will not be collecting on his bet any time soon.

The Mackenzie Valley project is no longer projected to cost \$4 billion, or the \$7 billion it was pegged at when Imperial and the pipeline consortium made the first regulatory applications in 2004.

The price is now \$16.2 billion and rising.

Today, no one is placing bets on when the gas will start flowing up the valley. The odds are on whether gas will ever flow along a Mackenzie Valley route, at all.

Long dismissed as too expensive, the rival plan to bring huge reserves of natural gas from Prudhoe Bay through the Yukon and northern British Columbia is gaining momentum.

If an Alaska Highway pipeline goes ahead anytime soon, it will delay or possibly kill the



CREDIT: Ed Struzik, Canwest News Service

Plans to build a pipeline along the Mackenzie Valley have been hit by rising costs, land claim disputes, court challenges and regulatory delays.



CREDIT: Leah Hennel, Calgary Herald  
Inuvik, N.W.T., developed in the 1950s, lies in the heart of the Mackenzie Delta and would see an economic and population boom if the proposed pipeline is built.

Things were actually looking pretty positive for the project back in 2002 when Handley and others were suggesting the 2007 target date.

As promising as the start was, it would be another two years before the pipeline consortium made its application to the National Energy Board.

Doug Matthews says the first mistake was made by Imperial Oil when it failed to recognize the value the Aboriginal Pipeline Group would bring to the table if it were given an ownership stake in the project. Representing aboriginal groups from across the N.W.T., 30 northern aboriginal leaders formed APG in the hopes of maximizing ownership and benefits from the pipeline and to support greater independence and self-reliance among Mackenzie Valley residents.

"Given the fact that Imperial had been in the North since the 1920s, one would have thought they'd find a way of arranging for aboriginal equity in the project very quickly," Matthews said. "But that didn't happen. They insisted on the APG coming up with all the money required to give them a stake. It was a lot of money they didn't have. That really slowed things down."

In the meantime, continued uncertainty about the regulatory regime hampered the consortium's ability to get hundreds of permits needed to collect field data.

Overwhelmed and unable to resolve issues that were outside its control, the consortium threw in the towel in 2005, taking a six-month breather. As it turned out, it was time it couldn't afford.

Given the torrid pace of energy developments in northern Alberta, the cost of manpower, equipment and steel was quickly going through the roof. Forced to revise its cost estimates, the consortium had to go back to the National Energy Board in early 2007 with the new, eye-popping \$16.2-billion price tag.

If all this weren't bad enough, Alaskan producers ConocoPhillips and BP PLC added a nightmarish subplot to the story last month by unveiling a \$25-billion proposal to rival TransCanada Corp.'s plan to build a pipeline from the North Slope of the state to the lower 48 states.

Worse still for the Mackenzie pipeline interests, the announcement came on the heels of a report that suggested the Horn River area of northern British Columbia could hold up to 50 trillion cubic feet of natural gas. That's more gas than is now recoverable from the entire North Slope. It's also gas an Alaska pipeline could tap into.

If an Alaska Highway pipeline were built any time soon, most experts believe it would delay or kill the Mackenzie project. There simply isn't enough labour, steel and equipment to build two pipelines at the same time.

Joe Handley admits he's sorely disappointed with all that has transpired over the last seven years, putting much of the blame squarely on the federal government for not being more forthright on royalties, taxes and infrastructure.

"The fact is no government in Ottawa, especially a minority government like this one, wants to be seen giving any kind of break to Imperial or Exxon or any other energy company," he said.

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CLOSE WINDOW

**Rynniva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Tuesday, July 01, 2008 7:35 AM  
**To:** John Bitney; Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Hulcro: The Treble Damages Bombshell

## The Treble Damages Bombshell

For the last year, Alaskans have been sung a song of open and transparent competition via the AGIA process by the Palin administration.

However one of the least talked about facets of AGIA has been the treble damages clause, which mandates the state pay TransCanada three times the money they have spent if the state helps a competing project.

However Thursday in Kenai during the AGIA hearings, lawmakers finally got the administration to admit to just how big of a risk this clause poses to getting Alaskans a gas pipeline.

As we know, one of the sticking points about coming to an agreement has been the Palin administration's refusal to negotiate fiscal certainty terms with the producers.

Representative Ralph Samuels solicited a bombshell response on this issue when he asked Department of Revenue Commissioner Pat Galvin a very likely hypothetical question.

**If Denali and AGIA/TransCanada get to a point where a future legislature realizes it is necessary to adopt either new tax rules or fiscal certainty terms to move the pipeline forward, and even though the change in law is available to both projects but at the end of the day it allows the Denali project to move forward; does that trigger treble damages?**

Here is Galvin's response:

**"Yes. We do owe them treble damages. Absolutely. We're not going to try to advance a competing project. We bought them into this process and we're going to stick by them or we're going to pay them treble damages."**

Galvin's response raises questions:

How is restricting lawmakers ability to change the one thing they have complete control over (taxes), in the state's best interest?

How does this not bind a future legislature for fear of having to pay treble damages?

More importantly, how does this not stifle competition and create a barrier to moving a project forward when we know the Denali project has a much greater chance of succeeding?

This clause is yet another indication that this administration foolishly thinks AGIA is going to force a marriage between the producers and TranCanada. It won't.

What's troubling is that many lawmakers have said publicly that they plan on voting to give TransCanada the AGIA license as an insurance policy to keep the producers and their Denali project honest.

7/25/2008

I always thought insurance policies were designed to protect you, not punish you.

I guess you could call this the Thelma & Louise insurance policy; we join hands with TransCanada and it ensures we drive off the cliff.

**To hear the full exchange:**

<http://www.ktoo.org/gavel/archive.cfm?audio=13518&request=65A8E4768DCA5564CE282BD22211A261>

*Fast forward to time stamp 3:29 and listen to the end.*

## Rynnieva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Friday, June 27, 2008 8:30 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski: Alternative energy on the horizon for GVEA

## Alternative energy on the horizon for GVEA

By Stefan Milkowski

Published Friday, June 27, 2008

JUNEAU — With a little help from the state, Golden Valley Electric Association is looking to cut back on fossil fuels and start making hot water and power from the sun, the wind and the Nenana River current.

**The Alaska Energy Authority, a public corporation of the state, this week gave the utility \$212,000 to study four alternative energy projects across Golden Valley's coverage area.**

**Two projects involve hydropower. The first would generate up to 50 megawatts of electricity at a dam on the Tanana River near Delta Junction. The second would make 10 megawatts of power from the Nenana River near Healy using generating units in the river rather than a dam.**

**A third project would generate up to 50 megawatts from wind turbines in the Eva Creek area near Healy, and the fourth would actually cut electricity usage by relying on solar energy to heat water at two facilities near Denali National Park and Preserve.**

"This is kind of an opportunity to come up with some things that might be a little outside the box," Golden Valley spokeswoman Dianne Porter said Thursday.

**The grants are small in relation to the overall project costs. AEA put just \$60,000 toward the dam project, which is expected to cost \$130 million.**

Porter said the grants will allow Golden Valley to assess the feasibility of the projects without using members' money. The utility has pursued the wind power project for years, but the others are relatively new.

**A total of about \$5 million in grants was awarded statewide through a collaborative effort between AEA and the Denali Commission, a federal-state partnership.**

**Most of the 33 grants were awarded for pre-construction studies, but some grants were given for construction of alternative energy projects, including a geothermal power plant at Manley Hot Springs and a wood-fired heating system in Fort Yukon.**

To qualify for the grants, project sponsors had to show the projects would save enough money in displaced fossil-fuel costs to offset the cost of construction. Three of the Golden Valley projects — all but the solar thermal project — are expected to pay for themselves two or three times over.

Karsten Rodvik, a spokesman for AEA, described the grants as a first step toward displacing costly fossil fuels and bringing down the cost of energy.

"The goal, of course, is the development of a long-term plan that provides low-cost, reliable, sustainable power,"

7/8/2008

he said.

According to Rodvik, AEA is planning to issue a similar request for proposals this summer for \$50 million in grant money, or 10 times what was awarded this week, although the project criteria will likely be different.

The grants are considered helpful because alternative energy projects typically cost more to build than conventional energy projects. The projects can ultimately save money because they don't require fuel.

**State lawmakers and Gov. Sarah Palin agreed this year to put \$250 million toward alternative energy projects during the next five years.**

# INTERNATIONAL Herald Tribune

## Court overturns injunction on S.D. abortion law

**The Associated Press**

Friday, June 27, 2008

**PIERRE, S.D.:** A federal appeals court ruled that South Dakota can begin enforcing a law requiring doctors to tell women seeking abortions that the procedure ends a human life.

The 7-4 decision by the 8th U.S. Circuit Court of Appeals in St. Louis sends the case back to U.S. District Judge Karen Schreier of Rapid City for proceedings that will result in a decision on whether the law passed by the 2005 South Dakota Legislature is constitutional.

Schreier had temporarily prevented the law from taking effect while she decides the case. She had ruled that opponents had a fair chance of succeeding in their claim that the law violates doctors' free-speech rights by forcing them to tell women things the doctors might not believe.

A three-judge panel of the 8th Circuit had agreed with Schreier, but the full court threw out her order. It said Friday that Planned Parenthood, which operates South Dakota's only abortion clinic in Sioux Falls, has not provided enough evidence that it is likely to prevail.

"The bottom line is if the state Legislature orders a professional to tell the truth, that's not a violation of the First Amendment," said South Dakota Attorney General Larry Long, who is defending the law in court.

Mimi Liu, a lawyer for the Planned Parenthood Federation of America, said such rulings generally take about three weeks to take effect. Long said it could take less time.

The 2005 law would make doctors tell women "that the abortion will terminate the life of a whole, separate, unique, living human being." Women also would have to be told they have a right to continue a pregnancy and that abortion may cause women psychological harm, including thoughts of suicide.

Planned Parenthood has failed to show that the information to be given to women seeking abortions is untruthful, misleading or irrelevant to the woman's decision, the appeals court majority said. Taking into account definitions in the law, the information required to be given is biological in nature, so Planned Parenthood has not shown the information is ideological, the decision said.

Harold Cassidy, a lawyer representing two pregnancy counseling centers that support the abortion law, hailed the ruling.

"We think it's a big victory for the woman obviously to be given accurate information in order to make a decision not only for the child, but also for herself," Cassidy said.

Sarah Stoesz, president of Planned Parenthood in Minnesota, North Dakota and South Dakota, said the law would force doctors to read ideological language to women seeking abortions.

"They are imposing compelled speech on doctors. It is not about providing information to women. It is about intruding in the doctor-patient relationship. It is unprecedented and extremely outrageous," Stoesz said.

Planned Parenthood's lawsuit contends the law not violates doctors' free-speech rights, but also is an

undue burden on a woman's right to an abortion.

South Dakota voters in 2006 rejected a ballot measure to ban nearly all abortions. A measure on this year's ballot also would ban abortions but would allow exceptions in cases involving rape, incest and a threat to a woman's life and health.

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Notes:

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**IHT**

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## Rynnieva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Friday, June 06, 2008 8:33 AM

**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

**Subject:** Stefan Milkowski: Consultant urges Legislature to vote yes on TransCanada deal

## Consultant urges Legislature to vote yes on TransCanada deal

By Stefan Milkowski

Published Friday, June 6, 2008

JUNEAU — A consultant who helped push former Gov. Frank Murkowski's oil and gas deals and now works for the Alaska Legislature urged a yes vote Thursday on TransCanada's gas pipeline plan.

**Dan Dickinson told lawmakers they shouldn't consider whether TransCanada's proposal is better than all other proposals but whether issuing a license to the company would put the state in a better or worse position with regard to getting a natural gas pipeline built. He added that he thought awarding a license probably wouldn't weaken the prospects for securing a line and could strengthen them.**

Dickinson initially presented the idea as something of an academic exercise, adding it to a list of other reasons lawmakers could choose to back the plan.

**But when Sen. Con Bunde, an Anchorage Republican, asked him directly, Dickinson said it was also his belief that approving the license would help more than it would hurt.**

**Three other legislative consultants with varying expertise echoed the idea that it wouldn't hurt, at which point Bunde joked that he was ready for a vote.**

**"If we were on the floor, I'd call the question," he said.**

Dickinson's presentation came during the second day of legislative hearings on TransCanada's plan. It caused some lawmakers to openly support awarding a license and it challenged the thinking that lawmakers had to choose between TransCanada's proposal and the competing project pursued by North Slope producers ConocoPhillips and BP.

Gov. Sarah Palin recently backed the TransCanada plan, but some question whether the Canadian pipeline builder would be able to secure the long-term shipping commitments needed to finance the line, especially when two of the major North Slope producers are pursuing their own project.

Dickinson suggested that both TransCanada and the producers have reasons to work together, and he argued that backing TransCanada could help spur negotiations between the companies that would lead to a successful project, as long as the state was flexible.

**"If each party brings strengths, maybe a merged project makes sense," he said.**

**Some lawmakers on Thursday questioned the idea that the state had little to lose by moving forward with**

**TransCanada. Rep. Ralph Samuels, an Anchorage Republican, said he still wanted to learn exactly what penalties would apply if the state chose to back out of its commitments to TransCanada under the Alaska Gasline Inducement Act, the state law under which TransCanada submitted its proposal.**

**But many lawmakers, including Samuels, agreed that it made sense to consider the impacts of issuing a license rather than whether TransCanada's plan was inherently better than others.**

**"It's the first I've heard of it, but that's probably the reason at the end of the day that people will vote yes or no," Samuels said.**

**Rep. John Coghill, a Republican from North Pole, said he considered issuing a license — and contributing up to \$500 million to the project — as something like putting down a payment on a car.**

**"This is our way of saying our interest is to get that gas to market," he said. "In that regard, I think we need to make that statement."**

Revenue Commissioner Pat Galvin didn't attend the presentation but said later that he and others in Palin's administration had considered the strategic aspects of awarding a license along with the inherent value of TransCanada's project.

"For both reasons, we concluded that going forward with a license is in the state's interest," he said. "Either way you look at it, you end up with the same conclusion."

Galvin added that Alaska would benefit from attracting the major producers to the project.

But Galvin disagreed with Dickinson on what should be allowed in such a partnership.

Dickinson argued it was critical that the state be flexible regarding the commercial agreements worked out between the companies — even the "must-have" requirements in AGIA should be on the table during those negotiations, he said.

But Galvin said the state was not willing to give up the must-haves and would want something in return for anything it gave up under AGIA. (AGIA allows a licensee to modify its project as long as the modification doesn't decrease the value of the project to the state.)

TransCanada vice president Tony Palmer, who is attending the legislative hearings, said his company clearly thought its proposal deserved a license based on its merits and not just its strategic value.

TransCanada will continue to seek "alignment" with the producers, including through opportunities for partial pipeline ownership, he said, but only within the confines of the law. "We're not contemplating going outside of AGIA."

Lawmakers are scheduled to take testimony from Palin's administration and TransCanada over the next five days before traveling to Fairbanks and other locations for additional hearings. They have 60 days from June 3 to make a decision on TransCanada's proposal.

**Rynnieva Moss**

**From:** Christopher Clark [cgcaska@yahoo.com]  
**Sent:** Friday, June 06, 2008 8:38 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Keeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski: Energy experts tout TransCanada as viable venture

**Energy experts tout TransCanada as viable venture**By [Stefan Milkowski](#)

Published Thursday, June 5, 2008

## Related Blog



## Capital Focus

Keep up-to-date on the latest news from Juneau

**JUNEAU** — Consultants hired by state lawmakers to review the TransCanada gas pipeline proposal weighed in Wednesday on a pair of questions at the heart of the gas line debate — Would the gas actually make it to Lower 48 markets? and Does TransCanada have the financial wherewithal to complete the project?

Yes and yes, the consultants said.

Barry Pulliam, an oil and gas economist with Econ One Research, answered the first question during an in-depth overview of the TransCanada proposal. Because of Canada's gas pipeline grid, it would be impossible to know if the actual molecules of gas made it into the Lower 48, he said. But because Canada already exports gas to the U.S., putting more gas into the North American market will inevitably result in more gas going to the Lower 48.

A TransCanada pipeline would "effectively" deliver Alaska's gas to American markets, Pulliam said.

The issue is important because of federal loan guarantees for the pipeline that might not exist if the gas ended up in Canada or another foreign country.

Lesa Adair, an engineer with the firm Muse, Stancil & Co., answered the second question.

In a financial analysis, Adair explained that TransCanada has grown quickly in recent years, both in income and level of capital investment, but is still quite small compared to North Slope producers BP and ConocoPhillips, who are pursuing their own gas pipeline project.

Some lawmakers have questioned whether the relatively small company could handle a project as big as the

Alaska gas pipeline, but when asked directly whether TransCanada could "pull this off" or not, Adair replied that the company could.

**"Based on public information for review ... they have the core skills to do this project," she said.**

Adair added later that TransCanada would still have to get long-term commitments from the producers to use the pipe and would have to handle other risks, including those associated with cost overruns and pipeline regulation.

The presentations by Adair and Pulliam kicked off the first day of legislative hearings on the TransCanada proposal.

Gov. Sarah Palin officially threw her support behind the plan late last month. Now, lawmakers have 60 days to decide whether to give the Canadian firm an exclusive state license under the Alaska Gasline Inducement Act and a subsidy worth up to \$500 million.

Lawmakers formalized how they'll approach the issue soon after gaveling in on Tuesday for the start of a 30-day special session. The Senate established the Senate Special Committee on Energy, which is comprised of the members of the Senate Finance and Resources Committees. The House set up a subcommittee of the Rules Committee comprised of House Speaker John Harris, R-Valdez, Rep. Ralph Samuels, R-Anchorage, and Rep. Beth Kerttula, D-Juneau, although Harris said all 40 House members will be allowed to participate in committee hearings.

The presentations are open to all lawmakers, and most attended on Wednesday.

Samuels said the goal of the presentations was to help lawmakers know what questions to ask in the weeks ahead.

But lawmakers also took the opportunity to ask the consultants a wide range of questions dealing with everything from the economics of pipeline expansions to the state's obligations under AGIA.

Rep. Gabrielle LeDoux, R-Kodiak, asked Pulliam directly why TransCanada's proposal was better than the producers' proposal, but Samuels held the question for later.

"We can debate this here for another five hours, but I'd like to get on to (Adair's) fiscal analysis," he said.

Local lawmakers said the presentations covered a lot of material they had already heard but were still useful.

Rep. David Guttenberg, D-Fairbanks, said the conclusions of the legislative consultants seemed to line up with the conclusions of Palin's consultants and gas line team, who gave three days of presentations last week in Anchorage.

"What we're hearing is supporting what we've already heard," Guttenberg said.

Members of Palin's gas line team and TransCanada vice president Tony Palmer attended the presentations. Palmer said after that he would have answered some of the questions differently but thought the consultants generally gave "straightforward" answers.

The presentations are taking place in a gymnasium in a legislative building across the street from the Capitol to accommodate the crowd. Lawmakers are scheduled to hear from their own consultants, Palin's administration, and TransCanada this week and into next week.

After that, they're scheduled to hold hearings in Fairbanks, Anchorage and other locations around the state.

**Rynnieva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Friday, June 06, 2008 8:36 AM  
**To:** Tim Beninter Ji; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Suito; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Bradners/Journal of Commerce: Legislators may not wrap up TransCanada license until mid-July

Web posted Thursday, June 5, 2008

## Legislators may not wrap up TransCanada license until mid-July

By Bradners' Alaska Legislative Digest

Consultants to the Legislature presented observations on the proposed contract to TransCanada Corp. Wednesday, June 4, and are to continue Thursday, June 5. The state administration and TransCanada begin their presentations Friday and continue through Tuesday. Legislators are meeting in special session in Juneau on a proposed state license to the Canadian pipeline company.

Lawmakers are planning extensive use of roundtable discussions during to resolve conflicting testimony. The House Rules Committee indicated Wednesday morning that the ACMA license bill, HB 3001, was assigned to a subcommittee that included Speaker John Harris as chairman, Reps. Ralph Samuels and Beth Kerttula.

**Harris also said he did not assign the bill to the House Finance Committee because it requires no immediate spending. The \$500 million fiscal note, while substantial, is "hollow."**

All legislators are attending Juneau presentations on the license, however,

### PREVIOUS ARTICLES

**Hearings begin at 10 a.m. today in Juneau**

**Special session on AGIA starts today**

### CAPITAL COMMENTS

**AJOC Editorial: Hot issues should override stereotypes - Posted on 03/17/2008**

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### NATIONAL POLITICS

**Updated 10:28 AM ET Clinton to end campaign in Washington Saturday McCain runs new ad in battleground states Young voters: Obama's race as an asset. non-issue**

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in the Terry Miller state office building next to the capitol.

Lawmakers go on the road to Fairbanks next Thursday, Friday and Saturday and return to Anchorage the week after. Other road shows are planned in Kenai, the Mat-Su and Barrow. **House Speaker John Harris says he thinks it may be early July before legislators return to Juneau to begin their final deliberations.**

**All of this could take 45 days, which means a second special session would be called after 30 days.**

Two hearings planned in Anchorage June 16 and 17 will cover regulatory issues and Point Thomson gas. House Majority Leader Ralph Samuels said new information is expected on "Regulatory Day, " June 16, which will include a senior Federal Energy Regulatory Commission representative, the Department of Energy, Regulatory Commission of Alaska and possibly a spokesperson for Canadian regulatory agencies, although the Canadian National Energy Board declined the Legislature's invitation.

Samuels also said time will likely be made available if ConocoPhillips or other Alaska producers wish to testify. Rules Chairman John Coghill said the producers' comments would help lawmakers understand the credibility of the TransCanada proposal.

**House Speaker John Harris also said TransCanada has no leverage to convince North Slope producers to ship their gas on its proposed pipeline. Whether the state would apply its leverage is up to the administration.**

In a related development, **Sen. Charlie Huggins said during the June 4 hearings that he would pursue a contract with TransCanada that would go along**

**Governor should be confident, but not brash - Posted on 01/28/2008**

**Hopefully, lawmakers will work within their 90-day session - Posted on 01/21/2008**

**Conoco's willing to talk; why isn't the governor? - Posted on 01/17/2008**

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**with the license. Huggins said his goal is to avoid future misunderstandings or litigation by clarifying the binding requirements imposed on the state as well as TransCanada from its proposal. He added that a contract would be necessary to get his vote for the license.**

## Daily Policy Digest

### Energy Issues

June 6, 2008

#### THE GAS PRICES WE DESERVE

Our struggle with high gas prices is a direct result of our failed energy policies, says columnist George F. Will. America says to foreign producers: We prefer not to pump our oil, so please pump more of yours.

Consider the potential of drilling in the Arctic National Wildlife Refuge (ANWR):

- If President Bill Clinton had not vetoed legislation to permit drilling in ANWR, an estimated one million barrels could be flowing from there today.
- One million barrels would produce 27 million gallons of gasoline and diesel fuel.
- ANWR is larger than the combined areas of five states (Massachusetts, Connecticut, Rhode Island, New Jersey, Delaware), and drilling along its coastal plain would be confined to a space one-sixth the size of Washington's Dulles airport.
- The U.S. Minerals Management Service says that restricted area of ANWR contains perhaps 86 billion barrels of oil and 420 trillion cubic feet of natural gas -- 10 times as much oil and 20 times as much natural gas as Americans use in a year.

Concern over the potential damage due to oil spill has been exaggerated, says Will:

- There has not been a significant spill from an offshore U.S. well since 1969.
- Of the more than 7 billion barrels of oil pumped offshore in the past 25 years, 0.001 percent -- that is one-thousandth of 1 percent -- has been spilled.

Source: "The Gas Prices We Deserve," George F. Will, Washington Post, June 5, 2008.

For text:

[http://www.washingtonpost.com/wp-dyn/content/article/2008/06/04/AR20080604033052\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2008/06/04/AR20080604033052_pf.html)

For more on Energy and the Environment:

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washingtonpost.com

## The Gas Prices We Deserve

By George F. Will  
Thursday, June 5, 2008; A19

Rising in the Senate on May 13, Chuck Schumer, the New York Democrat, explained: "I rise to discuss rising energy prices." The president was heading to Saudi Arabia to seek an increase in its oil production, and Schumer's gorge was rising.

Saudi Arabia, he said, "holds the key to reducing gasoline prices at home in the short term." Therefore arms sales to that kingdom should be blocked unless it "increases its oil production by one million barrels per day," which would cause the price of gasoline to fall "50 cents a gallon almost immediately."

Can a senator, with so many things on his mind, know so precisely how the price of gasoline would respond to that increase in the oil supply? Schumer does know that if you increase the supply of something, the price of it probably will fall. That is why he and 96 other senators recently voted to increase the supply of oil on the market by stopping the flow of oil into the Strategic Petroleum Reserve, which protects against major physical interruptions. Seventy-one of the 97 senators who voted to stop filling the reserve also oppose drilling in the Arctic National Wildlife Refuge.

One million barrels is what might today be flowing from ANWR if in 1995 President Bill Clinton had not vetoed legislation to permit drilling there. One million barrels produce 27 million gallons of gasoline and diesel fuel. Seventy-two of today's senators -- including Schumer, of course, and 38 other Democrats, including Barack Obama, and 33 Republicans, including John McCain -- have voted to keep ANWR's estimated 10.4 billion barrels of oil off the market.

So Schumer, according to Schumer, is complicit in taking \$10 away from every American who buys 20 gallons of gasoline. "Democracy," said H.L. Mencken, "is the theory that the common people know what they want and deserve to get it good and hard." The common people of New York want Schumer to be their senator, so they should pipe down about gasoline prices, which are a predictable consequence of their political choice.

Also disqualified from complaining are all voters who sent to Washington senators and representatives who have voted to keep ANWR's oil in the ground and who voted to put 85 percent of America's offshore territory off-limits to drilling. The U.S. Minerals Management Service says that restricted area contains perhaps 86 billion barrels of oil and 420 trillion cubic feet of natural gas -- 10 times as much oil and 20 times as much natural gas as Americans use in a year.

Drilling is underway 60 miles off Florida. The drilling is being done by China, in cooperation with Cuba, which is drilling closer to South Florida than U.S. companies are.

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### The Bakken Oil Formation

The Biggest Oil Find in US History. Learn How To Profit - New Rpt. EnergyAndCapital.com/Bakken\_Oil\_Rpt

ANWR is larger than the combined areas of five states (Massachusetts, Connecticut, Rhode Island, New Jersey, Delaware), and drilling along its coastal plain would be confined to a space one-sixth the size of Washington's Dulles airport. Offshore? Hurricanes Katrina and Rita destroyed or damaged hundreds of drilling rigs without causing a large spill. There has not been a significant spill from an offshore U.S. well since 1969. Of the more than 7 billion barrels of oil pumped offshore in the past 25 years, 0.001 percent -- that is one-thousandth of 1 percent -- has been spilled. Louisiana has more than 3,200 rigs offshore -- and a thriving commercial fishing industry.

In his book "Gusher of Lies: The Dangerous Delusions of 'Energy Independence,'" Robert Bryce says Brazil's energy success has little to do with its much-discussed ethanol production and much to do with its increased oil production, the vast majority of which comes from off Brazil's shore. Investor's Business Daily reports that Brazil, "which recently made a major oil discovery almost in sight of Rio's beaches," has leased most of the world's deep-sea drilling rigs.

In September 2006, two U.S. companies announced that their Jack No. 2 well, in the Gulf 270 miles southwest of New Orleans, had tapped a field with perhaps 15 billion barrels of oil, which would increase America's proven reserves by 50 percent. Just probing four miles below the Gulf's floor costs \$100 million. Congress's response to such expenditures is to propose increasing the oil companies' tax burdens.

America says to foreign producers: We prefer not to pump our oil, so please pump more of yours, thereby lowering its value, for our benefit. Let it not be said that America has no energy policy.

[georgewill@washpost.com](mailto:georgewill@washpost.com)

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## Rynniva Moss

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**Sent:** Tuesday, June 03, 2008 9:02 AM  
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**Subject:** Calgary Herald: TransCanada pipeline plan heads to Alaska politicians - Nationalism expected during legislative debate

### TransCanada pipeline plan heads to Alaska politicians - Nationalism expected during legislative debate

Jon Harding  
 Calgary Herald

Tuesday, June 03, 2008

TransCanada Corp.'s \$26-billion US plan for a natural gas link from Alaska to Alberta will be the focus of a heated public debate in Alaska over the next several weeks starting today.

The company's pipeline proposal goes before state lawmakers today in a special legislative session, from which the Calgary company could emerge with a project licence and \$500-million US worth of state subsidies.

Canada's largest pipeliner would still need approval from Washington to proceed with the largest construction project in North American history.

Alaska politicians are divided, even after last month's formal endorsement of the TransCanada plan by Alaska Gov. Sarah Palin.

When asked what he thought of TransCanada's chances for getting a licence, Republican lawmaker Ralph Samuels told the Anchorage Daily News: "I'd say 50-50."

The process starting today will see the state's 67 lawmakers converge in Juneau for a **seven-day session** to pore over TransCanada's project submission. From there, a series of public hearings begins next week and could take up to 53 more days before a vote.

**Les Gara, a Democrat from Anchorage, told the Herald on Monday he expects the battle to include negative rhetoric around the prospect of a Canadian company taking the lead on a project to move "U.S. natural gas" to lower 48 markets through Canada.**

**Gara carefully offered that he supports TransCanada's bid but wants to see if an economically viable inner-state pipeline project – one that would see much of the gas go to Valdez to be shipped as liquefied natural gas from Valdez – emerges in the next few weeks. He also said he's not alone among lawmakers concerned that Alaska gas will arrive in Alberta only to feed oilsands development.**

**Gara said a "small wing" of Republican legislators who are aligned with Alaska's North Slope producers will be working against TransCanada.**

**"They are going to start travelling around the state, after the next seven days in Juneau, under the auspices of holding public hearings and they intend to campaign against the TransCanada deal," Gara said.**

**"They'll show up at public hearings and say 'you don't want a Canadian company to build this, do you?'**

7/25/2008

**Then they'll come back and say 'my constituents do not want me to vote for this.' "**

While TransCanada's proposal stands alone in Juneau due to Palin's endorsement, lurking on the periphery is a bid from two of the North Slope's dominant producers and lease owners, ConocoPhillips and BP PLC. The pair is proceeding with its own early-stage project work, and says it doesn't need the \$500 million US subsidy.

Gara said the camp of politicians aligned with TransCanada fears being held hostage should North Slope producers hold out on construction until they get superior fiscal terms from the state for gas production and for their existing oilfields in Prudhoe Bay.

He and others often cite the fact an old pipeline proposal from ExxonMobil Corp., BP and Conoco sought \$10 billion US in tax concessions.

"They'll have us over a barrel and use pipeline construction as a bargaining chip," Gara said.

In May, Palin, a Republican, said she favours the TransCanada option to Conoco's and BP's because it offers more benefits to Alaskans.

She said TransCanada's bid conforms to the state's Alaska Gasline Inducement Act and commits TransCanada to a clear schedule that would see first gas moving south by 2018.

The state's analysis of TransCanada's plan for an expandable line with initial capacity to move 4.5 billion cubic feet of gas a day determined Alaskan producers would generate more than \$200 billion US of revenue over 25 years if the line gets built.

"It's a better proposal than we had ever hoped for," Palin said May 22, the day she backed TransCanada.

TransCanada executives, including CEO Hal Kvisle, spent four days in Anchorage last week attending public meetings.

The company said Monday it would push forward even without a state licence.

"TransCanada will continue to work forward to get the licence and if we get the licence, we'll hold an open season and offer producers a partnership (stake)," company spokeswoman Cécily Dobson said in an e-mail.

"It is difficult for us to predict an outcome; we haven't seen any negative signals."

[jharding@theherald.canwest.com](mailto:jharding@theherald.canwest.com)

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