

HB

132

<TARGET><BILL>HB 132</BILL><SUBJECT>HB
132</SUBJECT><COMM>SRES29</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 3/25/15

FURTHER: Rules / T.CAL
 DATE TURNED IN TO OFFICE: 03/27/15

Resources Committee considered CS FOR HOUSE BILL NO. 132(L&C)

HB 132 AGDC SUPPORT OF NATURAL GAS PROJECTS

"An Act relating to the purpose, powers, and duties of the Alaska Gasline Development Corporation related to the Alaska liquefied natural gas project and an in-state natural gas pipeline; relating to the in-state natural gas pipeline fund; and providing for an effective date."

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LED			✓	2

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Castello	✓			
	Uickchawski			✓	
	Coghill	✓			
	Micciche	✓			
CHAIR:	Gressel	✓			

ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement

House Bill 132

House Bill 132 affirms the policy direction for the Alaska Gasline Development Corporation (AGDC).

The Legislature set this policy direction in 2013 when creating AGDC, and in 2014 when approving AGDC's involvement in the Alaska LNG Project in conjunction with SB 138.

HB 132 recognizes that AGDC is already engaged as a partner on behalf of the State in the Alaska LNG Project, which is the project most likely to deliver the greatest benefit to Alaskans.

Because the Alaska LNG Project is most likely to deliver the greatest benefits to Alaskans, House Bill 132 ensures that AGDC maintains its commitment to this project and does not embark on a duplicative, competing project, until the future of the Alaska LNG Project is more certain. Per House Bill 132, AGDC would be free to pursue other projects at the earliest of three dates; 1) if a party to the Alaska LNG Project withdraws, 2) if the Alaska LNG Project proceeds into the Front-End Engineering and Design (FEED) phase, and 3), July 1, 2017.

The legislation further recognizes that the State is prudent to maintain its back-up plan, the ASAP project, in case the State's partners in the Alaska LNG Project fail to commit to the next development phase, FEED. Should that occur, AGDC is poised to re-solicit gas buyers and gas sellers, and to upgrade the ASAP proposal as supported by the market.

To avoid a duplicative or competing project, the legislation prohibits use of the Instate Natural Gas Pipeline Fund to pay for work on a project that would export more gas than it would deliver instate. House Bill 132 also requires AGDC to have the written consent of a gas owner/controller before attempting to market that entity's gas to a third party.

Keys to megaproject success include the elimination of competing objectives, and the alignment of stakeholders along a single project. With the unprecedented momentum to date of the aligned Alaska LNG Project, contemplation of competing projects increases risk and uncertainty that threaten success.

This legislation ensures that AGDC retain the course set by the Legislature in creating AGDC and providing a framework for AGDC to advance the state's interests as a full participant in the Alaska LNG Project.

ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol
Juneau, Alaska 99801-1182

Sectional Analysis for CS HB 132 (L&C) Version G

- Short Title: AGDC support of natural gas projects
- Section 1 Amends AS 31.25.005, AGDC's purpose, to accommodate changes made by section two.
- Section 2 Adds a new subsection to AS 31.25.005, AGDC's purpose, to place temporary restrictions on AGDC's abilities. Prohibits AGDC from developing a natural gas pipeline project in which more than half the gas transported is intended for export as liquefied natural gas, and prohibits AGDC's involvement in a liquefied natural gas project that competes with the Alaska LNG Project in which AGDC is already contractually involved. These prohibitions terminate at the earliest of three dates: July 1, 2017; the time at which the state and other Alaska LNG Project parties enter the next development stage, Front End Engineering and Design (FEED); or the time at which the state or another party that holds natural gas leases withdraws from the Alaska LNG Project.
- Section 3 Adds a new subsection to AS 31.25.080, AGDC's powers and duties, to require AGDC to obtain written consent from an entity controlling or owning gas, before AGDC is able to market that gas.
- Section 4 Amends AS 31.25.100, In-state natural gas pipeline fund, to restrict AGDC from using the monies for a project that competes with the Alaska LNG Project, or for a natural gas pipeline project through which a majority of gas is intended for export. These restrictions expire at the earliest of three dates: July 1, 2017; the time at which the state and other Alaska LNG Project parties enter the next development stage, Front End Engineering and Design (FEED); or the time at which the state or another party withdraws from the Alaska LNG Project (consistent with section two dates).
- Section 5 Amends AS 31.25.390, AGDC definitions, to conform the statutory reference in the definition of 'Alaska liquefied natural gas project' to reflect the addition of a new subsection in AS 31.25.005.
- Section 6 Adds a new term, 'front-end engineering and design', to AS 31.25.390, AGDC definitions. The definition replicates the language in the Heads of Agreement document for the Alaska LNG Project, dated Jan. 14, 2014, between AGDC, the State of Alaska, BP, Conoco, TransCanada, and Exxon Mobil.
- Section 7 Sets an immediate effective date.

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	CSHB 132(RES)
Fiscal Note Number:	1
(H) Publish Date:	3/16/2015

Identifier: HB132-DCCED-AGDC-03-05-15
 Title: AGDC SUPPORT OF NATURAL GAS PROJECTS
 Sponsor: CHENAULT
 Requester: HRES

Department: Department of Commerce, Community and
Economic Development
 Appropriation: Alaska Gasline Development Corporation
 Allocation: Alaska Gasline Development Corporation
 OMB Component Number: 2986

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? N
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Prepared By:	Miles Baker, VP External Affairs and Government Relations	Phone:	(907)330-6360
Division:	Alaska Gasline Development Corporation	Date:	03/06/2015 11:00 AM
Approved By:	Dan Fauske, President	Date:	03/06/15
Agency:	Alaska Gasline Development Corporation		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

The Alaska Gasline Development Corporation (AGDC) is currently advancing two North Slope natural gas pipeline projects - the in-state Alaska Stand Alone Pipeline (ASAP) and the Alaska LNG export project.

The bill would not impact the Corporation's FY16 operating budget as both pipeline initiatives would continue on their current work path. However, to the extent the bill limits the Corporation's ability to make modifications to ASAP's design that could improve the project's economics, as is currently allowed under AS 31.25.005(4), the Corporation's capital spending plan may be impacted going forward. This bill would subject the Corporation to additional limitations under which it can progress the two North Slope natural gas initiatives:

Sec 2 establishes that the Corporation may not plan or develop an in-state natural gas pipeline project in which more than 50% of the transported gas is intended for export as LNG, until the earliest of one of three dates:

1. The date that a current Joint Venture party withdraws from the Alaska LNG project
2. The date the Alaska LNG project moves into the Front-End Engineering and Design (FEED) stage
3. July 1, 2017

Since domestic in-state gas demand is currently estimated at 250 MMscfd, under this temporary restriction, AGDC would be required to maintain the ASAP project's current design basis of 500 MMscfd.

Sec 2 also establishes that the Corporation may not participate in an Alaska liquefied natural gas project other than the Alaska LNG project, until the earliest of one of the above dates. Since the current ASAP design basis is for a lean, utility grade gas, this new limitation would temporarily restrict AGDC from making changes to the ASAP gas composition to accommodate an LNG specification.

Sec 3 adds a new subsection to AGDC's powers and duties, restricting the Corporation from marketing gas it does not own, without written consent of the owner. AGDC does not currently own any gas and to date has not been directly engaged in gas marketing.

The Corporation has authority over two funds from which it finances corporate operations and work activities associated with these projects. The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) and the *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110). Once money has been appropriated to these funds, AGDC is authorized to spend money out of the funds, within the parameters established, as expenditures occur, without further appropriation. AGDC has instituted internal procedures to separately account for and allocate project and Corporate expenditures to the appropriate fund. The Corporation has contracted with the Department of Revenue to manage both funds.

The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) was established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of the ASAP in-state natural gas pipeline project. Since 2009, approximately \$420 million has been appropriated by the Legislature for the project, either directly, or by capitalizing the In-State Natural Gas Pipeline Fund.

Sec 4 establishes additional restrictions on the use of the In-State Natural Gas Pipeline Fund. The bill would restrict AGDC from using monies from the fund to increase the capacity of the ASAP project or to develop ASAP into a project that competes with the Alaska LNG project.

The *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110) was established in 2014 to fund state expenditures associated with the Alaska LNG project and the state's equity participation in that venture. The fund was capitalized in FY14 with a \$69.8 million appropriation.

Summary of Changes

HB 132 – From ver A to ver G

The House Resources Committee amended the original version \A to:

- Expand the title to more accurately reflect the full bill contents
- Clarifies that AGDC may not pursue an in-state project in which more than half the gas is intended for export by AGDC *or by another party*
- Ensure the temporary restriction on AGDC's ability to pursue an in-state line for export or a competing LNG project is lifted once parties to the Alaska LNG Project *enter into contractual agreements* to undertake the Front End Engineering and Design (FEED) development phase.
- Amend the term 'FEED study' to 'FEED'.
- Add an immediate effective date.

The House Labor and Commerce Committee amended CS for HB132 (RES) to:

- Clarify that the temporary restriction on AGDC is lifted if the state or another party *that has natural gas leases* withdraws from the Alaska LNG Project.

The House of Representatives did not further amend CS for HB132 (L&C).

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 132
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB132CS(L&C)-DCCED-AGDC-03-25-15
Title: AGDC SUPPORT OF NATURAL GAS PROJECTS
Sponsor: CHENAULT
Requester: HOUSE LABOR & COMMERCE

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Gasline Development Corporation
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Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

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Positions

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Part-time							
Temporary							

Change in Revenues							
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If yes, by what date are the regulations to be adopted, amended or repealed?

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Prepared By:	Miles Baker, VP External Affairs and Government Relations	Phone:	(907)330-6360
Division:	Alaska Gasline Development Corporation	Date:	03/25/2015 11:25 AM
Approved By:	Dan Fauske, President	Date:	03/25/15
Agency:	Alaska Gasline Development Corporation		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 132

Analysis

The Alaska Gasline Development Corporation (AGDC) is currently advancing two North Slope natural gas pipeline projects - the Alaska Stand Alone Pipeline (ASAP) and the Alaska LNG export project.

The bill would not impact the Corporation's FY16 operating budget as both pipeline initiatives would continue on their current work path. However, to the extent the bill limits the Corporation's ability to make modifications to ASAP's design that could improve the project's economics, as is currently allowed under AS 31.25.005(4), the Corporation's capital spending plan may be impacted going forward. This bill would subject the Corporation to additional limitations under which it can progress the two North Slope natural gas initiatives:

Sec 2 establishes that the Corporation may not plan or develop an in-state natural gas pipeline project in which more than 50% of the transported gas is intended for export as LNG, until the earliest of one of three dates:

1. The date that either the state or a venture party holding natural gas leases in Alaska, withdraws from the Alaska LNG project. In other words, if only TransCanada withdraws, this conditional date is not satisfied.
2. The date the Alaska LNG parties enter into contractual agreements to undertake Front-End Engineering and Design (FEED) for the project
3. July 1, 2017

Since domestic in-state gas demand is currently estimated at 250 MMscfd, under this temporary restriction, AGDC would be required to maintain the ASAP project's current design basis of 500 MMscfd.

Sec 2 also establishes that the Corporation may not participate in an Alaska liquefied natural gas project other than the Alaska LNG project, until the earliest of one of the above dates. Since the current ASAP design basis is for a lean, utility grade gas, this new limitation would temporarily restrict AGDC from making changes to the ASAP gas composition to accommodate an LNG specification.

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The Corporation has authority over two funds from which it finances corporate operations and work activities associated with these projects. The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) and the *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110). Once money has been appropriated to these funds, AGDC is authorized to spend money out of the funds, within the parameters established, as expenditures occur, without further appropriation. AGDC has instituted internal procedures to separately account for and allocate project and Corporate expenditures to the appropriate fund. The Corporation has contracted with the Department of Revenue to manage both funds.

The *In-State Natural Gas Pipeline Fund* was established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of the ASAP in-state natural gas pipeline project. Since 2009, approximately \$420 million has been appropriated by the Legislature for the project, either directly, or by capitalizing the In-State Natural Gas Pipeline Fund.

Sec 4 establishes additional restrictions on the use of the *In-State Natural Gas Pipeline Fund*. The bill would restrict AGDC from using monies from the fund to increase the capacity of the ASAP project or to develop ASAP into a project that competes with the Alaska LNG project.

The *Alaska Liquefied Natural Gas Project Fund* was established in 2014 to fund state expenditures associated with the Alaska LNG project and the state's equity participation in that venture. The fund was capitalized in FY14 with a \$69.8 million appropriation.

HB 132 Hearing before Senate Resources on March 25, 2015

Public Testimony of Harold Heinze

Thank you madam Chair for providing the opportunity today for public comment. I have a few brief observations that I would like you to consider as potential amendments improving on the House passed version of HB 132.

I am a 40 plus year resident of Alaska and have pipeline experience spanning half a century. My experiences have been at both technical and executive levels in both the private and public sector.

I have followed the re-birth and development of the Alaska LNG project over the last few years. In SB 138 the 28th Legislature's firmly committed to the State's partner participation in the producer sponsored pre-FEED evaluation of the AK LNG project. I understand that work is continuing under the associated agreements in preparation for a special Legislative session this fall.

In the House floor consideration of HB 132 on Monday night, strong reference was made to the fact that the Legislature was the Board of Directors for the State's participation in the AK LNG project. I agree and actually had made the same statement in my testimony before the House Resources Committee. I hope this body will consider that role and its implications carefully.

In particular, the project investment and participation decision you will be making this fall is one of the biggest and most important in Alaska's history. It is also a decision that risks major elements of Alaska's resource base and fiscal strength. Given this magnitude of decision before the "Board", each member individually will be acting as a

“fiduciary” and responsible to assure that he or she has exercised a high level of due diligence.

My observation to you is that while much info has been generated, you as individuals still lack major information under several categories of importance to a fiduciary.

The current “instructions” contained in HB 132 appear to narrow considerations that will be brought forward to the Legislature and public. This legislation can be expanded to be a vehicle to signal the need for fuller evaluation of rewards, alternative approaches, benefits, and alternative projects –and- to make them publicly available before your decision, rather than after. With small amendment, HB 132 could be used to instruct a range of other State entities such as the Royalty Board and the Oil and Gas Conservation Committee to complete all their involvements by the fall session.

It seems to me that the discussion of HB 132 this week reveals more concern about influencing the producer’s decision on a multi-tens of billion dollar project investment than assuring that the State’s same decision is wisely made by 60 well informed fiduciaries that have exercised full due-diligence. This Committee could take the lead in assuring that serious consideration is given to all matters that may affect your vote up or down in the fall on Alaska’s direct participation in the AK LNG project.

Gasline exchange has good points for Alaskans to ponder

Harold Heinze February 24, 2015 Opinion In The Alaska Dispatch

Both Sen. Giessel and Gov. Bill Walker make points that Alaskans should ponder as they consider the direction and status of potential projects to bring our state's abundant natural gas resources to market.

As Alaskans evaluate the status and direction of potential projects developing our very abundant natural gas resources, they should be sure to read [Sen. Cathy Giessel's commentary](#) (ADN, Feb. 21), as well as [Gov. Bill Walker's commentary](#) (Feb. 19). Both of them make points that Alaskans should ponder.

While I heard Sen. Giessel say on talk radio yesterday that Alaska did not own any gas, I hope she would agree that since the Legislature has by law set in motion the process for the state to become an owner in either of the two gas line projects, that it is important that Alaskans are comfortable with the Legislature's ultimate investment decision. Based on public statements, the House seems very set in its decision already, so I am hoping that the Senate will encourage discussion, rather than suppressing any variation of thought.

I start with the decision process that each of our potential partners will go through before committing to a decade of several tens of billions of dollars invested in North Slope and Cook Inlet facilities, a large diameter pipeline and potentially a fleet of tankers to service the foreign markets.

The largest North Slope gas lease holders (BP, Exxon Mobil, and ConocoPhillips) will at each phase of project advancement carry this decision up the corporate chain to their individual boards of directors. Committing such a large fraction of the corporate cash flow to a

singular project that will offer no return until entirely complete a decade later assures that there will be full vetting and healthy debates of risks, rewards, alternatives, threats and uncertainties at the highest level. The corporate commitment to the Alaska LNG project will be revisited several times over the next few years by each of the three producers' boards with a fresh exam each time. If any one of the companies falter, the project will stop. The fact that the companies are working together is very encouraging, but the overriding reality is that each will decide and act in its own interest, based on its own opportunities for corporate success. While the companies' criteria of project success are different than those of Alaska, they are very good at these decisions, and Alaska would be wise to follow the lead of the Houston board rooms if at any point they turn away from this megaproject approach.

In a similar way, the state's decision on the LNG project lies with the Alaska Legislature, because of its unique power of appropriation granted under the state Constitution. The state's board room isn't in the governor's office, its at either end of the Alaska Capitol building's second floor under the shared leadership of the president of the Senate and the speaker of the House. Sen. Giessel and her colleagues are the deciders of whether the Alaska LNG project goes forward with Alaska investment and how much investment. To the Legislature's credit, much has been done to educate the deciders and to a degree the public, but much more will be required as the seriousness of these decisions elevates. A lot more can and should be done by the Legislature to assure the broadest public consensus on goals, success factors, alternatives and opportunities.

By way of example, the decision by the state to take its royalty gas in-kind or in-value affects every aspect of potential state participation in the LNG project and the long-term fiscal health of Alaska. Alaska's history is rife with past dismal failures on the taking in-kind decision, and in recognition of that, prior Legislatures created a royalty board to provide for full public vetting of any recommendation on royalty disposition coming to the Legislature from the commissioner of the Department of Natural Resources. I am unable

to find the record of that public review in this case, and I have not heard the appropriate dissatisfaction of the Legislature for the failure of the past administration to utilize that existing vehicle. Many thinking Alaskans don't feel that deciding to take royalty oil in-kind and investing in the LNG project can be justified on the basis of "the producers want us to."

Finally, to my view of the governor's role in the North Slope gas project decisions. Gov. Walker has clearly deviated from the past administration by being both a leader and an advocate. That sounds like a CEO to me. Success for Alaska can't be achieved by reaching a flawed "deal" to advance. I don't know if the governor is right that the LNG deal on the table is fatally flawed or whether it has some problems easily corrected, but I am glad that he has spoken out about his concerns. If thoughtful challenge, rather than blind allegiance, is dangerous enough to drive off the "partners," then so be it. The governor (CEO) has the responsibility to execute and implement actions in the best interest of the state, and I haven't seen anything that bothers me in that regard. The governor of Alaska is really a CEO. Plus, he has the power of the red line through the budget items, and we are yet to see how Gov. Walker exercises this power. It certainly is within his authority, and if necessary, I hope he will act to prevent the state making a devastating mistake.

The Legislature in several public statements has expressed its concern with Gov. Walker's replacement of three members of the Alaska Gasline Development Corporation board of directors. I personally knew the three members lost to the state's service and have great respect for them individually as experienced contributors. Certainly the two members with strong industry backgrounds are among the top dozen most experienced pipeline project management people available in Alaska. I also know and commend the three AGDC board nominees recently put forward as "good decision makers." AGDC's role as a public corporation of the state is not to decide if Alaska should risk tens of billions of dollars of public money on the LNG project, but to assure that the best technical, project, business and market information is available to the

Legislature for consideration in their decision. I believe that the AGDC board as reconstituted is capable of directing the AGDC executives, staff and consultants to do that.

Finally, legislative concern over the governor's statement on examining the premise of the Alaska Stand Alone Pipeline project seems to miss the point. Many have been concerned that ASAP as created in detail by the Legislature ignored all of several alternative projects with benefits and virtues potentially exceeding ASAP. In defining the state's fallback position from the producer controlled megaproject Alaska LNG, the state as a matter of prudence should have more than one plan B under development and active consideration. If AGDC as a public corporation remains unable to handle more than one thought at a time, the Legislature can contract with a strong private sector company to evaluate a variety of options without confusing the thrust toward the Alaska LNG project.

***Harold Heinze** is former CEO of Arco Alaska and Arco Transportation Company, former commissioner of Natural Resources, and former CEO of the Alaska Natural Gas Development Authority. He has over 45 years of Alaska experiences in pipelines, megaprojects and the North Slope.*

ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol
Juneau, Alaska 99801-1182

February 20, 2015

The Honorable Bill Walker
Governor, State of Alaska
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Walker,

We followed with interest your opinion piece in the newspaper and your press comments articulating a new plan forward on North Slope natural gas development and commercialization. Naturally, we have serious, initial concerns about a change in course that may adversely affect the unprecedented alignment now underway in the Alaska LNG Project, and in redirecting a state entity to compete where the Legislature has statutorily directed cooperation. We hope that you and your administration may alleviate some of those concerns by providing answers to the following questions.

To set the stage, the Legislature passed Senate Bill 138 in 2014 by a vote of 52-8. This vote was a clear statement supporting the framework laid out in SB 138, and for the accompanying Memorandum of Understanding (MOU) and Heads of Agreement (HOA), and also for the new direction statutorily provided to the Alaska Gasline Development Corporation (AGDC). Specifically, the Legislature acknowledged the extraordinary value of the State and the Producers aligning on a common project, and working as partners to facilitate that work.

To that end, the Legislature clearly directed AGDC to prioritize its work on Alaska LNG, while maintaining plans for ASAP as a future option should the parties to Alaska LNG fail to proceed into the next phase of work (Front End Engineering and Design) and, ultimately, into a Final Investment Decision on the joint project. AGDC was to cooperate, but not compete; and to create the appropriate firewalls to enable sharing of confidential information from private sector partners, without the ability to then use that information for other advantage. If, in the future, the private sector partners were unable to proceed with Alaska LNG, only then would AGDC have the ability to use that information to advance an AGDC project alternative.

The new approach laid out in your opinion article and in your press conference appears to run contrary to the principles underlying Alaska LNG, and the Legislature's intent in passing SB 138. We realize that we lack specific details on many aspects of this new approach. We are hopeful you will guide us to a greater understanding.

Our immediate questions are:

- If AGDC is to pursue an equivalent project concurrent with the state's involvement in Alaska LNG, how do you intend to maintain alignment with the state's partners in Alaska LNG? How will they be assured that the state will, in fact, follow through on its financial and partnership commitments to Alaska LNG?
- What assurances do you have from the state's Alaska LNG partners that they will continue their investment in Alaska LNG when the state – previously, their 'aligned' equity partner – is now, in essence, also a competitor?
- Have the Producers and TransCanada assured you of their willingness to move Alaska LNG forward under this new scenario of two competing projects?
- How will you protect the firewalls within AGDC that have allowed critical information-sharing with the Alaska LNG Project? How are the state's partners to be assured that their commercially sensitive information will be protected and not used to further the state's competing, independent gasline interests?
- In the same vein, what is the estimated cost of the state pursuing its own project independently? You indicated a route change and the addition of multiple compressor stations; and, with higher volumes, we understand thicker-walled pipe may be required. The additional data collection and permitting is likely to increase costs substantially. What is the anticipated source of these funds?
- With the producers pursuing their own project, to which they will presumably commit their gas, where will the state obtain gas to offer/ship/sell to other partners in the state's independent project? How will the state market a project without gas?
- When can the Legislature anticipate your administration providing a comparative economic study of the two projects? AGDC has statutory direction to pursue a project that delivers maximum benefit to Alaskans. When will your administration make available the analysis underpinning this shift?
- Additionally, what professional analysis is available to your administration supporting the concept of a demand-pull project? Will that analysis be made available to the Legislature?
- Further, is there analysis that indicates that a state-sponsored project will be able to succeed financially if the Alaska LNG Project, backed by three extremely competent LNG developers with strong marketing contracts globally, is not sanctioned?
- The market wants to pay the lowest possible price for our gas; under Alaska LNG, the producers and the state have a common goal of getting the highest possible price for Alaska's gas. Not only would the new ASAP proceed directly to the market, as opposed to those with gas who share an economic interest with the State, but the new approach seems to essentially give the market multiple supply options, potentially further disadvantaging the State's ultimate price received. Presuming two competing projects are soliciting the market for long-term contracts to purchase LNG, how will your administration protect the state's interests? How will two projects compete for the same market? How will that help us get the highest price for our gas?

- As you are aware, a Department of Energy export license will require an applicant have gas committed to the project and a site secured for a liquefaction facility. Does the State intend to file for an export license? If so, how will the State demonstrate gas is available for the project, when the known gas leased by the Producers has been committed to a different project?

There are few issues as critical to Alaska's future as responsible development of our rich North Slope natural gas resources. We believe you agree, in light of your record on the subject. We sincerely hope that you will give the time and focus required to fully evaluate the consequences inherent in a change in course, and the associated threat that poses to the success of an aligned project.

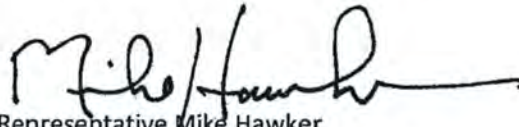
The Alaska LNG Project holds the keys to unlocking this bounty, for the benefit of all Alaskans, by providing gas to our people, and revenue from LNG sales to overseas markets. The aligned project strikes the proper balance, at this stage, between risk and reward, between costs and benefits.

We are adamant in our continued support for this project, and will be relentless in our work to ensure nothing inhibits the unprecedented alignment and forward momentum we've witnessed over the last year. We must not allow success to be turned into failure by well-intentioned but inappropriate state actions.

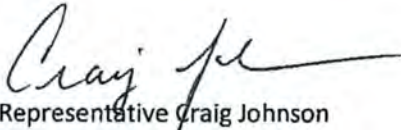
Sincerely,



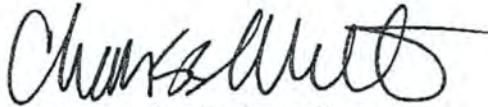
Representative Mike Chenault
Speaker



Representative Mike Hawker
Chair, Legislative Budget and Audit



Representative Craig Johnson
Chair, House Rules Committee



Representative Charisse Millett
Majority Leader



Representative Dave Talerico
Co-Chair, House Resources Committee



March 23, 2015

House Speaker Mike Chenault
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,


The Alaska Support Industry Alliance is writing in support of H.B. 132 – legislation affirming Alaska Gasline Development Corporation's policy direction.

As you know, the Alliance is comprised of private sector companies operating in the oil, gas and mining industry here in Alaska. As such, we don't believe private sector companies should "compete" against a sovereign that has unilateral authority in permits and right of ways and the power to tax. The word "alignment" has been used repeatedly over the last few years with regard to the AK LNG project. It is a foundational principal that must be a part of a project this large. We are concerned this project won't go forward without it.

By creating "competition, we believe somebody loses. Alignment is meant to ensure everyone wins. By staying the course set by the legislature with regard to AKLNG, we believe Alaskans stand to benefit the most.

The state of Alaska is closer than we have ever been to an LNG project. As business owners and contractors we know that means continued work, jobs and a strong economic future for our state. We support the parameters that H.B. 132 would set and look forward to this legislation becoming law.

Sincerely,



Rebecca Logan

General Manager, Alaska Support Industry Alliance

Cc: Representatives Hawker, Millett, Johnson, Herron, Olson, Nageak, Talerico, Tilton

Testimony of Harold Heinze on HB 132

House Resources on March 14, 2015

Mr. Chairman and members of the House Resources Committee, my name is Harold Heinze. I am a 40 plus year resident of Anchorage.

I have 50 years of experience in pipelines and oil production. I have worked on North Slope gas issues in both the private sector (as Engineering Manager for ARCo at Prudhoe Bay field startup, and CEO of both ARCo Alaska & ARCo Transportation Co) and in the public sector (as Commissioner of the Department of Natural Resources and as Senior Resource Development Advisor to the Governor during the Hickel administration, and as CEO of the Alaska Natural Gas Development Authority during three administrations from 2003 to 2012).

Thank you for the opportunity to address some important points in the legislature's direction of AGDC in regards to your major decision this fall during special session on proceeding with a transportation system for North Slope gas.

In October of 2013 I offered public comment at the first board meeting of the newly formed AGDC. I encouraged them to:

1. Assure that the public is well informed of all aspects of utilizing Alaska natural gas
2. Conduct business open enough on a continuing basis that the public is brought along
3. Assure that all alternatives are considered and evaluated as to their public good and impacts.

In following the progress of work and reviewing available reports I am concerned that alternative paths and alternative projects for utilizing North Slope gas have NOT been evaluated.

I believe that this fall during the special session that an informed public is vital for your major incredibly-important decision on proceeding to the States multi-billion-dollar commitment to the AK LNG project. You are picking the horse and you should work hard to assure that Alaskans share you wisdom and commitment.

I would suggest to you that HB 132 could be amended to include direction for full evaluation and publication of Alaska's alternative projects and choices. In particular the decision on royalty in-kind vs royalty in-value should be fully vetted and disseminated through the Royalty Board public process.

Additionally, I would observe that HB 132 will probably be the only AK LNG project related legislation during this regular session and this is the best opportunity for the Legislature to direct preparations for the fall special session on State involvement with the North Slope producers.

This fall you will be sitting as "Alaska's Board of Directors" making as big a State fiscal decision as I remember since 1969. Importantly, it also will be the riskiest decision that State has ever made. Each of the 60 members will be acting individually as a "fiduciary". Each of you is entirely responsible for your decision. The body must assure that each member has and understands the information he or she needs to make a responsible decision.

You have a 6 month window to develop and vet alternative projects, alternative deals, risks, and rewards. I ask that you consider this bill as a positive vehicle to instruct and focus the additional information requirements for you and the public at large.

Lynn Willis, Eagle River, March 6, 2015, Testimony regarding HB132

I remember when, with much fanfare, the AGDC/ASAP pipeline was described as our "ace in the hole" or "backup" to the AKLNG project. That strategy absolutely made the AGDC/ASAP a competing project to some degree as it was intended to motivate the producers into action. Now AGDC/ASAP has become the Cheshire cat of Alaska - morphing into whatever you want it to be and all you often see is the smile. With the removal of the AGIA restriction of 500 million cubic feet per day why shouldn't the AGDC/ASAP project explore being a more economically viable project benefiting from increased volumes for sale?

The Alaskan Government cannot decide the fate of any gas line project. With all due respect, the point of decision "boardroom" for these projects will be the boardroom(s) of those who hold the leases for the gas and the boardroom(s) of those who might purchase the gas in the volumes necessary to make it viable. This has been reality since day one. Please stop deluding us and, more importantly, yourself.

And how many "bites" of the gas pipeline apple do think Alaska can afford. We already have spent over \$300 million on AGIA with not an inch of pipe purchased nor a molecule of gas sold. Now we face, according to your own consultants, in the next few years \$50-125 million of investment in AKLNG Pre-feed and perhaps another \$250-\$500 million equity investment in Feed costs alone (ref page 4 of analytica presentation "AKLNG 101" dated February 16, 2015). How could we possibly afford another "do over" with an AGDC/ASAP project?

In my opinion, a sovereign has no business being in business as an equity partner. Our political system does not rely on "nationalized" industry and this AKLNG equity partnership is a poor compromise. The role of the sovereign is to tax, regulate and provide maximum benefit to the governed and equal opportunity for all - not to blatantly pick sides. Isn't this "partnership" in AKLNG intended, at least to some degree, intended to compensate for the malfeasance of those who created the fiscal mess we find ourselves in by not acting as responsible stewards of our revenues and cash reserves?

Mike Prax, 1015 Meadow Rue, North Pole, 99705

(907) 378-5667

Dear Resource Committee Members;

I urge the Resources Committee to pass HB 132 on to the full house for a vote.

Alaskans might be closer than we have ever been to seeing North Slope gas brought to market but we still do not know whether a commercially viable project can be put together. So this is not the time to embark on a competing pipeline project to improve our negotiating position with the North Slope producers – which is the direction the Governor seems to want to take.

Therefore, the legislature needs to pass this bill (and override the Governor's veto if necessary) to provide explicit instructions to the administration and the AGDC to stick to the current development plan.

Governor Walker repeatedly demonstrated that he does not understand how to put a major gas pipeline project together while he was involved with the Alaska Gas line Port Authority. In fact, he used funds that were contributed to the port authority to develop a gas line project to thwart the effort of the Murkowski administration to work with the producers. He also criticized the AGIA effort after the port authority failed to submit a 'responsive' proposal – even though they were given a second chance to improve their proposal. He also recklessly claimed that the state could simply walk away from the agreements it had made and fight it out in court. This was even before he had a clear idea that any gas line project was commercially viable.

Mr. Walker was also involved in the port authority's failed attempt to establish an LNG trucking project to bring gas to the interior a few years ago. That project failed when the Fairbanks North Star Borough residents realized the port authority was exposing them to unnecessary financial exposure because they were attempting to make financial commitments to purchase Fairbanks Natural Gas before they had confirmed that they had the legal authority to engage in the project and performed the due diligence to make sure the entire project worked.

(The port authority backed away from the project when the assembly made the appropriation the port authority was seeking contingent on a positive vote of the people. The recent debacle with the Interior Gas Utility and the North Slope liquefaction plant proved that the people's hunch was correct.)

The Governor's recent action to replace AGDC board members who were well versed in the industry with political hacks who have no industry experience and glibly stating that simply being an Alaskan and purchasing 300 gallons of heating fuel is sufficient experience demonstrates that he doesn't even appreciate the fiduciary responsibility of a board to the people of Alaska.

The Governor also told those board members to refuse to sign confidentiality agreements, which is surprising considering that the failed effort to setup the port authority LNG trucking project – including purchasing FNG and hiring the president of FNG before publicly announcing the port authority's intention - was conducted entirely in executive sessions.

The Governor's contention that all is needed for the project are customers and a supply of gas further demonstrates his lack of understanding of how to complete in the natural gas market. The 'expressions of interest' he touts are of no value until we have an understanding of how much it will cost to bring the gas to market and therefore can talk seriously about a price.

Alaskan gas cannot be honestly marketed until we have a firm idea of whether the transportation cost will enable us to sell the gas for a price that makes it worth producing. That cannot be determined until the work that the state is performing in conjunction with the North Slope lease holders and Trans-Canada is completed.

If it turns out that the state thinks the gas is worth producing, but the leaseholders do not, then we can talk about finding other partners and developing an alternative project. But we certainly do not need to look for new partners until we determine that the current partnership will not work out.

In conclusion, the legislature must assert its policy setting authority, because the Governor has clearly demonstrated that he does not understand the complexities involved with the project or the ramifications of his reckless actions.

The governor has threatened to veto this bill, therefore the committee should move the bill forward as soon as possible to give the full body time to pass it and then override the governor's veto.

Thank you for your consideration.

Mike Prax

PS. A full legislative investigation of the Alaska Gas Line Port Authority is in long overdue.

March 14, 2016

Testimony ~ HB 132

Chairman Nageak, Co-Chair Talerico and members of the Resource Committee, thank you for allowing us to finally speak to HB 132.

My name is Alan Lemaister. I am President of Gakona Junction Village, Inc. located in the Copper Valley on the Richardson Highway about 16 miles north of Glenallen. Unfortunately I was unable to get to our LJO to testify today so I am submitting my testimony posthumously.

I must say that after listening to three sessions on this bill and not being able to testify, it has been an arduous task for those of us that, by necessity, are donating their time and treasure to speak to this important issue.

In the first session, all the time was taken by the members of the committee asking a myriad of questions for over the two hours, leaving no time for public testimony. Probably because no one was allowed to testify on day one, some of us were discouraged and only one came prepared to testify on day two.

The third day we never did hear the report from AGDC, again because even before the presenters were allowed to speak, Representative Hawker interrupted and asked for a quick moment to ask a question. That question obfuscated the issue with an abundance of questions levied by Representative Hawker and others on the committee, again leaving your constituents floating in the wind as time ran out.

Please understand that many of us, across the state, are limited by time and distance to be able to come to our LJO's to speak to the issues, for which we all have concerns, and it would be prudent on the part of the committee chairs to make ample time for us to testify if you are calling a session for that purpose.

Now, having taken this moment to vent a bit, I would like to quickly speak in opposition to HB 132.

As I read the bill, it seems that its prime purpose is to deny any work that would allow the state to consider an alternative plan to AK-LNG. If, as you all seem to agree, AK-LNG is the definitive and only proper line to give Alaskans the best and lowest cost in natural gas, there is little about which you should be concerned. But if something happens in ongoing of negotiation and studies over the next two years, that would preclude AK-LNG from

progressing, is it not wise to have a plan to which you can defer, so as to not lose time and money by gearing up from the beginning, once again?

We know there is ample natural gas to power the Anchorage Bowl and its neighbors for decades at their current levels. So the question is which plan will best serve the people of Alaska and allow us to market our gas to end users in the Pacific Rim. Of course, there is an economy in size so the larger the pipe the more product can be sold. That is pretty simple but seems to be lost by some in the legislature.

With a 3.6 billion dollar short fall of funds available to run the state for the foreseeable future, is it not a sensible plan to back up our work in designing a pipe with as many alternatives as possible to insure that we Alaskans see the benefits of gas over diesel and wood to heat and power our homes and businesses should AK-LNG fail to meet the level of economic need to proceed?

I ask that, given these issues and the fact that the Governor has publicly stated to Veto the bill should it reach his desk, are there not a host of more important issues to which you can turn your attention that will benefit the state far greater than playing with these seemingly politically motivated, delaying tactics?

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Governor Bill Walker
STATE OF ALASKA

March 2, 2015

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, AK 99801

The Honorable Mike Hawker
Chair, Legislative Budget and Audit
Alaska State House of Representatives
State Capitol Room 502
Juneau, AK 99801

The Honorable Craig Johnson
Chair, Rule Committee
Alaska State House of Representatives
State Capitol Room 216
Juneau, AK 99801

The Honorable Charisse Millett
Majority Leader
Alaska State House of Representatives
State Capitol Room 204
Juneau, AK 99801

The Honorable Dave Talerico
Co-Chair, Resources Committee
Alaska State House of Representatives
State Capitol Room 104
Juneau, AK 99801

Dear Speaker Chenault and Representatives,

Thank you for your letter of February 20, 2015, responding to my plan to ensure Alaska finally brings a natural gas pipeline project to fruition. I appreciate the work you have done to advance this goal and look forward to building on the efforts you set in motion.

Our shared aim is to sell Alaska's gas to world markets and provide an affordable, reliable natural gas supply to Alaskans. The common ground of any pipeline project is that it be in the best interests of the State. By moving forward with both the AK LNG and the ASAP projects, we are better assured of getting the right project for Alaska.

Around the world, the producers are developing their own projects that directly compete with AK LNG. There is nothing inappropriate about that; it is how business is done. By the same token, it is not inappropriate for the State of Alaska to consider another option, one that ensures we have an economically viable gas project that is not dependent on the potentially changing priorities of the producers over the next few years.

There are multiple advantages to concurrently pursuing a market-driven project. These advantages include more State control than in a producer-driven project, strengthening the State's hand in fiscal

The Honorable Mike Chenault et al.
Alaska Gas Pipeline
March 2, 2015
Page 2

and commercial negotiations with the producers, and providing market-based financing opportunities the State can offer for possible merger with the producer-driven AK LNG project.

I have spoken with each of the producers and TransCanada at a high level, and each indicated that they would not discontinue with the AK LNG project because Alaska is also advancing our own option. I have met with one of the AK LNG participants and their only concern is the firewall arrangement between the two projects, an issue we are currently addressing. While the producers and TransCanada do not have any firewall between their own competing projects and the AK LNG project, we will respect their desire for us to have a firewall between our ASAP project and the AK LNG project.

In the coming weeks and months, we will continue to address the issues you raise in your letter as we further delineate details of the project. I anticipate there will be adjustments to information sharing between projects and other matters. This will be done on a case-by-case basis as needed. I do not anticipate anything being a show-stopper. We will continue to work with the producers throughout this process.

Transporting and giving value to our natural gas is critical to the future of this state. Let's do it together, with respect for ourselves as the owner of the resource, and with an understanding of and respect for the differing interests of the market and the producers. I look forward to working with you and with all parties to advance the best project for Alaska.

Sincerely,



Bill Walker
Governor

From: Mike Prax <gmprax@gmail.com>
Date: March 26, 2015 at 7:41:41 PM AKDT
To: <Senator.Cathy.Giessel@akleg.gov>
Cc: <Senator.John.coghill@akleg.gov>, Representative Tammie Wilson
<Representative.tammie.wilson@akleg.gov>
Subject: HB 132

After listening to the hearing on HB 132 on Wednesday afternoon and reviewing the documents pertaining to the legislation that are available on the legislature's web site, I remain convinced that the legislature needs to give specific instructions to the Governor regarding commercialization of Alaska's gas by passing this bill.

The Governor's vague response to the specific questions posed by the House Resource Committee did little to assuage my concern that he and his associates under-appreciate the complexities of commercializing North Slope gas and especially the importance of acting in 'good faith' to successfully complete any project related to that endeavor.

I appreciate Mr. Heinze's observation that the legislature should not simply dismiss any alternatives to the current proposal and move forward blindly. I don't think that has happened, but the legislature could do a better job of helping Alaskans understand how it arrived at its decision.

But that is not the primary question before you.

The Heads of Agreement the State made with the other participants doesn't preclude looking into alternatives or marketing the State's share of the gas. Article 4.5 (pg 9) of the agreement states:

"During the Pre-FEED phase, each of the Producer Parties and the State would initiate preliminary, individual LNG or gas sales or shipping efforts. During the FEED phase, each of those Parties would seek to execute individual LNG (or gas) sales and shipping agreements."

We see from this that administration can 'market Alaska's gas' within the terms of the agreement. Doing so might even strengthen the project.

However, the Governor's unilateral decision to market Alaska's gas outside of the project, replace highly qualified board members for no valid reason, instruct the people he appointed to the AGDC board to refuse to sign project confidentiality agreements, publicly intimate that project partners are not aligned with the State's interest, and his aside that state will respect the partner's desire for a firewall between the state's (now competing project) and the AKLNG project even though the partners don't have a firewall between this project and their other projects indicates to the business world that the State is not acting in good faith.

The governor assumes that he has a mandate to act because he won an election. I do not accept that assumption. The fact is that a majority of those Alaskans who voted cast their vote for someone other than Mr. Walker. But even if he did happen to receive a majority of votes,

he would not have a mandate to ignore prior agreements negotiated in good faith and codified by the legislature.

Those who testified in opposition to HB 132 seemed to base their position on the possibility of getting a better deal with other partners. Whether that is possible is pure conjecture; but if we assume it is possible, we must consider whether any other potential partner would be foolish enough to enter into an agreement that is subject to the whims of the next governor that happens on the scene, and if they are foolish enough to enter into such a situation, would it be prudent to do business with them?

Clearly, a prudent person would not risk entering into a long term agreement with a fickle partner unless they could cover their risk before we could change our mind.

The Governor might be correct that a better deal could be obtained by partnering with gas purchasers rather than gas producers. (Although he has offered no credible evidence to suggest that is true.) But we will not be able to reach a legitimate deal with any partner unless the State is perceived to be acting in good faith.

The legislature must exercise its responsibility to protect Alaska's reputation by overriding the Governor's impulsive actions and giving him clear direction for the future, otherwise it will reinforce Alaska's reputation as a fickle partner.

Please pass HB 132 out of committee with a strong "do pass" recommendation.

Thank you for your consideration,

Mike Prax



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Governor Bill Walker
STATE OF ALASKA

March 27, 2015

The Honorable Cathy Giessel
Chair
Senate Resources Committee
Alaska State Senate
State Capitol, Room 427
Juneau, AK 99801-1182

Dear Senator Giessel:

I want to make it clear that I and my administration absolutely want the AKLNG project to succeed. Additionally, we are appreciative of the work the Legislature did on SB 138 to create a process that increases the chances for a successful project. But as hard as we work on this process, it does not guarantee a project. That is why I proposed continuing the process of making the Alaska Stand Alone Pipeline (ASAP) an economically viable back-up to AKLNG.

It is my intention that we, as a State, continue to diligently negotiate and work with the producers on the AKLNG project. For the ASAP project, I am proposing that the State evaluate increasing the project's gas throughput to make it an economically viable back-up. The Alaska Gasline Development Corporation (AGDC) Board recently passed a resolution directing the corporation to develop a cost estimate and a projected schedule for 36-inch diameter pipe at two different strengths. This is in keeping with the 2013 AGDC project plan amendment that increased the pipe size from 24" to 36".

It is also my plan that the State continues discussions with Asian LNG buyers to preliminarily explore their interests in the back-up ASAP pipeline should AKLNG fail to come to fruition. As the AGDC president commented in a press release after a February 2014 presentation by the Japanese consortium Resources Energy Inc.: "REI would be an excellent anchor tenant for the ASAP project," and the "presentation reaffirms our belief that we have a commercially viable project capable of delivering gas to Alaskans by 2020."

Much like AKLNG and the original plan for a smaller ASAP pipeline, details pertaining to financing options, equity ownership, costs, governance and other elements of the project will be determined as the project develops.

My reasons for moving forward with steps to make the ASAP project an economically viable back-up are as follows:

- The decision on whether to advance the AKLNG project to the next phase of engineering and design is out of the State's hands (currently scheduled for second quarter of 2016). Any one of the three producer partners and TransCanada could decide not to move forward for reasons having nothing to do with Alaska.
- ASAP also provides a back-up for any producer party as well as the state to ship gas if AKLNG does not advance.
- Nothing that is being proposed for ASAP diminishes or impinges on the chances of the AKLNG project succeeding.
- I contacted our AKLNG producer partners at a high level prior to announcing my plans for ASAP and have continued discussions with them since. All have indicated an understanding of my proposal and a willingness to continue making progress on AKLNG.
- Having a viable back-up plan is in keeping with how our producer partners do business. These companies work simultaneously on numerous potential LNG projects worldwide. As ExxonMobil stated in their March 4, 2015 analyst meeting, "Simply put, our large resource base affords us the flexibility to select and develop the most attractive opportunities ... We start with high-quality resources with stable, competitive fiscal terms from resource owners. We choose to invest selectively in only the most attractive."

My reasons for opposing HB 132 include:

- By putting a hold on ASAP as proposed under HB 132, we are betting the fiscal future of Alaska on all four of the companies agreeing that the AKLNG project is the "most attractive" of each company's multiple options. We cannot take such an extreme risk when we are facing a \$4 billion deficit. A successful gas project is key to Alaska's economic future.
- In 2006, the Stranded Gas Development Act contract failed in large part because the State put all of its eggs in one basket and then imposed timelines on itself for reaching an agreement. This gave the producers significant leverage to negotiate terms that led to an unacceptable and failed contract. If we tie our hands through passage of HB 132 and do not provide Alaska with a viable alternative, we run the risk of making the same mistake.
- The bill will substantially harm my ability to negotiate terms favorable to Alaska within the AKLNG framework.
- AKLNG is scheduled to make a decision regarding FEED in the second quarter of 2016; however, it appears that HB 132 grants AKLNG a one year extension on that date to July 1, 2017. Managing the AKLNG project through legislation is not in the State's best interests.

The Honorable Cathy Giessel
HB 132 Testimony
March 27, 2015
Page 3

Again, I want to make clear that AKLNG is my administration's preferred option; but we need to be prepared with a fallback if all of the parties to AKLNG are not able to clear the hurdles set out in the 2014 Heads of Agreement.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker". The signature is written in black ink and is positioned above the printed name and title.

Bill Walker
Governor