

SCOMM

128:4

**TESTIMONY BEFORE ALASKA
LEGISLATIVE COMMITTEES (DRAFT)**

Graphic 1 (Cover Sheet--blue flame)

Good morning. My name is Joe Marushack from Phillips Alaska. With me are Ken Konrad from BP Exploration and Robbie Schilhab from ExxonMobil. Together we comprise the Management Committee of the North American Natural Gas Pipeline Group. We appreciate the opportunity to appear before you today to discuss the project. Each of us will participate in the presentation.

At the outset, let us say that we fully understand and share the strong interest Alaskans and others have in ANS gas commercialization. An economically viable project would encourage new investment exploring for and developing North Slope gas, provide construction and employment opportunities, maximize state royalty and tax revenues over the long term, and create the potential for increased access to gas in Alaska. From a producer prospective, an economic project will provide the value that our shareholders expect from us. We are highly motivated to progress an Alaskan gas project

Recognizing your interest, the Project Team plans to provide periodic updates to you on project status as various milestones are reached. The

Team also plans to engage in ongoing dialogue with appropriate government agencies and other parties. The evaluation and route selection process cannot be done in isolation. We want to move a project along most efficiently and so it must be an inclusive process that provides opportunities for interested parties to participate. This is an Alaskan project, but it is also an international project of enormous scale. To be successful, it will require the full cooperation of Alaska, the US federal government, the Canadian federal government, as well as affected provinces, territories, First Nations, and many other interested stakeholders.

At the same time, those participating in the dialogue must be open and realistic. There are many groups with many viewpoints. To be successful, we must listen to and respect these viewpoints. And we must not lose sight of our objective: a commercially viable gas pipeline that can deliver natural gas from the North Slope to the lower-48 states at costs competitive with other supplies in the U.S. and Canada. We do not have a full feasibility cost estimate at this time that addresses all the technical, permitting and logistics issues of the two pipeline routes. That's why we have to consider the costs and benefits of both major pipeline routes before selecting one. Indeed, it is our obligation, and for permit filing purposes a requirement, to evaluate alternative options with the governments, communities, regulators, and our

shareholders. We recognize that Alaskans are concerned about the route selection process and with the huge investment required we have committed to establishing a factual basis for the evaluation.

Graphic 2 (Presentation Overview)

The next graphic outlines the various topics we plan to cover. I'll briefly address the resource background, and the market. Next Ken will provide you with an update of the ongoing work effort. Lastly Robbie will get into the details of the permit applications, deliverables and plans

Graphic 3 (Project Overview)

On December 6, 2000, the three major Alaska North Slope gas producers--BP, ExxonMobil and Phillips--announced a joint work program to evaluate and progress an Alaskan Gas Pipeline Project. The project would ultimately involve a large diameter pipeline system to deliver gas from Alaska's North Slope to Canada and the lower-48 states.

The three producers will share the costs and leadership of the project equally. The initial work program is expected to cost at least \$75 million. Staffing levels are anticipated to total about 90 full time equivalent personnel from the three companies, with significant contractor support.

The work effort will be primarily managed and staffed in Anchorage, with other work locations in the U.S. and Canada.

The work team has initiated the first steps in progressing the project.

Key program activities over the next year include:

- Conceptual design of the world's largest CO₂ treating plant; and
- Conceptual designs for a large diameter pipeline, high-efficiency compressor stations and a NGL recovery plant.

We'll discuss three of these facilities in more detail a little later in the presentation to give you a better understanding of the size and magnitude of our work effort and the facilities being evaluated

Other program activities include:

- Project costing;
- Environmental field surveys;
- Permitting requirements and plans;
- Design of a commercial structure; and
- Overall viability of the project.

A focus of the work effort will be on route evaluation and selection, leading to filings with U.S. and Canadian regulatory authorities--the Federal Energy Regulatory Commission (FERC) in the U.S., and National Energy Board

(NEB) in Canada. The target objective is to file FERC, NEB and other appropriate applications in late 2001.

This is a very aggressive target. Once the work planning process is finalized we will understand the timing better. Of course, the filings are contingent on developing a commercially viable project that can competitively deliver gas to the lower-48 states. The latter is especially important since there are potential competing sources of gas that could also supply these markets. A competitive project also means that no cost overruns can be tolerated, especially in a gas project of this magnitude and we will utilize our company and contractor resources to realistically understand all of the costs and risks.

Graphic 4 (Alaska Gas Resources & Major Producers)

Turning to slide 4, this is the first of three graphics covering North Slope Gas Resources and Gas Market Outlook.

It shows the major North Slope gas resources and their locations. Developed fields are depicted in green and include, from west to east, Alpine, Kuparuk, Milne Point, Prudhoe Bay, Endicott, and Badami. Major discoveries not yet developed are in yellow and include Northstar, Liberty and Point Thomson. The known North Slope natural gas resource totals

about 35 Tcf. The total potential gas resource on the North Slope has been estimated over the years at around 100 Tcf. Industry's ability to realize the full potential resource will in large part be dependent on an efficient transportation system which yields attractive netbacks, and hence the incentive to explore and develop. It is worth noting that there is potentially enough gas on the North Slope for projects other than a gas pipeline to Canada and the Lower 48 states if market conditions are supportive. For reference, the pie shaped chart to the right shows the relative ANS gas ownership interests for the 35Tcf of known resource. Through the state's royalty share it is obvious the state has an important position in the resource.

Graphic 5: Current Gas Utilization

Gas historically has played a significant role in improving Prudhoe Bay's oil recovery. In the 1970's, an estimated 9.6 billion barrels were originally forecasted to be recoverable from Prudhoe Bay. As of today, we've recovered over 10 billion barrels and are still counting, with over 3 billion barrels remaining to be produced. This improved recovery is achieved with the help of the world's largest gas processing system.

The overall process is summarized in the slide 5 schematic. This image shows Reservoir Gas being routed through our Central Gas Facility where

Natural Gas Liquids are extracted, then blended with crude, which is then transported down TAPS. Current NGL production rates run at about 50 mbd to TAPS, with the sale of another 25 mbd to the neighboring Kuparuk oil field for use in their miscible gas enhanced oil recovery project.

Miscible Injectant is also manufactured at the CGF, for use in enhancing oil recovery from the waterflood areas within Prudhoe Bay.

The remaining dry gas is compressed and re-injected into the Prudhoe gas cap. This re-injection process enhances oil recovery by maintaining reservoir pressure, and also helps vaporize residual oil that is then cycled back and re-produced.

The gas resource at Prudhoe will continue to be used to improve oil recovery and until we are able to export gas from the Slope by whatever means.

Graphic 6 (Market Environment Demand Growth: 2000-2020)

Turning to slide 6, we often get asked why we believe the time is now more appropriate for a gas pipeline project from the North Slope to the Lower 48. The Lower 48 gas market is the largest in the world, with the best transportation infrastructure and the ability to move gas from a single hub to many market sectors. It's a market where gas can be sold long term or

short term, priced at spot or fixed, float with the general market or locked in with caps and collars. It is also a growing market due to the historic abundance of the energy and the environmentally friendly aspects of the source. The U.S. Energy Information Agency projects a continuing increase in demand for natural gas through the year 2020. Natural gas demand for the commercial, residential, and industrial sectors increases at steady but modest rates.

Demand for the power generation sector, on the other hand, is projected to increase from about 11Bcf/d to over 30Bcf/d between 2000 and 2020. Power generation is driving expected growth in natural gas demand, accounting for 64 percent of total expected demand growth during this 20-year period. Overall the use of natural gas in the Lower 48 is forecast to grow from about 56 BCFD to 86 BCFD by 2020. .

Our current view is that 3-5Bcf/day of North Slope gas could be supplied from Alaska into the Lower 48. We should also point out that there are many supply sources that will be competing to meet this projected demand growth. Those that are most economically viable will succeed. Our gas will be competing against Mackenzie Delta, Eastern Canadian gas, deepwater gulf gas, coal bed methane, tight sands and LNG sources. But we know that existing conventional gas resources cannot keep pace with demand and

we want Alaska's gas to be one of those new sources. I'll now turn the microphone over to Ken for a look at the Project Team's early efforts.

Graphic 7 (Organizational Structure)

Let's turn now to the organizational structure of the Project Team. A three-member Management Committee composed of Robbie Schilhab of ExxonMobil, Joe Marushack of Phillips and Ken Konrad of BP will lead the day-to-day operation of the Project Team. Below the Management Committee are seven groups consisting of engineering, commercial, environmental and regulatory, legal, and external affairs specialists. This chart shows several of the key leadership positions on the team.

Team members shown in red are from Phillips, those in green from BP, and those in blue from ExxonMobil. Company staff is being drawn about equally from the three producers. This will allow us to access top quality people from each organization and ensure full alignment as we proceed through our work program. We are currently engaged in a major effort to fill remaining organizational slots. About 50 team members are in place or have been identified.

Graphic 8 (Objectives)

Our team has set itself a few key objectives.

First, we want to create a project that can succeed – an economically viable project that is sufficiently robust to attract the billions and billions of dollars investment that will be required to get gas to market.

North American gas prices have spiked during the past year to \$5 - \$10/mcf from historic levels of around \$2/mcf. The duration of this current price spike is impossible to predict. What we do know is that the laws of supply and demand have not been repealed – just as they were not repealed during the oil price spike in the early 1980's or the U.S. gas "shortage" of the 1970's. An Alaskan project needs to look past short-term volatility to the fundamental long term – 10, 20, 30 and 40 year - supply trends, and the cost of those competing supplies.

A variety of studies reveal that there is still an enormous gas resource in the US. Some of this gas can be economically developed at \$2/mcf, the average price for gas over the past decade. Much of this gas requires higher prices or technological advances to be economic. We need to establish Alaskan gas as a competitive source of supply against these alternative sources of supply.

Clearly we believe Alaskan gas can be made competitive, otherwise we wouldn't be investing our dollars and our people in this effort. But we do need to be realistic – Alaska is still a long distance from the market and our cost challenges are very real.

Of course the real prize for Alaska is not to simply make the known resource base of 35 Tcf competitive. The larger prize is creating a highly efficient and expandable transportation system that yields a high field netback providing an incentive for investors to explore for and develop new gas fields. Incentive to move past 35 Tcf towards 100 Tcf and beyond. Incentive to create a second industry on the North Slope – an exploration and development industry centered on gas – and the associated long term jobs and revenues.

Our second objective is to establish sufficient engineering, commercial and environmental definitions to support permit applications by year-end 2001. This is not a simple undertaking and as mentioned earlier, it is an aggressive time target but it remains our goal. We will cover some of the specific application requirements later.

Our third objective, assuming we are successful with the first two, is to prepare for the next phase of activity. Project applications are not an end but a beginning. A further ramp up in activity including advancing engineering

design, working through the permitting process and preparing detailed project execution plans.

Graphic 9 (Scope of Project)

This graphic shows the overall scope of our study, which I'll speak to in 4 parts. First, nearly all the known gas on the North Slope has carbon dioxide content above required sales gas specifications and thus needs to be treated before gas can be sold to end consumers. Gas treatment facilities on the North Slope would condition the gas for sale by removing CO₂ from the gas stream, compressing the gas and cooling the gas before entering the pipeline. It is worth noting that these gas treatment facilities would be largest such facilities ever built, anywhere.

Next, a pipeline from the North Slope into northern Alberta. Two major routes will be engineered and evaluated – 1) a northern route which runs offshore north Alaska to the Mackenzie delta and then up the Mackenzie valley to Northern Alberta; and 2) a southern route which broadly parallels TAPS to Fairbanks and then follows the Alaska Highway into northern Alberta.

The specific detailed routing along these two routes as well as the termination point in northern Alberta will be part of the work program.

The next area of study will look at pipelines from Northern Alberta to end markets in the U.S. because simply getting gas to Alberta is not enough. Pipeline infrastructure in Alberta has grown over the years and currently there is some excess pipeline capacity. However, many expect that capacity to be fully utilized as more supply comes on stream over the next few years. In any event, volumes from an Alaskan project will be sufficiently large that some significant expansion of capacity will be required.

The joint team will engineer and evaluate a new build pipeline(s) from northern Alberta into U.S. markets. At the same time we will meet with existing pipeline operators to determine if there are cost effective expansion opportunities on existing systems.

In aggregate, these two pipeline segments – Alaska to Alberta and Alberta to Market – represent a pipeline system 4-5 times the length of the Trans Alaska Pipeline System. This is an enormous undertaking.

Finally, gas delivered to market will need to meet specifications relating to the heating value of the gas. North Slope gas contains various amounts of ethane, propane and other gas components commonly called NGL's or natural gas liquids. Some of these components may need to be removed from North Slope gas to meet end sale specifications. Additionally, there

may be an opportunity to export additional gas liquids to enhance overall economics.

We will be looking at various options for placing NGL facilities along the export system. The location and nature of these facilities will be determined in the study

Graphic 10 (Conceptual Pipeline System Components)

I just provided an overview of some of the major facilities that would be associated with a gas pipeline system from the North Slope to Canada and the lower-48 states. Now I will discuss a few more of the specifics associated with the pipeline itself.

The pipeline being considered will utilize 21st century technology and will be designed to the highest standards. Many things have changed since the major pipeline studies of the 1970's and by leveraging today's technology we can design a system that is more cost effective and a system that meets the highest environmental standards.

We will design a new system from the bottom up to match today's needs with modern technology. Pipeline diameter, throughput rates, operating pressure, compressor station design and location, construction methods and pipeline termination point will all be re-addressed. The end result will be a

more cost effective system with a smaller "footprint", less fuel consumed along the system and lower emissions.

Our work program will determine a specific design but at this point there are some general attributes we can share today. The pipeline will be buried along its length with temperature carefully controlled to not disrupt the permafrost. In this sense, once installed, it will be almost invisible.

The pipeline would be plus or minus 48 inches in diameter and operate at a pressure of perhaps 2500psi or more. It would utilize advanced high strength steel. However, even with high strength steel, the steel requirements for this system will be enormous. Consider a pipeline system 4-5 times the length of TAPS with a wall thickness of around one inch. Literally hundreds of millions of tons of steel.

This efficient pipeline design would require fewer compressor stations and with today's automation and communication systems, these stations can be built as not normally manned facilities. While highly efficient, the total installed horsepower necessary to move gas from Alaska to end markets will still be many times the total installed horsepower on TAPS.

Between compressor stations there would be block valve stations as necessary to ensure safe and efficient operability and maintenance.

Intermediate pigging facilities would enable monitoring of the pipeline system with "smart pigs", again ensuring long term safe operations.

Graphic 11 (Current status)

This is clearly a big undertaking and we are currently moving aggressively to get the team fully staffed. We currently have about 50 staff identified to date with 90 or so positions expected to be filled by April.

Of course we will also need the support of contractors. A number of requests for proposals have been issued for various work packages. These include front-end engineering design and costing for various scopes of work, land and environmental surveys as well as legal support both in the U.S. and Canada. We will speak to these in more detail later.

A key current activity is developing greater detail on all the work scopes and objectives for each component of the study. This will allow us to identify the critical path issues we will need to address to meet our aggressive time targets.

We are in the process of finalizing our near term work schedule and are already initiating specific plans for early field surveys, some of which are seasonal in nature and thus very time sensitive. Now I'll turn the

microphone over to Robbie Schilhab who will describe some of the FERC certificate requirements.

Graphics 12 and 13 (FERC Certificate Requirements)

Conducting our joint work program is not an option for us. It is an absolute requirement. The next two charts show the information required on an application for a FERC Certificate of Public Convenience and Necessity. It's voluminous and detailed. There is a comparable set of requirements for applications filed with Canada's National Energy Board.

The information required includes:

- A description of the legal entity applying for the certificate.
- Descriptions and locations of the pipeline, associated plants, compressor stations, and other facilities; flow diagrams; and information on construction and operations management practices.
- Data on natural gas supply and demand, and
- Estimates of facility costs, method of financing the project, anticipated revenues and expenses, and a model and methodology for calculating tariffs.

FERC also imposes a number of other requirements.

- The application must include a mile-by-mile description of water resources; fish, wildlife and vegetation; geology; soils; and air quality and noise along the pipeline route. Given the length of the pipeline segments to be evaluated, this requirement potentially means 5,800 separate descriptions.
- Other required reports include the socio-economic impacts of the project; cultural resources that may be impacted; land use, recreation and esthetics in affected areas; alternatives considered; and project reliability and safety.

It will require a massive undertaking to gather, evaluate and report the information required by FERC.

Graphics 14 and 15 (Work Program Deliverables)

This chart and the next show the work program deliverables expected from the various work groups. The results will be used in determining the economic viability of a pipeline project and then if warranted in the evaluation of the gas pipeline routes and in FERC and NEB filings.

As shown in this chart, the Technical groups are responsible for the design basis and scope for pipeline systems to bring ANS gas to market. This includes plant and pipeline components for an integrated project, cost

estimates, and both a plan and schedule for project implementation. The Technical group will also be responsible for providing some of the information required for applications for regulatory permits.

The Environmental and Regulatory group is responsible for environmental field studies for Northern and Southern routes, development of plans for filing permit applications, and the completion of applications to be filed with FERC and NEB.

As indicated on the next chart, deliverables from the Commercial group include a plan to move natural gas from Alberta to the lower-48 states, a model and methodology for determining pipeline tariffs, a plan to finance the project, the structure and ownership of the project, and studies to determine the social and economic impacts of the project. The group will also provide the commercial elements needed to complete FERC and NEB applications.

Finally, the External Affairs group will lead the community consultation program, help coordinate U.S. and Canadian external affairs activities, facilitate discussions with government agencies and officials and other interested parties, and provide communications support. This group will have a major role in arranging periodic status updates for you.

Graphic 16 (Initial Contract Packages)

Our work scope covers great breadth and depth, from the North Slope to Canada and the Lower-48 markets. A major area of current activity is the identification and selection of qualified contractors. Requests for Proposal (RFPs) were issued on January 17 covering ~~9~~¹⁰ distinct contract areas. These include front-end engineering design; environmental and land surveys in Alaska, the lower-48 and Canada; and regulatory and permitting requirements. In addition, legal firms in the U.S. and Canada are being selected through a separate process.

On January 25, a pre-bid conference was held to brief potential contractors on the initial work we are planning and the criteria that will be used in awarding contracts. Team members have also begun interviewing contractors who will be submitting bids to assess their qualifications.

The timing of contract awards will vary based on the size and complexity of the individual packages and the ability to conclude contract negotiations. We are currently receiving and reviewing bid submissions, and anticipate that successful bidders will begin work before the end of the first quarter of this year.

Finally, each group is currently planning its work program. This includes identifying what it needs to achieve, when the work needs to be done, and

what information will be needed from other groups. The various groups are also identifying critical issues that will affect their work and that of the entire Project, and options for addressing them. All of this information will then be integrated into detailed work schedules that will help guide the Team's efforts during the months ahead. All of the groups are in the process of developing more detailed near-term work schedules.

Graphic 17 (Near Term Plan)

The final chart shows what we will be doing over the next couple of months.

As indicated earlier, we will continue to bring additional personnel on to the Project Team. By April, the personnel complement is expected to reach about 90 people on the team with additional support provided by the firms awarded the various contracts.

There will be additional effort to determine in greater detail the work scope and end products for each group and for the overall Project Team.

We do not currently have definitive milestones for completion of the many Project components. The Project Team will be working to better define a timeline over the next few weeks.

Lastly, we expect to execute most, if not all initial contracts over the next two months. The exact timing of contract awards will vary based on the size and complexity of the individual packages and the ability to conclude contract negotiations. It is important that both parties have a thorough understanding of the terms, expectations and schedule for each contract before the document is signed.

Conclusion (No graphic)

Before concluding, I would like to summarize some of the key points we made today.

First, the three major North Slope producers have agreed to a joint work program to evaluate and progress a North American Natural Gas Pipeline Project that could ultimately culminate in the construction of a large-diameter pipeline system to deliver gas from Alaska's North Slope to Canada and the lower-48 states. And we are fully engaged in this effort now.

Second, an Alaskan Natural Gas project that can deliver cost-competitive natural gas to customers can play an important role in meeting the nation's energy needs, while providing substantial economic benefits to Alaskans, leaseholders and others.

Third, no option should be precluded at this point. It is important that all parties fully understand the costs and benefits associated with the various options. Much of the information to be generated and analyzed is also needed to complete applications for FERC and the NEB. We urge the Legislature to allow this critical work, to be completed and not prematurely attempt to preclude any development option. It's in the States and all parties' best interest to fully understand the options on how to best proceed.

Finally, given the strong interest in this project, the Project Team plans to provide periodic updates to you as various milestones are reached and to engage in an ongoing and meaningful dialogue with government agencies and other interested parties.

We'll be glad to answer your questions.



North American Natural Gas Pipeline Group

House Special Committee on Oil and Gas

February 8, 2001

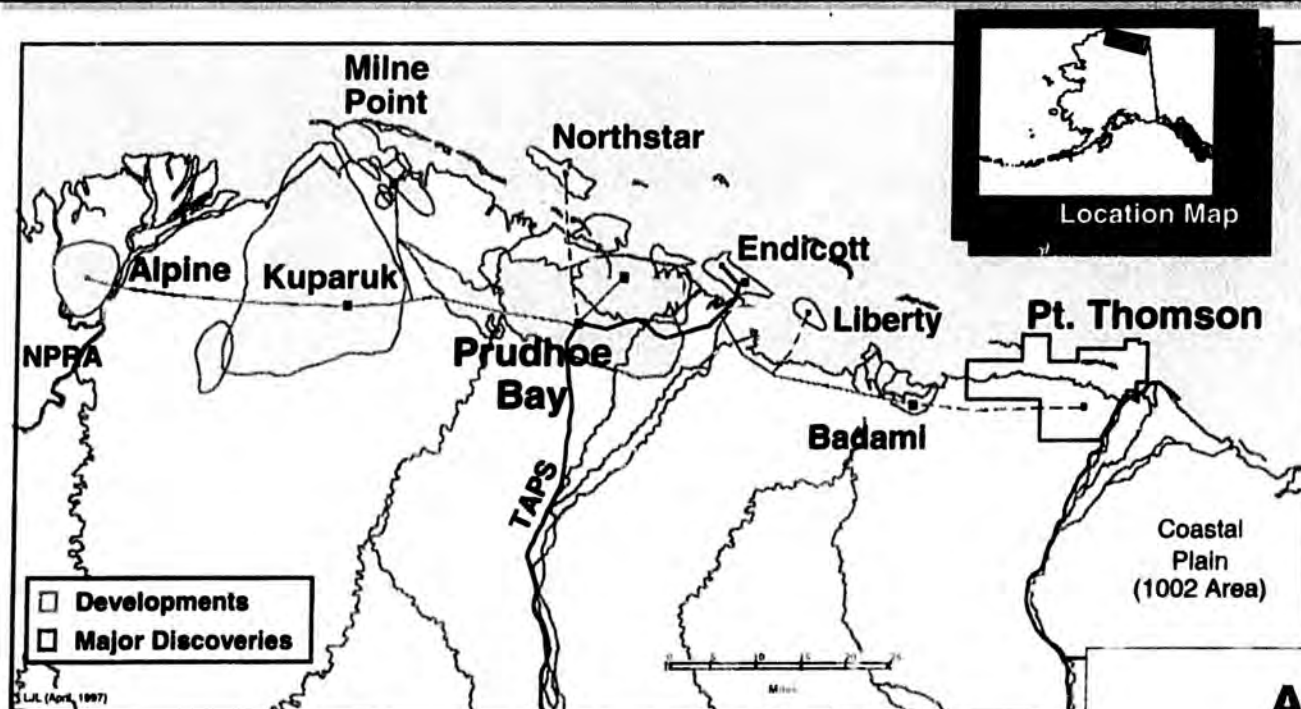
Presentation Overview

- Project Overview
- North Slope Gas Resources and Gas Market Outlook
- Organization
- Current Status of Team Effort
- Conceptual Pipeline System Components
- FERC Certificate Requirements
- Work Program Deliverables
- Initial Contract Package
- Near Term Plan

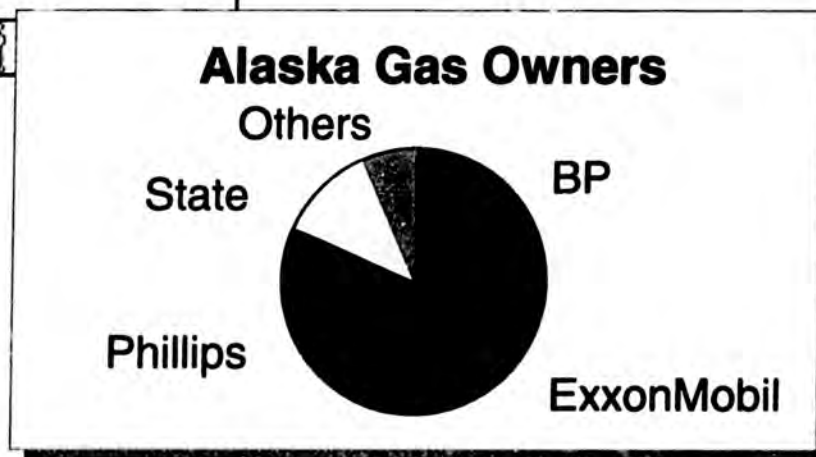
Project Overview

- BP, ExxonMobil and Phillips have agreed to a joint work program
- Project - a large diameter pipeline system to deliver gas from Alaska's North Slope to Canada and Lower-48 states
- Key program activities over next year will be conceptual design of world's largest CO₂ treating plant, a large diameter pipeline, high efficiency compressor stations, and a NGL recovery plant; project costing; environmental field surveys; permitting considerations; commercial structure; and overall viability
- Focus will be on route evaluation and commercialization leading to filings with U.S. and Canadian regulatory agencies
- Costs and leadership will be shared equally among the three producers
 - Initial program: at least \$75 million
 - Approximately 90 person staff plus contractor support

Alaska Gas Resources & Major Producers

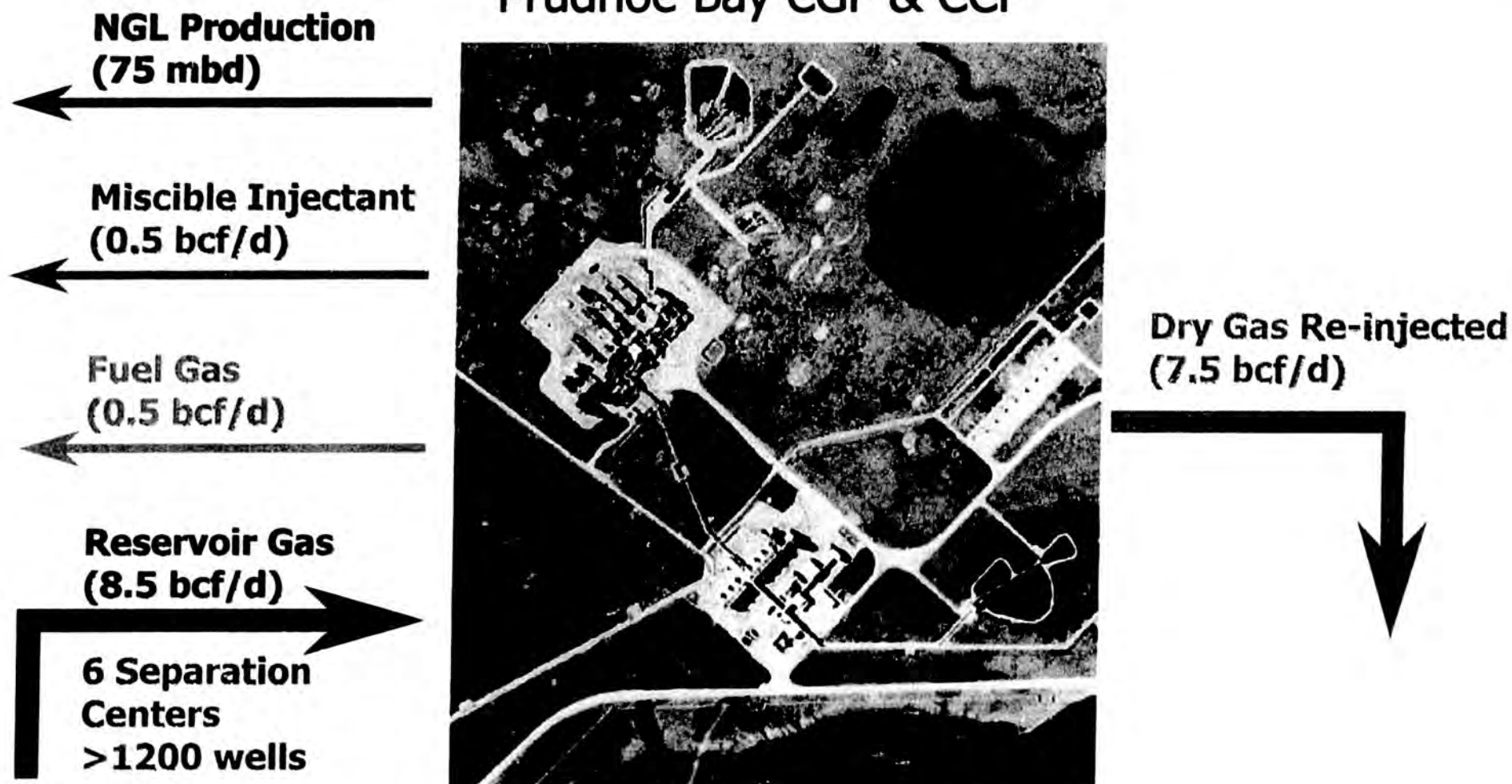


- North Slope known resource ~ 35 Tcf
- Prudhoe Bay – 8 Bcf/d of production currently
- Reinjects into reservoir
- Ultimate resource estimates ~100 Tcf



Current Gas Utilization

Prudhoe Bay CGF & CCP

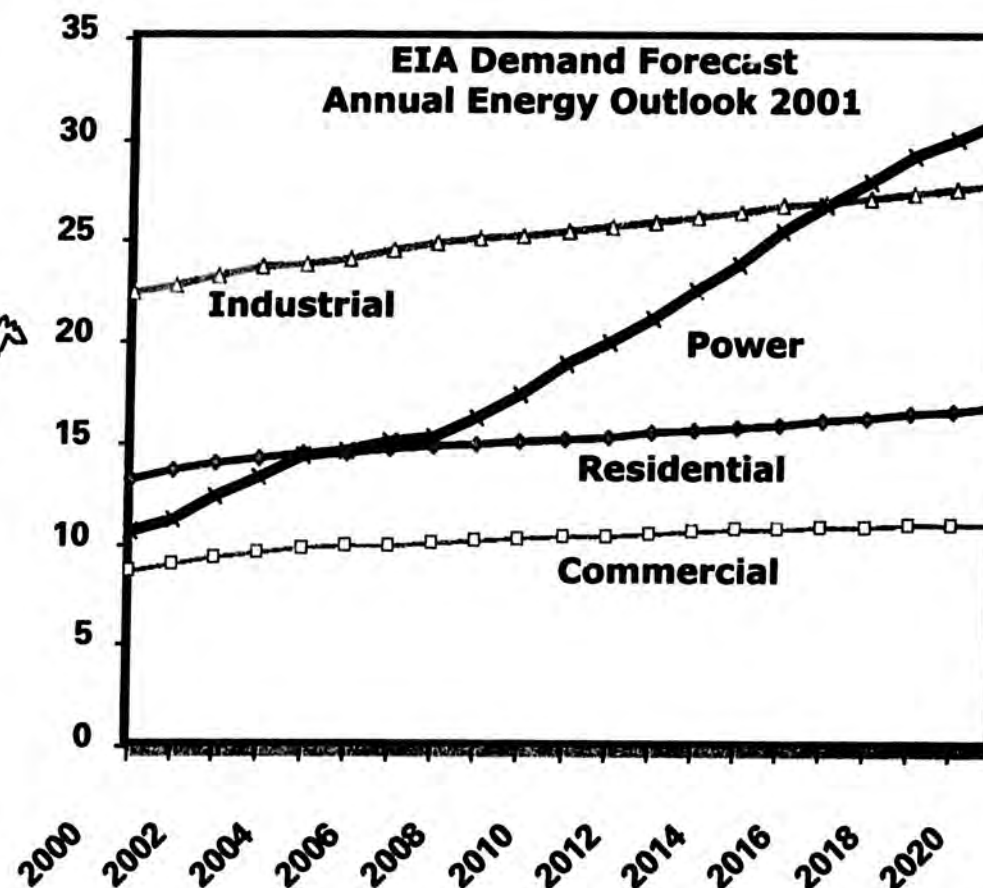


- Enabling billions of barrels of additional oil recovery

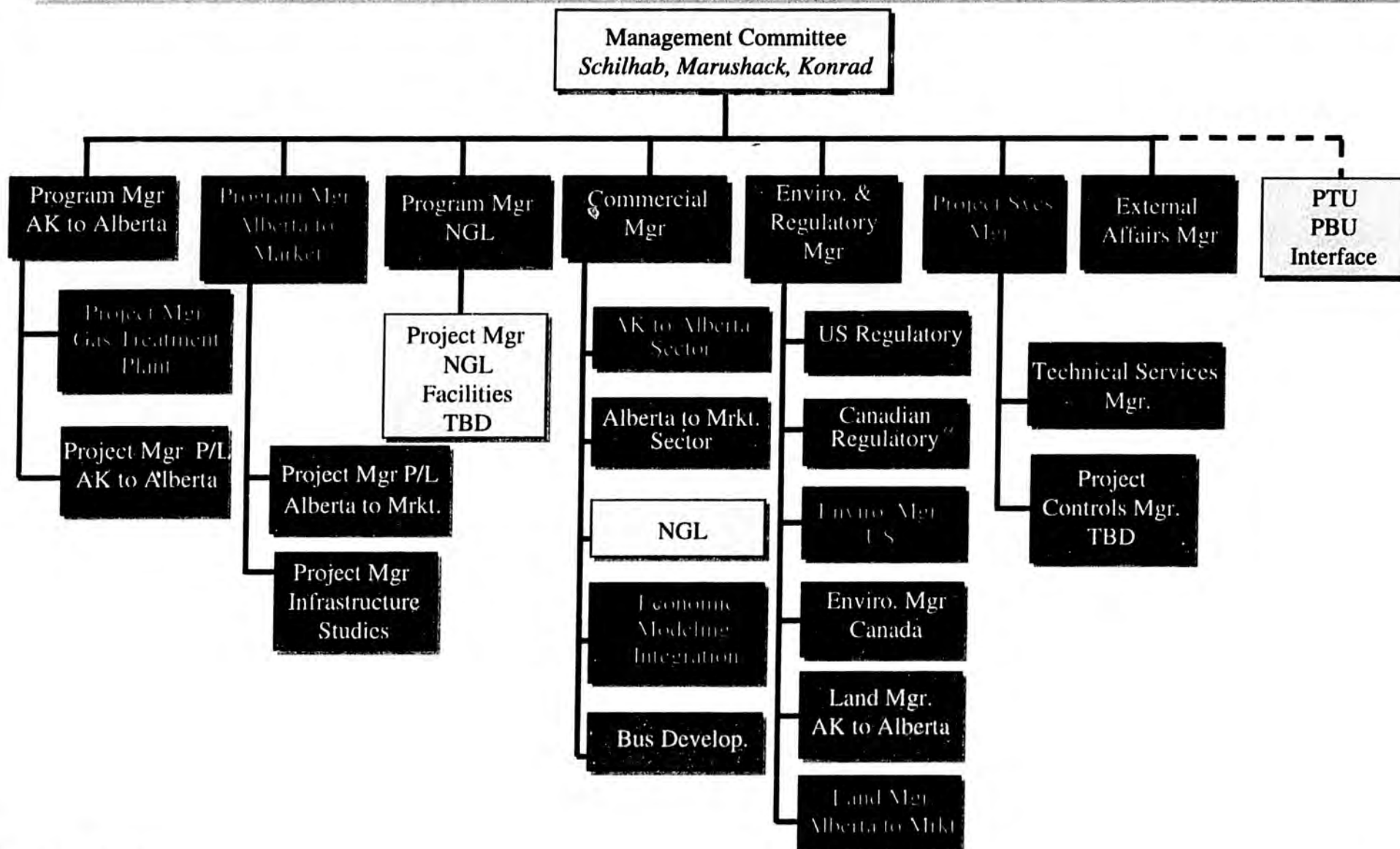
U.S. Supply and Market



Bcf/d



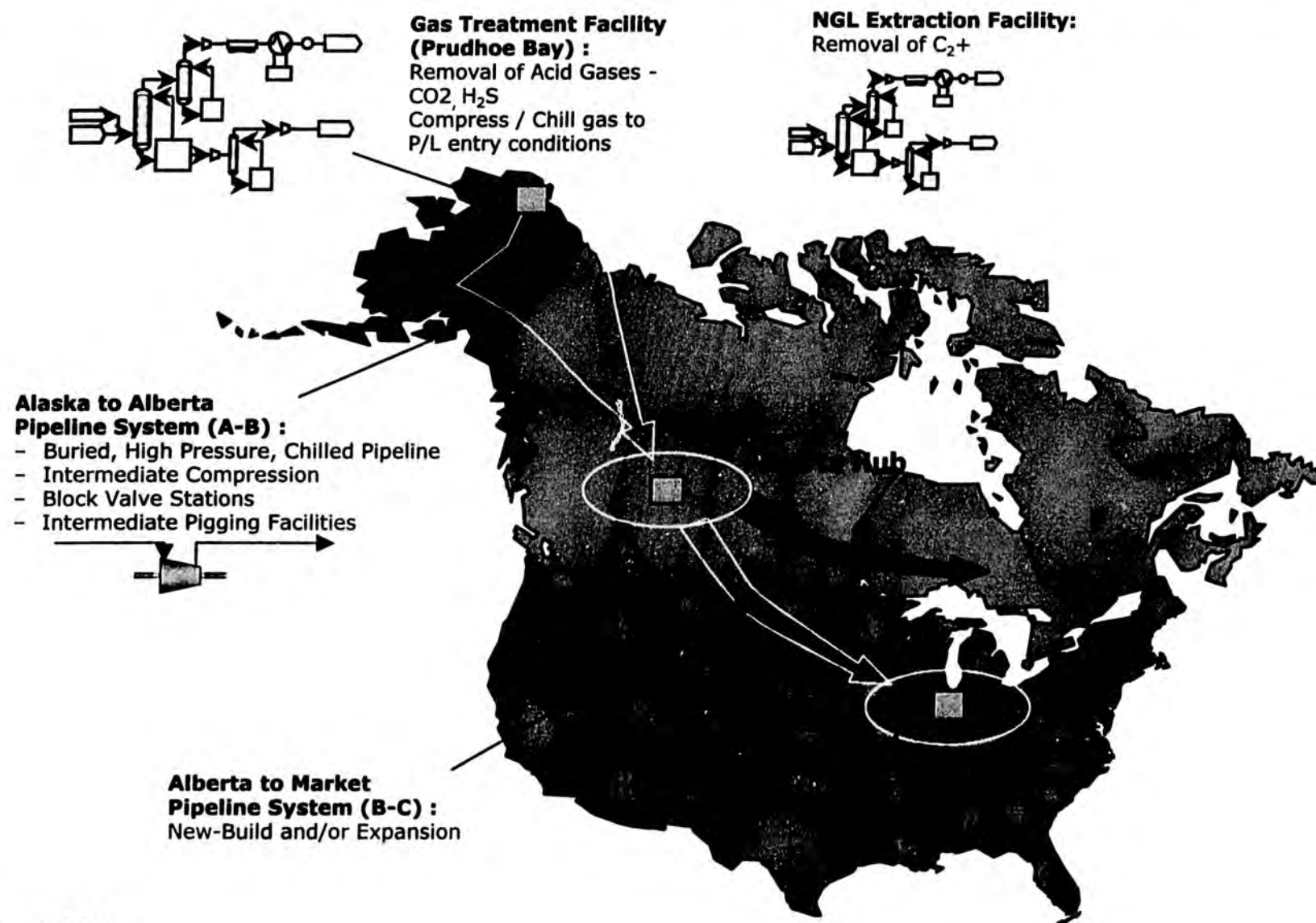
Joint Team Organizational Chart



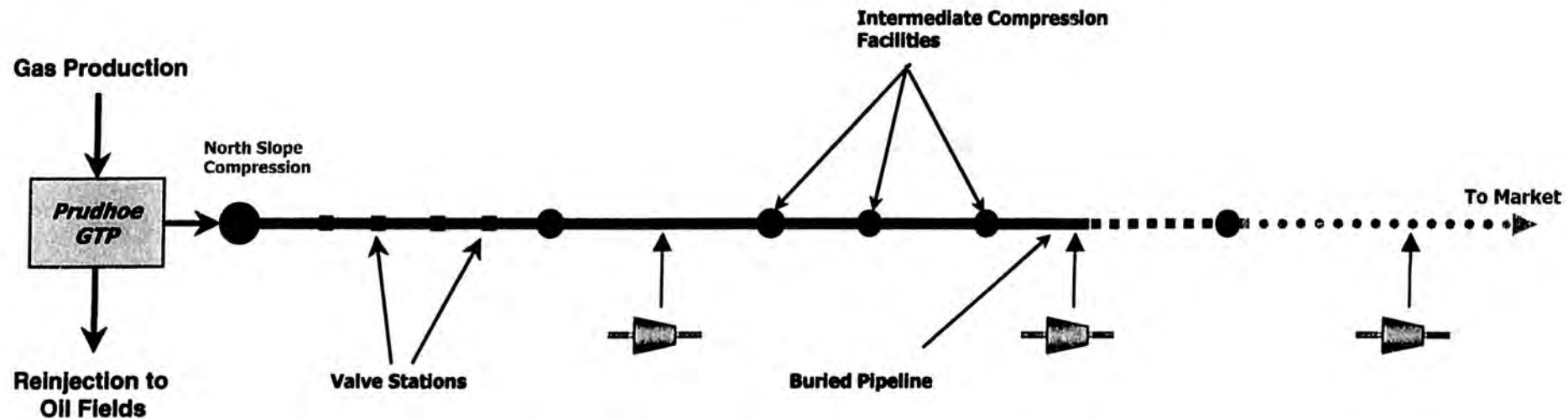
Joint Team Objectives

- Create an economic project (competitive cost of supply)
- Develop sufficient technical information to support FERC/NEB application as soon as possible (target - year end 2001)
- Prepare for next phase of activity

Overall Project Scope



Conceptual Pipeline System Components



- Pipeline system is comprised of four main facilities:
 - Buried pipeline (~48", ~2500psi, high strength steel)
 - Intermediate compression facilities
 - Block valve stations
 - Intermediate pigging facilities

Joint Team Current Status

- Staffing
 - 50 team members to date, expect 90 by April 2001
- Request for Proposal issued to secure contracts in key areas
 - Front-end engineering design; cost estimate
 - Environmental and land surveys
 - Selecting U.S. and Canadian legal teams
- Work program planning
 - Aligning work scopes and objectives
 - Identifying critical path issues
 - Finalizing near-term work schedule
 - Initiating plans for early field surveys

FERC Certificate of Public Convenience and Necessity

General Requirements – 18 CFR 157

- Legal entity development
- Facility descriptions
 - Locations (line, compressor stations, plants)
 - Flow diagrams
 - Construction and Operations Management Practices
- Natural Gas Supply and Demand Data
- Economics
 - Costs of Facilities
 - Financing
 - Revenues and Expenses
 - Tariffs
- Alternatives analysis
- Environmental Review (18 CFR 80)

FERC Certificate of Public Convenience and Necessity

Environmental Requirements – 18 CFR 380

- General project description
- Milepost by milepost descriptions
 - Water resources
 - Fish, wildlife, vegetation
 - Geology
 - Soils
 - Air quality and noise
- Other reports
 - Socio-economic impacts
 - Cultural resources
 - Land use, recreation, esthetics
 - Alternatives considered
 - Reliability and safety

Work Program Deliverables

Technical Teams

- Design basis and scope for pipeline systems to market
 - Plant and pipeline components
 - Integrated project
- Cost estimates
- Project execution plan / work schedules
- Inputs to regulatory permits and process

Environmental / Regulatory Team

- Environmental field studies for Northern and Southern routes
- Permitting plans
- Completed FERC/NEB application
- Completed ROW application
- Other permit applications as appropriate

Work Program Deliverables

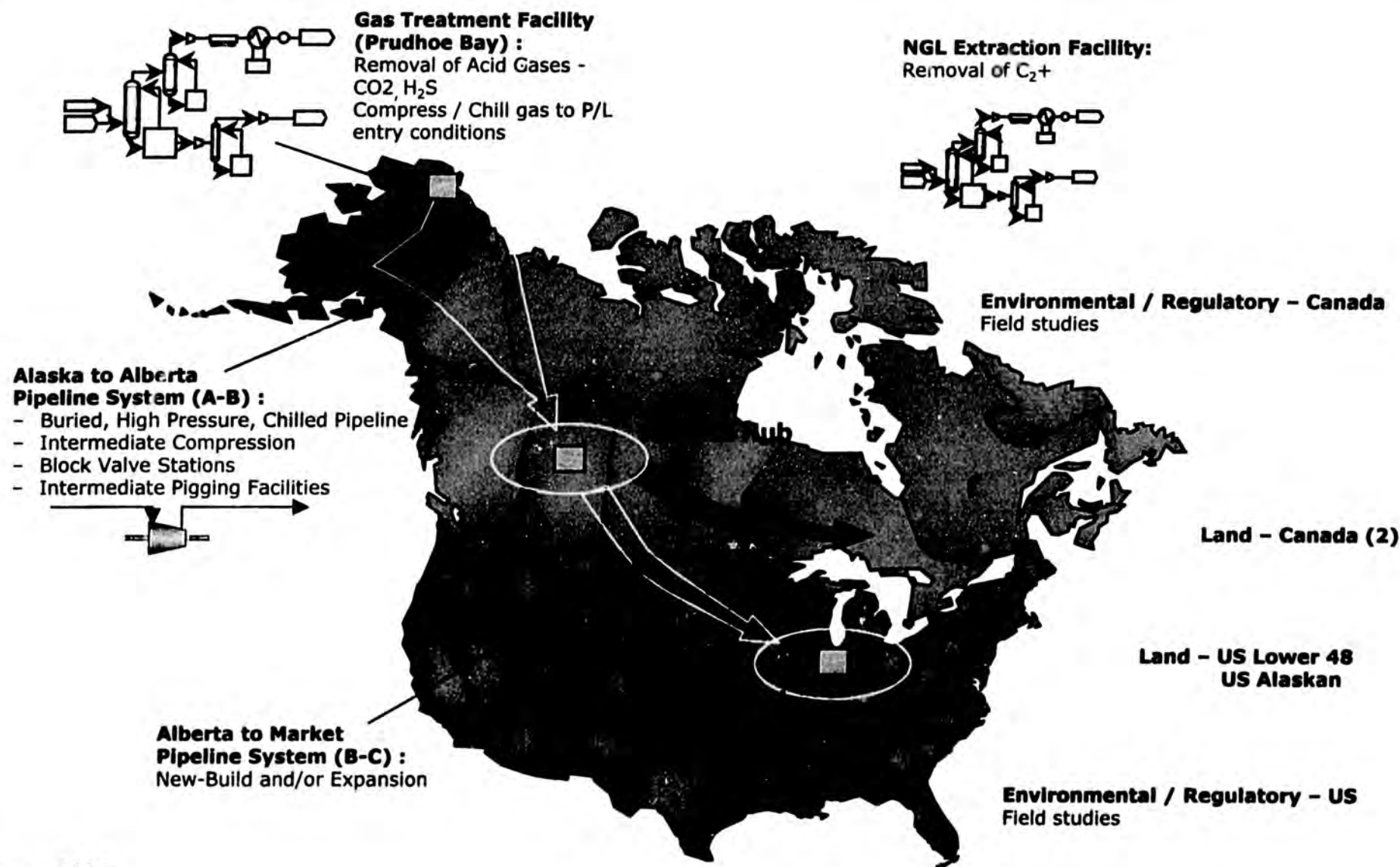
Commercial Team

- Plan to move gas from Alberta to U.S.
- Tariff model and methodology
- Financing plan
- Project structure / ownership
- Socio-economic studies
- Commercial elements of FERC/NEB applications

External Affairs Team

- Consultations with Communities and Alaska Natives
- U.S./Canada external affairs coordination
- Facilitate engagement with governments, other interested parties
- Communications support

Major Scopes of Work (RFPs)



Near Term Plan

- Continue to build team
- Finalize work scope
- Define work schedule
- Execute contracts

ARTICLE VII. HEALTH, EDUCATION AND WELFARE.

SECTION 1. PUBLIC EDUCATION. The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions. Schools and institutions so established shall be free from sectarian control. No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.

SECTION 2. STATE UNIVERSITY. The University of Alaska is hereby established as the state university and constituted a body corporate. It shall have title to all real and personal property now or hereafter set aside for or conveyed to it. Its property shall be administered and disposed of according to law.

SECTION 3. BOARD OF REGENTS OF UNIVERSITY. The University of Alaska shall be governed by a board of regents. The regents shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session. The board shall, in accordance with law, formulate policy and appoint the president of the university. He shall be the executive officer of the board.

SECTION 4. PUBLIC HEALTH. The legislature shall provide for the promotion and protection of public health.

SECTION 5. PUBLIC WELFARE. The legislature shall provide for public welfare.

ARTICLE VIII. NATURAL RESOURCES.

SECTION 1. STATEMENT OF POLICY. It is the policy of the State to encourage the settlement of its land and the development of its re-

sources by making them available for maximum use consistent with the public interest.

SECTION 2. GENERAL AUTHORITY. The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

SECTION 3. COMMON USE. Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use.

SECTION 4. SUSTAINED YIELD. Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

SECTION 5. FACILITIES AND IMPROVEMENTS. The legislature may provide for facilities, improvements, and services to assure greater utilization, development, reclamation, and settlement of lands, and to assure fuller utilization and development of the fisheries, wildlife, and waters.

SECTION 6. STATE PUBLIC DOMAIN. Lands and interests therein, including submerged and tidal lands, possessed or acquired by the State, and not used or intended exclusively for governmental purposes, constitute the state public domain. The legislature shall provide for the selection of lands granted to the State by the United States, and for the administration of the state public domain.

SECTION 7. SPECIAL PURPOSE SITES. The legislature may provide for the acquisition of sites, objects, and areas of natural beauty or of historic, cultural, recreational, or scientific value. It may reserve them from the public domain and provide for their administration and preservation for the use, enjoyment, and welfare of the people.

SECTION 8. LEASES. The legislature may provide for the leasing of, and the issuance of permits for exploration of, any part of the public domain or interest therein, subject to reasonable concurrent uses. Leases and permits shall provide, among other conditions, for payment by the party at fault for damage or injury arising from noncompliance with terms governing concurrent use, and for forfeiture in the event of breach of conditions.

SECTION 9. SALES AND GRANTS. Subject to the provisions of this section, the legislature may provide for the sale or grant of state lands, or interests therein, and establish sales procedures. All sales or grants shall contain such reservations to the State of all resources as may be required by Congress or the State and shall provide for access to these resources. Reservation of access shall not unnecessarily impair the owners' use, prevent the control of trespass, or preclude compensation for damages.

SECTION 10. PUBLIC NOTICE. No disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law.

SECTION 11. MINERAL RIGHTS. Discovery and appropriation shall be the basis for establishing a right in those minerals reserved to the State which, upon the date of ratification of this constitution by the people of Alaska, were subject to location under the federal mining laws. Prior discovery, location, and filing, as prescribed by law, shall establish a prior right to these minerals and also a prior right to permits, leases, and transferable licenses for their extraction. Continuation of these rights shall depend upon the performance of annual labor, or the payment of fees, rents, or royalties, or upon other requirements as may be prescribed by law. Surface uses of land by a mineral claimant shall be limited to those necessary for the extraction or basic processing of the mineral deposits, or for both. Discovery and appropriation shall initiate a right,

subject to further requirements of law, to patent of mineral lands if authorized by the State and not prohibited by Congress. The provisions of this section shall apply to all other minerals reserved to the State which by law are declared subject to appropriation.

SECTION 12. MINERAL LEASES AND PERMITS. The legislature shall provide for the issuance, types and terms of leases for coal, oil, gas, oil shale, sodium, phosphate, potash, sulfur, pumice, and other minerals as may be prescribed by law. Leases and permits giving the exclusive right of exploration for these minerals for specific periods and areas, subject to reasonable concurrent exploration as to different classes of minerals, may be authorized by law. Like leases and permits giving the exclusive right of prospecting by geophysical, geochemical, and similar methods for all minerals may also be authorized by law.

SECTION 13. WATER RIGHTS. All surface and subsurface waters reserved to the people for common use, except mineral and medicinal waters, are subject to appropriation. Priority of appropriation shall give prior right. Except for public water supply, an appropriation of water shall be limited to stated purposes and subject to preferences among beneficial uses, concurrent or otherwise, as prescribed by law, and to the general reservation of fish and wildlife.

SECTION 14. ACCESS TO NAVIGABLE WATERS. Free access to the navigable or public waters of the State, as defined by the legislature, shall not be denied any citizen of the United States or resident of the State, except that the legislature may by general law regulate and limit such access for other beneficial uses or public purposes.

SECTION 15. NO EXCLUSIVE RIGHT OF FISHERY. No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the State to limit entry

while in session and are entitled to travel expenses going to and from sessions. Presiding officers may receive additional compensation.

SECTION 8. REGULAR SESSIONS. The legislature shall convene in regular session each year on the fourth Monday in January, but the month and day may be changed by law. The legislature shall adjourn from regular session no later than one hundred twenty consecutive calendar days from the date it convenes except that a regular session may be extended once for up to ten consecutive calendar days. An extension of the regular session requires the affirmative vote of at least two-thirds of the membership of each house of the legislature. The legislature shall adopt as part of the uniform rules of procedure deadlines for scheduling session work not inconsistent with provisions controlling the length of the session.

SECTION 9. SPECIAL SESSIONS. Special sessions may be called by the governor or by vote of two-thirds of the legislators. The vote may be conducted by the legislative council or as prescribed by law. At special sessions called by the governor, legislation shall be limited to subjects designated in his proclamation calling the session, to subjects presented by him, and the reconsideration of bills vetoed by him after adjournment of the last regular session. Special sessions are limited to thirty days.

SECTION 10. ADJOURNMENT. Neither house may adjourn or recess for longer than three days unless the other concurs. If the two houses cannot agree on the time of adjournment and either house certifies the disagreement to the governor, he may adjourn the legislature.

SECTION 11. INTERIM COMMITTEES. There shall be a legislative council, and the legislature may establish other interim committees. The council and other interim committees may meet between legislative sessions. They may perform duties and employ personnel as provided by the legislature. Their members may receive an allowance for expenses while performing their duties.

SECTION 12. RULES. The houses of each legislature shall adopt uniform rules of procedure. Each house may choose its officers and employees. Each is the judge of the election and qualifications of its members and may expel a member with the concurrence of two-thirds of its members. Each shall keep a journal of its proceedings. A majority of the membership of each house constitutes a quorum to do business, but a smaller number may adjourn from day to day and may compel attendance of absent members. The legislature shall regulate lobbying.

SECTION 13. FORM OF BILLS. Every bill shall be confined to one subject unless it is an appropriation bill or one codifying, revising, or rearranging existing laws. Bills for appropriations shall be confined to appropriations. The subject of each bill shall be expressed in the title. The enacting clause shall be: "Be it enacted by the Legislature of the State of Alaska."

SECTION 14. PASSAGE OF BILLS. The legislature shall establish the procedure for enactment of bills into law. No bill may become law unless it has passed three readings in each house on three separate days, except that any bill may be advanced from second to third reading on the same day by concurrence of three-fourths of the house considering it. No bill may become law without an affirmative vote of a majority of the membership of each house. The yeas and nays on final passage shall be entered in the journal.

SECTION 15. VETO. The governor may veto bills passed by the legislature. He may, by veto, strike or reduce items in appropriation bills. He shall return any vetoed bill, with a statement of his objections, to the house of origin.

SECTION 16. ACTION UPON VETO. Upon receipt of a veto message during a regular session of the legislature, the legislature shall meet immediately in joint session and reconsider passage of the vetoed bill or item. Bills to raise revenue and appropriation bills or items, although

vetoed, become law by affirmative vote of three-fourths of the membership of the legislature. Other vetoed bills become law by affirmative vote of two-thirds of the membership of the legislature. Bills vetoed after adjournment of the first regular session of the legislature shall be reconsidered by the legislature sitting as one body no later than the fifth day of the next regular or special session of that legislature. Bills vetoed after adjournment of the second regular session shall be reconsidered by the legislature sitting as one body no later than the fifth day of a special session of that legislature, if one is called. The vote on reconsideration of a vetoed bill shall be entered on the journals of both houses.

SECTION 17. BILLS NOT SIGNED. A bill becomes law if, while the legislature is in session, the governor neither signs nor vetoes it within fifteen days, Sundays excepted, after its delivery to him. If the legislature is not in session and the governor neither signs nor vetoes a bill within twenty days, Sundays excepted, after its delivery to him, the bill becomes law.

SECTION 18. EFFECTIVE DATE. Laws passed by the legislature become effective ninety days after enactment. The legislature may, by concurrence of two-thirds of the membership of each house, provide for another effective date.

SECTION 19. LOCAL OR SPECIAL ACTS. The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination. Local acts necessitating appropriations by a political subdivision may not become effective unless approved by a majority of the qualified voters voting thereon in the subdivision affected.

SECTION 20. IMPEACHMENT. All civil officers of the State are subject to impeachment by the legislature. Impeachment shall originate in the senate and must be approved by a two-thirds vote of its members. The motion for impeachment shall list fully the basis for the pro-

ceeding. Trial on impeachment shall be conducted by the house of representatives. A supreme court justice designated by the court shall preside at the trial. Concurrence of two-thirds of the members of the house is required for a judgment of impeachment. The judgment may not extend beyond removal from office, but shall not prevent proceedings in the courts on the same or related charges.

SECTION 21. SUITS AGAINST THE STATE. The legislature shall establish procedures for suits against the State.

ARTICLE III. THE EXECUTIVE.

SECTION 1. EXECUTIVE POWER. The executive power of the State is vested in the governor.

SECTION 2. GOVERNOR'S QUALIFICATIONS. The governor shall be at least thirty years of age and a qualified voter of the State. He shall have been a resident of Alaska at least seven years immediately preceding his filing for office, and he shall have been a citizen of the United States for at least seven years.

SECTION 3. ELECTION. The governor shall be chosen by the qualified voters of the State at a general election. The candidate receiving the greatest number of votes shall be governor.

SECTION 4. TERM OF OFFICE. The term of office of the governor is four years, beginning at noon on the first Monday in December following his election and ending at noon on the first Monday in December four years later.

SECTION 5. LIMIT ON TENURE. No person who has been elected governor for two full successive terms shall be again eligible to hold that office until one full term has intervened.

SECTION 6. DUAL OFFICE HOLDING.

The governor shall not hold any other office or position of profit under the United States, the State, or its political subdivisions.

SECTION 7. LIEUTENANT GOVERNOR

DUTIES. There shall be a lieutenant governor. He shall have the same qualifications as the governor and serve for the same term. He shall perform such duties as may be prescribed by law and as may be delegated to him by the governor.

SECTION 8. SAME - ELECTION.

The lieutenant governor shall be nominated in the manner provided by law for nominating candidates for other elective offices. In the general election the votes cast for a candidate for governor shall be considered as cast also for the candidate for lieutenant governor running jointly with him. The candidate whose name appears on the ballot jointly with that of the successful candidate for governor shall be elected lieutenant governor.

SECTION 9. ACTING GOVERNOR.

In case of the temporary absence of the governor from office, the lieutenant governor shall serve as acting governor.

SECTION 10. SUCCESSION; FAILURE TO

QUALIFY. If the governor-elect dies, resigns, or is disqualified, the lieutenant governor elected with him shall succeed to the office of governor for the full term. If the governor-elect fails to assume office for any other reason, the lieutenant governor elected with him shall serve as acting governor, and shall succeed to the office if the governor-elect does not assume his office within six months of the beginning of the term.

SECTION 11. VACANCY.

In case of a vacancy in the office of governor for any reason, the lieutenant governor shall succeed to the office for the remainder of the term.

SECTION 12. ABSENCE.

Whenever for a period of six months, a governor has been con-

tinuously absent from office or has been unable to discharge the duties of his office by reason of mental or physical disability, the office shall be deemed vacant. The procedure for determining absence and disability shall be prescribed by law.

SECTION 13. FURTHER SUCCESSION.

Provision shall be made by law for succession to the office of governor and for an acting governor in the event that the lieutenant governor is unable to succeed to the office or act as governor. No election of a lieutenant governor shall be held except at the time of electing a governor.

SECTION 14. TITLE AND AUTHORITY

OF SUCCESSOR. When the lieutenant governor succeeds to the office of governor, he shall have the title, powers, duties and emoluments of that office.

SECTION 15. COMPENSATION.

The compensation of the governor and the lieutenant governor shall be prescribed by law and shall not be diminished during their term of office, unless by general law applying to all salaried officers of the State.

SECTION 16. GOVERNOR'S AUTHORITY.

The governor shall be responsible for the faithful execution of the laws. He may, by appropriate court action or proceeding brought in the name of the State, enforce compliance with any constitutional or legislative mandate, or restrain violation of any constitutional or legislative power, duty, or right by any officer, department, or agency of the State or any of its political subdivisions. This authority shall not be construed to authorize any action or proceeding against the legislature.

SECTION 17. CONVENING LEGISLA-

TURE. Whenever the governor considers it in the public interest, he may convene the legislature, either house, or the two houses in joint session.

SECTION 18. MESSAGES TO LEGISLA-

TURE. The governor shall, at the beginning of each session, and may at other times, give the legislature information concerning the affairs of the State and recommend the measures he considers necessary.

SECTION 19. MILITARY AUTHORITY.

The governor is commander-in-chief of the armed forces of the State. He may call out these forces to execute the laws, suppress or prevent insurrection or lawless violence, or repel invasion. The governor, as provided by law, shall appoint all general and flag officers of the armed forces of the State, subject to confirmation by a majority of the members of the legislature in joint session. He shall appoint and commission all other officers.

SECTION 20. MARTIAL LAW.

The governor may proclaim martial law when the public safety requires it in case of rebellion or actual or imminent invasion. Martial law shall not continue for longer than twenty days without the approval of a majority of the members of the legislature in joint session.

SECTION 21. EXECUTIVE CLEMENCY.

Subject to procedure prescribed by law, the governor may grant pardons, commutations, and reprieves, and may suspend and remit fines and forfeitures. This power shall not extend to impeachment. A parole system shall be provided by law.

SECTION 22. EXECUTIVE BRANCH.

All executive and administrative offices, departments, and agencies of the state government and their respective functions, powers, and duties shall be allocated by law among and within not more than twenty principal departments, so as to group them as far as practicable according to major purposes. Regulatory, quasi-judicial, and temporary agencies may be established by law and need not be allocated within a principal department.

SECTION 23. REORGANIZATION.

The governor may make changes in the organization of the executive branch or in the assignment of functions among its units which he considers necessary for efficient administration. Where these changes require the force of law, they shall be set forth in executive orders. The legislature shall have sixty days of a regular session, or a full session if of shorter duration, to disapprove these executive orders. Unless disapproved by resolution concurred in by a majority of the members in joint session, these orders become effective at a date thereafter to be designated by the governor.

SECTION 24. SUPERVISION.

Each principal department shall be under the supervision of the governor.

SECTION 25. DEPARTMENT HEADS.

The head of each principal department shall be a single executive unless otherwise provided by law. He shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session, and shall serve at the pleasure of the governor, except as otherwise provided in this article with respect to the secretary of state. The heads of all principal departments shall be citizens of the United States.

SECTION 26. BOARDS AND COMMISSIONS.

When a board or commission is at the head of a principal department or a regulatory or quasi-judicial agency, its members shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session, and may be removed as provided by law. They shall be citizens of the United States. The board or commission may appoint a principal executive officer when authorized by law, but the appointment shall be subject to the approval of the governor.

SECTION 27. RECESS APPOINTMENTS.

The governor may make appointments to fill vacancies occurring during a recess of the legislature, in offices requiring confirmation by the

legislature. The duration of such appointments shall be prescribed by law.

ARTICLE IV. THE JUDICIARY.

SECTION 1. JUDICIAL POWER AND JURISDICTION. The judicial power of the State is vested in a supreme court, a superior court, and the courts established by the legislature. The jurisdiction of courts shall be prescribed by law. The courts shall constitute a unified judicial system for operation and administration. Judicial districts shall be established by law.

SECTION 2. SUPREME COURT.

(a) The supreme court shall be the highest court of the State, with final appellate jurisdiction. It shall consist of three justices, one of whom is chief justice. The number of justices may be increased by law upon the request of the supreme court.

(b) The chief justice shall be selected from among the justices of the supreme court by a majority vote of the justices. His term of office as chief justice is three years. A justice may serve more than one term as chief justice but he may not serve consecutive terms in that office.

SECTION 3. SUPERIOR COURT. The superior court shall be the trial court of general jurisdiction and shall consist of five judges. The number of judges may be changed by law.

SECTION 4. QUALIFICATIONS OF JUSTICES AND JUDGES. Supreme court justices and superior court judges shall be citizens of the United States and of the State, licensed to practice law in the State, and possessing any additional qualifications prescribed by law. Judges of other courts shall be selected in a manner, for terms, and with qualifications prescribed by law.

SECTION 5. NOMINATION AND APPOINTMENT. The governor shall fill any va-

cancy in an office of supreme court justice or superior court judge by appointing one of two or more persons nominated by the judicial council.

SECTION 6. APPROVAL OR REJECTION.

Each supreme court justice and superior court judge shall, in the manner provided by law, be subject to approval or rejection on a nonpartisan ballot at the first general election held more than three years after his appointment. Thereafter, each supreme court justice shall be subject to approval or rejection in a like manner every tenth year, and each superior court judge, every sixth year.

SECTION 7. VACANCY. The office of any supreme court justice or superior court judge becomes vacant ninety days after the election at which he is rejected by a majority of those voting on the question, or for which he fails to file his declaration of candidacy to succeed himself.

SECTION 8. JUDICIAL COUNCIL. The judicial council shall consist of seven members. Three attorney members shall be appointed for six-year terms by the governing body of the organized state bar. Three non-attorney members shall be appointed for six-year terms by the governor subject to confirmation by a majority of the members of the legislature in joint session. Vacancies shall be filled for the unexpired term in like manner. Appointments shall be made with due consideration to area representation and without regard to political affiliation. The chief justice of the supreme court shall be ex-officio the seventh member and chairman of the judicial council. No member of the judicial council, except the chief justice, may hold any other office or position of profit under the United States or the State. The judicial council shall act by concurrence of four or more members and according to rules which it adopts.

SECTION 9. ADDITIONAL DUTIES. The judicial council shall conduct studies for improvement of the administration of justice, and

make reports and recommendations to the supreme court and to the legislature at intervals of not more than two years. The judicial council shall perform other duties assigned by law.

SECTION 10. COMMISSION ON JUDICIAL CONDUCT.

The Commission on Judicial Conduct shall consist of nine members, as follows: three persons who are justices or judges of state courts, elected by the justices and judges of state courts; three members who have practiced law in this state for ten years, appointed by the governor from nominations made by the governing body of the organized bar and subject to confirmation by a majority of the members of the legislature in joint session; and three persons who are not judges, retired judges, or members of the state bar, appointed by the governor and subject to confirmation by a majority of the members of the legislature in joint session. In addition to being subject to impeachment under Section 12 of this article, a justice or judge may be disqualified from acting as such and may be suspended, removed from office, retired, or censured by the supreme court upon the recommendation of the commission. The powers and duties of the commission and the bases for judicial disqualification shall be established by law.

SECTION 11. RETIREMENT. Justices and judges shall be retired at the age of seventy except as provided in this article. The basis and amount of retirement pay shall be prescribed by law. Retired judges shall render no further service on the bench except for special assignments as provided by court rule.

SECTION 12. IMPEACHMENT. Impeachment of any justice or judge for malfeasance or misfeasance in the performance of his official duties shall be according to procedure prescribed for civil officers.

SECTION 13. COMPENSATION. Justices, judges, and members of the judicial council and the Commission on Judicial Qualifications shall receive compensation as prescribed by law. Com-

pensation of justices and judges shall not be diminished during their terms of office, unless by general law applying to all salaried officers of the State.

SECTION 14. RESTRICTIONS. Supreme court justices and superior court judges while holding office may not practice law, hold office in a political party, or hold any other office or position of profit under the United States, the State, or its political subdivisions. Any supreme court justice or superior court judge filing for another elective public office forfeits his judicial position.

SECTION 15. RULE-MAKING POWER.

The supreme court shall make and promulgate rules governing the administration of all courts. It shall make and promulgate rules governing practice and procedure in civil and criminal cases in all courts. These rules may be changed by the legislature by two-thirds vote of the members elected to each house.

SECTION 16. COURT ADMINISTRATION.

The chief justice of the supreme court shall be the administrative head of all courts. He may assign judges from one court or division thereof to another for temporary service. The chief justice shall, with the approval of the supreme court, appoint an administrative director to serve at the pleasure of the supreme court and to supervise the administrative operations of the judicial system.

ARTICLE V. SUFFRAGE AND ELECTIONS.

SECTION 1. QUALIFIED VOTERS. Every citizen of the United States who is at least eighteen years of age, who meets registration residency requirements which may be prescribed by law, and who is qualified to vote under this article, may vote in any state or local election. A voter shall have been, immediately preceding the election, a thirty day resident of the election district in which he seeks to vote, except that for

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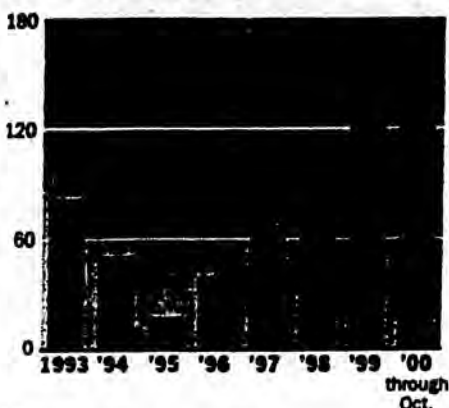
WALL STREET JOURNAL FEB 2, 2001

Increasing Demand for Liquefied Natural Gas

Liquefied natural gas (LNG) is frozen natural gas. It is denser than natural gas and can therefore store more energy in the same amount of space.

Total U.S. LNG Imports

In billions of cubic feet



Origin of U.S. LNG Imports

U.S. imports totaled 166.76 billion cubic feet in the first 10 months of 2000 from the following countries, in billions of cubic feet



Source: Energy Information Administration

El Paso Energy to Spend \$1.5 Billion For Terminals for Liquefied Natural Gas

By ALEXEI BARRIONUEVO

Staff Reporter of THE WALL STREET JOURNAL

In another sign that the U.S. market for liquefied natural gas is heating up, El Paso Energy Corp. said it plans to spend at least \$1.5 billion over five years to build a handful of terminals for handling LNG for the U.S. and Mexico markets.

El Paso, based in Houston, said it is considering six projects: three in the U.S., two in Mexico and another one in the Bahamas.

Five of those projects, which would cost between \$250 million to \$350 million apiece, would serve the U.S. market, where natural-gas prices are nearly three times higher than last year.

Last week, Enron Corp., another Houston energy concern, said it plans to spend as much as \$400 million to feed gas from

the Bahamas to the fast-growing Florida market. El Paso said it hopes to have its project up and running six months before Enron's.

The rival projects underscore surging U.S. demand for LNG, a process that allows natural gas to be shipped but that generally adds significantly to the cost. While LNG has been a vital part of gas supply in Asia, particularly in Japan, it has never enjoyed sustained success in the U.S., mostly because it has been too costly to compete with low U.S. gas prices.

But over the past two decades, the cost of the process, which cools natural gas into liquid form, has come down 30% and the price to construct LNG tankers has dropped by a third, said Kathleen Eisbrenner, El Paso's managing director

Please Turn to Page A10, Column 4

CORRECTIONS & AMPLIFICATIONS

GARY LAMOSHI is the nom de plume used by one of the "extreme telecommuters" living in Bali mentioned in a Marketplace article Wednesday. The name was given incorrectly as Greg LaMoshi.

* * *

CREDIT SUISSE First Boston cut its 2001 earnings estimates for Lear Corp. to \$3.22 a share from \$4.14 a share. But the securities firm's rating on Lear remains a "strong buy." The Abreast of the Market column on Friday incorrectly stated that Lear had been downgraded.

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**FINELY
CRAFTED
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El Paso Is Planning Outlays for Liquefied Natural Gas

Continued From Page A2

for global LNG. Still, high U.S. natural-gas prices are the key. Tight gas supplies in the U.S. drove average prices for natural gas to \$3.89 per thousand cubic feet last year, up 71% from \$2.27 a thousand cubic feet in 1999.

To make El Paso's LNG bet worth the effort, natural-gas prices have to stay above \$3 per thousand cubic feet over the next decade, said Ralph Eads, El Paso's president for merchant energy.

Assuming prices hold at that level, "we think the LNG business will grow at 10% to 15% a year for the next decade. There is no other energy business growing at that

pace," Mr. Eads said.

In response, both El Paso and Williams Cos., a Tulsa, Okla., natural-gas company, expect to bring back mothballed terminals in Georgia and Maryland in the next two years. El Paso's plans include a plant in a remote part of Baja California that would feed gas markets in San Diego and Mexico, where gas demand is also growing rapidly. The company owns a potential site in Florida, has options on land in the Bahamas, is finalizing options on a site in the Carolinas and evaluating sites in Baja, San Diego and San Francisco. In addition, El Paso said it is building a terminal in Altamira, Mexico, to feed the

Mexican market.

Mr. Eads said the energy crisis in California, where natural-gas prices have been about double the average U.S. prices, should soften environmental opposition to a plant, but he concedes, "California is not a slam-dunk." A terminal in Florida could also fall through if the company decides that a Bahamian terminal is enough to meet LNG demand in the region.

The company, which last week closed a \$17.4 billion acquisition of Coastal Corp., said it also is planning to build LNG terminals in South Korea and India and is considering facilities in Spain, France, Turkey and Greece.

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