

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2964 SCOMM 129: JOINT COMMITTEE ON NATURAL GAS PIPELINES, 2001-02 728



North American Gas Market Overview



Winter 2000/01: A Market Exposed

Supply Response



- Little help this winter
- Canada: Still struggling to grow
- LNG: limited new gas

Power Market Development



- Building marginal winter demand
- Competition for space in the pipes

Storage



- October 31: record low in the United States
- Early winter: held in reserve?
- March 31: how low can it go?

New Infrastructure



- Alliance; but little gas to follow
- M&N fills, no help to NY
- Rockies projects proliferate

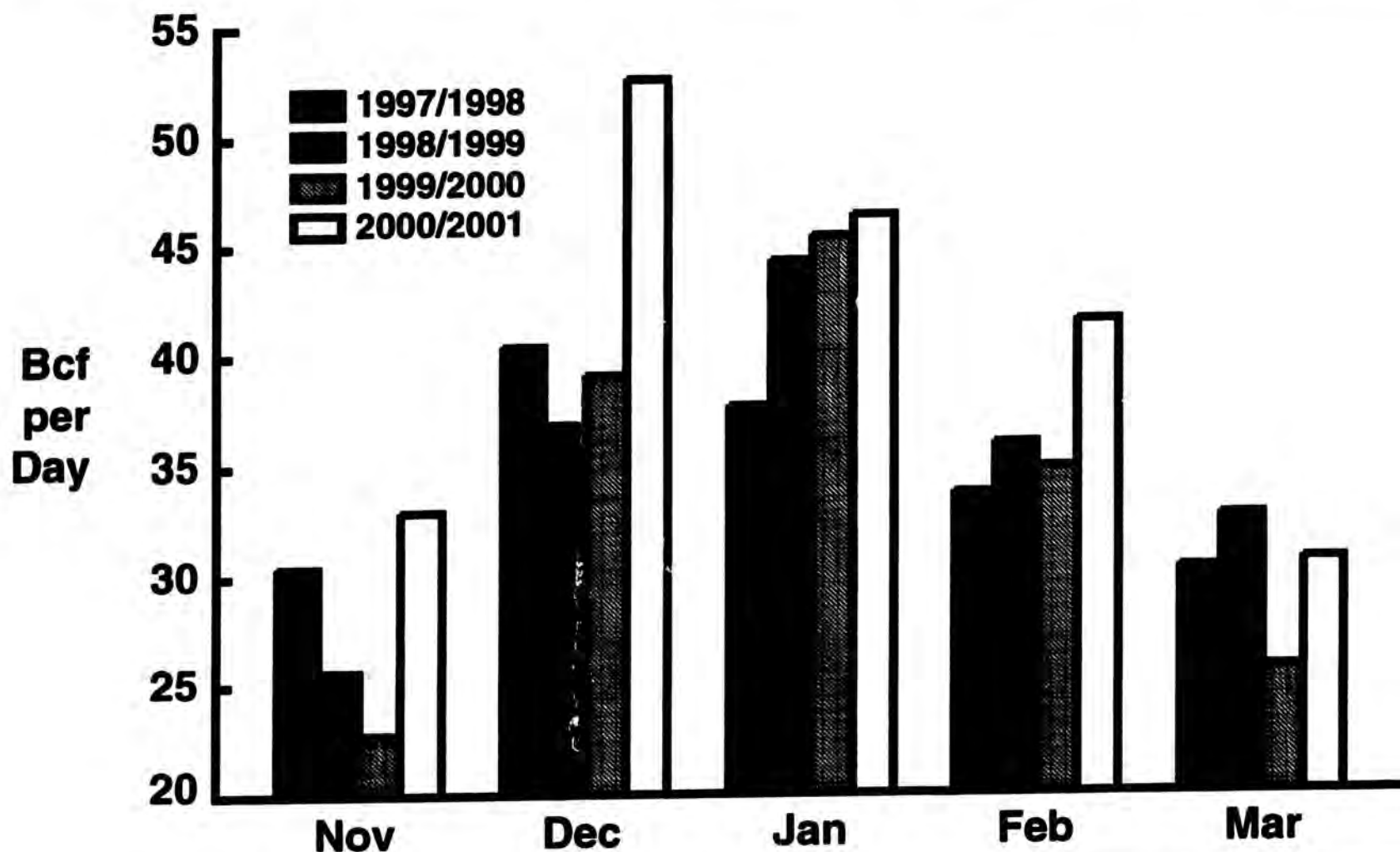
Weather



- Potential demand rebound of 3-4 Bcf per day
- The 900 Bcf wild card

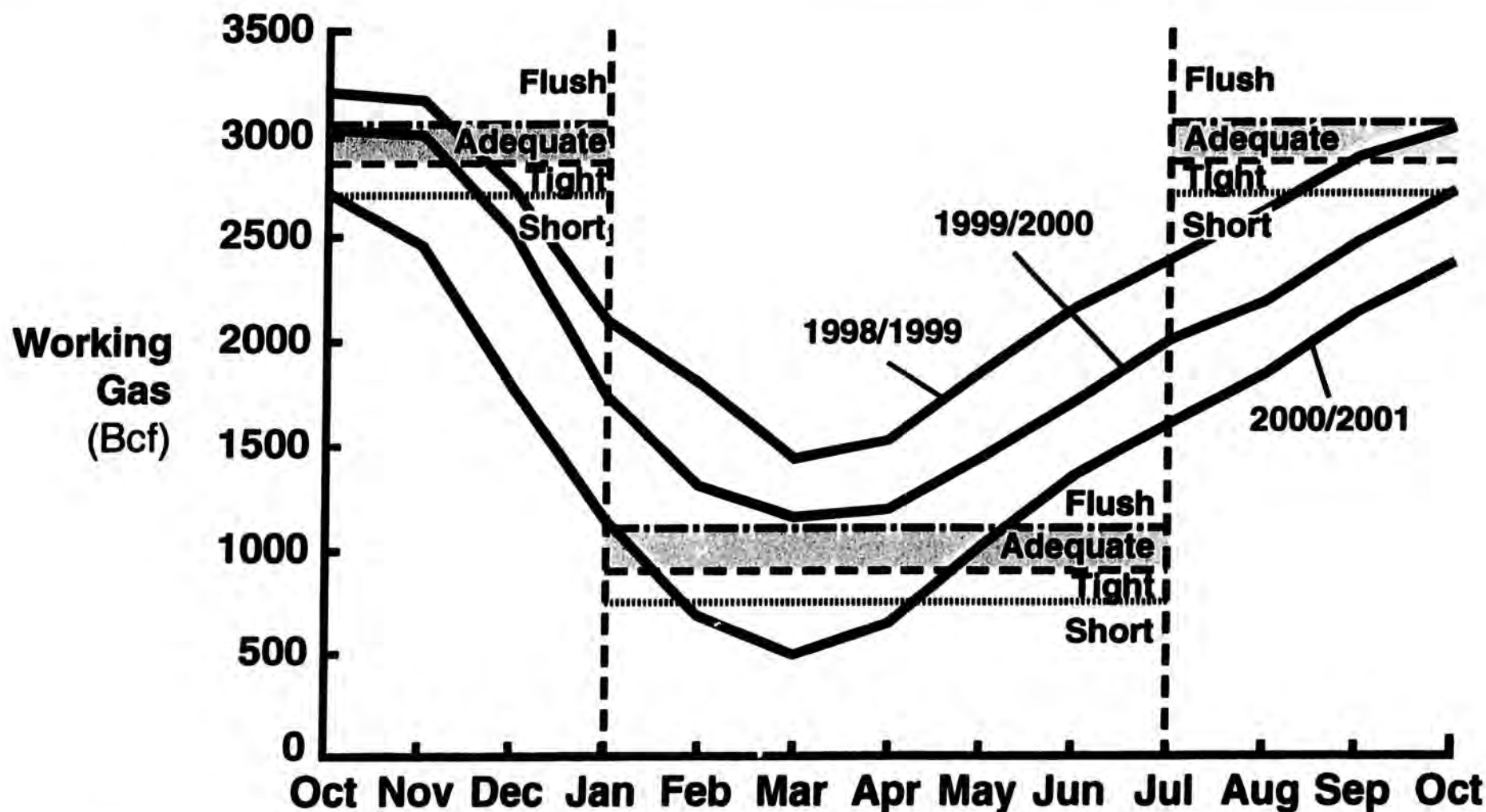


After the Spike - Winter Gas Heating Demand





The Storage Cushion Deflates: Supply Declines Drive Down Inventories





2001 and Beyond: Supply Recovery, Demand Pressure

Supply Response



- Increased rig activity drives L-48 rebound of 0.8 to 1.0 Bcf per day
- Deep water ramps up
- Canadian supply builds
- LNG: limited new gas until 2003

Power Generation



- Ongoing development > 10,000 MW per year
- Competition with injections
- Demand pressure >1 Bcf per day
- Link to economic growth

Storage



- Recovery from historic lows
- Driving price volatility
- Injection pressure—again

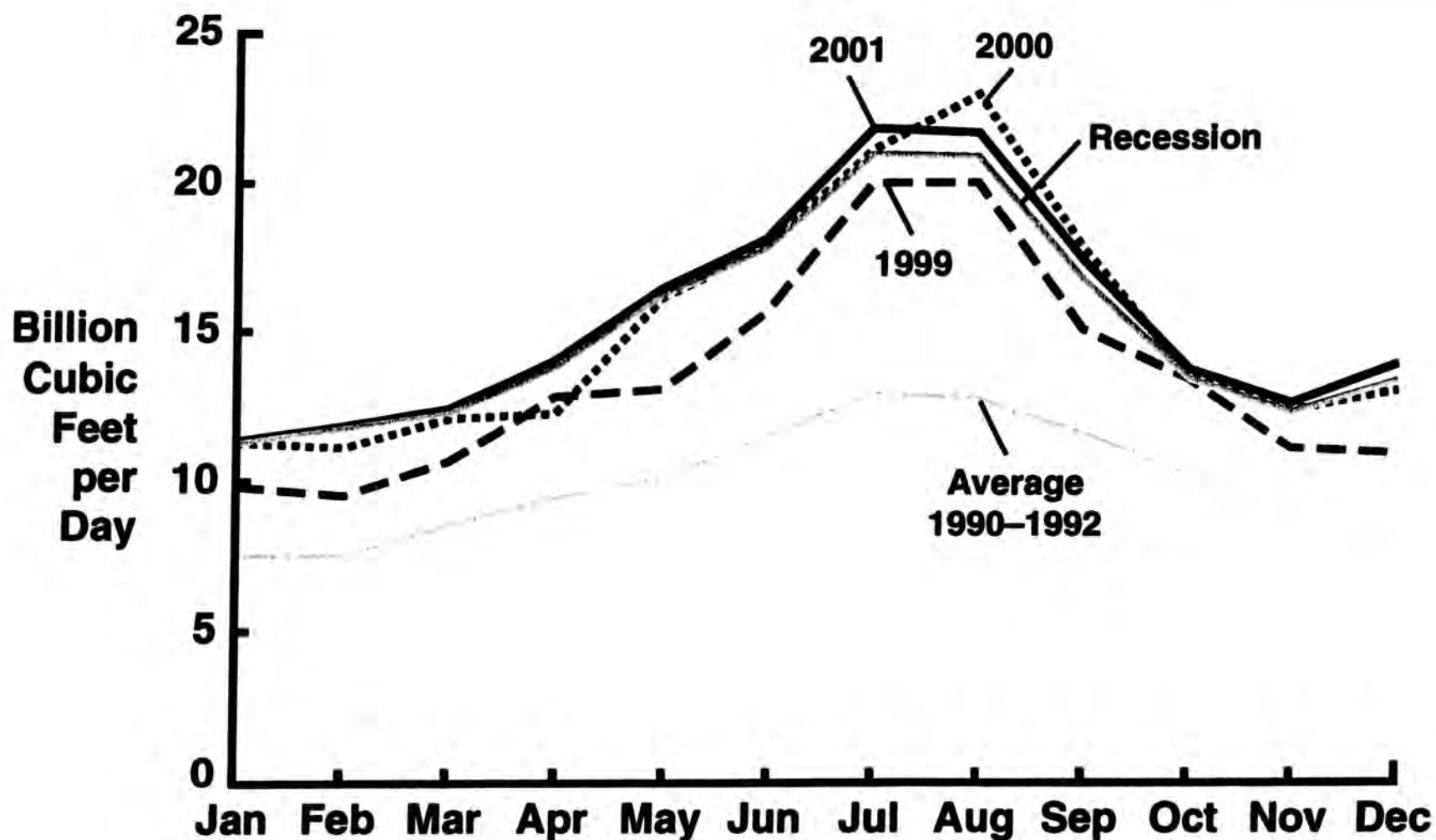
Infrastructure and Regulation



- Projects advance, but little built until 2002
- LNG: same
- New prices reawaken old questions
- A retail shakeout?

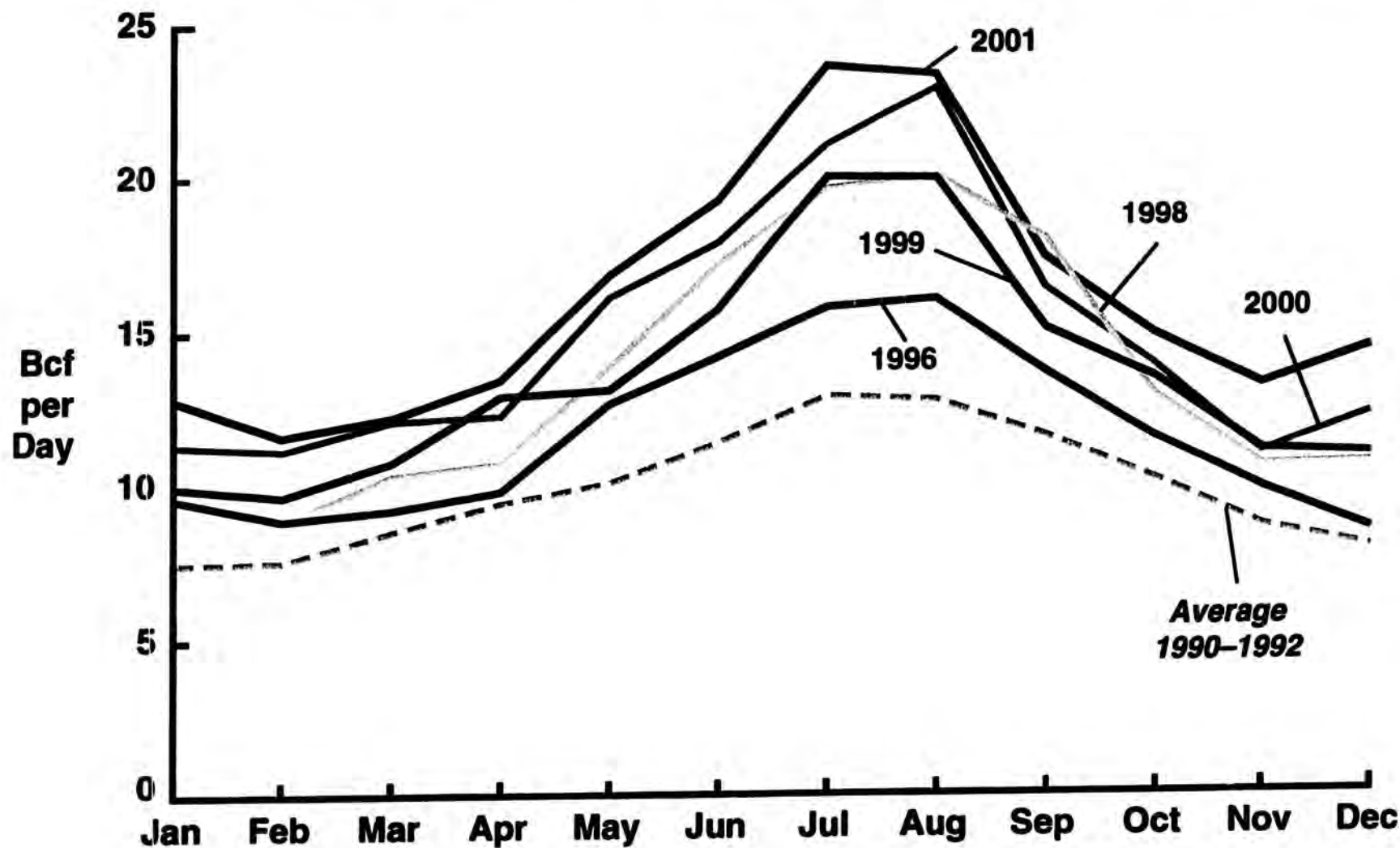


Recession versus Continued Growth: Gas Demand for Power Generation



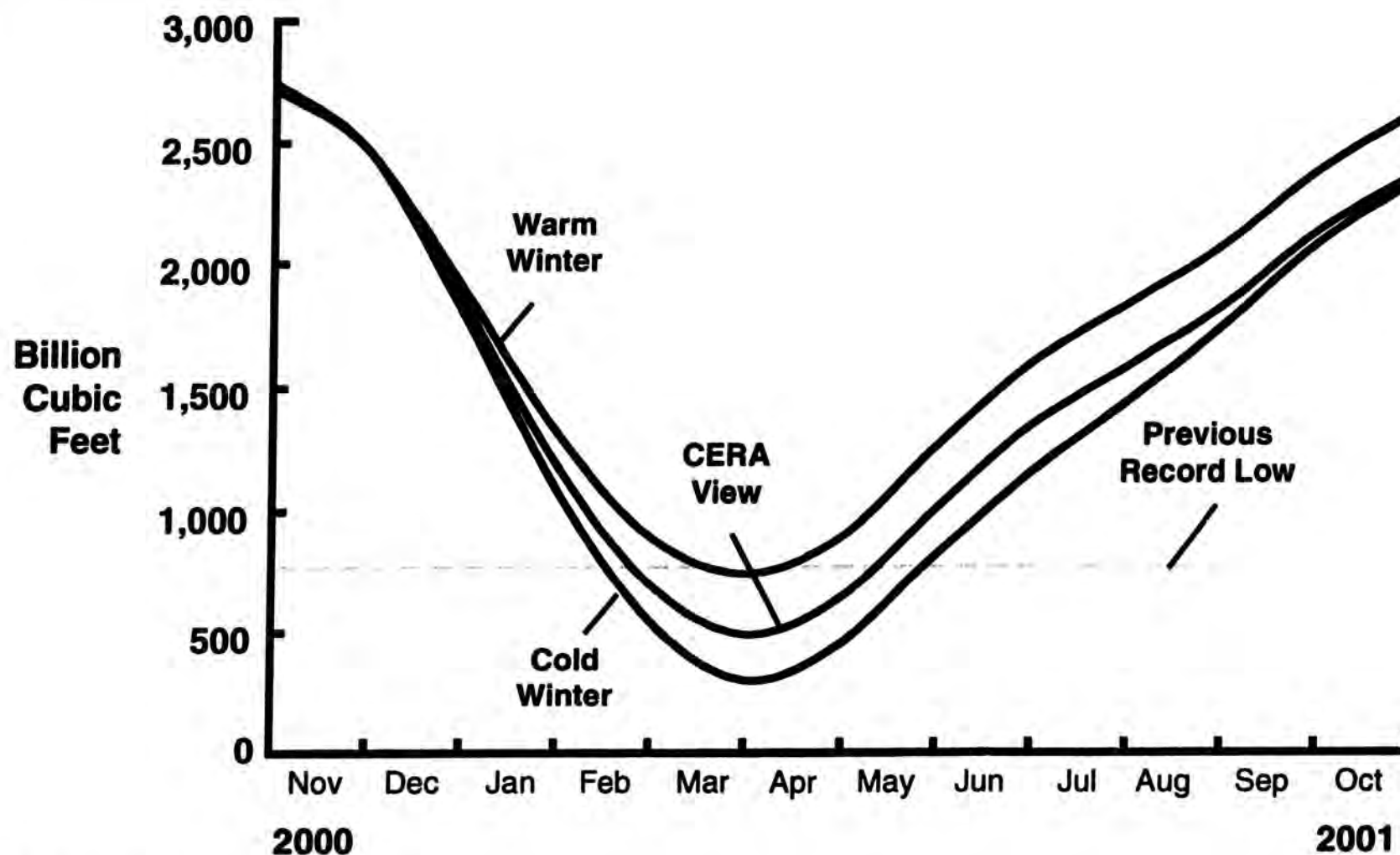


The US Summer Power Peak: Gas Demand for Power Generation



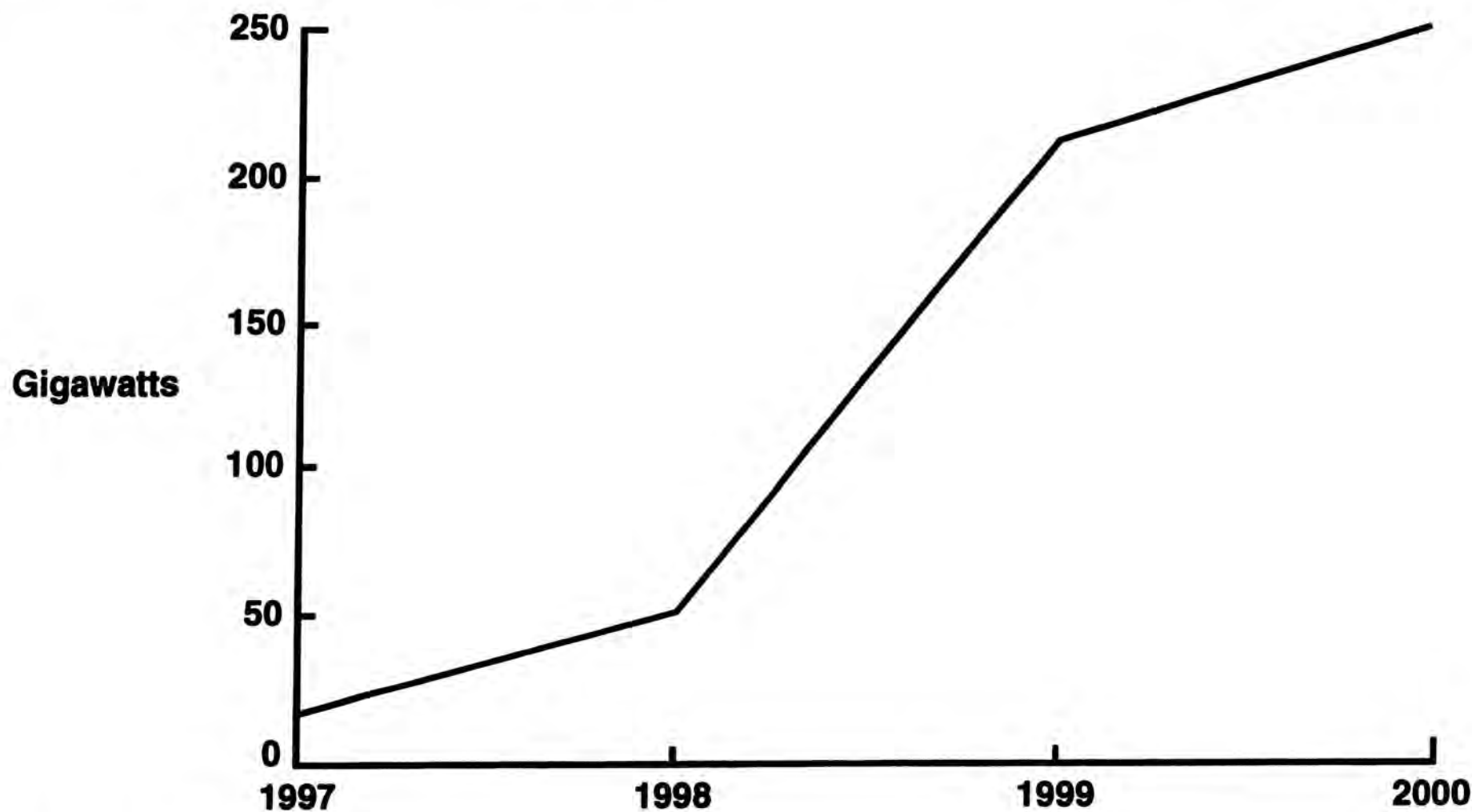


The Winter and Beyond— Depleted Storage in the United States Keeps the Pressure On



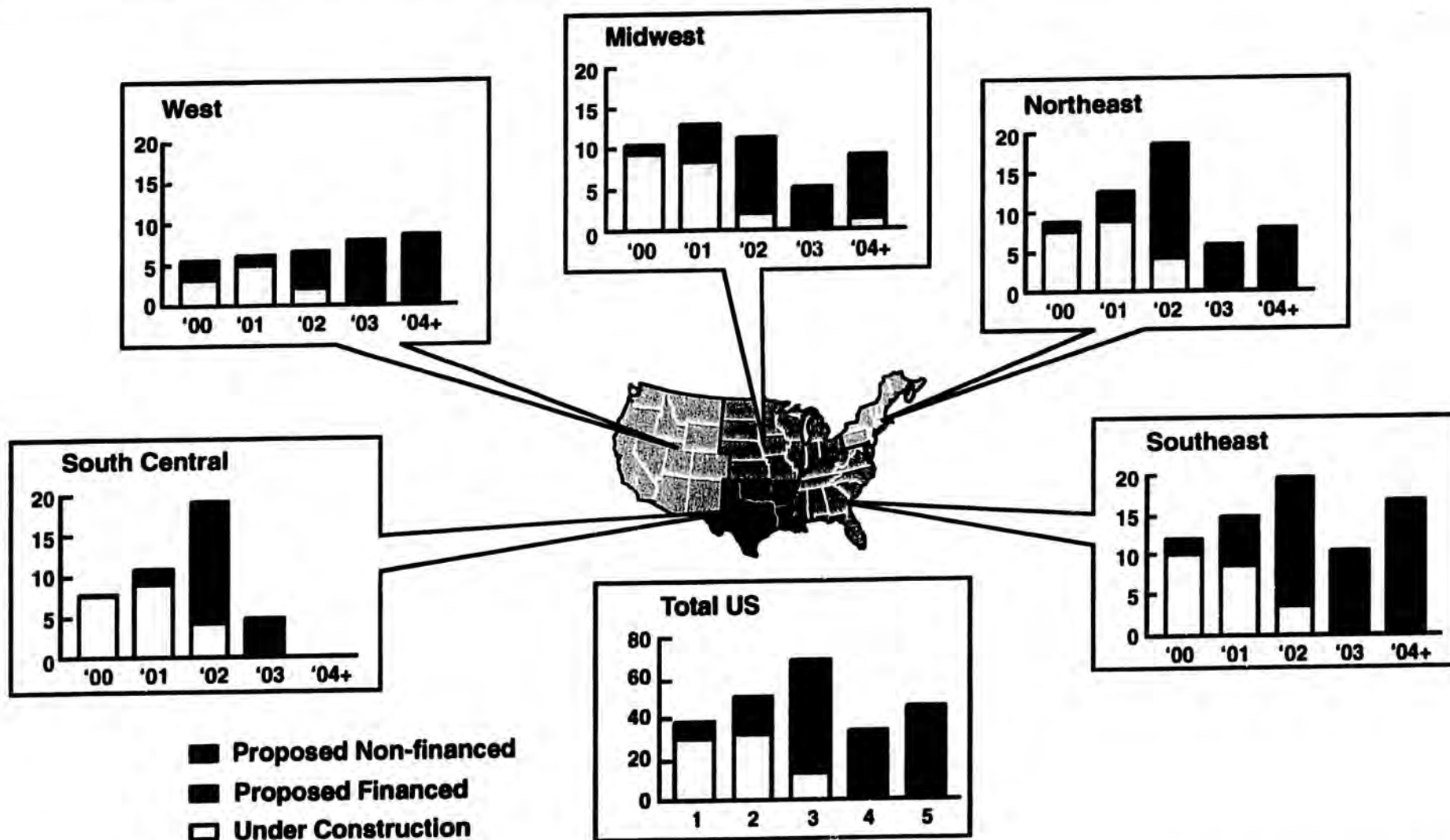


North American Generating Capacity under Development, 1997-2000



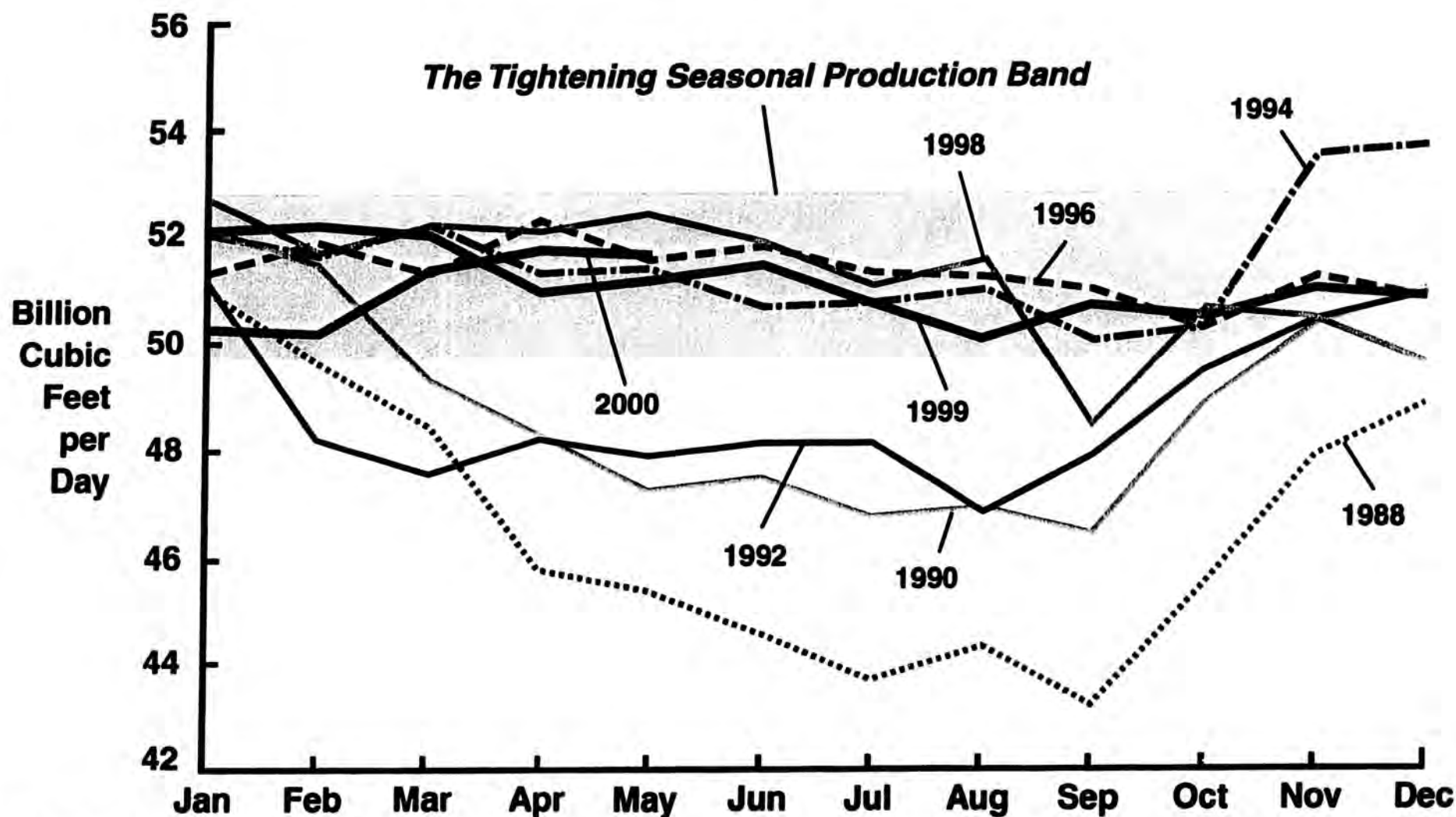


Pressure in the Pipelines: The Potential Gas-fired Power Build by Region (gigawatts)



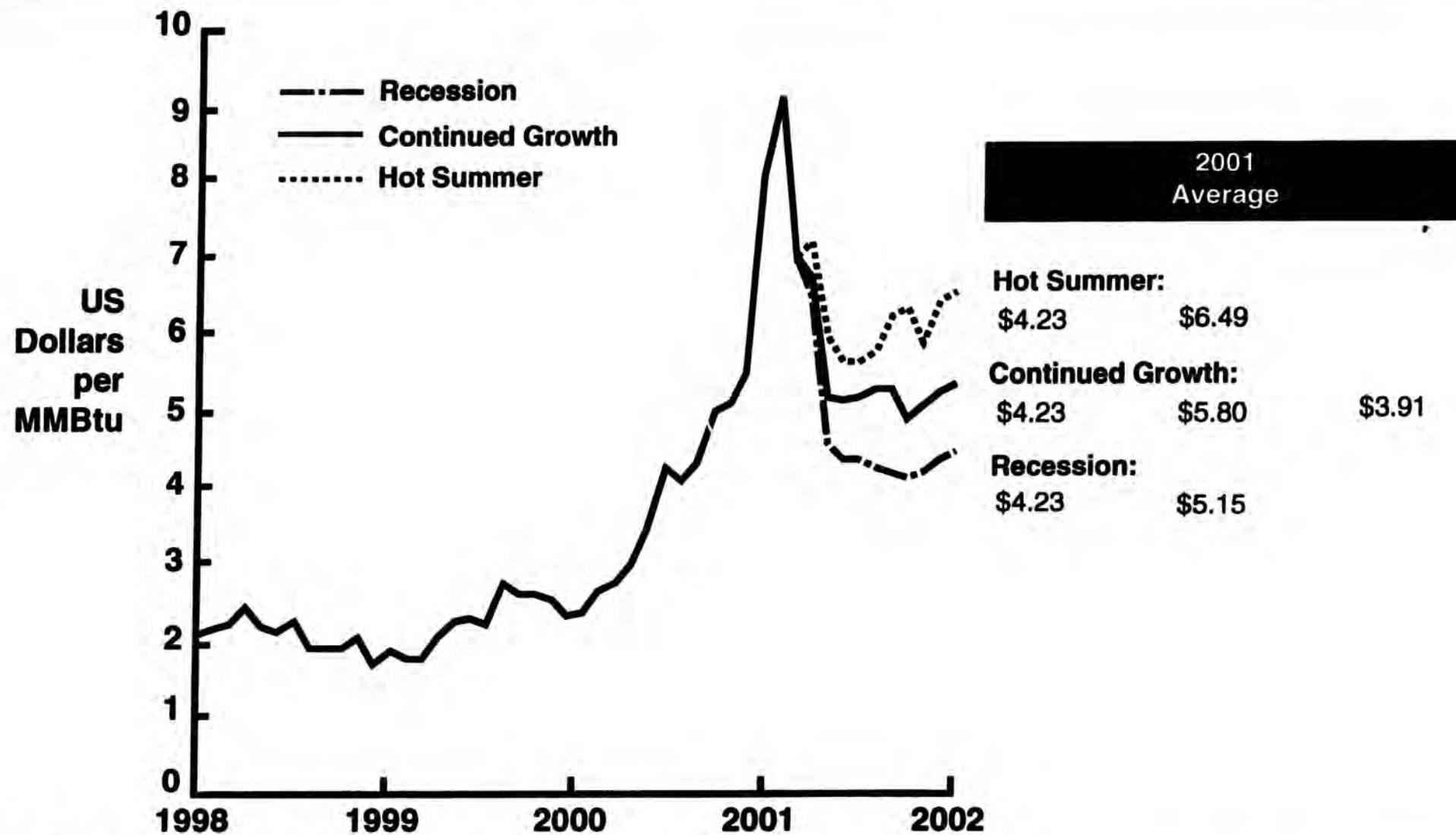


Flattening Seasonal US Production Constrains the Seasonal Supply Response



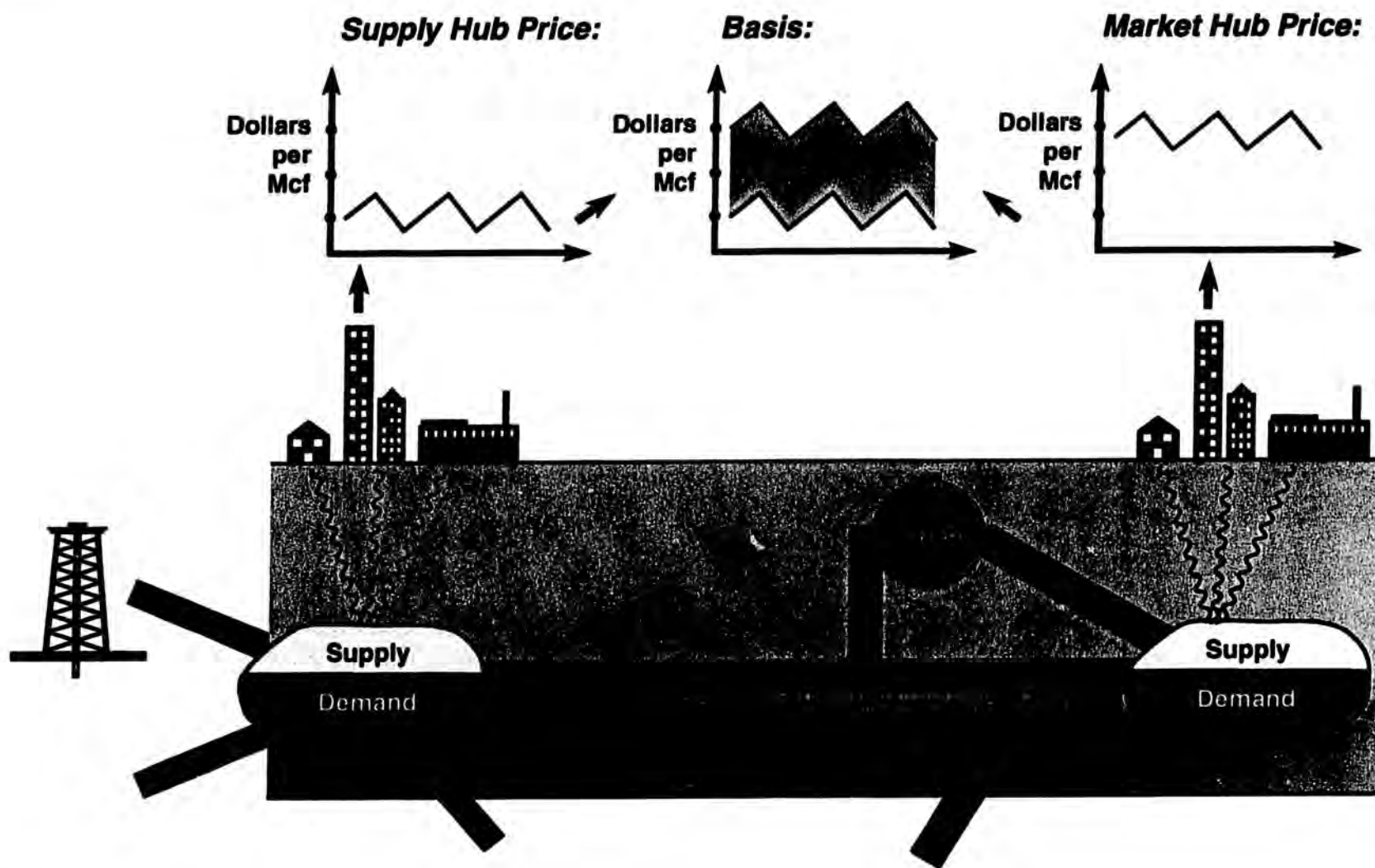


Henry Hub Price Projections



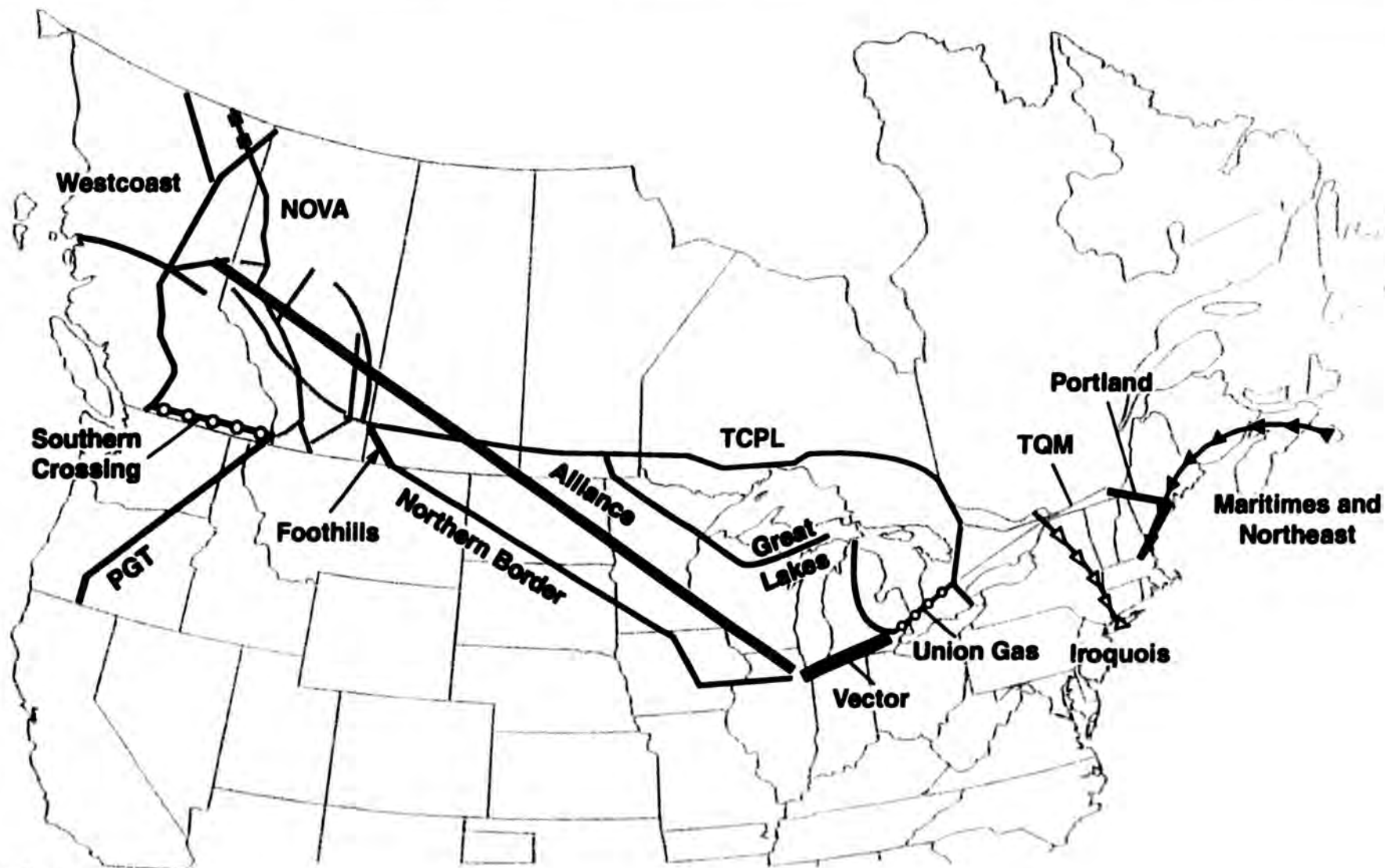


The Fundamental Drivers of Basis





Canadian Natural Gas Pipeline Infrastructure

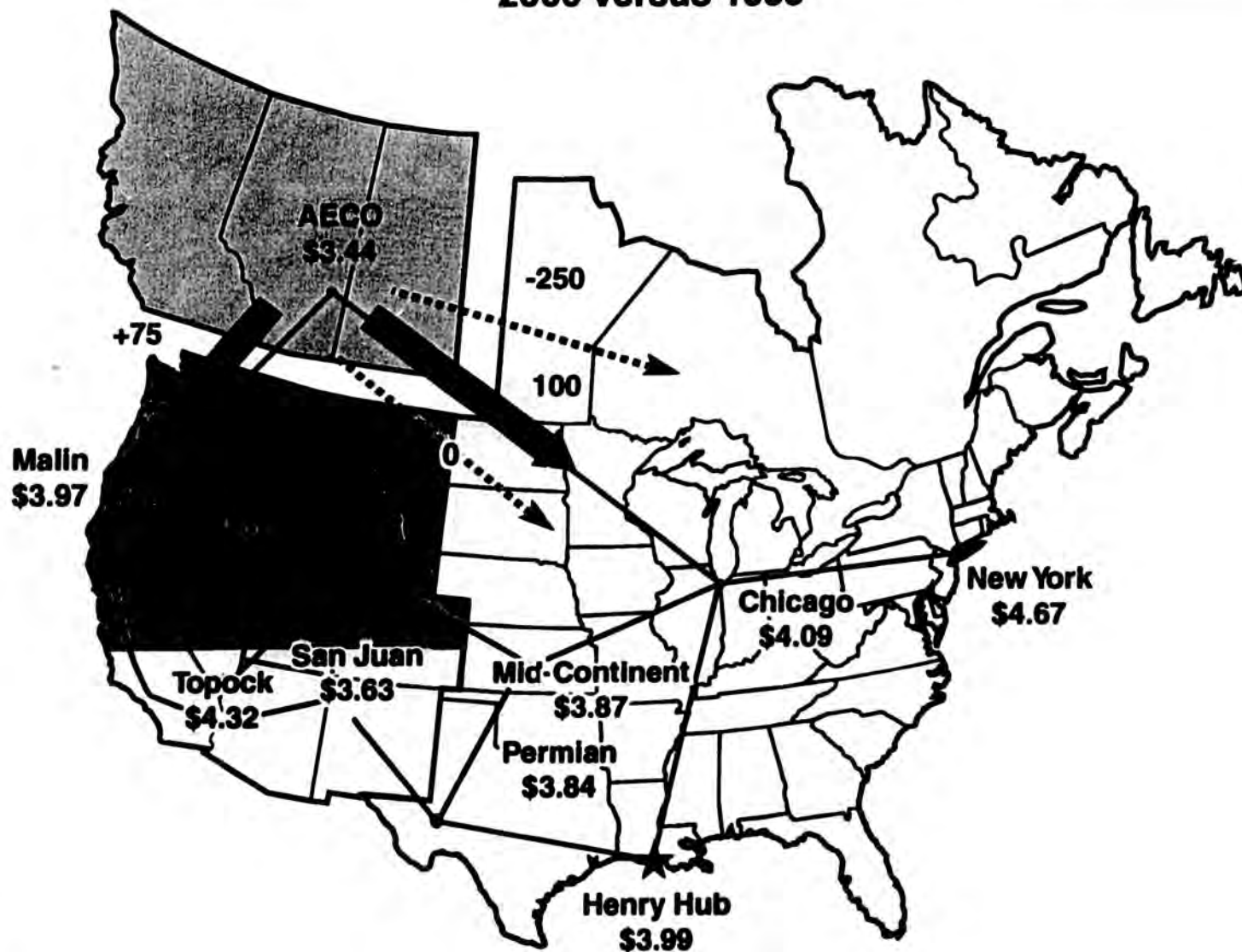




Changes in Export Flows

(MMcf per day; US dollars per MMBtu) (1 of 2)

2000 versus 1999

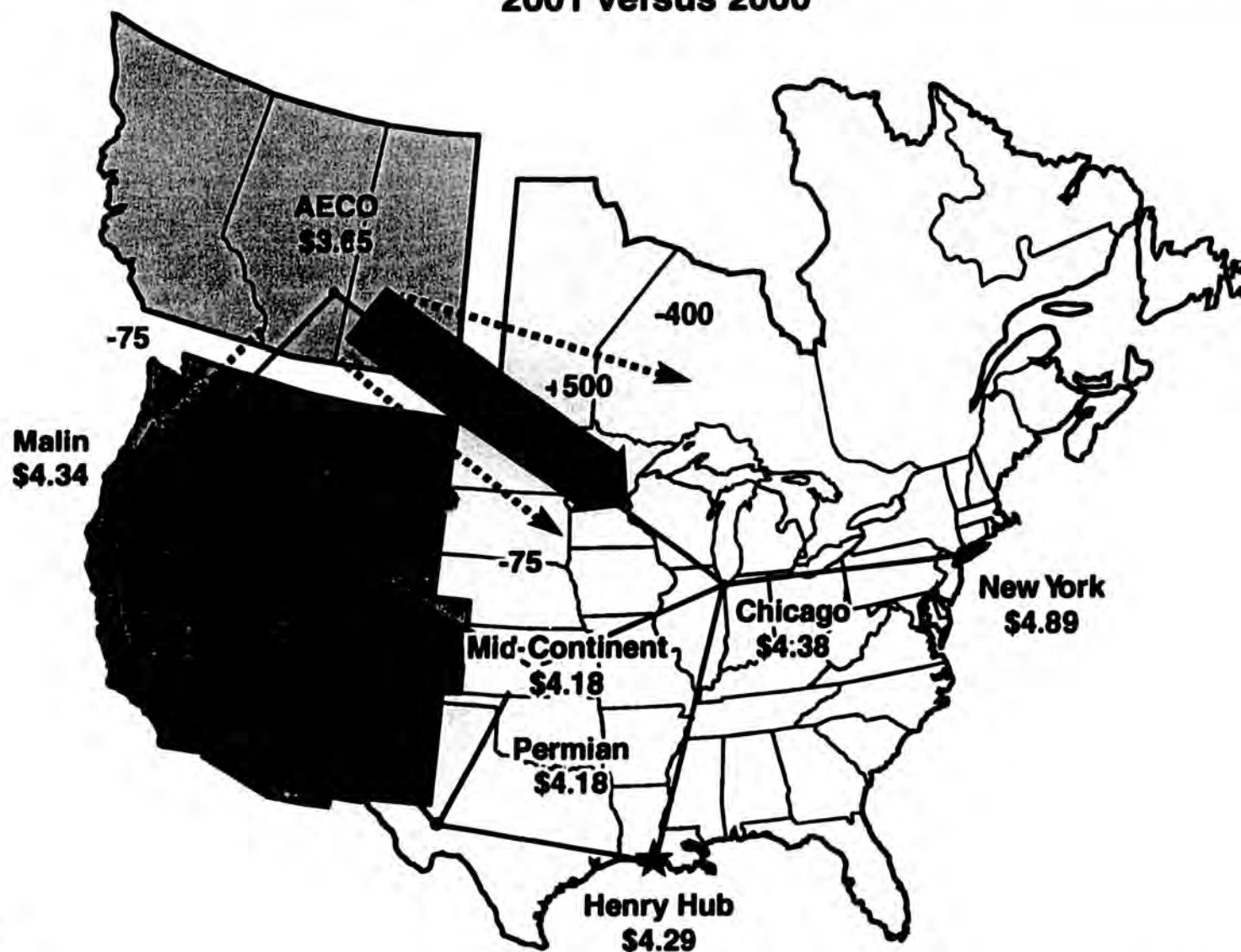




Changes in Export Flows

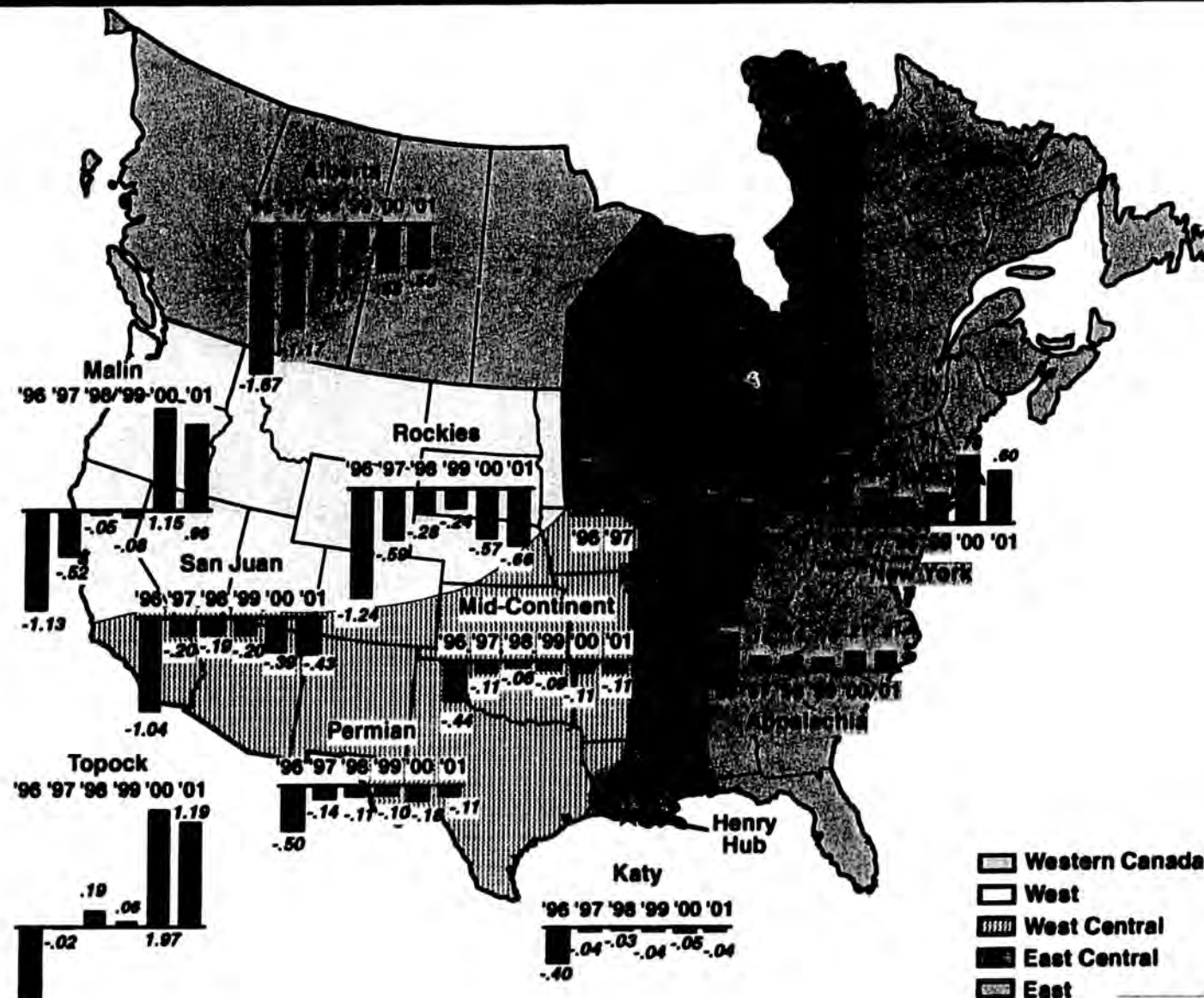
(MMcf per day; US dollars per MMBtu) (2 of 2)

2001 versus 2000





Natural Gas Key Regions of Basis Differentials: Price Differentials to Henry Hub (US dollars per MMBtu)

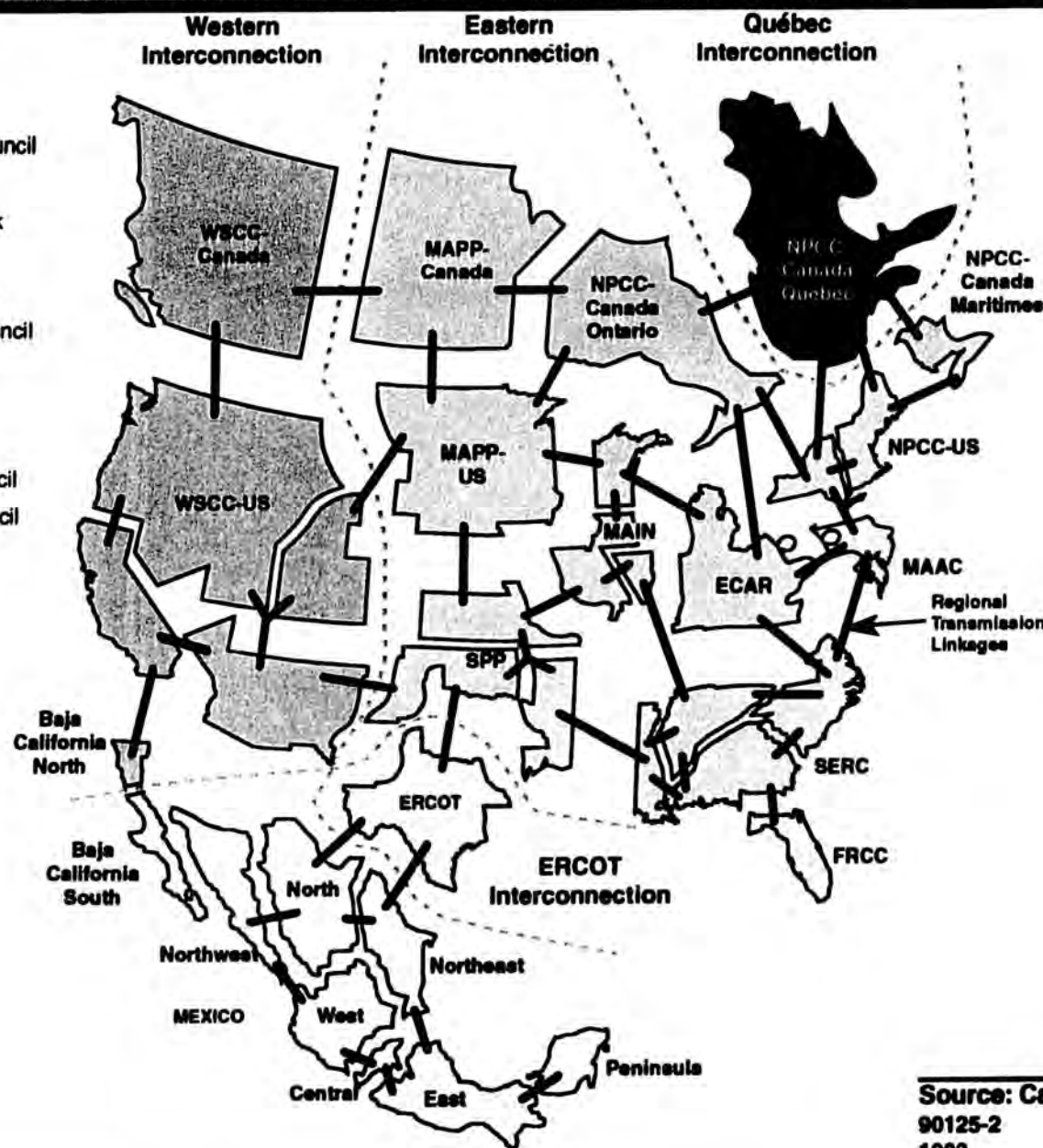




How Big Is the Market?

Balkanization in Bulk Power Systems

SERC: Southeastern Electric Reliability Council
MAAC: Mid-Atlantic Area Council
MAIN: Mid-America Interconnected Network
SPP: Southwest Power Pool
ERCOT: Electric Reliability Council of Texas
WSCC: Western Systems Coordinating Council
ECAR: East Central Area Reliability Coordination Agreement
MAPP: Mid-Continent Area Power Pool
NPCC: Northeast Power Coordinating Council
FRCC: Florida Reliability Coordinating Council

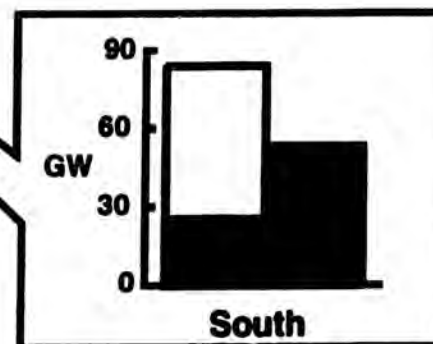
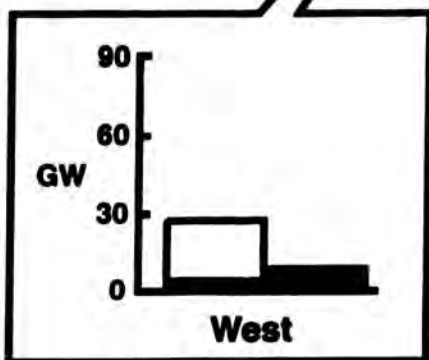
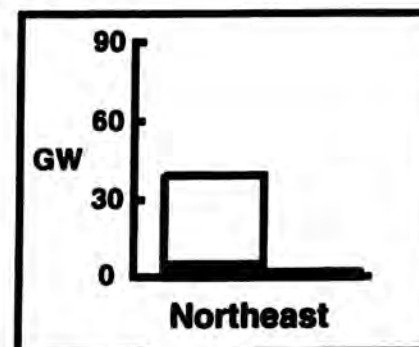
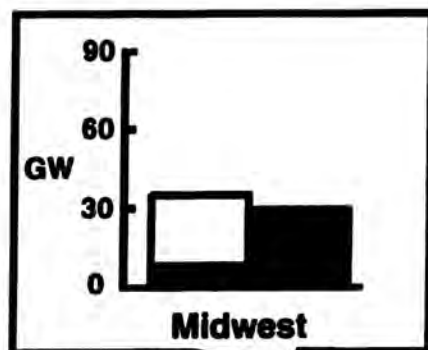


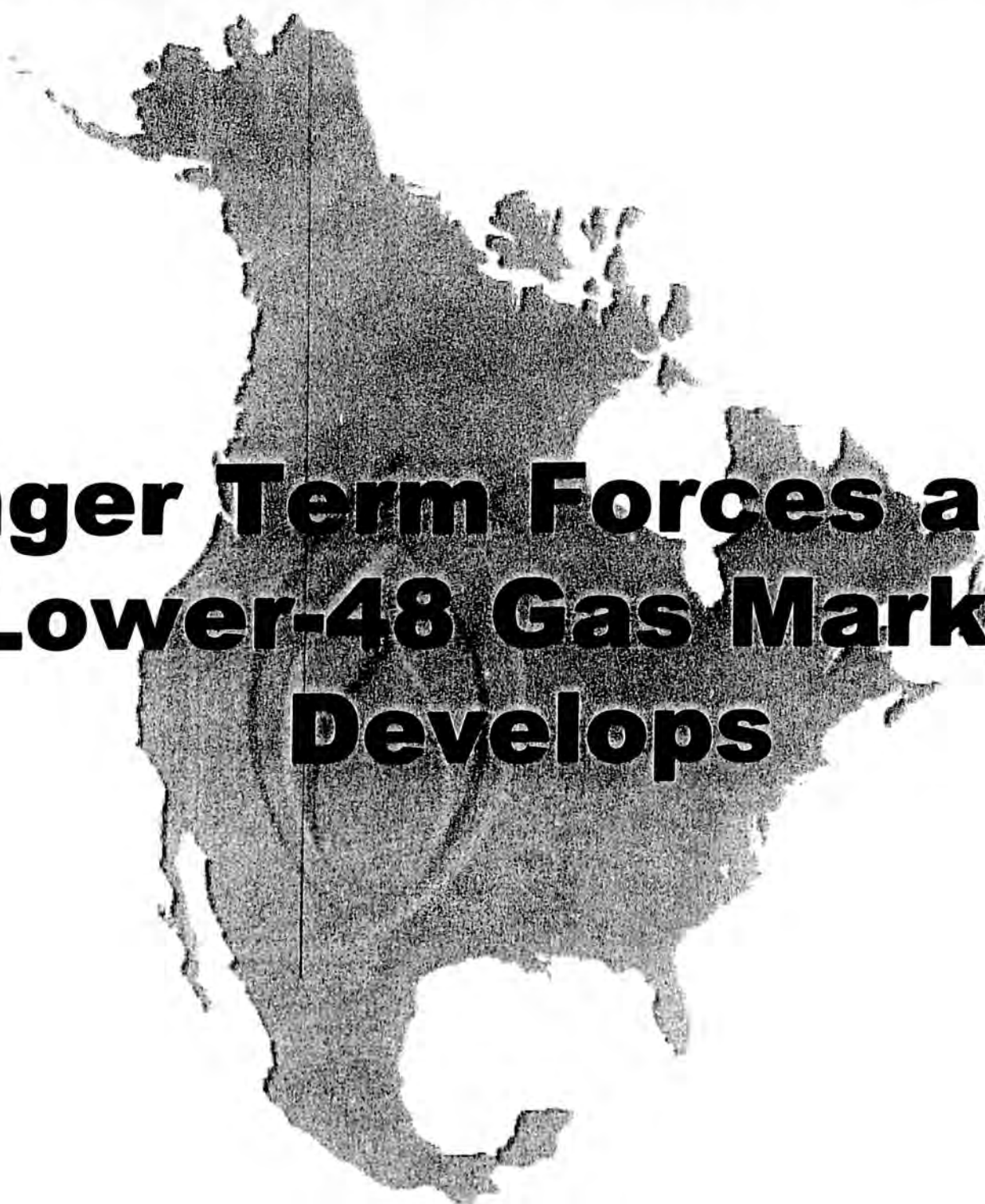


New Electric Capacity Requirements versus Proposed Capacity Additions, 2000-2005

Total Capacity Additions

- Proposed
- Financed
- Under Construction
- Capacity Required

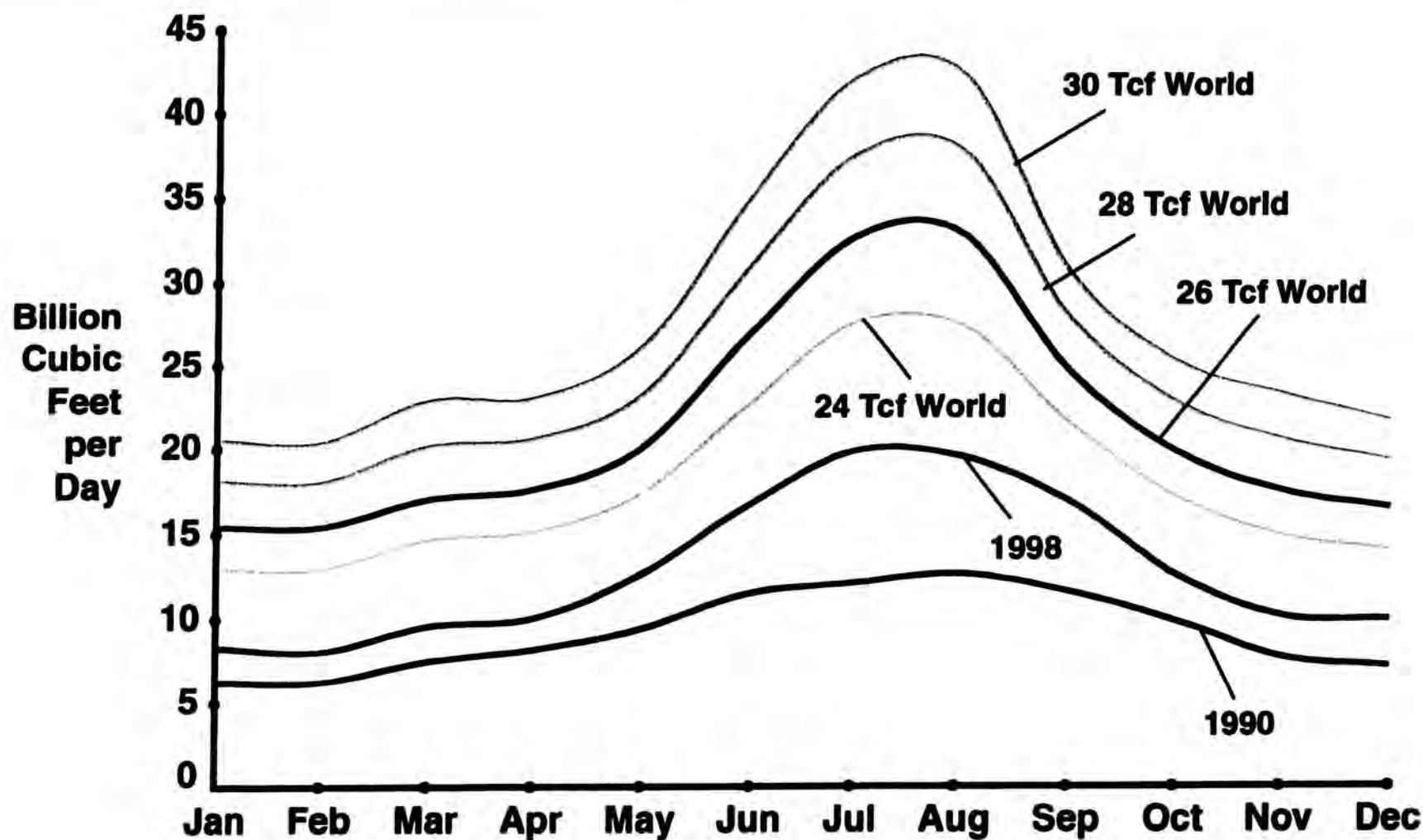




Longer Term Forces as the Lower-48 Gas Market Develops



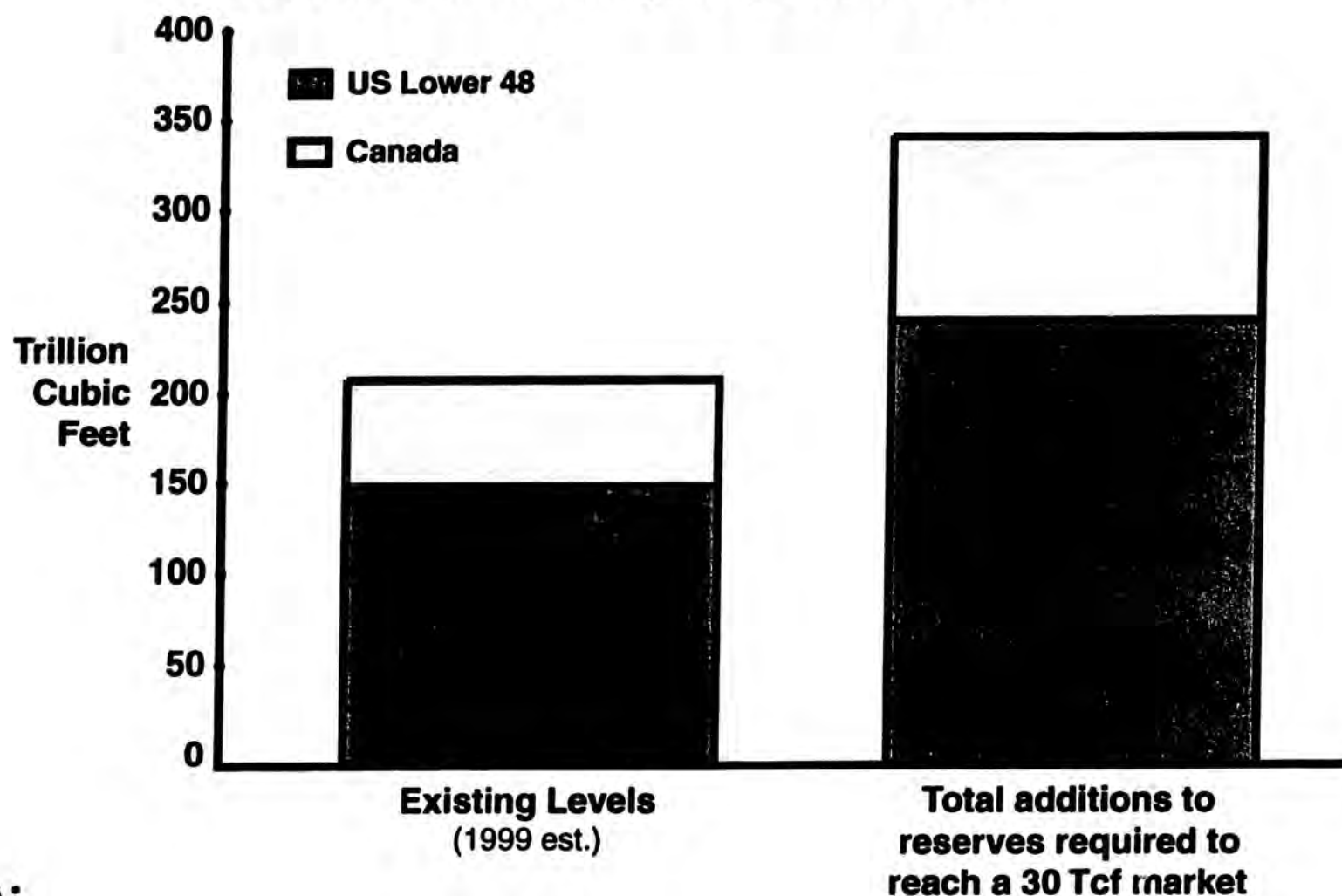
The Rise of the Summer Power Peak in the 30 Tcf World





The Challenge of Reaching 30 Tcf (1 of 2)

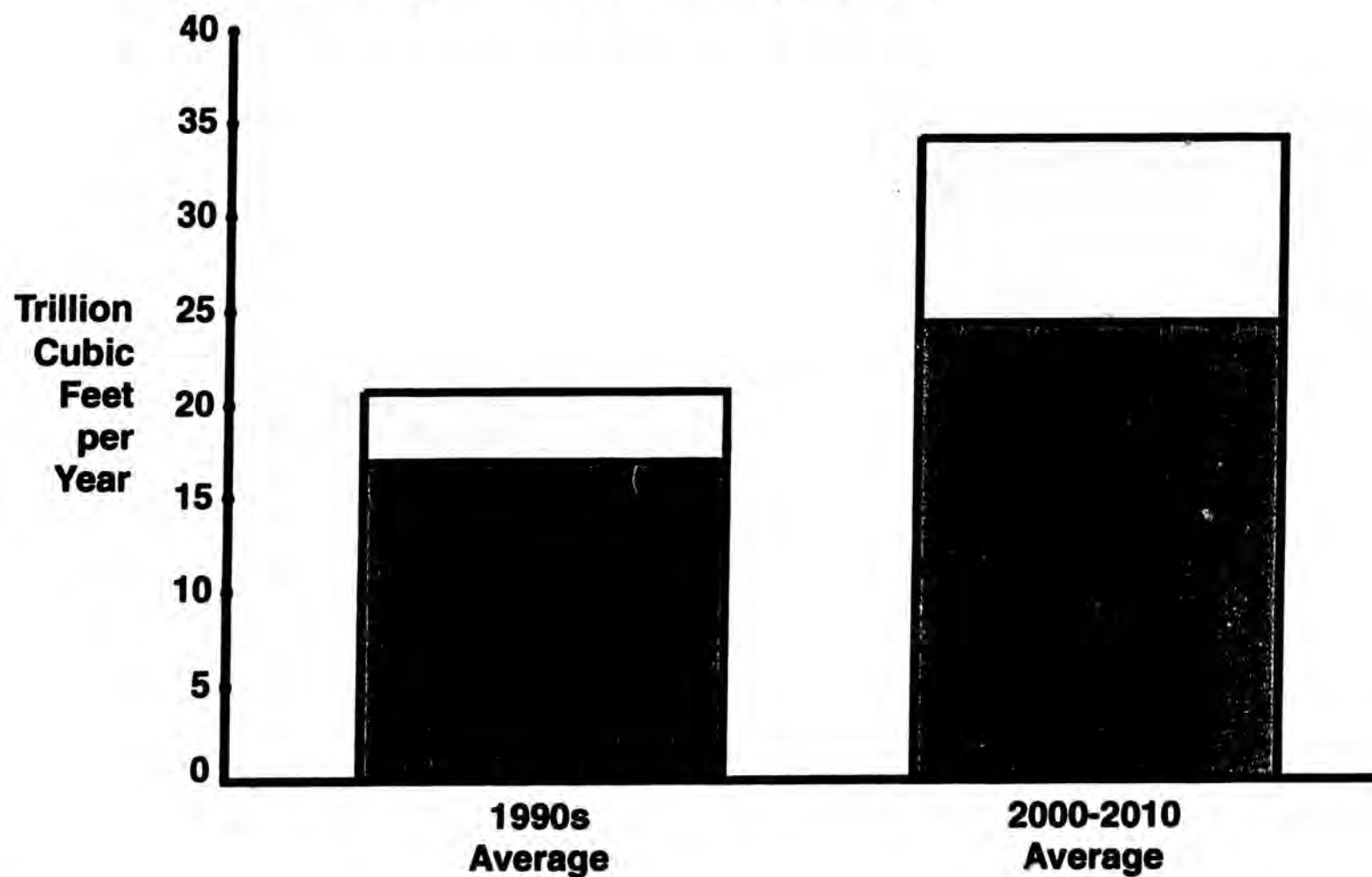
Reserve Additions Required, 2000 to 2010





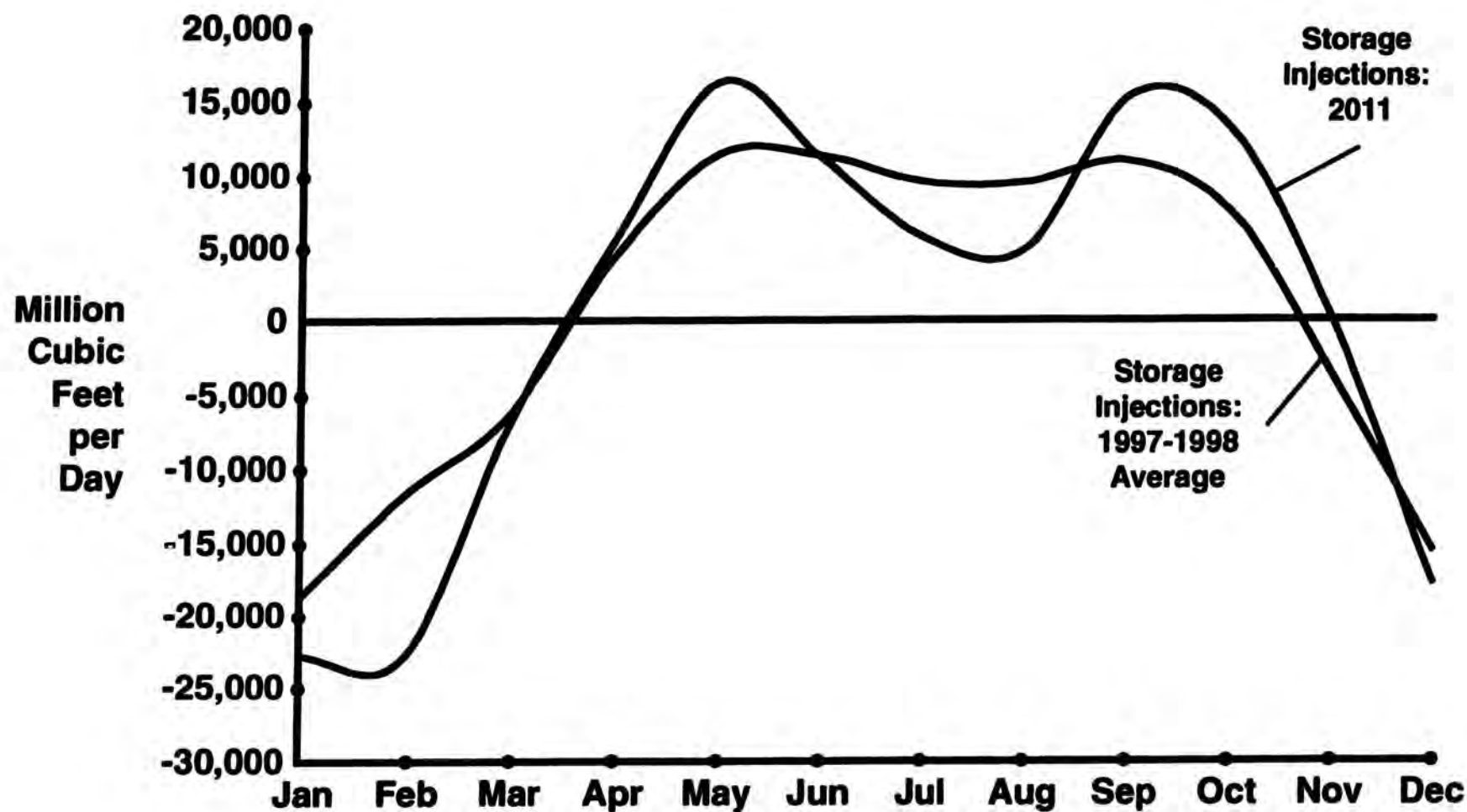
The Challenge of Reaching 30 Tcf (2 of 2)

Required Reserve Additions per Year



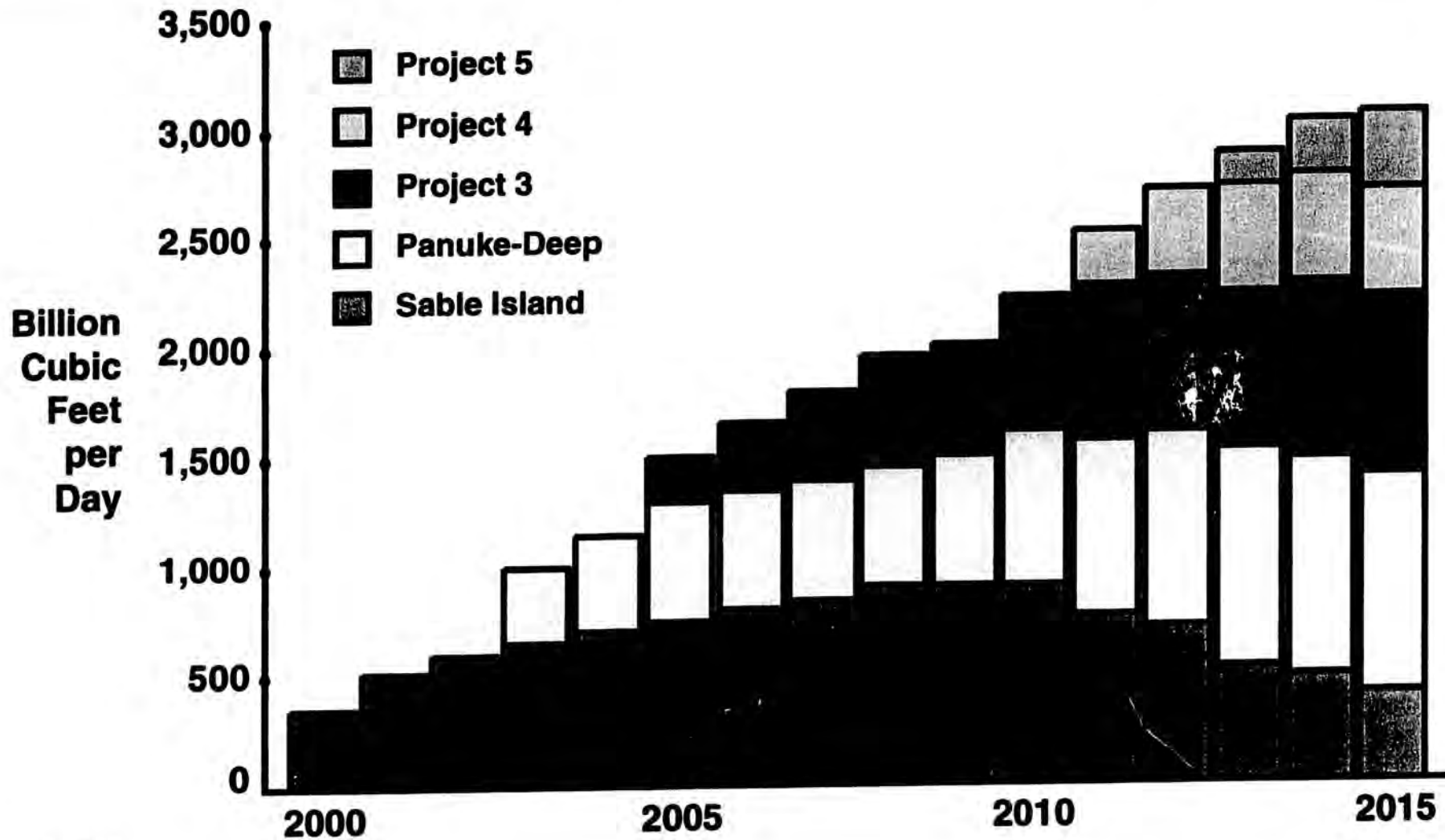


Changing Storage Injection Patterns in a 30 Tcf World: US Lower-48



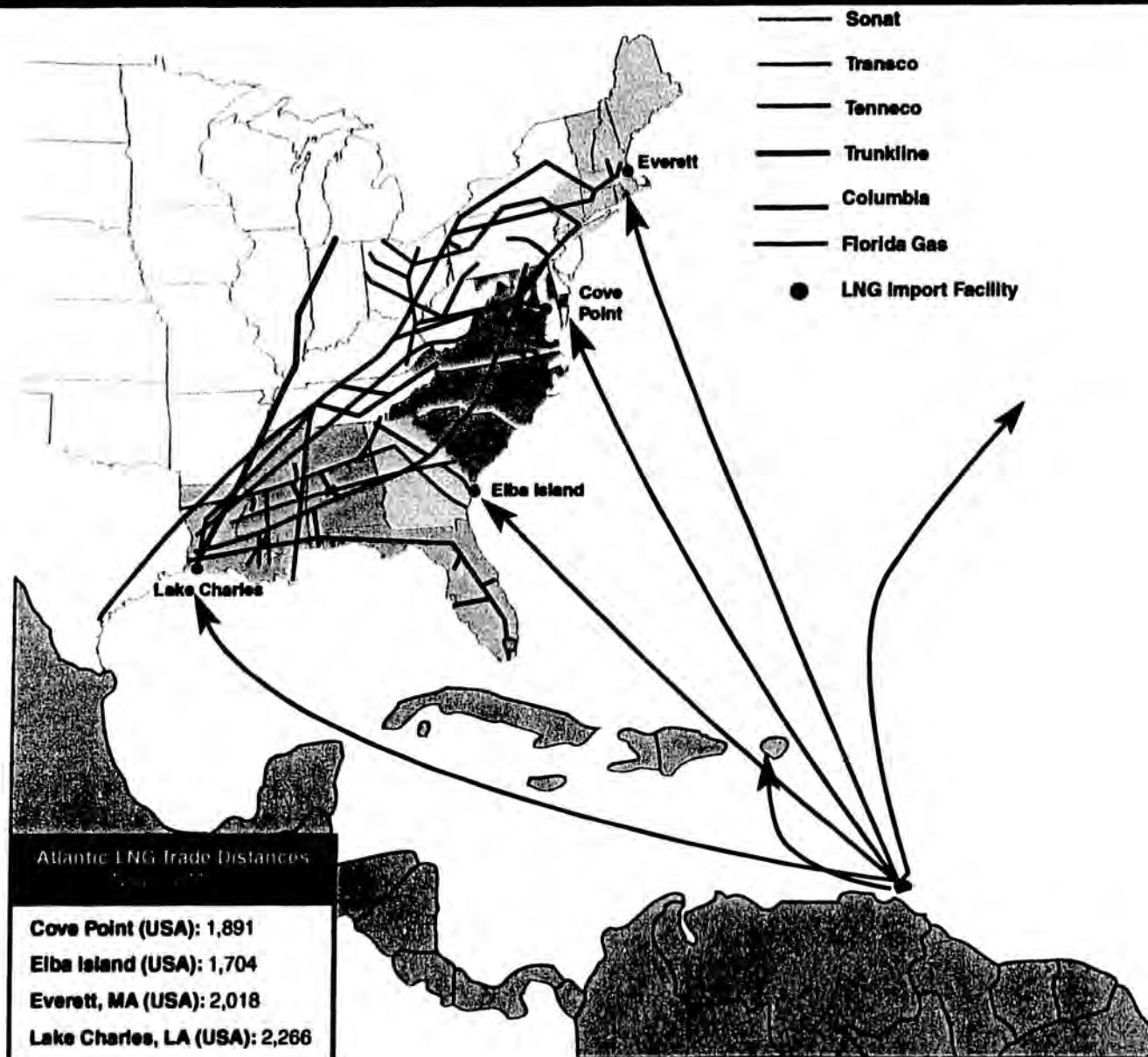


Scotian Shelf Supply Build

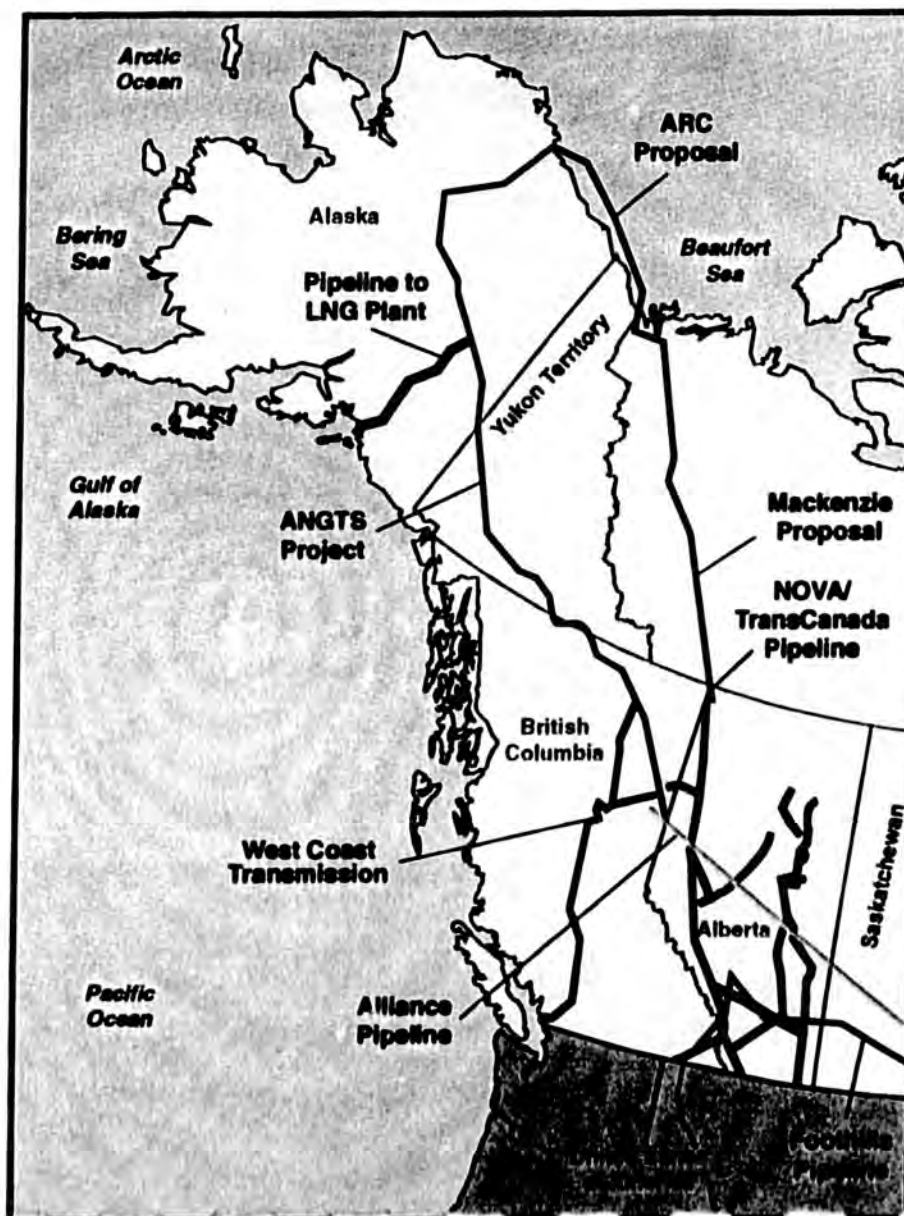




Potential US LNG Destinations for Atlantic LNG

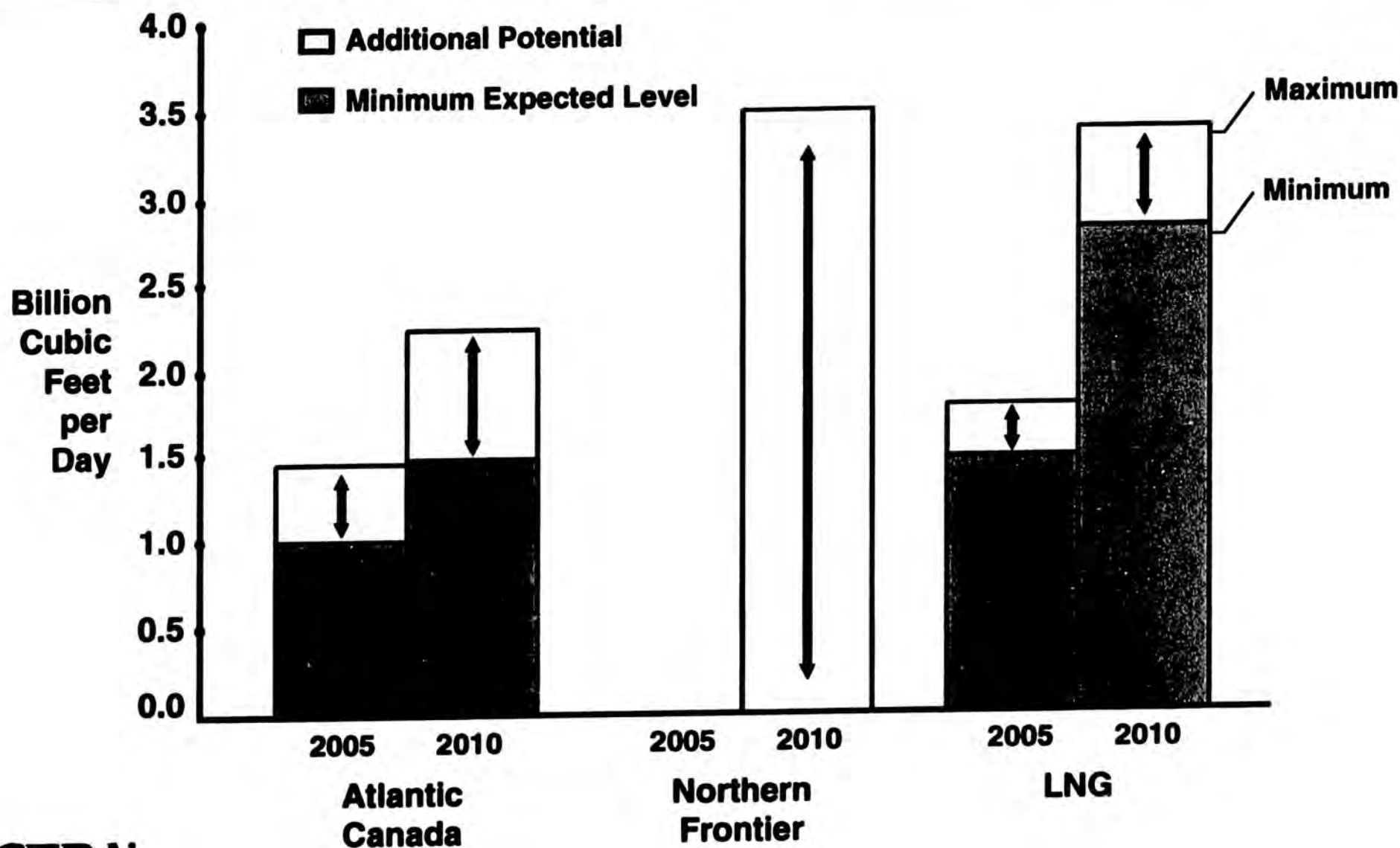


Arctic Gas Pipeline Alternatives



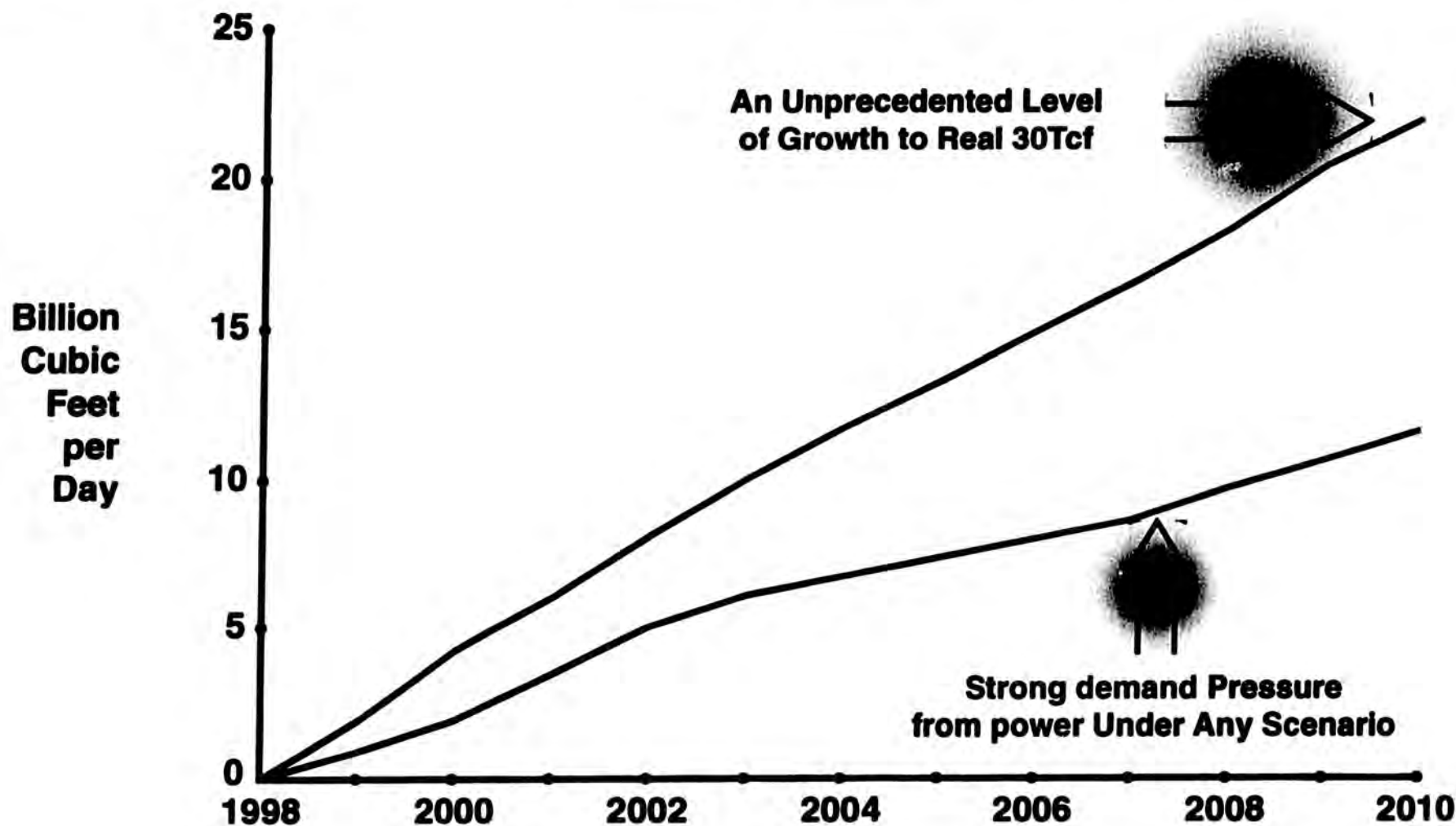


The Range of Production Levels from Frontier Areas





30 Tcf: More Plausible Than Probable—The Range of Natural Gas Demand Growth Relative to 1998





Northern Gas Pipeline Development Risks (1 of 2)



\$3.00

Gas Pricing

- Sustained Minimum
\$2.50 to \$3.00 Needed



Political Intervention

- US and Canadian
Government Positions on
International Agreement
- Potential Delays Due
Native Settlements Issue
- "In-fighting" Between
Regional Governments

30 Tcf



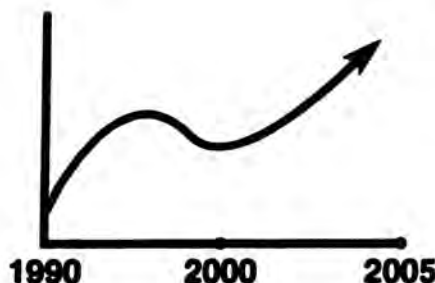
Market Growth

- Continued Economic
Growth Essential
- Fits with a 30 Tcf World
- Contraction from high
Prices Detrimental



Downstream Capacity

- Excess Capacity Out
of the West
- New Capacity all the
way to Markets



Supply Growth

- Resurgence from Other
Regions Detrimental
- Coalbed Methane from
Western Canada Negative
Factor



Northern Gas Pipeline Development Risks (2 of 2)



Construction Delays

- Weather
- Equipment
- Workers



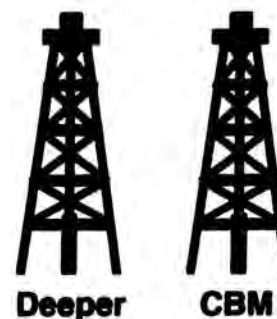
Risk Sharing

- Pipelines
- Producers
- Markets
- Financial Backing



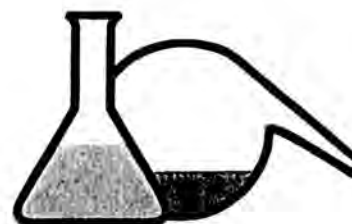
Contracts

- Security
- Term Length
- Volume



Resource Development

- Ultimate Capability
- New Sources



Liquids

- Disposition
- Increase Economic Viability

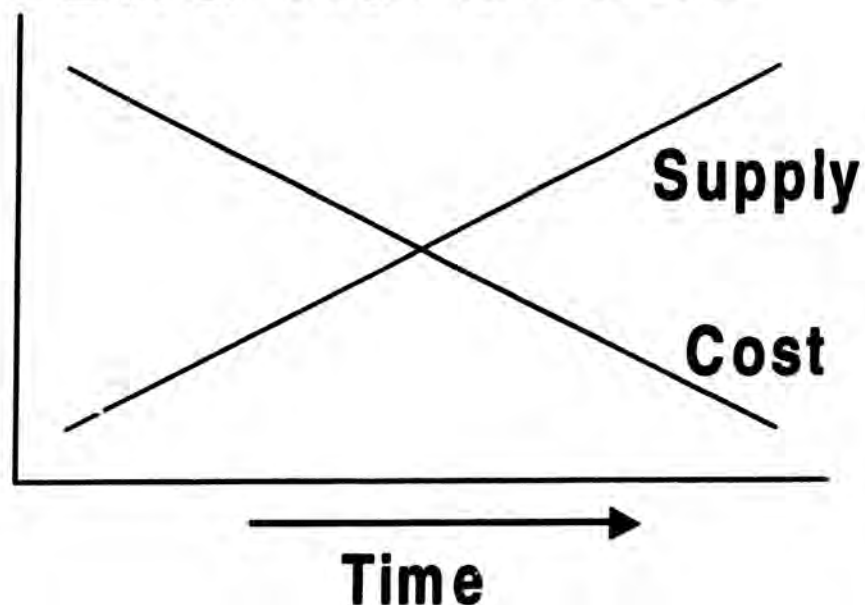


LNG Market Potential: Key Drivers



Why Now?

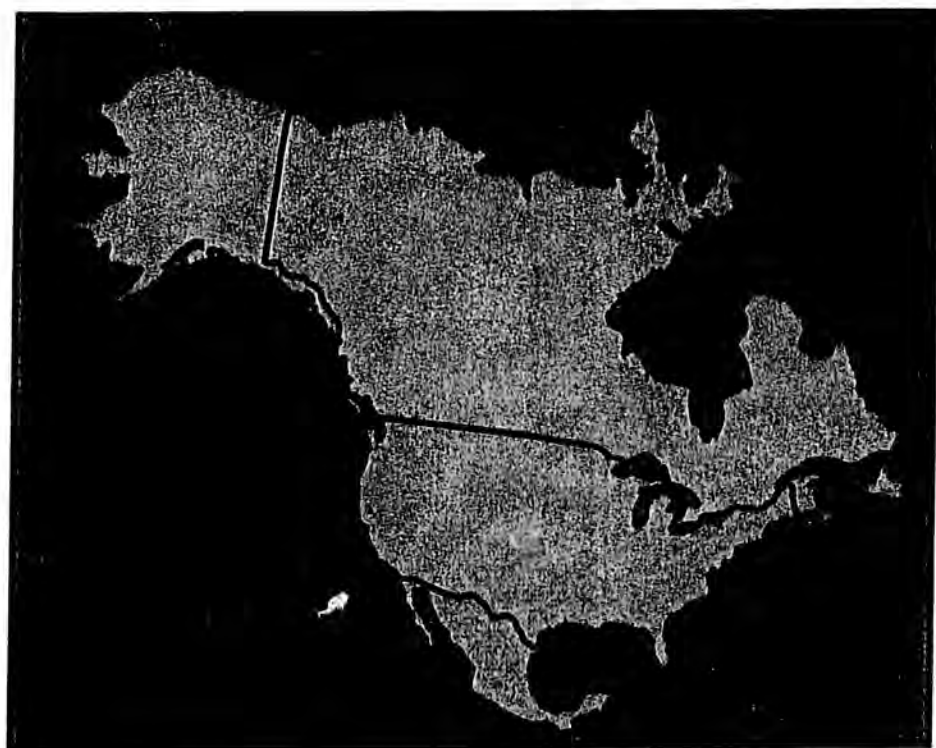
LNG Transitions



- **Fundamental changes are taking place in**
 - LNG costs
 - Available supplies
 - Industry structure
- **How will changes unfold in the future?**



Why Now?



- **High US prices and tight North American supplies have reinvigorated US LNG imports, but will these conditions last?**



Why Now?

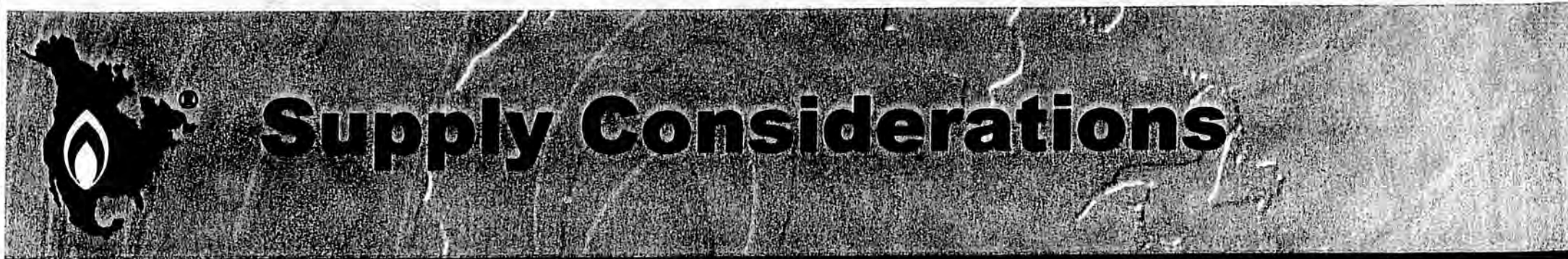


- **Economic recovery and new markets mean strong growth in Asia, but how strong?**



World LNG Facilities





- **Geography**
- **Supply Diversification/Security Concerns**
- **Associated Gas Pressures**
- **Liquids Revenue Stream**
- **Gas Monetization**



The LNG Value Chain

	Minimum Threshold	Gas Favored: 2003			
	US	Lake Charles	Elba Island	Cove Point	Everett
Henry Hub		\$3.48	\$3.48	\$3.48	\$3.48
Transportation ¹			↓	↓	↓
Market Price ²	\$2.30	\$3.48	\$3.58	\$3.85	\$4.10
Regasification	\$0.30				
Shipping	\$0.70				
Liquefaction	\$0.10				
Netback to Trinidad ²	\$0.50- \$0.60	\$1.55- \$1.70	\$1.60- \$1.80	\$1.65- \$2.00	\$1.65- \$2.25

Source: Cambridge Energy Research Associates.

Notes: 1. These figures represent annual average spot differentials between the Henry Hub and the respective citygates (Atlanta, Washington DC, and New England).

Notes: 2. All cost figures are CERA estimates. This schematic analysis omits any charges for transporting the regasified fuel to the relevant market hubs (this could range from \$0.05 to \$0.25 per MMBtu) as well as any marketing fees.



US LNG Import Facilities

Cove Point, MD (Reopening 2002/03)	
Operator:	Cove Point LNG (Williams)
Vaporization Capacity	1 Bcf per day (750 allocated for imports)
Storage Capacity	5 Bcf (expanding to 7.5 Bcf)
Number of Tanks	4
Tanker Berths	2
Draft	11 meters
Pipeline Connections	Columbia Gas, Transcontinental

Everett, MA (Operating)	
Operator:	Distrigas LNG (Tractebel)
Vaporization Capacity	435 MMcf per day (expanding to 600 MMcf per day in mid-2001)
Trucking Capacity	100 MMcf per day
Storage Capacity	3.6 Bcf
Number of Tanks	2
Tanker Berths	1
Draft	11 meters
Pipeline Connections	Algonquin, Tennessee



Lake Charles, LA (Operating)	
Operator:	Trunkline LNG (CMS)
Vaporization Capacity	700 MMcf per day (expanding to 1Bcf per day in mid-2001)
Storage Capacity	6.3 Bcf
Number of Tanks	3
Tanker Berths	1
Draft	12 meters
Pipeline Connections	Trunkline, Gulf Coast Pipes

Elba Island, GA (Reopening 2002/03)	
Operator:	Southern LNG (El Paso)
Vaporization Capacity	440 MMcf per day (maximum sendout is 675 MMcf per day)
Storage Capacity	4 Bcf
Number of Tanks	3
Tanker Berths	1
Draft	12 meters
Pipeline Connections	Southern Natural Gas



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Alaska Highway Natural Gas Policy Council
Workshop Agenda

Friday, March 23, 2001
Anchorage Sheraton Hotel – 10:00 a.m. to 3:30 p.m.

- I.** Call to order/opening remarks, 10:00-10:30
- II.** Presentation from North American Natural Gas Pipeline Group, 10:30-11:30
- III.** Presentation on the Canadian perspective, 11:30-12:15
Jeff Smith, Senior Vice Pres., Public Affairs, Hill and Knowlton, Ottawa
- IV.** Break/sandwich buffet, 12:15-12:45
- V.** Presentation on the Federal perspective, 12:45-1:45
Bob Loeffler, Senior Partner, Morrison and Foerster, Washington, DC
- VI.** Presentation on the State agency perspective, 1:45-2:30
 - A. Bill Britt, Coordinator, Joint Pipeline Office
 - B. Mark Myers, Director, Division of Oil and Gas
- VII.** Ten minute break, 2:30-2:40
- VIII.** Council Business – Sampson/Brown, 2:40-3:30
 - A. Approve public hearing/meetings schedule
 - B. Discuss public hearing format
 - C. Discuss subcommittee work



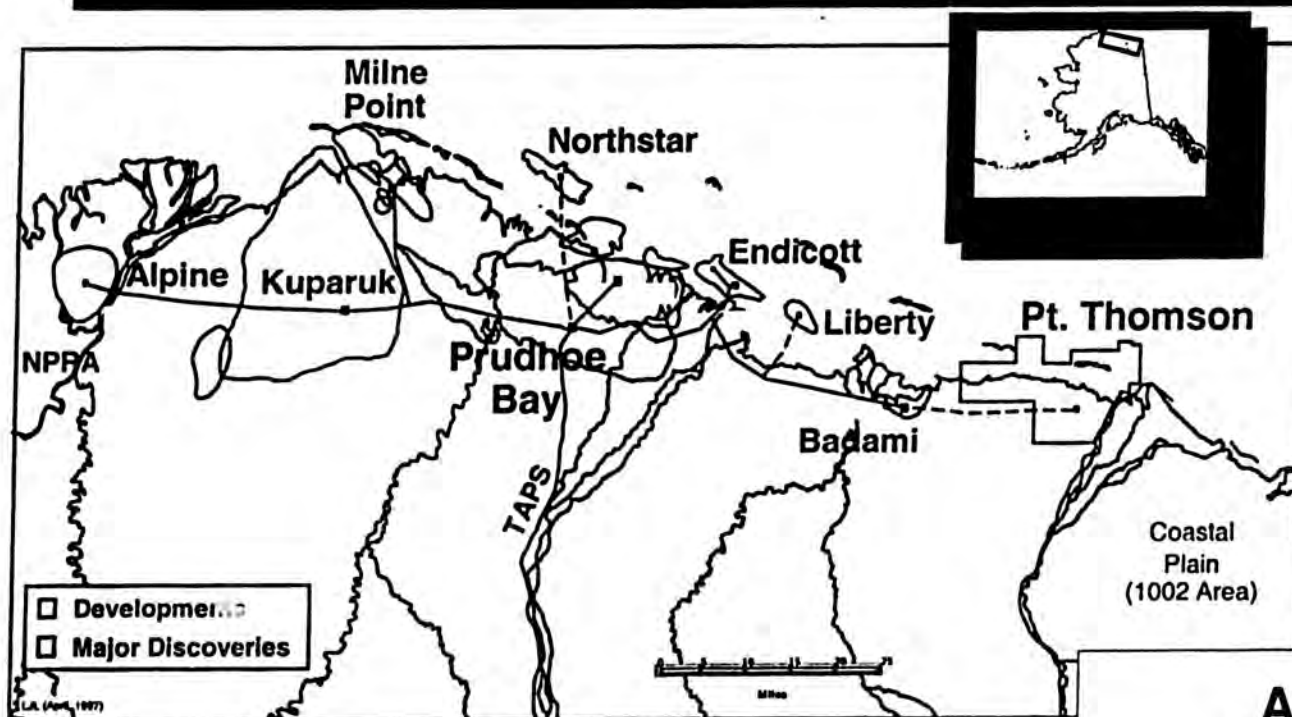
Joint Team Objectives

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

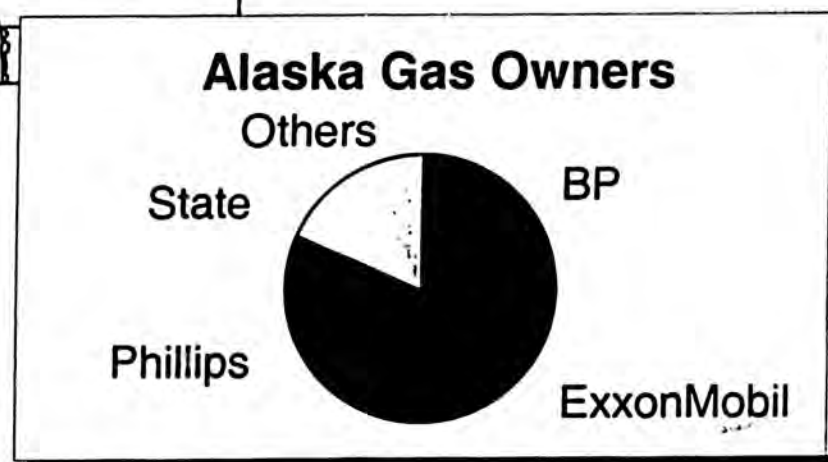
Safe and Environmentally Responsible



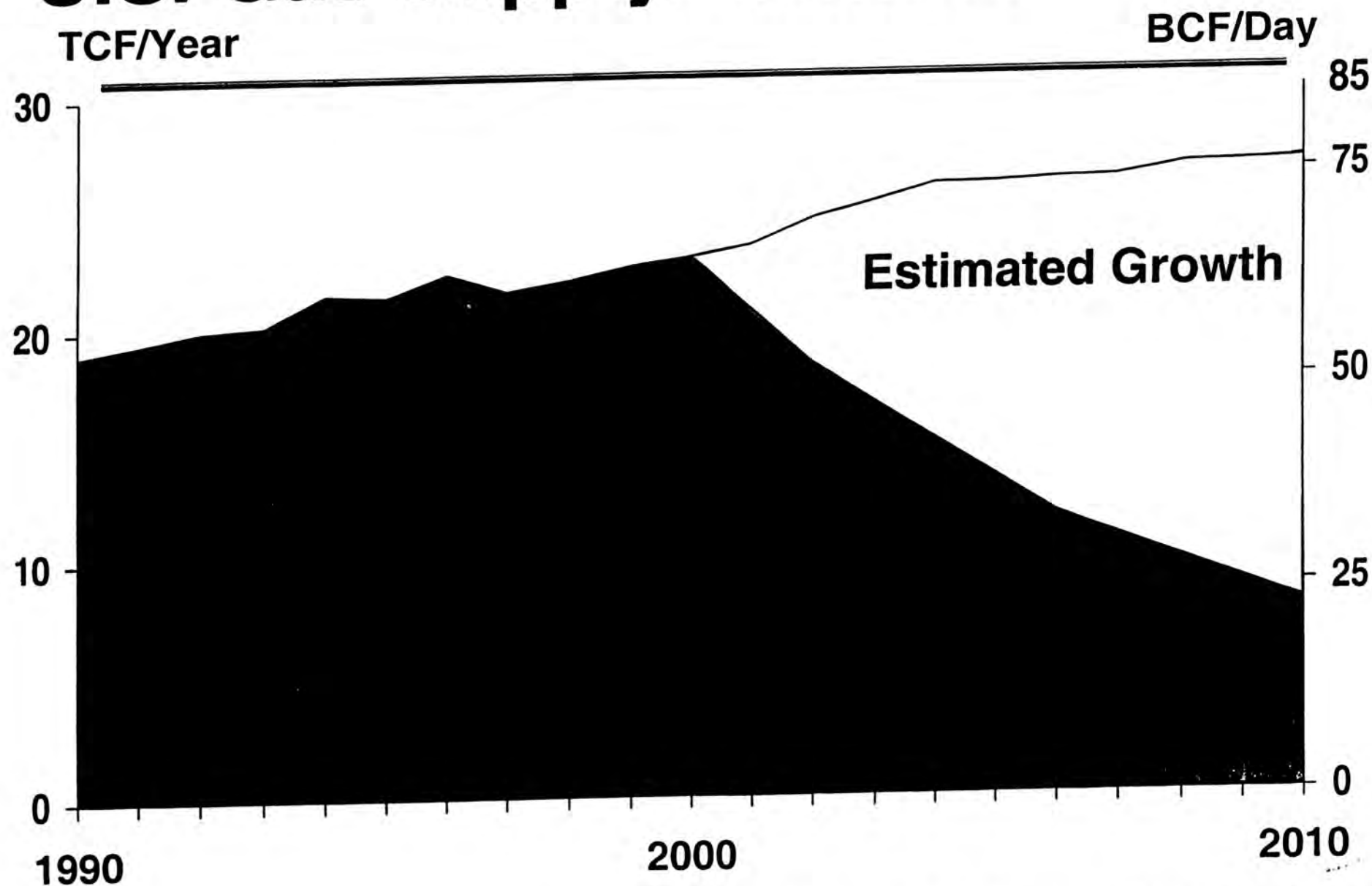
Alaska Gas Resources & Major Producers



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

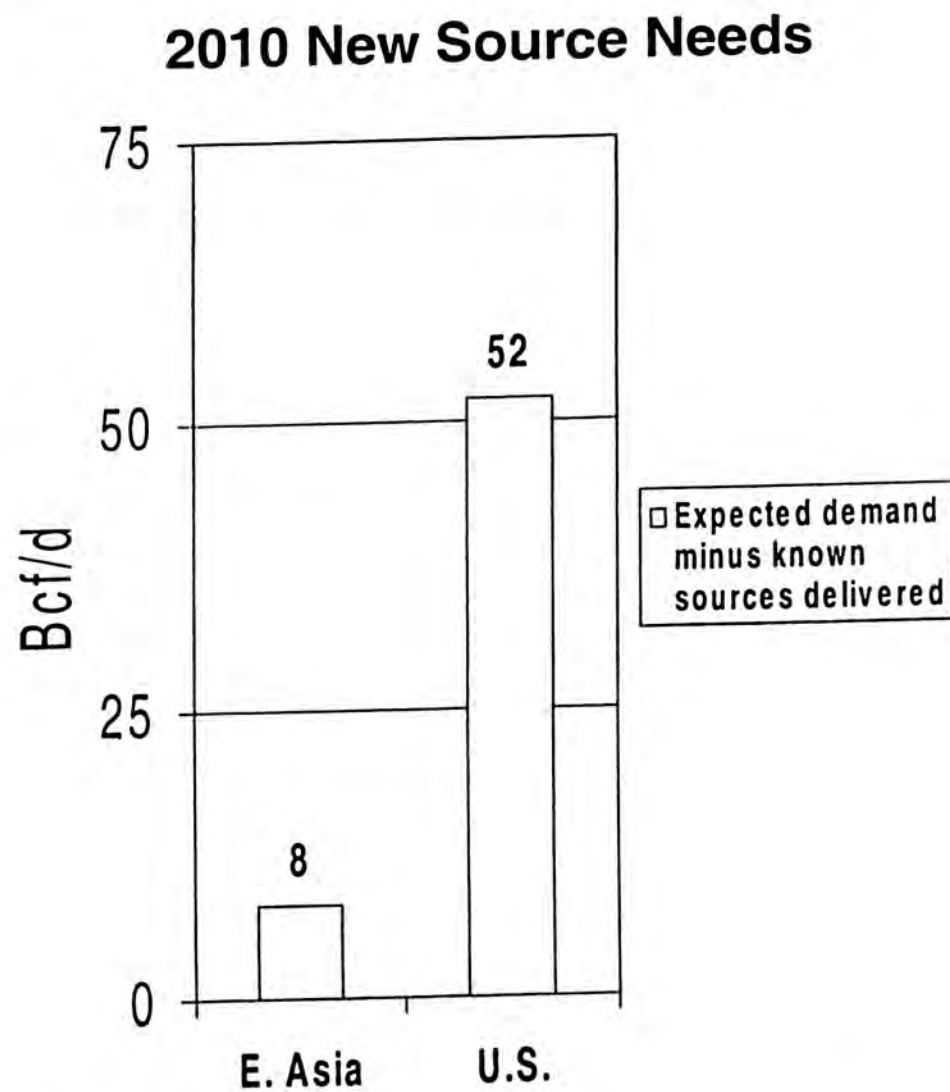
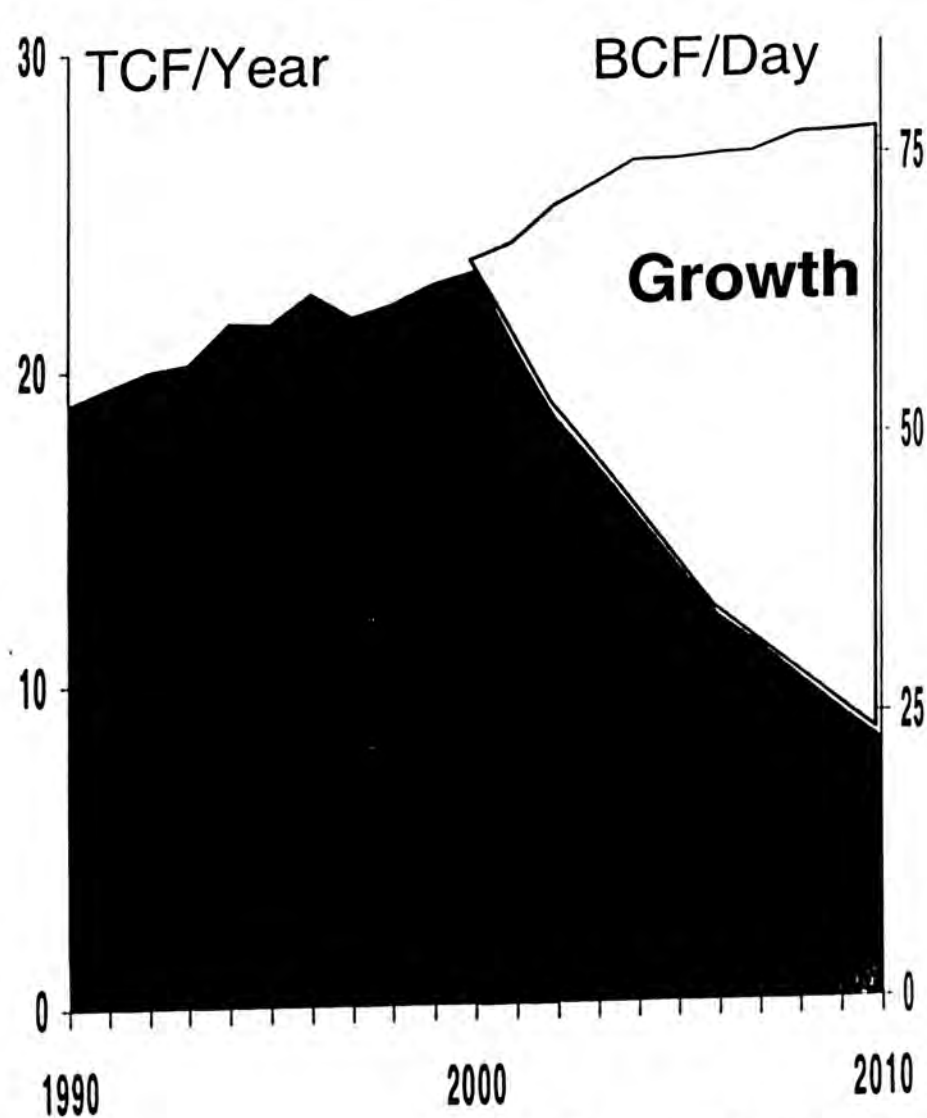


U.S. Gas Supply/Demand



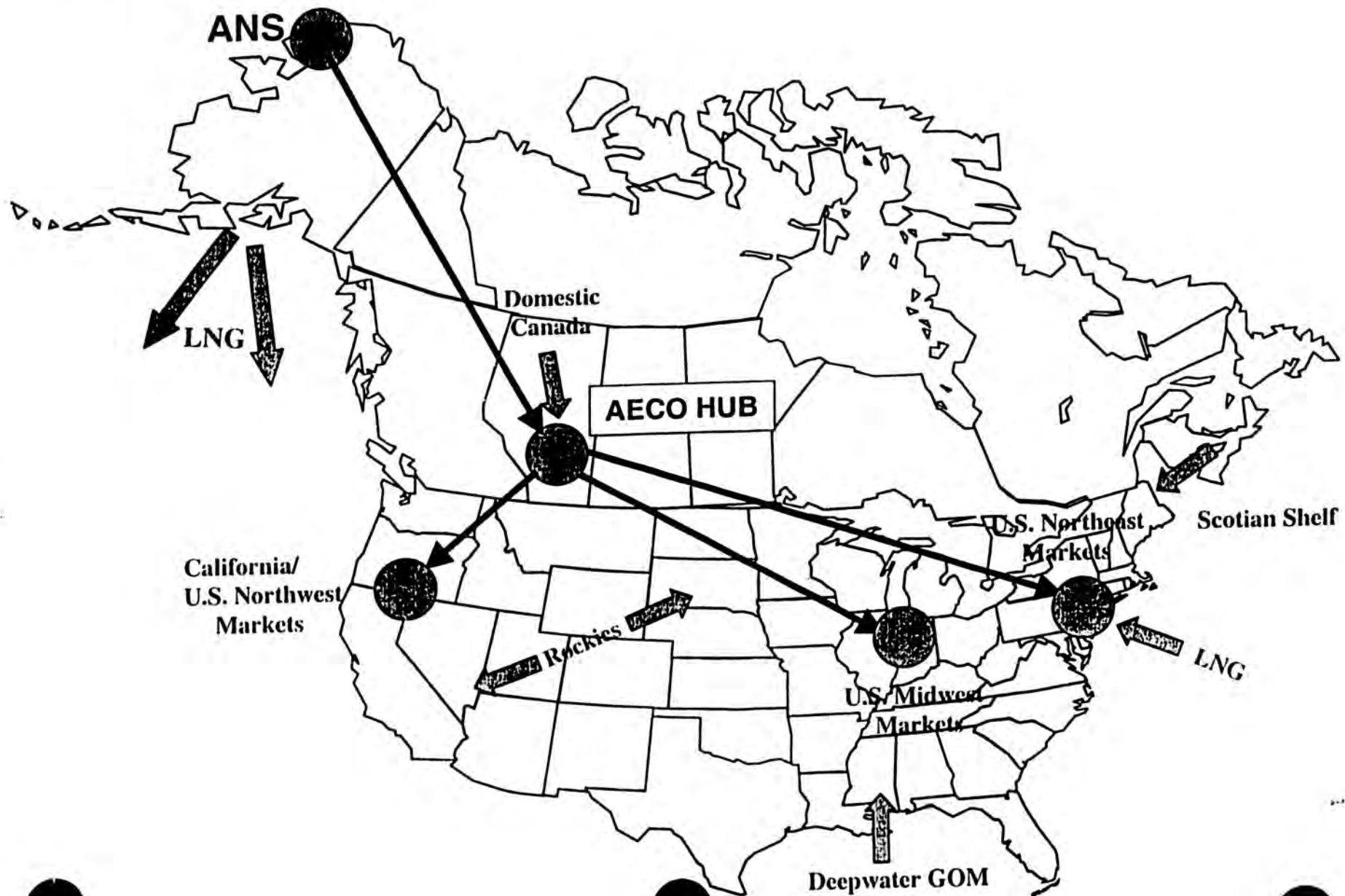
Source: National Petroleum Council, December 1999

Supply/Demand - Asia Comparison

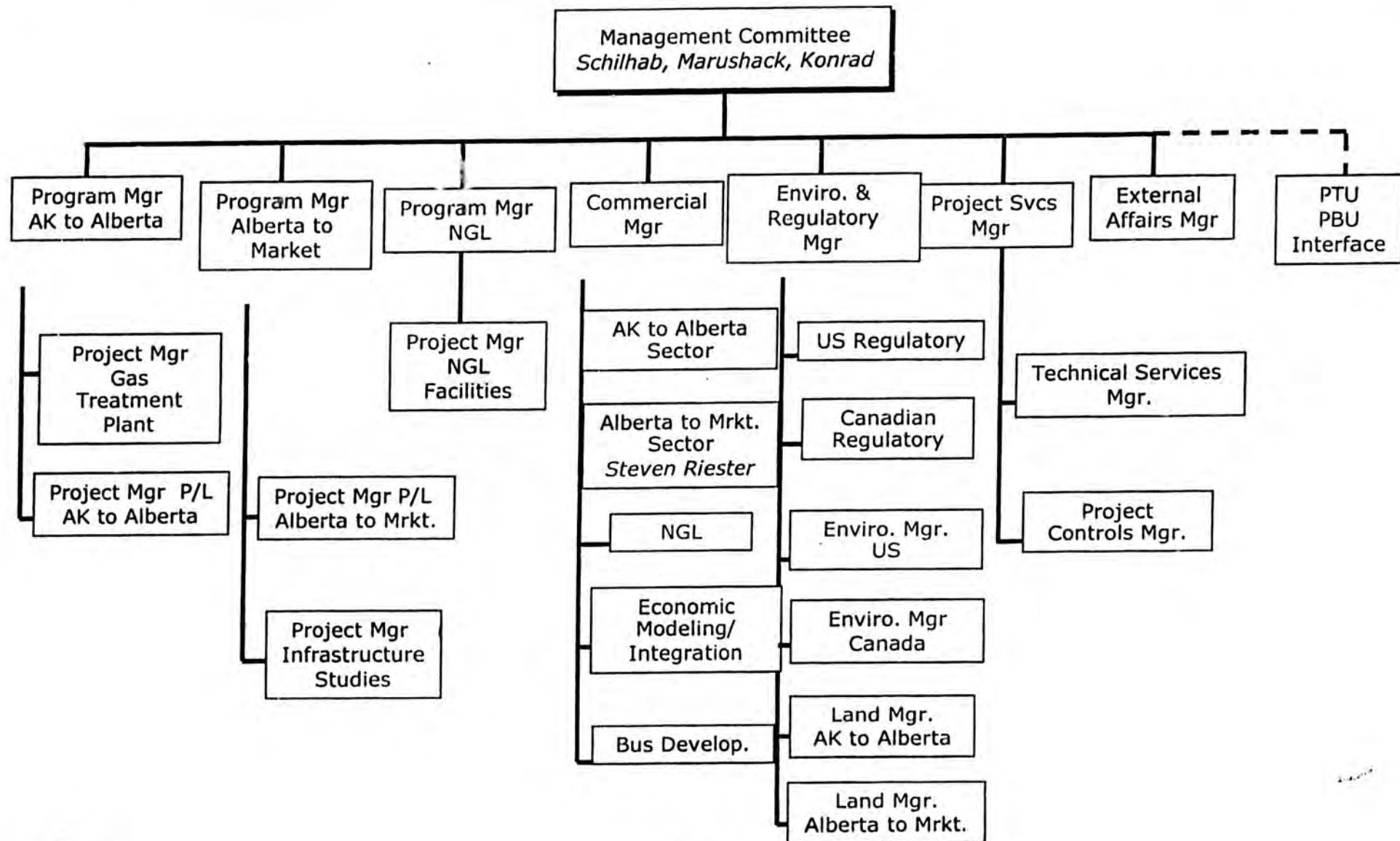


Source: NPC, December 1999 & Tokyo Gas, 2001

North American Gas Supplies/Markets

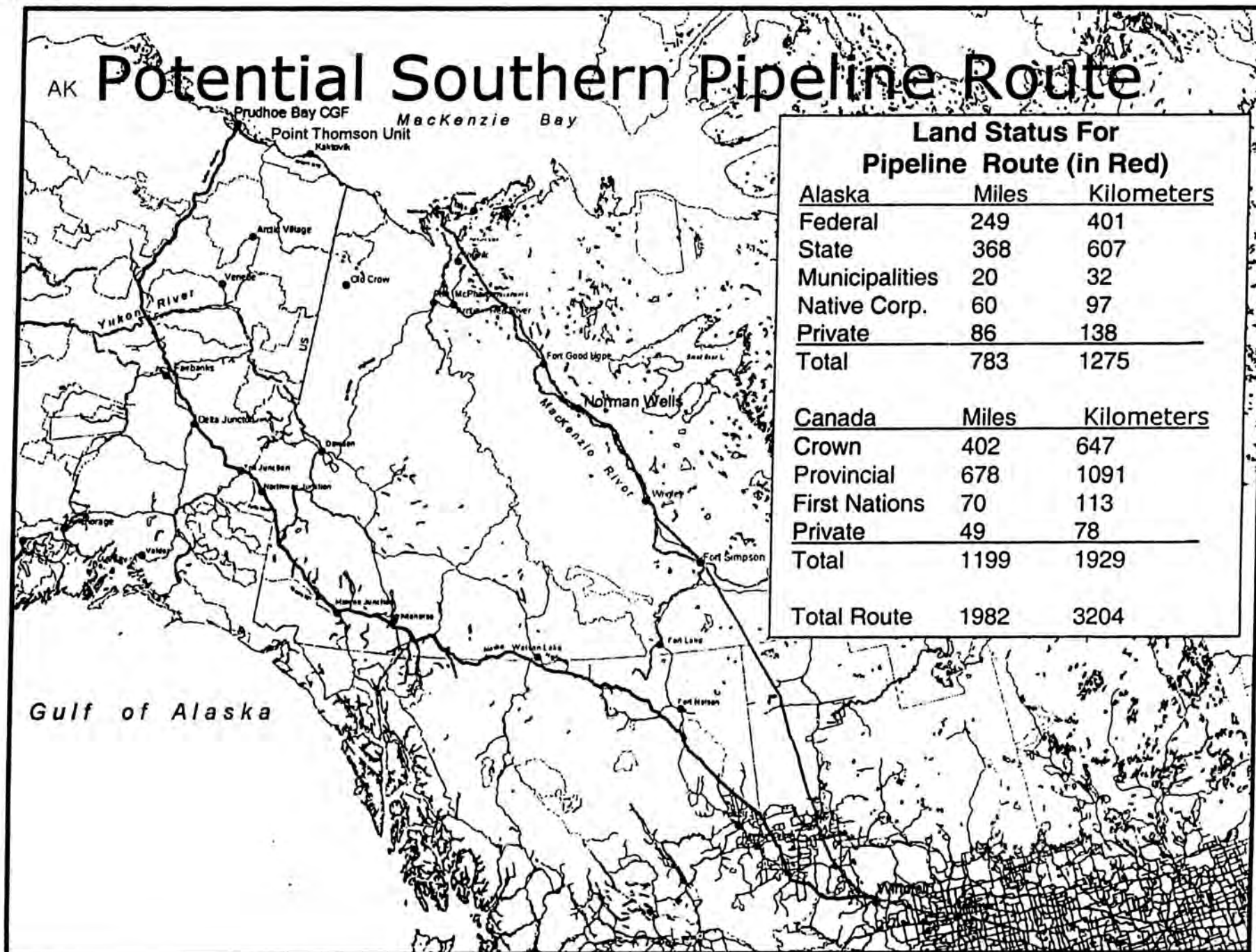


Joint Team Organizational Chart





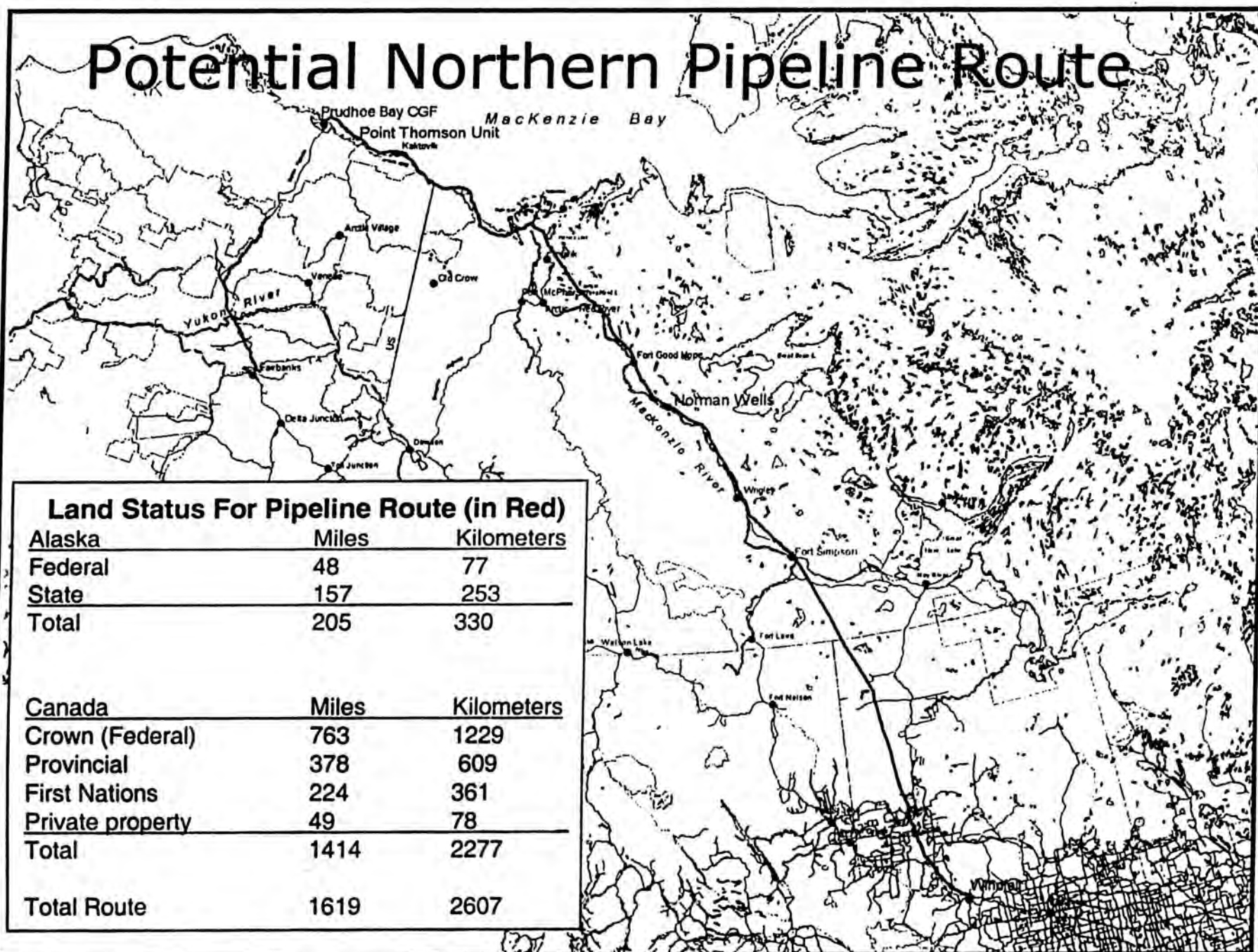
North American Natural Gas Pipeline Group





North American Natural Gas Pipeline Group

Potential Northern Pipeline Route



Land Status For Pipeline Route (in Red)

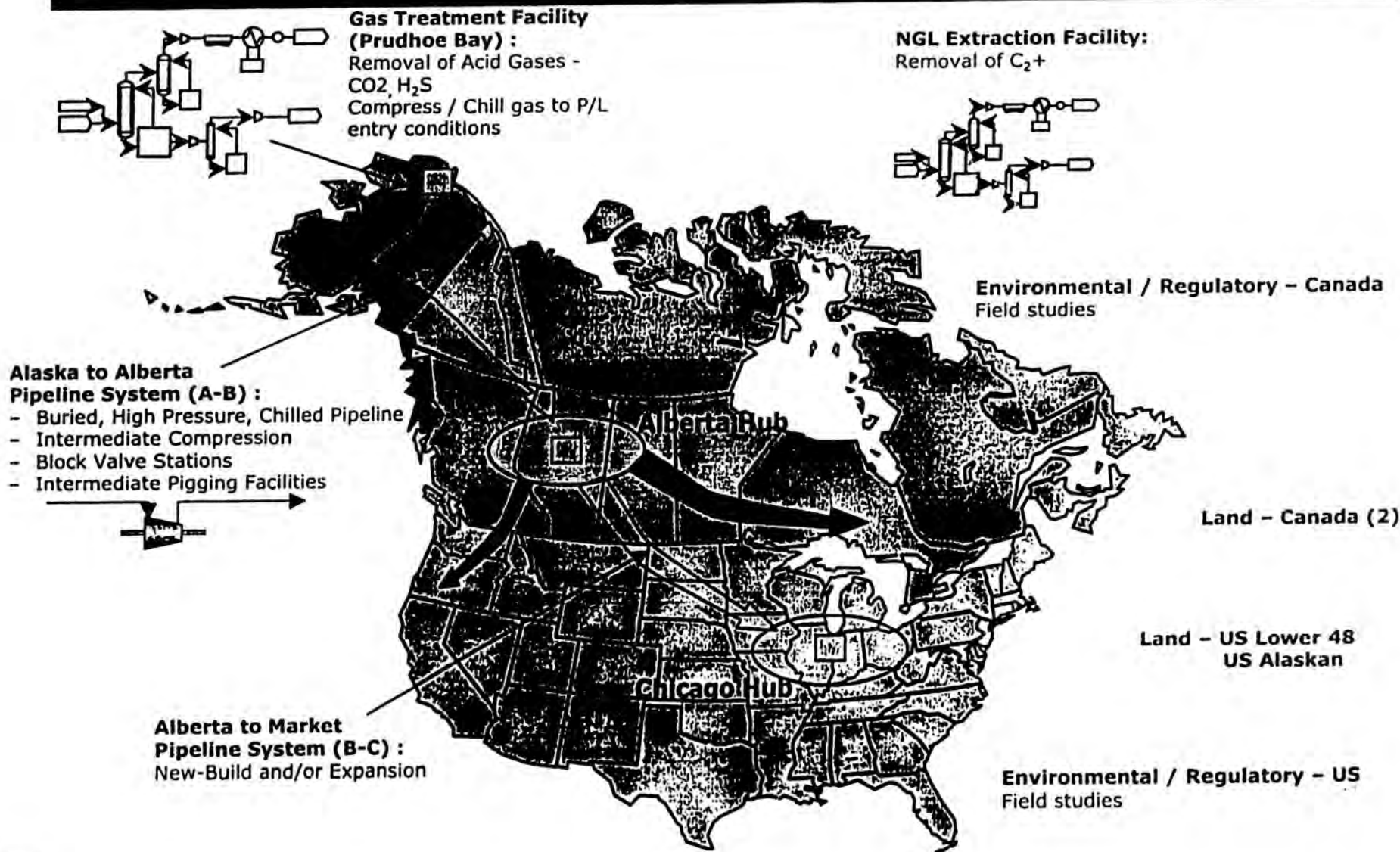
Alaska	Miles	Kilometers
Federal	48	77
State	157	253
Total	205	330

Canada	Miles	Kilometers
Crown (Federal)	763	1229
Provincial	378	609
First Nations	224	361
Private property	49	78
Total	1414	2277
Total Route	1619	2607



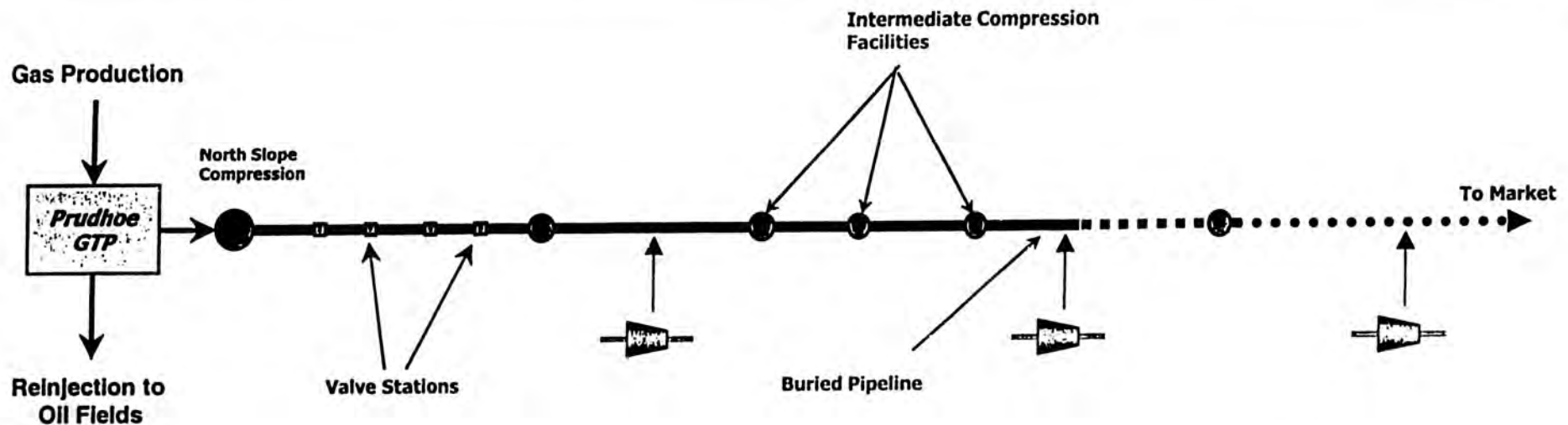
North American Natural Gas Pipeline Group

Major Scopes of Work (RFPs)





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



Applying 21st Century Technology

Attributes

- Advanced materials & design
- High Pressure operation
- Buried line with thermal control
- Fewer, more powerful compressor stations
- Advanced construction (trenching, welding, river crossings)
- Advanced communication & control systems
- Advanced monitoring and maintenance systems

Benefits

- Lower fuel consumption
- Reduced emissions
- Smaller footprint
- Reduced environmental impact
- Expansion capacity
- Lower cost of supply
- High reliability

Conceptual Pipeline Construction Plan

- Multiple construction spreads working over 3 year period.
- Onshore
 - Principally winter construction – especially in permafrost.
 - Pipeline buried except for few specific crossings.
 - Grade-only construction where soils allow.
 - Primarily snow pads where soil/vegetation require protection.
 - Gravel construction pads required where protection is required and slopes are excessive for snow pads.
- Offshore
 - Summer construction from lay vessels.
 - Primarily offshore supply from existing infrastructure.



The "Seven Lenses" of Evaluation

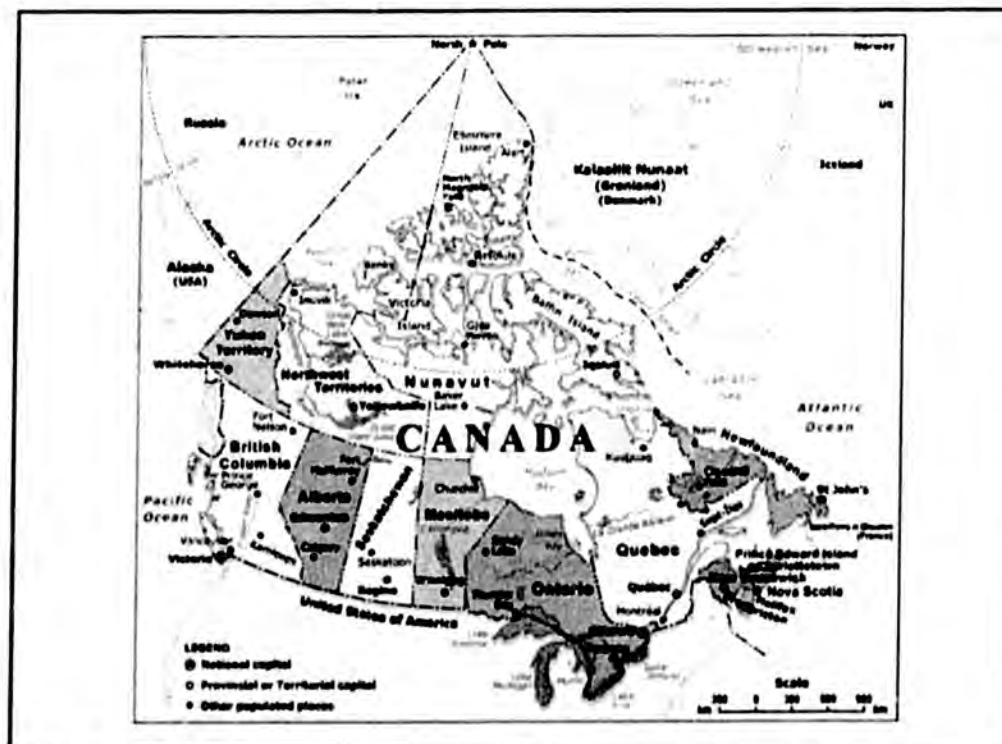
- Economics
- Revenues
- Jobs
- Gas Access
- Safety
- Timing
- Environment

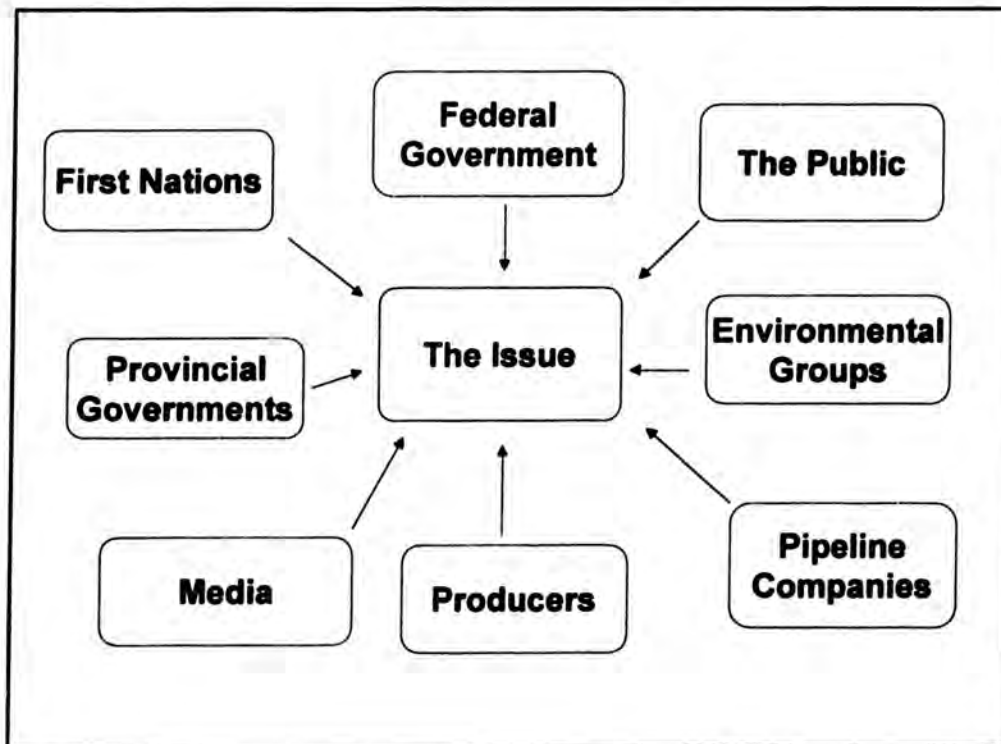


Canada and the Northern Pipeline

**Presentation to the Governor's Alaska
Highway Natural Gas Policy Council**

March 23, 2001





Federal Government Position

- The pipeline route must be picked by the producers. The Canadian Government will not endorse one route over another.
- The government's role is to ensure a smooth regulatory regime that recognizes legitimate business imperatives while allowing for adequate public input.

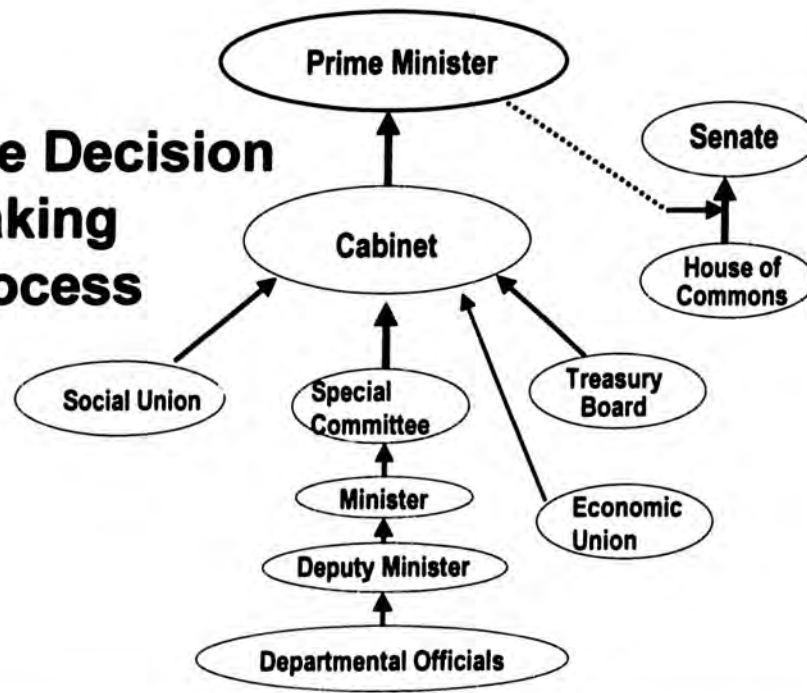
Federal Government Position

- Projects that bring maximum benefit to Canadians will be supported over those that do not.
- The Federal Government wants to co-operate on energy issues and wants to be part of any continent-wide energy agreement.

The Federal Players

- | | |
|---|--|
| ■ Indian Affairs & Northern Development | ■ Human Resources Development |
| ■ Environment | ■ Finance |
| ■ Foreign Affairs | ■ Treasury Board |
| ■ International Trade | ■ Northern Pipeline Agency |
| ■ Fisheries and Oceans | ■ Canadian Environmental Assessment Agency |
| ■ Industry | |
| ■ Privy Council | |

The Decision Making Process



The Major Players

Prime Minister Jean Chrétien



- First elected in 1963
- Has held every major cabinet post including Indian Affairs and Northern Development, Energy Mines and Resources and External Affairs
- Great affinity for the North

Hon. Bob Nault, Indian Affairs and Northern Development



- First elected in 1988
- Appointed to Cabinet August 1999
- DIAND is his first portfolio
- See this project as the biggest economic development project for Canada this decade

Hon. Ralph Goodale, Natural Resources Canada



- Appointed Minister of Natural Resources in 1997.
- Has regional political responsibility for the North
- Chairs the powerful Economic Union Committee of Cabinet

Hon. David Anderson, Environment



- Elected 1968 - 72 and re-elected in 1993.
- A pragmatic environmentalist
- Best known to Alaskans as Canada's Minister of Fisheries and Oceans 1997 - 99

Premier Pat Duncan, Yukon



- First elected in 1996
- Became leader of the Yukon Liberal Party in 1998
- Led Party to victory in 2000 and became Premier
- Main goal is to make the Yukon more autonomous

Premier Stephen Kakfwi, Northwest Territories



- First elected in 1987
- Has held every major cabinet portfolio
- former president of the Dene Nation
- Active in opposition to the original pipeline agreement

Next Steps

- Amendments to the Canadian Environmental Assessment Act
- Single Window Regulatory Access in the North
- Devolution of Powers to the Yukon and Northwest Territories
- Continuing Land Claims Negotiations

Thank You

Questions ?

Alaska Highway Natural Gas Policy Council
Workshop II Agenda

Thursday, April 5, 2001
Anchorage Sheraton Hotel – 10:00 a.m. to 5:30 p.m.

- I.** Call to order/opening remarks, 10:00–10:30
- II.** Presentation from Alaska Gasline Port Authority, 10:30-11:15
- III.** Presentation from Foothills Pipe Lines Ltd., 11:15-12:00
- IV.** Lunch break, 12:00 –12:30
- V.** Presentation from LNG Sponsor Group, 12:30-1:15
- VI.** Presentation from Yukon Pacific Corporation, 1:15-2:00
- VII.** Council Business, 2:00-2:30
- VIII.** Subcommittee Session I, 2:45-4:00
 - A. State's Royalty Share – Bill Corbus, chair
 - B. Access to the gas/In-state gas consumption– Ken Thompson, chair
 - C. Linking other future opportunities/markets – Carl Marrs, chair
- IX.** Subcommittee Session II, 4:15-5:30
 - A. Alaska Hire/Buy/Build – Mike Navarre, chair
 - B. Federal/International Action – Charlie Cole, chair
 - C. Environmental Considerations – Peg Tileston, chair

**Alaska Highway Gas Policy Council
Meeting Summary
April 5, 2001, Anchorage, Alaska**

Co-chair Jim Sampson called the meeting to order.

Gov. Knowles briefed the council on recent developments in the national energy situation. The outlook is for continued shortages of electricity in parts of the country, and high prices for natural gas. There have been no significant changes in the situation.

The governor attended an energy conference in Houston also attended by Canadian leaders, which was heavily attended due to high interest in the energy situation. Knowles' message to the conference was that Arctic gas - Alaskan and Canadian - can help meet the nation's energy needs. Alaska is not in competition with Canada, because new gas from all sources - the Arctic, western Canada, East Coast Canada, Gulf of Mexico, and LNG imports - will be needed to meet the expected demand.

Knowles also told the council that Senate President Rick Halford and House Speaker Brian Porter have agreed to become members of the council. Pressing legislative businesses prevented their attendance April 5, but they will be more involved after the Legislature's adjournment in early May.

April 5 presentations to the Council:

Alaska Gasline Port Authority:

Dave Cobb, former Valdez Mayor and member of the port authority board, gave the presentation.

The port authority was created under Alaska statutes allowing separate port authorities to be formed by municipal governments. It was created when it was approved by voters in the City of Valdez, Fairbanks North Star Borough and North Slope Borough in October, 1999.

Cobb said that three guiding principles for the authority include creation of jobs, providing gas to Alaskan communities and helping stabilize the state economy by helping commercialize stranded North Slope gas. The approach, using tax-exempt public debt financing for a portion of the project, would lower costs and dramatically increase the economic viability of a large gas project, and maximize benefits to both Alaska and the

producer companies.

The three municipalities forming the port authority each contributed \$100,000 to its startup costs, Cobb said. Yukon Pacific Corp. made a \$250,000 contribution, along with a \$75,000 contribution by Bechtel Corp, he said. The authority has a Memorandum of Understanding with Bechtel, under which the company did a "ground up" (i.e. original, not built on previous work) construction cost estimate, an effort that involved about 55,000 manhours of work. Bechtel has about \$5 million to \$6 million invested in this effort, which involves the use of state-of-the-art pipeline technology, Cobb said. The international financial consultants Taylor-Dejoung developed the economic model based on Bechtel's cost estimate.

Two other accomplishments of the authority include obtaining a ruling from the Internal Revenue Service that the authority is a public corporation exempt from federal income tax, and an assurance from the Federal Energy Regulatory Commission that a gas project built by the authority would not be subject to FERC review, Cobb said.

The authority contemplates financing 100 percent of the project and distributing net revenues on a formula providing for 60 percent of revenues paid to the state of Alaska, 30 percent to all Alaska municipalities and 10 percent retained by the authority and the three municipalities that formed it. The distribution to municipalities is intended to replace state revenue-sharing, which has declined substantially in recent years. The minimum payment to any community, no matter how small, is \$50,000 per year, Cobb said.

By taking advantage of exemptions from many federal, state and local taxes, a gas project built by the authority would result in \$2 billion to \$3 billion in revenues to gas producers over what a privately-built project would produce, and an additional \$1 billion to the state of Alaska.

Valdez has a history of promoting similar public/private partnerships, Cobb said. During construction of the trans-Alaska oil pipeline in the 1970s, the City of Valdez issued revenue bonds to finance parts of the Valdez Marine Terminal. The city is the owner of these facilities, Cobb said, and both Valdez and the pipeline owner companies have realized substantial benefits from the arrangement.

Questions from the Council:

A question was asked about assumptions of gas volume and throughput.

Cobb replied that the authority believes in the "Y" concept, with one pipeline built through Interior Alaska to the Lower 48 and a second pipeline branching off to an LNG plant on the southern Alaska coast. The project envisioned by the authority would carry 6 billion cubic feet of gas daily from the North Slope to the "Y" junction in the Interior. Three billion cubic feet of gas daily would then be shipped on to the Lower 48, and three billion cubic feet of gas daily shipped to the LNG plant through the second pipeline.

A council member asked about guarantees for the bonds.

Cobb replied that the authority would guarantee debt issued for the project. If the bond market doesn't believe the project is feasible, the bonds won't be purchased, he said.

He stressed that the authority would own the project but would contract for construction and operation. Also, while the most financially advantageous project involves the authority actually purchasing gas from the producers and selling it, the producers could also contract to ship their own gas through a gas pipeline owned by the authority. The authority could also own part of a project. For example, if the producer want to retain ownership of a pipeline to the Lower 48, the authority could build the spur pipeline to southern Alaska. "We believe the port authority can fit in anywhere. There are advantages without full-scale involvement," Cobb said.

A council member asked for more information about the allocation of revenues, and a comparison of how the state and its communities benefit under the status quo, retaining their own full taxing authority (such as state corporate income tax), and the tax-exempt, revenue-distribution concept proposed by the authority.

Cobb replied that this analysis has been done and that he would provide it the council.

A council member asked why the state couldn't do what the authority proposes to do, with similar advantages.

Cobb replied that financial consultants had advised that if the state were the financing entity, bond buyers would very likely ask for backstop guarantees from the Alaska Permanent Fund. Because the port authority is an independent public corporation, with, under state law, no guarantees

required from either the municipalities involved or state government, a bond buyer would have to look only to the project, because the authority has no funds to guarantee bonds.

An observation by a council member was that guarantees from the producers would likely be involved, in the form of long-term contracts to ship gas.

Another council member observed that until very recently, producers were not involved in pipeline ownership in the Lower 48. The take-or-pay contracts they signed served as guarantees to independent third parties building and operating the pipelines. This has changed in the last 20 years. Producers have become involved in riskier domestic pipeline projects built into new areas to control costs. Overseas, a model of part government and part private ownership has involved, with governments desiring an involvement so as to be able to participate in the setting of tariffs. Producers become involved for the same reasons, and to control costs.

Another motive for producer involvement is to enjoy the financial benefits of an equity position in a pipeline, it was explained. Rate of return on a pipeline investment is typically lower than from a producing property, but it is constant, without the ups and down of production revenues (due to price volatility) and is a good source of steady cash-flow.

Foothills Pipe Lines, Ltd.

John Ellwood, vice president engineering and operations, gave the presentation.

Foothills is a joint-venture company formed by TransCanada Pipelines Limited and West Coast Energy, two of Canada's largest pipeline companies, to participate in an Alaska natural gas pipeline project when it was first proposed in the late 1970s.

Ellwood sketched the history of the company's involvement in the Alaska gas pipeline project. Foothills was originally formed to build the Canadian portions of the Alaska Natural Gas Transmission System (ANGTS.)

Meanwhile, two "pre-built" portions of the system, from western Canada to the U.S. midwest and Pacific Northwest, were built by Foothills and are in operation today. As for the Alaska portion, as members of the ANGTS consortium withdrew from the project Foothills purchased their interest. "We saw real value in the Alaska Natural Gas Act, its Canadian counterpart and the U.S.-Canada Treaty because they will get a project done quickly.

That is why we devoted extensive efforts to keep the permits alive."

Today Foothills is the operator of the ANGTS project, which has permits and rights-of-way for a gas pipeline along the Alaska Highway through Alaska and Canada. Foothills has kept all of the permits for the system in good standing, Ellwood said. The permits will have to be updated to reflect different volumes of gas and the new technology being incorporated, but the updating can be done without difficulty, he said.

The pre-built parts of the system were a gamble at the time, Ellwood said. They were built because there was no assurance that the northern part of the project would be completed (it wasn't). The pipelines were built oversized for the gas then available for shipment, and the Canadian government sought an assurance from the U.S. government that the Alaskan part would eventually be built. The assurance was given.

However, gas production from western Canada has expanded considerably and today the pre-built sections are not only full, but have been expanded five times, each expansion incorporating the latest in new technology, Ellwood said. The pre-built pipelines now carry 3 billion cubic feet per day of gas, roughly 5 percent of U.S. gas consumption.

Today the legal structure of the U.S. presidential decision, laws passed by both the U.S. Congress and Canadian Parliament and the U.S.-Canada treaty remain in full force, Ellwood said. A 1977 conditional certificate issued by the Federal Energy Regulatory Commission also remains in effect, he said, as does a right-of-way across federal lands in Alaska and a conditional state right-of-way.

These do not give Foothills a perpetual franchise but they do give the ANGTS project a priority over any competing applications, he said.

Some are suggesting that Foothills must use only the original design specified in the existing permits, Ellwood said. "We have researched this carefully, and it is not the case. Section 9 of the (federal) Alaska Natural Gas Act gives FERC the authority to amend our certificate, as long as we don't change our basic route or the nature of our project," he said.

Another change since the 1980s was that the Office of the Federal Inspector for the ANGTS project, originally within the Department of the Interior, was moved to the Department of Energy. Ellwood said the Secretary of Energy has given assurances that the functions of the Federal Inspector would be carried out by his office should the project be revived.

A key advantage of the existing laws is that they provide for limited judicial review. "That is a very valuable asset," Ellwood said.

The company has a "pending" right-of-way application with the state of Alaska to cross state-owned lands. Foothills is now in discussion with the state on renewing work on that application.

On the Canada side, the company has a Certificate of Public Convenience and Necessity issued by Parliament, which means only that body can revoke the certificate. Also, a right-of-way has been established across Yukon Territory which is not subject to land claims by First Nation groups. All 14 First Nation groups have signed an agreement recognizing the right-of-way, Ellwood said.

What the company does not yet have is a commercial agreement with the North Slope producers, he said, and Foothills is now devoting its energies to achieving that. "We anticipate the producers will want some part in ownership and control," Ellwood said. That isn't a problem. "We want to be part of the solution, not a problem," for the producers, he said.

The key message that Foothills would like to leave with the council, Ellwood said, is that the expedited regulatory review system established under the existing laws and treaty constitute a valuable asset for Alaska and the producers, as well as for Foothills because it would allow a gas pipeline project to get through red tape very quickly.

A council member asked if Foothills, as a Canadian company, will seek U.S. companies as partners.

Ellwood answered that his company is open to new partners but that the first priority is to get a commercial agreement with the producers.

A question from the council asked status of a lateral pipeline to the Mackenzie Delta provided in the 1980s laws and treaty agreements.

Ellwood responded that the existing laws and treaty do provide for a spur pipeline along the Dempster Highway that would join the ANGTS pipeline near Whitehorse, Y.T. That pipeline was planned when there was a moratorium on pipelines along the Mackenzie River valley because of unsettled Native land claims. Those claims are now being resolved, and communities along the Mackenzie now support a pipeline. Oil and gas companies with interests in the Mackenzie delta are now considering a stand-alone pipeline south along