

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 155 332195

Moreover, we do not believe that The ANGTS or its "Son" have enforceable prior rights to preclude third-party pipeline from seeking certificates for their pipeline projects.

We believe that it is "open season" for "Arctic pipeline-hunting licences."

Upgrading of ANS-Gas Through Its Conversion Into One, Some Or All Of:

We view the removal from Alaska of non-upgraded gas as not in the best interest of Alaska and the MANSP, and recommend gas conversion in Alaska by means such as (see Pages 95-108):

- Gas-By-Wire
- Gas-To-Liquids Conversion
- Gas-By-Liquefaction (LNG-Conversion), and
- Gas-By-Seafood/Meat Conversion ?

KEY ISSUES

Our full report is a reasonably comprehensive study of:

- Energy-policy issues (past and present) surrounding the position of gas in North America's energy mosaic, including mandating a route for and subsidization of an Alaska Gas Pipeline (AGP) to the Lower 48 States (48s) (see Pages 18-26);
- The petroleum and gas reserves and resources on the ANS and in the Delta (see Pages 42-43);
- The duality between the objectives of the major ANS producers (MANSP) and those of the U.S. and Alaskan Governments (see Pages 131-132);
- The issues surrounding the commercialization of Arctic gas by an AGP and a MVGP (see Pages 79-84; 116-121; 124-139);
- The issues surrounding alternatives to pipelines for the commercialization of ANS and Delta-gas (see Pages 94-108); and
- The collateral issues, including the question whether the ANGTS has any prior rights that would bar any other AGP from being built until ANGTS is completed and in operation (see Pages 141-158); and
- Gas-pipeline ownership issues, especially as they relate to Enbridge Inc. (ENB) and TRP (see Pages 32-37).

Collateral Issues

In addition to the key issues above, there are several collateral ones.

- 1) Now and in the foreseeable future, production of gas on the *Alaska North Slope* ~~ANS~~ for markets in the 48s would constitute an economic and financial dis-benefit by reducing 1) net-backs (in terms of oil-equivalent), and 2) the producibility of ANS-petroleum below the projected level of 1 million barrels per day (b/d), while 3) increasing the level of petroleum imports from offshore foreign sources, contrary to the Administration's energy-policy objective (see Pages 48-49; 79; 127-129);

Possible reason why
the author is opposed
to commercialization
of ANS gas

Alaska Gas Pipeline through Canada

Mackenzie
Valley
Pipeline

Protects the
MVGP.

AGP = Alaska Gas Pipeline
(through Canada)

MANSP = producers

- 2) If construction of an AGP, based on subsidies (floor-price tax credit and pipeline-loan guarantees), would precede that of a MVGP, Delta gas could potentially be "sterilized" and remain stranded, thereby denying access to this incremental pool of gas to both U.S. and Canadian markets, and increasing the dependence of the USA on petroleum imports from offshore sources, contrary to the Administration's objective (see Pages 47-48; 94; 129-130; 135);
- 3) Because two of the three major MANSP (BP Exploration Alaska (BPEA); Phillips Alaska (PA) and ExxonMobil Production (XOMP)) appear to have a predilection for maximizing the ultimate recovery of ANS-petroleum reserves and, hence, deferring the production of ANS-gas (see Pages 75-84), and
- 4) We believe that upgrading of ANS-gas in the Prudhoe Bay (PB) field would increase producer net-backs, fiscal returns to the State of Alaska and employment levels in Alaska far beyond those created by a "bubble-economy" resulting from gas-pipeline construction (see Pages 93-95);
- 5) However, should an AGP be constructed after all, we favour the northern route (submarine pipeline from the ANS to the Delta and, thence along the Mackenzie Valley) to Alberta and possibly Chicago, because it would, through economies of scale and scope, confer economic benefits on the MANSP and the Delta-gas producers group (PG); maximize access to Arctic gas from 1) the ANS, 2) the Delta, and 3) potentially Arctic Islands in the future (see Pages 36-37);
- 6) Moreover, creation and utilization of a single Arctic pipeline corridor would minimize the environmentally intrusive effects of multiple pipeline corridors (such as a Alaska-Yukon gas pipeline (AYGP), a MVGP, and possibly in the future an Arctic Islands gas pipeline (see Pages 18; 92-94);
- 7) We suggest that before the beginning of a meaningful discussion of Arctic gas pipelines, the "nasty little secret" ought to be resolved. It is an issue few remember, but one to be dealt with, while it remains slumbering in the crypt, as it were. Awaking it is capable of unleashing far more than a friendly public debate, whether or not Canada, about 20 years ago, sold-out part of what was then considered as the birth right of Canadian gas users. Indeed, awaking it can be utterly counterproductive to the goal of the Government of the United States to reduce its dependence on imported petroleum from offshore sources by building an AGP. Realistically, burying quietly any AGP-dreams is perhaps the best way of letting sleeping dogs lie (the nasty little secret) lest the equivalent of the mythological Cerberus be stirred and unleashed (see Pages 11-12; 141; 143-144);
- 8) Within the context of formulating a comprehensive U. S. energy policy, the President and Congress view construction of an AGP as a platform for the objective of reducing the dependence of the USA on offshore crude-oil imports (see Pages 8-9 and 17-21). Complicating energy-policy discussions is the duality between the objectives of Government and at least two of the three MANSP (see Pages 20-25);
- 9) Even if the "nasty little secret" is resolved, we view the premature production of ANS-gas as detrimental to the ultimate recovery of crude oil on the ANS and also as a distinct economic and financial dis-benefit, as we view an AGP as the option that creates the least economic value added from Alaska's perspective and that of two of the MANSP (see Page 114);
- 10) Predilection for Maximizing Petroleum Production and Deferring Gas Development on the ANS. We have analyzed time and again various statements of BP (parent of BPEA,

the lead operator of about 80% of ANS-petroleum production, with PA operating about 20%), with respect to Alaskan petroleum and gas. We have concluded that BP and XOM appear to be favouring the delay of commercial gas production until petroleum recovery is approaching its *economic limit*. Accordingly, they view early commercial production of ANS-gas as counterproductive to the optimization of petroleum production and, hence, as inopportune, and concluded that nothing is as capable of jeopardizing the ultimate recovery of ANS-petroleum as premature production of ANS-gas. The thought has not escaped us that the ANS is first and foremost a "petroleum province," whose ability to maximize/optimize petroleum production requires the relegation of ANS-gas for now to the "bleachers." (see Pages 80-84; 92)

Technological Progress and Reduced Costs Of Capital Are Beneficial to Arctic Gas Pipelines

In addition to large reductions in the cost of capital, significant technological progress has been made since the discussion of the ANGTS, benefitting the construction and cost of Arctic gas pipelines.

In 1972, Imperial Oil concluded that it was feasible and, hence, opportune to export Delta-gas by pipeline. It signed agreements for the sale of Delta gas at \$0.32/mcf to two of the USA's largest gas pipelines (see Page 40). Although sales did not materialize, we have recognized the enormous technological progress (see Pages 122-124) achieved in pipelining and production of petroleum and gas since then, mitigating secular escalation of infrastructure costs, and so is the decline in interest rates since the late 1970s.

We have, on purpose, dealt with the lessons the Northstar submarine petroleum and gas pipelines are capable of teaching in support of the "northern route," capable of linking ANWS- and Delta-gas resources generating higher gas net-backs than an Alaska-Yukon Gas Pipeline (see Page 55-57).

Pipeline Proposals For Commercializing Arctic Gas

Bona-fide proposals for Arctic gas pipelines include (see Pages 31-38):

- 1) MVGP - Cdn\$4 billion;
- 2) MANSP Team Project Bullet Pipeline to Chicago via the northern route and the Mackenzie Valley; consisting of A to B and B to C segments (US\$18.6 billion);
- 3) MANSP Team Project Bullet Pipeline to Chicago via the Yukon Territory consisting of A to B and B to C segments (US\$19.4 billion);
- 4) ArcticGas Resources Pipeline to central Alberta via the northern route and the Mackenzie Valley;
- 5) Alaska-Yukon Gas Pipeline Proposed by Foothills Pipe Lines (Yukon) Ltd. to Caroline, Alberta (US\$7.6 billion, initially, and US\$9.7 billion, ultimately);
- 6) Alaska Gasline Port Authority All-Alaska Pipeline to LNG-facility near Valdez, Alaska;
- 7) Alaska Gasline Port Authority Y-Line to Valdez, via Delta Junction, with connection to a Yukon-to-Alberta line.

The Origin of the Northern Gas Pipeline Saga

The study reaches back to the late 1960s/early 1970s, when the petroleum and gas industry began to set sights on Arctic petroleum and gas resources (see Pages 140-146; 156). Following the discovery of the PB field on the ANS in 1968 and a string of discoveries in the Delta, Arctic gas-pipeline proposals started to emerge. We remember well the hearings before Canada's National Energy Board on Northern Pipelines, because we participated within. Some of the issues now before us can be best understood with the benefit of exposure to epic gas-pipeline wars and battles.

Has The "Victory" Of The ANGTS 25 Years Ago Over The Canadian Arctic Gas Pipeline (CAGPL) Project Become Hollow? - yes

Ever since the ANGTS was chosen over CAGPL 25 years ago, Foothills Pipe Lines (FPL) has been the flag bearer of the ANGTS. Despite valiant efforts, the ANGTS failed to receive final certificates of public convenience and necessity, because of its inability to meet all of the required conditions. As a result, it failed to meet its scheduled in-service date of late 1985 and has not progressed since then (see Pages 153-158).

FPL and TRP, the last Mohikans of the ANGTS, have succeeded in keeping the memory of the ANGTS alive. FPL states that it has the exclusive right to construct and operate the Canadian portion of the Alaska Highway Pipeline Project (AHPP). It also holds a 62% interest in the Alaskan Northwest Natural Gas Transportation Company (ANNGTC), with TRP holding the balance. All of the other original partners withdrew ("withdrawn partners") from the partnership many years ago. ANNGTC has the exclusive right to construct and operate the Alaskan portion of the AHPP. To date, 1,040 km of the AHPP, or about 30% of the Canadian portion, are in operation, a.k.a. "pre-build" portion.

Ever since the ANGTS was chosen over CAGPL 25 years ago, FPL has been the flag bearer of the ANGTS. Despite valiant efforts, the ANGTS failed to receive final certificates of public convenience and necessity, because of its inability to meet all of the required conditions.

In November 2001, FPL attempted to reconstitute the partnership and signed with the withdrawn partners a memorandum of understanding to that effect. One of the major issues is compensation for the business-development/pre-construction expenditures of the withdrawn partners, a.k.a. the meat-/hairball, that has grown by now to an estimated US\$4.3 billion. Duke Energy's withdrawal signalled, in our view, the failure of the negotiations to re-enlist the withdrawn partners, presumably because of the inability to resolve the meat-/hairball-issue.

Unless it is resolved totally in favour of the MANSP (who do not exactly volunteer to compensate the "withdrawn partners" of the ANGTS for about US\$4.3 billion), we do not expect the MANSP to proceed further with what we have named the "Son of the ANGTS," unless they are held completely harmless. Agreeing to cover the meat-/hairball would be tantamount to an about US\$4.3-billion increase in the already massive capital costs of the AGP of the MANSP.

We have painstakingly attempted to confirm or debunk claims that, unless the "Son of ANGTS" is built and in operation, regulators are stopped from approving any other AGP (see Pages 145-156).

We recognize that ANNGTC has certain exclusive rights to build and operate the parts of the ANGTS; however, if these rights are unenforceable, as they have been since the completion of the pre-build facilities, they have a hollow ring and are of dubious value. The ANGTS has failed to secure final certificates of public convenience and necessity from the FERC and the NEB, because, so far, its supporters have failed to meet and discharge the conditions attached to the conditional certificates (Page 146-156).

One of them, for example, is that the ANGTS is obliged to demonstrate private financing. It is more than ironical that the Senate's "Energy Policy Act of 2000" provides specifically for Federal loan guarantees, although they contravene one of the conditions the ANGTS has to meet, namely, private financing.

We have concluded that the supporters of the "Son of the ANGTS," having failed to meet any of the outstanding conditions, are, therefore, not in the position of barring other AGP-projects from applying for certificates of public convenience and necessity, including the MANSP as potential builders, owners and operators of their own ANGP.

It is also our view that the fundamental changes in circumstances and conditions since the construction of northern pipelines was being discussed in the mid-/late 1970s and the virtual, if not actual, abandonment of the project-specific design criteria of the ANGTS, are unlikely to motivate the Administration to favour construction of the "Son of the ANGTS."

Dissuading the MANSP from Building a Bullet Gas Pipeline from the ANS to Chicago, And Dissuading the PG from Building Their MVGP.

Fearing potentially stranded assets and costs for its Canadian Mainline system, TRP has eloquently proposed to the MANSP that they abandon their plan of building a bullet pipeline from the ANS to Chicago, and build a pipeline from the ANS to Alberta (the "Son of the ANGTS"), because TRP's Mainline and other incumbent pipelines are capable of delivering ANS gas to Chicago and markets along the West Coast of the USA (see Pages 84-92).

TRP has submitted similar proposals to the PG, suggesting that, as an alternative to their MVGP, TRP would extend its Alberta system to the Delta. Alternatively, TRP would be seeking a meaningful stake in a MVGP (see Pages 75-80). ENB has offered its services as well to both the MANSP and PG.

It is most difficult to judge the cogency of TRP's persuasiveness or the impact of ENB's proposals.

The State of Alaska Seeks to Emulate Canada's Historical Role As Hearer Of Wood and Drawer of Water Instead of an Upgrader of ANS-gas.

The role of the state intervention in modern intervention states confronts the petroleum and gas industry on virtually every step of the way. The meandering or ambling of energy policies has accompanied the Arctic petroleum and gas industry all the way, perhaps more so than other gas-pipeline proposals (see Page 17; 38).

It appears incongruous that the State of Alaska, with respect to ANS-gas, seems to be emulating Canada's traditional role as a "hewer of wood and drawer of water." One cannot help to be perplexed by the fascinating temptation to link commercializing of Arctic gas, seemingly inevitably, to gas pipelines; yet, real options exist that transcend commercialization of gas by pipeline. Alaska has a unique opportunity to step-back from gas pipelines and focus, instead, on, perhaps, some unusual options for upgrading ANS-gas in Alaska and for generating resource revenues to the State and employment for Alaskans, instead of rushing to deliver "raw" gas to the Lower 48 States (48s) for upgrading there, thereby frittering-away wealth-creating options.

Argument
for
Value
Added.

Politics of State Intervention in Gas and Gas-Pipeline Matters

We believe that few, if any other matters attract so much state intervention as gas and gas pipelines. They are also perhaps the politically heaviest-charged issues of any energy policy, as Canada and the USA do not see eye to eye, nor do the U.S. parties (Page 17). An AGP has become a battleground for very determined special interests. TRP, for example, seems to have hitched its virtually entire future for pipeline growth onto the Arctic-gas-wagon. ENB seems to view participation in Arctic gas pipelines opportunisticly (Pages 33; 35-37; 84-87; 115; 118-121).

Mandating a route for an AGP and subsidies (loan guarantees and minimum floor-price tax credit of up to US\$11 billion for the Alaskan section of an AYGP) have split U.S. Senate members and polarized the position of the Administration versus the Senate majority. At times, it appears that Canada's existence and its gas and gas-pipeline policies are being ignored in the battle for gas pipelines and gas.

Yet, Canada is the land link without which ANS-gas cannot be piped to the 48s; yet, political forces in the USA are in the process of dictating, as it were, the routing and timing of ANS-gas to markets in the 48s. Yet, if an AYGP were built first, ahead of a MVGP, Canada would have to be seriously concerned about the probability of crowding Delta-gas out of gas markets, by stranding it, and of stifling exploratory activity in the Central Mackenzie Valley, the Delta and the rest of the Beaufort Basin, because the existence of pipelines is a catalyst for exploration and development.

It seems incongruous that, by attempting to "force" an AYGP onto the industry and Canada, the USA would be blocking its own potential access to Canada's Arctic gas (both in the Delta and the Arctic Islands) that otherwise would be instrumental in reducing the dependence of the 48s on imported offshore petroleum. It almost appears as though the political goodwill for an AYGP is about to steer the 48s into the very direction (i.e., increasing reliance on imported offshore petroleum and gas) it wishes to avoid.

Also, Canada ought to be concerned that an AYGP would dim the prospects of unlocking existing gas resources in Canada's Arctic Islands. One would think, perhaps naively, that the fragility of the Arctic environment suggests, at the very least, to minimize the footprint of Arctic gas pipelines. Ideally, a single pipeline corridor ought to be chosen for tying-in ANS-, Delta-, Beaufort Sea- and Arctic Islands-gas. An AYGP would sadly fail this objective completely.

Canada is also concerned about the preferential position of subsidized ANS-gas and a subsidized AYGP relative to the competitiveness of Canada's petroleum and gas industry in the

Western Canadian Sedimentary Basin. Indeed, gas producers in the 48s ought to be, and perhaps are, concerned for the same reason.

Whether or not Canada has the intestinal fortitude to use the "nasty little secret" and Canada's right to affect land-access to ANS-gas to its advantage, is not clear. In the early 1980s, Canada bent backwards to supply incremental gas to the USA in the expectation to receive "pay-back" of the by now over 12 tcf of gas exported through the pre-build facilities at a current average rate of about 3.3 bcf/d.

U.S. subsidies could, in the worst case, threaten access of Canada's gas users to Delta gas.

Coal-bed Methane A Potential Dragon Slayer

Canada and the USA have a not-so-secret weapon, namely coal-bed methane (CBM). We hold the view that CBM could emerge as the "slayer of the ANS-gas dragon," subsidies or no subsidies (see Pages 109-114).

CBM is steadily increasing its contribution to the overall gas supply in the 48s (about 8% p.a.). While we are not suggesting that CBM needs subsidies, we would think that, if the USA would see fit to accelerate the supply contribution of CBM, it could use a fraction of the subsidies for ANS-gas and an AYGP, and provide tax credits to its CBM-industry, thereby avoiding the construction of an AGP-infrastructure with a capital cost of US\$20+ billion, given the existence of an infrastructure CBM currently relies on to access markets. Moreover, drinking/irrigation water is frequently a co-product of CBM-production. Given the generally precarious rate of drawdown of U.S. aquifers in important farm areas, CBM-production does not only supplement the supply of conventional gas but could also contribute precious water supplies.

A Subsidized AGP Could Trash Gas and NGL-Economics in the 48s

Should the USA "succeed" in seeing a subsidized AYGP built, ANS-gas, arriving in the 48s at a rate of potentially 4.3 bcf/d (gas and NGL), would likely "trash" gas and NGL markets and prices there initially. However, as CBM and non-conventional gas increase their market share and are capable of undercutting the price of ANS-gas, it could transmogrify into a "Trojan horse," baring the folly of a subsidized AYGP (see Pages 130; 135; 138).

Given the large market potential of CBM and options for the commercialization of Arctic gas other than by pipeline, upgrading ANS-gas on location, instead of building an AGP, would not strand ANS-gas, but would create a real economic gain to the State of Alaska and, arguably, to the entire USA. The end-result would be that

- 1) Gas users in the 48s can draw on CBM and gas from organic shales, tight sands and synthetic gas/coal gassification;
- 2) The MANSP will benefit from maximizing the recovery of crude oil on the ANS until gas production becomes unavoidable and
- 3) ANS-gas is upgraded by one, some or all of the following gas-conversion options.

Options Other Than Gas Pipelines For The Commercialization Of Arctic Gas

Instead of building Arctic Gas Pipelines for the commercialization of Arctic gas, what follows are list of other options. Their common feature is that, instead of pipelining Arctic gas, they entail its upgrading on the ANS and/or in the Delta (see Pages 95-108):

Gas-By-Wire	conversion of gas to electricity in the Arctic and transmission to markets, followed by CO ₂ -sequestration and CO ₂ -injection into oil reservoirs for enhanced oil recovery (EOR);
Gas-To-Liquids Conversion	conversion of gas to synthetic petroleum on the ANS and utilization of the existing delivery-infrastructure-system now used to deliver conventional petroleum to markets;
Gas-By-Liquefaction	conversion of gas to liquefied natural gas (LNG) and shipment by ice-strengthened tankers to markets in the Atlantic Basin and the Pacific Rim;
Gas-By-Seafood/Meat	conversion of gas through fermentation into a product consisting of 70.6% protein) for fish-farming in southern Alaska or elsewhere; meat and poultry industries and probably human consumption. This process generates by far the highest value-added for Arctic gas.

History of Arctic Petroleum and Gas Pipeline Projects as Guides for the Future

Last, but not least, for serious students of the Alaskan and the AGP-scenes, we have attached a history of the ANGTS-project (see Pages 140-146) and comments on each significant petroleum and gas field on the ANS (see Pages 159-179).

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(consent obtained
7/28/08 - mbr)



*presented to SENR 7-30-08
Steve Porter spoke to content
of letters 3:34 PM*

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July 22, 2008

Representative Ralph Samuels
Alaska State Capitol
Juneau, Alaska 99801-1182

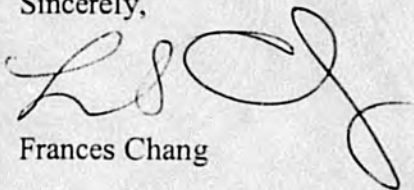
Dear Mr. Samuels:

Regarding your letter to Mr. Sanford L. Hartman, you asked several questions regarding rights and obligations owed to PG&E Corporation under the partnership agreement of the Alaskan Northwest National Gas Transportation Company (ANNGTC) and in connection with TransCanada Corporation's license application under the Alaska Gasline Inducement Act. As you know, PG&E Corporation is the ultimate corporate parent of Calaska Energy Company, which is a "withdrawn partner" of ANNGTC.

Mr. Hartman requested that I respond to your letter. We have reviewed our files and, based on this review, we do not believe that PG&E Corporation currently has any rights to waive with respect to TransCanada Corporation's application.

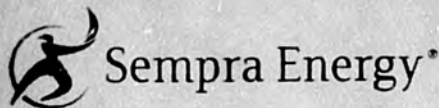
If you have further questions or comments, please feel free to contact me at 415.817.8207.

Sincerely,



Frances Chang

cc: Sanford L. Hartman, Pacific Gas and Electric Company
Doreen A. Ludemann, PG&E Corporation
Brant W. Bishop, Kirkland & Ellis LLP
Donna Friesen, TransCanada Alaska Company, LLC



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April 1, 2008

Representative Ralph Samuels, Chair
Legislative Budget & Audit Committee
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Samuels,

I am responding to your letter of February 29, 2008, and the two questions that you asked. Semptra Energy is the ultimate parent for Pacific Interstate Transmission Company (PITCO), the "withdrawn partner" of the Alaskan Northwest National Gas Transportation Company (ANNGTC)

In response to your two specific questions:

1. Question: Our first question is whether you would be willing to waive rights under the ANNGTC partnership agreement?

Answer: PITCO is a "withdrawn partner" of ANNGTC, as that term is defined in the partnership agreement. To the extent that PITCO has certain continuing rights under the ANNGTC agreements, PITCO is not willing to waive any of its rights as a withdrawn partner.

2. Question: Do you believe the corporate structure used by TransCanada in its Alaska Gasline Inducement Act (AGIA) application violates any obligation to your company?

Answer: Based upon the information available to us regarding the manner in which TransCanada is proposing to carry out the project, we are not aware of any obligation under the ANNGTC General Partnership Agreement that is being violated by TransCanada.

I am available to discuss the matter further, should you require additional information.

Very truly yours

A handwritten signature in dark ink, appearing to read 'J. Chaudhri', written over the typed name.

Javade Chaudhri

JC:bjj



DAVID L. SOKOL
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER
March 6, 2008

Representative Ralph Samuels, Chairman
Legislative Budget and Audit Committee
Alaska State Capitol
Juneau, AL 99801-1182

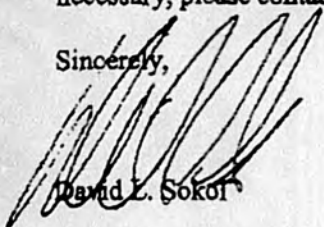
Dear Chairman Samuels:

I am in receipt of your February 29, 2008 letter regarding the state of Alaska's inquiry into "withdrawn partner" of the Alaskan Northwest National Gas Transportation Company. In response thereto, MidAmerican Energy Holdings Company hereby provides that the referenced "withdrawn company," Northern Arctic Gas Company, is not, and never has been, a subsidiary or affiliate of MidAmerican Energy Holdings Company.

MidAmerican Energy Holdings Company purchased all of the outstanding capital stock of Northern Natural Gas Company, a Delaware corporation, from Dynegy, Inc. in August, 2002. At the time of the acquisition, Northern Natural Gas had no subsidiaries. Moreover, it is MidAmerican Energy Holdings Company's understanding that Northern Arctic Gas Company was a subsidiary of InterNorth, Inc. In or about 1986, InterNorth, Inc. and Houston Natural Gas Company merged and InterNorth, Inc. changed its name to Enron Corp.

I trust the foregoing satisfies your February 29, 2008 inquiry. Should additional information be necessary, please contact me.

Sincerely,



David L. Sokol

CC: Governor Palin

:bt

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April 11, 2008

Honorable Ralph Samuels, Chair
Legislative Budget and Audit Committee
Alaska State Legislature, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Samuels:

Thank you for your letter dated February 29, 2008, asking for The Williams Companies' views on certain matters involving the Alaska Northwest Natural Gas Transportation Company ("ANNGTC").

We are continuing to evaluate the questions that were included in your letter. It has been a number of years since Northwest Alaskan Pipeline Company, the Williams' company that was part of ANNGTC, withdrew from ANNGTC, and formulating a response is taking more time than expected. We will respond as soon as possible, but cannot at this time provide a specific date when that response will be ready.

In the meantime, if you have any questions regarding the status of our response, or would like to follow up on this letter, please feel free to contact Angela Hooper, Senior Attorney, at (918) 573-8370.

Again, thank you for your letter and the opportunity to respond on this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Bender", written in a cursive style.

James J. Bender
Senior Vice President and General Counsel

JAMES J. BENDER
Senior Vice President
and General Counsel
918/573-8705
918/573-5942 fax
jim.bender@williams.com



One Williams Center
Tulsa, OK 74172-0172

June 2, 2008

Honorable Ralph Samuels, Chair
Legislative Budget and Audit Committee
Alaska State Legislature, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Samuels:

Thank you for your letter dated February 29, 2008, asking for The Williams Companies' views on certain matters involving the Alaska Northwest Natural Gas Transportation Company ("ANNGTC").

You have asked Williams, as the ultimate parent of Northwest Alaskan Pipeline Company which withdrew as a partner from the Alaskan Northwest National Gas Transportation Company (ANNGTC) in 1994, to respond to two questions regarding the recent Alaska Gasoline Inducement Act (AGIA) application by TransCanada. We respond as follows:

1. *Would Williams be willing to waive its rights under the ANNGTC partnership agreement?*

Williams is not willing to waive its rights under the ANNGTC partnership agreement without being adequately compensated. However, Williams is very willing to discuss this matter with TransCanada in order to resolve any issues regarding Williams' rights.

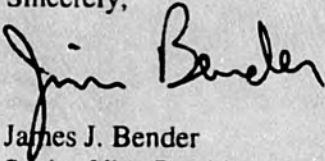
2. *Does Williams believe the corporate structure used by TransCanada in its AGIA Application violates any obligation to your company?*

Williams does not have sufficient information to answer this question at this time. In order to answer this question, Williams would require, among other things, additional detailed information regarding (i) the corporate existence and relationships of the current ANNGTC partners and the AGIA Co-Applicants and (ii) the AGIA proposed pipeline project and its relationship to the former ANNGTC project. Again, Williams is very willing to meet with TransCanada to resolve this matter.

Honorable Ralph Samuels, Chair
June 2, 2008
Page 2

If you have any questions regarding this response, please feel free to contact Angela Hooper of the Williams Legal Department at (918) 573-8370.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Bender". The signature is written in a cursive, flowing style.

James J. Bender
Senior Vice President and General Counsel

Senate Special Committee on Energy 7-30-08

“What’s the will of the committee?”

Someone makes a Motion to move bill from committee with individual recommendations.

ROLE IS CALLED BY by Secretary. “The vote is _____ yeas, _____ nays.”

“The measure **FAILS** by a vote of _____ yeas, _____ nays.”

OR

“The measure **PASSES** by a vote of _____ yeas, _____ nays.”

“There being no further business before the committee: We’re adjourned.”

If, PASSES, and you are displeased by outcome, before adjourning say: Take an at ease: “We’ll take a 15 min. at ease. All members please return in 15 minutes; we’ll go back on the record to sign the report.

Use this time to see if someone wants to make a motion to recind. If additional action is possible.

Call committee back to order.:

“The bill will be circulated for individual recommendations.” {**WE ARE STILL IN SESSION AT THIS POINT**}

At this point someone must move to recind action to move bill from committee. This motion must pass by majority of the full membership of committee.

“Motion before us: Shall HB 3001 be reported from committee with individual recommendations”

3:30 PM

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Kim Elton
Sen. Lyda Green
Sen. Lyman Hoffman
Sen. Lesil McGuire
Sen. Donald Olson
Sen. Gary Stevens
Sen. Joe Thomas
Sen. Bill Wielechowski
Sen. Fred Dyson
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Fourth Special Session
Twenty-Fifth Legislature

Senate Special Committee on Energy

Wednesday July 30, 2008

Senate Finance Room 532

2:00-5:00 p.m.

➤ **SB 3001/HB 3001 Approving AGIA License for Natural Gas Pipeline Project as proposed by TransCanada Alaska Company, LLC and Foothills Pipelines Ltd. (TC Alaska) to the State of Alaska**

- Key Issues Discussion & Questions from Committee

✓ **Pat Galvin, Commissioner, DOR**

Tom Irwin, Commissioner, DNR

✓ **Bonnie Harris, Sr. Asst. AG, DOL**

MARTY RUTHERFORD, DEPUTY COMMISSIONER DNR

**Tony Palmer, VP AK Business Development,
TransCanada**

✓ **Steve Porter, LB&A Consultant**

✓ **Don Bullock, Legal and Research Services, LAA**

Teleconference
Testimony – By Invitation

Senate Special Committee on Energy 7-30-08

“What’s the will of the committee?”

Someone makes a Motion to move bill from committee with individual recommendations.

ROLE IS CALLED BY by Secretary. “The vote is _____ yeas, _____ nays.”

“The measure **FAILS** by a vote of _____ yeas, _____ nays.”

OR

“The measure **PASSES** by a vote of _____ yeas, _____ nays.”

“There being no further business before the committee: We’re adjourned.”

If, PASSES, and you are displeased by outcome, before adjourning say: Take an at ease: “We’ll take a 15 min. at ease. All members please return in 15 minutes; we’ll go back on the record to sign the report.

Use this time to see if someone wants to make a motion to recind. If additional action is possible.

Call committee back to order.:

“The bill will be circulated for individual recommendations.” {**WE ARE STILL IN SESSION AT THIS POINT**}

At this point someone must move to recind action to move bill from committee. This motion must pass by majority of the full membership of committee.

“Motion before us: Shall HB 3001 be reported from committee with individual recommendations”

Chairman has duty to recognize to recognize objection: ALWAYS

Need a sympathetic member to make motion to adjourn.

“Hearing no objection we’re adjourned.”

Frances S. Chang
Senior Counsel
Law Department

One Market, Spear Tower
Suite 400
San Francisco, CA 94105

415.817.8207
Fax: 415.817.8225
frances.chang@pge-corp.com

July 22, 2008

Representative Ralph Samuels
Alaska State Capitol
Juneau, Alaska 99801-1182

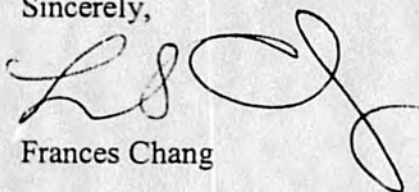
Dear Mr. Samuels:

Regarding your letter to Mr. Sanford L. Hartman, you asked several questions regarding rights and obligations owed to PG&E Corporation under the partnership agreement of the Alaskan Northwest National Gas Transportation Company (ANNGTC) and in connection with TransCanada Corporation's license application under the Alaska Gasline Inducement Act. As you know, PG&E Corporation is the ultimate corporate parent of Calaska Energy Company, which is a "withdrawn partner" of ANNGTC.

Mr. Hartman requested that I respond to your letter. We have reviewed our files and, based on this review, we do not believe that PG&E Corporation currently has any rights to waive with respect to TransCanada Corporation's application.

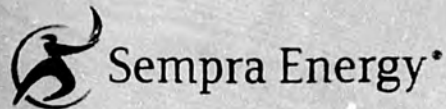
If you have further questions or comments, please feel free to contact me at 415.817.8207.

Sincerely,



Frances Chang

cc: Sanford L. Hartman, Pacific Gas and Electric Company
Doreen A. Ludemann, PG&E Corporation
Brant W. Bishop, Kirkland & Ellis LLP
Donna Friesen, TransCanada Alaska Company, LLC



Javade Chaudhri
Executive Vice President and
General Counsel

101 Ash Street, HQ19
San Diego, CA 92101-3017

Tel: 619.696.4641
Fax: 619.233.6878
jchaudhri@sempra.com

April 1, 2008

Representative Ralph Samuels, Chair
Legislative Budget & Audit Committee
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Samuels,

I am responding to your letter of February 29, 2008, and the two questions that you asked. Sempra Energy is the ultimate parent for Pacific Interstate Transmission Company (PITCO), the "withdrawn partner" of the Alaskan Northwest National Gas Transportation Company (ANNGTC)

In response to your two specific questions:

1. Question: Our first question is whether you would be willing to waive rights under the ANNGTC partnership agreement?

Answer: PITCO is a "withdrawn partner" of ANNGTC, as that term is defined in the partnership agreement. To the extent that PITCO has certain continuing rights under the ANNGTC agreements, PITCO is not willing to waive any of its rights as a withdrawn partner.

2. Question: Do you believe the corporate structure used by TransCanada in its Alaska Gasline Inducement Act (AGIA) application violates any obligation to your company?

Answer: Based upon the information available to us regarding the manner in which TransCanada is proposing to carry out the project, we are not aware of any obligation under the ANNGTC General Partnership Agreement that is being violated by TransCanada.

I am available to discuss the matter further, should you require additional information.

Very truly yours

A handwritten signature in dark ink, appearing to read "J. Chaudhri", written over the typed name "Javade Chaudhri".

Javade Chaudhri

JC:bjj



DAVID L. SOKOL
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER
March 6, 2008

Representative Ralph Samuels, Chairman
Legislative Budget and Audit Committee
Alaska State Capitol
Juneau, AL 99801-1182

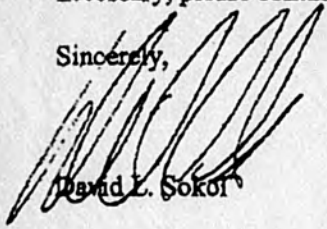
Dear Chairman Samuels:

I am in receipt of your February 29, 2008 letter regarding the state of Alaska's inquiry into "withdrawn partner" of the Alaskan Northwest National Gas Transportation Company. In response thereto, MidAmerican Energy Holdings Company hereby provides that the referenced "withdrawn company," Northern Arctic Gas Company, is not, and never has been, a subsidiary or affiliate of MidAmerican Energy Holdings Company.

MidAmerican Energy Holdings Company purchased all of the outstanding capital stock of Northern Natural Gas Company, a Delaware corporation, from Dynegy, Inc. in August, 2002. At the time of the acquisition, Northern Natural Gas had no subsidiaries. Moreover, it is MidAmerican Energy Holdings Company's understanding that Northern Arctic Gas Company was a subsidiary of InterNorth, Inc. In or about 1986, InterNorth, Inc. and Houston Natural Gas Company merged and InterNorth, Inc. changed its name to Enron Corp.

I trust the foregoing satisfies your February 29, 2008 inquiry. Should additional information be necessary, please contact me.

Sincerely,



David L. Sokol

CC: Governor Palin

:bt

MIDAMERICAN ENERGY HOLDINGS COMPANY
1111 South 103rd Street • Omaha, Nebraska 68124-1000 • 402-231-1402 • Fax: 402-231-1403

JAMES J. BENDER
Senior Vice President
and General Counsel
918/573-8705
918/573-5942 fax
jim.bender@williams.com



One Williams Center
Tulsa, OK 74172-0172

April 11, 2008

Honorable Ralph Samuels, Chair
Legislative Budget and Audit Committee
Alaska State Legislature, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Samuels:

Thank you for your letter dated February 29, 2008, asking for The Williams Companies' views on certain matters involving the Alaska Northwest Natural Gas Transportation Company ("ANNGTC").

We are continuing to evaluate the questions that were included in your letter. It has been a number of years since Northwest Alaskan Pipeline Company, the Williams' company that was part of ANNGTC, withdrew from ANNGTC, and formulating a response is taking more time than expected. We will respond as soon as possible, but cannot at this time provide a specific date when that response will be ready.

In the meantime, if you have any questions regarding the status of our response, or would like to follow up on this letter, please feel free to contact Angela Hooper, Senior Attorney, at (918) 573-8370.

Again, thank you for your letter and the opportunity to respond on this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. Bender", written in a cursive style.

James J. Bender
Senior Vice President and General Counsel

JAMES J. BENDER
Senior Vice President
and General Counsel
918/573-8705
918/573-5942 fax
jim.bender@williams.com



One Williams Center
Tulsa, OK 74172-0172

June 2, 2008

Honorable Ralph Samuels, Chair
Legislative Budget and Audit Committee
Alaska State Legislature, State Capitol
Juneau, Alaska 99801-1182

Dear Representative Samuels:

Thank you for your letter dated February 29, 2008, asking for The Williams Companies' views on certain matters involving the Alaska Northwest Natural Gas Transportation Company ("ANNGTC").

You have asked Williams, as the ultimate parent of Northwest Alaskan Pipeline Company which withdrew as a partner from the Alaskan Northwest National Gas Transportation Company (ANNGTC) in 1994, to respond to two questions regarding the recent Alaska Gasoline Inducement Act (AGIA) application by TransCanada. We respond as follows:

1. *Would Williams be willing to waive its rights under the ANNGTC partnership agreement?*

Williams is not willing to waive its rights under the ANNGTC partnership agreement without being adequately compensated. However, Williams is very willing to discuss this matter with TransCanada in order to resolve any issues regarding Williams' rights.

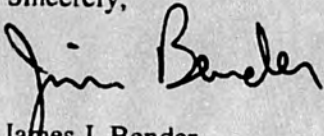
2. *Does Williams believe the corporate structure used by TransCanada in its AGIA Application violates any obligation to your company?*

Williams does not have sufficient information to answer this question at this time. In order to answer this question, Williams would require, among other things, additional detailed information regarding (i) the corporate existence and relationships of the current ANNGTC partners and the AGIA Co-Applicants and (ii) the AGIA proposed pipeline project and its relationship to the former ANNGTC project. Again, Williams is very willing to meet with TransCanada to resolve this matter.

Honorable Ralph Samuels, Chair
June 2, 2008
Page 2

If you have any questions regarding this response, please feel free to contact Angela Hooper of the Williams Legal Department at (918) 573-8370.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Bender". The signature is written in a cursive, slightly stylized font.

James J. Bender
Senior Vice President and General Counsel

adn.com

Anchorage Daily News

Print Page

Close Window

Collaboration is key to completing Alaska's gas pipeline

COMPASS: Other points of view

By TONY KNOWLES

(06/30/08 22:59:39)

The State of Alaska is at a critical threshold in deciding the future course of the Alaska gas line. With two proposals on the table, this multi-generational dream ticket for economic prosperity is on the cusp of becoming real.

Credit the governor's proposed contract with TransCanada and current gas prices for "inducing" the producers' Denali gas line project. Now what's important is the state's next step.

Should we take the lead in bringing all parties together to develop a gas line on Alaska's terms? Or should we approve the contract before the Legislature giving TransCanada a \$500 million subsidy as the state's exclusive partner in applying to the Federal Energy Regulatory Commission (FERC) for the license?

Unite or divide?

The answer should depend on which strategy is most likely to get the line built.

After waiting decades to get to this point, we shouldn't forget the difficulty and complexity of constructing a pipeline with an unprecedented price tag, engineering challenges, and land issues that involve Alaska, the U.S. and Canadian governments, three Canadian provinces, and indigenous peoples. Overcoming these barriers and satisfying U.S. and Canadian regulators and financial markets will require the expertise and support of owners of the gas leases, pipeline owners and all levels of government.

Recognizing these challenges, unity may be the essential way forward. Alaska oil and gas expert Brian Davies testified at the recent hearings that there were very strong public signals that the three producers and TransCanada recognize they need each other to complete the project. Only the state didn't seem to recognize that relationship.

Why would the state resist a collaborative effort?

It is claimed that the contract provisions for which we will pay \$500 million are better for the State of Alaska than what we could ever get the producers to accept. However, on the issues most important to Alaskans -- such as in-state access to the gas, hiring and training Alaskans, and using Alaska businesses -- there is no difference between what TransCanada has agreed to and what the producers have acknowledged are required.

It is also asserted that a significant benefit of the contract is that TransCanada has agreed to advocate the state's position before FERC on the issues of debt/equity ratio, "rolled in rates" and "open access." Of course, it is FERC, not the contract, which will ultimately decide these issues.

While there is questionable benefit to paying \$500 million for "advocacy" of certain positions before FERC, it is disturbing that the contract would prevent the state from negotiating fiscal terms with

any other pipeline proposal before TransCanada either abandoned its effort or began operations. Violation of this provision, potentially lasting eight to 10 years, would require the state to pay treble damages to TransCanada. Why should we ever surrender our responsibility to advocate development of the gas line with the best terms available for Alaskans?

Conoco Phillips and BP plan to spend \$600 million on the Denali project to develop construction cost estimates for a pipeline. This "due diligence" would determine what tariff would be charged to ship the gas. This information is vital to the companies owning the leases on the gas to convince them to irrevocably commit to shipping 4 billion cubic feet of gas per day for 25 years.

That shipping commitment is essential for a pipeline project to obtain the certificate from FERC and financing from the capital market.

Clearly, the producers would commit their leased gas to their own project. What would be the purpose of Alaska underwriting a proposal that has no gas shipping commitments and little chance of FERC approval or financing?

There is clearly strength in unity. We should not be afraid to take a leadership role in making this happen. We have strong indications that a pipeline company with significant assets, experience and Canadian connections and major producers of North Slope gas are prepared to join with the State of Alaska to develop a unified Alaska natural gas pipeline.

This is the opportunity we have been waiting to pursue. And, oh yes, we'd save \$500 million in the process!

Tony Knowles was governor of Alaska from 1994-2002 and was the Democratic candidate for governor in 2006.

Print Page

Close Window

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Distributed by Representative Samuels

SCOMM

155:32

ALASKA GASLINE INDUCEMENT ACT LICENSE

This License is issued under the authority of the Alaska Gasline Inducement Act ("AGIA"), AS 43.90.010-990. The License is issued by the State of Alaska ("State") to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd. ("Licensee").

The License incorporates by reference as if set forth in full text, and consists solely of:

- the Alaska Gasline Inducement Act as in effect June 8, 2007;
- the Request for Applications dated July 2, 2007; and
- the Licensee's Application as determined complete on January 4, 2008, including all Licensee commitments, and all responses to additional information requests (whether by the Licensee, TransCanada Corporation or any other TransCanada entity).

In the event of a conflict between provisions in the incorporated documents, the Alaska Gasline Inducement Act is controlling, followed by the Request for Applications, and then the Licensee's Application.

Issued by:

STATE OF ALASKA

Date: _____

Thomas E. Irwin
Commissioner, Department of Natural Resources

STATE OF ALASKA)
) ss.
Third Judicial District)

On _____, before me appeared Thomas E. Irwin of the State of Alaska, Department of Natural Resources, and who executed this license and acknowledged voluntarily signing it on behalf of the State of Alaska as commissioner.

Notary public in and for the State of Alaska
My commission expires _____

STATE OF ALASKA

Date: _____

Patrick S. Galvin
Commissioner, Department of Revenue

STATE OF ALASKA)
) ss.
Third Judicial District)

On _____, before me appeared Patrick S. Galvin of the State of Alaska, Department of Revenue, and who executed this license and acknowledged voluntarily signing it on behalf of the State of Alaska as commissioner.

Notary public in and for the State of Alaska
My commission expires _____

Bill Name TC AGIA License Approval	House Version Number HB 3001 (efd fid)
Intent that change to production tax by law of general application does not give rise to treble damages	25-GH3055\AA.2 offered by _____
Exempts gas transported in the state or for export from inducements obligation → #3 (was Ramrass on house side) if over .5 BCF = not competing	25-GH3055\AA.5 offered by _____ tailed 5 years 14 days
TransCanada must indemnify state from withdrawn partners issue before reimbursement amendment #1 contingent effect	25-GH3055\AA.8 offered by <u>McGuire</u> tailed 13 - 6 days years
Licensee & Producers encouraged to negotiate	25-GH3055\AA.9 offered by <u>McGuire</u>
Effective date amendment #2 contingent effect	tailed 14 days 5 years
Commissioners must submit quarterly progress report regarding licensed project to LB&A	25-GH3055\AA.3 offered by <u>HUGGINS</u>
Prohibits reimbursement of expenditures after successful binding open season	25-GH3055\AA.4 offered by _____

✓ Plus Letter of Intent re: All Alaska gas line/LNG project

yes

yes

Charles Huggins

MOTION:

I MOVE THAT THE SENATE ADOPT THE
HOUSE LETTER OF INTENT AS A SENATE
LETTER OF INTENT

RE: All Alaska gas line/LNG project

✓

HB3001 House Letter of Intent

The purpose of the award of an exclusive license to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd. (hereafter referred to as TransCanada) is to expedite bringing North Slope gas to market. To meet the Alaska Constitution's mandate to develop Alaska's resources for the maximum benefit to Alaskans, it is the intent of the legislature that the executive branch continues to aid project proposals in addition to just a TransCanada pipeline into Canada. It is the intent of the legislature that an AGIA license will enable and encourage an All Alaska gas line/liquefied natural gas (LNG) project within the TransCanada project.

Recognizing that high energy prices have resulted in an energy crisis in communities throughout the state, it is the intent of the legislature that an award of an exclusive license to TransCanada not interfere with the rapid delivery of North Slope gas to Alaskan markets. The legislature urges the construction of a project that would facilitate delivery of in-state gas by way of a project built as part of a TransCanada project.

To prepare for an open season that includes an All Alaska gas line/LNG project in conjunction with the TransCanada project into Canada, it is the intent of the legislature that such project receives the assistance of the executive branch and be granted expedited review and action by state agencies.

Nothing in this letter of intent is intended to alter the obligations of the parties under the law, and nothing in this letter is intended to encourage the violation of these obligations.

Samuel
LeDoux
Gara

Holmes
Kerttula
Kelly
CRAWFORD

Gatto

Boblyn

Buch

Seaton

Gardner

Jay

John

ATKINS

KARASIK

Harris

Hawkey

Doll

Johnson

Salmon

Meyer

Edgmar

AA.8

Indemnification of withdrawn partner liability

- It is clear from TransCanada's presentation that TransCanada "will not seek to add" any withdrawn liability to the tariff.
- It is also clear that in the event that the withdrawn partner liability was included in the tariff – even though TransCanada did not seek to add it in the tariff – that TransCanada has not agreed to indemnify the state from such liability.
- In the event that the liability finds its way into the tariff, the state should not be burdened by that cost. It is TransCanada's problem. Only they can solve it. Since it is their risk, and they have the ability to solve it if they wish to, they should bear the burden of carrying that risk forward, and they should indemnify the state our exposure to that risk.

Failed

#1

McGabe

25-GH3055\AA.8
Chenoweth/Bullock
7/30/08

AMENDMENT

Levas
13 nays

OFFERED IN THE SENATE

TO: HB 3001(efd fld)

1 Page 1, following line 10:

2 Insert a new bill section to read:

3 "** Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 CONTINGENT EFFECT OF LICENSE APPROVAL: INDEMNIFICATION FOR
6 LIABILITIES TO WITHDRAWN PARTNERS. (a) The provisions of sec. 1 of this Act are
7 contingent on the commissioner of revenue and the commissioner of natural resources
8 obtaining from the licensee the licensee's written agreement that the state will not reimburse
9 the licensee for qualified expenditures under AS 43.90.110(a)(1) before the licensee
10 indemnifies the state against any loss of revenue because of a liability of the licensee to
11 withdrawn partners. The indemnification is required regardless of whether the state receives
12 its royalty share of the production of natural gas in kind or in value. In this subsection,
13 "licensee" includes the licensee and a successor in interest to the licensee subject to AS 43.90.

14 (b) To implement this section, the commissioner of revenue, in consultation with the
15 commissioner of natural resources and the attorney general, shall

16 (1) review the partnership agreement and other documents associated with the
17 Alaskan Northwest Natural Gas Transportation Company, commonly referred to as ANNGTC;

18 (2) identify the partners and the successors in interest to the partners in the
19 Alaskan Northwest Natural Gas Transportation Company;

20 (3) determine the extent of any liability or potential liability of the licensee to
21 each partner or successor to a partner based on any partnership agreement or other agreement
22 between the partners of the Alaskan Northwest Natural Gas Transportation Company;

23 (4) determine the effect on revenue to the state should the licensee be found

1 liable to a partner or successor to a partner under the partnership agreement and other
2 agreements between the partners and their successors in the Alaskan Northwest Natural Gas
3 Transportation Company; the effect on revenue to the state includes

4 (A) the costs associated with delays in the construction of the project;

5 (B) an effect on the tariff;

6 (C) an effect on the state's taxes and royalties;

7 (D) the effect on the state if the state acquires an ownership interest in
8 the project; and

9 (E) other effects on revenue to the state identified by the commissioner
10 of revenue; and

11 (5) determine the form and amount of indemnification required to be provided
12 by the licensee to the state to shield the state from the possible effects on revenue determined
13 under (4) of this subsection.

14 (c) Unless the parties otherwise agree, an agreement entered into under this section
15 may provide that a dispute between the commissioner of revenue and the licensee over the
16 extent of any liability of the licensee determined under this section and the form and amount
17 of indemnification required to be provided by the licensee shall be resolved under
18 AS 44.62.330 - 44.62.630 (Administrative Procedure Act) or other form of alternative dispute
19 resolution agreed to by the licensee and the commissioner of revenue, in consultation with the
20 attorney general.

21 (d) In this section,

22 (1) "licensee" and "project" have the meanings given in AS 43.90.900;

23 (2) "withdrawn partners" means the partners and successors in interest to the
24 partners of the Alaskan Northwest Natural Gas Transportation Company identified by the
25 commissioner of revenue in (b)(2) of this section."

2 M^cGuinte
25-GH3055\AA.9
Chenoweth/Bullock
7/30/08

AMENDMENT

failed
14 days 5 years

OFFERED IN THE SENATE
TO: HB 3001(efd fld)

1 Page 1, line 3, following "Act":

2 Insert "; and providing for an effective date"

3

4 Page 1, following line 10:

5 Insert new bill sections to read:

6 "* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 CONTINGENT EFFECT OF LICENSE APPROVAL. The provisions of sec. 1 of this
9 Act are contingent on

10 (1) the written offer of the parties identified jointly as the licensee in sec. 1 of
11 this Act to the parties having control of significant North Slope natural gas reserves that are
12 proposing an alternative natural gas pipeline project to participate in good faith negotiations
13 as described in this paragraph, and, if the offer is accepted, the negotiation in good faith as
14 described in the paragraph; the negotiations shall seek to secure common agreement to
15 eliminate proposals for competing natural gas pipeline projects, as that phrase is defined in
16 AS 43.90.440, for North Slope natural gas reserves; it is material to the state's interest in the
17 negotiations that an agreement between the parties have the result of foregoing the need for
18 issuance of a license under AS 43.90, including the appropriation of licensee reimbursements
19 as authorized by AS 43.90.110(a)(1); to implement this paragraph,

20 (A) negotiations shall be conducted among

21 (i) the commissioners of revenue and natural resources or their
22 respective representatives;

23 (ii) representatives of the parties identified jointly as the

1 licensee in sec. 1 of this Act; and

2 (iii) representatives of the parties having control of significant
3 North Slope natural gas reserves that are proposing an alternative natural gas
4 pipeline project;

5 (B) the parties identified in (A) of this paragraph may

6 (i) include in the negotiations representatives of other entities
7 whose presence may be useful to achieve the outcome described in this
8 paragraph, as these parties may mutually agree; and

9 (ii) agree to conduct the negotiations with or without use of the
10 services of a mediator, as the parties may themselves determine; if the parties
11 agree to use of the services of a mediator, the mediator shall be a person whose
12 identity is mutually agreeable to the parties; and

13 (C) negotiations undertaken under this section are not to be considered
14 meetings of a governmental body of a public entity of the state that are subject to the
15 requirements of AS 44.62.310 - 44.62.312; and

16 (2) the passage of a number of days set out in this paragraph following the
17 condition described in the corresponding subparagraph; when the condition described in this
18 paragraph has been met, the commissioners of natural resources and revenue shall issue the
19 license; under this paragraph, the commissioners may not issue the license before the effective
20 date of sec. 1 of this Act, and

21 (A) unless subject to the limitation set out in this subparagraph, shall
22 issue the license not sooner than 180 days after the date of final execution of the
23 common agreement among the parties that is substantially as described in (1) of this
24 section; however, if, under the terms of that agreement, the parties consent to forego
25 the need for issuance of a license under AS 43.90, then, notwithstanding any other
26 provision of law, the commissioners may not issue the license; or

27 (B) shall issue the license not sooner than 45 days after the earlier of
28 the date that

29 (i) the commissioners advise the governor that one or more of
30 the parties described in (1)(A)(iii) of this section have notified them, or either
31 of them, that the party or parties will not participate in the negotiations

1 described in this section; or

2 (ii) the parties described in (1)(A)(ii) and (1)(A)(iii) of this
3 section certify to the governor that they have mutually agreed that negotiations
4 to secure the common agreement as described in (1) of this section to eliminate
5 proposals for competing natural gas pipeline projects for North Slope natural
6 gas reserves cannot be obtained.

7 * Sec. 3. Section 2 of this Act takes effect immediately under AS 01.10.070(c)."

AA.5

Exemption for gas transported in the state or for export from being declared a competing project and triggering treble damages

Sponsor Statement – This amendment would exempt any pipeline for use wholly within the state or for export from being deemed a competing project to an AGIA licensed project.

- Alaska's people deserve the right to Alaska's gas first.
- If gas export from Valdez or the Cook Inlet is necessary to make an Alaska gasline economic, then Alaska's people deserve the right to pursue that alternative without being deemed to be a competing project to the AGIA licensed project.
- An Alaska gasline to Alaska's people, regardless of the size of the pipeline, should not be burdened by the argument that we owe TransCanada treble damages.

Faked

#3

- 8-1-2008

25-GH3055\AA.5
Bullock
7/27/08

AMENDMENT

5
gas
14
ray

OFFERED IN THE SENATE

TO: HB 3001(efd fld)

1 Page 1, line 1, following "Act":

2 Insert "relating to the extension of inducements to a natural gas pipeline project
3 that would transport natural gas from the North Slope to a market in the state or for
4 export from the state by marine transportation; and"

5
6 Page 1, following line 4:

7 Insert a new bill section to read:

8 "** Section 1. AS 43.90.440(a) is amended to read:

9 (a) Except as otherwise provided in this chapter, the state grants a licensee
10 assurances that the licensee has exclusive enjoyment of the inducements provided
11 under this chapter before the commencement of commercial operations. If, before the
12 commencement of commercial operations, the state extends to another person
13 preferential royalty or tax treatment or grant of state money for the purpose of
14 facilitating the construction of a competing natural gas pipeline project in this state
15 other than a natural gas pipeline project that is wholly within the state and
16 transports natural gas to a market in the state or for export from the state by
17 marine transportation, and if the licensee is in compliance with the requirements of
18 the license and with the requirements of state and federal statutes and regulations
19 relevant to the project, the licensee is entitled to payment from the state of an amount
20 equal to three times the total amount of the expenditures incurred and paid by the
21 licensee that are qualified expenditures for the purposes of AS 43.90.110 that the
22 licensee incurred in developing the licensee's project before the date that the state first
23 extended preferential treatment to another person. The payment under this subsection

1 is subject to appropriation. Upon payment by the state of the amount owed under this
2 section, the licensee shall, at no additional cost to the state, assign to the state or the
3 state's designee all engineering designs, contracts, permits, and other data related to
4 the project that were acquired by the licensee during the term of the license. The
5 payment under this subsection is in full satisfaction of all claims the licensee may
6 bring in contract, tort, or other law related to the events that gave rise to the payment."
7

8 Page 1, line 6:

9 Delete "Section 1"

10 Insert "Sec. 2"

C. Huggins

Floor Notes
TransCanada License
August 1, 2008

What's really wrong with giving TransCanada \$500 million and monopoly rights in Alaska?

TransCanada and the Palin administration have been asked by 23 legislators to make those terms [negotiated by the previous administration] public, but have chosen to keep them secret.

The public has a right and a need to know the difference between what TransCanada was willing to commit to then and the \$500 million and monopoly rights they expect to receive now under AGIA. The AGIA license should not be approved until the public has had the opportunity to evaluate that difference.

We have to keep in mind that the AGIA license is not an obligation to do anything other than file a lot of paperwork.

Tony Palmer, Feb 2008 Senate Resources: We are not obligated to build the pipeline, it is not what AGIA requires.

No construction commitment
No commitment to move a shovelful of dirt
No commitment of getting gas to Alaskans for either
Consumer use or
Value added industrial development

AGIA forces Alaska into a course of action that TransCanada's top executives have repeatedly advised us is folly:

Hal Kvisle, CEO, TransCanada April 2004: Eventually, it's come down to the big producers, ExxonMobile, ConocoPhillips and BP are the ones most likely to hold the shipping commitments, so whatever kind of project is put together has to be one that works for the producers.

HK June 13, 2006: letter to the State of Alaska: As you will recall, TransCanada has consistently advised your administration to be wary of independent pipeline projects that would seek to develop a pipeline without the agreement and support of the ANS producers.

Tony Palmer – Calgary Herald Feb 2008: 'the project will not get to the financing and construction stage without shipping commitments from the producers.

Tony Palmer summed it all up on April 4, 2007 when he said quite emphatically,
No Customers, No Credit, No Pipeline.

FERC Fifth report to Congress Feb 2008 talked about a project being brought forward without a commitment of gas. "this would be a less than desirable situation..." "Clearly a proposed project which is backed by firm shipper commitments to transport natural gas supplies will have a greater chance of ultimate success."

Then there is what may be the most important reason Alaskans do not support the TransCanada scheme.

Approving the AGIA license compromises the ability of future Alaska legislatures to support other large scale In-state gas development.

The AGIA license effectively kills the All-Alaska gas line proposal.

That is the wrong thing to do.

There are so many more things to talk about that defy reason and cannot currently pass any responsible due diligence review:

- Unresolved first nations issues
- Past partner liabilities
- Canadian regulatory authority
- An excessive tariff rate structure
- Expectations for Alaska to secure the Federal Government as a bridge shipper
- Insufficient open season plan
- No Point Thompson gas
- Trans Canada's corporate credit rating issues

Bill History/Action for 25 Legislature

BILL: HB3001

SHORT TITLE: APPROVING AGIA LICENSE

BILL VERSION: HB 3001(EFD FLD)

CURRENT STATUS: AWAIT TRANSMIT GOV

STATUS DATE: 08/01/08

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

TITLE: "An Act approving issuance of a license by the commissioner of revenue and the commissioner of natural resources to TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee, under the Alaska Gasline Inducement Act."

Bill Number: [Display Bill](#)[Next Bill](#)[Full Text](#)[Fiscal Notes](#)[Amendments](#)[Intent](#)[Minutes](#)[Display Bill History](#)

Jrn-Date	Jrn-Page	Action
06/03/08	3064	(H) READ THE FIRST TIME - REFERRALS
06/03/08	3064	(H) RLS
06/03/08	3064	(H) FN1: ZERO(DNR)
06/03/08	3064	(H) FN2: (REV)
06/02/08	3064	(H) GOVERNOR'S TRANSMITTAL LETTER
06/03/08	3064	(H) WRITTEN FINDINGS & DETERMINATION
06/04/08	Text	(H) RLS AT 9:00 AM CAPITOL 120
06/04/08	Text	(H) Subcommittee Assigned
06/04/08	Text	(H) RLS AT 10:00 AM TERRY MILLER GYM
06/04/08	Text	(H) Heard & Held
06/04/08	Text	(H) MINUTE(RLS)
06/04/08	Text	(H) MINUTE(RLS)
06/04/08	Text	(S) MINUTE(ENR)
06/05/08	Text	(H) RLS AT 9:00 AM TERRY MILLER GYM
06/05/08	Text	(H) Heard & Held -- Time Change --
06/05/08	Text	(H) MINUTE(RLS)
06/05/08	Text	(S) MINUTE(ENR)
06/06/08	Text	(H) RLS AT 10:00 AM TERRY MILLER GYM
06/06/08	Text	(H) Heard & Held
06/07/08	Text	(H) RLS AT 10:00 AM TERRY MILLER GYM
06/07/08	Text	(H) Heard & Held
06/07/08	Text	(H) MINUTE(RLS)
06/07/08	Text	(S) MINUTE(ENR)
06/08/08	Text	(H) RLS AT 1:00 PM TERRY MILLER GYM
06/08/08	Text	(H) Heard & Held -- Time Change --
06/08/08	Text	(H) MINUTE(RLS)
06/08/08	Text	(S) MINUTE(ENR)
06/09/08	Text	(H) RLS AT 10:00 AM TERRY MILLER GYM
06/09/08	Text	(H) Heard & Held
06/10/08	Text	(H) RLS AT 10:00 AM TERRY MILLER GYM
06/10/08	Text	(H) Heard & Held
06/10/08	Text	(H) MINUTE(RLS)
06/10/08	Text	(S) MINUTE(ENR)
06/12/08	Text	(H) RLS AT 10:00 AM FBX CARLSON CENTER

06/12/08 Text (H) Heard & Held
06/12/08 Text (H) MINUTE(RLS)
06/12/08 Text (S) MINUTE(ENR)
06/13/08 Text (H) RLS AT 10:00 AM FBX CARLSON CENTER
06/13/08 Text (H) Heard & Held -- Time Change --
06/14/08 Text (H) RLS AT 10:00 AM FBX CARLSON CENTER
06/14/08 Text (H) Heard & Held -- Time Change --
06/16/08 Text (H) RLS AT 9:00 AM ANCHORAGE
06/16/08 Text (H) Heard & Held
06/16/08 Text (H) MINUTE(RLS)
06/16/08 Text (S) MINUTE(ENR)
06/17/08 Text (H) RLS AT 9:00 AM ANCHORAGE
06/17/08 Text (H) Heard & Held
06/18/08 Text (H) RLS AT 9:00 AM ANCHORAGE
06/18/08 Text (H) Heard & Held
06/19/08 Text (H) RLS AT 9:00 AM ANCHORAGE
06/19/08 Text (H) Heard & Held
06/19/08 Text (H) MINUTE(RLS)
06/19/08 Text (S) MINUTE(ENR)
06/20/08 Text (H) RLS AT 9:00 AM ANCHORAGE
06/20/08 Text (H) Heard & Held
06/24/08 Text (H) RLS AT 1:00 PM MAT-SU
06/24/08 Text (H) Heard & Held
06/26/08 Text (H) RLS AT 1:00 PM KENAI
06/26/08 Text (H) Heard & Held
06/26/08 Text (H) MINUTE(RLS)
06/26/08 Text (S) MINUTE(ENR)
07/01/08 Text (H) RLS AT 9:00 AM BARROW
07/01/08 Text (H) Heard & Held -- Time Change --
07/02/08 3178 (H) BILL CARRIES OVER TO FOURTH SPECIAL SESSION
07/08/08 Text (H) RLS AT 1:00 PM KETCHIKAN
07/08/08 Text (H) Heard & Held -- Time Change --
07/09/08 Text (H) RLS AT 1:30 PM TERRY MILLER GYM
07/09/08 Text (H) Heard & Held -- Time Change --
07/10/08 Text (H) RLS AT 8:00 AM TERRY MILLER GYM
07/10/08 Text (H) Heard & Held
07/11/08 Text (H) RLS AT 9:00 AM TERRY MILLER GYM
07/11/08 Text (H) Heard & Held
07/11/08 Text (H) MINUTE(RLS)
07/11/08 Text (S) MINUTE(ENR)
07/12/08 Text (H) RLS AT 9:00 AM TERRY MILLER GYM
07/12/08 Text (H) Heard & Held
07/13/08 Text (H) RLS AT 12:30 PM TERRY MILLER GYM
07/13/08 Text (H) Heard & Held
07/14/08 Text (H) RLS AT 9:00 AM TERRY MILLER GYM
07/14/08 Text (H) Heard & Held
07/14/08 Text (H) MINUTE(RLS)
07/14/08 Text (S) MINUTE(ENR)
07/15/08 Text (H) RLS AT 9:00 AM CAPITOL 120

07/15/08 Text (H) -- MEETING CANCELED --
 07/21/08 3234 (H) RLS RPT 3DP 4DNP
 07/21/08 3234 (H) DP: KERTTULA, GUTTENBERG, COGHILL
 07/21/08 3234 (H) DNP: JOHNSON, FAIRCLOUGH, SAMUELS, HARRIS
 07/21/08 3234 (H) FN1: ZERO(DNR)
 07/21/08 3234 (H) FN2: (REV)
 07/21/08 3236 (H) RULES TO CALENDAR 7/21/2008
 07/21/08 3236 (H) READ THE SECOND TIME
 07/21/08 3237 (H) ADVANCED TO THIRD READING 7/22 CALENDAR
 07/21/08 Text (H) RLS AT 2:00 PM CAPITOL 120
 07/21/08 Text (H) Moved Out of Committee
 07/22/08 3241 (H) READ THE THIRD TIME HB 3001
 07/22/08 3241 (H) RETURN TO SECOND FOR AM 1 UC
 07/22/08 3241 (H) AM NO 1 FAILED Y9 N30 A1
 07/22/08 3243 (H) RETURN TO SECOND FOR ALL AMS UC
 07/22/08 3243 (H) AM NO 2 FAILED Y15 N25
 07/22/08 3245 (H) AM NO 3 FAILED Y11 N27 A2
 07/22/08 3247 (H) AM NO 4 FAILED Y17 N23
 07/22/08 3249 (H) AUTOMATICALLY IN THIRD READING
 07/22/08 3249 (H) BEFORE THE HOUSE IN THIRD READING
 07/22/08 3250 (H) PASSED Y24 N16
 07/22/08 3250 (H) EFFECTIVE DATE(S) ADOPTED Y28 N12
 07/22/08 3251 (H) SAMUELS NOTICE OF RECONSIDERATION
 07/22/08 Text (S) ENR AT 1:00 PM SENATE FINANCE 532
 07/22/08 Text (S) <Pending Referral>
 07/23/08 3260 (H) RECON TAKEN UP - IN THIRD READING
 07/23/08 3260 (H) PASSED ON RECONSIDERATION Y23 N16 E1
 07/23/08 3261 (H) EFFECTIVE DATE(S) FAILED Y25 N14 E1
 07/23/08 3262 (H) ADOPTED HOUSE LETTER OF INTENT Y39 E1
 07/23/08 3268 (H) TRANSMITTED TO (S)
 07/23/08 3268 (H) VERSION: HB 3001(EFD FLD)
 07/23/08 Text (S) ENR AT 1:00 PM SENATE FINANCE 532
 07/23/08 Text (S) <Pending Referral>
 07/24/08 3197 (S) READ THE FIRST TIME - REFERRALS
 07/24/08 3197 (S) ENR
 07/24/08 Text (S) ENR AT 2:00 PM SENATE FINANCE 532
 07/24/08 Text (S) -- Testimony <Invitation Only> -- -- MEETING CANCELED --
 07/25/08 Text (S) ENR AT 1:30 PM SENATE FINANCE 532
 07/25/08 Text (S) Heard & Held
 07/28/08 Text (S) ENR AT 2:00 PM SENATE FINANCE 532
 07/28/08 Text (S) -- Testimony <Invitation Only> --
 07/29/08 Text (S) ENR AT 1:00 PM SENATE FINANCE 532
 07/29/08 Text (S) Heard & Held
 07/30/08 Text (S) ENR AT 2:00 PM SENATE FINANCE 532
 07/30/08 Text (S) Moved HB3001(efd fld) Out of Committee
 07/31/08 3222 (S) ENR RPT 6DP 4DNP 1NR 1AM
 07/31/08 3222 (S) DP: STEVENS, WIELECHOWSKI, WAGONER, DYSON, THOMAS, ELTON
 07/31/08 3222 (S) DNP: HUGGINS, STEDMAN, HOFFMAN, GREEN
 07/31/08 3222 (S) NR: OLSON

07/31/08 3222 (S) AM: MCGUIRE
 07/31/08 3222 (S) FN1: ZERO(DNR)
 07/31/08 3222 (S) FN2: (REV)
 07/31/08 3222 (S) RULES TO CALENDAR 7/31/2008
 07/31/08 3223 (S) READ THE SECOND TIME
 07/31/08 3223 (S) ADVANCED TO THIRD READING 8/1 CALENDAR
 08/01/08 3228 (S) READ THE THIRD TIME HB 3001(EFD FLD)
 08/01/08 3228 (S) ADOPTED HOUSE LETTER OF INTENT Y18 N1 E1
 08/01/08 3229 (S) RETURN TO SECOND FOR AM 1 UNAN CONSENT
 08/01/08 3229 (S) AM NO 1 FAILED Y6 N13 E1
 08/01/08 3231 (S) RETURN TO SECOND FOR AM 2 UNAN CONSENT
 08/01/08 3231 (S) AM NO 2 FAILED Y5 N14 E1
 08/01/08 3233 (S) RETURN TO SECOND FOR AM 3 UNAN CONSENT
 08/01/08 3233 (S) AM NO 3 FAILED Y5 N14 E1
 08/01/08 3235 (S) AUTOMATICALLY IN THIRD READING
 08/01/08 3235 (S) PASSED Y14 N5 E1
 08/01/08 3236 (S) HUGGINS NOTICE OF RECONSIDERATION
 08/01/08 3236 (S) RECON TAKEN UP SAME DAY UNAN CONSENT
 08/01/08 3236 (S) PASSED ON RECONSIDERATION Y14 N5 E1
 08/01/08 3236 (S) RETURN TO (H), TRANSMIT TO GOV NEXT
 08/01/08 3236 (S) VERSION: HB 3001(EFD FLD)
 08/01/08 (H) AWAITING TRANSMITTAL TO GOV

Similar Subject Match or Exact Subject Match

CONTRACTS
 LEGISLATURE
 LICENSING
 OIL & GAS
 PIPELINES
 RESOURCES
 REVENUE

Bill Number:

[Display Bill](#)

[Next Bill](#)

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Sharon Long

From: Jeff Turner
Sent: Friday, August 01, 2008 2:51 PM
Subject: FW: PR 08-131 AGIA Passes Senate, Governor Thanks Legislators 080108
Attachments: PR 08-131 AGIA Passes Senate, Governor Thanks Legislators 080108.doc



FOR IMMEDIATE RELEASE

No. 08-131

AGIA Passes Senate, Governor Thanks Legislators

August 1, 2008, Juneau, Alaska – Governor Sarah Palin today thanked lawmakers for passing House Bill 3001, legislation that authorizes the administration to award the Alaska Gasline Inducement Act (AGIA) license to TransCanada Alaska ("TC Alaska") to permit, develop and build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay on the North Slope to the Alberta Hub in Canada.

"This is a historic day in Alaska," Governor Palin said. "Alaska's potential to continue providing a safe, secure and domestic source of energy is great. I am proud of the hard work that went into this process from both the gasline team and the legislature. And I thank all our legislators for their tireless efforts."

The TransCanada Alaska gasline will be the largest construction project in the history of North America. The TC Alaska line will ship 4.5 Billion cubic feet per day (Bcf/d) through the 48-inch diameter line. The line will also have the expansion capability of up to 5.9 Bcf/d. Further expansions would include a combination of additional compression and looping.

The Alaska section of the TC Alaska overland route will be mostly buried along the approximately 750 miles in length with six compressor stations at startup and five natural gas delivery points in Alaska.

The Governor continued, "Today, with the affirmative vote of both chambers of the Alaska State Legislature, we now begin a lifelong partnership with a company that has shown its true commitment to Alaska's future."

TransCanada Corporation has successfully constructed many natural gas pipelines and now operates more than 36,000 miles of natural gas pipelines in North America. TC Alaska's project will provide positive economics to the state and federal governments, the major North Slope producers and to TC Alaska.

In its application, TransCanada Alaska commits to nearly two dozen must-haves which ensures that this project provides the most jobs for Alaskans, the most energy for Alaskans, and the greatest amount of revenue for the state.

Among the must-haves:

- **Benchmarks.** TC Alaska has committed to enforceable benchmarks. For example, TC Alaska will hold an open season and file for regulatory permits by dates certain. Alaska has never seen

8/1/2008

enforceable timelines in any previous gasline plan.

- **Reasonable transportation rates.** TC Alaska has committed to providing transportation through its pipeline at reasonable transportation rates, or "tariffs." A low tariff not only increases the netback for Alaska, but it encourages long-term exploration and development by newer players on the North Slope. Alaska has never seen commitments to low tariffs in any previous gasline plan.
- **Distance-sensitive rates for Alaskans.** TC Alaska has committed to "distance-sensitive" rates for Alaska's gas. TC Alaska's proposed distance-sensitive rates ensure that Alaskans will pay just the costs incurred to ship gas from the North Slope to one of the five off-take points within Alaska; unlike today when Alaskans pay the competitive price on the world markets.
- **Expansion capabilities.** TC Alaska has promised to expand its pipeline system on reasonable terms. Expansion is a key component, especially for smaller and newer gas producers on the North Slope to get our gas that they produce to market. Making this line expandable to accommodate new gas discoveries means more exploration and development, and finally opens up the North Slope basin. Alaska has never seen commitments to reasonable and predictable expansions in any previous gasline plan.
- **LNG Y-line offered.** TC Alaska has offered to construct a "Y line" from Delta Junction to an LNG processing facility in Prince William Sound if shippers express sufficient demand for that project as the work on the overland project progresses. Approving the TC Alaska project will enhance the likelihood of a successful "Y line" LNG project.
- **Bullet line to southcentral.** A smaller "bullet line" will not interfere with the TC Alaska project. Rather, moving both projects forward simultaneously could produce unique synergies. There are adequate supplies of natural gas to fill both pipelines.
- **Spur lines to Alaskans.** Committing to five offtake points along the main line, the TC Alaska project also offers the potential for construction of spur lines that will make natural gas available as a source of energy to communities throughout the state.

Once the AGIA license is issued, TransCanada Alaska will begin the field work that it can complete in the remaining time before winter sets in.

###

SCOMM

155:33

Greenberg Traurig

Scope of Work Performed

- General legal expertise
- FERC regulatory expertise (relevant to the rate model and overall LOS regulatory issues)
- Commercial LOS analysis
- Finding preparation

Company Biography

With 1,750 lawyers and 29 offices, Greenberg Traurig is one of the largest law firms in the U.S. Among other things, its Energy and Natural Resources practice group represents electric power generators, natural gas pipeline companies and other industry participants before the FERC, SEC and other federal agencies, as well as state agencies, in a wide range of regulatory matters, including: complex ratemaking proceedings; certificate and licensing proceedings; investigations by FERC and other agencies; and rulemaking proceedings.

Among other honors, Greenberg Traurig was named Chambers and Partners' USA Law Firm of the Year 2007.

Key Project Personnel

Kenneth M. Minesinger is co-chair of the firm's Energy & Natural Resources practice group. He represents various clients in the energy industry, focusing his practice on energy regulatory proceedings before the Federal Energy Regulatory Commission and on related antitrust, litigation and transactional matters. He has represented energy clients in a wide range of regulatory matters, including complex ratemaking, restructuring, and licensing proceedings, and complaints and investigations into allegations of market manipulation and the exercise of market power. As the competitive issues in energy regulatory proceedings often intersect with the application of the antitrust laws, Ken has also represented energy and non-energy clients on numerous antitrust matters, including mergers and acquisitions, counseling, and litigation. He is also a former Chairman of the Antitrust Committee of the Energy Bar Association.

Donald Shepler has more than 30 years of experience in the natural gas pipeline industry representing major interstate natural gas pipelines before the Federal Energy Regulatory Commission. His experience has included representing pipeline companies in complex rate and restructuring proceedings, numerous certificate proceedings with respect to new facilities and services, and transactional activities regarding sales of capacity on interstate gas pipelines. Don has briefed and argued cases before the United States Court of Appeals for the District of Columbia Circuit and the Tenth Circuit.

Allan Van Fleet has 30 years of litigation, arbitration and antitrust victories, pro bono work, and service to the bar and community. Allan has represented large and small companies in a variety of industries, including computers and components, telecommunications, biotechnology, health care, foods and beverages, energy, oilfield services, pipelines, railroads, airlines, steel, glassmaking, concrete and cement, accounting, financial services, insurance, legal services, collegiate merchandise, and entertainment, and religious education. He has tried cases for plaintiffs and defendants across the country and internationally. His antitrust practice includes, in addition to litigation, developing compliance programs; providing advice on transactions; structuring mergers and acquisitions; and representing clients before federal, state, and international agencies.

Heenan Blaikie

Scope of Work Performed

- Consultation on Canadian federal, provincial and First-Nation issues.

Company Biography

Internationally recognized Canadian law firm provides a full range of legal services to some of Canada's largest oil and gas producers and emerging companies, its regulatory lawyers have acted for both government and industry in numerous applications before the National Energy Board and provincial regulatory bodies and the courts; extensive experience in major inter-provincial and international pipeline and power line facilities, tolls and tariff applications, representing power producers, marketers and consumer groups on jurisdictional, commercial, environmental and First-Nations issues.

Key Project Personnel

Samuel Slutsky joined Heenan Blaikie's Tax Group in 2004 as a partner. Early in his career, he spent eight years in Calgary, practicing predominantly as in-house tax counsel to international accounting firms. After moving to Toronto in 1989 he was a tax partner with two major law firms. In 1995 he co-founded a tax-based merchant banking group which was involved in a broad range of M&A and international corporate financing matters, both as principal and as an advisor.

A prolific author, Mr. Slutsky developed a number of loose-leaf services that became broadly subscribed to in the tax community. For 15 years, he was a columnist and contributing editor with *The Financial Post*, writing a regular column on tax policy and technical matters.

Mr. Slutsky has written extensively for tax trade publications and spoken on a wide range of income and commodity taxation matters for numerous industry organizations. The publications include the *Canadian Tax Journal*, the *Canadian Encyclopaedic Digest* and various publications for the Canadian Tax Foundation. Speaking engagements have included the Canadian Tax Foundation, the Canadian Bar Association, the Canadian Institute of Chartered Accountants, the Financial Post, the Universities of Calgary, Manitoba and Toronto, the Fraser Institute, the Canadian Petroleum Tax Society, the Conference Board of Canada, the Canada Customs and Revenue Agency, the Tax Executives Institute and the Canadian-American Committee.

Mr. Slutsky has been an advisor on tax administration and tax policy matters to a number of senior Cabinet Ministers and Prime Ministers, as well as being an advisor to both the Departments of Finance and Revenue. He has testified before successive Parliamentary Finance Committees on tax policy issues and been a member of advisory groups established by several Ministers and Deputy Ministers of National Revenue. In addition, Mr. Slutsky was involved in the implementation of the Goods and Services Tax regime and the conversion of Revenue Canada into the CCRA.

Mr. Slutsky was appointed a Queen's Counsel by the federal government in 1992.

LL.B., University of Manitoba, 1979

Hosie, Rice and MacArthur

Scope of Work Performed

- General legal expertise

Company Biography

Hosie McArthur LLP specializes in trying complex commercial cases and obtaining exceptional results. Because of the quality of our legal skills, our innovative approach to the law and our record of success, we have been chosen by colleagues, entrepreneurs, CEOs, and state attorneys general for some of the country's most demanding civil litigation. Our lawyers' reputations are based on their records of trying and winning cases over twenty years. The cumulative dollar amount of the successes of our lawyers exceeds \$2 billion. Spencer Hosie, our founding partner, started his own firm in 1985. Ultimately named Hosie, Wes, Sacks & Brelsford, the firm established three offices and a leading Silicon Valley technology practice. After this firm merged into the Seattle-based Perkins, Coie law firm, in 1999 Mr. Hosie founded what became Hosie McArthur LLP. The new firm drew in highly-experienced attorneys from other nationally-known litigation firms: Susman Godfrey (Messrs. McArthur and McCartt) and Furth, Fahrner & Mason (Messrs. Bishop and Wecker). Hosie McArthur LLP offers clients a sophisticated legal team that balances broad legal experience with specialized practice skills. We have deep experience in antitrust, intellectual property, energy and natural resources law, fraud, business torts, media law and class actions. In recent years, we have combined our experience in several areas to bring successful suits for high-technology clients who are pressing both intellectual property and antitrust claims. We also have pioneered the use of electronic discovery, obtaining access to opponents' email and electronically stored data to prove malfeasance. In litigation today, email discovery is critical and something we well understand.

Key Project Personnel:

Spencer Hosie is a nationally recognized top-ranked trial lawyer for complex commercial cases. In his over 20 year career, he has won or settled cases worth almost \$2 billion for his clients. In June 2005, the National Law Journal profiled Mr. Hosie as one of the 10 most successful trial lawyers in the country. Mr. Hosie's practice covers the spectrum of complex commercial cases, with particular focus on antitrust, energy, and intellectual property litigation. He currently is an advisor to the Alaska, Louisiana, and Hawaii state governments.

KMJ Consulting

Scope of Work Performed

- NGL pricing

Company Biography

Kevin Johnston of KMC Consulting has 30 years experience in the energy industry, much of it as an economist. During his 24-year tenure at the Alberta Energy and Utilities Board(EUB), he was engaged in economic analysis and consideration of public policy issues surrounding major oil sands developments. As principal of KMJ Consulting, Kevin currently provides services in economic analysis, strategic planning, regulatory issues, and policy development. He has been teaching courses in petroleum economics as well as oil and gas regulation at the University of Calgary for a number of years.

Key Project Personnel:

Kevin Johnston is a Canadian economist with over 30 years of experience in petroleum economics. He has provided decision analysis and economic analysis of energy projects related to all aspects of oil and gas activity; and analysis of industry initiatives to ensure that economic, environmental, resource conservation and other public interest issues are adequately addressed.

Merlin Associates

Scope of Work Performed

- Potential LNG plant assumptions review
- Cost and scheduling

Company Biography:

Merlin Associates is an engineering consulting organization offering specialized expertise in oil and gas production and development to energy companies worldwide. The company was formed in 1985 and the principals and key personnel have a combined total of more than 150 years' experience as process engineers. Merlin Associates' publication "LNG: Cost and Competition" (co-authored with Poten and Partners, Inc.) is the standard reference used by many of the leading LNG project participants, consulting and engineering firms, and financial institutions of the world. Merlin Associates is the leading technical consulting company providing third party, independent engineering services to the international project finance community – serving both the financial institutions and the borrowers.

Key Project Personnel

Charles Yost, III has a BSChE from Iowa State University (1965) and an MBA with highest honors from the University of Wyoming (1978). He has worked for Phillips Petroleum Co., Wycon Chemical Co., and several engineering design companies. His experience has included design, construction, and operation of oil and natural gas production facilities onshore and offshore, natural gasoline plants, natural gas based fertilizer plants, cryogenic gaseous and liquid helium plants, alternate fuels and feedstock projects, and liquefied natural gas plants during his professional experience at locations all over the world. Mr. Yost is also author and teacher of several offshore facility engineering design schools and is based in Houston, Texas.

Mustang Management "Mustang"

Scope of Work Performed

- Assessment of basic pipeline construction execution plans
- Review of high level pipeline construction schedules
- Analysis of winter and arctic pipeline construction costs
- Assessment of current North American pipeline construction services capacity

Company Biography

Mustang Management Ltd. (Mustang) was formed in 1977 to provide a wide variety of consulting services to oil and gas operating companies, construction contractors, venture capitalists, energy industry service companies, and the legal community.

Services provided by Mustang include the following:

- Overall project management
- Management of pipeline engineering and construction contractors
- Pipeline engineering and construction proposal preparation and evaluation
- Preparation of and assessment of pipeline project feasibility studies
- Mergers and acquisitions in the pipeline engineering and construction sectors
- Pipeline project cost and schedule risk analysis and management
- Preparation, evaluation and negotiation of construction contract claims
- Negotiation of labor agreements in the pipeline construction sector

Key Project Personnel:

Michael Wagner is a Senior Engineering and Construction Executive with more than thirty-nine years of experience in the oil and gas industry. He has been involved in the successful start-up and expansion of major pipeline construction companies throughout North America and in selected international markets, serving on corporate executive staffs in charge of business development, administration, and operations. Mr. Wagner also has successfully concluded mergers and acquisitions of engineering and construction companies serving the domestic and international resource sectors. He has particular expertise in the successful completion of large-diameter (24-thru 48-inch) pipeline projects in locations such as Malaysia, Brazil, Bolivia, Trinidad & Tobago, Canada, and the United States. Much of his large diameter pipeline experience in Canada and Alaska has been with winter and arctic pipeline projects.

PetroTel, Inc.

Scope of Work Performed

- Upstream modeling

Company Biography

PetroTel is a recognized worldwide industry leader in enhanced oil recovery, reservoir characterization and simulation, coalbed methane, production, and exploration technologies. They provide professional consulting and advisory services along with integrated project management support to domestic and international petroleum companies. Activities span the entire spectrum of technical, project, and commercial functions along with all facets of the hydrocarbon exploitation cycle.

PetroTel team members represent a diverse set of disciplines: reservoir engineering, reservoir simulation, reservoir characterization, enhanced oil recovery technologies, development geology and geophysics, exploration geology and geophysics, and petrophysics. They also have experts in economics and integrated project management and planning, including production, drilling, and facility engineering support.

Together, PetroTel represents over 1100 years of combined experience working with major oil companies in North and South America, South Asia, Russia, the Far East, Europe, and the Middle East.

Pingo International

Scope of Work Performed

For the pipeline component of the project, analyzed the pipeline system hydraulic capabilities, pipeline and compressor station basic design, construction execution plans, operations plans as well as cost and schedule ranges and Likelihood of Success (LOS).

Company Biography

Incorporated in 2000, Pingo International Inc. has been active in the assessment of a variety of potential pipeline projects, primarily in the arctic regions of Canada and United States.

Key Project Personnel:

Patrick Anderson has provided project management and technical support to a number of major pipeline projects. Some of the largest projects Mr. Anderson has worked on prior to his current assignment working with the State of Alaska are:

Mackenzie Gas Project—2002-2007- Provided project management and technical support to this major pipeline project planned to transport 1.2 bcf/d of natural gas from the Mackenzie Delta in the Canadian arctic to Alberta. Early in the project, Mr. Anderson was Engineering Manager for the engineering contractor and subsequently was Technical and Project Management Advisor to the sponsors of the project (Imperial Oil, Shell, ConocoPhillips and ExxonMobil)

Alaska Gas Pipeline Update- 2001-2002- Engineering Manager for the engineering contractor providing the design, construction execution plan, schedule and cost estimate for the southern portion of the pipeline from Prudhoe Bay to Chicago. Project Sponsors were Phillips, BP and ExxonMobil.

Prior to this, Mr. Anderson held various positions within Nova Corporation and its affiliates for about 30 years (the last 2 years were with TransCanada Corporation after it merged with NOVA Corporation). Mr. Anderson was President of TransCanada Pipelines Services between 1999 and 2000 and Executive Vice-President and General Manager of ARCAN Engineering & Construction (Argentina) from 1997 to 1999. Mr. Anderson was Vice President of Engineering and Operations of Foothills Pipe Lines from 1989 to 1997. Prior to this, Mr. Anderson held various leadership positions within NOVA Corporation's engineering and operations groups including extensive experience providing consulting services in many international countries.