

SCOMM

155:31

~~Olson~~

- Hoffman
- McGuire
- Wielechowski
- Olson
- Thomas
- Stedman
- Stevens
- Elton
- Wagoner
- Green
- Dyson
- Huggins

SENATE COMMITTEE REPORT

DATE: 7/24/08

FURTHER:

DATE TURNED
IN TO OFFICE: 7/31/08

Senate Special Committee on Energy considered HOUSE BILL NO. 3001(efd fld)

HB 3001 APPROVING AGIA LICENSE

"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."

and recommends:

be replaced with SCS or CS _____ (_____)

adopt previous SCS or CS _____ (_____)

attached amendment(s)

adopt _____ Letter of Intent

further referral to _____ Committee

SENATE BILL:

- Same Title
- New Title

HOUSE BILL:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	5/28			✓	1
REV	5/26	✓			2

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	STEVEN	✓			
	STEADMAN				
	HOFFMAN				
	MCBURN				
	WIELECHOWSKI	✓			
	WAGONER	✓			
	DUSON	✓			
	OLSON				
	GREEN				
	THOMAS	✓			
	ELDA	✓			
CHAIR:	HUGGINS				

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SENATE BILL:
 Same Title
 New Title


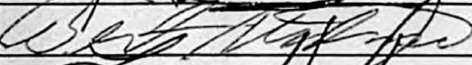
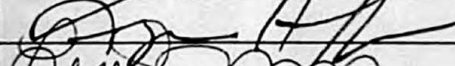

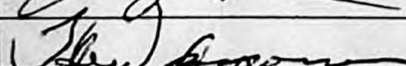

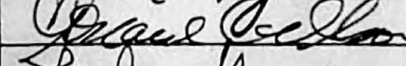
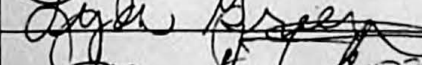
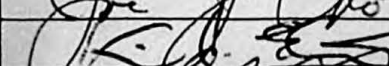
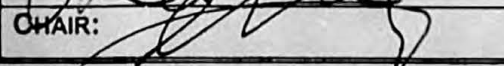

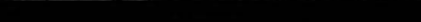
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	STEVEN	X			
	STEADMAN		X		
	HOFFMAN		X		
	McBURN				✓
	Wielochowski	X			
	WAGONER	✓			
	DYSON	✓			
	OLSON			✓	
	GREEN		✓		
	Thomas	✓			
	Elta				
CHAIR: 	HUGGINS		✓		

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SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
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<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

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PREVIOUS FISCAL NOTE(S):

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REV	5/26	✓			2

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	STEEDMAN	X			
	HOFFMAN		X		
	MCBURN		F		✓
	Wielechowski	X			
	WAGONER	✓			
	DYSON	✓			
	OLSON			✓	
	GREEN		✓		
	Thomas	✓			
	Elda	✓			
CHAIR:	HUGGINS		✓		

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DATE: 7/24/08

FURTHER:

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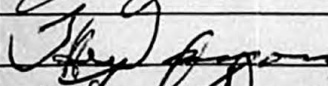
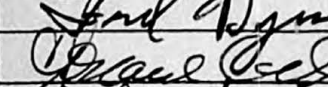
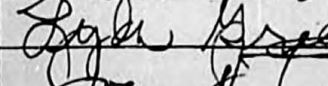
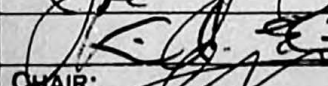


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SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	STEEDMAN	X			
	HOFFMAN		X		
	McBurn		F		✓
	Wielochowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				✓
	GREEN				✓
	Thomas	✓			
	Elton	✓			
CHAIR:	HUGGINS				✓

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<hr/>	
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REV	5/26	✓			2

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	GREEN	X			
	STEDMAN		X		
	HOFFMAN		F		
	MCBURN				✓
	Wielechowski	✓			
	WAGONER	✓			
	DYSON	✓			
	OLSON				✓
	GREEN			✓	
	Thomas	✓			
	Elta	✓			
CHAIR:	HUGGINS		✓		

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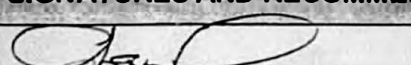



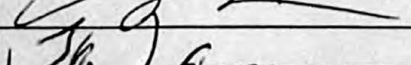

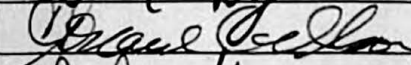
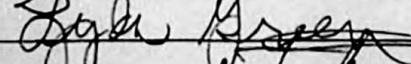



- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	5/28			✓	1
REV	5/26	✓			2

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	STEVE	X			
	STEADMAN		X		
	HOFFMAN		F		
	MCBW				✓
	Wielechowski	✓			
	WAGONER	✓			
	DUSEON	✓			
	O'Neal				✓
	GREEN		✓		
	Thomas	✓			
	Elta	✓			
CHAIR:	HUGGINS		✓		

7-30-08
WB 3001

HB 3001
256H3055
AA.8

#70 #75 #80 #85 #90 #95

• Hoffman	no					
• McGuire	no					
• Wielechowski	yes					
• Olson	yes					
• Thomas	yes					
• Stedman	no					
• Stevens	yes					
• Elton	yes					
• Wagoner	yes					
• Green	no					
• Dyson	yes					
• Huggins	no					

7
years

5
may

7-30-08 Passed SENR Cmty
Sched to Floor 7-31-08
7 years 5 days
3rd reading 25-GH3015 A.A. 8-1-2008

Weirchowski
Olsen
Thomas
Stevens
Elton
Wagoner
Lysen

Hoffman
McGuire
Stedman
Green
Huggins

HOUSE BILL NO. 3001(efd fld)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FOURTH SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Amended: 7/23/08
Introduced: 6/3/08

CH move
left of indent
floor 8-1-2008 18 years, 1 day
amend # 1 failed
2

A BILL

FOR AN ACT ENTITLED

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

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 APPROVAL OF ISSUANCE OF LICENSE UNDER THE ALASKA GASLINE
8 INDUCEMENT ACT. The commissioner of revenue and the commissioner of natural
9 resources are authorized to issue a license under AS 43.90.010 - 43.90.990 to TransCanada
10 Alaska Company, LLC and Foothills Pipe Lines Ltd., jointly as licensee.

HB3001b

-1-

HB 3001(efd fld)

New Text Underlined [DELETED TEXT BRACKETED]

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 3001
(H) Publish Date: 6/3/08

Identifier (file name) 3001-DNR-O&G-05-28-08 Dept. Affected: Natural Resources
Title Alaska Gasline Inducement Act License RDU Resource Development
Component: Oil and Gas Development
Sponsor Rules Committee
Requester Governor Component Number 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2008	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would give approval for issuance of a license by the commissioners of the departments of Natural Resources and Revenue under the Alaska Gasline Inducement Act (AGIA). The success of the state's gasline project could mean billions of dollars in future state revenues.

Prepared by: Kevin Banks, Acting Director Phone 269-8800
Division: Division of Oil and Gas Date/Time May 28, 2008
Approved by: Tom Irwin, Commissioner Date May 28, 2008
Natural Resources

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 3001
(H) Publish Date: 8/3/08

Identifier (file name): 08-0055-DOR-DAS-6-27-08 Dept. Affected: 04 Revenue
Title: AGIA License Approval RDU: Admin and Support
Component: Admin Services
Sponsor: Rules
Requester: Governor Component Number: 125

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES		500,000.0						
-----------------------------	--	------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
10C5 GF/Program Receipts							
1037 GF/Mental Health							
TOTAL							

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Passage of this bill approves the issuance of a license by the Commissioners of Revenue and Natural Resources to TransCanada Alaska Company, LLC and Foothills Pipe Lines, LTD, jointly as licensee, under the Alaska Gasline Inducement Act. The approval of this license along with the appropriation of \$500 million in a separate bill entitles TransCanada Alaska Company, LLC and Foothills Pipe Lines, LTD to reimbursement of up to \$500 million of qualified expenditures under regulations adopted by the Department of Revenue (15 AAC 90.010- 15 AAC 90.030). The Department of Revenue will make these reimbursements with the cooperation of the Alaska Gasline Inducement Act coordinator in the Office of the Governor and with technical advice from the Department of Natural Resources. No additional staffing or funding will be required by the Department of Revenue as a result of the passage of this bill.

Prepared by: Jerry Burnett Phone: 465-2312
Division: Admin Services Date/Time: 5/26/08 12:00 AM
Approved by: Jerry Burnett Date: 5/26/2008
Department of Revenue

8/1/2008 Huggins move
Senate adopt let of
intent as Senate let
of intent.

18 years Inay

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
Gardner
Holmes
Fertile
Kelly
CRAWFORD
Gast
Bobby
Buck
Sutton
Candice
Harris
Hawker
Doll
Johnson
Salmon
Meyer
Edgman

Bill History/Action for 25th Legislature

BILL: HB3001

SHORT TITLE: APPROVING AGRI LICENSE

BILL VERSION: HB 3001(EFD) FLD

CURRENT STATUS: (S) ENR

STATUS DATE: 07/24/08

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

HEARING: (S) ENR July 30 2:00 PM SENATE FINANCE 532 -- Testimony <Invitation Only> -- TELECONFERENCE

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 Indurement Act"

Bill Number:	Display Bill	Next Bill
Full Text	Fiscal Notes	Amendments
Intent	Minutes	
Display Committee Action with Bill History		

Jm-Date	Jm-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)
06-03-08	3064	(H) GOVERNOR'S TRANSMITTAL LETTER
06-03-08	3064	(H) WRITTEN FINDINGS & DETERMINATION
07-02-08	3178	(H) BILL CARRIES OVER TO FOURTH SPECIAL SESSION
07-21-08	3234	(H) RLS RPT 3DP4(DNP)
07-21-08	3234	(H) DP: KLRTTU A. 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
07-22-08	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
07-23-08	3260	(H) RECON TAKEN UP - IN THIRD READING
07-23-08	3260	(H) PASSED ON RE-CONSIDERATION 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

07/24/08 3197 (S) READ THE FIRST TIME - REFERRALS
07/24/08 3197 (S) ENR
07/24/08 3197 (S) REFERRED TO SENATE SPECIAL COMMITTEE ON ENERGY

Similar Subject Match or Exact Subject Match

CONTRACTS
LEGISLATURE
LICENSING
OIL & GAS
PIPELINES
RESOURCES
REVENUE

Bill Number:

[Return to Basis Main Menu \(25th Legislature\)](#)

offered 7/30/08
Withdrawn
SENK

25-GH3055AA.9
Chenoweth/Bullock
7/30/08

#2

AMENDMENT

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)."

offered 7/30/08 SENIR

25-GH3055\AA.9
Chenoweth/Bullock
7/30/08

AMENDMENT #2

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)."

Offered 7/30/08 SENR
discussed
Withdrawn

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

AMENDMENT # 1

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 a 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."

AMENDMENT # 1

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 a 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."

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, Dep. 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

Juneau
Spec. Session

presented by Senator Dyson
SEN 7-30-2008
SB/HB 3001



TransCanada

In business to deliver

July 28, 2008

Honorable Lyda Green
President of the Senate
Alaska State Capitol

Honorable John L. Harris
Speaker of the House of Representatives
Alaska State Capitol

TransCanada Pipelines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.2035

fax 403.920.2318

email tony_palmer@transcanada.com

web www.transcanada.com

Dear President Green and Speaker Harris:

Re: TransCanada Alaska Company LLC's AGIA Schedule

Over the last few days several questions have been raised with respect to TransCanada Alaska's schedule for implementing the AGIA license in the event the Senate votes to approve it. I have addressed this issue numerous times, most recently in the Senate Special Committee on Energy on July 22, but wish to ensure that you are fully aware of TransCanada Alaska's commitments. TransCanada Alaska will have legally binding schedule obligations if the Senate approves the AGIA license.

In my testimony over the last 50+ days, I have repeated TransCanada Alaska's commitment to complete an open season by July 2010 if the license is issued in early August 2008. In addition, we have committed to file with the Federal Energy Regulatory Commission (FERC) for a certificate of public convenience and necessity by 2012. TransCanada cannot control the length of time FERC takes to issue that certificate, but we would anticipate receiving the same by 2014. Finally, once shipper contracts and regulatory approvals are secured, the next steps are project sanction and initiation of construction to achieve a target in-service date of September 2018.

TransCanada Alaska's proposed schedule has been clearly set out for the Legislature and in public interviews across Alaska since hearings commenced in early June. All public statements by TransCanada executives have been consistent with this schedule. I want to reaffirm TransCanada's commitment to this schedule if the Senate approves TransCanada Alaska's application as approved by the House of Representatives and the AGIA license is issued in early August 2008.

Sincerely,

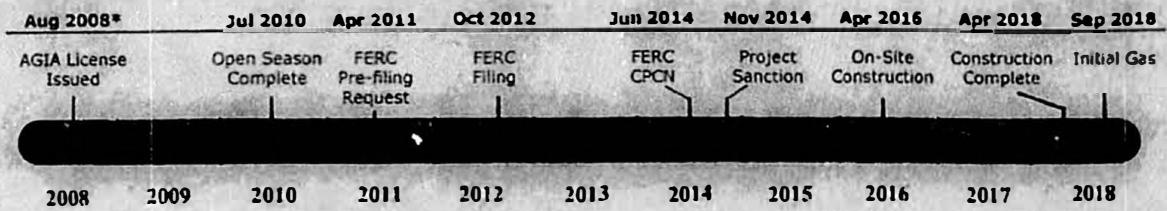
/s/

Anthony M. Palmer
Vice President
Alaska Development

Attachment

cc: Members of Alaska Legislature (sent via email)

Project Schedule



* AGIA license assumed to be issued in August 2008

7:55 PM
A

7-30-2008
Presented SENR
Juneau,
NATIONAL BANK
FINANCIAL

ARCTIC NATURAL GAS (GAS) AND ARCTIC GAS PIPELINES

The attached document titled "Memorandum On Arctic Natural Gas (Gas) and Arctic Gas Pipelines" analyzes what we view as salient issues surrounding the potential supply and delivery of Arctic gas (including Alaskan North Slope (ANS); the Beaufort Basin (including the Mackenzie Delta); Canada's Arctic Islands, and the central Mackenzie Valley).

We believe that our participation in the northern pipeline hearings before the National Energy Board in 1976 and 1977 has contributed to our perspective on the salient issues involved in the Arctic gas debate.

The contents of the Memorandum, unless indicated otherwise, reflect solely the results of our study and, at times, our provocative interpretation of certain issues. This may challenge mainstream thinking. If, and to the extent it does, we view our underlying objective of stimulating thought and discussion as met.

By design and on purpose, the memorandum is, in places, repetitive. We view repetitiveness as the most-effective tool for driving important messages home.

The memorandum appears to be, at times, excessively detailed. This, we believe, is warranted by the complex aspects of the current and future role of the ANS as a large source of petroleum and gas. Moreover, attention to detail is, in our view, mandatory, as the *devil is always in the detail*. Also, the Arctic poses unique and monumental challenges to petroleum and gas activities. Being aware of them avoids drawing inappropriate conclusions and inferences.

Because of the co-production and economic interdependence of gas and petroleum on the ANS, it became unavoidable to include in our study the production and delivery to markets of petroleum (crude oil and natural gas liquids) from the ANS. This has added enormous complexity.

The study's Summary attempts to condense its salient issues. We do not intend to summarize the Summary, except to state that a gas pipeline from the Mackenzie Delta may be completed between November 2007 and November 2010. For gas from the ANS, we view its delivery to the Lower 48 states in non-upgraded form as the least attractive both economically and financially. In any case, we do not envisage completion of an Alaska gas pipeline (AGP) before 2012, if ever. However, in the interim, Canada and the United States must solve the *nasty little secret* - the understanding between both nations to replace Canadian gas exported through the *pre-build* facilities with Alaskan gas, once an AGP is completed. Depending on the outcome, the United States may have an incentive not to build an AGP.

Because of the study's length, we are prepared to provide hard copies if requested to do so by clients.

Winfried Fruehauf, Ph. D.
Ramin Burney, Associate

November 2002

The opinions expressed in this memorandum are solely those of the analyst, Winfried Fruehauf, and do not necessarily reflect those of the NBF Oil & Gas team in Calgary.

~~7-30-2008~~ 7-30-2008

Presented SENR
Juneau

A report by the
National Bank of Canada
(2001)

7:55 PM

2001
Report

SUMMARY

Purpose of the Study

The attached study is designed to provide considerable (some readers might say excessive) detail on Arctic petroleum, gas and gas pipelines. It is also, in part, repetitive, by design, to emphasize important issues. However, exploring for, developing, producing, commercializing and transporting Arctic petroleum and gas is extremely complex and, in many respects, unique and novel. It reflects the fact that hydrocarbon-related activities in the Arctic setting must observe and respect that, as harsh and brutal as the Arctic environment is, it is also surprisingly fragile. This is why industry operates on the Alaskan North Slope (ANS) under most stringent and costly environmental restrictions. As always, the "devil" is in the detail. Awareness of details of the Arctic setting aids the understanding of the complexities and challenges of producing petroleum on the ANS now and gas on the ANS and in the Mackenzie Delta (Delta) in the future.

Summary Conclusions

The Nasty Little Secret - unless resolved, may result in incremental supplies of ANS gas to the 48s of as little as 1 bcf/d

The "nasty little secret" (see Pages 11-12; 141; 143-144) relates to the understanding between the USA and Canada that, in return for Canadian gas exported through the "pre-build" facilities of the (never-completed) Alaska Natural Gas Transportation System (ANGTS) prior to its completion, the USA would "repay" Canada with Alaskan gas, once an Alaskan gas pipeline (AGP) is completed. Average-day exported at about 3.3 bcf/d. To date, more than 12 tcf of Canadian gas have been exported. Hence, the USA may wish to avoid building an AGP, lest the "nasty little secret" be awakened from its slumber.

Current Prospects for a Mackenzie Valley Gas Pipeline (MVGP)

We are currently expecting construction of a stand-alone MVGP late in this decade with start-up as early as November 2007 and as late as 2010 (Pages 31; 40-41; 43-46; 138).

Current Prospects for an Alaska Gas Pipeline (AGP)

We do not anticipate gas production for markets outside Alaska in this decade and, perhaps, never, because we view the sale of non-upgraded gas via pipeline to the Lower 48 States (48s) as the lowest-value option for commercializing ANS gas (see Pages 31; 37; 114-120; 125-126).

Current Petroleum and Gas Production on the ANS

In our view, the ANS is now and will likely remain petroleum country beyond the end of this decade. Estimated petroleum production (crude oil and C₄+NGL) is estimated to average about 1 million b/d in the near future. Gas co-production can reach about 9 bcf/d. Except for field uses, losses and unaccounted-for gas, the balance of gas is re-injected into the oil reservoirs on the ANS for pressure maintenance. Water and miscible floods, the globe's largest, are additional petroleum-lifting mechanisms (see Pages 52-53; 58-60; Appendices 2 & 3).

Author's
view of
ANS
Gas

Commencement of ANS-Gas Production Would ~~Emasculate~~ Petroleum Net-backs
Commencement of gas production for markets would place the existing petroleum-production levels and infrastructures on the ANS and along the entire petroleum-value chain under considerable stress and cause petroleum production to decline, unless mitigative techniques can be deployed economically that would, at the very least, stabilize petroleum production. However, the effectiveness and cost of such techniques cannot be predicted with certainty (see Pages 48-49; 79; 127-129).

If an Alaskan gas pipeline (AGP) were operative today, petroleum producers would suffer a significant loss in netback. In the second quarter of 2002, we estimate the spot gross netback for ANS-crude oil @ US\$20.07/b or about US\$3.46/mmBTU (Page 116-117; 128). In comparison (the MANSP's "4.5 bcf/d-Pipeline Study Case" (Page 106)), based on the major Alaskan North Shore producers (MANSP) best-case pipeline-toll of about US\$0.91-0.93/mmBTU, and an AECO-C-price of US\$3.25/mmBTU, the best-case gross net-back (net of compressor fuel) for gas would be US\$1.65/mmBTU, for a net-back differential of 2.1: 1 in favour of petroleum. To achieve this netback, the MANSP would have to invest anywhere from US\$18.6 billion to 19.4 billion in a pipeline and related facilities. This disregards the corporate net-back enhancement generated by refining and distribution margins of integrated ANS-producers.

The virtually total lack of data for a MVGP makes net-back estimates for Delta-gas extremely difficult. Field development costs for about 6 tcf of proven gas reserves are estimated at about US\$0.20/mmBTU. Based on an AECO-C price of US\$3.00/mmBTU, plant-gate (Inuvik) gross netbacks for Delta-gas, excluding compressor fuel, would be US\$1.95-2.00/mmBTU (Page 46).

Deferral Of Stranded Assets/Costs Of Pipelines and Expectations for an Earnings Bonanza - "...not too much to write home about" (W.C. Fields)

In the worst case, U.S. and Canadian gas pipelines, viewing building, owning and operating Arctic gas pipelines as potential saviours from the scourge of stranded assets/costs and as earnings bonanzas, may be bitterly disappointed, because the MANSP and the Producers Group (PG) in the Delta may build, own and operate Arctic gas pipelines or may sell equity interests to limited partnerships, income trusts etc., because they can outbid pipelines by using pre-tax economics and tolerating more leverage than pipeline companies (Pages 33-35; 114-117).

However, should the MANSP and PG invite pipelines as equity investors, we doubt that the stake of a single pipeline would exceed 10%. At that level, first-year pipeline returns on equity, discounted at 14% p.a. to the present, are de minimis (Pages 15-17).

Have the Supporters of the ANGTS an Exclusive Right to Build It and Preclude Third Parties from Building Their Own Arctic Gas Pipelines? - we do not think so

TransCanada PipeLines (TRP) and its affiliate Foothill's Pipe Line have attempted to resuscitate the ANGTS. However, we believe that the Hair-/Meatball (about US\$4.3 billion) has been the spoiler. Hence, we believe that, if TRP and FPL are to succeed in building an AGP, they may have to bury the ghost of the ANGTS and embark on "Plan B." (See Pages 146-158.)

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);

Mackenzie Valley Pipeline

Alaska Gasline through Canada

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

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) MANSF 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) MANSF 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 Haver 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. ENR seems to view participation in Arctic gas pipelines opportunistically (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 transmute 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 gasification;**
- 2) The MANSF 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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*Comment returned
7/28/08 - mbr*



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

Frances S. Chang
Senior Counsel
Law Department

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

July 22, 2008

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

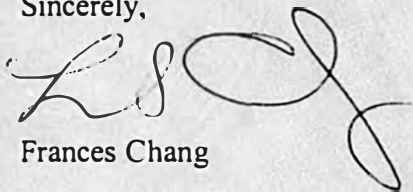
Dear Mr. Samuels:

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



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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. 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 black ink, appearing to read "J. Chaudhri", written over a horizontal line.

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

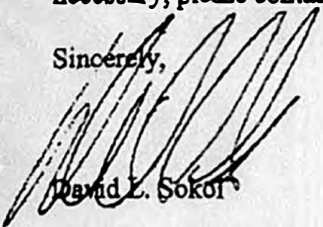
Dear Chairman Samuels:

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

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 black ink that reads "James J. Bender".

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 Gasline 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.

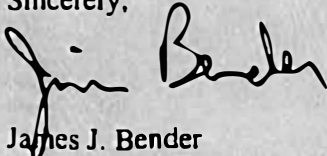
2. *Does Williams believe the corporate structure used by TransCanada in its AGIA Application violates any obligation to your company?*

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 cursive script that reads "Jim Bender". The signature is written in dark ink and is positioned above the printed name.

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

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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

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San Francisco, CA 94105

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July 22, 2008

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

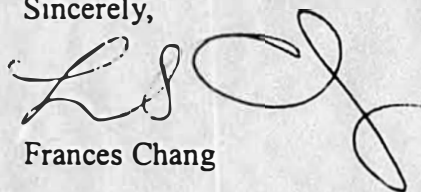
Dear Mr. Samuels:

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



Javade Chaudhri
Executive Vice President and
General Counsel

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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. 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 black ink, appearing to read "J. 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

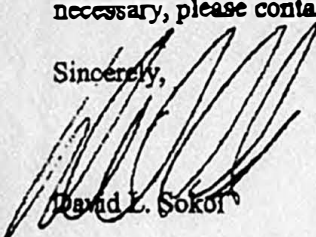
Dear Chairman Samuels:

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 black ink that reads "James J. Bender".

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.

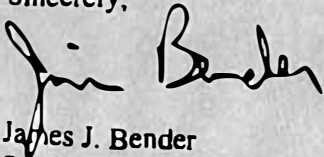
2. *Does Williams believe the corporate structure used by TransCanada in its AGIA Application violates any obligation to your company?*

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 cursive script, appearing to read "Jim Bender".

James J. Bender
Senior Vice President and General Counsel

adn.com

Anchorage Daily News

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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.

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