



ALASKA LEGISLATURE COMMITTEES, 2005-2008 8012

11977 SENATE RESOURCES

In calendar year 2005, BPXA conducted 54 drive-by inspections of the Endicott Pipeline. The only anomaly found was on June 11, 2005, when the pipeline was observed partially submerged due to spring break-up.

Annual Survey: BPXA conducts an annual ground survey, also called a Walking Speed Survey, to fulfill USDOT and State lease requirements. The annual ground survey was conducted between October 30 and November 3, 2005 and noted that eleven VSMs will require a transit survey to determine "elevation and levelness." Other observations included two spiral wrap insulation jacket issues, gravel in casing at road crossing #8, and partially submerged jacketing at road crossing #9. In their follow-up reporting, BPTA states that items identified during the annual ground survey are scheduled for evaluation and/or repair as needed.

Smart Pigging: The Endicott Pipeline was pigged with an in-line inspection tool in the 4th quarter 2005. A number of metal loss features were reported, but BPTA states, "...no features were reported that would compromise safe pipeline operation." BPXA will conduct field verification of the ILI data in 2006.

ROW Surveillance Conditions: The only ROW conditions reported during 2005 are those noted on the annual ground surveys. BPTA reports that BPXA did not find any problems associated with any of the following surveillance categories: oil spills/leaks, erosion, wildlife blockage, public access, VSMs, sloping crossbeams, titled saddles, saddles suspended above crossbeams, failed anchors, gaps between pipe and saddle, pipeline vibrations, humps or swales, ground cracking, cased pipe, building damage, building foundation movement, building fuel/gas leaks, fish, brown bears, polar bears, and threatened or endangered species.

6.3 SPCO Activity

6.3.1 Lease Administration

The Lease Administration team reviewed a proposal from BPXA with non-objection from BPTA to store two drilling rig camps on the equipment pad north of Endicott Road between the road to Drill Site 9 and the Duck Island Mine Site. The location is within the Endicott Pipeline ROW, but BPTA determined that the storage would not interfere with Endicott's surveillance & monitoring requirements. The storage was expected to last approximately two months in spring 2006 and was approved until May 7, 2006.

The lease administration team also reviewed plans by BPXA with non-objection from BPTA to install a fiber optic connection between Flow Station 1 and Flow Station 2. The cable was strapped to an existing pipeline (not the Endicott Oil Pipeline) within the Endicott Pipeline ROW. Some trenching was required to install the cable at caribou crossings.



View of typical Endicott Pipeline ROW. In the foreground, there is a saddle location (where the pipeline is held by the horizontal and vertical supports).

6.3.2 Compliance Oversight

From September 12 through 14, 2005, the compliance oversight team lead conducted field surveillance of the Endicott Pipeline ROW and completed surveillance reports ANC-05-S-203 through 206. The primary scope of the surveillance was a general overview of the pipeline systems and facilities. The field visit also included surveillance of the Badami pipelines and ROW. No unsatisfactory conditions related to the Endicott lease were noted.

The surveillant traveled the pipeline ROW from Deadhorse to the Endicott facilities on September 12 and was given a tour of the facilities at Endicott. He returned to Deadhorse along the Endicott ROW on September 14. While observing the Endicott ROW and facilities, the surveillant viewed the pig launcher, Badami tie-in location, Sag River crossing, and causeway. The surveillant reported that the facilities were clean and orderly, as was the pad storage area. He was required to watch a safety orientation video and review the *Endicott Orientation Handbook*. Extra precaution was taken in safety as a polar bear had been seen in the area for the preceding two days. The surveillant did not observe the polar bear.

On February 16th, 2006, BPXA's Corrosion, Inspection, and Chemicals Group gave a presentation to the lease compliance oversight team with a general overview of their corrosion program. More specific corrosion information related to each pipeline is obtained by the team through field surveillances.

The compliance oversight team lead reviewed ILI data for the Endicott Pipeline in FY06 as part of a corrosion-focused records review. The SPCO requested and received ILI data from BPTA. The ILI reports requested were those directly from the vendor (raw data prior to analysis by BPXA personnel). These reports showed some metal loss anomalies on the pipeline. The compliance oversight team lead reviewed the reports

with a State engineer from the JPO Technical and Design Review section and met with representatives of BPTA and BPXA to discuss some of the metal loss anomalies. Pigging in 2005 indicated mostly external corrosion-related anomalies. The results of this ILI program review were reported as satisfactory in surveillance report ANC-06-S-110 and 111.

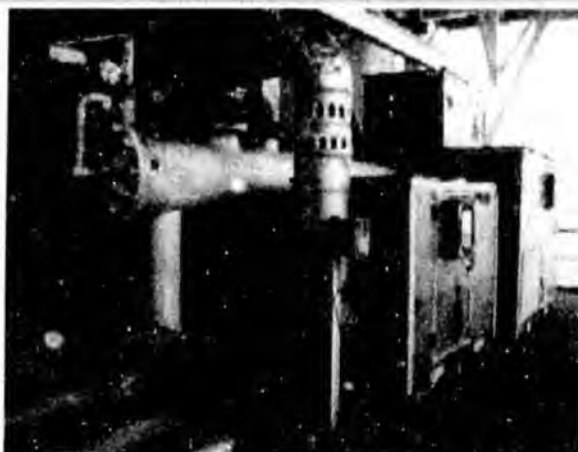
6.3.3 Summary of Lease Compliance Observations: September 2005

<u>Lease</u>	<u>Section</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Endicott	4d	State access to property & records	Satisfactory	ANC-05-S-203
Endicott	7a	State right of physical entry to Leasehold	Satisfactory	ANC-05-S-204

<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Endicott	1.3.6	Access rights to State employees	Satisfactory	ANC-05-S-205
Endicott	1.11.1	Protection of health and safety	Satisfactory	ANC-05-S-206

6.3.4 Summary of Lease Compliance Observations: June 2006

<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Endicott	1.10.1	Surveillance & monitoring: pipeline integrity	Satisfactory	ANC-06-S-110
Endicott	3.4.1	Corrosion control plan	Satisfactory	ANC-06-S-111



The Endicott Pipeline pig launcher is located at Module 303.

6.3.5 Appraisals

According AS 38.35 and the Endicott Pipeline ROW lease agreement, the lessee must pay fair market value to lease State lands in the pipeline ROW, and a new appraisal is due every five years. The most recent appraisal of the Endicott Pipeline ROW, performed by MacSwain Associates, was reviewed and approved by ADNR in fall 2002. It became effective as of the payment due August 5, 2003. The State acreage and annual rental fees from the most recent appraisal follows:

<u>Endicott Pipeline</u>	<u>ADL #</u>	<u>State Acres</u>	<u>Estimated Market Rent</u>
Endicott Operations ROW	410562	1072.64	\$214,528

6.4 Upcoming Issues

6.4.1 Lessee's Activities

BPXA plans to continue surveillance & monitoring. They have scheduled ILI data verification, the annual ground survey, and a vault survey of Tee and Ice Road vaults for the 3rd quarter 2006.

6.4.2 SPCO Compliance Oversight

In FY07, the lease compliance oversight team tentatively plans to conduct field surveillance of the Endicott Pipeline and ROW. The lessee's 2006 annual report, due January 31, 2007, will also be reviewed.

6.5 Contact Information

The Endicott Pipeline lease requires the lessee to designate in writing a registered agent, authorized representatives, and field representatives. In their *2005 ADNR Surveillance & Monitoring Report*, BPTA updated their authorized and field representatives.

Registered Agent

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Authorized Representatives

President, BPTA – Al N. Bolea
Vice President, BPTA – Michael Rocereta
Joint Venture Coordinator – William H. Clifton
Manager Technical & Regulatory – Greg R. Swank

Field Representatives

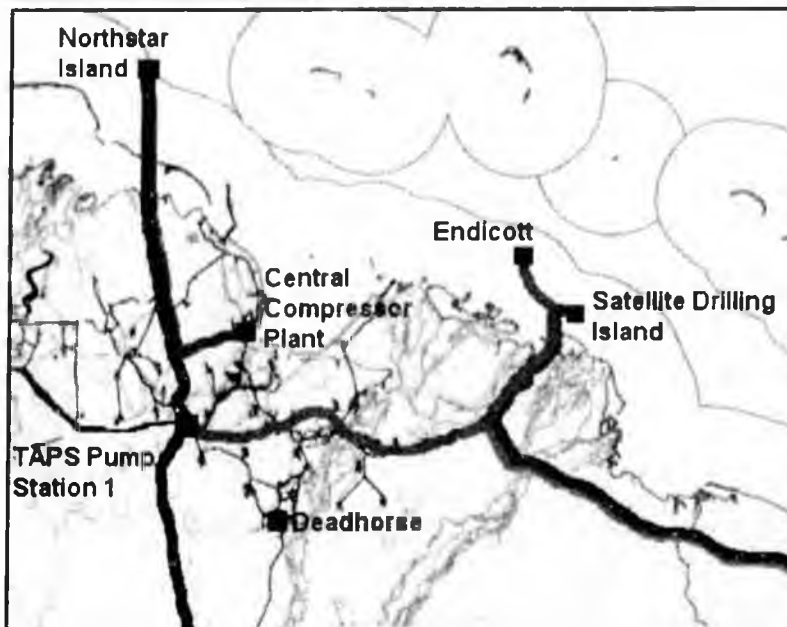
Richard L. Powell and Thomas J. Barnes

NORTH SLOPE PIPELINES

7 Northstar Pipelines: Oil and Gas

ADL # 415970 and 415975

- 7.1 Lease and Right-of-Way Overview
 - 7.1.1 Northstar Corridor
 - 7.1.2 Northstar Oil Pipeline
 - 7.1.3 Northstar Gas Pipeline
- 7.2 Lessee's Annual Report
 - 7.2.1 SPCO Review
 - 7.2.2 Lessee's Activities
 - 7.2.3 Lessee's Surveillance & Monitoring
- 7.3 SPCO Activity
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- 7.5 Contact Information



- Endicott Oil Pipeline
- Northstar Oil Pipeline
- Northstar Gas Pipeline
- Badami Sales Oil Pipeline
- Badami Utility Pipeline
- Oilkotok Pipeline
- Kuparuk Oil Pipeline
- Trans-Alaska Pipeline System

Seal Island, also known as Northstar Island, was constructed in the winter of 2000-2001. BP has engaged in two pipeline ROW lease agreements with the State for Northstar: an export oil pipeline and a gas pipeline that goes to the island.

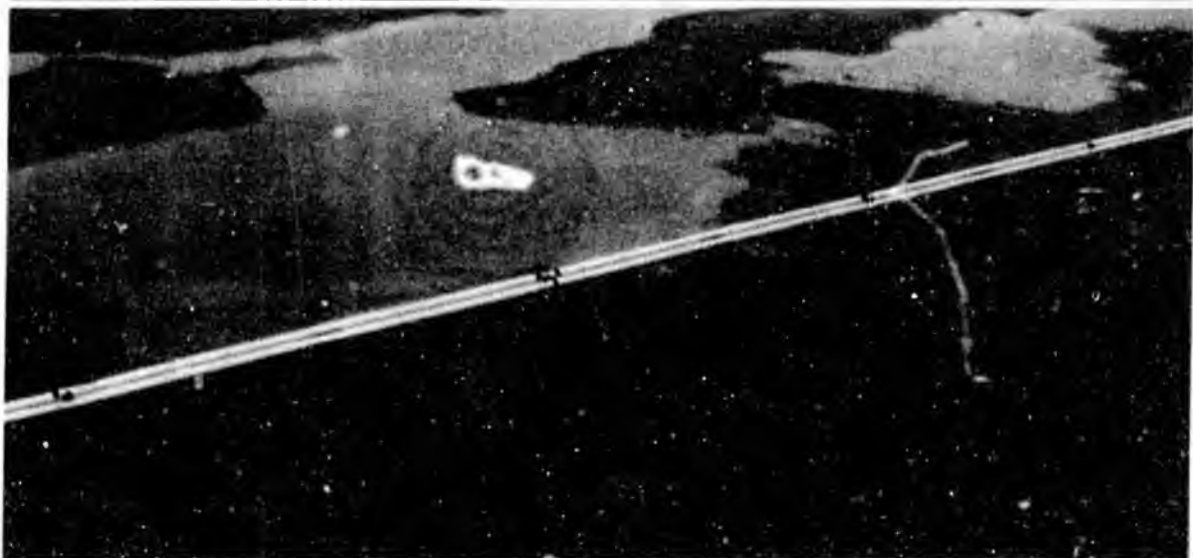
7.1 Lease and Right-of-Way Overview

7.1.1 Northstar Corridor

The 17-mile Northstar Oil Pipeline was built in 2000-2001 to transport oil from man-made Seal Island south to TAPS Pump Station 1. The 16-mile Northstar Gas Pipeline transports natural gas from Prudhoe Bay's Central Compressor Plant north to Seal Island. Both 10-inch diameter pipelines are supported above-ground crossing tundra and are buried at least six feet below the sea floor between the Beaufort Sea shore crossing and Seal Island. The shore crossing is located at Gwydyr Bay near Point Storkersen. More pipeline-specific information is provided later in this section.

Though the Northstar pipelines share horizontal and vertical supports for much of their alignment, each has a separate ROW lease agreement with the State. Both Northstar ROW lease agreements, effective October 9, 1999, will expire September 30, 2019. Both leases were amended November 12, 2002, to reflect an updated State law allowing a 30 year renewal period. BPTA is the ROW lessee and the party ultimately responsible for compliance. BPTA has contracted with BPXA to operate and maintain the pipelines. BPTA developed the Northstar Quality Program to ensure lease compliance. The Program is implemented through the BPXA Quality Plan. Both the Program and Plan were approved by the State Pipeline Coordinator in December 2004.

Both pipelines traverse land entirely owned by the State of Alaska, crossing portions of two Oil and Gas units: Northstar and Prudhoe Bay. The Northstar pipelines rights-of-way are both still in construction width (they have not yet been released to operational width). The State land includes 2,100 acres in the oil pipeline ROW and 150.92 acres in the gas pipeline ROW. The pipeline ROWs are mostly roadless as they cross tundra. Seasonal ice roads can permit winter access to the ROW.



Aerial view of typical Northstar tundra crossing right-of-way.

Tundra Crossing: The Northstar pipelines were constructed on horizontal and vertical support members a minimum of five feet above the tundra to prevent permafrost degradation and allow wildlife passage. The two pipelines are supported on the same VSMs for approximately six miles from the shore transition to a point where the gas pipeline ROW diverges east and the oil pipeline continues to Pump Station 1.

Environmental Concerns: Due to concerns about the impact of a spill on subsistence resources in the Beaufort Sea, the Northstar oil pipeline is equipped with a sophisticated leak detection system capable of sensing hydrocarbons that could be emitted from a sub-sea leak. The sub-sea pipelines are constructed with coated, thicker steel and buried at least six feet deep in a trench. Wind-induced vibration is a significant problem for the above-ground Northstar pipelines. Vibration dampeners attached to the pipelines mitigate some vibration effects.

Ice Gouging: During spring break-up, large masses of ice can gouge the shallow seafloor bottom in the Beaufort Sea. Ice gouges are monitored annually to ensure that the six foot minimum backfill is maintained over the pipelines. For more information on ice gouge monitoring, see 7.2.3, Lessee's Surveillance & Monitoring.

Strudel Scour: An additional concern for the sub-sea Northstar pipelines is a unique phenomenon known as strudel scour. This localized, seasonal phenomenon occurs during spring breakup when overflow from rivers such as the Kuparuk River runs over the top of frozen shore-fast sea ice. When the overflow reaches a break or hole in the ice, water pours down into the hole at high velocity. The flow can scour the shallow sea bottom and create gouges that can reach thousands of feet in length. Scours can be circular or linear. Eventually, wave and sediment action fill the holes caused by strudel scour. The Northstar pipelines are designed to withstand a direct hit by strudel scour, which could remove trench backfill and create a free span of pipe. Operators of the Northstar pipelines conduct an annual strudel scour survey to determine the depth and extent of each year's strudel scours. For more information on strudel scour monitoring, see 7.2.3, Lessee's Surveillance & Monitoring.

River Crossing: The Northstar Oil Pipeline crosses the Putuligayuk River just before Pump Station 1.

Other Crossings: The pipelines are supported at least five feet above the tundra except at caribou and road crossings where they are located in buried steel culverts covered by gravel.

Lease: Electronic copies of the Northstar lease agreements and approved amendments are available for public viewing online at the SPCO website: <http://www.jpco.doi.gov/SPCO/SPCO.htm>.

7.1.2 Northstar Oil Pipeline (ADL 415700)

The Northstar Oil Pipeline begins at the Northstar Production Facility located approximately six miles offshore on man-made Seal Island in State waters in the Beaufort Sea. A pig launcher, mainline pumps, metering, and leak detection equipment are at the production facility. The pipeline then transitions to a sub-sea trench. It continues approximately six miles buried under the sea until the shore transition at Point

Storkersen where the system includes a Remote Terminal Unit (RTU) valve. The pipeline then crosses approximately 11 miles of tundra. At the TAPS tie-in facilities at Pump Station 1, there is a pig receiver, heater, and flow meter to monitor the line for leak detection. The pipeline travels a total of 17 miles from north to south.

The oil pipeline was constructed for a maximum operating pressure of 1,480 psig at 100° F. The nominal wall thickness is 0.307 inches crossing tundra and increases to 0.594 inches sub-sea. It is designed to carry 85,000 barrels of oil per day. BPXA does not use corrosion inhibiting chemicals in the Northstar Oil Pipeline because sales quality crude oil contains little sulfur, sediment, and water.

The entire oil pipeline is piggable, and BPXA employs smart pigs to check pipeline conditions and corrosion-related integrity problems. The oil pipeline was last pigged with both a geometry and a metal loss tool as part of the baseline survey in 2003. In summer 2006, BPXA plans to use both a metal loss and geometry in-line inspection tool in the Northstar Oil Pipeline.

7.1.3 Northstar Gas Pipeline (ADL 415975)

The Northstar Gas Pipeline originates at Prudhoe Bay's Central Compressor Plant and travels approximately four miles west to a point where it meets the Northstar Oil Pipeline. For approximately six miles to the north, the gas pipeline is supported on the same VSMS as the oil pipeline, though they flow in opposite directions. For an additional six miles sub-sea, the gas pipeline is bundled with the oil pipeline as it travels north to Seal Island. The total pipeline length is approximately 16 miles.

The gas pipeline was constructed for a maximum operating pressure of 1,480 psig. The nominal wall thickness is 0.307 inches crossing tundra and increases to 0.594 inches sub-sea.

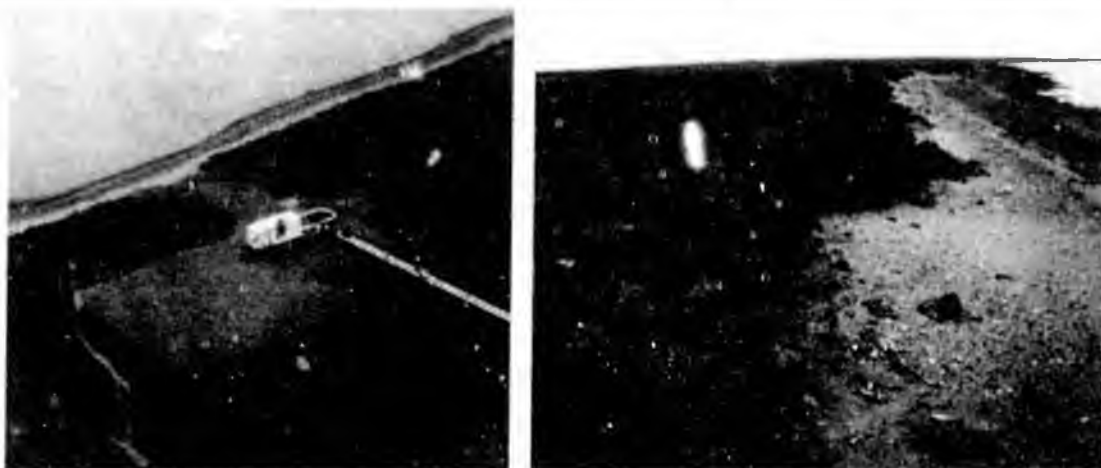
The entire gas pipeline is piggable, and BPXA employs smart pigs to check pipeline conditions and corrosion-related integrity problems. The gas pipeline was first pigged for baseline data in 2003.

7.2 Lessee's Annual Report

7.2.1 SPCO Review

BPTA, lessee for the Northstar pipelines, submitted a *2005 ADNR Surveillance & Monitoring Report* to the State Pipeline Coordinator's Office on time in January 2006. A single report was provided for all BPTA leases (Badami, Endicott, Northstar, and Milne Point). BPTA's reports provide general information on pipeline activities, and contain most of the minimum information required. To meet minimum requirements for annual reporting in the leases, the SPCO issued a letter to BPTA requesting additional information with a response due date of June 16, 2006. The seven requirements for

annual reporting to the SPCO are listed in the Introduction Section. BPTA responded on time with the requested information, thereby fulfilling the annual reporting requirements.



Left: Aerial view of the Northstar shore crossing landfall at Point Storkersen, the point where the pipelines transition between buried sub-sea and supported above-ground. The visible module houses an RTU valve. Right: close-up of eroding bluff at the shore crossing. Some bluff erosion is natural at this location. The lessee conducts an annual bluff stability survey.

7.2.2 Lessee's Activities

Oil Pipeline Operations: In 2005, the Northstar Oil Pipeline transported more than 22 million barrels of sales quality crude oil to Pump Station 1. Specifically, 22,426,795 gross barrels and 22,421,810 net barrels (less water and sediment) were transported in 2005.

Gas Pipeline Operations: In 2005, 30,811,706 MSCF of natural gas were transported through the Northstar Gas Pipeline.

Incidents: BPTA reports that no incidents, events, or fires occurred along the Northstar pipelines in 2005. No OSHA Reportable safety incidents of lost time or medical treatment occurred for personnel working on any BPTA common carrier pipelines in 2005.

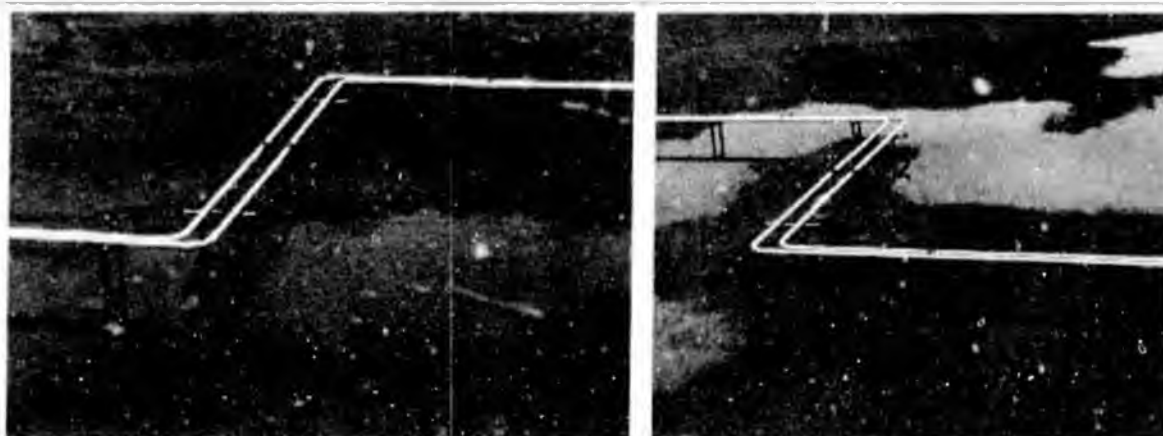
Internal Safety Program: Northstar personnel participate in BP's internal safety programs. Employees formally monitor each other under the Safety Training Observation Program (STOP), and managers conduct Advanced Safety Audits. In 2005, Northstar employees generated 2,234 STOP observations and there were 1,043 Advanced Safety Audit participants.

Heater: Active corrosion was identified in Northstar's heater shell in 2005. Automated ultrasonic testing was used in May 2005 and is being continued monthly until a new heater arrives. They have also increased secondary containment to 120%.

In July 2006, BPXA expects delivery of a replacement heater. The heater is used to warm up Northstar oil prior to entering TAPS.

Guided Wave: The lessee is attempting to supplement their integrity management program with a new technology called guided wave that can detect some defects such as corrosion wall loss and cracks. They anticipate the technology could be useful in areas that are difficult to access, such as Northstar's shore crossing. Implementation of guided wave examination in 2005 was postponed because of a change in service providers. The lessee reports that they will try again in 2006 to re-establish the potential long-range monitoring technique.

USDOT Compliance: A 2005 Annual Risk Hazard Review associated with the USDOT Integrity Management Program was conducted in November 2005.



Aerial views of the Northstar Pipelines. These bends are a design feature to accommodate heat-related expansion and contraction of the pipelines.

7.2.3 Lessee's Surveillance & Monitoring

The Northstar pipeline ROW leases require the lessee to comply with an SPCO-approved Surveillance & Monitoring Program. This program describes how the lessee ensures they are complying with lease provisions and protecting the pipeline and ROW.

BPTA defines "surveillance" as "making observations that are primarily qualitative by flying, driving, or walking along the pipeline and related facilities." The Surveillance & Monitoring Program's purpose is to detect, prevent, and abate situations which may endanger public health & safety, the environment, or pipeline integrity, and public or private property damage. The Northstar Surveillance Program consists of routine surveillance designed to meet USDOT requirements including biweekly aerial surveys of ROW conditions and annual ground surveys.

BPXA also must inspect mainline valves twice each year. The Monitoring Program consists of routine and corrective maintenance and inspection tasks, as well as a variety

of pipeline, river crossing, and wildlife monitoring. For more detailed information on what is monitored along the Northstar pipelines, and the frequency for monitoring, see the current *Surveillance & Monitoring Program* in State files.

Annual Survey: BPXA conducts an annual ground survey, also called a Walking Speed Survey, to fulfill USDOT and State lease requirements. 2005's ground survey, conducted between February 10 and February 12, noted no deficiencies of any kind. A missing gas pipeline saddle bolt from the 2004 survey was incorrectly reported to be located on support #230. The 2005 survey verified a bolt was actually missing from support #231. No bolt hole was drilled during construction and so a new bolt could not be installed. The issue was communicated to the Northstar Engineer.

Aerial Surveys: In 2005, Shared Services Aviation conducted 67 aerial surveys of the Northstar ROW and reported no anomalies.

Cathodic Protection: In September 2005, BPXA did the annual cathodic protection survey and reports that the requirements of 49 CFR 192 and 195 were met. The survey covers sub-sea portions of the pipeline. Portable reference electrodes were used for the survey because the permanent monitoring devices installed during construction do not provide reliable data.

Coastal Stability: Coastal Frontiers conducted the annual Post-Construction Coastal Stability Analysis in the summer of 2005 and calculated an average bluff retreat of 0.6 feet for surveyed coastal profiles. BPTA says that no remediation measures were required.

Shore Crossing Revegetation: LGL Alaska Research Associates inspected revegetation efforts at the trench backfill and gravel remnant area of the Northstar shore crossing in summer 2005. LGL reported that that vegetation is stabilizing the sand backfill and that erosion control matting placed in 2004 appears to have prevented further erosion on the seaward edge of the backfill trench.

Ice Gouging: Annual monitoring of the sub-sea pipelines is conducted in two phases: a helicopter-based reconnaissance of strudel drainage features during break-up and a vessel-based survey in late summer. Coastal Frontiers conducted 2005's field work and found that the six-foot backfill minimum was maintained over the entire length of sub-sea pipeline. Both the frequency and severity of ice gouging were high by historical standards. A total of 44 ice gouges with depths greater than or equal to the 0.3 foot resolution of the bathymetric sonar systems were detected.

Strudel Scour: The strudel scour survey coincides with the ice gouge survey. The 2005 Kuparuk River over-flood was smaller than any other year since pipeline construction and only 20 circular strudel drainage features were detected in a 10,000 foot wide corridor centered on the pipeline centerline. This is well below the prior minimum value of 49 drains detected in 2000. The sonar survey revealed seven new depressions and one relic depression. Both the frequency and severity of strudel scour were significantly lower than prior surveys following pipeline construction. Though four of seven new strudel scour features were located in close proximity to the pipelines, and two impinged on backfill directly over the pipelines, the minimum backfill thickness was maintained.

Thermistors: Thermistors were installed at the shore crossing and measurements were taken in June 2005 to detect potential slumping of tundra edges perpendicular to shore. Readings indicated thaw bulb growth beyond the excavated trench. The site will be further monitored to see if mitigation is required.



At road crossings, the Northstar pipelines are located in steel culverts covered with gravel. This picture was taken from a helicopter during an SPCO compliance oversight visit in 2004.

7.3 SPCO Activity

7.3.1 Lease Administration

The Lease Administration team does not have anything significant to report for the Northstar pipelines in FY06.

7.3.2 Compliance Oversight

No SPCO surveillance of the Northstar pipelines was conducted between January 1, 2005 and June 30, 2006. The compliance oversight team did, however, review the lessee's annual report and discussed the lessee's corrosion program. On February 16th, 2006, BPXA's Corrosion, Inspection, and Chemicals Group gave a presentation to the lease compliance oversight team with a general overview of their corrosion program. Additionally, the compliance oversight team lead reviewed ILI data for the Northstar Oil Pipeline as part of a corrosion-focused records review. The SPCO requested and received ILI data from BPTA. The ILI reports requested were those directly from the vendor (raw data prior to analysis by BPXA personnel). These reports showed some metal loss anomalies on the pipeline. The compliance oversight team lead reviewed the reports with a State engineer from the JPO Technical and Design Review section and met with representatives of BPTA and BPXA to discuss some of the metal loss anomalies. As a relatively new pipeline, all ten of the top ten defects identified in 2003

pigging were essentially near the detection limits of the instrument used, that is, with peak depths of 13% or less. The results of this ILI program review were reported as satisfactory in surveillance report ANC-06-S-114 and 115.

7.3.3 Summary of Lease Compliance Observations: June 2006

<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Oil	1.6.1	Surveillance & monitoring: corrosion	Satisfactory	ANC-06-S-114
Oil	3.2.1	Early detection of corrosion	Satisfactory	ANC-06-S-115

7.3.4 Appraisals

According to AS 38.35, the lessee must pay fair market value to lease State lands in the pipeline ROW. The Northstar leases specify that a re-appraisal is due every five years. The most recent appraisal of the Northstar Oil Pipeline ROW, performed by MacSwain Associates, was reviewed and approved by ADNR in 1999. A new appraisal was due October 1, 2004, but the lessee asked for an extension. The due date was extended to March, 2005. Currently, the new appraisal is still pending approval by DNR, so the 1999 rental value is being used. State acreage and annual rental fees from the 1999 appraisal follow:

<u>Northstar Pipeline</u>	<u>ADL #</u>	<u>State Acres</u>	<u>Estimated Market Rent</u>
Oil Construction ROW	415700	2100	\$126,500
Gas Construction ROW	415975	150.92	\$17,500

7.4 Upcoming Issues

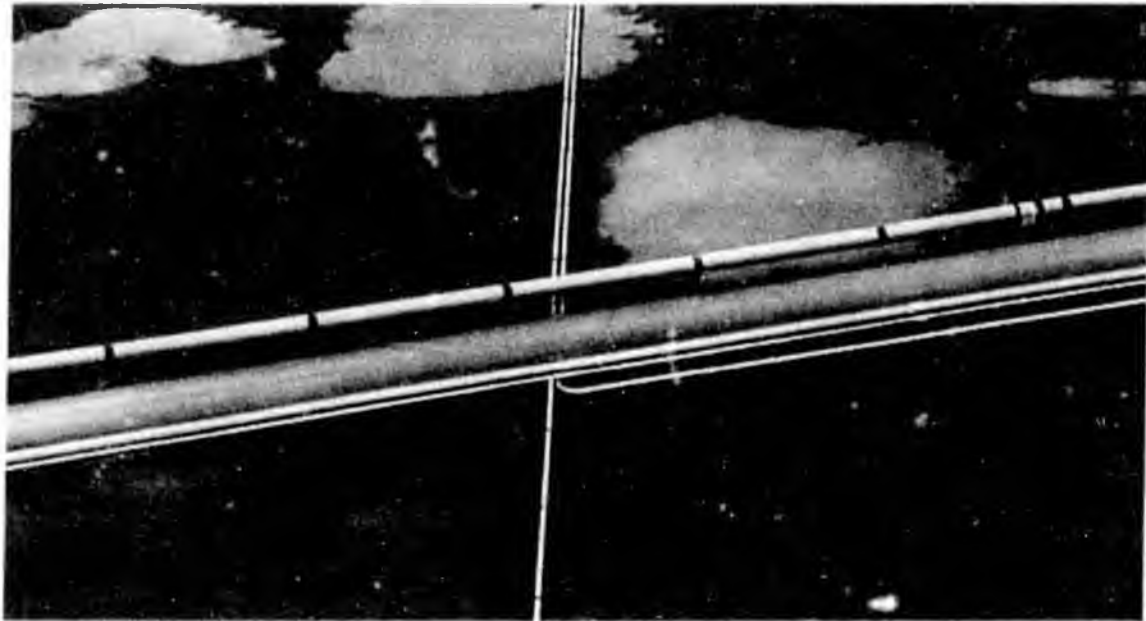
7.4.1 Lessee's Activities

The lessee plans to continue aerial inspections of the Northstar pipelines approximately every two weeks. In summer 2006, BPXA plans to conduct a metal loss in-line inspection of the Northstar Pipelines using a smart pig. They have also tentatively scheduled a mapping survey to coincide with the ILI. The Ground Survey and Cathodic Protection Survey were scheduled for 2nd quarter 2006. In the 3rd quarter 2006, BPTA plans to conduct the strudel scour and ice gouge survey, guided wave inspection of the shore crossing risers, and replacement of the Northstar Heater.

7.4.2 SPCO Compliance Oversight

In July 2006, the lease compliance oversight team will conduct field surveillance of the Northstar pipelines and ROWs to assess whether State lands are in adequate condition for a release of interests to reduce the ROW from construction to operations

width. A team member will conduct field surveillance of the Northstar shore crossing re-vegetation efforts in August 2006. The lessee's 2006 annual report, due January 31, 2007, will also be reviewed. Additional field surveillance may be conducted in FY07.



The Northstar Gas Pipeline meets the Northstar Oil Pipeline south of a road crossing. The gas pipeline enters from the east and the Central Compressor Plant. The oil pipeline continues south to Pump Station 1 (the gas and oil pipelines flow in opposite directions).

7.5 Contact Information

The Northstar Pipeline leases require the lessee to designate in writing field representatives, authorized agents, and registered agents. In their *2005 ADNR Surveillance & Monitoring Report*, BPTA updated their authorized and field representatives.

Registered Agent

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Authorized Representatives

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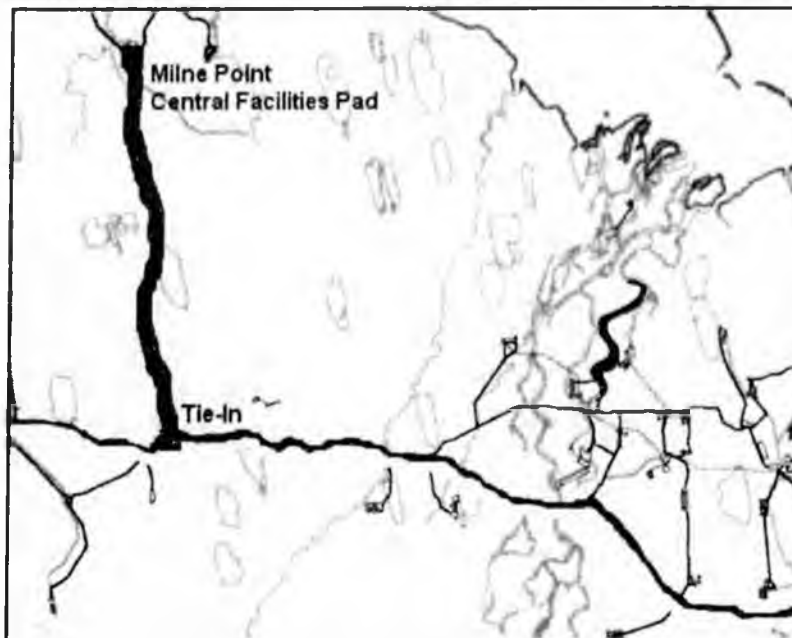
Wayne E. Kuykendall and Gary D. Herring

NORTH SLOPE PIPELINES

8 Milne Point Pipelines – Oil and Products

ADL # 416221 and 416172

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 - 8.1.1 Milne Point Corridor
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 - 8.2.3 Lessee's Surveillance & Monitoring
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- Milne Point Oil Pipeline
- Milne Point Products Pipeline
- Oliktok Pipeline
- Kuparuk Oil Pipeline

The Milne Point Pipelines connect the Milne Point Development to the Kuparuk and Oliktok pipeline systems.

8.1 Lease and Right-of-Way Overview

8.1.1 Milne Point Corridor

The Milne Point Oil Pipeline was built in 1984-1985 to transport oil from the Milne Point Development to the Kuparuk Pipeline System. Later, in 2000, the Milne Point Products Pipeline was built to transport natural gas liquids from the Oliktok Pipeline System to Milne Point for use in enhanced oil recovery. The Products Pipeline is also referred to as the Kuparuk Enhanced Oil Recovery (KEOR) pipeline. The two pipelines share the same set of horizontal and vertical support members and run entirely aboveground except for caribou and road crossings. More pipeline-specific information is provided later in this section.

Though the Milne Point pipelines share horizontal and vertical supports, each has a separate ROW lease agreement with the State. The oil pipeline lease, issued in January 1985, was renewed in 2002 and expires in May 2034. The products pipeline lease was issued in December 2000 and expires in December 2030.

Both pipelines are approximately ten miles long and traverse land entirely owned by the State of Alaska, crossing portions of three Oil and Gas units: Milne Point, Kuparuk River, and Prudhoe Bay. The State land includes 186.92 acres in the oil pipeline ROW and 194.2 acres in the products pipeline ROW. The pipelines are entirely accessible by gravel road, and are mainly on the west side of Milne Point Road.

Milne Point Pipeline LLC is the ROW lessee for the Milne Point pipelines and is the party ultimately responsible for compliance with the lease agreements. BPTA is the ROW manager. BPXA operates and maintains the pipelines. BPTA developed the Milne Point Quality Program to ensure lease compliance. The Program is implemented through the BPXA Quality Plan. Both the Program and Plan were approved by the State Pipeline Coordinator in fall 2004.

Environmental concerns: The Milne Point pipelines are constructed on VSMs a minimum of five feet above the tundra to prevent permafrost degradation and allow wildlife passage. Wind-induced vibration is a significant problem for the Milne Point Pipelines. Vibration dampeners attached to the pipelines mitigate some vibration effects. The oil pipeline's vibration dampeners hang below the pipe at mid-span between VSMs. The products pipeline's vibration dampeners are above the pipe at mid-span.

River Crossings: There are no major river crossings along either Milne Point ROW, but wetlands and ponds are present.

Other Crossings: The pipelines are supported at least five feet above the tundra except at caribou and road crossings where they are located in buried steel culverts covered by gravel. There is a road crossing just outside of Milne Point Central Facilities Pad and another at the intersection of Milne Point Road and the road to "S" Pad. The "S" Pad intersection was built over the top of the pipelines. Both pipelines also cross underneath Spine Road just before they tie into the Kuparuk and Oliktok Pipeline Systems, south of the Spine Road and Milne Point Road intersection.

Lease: Electronic copies of the Milne Point lease agreements and approved amendments are available for public viewing at the SPCO website: <http://www.jpo.doi.gov/SPCO/SPCO.htm>.

8.1.2 Milne Point Oil Pipeline (ADL 410221)

The 14-inch Milne Point Oil Pipeline begins at Milne Central Facilities Pad Module 58, which houses a pig launcher, mainline pumps, metering, and leak detection equipment. It terminates at Module 68, where it ties into the Kuparuk Oil Pipeline. Module 68 houses the pig receiver, metering, and leak detection equipment. The pipeline was constructed for a maximum allowable operating pressure of 1,350 psig with a wall thickness of 0.312 inches. It is designed to carry 65,000 barrels of oil per day at a temperature up to 200° F. BPXA says they do not use corrosion inhibiting chemicals in this sales oil pipeline because sales quality oil contains little sulfur, water, and sediment.

The entire oil pipeline is piggable, and BPXA employs smart pigs to check pipeline conditions and corrosion-related integrity problems. The oil pipeline was last pigged with a magnetic flux leakage tool in fall 2005. In spring and summer 2006, BPXA is conducting field verification of their in-line inspection data, and will schedule repairs as appropriate. For more information about ILI, see 8.3.2, Compliance Oversight.

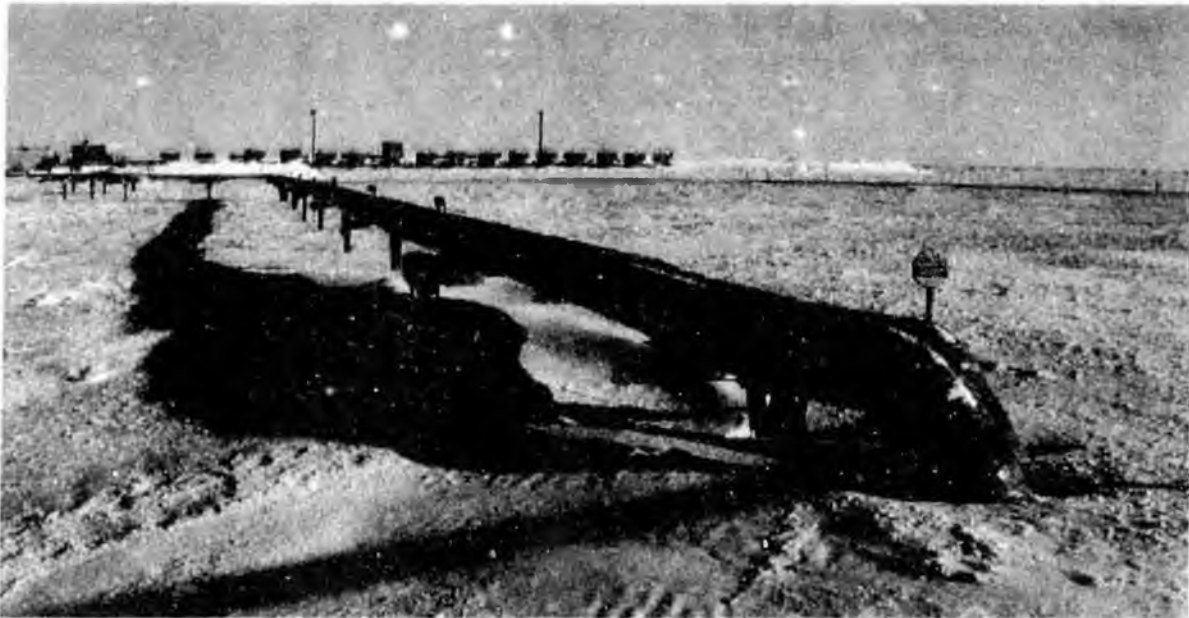


Winter view of the Milne Point Pipelines looking South from the "S" Pad intersection.

8.1.3 Milne Point Products Pipeline (ADL 416172)

On the same horizontal and vertical supports rests the Milne Point Products Pipeline. It was built for transporting natural gas liquids from the Oliktok Pipeline to Milne Point to be used for enhanced oil recovery techniques. When this proved uneconomical, BPXA placed the Products Pipeline in warm shutdown status in 2002. They currently plan to de-inventory the pipe of NGLs and fill it with a nitrogen blanket.

The Milne Point Products Pipeline is 8 inches in diameter with a 0.277 inch wall thickness. Its present maximum allowable operating pressure is 720 psig at less than 100° F. The NGL pipeline begins at the Oliktok Pipeline. There is a removable pig launcher, pump, metering, and leak detection equipment at Module 68 north of Spine Road. The entire NGL pipeline is piggable, and a removable pig receiver can be staged where the line terminates at Milne Central Facilities Pad. Appendix B of the lessee's 2005 annual report states that metal loss smart pigs are no longer applicable to the Products Pipeline's monitoring program because of its warm shutdown status.



View of the Milne Point Pipelines looking east from Milne Point Road. The pipelines transition to a buried road crossing. In the background is Milne Central Facilities Pad.

8.2 Lessee's Annual Report

8.2.1 SPCO Review

BPTA, on behalf of Milne Point Pipeline Company, submitted a 2005 ADNR *Surveillance & Monitoring Report* to the State Pipeline Coordinator's Office on time in January 2006. A single report was provided for all BPTA leases (Badami, Endicott, Northstar, and Milne Point). BPTA's reports provide general information on pipeline activities, and contain most of the minimum information required. To meet minimum

requirements for annual reporting in the leases, the SPCO issued a letter to BPTA requesting additional information with a response due date of June 16, 2006. The seven requirements for annual reporting to the SPCO are listed in the Introduction Section. BPTA responded on time with the requested information, thereby fulfilling the annual reporting requirements.

8.2.2 Lessee's Activities

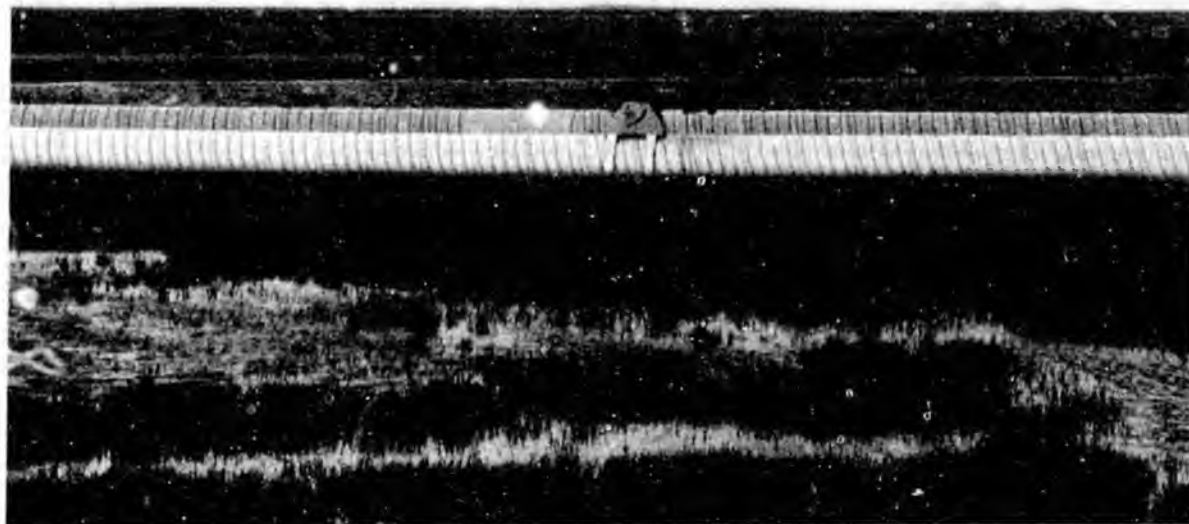
Below are some highlights from the 2005 report:

Oil Pipeline Operations: More than sixteen million barrels of oil were transported through the Milne Point Pipeline in 2005. Specifically, 16,059,164 gross barrels and 16,010,287 net barrels (less water and sediment) were transported to the Kuparuk Pipeline.

Products Pipeline Operations: No natural gas liquids were transported through the Milne Point Products Pipeline in 2005.

Incidents: BPTA reports that no incidents or events occurred along the Oil or Products pipeline in 2005. No OSHA Reportable safety incidents of lost time or medical treatment occurred for personnel working on any Milne Point common carrier pipelines.

In September, 2005, however, there was a significant incident related to NGL pipeline activities that had the potential to negatively impact the Oliktok Pipeline System. A Milne Point operator closed an Oliktok Pipeline valve without the knowledge or consent of Oliktok operators. The SPCO was notified of this event not by BPTA, but through the *2005 Annual Comprehensive Report on Pipeline Activities* provided by ConocoPhillips for the Oliktok Pipeline. More information is available on this incident later in this section under 5.3.2, Compliance Oversight.



Vibration dampeners attached to the Milne Point pipelines help mitigate wind-induced vibration.

Communications: BPTA reports that a new radio link was added in November 2005 between Kuparuk CPF 1 and Milne Point to increase reliability for the sales oil leak detection system. The upgrade affects the connection between the Milne Point Oil Pipeline and the Kuparuk Oil Pipeline.

Internal Safety Program: Milne Point employees participate in BP's internal safety programs. Employees formally monitor each other under the Behavior Enhanced Safety Techniques (BEST) program, and managers conduct Advanced Safety Audits. According to the BPTA annual report, in 2005, Milne Point employees generated 974 BEST observations and there were 4,483 Advanced Safety Audits.

8.2.3 Lessee's Surveillance & Monitoring

Oil Lease Stipulation 1.10.1 requires the lessee to comply with an SPCO-approved "surveillance and maintenance" program (hereafter referred to as surveillance & monitoring). This program describes how the lessee ensures they are complying with lease provisions. The Products Lease Stipulation 1.6.1 requires the lessee to implement their approved program. BPTA defines "surveillance" as "making observations that are primarily qualitative by flying, driving, or walking along the pipeline and related facilities." The program's purpose is to detect, prevent, and abate situations which may endanger public health & safety, environment or pipeline integrity, and public or private property damage.

The Milne Point Surveillance Program consists of routine surveillance designed to meet USDOT requirements including biweekly drive-by surveys of the ROW conditions and an annual ground survey. BPXA conducted 33 drive-by inspections of the Milne Point ROW in calendar year 2005 and performed the annual ground survey in December 2005. BPXA also must inspect mainline valves twice each year.

The Monitoring Program consists of routine and corrective maintenance and inspection tasks, as well as a variety of pipeline, river crossing, and wildlife monitoring. For more detailed information on what is monitored along the Milne Point Pipelines, and the frequency for monitoring, see the current *Surveillance & Monitoring Program* in State files.

Annual Survey: BPXA conducts an annual ground survey, also called a Walking Speed Survey, to fulfill USDOT and State lease requirements. Acuren (formerly Canspec) does the Walking Speed Survey for both Milne Point pipelines. In December 2005, the ground survey recorded 58 Oil Pipeline issues. Five were minor perforations to the insulation jacket. Fifty vibration dampener grommet repair issues were noted, and two broken dampeners were found. One pipeline jacketing drain alignment issue was noted at a weld pack. Five issues were noted with the Products Pipeline. One was a missing saddle band, and four others were insulation jacket perforations.

Aerial Surveillance: BPTA reported that no aerial surveillance was conducted of the Milne Point pipelines in 2005.

ROW Surveillance Conditions: The only ROW conditions reported during 2005 are those noted on the annual ground surveys. BPTA reports that BPXA did not find any problems associated with any of the following Surveillance & Monitoring Program

categories: oil spills/leaks, erosion, wildlife blockage, public access, VSMs, sloping crossbeams, titled saddles, saddles suspended above crossbeams, failed anchors, gaps between pipe and saddle, pipeline vibrations, humps or swales, ground cracking, cased pipe, building damage, building foundation movement, building fuel/gas leaks, fish, brown bears, polar bears, and threatened or endangered species.

USDOT Compliance: In March 2006, a USDOT representative performed standard inspections of the Milne Point pipelines. No deficiencies were found.



Surveillance report #ANC-06-S-038 noted some minor unsatisfactory safety conditions. These mainly included tools and parts in walkways and work areas. This large metal object, a tripping hazard, was at the top of the stairs of the Kuparuk/Oliktok tie-in location platform. The lessee sent a letter on May 26 stating that they had corrected the problem.

8.3 SPCO Activity

8.3.1 Lease Administration

The Lease Administration team does not have anything significant to report for the Milne Point pipelines in FY06.

8.3.2 Compliance Oversight

On February 16th, BPXA's Corrosion, Inspection, and Chemicals Group gave a presentation to the lease compliance oversight team with a general overview of their corrosion program. More specific corrosion information related to each pipeline is obtained by the team through field surveillances.

SPCO conducted a compliance oversight surveillance of the Milne Point pipelines and ROWs in March 2006. The primary scope of the surveillance was to evaluate oil lease stipulations 1.6 (surveillance & monitoring) and 3.2 (Pipeline Corrosion); and

products lease stipulation 1.6 (surveillance & monitoring). Additionally, the valve closure incident related to the Products Pipeline activities was investigated.

On March 8, a compliance oversight team member visited the BPXA office in Anchorage to review integrity management documents. Documents reviewed are listed in the surveillance field notes attached to surveillance report ANC-06-S-036. Some are also attached. Most of BPXA's corrosion program is designed to meet the requirements of USDOT regulations.

For the field part of the surveillance, the team member flew to Milne Point via Kuparuk on March 10. The surveillant was greeted at Milne Point by Jerry Gronos, facility lead tech, and began the surveillance by looking at the facility control room. The surveillant visited the start of the oil pipeline in Module 58 where she observed the mainline pumps, pig launcher, metering, and leak detection system. She also observed the location of the removable NGL pig receiver in Module 48. Though the pipeline system appeared to be in good repair, surveillance report #ANC-06-S-038 noted some minor unsatisfactory safety conditions such as unused tools and parts on the floor in work and walk areas which could present a tripping hazard.

Next the surveillant asked to view a copy of the latest ROW drive-by inspection for each pipeline. Milne Point personnel said that the same form is used for inspecting both ROWs, but the form only says Milne Point (Oil) Pipeline, leaving the reader to wonder if any inspection was done on the other pipeline. Surveillance report #ANC-06-S-026 lists a minor unsatisfactory condition under Products Pipeline lease stipulation 1.6 because the drive-by survey form did not reflect the fact that observations were being made on the Products Pipeline as well. The lessee followed up to document that observations are being made on both pipelines and updated their form to reflect that.

SPCO surveillance included stopping at more than a dozen locations to inspect pipeline and ROW features. No unsatisfactory conditions were observed along the ROW west of Milne Point Road. Snow obscured all of the tundra, limiting the scope of ROW observations. The pipeline was well above the snow except at road and caribou crossings.

At the location where the Products Pipeline begins, a valve owned by ConocoPhillips controls the flow of natural gas liquids from the Oliktok Pipeline into the Milne Point Products Pipeline. In September 2005, a Milne Point operator broke a carseal on this valve and locked it out without permission from the Oliktok Pipeline operators while removing a section of pipe known as a metering run from Module 58. The incident was not discovered until one month later. ConocoPhillips, in their *2005 Annual Comprehensive Report on Pipeline Activities* for the Oliktok Pipeline, referred to the incident as a "potentially serious safety issue and a property trespass situation."

Milne Point personnel responded that they took the incident very seriously. Their investigation produced BPTA incident report #2005-IR-1575580 with a list of four action items signed off as completed. One action item said that Milne Point personnel had ordered a permanent metal sign to be placed on the valve and that a temporary wooden sign was already in place. Other action items dealt with educating Milne Point personnel about the valve ownership.

The lease compliance oversight team member visited the valve to verify that these action items were completed as stated. SPCO surveillance report #ANC-06-S-033 states that the action item requiring a sign marking valve ownership was not completed as stated. The surveillant observed no temporary wooden sign, and the taped sign in place was not clearly visible from the platform housing the valve. This is a significant unsatisfactory condition under Lease Section 15(c) which requires the lessee to provide reasonable protection to existing public and private improvements which may be adversely affected by pipeline activities. The lessee was given until May 26 to document that the action items were completed. Surveillance Field Notes attached to surveillance report #ANC-06-S-036 in the SPCO files provide further details.



The SPCO surveillant observed that the sign marking the Oliktok tie-in valve did not match the sign described in BPTA's incident report. Details are in surveillance report #ANC-06-S-033.

On May 26, the SPCO received a letter from Milne Point Pipeline Company addressing the unsatisfactory conditions from the March 2006 surveillance. On June 12, 2006, the SPCO issued surveillance reports ANC-06-S-072 through ANC-06-S-074 documenting that the lessee resolved the three unsatisfactory conditions noted in the March surveillance. Copies of the surveillance reports and notes are available in the JPO Document Tracking System. Further follow-up to this surveillance is anticipated in FY07. The lease compliance oversight team will visit the location of the tie-in during field surveillance in FY07 to confirm that the lessee has completed required follow-up.

Additionally, the compliance oversight team lead reviewed ILI data for the Milne Point Oil Pipeline as part of a corrosion-focused records review. The SPCO requested and received ILI data from BPTA. The ILI reports requested were those directly from the vendor (raw data prior to analysis by BPXA personnel). These reports showed some metal loss anomalies on the pipeline. The compliance oversight team lead reviewed the reports with a State engineer from the JPO Technical and Design Review section and met with representatives of BPTA and BPXA to discuss some of the metal loss anomalies. All of the top ten defects identified in 2005 pigging were external. An

unanticipated large number of internal corrosion features were identified in the recent pigging. The SPCO surveillant reported the following: "Four years prior, the pipeline was said to have had only one internal anomaly identified. Now there are well over a thousand identified and of these, 144 were identified as being in the 40% to 50% and 50% to 60% depth range. We were told that the oil producing formation is similar to the one that has contributed to problems with the GC-2 pipeline." The results of the Milne Point Oil Pipeline ILI program review were reported as satisfactory in surveillance report ANC-06-S-112 and 113. The SPCO will follow-up on internal corrosion issues in FY07.

8.3.3 Summary of Lease Compliance Observations: March 2006

<u>Lease</u>	<u>Section</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Oil	4(c), 4(d), 4(h)	State access to property & records; maintenance of pipeline in good repair	Satisfactory	ANC-06-S-045
<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Oil	1.3.2	Authorized & field representatives	Satisfactory	ANC-06-S-034
Oil	1.6.2	Compliance with approved Design Criteria	Satisfactory	ANC-06-S-035
Oil	1.8.1 & .2	Comprehensive quality assurance/control	Satisfactory	ANC-06-S-036
Oil	1.10.1	Surveillance & monitoring; 49 CFR records	Satisfactory	ANC-06-S-037
Oil	1.11.1	Protection of health and safety	Unsatisfactory	ANC-06-S-038
Oil	1.12.1	Reasonable protection of existing improvements	Satisfactory	ANC-06-S-039
Oil	2.2.4.1	Avoid or minimize ice fog	Satisfactory	ANC-06-S-040
Oil	2.4.6.1	Free passage of big game animals	Satisfactory	ANC-06-S-041
Oil	2.7.1	Related to on- and off- right of way traffic	Satisfactory	ANC-06-S-042
Oil	3.1.1.1	General standards	Satisfactory	ANC-06-S-043
Oil	3.4.1	Corrosion program, 49 CFR	Satisfactory	ANC-06-S-044
<u>Lease</u>	<u>Section</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
NGL	6(a)	State access to Leasehold	Satisfactory	ANC-06-S-031
NGL	8(d), 8(h)	State access to property & records; good repair	Satisfactory	ANC-06-S-032
NGL	15(c)	Reasonable protection of existing improvements	Unsatisfactory	ANC-06-S-033
<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
NGL	1.4.1	Compliance with approved Quality Program	Satisfactory	ANC-06-S-024
NGL	1.5.1	Compliance with approved Design Criteria	Satisfactory	ANC-06-S-025
NGL	1.6.1	Surveillance & monitoring	Unsatisfactory	ANC-06-S-026
NGL	1.12.1 & .2	ROW storage	Satisfactory	ANC-06-S-027
NGL	2.4.1	Free passage of big game animals	Satisfactory	ANC-06-S-028
NGL	2.6.1	Related to on- and off- right of way traffic	Satisfactory	ANC-06-S-029
NGL	3.1.1.1	General standards	Satisfactory	ANC-06-S-030

8.3.4 Summary of Lease Compliance Observations: June 2006

<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
Oil	1.11.1	Protection of health and safety	Satisfactory*	ANC-06-S-072
Oil	1.10.1	Surveillance & monitoring: pipeline integrity	Satisfactory	ANC-06-S-112
Oil	3.4.1	Corrosion control plan	Satisfactory	ANC-06-S-113
<u>Lease</u>	<u>Section</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
NGL	15(c)	Reasonable protection of existing improvements	Satisfactory*	ANC-06-S-073
<u>Lease</u>	<u>Stipulation</u>	<u>Description</u>	<u>Observation</u>	<u>Report #</u>
NGL	1.6.1	Surveillance & monitoring	Satisfactory*	ANC-06-S-074

*These reports close out the unsatisfactory determinations in reports ANC-06-S-026, 33, and 38.

8.3.5 Appraisals

According to AS 38.35, the lessee must pay fair market value to lease State lands in the pipeline ROW. The Milne Point leases require a re-appraisal every five years. The most recent appraisal of the Milne Point Oil ROW, performed by MacSwain Associates, was approved by ADNR in fall 2002. The most recent Products ROW appraisal was approved in 2001. The next Oil ROW appraisal should be submitted in 2007. The next Products ROW appraisal is due in 2006. The Products Pipeline ROW is still in construction width. Current State acreage and annual rental fees follow:

<u>Milne Point Pipeline</u>	<u>ADL #</u>	<u>State Acres</u>	<u>Estimated Market Rent</u>
Oil Operations ROW	410221	186.92	\$37,384
Products Construction ROW	416172	258.6	\$32,500

8.4 Upcoming Issues**8.4.1 Lessee's Activities**

BPXA plans to continue surveillance & monitoring. They have scheduled smart pig verification for the 3rd quarter 2006 and the annual ground survey for the 4th quarter.

8.4.2 SPCO Compliance Oversight

In July 2006, the lease compliance oversight team plans to conduct field surveillance to follow-up on March 2006 unsatisfactory conditions at the Kuparuk/Oliktok tie-in point. Additional follow-up to ILI surveillance may also occur. The lessee's 2006 annual report, due January 31, 2007, will be reviewed. Additional field surveillance may be conducted in FY07.

8.5 Contact Information

The Milne Point leases require the lessee to designate in writing field representatives, authorized agents, and registered agents. In their *2005 ADNR Surveillance & Monitoring Report*, BPTA updated their authorized and field representatives.

Registered Agent

William H. Clifton
Joint Venture Coordinator
Milne Point Pipeline Company
c/o BP Transportation (Alaska) Inc.
900 East Benson Blvd.
Anchorage, AK 99508

Authorized Representatives

President, BPTA – Al N. Bolea
Vice President, BPTA – Michael Rocereta
Joint Venture Coordinator – William H. Clifton
Manager Technical & Regulatory – Greg R. Swank

Field Representatives

Dale O. Kruger and Jeff R. Michels



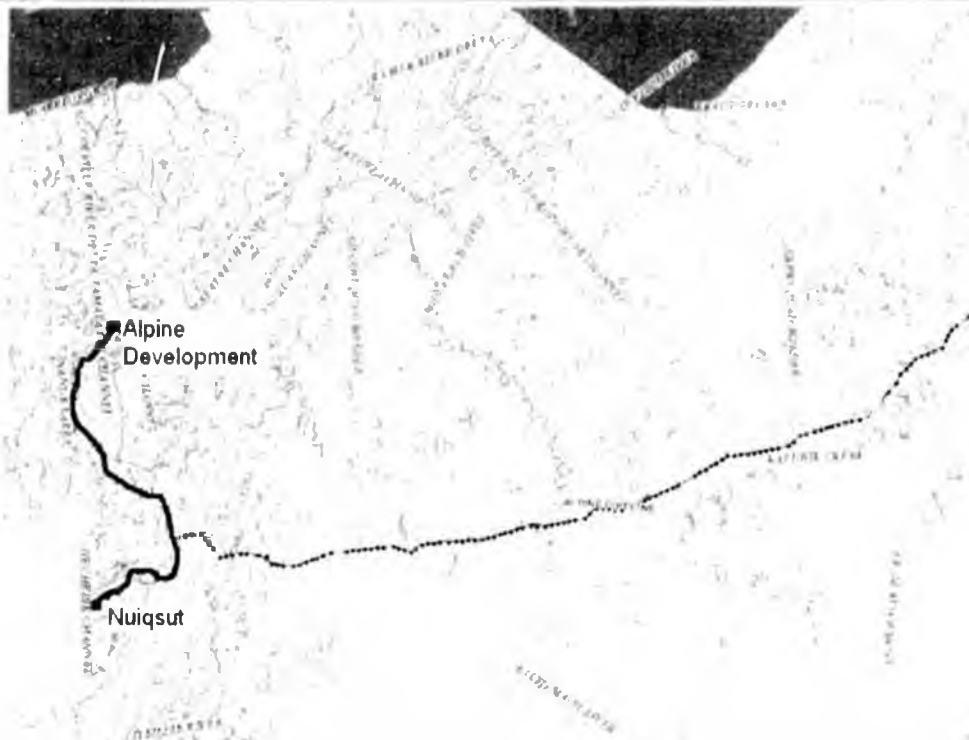
This is a Milne Point Oil Pipeline saddle location near Milne Central Facilities Pad. During March 2006 surveillance, a compliance oversight team member noticed this gap at the joint between two sections of casing. Information about the problem was forwarded to Milne Point personnel.

NORTH SLOPE PIPELINES

9 Nuiqsut Natural Gas Pipeline

ADL # 416202

- 9.1 Lease and Right-of-Way Overview
 - 9.1.1 *Nuiqsut Corridor*
 - 9.1.2 *Nuiqsut Natural Gas Pipeline (ADL 416202)*
- 9.2 Lessee's Annual Report
 - 9.2.1 *SPCO Review*
 - 9.2.2 *Lessee's Activities*
 - 9.2.3 *Lessee's Surveillance & Monitoring*
- 9.3 SPCO Activity
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 - 9.3.3 *Appraisals*
- 9.4 Upcoming Issues
 - 9.4.1 *Lessee's Activities*
 - 9.4.2 *SPCO Activity*
- 9.5 Contact Information



Once commissioned, the Nuiqsut Natural Gas Pipeline will transport natural gas from the Alpine Development to the village of Nuiqsut on the North Slope of Alaska.

9.1 Lease and Right-of-Way Overview

9.1.1 Nuiqsut Corridor

The 14.4-mile Nuiqsut Natural Gas Pipeline, not yet in service, was built to transport natural gas from the Alpine Development to the arctic village of Nuiqsut. Nuiqsut is a second-class city with approximately 450 residents in the North Slope Borough located on the west bank of the Nechelik channel of the Colville River. The NNGP is supported aboveground on the same horizontal and vertical support members as the Alpine pipelines from the Alpine Development to the west bank of the Colville River. Here the NNGP transitions underground and continues, buried, to the village. More pipeline-specific information is provided later in this section.

The State ROW Lease Agreement for the NNGP was issued on March 15, 1999, and, if not renewed, expires on March 14, 2019. The operations ROW extends 25 feet on either side of the NNGP. Landowners in the NNGP ROW include Kuukpik Corporation, the State of Alaska, and scattered Native allotments. Kuukpik is the Native corporation for the village of Nuiqsut. The NNGP ROW crosses three segments of State land totaling approximately 2.4 miles (12,780 feet). The first two segments of State land are located where the NNGP shares VSMs with the Alpine pipelines, and the third segment is the land underneath the Nechelik Channel of the Colville River. In total, the State lands comprise 16.45 acres.

The North Slope Borough is the ROW lessee for the NNGP. The NSB developed the NNGP Quality Assurance Program to document compliance with the State ROW lease agreement. The NSB Mayor, currently Edward Itta, is responsible for overall implementation of the program. Some duties under the program are delegated to relevant NSB Departments which are then responsible for their implementation.

Environmental concerns: For below-ground portions of the pipeline, external corrosion, which can lead to leaks, is a significant concern. The NNGP is made from continuous electric resistance coated pipe to prevent external corrosion. An additional problem with buried pipelines in permafrost areas is thermal pollution (melting of frozen soil). The NNGP is designed to maintain existing thermal profiles along the route. Other environmental concerns include wildlife. To prevent alteration of caribou movements, the above-ground pipeline is elevated at least five feet above the tundra. Caribou can cross freely over the buried NNGP.

To reduce impacts to tundra, the Alpine Pipelines were built "roadless." The areas where NNGP shares VSMs with Alpine, therefore, are roadless. Since the buried portions of NNGP are roadless also, none of the ROW length is accessible by road. Winter ice roads can provide temporary access to the ROW for pipeline activities including surveillance & monitoring. The lessee did not build any ice roads in 2005.

River Crossings: The Nuiqsut Natural Gas Pipeline was trenched and backfilled under the Nechelik Channel of the Colville River, a fish-bearing waterway. Wetlands and ponds are present along both the above- and below-ground NNGP ROW.

Lease: An electronic copy of the Nuiqsut lease agreement is available for public viewing at the SPCO website: <http://www.jp0.doi.gov/SPCO/SPCO.htm>.

9.1.2 Natural Gas Pipeline (ADL 416202)

The NNGP begins at the Alpine Development and travels on the same VSMs as the Alpine Pipelines until the Colville River. Here the Alpine Pipelines transition underground where they are bored under the river using horizontal directional drilling. At the Alpine HDD site, the NNGP is buried and diverges towards Nuiqsut. The pipeline remains buried for the rest of its length. It crosses the Nechelik Channel of the Colville River before terminating in Nuiqsut. The NNGP's total length is approximately 14.4 miles: 8.8 miles aboveground and 5.6 miles buried. Only 2.4 miles are on State land.

The above-ground portion of the pipeline was built during the 1998-1999 winter construction season, and the buried portion was installed during the 2000-2001 winter construction season. The NNGP was built with 3.5" continuous electric resistance welded coiled pipe with a wall thickness of 0.203 inches. The pipeline design is based on a maximum allowable operating pressure of 1,440 psig. It is designed to provide a maximum flow rate of 3.5 million cubic feet per day of natural gas.

The NNGP ROW Lease Stipulation 3.2.1 requires the lessee to provide for early detection of corrosion in accordance with 49 CFR 192. The diameter of the NNGP is too small to allow passage of a smart pig for corrosion detection. Buried pipelines are subject to external corrosion, so the NNGP is covered in protective coating and a continuous magnesium strip cathodic protection system is installed.



This photo was taken from the west bank of the main channel of the Colville River. Here the NNGP (yellow) diverges from the Alpine Pipelines and transitions underground towards Nuiqsut.

9.2 Lessee's Annual Report

The North Slope Borough, lessee for the NNGP ROW, hand-delivered their *2005 Annual Comprehensive Report on Pipeline Activities* to the SPCO late on April 6, 2006. A week earlier, the SPCO received the lessee's *2004 Annual Comprehensive Report on Pipeline Activities*, well over a year late. Annual reporting is a requirement of the NNGP

ROW lease, and reports are due by January 31st for the preceding year. The seven requirements for annual reporting are listed in the Introduction Section.

9.2.1 SPCO Review

On April 13th, the SPCO replied with a review of the 2005 NNGP report. While the SPCO review confirms that the report contains most of the minimum information required, there is a need for the lessee to submit functional Quality Assurance and Surveillance & Monitoring Programs. Additional information and clarification was requested on several points. The Surveillance & Monitoring Program was due by June 30, 2006. As of August 10, this still had not been received. The review also noted that the Quality Program provided in the report differed from that approved by the State Pipeline Coordinator in March 1999. The SPCO requested the lessee submit the new program for feedback and approval.

On April 5, 2006, the SPCO responded with a review of the lessee's 2004 report. Comments on the 2004 report mirrored those for the 2005 report.

In their annual report, the lessee requested an extension of time from their proposed start-up date (which lapsed in September 2005). They were required to submit their formal request for an extension by May 15, 2006. As of August 10, this still had not been received. The SPCO will follow-up in FY07.

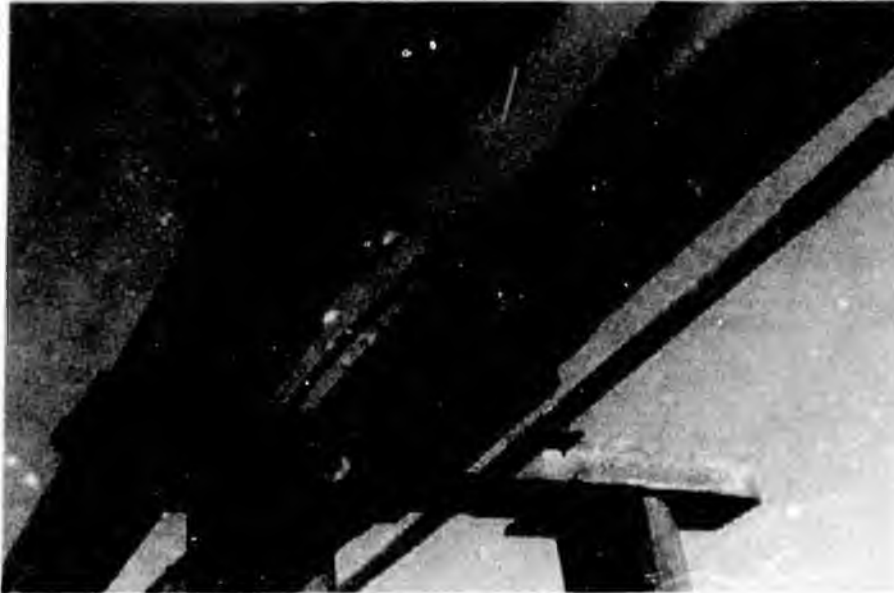
9.2.2 Lessee's Activities

Below are some highlights from the 2004 and 2005 reports:

Lease Compliance: The NSB certified compliance with the ADL 416202 ROW lease in their 2005 annual report. They provided a checklist with each lease stipulation describing applicable activities and performance for the year. The only lease stipulation that the NSB reports being out of compliance with is the deadline for submittal of their annual report (late two years in a row).

Construction Schedule: As of the end of 2005, NNGP construction is nearing completion. The mainline pipe has been installed, but some work remains on the gas conditioning and receiving modules. The gas conditioning and tie-in work at Alpine has been completed, as has the Nuiqsut gas receiving module, though some final installation and check-out of electrical components still needs to be done. The Nuiqsut distribution pipeline system has been installed and tested to 49 CFR Part 192 specifications. The lessee estimates they will complete construction and commission the entire system in September 2006.

Maintenance: Between March 8th and 15th, 2005, ConocoPhillips performed maintenance work on the above-ground portion of the Nuiqsut Pipeline at a "Tee" spool branch piece at the Colville River HDD site. This work was necessary to prevent accumulation of natural gas liquids in the Tee. The segment was pressure-tested when the work was completed.



This photo depicts the Alpine and Nuiqsut Pipelines sharing vertical and horizontal supports. From left to right: Alpine Diesel, Utility, Sales Oil, and NNGP (yellow). A fiber optic cable associated with the Alpine Development is in the center.

Incidents: The NSB reports that no incidents, spills, or fires occurred in 2004 or 2005 along the NNGP ROW.

Nechelik Channel Crossing: The NSB has installed erosion control measures including revegetation to limit erosion at the Nechelik Channel crossing. The NSB plans to include erosion monitoring as part of its maintenance activities and future Surveillance & Monitoring Program.

Restoration of Disturbed Areas: Revegetation continues at disturbed areas. These include the buried segment of the NNGP and the above- to below-ground transition area. The NSB conducted stabilization efforts in fall 2001 and fall 2002. Additional work continued in spring 2005 at the transition site.

9.2.3 Lessee's Surveillance & Monitoring

The NSB reports that because "the overall project is being constructed in multiple phases, which are not completed, no monitoring, operations, or termination activities have been conducted at this time." The SPCO believes that surveillance & monitoring is relevant since the pipeline is largely constructed and has required the NSB to provide a presently applicable surveillance & monitoring program for approval by June 30, 2006. As of August 10, this still had not been received. The SPCO will follow-up in FY07.



This photo was submitted by the North Slope Borough in their annual NNGP report. The location is a Z-loop where the NNGP is on the outside of the bend. In the photo the NNGP (yellow) is contacting the Alpine Oil Pipeline.

Despite the lack of a comprehensive surveillance & monitoring program, some informal monitoring has occurred along the NNGP ROW. ConocoPhillips continues routine surveillance & monitoring of the Alpine Pipelines, so the NNGP is indirectly monitored through that program. The NSB and ConocoPhillips are currently in negotiations to contract routine inspection and repair services to ConocoPhillips for the above-ground portion of the pipeline, which shares VSMs with the Alpine Pipelines.

Other monitoring has occurred through the lessee, though the schedule is not clear. For example, on November 11th, 2005, a LCMF LLC inspector noticed a location where the NNGP was contacting another pipeline. A retrofit plan was proposed to repair the problem. This is further discussed under 9.3.1, Lease Administration.

9.3 SPCO Activity

9.3.1 Lease Administration

On November 11th, 2005, a LCMF LLC inspector noticed that an aboveground portion of the Nuiqsut Pipeline was contacting the adjacent 14" Alpine Oil Pipeline at several z-loops where the Nuiqsut Pipeline is out on the outside of the bend. Differential expansion of the pipelines was thought to be causing the contact. LCMF LLC submitted plans on March 14, 2006 along with a letter of non-objection from ConocoPhillips (ROW lessee for the Alpine Pipeline leases) dated March 9, 2006, to retrofit intermediate support members to correct the problem.

The JPO Technical and Design Review team reviewed the proposed retrofit, and on March 31, 2006, the State Pipeline Coordinator issued a letter to the North Slope Borough approving the work as long as certain conditions were met. Within 30 days

after the retrofit is completed, LCMF LLC is to send the SPCO drawings depicting the new support member configurations. If the retrofit will require a design basis change, the lessee must apply for one when the work is completed. On May 26, 2006, the State Pipeline Coordinator received a Maintenance Activities Report from the lessee demonstrating that the conditions of approval were met.

9.3.2 Compliance Oversight

The SPCO did not conduct field surveillance of the NNGP or ROW from January 1, 2005 through June 30, 2006.



This is an aerial view of the west bank of the Colville River HDD. The NNGP transitioned underground left of the photo frame. Two red lines (digitally added) show the trench where the NNGP is buried. The NNGP continues buried the rest of the way to Nuiqsut.

9.3.3 Appraisals

According to the lease agreement, the lessee must pay fair market value to lease State lands in the ROW, and a new appraisal is due every five years. The most recent appraisal of the NNGP ROW, performed by MacSwain Associates, was approved by ADNR in fall 2003. The appraisal period covered is March 15, 2004 through March 14, 2009. The State acreage and annual rental fees follow:

<u>Nuiqsut Natural Gas Pipeline</u>	<u>ADL #</u>	<u>State Acres</u>	<u>Estimated Market Rent</u>
Operations ROW	416202	16.45	\$2,468

9.4 Upcoming Issues

9.4.1 Lessee's Activities

The lessee anticipates commissioning the entire pipeline system in September 2006. Once the NNGP is brought on line, gas will flow from the Alpine Development to the village of Nuiqsut, where a distribution system is already in place.

Over the next year, the NSB needs to develop and submit their surveillance & monitoring program and update their quality program to meet minimum standards in the State ROW lease. The NSB also plans to continue revegetation and restoration of areas disturbed during pipeline construction. Work will continue at the above- to below-ground transition site and other disturbed areas.

9.4.2 SPCO Compliance Oversight

The SPCO will conduct field surveillance of the NNGP and ROW during FY07. The compliance oversight team tentatively plans to complete a full checklist---evaluating compliance with the entire lease agreement---in FY07. This will include a site visit and records review. The lessee's 2006 annual report, due January 31, 2007, will be reviewed. The SPCO will also follow-up on past due items including the development of a surveillance & monitoring program for the NNGP and ROW.

9.5 Contact Information

The NNGP ROW lease requires the North Slope Borough to designate in writing a registered agent and field representative.

Registered Agent

North Slope Borough Mayor
The Honorable Edward Sagaan Itta
Box 69
Barrow, AK 99723

Field Representative

David Hodges
North Slope Borough Capital Improvement Department
3000 C Street, Suite N201
Anchorage, AK 99503

Appendix A – Table of Acronyms

AAC	Alaska Administrative Code
ADEC	Alaska Department of Environmental Conservation
ADF&G	Alaska Department of Fish & Game
ADNR	Alaska Department of Natural Resources
AS	Alaska Statute
ASA	Advanced Safety Audit (a BP safety program)
BEST	Behavior Enhanced Safety Techniques (a BP safety program)
BLM	US Bureau of Land Management
bpd	Barrels per day
BPTA	BP Transportation (Alaska) Inc.
BPXA	BP Exploration (Alaska) Inc.
CFR	Code of Federal Regulations
CPAI	ConocoPhillips Alaska Inc.
CPAP	ConocoPhillips Alaska Pipelines
CPF	Central Processing Facility
DOTPF	Alaska Department of Transportation & Public Facilities
FLIR	Forward-looking Infrared
FY	Fiscal Year
HDD	Horizontal Directional Drilling
HSM	Horizontal Support Member
ILI	In-line Inspection (also known as "smart pigging")
JPO	Joint Pipeline Office
KEOR	Kuparuk Enhanced Oil Recovery (Milne Point Products Pipeline)
KKPL	Kenai Kachemak Pipeline
KKPL LLC	Kenai Kachemak Pipeline Limited Liability Company
KPC	Kuparuk Pipeline Company
KPL	Kuparuk Pipeline
KPL X	Kuparuk Pipeline Extension
KTC	Kuparuk Transportation Company
LCMF	LCMF LLC (an Ukpeagvik Corporation Company)
LGL	LGL Alaska Research Associates
MPPL	Milne Point Pipeline
MSCF	Million Standard Cubic Foot (natural gas unit of measurement)

NGL	Natural Gas Liquids
NNGP	Nuiqsut Natural Gas Pipeline
NSB	North Slope Borough
OMB	Office of Management and Budget
OHMP	Office of Habitat Management and Permitting
OPL	Oliktok Pipeline
ORCA	Observing Risks, Changes, and Attitudes (a BP safety program)
OSHA	Occupational Safety and Health Administration
PS-1	Trans-Alaska Pipeline System Pump Station 1
psig	Pounds per square inch gauged
QA	Quality Assurance
ROW	Right-of-Way
RTU	Remote Terminal Unit
SPCO	State Pipeline Coordinator's Office
STOP	Safety Training Observation Program (a BP safety program)
TAPS	Trans-Alaska Pipeline System
Tesoro	Tesoro Alaska Pipeline Company
USACE	US Army Corps of Engineers
USDOT	US Department of Transportation
USF&WS	US Fish & Wildlife Service
VSM	Vertical Support Member

Appendix B – Sources of More Information on the Web

State Agencies

State Pipeline Coordinator's Office http://www.jpo.doi.gov/SPCO/SPCO.htm	Joint Pipeline Office http://www.jpo.doi.gov
Alaska Dept. of Environmental Conservation http://www.dec.state.ak.us	Alaska Dept. of Natural Resources http://www.dnr.state.ak.us/
Ak. Oil & Gas Conservation Commission http://www.aogcc.alaska.gov	Regulatory Commission of Alaska http://www.state.ak.us/rca
Ak. Dept. of Transportation & Public Facilities http://www.dot.state.ak.us	Ak. Dept. of Fish & Game http://www.adfg.state.ak.us/

Federal Agencies

Joint Pipeline Office http://www.jpo.doi.gov/	Bureau of Land Management http://www.blm.gov
Occupational Safety & Health Administration http://www.osha.gov	US Fish & Wildlife Service http://www.fws.gov
US Dept. of Transportation http://www.dot.gov	USDOT Office of Pipeline Safety http://ops.dot.gov
US Environmental Protection Agency http://www.epa.gov	US Army Corps of Engineers http://www.usace.army.mil

Pipeline Operators and ROW Lessees*

BP http://www.bp.com	BP Alaska http://alaska.bp.com
ConocoPhillips Company http://www.conocophillips.com	ConocoPhillips Alaska Inc. http://www.conocophillipsalaska.com
Tesoro Corporation http://www.tsocorp.com	Marathon Oil Corporation http://www.marathon.com
North Slope Borough http://co.north-slope.ak.us	

**Note: not all pipeline operators and ROW lessees mentioned in this report are listed above because either they do not have, or we could not locate, websites.*

**PUBLIC
COMMENTS
ON DRAFT
ALASKA GAS
PIPELINE
CONTRACT,
10/27/06**

ALASKA STATE LEGISLATURE



Official Business

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair
State Capitol, Room 427
Juneau, AK 99801-1182

HOUSE RESOURCES COMMITTEE

Rep. Ralph Samuels, Co-Chair
State Capitol, Room 126
Juneau, AK 99801-1182

Rep Jay Ramras, Co-Chair
State Capitol, Room 104
Juneau, AK 99801-1182

DATE: October 13, 2006
TO: Senate Secretary and House Clerk
FROM: Senate & House Resources Committee
RE: Joint Resources Meeting on October 27, 2006

Please notice the following.

Joint Senate and House Resources Committee Meeting

October 27, 2006
1-4pm
Anchorage LIO

Presentation by Administration - Public Comments on Draft Alaska Gas Pipeline Contract.

The forum is provided to outline the public comments that were received on the draft Alaska Gas Pipeline Contract and then provide the administration's response to those comments.

ALASKA STATE LEGISLATURE



Official Business

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair
State Capitol, Room 427
Juneau, AK 99801-1182

HOUSE RESOURCES COMMITTEE

Rep. Ralph Samuels, Co-Chair
State Capitol, Room 126
Juneau, AK 99801-1182

Rep Jay Ramras, Co-Chair
State Capitol, Room 104
Juneau, AK 99801-1182

DATE: October 13, 2006
TO: Governor Frank Murkowski
FROM: Senate & House Resources Committee
RE: Joint Resources Meeting on October 27, 2006

In order to present you with a legislative forum, we are holding a joint Senate and House Resources Committee meeting on October 27, 2006, from 1pm until 4pm, at the Anchorage LIO.

The forum is provided for you to outline the public comments that were received on the draft Alaska Gas Pipeline Contract and then provide the administration's response to those comments.

We look forward to hearing this valuable information.

A handwritten signature in cursive script that reads "Tom Wagoner".

Senator Tom Wagoner, Chair
Senate Resources Committee

Rep. Ralph Samuels, Co-Chair
House Resources Committee

Rep. Jay Ramras, Co-Chair
House Resources Committee

1) Call to Order – note day/time/place – note members present

Anchorage LIO – Room 220

Senate:

Tele: Elton, Seekins
Anch: Wagoner, Dyson,
and Stedman
Absent: B. Stevens, Kookesh

House:

Co-Chair Samuels
Co-Chair Ramras (tele)

**2) Presentation by Administration – Public Comments on Draft
Alaska Gas Pipeline Contract**

This forum is provided to outline the public comments that were received on the draft Alaska Gas Pipeline Contract and then provide the administration's response to those comments.

Presenters: Jim Clark, Bill Corbus, Mike Menge, Michael Williams, Bob Loeffler, Steve Porter, Roger Marks, Ken Griffin and Dan Dickinson

3) Meeting adjourned at _____.

REPRESENTATIVE PAUL SEATON

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Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689

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Homer, Alaska 99603
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Fax: (907) 235-4008
1-800-665-2689

ALASKA STATE LEGISLATURE

House District 75

October 31, 2006

Department of Revenue Commissioner William Corbus
and Joint Resources Committees

Dear Sirs,

This is a follow up on the open letter I wrote you on October 23rd questioning a possible declaration of North Slope gas as "Stranded." This open letter seeks to clarify our discussions at the October 27th meeting of the Joint Resources Committee.

There seemed to be some misunderstanding of my raising the Gas to Liquids (GTL) technology subject at the meeting. Although the subject was raised in the public comments to the Interim Fiscal Interest Finding (IFIF), my reason for bringing up GTL related specifically to the Commissioner's discussion of IFIF Section 3.2.1 and his response to the entire series of comments that he plans to use a Fiscal Interest Finding to declare the gas "stranded." There appeared to be an intention by the Commissioner to use comments on the contract as the *only* criteria to make a stranded determination. As I am sure all will agree, the SGDA only applies and such a contract can only be executed with the prior determination that gas is non-economic to produce, and therefore stranded. If the gas can be profitably utilized or monetized – it is not stranded, regardless of the administration's preference for a specific contract option for monetizing the gas.

Commissioner Corbus, on page IFIF-R-39, discussed the reasons why he intends to declare the gas stranded based on the opinion of Dr. Pedro Van Meurs. However, at the Joint Resources meeting the Committee was presented information that demonstrated those constraints did not apply to monetizing gas through a GTL project. Those points are individually discussed as follows.

- "Long lead time" discussion revealed that a minimum of four years (and according to Rep. Samuels, six years) will be consumed before project sanction and beginning of possible construction by the FERC process. The administration expert agreed that under a GTL monetizing of the gas, no FERC delay would occur.
- "The very large Alaska Gas Project" discussion revealed that the producers involved are individually engaged in GTL in Qatar in larger cubic footage volumes than the Alaska project.

- "The market dynamics ... to smaller projects with a shorter lead time...." Does not hold if a GTL option occurs, as the FERC lead-time is removed.
- "The inherent unpredictability of the gas price" – Dr. Van Meurs 10-25-06 Anchorage Daily News editorial states "It now seems that gas and crude oil prices are clearly diverging. Low gas prices are coexisting with high oil prices in the North American market." As it is a form of oil, GTL is comparatively more stable and profitable than gas, and is predicted to remain so into the future.
- "The relative high transport costs" – The administration agreed that this mostly relates to gas pipeline building costs and would not apply to a GTL option.
- "The relatively low IRR..." This needs to be analyzed for a GTL option based on the lack of pipeline construction costs with GTL and the fact that identical projects are going forward in Qatar and without the construction of new pipelines. The addition of the 520,000 barrels per day of GTL to the Trans Alaska Pipeline system will lower the tariff, as stated by the administration's FERC expert. According to the 1996 U.S. Department of Energy study "Economics of Alaska North Slope Gas Utilization Options" GTL would lengthen the life of TAPS to 2035 without any new oil or gas discovery. The effect of a longer TAPS lifespan should be analyzed as part of the IRR of the producer's entire North Slope investment.

Thus if North Slope Gas can be profitably monetized it cannot be declared stranded. There is no analysis discounting the economic viability of the GTL option. In fact, there is a discussion in the 1996 Department of Energy study that at prices above \$19.94 per barrel of oil it is economical to monetize the gas as GTL. It is my understanding that in 1996 Exxon made presentations to legislators and offered the same \$19 per barrel viability scenario for GTL. This figure is obviously well below current oil prices.

To reiterate, I do not believe the commissioner has the legal authority to declare the North Slope gas stranded at this time.

Sincerely,



Representative Paul Seaton
Alaska State Legislature
House District 35

Impacts of Delaying Natural Gas Development

October 27, 2006, Anchorage, Alaska

Good afternoon and thank you for the introduction Commissioner Corbus. My purpose today is to discuss the impacts of delaying the development of natural gas in Alaska. There are three major points I would like to review and they are the following:

1. Fiscal impacts to the State
2. Loss to the Alaska State economy
3. Loss of potential market share for Alaskan natural gas

$$\frac{103}{2169} = 4.9\%$$

1. Fiscal Impacts to the State

Under the current proposal, the State would receive between \$1 and \$3 billion per year beginning in 2016 depending on natural gas prices. Since the State receives about 90% of its discretionary revenue from oil, and oil production is declining, it is just a matter of time before we run a deficit. Our analysis in the preliminary fiscal interest finding, reveals the State running a deficit beginning in 2009 and depleting the Constitutional Budget Reserve in 2014. Every minute we delay the pipeline, brings the time closer when the State has a deficit. We need to diversify our revenue base.

2. Loss to the State Economy

There are about 11,000 construction jobs associated with the pipeline each year and the construction lasts about four to five years. As the project is delayed, the time when these construction jobs are needed is pushed further into the future. In addition, it is assumed the State spends most of the money that accrues to it from natural gas sales. These expenditures are recycled through the economy for products and services – these are additional economic impacts. The impacts from State expenditures are about 22,000 jobs per year – over the life of the pipeline or 35 years – thus, the impact on the State from their expenditures dwarfs the jobs associated with construction. Delaying one year reduces construction employment beginning in 2011 & reduces the additional impacts beginning in 2017.

3. Loss of Potential Market Share for Alaskan Natural Gas

The short story – if the project is not approved shortly, there is a chance there will not be demand for Alaska's natural gas. This is a complex story to tell and I am going to attempt to weave several parts together – so please bear with me.

- First – today there is demand for Alaska's natural gas in North America. It would most likely be for electricity generation.

- Second – the high natural gas prices in recent years and the interruptible supply caused by the hurricanes are causing many utilities to explore other options. These options include coal [because of the cost advantage] and nuclear [in part because of federal tax credits].
- Third, uncertainty over the availability of Alaskan natural gas is causing some utilities to believe it is not forthcoming. Based on that scenario, they are making decisions to go with coal. This has been documented by the US Department of Energy who reduced the long-term demand for natural gas in electricity generation in their most recent long run outlook.
- Fourth, the US petrochemical industry is not competitive in the world. The industry in the Middle East has been expanding with the construction of world scale plants and low cost fuel stock. Over the last 15 years employment in the US petrochemical industry has contracted by 33%. This industry will not be a source of demand for Alaska's natural gas.
- Taken together, these topics paint a picture of timing. If Alaska natural gas is not developed shortly, other industries will make decisions to seek alternative fuels.
- A good example close to home is Agrium. Last year the Governor brokered a deal between Agrium and an oil company. The oil company agreed to provide gas to Agrium and it was able to operate another year. This year, Agrium has already announced it plans to close part the year due to a lack of natural gas supplies. Because of these "interruptible" supplies, Agrium is investigating coal gasification in conjunction with the local electric utility. Keep in mind there is a great deal of coal in Alaska. Should Agrium decide to use the coal gasification technique and invest capital in the plant and equipment, they will not change their mind after the capital is invested. This scenario is being played out throughout the United States. If companies believe Alaska gas is not forthcoming, they will soon make decisions that are not reversible.

There are additional impacts from delaying the project, such as reductions to the Permanent Fund and the reduced Net Present Value of the project. However, I would like you to remember the impact of delaying the natural gas pipeline can be devastating to the State; a loss of revenue to the State government; a loss of jobs to the State economy; and finally, the potential loss of market share, which means the project might never get developed.

The Summary of Public Comments contains public comments on this topic and you can view the comments and responses on pages 65 & 66.

Thank you for your attention and I will attempt to answer any questions.

MA Jackson

10-27-06

Appendix R to the Interim Fiscal Inter est Finding: Summary of Public Comments

Received in Response to
The Preliminary Findings and Determination

and
The Fiscal Contract

between

The State of Alaska

and

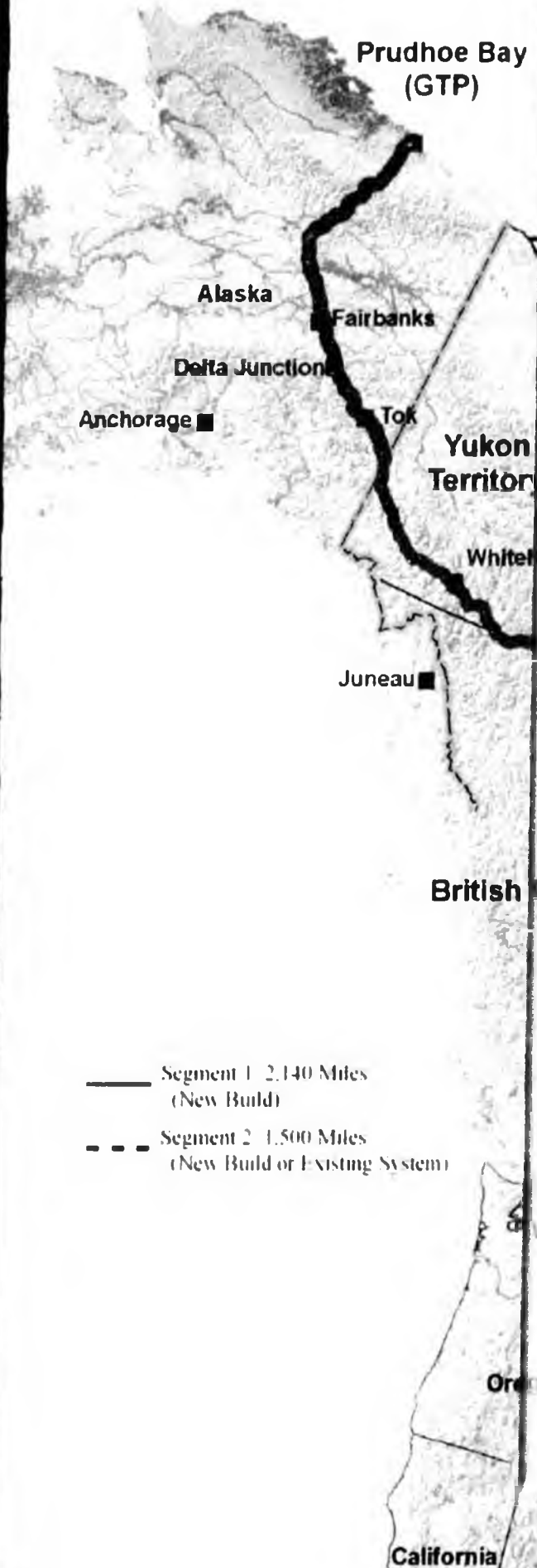
**BP Alaska (Exploration), Inc.
ConocoPhillips Alaska, Inc.
ExxonMobil Alaska Production, Inc.**

As required by the
Stranded Gas Development Act

October 20, 2006

Volume I

- Summary of Comments
- Attachment 1
- Attachment 2
- Attachment 3



Manitoba

Saskatchewan

North Dakota

Minnesota

Idaho

Montana

Nebraska

Illinois

**Appendix R to the Interim
Fiscal Interest Finding:**

Summary of Public Comments

Received in Response to

The Preliminary Findings and Determination

and

The Fiscal Contract

between

The State of Alaska

and

BP Alaska (Exploration), Inc.

ConocoPhillips Alaska, Inc.

ExxonMobil Alaska Production, Inc.

As required by the
Stranded Gas Development Act

October 20, 2006

Volume I

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Executive Summary

Summary of Public Comment Process

On May 10, 2006, Governor Frank Murkowski and commissioner of revenue William Corbus released the *Preliminary Findings and Determination (FIF)* and the *Alaska Stranded Gas Fiscal Contract Between the State of Alaska and BP Alaska (Exploration), Inc., ConocoPhillips, Inc. and ExxonMobil Alaska Production, Inc.* (collectively, the sponsor group). Subsequently an amended contract was released on May 24, 2006. The amended version of the contract included provisions for fiscal certainty on oil. The purpose of the contract is to facilitate the construction of a natural gas pipeline from the ANS to Canada, with an option to continue on to a hub near Chicago, Illinois.

The release of the proposed contract began a public review process, which is required by the Stranded Gas Development Act (SGDA) for a minimum of 30 days. The public review process period was initially scheduled for 45 days and was extended to 75 days in response to the feedback from the public requiring more time to understand and analyze the contract and the Preliminary FIF. The extension from 45 to 75 days also gave the public additional time to review the amended version of the contract that was released May 24, 2006. The comment period was officially closed at 5 p.m. on July 24, 2006.

This public review process involved not only collecting comments through postal mails, voice mails, faxes and internet submissions, but also holding a series of public outreach activities led by the governor, the commissioner of revenue and other members in the administration. These activities were intended to: 1) educate the legislature and the public on the proposed contract and Preliminary FIF; 2) take official testimonies from the public; and 3) answer questions and concerns from the public in person.

In addition to the public comments received as oral testimony during public hearings and presentations, public comments were received by mail, e-mail, fax, and telephone on a dedicated, toll-free comment line, and via laptop computers with Internet connections that were set up at some public meetings.

Overall there were a total of 2,169 submissions in the public comment process. These submissions included comments made in all of the forums and public hearings, comments submitted through the internet, as well as formal letters submitted directly to the governor and commissioner of revenue by legislators and their consultants. Of these, a total 2,120 submissions were determined to be valid comments, while a total of 49 were determined to be duplicates or materially irrelevant to the fiscal contract or Preliminary FIF.

The analysis of public comments was a multi-step process that included reviewing, coding, sorting and analyzing the submissions or transcripts and then preparing responses to the issues and concerns raised. Groups of similar comments within an issue were termed a Statement of Concern (SOC). An SOC was defined as a statement that captures the meaning of the grouped comments and can be addressed with a single response. During the comment analysis process the comments were sorted into 14 general areas of concern, covering 60 different issue categories. Within the various issue categories, a total of 365 different SOCs were created. The state then developed responses to each of the SOCs. The SOCs and the state's responses can be found in Section 3 of this report.

Finally, an in-depth assessment of the public comments was done. This assessment resulted in changes to the Preliminary FIF and a set of recommended amendments to the fiscal contract. While the administration believes that the existing contract fairly protects the state's interests, it has agreed to propose certain changes to the contract to respond to concerns raised in the public process. It should be emphasized that while the current administration is recommending these changes, negotiations with the sponsor group have not advanced and they have not accepted these changes. An Interim FIF incorporating the changes to the Preliminary FIF referenced above is scheduled to be published in November 2006.

1 Introduction

1.1 Overview of the Contents of this Public Process Appendix

This summary of public comments is provided as required by Stranded Gas Development Act (SGDA) in AS 43.82.430(a)(1). This summary is divided into 5 sections (including this introduction) and four attachments. A description of the contents of each section and attachment is shown below:

- Section 1 contains a description of the public process and describes the methodology used to collect and analyze public comments.
- Section 2 contains a statistical summary of the submissions received during the public comment process.
- Section 3 contains the Statements of Concern (SOCs) into which submissions were grouped and the state's responses to those concerns.
- Section 4 provides an analysis of the comments based on the type of commenter and the content of the submission.
- Section 5 provides a brief summary of the comment process and the steps that will follow.
- Attachment 1 contains three separate indices of the submissions collected during the public process and relates those submissions to particular SOCs and responses.
- Attachment 2 contains a series of formal responses provided by state to letters from various Alaska State Legislators, Mayors, and interest groups.
- Attachment 3 contains a presentation and memo on Access to Alaska Gas Pipeline and "Basin Control" that is referenced in the response to comments.
- Attachment 4 (Volume II), which is available upon request to the commissioner of revenue, is a compilation of all 2,169 submissions received during the public comment process. The attachment is available either as a printed hard copy (968 pages) or as a searchable electronic file (an Adobe® PDF); the latter is included on the CD version of this document.¹

1.2 Description of the Public Process

1.2.1 Release of Contract

On May 10, 2006, Governor Frank Murkowski and commissioner of revenue William Corbus released the *Preliminary Findings and Determination (FIF)* and the *Alaska Stranded Gas Fiscal Contract Between the State of Alaska and BP Alaska (Exploration), Inc., ConocoPhillips, Inc. and ExxonMobil Alaska Production, Inc.* (collectively, the sponsor group). Subsequently a revised contract was released on May 24, 2006. The May 24 contract

¹ As of the printing of this document all of the submissions are also available on the Internet by clicking on "Public Comments" at <http://www.gov.state.ak.us/gasline/>.

added provisions to two Articles and six Exhibits related to the proposed PPT (see Hearings_08). The purpose of the contract is to facilitate the construction of a natural gas pipeline from the ANS to Canada, with an option to continue on to a hub near Chicago, Illinois.

The release of the proposed contract began a public review process, which is required by the Stranded Gas Development Act (SGDA) for a minimum of 30 days. The public review process period was initially scheduled for 45 days and was extended to 75 days in response to the feedback from the public requiring more time to understand and analyze the contract and the Preliminary FIF. The extension of the public comment period was particularly important given that the amended fiscal contract was released on May 24, 2006—two weeks after the official beginning of the comment period. The comment period was officially closed at 5 p.m. on July 24, 2006.

A large amount of material was made available at the start of the comment period on the state's gas pipeline website: www.gaspipeline.alaska.gov. These documents included:

- Proposed fiscal contract
- Preliminary FIF
- Documents from the sponsor group
- Documents from state agencies:
 - Alaska Gasline Port Authority (AGPA)
 - Alaska Oil & Gas Conservation Commission (AOGCC)
 - Department of Natural Resources (DNR)
 - Governor's Office
 - Department of Law
 - Alaska Natural Gas Development Authority (ANGDA)
 - Alaska State Legislature
 - Department of Revenue (DOR)
 - Department of Labor and Workforce Development (DOLWD)
 - Regulatory Commission of Alaska (RCA)
- Documents from federal agencies:
 - Energy Information Administration (EIA)
 - Department of Defense (DOD)
 - Federal Energy Administration
 - Federal Energy Regulatory Commission (FERC)
 - Government Accountability Office (GAO)
 - National Security Council (NSC)
 - Department of Energy (DOE)
 - Department of the Interior (DOI)
 - U.S. Geological Survey (USGS)
 - U.S. House of Representatives

- State statutes:
 - Alaska Constitution
 - Gas Production Tax AS 43.55
 - Oil & Gas Exploration, Production, and Pipeline Transportation Property Taxes AS 43.56
 - Right of Way Leasing Act AS 38.35.017
 - Stranded Gas Development Act AS 43.82.010-43.82.990
 - Alaska Land Act-Sale of Royalty AS 38.05.183
 - Municipal Powers & Duties-Powers AS 29.35.620
 - Pipeline Act AS 42.06
 - State Corporate Income Tax AS 43.20.072
 - Stranded Gas Development Act-Amendment HB16
- Federal statutes:
 - Alaska Natural Gas Pipeline Act 15 USC 720
 - American Jobs Act PL 108-357
 - FERC Regulations 18 CFR 157
 - Natural Gas Policy Act 15 USC 717
 - Alaska Natural Gas Transportation Act 15 USC 719
 - Natural Gas Act PL97-93
 - National Environmental Policy Act 15 USC4321
- Documents from contractors:
 - Citigroup
 - Information Insights
 - Merrill Lynch
 - Muse Stancil
 - Paragon Engineering Services
 - PricewaterhouseCoopers
 - Van Meurs & Associates
 - Ziff Energy
 - Goldman Sachs
 - Lukens Energy Group
 - Morrison Foerster
 - Northern Economics
 - PFC Energy
 - UBS Financial Services
 - Wood MacKenzie
- Documents from other sources:
 - Aberdeen University Petroleum & Economic Consultants
 - Gaffney, Cline & Associates
 - Agrium U.S.
 - Alaska Journal of Commerce

- Alberta Energy
- American Council for an Energy-Efficient Economy
- Anchorage Daily News
- Carol Nykolyn
- Dr. Richard G. Newell
- Financial Accounting Standards Board of the Financial Accounting Foundation
- Hosie McArthur , LLP
- UA Institute of Social & Economic Research
- Marty Rutherford
- Nickle's Energy Group
- Petrotechnical Resources of Alaska
- Southwest Statistical Consulting
- Western Center for Economic Research
- World Bank Group
- Acadian Consulting Group
- Alaska Business Monthly
- Alaska State Chamber of Commerce
- Alberta Hub
- Anchorage Chamber of Commerce
- Government of Canada
- Dave Gray
- Econ One Research
- Foothills Pipe Lines
- Hybrid Energy Advisors
- Jensen Associates
- Municipal Advisory Group
- Petroleum News
- Saber Partners
- Standard & Poor's
- Wilson Gillette & Co.
- Yukon Pacific Corporation

This public review process involved not only collecting comments through postal mails, voice mails, faxes and Internet submissions, but also holding a series of public outreach activities led by the governor, the commissioner of revenue and other members in the administration. These activities were intended to: 1) educate the legislature and the public on the proposed contract and Preliminary FIF; 2) take official testimonies from the public; 3) answer questions and concerns from the public in person. These activities took place in three phases:

- 1) Legislative Education Process
- 2) Public Hearing
- 3) Public Forums

1.2.2 Legislative Education Process

The first phase was from May 10 to May 23, eleven days of extensive presentations to the legislature on the gas pipeline project and question-and-answer sessions, which were all broadcast statewide through *Gavel-to-Gavel* on television. Furthermore, all the presentations, along with questions and answers, were made available on the state's gas pipeline website. The table below lists the agenda for the presentations to the legislature.

Table 1. Presentations to the Legislature

Day 1 Wednesday - May 10, 2006			
	Overview of Presentations/Background on Negotiating Process	Bill Corbus	1 hour
1:30 PM-5:00 PM	Project Description	Mike Menge	1 hour
	Project's Benefits to Alaska/Alaskans Fiscal Strategy of Gas Pipeline Contract	Pedro van Meurs	1.5 hours
Day 2 Thursday - May 11, 2006			
	Overview of Preliminary FIF	Bill Corbus	1 hour
9:00 AM-12:00 PM	Fiscal Certainty on Oil and Gas-What it Means/Why it Matters.	Bill Corbus/ Pedro van Meurs	5 hours
	Economics of Gas Pipeline Contract-Analysis of Deal: Comparison with other Contracts around the World.		
1:30 PM-4:30 PM	Economic Benefits of Gas Pipeline-Compared with Similar Contracts Around the World	Bill Corbus/ Pedro van Meurs	
Day 3 Friday - May 12, 2006			
	Key Alaska Issues		
8:30 AM-11:30 AM	-Alaska Hire/Alaska Buy	Greg O'Claray	2 hours
	-In state Access and Use of Gas	Ken Griffin	
	-Fiscal Certainty for Explorers (UUFC)	Mike Menge	
Day 4 Monday - May 15, 2006			
1:30 PM-4:30 PM	Constitutional Issues Associated with Fiscal Certainty and Other Legal Issues Concerning the Contract	Dave Marquez/ Brad Lui	3 hours
Day 5 Tuesday - May 16, 2006			
9:00 AM-12:00 PM	Alternate Comparisons	Roger Marks/ Pedro van Meurs	1.5 hours
	Work Commitments and Project Risks	Pedro van Meurs	1 hour
1:30 PM-4:00 PM	Fiscal Certainty and Term	Pedro van Meurs	1.5 hours
	Canada Plan/PTU	Mike Menge	2 hours

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

Day 6 Wednesday - May 17, 2006			
9:00 AM-12:00 PM	Challenges of State Ownership -Capacity Management -Marketing Management	Ken Griffin	3 hours
2:00 PM-3:00 PM	FERC Permitting/EIS Process/Project Sanction	Bob Loeffler	1 hour
3:00 PM-5:00 PM	Explanation of Contract Provisions	Bob Loeffler	2.5 hours
Day 7 Thursday - May 18, 2006			
9:00 AM-12:00 PM	Explanation of Contract Provisions	Bob Loeffler/ Dan Dickinson	6 hours
Day 8 Friday - May 19, 2006			
9:00 AM-12:00 PM	Work Commitments and Project Risks	IPA-AI Rogers	3 hours
Day 9 Saturday - May 20, 2006			
9:00 AM-12:00 PM	Payments in lieu of taxes issues -Benefit to Municipalities -Marketing Management	Dan Dickinson/ Randy Hoffbeck	3 hours
1:30 PM-4:30 PM	Managing and Financing the Gas Pipeline -LLC -Financing options -Federal loan guarantee	Bill Corbus/ Bill Vogel/ Bob Doherty	3 hours
Day 10 Monday - May 22, 2006			
9:00 AM-12:00 PM	Right-of-Way Plan	Ed Fogels	1 hour
	-PPT Legislation	Dan Dickinson/ Pedro van Meurs	2 hours
Day 11 Tuesday - May 23, 2006			
9:00 AM-12:00 PM	Legislation Requests -SGDA Amendments -Pipeco -Original Jurisdiction for Supreme Court -Upstream Fiscal Contract	Steve Porter/ Larry Ostrovsky/ Jim Baldwin/ Joe Donohue	3 hours
1:30 PM-4:30 PM	Why this Project is in the financial interest of the State	Bill Corbus	2 hours
	Summary/ Wrap up	Bill Corbus/ Pedro van Meurs	1 hour

1.2.3 Public Hearings

The second phase was from May 19 to June 15, including eight formal public hearings in major communities and three statewide teleconferenced public hearings to take official testimonies from the public (Table 2 and Table 3). Each formal public hearing in a major community started with about one-hour remarks and presentations by the governor, the commissioner of revenue and representatives from Departments of Natural Resources and Labor, followed by public testimonies. All of the comments made by the public at the hearings were transcribed and added to the public comment database. Each hearing in a major community was also accompanied by an open house attended by representatives from

the state and sponsor group, who would answer any questions from the public regarding natural gas development, the gas pipeline, the proposed contract and the Preliminary FIF. Furthermore, a number of displays and handouts were available at the open houses to educate the public. Listed below is the schedule of the formal public hearings and statewide teleconferenced public hearings.

Table 2. Formal Public Hearings in Major Communities

Date	Time	Location
May 19	11 AM – 8 PM	Ted Ferry Civic Center, Ketchikan
May 24	2 PM – 8 PM	City Council Chambers, Delta Junction
May 25	11 AM – 1:30 PM 5 PM – 8 PM	Carlson Center, Fairbanks
May 30	2 PM – 8 PM	Kodiak High School Commons, Kodiak
June 2	11 AM – 8 PM	Egan Convention Center, Anchorage
June 3	11 AM – 5 PM	Egan Convention Center, Anchorage
June 7	11 AM – 1:30 PM 5 PM – 8 PM	Best Western Inn, Wasilla
June 9	11 AM – 1:30 PM 5 PM – 8 PM	Convention & Civic Center, Valdez
June 15	11 AM – 1:30 PM 5 PM – 8 PM	Challenger Learning Center of Alaska, Kenai

Table 3. Statewide Teleconferenced Public Hearings

Date	Time	Location
May 23	6 PM – 10 PM	Legislative Information Offices, and (888) 295-4546
May 30	6 PM – 10 PM	Legislative Information Offices, and (888) 295-4546
June 5	6 PM – 10 PM	Legislative Information Offices, and (888) 295-4546

1.2.4 Public Forums

The third phase was from July 17 to July 24, consisting of seven public question-and-answer forums to answer questions and concerns raised by the public (Table 4). Eleven basic issues, developed based on comments received from the legislature and the public in the previous two phases, were discussed in detail in each forum. The basic issues included 1) the gist of the deal; 2) the economic impact; 3) the term of the contract; 4) constitutional issues; 5) in-state use and off-take points; 6) work commitments; 7) jobs and job trainings for Alaskans; 8) the petroleum profits tax; 9) the all-Alaska pipeline route; 10) Canadian issues; and 11) stranded gas. The governor, chief of staff, commissioners from the Departments of Revenue, Natural Resources and Labor, the attorney general and other state representatives participated in the forums to discuss the basic issues and to answer any other questions in person.

Table 4. Public Forums

Date	Time	Location
July 17	12 PM – 3 PM	Centennial Hall, Juneau
July 18	2 PM – 5 PM	Challenger Learning Center of Alaska, Kenai
July 19	2 PM – 5 PM	Tanana Valley Campus, University of Alaska Fairbanks, Fairbanks
July 20	2 PM – 5 PM	Cuddy Center, University of Alaska Anchorage, Anchorage
July 21	2 PM – 5 PM	Palmer Library, Palmer
July 21	7 PM – 9 PM	Eagle River Parks/Recreation Office, Eagle River
July 24	1 PM – 5 PM	North Slope Borough Assembly Room, Barrow

1.2.4.1 Community Outreach

In addition to the eleven-day presentations to the legislature, eight formal public hearings, three statewide teleconferenced hearings, and seven public forums, more than 70 community presentations were held throughout the state. Many of these were attended by the governor, chief of staff, commissioners, and department directors. All of the presentations, hearings and forums were designed to ensure that the public had a good understanding of the proposed contract and Preliminary FIF, and to ensure the administration received feedback from the public.

1.3 Sources of Inputs for Analysis

In addition to the public comments received as oral testimony during public hearings and presentations, public comments were received by mail, e-mail, fax, telephone on a dedicated, toll-free comment line and via laptop computers with Internet connections that were set up at some public meetings so that anyone attending the meetings could submit comments directly onto the state's gas pipeline website. After the close of the comment period, the state made all the submissions available for public viewing on the state's gas pipeline website. Submissions were listed by number and the name and organization/affiliation of the commenter.

1.3.1 Web Submissions

Submissions received via the Web-form on the state's gas pipeline website were logged directly into the database and were made available to the Department of Revenue for immediate review and analysis.

1.3.2 Transcription of Public Testimony and Public Opinion Messages

Certified court reporters were used to record and transcribe verbatim testimony taken at the formal public hearings, statewide teleconferences and from the Public Opinion Message (POM) line. These transcripts were copied into the database and identified by speaker, venue and date. Most transcripts were entered into the database within a few days of the event. The POM voice mail system was checked twice a day.

1.3.3 E-mails

E-mails received by the Governor's Office or other State of Alaska departments or agencies that specifically addressed the proposed contract, Preliminary FIF or gas pipeline project were forwarded to the Department of Revenue. These e-mails and any attachments were copied into the database as they arrived.

1.3.4 Other Written Submissions

Letters, faxes and other forms of written submissions were received by the Governor's Office or Department of Revenue. Word processing staff entered the text as submitted (i.e., spelling and typographic errors were not corrected) into the database, although formatting could not be preserved by the database software. The original submission was scanned, and in all cases was made available online after the comment period closed.

1.3.5 Viewing Submissions

Presently and in the foreseeable future, all of the submissions can be accessed online through the State of Alaska's Gas Pipeline web-site. All of the submissions are available on CD or in a printed hard-copy (968 pages) by sending a request to the commissioner of revenue. Indexes of these submissions are provided for interested individuals and organizations in Attachment 1 of this document.

To view submissions on the internet take the following steps:²

1. Log onto the internet using your internet browser;
2. Enter <http://www.gov.state.ak.us/gasline> as the URL and hit return;
3. Click once with your mouse on the "Public Comments" section of the gas pipeline web-site;
4. Click once on the text "Review comments submitted on the Fiscal Interest Findings";
5. Click on the arrow at the right of any one (or more) of the search boxes³ and select the item you wish to find;
6. Click on continue;
7. After the screen refreshes, scroll to the bottom of the page and click on the submission number of the comment you wish to review;
8. If the comment was entered directly into the web the full comment will appear when the screen refreshes;
9. If the comment was submitted as an attachment, click on the attachment file name to see the comment.

² To view the submissions from the CD, place the CD in the drive of your computer and follow the directions that are shown on the CD.

³ Note that submissions from individual's associated with organizations, do not necessarily represents the views of that particular organization—because individuals were given the option to indicate the organization with which they were associated.

1.4 Description of Data Management and Comment Analysis Process

1.4.1 Data Management

All submissions were stored in a secure, relational database where each was assigned a unique Submission ID number. Information about each submission, such as date submitted, venue (for public hearings) and format (e.g. Web-form, e-mail, etc.), were recorded. The name and address of the commenter were also recorded when available. The submission text field on the Website comment form was large enough to accommodate four to five pages of typed material. In addition, attachments to submissions on the Internet and to e-mails were also permitted. Attachments of up to 35 pages were capable of being uploaded on the state's gas pipeline website. These additional comments were linked in the database to the original submission and commenter.

1.4.2 Comment Analysis Process

The analysis of public comments was a multi-step process that included reviewing, coding, sorting and analyzing the submissions or transcripts and then preparing responses to the issues and concerns raised. Figure 1 diagrams the comment analysis process.

The first step was to review each submission or transcript and divide it into a series of substantive comments, each of which was assigned a unique Comment ID number. The goal was to capture each idea or opinion expressed that was pertinent to the proposed contract, Preliminary FIF, or gas pipeline project.

Next, analysts identified the general area of concern and specific issue or issues discussed in each comment. An example of a general area of concern is "State and Local Impacts." Examples of issue categories within this area of concern are "Alaska Hire Provisions," "Community Impacts" and "Impact Payments." An abbreviation code was assigned to each issue category to facilitate data management; for example, AKHIRE, COMM and IMP_S. Table 5 lists the issue categories by area of concern identified from the public comments. In most cases, issue categories were designed to be opinion neutral.

The coded comments in each issue category were then further reviewed to identify similarities among them. Groups of similar comments within an issue category were termed a Statement of Concern (SOC). An SOC was defined as a statement that captures the meaning of the grouped comments and can be addressed with a single response. SOCs usually express a definite position within the broader issue.

For example, Alaska Hire Provisions (AKHIRE) identifies comments about the job opportunities for Alaskans created by the gas pipeline project. Within this issue category, a number of SOCs were developed based on the similarities of the comments. These SOCs included the following:

- AKHIRE_01 Statements expressing concern regarding Alaska hire, including the impacts of U.S. Supreme Court decisions on local hire.
- AKHIRE_02 Statements expressing concern about the lack of skilled workers needed for the project and the need for training programs and other ways that the state would assist Alaskans and Alaska contractors to better compete with non-Alaskans.

The final step in the process was a global review of the SOCs to minimize unnecessary duplication. Where possible, similar SOCs were combined into one statement and placed in a category best fitting the overall concern.

Figure 1. The Comment Analysis Process

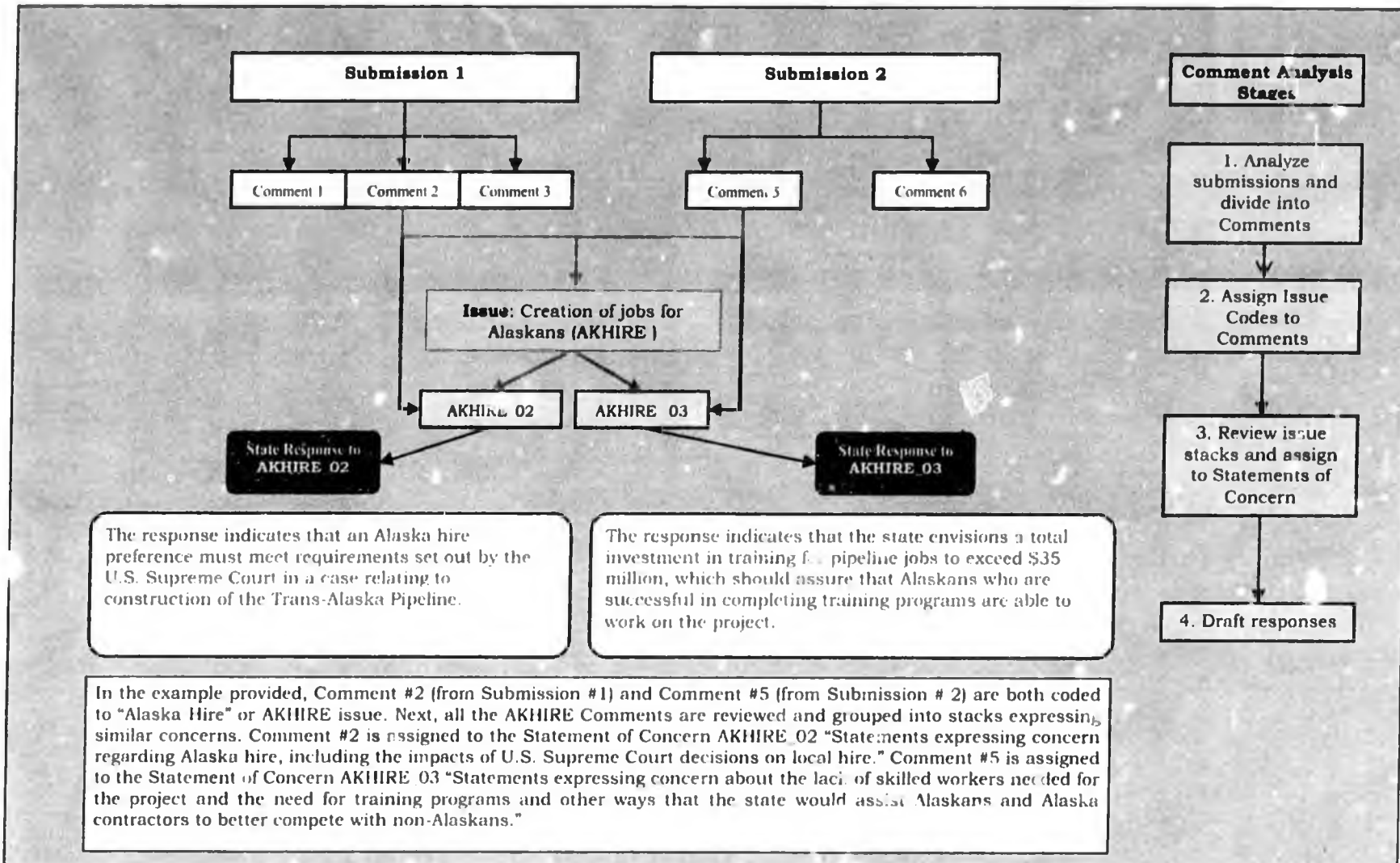


Table 5. Summary of Issues Identified from Public Comments

Issue Code	Issue Category	Comment Summaries	# of SOCs
Public Process			
HEARINGS	Public Hearings	Comments expressed concern about accessing information generated during public presentations, time limits on individual oral testimony, how public comments will be responded to, and the timing of the public hearings given that parts of the contract are incomplete	9
COMM_PER	Comment Period	Comments expressed a number of concerns about the public review process, including the length and complexity of the contract and associated documents, the time limit on individual oral testimony during public hearings, the use of state funds to promote the project, and the timing of the public review process given that parts of the contract are incomplete.	12
WEB	Internet Access to Information and Web-Based Comments	Some comments supported the use of the Internet to make available to the public large volumes of information, while others reported difficulty in accessing information.	5
SGDA and Constitutionality			
STRND	Is the Gas Stranded?	Comments reflected the disagreement as to whether ANS gas is stranded. Comments also suggested that the question of whether ANS gas is stranded is a policy call and can't be answered empirically.	2
CNSTL	Constitutionality	Comments focused on the legality of surrendering the state's power of taxation for the term of the proposed contract, not developing the state's gas for the maximum benefit of Alaska's citizens, altering tax rates and leases related to existing oil and gas infrastructure and production, prohibiting municipalities from initiating lawsuits with respect to the contract, and retroactively changing the SGDA terms to fit the contract.	12
CNFDL	Confidentiality and Secrecy	Comments were critical of what was perceived as a secretive negotiation process conducted by the administration and the sponsor group.	4
SGDA	SGDA Concerns	Comments expressed concern that the proposed contract violates the provisions of the SGDA because it includes changes in taxes and incentives for oil production and development, does not include all the causes for termination required by the Act, and does not define the specifics of the qualified project. Comments also asserted that the preliminary findings and determination violates the provisions of the SGDA because it fails to fully evaluate project alternatives and the option that the gas is not stranded, fails to provide an adequate analysis of the impact of the contract terms on the state's budget, fails to accurately analyze whether the gas is economically stranded, and determines that it is appropriate to move forward a contract that is not yet complete.	20
LEGIS	Legislative Process	Some comments expressed concern that actions by groups in favor of and against the proposed contract have "politicized" the contract review process. Other comments indicated that the legislature should take time to understand the contract provisions before making a decision. Comments were mixed with respect to whether the governor should sign a contract without first putting it to a vote by the legislature.	12
XOM	Exxon Settlement and Negotiating With Exxon	Comments expressed concern that the state is negotiating a contract with ExxonMobil when the company has yet to pay the punitive damages awarded against it after the Exxon Valdez oil spill.	1

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

Issue Code	Issue Category	Comment Summaries	# of SOC's
General Comments on the Contract and the FIF			
FIF	Contract is or is not in the Interest of the State	General comments that either agreed or disagreed with the commissioner's preliminary findings and determinations that the proposed contract terms are in the long term fiscal interest of the state and further the purposes of the SGDA	2
EDI	Editorial Comments and Corrections	Editorial comments included the need for clarification on total estimated state revenues from oil and gas under the proposed fiscal terms and the need to break out estimated state revenues (i.e., royalties, severance taxes, corporate income taxes and property taxes).	6
ACK	Irrelevant Comments	Comments that were not relevant to the FIF or to the fiscal contract	1
Work Commitments and Project Timing			
WORK_COMM	Work Commitments from the sponsor group	Comments reflected the mixed views as to the adequacy of the contract provisions with respect to work commitments, including whether: <ul style="list-style-type: none"> • "diligence" is sufficiently defined • penalties should be imposed if the sponsor group does not take action to proceed with the project • the state's ability to terminate the contract is too restricted • the contract should include a project timeline with specified milestones 	10
TIME	General Project Timeline	Comments were made regarding the urgency of contract approval—some expressed concern that delays in approval of the contract could delay the gas pipeline project and its expected benefits, while others expressed concern that the project is being unnecessarily rushed.	3
State and Local Impacts			
AKHire	Alaska Hire Provisions	Comments generally supported the notion that most gas pipeline jobs should go to Alaskans. A number of concerns regarding the proposed contract's Alaska hire provisions were expressed, including the absence of language specifying an Alaska hire preference and the absence of a project labor agreement that would offer wage protections for Alaska workers as well as ensure the greatest amount of Alaska hire possible. Comments also expressed a perception that the contract language is biased against hiring Alaskans.	23
GENBEN	General Benefits of the Pipeline	Comments focused on specific expected benefits of the gas pipeline project, including job creation for Alaskans, higher and more diversified state revenues, economic development, a strengthened oil and gas industry in Alaska, cost effective energy for Alaskans, improvements in the state's public infrastructure and a stable supply of natural gas for the U.S. as a whole. Many comments called for better documentation and planning for the sharing of revenue between state, communities, and individuals.	9
COMM	Community Impacts	Comments reflected the mixed views on the overall impact of the gas pipeline project on local municipalities and unincorporated communities; for example, some comments indicated that communities along the pipeline route are likely to see high levels of economic development, while other comments noted the potential for a boom and bust economic cycle.	9
INFRA	Local Infrastructure Needs	Comments expressed concern about the impacts of the gas pipeline project on public infrastructure, especially the heavy demands on Alaska's surface transportation system and the costs involved in building all of the necessary supporting infrastructure for the pipeline construction.	4
IMP_S	Impact Payments	Comments expressed concern about the level, duration, distribution and use of impact payments made under the proposed contract. Specific comments indicated that the impact payments should be adjusted for inflation.	7

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

Issue Code	Issue Category	Comment Summaries	# of SOC's
SUBST	Subsistence	Some comments indicated that the economic benefits of the gas pipeline project will enable rural residents to continue to participate in subsistence activities, but other comments noted the absence of contract provisions to preserve aboriginal lands and hunting grounds.	2
AK_NATV	Alaska Native Issues	Comments supported greater recognition of Alaska Native interests, such as more consultation and providing for Alaska Native hire during project construction.	5
Gas for In-state use			
AK_DMD	In-State Demand	Some comments expressed confidence that the contract contains provisions that ensure in-state needs would be met, while others indicated that the contract provisions do not assure gas to Alaska at reasonable rates and within a reasonable timeframe, nor do they adequately address concerns about the dependability of the state's gas supply.	2
OFFTAKE	Off-Take Points	Comments both agreed and disagreed that the terms of the contract adequately provide for the creation of off-take points. A number of comments expressed preferences for off-take point locations.	1
INDST	Future Alaska Industrial Uses	Comments supported the construction of a natural gas liquids (NGL) plant in Alaska and development of a propane distribution system for rural Alaska.	3
Regulatory Issues			
FERC	FERC Process	Comments generally centered on the FERC-approved tariff for the transportation contracts and the agency's open-season rules, including the need for clarification in the contract on future intrastate and interstate "mileage-sensitive" transportation rates. Many of these comments also contained reference to RCA issues, noting that it is not clear whether the upstream facilities (i.e., GTP) would be regulated by FERC. Comments also expressed concern that there may be regulatory gaps and that commercial arrangements would limit regulation.	10
RCA	Regulatory Commission of Alaska	Comments were critical of contract provisions that disallow the state from seeking or supporting regulatory authority by the RCA and that require the state to reimburse the sponsor group for any losses if the RCA does assert its authority. Statements also ask that RCA regulate portions of the project in Alaska that are not under FERC jurisdiction. In general, comments that dealt with the interaction between FERC and RCA are coded under FERC.	2
Capacity Management and Access			
ACC	Access for Other Companies	Both negative and positive comments were submitted on whether the contract sufficiently accommodates 3rd-party explorers and adequately provides for incremental expansions for in-state use and reasonable expansion tariff structures.	16
OIL_Px	Oil Production Issues	Some comments expressed concern that commercialization of ANS gas could result in lower oil recovery in existing wells, while others noted that within 10 years the cost of recycling ANS gas (and the opportunity cost of unsold gas) may be greater than the benefit of the additional oil produced.	2
Taxes and Incentives			
FISC	Fiscal Certainty	Comments reflected the mixed views on whether a 45-year period of fiscal certainty for gas and a 30-year period for oil are required. Comments also expressed concern that the contract contains no fiscal certainty for the state, and noted the many fiscal obligations that the contract imposes on the state.	10
PPT	PPT Legislation	Both negative and positive comments were submitted on the PPT. Comments in opposition pointed to the possible difficulty of accurately determining industry profits.	7

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

Issue Code	Issue Category	Comment Summaries	# of SOCs
INCNT	Investment Incentives in the Contract	Comments both agreed and disagreed with the need for incentives. Particular incentives questioned included state subsidies; tax exemptions for participant affiliates, contractors and subcontractors; and state indemnification of the sponsor group for losses.	10
LCL_X	Local Taxation	Comments expressed concern about contract provisions that require the state to pay the participants' municipal tax above a certain cap; allow tax breaks to apply to the sponsor group, their affiliates and subcontractors; undermine the right of municipalities to impose taxes; exempt, defer, or reduce taxes on existing oil and gas properties prior to project sanction or commencement of commercial operations; or could potentially affect the level of school district funding and funding of other local programs.	19
EXPLR	New Exploration for Oil and Gas	Comments indicated that the contract should include additional incentives (and remove possible disincentives) for exploration and development. Most of the comments on new exploration were also related to 3rd party access and the UUFC, and were coded to those issues.	2
PTU	Point Thomson Unit	Some comments expressed concern that the contract allows Point Thomson (PTU) leaseholders to default on their lease obligations to develop the PTU, while others indicated that the gas pipeline project will encourage exploration and production in the PTU.	8
UUFC	Uniform Upstream Fiscal Contract	Comments indicated that the proposed UUFC legislation should be modified to ensure that producers who are not parties to the proposed contract will be treated the same as those that are. Other comments noted that there is no assurance that the UUFC legislation will pass, therefore there is no guarantee that they will be able to receive the same benefits and incentives that the sponsor group will have as specified by the contract.	2
RSRV_X	Proposed Reserves Tax	Comments expressed both support for and opposition to a gas reserves tax. Some comments objected to the contract provisions that exempt the sponsor group from taxes imposed by the state under a law initiated by the people.	1
State Ownership			
LLC	New Limited Liability Corporations (LLCs) Between State and Partners	Comments expressed concern that the terms of the project entity LLC agreements have not been made public, and whether the preliminary fiscal interest findings can be fully reviewed because it is not yet complete; questioned whether the dispute resolution and arbitration processes in the contract can adequately protect the state's and local interests; and inquired why the mainline entity would be formed under the laws of Delaware rather than Alaska.	17
DISP	Dispute Resolution	Comments focused on the legal processes for resolving disputes between the state and the sponsor group.	1
REGCON	Regulatory Conflict	Some comments expressed concern about the state's potential conflict of interest in its role as a regulator of the pipeline and manager of natural resources and its proposed role as a participant in the gas pipeline project and marketer of state gas. However, other comments noted that the state already manages to perform a dual role with respect to the Alaska Railroad Corporation and Permanent Fund.	1
NATRSC	State Management of Natural Resources	Comments indicated that the state, as owner of the oil and gas resources, should manage them in a way that benefits Alaskans and should not give up its sovereign rights. Comments also noted the importance of fully utilizing these resources.	12

Issue Code	Issue Category	Comment Summaries	# of SOCs
AK_FINC	Financing of Alaska's Portion of the Project	Some comments indicated that the state's ownership position in the gas pipeline and associated facilities should be 20 percent (or higher), while others expressed reservations about state investment, including concerns that the project costs borne by the state in the form of various concessions or subsidies imposes too many fiscal obligations on the state and are disproportionate to its ownership position.	9
PFD	Permanent Fund	Some comments were opposed to the state using the Permanent Fund to fund its share of equity contributions for the project, while others supported the idea. Comments also expressed concern that the contract places the Permanent Fund at risk on matters over which the state has no control.	4
Project Risks			
OWNRISK	State Ownership Risks	Comments reflected the disagreement as to whether the benefits of state investment justified the risks. Comments also expressed concern that the contract requires the state to invest 20 percent of the costs in all upstream pipelines between the GTP and the producing units, and requires the state to own a percentage of the total project including pipelines and facilities in Canada and the lower 48 states.	5
POL_RSK	Political Risks	Some comments expressed concern about the risks associated with the Canada-portion of the project, such as terrorist activity and poor Canada-U.S. relations, while others indicated that these risks have been exaggerated.	6
INKIND	Risks Related to Gas In-Kind	Some comments agreed that taking all gas royalties in kind (as opposed to retaining the option of taking them in value) would be beneficial to the state, while other comments pointed to the costs and risks that the state would incur.	2
RSC_RSK	Resource Risks	Comments acknowledged the risks of under capacity due to insufficient gas discoveries.	1
MRKT	Market Risks	Some comments noted that market conditions were favorable for a gas pipeline project, while others pointed to the risk associated with possible drops in future gas prices and competition from other gas sources. Comments associated with prices for In-Kind sales were typically coded to In-Kind.	3
ENVE	Environmental Risks	Comments related to the environment expressed concern about the effects of state equity ownership in the gas pipeline project on its enforcement of environmental regulations and its liability for environmental damages, and the potential adverse effects of additional oil and gas production on the ANS environment and on incentives to develop renewable energy resources. Some comments noted that the environmental impacts of the project should be minimal based on the track record of the producers in the ANS.	13
OVRRUN	Cost Overrun Risks	Comments expressed concern that cost overruns posed a significant risk for both the sponsor group and state. Some comments noted that overruns would be passed along to gas consumers in the form of higher prices.	4
FRCE	Force majeure	Comments expressed concern that the definition of <i>force majeure</i> in the contract is too broad.	2
Canadian Issues			
CAN_OWN	Ownership Rights in Canada	Comments indicated that TransCanada Corporation has ownership interests in the Canada-segment of the project; that Foothills (a subsidiary of TransCanada) is the party entitled to own and construct the Canada-portion of the pipeline as per the Northern Pipeline Act; and that if the contract specifies an ownership structure that does not recognize Foothills as the holder of the existing certificates in Canada, the project will be delayed due to litigation.	5

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

Issue Code	Issue Category	Comment Summaries	# of SOCs
CANREG	Canadian Regulatory Issues	Comments expressed concern about the jurisdictional authority of FERC and the Canada National Environmental Board, references in the contract to regulation of the Canada-portion of the gas pipeline project, and the TransCanada Corporation's expressions of dissatisfaction with certain contract's provisions regarding the two federal legislative regimes in Canada (National Energy Board Act vs. Northern Pipeline Act)	4
ALB	Alberta Hub	Comments requested clarification on what effect extending the gas pipeline through Canada would have on state revenues given state equity ownership in the project.	2
MCKZ	Mackenzie Valley Pipeline	Comments expressed concern about how Mackenzie Valley Pipeline might affect Alaska's gas pipeline project.	4
INDG	Indigenous Peoples in Canada	Comments supported greater recognition of First Nation interests, such as acknowledging native sovereignty and providing for economic benefits from the gas pipeline project.	2
Other Transportation Alternatives			
OTA	Other Transportation Alternatives	Comments indicated that the state should not only negotiate with the sponsor group, but with all interested parties to get the best deal for the state. Some comments added that the state should use competitive bidding procedures to award the contract. Other comments expressed preferences for routes not previously considered.	3
AGPA	AGPA Alternative	Some comments supported the AGPA proposal because of the perceived benefits of an "All-Alaska" project, including a greater opportunity to meet in-state demand and for state revenue sharing with municipalities, while other comments questioned the economic feasibility of the proposal.	6
YLINE	The Y-Line Alternative	Comments supported the Y-line option, with some suggesting developing the route through Canada first and then extending a line down to Valdez, while others suggested developing the route to Valdez first and then extending a line through Canada	1

2 Comment Analysis

2.1 Index of Submissions

Overall there were a total of 2,169 submissions made to the state in the public comment process. Attachment 1 contains two indexes of all of the submissions. The first index lists submissions from individuals and organizations, while the second index contains submissions from organizations only. Both indexes are sorted alphabetically, and show the submitters name, the submission number and the Statements of Concerns (SOC) to which the submission was coded. To find the state's response to a particular submission, look up the submission by the submitter's name, note which SOCs to which the submission was coded, then look up the state's response to that particular SOC in Chapter 3.

2.2 Summary Statistics

2.2.1 Number of Submissions

The following table presents an overview of the number of submissions received during the comment period. Of the 2,169 submissions, 49 submissions were found to be duplicate submissions or submissions that were irrelevant to the gas pipeline project—therefore a total of 2,120 submissions were analyzed.

Table 6. Total Number of Submissions

Total Number of Submissions	2,169
Number of Submissions Excluded*	49
Number of Submissions Analyzed [†]	2,120

* Excluded submissions include tests of the system, duplicates, spam or comments with no relevance to the gas pipeline project, proposed contract or Preliminary FIF.

[†] Total submissions less the number of excluded submissions. This number is the "total" or "total submissions" referred to in the remainder of this document.

2.2.2 Number of Issue Categories

Sixty issue categories were identified from the public comments. These issue categories are listed in Table 5 above.

2.2.3 Number of Statements of Concern

Grouping of similar comments within issue categories resulted in the identification of 358 Statements of Concern (SOCs). The SOCs sorted, by general area of concern and issue, are shown in Section 3 along with the state's response of the SOC.

2.2.4 Number of Submissions by Date

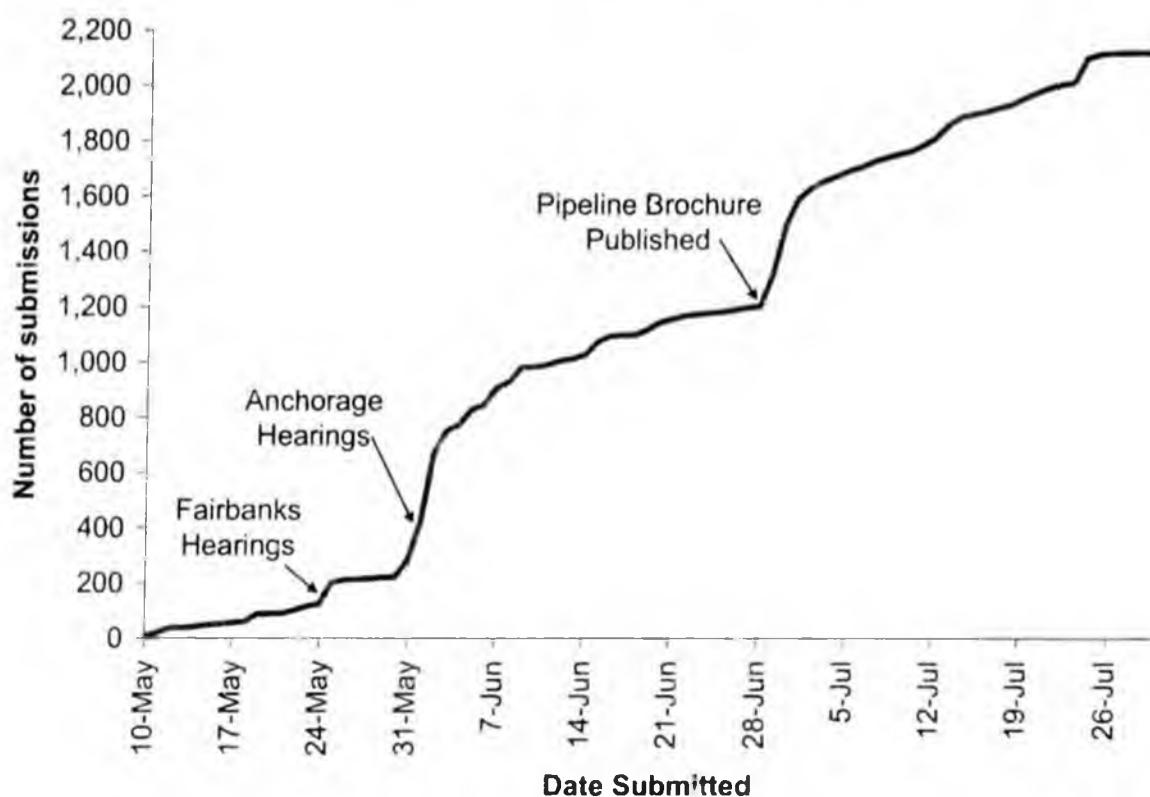
A number of gas pipeline-related events occurring during the 75-day comment period appear to have affected the rate of submission. For example, 36 percent (756) of all submissions

were received between May 31 and June 7, a period spanning the two Anchorage public hearings and the one in Wasilla. Over 60 percent (454) of these submissions were received via the state's gas pipeline Web site.

A second spike occurred after the publication of the "Alaska Gas Pipeline" brochure by the Governor's Office on June 29. Over the five-day period following the release of the brochure, including the Fourth of July holiday, 22 percent (452) of all submissions were received.

Figure 2 shows the cumulative total of submissions over the entire comment period.

Figure 2. Alaska-Canada Natural Gas Pipeline Cumulative Public Comments Received May 10 - July 24, 2006



2.2.5 Number of Submissions by Format

Table 7 lists the number of comments received via various formats, while Table 8 lists the number of comments received at the formal public hearings in major communities and the statewide teleconferenced public hearings. Both tables show both the number of submissions and the percent of total submissions excluding duplicate and irrelevant submissions.

Table 7. Submissions by Source

Comment Source	Number of Submissions	Percent of Submissions
Web Form	1,352	63.8
Public Hearing	335	15.8
Voice Mail	160	7.5
Bulk Mailer	118	5.6
Letter	101	4.8
Email	54	2.5
All Sources	2,120	100.0

Table 8. Submissions Received at Public Hearings

Venue	Venue Date	Number of Submissions	Percent of Submissions
Ketchikan Public Hearing	19-May-06	11	0.5
Statewide Teleconference #1	23-May-06	12	0.6
Delta Public Hearing	24-May-06	2	0.1
Fairbanks Public Hearing	25-May-06	63	3.0
Kodiak Public Hearing	26-May-06	4	0.2
Statewide Teleconference #2	30-May-06	3	0.1
Anchorage Public Hearing # 1	02-Jun-06	72	3.4
Anchorage Public Hearing # 2	03-Jun-06	58	2.7
Statewide Teleconference #3	05-Jun-06	6	0.3
Mat-Su Public Hearing	07-Jun-06	33	1.6
Valdez Public Hearing	09-Jun-06	36	1.7
Kenai Peninsula Public Hearing	15-Jun-06	31	1.5
All Submissions from Public Hearings		331	15.6

2.2.6 Number of Submissions by Location of Commenter

Comments were received from 32 States and Canadian Provinces, with Alaskan addresses accounting for 89 percent of the total (Table 9). Five submissions were received from the Canadian provinces of Alberta (3) and British Columbia (2). Finally, one comment was received from Chile while it not possible to determine the origin of the remaining 72 submissions.

Table 9. Submissions by State or Province

State	Number of Submissions	Percent of Submissions
Alaska	1,887	89.0
Texas	35	1.7
Washington	17	0.8
Idaho	10	0.5
Montana	10	0.5
Oregon	10	0.5
District of Columbia	8	0.4
Alabama	7	0.3
Louisiana	7	0.3
Florida	5	0.2
Oklahoma	5	0.2
Arizona	4	0.2
Arkansas	4	0.2
Alberta	3	0.1
California	3	0.1
Illinois	3	0.1
New Mexico	3	0.1
Ohio	3	0.1
British Columbia	2	0.1
Colorado	2	0.1
Kansas	2	0.1
Michigan	2	0.1
Minnesota	2	0.1
Nevada	2	0.1
Pennsylvania	2	0.1
Tennessee	2	0.1
Utah	2	0.1
Georgia	1	0.0
Nebraska	1	0.0
New Hampshire	1	0.0
New York	1	0.0
North Carolina	1	0.0

Twenty-seven Alaska communities had five or more submissions (Table 10). These communities accounted for 1,792, or 85 percent of the coded submissions. Another 89 submissions were received from 60 other Alaska communities, including Petersburg (4), Ester (4), Trapper Creek (4), Haines (4), Sitka (4), Anchor Point (3), Glennallen (3), Kotzebue (3), and Auke Bay (3). Finally, 6 submissions were known to have come from Alaska but the exact community was not specified.

There were 161 submissions received from communities outside Alaska. Houston, Texas, with 14 submissions, was the only outside community with more than three submissions.

Table 10. Submissions by Alaska Communities with Five or More Submissions

City	Number of Submissions	Percent of Submissions
Anchorage	981	52.0
Fairbanks	149	7.9
Wasilla	123	6.5
Eagle River	105	5.6
Palmer	61	3.2
Kenai	54	2.9
Valdez	47	2.5
Soldotna	39	2.1
Ketchikan	38	2.0
Juneau	32	1.7
North Pole	26	1.4
Chugiak	21	1.1
Homer	14	0.7
Big Lake	12	0.6
Delta Junction	11	0.6
Kodiak	11	0.6
Nikiski	10	0.5
Willow	9	0.5
Barrow	8	0.4
Sterling	8	0.4
Cordova	6	0.3
Girdwood	6	0.3
Glennallen	6	0.3
Seward	5	0.3
Talkeetna	5	0.3
Tok	5	0.3

2.3 Summary of Comments

2.3.1 Proportion of Comments in Favor of or Opposed to the Fiscal Contract

Before submissions were coded to issues, they were first categorized as being generally in favor of ("Pro") or opposed to ("Con") the fiscal contract. In performing this task, analysts were careful to distinguish between being in favor of (or opposed to) the *fiscal contract* and being in favor of (or opposed to) *a gas pipeline*.

"Pro" submissions were those which supported the current terms of the contract and the current proposed project (which would follow TAPS down to Delta, then would follow the AlCan highway route through Canada to the lower 48) in whole or in part. Some commenters were not in favor of construction of any gas pipeline. Others expressed opinions supporting the construction of a gas pipeline but were opposed in whole or in part to the current proposal, terms or route. These were classified as "Con."

In some cases, no clear position could be ascertained. These were classified as "Neutral." In a few cases, the person was not commenting on the proposed contract, Preliminary FIF or gas pipeline project at all but either was requesting information, such as where to apply for a

pipeline job, making a strictly political comment or making a point entirely without reference to the project. These comments were excluded from the results.

Overall, 65 percent of the coded submissions favored the fiscal contract. The proportion of comments in favor of or opposed to the fiscal contract is shown in the table below (Table 11).

Table 11. Proportion of Submissions in Favor of or Opposed to the Fiscal Contract

General Pro/Con	Number of Submissions	Percent of Submissions
Pro	1,385	65
Con	609	29
Neutral	126	6
Coded Submissions	2,120	100
Uncoded—Not Applicable	49	2
All Submissions	2,169	102

2.3.2 Summary of Comments by General Area of Concern and Issue

This section summarizes the comments by looking at the frequency that particular areas or specific issues of concern were commented upon. This can provide a quick indication of the most important issues concerning the public. Table 12 shows the number of submissions by general area of concern. The vast majority of submissions (1,396 or 66 percent) dealt with very general comments on the contract and the Preliminary FIF and did not bring up specific issues. Many other discussed State and Local Impacts (634), while Taxes and Incentive (including fiscal certainty and the PPT legislation) and the SGDA and Constitutionality were also regularly commented upon. It should be noted that many submissions touched on several areas of concern which explain why the sum of submissions over the different general area of concern yields a number far greater (4,285) than the actual number of coded submissions (2,120).

Table 13 breaks down the submissions into specific issues of concern. As indicated in Table 5, submissions were sorted into 60 specific issue categories. Among the specific issues most frequently commented upon (excluding general pro and con statements) were the following:

- Fiscal Certainty (222)
- PPT Legislation (215)
- Alaska Hires Provisions (175)
- The AGPA Alternative (157)
- Work Commitments from the sponsor group (155)
- Legislative Process (127)
- In-State Demand (124)
- Market Risk (111)
- General Project Timeline (103)

Table 12. Number of Submissions by General Area of Concern

General Area of Concern	Number of Submissions	Percent of Submissions
Public Process	94	4.4
SGDA and Constitutionality	331	15.6
General Comments on the Contract & the FIF	1,396	65.8
Work Commitments and Project Timing	250	11.8
State and Local Impacts	634	29.9
Gas for In-state use	183	8.6
Regulatory Issues	29	1.4
Capacity Management and Access	59	2.8
Taxes and Incentives	470	22.2
State Ownership	295	13.9
Project Risks	293	13.8
Canadian Issues	17	0.8
Other Transportation Alternatives	234	11.0
Coded Submissions	2,120	100.0
Duplicate or Un-coded Submissions	49	2.3
Total Submissions	2,169	102.3

Table 13. Number of Submissions by Specific Issue of Concern

General Area of Concern	Issue	Issue Code	Number of Submissions	Percent of Submissions
Public Process	Public Hearings Process	HEARINGS	32	1.5
	Comment Period Issues	COMM_PER	61	2.9
	Information on the Internet & Web-Based Comments	WEB	11	0.5
	All Comments within General Area		104	4.9
	Multiple Comments within General Area		10	0.5
	Unique Submissions within General Area		94	4.4
	SGDA and Constitutionality	Is The Gas Stranded?	STRND	27
Constitutionality Issues		CNSTL	84	4.0
Confidentiality and Secrecy		CNFDL	94	4.4
SGDA Concerns		SGDA	44	2.1
Legislative Process		LEGIS	127	6.0
Exxon Settlement and Negotiating With Exxon		XOM	34	1.6
All Comments within General Area			410	19.3
Multiple Comments within General Area			79	3.7
General Comments on the Contract and the FIF	General Agree/Disagree	FIF	1,338	63.1
	Editorial Comments and Corrections	EDI	23	1.1
	Comment Acknowledged	ACK	69	3.3
	All Comments within General Area		1,430	67.5
	Multiple Comments within General Area		34	1.6
	Unique Submissions within General Area		1,396	65.8

Appendix R: Summary of Public Comments on the FIF and Fiscal Contract

General Area of Concern	Issue	Issue Code	Number of Submissions	Percent of Submissions
Work Commitments and Project Timing	Work Commitments from the Producers	WORK_COMM	155	7.3
	General Project Timeline	TIME	103	4.9
	All Comments within General Area		258	12.2
	Multiple Comments within General Area		8	0.4
	Unique Submissions within General Area		250	11.8
State and Local Impacts	Alaska Hire Provisions	AKHire	175	8.3
	General Benefits of the Pipeline	GENBEN	466	22.0
	Community Impacts	COMM	41	1.9
	Local Infrastructure Needs	INFRA	7	0.3
	Impact Payments	IMP_\$	12	0.6
	Subsistence	SUBST	3	0.1
	Alaska Native Issues	AK NATV	5	0.2
	All Comments within General Area		709	33.4
	Multiple Comments within General Area		75	3.5
	Unique Submissions within General Area		634	29.9
Gas for In-state use	In-State Demand	AK_DMD	124	5.8
	Off-Take Points	OFFTAKE	79	3.7
	Future Alaska Industrial Uses	INDST	15	0.7
	All Comments within General Area		218	10.3
	Multiple Comments within General Area		35	1.7
	Unique Submissions within General Area		183	8.6
Regulatory Issues	FERC Process	FERC	15	0.7
	Regulatory Commission of Alaska	RCA	22	1.0
	All Comments within General Area		37	1.7
	Multiple Comments within General Area		8	0.4
	Unique Submissions within General Area		29	1.4
Capacity Management & Access	Access for Other Companies	ACC	46	2.2
	Oil Production Issues	OIL PX	15	0.7
	All Comments within General Area		61	2.9
	Multiple Comments within General Area		2	0.1
Taxes and Incentives	Unique Submissions within General Area		59	2.8
	Fiscal Certainty	FISC	222	10.5
	PPT Legislation	PPT	215	10.1
	Investment Incentives in the Contract	INCNT	87	4.1
	Local Taxation	LCL X	29	1.4
	New Exploration for Oil and Gas	EXPLR	5	0.2
	Point Thomson Issues	PTU	27	1.3
	Uniform Upstream Fiscal Contract	UUFC	6	0.3
	The Proposed Reserves Tax	RSRV_X	31	1.5
	All Comments within General Area		622	29.3
Multiple Comments within General Area		152	7.2	
Unique Submissions within General Area		470	22.2	