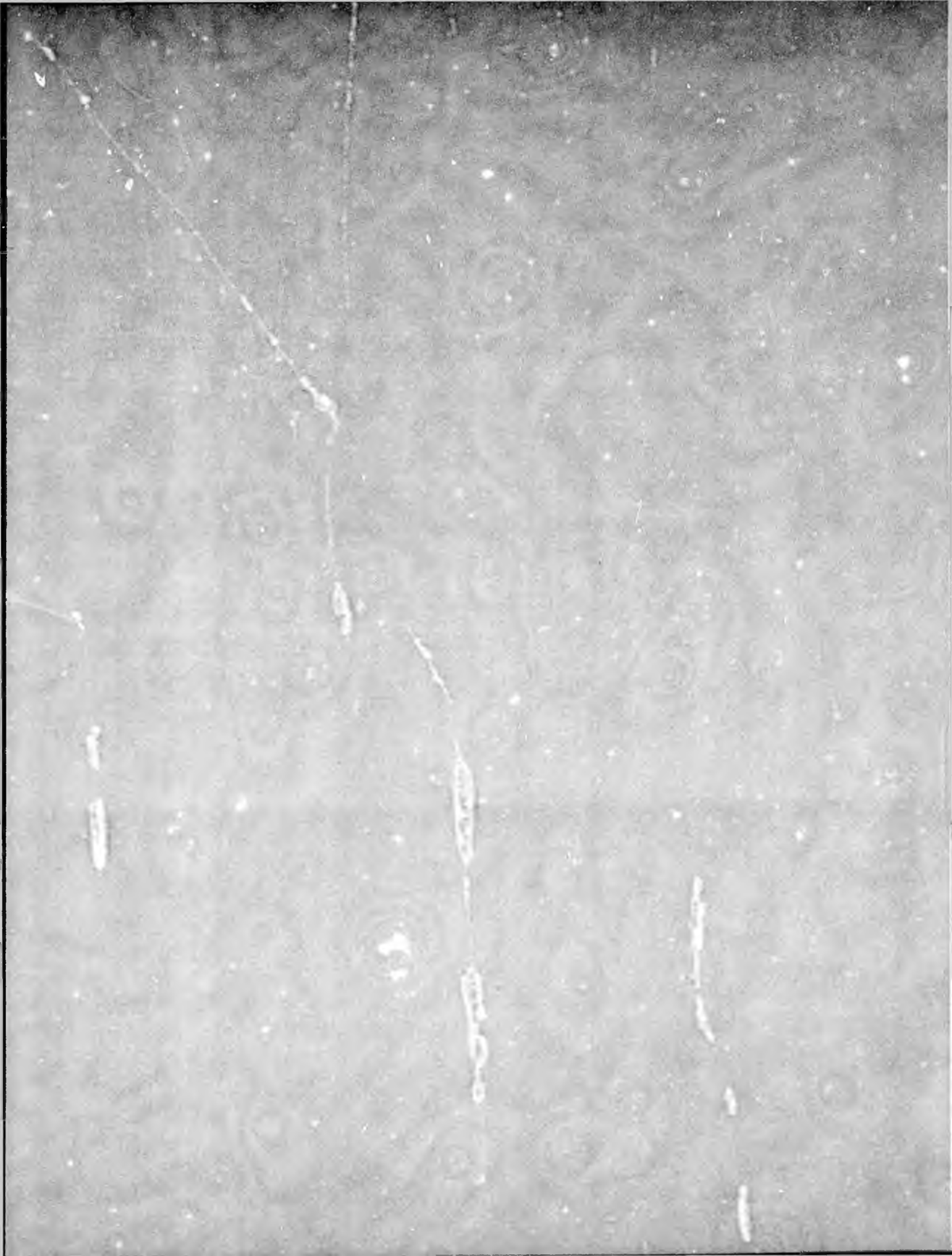


ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 HRLS 12300



bp



Doug Suttles
President

BP Exploration (Alaska) Inc
P.O. Box 196612
900 E. Benson Boulevard
Anchorage, Alaska 99519-6612

July 30, 2008

The Honorable Lyda Green
Senate President
State Capitol, MS 3100
Juneau, AK 99801

The Honorable John Harris
Speaker of the House
State Capitol, MS 3100
Juneau, AK 99801

President Green and Speaker Harris:

Direct 907 564 5422
Main 907 561 5111
Fax 907 564 5900
doug.suttles@bp.com

As the Legislature has been considering whether or not to award a license under AGIA there has been uncertainty expressed by some members of the Administration and the Legislature as to the commitment of BP to continue advancing the Denali project.

BP is committed to moving forward with the Denali project and we are spending millions of dollars already this summer to do just that. Doing so is in the best interest of our company and serves the best interest of the State of Alaska as well. We will continue to move as fast as we can with the State's cooperation.

Regardless of whether TransCanada is awarded a license under AGIA or not, Denali will continue to advance. BP is committed to do our part in enabling Denali to conduct an open season in the 2010-2011 timeframe. We are fully prepared to fund our share of the estimated \$600 million required to advance through open season. This commitment was recently confirmed in BP's public announcement of our 2nd Quarter financial results. After a successful open season we look forward to continuing to obtain a FERC certificate and ultimately delivering Alaska's gas to the marketplace.

Thank you for the opportunity to participate in your deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Suttles".

Doug Suttles
BP Alaska Gas Pipelines LLC

cc: Members of the Legislature



ConocoPhillips Denali Company

July 30, 2008

The Honorable Lyda Green
Senate President
State Capitol, MS 3100
Juneau, AK 99801

The Honorable John Harris
Speaker of the House
State Capitol, MS 3100
Juneau, AK 99801

President Green and Speaker Harris:

During the recent debates and testimony regarding an Alaska gas pipeline, some have questioned ConocoPhillips' continuing commitment to advance the Denali project.

In our analyst earnings conference call last week, ConocoPhillips' Chairman and CEO, Jim Mulva, confirmed that "irrespective of what takes place with approval or not by the state legislature [of a \$500 million inducement for TransCanada], we continue to go forward with BP on the Denali project, doing our field work this summer and moving right through a process of open season that we expect in the next few years. So it doesn't change at all the aggressiveness in the plan that we've announced with respect to Denali and our work between ConocoPhillips and BP." As I write, Denali has in excess of 60 people in the field and another 30 in Anchorage conducting various activities to prepare for Denali's open season, and Denali will spend approximately \$40 million on field work this summer alone. The total cost of advancing the Denali project through the open season milestone is expected to be \$600 million.

After a successful open season, Denali will be in a position to quickly progress the project toward applying for and obtaining a Federal Energy Regulatory Commission (FERC) certificate, which is the critical governmental approval necessary to actually begin construction of the project. Denali has already sought and received approval from the FERC to use the FERC's pre-filing process which will allow Denali and the FERC to more expeditiously advance the Denali project.

Sincerely,

A handwritten signature in cursive script that reads "Jim Bowles".

Jim Bowles
President
ConocoPhillips Denali Company

cc: Members of the Legislature



STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

The Honorable Bettye Davis
Alaska State Legislature
State Capitol, MS 3100
Juneau, AK 99801

July 28, 2008

Dear Senator Davis:

I recently received a copy of a July 21, 2008 letter that BP sent to you and circulated to other legislators expressing BP's objections to the Alaska Gasline Inducements Act ("AGIA") and the proposed AGIA license. I would like to take this opportunity to respond briefly to the main points in BP's letter, which are incorrect and raise issues the Administration has already thoroughly considered and addressed.

BP OFFERS CONFLICTING STATEMENTS ON AGIA LICENSE

As a threshold matter, BP's letter conflicts with its statements elsewhere regarding the impact of an AGIA License on the Denali project. BP and ConocoPhillips, its partner in the Denali proposal, have stated previously that they are moving forward with Denali regardless of AGIA, and that they have no intention of actively opposing the issuance of the AGIA license to TransCanada's competing project. Yet BP's letter now seeks to convince legislators to vote against the TransCanada/AGIA license and eliminate the competition that AGIA and TransCanada's AGIA proposal have engendered. *The mere existence of the BP letter is further proof that the Producers recognize the increased leverage the state will gain with the issuance of the AGIA License.*

ATTEMPT TO DISTRACT FROM DENALI'S LACK OF DETAILS

BP's criticisms seek to mask the lack of details that have been provided regarding the Denali proposal. Even at this late juncture in the AGIA debate, Denali has only provided a cursory presentation that pales in comparison to the detailed proposal TransCanada has submitted. In addition, unlike TransCanada, Denali has failed to make any binding commitments to low tariff rates, expansions, and other terms that will maximize development of the North Slope and associated job opportunities for Alaskans.

BP claims it "wants to work together with the State and interested 3rd parties to advance the construction of the Project and we look forward to the day when we can ship our Alaska North Slope gas to Alaska and other North American markets." Unfortunately, BP's actions do not match its words.

Because of AGIA, the State has made significant progress towards a gasline. But BP claims no one has worked as hard as BP and the other Prudhoe Bay lessees to advance the Project since 2001, and cites the fact that it "[p]articipated in the AGIA legislative process" last year as an example of its efforts to advance the Project. With all due respect, BP worked tirelessly to defeat AGIA in 2007. Despite the opposition by BP and the other Prudhoe Bay lessees, AGIA passed by a near-unanimous vote. Thus, progress has been made *despite* BP's efforts, not because of those efforts. It is also important to note that nothing in State law has precluded BP from advancing a gasline project earlier. It was only with the advancement of AGIA that BP and ConocoPhillips announced the formation of Denali and the public relations campaign that has accompanied it.

INCORRECT STATEMENTS ABOUT TRANSCANADA

BP also mischaracterizes TransCanada's proposal. BP states "TransCanada has testified they are willing to build the pipeline, but only if shippers including the State and BP provide the financial guarantees that cover the expense and risk." However, in its AGIA application TransCanada has provided several means of *sharing* the risk of the Project with its shippers, including offering to reduce its rate of return and even forego any profit on cost overruns. TransCanada also will have to negotiate the terms of firm shipping agreements with BP and the other producers, which can be expected to exercise significant negotiating leverage with TransCanada to drive even more favorable terms.

BP's letter also touts the purported advantages of the Denali project and the alleged disadvantages of TransCanada's project. The correct view of these issues, and a rebuttal of BP's principal arguments, is provided below:

- AGIA Is Consistent With Federal Law. Contrary to what BP asserts, AGIA is consistent with federal law, including the Alaska Natural Gas Pipeline Act ("ANGPA") and Federal Energy Regulatory Commission ("FERC") regulations. BP's letter is misleading on this point for at least two reasons. First, it fails to acknowledge that FERC representatives testified during last year's AGIA legislative hearings that nothing in AGIA conflicts with federal law. Second, FERC has submitted five reports to Congress since 2004 detailing the progress toward completing an Alaskan pipeline project and not once has FERC indicated that AGIA or the TransCanada application is in any way in conflict with either ANGPA or any FERC regulation.
- TransCanada's Purported Withdrawn Partner Liabilities. BP has exaggerated its purported concerns about TransCanada's alleged withdrawn partner liabilities in an attempt to spread uncertainty and doubt about TransCanada's competing project. As the commissioners fully explained in the AGIA Findings, these arguments by BP and others are very weak, and should not be a barrier to awarding the AGIA license to TransCanada.¹ While BP claims it has obtained a legal opinion on this issue, BP has not provided a copy of that opinion to the Administration. In fact, BP failed to provide any detailed legal analysis of this issue during the

¹ See AGIA Findings at Chapter 3, at pages 3-148 to 3-153, and at Appendix R1.

AGIA public comment process. Similarly, BP's partner in Denali, ConocoPhillips, promised months ago to provide the Administration with a copy of its legal opinion on this issue, but ultimately refused to do so. BP's eleventh hour efforts to resuscitate this issue on the eve of the AGIA vote lack merit and should be rejected.

- Cost Control. TransCanada has put forth several innovative proposals that give it a strong incentive to control project costs and rates. Ignoring these proposals, BP claims that TransCanada does not have incentive to control project costs, and that BP does. However, as the State has learned with the TAPS pipeline, a producer-owned pipeline actually has an incentive to keep the tariff rates high, raise the costs of competing shippers, and reduce the State's royalty and tax revenue. Given its track record with TAPS, BP's assertions about cost control cannot be taken seriously.
- "Ambiguous" License Terms. The AGIA License terms are not ambiguous, despite what BP asserts. The License includes the terms of the Application, AGIA and the request for applications (RFA), which together delineate the duties and rights of both the State and TransCanada. And, as more fully detailed in AGIA, those duties and rights can only be modified with the commissioners' consent.
- State Funds. It is interesting that BP asserts Denali has not asked for any State funds to advance its project. While that is technically true, during the SGDA process BP and ConocoPhillips (with ExxonMobil) demanded billions of dollars in tax and royalty concessions from the state in exchange for only a vague pledge to study moving forward with a pipeline. Denali presents the same scenario. The companies can decide to halt work on their project at any time with no obligations to the State. By contrast, AGIA requires TransCanada to advance its project through the FERC certificate process, and TransCanada has committed unconditionally to do so. The State's matching contributions under AGIA secure TransCanada's unconditional commitments to pursue the project on terms that benefit the State, including low tariff rates and mandatory expansion terms that will maximize the development of Alaska's vast natural gas reserves.
- Treble Damages. BP states that Denali creates no exposure to the treble damages provisions of AGIA. This is obviously true inasmuch as Denali is not being proposed under AGIA and the treble damages provisions of AGIA only apply to an AGIA-licensed project. What BP fails to note is that the treble damages provision is being given in exchange for TransCanada's commitments to the state, commitments that BP and ConocoPhillips are unwilling to provide themselves. BP also ignores the fact that AGIA actually *limits* the state's liability, by providing these damages as the sole remedy of the licensee in the unlikely event of a dispute.

POINT THOMSON IS NOT A BARRIER TO AGIA

BP also voices what it characterizes as "serious concerns" about the recent decision by the Commissioner of Natural Resources not to accept ExxonMobil's recently filed plan of development ("POD") for Point Thomson. The Commissioner's decisions in the Point Thomson litigation are based on the record in that proceeding and attempts by the lessees (ExxonMobil, BP, ConocoPhillips, and Chevron) to influence that decision outside the record are inappropriate.

In this regard it must be noted that Commissioner Irwin's actions relating to the POD are the direct result of ExxonMobil's failure for many years to honor its commitments to the State to develop Point Thomson. What BP fails to mention is that the proposed 23rd POD would not have ensured that gas was developed in time for any producer to purchase gas during either the TransCanada or Denali pipeline's first open season. During the unit's history, BP failed to effectively exert whatever influence it may have had as a working interest owner to encourage ExxonMobil to move forward and develop the valuable resources in this area.

BP's letter also does not explain why Point Thomson is relevant to AGIA. It is not. AGIA can and should go forward despite the thirty-year failure of ExxonMobil, BP, ConocoPhillips and Chevron to develop Point Thomson. Bringing Point Thomson into the AGIA debate is an effort to increase bargaining leverage and circumvent DNR's efforts to insure production from this area through the judicial system. By terminating the unit in 2006, DNR began the process that will return the lands to DNR for re-leasing long before either pipeline is ready to go in service. Any requirement to resolve the Point Thomson dispute prior to moving forward with AGIA would impose an indefinite delay on any gasline project -- a delay which would reduce the competitive pressure on Denali to keep moving forward with its project, and would impair the State's efforts to successfully resolve its dispute with the Point Thomson lessees.

AGIA PROVIDES BP WITH THE PATH TO FISCAL STABILITY

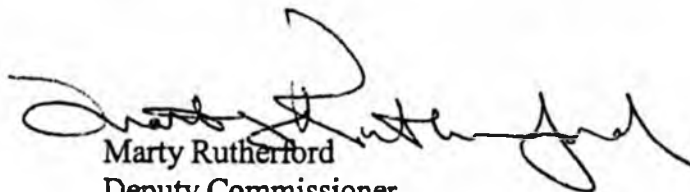
Finally, BP reasserts what it has consistently argued in the past: without fiscal concessions by the State, shippers will not make firm shipping commitments. However, BP also offers the misleading argument that AGIA restricts the State from providing necessary fiscal concessions. AGIA merely puts a price tag on the State supporting projects (other than a "bullet line") that would compete with an AGIA-licensed pipeline. AGIA does *not* preclude the State from providing fiscal concessions to shippers that support an AGIA licensed pipeline. Indeed, AGIA already provides ten years of fiscal predictability to any shipper that signs a firm contract on the AGIA pipeline. If BP can demonstrate that additional fiscal predictability is reasonably necessary, the legislature can increase the predictability provided to shippers on the AGIA-licensed pipeline. Thus, if BP needs additional fiscal stability, AGIA provides the path -- not a barrier -- to obtaining that.

CONCLUSION

In closing, by offering a series of invalid arguments and recycling the objections to AGIA that it unsuccessfully pursued last year, BP is seeking to keep the State from taking a very significant step towards achieving a gasline. Issuing the AGIA license will provide the State with an experienced pipeline company partner that has unconditionally committed to pursue the project on terms that maximize development of the State's natural gas resources. Issuing the AGIA license will also keep the competitive pressure on Denali. Only in response to the competitive pressure provided by AGIA did BP and Conoco come forward with the Denali project.

Thank you for the opportunity to respond to BP's assertions. In addition, thank you again for your support of AGIA last year, which has brought us to this important point in the State's history. If you have any questions or concerns, do not hesitate to contact me as we work together to advance the State's interests.

Sincerely,

A handwritten signature in black ink, appearing to read "Marty Rutherford". The signature is fluid and cursive, with a large initial "M" and "R".

Marty Rutherford
Deputy Commissioner
Alaska Department of Natural Resources

cc: The Honorable Lyda Green, President of the Senate
The Honorable John Harris, Speaker of the House

LEGISLATIVE ALERT – CALL YOUR ALASKA SENATOR TODAY!

Top 10 Reasons to Vote “Yes” on Authorization to Issue the AGIA License to TransCanada Alaska Company, LLC and Foothills Pipe Lines, Ltd.

1. TransCanada Alaska Company, LLC (“TC Alaska”) and its parent corporation, TransCanada Corporation, are high-quality companies in the business of building and operating natural gas pipelines throughout North America.
2. Through an AGIA license, TC Alaska makes legally enforceable commitments to:
 - Hire Alaskans;
 - Meet in-state energy needs;
 - Adhere to a firm timeline for project development all the way through FERC certification; and
 - Reduce tariffs and increase expansion opportunities that encourage exploration and development of the North Slope gas basin, which provide the basis for long-term careers, economic security and energy security for Alaskans.
3. If TC Alaska violates any legally enforceable commitments made under the AGIA license, consequences include recoupment of state reimbursements made under AGIA and state acquisition of project data acquired by TC Alaska during the license term.
4. TC Alaska offers a project that is economically and technically viable, and that maximizes benefits to Alaskans.
5. TC Alaska faces fewer permitting obstacles in Canada, and, as an independent pipeline company, does not raise the antitrust legal issues that might affect a producer-owned gas pipeline.
6. Award of an AGIA license to TC Alaska provides the opportunity to bring all parties together while still protecting Alaska's interests.
7. Award of an AGIA license does not commit the state to anything more than the inducements specified in the Alaska Gasline Inducement Act:
 - Up to \$500 million reimbursement for qualified expenditures;
 - Benefits of an AGIA coordinator and expedited state permit review;
 - Exclusive enjoyment of the AGIA inducements prior to the commencement of commercial operation.
8. Award of an AGIA license to TC Alaska allows the state to assist smaller pipeline projects that can provide gas for instate needs or spur line projects off the AGIA mainline.
9. A gas pipeline company owned by major North Slope oil and gas producers, and that is not licensed under AGIA, may be subject to management decisions that reflect the best interests of the owners, rather than the pipeline company. For example, the gas pipeline company may benefit from expanding the pipeline, but

if such an expansion competes with producers' interests, the producer-owners may not allow the expansion.

10. Without authorization to issue the AGIA license to TC Alaska, Alaska will once again be dependent on the major North Slope producers for pipeline development and that means:

- Project development on the producers' timeline that fits with their worldwide plans;
- Negotiations on fiscal concessions with the producers holding most of the cards; and
- Far fewer tools to protect Alaska's interests or to develop Alaska's natural gas resources in a way that maximizes benefits to Alaskans.

Call your Alaska State Senator TODAY and urge him or her to vote YES to award the state license to TransCanada.

Con Bunde, District P

(907) 465-4843 or 800-892-4843

Senator.Con.Bunde@legis.state.ak.us

John Cowdery, District O

(907) 465-3879 or 800-269-3879

Senator.John.Cowdery@legis.state.ak.us

Bettye J. Davis, District K

(907) 465-3822 or 800-770-3822

Senator.Bettye.Davis@legis.state.ak.us

Fred Dyson, District I

(907) 465-2199 or 800-342-2199

Senator.Fred.Dyson@legis.state.ak.us

Johnny Ellis, District L

(907) 465-3704 or 888-330-3704

Senator.Johnny.Ellis@legis.state.ak.us

Kim Elton, District B

(907) 465-4947

Senator.Kim.Elton@legis.state.ak.us

Hollis S. French, District M

(907) 465-3892 or 866-465-3892

Senator.Hollis.French@legis.state.ak.us

Lyda Green, District G

(907) 465-6600 or 877-465-6601

Senator.Lyda.Green@legis.state.ak.us

Lyman F. Hoffman, District S

(907) 465-4453 or 866-465-4453
Senator Lyman Hoffman@legis.state.ak.us

Charlie Huggins, District H
(907) 465-3878 or 800-862-3878
Senator Charlie Huggins@legis.state.ak.us

Albert M. Kookesh, District C
(907) 465-3473 or 888-288-3473
Senator.Albert.Kookesh@legis.state.ak.us

Lesil McGuire, District N
(907) 465-2995 or 800-365-2995
Senator Lesil McGuire@legis.state.ak.us

Donald Olson, District T
(907) 465-3707 or 800-597-3707
Senator Donny Olson@legis.state.ak.us

Bert Stedman, District A
(907) 465-3873 or 877-463-3873
Senator Bert Stedman@legis.state.ak.us

Gary Stevens, District R
(907) 465-4925 or 800-821-4925
Senator Gary Stevens@legis.state.ak.us

Gene Therriault, District F
(907) 465-4797 or 800-860-4797
Senator Gene Therriault@legis.state.ak.us

Joe J. Thomas, District D
(907) 465-2327 or 866-336-7383
Senator Joe Thomas@legis.state.ak.us

Thomas Wagoner, District Q
(907) 465-2828 or 800-964-5733
Senator Tom Wagoner@legis.state.ak.us

Bill Wielechowski, District J
(907) 465-2435 or 800-550-2435
Senator Bill Wielechowski@legis.state.ak.us

Gary Wilken, District E
(907) 465-3709
Senator Gary Wilken@legis.state.ak.us



July 23, 2008

The Honorable Charlie Huggins
Chair
Senate Special Committee on Energy
State Capitol, MS 3100
Juneau, AK 99801

The Honorable John Harris
Chair
House Rules Subcommittee on AGIA
State Capitol, MS 3100
Juneau, AK 99801

Senator Huggins and Speaker Harris:

Thank you for the opportunity to provide testimony to the House Special Subcommittee on AGIA Joint with the Senate Special Committee on Energy. Enclosed for your reference is my written response to the various questions raised by the committee where I agreed to provide additional information during the course of testimony.

Thank you again for the opportunity to participate in your deliberations.

Sincerely,

Bud E. Fackrell
President
Denali – The Alaska Gas Pipeline LLC

Attachments (4)
cc: Committee Members

Attachment 1
Questions Raised by House Special Subcommittee on AGIA
Joint with Senate Special Committee on Energy

During Testimony Provided by Bud Fackrell on July 10, 2008

1. Which of AGIA's 20 "must haves" could you accommodate?

Denali intends to satisfy a large number of the State's "must haves" as described below. Additionally, unlike the AGIA applicant, Denali is not seeking a contractual commitment of monetary contributions from the State or penalties if the State exercises its sovereign powers in a way that benefits a competing pipeline project.

1. **Filing deadline:** Not applicable.
2. **Project details and schedule:** The Denali project is pursuing a large diameter, 2,500 psi gas pipeline design that could (a) treat and (b) deliver approximately 4 bcf/d of Alaskan gas to North American markets. The Denali project will generally follow the TAPS right of way from the Alaska North Slope south to the area of Delta Junction, at which point the route will turn east and generally follow the Alaska Highway into Alberta, Canada. From Alberta, if sufficient customer support exists to move gas from Alberta south, new pipe will be built as shown on the map contained in my presentation. Denali's success case schedule was shown in the presentation, with first gas flowing in 2018.
3. **Dates:**
 - a. Denali plans to commence its open season by year-end 2010 and with an expectation of completing a successful open season during the first half of 2011.
 - b. Denali has already applied for FERC pre-filing and had the pre-filing approved by FERC on June 25, 2008.
 - c. Denali has indicated publicly, including in the FERC pre-filing request, that its intent is to apply for a FERC certificate by August, 2011.
4. **RCA:** Not applicable.
5. **Open season frequency:** Denali intends to conduct a public solicitation every two years following receipt of our FERC certificate to determine if parties are interested in seeking an expansion.
6. **Expansions:** The Denali pipeline system will be expandable in reasonable engineering increments, and Denali will, consistent with regulatory requirements, offer commercially reasonable terms to its customers for such expansions.

7. **Rolled-in rates:** Denali will offer rolled-in rates consistent with FERC regulations in the US and NEB regulations in Canada. Denali will structure its transportation agreements consistent with applicable FERC and NEB policy.
8. **GTP:** The construction of a North Slope gas treatment plant is included in the base project design of the Denali project.
9. **State reimbursement:** Not applicable. Denali is not seeking the State's \$500 million inducement.
10. **Debt ratio:** Denali is committed to offering commercially reasonable terms to its customers, and recognizes that, all other things being equal, a higher debt to equity ratio will result in a reduced tariff, which will be viewed favorably by Denali's customers. However, Denali is also committed to ensuring that the tariff is structured in a manner that allows the project to be financed. Therefore, we do not think it is advisable to commit to a particular tariff structure before consultation with both customers and lenders. In the past, Denali's owner representatives have expressed a desire to seek a debt-equity ratio of 80/20 in the financial markets.
11. **Cost overrun measures:** Denali will have access to ConocoPhillips and BP's world class project management expertise. BP and ConocoPhillips have demonstrated their ability to deliver pipeline mega-projects in challenging multi-governmental environments around the globe. Denali's pre-open season front-end loading process (an estimated \$600 million spend before open season) is based on the experience of BP and ConocoPhillips, which has proven that front-end work is essential to effectively controlling costs and demonstrating to our prospective shippers that we have mitigated risks and reasonably estimated our costs.
12. **In-state deliveries:** Denali intends to provide at least five in-state offtake points for potential consumers of gas in Alaska.
13. **In-state delivery rates:** Denali's rates will be distance-sensitive to Alaska offtake points.
14. **Alaska HQ:** Denali will locate a project headquarters office in Anchorage, Alaska.
15. **Local hire:** The owners of Denali have a long history of Alaska hire, buy and build. The Denali project will provide many opportunities for Alaskans and Alaska businesses. In fact already over 20 Alaska businesses have contracts for Denali work. Denali's goal is to have a trained Alaskan workforce ready to go to work constructing the Denali pipeline and will make millions of dollars available for workforce training.
16. **Waive right to appeal:** Not applicable.

17. **Project Labor Agreement:** Denali intends to negotiate one or more project labor agreements to make efficient use of union and non-union labor.
18. **State reimbursement treatment:** Not applicable. Denali is not requesting reimbursements of costs under AGIA.
19. **Details of applicant:** Denali – The Alaska Gas Pipeline LLC is a company owned jointly in equal parts by BP Alaska Gas Pipeline LLC and ConocoPhillips Denali Company. Denali is a Delaware company that is registered and licensed to do business in Alaska.
20. **Readiness:** The affiliates of Denali have a unique and proven track record as operators in the Alaskan arctic, and as owners and operators of pipeline projects around the globe. In addition, the parent companies of Denali have strong balance sheets that should provide lenders the confidence that the project will be completed. The owners of Denali are committed to making Denali a success.

2. Can we get a roster of those employees who are resident in Alaska? How many of those employees are new hires vs. those being brought in from other locations?

Denali is in the process of staffing up our organization. At the beginning, in order to get the world class expertise we need for this mega-project we are drawing heavily on BP and ConocoPhillips resources from Alaska and from around the world. We will continue to make further local hires here in Alaska, and will encourage our contractors to do the same within the limits of the law.

3. Please provide contact information for your Tok field office and your Anchorage office.

Denali's Tok office is located at Milepost 1313 on the Alaska Highway. Denali has secured an interim Anchorage headquarters office at 949 East 36th Avenue, Suite 100. We will be moving into our new Anchorage office location in September once lease arrangements are finalized, and we will provide Denali's updated contact information once that becomes available. In the meantime, you can reach my assistant at (907) 865-4702.

4. Can you be more precise on what the repercussions from FERC will be if you fail to follow up on your project?

We are not aware of any formal penalties if a project is not pursued after the FERC pre-filing process is approved.

We intend to hold an open season within 36 months and plan to spend \$600 million in the process. We intend to work closely with the FERC, the OFC, and the NEB and have submitted our NEPA pre-filing request to FERC, and

FERC approved our pre-filing request on June 25. We indicated our intent to submit an application for a FERC certificate in August, 2011. The FERC indicated their desire to be involved early in the process to help identify issues and work with both Denali and all stakeholders to resolve issues to support a timely application.

- 5. Can you provide information about which pipelines BP and ConocoPhillips own and operate, including the owner, operator, whether still owned, number of non-owner shippers and the project costs? Can you compare the rates that independents pay on your pipelines to the rates that owners pay on those pipelines? How close were the final costs aligned with the cost estimates?**

I have asked the Denali owners to answer this question. Their answer is provided below:

Attachment 2 provides a summary of some large pipelines constructed by affiliates of BP and ConocoPhillips over the past 15 years. On pipelines owned and operated by a BP affiliate constructed since 2000, final costs averaged a 7% variation from initial estimates. In addition many of these projects included construction in some of the most difficult areas of the world, including projects traversing mountainous regions, spanning multiple countries, and in over 7000 foot water depth, a demonstration of BP and ConocoPhillips' project management capabilities.

The tables below provide a summary of the affiliated and non-affiliated shippers on BP's Destin pipeline in the Gulf of Mexico and the ConocoPhillips Rockies Express Pipeline in the Mid-West. The Destin table shows that as of July 1, 2008, Destin had 3 non-affiliated shippers holding 86% of the contracted capacity (expressed as "MDQ", or "Maximum Daily Quantity"), and one affiliated shipper holding the remaining 14%. Further details on Destin customers are provided in Attachment 3. The Rockies Express (REX) table shows that as of July 1, 2008, REX had 15 non-affiliated shippers holding 29% of the contracted capacity (expressed as "MDQ", or "Maximum Daily Quantity"), and four affiliated shippers holding 71%. Further details on REX customers are provided in Attachment 4.

**Rockies Express Pipeline LLC
Index of Customers Summary (West)**

**Report
Date
7/1/2008**

Customer	Affiliate	MDQ (mcf)
ConocoPhillips	Yes	400,000
Sempra Rockies Marketing LLC	Yes	174,000
ENCANA Marketing (USA) Inc.	Yes	980,000
Tenaksa Markeing Ventures	Yes	10,000
Arrowhead Resources	No	10,000
Berry Petroleum	No	10,000
Bill Barrett Corporation	No	25,000
BP Energy Company	No	100,000
Concord Energy LLC	No	40,000
Enserco Energy Inc.	No	15,000
EOG Resources Inc.	No	50,000
Kansas Energy LLC	No	18,000
marathon Oil Company	No	4,000
Shell Energy North	No	28,000
United Endergy Trading, LLC	No	200
Williams Gas Marketing, Inc.	No	40,000
Yates Perto. Corp.	No	37,000
Ultra Resources, Inc.	No	200,000
US Minerals Management	No	50,000
Total MDQ		2,191,200

Group	Share	MDQ
Affiliated Shippers	71%	1,564,000
Non Affiliated Shippers	29%	627,200

Source:

<http://pipeline.kindermorgan.com/Infoposting/indexcustomer.aspx>

**Destin Pipeline Company, LLC
Index of Customers Summary**

**Report
Date
7/1/2008**

Customer	Affiliate	MDQ (mcf)
BP America	Yes	66,500
ArcLight Energy Marketing	No	48,750
Southern Company Services	No	78,500
Chevron USA	No	60,000
Murphy Gas Gathering	No	4,875
ENI Petroleum US	No	45,030
Mariner Energy	No	8,120
Newfield Exploration	No	12,750
Statoil Natural Gas	No	3,250
ExxonMobil	No	25,763
W&T Offshore	No	1,000
Shell Offshore	No	120,000
Apache	No	6,040
Marubeni Oil & Gas (USA)	No	5,811
Total MDQ		486,389

Group	Share	MDQ
Affiliated Shippers	14%	66,500
Non Affiliated Shippers	86%	419,889

Notes:

1. Customers with MDQ of zero excluded from list
2. Owners: 33% Enbridge Offshore (Destin), L.L.C.,
67% Amoco Destin Pipeline Company

Source

<http://www.destinpipeline.com/>

The rates that customers pay on interstate oil and gas transmission pipelines are governed by FERC. As required under FERC regulation, those rates are available to all similarly situated shippers without regard to whether they are affiliated or not affiliated with the owners of the pipeline.

6. How can we amend AGIA to allow Denali to partner with TransCanada?

I have asked the Denali owners to answer this question. Their answer is provided below:

If a license is awarded to TransCanada based on the current AGIA terms, Denali would not be able to partner with TransCanada for

several kinds of reasons. First, there are factors specific to TransCanada itself and the conditions it set forth in its application. For example, partnering with TransCanada could expose Denali and its owner companies to a significant potential liability TransCanada has to withdrawn partners, and the conditions set forth by TransCanada in its application constrain desirable options for prospective shippers on shipment of gas from Alaska and out of Alberta. Second the AGIA requirements include subsidization of late-coming shippers by initial shippers, the effective elimination of negotiated rates for potential customers, and upstream fiscal terms all of which greatly reduce the chances of holding a successful open season.

7. What is difference between open access and "true" open access?

I am not aware of any difference and to my knowledge the FERC and NEB also do not have regulations that recognize differences. FERC uses the term "open access", and provides regulation to ensure that all prospective shippers have open access to interstate gas pipelines.

As a point of interest, the Alaska Natural Gas Pipeline Act has special provisions that apply only to an Alaska gas pipeline that go beyond the open access rules that apply in the lower 48, and has established rules to ensure that any Alaska gas pipeline operates as an open access pipeline without favor to any affiliate.

As I said in my testimony, Denali is looking to provide a balanced approach between attracting initial shippers while allowing for efficient expansion opportunities for new customers.

8. Have there been any voluntary expansions of producer owned pipelines?

To our knowledge, every pipeline expansion has been voluntary and there are a number of examples of both mechanical and practical expansions. For example, BP has voluntarily expanded the Destin pipeline in the Gulf of Mexico twice. Both expansions, approved by FERC on June 25, 1998 and July 31, 1998 respectively, were done with rolled in rates, as described in the associated FERC Orders that approved the voluntary expansions.

Some other examples in the Gulf of Mexico include

- 1997 expansion of Chevron's Chandeleur Pipeline increasing its maximum capacity by approximately 50,000 Mcfd
- 1998 expansion of Nautilus Pipeline owned at the time by Amoco, Shell, and Southern Natural Gas to install and operate 31 miles of 24-inch lateral pipeline from Chevron's Viosca Knoll Block 900 Platform to

a sub-sea tie-in with Nautilus to provide non-affiliated shippers with access to the Nautilus system

- 1999 expansion of Mississippi Gas Canyon Pipeline owned at the time by Shell to increase the mainline capacity from 600,000 to 800,000 MMCFD.

And closer to home, the Trans Alaska Pipeline System (TAPS) was effectively expanded within its first few years of operation. TAPS was constructed with a mechanical capacity of approximately 1.4 million barrels per day of throughput capacity but from 1980 up until 1997 it was able to deliver volumes much greater than this capacity due to the introduction of a drag reducing agent (DRA). DRA allowed TAPS to achieve daily throughput capacity exceeding 2 million barrels per day without the unnecessary expense of a mechanical expansion.

9. Is your LLC Agreement available for us to look at? Can you give us assurances that the LLC Agreement will provide a tie-back to the parent companies?

The LLC Agreement is not publicly available. These documents are not typically made available to parties other than the owner companies.

The advancement of the Denali project is fully supported by the parent companies. Both BP and ConocoPhillips have made public reputational commitments to make Denali a success, including public endorsement by the CEO's of both companies. Both BP and ConocoPhillips are making significant commitments of personnel and financial resources and will also have the capability to use their parent company financial strength in obtaining financing for Denali, a valuable option not available to less well capitalized ventures. Denali intends to build the Alaska gas pipeline.

Attachment 2: BP and ConocoPhillips Pipelines

Project	Diameter (inches)	Length (miles)	Service	Development	BP/COP Ownership?	Comments
"BTC", Baku-Tblisi -Ceyhan Pipeline	42" - 46"	1100	Oil	1999 - 2005	BP/COP	BP operated onshore pipeline - mountainous terrain; Traverses 3 countries. Largest pipeline financing to date
South Caucasus Pipeline	42"	430	Gas	2001 - 2006	BP	BP operated onshore pipeline - mountainous terrain; Traverses 2 countries
Mardi Gras	16" - 30"	660	Oil & Gas	2000 - 2007	BP	BP operated deepwater offshore and onshore segments in the Gulf of Mexico
In Amenas	36"	162	Gas	2001 - 2005	BP	BP operated desert terrain in North Africa
In Salah	48"	370	Gas	2002 - 2003	BP	BP operated desert terrain in North Africa
Destin	36"	240	Gas	1997 - 2000	BP	BP operated offshore and onshore Gulf of Mexico
OCENSA	30" - 36"	500	Oil	1993 - 1995	BP	Enbridge operated, mountainous terrain in Colombia
Yacheng	28"	480	Gas	1993 - 1996	BP	CNOOC operated subsea pipeline in China; 2 nd longest at time of construction; First major project by a western oil company in China
Rockies Express Pipeline LLC	42"	1,679	Gas	On-going	COP	Kinder Morgan Energy Partners, LP operated, mountainous terrain from Rio Blanco County, Colorado to Monroe County, Ohio
Keystone Pipeline	30" / 36"	2,148	Oil	On-going	COP	COP / TransCanada project, Alberta to mid-west
Interconnector Pipeline	40"	115	Gas	1998	COP	Interconnector, Ltd from United Kingdom to Zeebrugge, Belgium
Norwegian Continental Shelf Gas Transportation (Gasled)	various	>4,000	Gas	various	COP	Gassco A/S operated gas transportation infrastructure on the Norwegian Continental Shelf (primarily subsea).
DCP Midstream LLC	various	58,000	Gas	various	COP	DCP Midstream LLC operated 58,000 miles of pipelines in the Lower 48
Nam Con Son Pipeline	26 - 30"	244	Gas	2002	BP/COP	BP operated, links gas supply from Nam Con Son basin to markets in southern Vietnam
TransAsia Pipeline Company Pvt. Ltd.	various	621	Gas	various	COP	Transgasindo operated, large component of Indonesia's gas transportation system
Alpine Pipeline	16"	34	Oil	2000	COP	Transport Western North Slope Oil to the Kuparuk Pipeline which in turns ties into TAPS
Bayu-Undan	26"	300	Gas	2005	COP	COP operated; Australian offshore pipeline from Bayu-Undan platforms to Darwin LNG onshore plant
Brazoria Interconnect Gas pipeline (BIG)	42"	32	Gas	2005	COP	COP operated pipeline from Freeport LNG to the a Texas gas distribution grid

Attachment 3: Destin Pipeline Customer Index

Destin Pipeline Company, L.L.C.

Index of Customers

Report Date: 7/1/2008

BP America Production Company

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
008966889	Yes	FT-2	2DPC17	12/17/1997		No	55000

Receipt/Delivery Point/Agent Information	Point Name	PCQ	NAESB/PJ Data Ref. No.	MDQ	Affiliate
BP Energy Company					Yes
Receipt Point (M2)	Main Pass-281	29	251290	55000	
Receipt Point (M2)	Okeanos Gas Gathering	29	300006	55000	
Receipt Point (M2)	Viosca Knoll-915	29	251291	55000	
Delivery Point (MQ)	Southern Natural Gas	29	251296	11000	
Delivery Point (MQ)	Transco-Shubuta	29	251299	11000	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	16500	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	16500	
Delivery Point (MQ)	Pascagoula Plant	29	251323	55000	

BP America Production Company

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
008966889	Yes	FT-2	2DPC23	07/01/2001		No	0

Receipt/Delivery Point/Agent Information	Point Name	PCQ	NAESB/PJ Data Ref. No.	MDQ	Affiliate
BP Energy Company					Yes
Receipt Point (M2)	Viosca Knoll-915	29	251291	0	
Delivery Point (MQ)	Southern Natural Gas	29	251296	0	
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

BP America Production Company

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
008966889	Yes	FT-2	2DPC24	07/01/2001		No	5000

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
BP Energy Company					Yes
Receipt Point (M2)	Viosca Knoll-989	29	299854	5000	
Delivery Point (MQ)	Southern Natural Gas	29	251296	1000	
Delivery Point (MQ)	Transco-Shubuta	29	251299	1000	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	1500	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	1500	
Delivery Point (MQ)	Pascagoula Plant	29	251323	5000	

BP America Production Company

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
008966889	Yes	FT-2	2DPC25	10/01/2002		No	6500

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
BP Energy Company					Yes
Receipt Point (M2)	Mississippi Canyon - 127	29	299863	6500	
Delivery Point (MQ)	Southern Natural Gas	29	251296	1300	
Delivery Point (MQ)	Transco-Shubuta	29	251299	1300	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	1950	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	1950	
Delivery Point (MQ)	Pascagoula Plant	29	251323	6500	

ArcLight Energy Marketing, L.L.C.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
009140559	No	FT-1	FDPC26	05/01/2008	10/31/2008	No	48750

Receipt/Delivery Point/Agent Information	Point Name	PIQG	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Petal Gas Storage		29 299861	48750	
Delivery Point (MQ)	Gulfstream Natural Gas		29 411111	48750	

Southern Company Services

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
075463174	No	FT-1	FDPC25	06/01/2008	09/30/2008	No	78500

Receipt/Delivery Point/Agent Information	Point Name	PIQG	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Petal Gas Storage		29 299861	78500	
Delivery Point (MQ)	Plant Daniel		29 251324	78500	

Chevron U.S.A. Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
009140559	No	FT-2	2DPC15	04/23/1998		No	0

Receipt/Delivery Point/Agent Information	Point Name	PIQG	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-900		29 251292	0	
Delivery Point (MQ)	Southern Natural Gas		29 251296	0	
Delivery Point (MQ)	Tennessee Gas Pipeline		29 251294	0	
Delivery Point (MQ)	Transco-Shubuta		29 251299	0	
Delivery Point (MQ)	Florida Gas Transmission		29 251234	0	
Delivery Point (MQ)	Pascagoula Plan'		29 251323	0	

Chevron U.S.A. Inc

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
009140559	No	FT-2	2DPC14	04/23/1998		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-900		29 251292	0	
Delivery Point (MQ)	Southern Natural Gas		29 251296	0	
Delivery Point (MQ)	Florida Gas Transmission		29 251234	0	
Delivery Point (MQ)	Pascagoula Plant		29 251323	0	

Chevron U.S.A. Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
009140559	No	FT-1	FDPC17	09/01/2006	10/31/2008	No	60000

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Petal Gas Storage		29 299861	60000	
Delivery Point (MQ)	Chevron Pascagoula Refinery		29 251227	60000	

Murphy Gas Gathering, Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
619283229	No	FT-2	2DPC31	07/01/2005		No	4875

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-900		29 251292	4875	
Delivery Point (MQ)	Florida Gas Transmission		29 251234	4875	
Delivery Point (MQ)	Pascagoula Plant		29 251323	4875	

Murphy Gas Gathering, Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
619283229	No	FT-2	2DPC37	07/01/2005		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Okeancs Gas Gathering	29	300006	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

ENI Petroleum US LLC

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
605981682	No	FT-2	2DPC8	02/02/1998		No	13380

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Main Pass-281	29	251290	13380	
Delivery Point (MQ)	Southern Natural Gas	29	251296	2248	
Delivery Point (MQ)	Transco-Shubuta	29	251299	7065	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	1472	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	1151	
Delivery Point (MQ)	Tennessee Gas Pipeline	29	251294	1391	
Delivery Point (MQ)	Plant Daniel	29	251324	53	
Delivery Point (MQ)	Pascagoula Plant	29	251323	13380	

ENI Petroleum US LLC

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
605981682	No	FT-2	2DPC29	07/01/2005		No	31650

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-900	29	251292	31650	
Delivery Point (MQ)	Southern Natural Gas	29	251296	5317	
Delivery Point (MQ)	Transco-Shubuta	29	251299	16711	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	3481	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	2722	
Delivery Point (MQ)	Plant Daniel	29	251324	127	
Delivery Point (MQ)	Petal Gas Storage	29	299861	3292	
Delivery Point (MQ)	Pascagoula Plant	29	251323	31650	

ENI Petroleum US LLC

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
605981682	No	FT-2	2DPC38	02/01/2008		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Okeanos Gas Gathering	29	300006	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

Mariner Energy, Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
118091263	No	FT-2	2DPC30	07/01/2005		No	8120

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-900	29	251292	8120	
Delivery Point (MQ)	Transco-Shubuta	29	251299	8120	
Delivery Point (MQ)	Pascagoula Plant	29	251323	8120	

Newfield Exploration Company

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
197067267	No	FT-2	2DPC32	07/01/2005		No	12750

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
ConocoPhillips					No
Receipt Point (M2)	Viosca Knoll-900	29	251292	12750	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	6375	
Delivery Point (MQ)	Southern Natural Gas	29	251296	6375	
Delivery Point (MQ)	Pascagoula Plant	29	251323	12750	

Statoil Natural Gas, LLC.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Contract Negotiated Rates	Maximum Daily Quantity
130073534	No	FT-2	2DPC33	07/01/2005		No	3250

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
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Murphy Gas Gathering, Inc.

Receipt Point (M2)	Viosca Knoll-900	29	251292	3250	No
Delivery Point (MQ)	Florida Gas Transmission	29	251234	813	
Delivery Point (MQ)	Transco-Shubuta	29	251299	2437	
Delivery Point (MQ)	Pascagoula Plant	29	251323	3250	

Statoil Natural Gas, LLC.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Contract Negotiated Rates	Maximum Daily Quantity
130073534	No	FT-2	2DPC35	12/01/2007		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
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Receipt Point (M2)	Okeanos Gas Gathering	29	300006	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

ExxonMobil Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Contract Negotiated Rates	Maximum Daily Quantity
001213214	No	FT-2	2DPC12	01/01/1999		No	300

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
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ExxonMobil Gas & Power
Marketing

Receipt Point (M2)	Main Pass-281	29	251290	300	No
Delivery Point (MQ)	Transco-Shubuta	29	251299	240	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	60	
Delivery Point (MQ)	Pascagoula Plant	29	251323	300	

ExxonMobil Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
001213214	No	FT-2	2DPC20	12/01/1999		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
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ExxonMobil Gas & Power
Marketing

Receipt Point (M2)	Main Pass-283	29	267194	0	No
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

ExxonMobil Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
001213214	No	FT-2	2DPC21	01/01/1999		No	17800

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
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ExxonMobil Gas & Power
Marketing

Receipt Point (M2)	Viosca Knoll-989	29	299854	17800	No
Delivery Point (MQ)	Transco-Shubuta	29	251299	14240	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	3560	
Delivery Point (MQ)	Pascagoula Plant	29	251323	17800	

ExxonMobil Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
001213214	No	FT-2	2DPC22	03/01/2000		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICO	NAESB/PI Data Ref No.	MDQ	Affiliate
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ExxonMobil Gas & Power Marketing

					No
Receipt Point (M2)	Viosca Knoll-915	29	251291	0	
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

ExxonMobil Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
001213214	No	FT-2	2DPC27	10/01/2005		No	7663

Receipt/Delivery Point/Agent Information	Point Name	PICO	NAESB/PI Data Ref No.	MDQ	Affiliate
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ExxonMobil Gas & Power Marketing

					No
Receipt Point (M2)	Okeanos Gas Gathering	29	300006	7663	
Delivery Point (MQ)	Transco-Shubuta	29	251299	6130	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	767	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	766	
Delivery Point (MQ)	Pascagoula Plant	29	251323	7663	

W&T Offshore, Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
114284037	No	FT-2	2DPC19	12/01/1999		No	1000

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Main Pass-283	29	267194	1000	
Delivery Point (MQ)	Southern Natural Gas	29	251296	350	
Delivery Point (MQ)	Tennessee Gas Pipeline	29	251294	50	
Delivery Point (MQ)	Transco-Shubuta	29	251299	400	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	200	
Delivery Point (MQ)	Pascagoula Plant	29	251323	1000	

Shell Offshore, Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
109003467	No	FT-2	2DPC18	12/17/1997		No	120000

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-915	29	251291	120000	
Receipt Point (M2)	Okeanos Gas Gathering	29	300006	120000	
Delivery Point (MQ)	Southern Natural Gas	29	251296	6000	
Delivery Point (MQ)	Transco-Shubuta	29	251299	78000	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	24000	
Delivery Point (MQ)	Gulfstream Natural Gas	29	411111	12000	
Delivery Point (MQ)	Pascagoula Plant	29	251323	120000	

Apache Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
006961551	No	FT-2	2DPC2	09/01/1998		No	6040

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Viosca Knoll-780	29	251225	6040	
Delivery Point (MQ)	Southern Natural Gas	29	251296	2718	
Delivery Point (MQ)	Transco-Shubuta	29	251299	2114	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	1208	
Delivery Point (MQ)	Pascagoula Plant	29	251323	6040	

El Paso Production and Exploration

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
097622005	No	FT-2	2DPC9	02/02/1998		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
El Paso Merchant Energy					No
Receipt Point (M2)	Main Pass-281	29	251290	0	
Delivery Point (MQ)	Southern Natural Gas	29	251296	0	
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

Walter Oil & Gas

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
058996364	No	FT-2	2DPC7	02/02/1998		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Superior Natural Gas					No
Receipt Point (M2)	Main Pass-281	29	251290	0	
Delivery Point (MQ)	Southern Natural Gas	29	251296	0	
Delivery Point (MQ)	Tennessee Gas Pipeline	29	251294	0	
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

Marubeni Oil & Gas (USA) Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
141411699	No	FT-2	2DPC28	03/01/2004		No	5811

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Main Pass-261	29	299862	5811	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	5811	
Delivery Point (MQ)	Pascagoula Plant	29	251323	5811	

Marubeni Oil & Gas (USA) Inc.

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
141411699	No	FT-2	2DPC36	01/01/2008		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Okeanos Gas Gathering	29	300006	0	
Delivery Point (MQ)	Florida Gas Transmission	29	251234	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

ATP Oil & Gas Corporation

Customer I.D. #	Affiliate	Rate Schedule	Contract Number	Contract Effective Date	Contract Termination Date	Negotiated Rates	Maximum Daily Quantity
826183287	No	FT-2	2DPC34	11/01/2005		No	0

Receipt/Delivery Point/Agent Information	Point Name	PICQ	NAESB/PI Data Ref No.	MDQ	Affiliate
Receipt Point (M2)	Main Pass-261	29	299862	0	
Delivery Point (MQ)	Transco-Shubuta	29	251299	0	
Delivery Point (MQ)	Pascagoula Plant	29	251323	0	

For further information, please call Bruce G. Reed (281) 366-5062

Attachment 4: Rockies Express Customer Index

INDEX OF CUSTOMERS

TSP (Pipeline):

First day of Cal Qtr :

Pipeline Name	Rec Type	PL ID	Report Date
ROCKIES EXPRESS PIPELINE LLC	H	198	7/1/2008 12:00:00 AM
Contact	Org/Rev Ind	UOM Trans	UOM Store
Paul Haas 713-369-9359	O	T	T
Footnote Id List:			

 View All Records

Agent Point	Customer	Ship Dynn Brdst Nbr	Ship Affil Ind	Rate Sched	Contract No.	Contract Effective Date	Contract Termination Date	Roll Over Period	Neg Rate Ind	MDQ	MSQ	Foot-notes
	ARROWHEAD RESOURCES	184902380	N	FTS	552033	1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	10,000	0	
	BERRY PETROLEUM	151321411	N	FTS	552034	1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	10,000	0	
	BILL BARRETT CORPORATION	106695203	N	FTS	552035	1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	25,000	0	
	BP ENERGY COMPANY	625275755	N	FTS	552036	2/7/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	100,000	0	
	CONCORD ENERGY LLC	113637503	N	FTS	553232	6/20/2008 12:00:00 AM	10/31/2008 12:00:00 AM	0	N	25,000	0	
	CONCORD ENERGY LLC	113637503	N	FTS	553213	7/1/2008 12:00:00 AM	10/31/2008 12:00:00 AM	0	N	15,000	0	
	CONOCO PHILLIPS	1368265	Y	FTS	552037	1/12/2009 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	400,000	0	
	ENCANA MARKETING (USA) INC.	147350552	Y	FTS	552457	10/10/2007 12:00:00 AM	7/31/2008 12:00:00 AM	0	Y	100,000	0	
	ENCANA MARKETING (USA) INC.	147350552	Y	FTS	551979	2/14/2007 12:00:00 AM	2/13/2022 12:00:00 AM	0	Y	436,000	0	
	ENCANA MARKETING (USA) INC.	147350552	Y	FTS	552130	1/12/2008 12:00:00 AM	12/31/2019 12:00:00 AM	0	Y	444,000	0	
	ENSERCO ENERGY INC.	957194541	N	FTS	553265	7/1/2008 12:00:00 AM	7/31/2008 12:00:00 AM	0	N	15,000	0	
	EOG	186830733	N	FTS	552043	1/12/2008	12/31/2018	0	Y	50,000	0	

RESOURCES, INC.						12:00:00 AM	12:00:00 AM						
KANSAS ENERGY LLC	787916183	N	FTS	553215		6/13/2008 12:00:00 AM	11/30/2008 12:00:00 AM	0	N	18,000	0		
MARATHON OIL COMPANY	55122568	N	FTS	552838		4/1/2008 12:00:00 AM	12/30/2018 12:00:00 AM	0	N	4,000	0	o1	
SEMPRA ROCKIES MARKETING LLC	806789769	Y	FTS	552038		1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	174,000	0		
SHELL ENERGY NORTH	837565548	N	FTS	552042		1/12/2008 12:00:00 AM	12/31/2018 12:00 00 AM	0	Y	28,000	0		
TENASKA MARKETING VENTURES	624240628	Y	FTS	553266		7/1/2008 12:00:00 AM	7/10/2008 12:00:00 AM	0	N	10,000	0		
ULTRA RESOURCES, INC.	71109974	Y	FTS	552047		1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	200,000	0		
UNITED ENERGY TRADING, LLC	119162860	N	FTS	553264		7/1/2008 12:00:00 AM	7/8/2008 12:00:00 AM	0	N	200	0		
US MINERALS MANAGEMENT	161559646	Y	FTS	552046		1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	50,000	0		
WILLIAMS GAS MARKETING, INC.	824678478	N	FTS	553262		7/1/2008 12:00:00 AM	7/31/2008 12:00:00 AM	0	N	40,000	0		
YATES PETRO. CORP.	7785728	N	FTS	552048		1/12/2008 12:00:00 AM	12/31/2018 12:00:00 AM	0	Y	37,000	0		

Footnotes

1 MDQ increases to 12,000 Dth/d effective 12/31/08.

North Slope Borough

OFFICE OF THE MAYOR



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☎ 907 852-2611 ext. 200
Fax: 907 852-0337

Edward S. Itta, Mayor

July 23, 2008

Representative John Harris, Speaker of the House of Representatives
Senator Lyda Green, Senate President
The Alaska Legislature
State Capitol, Juneau, Alaska 99801-1182

Dear Speaker Harris and Senate President Green:

The North Slope Borough submits these written comments to augment the testimony of Edward S. Itta, Mayor of the Borough, to the Twenty-Fifth Legislature and Governor Palin on July 1, 2008.

Thank you.

Sincerely,

Andy Mack, Assistant to Mayor Itta

Attachments (2)

Submitted electronically to the following:

Senate
sharon_long@legis.state.ak.us

House
rynnieva_moss@legis.state.ak.us

Written Comments of the Honorable Edward S. Itta

Mayor of the North Slope Borough

on the AGIA Findings, the license process and recommendation of TC-Alaska

Barrow, Alaska – July 1, 2008

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Thank you for the opportunity to submit these written comments to add to my testimony to the Twenty-Fifth Legislature on July 1, 2008.

Residents of our North Slope communities feel like we are on the front lines of oil and gas development, so we appreciate this opportunity to comment on the next major phase in North Slope resource extraction. The gas line project really will define Alaska's experience with natural gas just as Prudhoe Bay characterizes our experience with oil.

We have learned a lot about resource extraction during the past 30+ years. We have been part of the technological, political, economic, social and cultural drama that necessarily accompanies the discovery and production of vast resources in what is considered a frontier region, the region we call home. We have watched and we have participated. We have helped create the legacy of resource development, and like all the participants in this drama, we have learned plenty of lessons. Together we have changed the course of resource history in Alaska and we have been changed by it.

The North Slope Borough Supports the AGIA Process

First of all, we want to make sure the record reflects our support for onshore development in general and for the AGIA process that Governor Palin and this Legislature have set in motion. AGIA's priorities are clearly designed to jumpstart a responsible project that benefits Alaskans – with well-defined timetables and commitments for construction, multiple off-take points in Alaska for gas supplies, distance-sensitive tariffs to ensure maximum wellhead price, and provisions that encourage the hiring of qualified Alaskans for this project.

The North Slope Borough Supports Responsible Oil and Gas Development

Our support for AGIA is in keeping with the Borough's longstanding approval of responsible development on the North Slope. We have aggressively supported opening ANWR – in fact we continually assist with visits by political and media delegations. We have also accommodated NPR-A development, except in an area around Teshekpuk Lake, where unusually valuable wildlife habitat and subsistence activities have historically taken precedence, and will continue to do so, since BLM recently decided to defer that area in its final EIS for NPR-A Northeast.

Thirty years of experience with oil development have given us a certain comfort level with onshore activity. When spills occur – and as we have seen several times at Prudhoe in the past year, spills do occur – they can be reasonably contained and recovered onshore. Offshore is a different ballgame. In addition to our fears over the inability to clean up an oil spill in our arctic conditions, there are impacts related to the bowhead whale migration and other marine mammal activities that cannot be avoided in the OCS. It is a fundamental cultural consideration that drives our offshore policy, and we don't see that changing.

At the same time, there are potential technological solutions in near-shore waters. The plan for directional drilling from an onshore location to the Liberty development site offshore is a good example.

The Alaska Gasline Port Authority

The North Slope Borough joined with the Fairbanks North Star Borough and the City of Valdez to create the Port Authority in 1999. As the three municipalities along the TAPS line, we have a number of common interests, and the Port Authority was established as an additional method of encouraging gas line development.

It is a worthy goal, but it doesn't stop us from supporting any other project that will commercialize North Slope natural gas reserves in a responsible way. We continue to support the Port Authority's basic mandate of instigating a gas pipeline project, as long as that mandate does not undermine the AGIA process or any other competitive projects.

The North Slope Borough Supports the AGIA Findings That Protect the State

The previous Stranded Gas Development Act process and proposed contract had many flaws. It seems worthwhile to highlight some of the statements from the AGIA Findings as they relate to these issues and the AGIA solutions.

"One needs merely to look back at the terms of the draft SGDA contract presented to the Alaska Legislature in 2006 for evidence of what will be required of the state if the producers have that kind of commercial negotiation leverage over the state. The Major North Slope Producers extracted billions of dollars in concessions from the state with no binding commitments from the Producers. This is far more than the \$500 million investment under AGIA that secures the valuable commitments from TC Alaska to build a natural gas pipeline that serves the state's interests in exploration, jobs, revenues and other issues of importance to the state. The commissioners also recognize that the Producer Project may be pursued to completion outside the AGIA process and without state fiscal concessions."

The 'Duty to Produce' question has been discussed for a number of years now. It is critical that the State of Alaska resolve such questions sooner, rather than later. Development of the resources that lie under the State leases are critical to a gasline project.

"The Producers have an obligation to market their gas when it is reasonably profitable to do so; they do not have an obligation to transport the gas through any particular project. If the Producer Project proceeds to an open season, the TC Alaska project would compete with the Producer Project for gas commitments. However, the Producers have stated that they need concessions from the state to enable them to commit gas to any gas pipeline project."

The following excerpts from the AGIA Findings are very important to us and all Alaskans. The ramifications of these findings should not be ignored.

"In sum, the commissioners strongly believe that if the state forgets the history of the SGDA process, the state will be risking a repeat of the SGDA results. If it pursues the Producer Project alternative instead of the TC Alaska Project, the state will be forced into negotiations that will resemble those that produced the SGDA Contract.

The proposed SGDA contract consisted of an unbalanced set of state concessions and so-called producer "commitments." The concessions made by the state under the contract were broad, material, long-term, and binding. They swept across fiscal and regulatory authorities and surrendered multiple aspects of the state's sovereign rights and prerogatives.

In monetary terms, the state's quantifiable concessions to the Major North Slope Producers under the SGDA contract were estimated to be more than \$10 billion. Additional non-quantifiable concessions were granted, exposing the state to tremendous economic risk. The Producers claimed all these concessions were essential for them to proceed with a pipeline project."

We fully support and agree with findings that determined the SGDA contract did not include any enforceable commitments by the Major North Slope Producers on issues that were critical to protect the state's interests in promoting the maximum development of the state's North Slope natural gas resources and ensuring maximum revenues from our royalties and production taxes.

The North Slope Borough Supports the AGIA Findings That Protect Municipalities

AGIA ties upstream incentives to gas committed at the initial open season of the AGIA project, to provide the state with the benefits Alaskans require. Certainty is provided on the upstream side for the largest taxes on the project – ten years of production tax rates, without change, for those committing gas to the project.

Municipal taxes are not significant when considering the overall economics of a gasline project, except for the municipalities. The Stranded Gas Development Act (SGDA) contract would have contracted them all away in exchange for a nominal PILT. The SGDA attempted to give away municipal taxing powers, fair valuation methodologies, and all methods of dispute resolution for municipalities, and discouraged new local government formation in the Unorganized Borough. Each of these issues we believed to be contrary to the state's best interests.

The AGIA Findings state in part.

"Reliance on any project that does not include legally enforceable commitments made by the project sponsor similar to those made by TC Alaska would deprive the state of a real opportunity to achieve its objectives. Rejecting the TC Alaska Project would leave the state no other option but to negotiate with BP and ConocoPhillips to obtain pipeline terms similar to those contained in AGIA that benefit the state and its citizens. However, such negotiations would be conducted from a position of ever-increasing weakness as time goes by, as oil production and related revenues decline, and as the state becomes more and more desperate for whatever new revenue it can obtain from a gas pipeline."

The North Slope Borough appreciates the work that has been done by the state to understand impacts on local governments during construction of the gas pipeline and gas treatment plant through its AGIA Findings.

"Historically, the Producers have insisted on much more sweeping (frequently unspecified) concessions by the state with respect to taxes and royalties (and, under SGDA, many other major concessions). As discussed in Chapter 3 of the Findings, **there is no reason for the commissioners to believe at this time that any concessions on the state's part are needed over and above those already available to producers who commit gas to the AGIA project during its first open season.** The upstream inducement provisions of AGIA, however, are available now - and those inducements will be locked in if all of the producers commit their production to the AGIA project. Given the fact that no basis currently exists to support the state's providing any additional concessions to induce parties to commit their gas to a gas pipeline, the availability of the upstream inducements of AGIA represent real value to the Producers."

It is also extremely important to recognize the conclusions in the Municipal Impacts Report, which show that all of Alaska is impacted. The report this group commissioned identified infrastructure impacts across the state. Currently, the infrastructure investment needed to accomplish this project is estimated to exceed \$2 billion. A recent announcement stated that improvements to the Dalton Highway could be over \$1 billion alone. Communities from Barrow to Anchorage to Ketchikan will all be affected by natural gas development. The impacts can be both positive and negative. Nowhere is the impact more clear than on the coastal plain of the North Slope because this is where the development will occur.

The North Slope Borough Supports the AGIA Strategies related to Workforce Development and Training

The North Slope Borough has high hopes for the four strategies laid out in AGIA related to Workforce Development/Training:

1. Increase awareness of and access to careers in natural resource development
2. Develop comprehensive career and technical education system
3. Increase registered apprenticeships and on-the-job training opportunities
4. Increase training for operations, technical and management workers

We all have the advantage of hindsight as we approach this new era of gas development. We can look back and learn from experiences gained during construction of the Trans-Alaska Oil Pipeline. The TAPS project was supposed to hire Alaska Natives, according to provisions in the right of way lease. TAPS did a miserable job in that respect. We know now that it takes training and workforce development to prepare workers for a project like this. We do remain cautious though. A report entitled "Impact Analysis of the Oil and Gas Industry in the State of Alaska" was commissioned by the Alaska Oil and Gas Association (AOGA) and released on June 30, 2008. It points out just how low North Slope resident employment has been and continues to be in the oil and gas industry.

We are also concerned about what message we should take away from the recent decision by the Governor to Veto \$300,000 to expand training opportunities at Ilisagvik College. Those funds were to be used for an additional instructor for our Workforce Development programs - an itinerant traveling teacher. Also, the college hoped to make capital purchases of equipment and update training tools.

There is no better place to train people for North Slope jobs than on the North Slope. Ilisagvik College in Barrow can offer relevant technical and professional training to prepare Alaskans for real-life jobs. In fact, we are doing just that: training a workforce for jobs in the oil and gas industry.

The Cumulative Impacts of the Gas Line Will Be Substantial

The people of the North Slope have learned a number of lessons from the Prudhoe Bay development experience. One lesson is that a development scenario of this magnitude is not just a single project. Getting natural gas out of the ground and to market will require vast new layers of infrastructure, and will depend on new reserves in different locations to fill the gas pipeline.

It is really a giant expansion of resource development that has two parts. The first part is the pipeline itself, along with a massive gas treatment plant at Prudhoe. The second part is a whole collection of projects to develop reserves that will feed the gas pipeline during its lifespan. The gas line requires a 50-year commitment to a new web of development that will spread across the region in several directions. It will have unique and far-reaching impacts on the North Slope environment and wildlife and our people here who depend on the natural world for their cultural, spiritual and physical survival.

The Prudhoe experience is instructive in this regard. Following are graphics that depict the gradual expansion of oil-related development between 1968 and 2008. We call this evolution of a resource development maze "the spider web effect."

1968: Development in the Prudhoe area at the dawn of the North Slope's oil era. ¹

1977: The extent of development after the pipeline was built and oil began flowing. ²

1989: Twelve years later and the development is moving to the west. ³

1999: An additional ten years later. It was always clear that development would go beyond the immediate Prudhoe area. ⁴ But how far beyond?

¹ *[Slide of Prudhoe in 1968]*

² *[Slide of Prudhoe in 1977]*

³ *[Slide of Prudhoe in 1989]*

⁴ *[Slide of Prudhoe in 1999]*

2001: The status of oil exploration and development on the North Slope.⁵ The black line in this slide shows what we were told would be the outer limits of development from Prudhoe. That was in 1972 before the project was underway, which is similar to our current situation with gas. Nobody really knew the ultimate reach of Prudhoe development at the time, because it was obviously dependent on the location of new discoveries.

2008: Activity has now expanded more than 100 miles outside of the core area.⁶ We fully expect that gas resources will be at least as widespread as oil has been. NPR-A appears to have a lot of gas potential, as do the Foothills. And the multi-billion-dollar bid total of the OCS lease sale in the Chukchi suggests a strong possibility of offshore development a very long way from infrastructure.

Another lesson we have learned from the Prudhoe experience is that when it comes to impacts, sometimes $1+1=4$.⁷ Every oil and gas project goes through an environmental review process to determine what its impacts will be on the land, the wildlife, the habitat and the people nearby. Each of the projects represented by a dot on this slide went through some level of environmental review.

At some point, the impacts of development go beyond the effects of one project or another. When you add projects together, there can be cumulative effects that are separate from – and sometimes greater than – the individual project impacts.

That is what we have found with oil development, and it is going to happen with gas development. It is not just the gas line itself that creates certain impacts – it is the gas line plus all the other projects it leads to, and there can be a total effect that is bigger or different from the projects themselves.

This is important, because a lot of the gas is not co-located with oil. That means we will have a bunch of new roads and buildings and support services and power plants and sewage treatment facilities that fan out in new directions. This map is going to get a lot more crowded as the spider web expands.

When it comes to the subsistence and cultural impacts of a gas line, it is very important that cumulative effects are recognized as a separate category of impacts. The National Research Council did an extensive study of cumulative impacts on the North Slope in 2003. It was one of the only attempts to measure these impacts, and we hope the State will take that study's

⁵ [Slide of Prudhoe in 2001]

⁶ [Slide of Prudhoe in 2008]

⁷ [Slide of Prudhoe in 2001]

conclusions seriously when it decides how to plan for cumulative impacts associated with the gas line.

The North Slope Borough has a Strong Preference for Onshore Oil and Gas Exploration, Development and Production

International Issues

The Arctic Council is an organization of the Arctic States - the United States, Canada, Greenland/Denmark, Iceland, Norway, Sweden, Finland and the Russian Federation. A priority of the Arctic Council work is to develop standards for industrial development in the Arctic as oil and gas activities have been a concern of this council since its inception.

A unique feature of the Arctic Council is the permanent participant status the indigenous people of the Arctic have at its proceedings. The Inuit participate in this process through their membership in the Inuit Circumpolar Council (ICC), which was founded in 1980. The North Slope Borough is a charter member of the ICC.

There are local, state, federal and international concerns that can collide in the face of offshore development. Recently, the Arctic Council adopted the Arctic Oil and Gas Assessment, including recommendations related to oil and gas activities in the Arctic. The Arctic nations are honor-bound to follow these recommendations - which include a holistic compilation of all of the issues that have been discussed for the last thirty years by nations affected by oil and gas development. The broad areas of comment include:

- Social and Economic Effects
- Effects on the Environment and Ecosystems
- Managing Oil and Gas Development

The North Slope Borough fully endorses the recommendations in this report. All of the member countries of the Arctic Council have adopted this at the ministerial level.

There is a current effort to update the Arctic Offshore Oil and Gas guidelines. It is hoped that these additional protocols will also be adopted at the ministerial level by Spring 2009.

The entire report is available at www.umap.no/oga.

Federal Offshore Issues

In this time of epic climate change, we are worried about environmental stresses on our wildlife populations. The ice pack that provides critical habitat for polar bear, walrus and other species seems to be disappearing before our eyes. And while the ocean temperature is rising, there is also evidence that it is becoming more acidic. The pH level is changing because the ocean absorbs about one-third of the carbon released into the atmosphere from human activity. A shift in the

ocean's pH level could cause real problems at the very bottom of the food chain, which would affect all marine life.

We do not need another cause for alarm, but this is a big one. Our whalers are instinctively focused on the low end of the food chain. We know the bowhead feast on tiny krill, so these krill have always been of great interest to us. Without a continuing abundance of this food source, the bowhead will be in deep trouble. And when the bowhead are in trouble, the Inupiat are in trouble.

So there are many reasons why offshore activity raises our blood pressure. There is plenty of biological disruption happening in the OCS, even without impacts to the bowhead migration from the industrial noise and vessel activity that are likely when oil companies are offering billions of dollars just for the chance to explore. And unlike development onshore, there are no benefits to balance those risks. The borough cannot collect property tax in federal waters. There are no revenue sharing provisions like the state of Louisiana enjoys, or similar to development on federal land like NPR-A. In short, the risks greatly increase and the benefits disappear when the industry moves offshore.

Regardless of any benefits that local residents may or may not receive from offshore development, we can all agree on one thing - industry should be held to the highest standards if it expects to operate in this fragile, culturally critical environment. Oil executives routinely pledge to use the best available technology and the safest operational standards. They stand to reap billions of dollars in rewards, so they should be held to their pledge. In fact, researching the safest and most advanced practices currently being used in the world's northern regions should be a priority.

State Management Issues

One way in which state government, industry and North Slope residents could come together to improve safety standards in arctic waters is by adopting a practice used in state waters elsewhere in Alaska. That is the use of state-licensed marine pilots on vessels engaged in oil and gas operations. This is a tried-and-true method of putting expertise in the wheelhouse and providing independent information to the State on vessel activities. Better yet, the marine pilots have expressed interest in working directly with our whalers to take advantage of our traditional knowledge as they learn their way around these waters.

Is this too much to ask for the protection of our hunting grounds? Is it too much to ask of companies that can afford to spend billions of dollars just for drilling rights? This level of protection is required in Prince William Sound and Southeast and the Aleutians. Shouldn't it be required here too?

All Alaskans owe it to ourselves to demand the very best protections. For those of us who live on the front lines of Arctic development, it is a matter of cultural life and death. You might say this is an issue of "Inupiat homeland security", and we owe it to future generations of whalers to demand the very best protections and practices if the industry is going to expose us to such monumental risks.

For a traditional subsistence-based people, our adaptation to an intensive industrial presence has not always been easy. But we have learned a lot about the needs and methods and attitudes of industry, and we have embraced our role as a participant – not an observer – in North Slope oil development. We have learned that we are better off if we approach development as a partnership between the State, which owns the oil; the industry, which takes it to market; and the people of the North Slope Borough, whose cultural identification with these lands and waters gives us a fundamental claim to this place. If the gas line project is going to succeed, it must continue this tradition of partnership.

The Borough has consistently been supportive of onshore oil and gas development, but we have run into some problems with the State as we try to use our municipal powers in facilitating development. With the recent surge of activity in the oil patch, industry is finding it really difficult to house additional employees at Prudhoe. We could help to break this logjam if the State would pick up the pace in conveying lands we have applied for in the Deadhorse area, lands that we could make available to private industry. Deadhorse is also squeezed for water and sewer capacity and landfill services, all of which we stand ready to provide if the State would only allow it through timely permit approval.

This is one modest but important way for us to fulfill our role as a development partner. People on the North Slope must know that the Borough is being treated as a partner. And that applies to AGIA too. We may not have our signature on the AGIA license, but we need to feel included as a party to the agreement. The license provisions must recognize in their substance that the project starts in our back yard. They must recognize that the North Slope Borough and its people will be uniquely impacted socially, culturally, financially and environmentally.

So we are in this together. A project that is done right creates the basis for our future, just as it does for other stakeholders. A project done poorly threatens our way of life, and if our way of life is threatened, it will not be good for the future of resource development on the North Slope. We look forward to an active partnership in the gas line project. We want to be able to promptly issue local permits for gravel, for dredging, for disposal of excess fill, and for other project needs on land and in the coastal zone.

We Value Our Partnership

We come to this next generation of resource development with some specific expectations based on previous experience. For starters, stakeholder groups need to come together and jointly pursue more scientific data gathering and interpretation. In this regard, we recognize the potential value of NSSI - the North Slope Science Initiative - which is made up of federal, state and local decision-making authorities active on the North Slope (along with our regional corporation). There are large gaps in the biological knowledge base about wildlife species in the development areas. The scientific community must expand its data collection before widespread gas development starts. We need an accurate snapshot of current conditions in various wildlife populations, or else we will not understand how these animals are being affected by the new generation of gas projects. Baseline data will make it possible to respond to changes appropriately, rather than overreacting or failing to act at the right time. This is a top priority for the Borough, and we expect a similar commitment from others for the sake of continued healthy wildlife resources.

And speaking of partnerships, there is no better example of a local, state and federal partnership than the one we used to have when the coastal management program was fully functioning. Until changes made by the previous governor's administration, the ACMP pulled together all stakeholders in balancing responsible development and protection of our coastal resources. It was a very effective program that accommodated projects and addressed local concerns in a really successful process. This process had the effect of expediting projects by resolving issues early on. It was a smart approach, a very cooperative approach, and we hope the Legislature will restore the guts of it in the interest of promoting future development through intergovernmental partnership.

In the end, the success of gas development will rest on the strength of relationships among the stakeholders, and those relationships will depend on really good communication. We need to be talking about issues long before they get to critical regulatory and permitting stages. Lead time is very important to everyone involved in development, so we all must make a commitment to more timely communication as well.

For sure, the next 40 years will not be easy. The population centers of the North Slope will be faced with more competing uses close to home, and impacts will accumulate with the stepping-stone pattern of westward industrial expansion. We believe we can coexist in these times, but we will have to place a greater emphasis on communication, collaboration, science and respect for subsistence. No stakeholder on the North Slope can go it alone and hope to succeed. Our chances for success in the long term will be directly linked to our ability to work together.

This hearing and the AGIA process are all about the urgent considerations of life in the North today, but even more so, it is about the next generation and the one after that. People in all

cultures want what's best for their children and grandchildren. A natural gas pipeline and all of the associated development it entails is what we are providing for the next generation. How we do this determines the degree of success or failure. We all want those who come after us to share in the experiences that give our lives meaning. We want them to enjoy the same cultural traditions and quality of life. The North Slope Borough feels confident that the work we do now and in the near future can help to fulfill the promise of a good life for everyone who has an interest in the North Slope. We can rise to the challenge and make the next 40 years a real model for the generations that follow.

Rynnieva Moss

From: Scott, Antony G (DNR) [antony.scott@alaska.gov]
Sent: Monday, July 21, 2008 10:05 PM
To: Rynnieva Moss
Subject: RE: 500 mcf Formula

Not a pest at all. Please feel free to get in touch any time.

From: Rynnieva Moss [mailto:Rynnieva_Moss@legis.state.ak.us]
Sent: Mon 7/21/2008 10:04 PM
To: Scott, Antony G (DNR)
Subject: Re: 500 mcf Formula

Thank you for your response. So much information has flowed that it takes time to think out the missing parts. Hope I'm not a pest.

----- Original Message -----

From: Scott, Antony G (DNR) <antony.scott@alaska.gov>
To: Rynnieva Moss
Cc: Balash, Joseph R (GOV) <joe.balash@alaska.gov>
Sent: Mon Jul 21 21:26:37 2008
Subject: RE: 500 mcf Formula

Rynnieva:

sorry I haven't gotten in touch sooner.

Please understand that the Administration has not developed its own assessment of in-state gas demand for more than 5 years. My presentation relied on studies that have been performed in the last year or two by others. The reference on Slide 3 is my first presentation. The reference on Slide 6 of my presentation is the second attachment. Unfortunately, neither study has a breakdown at the level that you are interested in. I appreciate that the main concern is that there is plenty of ability to meet in-state need -- including all military bases, etc. I'd point out that when Elmendorf started purchasing its electricity from Municipal Power and Light (rather than generating themselves) there was only a small uptick in electricity demand for electricity. It's hard to see how bases can materially move things to the point where there are problems under AGIA.

Your subsequent email asked about gas demand for cars -- either CNG, or electric, I'm assuming. I don't think either study looked at this, but I really don't know. But when imagining possible future demand scenarios I think it's crucial to remember two things. First, none of these infrastructure changes happen overnight; it takes a long time to turn over the automobile stock, for example. Second, the prohibition under AGIA of subsidizing competing projects expires upon first gas of the AGIA project, so by the time that possible future demand increases could matter a North Slope gasline will be in place and the state can then do what it wants.

Please call me if you have further questions. My cell is 748-8915.

Thanks very much,

Antony

From: Rynnieva Moss [mailto:Rynnieva_Moss@legis.state.ak.us]
Sent: Mon 7/21/2008 5:25 PM
To: Scott, Antony G (DNR)
Subject: 500 mcf Formula

7/24/2008

I acquired your power point from Senate Judiciary but it doesn't really have a breakdown other than ammonia-Urea, LNG, Gas Utilities, Power Generation. Do you have a breakdown by individual users:

Example:

Fairbanks Natural Gas

Natural gas delivery to consumers in Anchorage, Kenai, Barrow and other take off points along the line.

Flint Hills Refinery

Ft Wainwright

Eielson

Ft Richardson

Elmendorf

Other military installations in the state

Propane plant Yukon River

etc

From: cchambers@gci.net [mailto:cchambers@gci.net]
Sent: Friday, July 11, 2008 5:01 PM
To: 'Walter J. Hickel'
Subject: Message from Governor Walter J. Hickel

July 11, 2008

Dear Legislator:

The attached ad will soon be run in Alaska newspapers. Which column will your name be in? The column of those who want Alaska to retain control of our natural gas? Or the column of those who are prepared to allow Canada to take control of this resource worth billions of dollars?

We urge you to say NO to TransCanada and help make an All-Alaska gasline happen that Alaskans can control.

After the TransCanada vote takes place, this ad will be run with your name in the column you choose.

Stand up for Alaska ! We're counting on you.



Walter J. Hickel

Wally Hickel and Backbone III

Your Alaska of 2008 will decide who controls Alaska's

In which column will your name be listed?

ALASKA?

- Sen. Bob Bartlett
- Sen. Ernest Gruening
- The Constitutional Convention
- Gov. Bill Egan
- State Sen. John Butrovich
- State Sen. Irene Ryan
- Bob Atwood & Statehood Comm.
- Scott Heyworth and 138,000 Alaskans who voted for Prop 3
- 50 Alaska communities that passed pro All-AK pipeline resolutions
- Alaska Gasline Port Authority
- All Alaska Alliance (labor)
- State Sen. Chancy Croft
- Gov. Jay Hammond
- Gov. Wally Hickel
- **Will your name go here?**

CANADA?

- North Slope gas producers
- Gov. Tony Knowles
- Bill Allen and VECO
- The Corrupt Bastards Club
- Gov. Frank Murkowski
- Marty Rutherford & gasline team
- **Will your name go here?**

Vote on
Encourage Gov. Palin to build
owned,
governed and guided by Alaska for the

(Note to legislators: the All Alaska LNG project has had an export license since 1989. Contact us for a copy.)

ALL-ALASKA
GASLINE

TRANSCANADA
GASLINE

ALASKA WILL BE IN CONTROL

CANADA WILL BE IN CONTROL

From: Collins, Donna S (GOV) [mailto:donna.collins@alaska.gov]

Sent: Saturday, July 12, 2008 4:35 PM

To: mroberts@gci.net; mal@gci.net

Cc: Sen. Con Bunde; Sen. John Cowdery; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Johnny Ellis; Sen. Kim Elton; Sen. Hollis French; Sen. Lyda Green; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Donny Olson; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Gene Therriault; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Gary Wilken; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. John Coghill; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Andrea Doll; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. John Harris; Rep. Mike Hawker; Rep. David Guttenberg; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Gabrielle LeDoux; Rep. Bob Lynn; Rep. Kevin Meyer; Rep. Mary Nelson; Rep. Mark Neuman; Rep. Kurt Olson; Rep. Jay Ramras; Rep. Bob Roses; Rep. Woodie Salmon; Rep. Ralph Samuels; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Peggy Wilson

Subject:

Malcolm:

We have had our differences over the direction we are going with the natural gas pipeline. Now you have gone too far. The ad attached to an email sent to all 60 legislators last night crosses the line. It is misleading, distorts the truth, and slanders our public servants and should NOT be published in ANY newspaper.

If, in fact, LNG is economically better for Alaska, it will get its chance. TC Alaska has made clear, repeatedly, that they will build a line to Valdez if customers show up at an open season. Let's be clear, though, that export to Asian markets is the only viable configuration for an LNG project. To suggest—as your ad does—that LNG from Alaska will reach US markets is disingenuous at best.

To claim that some of our state's finest leaders would oppose AGIA today is nonsensical. AGIA steps up and requires those things which will best protect Alaska's long-term interests. I could claim to have the support of such fine Alaskans, but I won't because many of them are no longer living. In fact, I can claim some on your list—they have already contacted you about that. Shame on you for invoking their legacies to prop up your position on this issue.

Perhaps the most outrageous claim in your ad is the association of Marty Rutherford and Tom Irwin with the CBC. These two Alaskans staked their careers and reputations when they stood up for Alaska and opposed the SGDA Contract negotiated by the prior administration. Associating them with the CBC is disgusting. To then go on and threaten sitting legislators—who have the best of intentions when it comes to serving our state—with association in that crowd puts is just bullying.

We live in a great country where Freedom of Speech is cherished and protected by men and women with their lives, but you should not publish this ad. Your facts are wrong, you distort the truth, and you slander the reputations of Alaska's finest public servants.

Sarah Palin

Rep. John Coghill

From: Irwin, Tom E (DNR) [tom.irwin@alaska.gov]

Sent: Saturday, July 12, 2008 5:40 PM

To: mroberts@gci.net; mal@gci.net

Cc: Sen. Con Bunde; Sen. John Cowdery; Sen. Bettye Davis; Sen. Fred Dyson; Sen. Johnny Ellis; Sen. Kim Elton; Sen. Hollis French; Sen. Lyda Green; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Lesil McGuire; Sen. Donny Olson; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Gene Therriault; Sen. Joe Thomas; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Gary Wilken; Rep. Bob Buch; Rep. Mike Chenault; Rep. Sharon Cissna; Rep. John Coghill; Rep. Harry Crawford; Rep. Nancy Dahlstrom; Rep. Andrea Doll; Rep. Mike Doogan; Rep. Bryce Edgmon; Rep. Anna Fairclough; Rep. Richard Foster; Rep. Les Gara; Rep. Berta Gardner; Rep. Carl Gatto; Rep. Max Gruenberg; Rep. David Guttenberg; Rep. John Harris; Rep. Mike Hawker; Rep. Lindsey Holmes; Rep. Kyle Johansen; Rep. Craig Johnson; Rep. Reggie Joule; Rep. Scott Kawasaki; Rep. Wes Keller; Rep. Mike Kelly; Rep. Beth Kerttula; Rep. Gabrielle LeDoux; Rep. Bob Lynn; Rep. Kevin Meyer; Rep. Mary Nelson; Rep. Mark Neuman; Rep. Kurt Olson; jayramras@hotmail.com; Rep. Bob Roses; Rep. Woodie Salmon; Rep. Ralph Samuels; Rep. Paul Seaton; Rep. Bill Stoltze; Rep. Bill Thomas; Rep. Peggy Wilson

Subject: BackBone III flyer

Governor Hickel & Malcolm,

It is with extreme disappointment that I send this email. I am speaking about the BackBone III flyer you just sent to all 60 Alaska Legislators. And I know many other people share my indignation and disgust.

It is totally inappropriate to imply that good government doesn't allow for differing opinions. And it is totally wrong to imply that the Palin Administration isn't working around the clock to protect the State of Alaska, and every individual Alaskans' interests.

We are a state that has amazing potential, with many options available to us. To suggest that choosing a gasline option that differs from your vision is somehow corrupt is so wrong. And it ignores the reality - which is that we can do both projects! The AGIA project will allow an LNG option to proceed if there is market interest in doing so. Nothing in AGIA limits the LNG interests.

It is beyond imagination and good taste that you have chosen to use individuals names as supporting your position without first getting their permission, or who are regretfully not alive to have participated in the AGIA discussion.

Most of all, I am totally and irrevocably disgusted in the insinuation that Marty Rutherford or the Gasline Team has anything but the highest standards in achieving what this state needs, which is a fair, open and transparent process. In fact you have previously commended them for looking out for Alaska's interests. Now I can only that your definition of looking out for Alaska's interests only means doing what you think is best.

Finally, I believe a public apology to Marty Rutherford and the Gasline Team is appropriate. They are the best people we could have representing this state.

This a sad day,
Tom Irwin

**Former Governor Hickel calls for denial of TransCanada license:
Urges Palin to build a state-owned All-Alaska line**

Former Governor Wally Hickel called on the legislature today to vote down the proposed license for TransCanada to build the Alaska gasline across Canada and urged the Administration to start immediately to build an All-Alaska gasline to Valdez.

“Why turn over control of a resource this valuable to a foreign country?” Hickel asked. “If TransCanada gets the license, they and their government will determine when it will be built, who gets the jobs, how much it will be taxed (which will come out of our pockets), and how our gas will be used.

“Once you build a \$30 - \$40 billion pipeline, you’re locked in. This is a forever decision. And it’s a bad one.”

In taking this position, Hickel is breaking with Gov Sarah Palin who he has supported since the primary election of 2006 when he served as her Campaign Co-Chairman.

“This is nothing personal,” Hickel said. “I admire Sarah. She is a caring leader and has done a great job. But on this issue, her advisors have taken her down the wrong road.

“It’s up to the legislature to save her, save Alaska and save themselves from the worst decision of the 21st century.”

Every Alaskan needs to speak up now, this week, to his or her legislators, Hickel said.

“Ask your legislators, are they voting for Alaska or for

“Once the ill-advised TransCanada plan is out of the picture, the State of Alaska can build our own pipeline,” Hickel said.

“This is by far the best idea. The gas is our resource, found on our land. It belongs to all Alaskans, and we should control it. The State can hire a pipeline company to build an All-Alaska pipeline from Prudhoe Bay to Valdez.

“We can get started immediately, and we don’t have to wait for TransCanada, the producers, the Canadian government, or anyone. Once the decision is made, the world will help.

“That’s what an Owner State must do. We must keep control of our resources and make sure they are used for the ‘maximum benefit’ of our people.

“Let’s build the best pipeline in the U.S. and ship our clean natural gas to the US West Coast and the world and make billions for the Alaska people. That’s where Alaska’s future is,” he said.

“If we think the future is in the tar sands of Alberta or the rustbelt of the U.S., we should have our heads examined.”

Governor Hickel met with Governor Palin and her gasline team leaders last week and expressed his views. “I kept asking ‘Why build a gasline through Canada?’ and no one answered,” he reported.

For more information, please contact Carole Chambers at (907) 343-2201 or wjhickel@gci.net.

Alaska State Legislature

House of Representatives

Session address:
Alaska State Capitol
Juneau, Alaska 99801-1182
1-888-465-2647 (toll free)
1-907-465-3518 (fax)



Interim address:
716 West 4th Avenue
Anchorage, Alaska 99501-2133
1-907-269-0106
1-907-269-0109 (fax)

Representative Les Gara

July 13, 2008

Speaker John Harris
State Capital Building
Juneau, Alaska 99801

By Hand Delivery

Dear Speaker Harris:

I am writing to formally state my objection to the delay in the vote on the Gasline contract. Today one of the members of your majority, Rep. Ramras, angrily told me he had the right to delay a vote on this project so he could go home tonight – presumably for 8 days until the legislature reconvenes on the 21st. I've had enough of watching what I consider a filibuster, and consider Rep. Ramras' position particularly troubling. Rep. Ramras says he has requested that no vote be allowed until he returns on the 21st because, as he stated, he has "a right to vote."

As you know, the Democratic House Minority has requested a vote by Tuesday the 15th on the proposed gasoline license. Rep. Kerttula sent you that letter earlier this week. We have been debating this gasoline issue since early June, and have been studying it for over a year. Every subject that could possibly be discussed has been presented to this legislature by experts, industry officials and others. In some cases, issues have been presented so repetitively that many in the legislature, even you, haven't been in attendance at many of this week's hearings. At any given moment I have counted roughly 20 – 50 legislators absent from this week's hearings, because, as we all know, it's time to vote.

Delaying the vote on this project simply bolsters the hand of the opponents of this project, and the oil industry which is aiming to stop it. Letting one member choose to go home instead of work, and to hold this legislature up while he does that, is inappropriate.

I would ask that you disallow members from going home so that we can vote on the license Tuesday, before the 5 day break you have scheduled.

Sincerely,


Rep. Les Gara

cc's to Reps Ramras + Kerttula

E-mail: Representative_Les_Gara@legis.state.ak.us





Representative Beth Kerttula

House Minority Leader

July 12, 2008

Speaker John Harris
State Capitol
Juneau, AK 99801

Re: Vote on AGIA

Dear Speaker Harris:

On behalf of the House Democratic caucus, I respectfully request that you do what is necessary procedurally to hold a final vote on HB 3001, concerning TransCanada's AGIA license application, by Tuesday, July 15.

We have been reviewing TransCanada's application since May 28, have listened to many hours of testimony during many meetings and most importantly have heard from the public. We appreciate the effort you have made during this process. However, much of the information that is now being presented is becoming repetitive. This is the most important economic question that the legislature has faced in more than 30 years, and we believe legislators have the information they need.

With such a crucial issue, it is important that all members be present for the vote, and delaying until after July 15 will make that difficult because the House is scheduling a break starting the 16th.

This special session was also called to create an energy solution for Alaskans. By delaying the vote we lose valuable time to address this critical issue.

Thank you for your consideration of this request.

Sincerely,


Representative Beth Kerttula

cc: Representative John Coghill, Rules Chairman
Representative Ralph Samuels, Majority Leader



The Association of Professional Engineers,
Geologists and Geophysicists of Alberta

July 4, 2008

John Van der Put, P.Eng.
Vice President, Market Development
TransCanada Pipelines
450 - 1 Street SW
Calgary, Alberta, Canada
T2P 5H1

RE: Licensure of Alaska Professional Engineers in Alberta

Dear Sir:

This letter describes the criteria and process an Alaska licensed Professional Engineer (P.E.) must follow to become licensed to independently practice engineering in Alberta. We can advise as follows:

- 1) The Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) is the regulatory body that regulates the practice of engineering and geosciences in Alberta. An individual wishing to become licensed to practice engineering in Alberta must apply to APEGGA.
- 2) An Alaska licensed P.E. must meet the same five licensure criteria as any other applicant to APEGGA. An Alaska licensed P.E. is not subjected to any different standards than a Canadian trained Engineer.
- 3) The five licensure criteria all applicants must meet are:
 - Satisfactory Academics – an Alaska P.E. with an ABET degree who has passed the FE exam meets the academic requirement
 - Experience Requirement – four years of engineering experience, at least one of which is 'equivalent North American' experience – experience in Alaska satisfies this
 - Professional Practice Examination - an examination on Canadian and Albertan law, ethics and professionalism that all applicants must pass
 - Good character and reputation
 - English language competency

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- 4) There is no requirement that an Alaska P.E. must be living in Alberta, or Canada, to obtain a license to practice engineering in Alberta. If the P.E. meets the five requirements noted above and is a Canadian citizen or Permanent Resident of Canada, he or she will be licensed as a Professional Engineer with APEGGA. If the P.E. meets the five requirements noted above and is not a Canadian citizen or Permanent Resident of Canada, he or she will be licensed as a Foreign Licensee in engineering.
- 5) The only difference between a Foreign Licensee and a Professional Engineer is that a Foreign Licensee is not eligible to vote or run for office in APEGGA affairs. Otherwise, the rights and obligations of both categories are the same.
- 6) The application process for an Alaska P.E. is straight forward. We obtain the same documentation from an Alaska P.E. as we do from a Canadian applicant, which includes a completed application form, transcripts, work experience record, and references. We also contact the Alaska State Board of Registration for Architects, Engineers, and Land Surveyors for confirmation of registration. If the P.E. has a NCFES record book, we will accept that in lieu of the work experience record and references.

We trust this provides you with the information required.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark Tokarik".

Mark J. Tokarik, LL.B., P.Eng.
Director Registration
Edmonton Office

MJT/bls

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

- P.O. BOX 111000
JUNEAU, ALASKA 99811-1000
PHONE: (907) 485-2400
FAX: (907) 485-3886
- 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

April 1, 2008

The Honorable Jay Ramras
Room 120, State Capitol
Juneau, AK 99811

Dear Representative Ramras:

Governor Palin has asked me to respond to your letter dated March 12. In that letter, you called attention to an exchange between yourself and the Deputy Director of the Division of Oil and Gas (DOG). You also asked for an explanation of the administration's position on a pipeline from the Alaska North Slope (ANS) to Cook Inlet. I am happy to respond and hope you will accept my apology for the delay in doing so.

First, with regard to a pipeline from the ANS to Cook Inlet it is important that you understand some of the economic realities surrounding such a project. The primary goal of the Palin Administration is to see a large-diameter pipeline project move forward as soon as possible. A simple bullet line that serves in-state needs only will likely have a more expensive toll to Fairbanks. Whether it is an overland pipeline through Canada or a Liquefied Natural Gas (LNG) project at tidewater, the efficiencies of scale afforded by a large project allow the cost of transportation between the North Slope and points south to be lower.

Since a large-diameter project will not move forward quickly enough to resolve the existing energy crisis in Alaska, then it may be appropriate to look at an in-state bullet line to meet Alaskan needs as one alternative to address the problem. Just as with the large-diameter project, it is appropriate to look first to the private sector to advance such a project. If the economics are sufficient, project sponsors can move forward under the laws of the State of Alaska. ENSTAR's interest is encouraging in that regard.

If, however, the economics are insufficient to support an in-state only project, and the need exists to meet near-term supply in Alaska, we then need to ask how best to lend State support to such a project. That raises a whole host of policy questions that the Administration, the Legislature, and the public will need to consider. First and foremost will be whether to rely on a public (government) entity to construct, own, and operate the pipeline. If not, the next question is whether or not it is acceptable to provide subsidies to a private entity. Finally, to the extent a grant or subsidy of public resources are involved at all invites an examination of the larger energy picture—is gas the lowest cost form of energy available? Are there cheaper and/or cleaner forms of energy available? Do they require the same magnitude of public support?

In this context, I would like to remind you that the Palin Administration's efforts to advance a large-diameter project do not conflict with an ANS to Cook Inlet project for in-state markets. AS 43.90, The Alaska Gasline Inducement Act (AGIA) provides a 500 million cubic feet per day exception to

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans"

The Honorable Jay Ramras
April 1, 2008

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the no-compete section of that statute. That level of throughput would more than meet the needs of in-state markets, leaving the State of Alaska free to advance and support such a project.

I would like to turn now to your exchange with the DOG' Deputy Director. It is important to note that his comments were made without the knowledge that both I, and the Governor's staff, had already met with representatives and executives of ENSTAR. In those briefings, they made clear their desire to pursue an in-state project as an alternative to securing natural gas supplies out of Cook Inlet later next decade. They also made clear that they do not have firm economics upon which to base a possible investment, but are considering making a significant investment over the next 12 to 18 months to firm up those figures. It is particularly relevant that ENSTAR is not asking the State of Alaska for any support, concessions, or subsidies at present. We are looking forward to their next installment of relevant news.

As a final matter, I am sorry that you feel we at DNR were not appropriately responsive to your interests in a bullet line that serves in-state needs only. As you can see from the above, we are very interested and involved in that discussion. And, as I am sure you know, the Department of Natural Resources tries to be extremely responsive to any and all inquiries from the Alaska State Legislature and its individual members. Your concern for the energy needs of your community is obvious and appreciated. As you know, many of us at DNR are spending much of our time and energy on an AGIA' large-diameter pipeline project that will facilitate exploration and development of Alaska's gas resources, ensuring long-term Alaskan careers, and the availability of Alaska gas for in-state use at appropriate transportation costs. Finally, as a former Co-Chair of the House Resources Committee, you well understand that the Division of Oil and Gas manages our oil and gas resources to maximize revenue to the State of Alaska. That mission is not always in perfect alignment with the desire to lower energy costs in regional communities.

Recognizing that the Alaska Energy Authority (AEA) has among its obligations the development of safe, reliable, and efficient energy systems throughout Alaska as well as reducing the cost of electricity for residential customers and community facilities in rural Alaska, Governor Palin has asked the new AEA' Executive Director, Mr. Steve Haagenson, from your home town of Fairbanks, to serve as the Governor's energy coordinator. Furthermore, Governor Palin has asked him to develop a statewide energy plan. Might I suggest that you direct alternative energy source questions to him in the future. DNR is, of course, committed to working with the AEA wherever and however we can contribute, including integrating our AGIA efforts with their in-state energy work as well as providing comprehensive access to the work of the Division of Geological & Geophysical Surveys' (DGGS) alternative energy survey.

If you have further questions or concerns about the Palin Administration policy with regard to an in-state bullet line from the ANS to Cook Inlet, please do not hesitate to contact me directly.

Sincerely,



Marty Rutherford
Deputy Commissioner

The Honorable Jay Ramras
April 1, 2008

- 3 -

cc: Governor Sarah Palin
Mr. Steve Haagenon, Executive Director, Alaska Energy Authority
Mr. Gene Dubay, Enstar/Semco Energy



Representative Beth Kerttula

House Minority Leader

July 12, 2008

Speaker John Harris
State Capitol
Juneau, AK 99801

Re: Vote on AGIA

Dear Speaker Harris:

On behalf of the House Democratic caucus, I respectfully request that you do what is necessary procedurally to hold a final vote on HB 3001, concerning TransCanada's AGIA license application, by Tuesday, July 15.

We have been reviewing TransCanada's application since May 28, have listened to many hours of testimony during many meetings and most importantly have heard from the public. We appreciate the effort you have made during this process. However, much of the information that is now being presented is becoming repetitive. This is the most important economic question that the legislature has faced in more than 30 years, and we believe legislators have the information they need.

With such a crucial issue, it is important that all members be present for the vote, and delaying until after July 15 will make that difficult because the House is scheduling a break starting the 16th.

This special session was also called to create an energy solution for Alaskans. By delaying the vote we lose valuable time to address this critical issue.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Beth Kerttula".

Representative Beth Kerttula

cc: Representative John Coghill, Rules Chairman
Representative Ralph Samuels, Majority Leader

Natural Gas in Alaska - enough to support the world for 100 years

It started in 1985, and one source for this information was in the National Geographic, it stated, "There is one hundred trillion cubic feet of natural gas in Alaska. That is enough to support the world for one hundred years."

Natural gas burns pure, it will eliminate pollution, in a matter of time it will end the green house effect. The Arctic, Antarctica, and Greenland are considered very big weather conditioners for the world.

In the last twenty years Exxon and BP have provided propaganda that there is no market for Alaska natural gas (example is attached, 2002).

Exxon is attempting to get permission from congress to build the gas pipeline. They will abandon their own property publicly for the last twenty years, and the property goes back to the owner.

Economy – Natural gas would cost about \$1.50 at the pump and a car would get twice as much mileage then the gas we use today. This means the average family in the USA would save about 300%.

Our Alaska leaders claim that the 1700 mile gas pipeline would cost only 30 billion dollars. In 1975, the oil pipeline cost 8 billion dollars and was 800 miles. If that oil pipeline was built today it would cost 28 billion dollars.

A 1700 mile gas pipeline today would cost 55 billion dollars. The only way to make a 30 billion dollar pipe line is if Canada uses it own steel mills, iron ore, labor, and truck drivers. Then they can build a 30 billion dollar pipeline.

It is Alaska natural gas and the first 800 miles of gas pipeline are in Alaska, so Alaska should retain the majority interest in the project, because it is Alaska's natural gas. Since Canada will own all that is on Canada land or about 2800 miles, Alaska will have to go 50/50.

When Alaska Natural gas hits the market there will be trillions of dollars to split with Canada.

It would be better to deal with United States of America, to build our gas pipeline and give the USA fifty percent. Alaska will be out sourcing the entire USA.

Henry J. Stevens

Henry J. Stevens
Alaskan Democrat

po. Box 2-1234
Juneau Alaska
-99802-
ph. 907-463-0119

REPUBLICAN PLATFORM (2000)

The year 2000, President Bush make many promises to get elected

I want to emphasize on several of those Promises:

President Bush was to find ways to make the U.S. independent of foreign oil, no more effort was ever made except to open more land in Alaska to drill for more oil.

United States does not need oil! U.S. needs Alaska Natural Gas.

There is one hundred trillion cu. Yards of natural gas in Alaska, that is enough to support the world for one hundred years.

In the last 20 years, I have read that there is no market for Alaska natural gas, this is only properganda.

Our main market would be ourselves!

- 1) The entire U.S. Army, Navy, Marines would save billion's of dollars a year.
- 2) The entire transportation service would benefit, trucking, buses, cabs, private cars.
- 3) Hotels, resteraunts private homes, factories, all together would save hundreds of billions of dollars a year.

There is three hundred million moving vehicles in the U.S., which causes 60% of the air pollution in the U.S., all private homes, hotels would almost extinguish air pollution in the U.S.

In conclusion:

Alaska Natural Gas would cost about 80 cents a gallon and also Alaska natural gas can get twice the mileage as the gas we use today.

This means trucks can transport Construction material all the way to Alaska and save about 60% of its expense.

SUB-MITTED AND REQUEST TO BE PUT INTO RESOLUTION FORM...

Henry Stevens Alaska Native Democrat

Henry J. Stevens

P.O. BOX 1234 - Juneau - 99802 -

Phone - 463 - 0119

THE LUG BOAT

You won't find a casino, shuffle board or other fancy amenities aboard a freighter, but they can offer a good, relaxing, and possibly inexpensive alternative to cruise ships.

Monday's Money section.



MONEY

ANCHORAGE DAILY NEWS • www.adn.com

SATURDAY, JUNE 29, 2002

North Slope gas 'not competitive'

■ **PIPELINE:** BP chief executive says project wouldn't be cost effective.

By **WESLEY LOY**
Anchorage Daily News

BP chief executive Lord John Browne, speaking in Anchorage on Friday, deflated a roomful of business people by saying conditions still aren't right to pipe the North Slope's vast natural gas reserves to market.

He went on to describe the deteriorating economics of Alaska's oil patch, where production is falling and costs are rising.

Although billions of barrels of oil remain to be pumped, Alaska production faces relentless competition from other prospects around the globe — including big gas fields closer to grow-

ing markets like Asia, he said.

"At the moment it is not competitive," Browne said of Alaska's gas.

Further dampening chances of production are taxes and royalties that would strip away all profit for BP and other oil companies, he said.

"This is not a debate about subsidy," Browne said. "We are not asking for any subsidy. We do not want corporate welfare."

Rather, he suggested incentives and "setting taxes in such a way that all projects with intrinsic economic merit can proceed."

Browne made his comments at a breakfast at the Sheraton sponsored by the Resource Development Council for Alaska, the Alaska Support Industry Alliance and the Anchorage Chamber of Commerce.

Browne's infrequent visits to Alaska always

are a big deal. Because he is head of one of the world's largest corporate oil giants and one of the state's two biggest producers, Alaskans involved in oil field drilling and support tend to hang on his words as though he were Alan Greenspan.

Small-statured with a ruddy face and regal accent, Browne was utterly humorless Friday, his speech painting a mostly distressed situation for Alaska's oil industry.

"Alaska is now a mature and much smaller oil province," he said, noting that oil production today is half what it was in 1988 — and declining. To compensate, London-based BP has tried to wrench every dollar of excess cost out of its Alaska operations, cutting its Anchorage work

See Page D-4, BP



FRAN DURNER / Anchorage Daily News

WorldCom ties to create certainty

WorldCom is the nation's second-largest long-distance company. On Tuesday it re-

SPOTLIGHT: RESOURCES

IN IRAQ



CHARLES REX ARBOGAST / The Associated Press

Fort Campbell, Ky. More than 600 troops from the 101st

Global warming could wipe out 37% of species

■ STUDY: Researchers say greenhouse gases must be reduced soon.

By GUY GUGLIOTTA
The Washington Post

In the first study of its kind, researchers from northern Britain to the wet tropics of northeastern Australia and the Mexican desert said Wednesday that global warming at currently predicted rates will drive 15 percent to 37 percent of living species to extinction by mid-century.

Dismayed by their own results, the researchers called for "rapid implementation of technologies" to reduce emissions of greenhouse gases and warned that the scale of extinctions could climb much higher because of mutually reinforcing interactions between climate change and habitat destruction caused by agriculture, invasive species and other factors.

"The midrange estimate is that 24 percent of plants and animals will be committed to extinction by 2050," said ecologist Chris Thomas of Britain's University of Leeds. "We're not talking about the occasional extinction — we're talking about 1.25 million species. It's a massive number."

The study marks the first time scientists have produced estimates of the effect of climate change on habitat. Previous work focused on smaller regions or limited species.

Thomas led a 19-member international team that surveyed habitat decline for 1,103 plant

and animal species in five regions: Europe; Queensland, Australia; Mexico's Chihuahua Desert; the Brazilian Amazon; and the Cape Floristic Region at South Africa's southern tip. The study is being published today in the journal *Nature*.

The regions encompass 20 percent of the Earth's surface and "include a fair range of terrestrial environments," said Thomas.

"Obviously it would be valuable to expand the scope, but there's no reason to think that doing so would change our results tremendously," he said.

Researchers said the wide geographical scope also overcame outside factors that might affect a single region only: "A prolonged drought might cause one instance of a dieback" but be offset by changes elsewhere, said climate change biologist Lee Hannah, who worked in South Africa. "When you see the broader context of the regional blips drop out of the picture,"

While there is little dispute that the Earth's temperature is rising, debate over the reasons and speed of change remains contentious. Still, most scientists accept that much of the warming is due to the cumulative effects of greenhouse gases that trap and hold heat in the atmosphere.

William O'Keefe, president of the George C. Marshall Institute, a conservative science policy organization, raised criticisms of the study, saying the research "ignored species' ability to adapt to higher temperatures" and assumed that technologies will not arise to reduce emissions.

How to cut taxes

the entire middle class, Dean said it is wider than the mid-

at he has national tax reform is fairer for the middle class. His campaign is planning a television spot in Iowa faulting Dean for not doing the same.

in Wesley Massachu-rolina and cut, seek

ing to present themselves as the more centrist, electable alternatives to Dean, are hitting the issue hard in Iowa and New Hampshire.

"I don't want to go back to being the old Democratic Party that doesn't get it," Kerry said in an interview Wednesday. "I've been fighting all year to protect middle class taxpayers." Kerry has advocated eliminating the tax cuts that benefit the wealthiest Americans, but preserving those for the middle class. His campaign is planning a television spot in Iowa faulting Dean for not doing the same.

Adding to the pressure within the Democratic Party are the first maneuverings of the general election campaign. The Bush camp and its allies clearly look forward to campaigning against their eventual opponent as a throwback to the old tax-and-spend days of the party.

How gets reversed

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Department suspended pending further action by Sullivan.

Mark Zaid, a Washington lawyer who filed the suit challenging the program, called Sullivan's decision lifting the preliminary injunction a temporary setback and said his clients would prevail at trial in challenging the anthrax vaccine.

Zaid said he will soon ask Sullivan to re-issue an order blocking mandatory anthrax inoculations because the FDA's approval of

CORRECTIONS

A headline on a University of Alaska Anchorage hockey story on Page C-1 of Tuesday's Sports section erred in saying Matt Hanson was lost to the team because he was "flunking." Hanson was declared academically ineligible but is not failing.

A correction that ran on Page A-3 in the Dec. 23 newspaper mistakenly said that low income and elderly Alaskans received prescription drug benefits through the state's Senior Care program. None currently gets drug benefits through the program. There is a proposal to give very low income seniors the option of drug benefits instead of cash payments and to provide a limited drug benefit to seniors with slightly higher income levels.

A headline on Page B-1 of Wednesday's newspaper that said small amounts of marijuana could be OK for cars and

TRANSCANADA: Firm says it offers experience

Continued from A-1

Palin's gas team is evaluating the confidential applications and is expected to announce soon which ones qualify to contend for financial incentives and a license under a new law Palin pushed last year, the Alaska Gasline Inducement Act.

To some industry observers, TransCanada already stands out as the leader among the five AGIA applicants.

"You don't need to see what's in their proposal to know they know what they're doing," said Ken Boyd, a former state oil and gas director now working as an industry consultant.

TransCanada says it offers experience building big pipelines, expertise in northern construction, and a clear understanding of the politics in Canada, through which much of an Alaska pipeline would run.

The company also has spent years lobbying in Alaska, and has a link to the head of Palin's gas pipeline team.

The state incentives and license wouldn't guarantee actual construction. Rather, they would obligate the winner to make its best effort toward a risky megaproject costing \$30 billion or more depending on its route and length.

Aside from TransCanada, the other contenders include Chinese energy giant Sinopec, a newly created Alaska firm called AEnnergia, and two governmental organizations with in-state pipeline ideas.

TransCanada has a special attraction to Alaska gas, which would feed into the company's web of pipelines in Alberta and the Lower 48, making those lines more profitable. Kvisle declined to discuss other specifics of TransCanada's bid.

ALASKA INFLUENCE

TransCanada, headquartered in a gleaming 35-story glass tower in downtown Calgary, bills itself as the largest gas transmission company in North America and one of the largest pipeline players in the Lower 48.

Its experience chasing an Alaska pipeline is as deep as a Prudhoe Bay well, and TransCanada touts that as an advantage.

In the late 1970s, just as Prudhoe crude began flowing through the trans-Alaska oil pipeline, many assumed builders soon would lay a gas line.

The U.S. and Canadian governments awarded a partnership that included TransCanada



Source: TransCanada Corp. RON ENGSTROM / Anchorage Daily News



- **THE BUSINESS:** A top Canadian pipeline and power company with 36,500 miles of natural gas pipelines across Canada, the U.S. and Mexico.
- **HEADQUARTERS:** Calgary
- **WORKFORCE:** 3,550 employees
- **CHIEF EXECUTIVE:** Hal Kvisle
- **2006 FINANCIALS:** \$1.1 billion profit on \$7.5 billion in revenue
- **WEB SITE:** www.transcanada.com

Source: TransCanada Corp.

ing proposal from Conoco, BP and Exxon Mobil, died under Palin's predecessor, former Gov. Frank Murkowski.

Now, TransCanada is bidding once again.

The company has worked behind the scenes to bolster its position in Alaska.

One of its lobbyists, lawyer Tom Roberts of Washington, D.C., was chief counsel and legislative director for Murkowski from 1985 to 1990 when Murkowski was a senator.

For the 2005 deal, TransCanada negotiated with Marty Rutherford, a deputy natural resources commissioner under

NO GAS, NO PIPE

All the bidders come into Palin's pipeline competition with some handicap.

For TransCanada, the company lacks what any viable pipeline must have — North Slope natural gas.

Most of the Slope's 35 trillion cubic feet of gas is controlled in roughly equal shares by Conoco, BP and Exxon Mobil, the latter two opting not to bid last month.

Canadian industry analysts say TransCanada's long pursuit of an Alaska gas line is easy to understand. With western Canada gas fields expected to produce much less in 20 years, the company wants new supplies to keep its vast pipeline network filled, said Bill Gwozd of the Calgary consulting firm Ziff Energy Group.

As a company, TransCanada is highly regarded, analysts say.

"They have an excellent management team that has a track record of successfully executing large projects," said Daniel Shteyn of Desjardins Securities in Montreal.

Kvisle, the TransCanada chief, said he doesn't need Alaska's gas. But the gas presents a chance for new profits, and the extra volume could lower pipeline fees for all customers, he said.

Before construction can start, the oil companies controlling the gas must commit to use the pipeline, Kvisle said.

"We can't make this project go on our own," he said.

MEGAPROJECT EXPERIENCE

During legislative hearings this year, TransCanada executives fought one important AGIA bidding requirement — that the winner of the state license promise to seek an expensive federal pipeline certificate even if North Slope gas producers decline to use the pipeline.

Whether TransCanada has made that commitment — that is, whether its application is complete — remains to be seen.

Kvisle said he's optimistic the oil companies will come along. He ticked off projects on which his company and the oil majors are partners, not rivals, such as a \$5 billion oil pipeline TransCanada and Conoco are planning between Alberta and Oklahoma.

In its proposal to the state, Conoco told Palin it would be willing to have a pipeline company share ownership in an Alaska gas line.

As for the job of actually building a superpipe across rugged northern terrain, TransCanada is most qualified



Kvisle

PIF

SCY

C

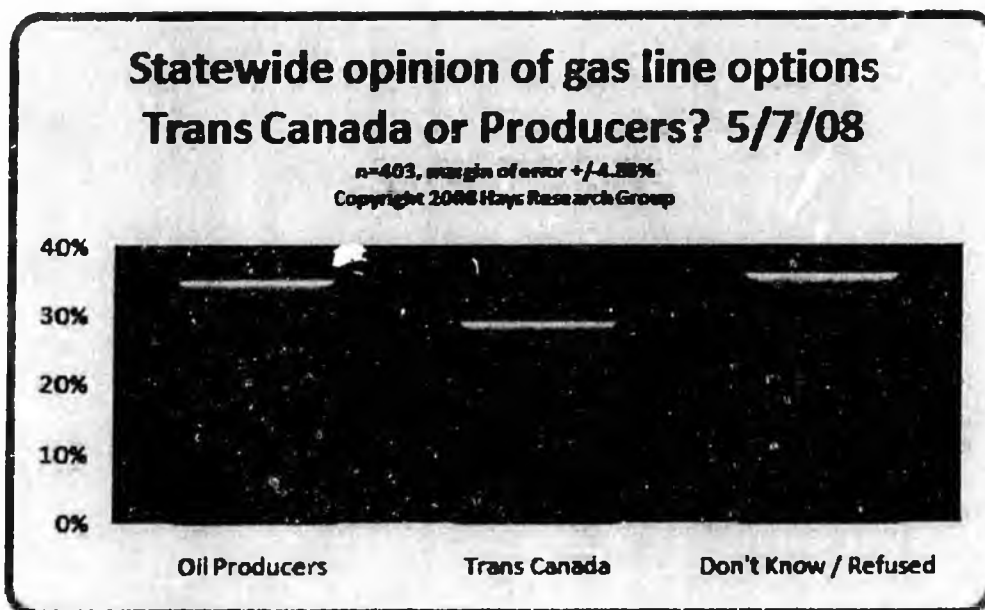
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Rynniva Moss

From: Christopher Clark [cgcalaska@yahoo.com]
Sent: Friday, May 23, 2008 8:45 AM
To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Tom Maher; Debbie Richter
Subject: Hays Research Survey - TransCanada (29%) versus Producers (35%) versus Undecided (36%)

Question 1

"What would be the most beneficial for Alaskans, to have the oil producers, or the governor's AGIA applicant, TransCanda, build a gas pipeline?"



This survey was conducted within the State of Alaska on May 6th-7th, 2008. 403 respondents were contacted by telephone for the survey. The margin of error for this survey is +/- 4.88% with a 95% confidence interval.

----- Forwarded Message -----

From: Hays Research Group <info@haysresearch.com>
To: cgcalaska@yahoo.com
Sent: Friday, May 23, 2008 8:39:55 AM
Subject: Survey Results from Hays Research - Gas Line

We are excited to announce that some additional results from our latest statewide 'Opinion Counts' survey have just been released, and are available to view online now. This month Hays Research Group asked 403 Alaskan Residents their opinion on:

7/25/2008

What would be the most beneficial for Alaskans, to have the oil producers, or the governor's AGIA applicant, TransCanada, build a gas pipeline?

As always, the results of this scientific survey are free for you to view online at:

<http://www.haysresearch.com/OC050708agia.htm>

If you would like to purchase a question for the next statewide 'Opinion Counts' survey, please contact Hays Research Group. You may opt to have the results kept confidential, or to have the results released in our monthly newsletter.

If you know anyone else who you think might like to receive our monthly newsletter and free 'Opinion Counts' survey results, please encourage them to sign up for our newsletter at www.haysresearch.com

And finally, if you have any questions about this survey, or any of the public opinion research services Hays Research Group provides, please feel free to contact me!

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HB

3001

(FILLE 2)

Rynnieva Moss

From: Christopher Clark [cgcalaska@yahoo.com]
Sent: Friday, August 01, 2008 7:25 AM
To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net
Subject: Steve Quinn: Senate enters final days on gas line decision

Senate enters final days on gas line decision

MORE TALK: Green, Huggins have said a vote will be taken today.

By STEVE QUINN
The Associated Press

Published: July 31st, 2008 07:57 PM
Last Modified: July 31st, 2008 05:31 AM

JUNEAU - The Alaska Senate is prepared to vote today on whether the state should award TransCanada Corp. a license to pursue a natural gas pipeline project.

[Click to enlarge](#)

The 20 members are scheduled to meet at 11 a.m., giving them just under 37 hours to decide whether TransCanada Corp. should receive an exclusive license to pursue a project backed by Gov. Sarah Palin.

The House approved the measure last week, but the Senate's energy committee didn't pass the bill until late Wednesday night, one week later.

The Senate was originally scheduled to meet this morning, but did not meet until late afternoon, and that floor session lasted 20 minutes.

Senate President Lyda Green, R-Wasilla, said that contrary to some criticism earlier in the week, there has been no effort to delay the vote.

Green said the Senate is maintaining the schedule she and Sen. Charlie Huggins, R-Wasilla, outlined publicly last week, and that was to take a vote by Friday.

"We are pretty much on schedule," Green said. "These things take time, and you don't want to rush it."

Rules Chairman Gary Stevens, R-Kodiak, said he expects some lawmakers to offer amendments. Should they pass, it would require the House to support those, but time could run out before the House would vote.

"I'm sort of hoping they might be defeated because I'm concerned about sending an amended bill to the House," Stevens said. "I'd rather send a clean bill without any amendments on it. But, I think things will hold from there. Time will tell."

The license does not guarantee construction, but many lawmakers believe it's the first step toward ending a decades-long battle to open up North Slope natural gas for use in the North American market.

The license calls for TransCanada to move forward on federal permitting applications for the 1,715-mile pipeline that is estimated to cost between \$26 billion and \$30 billion.

The approval comes with up to \$500 million in seed money and sets up a race with a late entry from a joint venture between oil giants BP PLC and Conoco Phillips.

The two companies recently told Wall Street analysts they have begun field work and will remain on course with their project.

The project, called Denali, was proposed in April, five months after TransCanada submitted its plan under the bid requirements of the Alaska Gasline Inducement Act that the companies found to be too restrictive.

Rynniva Moss

From: Christopher Clark [cgcalaska@yahoo.com]
Sent: Thursday, July 31, 2008 7:51 AM
To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skiprydog@att.net
Subject: News-Miner editorial: Tick tock; With time slipping, Senate should reject pipeline license

Tick tock**With time slipping, Senate should reject pipeline license**

Published Thursday, July 31, 2008

It's hard to imagine, but the proposed North Slope natural gas pipeline has been knocked from the front pages of late. The news of the indictment against Sen. Ted Stevens and of the heavy rain and subsequent floodwaters in the Fairbanks area have delivered a one-two media punch.

But the gas line very much remains an issue.

Time is almost up in Juneau. The Senate has until 11:59 p.m. Saturday to act on legislation that would give an exclusive state license to TransCanada, the only company to submit a bid that Gov. Sarah Palin said conformed with the requirements of the Alaska Gasline Inducement Act she championed.

The House, in less-than-overwhelming fashion, voted 24-16 last week to award the license to TransCanada. That's an outcome quite different from the 39-1 vote last year in favor of AGIA itself.

The proposal by TransCanada hasn't had a smooth ride. The questions are plentiful, and the presence of a competing proposal by BP and ConocoPhillips can't be ignored — especially since those two companies, along with Exxon Mobil, hold the leases to the gas that will be needed for the pipeline. The companies have already begun field work and committed spending \$600 million to the planning.

TransCanada has lots of fans in the pipeline-building industry. That's what TransCanada does: build pipelines. The company also has many fans in the Legislature.

The oil companies, most everyone knows, don't seem to have lots of fans outside of Juneau. And that tends to be a concern of those who inhabit the Capitol.

But the decision to award a license shouldn't be a popularity contest.

The decision should be based on a genuine belief that awarding the license to TransCanada is the absolute best way to go.

It's just difficult to see how that's the case.

As time winds down on the Legislature's special session, we urge the Senate to make sure it votes — and that it votes no on granting the license.

An Alaskan Abroad

AGIA effective date memo

Attached is a legal opinion asked for by North Pole Rep. John Coghill on what options the Palin administration has if the Legislature doesn't approve the immediate effective date on the TransCanada proposal. Download the opinion [here](#).

Under AGIA, TransCanada's license application is valid for nine months from the date it was submitted to the state. That period expires next month. So what happens if the Legislature approves the license but doesn't make it effective until after Sept. 1?

Such a scenario could give TransCanada the chance to back out of the deal. That's one potential hiccup.

Another possibility is that the administration could issue the license after approval, but before the effective date because it is the actual passage of the bill, not the effective date, that signals the Legislature's sanction of the application. Such an act would not necessarily invalidate the license, according to the legis legal attorneys.

Should the courts disagree and suspend the license until the effective date, however, the license would not be voided, just delayed, the attorneys wrote.

And finally, the attorneys said that the administration could fall back on the separation of powers doctrine and issue the license without the Legislature's OK.

The administration could also simply argue that delaying the license via the effective date would deprive the majority of legislators their vote to approve the license in the first place.

Hmmm, interesting stuff.

July 26, 2008 | [Permalink](#)

TrackBack

TrackBack URL for this entry:

<http://www.typepad.com/t/trackback/111874/31670318>

Listed below are links to weblogs that reference [AGIA effective date memo](#):

Comments

Rynnieva Moss

From: Christopher Clark [cgcalaska@yahoo.com]

Sent: Sunday, July 27, 2008 11:53 AM

To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianra Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

Subject: Wesley Loy/blog: Hickel, Knowles to testify on gas line

Hickel, Knowles to testify on gas line

Posted by Wesley Loy

Posted: July 26, 2008 - 11:31 pm

From Wesley Loy in Juneau –

Two distinguished guests will be testifying Monday afternoon before the Senate Special Committee on Energy: former Alaska governors Wally Hickel and Tony Knowles.

It's no secret what these two gentlemen will say – they oppose the state granting an exclusive license and \$500 million to TransCanada Corp. as incentives to build a natural gas pipeline.

Some lawmakers can't understand why such testimony is even needed at this point, saying it's all been heard already.

They want to vote now and accuse the Senate leadership of stalling in hopes of killing the license by next Saturday's deadline.

"They're waiting for some votes to drop off, but I don't think it's going to happen," said Kenai Republican Sen. Tom Wagner, who is among an apparent majority of senators favoring the license. "It may get real nasty before it's over."

The House already has approved the license.

Rynniva Moss

From: Christopher Clark [cgalaska@yahoo.com]

Sent: Sunday, July 27, 2008 11:54 AM

To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

Subject: Dan Fagan/Daily News: So-called conservatives sell out for gain

So-called conservatives sell out for gain

DAN FAGAN
COMMENT

Published: July 26th, 2008 10:56 PM

Last Modified: July 26th, 2008 03:04 AM

Be proud if people consider you an extremist. Some of our greatest leaders accomplishing the most good throughout history have been considered extremists.

There's nothing wrong with being passionate about what you believe, or taking a stand even if it's unpopular and could cost you in the end. There's nothing wrong with deeply held beliefs, convictions and principles. There's nothing wrong with being an extremist.

Middle-of-the-roaders are for the weak-hearted. The passionless. The uncommitted. Going along to get along sucks.

Anchorage Rep Les Gara is an extremist. When this ultra-liberal starts singing the praises of AGIA, I get worked into a mini-frenzy. It's hard for me to hear.

But I admire that Gara has done his homework, made a judgment and is willing to fight for what he believes. It just so happens that just about everything he believes I find wrong-headed. But Gara is a man on a mission fighting for a cause. I admire that.

While I'll admit I do get worked up when liberals start spouting off, it's nothing compared with the near-intense anger I feel when a conservative proposes or supports a liberal policy for the sole purpose of political gain. I am sure this equally angers my friends on the left when their like-minded back conservative policy for personal gain.

Remember the movie "Braveheart." It profiles William Wallace. A man with passion. A man with purpose who dedicated himself to a cause. He didn't have a personal-gain bone in his body.

The 1995 Mel Gibson movie takes you on an emotional roller coaster as we see Wallace trying to free Scotland while going against the oppressive King Longshanks.

Longshanks is an evil soul and holds little virtue. He's easy to dislike. But the movie really riles up your anger when during a crucial battle, some of Wallace's own countrymen betray him for personal gain.

This movie helps me relate to why the very thought of Lt. Gov. Sean Parnell makes my bones hurt. Before Parnell decided to run for governor I used to talk with him about issues and policies. He was a staunch conservative.

In fact he's the main reason I voted for Sarah Palin. I thought Parnell, like William Wallace, would march into Palinista land, sword in one hand, shield in the other, ready to fight for his conservative beliefs.

7/27/2008

With the strength of his convictions I believed Parnell would rid Palinista land of liberalism, socialism and anti-oil populism.

But instead Parnell entered Palinista land, jumped off his horse, threw down his shield and sword, fell on his knees and surrendered.

Just this past week on my radio show, Parnell made the ridiculous claim that ACES provided stability for investors. The largest tax increase in the history of Alaska, a pure money grab with no thought of how it will affect future investment, provides stability for investors?

Raising taxes to the point where there is no blood left in the turnip promotes stability? I know Parnell does not really believe that.

But just as with the cowards who betrayed William Wallace for personal gain, Parnell has betrayed the conservative movement so he can secure the endorsement of a governor he believes he needs to get elected to Congress.

A William Wallace, Sean Parnell is not.

And then there is Anchorage Rep. Kevin Meyer. Another man who believes in the conservative movement. He believes in the private sector. He believes in the free market. All things AGIA is in direct opposition to.

So why would Meyer vote in favor of AGIA? I believe Meyer, who works for Conoco Phillips, is afraid he'll been seen as too pro oil. Therefore he laid aside his convictions and voted for personal gain.

Meyer says he voted the way he did because the question before him was, did TransCanada comply with the law of AGIA? If it did, he must vote for it. That was his benchmark.

No asking if is it good for the state? No asking whether it will it get us a pipeline. Just the passionless, robotic, near deadlike approach you would expect from someone afraid of a fight.

A William Wallace, Kevin Meyer is not.

Dan Fagan is a radio talk show host on KFQD, 750-AM. E-mail, dan@kfqd.com.

Rynnieva Moss

From: Christopher Clark [cgalaska@yahoo.com]**Sent:** Saturday, July 26, 2008 11:02 AM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Daily News editorials: Gas line hurdles; Senate should stop stalling/House mischief; Gas line deal survives floor vote

Gas line hurdles

Senate should stop stalling

Published: July 25th, 2008 12:06 AM

Last Modified: July 25th, 2008 04:11 AM

The Legislature's work on TransCanada's gas line proposal is nearing a climax and things are getting squirrely.

Talk around the Capitol is that Senate leaders who oppose the deal may delay the vote another full week. That would push the decision right up against the expiration date TransCanada set on its offer.

There is no reason for senators to flog the issue any further. **Lawmakers have done an admirable amount of homework on gas line questions since early June.** Nearly two months later, those who have been paying attention should know enough to decide one way or the other on the TransCanada contract.

But opponents of the deal know they won't win a head-on battle, so they're fighting a guerilla war of attrition. They won one skirmish in the House, when they defeated the normally routine procedural move that would have allowed the deal to take effect immediately. That process requires a supermajority vote, which the opponents withheld.

The delayed effective date doesn't kill the deal, but it could delay the start of TransCanada's work up to 90 days. **It was an act of political vandalism against a project that opponents couldn't kill outright. Ironically, AGIA opponents are using political delaying tactics at the same time they are flogging TransCanada for not having a faster schedule for building the gas line.**

Alaskans really need our politicians to stop playing politics with the TransCanada proposal. It's time to get the competing parties -- TransCanada and Conoco/BP -- out of the political arena so they can start devoting all their energy to moving each of their projects forward.

If Senate leaders wait until the last minute to vote, they just create more opportunity for mischief on the gas line deal and invite horse-trading on other special session issues. Let's have the vote quickly so legislators can move on and decide what kind of energy relief, if any, they plan to offer Alaskans.

BOTTOM LINE: The Senate should quit stalling and vote.

House mischief

Gas line deal survives floor vote

7/26/2008

Tuesday's debate over the gas line was not the Alaska House of Representatives' finest hour. Though Gov. Palin's proposed \$500 million partnership with TransCanada passed with a few votes to spare, members had to turn aside three mischievous amendments that would have sunk the deal.

First up was Anchorage Rep. Craig Johnson. His amendment barred the state from spending money with TransCanada until the state certifies that gas from Point Thomson is available to TransCanada's pipeline. Alaska's four biggest oil companies are fighting to hold onto their state leases at Point Thomson, which has lain undeveloped for three decades. Two of the four – Conoco Phillips and BP – are pushing an alternative pipeline proposal.

Rep. Johnson's move might have given Point Thomson leaseholders the power to kill their pipeline competition by withholding their gas. And if uncertainty over Point Thomson gas means TransCanada's project won't fly, it also means the supposedly superior gas line proposal from Conoco and BP won't fly either. Johnson's colleagues knew a ruse when they saw one. His amendment went down, 9 to 30.

Next Rep. Johnson joined with Fairbanks Rep. Jay Ramras to play the all-Alaska card. Their amendment would have unilaterally rewritten a major provision of the deal. It said the state is allowed to build or aid an all-Alaska pipeline that exports LNG to Asia – fundamentally contradicting the state's pledge not to support a project that competes with TransCanada's proposal. **Approving this bit of blatant political pandering to the All-Alaska camp would have blown apart the whole agreement.**

Then Rep. Ramras launched the goofiest amendment of all. He apparently thinks TransCanada executive Tony Palmer doesn't like Alaska enough to live here. The state's bid terms require TransCanada to operate from an Alaska office, but that's not good enough for Ramras. He wanted to withhold any state funds from TransCanada until it pledges that its "principals, individual partners, and corporate officers" will live here in Alaska.

OK then, what about applying the same terms to Conoco and BP – no pipeline tax concessions unless they make the same pledge?

No, Rep. Ramras didn't go there. Instead, he complimented their pipeline project because it comes from people who actually live here already. (Oops. That same day, BP and Conoco announced that the chief financial officer on the pipeline project would be Mehmet Muftuoglu, from Conoco's London office.)

Two of the nettlesome amendments were cleverly constructed to be "non-severable." That means if any of them were struck down in court – as well they might – the entire TransCanada deal would go down too.

A solid majority in the House had the good sense to spurn the mischief-makers, take a clean up-or-down vote on the deal, and approve it. Here's hoping the Senate will show similar good judgment.

BOTTOM LINE: The House eventually did the right thing.

Rynnieva Moss

From: Christopher Clark [cgcalaska@yahoo.com]

Sent: Monday, July 21, 2008 8:22 AM

To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

Subject: Sarah Palin/Daily News: It's time for lawmakers to approve gas line contract

It's time for lawmakers to approve gas line contract

COMPASS: *Other points of view*

By GOV. SARAH PALIN

Published: July 20th, 2008 11:03 PM

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As we approach the final vote in the Alaska Gasline Inducement Act process (AGIA), I sincerely commend the members of our Alaska Legislature for conducting such a thorough review of this administration's recommendation to issue the AGIA license to TransCanada Alaska.

This Legislature has listened to hundreds of hours of thoughtful discussion from consultants and experts, as well as from Alaskans who care deeply about the state's future. We all appreciate the many hours our legislators have spent listening to testimony and considering this historic decision.

As legislators built into the AGIA law last year, there is only one formal question remaining that should be answered during this special session, and that's whether legislators will answer "yes or no" on issuing the license, as proposed by the commissioners.

I remind Alaskans that an effort to derail this process continues, tirelessly. Failing to successfully argue against the TC Alaska proposal or the commissioners' finding, this group would now undermine the AGIA process by asking whether to change the terms of AGIA or place new conditions on the AGIA license. This question was even raised during some committee hearings.

Aside from the fact that changing AGIA at this point violates the law, it's inappropriate and brings everyone back to square one. In fact, we know that the legislative legal counsel has already stated that if AGIA requirements were changed, the application would not be complete and we'd have to start over. So we'd ask the Legislature at this point to act in good faith and keep our word to TransCanada, since TC Alaska and other applicants acted in good faith to satisfy the legislators' legal requirements contained within AGIA.

Additionally, changing the terms of AGIA at this late point in the game and after public input also raises constitutional due process issues because the new terms might have encouraged others to apply who didn't, or preclude TransCanada from applying in the first place.

Finally, a last-minute change sets a horrible precedent if the result is that we have to begin the process over again because legislators added new terms. It's not realistic to expect businesses to go through the process all over again and absorb the time and expense when they know the state may change the rules yet again after they submit their application.

And so, for those reasons, this administration believes that it would be incredibly dangerous to change the ground rules or the commissioners' license as proposed. **The simple truth is that changing the ground rules as written into the AGIA law last year is the same thing as voting against issuing a license. It is a "no" vote.**

We have come so far in finally getting Alaska's valuable natural gas resources to market in a way that protects the state's interests and benefits all Alaskans. I remain confident that with a "yes" vote, we will have a natural gas pipeline that will benefit the people of this state, and the nation, for generations.

Sarah Palin is governor of Alaska.

Rynnieva Moss

From: Christopher Clark [cgcalaska@yahoo.com]

Sent: Wednesday, July 23, 2008 7:55 AM

To: Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; John Manly; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net

Subject: Pat Forgey: House OKs TransCanada plan

House OKs TransCanada plan

Members vote 24-16 to back proposal for pipeline across Canada

By Pat Forgey | JUNEAU EMPIRE

The Alaska House of Representatives on Tuesday night handed Gov. Sarah Palin a big victory in her quest for a natural gas pipeline for Alaska.

After defeating a series of amendments that would have undermined Palin's Alaska Gasline Inducement Act, members of the Republican-controlled House voted 24-16 to support TransCanada's proposal for a pipeline across Canada to the U.S. Midwest.

"We're very pleased," said Tony Palmer, TransCanada's vice president for Alaska Development, after the vote Tuesday evening. Department of Revenue Commissioner Pat Galvin warned that there was still a crucial Senate vote ahead.

The House action is expected to be finalized this morning, but a vote by the Senate isn't expected until next week.

Under the provision of AGIA, approval is required by Aug. 2, or the deal dies.

With approval, TransCanada will get an exclusive license to develop a pipeline, \$500 million from Alaska and requirements that the pipeline would be open to new explorers who find gas on the North Slope.

"The license that's before us is just exactly where we need to go," said Rep. Mike Kelly, R-Fairbanks.

Republican legislators like Kelly were divided on the pipeline, with many backing Majority Leader Rep. Ralph Samuels, R-Anchorage, the only legislator out of 60 who opposed AGIA more than a year ago.

Others, however, have said since they made a mistake voting for AGIA.

"I made a big one there," said Rep. Bob Roses, R-Anchorage, of his vote for AGIA last year. He wound up voting against the deal Tuesday.

That \$500 million subsidy was keyed upon by AGIA opponents, many of who have been longtime allies of the state's oil producers. Two of those producers, ConocoPhillips and BP, proposed their own pipeline after AGIA began moving forward.

One ConocoPhillips employee who serves in the legislature, Rep. Kevin Meyer, R-Anchorage, voted for the

TransCanada license. He didn't speak during debate, but earlier told the Empire that supporting it couldn't hurt and might help get the state a gas pipeline.

Rep. Gabrielle LeDoux, R-Kodiak, said she wanted an all-Alaska line.

"We give half a billion dollars to a foreign company to ship gas to a foreign country," she said.

Rep. Jay Ramras, R-Fairbanks, was among those opposed.

"This is a giveaway, and we're getting nothing of value in return," Ramras said.

Rep Paul Seaton, R-Homer, said what AGIA's subsidy was buying for the state was an independent pipeline designed to encourage new exploration across the North Slope.

"What we're buying is a basin-opening project," he said.

Rep. Beth Kerttula, D-Juneau, House Minority Leader, said bringing in TransCanada would mean an independent pipeline, not one controlled by the oil producers, such as happened with the trans-Alaska oil pipeline.

"This is the way out of the monopolistic system Alaska has been living under for many years," she said.

Multiple legislators called the TransCanada deal a gamble, but came to different conclusions.

Rep. Wes Keller, R-Wasilla, likened it to a poker game in which the ante was small and the pot was huge.

"There's no way I'm going to fold now," he said, and backed Palin on the deal.

Rep. Mike Hawker, R-Anchorage, said TransCanada didn't have the gas to fill a pipeline, making a deal with the Calgary, Alberta, company too risky.

"Making a gamble is something that I'm very, very uncomfortable with," she said.

He urged a deal with the current oil producers instead, who already hold much of the North Slope's gas under lease but have so far been unwilling to develop it.

Palin came in to office backed by many supporters of an all-Alaska gas pipeline to a liquefied natural gas export terminal at Valdez. She opposed unpopular former Gov. Frank Murkowski's plan to offer the oil companies tax breaks to develop the gas.

Since then, she and many of those who supported that deal have changed their minds about LNG exports, but one who didn't was former Gov. Wally Hickel.

Once a Palin ally, Hickel recently took out advertisements threatening legislators who backed the TransCanada plan.

That may have backfired with Rep. Bob Lynn, R-Anchorage.

"I don't respond well to threats," he said. "Never did. Don't now."

Lynn said the \$500 million was an investment by the state in getting it the pipeline it needed.

"Five hundred million is peanuts compared to the billions we'd have been liable for if we'd approved Frank Murkowski's proposal," he said.

Rep. Jay Ramras, R-Fairbanks, gave an impassioned speech calling on the Legislature to abandon the AGIA