

ALASKA LEGISLATIVE COMMITTEE FILES 2007-2008 HR19 12302

**claims cases.**

During hearings since early June on the gas line, state lawmakers have heard from executives with TransCanada and oil companies BP and Conoco Phillips, which are partnering on a competing gas pipeline from the North Slope gas fields down the Alaska Highway to the existing gas distribution network in Alberta.

TransCanada and the BP-Conoco partnership both have begun the process of talking with First Nations representatives about concerns or demands they might have.

**Like the lawyers advising the state, company executives said Sunday they're confident the Alaska pipeline can be built across Canada without endless First Nations snags.**

**"You have to talk to a whole bunch of people. You have to reach agreements with a whole bunch of groups," said David Van Tuyl, gas commercialization manager for BP Alaska.**

BP has plenty of experience working with First Nations in Canada and with Canadian pipeline regulators, Van Tuyl said.

Calgary-based TransCanada's point man on the Alaska gas line, Tony Palmer, asserts his company is in a better position than the oil companies to lay a pipeline through First Nations country.

**For one thing, the Canadian government 25 years ago awarded a TransCanada subsidiary an easement through the Yukon, and that right of way is still good, Palmer said.**

TransCanada also says it already has worked out other land-use details and has a long record of building pipelines across Canada. Palmer said the company can satisfy First Nations concerns on the Alaska gas line.

"We believe it can be done, and we believe we have an advantage over any other project," he said.

**Lawyers for the Palin administration agree TransCanada might have a bit of a head start, but note the company "does not have any secure rights" across British Columbia and Alberta.**

**State Sen. Hollis French, D-Anchorage, helped organize Sunday's hearing on the Canadian pipeline.**

**"It's a new subject, and I felt strongly that we had to have a hearing on it," he said.**

French said he heard nothing to persuade him it's a bad idea to license a pipeline project into Canada.

Legislators are expected to continue hearings today and vote on the TransCanada license by Aug. 2.

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**Subject:** Daily News editorial: This one's over the top

## **This one's over the top**

*\$21 billion energy proposal is a throw-money-at-it plan*

Published: July 13th, 2008 10:42 PM

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**As money pours into the state treasury, some legislators are going crazy with ideas for spending it all. A proposal making the rounds in Juneau calls for spending \$21 billion (yes, billion) on renewable and alternative energy.**

**That's a breathtakingly outrageous and irresponsible amount of money.**

The Legislature already passed a bill this year to spend \$250 million on renewable energy projects like hydro-power and wind power over the next five years.

**But Rep. John Harris thinks we need to spend 80 times as much. He drafted the bill for a \$21 billion, five-year energy project fund. The money isn't just for renewable energy; it's for "alternative" energy projects as well.**

That's to make room for an unproven Fairbanks project that uses coal -- not a renewable resource -- to produce liquid fuels.

Fairbanks North Star Borough Mayor Jim Whitaker helped Harris develop the \$21 billion bill, which so far is just in draft form.

**"That number was chosen because that is a number that is meaningful," said Whitaker. It will give substance to a statewide energy plan the administration is working on, he said.**

Maybe the state will need to put more than currently planned into renewable energy, but \$21 billion?

That's enough money to fund the state's entire K-12 education system for two decades. Educating children is a constitutionally mandated function of state government. Supplying cheaper energy is not.

There's simply no need to change the renewable energy fund to an "alternative" energy fund that encompasses projects using coal, a dirty-burning fossil fuel.

Many ideas for getting affordable fuels to Alaskans are on the table. We're studying a Susitna dam, an in-state natural gas pipeline, wind power, geothermal. Exploring them all could burn up a lot of state money.

There's a TV show called "House" where a doctor named House is given the most difficult cases to diagnose. Every episode, House makes one wrong diagnosis after another, subjecting patients to extreme treatments that send them to the brink of death, before he finally arrives at the right answer.

**Speaker Harris is playing Dr. House. He's ready to throw \$21 billion at Alaskans' energy problems, with no idea which ones might actually work. Even with \$140-a-barrel oil, Alaska can't afford that kind of gamble. What Speaker Harris wants to do is not an energy policy – it's a political move that will empty the state's pocketbook.**

**BOTTOM LINE: Keep the focus on renewable projects, and keep the dollars committed to a reasonable amount.**

## Hydro project revives as energy alternative

**CHAKACHAMNA: The \$1.75 billion proposal once had a dam but now has a drain.**

By GEORGE BRYSON

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(07/13/08 00:03:57)

About three dozen proposals stood out as winners last month in a new competition for \$5 million in seed money to kick-start alternative energy projects across Alaska.

Nearly all envision medium- to small-scale projects: a wind farm on Kodiak Island (total cost: \$24 million), a series of "low-impact hydro" projects in Kenai Peninsula streams (\$19 million apiece), a geothermal plant at Manley Hot Springs (\$880,000).

Towering over them all, however, was a giant from days gone by: an ambitious hydropower project at Chakachamna Lake, about 85 miles west of Anchorage. Total cost: \$1.75 billion.

Driving such ideas, developers say, is the increasingly high cost of energy derived from fossil fuels in Alaska and the improving affordability of green alternatives. That and the sudden availability of state oil-windfall cash.

As a result, legislators recently appropriated \$25 million to help build a Fire Island wind farm in one bill and authorized spending \$250 million on future renewable energy projects in another.

Some want to go even further, drafting a bill last week to spend \$21 billion over the next five years for "alternative energy" projects -- a term that would allow a massive state investment in a controversial coal-to-clean-fuel plant.

By that measure, Chakachamna appears almost modest. As now envisioned by Pribilof-based TDX Power -- a Native-owned firm that's backed other renewable energy projects in Alaska -- it no longer includes the dam featured in a 1980s version of the same project.

Think of it now as nothing more than a drain pipe in the neighboring Tordrillo Mountains. Or a very deep hole that engineers would drill into the bottom of 14-mile-long Chakachamna Lake to funnel water from the mountains down a 24-foot-wide tunnel 12 miles long.

After descending nearly 1,000 vertical feet, the water would enter a huge subterranean power plant built near sea level. There it would jet past four turbines, generating about 1.6 billion kilowatt-hours of power a year -- enough to electrify nearly a third of all the homes from Fairbanks to Anchorage to Homer.

The water would then re-enter the Chakachamna drainage system through an outlet at McArthur River, while the power would connect to the Railbelt energy grid through two parallel transmission lines stretching 42 miles to the big gas-fired power plant at Beluga. Over the long run, TDX officials say, the hydro project could provide less expensive electricity to all of the state's Railbelt communities.

All without interrupting the downstream flow from Chakachamna Lake, or forcing salmon to migrate

their way up constrictive fish ladders. Or spending more each year to produce increasingly expensive gas-fired electricity. Or burning dirty coal.

It could, that is, if it's built.

#### DREAMS OF BIG DAMS

Big hydro ideas frequently falter in Alaska, as Chakachamna project manager Eric Yould can well attest. He once headed the Alaska Energy Authority and throughout the 1980s oversaw a plethora of state proposals to build big dams.

True, none of them were quite as breathtaking as the 1960s plan to build the mile-wide Rampart dam across the Yukon River, a project that would have flooded nearly all of the Yukon Flats while creating a 280-mile-long reservoir larger than Lake Erie.

(On the positive side, the Rampart dam would have generated about 50 times more electricity than Alaska required in 1960 and possibly would have attracted dozens of new industries to the state. On the downside, it would have submerged Fort Yukon and a half-dozen other villages under a hundred or so feet of water while drowning the habitat of 12,000 moose. The naysayers eventually prevailed.)

Consequently, a state proposal two decades later to build a series of four dams along the upper Susitna River, about halfway between Anchorage and Fairbanks, seemed level-headed by comparison. Susitna would have generated about 6.5 billion kilowatt-hours of electricity a year (about one-fifth the size of Rampart).

But even that was more than the 5 billion kilowatt hours all the communities along the Railbelt consume today.

Susitna was also expensive. It would have cost \$5.3 billion back then, or about \$11 billion today. When a top economist said the state would need to dip into its Permanent Fund savings account to make it affordable, the project was shelved as both economically and politically unfeasible.

#### LOWER LIGHT BILLS?

Mostly forgotten in the war over Susitna, Yould said, was a much more modest plan to build a 600-foot-wide dam with a tunnel at Chakachamna Lake. The state paid Bechtel Corp. \$300,000 to study and engineer the project, but beyond that it never got much attention.

"Even then we concluded Chakachamna was an economically feasible project," Yould said last week. But Susitna was the favored son, and it didn't make sense to develop two projects in the same neighborhood.

Instead, in the late 1980s, the state developed the Bradley Lake dam -- with a power output about one-quarter of Chakachamna's -- in the mountains northeast of Homer. Now Bradley is the largest hydropower project in the state.

Alaska renewable energy activist Chris Rose loves Bradley Lake, which now provides some of the cleanest and cheapest power in Alaska -- costing a mere 4 cents per kilowatt hour to produce. Which might bode well for Chakachamna.

Not long ago, the cost to Anchorage utilities of purchasing gas-fired electricity was just as cheap. But no longer. With supplies of Cook Inlet natural gas running low and natural gas prices doubling

in recent years, hydropower projects have become much more competitive. Rose finds the turnaround amazing.

"When Bradley Lake was being discussed as a project in the late '80s and early '90s, a lot of people were kind of ridiculing it back then, saying, 'Hey, we have natural gas-fired power so cheap, why would you ever want to build something that costs 4 cents a kilowatt hour?' Well, of course now it's some of the cheapest power we've got."

Better than that, Yould says, hydropower plants don't suffer hardly at all from rising costs. The fuel they run on is free and inexhaustible. And while gas-fired power plants might last 20 years, hydropower plants can last 200. Once they're paid for, they're money in the bank.

"If you build a hydropower project, it's sort of analogous to buying a home," Yould said. "You have a high up-front capital expense. But as time goes by, your mortgage stays the same -- as opposed to a person who rents a house and the rent continues to go up as inflation goes up. The rented house is analogous to natural-gas-fired generation."

At least that's the argument that TDX officials will make to the boards of the Railbelt's six local electric utilities fairly soon. They'll need some of them to agree to acquire Chakachamna power before the project can proceed, Yould said.

With such guarantees in hand, government licensing of the project could conclude in four years and construction could begin. The hydro plant could be running by 2015.

The private sector could develop Chakachamna on its own -- and TDX Power is looking for a major partner, Yould said. But the project would become substantially cheaper and instantly more attractive to power purchasers if the state chipped in a major share, just as it did with Bradley Lake, paying about half of that project's \$328 million tab.

"I can tell you the utilities, in the back of their minds -- they would not be averse to that," Yould said.

#### WHAT ABOUT THE FISH?

Apart from the high front-end costs, however, dams and big hydro projects can also slam into opposition from environmentalists. Sometimes for good reasons. The 1930s construction of the Grand Coulee dam in Washington state devastated salmon runs on the Columbia River. The 1950s erection of the Glen Canyon dam in Arizona flooded a close cousin to the Grand Canyon.

In Alaska, a fledgling environmental movement in the 1960s decided to fight back, beginning with the Rampart dam -- then continued with over-my-dead-body opposition to Susitna, which would have dramatically tamed one of the state's premier white-water rivers.

At Chakachamna, the issue could well be fish -- though project engineers will also have to consider four adjacent glaciers, an active volcano (neighboring Mount Spurr) and the Castle Mountain earthquake fault that passes near the lake. But first, consider the fish.

All five species of salmon migrate up the McArthur and Chakachatna rivers. According to Bechtel's 25-year-old stream survey, about 40,000 sockeye salmon find their way to the lake.

So the engineers' original hydro proposal -- which would have raised the lake level by as much as 13 feet by plugging the outlet with a 49-foot-high dam -- called for building an intricate fish ladder so the salmon might reach their spawning grounds.

In a presentation to the Society of American Engineers last year, TDX Power CEO Nicholas Goodman noted that Chakachamna's success or failure at addressing fish issues "will likely drive the project."

Recently, those same concerns -- coupled with an equal desire to cut costs -- prompted the company to scrap the dam and fish ladder concept altogether. A new team of engineers determined that raising the lake level won't be necessary, Yould said. Nearly as much power can be harvested by allowing Chakachamna to remain at its natural level through most of the summer.

As the tributaries dry up in the fall, the lake level will drop dramatically -- perhaps as much as 60 feet -- as water leaves the Chakachamna through both the drain and the river, Yould said. But water for the river will continue to flow from the lake by passing through a new system of barrel gates installed near the outlet, and salmon will still be able to swim upstream.

"It eliminates the fish ladder altogether," he said.

Some of the 800 members of Cook Inletkeeper -- an environmental group that represents local commercial, sport and subsistence fishermen -- want to hear more about the project, according to executive director Bob Shavelson. Yould and Goodman have already addressed their group once.

"What does that diminished stream flow mean for the Chakachamna runs?" Shavelson asked rhetorically. "We're very concerned with fish impacts."

But his membership is much more wary about a proposal to develop a large coal mine near Beluga, which could discharge "millions of gallons of mine waste" into the salmon-rich Chuitna River, Shavelson said. And the group definitely prefers clean, renewable energy alternatives, like hydro, geothermal and wind projects.

"So we're looking at the energy picture in Cook Inlet where there is kind of a fork in the road," he said. "We can go backwards toward coal, or we can go forwards to what we see as world-class renewable energy."

Yould and Goldman hope that includes Chakachamna.

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### **Project at a glance**

**DESCRIPTION:** Hydroelectric development would divert water from Chakachamna Lake, with a surface elevation of about 1,142 feet, to a power house in the McArthur River basin about 200 feet above sea level.

**LOCATION:** East end of 14-mile-long Chakachamna Lake, about 85 miles west of Anchorage on the south flank of Mount Spurr.

**TUNNEL:** Unlined 12-mile, 24-foot-diameter tunnel from lake to power plant. A drop of 942 feet.

**POWER PLANT:** Water from tunnel will empty into four 10-foot, steel-lined penstocks that power four generating units with a combined maximum capacity of 330 megawatts. The plant will be built

in an underground cavern about 250 feet long, 65 feet wide and 130 feet high, a space that is roughly the size of a football field 13 stories tall.

**TRANSMISSION LINE:** Two 230-kilovolt lines, each about 42 miles long, will connect to the existing power grid at the Beluga Power Station.

**ESTIMATED COST:** \$1.75 billion

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**Subject:** Stefan Milkowski/blog: Legal issues

## **Legal issues**

By [Stefan Milkowski](#)

Published Sunday, July 13, 2008

TransCanada might be a little optimistic with its timeline, but is probably ahead of anyone else on pipeline permitting issues, legal experts working for the Legislature and administration testified Sunday.

**Keith Bergner, the legislative expert, said permitting the pipeline project will be difficult for any prospective builder. But he added that authorizations already held by TransCanada "arguably give it a few steps down the path."**

**Loyola Keough, the administration's expert, said his firm's analysis showed that permitting would likely take seven years rather than the five and a half TransCanada assumed in its application.**

**The firm identified a number of things could cause TransCanada's timeline to slip, he said. "[But] we certainly did not see any showstoppers."**

Keough echoed the idea that TransCanada had certain assets that set it ahead of other prospective builders.

Revenue Commissioner Pat Galvin said Keough's conclusions regarding TransCanada's timeline were factored into its analysis of the project.

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**Subject:** Stefan Milkowski/blog: Tensions over timelines

## **Tensions over timelines**

By Stefan Milkowski

Published Sunday, July 13, 2008

Frustration over what some are calling a "filibuster" on the TransCanada vote was the context Sunday for an accusation from Rep. Les Gara that Rep. Jay Ramras was part of the problem.

Gara claimed in a letter to House Speaker John Harris that Ramras told him he had the "right to delay a vote on this project so he could go home tonight."

Ramras replied in an e-mail to the News-Miner that he was indeed going home, but denied that his doing so would affect the timing of a vote in any way.

**From what I can tell, decisions on timing will be made by legislative leaders and Ramras is not to blame (or credit) for any delay in the vote. What he said or didn't say to Gara is beyond me.**

**The point is that frustration is growing.**

**Rynniva Moss**

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**Subject:** Steve Quinn: Alaska gas line project vote a week away

## **Alaska gas line project vote a week away**

By STEVE QUINN / Associated Press Writer

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Last Modified: July 13th, 2008 06:36 PM

TransCanada Corp. wants a license to proceed on a pipeline project that will move North Slope natural gas to Midwest markets, but it will have to wait another week before the Alaska Legislature takes a vote.

It was generally expected the final vote would be taken no later than Tuesday before many lawmakers leave the capital for at least five days to attend the Council of State Governments West annual meeting in Anchorage.

With hearings still on the calendar through Tuesday, that's not going to happen, and this troubles some lawmakers who are also mindful of energy assistance bills that still need vetting and approval before the special session ends Aug. 7.

Lawmakers have only until Aug. 2 to either approve or reject Gov. Sarah Palin's recommendation to award TransCanada an exclusive license to pursue federal permits and commitments to ship natural gas in a 1,715-mile line.

It's a vote lawmakers deem among the most important in the state's 50-year history because energy production has been the state's economic lifeline.

**"The harm in waiting another five or six days is you only have so many days,"** said Rep. Mike Doogan, an Anchorage Democrat.

**"The last time I've looked at (the session agenda), we've got four or five other things to do,"** he said. **"Even if you go right to the end of the hearing schedule, you've still got time to deal with this."**

House Rules Chairman John Coghill, R-North Pole, said he understands the concerns, but the state has committed to hosting this conference several years ago.

**"If it was in Seattle, I would not encourage people to go, but we requested to host this,"** Coghill said. **"It's the obligation, not necessarily the group, that I pay a higher respect to."**

**"The closer you get to people having to make a decision, the higher level of intensity you're going to find the questioning. All of this takes reflective time on an issue like this."**

The Senate plans to let the House vote first, said Senate Rules Chairman Gary Stevens, R-Kodiak, who added he believes the 20-member Senate has the votes to back Palin's selection of TransCanada.

**"My position is let's wait until the House votes yes," Stevens said. "If the House votes yes, and passes it out, then the Senate will be here to take a vote.**

**"If they don't vote yes, then there is no reason to be here to take a vote. I'd like to see the House pass it out, so we can consider it."**

TransCanada was one of five companies that applied under the bid requirements of the state's Alaska Gasline Inducement Act on Nov. 30, 2007.

In early April, BP PLC and ConocoPhillips announced a joint venture named Denali that would pursue a competing project, and lawmakers suddenly had two projects to weigh.

**Lawmakers are directly considering one project, but essentially have two choices: approve a license for TransCanada and let the company go forward; decline it and thereby give default approval to the Denali project.**

TransCanada supporters like the Calgary-based company's proven record for building and maintaining pipelines and believe an independent pipeline owner is friendly toward future expansion and North Slope exploration.

Some say a pipeline owned by North Slope leaseholders BP, ConocoPhillips and Exxon Mobil Corp. creates a monopoly that is not conducive to further exploration by other companies.

Recent federal regulatory rulings saying owners of the 800-mile, trans-Alaskan line - primarily the oil producers - overcharged for shipping oil have enhanced this concern.

A license to TransCanada, however, in no way assures pipeline construction. It does provide up to \$500 million seed money toward a guarantee TransCanada will embark on an expensive pursuit of federal certification.

The \$500 million is one problem for those looking to turn down Palin's backing of TransCanada, especially when BP and ConocoPhillips aren't asking for any upfront money and have already begun field work.

**Critics also aren't convinced TransCanada can negotiate a deal with North Slope leaseholders to ship gas. These are called firm transportation commitments and underpin the financing of the multibillion dollar project. Without them, there is no project.**

**But Denali doubters are dubious of the two companies' intentions, saying the companies are dangling their late arriving proposal to lure away TransCanada supporters.**

And as pipelines go, lawmakers also have fresh memories of BP's pipeline maintenance troubles that led to a partial shut down of the nation's largest oil field two years ago.

Maintenance issues led to a 200,000 gallon leak and produced a misdemeanor guilty plea to a federal environmental crime for failing to prevent a crude spill across a swath of delicate tundra.

**House Rep. Mike Kelly, a Fairbanks Republican, said he likes what he sees in TransCanada, but also sees nothing disruptive with Denali's late entry.**

**"I'm an options guy, and it's my strong preference that we keep TransCanada in play," he said "The fact that (Denali) is advancing a project as well certainly gives us more choice and indicates more interest than we've seen in the past."**

## Rynnieva Moss

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**Subject:** Stefan Milkowski/blog: The real crisis

## The real crisis

By [Stefan Milkowski](#)

Published Sunday, July 13, 2008

A few hours before today's gas line hearings, Interior lawmakers gathered in the Capitol to take on another big issue – the energy crisis that threatens to cripple the region's economy.

The mayors of Fairbanks, North Pole, and the Fairbanks borough called the meeting and traveled to Juneau for it.

**Interior residents are paying four times as much to heat their homes as they were five years ago, they told lawmakers, and young people are talking about leaving Alaska. Real income has plummeted, and mainstays of the economy like Eielson Air Force Base and the Flint Hills refinery are at serious risk of shutting down.**

There wasn't much debate over the urgency, so talk turned to solutions and strategy.

Which big energy projects could help? Who would be an ally in funding those projects? And how can Fairbanks lawmakers convince others that Anchorage gets a big subsidy no one else gets?

Borough mayor Jim Whitaker took a stab at the last one with a recent letter to Gov. Sarah Palin arguing that state regulation of Cook Inlet gas probably violated the Alaska Constitution.

Restrictions on exporting Cook Inlet gas result in price and supply restrictions that effectively subsidize natural gas for the Southcentral area, Whitaker said this morning.

I don't want to sue, but will if I have to, he said.

**Don't sue, lawmakers told him.**

**A victory could simply mean higher gas prices in Southcentral and the Interior, they said, and suing certainly wouldn't make any friends in the Legislature.**

**What about subsidizing North Slope crude for the Fairbanks area?**

**Could that really work? asked Sen. Therriault, who noted the state would have to regulate the refinery price, wholesale price, and distribution price all at once.**

Probably not, said Whitaker.

7/16/2008

And even if it could work, lawmakers probably wouldn't support it, said Rep. Kelly.

"People down here are not going to vote to Chavez it," he said, referring to Venezuelan president Hugo Chavez.

Maybe the best idea is to convince others there is a subsidy, they agreed, and try to get some money for energy projects around the state that don't use oil or gas.

The synthetic fuels project already being studied in Fairbanks seems to make the most sense, said Whitaker.

All three mayors offered their support for a proposal to commit \$21 billion to renewable and alternative energy projects over the next five years.

Lawmakers talked about other projects, like a small-scale, in-state natural gas pipeline, or a giant hydroelectric project on the Susitna River, and how they might all fit together.

OK, but what about this winter? asked North Pole mayor Doug Isaacson. "Our constituents are crying for help."

There is Palin's plan to give everyone \$1,200, lawmakers noted, some offering a tentative backing. But that doesn't fix the long-term problem, they said, and it's going to be hard to take away.

And it's not fair, suggested Rep. Guttenberg.

"Everybody in Anchorage -- everybody -- gets a flat-screen TV," he said. "We just get to stay warm. Where's the equity in that?"

Guttenberg handed out a sheet showing how the checks would look if they took into account the price of heating fuel and the severity of the climate. **People in Fairbanks would get about \$1,800 each. Residents in the Yukon-Koyukuk region would get \$2,738, and people in Anchorage would get \$474.**

"This is how you distribute funds in the state," he said later.

For now, lawmakers are debating the TransCanada proposal. But soon enough, they'll turn to the issue many lawmakers say their constituents care more about -- energy.

Expect a battle just as large and nearly as complex.

**Rynniva Moss**

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**Subject:** Andrew Halcro: Denali

## Denali

The President of the Denali Pipeline Group Bud Fackrell, testified in front of the legislature this week outlining the Denali project and their progress to date.

Fackrell outlined the work that is now underway with 75 subcontract employees doing field work out of their Tok office and their intention of spending \$40 million this summer alone. To put that into perspective, TransCanada's AGIA application commits to spending only \$40 million of their own money in the next two years.

He stated that the group was close to exercising leases on 28,000 square feet of office space and is busy staffing up his team. In contrast, TransCanada's AGIA application states they won't open up a project office until after open season which will be two years away.

**In what turned out to be three hours of political speeches disguised as questions from certain lawmakers, Fackrell was peppered with inquiries that bordered on billigerence.**

**Representative Carl Gatto accused Fackrell of fronting a fraud. What I see are splashy ads saying what a great company you are, but I see little substance, Gatto said. He went to say that he doubted the sincerity of the Denali project.**

**Fackrell responded by saying he understood why some might doubt their effort but instructed Gatto, "Don't trust us, watch us." His comments actually echoed the same message made by both Presidents of Conoco and BP when Denali was announced back in April.**

Unfortunately, Gatto's ignorance and billigerence got the better of him.

Gatto demanded that the pipeline company president answer if he did not specifically say "Don't trust us," and he wanted a yes or no answer.

Fackrell was so surprised at the question that I don't think he knew how to respond. Here was a state legislator, a representative of the people, asking him to agree that he said "Don't trust us," implying that they were not trustworthy, when the clear meaning of the statement was just the opposite.

Then Fackrell tried to clarify one more time, but at that point he realized that Gatto was not looking for the truth; he was trying to turn his statement on its head and get him and agree to something he did not intend and did not believe.

Imagine, this is the same Carl Gatto who once said in a Resource Committee hearing "I was a homesteader - absolutely miserable homesteader - complete failure - put every nickel into it, didn't get a penny out of it. Slaved away- just couldn't do it - just total failure - you do what you have to do - you fail at something, go do something different."

**And now Carl Gatto has gone from a being a complete failure in managing a piece of raw land to determining Alaska's economic future by voting for AGIA next week.**

7/16/2008

Fackrell was unshaken by Gatto and other hostile lawmakers who tried to pin him in a corner with leading questions and misleading statements. In doing so, he showed the patience and clarity needed to manage the largest oil & gas project in the world.

To see the Denali action plan presented to the legislature click the attachment.

**See this Article in Print!**

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**Rynniva Moss**

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**Subject:** Andrew Halcro: Is AGIA slipping? Democrats push for a vote

## **Is AGIA slipping? Democrats push for a vote**

On Saturday, members of the Democratic minority in the House called on Speaker John Harris to push forward a vote as soon as possible on TransCanada's AGIA license.

In a letter sent Saturday, Democrats claimed the hearings have become repetitive. But there is more to the story here than meets the eye. The suggestion that these hearings have grown repetitive is a complete red herring.

This week the debate over TransCanada's AGIA license has broken new ground by covering new information with new participants.

On Thursday, lawmakers heard from the first time from Denali President Bud Fackrell. On Friday and Saturday, lawmakers had the most informative session of this exercise when a round table consisting of major North Slope producers, TransCanada and the administration sat before lawmakers for over 12 hours and answers questions.

**Democrats want to rush the vote not because it's getting repetitive, but because TransCanada is losing votes.**

**On my radio show yesterday, Representative Mike Hawker told my listeners that more and more lawmakers are having doubts about voting for TransCanada now that they're hearing the other side of the story.**

Over the last two days there has been significant new facts brought into the discussion that cast more doubt on the viability of AGIA and this entire process. Not to mention the fact that every time some loudmouth lawmaker stands up to make an argument, they get shut down.

**This discussion hasn't gotten repetitive....now that we're hearing more than the Palin administration's spin cycle....it's gotten competitive.**

## Rynniewa Moss

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**Subject:** Dillon/blog: Public negotiations

### Public negotiations

**The producers continue to be evasive about the fiscal terms they want to build a North Slope natural gas pipeline. That should be a red flag to legislators.**

The producers made quite clear their desire to lock in fixed tax and royalty terms on both gas and oil production for 30 years or more the last time the state sat down at the negotiating table with them. Why should we believe anything would be different now? Such terms would cost the state billions of dollars in lost revenue and make little sense with oil and gas prices ascending higher every day.

And while the cost of building the pipeline may be rising, other details of the project are not. The producers should have no problem calculating the cost and profitability of the project.

**The fact that BP and ConocoPhillips are trying to undermine TransCanada's proposal with their own alternative is a sign that the state is on the right course. The fact that BP and ConocoPhillips won't provide specifics about how the project would be structured is another major red flag for lawmakers.**

There's a nice editorial in the *Anchorage Daily News* today that sums up the pro-AGIA argument.

**Interesting comments by Exxon Mobil's Marty Massey this week that the supermajor likes neither the TransCanada or the BP/ConocoPhillips proposals. Exxon played the spoiler in the producers' negotiations with Murkowski. It looks like a role the Irving, Texas-based company is still comfortable playing.**

Expect the Legislature to vote on the TransCanada proposal around July 22. They have until Aug. 2, but I suspect the vote will happen a little sooner.

July 13, 2008 | [Permalink](#) | [Comments \(0\)](#) | [TrackBack \(0\)](#)

**Rynnieva Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]

**Sent:** Sunday, July 13, 2008 7:20 PM

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

**Subject:** Andrew Halcro: Answering AGIA: The round table serves up reality

## Answering AGIA: The round table serves up reality

In what arguably was the best two days of hearings during this entire six-week long legislative review on AGIA, lawmakers spent over twelve hours getting answers from those who will pay for the most expensive oil & gas project in the world.

In a vigorous round table exchange, North Slope producers, TransCanada and state officials all took part in a give and take that provided much needed balance to a discussion that so far had been largely based on the view from the Palin administration.

Not only were lawmakers finally allowed to question North Slope producers, but they also got to see the direct interaction between the producers, TransCanada and the administration.

Due to length of the hearings, I've broken down the Q & A's into topics.

### **Fiscal Certainty & the State's economic modeling**

Wendy King from ConocoPhillips asked that if fiscal certainty wasn't important as some have alleged, why would TransCanada require 25 years of certainty through ship or pay contracts? If TransCanada needs 25 year certainty to build the pipeline, that proves the shippers need 25 year certainty to pay for the pipeline.

Sen. Bill Wielechowski told Exxon's Marty Massey that they have risk factors everywhere, and asked why should the state grant fiscal certainty.

Massey replied that Wielechowski was wrong. "We have agreements with governments everywhere that outline the economics of the project. It's normal business."

Exxon's Massey said the state's economic analysis was based on "simplifying assumptions." The analysis ignores the reality of the real risk that firm transportation commitments represent, by classifying them as normal operating expenses. Massey stated that under the proper analysis, the net present value to his company isn't \$13.5 billion as stated in the state's analysis, but zero.

Sen. Gene Therriault asked Massey if it was true that those FT's represented just a footnote on their balance sheet. Yes Massey replied, but the entire footnote currently existing on Exxon's balance sheet today is \$3 billion. With this project it would increase to almost \$80 billion, which makes a dramatic difference.

John Zager from Chevron put the risk in perspective. The reliance on net present value as the state has done is only one way companies look at the economics of the project. Firm transportation commitments represent a real transfer of value that in this case would equal upwards of \$125 billion. This is quickly approaching the market cap of both Chevron and Conoco, Zager stated.

### Pipeline ownership

In one area that looks to be a real problem for an AGIA project is the fact that all North Slope producers present on Saturday stated that they would expect to have a percentage share of ownership in the pipeline that is commensurate to the percentage share of gas they commit to ship.

"We would expect our ownership would equal our throughput" said Exxon's Massey. The other producers present at the table, BP, Chevron and ConocoPhillips all agreed with Exxon's position. Having ownership of the pipe allows us to mitigate our risk they said.

Some lawmakers, as well as TransCanada raised issues with this idea. While TransCanada has offered an equity position to gas shippers willing to commit at first open season, they have repeatedly stated that they wanted to retain control by owning north of 51%.

We're not interested in building and operating a pipeline that will be owned by someone else, TransCanada's Tony Palmer stated on Saturday.

The rub of course is that if all of the gas shippers take a percentage of pipeline ownership based on their gas throughput, that would leave TransCanada (since they don't own gas) at zero percent ownership.

Representative Les Gara attempted to call Exxon out on this position. There is one pipeline project that you ship 40% of the gas on and only own 9% of the pipeline, Gara stated. Exxon's Massey replied although he wasn't familiar with the creation that specific project, he could say that the pipeline Gara was referring to was only half full today.

### On gas availability & Point Thompson

In a discussion that provided one of the most robust exchanges, Revenue Commissioner Galvin stated that the issue of Point Thompson gas being available is a separate question than the question about advancing a pipeline.

Galvin went on to state that in some projects they move forward with only 40% of proven reserves. This drew a heated response from the producers.

John Zager from Chevron again stated there was not enough gas without Point Thomson, especially if the ownership was in doubt due to litigation. In addition Zager pointed out, with additional demands from gas take off to power the slope, to the gas needed for a bullet line to hopes for an LNG project, the state was wrong in saying there was plenty of gas.

In addition, Zager did a good job of describing the misleading sound of using the terms proven and known reserves. Just because these reserves are proven or known, doesn't mean they will be commercially viable.

For instance, when you buy a twelve ounce can of soda, you get twelve ounces of soda. But if you say a gas field had twelve ounces of gas, you're not guaranteed to get twelve ounces of gas.

Because gas fields don't develop in a perfect triangle, sometimes you might get ten ounces, sometimes you might get six ounces or sometimes you might get nothing. There are substantial risks and the producers made it clear that they were not willing to bet on the come with the most expensive oil & gas project in the world.

Both Dave Van Tuyl from BP and Wendy King from Conoco warned against drawing simplistic comparisons like Galvin had done. This is a unique project due to its size that comes with huge risks that cannot be compared to any other project or gas basins in the world they warned.

One interesting comment came from Cathy Foerster, a Commissioner with the AOGCC.

In response to Revenue Commissioner Galvin's comment that Point Thompson gas would not be available for

open season, Foerster stated that she had been writing about that fact in her reports for the last three years.

This is alarming and highlights questions of credibility about the state's push for AGIA.

Last year during the creation of AGIA, Galvin and his staff included Point Thomson revenues as part of the dog & pony show to prove to lawmakers that the natural gas pipeline was so profitable.

In fact, during a meeting with the Palin gas line team I asked specifically about their modeling of Point Thomson and would it be in play for open season. Do your economics assume that the billions in necessary investment in Point Thomson infrastructure will be made and the revenue from Point Thomson gas will be available at pipeline start up?

Anthony Scott from the Oil & Gas Division replied, "yes."

However Foerster stated on Saturday that she's been writing reports for the last three years saying that Point Thomson gas wouldn't be available. It now seems these reports were ignored by the Palin administration when they came up with their misleading economic modeling last year.

And now they want to say that Point Thomson gas isn't critical for open season?

### Telling exchanges

If you've watched this process long enough, you can clearly see that there are lawmakers who don't have any interest in the facts or the merits of the answers, it's all about the politics.

Lawmakers like Gatto, Gara and Wielechowski have all become what I call the buzz saw boys. Every time they open their mouths, they walk face first into a buzz saw.

On Saturday, Wielechowski called out Conoco's Wendy King. The Denali project calls for a 4.5 bcf a day pipeline and yet you're saying proceeding without gas is a "dangerous place to go", Weilechowski asked in a huff.

But once again, buzz saw Bill tried to twist an answer out of context.

King's comments were in response to Commissioner Galvin's overly simplistic statement that other gas basins have proceeded in the past with only 40% of proven reserves identified so the North Slope could do the same.

King and others testified that other gas basins are dramatically different than the North Slope, with many areas to draw gas from. On the North Slope, there are only two proven gas fields; Prudhoe Bay and Point Thomson. This was said in reference to the importance of having certainty with regards to Point Thomson before open season.

What King said was that making an overly simplistic comparison as Galvin did, with a project as unique and risky as Alaska's is, was a dangerous place to go.

And what would be a session without the foolish comments from Les Gara?

On Saturday he told the producers that they had their chance to bid under AGIA and didn't. Gara of course ignored the substantial laundry list of reasons why they couldn't bid under AGIA and also ignored the fact that TransCanada's wouldn't even be at the table if not for the State picking up 85% of the cost of the process.

But more importantly, Gara's rebuke of the producers for not bidding on AGIA, ignored what was a very troubling admission by one his colleagues, Representative Bob Roses.

### Representative Roses revelations

Representative Bob Roses dropped a bombshell of sorts when he stated one of the reasons why the producers

didn't bid on AGIA was because the Palin administration quashed amendments that would have allowed them to bid.

They would go from being in support to changing their minds overnight, Roses said. He went on to say administration officials always explained their flip flops on discussions they had with pipeline companies.

When asked if the administration had ever conferred with the producers over amendments, none could recall ever being approached. When Commissioner Galvin was asked to respond, he avoided answering the question by saying there were a lot of people involved on the administration side so he couldn't answer.

Roses also said that TransCanada has stated that if they knew they were going to be the only bidder on AGIA, they would have bid differently.

### **The takeaway**

All in all I don't believe the two days of substantial testimony changed many minds, but for those of us who have watched this process with doubts from day one, it was the final nail in the coffin of any thought that at the end of the day, the producers and TransCanada would strike a deal and walk off building a pipeline under the terms of AGIA.

The producers highlighted too many areas of fundamental disagreement with AGIA from the pipeline ownership to the unrealistic financial terms that favor TransCanada to the unfair terms that would have anchor shippers subsidize their competitors.

I predicted it in my first blog last year on April 2, 2007 and it still remains true today; AGIA will fail because it ignores critical legal and fiscal realities.

**Rynniva Moss**

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**Subject:** News-Miner opinion piece: AGIA is the ticket for Alaska gas line success

**AGIA is the ticket for Alaska gas line success**

Britton Kerin, Community Perspective

Published Sunday, July 13, 2008

It has recently been suggested that the state would do better to build a small, local, low-capacity gas line (a so-called bullet line) than to get one under the Alaska Gasline Inducement Act. This is economic nonsense.

You don't save anything by consuming a sellable resource yourself. The suggestion that we opt out of the money economy and allow producers to barter gas to us in exchange for a hypothetical production arrangement — their choice is a poor one.

The arguments for the bullet line come from people who dislike AGIA but who lack a palatable alternative to put before the public. They claim that the main gas line will go unused or that AGIA will somehow drive producers to go elsewhere.

First, let's consider the possibility of the line going unused. Does this really seem likely? A substantial state investment will create a strong political expectation that gas will be shipped on some sort of acceptable terms, and the producers know it. Owning a line would put the state in a much better position to negotiate terms.

Consider the highly unlikely worst-case scenario in which producers continue their brinkmanship to the bitter end and build an entire separate line. Even if they find a way to make us pay for their intransigence, we'd still probably come out ahead. The trans-Alaska oil pipeline cost \$8 billion to build and has delivered 150 billion barrels of oil at a conservatively estimated average price of around \$20 a barrel. This works out to an annual rate of return of about 21 percent. Even if the initial cost had been \$16 billion, the return would still be about 18 percent — a good investment, even assuming historical oil prices that will probably never return. Since much of the cost of construction of a gas line will be wages paid to Alaska workers, the AGIA prospect looks even better for the public than this rough historical analogy suggests.

What about the oft-repeated idea that the oil companies will take their capital elsewhere? Usually, the people who make this argument don't say where exactly they think the money will go. Venezuela and Russia are effectively renationalizing their oil industries and no foreign energy investment in those countries can be considered truly secure. African oil states are chaotic, to say the least. The Middle East is mostly closed to the oil majors. Northern Europe is lovely, but they're better at collecting royalties than we are. Embarrassingly for democracy in general and our past state government in particular, Libya and Indonesia also get better rates for their people's resources. In general, the foreign investment opportunities for oil and gas producers have contracted significantly over the past decades and continue to do so today.

So why are the producers so slow to develop our reserves? The short answer is that we've given away too much in terms of promises to allow them to do so at some time of their choice in the future. Oil and gas are indeed some of the most valuable resources on the planet, so it's a bit counterintuitive that you have to force producers to actually take the stuff out and sell it. But in civilized countries that respect contracts, this is exactly what you must do. The producers don't have the threat of impending chaos or seizure of their property to motivate them to produce today. Since the prices of oil and gas are expected to continue to rise, they may not have any other

motivation. Furthermore, once production has begun, it is often politically unfeasible to stop it again. If leases extend far enough into the future without requiring production, it's theoretically possible that producers wouldn't want to start extraction even if we paid them. Our state's past approach of attempting to bribe producers simply doesn't work: In the absence of a stick, no carrot is large enough.

AGIA and the determination of the Palin administration not to extend exploitation rights indefinitely to producers that never produce offers the best hope in a long time for a real gas line. If our representatives really have the best interests of the public at heart, they should support her team's efforts and be prepared to prosecute the law in court if necessary. At the least, they should refrain from weakening the state's negotiating position by saying in public that they are unprepared to do so.

Britton Kerin is a lifelong Fairbanksan and is an electrical engineer by training.

**Rynniva Moss**

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**Subject:** Stefan Milkowski: Producers list concerns over TransCanada line

**Producers list concerns over TransCanada line**By Stefan Milkowski

Published Saturday, July 12, 2008

JUNEAU — The major North Slope producers shared their concerns about a TransCanada natural gas pipeline on Friday in a discussion Revenue Commissioner Pat Galvin tried to paint as entirely predictable.

**Top executives with BP, ConocoPhillips and Exxon Mobil all said they thought the Canadian pipeline builder was seeking too much profit, not taking enough of the project risk and asking too much of the main pipeline users — specifically, the three producers.**

**"We have some real concerns with the terms TransCanada is required to offer," BP's Dave Van Tuyl said.**

The executives expressed concerns about the requirements TransCanada would have to meet under the Alaska Gasline Inducement Act and about provisions TransCanada proposed in its AGIA application.

An executive with Chevron, another North Slope producer, echoed many of the concerns.

**Galvin, representing Gov. Sarah Palin's gas line team, explained that under AGIA, TransCanada would still be able to negotiate shipping rates with the major producers and could find ways to balance profits and risk between the producers and the pipeline company.**

**He argued that the oil companies' testimony amounted to the beginning of those negotiations.**

**"In the end, this is going to be a deal cut between the state, the pipeline, and the shippers," he said. "... What you're hearing today is the negotiating process that's going to unfold inevitably."**

Galvin argued the requirements imposed by AGIA, which deal with the financing, construction and operation of the line, were critical to ensuring the state's interests were met.

**But some lawmakers suggested the requirements could get in the way of the producers and a pipeline company working out a deal.**

**"We're not going to get there if we keep going down the route we're going," said Rep. Mike Hawker, an Anchorage Republican.**

**One of the main concerns expressed by the producers involves a requirement in AGIA aimed at keeping shipping costs low for companies wanting access to the pipeline after it goes into service. The provision requires TransCanada to expand the pipeline every two years if there's sufficient interest and to ask federal regulators to spread the cost of the expansion among all shippers rather than just new ones.**

**The executives argued their companies shouldn't have to subsidize their competitors if the so-called**

rolled-in rates would increase their shipping costs.

Despite their concerns, none of the executives ruled out shipping gas on a TransCanada pipeline or joining TransCanada as an equity owner.

Van Tuyl and Wendy King of ConocoPhillips said they saw advantages to the pipeline project ConocoPhillips and BP are pursuing outside AGIA through the joint-venture Denali.

But Exxon's Marty Massey said his company had not yet decided which pipeline project had the greater chance of bringing all parties together. Neither of the two proposals would result in a "commercially viable" project as currently proposed, he said.

Of the three executives, Massey made the strongest demands.

He said Exxon would want to own a fraction of any pipeline equal to the fraction of gas the company committed to ship down the line.

He added that he would not rule out an agreement that broke some of the "must-have" requirements in AGIA.

"That's what I'm hoping for," he said.

Galvin said later the must haves were set in law and were "not subject to negotiation by the administration or TransCanada."

State lawmakers have until Aug. 2 to decide whether or not to award TransCanada a state license and up to \$500 million in seed money.

Hearings are scheduled to continue through the weekend.

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## Daily News - Miner

### Lawmaker finds legal lesson about Point Thomson strategy from 'Seinfeld'

By [Dermot Cole](#)

Published Saturday, July 12, 2008

Those who want to drop the state case with Exxon regarding Point Thomson could learn a lesson from "Seinfeld," according to Rep. Les Gara, an Anchorage Democrat.

I was eager to learn this lesson, but Gara didn't have the chance to finish it Friday during the televised gas line hearing from Juneau.

Sen. Charlie Huggins, who was running things, interrupted Gara, saying that not everyone watches "Seinfeld" as much as Gara. Huggins more or less told him to drop it, so Gara did.

Later, I contacted Gara to find out what he intended to say.

"My point was that we've got to negotiate smartly, not stupidly and there is some suggestion by some of the legislators that we should just drop the Point Thomson case and Exxon will give us a good deal," Gara said.

He said the legal lesson stems from an episode of the TV show in which Kramer spills coffee on himself and seeks damages from "Java World" because his beverage was too hot. I think there was something about a defect in the cup.

The attorney from "Java World," Mr. Star, addressed Kramer and his attorney, Jackie Chiles, with an opening offer.

Star said, "Let's make this short and sweet. We're prepared to offer you all the free coffee you want in any of our stores throughout North America and Europe. Plus ..."

Before hearing the rest of the opening offer, Kramer shouted, "I'll take it."

He couldn't wait to get free coffee. I can see how a jurist might find that instructive.

...

**EXXON VIEW:** Neither the proposed TransCanada pipeline, nor the Denali effort by BP and ConocoPhillips are “commercially viable projects,” according to testimony by Marty Massey of Exxon.

...

**DENALI PROJECT:** An Anchorage man wrote to Sen. Hollis French to express frustration about how hard it has been for his son, a new UAF graduate, to find a way to apply for a job with the Denali project.

“He and I have spent hours on the Internet and banging on ConocoPhillips and BP doors searching for an entry-level field job,” he said.

“We have come to the conclusion that Denali does not exist at all. No offices, no actual people who answer phones or make themselves available. No Internet links with contacts or employment opportunities for Alaskans.”

This harsh assessment, which was conveyed to the president of Denali at the legislative hearing Thursday, should lead to action on the company’s part.

Its Web site contains information about the project, but no specific information about how to apply for jobs and what jobs are available.

Denali, which says it plans to spend \$40 million on field work this year and has hired contractors, should include those details.

...

**LOCAL PROJECTS:** The new building at Wilbur Street and Airport Way is to be the future home of the International Brotherhood of Electrical Workers, perhaps by fall.

The Plumbers and Steamfitters, meanwhile, are building new digs to the west, near the intersection of Airport Road and the Parks Highway.

A Best Western hotel is also under construction along Sportsman’s Way, near the old TVSA quarters.

## Rynniva Moss

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**Subject:** Wesley Loy/Daily News blog: Stevens covers a lot of ground

## Stevens covers a lot of ground

Posted by Wesley Loy

Posted: July 11, 2008 - 8:21 pm

From Wesley Loy in Juneau –

U.S. Sen. Ted Stevens, R-Alaska, delivered a 25-minute speech to state legislators today, then stuck around to take some questions and meet the press.

He jumped right into his main theme, energy, and didn't bother with any jokes or small talk at the top.

Among the items Stevens touched upon:

- He urged the rich state to "invest" some of its billions into ambitious energy projects to relieve the energy pinch hurting every community. Several times, he mentioned a plan to convert Alaska coal into liquid fuel or gas. We published a **story** on the idea yesterday. **Fairbanks North Star Borough Mayor Jim Whitaker, a former state legislator, is leading the project. Stevens said a big plant to convert the coal could be located on Eielson Air Force Base near Fairbanks, with the Air Force possibly helping finance it. He said he'll attend a July 18-19 meeting in Fairbanks on the project. Finding new sources of power for Alaska's high-cost military bases is critical to keeping them off the federal base closure list, Stevens said.**
- He declined to recommend lawmakers vote yes on a state natural gas pipeline license for TransCanada Corp., as Gov. Sarah Palin wants. "That's not my province," he said. But he did urge legislators to make a decision – any decision – soon on the pipeline. If they don't, then it likely will be another year or two, after the election and a new Legislature is seated, before we see any movement on the pipeline, Stevens said.
- Provoked by a question from state Sen. Bill Wielechowski, D-Anchorage, that big oil companies are just sitting on federal oil and gas leases rather than drilling, Stevens went on a rant about environmental activists suing endlessly to block exploration of such places as the remote Chukchi Sea. He said he's working on an amendment to limit the time courts can take to rule on such challenges.
- After Rep. Les Gara, D-Anchorage, noted many Alaska seniors are having a hard time finding a doctor, Stevens said part of the problem is that doctors in Alaska face "atrocious" insurance costs, so it's hard to keep them here.
- **Stevens told us reporters he believes Republican presidential contender John McCain is seriously considering Palin as a vice presidential running mate. But Stevens added he's had many tilts with McCain over the years, and "I'm not on McCain's advisory team for selecting a vice president."**

Click [here](#) to read the senator's full prepared speech to the Legislature.

**Rynnieva Moss**

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**Subject:** Steve Quinn: Sen. Stevens talks energy with state lawmakers

## **Sen. Stevens talks energy with state lawmakers**

By STEVE QUINN / Associated Press Writer

Published: July 11th, 2008 06:46 PM  
Last Modified: July 11th, 2008 06:47 PM

**U.S. Sen. Ted Stevens said Friday that Alaska state lawmakers should follow Gov. Sarah Palin's lead and move forward on a natural gas pipeline plan.**

**Before addressing the state legislature, Stevens told The Associated Press that Palin has "shown the right leadership to bring about a decision."**

Stevens continued his recent public support of Palin, a fellow Republican who once challenged the veteran senator to provide details of an ongoing federal investigation.

The federal scrutiny stems from Stevens' long-standing relationship with an oil field services company's top executive who pleaded guilty of bribing state lawmakers.

**Stevens, who is up for re-election, stopped short of a full endorsement of Palin's Alaska Gasline Inducement Act, while imploring lawmakers to take the state's energy crisis seriously.**

Lawmakers have until Aug. 2 to either support or reject Palin's proposal to award TransCanada Corp. an exclusive license to pursue federal certification for a 1,715 mile pipeline.

**"I would hope they follow the governor's lead, and get it done," Stevens told the AP. "It's got to be done. Now, I can't tell them how to vote, but a decision is absolutely necessary now."**

It was last fall when Palin - who had not been in office for even a year - stood up to Stevens, the longest serving Republican in the Senate.

She wanted Stevens to explain why the FBI is investigating the remodel of his home in Girdwood and his ties to former VECO Corp. CEO Bill Allen, who pleaded guilty last year to bribing Alaska state legislators.

A year ago, the FBI and the IRS searched Stevens' Girdwood home, - a ski resort community that makes up Anchorage's southern edge.

During a federal corruption trial for a former state lawmaker, Allen testified he sent company employees to work on the remodel in 2000.

Stevens has said he paid all the bills presented to him, and that the investigation should work to its conclusion without any appearance that he attempted to influence the outcome with comments.

Since then, he's continued to work seemingly undaunted by the investigation while making periodic visits to Alaska's major hubs as well as the rural areas that take as many as two days to reach from Washington D.C.

"I don't know what they are finally going to do," Stevens said of the investigators. "This is something that's taken a long period of time.

"That cannot interfere with my job as a senator; if I thought for a minute it did, I would leave the office. I don't believe it can or should interfere with my job as a senator."

There had been no public alliance between Stevens and Palin, the two of the state's most powerful Republicans, since then - until July 2, when the pair backed each other's long- and short-term plans for energy relief.

**On Friday, he reiterated support for Palin, who was out of town.**

**Throughout his visit to Juneau, Stevens praised Palin for her 18 months in office, her plans to handle the state's energy crisis and her deft ability at being the state's chief executive and mother to a newborn with Down Syndrome.**

**He said she would make an ideal running mate for presumed Republican presidential candidate John McCain in the upcoming general election. It's a buzz that he says remains strong back in Washington D.C.**

**"People come up and ask me what is she like and how is she doing?" Stevens said. "I've been asked that, and I've told them I think she would be a good vice president."**

The issue driving his second visit to the state's Capitol this year - and his first ever address made during a special legislative session - was the state's plan to pursue energy projects.

The state is not only debating Palin's gas line plan, but also an energy relief package that includes a \$1,200 payout to most Alaskans and lifting the state's fuel tax.

Many state lawmakers say some relief is needed because fuel prices in some parts of the state are three and four times the national average.

The state is awash in cash because of soaring oil prices - which are inching toward \$150 a barrel - timed with a new tax law the Legislature passed last fall.

**Stevens said the state should direct some of those funds to alternative or renewable energy projects, something already in motion from this year's regular session.**

For his part, Stevens promised the state to continue what has been a futile pursuit to drill for oil in the Arctic National Wildlife Refuge and an effort to secure state revenue for federal offshore drilling.

"I think the time is now to act and I hope you agree," Stevens told lawmakers. "I encourage you to confront these issues in the special session.

"We can have differences on a lot of things, but unless we are able to deliver Alaskan energy solutions, we will never be able to convince Congress to deliver national energy solutions which will benefit Alaska."

In six weeks, Stevens faces a challenge in the August primary from former state lawmaker Dave Cuddy and four other Republicans.

A likely Democratic opponent in November is Anchorage Mayor Mark Begich, whose own energy plan calls opening fields ANWR.

"I'm glad to see Sen. Stevens agree with me about the importance of energy efficiency and innovation, but that's not the agenda he's been pushing for the past 40 years," Begich said Friday in a prepared statement. "It took an election year to get him talking about the real needs of Alaska families."

## Rynniva Moss

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**From:** Christopher Clark [cgcaska@yahoo.com]

**Sent:** Friday, July 11, 2008 7:55 AM

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

**Subject:** Daily News: Former governors question TransCanada plan

## Former governors question TransCanada plan

HICKEL, KNOWLES: Both say their proposals make more sense.

By SEAN COCKERHAM  
scockerham@adn.com

Published: July 11th, 2008 04:29 AM

Last Modified: July 11th, 2008 05:21 AM

**While the state Legislature is in special session to decide whether to give TransCanada Corp. a license for a gas pipeline, two former governors are arguing doing so would be a big mistake.**

Former Gov. Tony Knowles wants legislators to postpone the decision and have TransCanada negotiate with the oil companies that have their own pipeline project.

Former Gov. Wally Hickel, meanwhile, is calling for the Legislature to reject the proposed license for TransCanada. He wants the state to build its own "ali-Alaska" natural gas pipeline from the North Slope to Valdez.

Gov. Sarah Palin wants to give TransCanada the license and a \$500 million subsidy to pursue construction of the gas pipeline. Palin has said it is far more likely to be successful and lucrative than a standalone all-Alaska option.

**But Hickel argues this is too important to be left in the hands of the Canadians.**

**"Why turn over control of a resource this valuable to a foreign country?" Hickel said in a written statement Thursday. "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 ... and how our gas will be used."**

Hickel was co-chair of Palin's 2006 campaign for governor and said it's nothing personal.

"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," Hickel said. "It's up to the Legislature to save her, save Alaska and save themselves from the worst decision of the 21st century."

Palin also says the TransCanada plan is better than the competing "Denali" project the oil companies BP and Conoco Phillips are working on. Palin argues the TransCanada proposal includes guarantees that benefit the state – such as shipping rates and timelines – and doesn't leave Alaska at the mercy of the oil companies and what she expects will be their demands for tax breaks.

But BP and Conoco, unlike TransCanada, hold leases to the North Slope gas that is needed for the pipeline and aren't asking for a \$500 million subsidy. **Knowles said what's needed is for the companies and TransCanada to unite in a single project.**

**That's what the state should focus on, he said, rather than committing to TransCanada.**

7/11/2008

**"Let's start the negotiation now with all the parties. All the Legislature would have to do is put (the license decision) on hold, 90 days, 120 days, into next session," Knowles said Thursday at a Resource Development Council lunch. "Put it on hold and let's see how serious the parties are ... we'll save \$500 million in the process."**

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**Rynniva Moss**

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**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koenehan; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Stefan Milkowski: Denali president put in hot seat over natural gas pipeline commitment

## **Denali president put in hot seat over natural gas pipeline commitment**

By Stefan Milkowski

Published Friday, July 11, 2008

JUNEAU — Denali's commitment to its natural gas pipeline project and its willingness to accommodate the state's wishes were the two main issues Thursday when company president Bud Fackrell addressed state lawmakers.

The Legislature is considering whether or not to issue an exclusive state license to Canadian pipeline builder TransCanada under the Alaska Gasline Inducement Act. But North Slope producers ConocoPhillips and BP are pursuing their own project outside AGIA through a joint-venture called Denali — The Alaska Gas Pipeline.

Lawmakers tried to gauge Denali's commitment to the project.

"I don't have any comfort at all in the ads I see," said Rep. Carl Gatto, a Republican from Palmer. "They look good, but they have no substance to them. I want to see the action plan."

Fackrell responded by saying he did have a plan. Denali plans to spend \$40 million on field work this year and \$600 million during the next few years to develop a detailed cost estimate and solicit shipping commitments from gas producers, he said.

"I'm not asking you to trust us, I'm asking you to watch me," he added. "We're not going to spend \$600 million in three years for an advertising campaign."

Lawmakers also questioned Fackrell about Denali's willingness to commit to the various "must-have" requirements spelled out in AGIA. BP and ConocoPhillips did not apply under AGIA and described the requirements as too restrictive.

Fackrell said Denali would meet some of the requirements, including holding an open season, when the company will seek interest from shippers; offering lower shipping rates in Alaska than in Canada; and soliciting interest from gas producers in pipeline expansions every two years.

He did not commit to voluntarily expanding the pipeline when there is sufficient interest or to using a financing mechanism required in AGIA aimed at keeping shipping tolls low. Even where Fackrell did commit, lawmakers questioned the nature of the promise.

Sen. Kim Elton, a Democrat from Juneau, noted that Fackrell's verbal commitments weren't backed up by any kind of contract, as TransCanada's would be, and suggested the company put its commitments into its ads.

**Sen. Bill Wielechowski, an Anchorage Democrat, asked if Fackrell was willing to put its promises in writing, with penalties for breaking them.**

**Fackrell responded by pointing to the work already underway and planned for the next few years, adding, "I have a project plan."**

At times, Fackrell deferred questions to Denali's parent companies. When asked about changes in the state's taxes and royalties sought in connection with the project, Fackrell said Denali would not seek concessions as a pipeline builder, but added that BP and ConocoPhillips would seek them as gas producers.

**Fackrell did not explicitly urge lawmakers to deny TransCanada a state license under AGIA, but expressed concerns that doing so could stall Denali's project and limit the state's ability to provide the necessary fiscal terms.**

He warned that backing TransCanada could jeopardize the pipeline project, but promised that Denali would push forward even if lawmakers approved the license.

"We're committed to move forward," he said. "Whatever decision you make here, Denali will continue to go."

Lawmakers offered different reactions to the testimony.

Sen. Bert Stedman, a Republican from Sitka, said the presentation demonstrated Denali was a viable project and not a "flim-flam company put in place with alternative motives."

Wielechowski, on the other hand, argued the Denali push amounted to "Conoco and BP's attempt to negotiate fiscal terms."

He added that the commitments Fackrell refused to make were "some of the really critical ones," such as voluntarily expanding the pipeline and using the financing structure called for in AGIA.

Local lawmakers said the testimony didn't diminish their support for TransCanada's project.

**Rep. Mike Kelly, a Republican from Fairbanks, pointed to TransCanada's record of low tariffs and said he was convinced the producers were seeking control rather than the lowest cost pipeline.**

**Sen. Gene Therriault, a North Pole Republican, said he was still concerned about producer control of the pipeline and the lack of firm commitments.**

**"They didn't have to ask permission to start Denali and they won't have to ask our permission to stop it," he said.**

**Rynniva Moss**

**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Friday, July 11, 2008 8:00 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Loren Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Daily News opinion piece: Independent gas line will best serve Alaska's interests

**Independent gas line will best serve Alaska's interests**COMPASS: *OTHER POINTS OF VIEW*

By REP. LES GARA

Published: July 11th, 2008 12:27 AM  
 Last Modified: July 11th, 2008 03:53 AM

**The current gas pipeline debate is nothing less than a battle for this state's sovereignty.**

I, some of my colleagues and the governor believe a simple truth: Alaska will be much better served by a gas pipeline owned by an independent company, and not one that includes concessions that would be demanded if we proceed with a gas line owned by Exxon, British Petroleum or Conoco.

Those companies hold the North Slope leases to Alaska's largest known reserves of natural gas. Granting them a monopoly over both Alaska's largest known gas supply and our gas pipeline should be a last, not the first, resort.

The employees of these companies do our economy an important service. But it's easy to forget that the CEOs who make the business decisions for these multinational companies have a legal duty to take as much value from our natural gas for their shareholders, at the expense of our residents. That's why British Petroleum and Conoco oppose an independently owned pipeline and seek monopoly control over this project.

Why does an independent project serve our interests better? And how are companies like British Petroleum working to block an independent pipeline?

Under the Alaska Gasline Inducement Act we passed last year, we adopted protections that British Petroleum and Conoco, and to a lesser extent Exxon, have vocally opposed. The TransCanada-Alaska project complies with the act.

The major gas holding companies have an interest in forcing the state to grant them billions in tax concessions. If they own the pipeline, they can hold back construction until we say "uncle" and grant the concessions they demand. While BP and Conoco say they have a gasline proposal they dub "Denali," to date it contains few details about terms or the concessions they demand.

Our law also imposes a "fair transportation rate" requirement. That will help competing companies explore for and develop new gas reserves that this state needs. The major gas holding companies have an interest in deterring competition by overcharging competitors for moving gas through the line.

So, how will the major gas holding companies try to block an independent line?

First, you'll see lots of expensive ads.

And, as expert Spencer Hosie stated at hearings this summer, British Petroleum and Conoco will send signals that

7/16/2008

they won't sell their North Slope gas into an independent gas line. No company will build a \$20 billion-to-\$35 billion gas line unless BP, Conoco and Exxon put their natural gas into it.

While that threat makes for good theater, the state shouldn't flinch at it. In response to a letter that I and 11 other Democrats sent to the major oil companies, Exxon seems to concede they are required to sell their gas, according to Mr. Hosie. The other companies will have to do the same.

Mr. Hosie rightly explains that Alaska's oil and gas leases impose a "duty to produce" natural gas once it's profitable. This legal duty is the hammer that will convince the major oil companies to help with a gas line project. While they can threaten to withhold our natural gas, they do so at the peril of having their multi-billion-dollar leases revoked and bid to more willing companies. They'll push this threat only so far.

It would be a stretch to say there is a quick, easy way to a gas pipeline. But the best path forward is to push an independent line that promotes competition, gas for Alaska's communities, and Alaska's tax and political sovereignty.

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Les Gara is a Democrat who represents downtown Anchorage in the Alaska House of Representatives. He can be contacted at 269-0106 or [rep.les.gara@legis.state.ak.us](mailto:rep.les.gara@legis.state.ak.us).

**Rynniva Moss**

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

**Subject:** Andrew Halcro: Doogan on the bullet line & the car rental analogy

## **Doogan on the bullet line & the car rental analogy**

On Wednesday morning during legislative discussions on the recently announced bullet line rolled out by Governor Sarah Palin, Representative Mike Doogan did what he does so well: summarize a situation in a concise sentence.

### **Doogan on the proposed bullet line:**

**"As I understand it, what's different between today and the day before there was a press conference is that there has been the announcement of a partnership that has yet to be formed, to ship gas that has yet to be discovered, in what seems to be the wrong direction, in a pipeline that has yet to be built and details will follow."**

Classic Doogan...and his comments drew the only round of applause I have ever heard in a legislative setting without it being someone's birthday.

### **The Car Rental Analogy**

On Wednesday, Continental Energy Systems CEO Gene Dubay was explaining to lawmakers about the challenges they have with the deliverability of gas and how supply and demand impact cost.

He used an example that is one of my favorites; the seasonal car rental analogy.

"I paid north of \$300 for a rental car in Anchorage for three days, that's not the price I pay in the winter time. It's a reflection of the fact that there is more demand, I believe, in the summer time than there are rental cars", Dubay stated.

Dubay is exactly right and his analogy highlights two critical points that we have argued in relation to the gas pipeline; taxes and risk.

With regards to taxes, out of his \$300 dollar bill, \$84 of that was for city and state taxes. (Thanks, Pete Kott, hope prison is treating you well)

With regards to risk, not a summer goes by that someone doesn't ask why there aren't more cars in the summer. The answer is easy; because there is a long, long winter. Like any business, you only take on the amount of risk that you feel your company can handle...not the amount of risk that government thinks you can handle like AGIA prescribes.

**Rynniva Moss**

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**From:** Christopher Clark [cgcaska@yahoo.com]

**Sent:** Thursday, July 10, 2008 8:53 PM

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

**Subject:** Voice of the Times: What about aid to Alaska's communities?

## What about aid to Alaska's communities?

**WE ARE SCRATCHING** our heads about the new state proposal to spend \$21 billion on alternative energy, trying to make sense of it.

**We find it unimaginable that the Legislature would look at such a seemingly crackpot scheme but has still not seriously considered sharing state largesse with the local communities.**

Larger cities like Anchorage are still paying horrendous property taxes, others are paying high sales taxes, and some villages are laying off their few employees — including police officers — because of empty treasuries. The \$1,200 energy checks will help, but not much. The need is much greater than that.

This seems to be one more indication that Alaska's government priorities have gone astray, dangerously so.

**Rynnieva Moss**

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**From:** Christopher Clark [cgalaska@yahoo.com]**Sent:** Thursday, July 10, 2008 8:49 PM**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net**Subject:** Stefan Milkowski/blog: Exxon blows in, makes demands

## Exxon blows in, makes demands

By [Stefan Milkowski](#)

Published Thursday, July 10, 2008

Exxon Mobil might have sounded like a willing pipeline partner in recent months, publicly committing to ship its North Slope gas down a TransCanada or producer-owned pipeline.

But the company offered a caveat then -- it would need "commercially reasonable" terms -- and on Thursday, a top executive suggested what those terms might be.

Exxon's U.S. joint interest manager, Marty Massey, said his company would want to own a chunk of the pipeline, for one.

"Our requirement is we need to own equal to our throughput," he said. (If Exxon commits 40 percent of the gas, it wants to own 40 percent of the line.)

Exxon would also want more certainty on fiscal terms. Massey didn't say whether the current gas production tax rate was OK, or how long he would want it locked in, but said the 10-year statutory lock-in offered in AGIA didn't offer "any fiscal predictability." (It's not contractual.)

Massey surprised me (and I think others) in the boldness of his demands. At one point, he spoke from the perspective of a pipeline builder -- he said Exxon would aim for an 80-20 debt-equity ratio -- despite not being involved at this point in any pipeline project.

At another, he recommended going back to open negotiations -- What are your needs? What are my needs? Can we find creative solutions? Massey suggested things like royalty-in-kind and tax-in-kind (a relic from the SGDA contract) should be back on the table.

Sen. Hollis French, D-Anchorage, responded that he at least wasn't ready to give more than lawmakers agreed to give last year under AGIA.

"At least from my perspective, that's sort of our last, best offer," he said. "If that's not enough, I think we need to know before we get to open season."

Massey acknowledged there would be a "hurdle to overcome" if the other producers also wanted to own a share in TransCanada's line equal to their throughput (TransCanada would end up with nothing) and argued that alignment between the state and producers was critical for making a gas line go.

But he didn't offer a specific recommendation on the AGIA vote, and said Exxon was still trying to figure out which project -- TransCanada under AGIA or Denali outside it -- was more likely to lead to alignment among parties and, ultimately, a successful project.

**"The question . . . is does AGIA help align the parties to achieve a successful project?" he said. ". . . I don't think we have the answer today to know which way to go."**

Somewhat more predictably, Massey also said the state should back Exxon's current Point Thomson project and approve its plan of development. He added that Point Thomson gas was critical for a pipeline project, and that Exxon's plan was the fastest way to make it available.

**Rynniva Moss**

**From:** Christopher Clark [cgalaska@yahoo.com]  
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**Subject:** Steve Quinn: BP, ConocoPhillips joint gas line proposal touted

**BP, ConocoPhillips joint gas line proposal touted**

Steve Quinn/The Associated Press

Published Thursday, July 10, 2008

JUNEAU -- Bud Fackrell says the Denali pipeline project proposed by oil giants BP PLC and ConocoPhillips is not a publicity stunt to sway lawmakers away from backing off a proposal by TransCanada Corp.

On Thursday, he tried to convince skeptical state lawmakers that the joint project is legitimate and on a progressive track this summer.

Fackrell, president of the joint venture, addressed them during a legislative hearing on Gov. Sarah Palin's gas line proposal.

Denali is a competing project to Palin's preferred choice, the one proposed by TransCanada Corp. under the state's Alaska Gasline Inducement Act.

Lawmakers have until Aug. 2 to support or reject Palin's recommendation to award TransCanada an exclusive license.

The joint venture came to the party late - about four months after TransCanada submitted its proposal under the AGIA guidelines - but some lawmakers say the project should not be dismissed.

Lawmakers backing the oil companies' effort say they favor this plan because it doesn't require the \$500 million in seed money that would go to TransCanada Corp. along with the exclusive license to pursue federal permits.

Doubters say the Denali project sorely lacks details and information, and they wasted little time in questioning the company's intent.

**"What I see from Denali is an awful lot of money spent on full-page ads describing a wonderful company who is going to make great opportunities for the state," said Rep. Carl Gatto, R-Wasilla. "I don't have any comfort at all in the ads.**

**"My feeling is that the public may be getting the exact same feeling, that they are splashy ads. They look good, but they have no substance to them. I want to see an action plan."**

Fackrell stressed that Denali is a separate pipeline company and deferred questions about fiscal issues related to natural gas production, royalties and taxes to the parent companies.

Fackrell stuck to a script, reiterating the company's intent to spend up to \$600 million on field and engineering work toward a time when it solicits long-term commitments from companies to ship gas; this is known as an open season.

**In short, Fackrell told doubters to wait and see.**

**"I'm not asking you to trust me; I'm asking you to watch me," Fackrell said. "Both of my owners have been here 50 years."**

**Sen. Bill Wielechowski, D-Anchorage, asked why the Denali project offers no guarantees of progress toward construction or long-term commitments from the oil producers seeking to build the pipeline.**

**"We've got written commitments; we've got penalties," Wielechowski said of the plan under which TransCanada seeks a license. "We don't have that with Denali. Can you give us any guarantees?"**

Fackrell said the commitments are in place and in practice with workers in the field right now.

"The commitment I'd like to give you is this company was formed by two major producers in the state," Fackrell said. "We stated from the very beginning we are committed to having an open season by 2010. I'm spending \$40 million this summer."

Rep. Mike Doogan, D-Anchorage, wasn't satisfied and provided the strongest push back.

He said cost overruns on the producer-constructed, 800-mile trans-Alaskan oil pipeline more than 30 years ago should be a red-flag to anyone backing a line owned by the North Slope leaseholders.

"I'm going to assume that your company is a real company, and frankly that scares me," Doogan said. "When they were finished, the cost overruns were, the kindest number I've seen was 800 percent, but I think the real number was 1,000 percent."

**"So I've got some concerns about the majors' abilities to build a pipeline at anything like the initial cost estimates (\$30 billion). How much experience does your project team have in building pipeline these kind of projects in a regulated environment like North America?"**

Fackrell cited the two companies' ownership of more than 50,000 miles of pipeline worldwide, while pointing out BP's pipelines in the Caspian Sea and the Gulf of Mexico as examples of strong project development.

**"We are in the business of building projects; that's what I do," Fackrell said. "The companies that can build the pipeline the most efficiently for you are these two companies who have operated on the North Slope for 50 years."**

"We know the North Slope. We've proven we can do it. If any two companies can pull it off within the cost estimates, it's these two companies."

Sen. Bert Stedman, R-Sitka, said BP and ConocoPhillips wouldn't risk credibility loss and potential shareholder backlash by investing time and money on a ruse.

"For publicly traded corporations, they would have a whole litany of legal issues if they were running a sham and running a shell corporation to do nothing but running interference," Stedman said. "Not only would they have to answer to shareholders, they'd have to answer to people of the state and federal regulators, recognizing they could still terminate the project if it's deemed uneconomical."

## Rynnieva Moss

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**Subject:** Stefan Milkowski/blog: Hardball with Denali

## Hardball with Denali

By [Stefan Milkowski](#)

Published Thursday, July 10, 2008

Denali's Bud Fackrell was in Juneau today pitching his pipeline project, and **lawmakers didn't let him off easy. It took 45 minutes to get through the first slide of his PowerPoint.**

How many new people have you hired? Where's your office? Is your project a sham?

Fackrell mostly stayed calm, responding to the most aggressive questions with, "Thank you for the question."

The biggest line of questioning involved which of the 20 "must-have" requirements in AGIA Denali is willing to commit to. The requirements deal with how the project is financed, built, and expanded, among other things.

Fackrell committed to a few. Rates will be distance-sensitive in Alaska, and the pipeline will solicit interest in pipeline expansion every two years, he said.

But even then, the commitments had caveats. Lawmakers and Fackrell went back and forth about whether Denali would for sure solicit interest or was only planning to. (Fackrell said in the end that they would for sure, but didn't directly commit to expanding the pipeline if there was interest.)

Fackrell did not commit to the debt-equity ratio under AGIA, which was aimed at keeping shipping costs low.

Fackrell repeated a number of times Denali's commitment to moving ahead with the project, spending \$40 million this summer and \$600 million to get to open season.

**"I'm not asking you to trust me," he said. "I'm asking you to watch me."**

When asked, he expressed concerns about approving a pipeline license for TransCanada under AGIA, and he warned that going with TransCanada could jeopardize the whole project.

At times, it seemed unclear who Fackrell was speaking for, and how Denali related to ConocoPhillips and BP. Fackrell touted the experience and financial might of the parent companies, but refused to address the fiscal concessions they might seek. (The producers are scheduled to testify tomorrow.)

Of course, the big news of the day was the indictment of Sen. John Cowdery. **A good chunk of the bipartisan Senate majority disappeared after the announcement, and the group held a caucus meeting over lunch to discuss the issue.**

**Rynniva Moss**

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**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynniva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Wesley Loy: \$21 billion Alaska energy plan proposed

**\$21 billion Alaska energy plan proposed**

RENEWABLE AND ALTERNATIVE: Inclusion of coal in projects leaves some lawmakers less than happy.

By WESLEY LOY  
wloy@adn.com

Published: July 10th, 2008 12:02 AM  
 Last Modified: July 10th, 2008 01:31 AM

JUNEAU – State lawmakers here for a special session on the natural gas pipeline are quietly considering another blockbuster energy idea – plowing nearly \$21 billion into "renewable" and "alternative" energy projects.

But some legislators say a dirty word, coal, appears all through the proposed legislation that's making the rounds in the Capitol.

The bill, which has not yet been introduced and is labeled "work draft," has language saying the intent is for lawmakers to contribute \$20.75 billion to a renewable and alternative energy grant fund over the next five years.

The money, presumably, would come from the state's huge oil revenue surpluses, assuming they continue.

The draft legislation says energy projects such as a plant that "produces ultraclean fuels from coal" would be eligible for funding.

The main backers of the coal provision are local officials from the Fairbanks area, where skyrocketing energy prices have people alarmed, said House Speaker John Harris, R-Valdez.

Harris said his office worked on the draft legislation with Fairbanks North Star Borough Mayor Jim Whitaker and others.

He couldn't say for sure, but Harris expects the draft bill to be formally introduced at some point during the 30-day special session that began Wednesday.

But some lawmakers criticized the legislation, saying that most people understand renewable and alternative energy to include wind, solar, geothermal, hydroelectric, tidal or biomass projects – not coal.

"Coal is not renewable energy and by any fair definition it's not really alternative energy," said Rep. Les Gara, an Anchorage Democrat.

House Minority Leader Beth Kerttula, D-Juneau, said she was struck by the staggering dollar figure in the bill – \$21 billion.

"Yeah, that's a rather large number, to put it mildly, even with our surpluses," she said.

**Two Fairbanks lawmakers, Republican Reps. Mike Kelly and Jay Ramras, said Wednesday they had not yet seen the draft legislation.**

**But Kelly, formerly chief executive of the electric power utility in Fairbanks, said he likes the idea of using known technology to convert the state's abundant coal into a liquid fuel that local consumers could use.**

**"We've got a hundred-year coal supply for the nation in Alaska," he said.**

Ramras said a big worry is finding alternative power supplies for Eielson Air Force Base near Fairbanks. He said a recent federal law requires Air Force bases to use more alternative energy sources.

He said Eielson is at risk of landing on the military's base-closure list because of high costs in Fairbanks.

Lawmakers are meeting in special session to consider bills related not only to a natural gas pipeline from the North Slope to Alberta, Canada, but other energy-related legislation including a proposed \$1,200 "resource rebate" for each Alaskan.

**State Natural Resources Commissioner Tom Irwin said Wednesday he also had not yet seen the draft legislation on renewable and alternative energy grants, though he'd heard about the \$21 billion figure.**

**"I didn't even know it was all typed up as a bill yet," he said.**

Irwin declined to comment on the bill before reading it closely. However, he said the Palin administration believes the state needs to move into more renewable and alternative forms of energy, especially now that it has billions of spare dollars to invest.

Whitaker, the Fairbanks borough mayor, could not be reached for comment Wednesday.

**But Harris said he's encouraged Whitaker and other Fairbanks officials to come to Juneau to lobby for the draft bill.**

**Gara said he's not necessarily opposed to using coal-based energy "as a last resort."**

**He said his main objection to the draft bill is that steering money to coal projects will detract from the focus on true and cleaner renewable and alternative energy ideas.**

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Find Wesley Loy online at [adn.com/contact/wloy](http://adn.com/contact/wloy) or call him in Juneau at 1-907-586-1531.

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**Sent:** Wednesday, July 09, 2008 8:23 AM  
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**Subject:** News-Miner: Funding, logistics slow cheers for In-state gas line

**Funding, logistics slow cheers for in-state gas line**By Rena Delbridge

Published Wednesday, July 9, 2008

FAIRBANKS — Gov. Sarah Palin's proposed in-state gas line, unveiled Monday with some fanfare, faces uncertain prospects with its funding and gas supply, according to some of those involved in the project.

Palin announced a public-private partnership between the state, Enstar Natural Gas Co. and the Alaska Natural Gas Development Authority to build a small-diameter "bullet line" within the next five years. The plan is to link Anchorage, Fairbanks and the North Slope in a way that will ease Fairbanks' home heating oil woes soon while opening a route for North Slope gas to reach Anchorage markets in the long-term.

The smaller line eventually could serve as the in-state spur of a major pipeline, such as the one proposed by TransCanada or the joint proposal by BP and ConocoPhillips.

Officials with the state, Enstar and ANGDA agree the line would put infrastructure in place to allow Alaskans to access their resources, but each party envisions that happening in a somewhat different way. The state is hoping to send a signal to explorers that the market demands more gas, thereby spurring new exploration and assuring a steady energy supply for Southcentral, said Joe Balash, special assistant to the governor on oil and gas issues.

Enstar is looking to a line that could feed Anchorage markets with North Slope gas as Cook Inlet contracts become shorter and more difficult to arrange, said Curtis Thayer, director of corporate and external affairs for the utility.

And the voter-created ANGDA, which can access funding outside of the state treasury, said the bullet line keeps Alaska's options open into the future, with the potential for boosting propane and liquefied natural gas markets as well, said Harold Heinze, CEO.

How a spur line plays out could hinge on supply. Enstar and ANGDA seem less confident than the state that Cook Inlet can continue supplying gas to meet needs, citing some lapses already at peak winter use in Anchorage.

"We have been unsuccessful in negotiating contracts over five years due to the deliverability of gas in the Cook Inlet," Thayer said. Because of that, he added, Enstar has had to look elsewhere for gas sources. The Anchorage-area utility serves about half of Alaska's population with 3,000 miles of distribution lines in Southcentral.

"Do we want to roll the dice, or do we want to spend the money and build a line to the (North Slope) foothills?" Thayer asked. "We know there is gas on the North Slope. The thing is, we don't have the gas in Cook Inlet. The gas does not exist in Cook Inlet."

Fairbanks Natural Gas President Dan Britton said he, too, has questions about Palin's proposal to deliver Cook Inlet natural gas to Fairbanks.

"We are doing that today but struggle to get contracts for Cook Inlet gas," he said. "It's hard for me to

**understand what the justification might be for a multi-billion investment when you're unable to secure a longer gas supply."**

One possible supply could come from Anadarko's development of the Gubik field in the North Slope foothills, Thayer said. FNG also is turning to the North Slope, with plans to build a liquid natural gas facility in the next few years and truck the product to Fairbanks markets.

Whether Palin's bullet line stops at Fairbanks or reaches the North Slope depends on whether Cook Inlet gas can supply the line and whether exploration underway in the Nenana and Copper River basins turns into development, according to an administration press release.

**Heinze, of ANGDA, said a bullet line might bridge the gap for Fairbanks until a large line links the North Slope with Canada and the Lower 48. He said the general view is that Cook Inlet has "lots of potential" but that he and Enstar are somewhat more skeptical.**

Enstar officials estimated Cook Inlet supplies could run out by 2014, he said.

**"There is no doubt there are some real problems," Heinze said. "On the other hand, the administration is very confident, and they are the landowner."**

The governor's office said it believes Cook Inlet has strong resources.

"What we're trying to do here is create access to markets for gas that we believe is in Cook Inlet, our geologists believe is in Cook Inlet. It's creating the opportunity for that gas to make it into the market and get sold," Balash said.

**Balash acknowledged that the proven reserves in Southcentral are falling into the nine- to 10-year range, but he said a changing supply-demand ratio may drive new exploration.**

The Richardson Route was previously considered by ANGDA, and offers a known path and access to potential military and industrial clients, while avoiding permitting problems that could crop up near a national park, Heinze said. Exact routing is one of the things the team will have to discuss.

Progress of any kind probably won't be made until after the legislative special session on TransCanada's pipeline proposal under the Alaska Gasline Inducement Act wraps up this summer.

**Balash expected the group to then iron out a timeline, evaluate financing options and decide how each party can contribute.**

**"We have a pretty healthy treasury and the ability to do some things, the luxury to do some things now," he said. "At the end of the day it's likely that we'll be asking the Legislature for some form of financial support or commitment or guarantees — something that helps bring surety to the project."**

In Fairbanks, Britton said that once a larger supply of gas reaches the city, either through the bullet line or trucked in as LNG, an expansion could be in order to the 50-plus miles of distribution line already in place.

"The timing of expansion would depend on people's interest level and the economics of the expansion," Britton said. Conditions, roads and populations all figure into the cost equation, he said, although on average new distribution may run \$200,000 per mile.

## Rynniva Moss

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**Subject:** Pat Forgey: Legislature returns today; Oil industry officials scheduled to have first say this week



Brian Wallace / Juneau Empire

Lawmaker lands in Juneau: Rep. Bill Thomas, R-Haines, who also is a commercial fisherman, ties up his fishing boat Tuesday at the Don D. Statter Harbor in Auke Bay. Thomas arrived in Juneau to attend the special session, which begins today.

Wednesday, July 09, 2008

Story last updated at 7/9/2008 - 9:29 am

## Legislature returns today

## Oil industry officials scheduled to have first say this week

By Pat Forgey | JUNEAU EMPIRE

The Alaska Legislature will convene in Juneau today for its second special session of the year, continuing discussion of the state's plans to bring a natural gas pipeline to the North Slope.

During this session, the Legislature will for the first time hear from the state's North Slope oil producers, who hold leases on vast supplies of natural gas but have been reluctant to build the pipeline needed to commercialize it.

Finally developing those gas resources could come at a crucial time for Alaska, as flow through the trans-Alaska pipeline has declined from its 2 million barrels a day in the 1980s to about 700,000.

The Legislature is considering issuing a license to TransCanada Corp., of Calgary, Alberta, to build a pipeline. That license would require TransCanada to structure its pipeline so as to spur more exploration and development of the North Slope, and provide \$500 million in state money to help with initial permitting.

At the same time, two of the state's big producers, BP and ConocoPhillips Co. are racing forward with their own proposal, called "Denali - the Alaska Gas Pipeline LLC."

Industry allies in the Legislature are urging their colleagues to reject the TransCanada license and let the producers build the line.

The two companies are heavily promoting their pipeline plans in the media, but have provided few details about how their project would be structured.

Bud Fackrell, heading up the Denali project, which has already begun survey work out of a field office in Tok, will testify at the invitation of the Legislature about the project Thursday, while Exxon Mobil will testify Friday.

**Rep. Beth Kerttula, D-Juneau, said she was looking forward to hearing what the companies have to say.**

**"Let them tell us why they haven't produced so far, and built their own line," she said.**

**Kerttula said Gov. Sarah Palin's Alaska Gasline Inducement Act, which produced the TransCanada proposal, is likely what is prompting BP and ConocoPhillips to start on their own pipeline proposal.**

Last week two Democratic senators, members of the majority coalition that governs the Senate, called for more information about the project as well, saying they haven't been able to give it serious consideration because so far the companies have provided only "scant" information about their proposal.

Sens. Bill Wielechowski and Hollis French, both of Anchorage, said TransCanada provided the state with great detail on how it would structure its deal to meet Alaska's development needs.

"We have yet to hear an equally detailed description from ConocoPhillips or (BP) about how your proposal would meet the needs of Alaskans," a letter the two recently sent to Fackrell reads.

The AGIA requires proposals seeking a \$500 million state subsidy meet a series of "must haves," such as tariff structure and debt to equity ratios, to ensure the pipeline will be profitable for both the state and the owners.

**Palin energy advisor Joe Balash said he's curious to find out what's being proposed by the producers as well.**

**"Are they willing to pursue Federal Energy Regulatory Commission certification, regardless of open season results in 2010?" he asked. "Are they prepared to pursue a project labor agreement?"**

Fackrell will provide an overview of the Denali project at the request of the Legislature, said ConocoPhillips spokesperson Natalie Lowman. She said she did not yet have details of his presentation.

Also scheduled for this week is a presentation by the Consensus Building Institute, requested by Sen. Lesil McGuire, R-Anchorage, also a member of the majority coalition but more aligned with the oil producers.

She credited AGIA with moving the state toward a gas pipeline, but said both sides need to be brought together by a mediator to bring the state and the natural gas leaseholders together.

"How do we get North Slope gas producers to commit to putting gas into a TransCanada line when they have every intention to building their own?" McGuire asked in a letter to legislative leaders.

The Legislature resumes meeting today, and under the provision of AGIA has until Aug. 2 to approve the TransCanada license.

• Contact reporter Pat Forgey at 523-2250 or e-mail [patrick.forgey@juneauempire.com](mailto:patrick.forgey@juneauempire.com).

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**Subject:** Daily News: North Slope oil production down in June

**North Slope oil production down in June**

**5.5 PERCENT: Planned shutdown of trans-Alaska pipeline and Slope field maintenance behind the drop.**

## Petroleum News

Published: July 8th, 2008 11:19 PM  
 Last Modified: July 8th, 2008 03:24 AM

**North Slope oil production averaged 666,873 barrels per day in June, a 5.5 percent drop from May's average.**

All the fields there, except Northstar, had less production in June, driven by a planned shutdown of the trans-Alaska oil pipeline at the end of the month and planned field maintenance.

The pipeline shutdown June 28-29 for 24 hours to replace a remote gate valve near Fairbanks and piping at Pump Station 9, said Michelle Egan, spokeswoman for Alyeska Pipeline Service Co., the oil-company consortium that runs the 800-mile pipeline. Pump Station 9 is the southern-most of the working pump stations, about 250 miles north of Valdez. Another maintenance shutdown is planned for next month.

**North Slope production bottomed out at 250,001 barrels on June 28, according to the state Department of Revenue.**

**The biggest oil field, Prudhoe Bay, and its smaller satellite fields averaged 285,765 barrels a day in June, down 2.5 percent.**

**Kuparuk River, the second biggest field, averaged 142,547 barrels a day, down 4.7 percent.** The total includes oil from the nearby Tabasco, Tarn and Meltwater satellite fields as well as from the West Sak field.

The Alpine field and its satellites averaged 112,036 barrels a day, down 2.7 percent.

The largest drop occurred at Lisburne, Point McIntyre and Niakuk, which combined for 21,951 barrels a day, down 37 percent. The Revenue Department said planned maintenance began at Lisburne on June 1 and production was depressed for half the month.

The second-biggest drop – 21 percent – was at the Milne Point field, which averaged 28,251 barrels a day. Scheduled maintenance there began June 28.

The Northstar field averaged 35,641 barrels a day, up 23 percent. Oil company BP had lowered Northstar output earlier this year for maintenance and its production is returning to pre-maintenance levels.

In Cook Inlet, oil production averaged 13,111 barrels a day, up 2 percent from May.

## Rynniewa Moss

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**Subject:** Daily News editorial: Maybe it's not so strange ...

## Maybe it's not so strange ...

*Send gas north from Cook Inlet to Fairbanks?*

Published: July 8th, 2008 11:10 PM  
 Last Modified: July 8th, 2008 02:04 AM

**Good thing Enstar, an upstanding, multimillion-dollar private company, was at Gov. Palin's press conference Monday. Otherwise, a sober-minded observer might have wondered -- have the governor and the Alaska Natural Gas Development Authority gone crazy?**



[Click to enlarge](#)

Instead of shipping gas from the North Slope south to Fairbanks and Southcentral, the government leaders were talking about shipping gas north to the Golden Heart city from Cook Inlet.

That's Cook Inlet, where local utilities are already wondering how they'll get enough natural gas to supply their own customers in the coming decade. Where the Agrium fertilizer plant shut down because it couldn't get natural gas feedstock.

Not only that, Gov. Palin and the gas development authority were talking about sending the gas north on an L-shaped route through Glennallen. That's roughly 100 miles longer than a bullet line shooting straight along the Parks Highway.

On the surface, Monday's deal makes as much sense as trying to feed New York City with grain from the Arizona desert, instead of the fertile plains of the Midwest.

**But there was Enstar, chief proponent of the small, in-state "bullet" pipeline from the North Slope, lending**

7/9/2008

credibility to the whole affair.

#### ALASKA GAS AS A CHESS GAME

If you look deeper at what's going on, and think of gas development throughout Alaska as a huge chess game, Monday's announcement begins to make a little more sense.

The new partnership may not produce the L-shaped, northbound gas project the parties were talking about Monday. But in the bigger chess game, the players in this deal are creating more options for themselves.

Here's how.

Cook Inlet still has lots of untapped potential for natural gas. Companies don't have much incentive to look for it because there is no ready market for any big, new discovery. Today's Cook Inlet gas supplies were found by companies looking for oil.

#### WHAT ENSTAR GAINS

Anything that might stimulate Cook Inlet gas exploration helps Enstar in a couple of ways.

It improves the odds the company can get new gas to supply existing customers in Southcentral. It also creates an alternative source of gas for expanding Enstar's network to the rest of the Railbelt, including Fairbanks and the missile defense system at Delta Junction. The more gas Enstar moves, the more money it makes.

Right now, Enstar's only option for expanding is the bullet line from Anadarko's holdings in the North Slope foothills to Fairbanks and Southcentral. Having a Cook Inlet supply option would give Enstar leverage in negotiations with Anadarko. The Anadarko option is already giving Enstar leverage with Cook Inlet gas producers -- something Enstar has lacked until now. It doesn't matter to Enstar if gas is moving north to south or vice versa, as long as it's moving to Enstar customers.

Partnering with the gas line development authority could give Enstar cheaper, tax-free government financing for a pipeline.

#### WHAT THE STATE GAINS

Monday's announcement does a couple of things for the state, too. The L-route through Glennallen would help open markets for gas prospects that have been found on state land in the Copper Center basin. A line taking gas north from Cook Inlet would also help stimulate drilling on state leases in Southcentral.

Finally, the partnership announced Monday has political value for the Palin Administration. It's a way to say to Fairbanks, "We feel your pain. We're working on your energy problem."

It's also a way to mollify those who complain that the governor is too focused on shipping gas out through Canada, instead of getting gas to Alaskans. This arrangement gives the Alaska Natural Gas Development Authority -- created by voter initiative in 2002 -- something useful to do. The agency can issue bonds to finance the project. It has also secured a right of way for a gas line from Palmer to Glennallen and can do similar work north from Glennallen to Delta Junction.

Last but not least, the deal raises the prospect that Cook Inlet gas producers might demand space in an export line running through Canada. If so, they would give the Palin administration strong private sector supporters for its goal of making that line accessible and affordable for new explorers.

#### LESS THAN ADVERTISED

For now, what the Palin Administration announced Monday is much less than advertised. It's nothing more

than an agreement to talk about new gas line options in the Railbelt. All that talk about dates that construction might begin and gas might begin to flow was premature.

Enstar and the state have basically agreed to start seeing each other. They are not married to anything yet, and they definitely have not conceived a viable project.

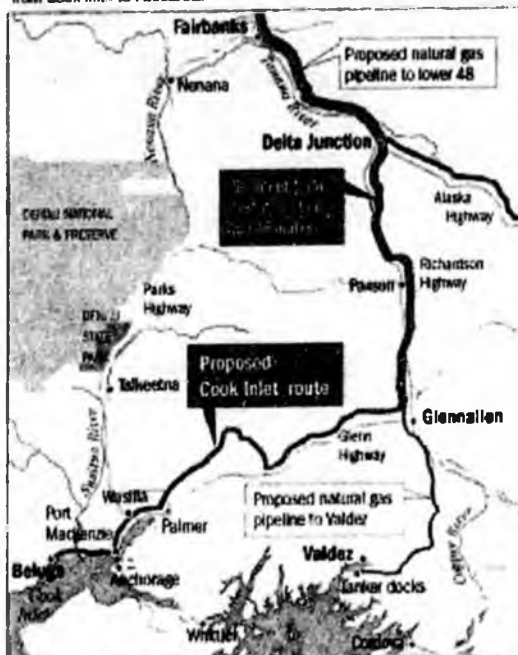
But what they have done is send a strong message to North Slope gas holders -- you're not the only game in town.

**BOTTOM LINE:** Think of gas development in Alaska as a chess game, and the strange arrangement unveiled Monday begins to make more sense.

adn.com

### Gas line route options

Federal and the state are talking about a pipeline taking gas north from Cook Inlet to Fairbanks.



Source: Alaska Natural Gas Development Authority. RON ENOSTRON - Anchorage Daily News

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**Subject:** Andrew Halcro: Playing it by ear? The populist pipeline plan

## Playing it by ear? The populist pipeline plan

Yesterday, during the press conference when Governor Palin, Enstar and ANGDA announced their plans to create a partnership to study building a bullet line that would ship natural gas from Cook Inlet north to Fairbanks, the question of state support for the project came up.

I get the feeling from the populace that they would be okay with the state making an investment in this project, the governor stated. The executive with Enstar added that with state support, this line was a slam dunk.

This is where we all should take a deep breath and closely listen to exactly what these folks are talking about.

One of the most passionate proponents of the bullet line is ANGDA Board Chair Scott Heyworth. He was the catalyst for the ANGDA initiative back in 2002 and has advocated tirelessly in support of a spur line or bullet line to get gas to southcentral because of diminishing gas supplies in Cook Inlet.

Now with this new proposal calling for gas to be shipped from Cook Inlet to the interior, after years of hearing concerns about how Cook Inlet is running out of gas, the biggest question asked yesterday was "where are you going to get gas to fill a north bound pipeline, when gas is getting tighter in the south?"

Heyworth's comments yesterday during the press conference on this question highlight how economic sense shouldn't be allowed to give way to passion when someone else is paying the bill...in this case that someone would be you.

"There's been a lot of questions asked here about 'and where's the gas coming from and are we building a pre-build and we don't have gas'? I'd just like to give you the momentum feeling that ANGDA has had for quite awhile.

We start building a pre-build. I know where there is 35tcf of gas. We just have to get up there. So lets get or work force trained, working, get the ditches going and lets get to Delta Junction. I feel like it helps actually spur TC Alaska and Denali to have a little more competition, because we're coming. We're coming north.

We'll get to Delta Junction, if some things perhaps have some set backs or have fallen apart, lets go to Fairbanks.

If we get to Fairbanks and things still aren't happening this line could go all the way to the slope, so we can take it in sections.

We just play it by ear."

Just play it by ear? On a project that will cost upwards of \$4 billion?

There are a lot of unknowns that need to be known, but one thing is known for sure; this state shouldn't invest one dime in a multi billion dollar project with the understanding that it is playing it by ear.

We've heard that tune before....and it always ends up on a very sour note.

7/9/2008

**Rynnieva Moss**

**From:** Sharon Long  
**Sent:** Wednesday, July 09, 2008 9:11 AM  
**To:** Rynnieva Moss  
**Subject:** RE: Carryover of HB 3001

Thank you!

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Sharon J. Long, Staff  
 Senate Resources Committee  
 Senator Charlie Huggins, Chair  
 Interim: (907)269-0149  
 Session: (907) 463-4907

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**From:** Rynnieva Moss  
**Sent:** Wednesday, July 09, 2008 9:10 AM  
**To:** Sharon Long  
**Subject:** Carryover of HB 3001

In the past, the legislature has carried over bills by concurrent resolution, but AGIA had specific language that included the carryover provision.

Sec. ~~43.90.190~~. Legislative approval; issuance of license.

(a) After the presiding officer of each house of the legislature receives a determination from the commissioners under AS 43.90.180, the rules committee of each house of the legislature shall introduce a bill in the committee's respective chamber that provides for the approval of the license proposed to be issued by the commissioners.

(b) If a bill approving the issuance of the license passes the legislature within 60 days after the last date a presiding officer receives a determination by the commissioners under AS 43.90.180, the commissioners shall issue the license as soon as practicable after the effective date of the Act approving the issuance of the license.

—(c) Notwithstanding a legislative rule that prohibits the carryover of a bill after the end of a special session or after the end of a regular session of a legislature, a bill introduced under (a) of this section that is not passed or not withdrawn, defeated, vetoed, or indefinitely postponed shall be carried over to any subsequent regular or special legislative session convened during the 60-day period described in (b) of this section in the same reading or status it was in at the time of adjournment. However, a bill introduced under (a) of this section may not be carried over to the first regular session of a legislature.

(d) If the legislature fails to approve the issuance of the license, the commissioners

—(1) may not issue the license that the legislature failed to approve; and

—(2) may request new applications for a license under AS 43.90.120.

7/9/2008



July 9, 2008

## Congress Feels Pressure for Action on Oil Prices

By **CARL HULSE** and **DAVID M. HERSZENHORN**

WASHINGTON — Senator Susan Collins, Republican of Maine, said anxiety over fuel oil costs is at crisis proportions in her state. Senator Amy Klobuchar, Democrat of Minnesota, said oil drilling advocates weighed in from the sidelines as she marched in a Fourth of July parade.

Senator Bob Casey, Democrat of Pennsylvania, heard it even closer to home, from his own teenager. "My daughter said, 'Dad, what are you going to do about gas prices?'" Mr. Casey said.

After spending a week in their states and districts with angry and frightened consumers, many lawmakers have returned to Capitol Hill convinced that Congress cannot afford a prolonged stalemate over energy policy.

"This is the No. 1 issue on people's minds, very clearly," said Senator Kent Conrad, Democrat of North Dakota and one of a bipartisan group of 10 senators who met Tuesday morning to pursue ideas on a compromise energy plan that could be enacted this year.

With Republicans pushing for more domestic oil and gas production and many Democrats focusing on alternative energy sources, finding consensus will not be easy Congressional leaders acknowledge.

Democratic leaders in the Senate also are not ready to embrace the idea of a bipartisan compromise on energy legislation, in part out of concern about adopting a position at odds with their expected presidential nominee, Senator Barack Obama of Illinois.

Mr. Obama, who has called for higher mileage standards and investments in alternative energy, so far has espoused the traditional Democratic view that domestic drilling is not the answer to high prices — a view he affirmed in a new television advertisement that began running Tuesday in four battleground states.

"This notion that somehow there's this acre of off-shore that George W. Bush is holding back, that if Congress would just let him sign the executive order that would produce the oil to bring down gas prices," said Senator Richard J. Durbin of Illinois, the No. 2 Democrat. "Doesn't that sound like a little bit of fantasy land?"

But with the public in an uproar over the cost of gasoline and fuel oil, many lawmakers in the House and Senate said Congress, with approval ratings at new lows, cannot stand by and simply trade accusations over who is responsible.

Neither Republicans nor Democrats are being spared in the minds of voters, one said. "They blame 'the government,'" said Ms. Collins, who noted that many Maine residents were panicked at the possibility of

paying \$5,000 to heat their homes this winter.

She and other lawmakers said they could see the contours of a deal that included new incentives for renewable fuels, more freedom for drilling in waters off states that sanction the drilling and a potential crackdown on speculation in the oil-futures market.

In both parties, there was a notable shift in tone.

Senator Harry Reid of Nevada, the majority leader, has made a refrain in recent weeks of saying, "We cannot drill our way out of this problem." But he opened his news conference on Tuesday with a different approach: "Let's begin the discussion here by saying, Democrats support domestic production."

He also hinted at a potential element of compromise legislation: that any oil produced from wider access to federal lands off shore be reserved for domestic use and barred from export. At the same time, he noted that Senator John McCain of Arizona, the Republican presidential candidate, had opposed similar restrictions in the past.

There was no indication from Mr. Reid or other lawmakers that a deal was imminent. And lawmakers acknowledged that none of the proposals under consideration would lower gasoline prices any time soon.

Republicans continued their call for expanded oil drilling, while emphasizing their willingness to compromise.

"When I was in Texas this last week, this is the No. 1 issue on people's minds," Senator John Cornyn said. "When people fill up their trucks or S.U.V.'s in Texas and pay over \$100 to fill up their vehicle, it gets their attention, and they are looking to Congress to frankly get out of the way and allow America to develop more of its own natural resources as we take other measures to conserve energy and become more efficient."

At the same news conference, Senator Mel Martinez, Republican of Florida, said: "I don't think that solar and renewables are any more of an answer tomorrow than opening up more areas for exploration would be," Mr. Martinez said. "All of these are long-term solutions."

He added, "In my way of thinking, the most immediate thing we could do to impact prices is consume less."

In the House, Democratic leaders affirmed their view that oil companies were not exploring all the leases they held now and said they did not want to be seen as hitting a political panic button.

Speaker Nancy Pelosi sought Tuesday to put pressure on President Bush, calling on him to release "a small portion" of the Strategic Petroleum Reserve to boost supply and cut price. Republicans said the call for more oil bolstered their argument for domestic drilling.

Should an energy measure begin to take shape, lawmakers have a variety of their own ideas to offer. Mr. Casey, the Pennsylvania senator, is proposing a bill that would subsidize the cost of fuel for volunteer firefighters responding to emergencies. Senator John W. Warner, Republican of Virginia, has resurrected the 55-mile-per-hour speed limit.

Virtually every lawmaker has stories to tell of constituents hurt by fuel costs. [Senator Pat Roberts](#), Republican of Kansas, has been telling colleagues about John Grau, a cattle farmer he met last month, the day after his home in Soldier, Kan., was destroyed by a tornado.

Mr. Grau told the senator that he was less worried about rebuilding, which he could afford, than about the pain of high gasoline prices. "He was concerned about the people who worked for him," an aide to the senator said. "He said the gas prices were really a hardship for them."

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**Subject:** News-Miner editorial: Energy relief

**Energy relief**

Published Wednesday, July 9, 2008

The Alaska Legislature returns to work today for the start of another special session, an extension actually, and a variety of energy topics are on the agenda. Added to the list this time around is some form of financial assistance for Alaskans as the winter months near and the price of heating oil and electricity remain high.

Gov. Sarah Palin late last month came out with a slimmed-down version of an energy assistance proposal after lawmakers and others criticized her original plan. **The governor deserves continued credit for responding to what is shaping up as a dire problem for a large portion of the state's population, chiefly that part that lives outside of the low-cost energy enclave of Anchorage.**

What the governor proposes now is to give each Alaska resident a one-time payout of \$1,200. The outright payment is a departure from her previous, and flawed, plan to give Alaskans a debit card that would be used to pay energy bills.

The governor also wants to help with the price of motor fuels, which continue to pinch consumers. She proposes a one-year suspension of the state's gasoline tax of 8 cents per gallon. Taxes would also be suspended on marine, aviation and jet fuels.

The overall plan could yet have other components, like what to do to help utility companies and cooperatives. **The governor originally proposed \$475 million of grants to utilities to help them lower the cost of consumers' bills, but that idea is undergoing some reworking.**

Even though the governor has scaled back her plans, concerns remain.

For starters, the governor's proposal is for one year only. But what about next year and the year after that? Alaskans could come to expect the state will ride to their rescue each year. A sense of entitlement, one arising out of a principle that the state's profits from oil revenue should be shared directly with the masses, could manifest itself. An entitlement program could soon be born. That risk needs to be considered, even though the state is awash in cash from high oil prices.

**Also, handing out money hardly encourages people to conserve energy. And energy conservation needs to be a practice instilled throughout homes and businesses in Alaska.**

And there's no guarantee at all that people will spend the \$1,200 payment on energy bills. The state could be giving money away only to still find people in need this winter.

But we recognize that, for many people, those concerns pale when laid alongside the concern about having the ability to stay warm in the dead of the arctic night.

**These are tough times, and the cold will only make them tougher without some form of aid. Gov. Palin and legislators, who will be called upon to approve the governor's plans, are correct to propose the state intervene in what should ordinarily be a matter for the marketplace. But they need to intervene cautiously by exploring all the ramifications and avoid the temptation to shovel cash willy-nilly to a public increasingly asking for help.**



# THE WALL STREET JOURNAL ONLINE

July 9, 2008

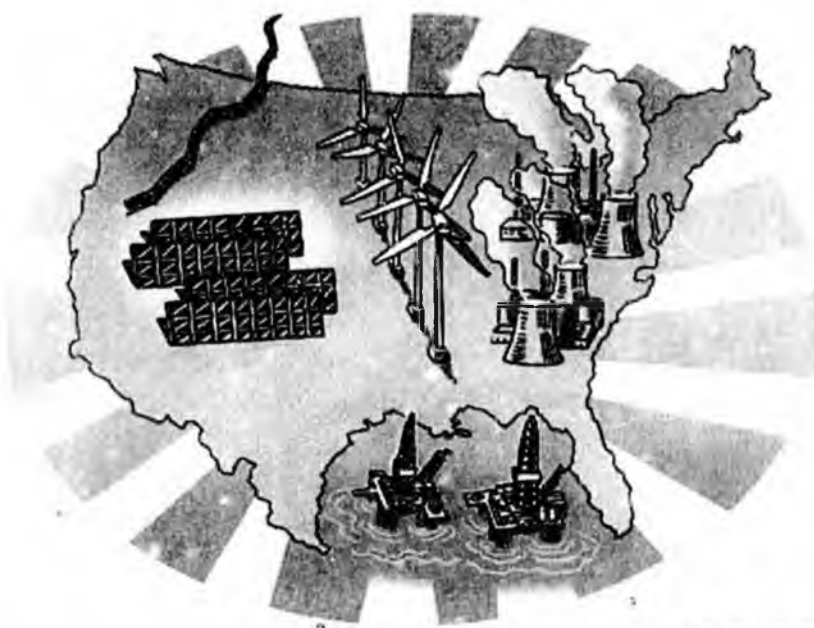
## OPINION

### My Plan to Escape the Grip of Foreign Oil

By **T. BOONE PICKENS**  
*July 9, 2008; Page A15*

One of the benefits of being around a long time is that you get to know a lot about certain things. I'm 80 years old and I've been an oilman for almost 60 years. I've drilled more dry holes and also found more oil than just about anyone in the industry. With all my experience, I've never been as worried about our energy security as I am now. Like many of us, I ignored what was happening. Now our country faces what I believe is the most serious situation since World War II.

The problem, of course, is our growing dependence on foreign oil – it's extreme, it's dangerous, and it threatens the future of our nation.




Martin Kozlowski

oil, which is more than four times the annual cost of our current war in Iraq.

In fact, if we don't do anything about this problem, over the next 10 years we will spend around \$10 trillion importing foreign oil. That is \$10 trillion leaving the U.S. and going to foreign nations, making it what I certainly believe will be the single largest transfer of wealth in human history.

Why do I believe that our dependence on foreign oil is such a danger to our country? Put simply, our economic engine is now 70% dependent on the energy resources of other countries, their good

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Let me share a few facts: Each year we import more and more oil. In 1973, the year of the infamous oil embargo, the United States imported about 24% of our oil. In 1990, at the start of the first Gulf War, this had climbed to 42%. Today, we import almost 70% of our oil.

This is a staggering number, particularly for a country that consumes oil the way we do. The U.S. uses nearly a quarter of the world's oil, with just 4% of the population and 3% of the world's reserves. This year, we will spend almost \$700 billion on imported

judgment, and most importantly, their good will toward us. Foreign oil is at the intersection of America's three most important issues: the economy, the environment and our national security. We need an energy plan that maps out how we're going to work our way out of this mess. I think I have such a plan.

Consider this: The world produces about 85 million barrels of oil a day, but global demand now tops 86 million barrels a day. And despite three years of record price increases, world oil production has declined every year since 2005. Meanwhile, the demand for oil will only increase as growing economies in countries like India and China gear up for enhanced oil consumption.

Add to this the fact that in many countries, including China, the government has a great deal of influence over its energy industry, allowing these countries to set strategic direction easily and pay whatever price is needed to secure oil. The U.S. has no similar policy, because we thankfully don't have state-controlled energy companies. But that doesn't mean we can't set goals and develop an energy policy that will overcome our addiction to foreign oil. I have a clear goal in mind with my plan. I want to reduce America's foreign oil imports by more than one-third in the next five to 10 years.

How will we do it? We'll start with wind power. Wind is 100% domestic, it is 100% renewable and it is 100% clean. Did you know that the midsection of this country, that stretch of land that starts in West Texas and reaches all the way up to the border with Canada, is called the "Saudi Arabia of the Wind"? It gets that name because we have the greatest wind reserves in the world. In 2008, the Department of Energy issued a study that stated that the U.S. has the capacity to generate 20% of its electricity supply from wind by 2030. I think we can do this or even more, but we must do it quicker.

My plan calls for taking the energy generated by wind and using it to replace a significant percentage of the natural gas that is now being used to fuel our power plants. Today, natural gas accounts for about 22% of our electricity generation in the U.S. We can use new wind capacity to free up the natural gas for use as a transportation fuel. That would displace more than one-third of our foreign oil imports. Natural gas is the only domestic energy of size that can be used to replace oil used for transportation, and it is abundant in the U.S. It is cheap and it is clean. With eight million natural-gas-powered vehicles on the road world-wide, the technology already exists to rapidly build out fleets of trucks, buses and even cars using natural gas as a fuel. Of these eight million vehicles, the U.S. has a paltry 150,000 right now. We can and should do so much more to build our fleet of natural-gas-powered vehicles.

I believe this plan will be the perfect bridge to the future, affording us the time to develop new technologies and a new perspective on our energy use. In addition to the plan I have proposed, I also want to see us explore all avenues and every energy alternative, from more R&D into batteries and fuel cells to development of solar, ethanol and biomass to more conservation. Drilling in the outer continental shelf should be considered as well, as we need to look at all options, recognizing that there is no silver bullet.

I believe my plan can be accomplished within 10 years if this country takes decisive and bold steps immediately. This plan dramatically reduces our dependence on foreign oil and lowers the cost of transportation. It invests in the heartland, creating thousands of new jobs. It substantially reduces America's carbon footprint and uses existing, proven technology. It will be accomplished solely through private investment with no new consumer or corporate taxes or government regulation. It will build a bridge to the future, giving us the time to develop new technologies.

The future begins as soon as Congress and the president act. The government must mandate the formation of wind and solar transmission corridors, and renew the subsidies for economic and alternative energy development in areas where the wind and sun are abundant. I am also calling for a monthly progress report on the reduction in foreign oil imports, as well as a monthly progress report on the state of development of natural gas vehicles in this country.

We have a golden opportunity in this election year to form bipartisan support for this plan. We have the grit and fortitude to shoulder the responsibility of change when our country's future is at stake, as Americans have proven repeatedly throughout this nation's history.

We need action. Now.

**Mr. Pickens is CEO of BP Capital.**

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**Rynnieva Moss**

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**Subject:** Ketchikan Daily News editorial/Juneau Empire: Don't let politics delay decision on gas pipeline plans

Tuesday, July 08, 2008

Story last updated at 7/8/2008 - 9:26 am

## **Alaska editorial: Don't let politics delay decision on gas pipeline plans**

This editorial appeared in the Ketchikan Daily News

When it comes to natural gas pipeline proposals, there are three major players - TransCanada, BP and ConocoPhillips together, and the state of Alaska.

Greatest among them is Alaska.

Alaska is the owner of what is believed to be at least 35 trillion cubic feet of natural gas. The gas is most valuable once it gets to market.

Getting it to market is the state's dilemma.

The Legislature convened in a special session called by Gov. Sarah Palin last month to review the state's options. While the only question to be answered officially is whether to endorse or reject Palin's recommendation that TransCanada be awarded a license designed to lead to pipeline construction, other options exist.

**Lawmakers can follow Palin's recommendation; they can reject it and pursue a pipeline with BP and ConocoPhillips; they can tie themselves into political knots of disagreement and fail to move ahead with getting the gas to market.**

**The latter option is simply unacceptable.**

Lawmakers must stay in special session until a pipeline option is chosen, or encourage both TransCanada and the oil companies to move forward with their proposals.

TransCanada proposes a 1,715-mile line from the North Slope to a pipeline hub in Calgary, Alberta, which connects to all major markets on the continent.

It would accept half a billion dollars from Alaska to move its line to construction.

Then TransCanada would need to acquire gas for its line from the oil companies that hold the leases on the natural gas: BP, ConocoPhillips and Exxon Mobile.

BP and Conoco Phillips trotted out a plan, called Denali - The Alaska Gas Pipeline, in April.

It involves building a 2,000-mile line from the North Slope to Alberta, and if necessary, a 1,500-mile line into the Lower 48. The plan already is in motion. It doesn't require a \$500 million investment from the state.

The two pipeline proposals exceed the TransAlaska Oil Pipeline in project magnitude. The oil pipeline is 800 miles long.

The state negotiated for several years with oil companies in an effort to get a pipeline built.

Nothing prevented the oil companies from beginning a pipeline years ago.

Neither Alaska, nor the market destined to accept the natural gas, can afford further delays, and the previous delays raise a flag of caution for lawmakers wishing to drive through a plan this summer.

The TransCanada plan isn't without its own flag. Alaskans are concerned about the half-billion-dollar contribution TransCanada requires, asking whether the proposal is a sound investment for the state when it has to contribute that amount.

If the oil companies had started their pipeline project in recent years, they wouldn't find themselves in competition for state support.

And the state likely would be investing its \$500 million in other economic projects in Alaska communities.

**But the competition exists. It's the competition that finally might get Alaska's natural gas into the Lower 48 where Americans need it.** It also needs to be piped into Alaska homes. Alaskans need the line, too - as owners and consumers of natural gas.

Alaskans don't want politics as usual when these plans are considered.

This situation requires looking at the plans objectively, weighing the pros and cons, and choosing the best plan for Alaska and Alaskans.

The Palin administration has worked steadily for the past year and a half toward a pipeline plan.

Those involved aren't economic slouches. Their process and recommendation deserves, and Alaskans demand, a critical and fair review.

**Then vote it up or down, but don't leave Alaskans without a pipeline moving toward construction.**

**Rynnleva Moss**

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**Subject:** Dermot Cole: Latest in-state pipeline plan raises questions about gas supply, consumer cost

## **Latest in-state pipeline plan raises questions about gas supply, consumer cost**

By Dermot Cole

Published Tuesday, July 8, 2008

**If there is a reason for Fairbanks to support a small-diameter gas pipeline from Fairbanks to Anchorage via the Richardson and Glenn highways, the proponents did not provide one Monday.**

**Instead, they justified the longer route with vague comments about development of Ahtna lands that might have natural gas potential — an uncertain prospect at best — and providing natural gas to the missile defense system.**

**Neither of those ideas warrants going the long way around and the extra hundreds of millions, including an unknown state subsidy, that would be required.**

**We need to hear far more from the Palin administration, as well as from Enstar and the Alaska Natural Gas Development Authority before this largely undefined "partnership" goes ahead.**

**And the Palin administration should make sure it is not advertising more than it can deliver, pledging "the first phase of a bullet line to bring Alaska gas to Alaskans within the next five years."**

**The shortest distance between two points is a straight line. In this case, the straight line is more or less along the Parks Highway, not the Richardson and Glenn highways.**

**With a state subsidy in the offing, the long route needs a better defense than was offered Monday by the governor.**

**Also unclear from the announcement is where the gas would come from, who would pay for the construction and what the costs would be to get gas to Fairbanks within the next five years.**

The idea advanced by the governor is that by building from the south to the north, this plan would spur Cook Inlet and Copper River basin exploration for gas and by 2013 gas from down south would be heating homes in Fairbanks.

**But there already is a shortage of gas in Southcentral that is expected to get worse in the years ahead. A year ago, the state said Cook Inlet natural gas production was expected to drop 64 percent by 2015 and continue to slide in the years after that.**

Adding to the confusion is the suggestion from the administration that by 2014 the small-diameter gas line might continue north to the foothills of the Brooks Range, allowing gas to flow from north to south to supply Fairbanks and Anchorage.

As I write this, I am awaiting enlightenment as to just how gas will flow north for a little while and then south. That doesn't sound like much of an incentive to encourage further Cook Inlet exploration in an era when many projects are competing around the world for exploration dollars and the highest possible return.

The governor's news release said the idea of building a line to the northern foothills of the Brooks Range, from which gas would be shipped south, is only one possibility.

The governor's news release said the state "hopes to see new discoveries of natural gas within the Cook Inlet basin and along the in-state pipeline's corridor" within the next five years.

"If not, the project's second phase could continue building the line north to access gas supplies in the North Slope foothills or beyond, making them available to Interior and Southcentral Alaska by 2014. If phase two is not needed, the in-state line could be connected to the main North Slope line when it is completed around 2018 to 2020."

None of that explains why the Richardson and Glenn highways route was chosen.

**The state plan leaves out the Doyon prospects in the Nenana area, which, by all accounts, seem to be moving ahead and hold great promise.**

At this point, I am more impressed with the original Enstar proposal, which the state said a few weeks ago was still under study. That proposal was to build a pipeline in about the same time period and ship gas south from the foothills, recognizing Cook Inlet supplies are in decline. There was no plan or need to ask for a state subsidy, Enstar said at that time.

**We need a better explanation of the logic behind this proposal and, just maybe, a shorter route.**

## Rynnieva Moss

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**Subject:** Petroleum News/Daily News: Point Thomson battle lurks in gas line debate

## Point Thomson battle lurks in gas line debate

CHEVRON: Oil giant is depending on access to big Slope field.

Petroleum News

Published: July 7th, 2008 10:56 PM  
 Last Modified: July 7th, 2008 11:08 PM

Oil giant Chevron is a small player on Alaska's North Slope compared with BP, Conoco Phillips and Exxon Mobil.

But it could have a lot of natural gas to commit to a gas pipeline project if the state and other leaseholders can resolve their fight over the Point Thomson field keep the current ownership intact, a Chevron executive told state legislators recently.

**Chevron's potential share of Point Thomson gas is some 2 trillion cubic feet, and if it has that gas, there is a pipeline coming and a development plan for Point Thomson, Chevron would nominate natural gas in an "open season," said John Zager, the company's Alaska manager.**

An open season is when gas producers would commit to ship their production through a particular pipeline, letting the pipeline owners get financing for construction.

Point Thomson is the state's second biggest gas field, behind Prudhoe Bay, and a relatively large oil field.

The state Department of Natural Resources this year ended the Point Thomson unit, saying the leaseholders haven't done enough in the past 30 years to develop the field into a working field like Prudhoe. That issue is in litigation.

### REASONABLE ECONOMICS

**If Point Thomson "gets resolved favorably from our side, then we' be a significant player in a pipeline. If it doesn't, we're just going to be a little trivial part" of gas shipments, Zager told Alaska legislators.**

They were meeting in special session on whether to back a gas pipeline project proposed by TransCanada Corp. and endorsed by the Palin administration.

**Chevron holds small interests in several North Slope fields, including a mere 1 percent share of Prudhoe. But its share of Point Thomson is 25 percent.**

"We will commit to firm transportation for our known gas reserves in a pipeline we are confident provides reasonable upstream economics and returns," he said.

Zager said "known gas" is important. If Point Thomson is resolved so that Chevron retains its interest there, and if "we've got a pipeline coming and we have a development plan (for Point Thomson), then we would be sure we'd

7/8/2008

want to nominate and save space for our ... gas."

As far as "reasonable upstream economics and returns," for Chevron that means "reasonable economics" for Point Thomson, because that is where Chevron has the bulk of its gas.

Zager said Chevron isn't involved in either the TransCanada or the BP-Conoco project dubbed Denali but might be interested in becoming an owner.

#### KNOWN RISKS

One issue for a pipeline project and Chevron are the variables that could make a project and commitment of gas more attractive, or less.

Whether the state disbands Point Thomson ownership is a controllable variable: "We could get together and we could solve that and we'd have confidence going forward in what our reserves are going to be" for an open season two or three years out, Zager said.

Future gas prices are not controllable: It's a big risk, but it is one companies in the business are used to taking, Zager said.

The cost of a multibillion-dollar pipeline project is partially controllable. Steel and labor costs are not controllable, he said, but pipeline design and project management are controllable.

One thing Chevron will look at is the pipeline cost that's included in the open season: "How confident are we that that number will not be exceeded when the actual bill comes due?"

Zager said when you sign a shipping commitment, "you're giving a blank check" to the pipeline developer, and if a \$30 billion project becomes a \$40 billion project, "your ship-and-pay commitment just went up commensurately.

Your wellhead price went down commensurately. And what you thought was an economic project at Point Thomson may not be anymore."

What Chevron will look at is the quality of work done before the open season and its confidence in the pipeline developer. It will also do its own assessment as to whether it thinks the number in the open season will be met.

**Rynnieva Moss**

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**Subject:** News-Miner editorial: Energy message - Borough mayor is right: Anchorage doesn't get it

## **Energy message - Borough mayor is right: Anchorage doesn't get it**

Published Tuesday, July 8, 2008

It's an unorthodox approach and one that will not immediately win plaudits from Southcentral Alaska, but Fairbanks North Star Borough Mayor Jim Whitaker has a good point about the political response to Alaska's energy crisis.

**In short, it's this: Residents of the most populous region of the state are not in the same bind as people elsewhere in Alaska who depend on heating fuel for energy and electricity, and they are apathetic about the problem in other regions of Alaska.**

In Anchorage and its environs, low-priced natural gas is helping hold down the cost of energy and limiting the economic damage of record oil prices.

The Fairbanks area does not have that luxury. The combination of sudden increases in gasoline, heating fuel and electricity is putting families in a pinch — or worse — and is costing our economy hundreds of millions of dollars.

It's true that Mayor Whitaker sometimes comes across as a musk ox in a gift shop, as demonstrated by his move to challenge the constitutionality of state support for low-priced natural gas in Southcentral. But he's not doing this to deny anything to that region, but to raise the point that the rest of the state could use help from the state as well.

We hope that our fellow Alaskans in Anchorage will recognize the economic damage being done by skyrocketing fuel costs, particularly in areas without inexpensive hydroelectric power or natural gas.

In Gov. Sarah Palin's agenda for the special session that begins Wednesday, we see elements that may come together to form a compromise on energy issues.

Our governor has issued a call that features both short-term aid and a proposal for a longer-term renewable energy grant fund.

The former includes proposals for direct aid to Alaskans and an expansion of the power cost equalization program. For the longer term, there is a proposal for a \$20 billion alternative energy grant fund that could be a key to creating the right conditions for expansion of new energy sources.

**House Speaker John Harris of Valdez and Mayor Whitaker envision a grant program that could be funded by the temporary surpluses our state is enjoying from record world oil prices.**

**These surpluses will not last and it's vital to take steps today that can allow us to transform the one-time-only oil dollars into alternative projects, ranging from hydroelectric power to synthetic fuels.**

We agree with the mayor that the long-term economic viability of Fairbanks is at stake. It's not hard to imagine how energy prices could lead to a renewed effort to close Eielson Air Force Base.

7/8/2008

It's urgent for our governor and Legislature to help deal with this situation now.

**Rynnieva Moss**

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**Subject:** Tim Bradner/Journal of Commerce: Lawmakers continue gasline debate after first session closes

Web posted Sunday, July 6, 2008

## Lawmakers continue gasline debate after first session closes

**By Tim Bradner**  
*Alaska Journal of Commerce*

State legislators will soon be on the final lap in considering Gov. Sarah Palin's proposed license for TransCanada Corp. to tackle a \$30 billion-plus North Slope gas pipeline. Lawmakers have been out on a road show to sample public opinion, with hearings held so far in Anchorage, Fairbanks, Palmer, Kenai and Barrow. Legislators will be in Ketchikan July 8 and will return to Juneau July 9.

Technically, the 30-day special session called by the governor June 3 ended July 3, but that's a procedural issue, since a second special session will be called. The Alaska Gasline Inducement Act gives lawmakers 60 days to consider the TransCanada license, which means the drop-dead date is in early August, which is when TransCanada's proposal also expires if the Legislature has failed to act.

### **House Speaker John Harris says he wants final action by July 16.**

The consensus opinion, for now, is that the Legislature will approve the license, but as the proposal has been aired in community meetings, which included state administration officials making the pitch, issues have emerged that have made legislators uncomfortable.

**In the judiciary meeting, state Sen. Bill Wielechowski, D-Anchorage, summed up the two biggest worries: The \$500 million state grant and the treble-damages liability to TransCanada the state would assume.**

**Treble damages would amount to three times TransCanada's own expenditures, or \$360 million. If the deal goes sour, the state's \$500 million contribution in addition to the \$360 million would bring the state's total exposure to \$860 million, according to information provided by the administration.**

**Beyond that, a subset of concerns have emerged, including the fact that the treble damages would trigger if the state provides assistance, the definition of which is unclear but almost certainly includes funds, to a spur or bullet pipeline to Southcentral Alaska or Valdez that carries more than 500 million cubic feet per day, which is below the volume needed for any significant manufacturing based on natural gas or a major liquefied natural gas project.**

**Legislators are interested in helping fund a spur pipeline to lower the cost of bringing**

7/8/2008

**North Slope gas to consumers in Southcentral Alaska, and are worried that the damages provision may inhibit a larger and more efficient spur line to carry also gas for a major industrial project.**

State Revenue Commissioner Pat Galvin told the Senate Judiciary Committee in a June 26 meeting that any spur pipeline taking 500 million cubic feet per day would trigger TransCanada's treble damages claim.

Galvin also said, in a meeting in Kenai June 27, that the damages provision would trigger if the Legislature modified the state natural gas production tax as a matter of general law, which would affect gas committed for transport through the competing Denali pipeline project that is now underway, or the proposed state-backed TransCanada project.

**Because changing the tax in general law would benefit the competing Denali pipeline, it would trigger TransCanada's claim for damages.**

**What administration officials have said previously is that they would consider modifications to the production tax but only for gas committed to TransCanada. Just how the administration might accomplish this legally, so that there is no unconstitutional tax preference, is unclear.**

**Many legislators, including Sens. Charlie Huggins, R-Mat-Su, and Lesil McGuire, R-Anchorage, are worried that there is no actual contract between the state and TransCanada to spell out details of a hugely complex project that will involve tens of billions of dollars.**

**Administration officials say the license itself constitutes an adequate contract when combined with the state's request for applications and TransCanada's application, both from last year, as well as the transcript of questions and answers during legislative hearings.**

Huggins, McGuire and other lawmakers feel that isn't enough, and there will be so many loose ends so as to become a minefield for disputes between the state and TransCanada. Galvin and other state officials don't want to see the process get slowed down by having to work out a detailed contract, however. What is now in the record is sufficient to resolve disagreements, they said.

As to the \$500 million state subsidy, the governor, Galvin and other officials seemed to have convinced most legislators that the expenditure is worth the special conditions TransCanada has agreed to in the license, to hold open seasons to solicit for new gas, to expand the pipeline if new gas is offered by explorers, and to structure financing in a way that tariffs, or transportation costs, are as low as possible.

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**Subject:** Andrew Halcro: AGIA Lite: Cook Inlet Gas to Fairbanks?

# AGIA Lite: Cook Inlet Gas to Fairbanks?

Just two day before the legislature reconvenes in Juneau to decide the fate of the AGIA license for TransCanada, Governor Palin announced a plan to address the pleas for help with in state gas use.

Dubbed AGIA Lite by the governor, the two groups who will form the partnership, Enstar and ANGDA, held a press conference that seemed long on hope but lite on the details.

The initial proposal calls for Enstar and ANGDA to begin working together immediately on designing a 460 million cubic feet per day bullet line from Cook Inlet to Fairbanks. Project engineering and costing are scheduled to be done by January of 2009, with any enabling legislation to be presented to the legislature next session.

The aggressive timeline calls for construction to begin by 2011 and gas flowing to interior Alaska by 2013. The partnership between ANGDA and Enstar just came together within the last two weeks according to reports.

**During the press conference, few answers were given to key questions. Most of the questions were answered with, "Yet to be determined" given as the response. Asked who would operate the line, what was the cost, who would finance the line and what the route would be; there were no firm answers.**

And the biggest question of all drew the most curious response.

For the last few years we have seen consistent reports about natural gas supplies in southcentral diminishing beginning around 2013 and our Enstar bills have reflected the tighter supply concerns.

**When asked about where the gas would come from to fill the pipeline, everyone in the room seemed to subscribe to the theory that pre-building the pipeline would stimulate gas development in Cook Inlet.**

Reports have shown there is significant amount of gas in Cook Inlet that hasn't been discovered due to the economic challenges. With a small population base and a smaller industrial base, monetizing the gas once it was found has so far proven to be a barrier for companies to invest in Cook Inlet exploration.

In addition, other possible gas developments in the Copper Valley basin have been suggested as possible gas finds.

**Even with that said, the prospects of financing a line based on gas yet to be discovered are questionable.** During the press conference, the governor seemed to say her reading of the populist view of Alaskans would support the making a major investment in the project, which of course would allow the project to possibly be built and subsidized without being fully subscribed by gas shippers.

Enstar has already been working on a proposed bullet line that would have taken the Parks Highway and is estimated to cost \$3.3 billion, but the state's preferred route is the Richardson Highway that would add an additional 80 to 90 miles and increase the cost.

**In an interesting exchange, Eric Lidgl from the Petroleum News asked if anyone had held any discussions with the Cook Inlet producers, ConocoPhillips or Marathon, about the possibility of increased exploration if the bullet line was a possibility.**

**The answer was no.**

Another interesting question came from Fairbanks.

As you've read on our website, Fairbanks North Star Borough Mayor Jim Whitaker sent a stern letter to the governor and lawmakers, warning them of legal action if the state didn't take **immediate steps to remedy the growing energy crisis in Fairbanks.**

**Dermot Cole from the Fairbanks Daily News Miner asked about the tariff. Since Fairbanks would be the last stop on the pipeline route, we'd pay the highest tariff, how would that help us, he asked.**

However if the state was to subsidize a major portion or the entire cost of the project, it would make the tariff much lower.

But this is where it gets tricky for the state.

One of Mayor Whitaker contentions in his letter was that the state was violating the equal access provisions in Alaska's constitution by providing lower cost Cook Inlet natural gas exclusively to residents of southcentral.

**If the state subsidizes residents along the pipeline route up to Fairbanks with cheap gas due to the state's investment, what would stop a community that didn't benefit from the bullet line from sending the same letter and claiming the same constitutional violations?**

The announcement today is positive but as we've come to learn...the devil is always in the details. And there were very few details today.

## Rynnieva Moss

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**From:** Christopher Clark [cgalaska@yahoo.com]  
**Sent:** Monday, July 07, 2008 6:05 PM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labolle; Karen Lidster; Rynnieva Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter, skippydog@att.net  
**Subject:** Wesley Loy: State, Enstar to partner on small gas line

## State, Enstar to partner on small gas line

By WESLEY LOY  
wloy@adn.com

Published: July 7th, 2008 05:49 PM  
Last Modified: July 7th, 2008 05:49 PM

The state will partner with Enstar Natural Gas Co. to build a pipeline to carry gas through the state's midsection, Gov. Sarah Palin said today.

The goal is to provide affordable gas to Fairbanks and other parts of Alaska facing high energy costs, Palin said.

And the state itself might invest in the project, expected to cost \$3 billion or more, she said.

The pipeline would complement a much larger proposed pipeline to carry North Slope gas into Canada and the Midwest, the governor and company spokesmen said.

The smaller line would be reversible - that is, capable of carrying gas south from the North Slope or north from Cook Inlet, where it's possible drillers could find big new gas fields, they said.

Construction could begin by 2011, and gas could be flowing by 2013, according to the governor's timeline.

**Today's announcement at Palin's downtown Anchorage office left many practical questions unanswered, however, and came only two days before state legislators are to reconvene in Juneau to continue hearings on TransCanada Corp.'s proposed megapipeline to Alberta.**

Palin is urging the lawmakers to award TransCanada a state license and a \$500 million subsidy for the project under AGIA - the Alaska Gasline Inducement Act of 2007.

Some lawmakers and other critics have accused Palin of focusing too heavily on shipping Alaska gas out of state and not enough on supplying local needs.

Palin said today she's never lost sight of addressing local energy demand, and said the partnership with Enstar, the main gas utility for Southcentral Alaska, is one way to do it.

**She denied today's announcement was timed to shore up support for the AGIA license.**

**"It's not out of fear that AGIA is not going to work," she said.**

But a board member with the Alaska Natural Gas Development Authority, a tiny state agency that will join forces with Enstar, said the partnership came together only in the last week or so.

Voters created the authority in 2002 to pursue a natural gas pipeline, long one of the state's top economic development priorities. Harold Heinze, a former Arco Alaska Inc. president, runs the agency.

#### MANY QUESTIONS

The in-state pipeline would carry about 460 million cubic feet of gas per day, compared to the much larger volume of 4.5 billion cubic feet being proposed for the Canada pipeline.

Palin and her aides said many details about the smaller gas pipeline, which she dubbed "AGIA lite," have yet to be worked out.

Among the questions:

- \* How much would the pipeline cost, and exactly what route would it take?
- \* Where would the gas to fill it come from? Palin and her aides conceded it would rely on gas that hasn't yet been discovered in the North Slope Foothills, in various Interior basins, and in Cook Inlet. They said the pipeline could encourage Cook Inlet gas exploration by providing a market for a big discovery - the gas could flow north into the big pipeline to Canada.
- \* Who, other than the state, would fund a pipeline some 700 miles long without firm gas supplies to fill it?

Enstar has been studying a \$3.3 billion pipeline that would stretch from Cook Inlet north along the Parks Highway to Fairbanks and beyond to the North Slope Foothills, where Texas-based oil company Anadarko Petroleum Corp. has been drilling for gas.

The development authority, meantime, has studied a pipeline along the Glenn and Richardson highways from the Interior. This has been described as a "spur line" that would tap into the big Canada line to bring gas to Southcentral, where known Cook Inlet gas fields that have long heated and powered the region are nearing depletion.

State and Enstar officials said both routes will be considered under the new partnership.

Scott Heyworth, acting board chairman for the gas development authority, said financing won't be a problem. He said the partnership came together quickly in recent days.

"This is going to be a hot project," said Heyworth, who sat next to Palin during today's press conference. "We're going to find the financing."

**Rynniewa Moss**

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**From:** Christopher Clark [cgcalaska@yahoo.com]  
**Sent:** Monday, July 07, 2008 8:03 AM  
**To:** Tim Benintendi; Peter Fellman; Linda Hay; Crystal Koeneman; Paul Labelle; Karen Lidster; Rynniewa Moss; Jane Pierson; Julianna Singh; Cheryl Sutton; Will Vandergriff; John Bitney; John Bitney; Shannon Devon; Debbie Richter; skippydog@att.net  
**Subject:** Andrew Halcro: AGIA's Hail Mary Gas Tax Strategy

## AGIA's Hail Mary Gas Tax Strategy

Over the last few weeks I've heard both talk show callers as well as read blog comments asserting that AGIA is responsible for Denali and the recent tax hike approved by the legislature (ACES) has had no impact on the progress towards a gas pipeline.

In order to think that AGIA was responsible for both the ConocoPhillips proposal last December and the Denali project this spring, you'd have to ignore the fact that all of the major producers testified when the legislature was crafting AGIA that they wanted to bid, but AGIA didn't provide for a commercially viable project.

More highlighting the fallacy of this argument later in the blog.

Last week on a local talk show, a guest stated, "when ACES was passed, a lot of people said it would harm future investment. But here we are with the producers pushing ahead with the Denali Project." The host replied that he hadn't heard that before and thought that was a great point.

No it wasn't a great point because it wasn't accurate.

In fact trying to use the emergence of Denali to prove the recent tax hike on the oil & gas industry was harmless ignores the fact that current gas tax rate under ACES is completely irrelevant for two important reasons; nobody is producing gas today so there is no way to judge its impact but more importantly everybody realizes the gas tax structure today, won't be in place tomorrow, if the state hopes to attract the final investment decision needed to build the gas pipeline.

Look, it's one thing to adopt a massive tax increase on a thirty year old legacy oil field, but that approach won't work if you're trying to attract new investment for the most expensive privately financed oil & gas project in North American history.

During testimony on AGIA in April of 2007, Department of Revenue Commissioner Pat Galvin was asked about the state's existing gas tax rate before ACES was adopted. Galvin replied, "Our level of confidence in the current tax rate is relatively low".

A few days later in the House Resources Committee, lawmakers queried Commissioner Galvin about why the state wouldn't make necessary adjustments to the tax rate before asking for competitive bids under AGIA.

With all the concerns about the lack of fiscal predictability in AGIA, why wouldn't you want to nail down something as critical as tax rates, asked one Representative. How do you expect someone to submit a complete bid if they don't know what their tax rates are going to be, asked another.

"You have moved from a question of whether the producers need to have this level of certainty that they keep talking about at the time they submit the application or whether its at the time they commit their gas. What we have structured in the bill is that level of certainty we believe is appropriate at the time they commit their gas", Galvin answered.

This was AGIA speak for, "we have designed the bill so the producers can't bid on AGIA, so we will only attract independent pipeline companies."

Twenty four hours after Commissioner Galvin said the state had determined that it wasn't important for AGIA applicants to know the actual tax rate, the House Resources Committee took testimony from a prospective applicant who disagreed and told the committee just how critical it is for private companies in the real world.

"To make a sound and fundamental good decision, I have to know" replied Marty Massey from Exxon when asked about the importance of knowing the tax rate. "I don't know, I really don't know what rate to run the economics at because it can change, all of it can change", Massey testified on April 12, 2007.

A year later, we have confirmation that AGIA was never about attracting the most qualified applicants through a competitive process. If it was, you wouldn't have a process where the state ignored those who could build the project while subsidizing those who can't.

The bottom line is that setting a competitive tax rate wasn't a priority, because AGIA was always geared towards a third party pipeline company who wouldn't pay the tax rate.

On January 19, 2008, days after TransCanada was announced as the only viable AGIA applicant, Marcia Davis, Deputy Commissioner of the Department of Revenue testified in front of the Senate Resources Committee.

Davis was asked if the legislature should begin discussions about changing the gas tax in anticipation of open season. "Beginning the gas talk discussion is certainly not inappropriate", she replied.

Davis went on to admit that the tax rate "effects what a producer puts into their consideration as they approach an open season and decide whether to tender their gas".

Whoa....hold on a minute. Isn't that exactly what Marty Massey from Exxon said almost a year earlier when the producers were advocating changes to AGIA to make it commercially viable so they could offer a competitive bid?

Yes, it is.

**However for Galvin and company, they viewed the gas tax rate as leverage to force the producers to commit gas to a TransCanada pipeline, thus forcing a marriage governed by the vows of AGIA.**

But they completely underestimated the producers willingness to start their own project; even though every major producer testified last year during the AGIA hearings that they were interested if the state amended AGIA to promote a commercially viable project.

This is exactly why Commissioner Galvin was so animated last week when lawmakers asked about treble damages if the legislature adopted a new tax structure. At the end of the day, a competitive tax structure could result in the producers moving ahead with Denali while AGIA's chosen one, TransCanada, waits at the altar after spending hundreds of millions of state dollars preparing for the wedding.

Don't do it, Galvin said. Don't think you're going to get cute and walk right up to that line because we will have to pay them treble damages, he added, sounding desperate that his AGIA Hail Mary might be usurped by the legislature.

But this is where Palin's gas line team knows they're on thin ice with AGIA.

**The state can't adopt a tax structure and offer it to the producers only if they commit their gas to a TransCanada's pipeline. That would violate just about every equal access provision and restraint of trade clause known to man kind.**

**So instead, the administration's strategy is to try and force the producers to accept the terms of AGIA by committing their gas to a TransCanada pipeline in exchange for a favorable tax structure. If the**

**legislature were to adopt a commercially reasonable tax structure before the producers caved in, the legislature would effectively neuter the administration's entire strategy.**

I've said it before and I'll say it again; this arranged marriage concept is plain foolish and will put the project at risk.

Two weeks ago when FERC testified in front of the legislature they talked at great length about the urgency of not wasting time due to the major investments being made around the globe in search of natural gas.

Mark Robinson from FERC talked about how arctic gas has a competitive disadvantage and most of today's investment in gas infrastructure is going into equatorial areas like the Gulf of Mexico. And he pressed the need to get moving quickly due to the fact that other gas supplies were quickly being explored and developed.

Meanwhile, here we are trying to develop our arctic gas playing the role of Sheriff Bart in Blazing Saddles.

Aiming our own gun at our own head while warning investors that if they take one more step we'll shoot.

This approach sets up a dangerous game of chicken that the state will not win, while our economy loses.

Meanwhile the next time you hear someone say that AGIA is responsible for Denali, or that AGIA is going to be responsible for getting a gas pipeline built, remind them of the facts.

Last year the producers testified the reason they couldn't bid on AGIA without amendments was because it didn't provide for a commercially viable project.

This year TransCanada testified the reason they needed the \$500 million subsidy from the state was because AGIA required them to do things they wouldn't normally do in a regular commercial project.

And if anyone thinks the most expensive oil & gas project in the world will be built by a process where both the investors and the state's straw man have already stated that the terms in AGIA are not consistent with a normal commercial project, they're fooling themselves.

## Daily Policy Digest

### Economic Issues

July 7, 2008

#### ZIMBABWE CAN'T PAPER OVER ITS MILLION-PERCENT INFLATION ANYMORE

Robert Mugabe has kept his embattled regime in Zimbabwe afloat on a sea of paper money. Now he'll have to try to do it without the paper, says the Wall Street Journal.

The Munich-based company, Giesecke & Devrient, that has supplied Zimbabwe with the special blank sheets to print its increasingly worthless dollar caved in to pressure on Tuesday from the German government for it to stop doing business with the African ruler.

Mugabe's regime relies on a steady supply of the paper to print the bank notes that allow it to pay the soldiers and other loyalists who enable him to stay in power, says the Journal. This has led to hyperinflation, which has ravaged the economy of Zimbabwe:

- With an annual inflation rate estimated at well over 1 million percent, new Zimbabwean dollars with ever more zeros need to be printed every few weeks because the older ones lose their worth so quickly.
- A 500,000 Zimbabwe note issued in late 2007 is already out of circulation, and is worth just 0.00004 U.S. cents.
- Vending machines are no longer in use in Zimbabwe, because a single soda would require the deposit of billions of coins.
- A Coke sells on the black market for around 15 billion Zimbabwean dollars.
- A loaf of bread costs 30 billion Zimbabwean dollars.

Steve H. Hanke, a professor of applied economics at Johns Hopkins University, says hyperinflation is a very simple equation -- stop printing money and it stops.

Source: Marcus Walker and Andrew Higgins, "Zimbabwe Can't Paper Over Its Million-Percent Inflation Anymore," Wall Street Journal, July 2, 2008; and Rod Nordland, "Where the Money Isn't," Newsweek, July 2, 2008.

For WSJ text:

<http://www.moneyweb.co.za/mw/view/mw/en/page94?oid=213457&sn=Detail>

For Newsweek text:

<http://www.newsweek.com/id/144387>

For more on Economic Issues:

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## Rynniva Moss

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**From:** Christopher Clark [cgcalaska@yahoo.com]

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

**Subject:** Tim Bradner/Journal of Commerce: Lawmakers continue gasline debate after first session closes

Web posted Sunday, July 6, 2008

## Lawmakers continue gasline debate after first session closes

**By Tim Bradner**

*Alaska Journal of Commerce*

State legislators will soon be on the final lap in considering Gov. Sarah Palin's proposed license for TransCanada Corp. to tackle a \$30 billion-plus North Slope gas pipeline. Lawmakers have been out on a road show to sample public opinion, with hearings held so far in Anchorage, Fairbanks, Palmer, Kenai and Barrow. Legislators will be in Ketchikan July 8 and will return to Juneau July 9.

Technically, the 30-day special session called by the governor June 3 ended July 3, but that's a procedural issue, since a second special session will be called. The Alaska Gasline Inducement Act gives lawmakers 60 days to consider the TransCanada license, which means the drop-dead date is in early August, which is when TransCanada's proposal also expires if the Legislature has failed to act.

### **House Speaker John Harris says he wants final action by July 16.**

The consensus opinion, for now, is that the Legislature will approve the license, but as the proposal has been aired in community meetings, which included state administration officials making the pitch, issues have emerged that have made legislators uncomfortable.

**In the judiciary meeting, state Sen. Bill Wielechowski, D-Anchorage, summed up the two biggest worries: The \$500 million state grant and the treble-damages liability to TransCanada the state would assume.**

**Treble damages would amount to three times TransCanada's own expenditures, or \$360 million. If the deal goes sour, the state's \$500 million contribution in addition to the \$360 million would bring the state's total exposure to \$860 million, according to information provided by the administration.**

**Beyond that, a subset of concerns have emerged, including the fact that the treble damages would trigger if the state provides assistance, the definition of which is unclear but almost certainly includes funds, to a spur or bullet pipeline to Southcentral Alaska or Valdez that carries more than 500 million cubic feet per day, which is below the volume needed for any significant manufacturing based on natural gas or a major liquefied natural gas project.**

**Legislators are interested in helping fund a spur pipeline to lower the cost of bringing**

**North Slope gas to consumers in Southcentral Alaska, and are worried that the damages provision may inhibit a larger and more efficient spur line to carry also gas for a major industrial project.**

State Revenue Commissioner Pat Galvin told the Senate Judiciary Committee in a June 26 meeting that any spur pipeline taking 500 million cubic feet per day would trigger TransCanada's treble damages claim.

Galvin also said, in a meeting in Kenai June 27, that the damages provision would trigger if the Legislature modified the state natural gas production tax as a matter of general law, which would affect gas committed for transport through the competing Denali pipeline project that is now underway, or the proposed state-backed TransCanada project.

**Because changing the tax in general law would benefit the competing Denali pipeline, it would trigger TransCanada's claim for damages.**

**What administration officials have said previously is that they would consider modifications to the production tax but only for gas committed to TransCanada. Just how the administration might accomplish this legally, so that there is no unconstitutional tax preference, is unclear.**

**Many legislators, including Sens. Charlie Huggins, R-Mat-Su, and Lesil McGuire, R-Anchorage, are worried that there is no actual contract between the state and TransCanada to spell out details of a hugely complex project that will involve tens of billions of dollars.**

**Administration officials say the license itself constitutes an adequate contract when combined with the state's request for applications and TransCanada's application, both from last year, as well as the transcript of questions and answers during legislative hearings.**

Huggins, McGuire and other lawmakers feel that isn't enough, and there will be so many loose ends so as to become a minefield for disputes between the state and TransCanada. Galvin and other state officials don't want to see the process get slowed down by having to work out a detailed contract, however. What is now in the record is sufficient to resolve disagreements, they said.

As to the \$500 million state subsidy, the governor, Galvin and other officials seemed to have convinced most legislators that the expenditure is worth the special conditions TransCanada has agreed to in the license, to hold open seasons to solicit for new gas, to expand the pipeline if new gas is offered by explorers, and to structure financing in a way that tariffs, or transportation costs, are as low as possible.