ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 HRLS 12330

Building Better Access and Benefit Agreements

Who?

- Government
  - Canada
  - Provincial government
  - Territorial government

Building Better Access and Benefit Agreements

Why Not The Crown?

- Duty to consult and accommodate is a legal duty of the Crown (Haida)
- Crown can delegate "procedural aspects of consultation" to Project Proponents
- Industry seeking "sign-off" on Crown's duty

Building Better Access and Benefit Agreements

How?

- Employment opportunities
- Contracting opportunities
- Financial consideration
- Communications Committee
- Legal certainty

Building Better Access and Benefit Agreements

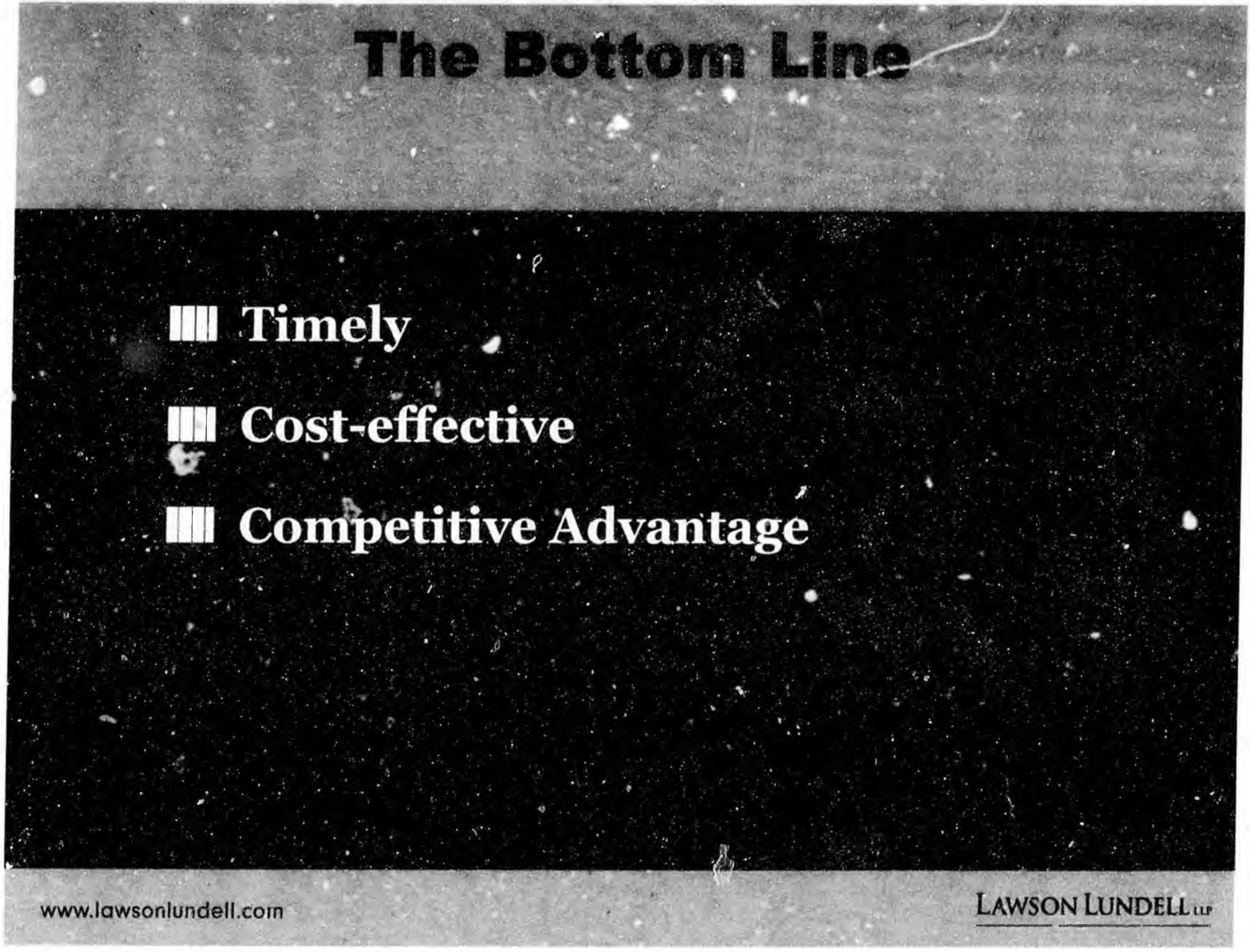
Why?

- Industry: Proceed with the Project and Legal Certainty
- First Nation: Share in the benefits and provide input on the Project
- Both parties: Build relationships

Building Better Access and Benefit Agreements

The Alternatives

- Judicial review
- Appeal
- Injunction
- Litigation (nuisance, etc.)
- Delay in permit authorization
- Lack of access


The Bottom Line
Timely
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Building Better Access and Benefit Agreements

Past Grievances/Infringements

- *Gitxsan v. British Columbia (Minister of Forests)*
- *Gwasslam v. British Columbia (Minister of Forests)*

"If a…licence has been issued in breach of the Crown's duty to consult, the duty continues and the Crown is obliged to honour its duty each time it has a dealing with the licence." (Gitxsan, p. 81)

1600 Cathedral Place
925 West Georgia Street
Vancouver British Columbia
Canada V6C 3L2
Telephone 604 685 3456
Facsimile 604 669 1620

3700 205 5th Avenue SW
Bow Valley Square 2
Calgary Alberta
Canada T2P 2V7
Telephone 403 269 0900
Facsimile 403 269 9494

P.O. Box 818
4908 - 49th Street
Yellowknife NWT
Canada X1A 2N6
Telephone 867 669 5500
Toll Free 1 888 465 7608
Facsimile 867 920 2206

Keith B. Bergner

Partner, Vancouver, BC

604.631.9119

LAWSON LUNDELL LLP

BARRISTERS & SOLICITORS

HB 3001
SB 3001
7/14/08
SPECIAL SESSION DOCUMENTS

APEGGA
The Association of Professional Engineers,
Geologists and Geophysicists of Alberta

July 4, 2008

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

RE: Licensure of Alaska Professional Engineers in Alberta

Dear Sir:

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

1) The Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) is the regulatory body that regulates the practice of engineering and geosciences in Alberta. An individual wishing to become licensed to practice engineering in Alberta must apply to APEGGA.

2) An Alaska licensed P.E. must meet the same five licensure criteria as any other applicant to APEGGA. An Alaska licensed P.E. is not subjected to any different standards than a Canadian trained Engineer.

3) The five licensure criteria all applicants must meet are:

- Satisfactory Academics – an Alaska P.E. with an ABET degree who has passed the FE exam meets the academic requirement
- Experience Requirement – four years of engineering experience, at least one of which is 'equivalent North American' experience – experience in Alaska satisfies this
- Professional Practice Examination - an examination on Canadian and Albertan law, ethics and professionalism that all applicants must pass
- Good character and reputation
- English language competency

.../2

4) There is no requirement that an Alaska P.E. must be living in Alberta, or Canada, to obtain a license to practice engineering in Alberta. If the P.E. meets the five requirements noted above and is a Canadian citizen or Permanent Resident of Canada, he or she will be licensed as a Professional Engineer with APEGGA. If the P.E. meets the five requirements noted above and is not a Canadian citizen or Permanent Resident of Canada, he or she will be licensed as a Foreign Licensee in engineering.

5) The only difference between a Foreign Licensee and a Professional Engineer is that a Foreign Licensee is not eligible to vote or run for office in APEGGA affairs. Otherwise, the rights and obligations of both categories are the same.

6) The application process for an Alaska P.E. is straight forward. We obtain the same documentation from an Alaska P.E. as we do from a Canadian applicant, which includes a completed application form, transcripts, work experience record, and references. We also contact the Alaska State Board of Registration for Architects, Engineers, and Land Surveyors for confirmation of registration. If the P.E. has a NCEES record book, we will accept that in lieu of the work experience record and references.

We trust this provides you with the information required.

Sincerely,

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

MJT/bls

HB 3001

SB 3001

7/22/08

SPECIAL SESSION DOCUMENTS

PHONE (808) 594-1888

FAX (808) 594-1865

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
711 KAPI'OLANI BOULEVARD, SUITE 500
HONOLULU, HAWAI'I 96813

July 18, 2008

The Honorable Lyda Green
Senate President
State Capitol, Room 111
Juneau, AK 99801-1182

Dear Senator Green:

Hawai'i and the Native Hawaiian community are especially vulnerable to rising energy costs. For that reason, the Office of Hawaiian Affairs (OHA), a semi-autonomous state agency and trust created by the people of Hawai'i to better the conditions of Native Hawaiians, has been investigating potential cost savings to Native Hawaiian beneficiaries from lower electricity costs and revenue-generating opportunities for OHA from being involved in the importation, storage and distribution of natural gas from Alaska.

Recognition of natural gas' significant cost savings and environmental advantages to oil and renewable fuels first led to serious analysis of its use in Hawai'i by state and local policymakers in 2004. In 2006, OHA formed a partnership with the Hawai'i Natural Energy Institute (HNEI), the Hawai'i Energy Policy Forum to update the 2004 study with a comprehensive analysis in April 2007 featuring natural gas from Alaska. The study was supervised by Dr. Fereidun Fesharaki, Chairman and CEO of FACTS Global Energy, an internationally renowned energy consultant.

The findings of the analysis, initially reported at the OHA-sponsored 2007 Hawaiian Business Conference and Economic Expo, demonstrated great promise for the Native Hawaiian community and all of Hawai'i from the importation of natural gas from Alaska. With infrastructure, shipping, and storage costs to be borne by the private sector, Alaska natural gas could replace approximately 95% of the fuel oil that Hawaiian Electric Company (HECO) currently uses in power generation on Oahu.

According to the study, natural gas substitution in the power sector in Hawai'i would be approximately 1.35 million tonnes in 2013, increasing to 1.8 million tonnes in 2022. Hawai'i's natural gas demand exceeds the 1 million tonnes per annum that allow for reasonable economies of scale. Importing Alaska natural gas could reduce oil's share of the primary energy mix statewide by approximately 20% within 4-7 years of a decision to move forward.

Using natural gas instead of maintaining current fuel plans would reduce the global warming potential of Oahu's power generation by approximately 25% in 2013 and roughly by an average of 23.5% per annum through 2020. Most importantly, there are significant savings to be gained from using natural gas. The study pointed out that potential annual fuel savings to consumers would translate to tens of millions of dollars as the price of natural gas to the power plants would be less than the price forecasted for the low sulfur fuel oil (LSFO) it will replace.

Based on these findings, I wish to inform you that OHA supports the development of the natural gas pipeline from Prudhoe Bay to Valdez together with a liquefied natural gas (LNG) facility to enable shipment of LNG to other domestic markets in the US, such as the West Coast and Hawai'i, and to the growing markets in Asia.

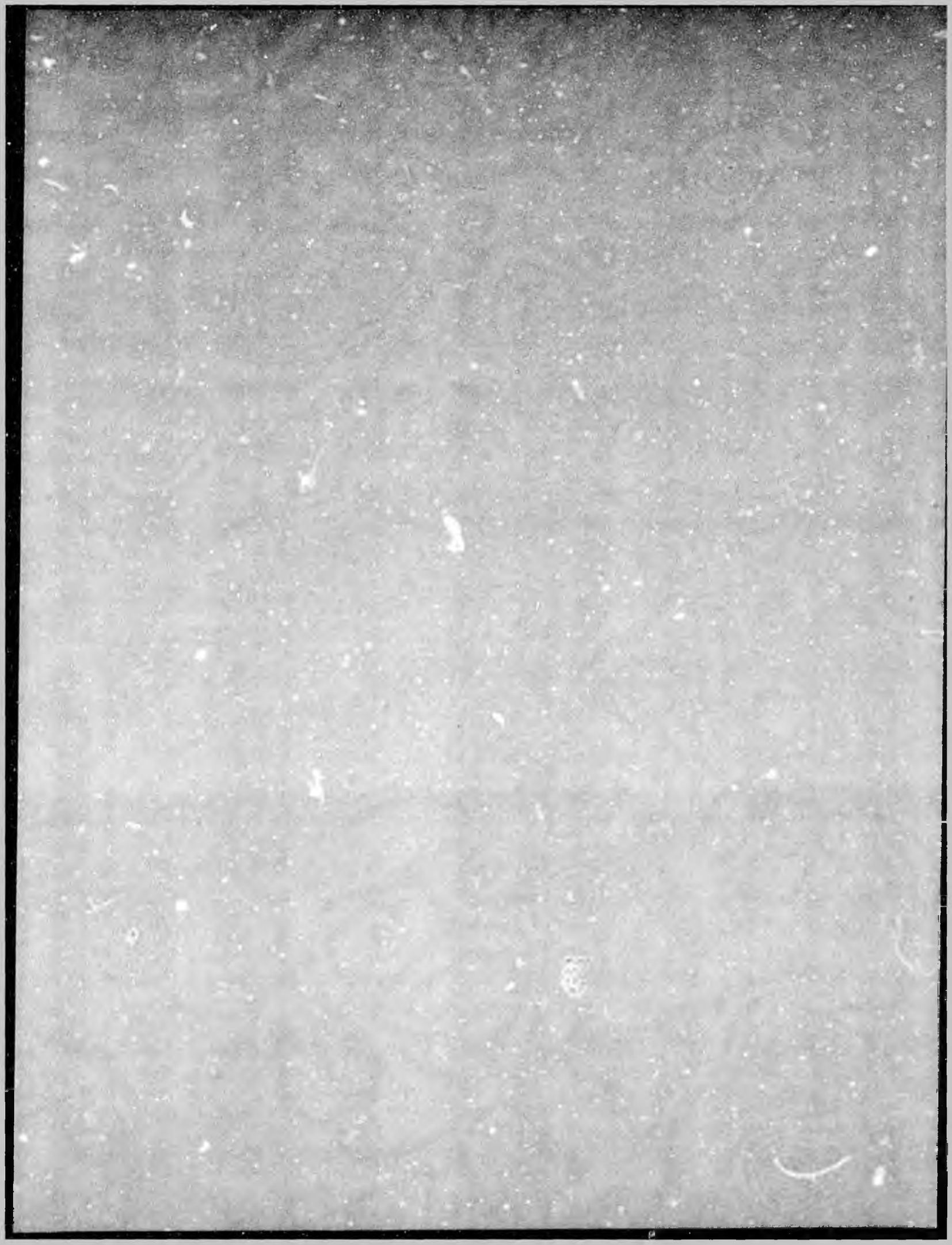
OHA believes a Prudhoe Bay to Valdez pipeline offers significant mutual benefits to both Alaska and Hawai'i. The short transportation distance from Valdez to the Hawaiian market makes Alaska LNG a highly competitive source of energy relative to other fuels. Since Hawai'i is located along the route from Asia to these markets, potential synergies exist in the LNG shipping capacity by serving Hawai'i along the way. There are huge existing markets for LNG in Japan and Korea, and the enormous potential markets of China, India and the continental US. At the same time, Alaska natural gas helps Hawai'i achieve a number of policy objectives regarding global warming, energy and economic security, air quality improvement, consumer savings, and transition to a future renewable and hydrogen energy economy.

If such a pipeline project were to proceed, OHA would be interested in working with Alaska to secure long-term natural gas contracts that could provide a reliable and affordable supply of energy for years to come.

Due to the above consideration, I urge you to advance the development of the All-Alaska Gasline/ LNG Project. Please do not hesitate to contact me if you have any questions or if I can be of service in any way.

Sincerely,

Clyde W. Nāmu'o
Administrator



Alaska Gasline
PORT AUTHORITY

Presentation to
Alaska State Senate

July 22nd, 2008

Juneau, Alaska

1. LNG Export Issues

Export License – Overview of Federal Law

- ANGTA requires Presidential finding before North Slope gas can be exported
- NGA requires DOE to authorize all U.S. gas exports
  - Export approval for Canada and Mexico automatic
  - DOE has only addressed export for Kenai and YPC
- 1969 to present DOE authorized Kenai export
- 1990 DOE finalized authorization for YPC to export 14 MMT (~1.9 bcf/d) for 25 years starting at first delivery

Export License – DOE's Market Driven Approach

Alaska Gasline Port Authority

- NGA creates rebuttable presumption that license will issue

- DOE's stated goal
  - let market forces define efficient energy markets
  - minimize federal involvement

"Competition in world energy markets promotes the efficient development and consumption of energy resources, as well as lower prices, whereas economic distortions can arise from artificial barriers to the free flow of energy resources. Accordingly, the DOE believes that the public interest in free trade generally supports approval of proposed exports." (DOE Order 350).

Export License – Domestic Need

DOE uses a three pronged public interest analysis to determine if the presumption to allow export has been overcome:

1. *Will national or regional demand exceed available domestic supply?*
2. *If insufficient domestic supply, are alternative supplies available to meet demand?*
3. *If there is sufficient domestic or alternative supply, does some other public interest overcome presumption of export?*
    a. Environment
    b. Alaskan interests
    c. Energy security
    d. International effects
    e. Impact on North Slope development
    f. Lower-48 natural gas prices

Source DOE Order No. 350 (YPC); DOE Order No. 2500 (2008 Kenai).

Export License – Domestic Need

Alaska Gasline Port Authority

1. Will domestic demand exceed available domestic supply?

- U.S. supply and demand over term of license estimated
- DOE takes a broad view of available U.S. reserves, including allowance for
  - reserves growth
  - new discoveries
  - non-conventional gas resources
    - E.g., Tight sands, shale, coal seams and enhanced recovery
- In 1989 DOE said domestic supply sufficient to meet anticipated U.S. need
- Today, domestic reserve additions from shale gas have potential to fulfill domestic need

Export License – Alternative Supply

2. Are alternative supplies available to meet demand if DOE projects insufficient domestic supply?

- DOE looks at availability of gas for import including LNG from overseas
- "unduly simplistic to conclude that [ANS] exports will necessarily diminish the quantity of energy available to U.S. consumers"
  - Alternative may be ANS gas is stranded
  - Export will open ANS to exploration and development
  - ANS LNG to Asia may free up other LNG to go to U.S.
- DOE recognizes gas markets are global
- Today, increased global LNG production and U.S. receiving capacity means alternative supplies are available

Export License – Public Interest Factors

3. If there is sufficient supply, does some other public interest overcome presumption of export?

Energy Security

- "DOE believes that the true energy security lies in encouraging the most efficient operation of the North American and global energy markets."
- Also since 2005 President has broad authority to stop export of all gas

International Effects

- Competition promotes efficiency and lower prices
- Impact on Asian balance of payments and trade imbalances significant

Alaska Gasline Port Authority

U.S. Prices

- DOE wants to insure exporting ANS gas will not drive up lower-48 natural gas prices
- DOE does not consider
  - Various projections anticipating ANS gas will go to U.S.
  - Economic studies of Canadian vs. LNG project
- Rather DOE asks whether available non-ANS gas can be delivered given anticipated prices?
- Answer in 1990 and now is yes!
  - By 2030 about half of U.S. demand will be met with non-conventional gas (EIA Annual Energy Outlook 2008)
  - Non-conventional gas, as marginal supplier, will set price
  - ANS gas to the U.S. will not change the cost of meeting marginal demand or thus price to U.S. consumer

Export License – Public Interest Factor (Price)

Alaska Gasline Port Authority

Impact on North Slope development

- DOE unsympathetic to argument that proven ANS reserves needed for Canadian pipeline
  - Canadian project does not have right to ANS reserves
  - The market will decide
- DOE noted 13 years had passed since ANGTA and the ANS gas remained undeveloped
- DOE said export will encourage
  - Assessment of ANS potential
  - Earlier development of ANS proven reserves
  - Discovery and development of additional ANS reserves

Export License – Looking Forward

- AGPA strongly believes
  - YPC license will be honored, and
  - Regardless a new license would issue.

- YPC license update
  - DOE stated YPC could not pass project costs on to U.S. consumers
  - Filing with DOE all contracts for acquisition, transportation, and sale of gas precondition to export

- New license
  - Presidential finding
  - DOE will undertake same export analysis it did for YPC
  - Circumstances have not materially changed

2. LNG Project Economics

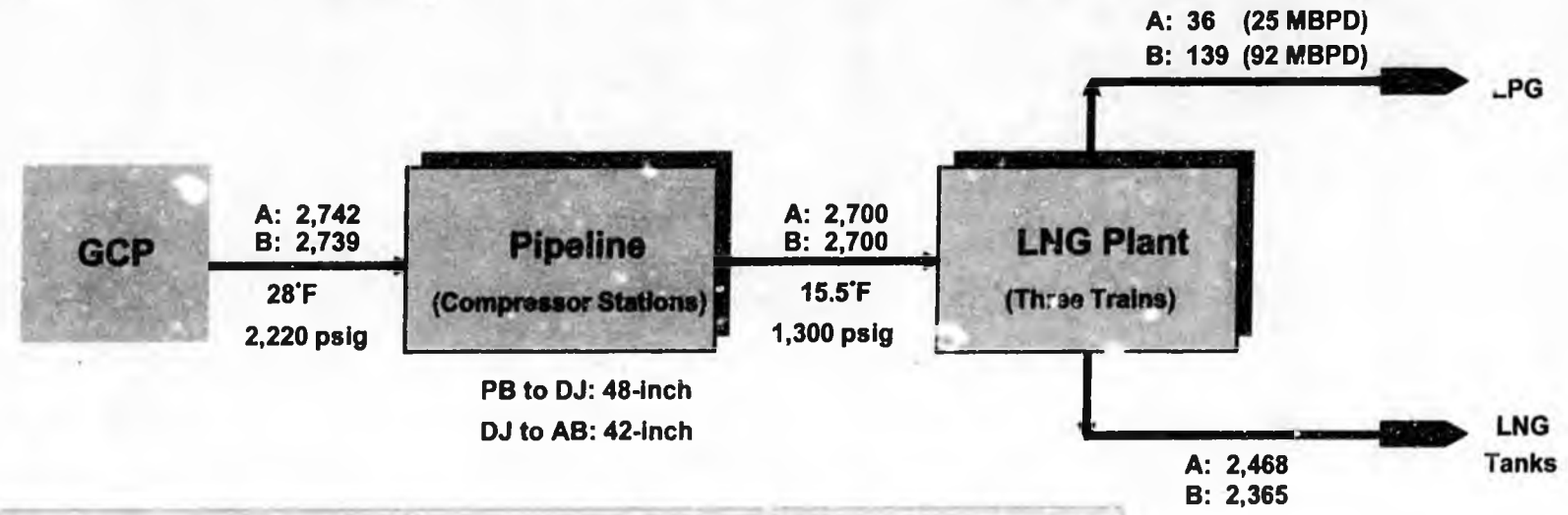
LNG Project Analyses Presented to Legislature

- Economics of an LNG project vs. Pipeline to Canada
  - Port Authority: LNG more attractive than pipeline to Canada
  - Administration: LNG less attractive than pipeline to Canada
  - EconOne: LNG either more or less attractive, depending on assumptions
- Assumptions used are key:
  - capital cost of project components
  - difference in prices in Asian LNG market and Alberta gas market

  ⇨ different assumptions result in different netback prices

Port Authority Project

OVERALL FLOW SCHEME (Gas Compositions Year 2007 Winter Conditions)



Legend:

A. Lean Gas Case

B. Rich Gas Case

Notes:

All flow rates are in MMSCFD; Base Case LNG Plant Availability Assumption: 95%

PB: Prudhoe Bay; DJ: Delta Junction; AB: Anderson Bay

The difference between the inlet and outlet streams is fuel consumption

Capital Cost Assumption Comparison

	Port Authority	Administration (P50)
Pipeline from Prudhoe Bay to Valdez	$13.2 billion	$11.4 billion
LNG Facilities	$8 billion	$14 billion

- 2.7 Bcfd LNG Project
- Cost estimate includes EPC costs, owner's costs during construction, and development costs
- escalation after 2007, property taxes during construction, and AFUDC are excluded

⇨ Administration uses substantially higher capital costs for the LNG Facilities

LNG Plant Capital Cost Estimates

Alaska Gasline Port Authority

Bechtel's "bottom-up" EPC cost estimate for LNG Plant:

- 2007 EPC cost estimate
- Extensive technical work
- Site-specific and project-specific conditions accounted for
- Proven, well-established plant design
- Fewer cost uncertainty factors than the pipeline

Administration's "top-down" LNG plant capital cost:

- Not developed from detailed project-specific technical work
- Derived by "data mining" of database of other LNG projects
- Generic cost-per-ton estimate applied to Anderson Bay

Note: Administration's methodology as described in Chapter 4, Section E.3 of the Written Findings and Determination by the Commissioners of Natural Resources and Revenue for Issuance of License under AGIA

LNG Plants Are Not the Same

- LNG projects are not the same: project location, project scope, feed gas composition and other project-specific factors make valid project comparisons difficult

- Variations in LNG plant scope and configuration:

  - many LNG projects include cost of gas treatment
    - liquid slug removal
    - condensate stabilization
    - acid gas removal
    - water removal
    - mercury removal

  - for the Alaska LNG project, gas treatment occurs at the GCP on the North Slope

LNG Plants Are Not the Same (2)

- Feed gas pressure
  - high pressure feed gas from the pipeline to Valdez
  - significant reduction in the cost of compression at the Valdez LNG Plant
- Ambient temperatures at project site
  - most LNG projects in warm climate
  - Valdez plant benefits from cold climate
- Site preparation, marine terminal facilities, etc: highly location-specific
  - Bechtel estimate based on Anderson Bay site
- Different EPC market conditions for different projects

"Bottom-Up" Approach is Preferable

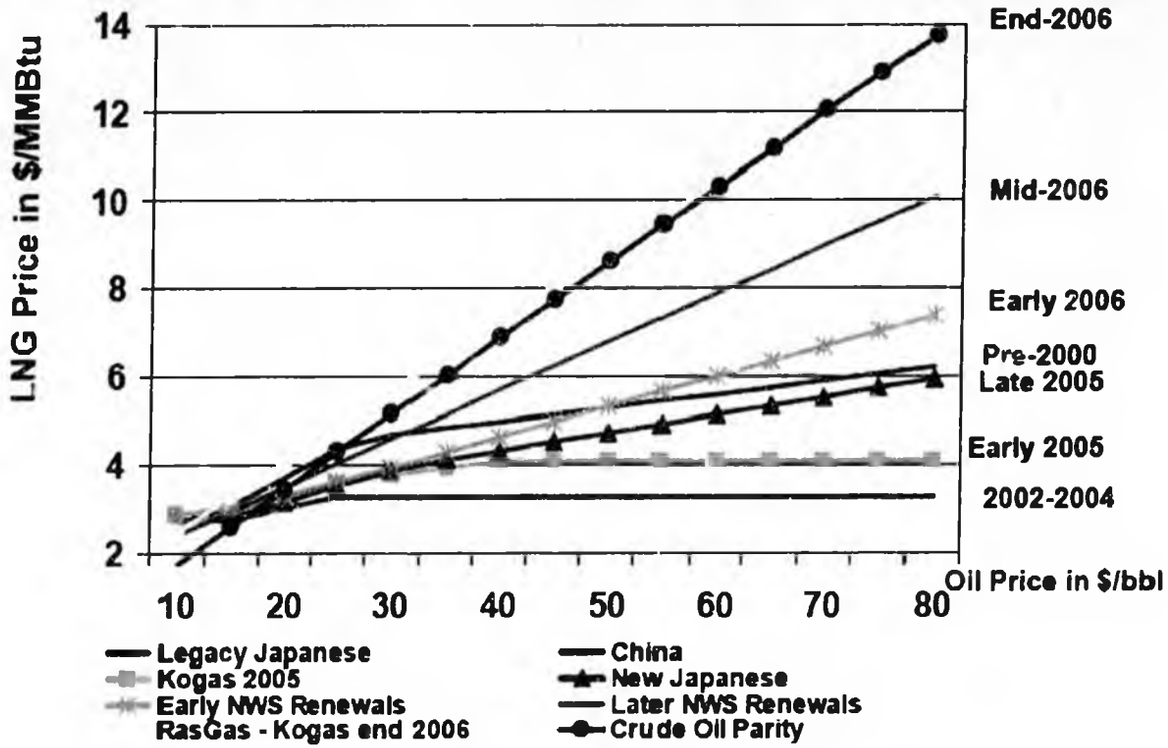
- Limitations of "database mining" approach should be recognized
  - inherent difficulty in comparing projects of different scope, in different locations and subject to different conditions
- Mixing the "top-down" approach for LNG Plant with a "bottom-up" approach for the pipeline:
  - introduces an inconsistency in methodologies
  - validity of economic comparison between the two projects is compromised

Asian LNG and North American Gas Prices

- Asian LNG Prices:
  - bilateral, long-term sales and purchase agreements
  - price formulas with oil price indexation provisions
  - pricing provisions reflect market supply and demand dynamics at time of contract execution
  - at each point in time, multiple active supply contracts, negotiated at different times, with varying pricing provisions

- North American gas prices
  - price discovery is driven by a gas spot market at regional trading hubs (e.g., Henry Hub, AECO, etc.)

Evolution of Asian LNG Prices



Source: Gas Strategies Consulting

- Recent LNG sales contracts in the Asian LNG market have been executed on terms highly favorable to sellers
- Kogas contract from late 2006: LNG price formula reportedly above parity with oil

Price Assumption for Alaska LNG (E. Asia DES)

- Gas Strategies' report to the Administration projects the following price scenarios for Alaska LNG (LNG Price in $/mmBtu, Oil Price in $/bbl)*
  - Base Case: LNG Price = 0.1485 * Oil Price + 0.90
  - High Case: LNG Price = 0.162 * Oil Price + 1.00
  - Low Case: LNG Price = 0.9 * Henry Hub – 0.50

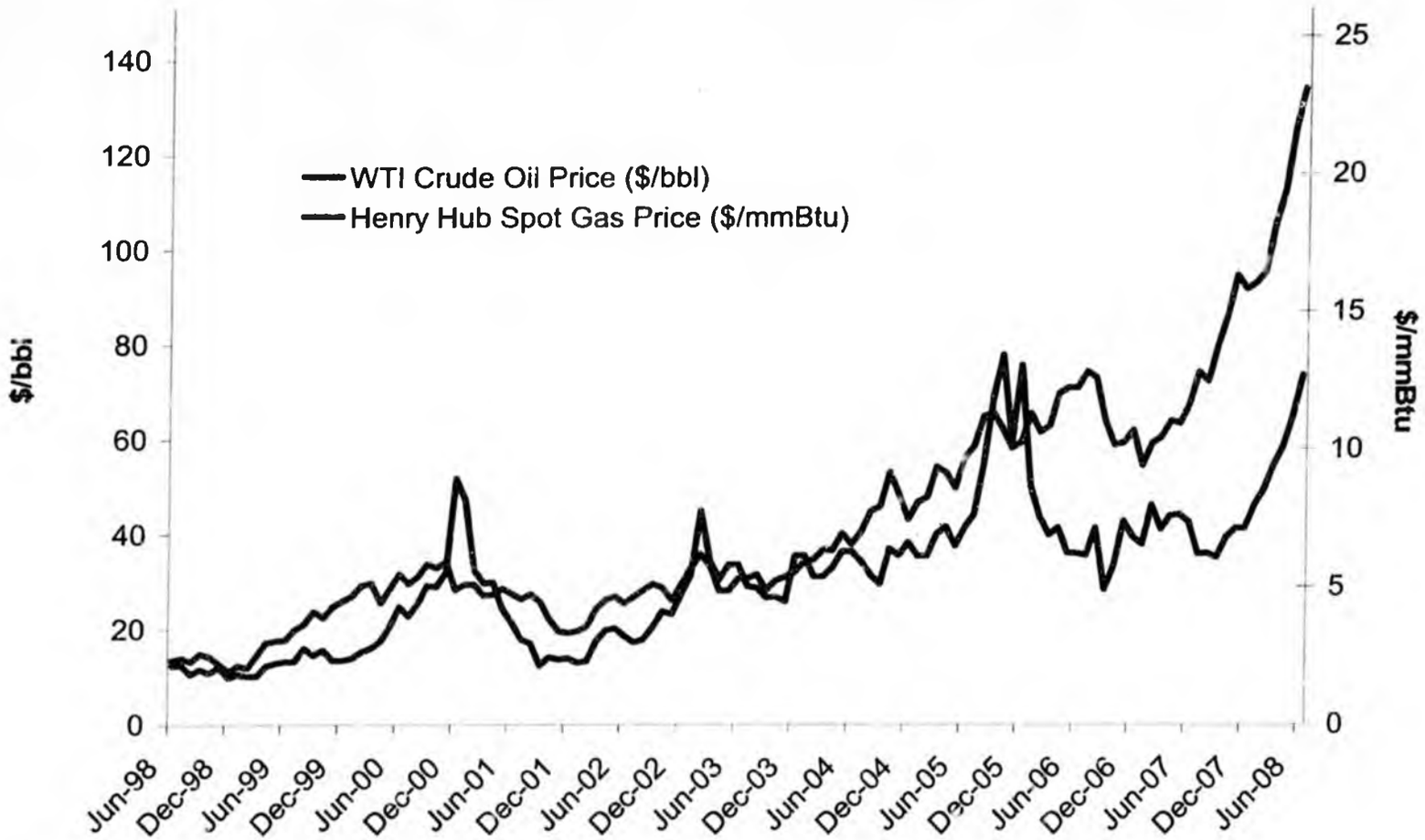
- The Port Authority assumptions:
  - current highly seller-favorable market expected to swing back towards relatively more buyer friendly terms
  - Gas Strategies' Base Case forecast appears reasonable and has been incorporated in Port Authority analysis
  - High Case generates very favorable results for the Alaska LNG Project

* Note: For simplicity, this presentation uses the term "Oil Price" interchangeably with JCC, Brent and WTI prices. In a detailed analysis, the price variations between different crude prices should be taken into consideration.

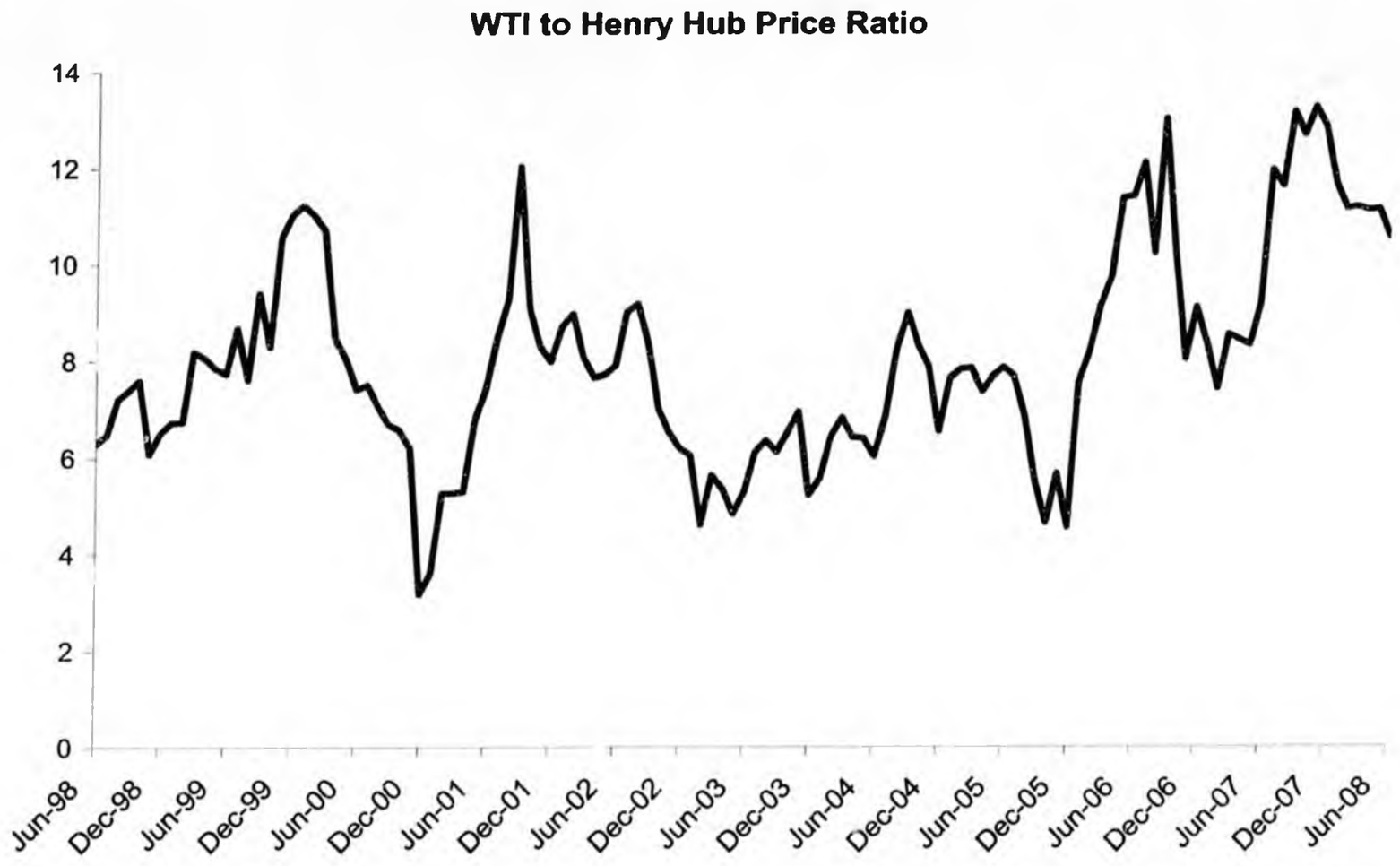
North American Prices: WTI and Henry Hub

Alaska Gasline Port Authority

WTI and Henry Hub Historical Prices (monthly averages)



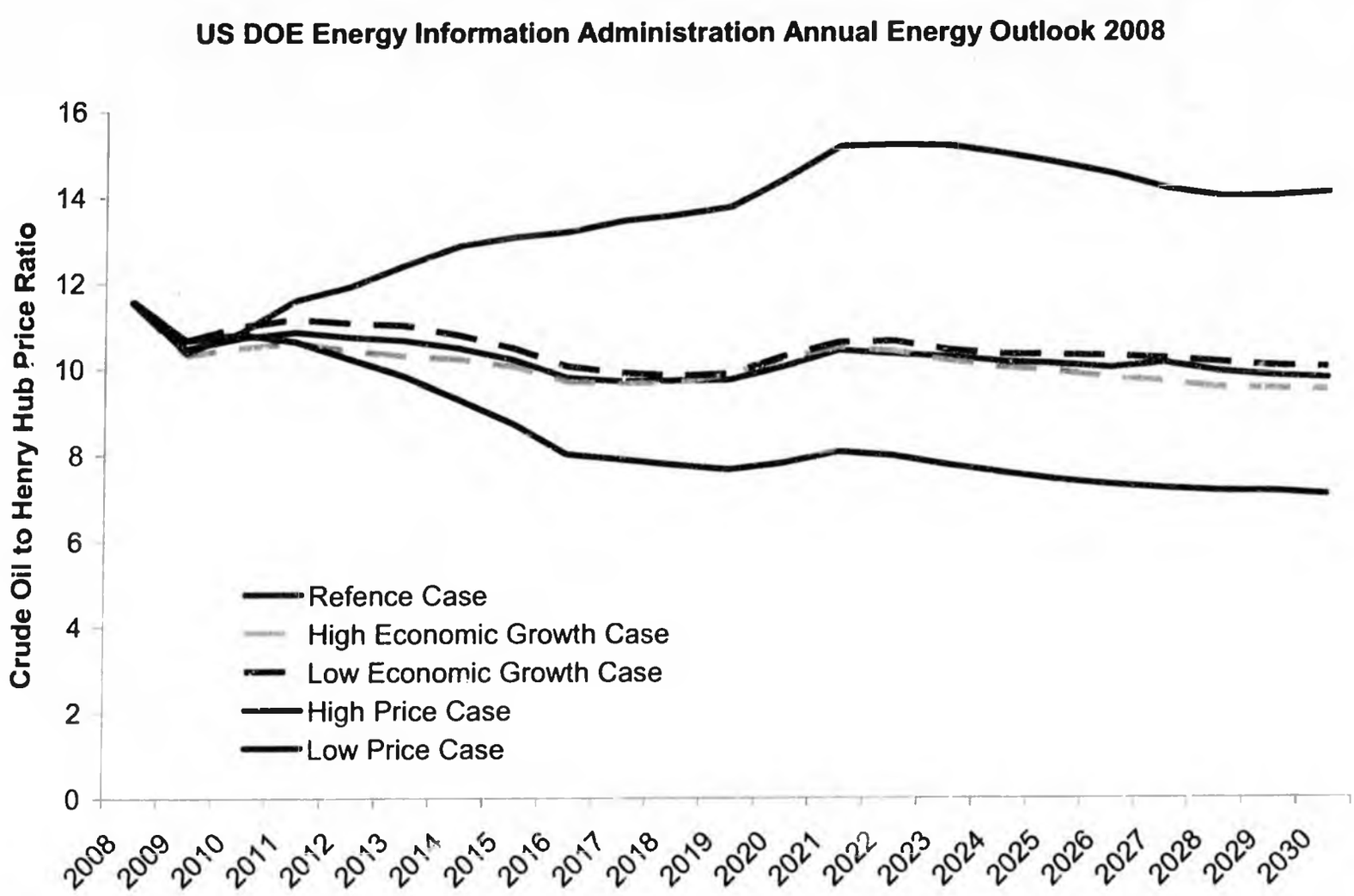
WTI and Henry Hub Price Ratio



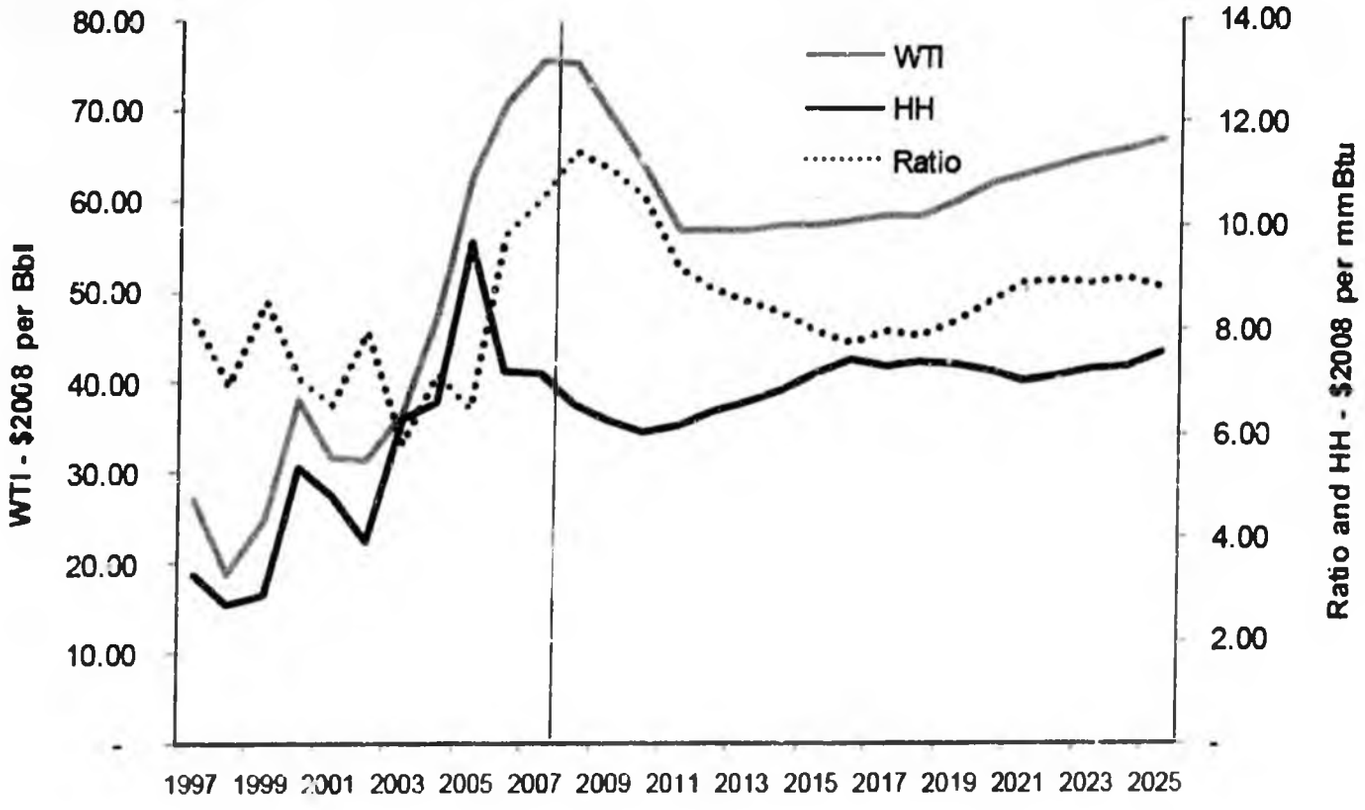
Significance of Assumed Oil/Henry Hub Price Ratio

- Higher crude oil to Henry Hub price ratio means:
  - differential between Asian LNG prices and North American gas prices is higher
  - netback prices from LNG Project are relatively more attractive
- Recently observed price ratios are significantly higher than historical values
- What is the appropriate assumption for assumed crude oil to Henry Hub price ratio for the future?

DOE EIA Forecast Price Ratios (AEO 2008)



Administration's Forecast (Wood Mackenzie)



Source: Commissioners' Findings, Appendix N: Wood Mackenzie Gas and Power Long Term Outlook Briefing Paper

Price Ratio Forecast Comparison

- Crude oil to Henry Hub price ratios:
  - historical average 1998-2008: 8.1
  - DOE EIA Annual Energy Outlook 2008 (average 2008-2030):
    - Reference Case: 10.2
    - High Growth Case: 10.1
    - Low Growth Case: 10.5
    - High Price Case: 13.4
    - Low Price Case: 8.5
  - NYMEX futures market recent prices (average 2008-2016): 12.5
  - Wood Mackenzie (Administration's analysis)*
    - above 10 until 2011
    - decreases to around 8-to-9 from 2012

* Source: Commissioners' Findings, Appendix N: Wood Mackenzie Gas and Power Long Term Outlook Briefing Paper

Netback Comparison: Capital Cost Assumptions

	2007 billions	Source of Assumption
Development Phase Costs:		
LNG Project	0.65	Administration
Pipeline to Canada Project	0.69	Administration
Execution Phase Capital Costs:		
GCP for 2.7 Bcfd LNG Project	4.9	Administration
GCP for 4.5 Bcfd Pipeline Project	8.2	Administration
GCP for 3.5 Bcfd Pipeline Project	6.4	Administration
2.7 Bcfd Pipeline Prudhoe Bay–Valdez	11.1	Administration
4.5 Bcfd Pipeline Prudhoe Bay–Border	10.5	Administration
4.5 Bcfd Pipeline Yukon-Alberta	12.4	Administration
3.5 Bcfd Pipeline Prudhoe Bay–Border	9.7	Administration
3.5 Bcfd Pipeline Yukon-Alberta	11.4	Administration
LNG Facilities	7.8	Bechtel/Port Authority

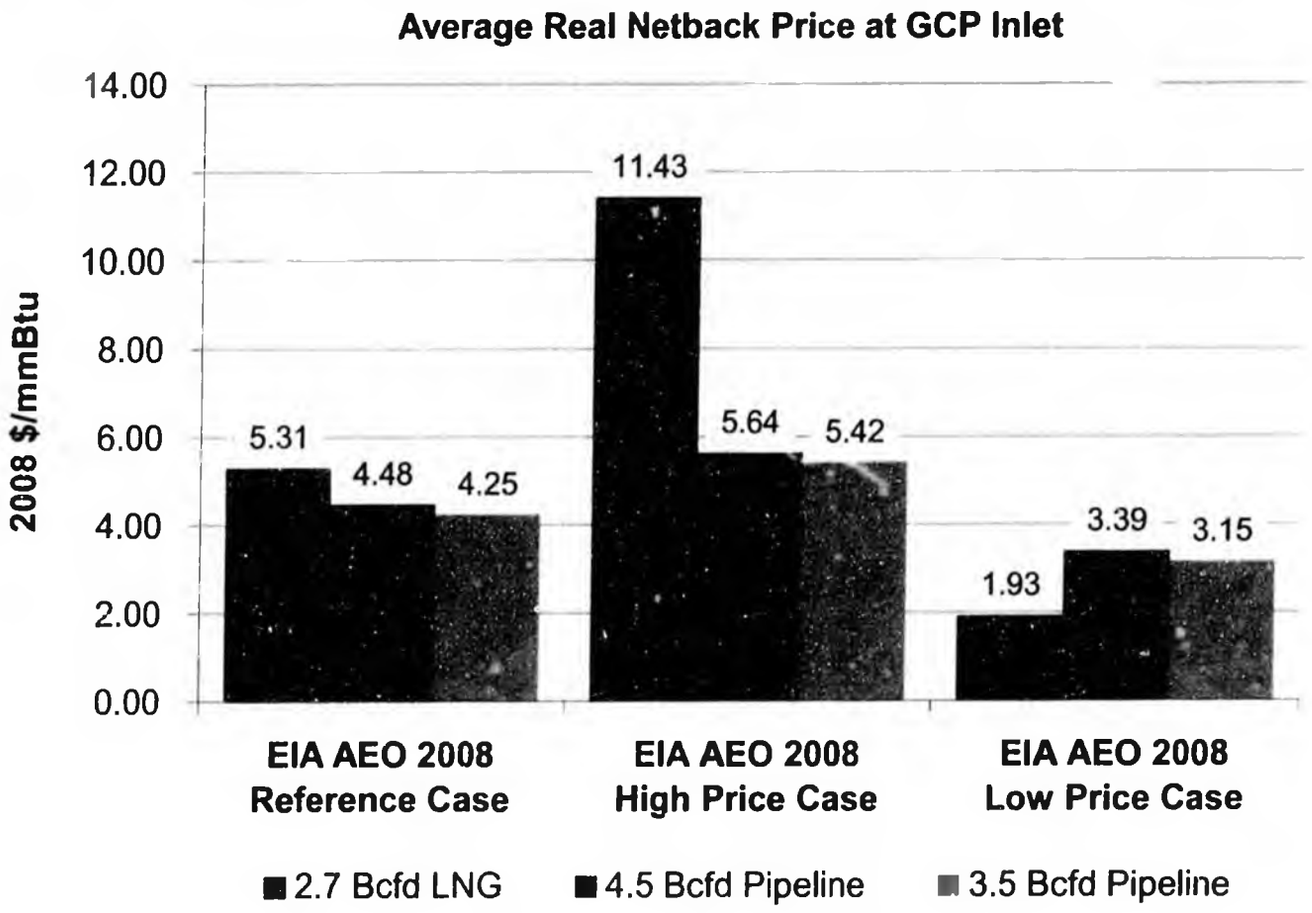
Netback Comparison: Other Assumptions

	Assumption	Source of Assumption
D:E for Tariff (Pre-Completion)	70:30	Admin/TCPL
D:E for Tariff (Pre-Completion)	75:25	Admin/TCPL
Return on Equity	14%	Admin/TCPL/EconOne
Cost of Guaranteed Debt	5.50%	EconOne
Cost of Non-Guaranteed Debt	7.00%	EconOne
LNG Plant Availability Factor	95%	Bechtel
LNG Sales Price (DES E. Asia)	0.1485*JCC+0.90	Administration
LNG Shipping Costs (incl. fuel and boil-off)	~$1.10/mmBtu [1]	MOL / PA
Pipeline Gas HHV	1133 Btu/scf	Administration
Capex Escalation	4% p.a.	Administration
Opex Escalation	3% p.a.	Administration

Notes: [1] Nominal dollars in 2019

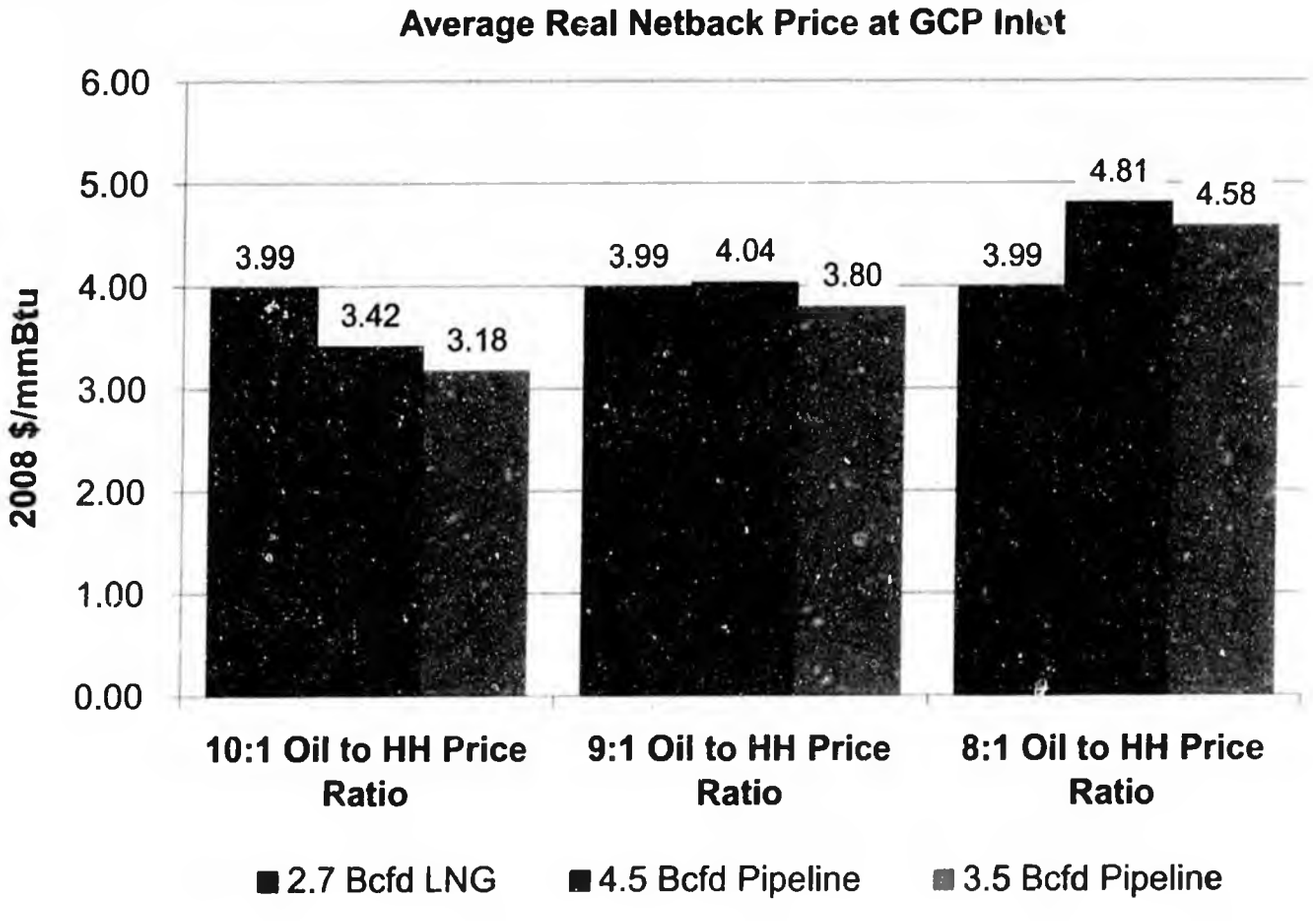
Netback Prices: EIA Price Forecasts

- Oil and HH prices from DOE EIA's 2008 Annual Energy Outlook
- 3 price scenarios shown: Reference Case, High Price and Low Price Cases



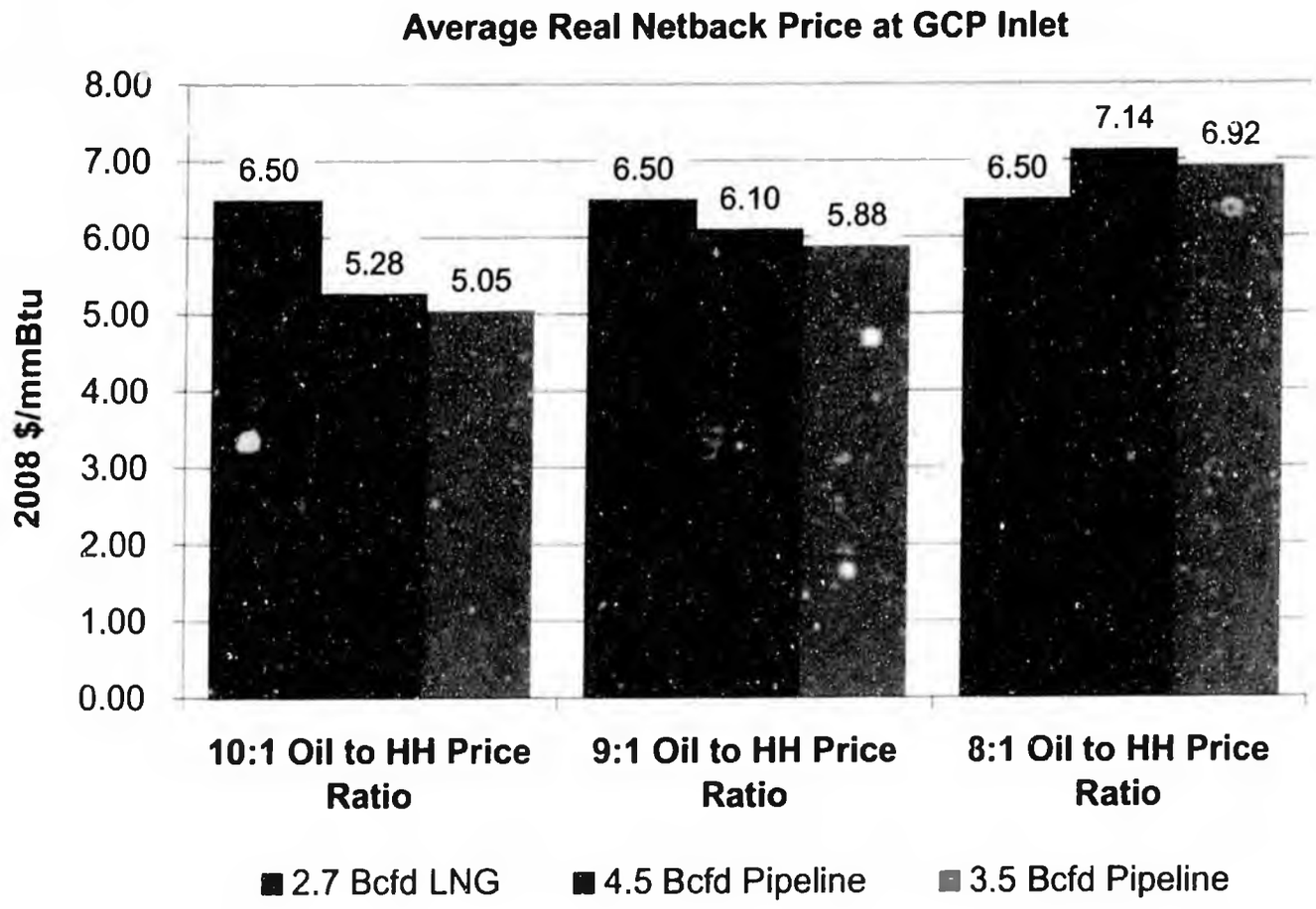
Netback Prices: $60/bbl Oil Price Cases

- Flat $60/bbl oil price (constant 2008 USD)
- 3 scenarios for oil/HH price ratio: 10:1, 9:1 and 8:1



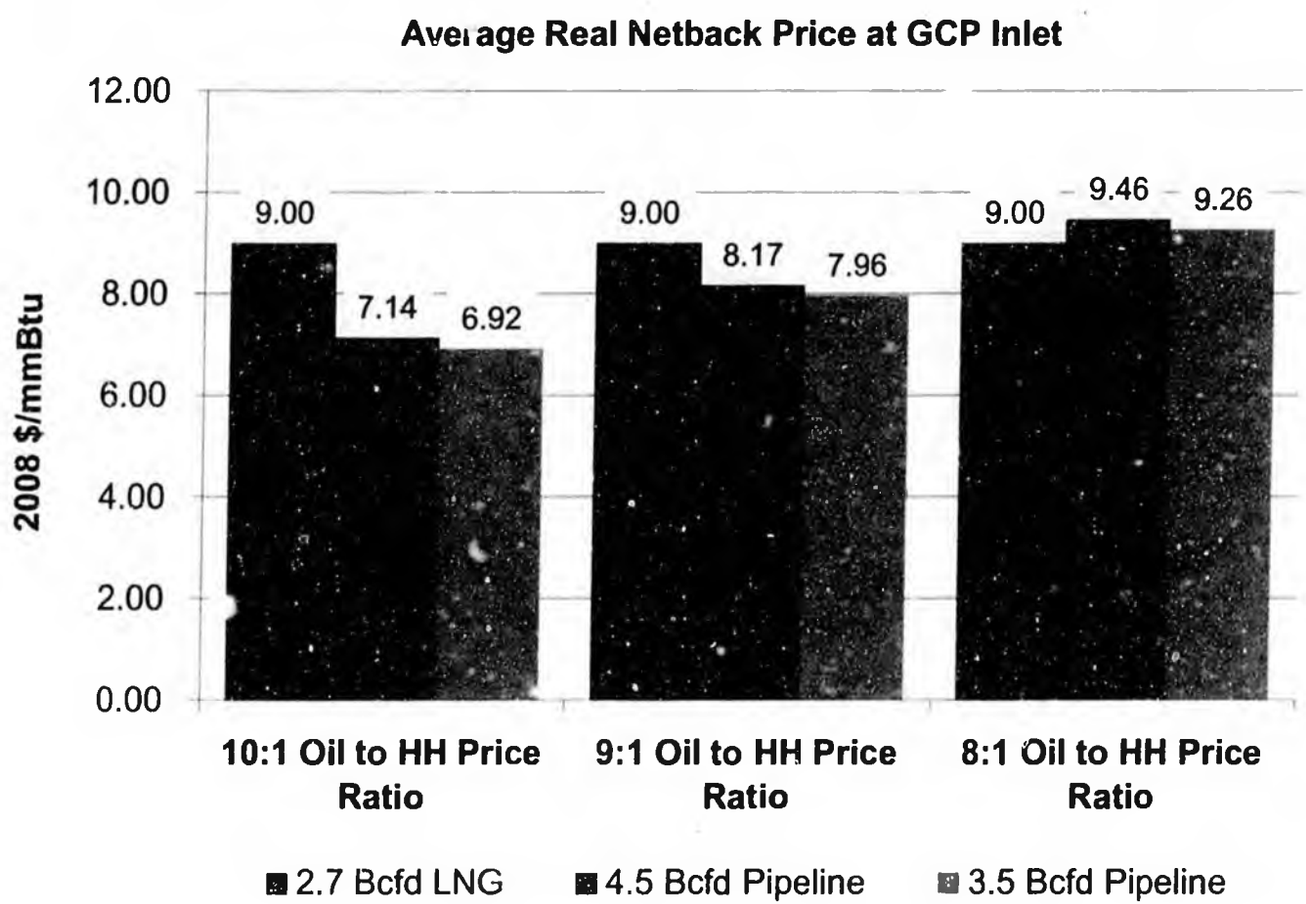
Netback Prices: $80/bbl Oil Price Cases

- Flat $80/bbl oil price (constant 2008 USD)
- 3 scenarios for oil/HH price ratio: 10:1, 9:1 and 8:1



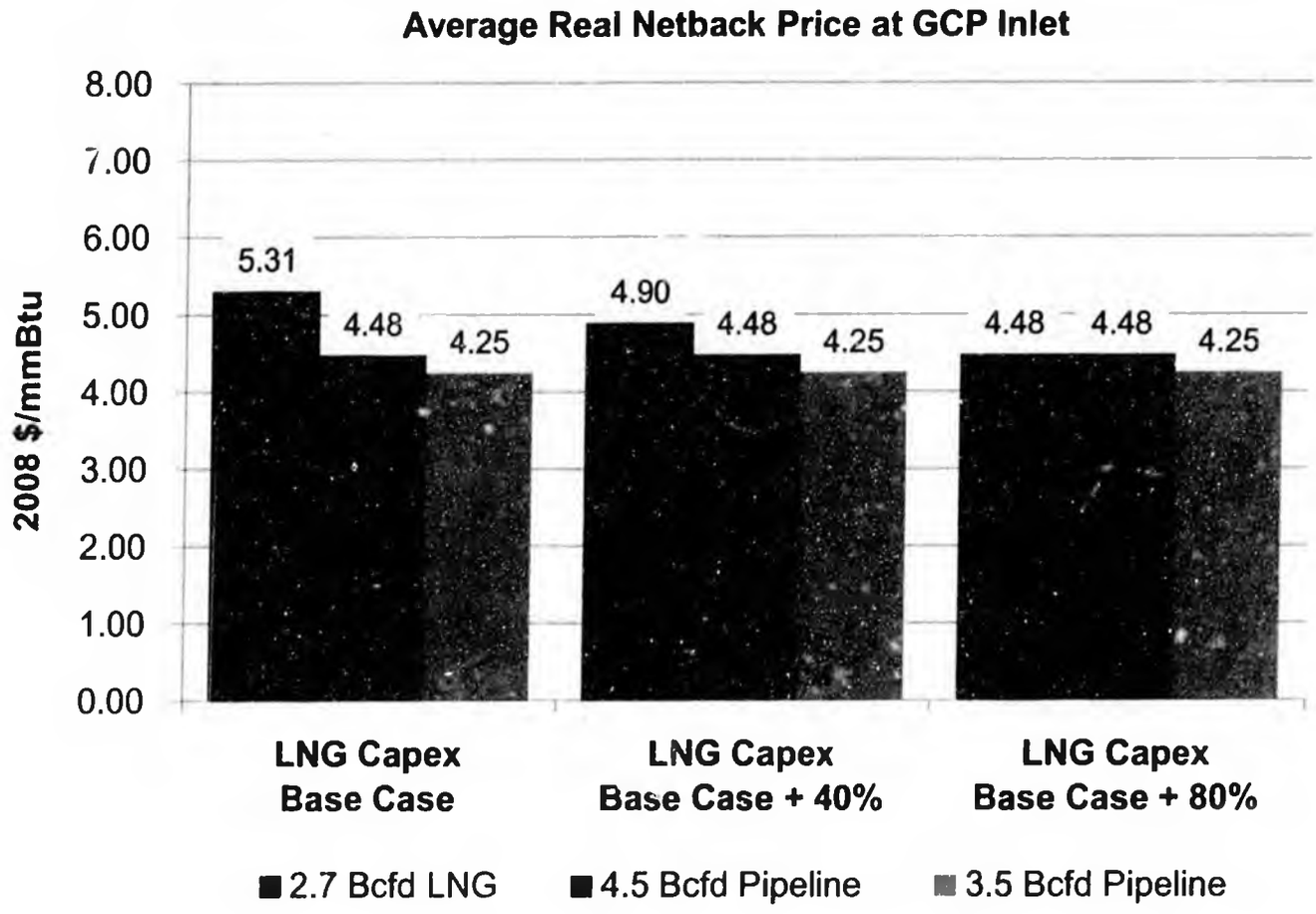
Netback Prices: $100/bbl Oil Price Cases

- Flat $100/bbl oil price (constant 2008 USD)
- 3 scenarios for oil/HH price ratio: 10:1, 9:1 and 8:1



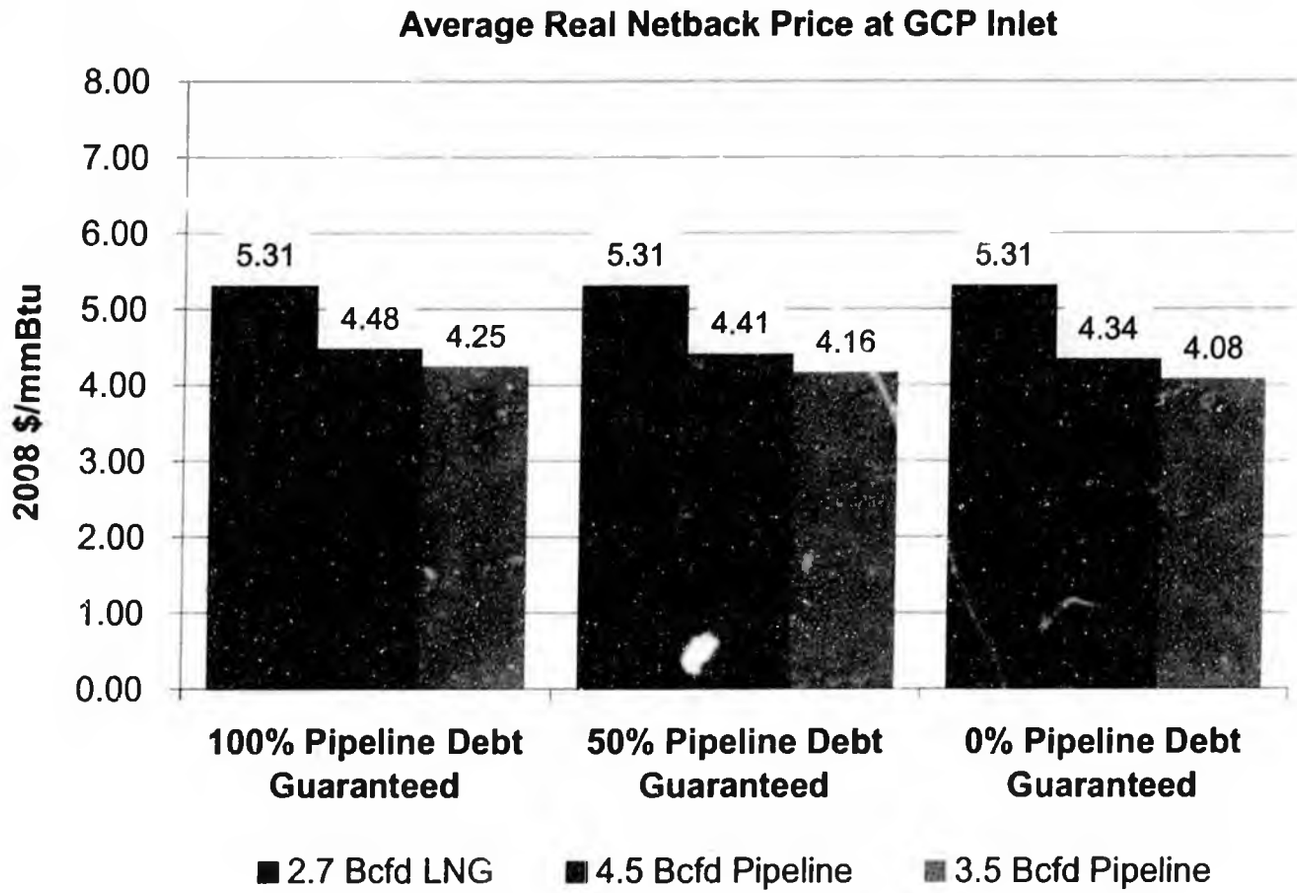
Netback Prices: LNG Capex Sensitivity

- Oil and HH prices from EIA 2008 Annual Energy Outlook – Reference Case
- 3 LNG Plant capital cost scenarios: Base Case, 40% increase and 80% increase



Netback Prices: Debt Guarantee Sensitivity

- Oil and HH prices from EIA 2008 Annual Energy Outlook – Reference Case
- Pipeline to Canada debt cases: 100%, 50% and 0% Federal guarantee



Netback Comparison Conclusions

- LNG generates higher netback prices than a Canadian pipeline under a wide range of oil and gas price assumptions
  - Gas Strategies High Case LNG price scenario, not used in this analysis, results in greater netback price advantage
  - High netback prices for LNG are preserved under substantial LNG plant cost increases
- Under comparable assumptions, Port Authority and EconOne analyses arrive at similar results

Netback Comparison Conclusions (cont'd)

- LNG Project achieves higher per-unit netback prices but lower absolute cash flow NPV, due to smaller gas volume
  - Port Authority views lower volume requirements as an advantage that enhances likelihood of success
  - LNG and pipeline to Canada should proceed – there are sufficient ANS gas resources for both
  - The first 2.7 Bcf/d volumes could be monetized at highest value via LNG, with subsequent expansions allowing for full ANS gas monetization
  - Stand-alone analysis of 2.7 LNG vs. 4.5 Pipeline ignores expansion potential

Financial Projections Disclaimer

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HB 3001
SB 3001
7/28/08
SPECIAL SESSION DOCUMENTS

Testimony by Gov. Walter J. Hickel to Senate Special Committee on Natural Gas
July 28, 2008 2:00 p.m.
Senate Finance Committee Room, State Capitol

Thank you Mr. Chairman, ladies and gentlemen of this committee, and all members of the Alaska State Senate.

There is an issue before you of giant proportions.

THIS IS THE MOST IMPORTANT VOTE YOU'LL EVER CAST.

You will decide whether the State of Alaska, representing all of our people…

…the owners of the resources won in our battle for statehood…

…should build a natural gas pipeline from Prudhoe Bay to Valdez.

Or whether you commission a Canadian corporation to control this resource…

… set the timetable, determine who gets the jobs, and the other benefits promised the Alaska people in our Constitution.

Don't sell us out!

Remember who you are.

Remember where you are.

This is Alaska.

Don't sell us out!

Ask yourself: What is the best for Alaska?

If you do, <u>you will vote no</u> on the TransCanada license.

<u>And you will say yes</u> to an All-Alaska gas line.

Your vote can have an immediate and positive impact on our economy and our future.

We can get Alaska moving again.

We can lead the nation with an economic turn-around badly needed in the South 49.

Your vote can begin a new era.

Not an era of giving out money.

Giving out money does not save a society. It corrupts it.

THE PLUSES OF AN ALL-ALASKA LINE

While the TransCanada plan means loss of control and serious delay…

…an All Alaska Gasline, owned by the State of Alaska, means the opposite.

It means that Alaska will retain control of our resources and our future.

It means that there will be absolutely no risk that any one corporation or group of corporations will control us.

While TransCanada readily admits that they won't even start building a gasline until the end of the next decade, and Canadian pipelines are well-known for their delay…

…we can start the All Alaska gasline this year.

It will give us access to the most lucrative markets in the world…

…Alaska's natural market in Asia…and we can provide all the gas they need to U.S. West Coast.

We have before us the greatest opportunity in my lifetime…and yours.

And if we stop acting like a fearful colony and stand up for our rights, we will have all the export licenses we need.

In 1989, I helped obtain a presidential finding from President Ronald Reagan..

…an export license for Alaska LNG that is valid for 25 years from the sailing of the first LNG tanker. *(See Attachment A)*

If called on to assist, I look forward to help renew and expand that license.

All it takes is someone who knows our constitutional rights and isn't afraid to go to the top to fight for them.

And keep in mind, the anti-Asia mood in Congress will change, once the South 48 is awash in the 500 trillion cubic feet of gas that will soon come on line.

I know about these gas sources. I tried to kick-start them in 1970 as Interior Secretary.

When that gas floods America, Congress will welcome Alaska coming to the rescue and saving our nation from our frightening imbalance of trade with the economic giants of Asia.

THE MINUSES OF A TRANSCANADA LINE

Who will control our gas under the TransCanada plan?

Not TransCanada.

It will be the producers.

No one but the State of Alaska, the owner of the resource, can force the producers to use the gas they control.

That's why TransCanada has offered to give up equity ownership in their gasline in exchange for producer gas.

The end of this process is obvious.

The producers will control the line through Canada.

In addition, the TransCanada plan will mean that the Canadian government will determine when a gasline is built…

… how it is regulated…

…how much it is taxed…

…how it addresses environmental issues…

…and First Nation land claims.

And, when they negotiate these issues, depending how generous they are, there will be less revenue for the Alaska people.

Because we will pay the bill.

WHAT ARE THE CANADIANS TELLING THEIR PEOPLE?

Visit the TransCanada website and look up the Northern Pipeline Act of 1978.
(See Attachment B)

Here's what it says:

This Act ensures that the following benefits for Canadians are realized in the development of the Alaska Pipeline Project:

- Canadian ownership
- Access to Alaska's gas for Canada's petrochemical industry
- Gas to remote (Canadian) communities along the pipeline
- Property tax benefits in the Yukon
- Maximization of Canadian jobs and supplies

And it says that the tolls for this project will be set by Canada's National Energy Board.

If you grant this license, ladies and gentlemen of the Alaska Senate, all of these promises made by TransCanada will come true.

And Alaska will be reduced once again to a colony.

I remember in Territorial Days well when corporations from Outside made our decisions for us, and we just got the crumbs.

Don't sell us out!

If you vote Yes for TransCanada, you are voting for someone else to take control of our future…

…someone else, governed by a corporate boardroom in Calgary and the Canadian government.

For years to come, future Alaska governors and legislators will have to go to these individuals, hat in hand, and say

"Please, can you hurry up?"

"Please, can we have some of our gas?"

"Please, can we have some jobs?"

You and the Alaska people will be frustrated.

And the northern part of Alaska, including Fairbanks and many remote areas, will be left without energy for years, may decades.

Some of those communities will be abandoned.

I urge you, the members of the State Senate, not to transfer our wealth, our jobs, and our future to Canada.

Don't grant exclusive control over this resource to Canada, with no commitment to build a gasline.

Don't sell us out!

WHAT HAPPENED TO THE DEMOCRATIC PROCESS?

This Owner State called Alaska is the only region in the world…

… where the land and resources are commonly owned by all residents, and yet it is a democracy.

And Alaska's democratic process is being tested this week.

The people of Alaska overwhelmingly support an All Alaska Gasline.

Over 62% voted for an All-Alaska gasline in 2002.

Who silenced the people's voice?

Have we lost our precious democracy?

Not if you at this table save it.

GOVERNOR PALIN HAS MADE THE WRONG DECISION

As most of you know, I endorsed Sarah Palin as candidate for Governor in 2006. I co-chaired her campaign.

She has proven to be a good governor.

But I cannot be silent on this decision, because it is so bad for Alaska.

She knows my views.

On April 7, I flew here to Juneau to advise her that this was the most important decision since statehood.

I met with her again on July 1 in Anchorage.

I asked over and over, "Why build an Alaska gasline through Canada?"

It's a question she didn't answer.

Now it is up to you to reverse that decision for the good of the Alaska people.

If you take this step, Governor Palin, in her heart of hearts, may be thankful.

She has a gift of moving beyond temporary defeats and turning them into victories.

I haven't given up.

If you vote down TransCanada, I think she will embrace the All Alaska line....as she used to.
Let me describe what can happen if you deny this license.

The doors will swing wide open to a wonderful new era for Alaska.

The next step will be to "Build It and Own It".

If we all put our shoulders to the wheel, we can start getting North Slope gas to Alaskans in the Interior in five or six years.

Then we will move our gas to the highest and most profitable markets...

...and by keeping the gasline within our boundaries, we will keep the jobs, all the jobs, here at home.

These jobs belong to Alaskans. Not to Canadians.

Don't sell us out!

How much will an All-Alaska gasline system cost:

About half of the $50 billion estimated by the TransCanada line.

Here are the estimates that I believe are valid:

The gas treatment plant on the North Slope - $5 billion.

The pipeline from Prudhoe to Valdez - $12 billion.

The liquefaction plant in Valdez - $8 billion. For a total of $25 billion.

And we don't have to build Jones Act LNG tankers. There are plenty available for hire to ship our gas to market.

As anyone in business knows, you have to spend money to make money.

If Alaska invests $7 billion in an All Alaska gasline, the market will jump at the chance to finance the rest.

It's not only do-able, it would be the best investment we could make.

Keep in mind Wall Street is a risky place to be right now.

It's the right time to diversify Alaska's portfolio.

BUILDING AND OPERATING THE ALL-ALASKA GASLINE

For those not familiar with government-owned infrastructure, let me describe the steps we should take:

1. It starts with a decision. A decision by our Governor, supported by the legislature.

   Remember when JFK announced we were going to the moon?

2. Then she names a project director who hires the best gas pipeline builder in North America.

   State employees will not build the gasline.

   The best pipeliners in our country will build it.

3. Once the pipeline is built, it will be operated by the private sector through a management contract.

   Such contracts are used worldwide world to manage pipelines and market gas.

Keep in mind, that an All Alaska pipeline would be built much faster and cheaper than either of the two Canadian lines being proposed.

Because it can start nearly immediately.

It would follow the Right of Way of the trans-Alaska oil line.

Permits and rights-of-way already exist.

And for those who criticize projects created by the State of Alaska, take a second look.

The All-Alaska natural gas pipeline will follow in the tradition of our state's roads, ports and highways.

And think of the Ted Stevens International Airport, the Bradley Lake Hydro facility, the Four Dam Pool and the Alaska Railroad.

And don't forget the Permanent fund.

THE DIFFERENCE BETWEEN MAXIMIZING AND MONETIZING OUR NATURAL RESOURCES

I want to take a minute now to clarify the difference between monetizing and maximizing our resources.

Monetizing means transforming our gas into cash for the State Treasury.

Maximizing the benefits, however, includes revenue for our treasury…

…. and more important, it means using those resources to build an economy for our people ….

…through well paying jobs and opportunities for our home grown businesses.

One of the greatest failures of AGIA was that it failed to require that the priority use of our gas liquids must be within the state.

That was a fatal flaw.

The intent of our founders was to create an outstanding quality of life in Alaska.

With the rich gas liquids in Prudhoe gas, generations of our people will earn a decent salary so they can afford to live here…

… raise their children here, and enjoy all the glories of the North.

HOW WILL THE STATE GET THE GAS IT NEEDS FOR A STATE-OWNED ALL-ALASKA GASLINE?

First of all, keep in mind that…

…IT'S OUR GAS!

The State has the power of taxation and ultimate control over all leases on state land.

All the State has to do is announce we will build the All-Alaska line and invite the producers to use it.

They will join us in a heartbeat.
They recognize they have made tens of billions from Alaska's lands and resources.

They do not what to be shut out of the great promise ahead of us.

Alaska has all the power and precedence it needs to choose where to build its pipeline, and the market where it will sell its gas.

It simply needs to choose not to yield that power.

Don't sell us out!

Remember who you are.

Remember where you are.

This is Alaska.

Don't sell us out!

And the very worst thing to do would be to yield control.... and pay someone $500 million to take it.

The world is watching to see if you will fall for something this wrong for our state.

But I want to end on a positive note.

Your vote can build a culture here dreamed of by Alaskan visionaries for a century.

A society of productive people.

Your vote will determine if this Senate will live up to your pledge as public servants...

...to care for the residents of this unique Owner State and make it a model for the world.

Yes. Alaska can inspire people all over the globe to follow our lead.

Thank you.

HB

4001

Gas Pipeline: Spur Line Segment **FY2009 Request: $25,000,000**
Reference No: 46875

AP/AL: Appropriation
Project Type: Planning
Category: Development
Location: Statewide
Contact: Jerry Burnett
House District: Statewide (HD 1-40)
Contact Phone: (907)465-2312
Estimated Project Dates: 07/01/2008 - 06/30/2013

Brief Summary and Statement of Need:
This project will cover work on right-of-way, preliminary engineering, permitting, planning, and design of a 370 mile spur line from Delta Junction to Beluga. This request will help fund the costs of outside experts and consultants.

Funding:	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Gen Fund	$25,000,000						$25,000,000
Total:	$25,000,000	$0	$0	$0	$0	$0	$25,000,000

☐ State Match Required	☑ One-Time Project	☐ Phased - new	☐ Phased - underway	☐ On-Going
0% = Minimum State Match % Required		☐ Amendment	☐ Mental Health Bill	

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
$4,000,000 sec. 10, ch. 29, SLA 2008

Project Description/Justification:
Alaska residents need new sources of low cost energy. The gas pipeline from the Alaska North Slope to Alberta presents an opportunity for that energy. The spur line could bring North Slope gas to many Alaska residents beyond those that live along the pipeline route.

This CIP request would provide expertise and advice to the Alaska Natural Gas Development Authority (ANGDA) regarding construction of a spur line from Delta Junction to Southcentral Alaska. More specifically:

Ensure that all right-of-way issues are adequately resolved and permissions in place as expeditiously as possible;

Review and advise on aspects of gasline project engineering and design to ensure feasibility and integrity of the take-off point design;

Develop contract and bonding documents for aggregation of utility gas needs;

Evaluate capacity requirements to support LNG;

Develop joint venture partnership documents, financing plan, request certificate of public convenience and necessity.

- Provide consultation and assistance obtaining any state or federal permits associated with the spur line segment; and
- Purchase propane on North Slope for "pilot" project and tank rental.

Why this Project is Needed Now: The timing of an open season for a mainline project is short. The initial open season will occur in calendar year 2010. It is imperative that the spur line be positioned to offer transportation service at the same time the open season for the mainline is conducted. This work is expected to begin in FY09. The expenditure of funds is expected to continue through FY13.

Line Item Expenditures: Services $25,000,000 for contracting out the right-of-way, engineering, financing, permitting, and design of a spur line.

HOUSE COMMITTEE REPO

(11)
Date Referred to Committee: July 9, 2008 **FURTHER REFERRALS:**

Date of Committee Action: 8/4/08

The FINANCE Committee considered: **HB 4001**

HOUSE BILL NO. 4001 **APPROP: SUPP/CAP/OTHER RELATED TO AGIA**

"An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize a fund; and providing for an effective date."

Recommends it be replaced with [ ] HCS *or* [✓] CS *for* HB 4001 (FIN)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[✓] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LWF
LAW
LEG
MVA
DNR
DPS
REV
DOT
UA

NEW **FISCAL NOTES** *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS **FISCAL NOTES**				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Mike Hawker	Hawker			☆	
Gara	Gara				✓
Jeffrey Crawford Jr	CRAWFORD				✓
Mark Nelson	NELSON				✓
Bill Thomas	Thomas			✓	
Bill Stoltze	STOLTZE	X			
Mike Kelly	KELLY			X	
R Foster	Foster	X			
Chair: Les Meyer	Meyer	X			
Chair: Mike Chenault	Chenault	✓			

HB4001

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

July 8, 2008

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Today I am transmitting to you the appropriation bill referenced in the call for the second special session for the Alaska Gasline Inducement Act (AGIA). Legislative approval of the AGIA licensee will require funds for the inducement, implementation costs, job training for Alaskans, in-state gas use, and the infrastructure necessary for gas pipeline construction.

The appropriation bill totals nearly $377 million and includes the following:

- $164.0 million to fully capitalize the $500 million AGIA reimbursement fund when combined with reappropriation of the $300 million, plus an estimated $36 million in interest, from the Alaska Housing Finance Corporation into the AGIA reimbursement fund;
- $31.0 million for planning and design of necessary improvements to the Dalton, Elliott, Richardson, Alaska, and Haines Highways;
- $75.4 million for Dalton Highway reconstruction;
- $23.5 million for Haines Highway reconstruction, realignment and Chilkat River Bridge replacement;
- $42.7 million for workforce development activities;
- $25.0 million for the Alaska Natural Gas Development Authority for in-state gas use; and
- $15.0 million to the Department of Natural Resources for gas pipeline implementation.

Project specific back-up is posted on the Office of Management and Budget's website and will be provided to the Finance Committee co-chairs.