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Alaska State Legislature House of Representatives



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Representative Jay Ramras District 10

November 18, 2009

Senator Bill Wielechowski, Co-Chair
Senate Resources Committee
716 W. 4th Ave., Ste. 540
Anchorage, AK 99501-2133

Senator Lesil McGuire, Co-Chair
Senate Resources Committee
716 W. 4th Ave., Ste. 430
Anchorage, AK 99501-2133

Representative Craig Johnson, Co-Chair
House Resources Committee
716 W. 4th Ave., Ste. 640
Anchorage, AK 99501-2133

Representative Mark Neuman, Co-Chair
House Resources Committee
600 E. Railroad Ave., Ste. 1
Wasilla, AK 99654

Dear Sirs and Madame:

Due to the news that Harry Noah, the In-State Gas Pipeline Coordinator, has left his position with the state, this letter is being written to you, in your capacity as Co-Chairs of the Senate and House Resources Committees, to propose that the Senate and House Resources Committees hold separate or joint oversight hearings on the future of natural resource development in the State of Alaska.

It can be inferred from the Anchorage Daily News editorial of November 8, 2009, that the senior management of the Department of Natural Resources (DNR) does not support an in-state line. I reference the comments attributed to Deputy Commissioner Rutherford regarding the discontinuation of export from the Cook Inlet, which when decoded, means the closure of the Conoco LNG export facility. This facility represents one of only two potential anchors for the in-state "bullet" line.

As legislators we have an oversight responsibility for Alaska's resources that requires us to trust, but to independently verify what we are told by DNR. Our state is reaching a critical time to develop our future energy plan. If we do not have the foresight to develop alternative

plans in case AGIA does not proceed as scheduled; then we will have failed in our responsibility to the Alaskan people.

Alaskans need to know when Firm Transportation (FT) commitments can be expected from the Producers. Without FT commitments, as opposed to conditional commitments, the large-diameter line cannot be financed. DNR and the Department of Revenue (DOR) say that fiscal certainty is already addressed or can be addressed after the conclusion of the 2010 open season. This timeline sets Alaskans back. It ignores the realities of business and proposes by inference how governments approach problems. We are drowning the state's economy in bureaucratic arrogance.

DNR and DOR have indicated that they would embrace a failed open season--calling it a success, using some sort of Orwellian logic--by later addressing fiscal certainty, while reimbursing TransCanada and Exxon Mobil hundreds of millions of dollars and waiting two more years for the next open season. And, may I remind you, that there is no certain outcome for the 2012 open season either. In my opinion, this is a case of state commissioners hijacking the process, our sensibilities, and Alaska's energy time clock. If the large diameter line does not move forward, we need a back-up plan with a leader who will not, and cannot be undermined by the DNR Commissioner and Deputy Commissioner. This is what I believe has happened in the case of Harry Noah's resignation. Mr. Irwin and Ms. Rutherford should know, as they resigned out of the same frustration when they felt their work was being undermined in 2005-2006.

Look at where we are. Currently, Southcentral Alaska is running out of a reliable gas supply. The Interior is in need of a cheaper source of energy and a solution to its air quality problem. And Western Alaska is being economically crushed by the highest energy prices in the country. Many of us in Fairbanks were hoping that this relief would come soon in the form of a small diameter natural gas pipeline. An in-state gas line held the potential of economically meeting these energy needs.

The oversight hearings should start by determining these facts:

- When will the decline in the flow through the TAPS line result in non-continuous pumping (I have heard 2018) and should the legislature hire its own expert to get an independent evaluation?
- Will the AGIA line be flowing at this point, and if not, when can first gas be predicted through the AGIA line?
- What will the effect of 500 million TCF of shale gas in the Lower 48 and Canada have on the timing of the gas pipeline construction?
- If gas will not be flowing through the AGIA line by the time the TAPS line cannot support continuous flow, what is Alaska's Plan B?
- When will the decline in gas flows from the Cook Inlet start causing significant brown outs in Southcentral?
- When could the in-state line be in place to protect Southcentral residential users and maintain jobs at the LNG facility on the Kenai and perhaps reopen Agrium?
- When will the large-diameter pipeline realistically produce first gas?

Much good work has been done on the In-State Gas Line, and it is important to the state's energy future that we get unbiased numbers and reports from the person who replaces Harry Noah, independent of DNR's already expressed position. If DNR and DOR were successful in pushing Harry Noah into resigning, then who will be the alpha-leader to take his place? As Resource Committee Chairs you share my passion for creating a project, not a report. In my opinion, DNR and DOR have already succeeded in turning a large diameter gas pipeline project into a multi-year bureaucratic, money-guzzling report. DNR and DOR must not do the same thing to our Plan B, back-up plan, the small diameter, "bullet" line.

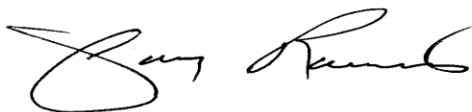
My understanding is that an internal status-document has been generated by the In-state gas line team and I hope the committees will request this report from the Governor's office. I will be making the same request in a separate letter.

The notion put forward by DNR officials and the outgoing Federal Pipeline Coordinator with whom they are working closely, seems to be that the small diameter pipeline is the enemy of the large diameter pipeline. This is evidenced by advocating for a FERC re-gasification certificate for the Conoco LNG export facility and turning it into an import facility, and the DNR concern that North Slope natural gas must be "saved" for the large diameter line; rather than seeing five TCF of the 35 TCF of proven reserves carved out for potential in-state use.

It should be offensive to Alaskans to see our in-state energy security threatened, while our gas is embargoed and kept in a safe-harbor for a large line that may or may not ever be built. The large line is subject to the global marketplace. The in-state line is our back-up plan, which perhaps is more attainable. DNR and DOR officials are potentially compromising the future of our state with their bullying tactics and zealous behavior. I hope you will schedule hearings on these critical matters at your earliest convenience.

Should you have any questions concerning the content of this letter, please do not hesitate to contact me.

Sincerely,



Representative Jay Ramras
Fairbanks, District 10

JR/jwp

cc: Governor Sean Parnell
Senator Gary Stevens, Senate President
Representative_Jay_Ramras@legis.state.ak.us

Representative Mike Chenault, Speaker of the House
Representative Charisse Millett, Co-Chair House Energy Committee
Representative Bryce Edgmon, Co-Chair House Energy Committee
Tom Irwin, Commissioner DNR
Marty Rutherford, Deputy-Commissioner DNR
Pat Galvin, Commissioner DOR