



## **BERTA'S BRIEFINGS**

**REPRESENTATIVE BERTA GARDNER**

Serving Geneva Woods, College Village, Green Acres, Tudor, Taku & Campbell Park

**APRIL 5, 2011**

### **Our Commitment to TransCanada and their Commitment to the State**

Dear Friends and Neighbors,

You may have read news reports about a legislative effort to require TransCanada, our contracted pipeline construction company, to “prove” that the gas pipeline is an economically viable project by showing firm shipping agreements. This is a risky move for a number of reasons:

- TransCanada is moving forward with the project and is in compliance with all the terms of our contract.
- TransCanada and the state are both making significant investments as agreed under the terms of our contract.
- If we add extra requirements to our deal with TransCanada we might be in violation of the contract.
- If we make changes which derail the project it may cost us not only the pipeline but also triple damages.
- Changing terms and requirements mid-stream will adversely impact Alaska’s reputation as a serious and reliable partner.



Speaker of the House, Representative Mike Chenault, speaks with Representatives Gardner and Kerttula during one of our many “brief” at eases on the House Floor.

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Before I go into the history of our efforts to take Alaska's gas to market, let me simply say that current law and contract with TransCanada say that Alaska's gas pipeline is deemed economically viable and moves forward unless our State Commissioners of Revenue and Natural Resources and TransCanada agree it is not. If all agree, the project is over and the contract void. If there is a dispute, the matter goes to mediation.

For 30 years Alaskans have dreamed of getting our gas to markets. This is important to us for a host of reasons:

- Our communities on the road system and on many river systems would get **access to gas for our own needs.**
- Explorers can come to Alaska knowing that whether they find oil for TAPS or gas, **they will be able to sell what they find.**
- Getting Alaska's gas to US markets is **a matter of national security** as the nation attempts to reduce our desperate reliance on foreign sources of energy. To this end, the US Congress has repeatedly affirmed that the Alaskan gas pipeline is in the national interest, and Congress has promised federal loans to assist in financing.

Normally, when a pipeline is planned, the pipeline company does preliminary work to map out proposed routes and calculate the cost of construction. Once they have enough information to estimate shipping costs, they hold an OPEN SEASON, inviting producers to bid for space in the pipeline. With shipping contracts in hand, a pipeline company then goes to the Federal Energy Regulatory Commission (FERC) and applies for a federal license to build a pipeline.

Our contract with TransCanada includes the following work plan and schedule:

- Open Season to be held in summer 2010
- "Precedent" agreements (or shipping contracts) by July 2011
- FERC application would be made by October 2012
- FERC certificate in hand in 2014

Requirements that TransCanada move forward to FERC application **even without shipping contracts** in hand is a break from standard procedure, and is part of what we are purchasing with our financial participation. In return, we support TransCanada's efforts by participating in qualified costs up to a maximum of \$500 million dollars. To date they have spent \$250 million, of which the state will refund \$140 million.

Regardless of the ultimate outcome, we will own all the studies done by TransCanada (plus Exxon's contributions). This work will need to be done for any pipeline, now or into the future, and our money will buy down the cost for shipping all gas on the line, making the project more economic to all producers and helping to move the project forward.

We do not yet know the results of the first Open Season which closed last fall. What we do know is that there are complex commercial negotiations happening right now with those companies who participated. TransCanada is in full compliance with the contract. When we met with them yesterday, they reminded us that documents detailing their work are available here:

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<http://www.gasline.alaska.gov/>

We discussed the competitive and pricing implications of Lower 48 shale gas, and while we can be sure that “the future always holds uncertainty.” There is reason to believe that the large quantities of gas available can actually stabilize pricing and increase demand as coal plants and truck fleets convert to gas. In this way, shale gas may ultimately help our efforts to complete a large Alaska gasline.

Finally, while moving forward will not guarantee a gas pipeline, pulling the plug will all but guarantee that we will never get one.

I'm Berta and I'm still listening,



Berta

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