

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE COMMISSIONER

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April 18, 2008

Representative Ralph Samuels
Legislative Budget & Audit Committee
State Capitol, Room 204
Juneau, AK 99801

Dear Representative Samuels:

You requested a response to the critical question of whether, assuming an Alaska Gasline Inducement Act (AGIA) license were to be awarded to TransCanada, the State would be committed to support the terms and conditions listed in TransCanada's application before FERC and the NEB, or if the State would be free to represent its own best interest in these and other forums. The Governor has asked me to respond to your inquiry.

The purpose of AGIA is to facilitate commercialization of Alaska North Slope (ANS) gas resources. It sets out a process under which the State will decide whether or not to award a license to an applicant in order to fulfill that purpose. It is a reasonable assumption that if a license is recommended by the Commissioners of Revenue and Natural Resources, and approved by the Legislature, the State and the licensee would be allied in pursuit of a project on mutually beneficial terms.

This does not mean, however, that the State would be obligated to support the interests of the AGIA licensee before any agency if it was not also in the State's best interest to do so, as determined by the State. The State has not, either through AGIA or the AGIA Request For Applications (RFA), limited any of its sovereign rights to represent the interests of Alaskans. While it is likely that the State and an AGIA licensee would, in many cases, have similar interests, the State would not be required to advocate for the same terms and conditions proposed by the licensee before FERC, NEB and any other agency with regard to an ANS natural gas pipeline project.

A second aspect of your question was "what does the license grant TransCanada?" If a license is approved for issuance to TransCanada, it will be entitled to the terms established by the Legislature in AGIA: primarily, the project construction inducement under AS 43.90.110 and expedited review and action by state agencies under AS 43.90.260. Of course, TransCanada would

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

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also be subject to all other requirements, terms and conditions that AGIA has set forth for the licensee.

Please do not hesitate to contact us if you have further questions.

Sincerely,



Marty Rutherford
Deputy Commissioner

cc: Joe Balash, Special Staff Assistant, Office of the Governor
Melanie Lesh, Legislative Liaison, DNR