

Alaska Natural Gas Pipeline Project

**Comments of
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- Proposed Alaska gas pipeline will serve well developed markets and connect to a mature downstream infrastructure
- The proposed pipeline will access substantial proven reserves and stimulate unprecedented gas focused exploration in Alaska
- Producers have an existing obligation to develop, market, and account for the proven and potential reserves under the leases
- A reasonable expectation of “profit” for the producers has been established
- Producers have an obligation to take into account the state’s interest as a lessor
- Producers utilize a variety of economic and financial indicators – NPV is the predominant factor in decisions
- No commitment of supplies is required to certificate and build an interstate natural gas pipeline
- On a relative basis, the Alaska Gas Line is no more complete or risky than any other large scale pipeline project in the lower-48.
- A natural gas pipeline is supported by commitments to ship on a firm basis
- The obligation to make firm “demand charges” begins when the pipeline is placed in service – i.e. when gas flows
- Natural gas pipelines are not generally considered high risk propositions
- Utilities, electric generators, marketers, industrials, producers routinely make FT commitments depending on circumstances
- Producers have the opportunity to own natural gas pipelines but typically avoid the investment

- Pipeline transportation costs [either firm or interruptible] are expenses associated with the marketers of product and are quantifiable
- An FT commitment does not constitute debt
- The expenses associated with natural gas transportations is one factor in determining production viability
- FT and other transportation related expenses facilitate the monetization of oil and gas assets
- FT is not a take or pay obligation
- Long term FT commitments represent real opportunity and are part of managing risk
- FT subscribers do not bear all the risk of project overruns
- FT is generally regarded as an obligation by industry but not as a “risk”