

Stranded Gas Hearings

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The Process of and Criteria Used in Making a Decision on Whether to Invest in a Pipeline Project

Ron Brintnell, Director of Gas Pipeline Development, Enbridge, October 14, 2004.

MR. RON BRINTNELL, Director of Gas Pipeline Development, Enbridge, thanked members for this third opportunity to speak to the committee. He said he hoped to bring a unique pipeline development perspective to the discussions and gave the following presentation [based on a Powerpoint presentation, a copy of which is located in the committee file.]

A little bit of background - today almost all major interstate pipelines, both in the United States and in Canada, are owned independently of producers. They are run independently but there has been some transition. For example, the Alliance pipeline, which Enbridge now owns 50 percent of, runs from British Columbia through to Chicago so it's a pretty substantial pipeline - not only interstate but across [the] border. It initially was mostly producers that were in that project. It was producer led. Enbridge was the only pipeline company from day one. We started off with about 15 percent ownership and that particular project, what happened is the producers had a desire to get a new pipeline up and running and so they led it to the point where they felt that it was going to get developed and they slowly exited that project and more pipeliners got involved. Because there aren't as many producers right now owning pipelines doesn't mean there isn't a role for them in the development of projects. We've seen before that that works well and I'll talk a little bit more about how pipelines evolve over time and their ownership evolves.

The MacKenzie Delta project in Canada is one of the most recent producer led pipelines so there are still ones that are being led solely by producers. Another example is in the U.S. Rockies and Canada - is looking to develop a project ... basically from Colorado through to Wyoming and that's being led by the producers so producers do do their own development but typically you'll see some sort of transition.

What does it take to get a pipeline built? Some of this will be repetitive from what you've heard before but I want to bring you a pipeliner's perspective. Basically there [are] two things that get pipelines built. You either have supply-push and that's partly what we see here today in Alaska. There [are] substantial resources available that need a home. The producers and the developers of that gas are looking for a way to move it to market and there isn't any existing capacity to do so.

Examples of that, like I said, are the Alaska pipeline but, also more recently, the Maritimes Northeast Pipeline in the Canadian East Coast. Gas was developed out there about five years ago. The producers went out and found it. There wasn't any ready market for it on the Canadian East Coast so they developed a pipeline to run through to the Boston area and they did that jointly. That was another case where producers worked cooperatively with pipelining companies to get that project done so that was a case where supply had no home and they went out and developed a pipeline.

The other supply push is where there is insufficient take-away capacity. There is already capacity available but it is not able to take all the gas and move it to market. Alliance was an example of that, as I mentioned before, where TransCanada had a pipeline running from the western Canadian sedimentary basin to the Chicago area to Ontario to the market, but the producers felt that it was insufficient, that it was depressing prices. They went out and led the development of a new pipeline and that led to Alliance. Same thing is happening right now in the U.S. Rockies. I think you heard yesterday about Kern River's expansion to California. It's expanded a couple of times. There have been new pipelines being developed. El Paso is developing the Cheyenne Plains project to move gas out of the Rockies so it's not that there isn't capacity, it's just insufficient to get that gas moving to market, which results in depressed prices so there's a driver to try to get the pipeline built.

The other catalyst, I like to call it, is basically market pull. We heard a lot yesterday from UBS and others, and I'm sure you've heard lots of it over the last several months about the fact that Alaskan gas is needed. The market for gas is continuing to grow through gas-fired generation, just through general economic growth both in Canada and the United States, so we believe there's a need and a market desire for the additional gas - that's what's driving all the LNG development is the fact that the market requires it.

So, in the case of Alaska, we believe that there's both a market pull and a supply push. It's not just the fact that this gas doesn't have a home or needs a home. The market requires it and so we believe that the market will ultimately step up and I'll talk a bit about that because I think there is the ability for the market to play a role, not just the producers and the state to be capacity holders but others as well, and the biggest driver for the market to potentially step up is that there is increased cost of gas. Ten dollar gas? It doesn't make Moms and Dads happy, plus it makes the economics of various industries more difficult so there is the desire on the behalf of the downstream market to see not only lower prices, but also more price stability. The volatility we see today is not good for anyone.

Investment environment - what do pipeliners look for when considering to invest, not only in an Alaska pipeline but I'd like to talk more generically about investment in general. What do Enbridge or other pipeline companies look for when they're considering an investment?

Firstly, we want to know that there's an adequate supply behind the pipeline. These are long term investments - 20, 30, 40 plus years. It's nice to know that there will be an adequate supply. That doesn't mean it needs to be fully developed today. It just means that we have to have a sense that it has the ability to be developed. In the case of Alaska, we've heard a lot about the fact that there's lots of potential for new supplies and so as a developer of pipelines, we like to hear that. You know, we like to encourage new growth and if we were to work on this project, we would want to encourage the ability to move more gas on the pipeline, not just the existing shippers but those in the future as well.

In terms of shipper commitment, we want to know that those who commit to take capacity can pay for it in the long haul because this is a long-term commitment. You heard yesterday about the billions of dollars of commitment that the various parties are going to make. That's substantial dollars. The federal loan guarantee will help but we will still have to do our own independent credit checks on the various shippers. In the case of the Alaska project, they will be pretty substantive and creditworthy parties but in other projects, unlike the Alaska project, you may find a more diverse group. It was interesting in the days of the marketers, credit was an interesting issue and it became more so in the last four or five years when some of those marketers' credit wasn't so strong. So it is an area we look at pretty closely.

The constructability - can we build it, not only in terms of land access but just in the environment we find ourselves in when trying to build it. Alaska's going to be challenging. You've heard, I think over previous hearings, things about the difficulty of building in permafrost. It takes a company that's had experience and understands those challenges to get it built, so it's not just a matter of being able to have the finances to build it. You have to have the skills to be able to build it. Enbridge has had some pretty significant experience in building in permafrost. We were the first ones to build and operate in permafrost in Canada. We've been doing that since 1985 so you have to have someone who's experienced in the various challenges in being able to build a pipeline.

Material and labor - you've probably heard quite a bit about this over the last several months. With the size of this project, it does have the ability to overheat the market for labor. There's going to be a lot of jobs, a lot of job opportunities. That also - and I think someone joked yesterday about the fact that, you know, has the ability to create the desire to make more money,

maybe we'll slow that project down or we'll ask for more. Hence, there has to be the ability to balance that and have dialog with the unions and with others on how we can all make a fair profit and a fair return from this but not overheat the market. You also have to have a look at what is also going to be going on at the same time. The Alaska project is not the only project that's potentially going to be going on in this kind of timeframe so, as a pipeliner, we try to see what other projects might be being developed at the same time and have that dialog to make sure that we're not trying to pull too hard on the same resources.

REPRESENTATIVE ERIC CROFT asked Mr. Brintnell to address the price of steel.

MR. BRINTNELL said that right now, the price of steel is very high. The Chinese market is taking all of the steel it can get. The price of steel has increased 50 to 75 percent over the last couple of years. That price increase is causing problems for pipeline companies in being able to predict what the costs are going to be. Some of the existing projects that are going forward today relied on relatively firm pricing, only to find out that is not the case because the market is so hot. He acknowledged that will be a challenge for the Alaska pipeline project because it will require so much steel and will tax the ability of the steel mills to produce it. He thought that issue can be dealt with by initiating a serious dialog with steel producers. He said it does not differ from the labor market in that you say, "Okay, here's an opportunity for you to make some money but let's be realistic as to what your expectations are." He said another consideration will be the type of steel used. Some of the newer steels have not been tested over long distances.

CO-CHAIR SAMUELS asked if the steel manufacturing plants or pipeline companies do the testing.

MR. BRINTNELL said the pipeline companies do and noted that some limited scope tests are underway right now for the higher-grade steels.

CO-CHAIR SAMUELS asked the timeframe of the tests.

MR. BRINTNELL said it is not the testing that is as important as getting comfortable with the technology. He said, for example, X-180 pipe has been used in the United States for a very short time on the Cheyenne Plains project, even though that steel has been around for a while.

CO-CHAIR SAMUELS announced that Representatives Fate (via teleconference), Gara, Croft and Senator French were in attendance.

REPRESENTATIVE GATTO asked Mr. Brintnell to equate the amount of steel that will be necessary to build the pipeline to another project, such as building an aircraft carrier, so that he could gauge how involved getting the metal will be.

MR. BRINTNELL likened that to comparing widgets. He thought another presenter said that it might take the entire world's steel capacity production, although he would not go that far. He said the amount will depend on the size of the pipeline. Enbridge has considered not only 48 and 52-inch pipelines, but it has also considered a 36-inch pipeline, the reason being that the existing steel mills in North America are able to handle a 36-inch pipeline. He said although capacity might have to be increased if a 36-inch pipeline is built, the steel mills could continue to build 36-inch or 42-inch pipe once the Alaska pipeline is completed. Enbridge believes a substantial part of the steel can be sourced within America but offshore sources will be necessary because of the size of the project.

REPRESENTATIVE GATTO asked if the world's steel production could be tied up in this project for one year. MR. BRINTNELL was unsure.

REPRESENTATIVE GATTO questioned whether this project could be stalled by a lack of metal. MR. BRINTNELL said the steel supply is a very important consideration so ascertaining where the metal will come from is part of the dialog that must take place now, as well as whether the Chinese market will remain as hot as it is now.

CO-CHAIR SAMUELS noted that Representative Dahlstrom joined the committee.

REPRESENTATIVE GARA pointed out that Enbridge is the only company that is proposing to build one or two 36-inch pipelines instead of a larger one, which could increase the cost of the project substantially. He asked Mr. Brintnell why two 36-inch pipes would make this project cheaper.

MR. BRINTNELL answered:

... A couple of reasons, one is do we know what the shipper commitments are going to look like from day one. Do we know what development might look like down the track? You know, we've heard the fact that we want to make sure that the Alaska project isn't just for existing producers, that there's the opportunity for others who, as they develop supply, to bring it on board. You heard a bit yesterday about being able to loop. The positives, and I want to make it clear that Enbridge is not pushing dual 36-inches, we just think it's important to be considered as an option, is that you can start off slower. You can build one 36-inch pipe, make sure it's full and, as additional supplies come onboard, either because you don't want to overheat the market - you heard yesterday about the impact that can have on prices, which impacts your netbacks, both as the state and as the producer. You can bring on looping, 'incrementalize' the supply.

The other thing is it adds reliability. If you have a dual 36-inch line versus a single 48 or single 52, if there is an issue with part of the line, a compressor failure or somewhere along the line you need to do maintenance on a piece of the line, you don't go from 100 percent capacity to 50 percent - you go, typically, from 100 percent capacity to about 70 percent capacity - just the way you can bypass the section that you have a problem in [indisc.] to flow so there is some reliability benefits associated with dual 36.

So, in the context of what do you invest in, that's one of the things, and ... you'll see later on that I talk about reliability. Reliability is not just price. Shippers look to a pipeline company not only to give them a competitive price, they also want to make sure the gas gets to move because if you're going to have to pay your shipping commitment - and you heard that yesterday that a big part of this is ... in most cases, you're going to pay. I wouldn't say it's Hell or high water, but in most cases, you're going to pay for your shipping commitments. You want to make sure that that gas can flow. And so, in the context of reliability, what do you invest in. Sometimes duplication is more reliable and you're willing to pay more for that.

MR. BRINTNELL continued with his presentation.

And then finally, can you finance it? I'll talk a bit more about that later on. You sort of segued into my next slide, which is what motivates the various parties because, as a pipeline developer, we're only one of three parties potentially to participate. Producers do want the lowest cost of delivery. Obviously, as the state and as the producers you want the highest possible netback but I have experienced before where the lowest cost pipeline doesn't necessarily get to be the one that gets to be built. They're looking for reliability. They're looking for 'optionality.' You know, does your pipe give things that others wouldn't? And I say 'optionality,' for example, in the case of the Alliance pipeline. It provided for free fuel-only interruption - interruptible service. So what do the various parties bring to the table - so they're not just talking about the lowest demand charge but what other things can you bring to the table.

The market's the same thing. The added mix, I guess, in the downstream market is they all started buying the gas so they want to know - they want to have competitive and reliable gas pricing.

And then the transporter side - we're looking for a fair return and I will talk a bit about what we classify as fair return, risk/reward balance, later on. But we want to have manageable risk. We're not looking for no risk. There isn't the ability to have no risk but we want to understand our risk to be able to manage it and then have some financial certainty around the risk that we define.

You heard yesterday a bit about - from what we call the [indisc.] bar hopping. I like to call this the

oval of opportunity. Basically, as the risks increase, as investors and developers in pipelines, we are looking for the opportunity to make more money. Now that's just - they go hand-in-hand. We will and have been, when we can take risk, pipeliners will take development risk. We like to take the risk we think we can manage. One of the things the pipeline companies do is build pipelines so we should be able to manage construction risk and we'll take some of that risk. Things that are beyond our control, for example, steel price. No matter how hard we might want to try, as an individual company, to manage steel prices, we can't. We can't control the global market so those are the kinds of risks where you have to try and look for a balance between the developer and the other industries as to who gets to share that risk-reward balance.

You know, technology - we talked a bit about that. Where do you decide to take which pipe? It really depends on where you are in the process. As we move along on the Alaskan project, it has become more and more important to move it along faster. Well, do you take the risk of unproven technology? You might and it might bring the cost down, but you have to bear in mind that you're taking a risk. So that's the kind of thing - you have a dialog with not only our own company and the banks because they're important to this, but also the shippers themselves saying look, there are things we can do. We can bring the cost down but there's a cost. The cost is the risk goes up essentially.

What do we need to invest? Typically, and I think you heard this yesterday, typically looking for return on equity around 12 to 15 percent. Fifteen percent - there are projects going on right now that are in the 15 percent area. There are those going on at 12. It could potentially be lower than that. It really depends upon what the risk balance is. Our investors look - the people that invest in pipeline companies are looking for return so they're looking for us to make, you know, an adequate return - 12 to 15 percent is kind of the range they're looking for us to make on investments, otherwise they could invest their money somewhere else. So that's kind of the range in order for us to get the equity we need in our companies. That's the range of return we're looking for. We need access to that and there was quite a bit of discussion yesterday about the fact that for this project there likely will be a fair bit of opportunity to bring in various types of debt, both through the equity markets and through the other forms but we have to understand where that debt is coming from.

I talked a bit about cost certainty. It's not cost certainty as much as it's predictability. We need to be able to predict what those costs are. What are the bands? You asked, in the context of making an investment decision and I'll bring it back to about 36 versus 52 or 48, having built quite a bit with the small diameter pipe, we are better able to predict, we think, what the cost variability might be like in that and so put a tighter band on what the outside might be, versus say, a 52 or a 48, which hasn't been tried as much so you have a higher unpredictability on a higher size pipe that you might not have on a 36. So that is having the ability to better manage and better understand that cost uncertainty. Is it worth something to the shippers? It might be or they may say no, I want the lowest cost pipe. But that's the kind of thing we consider when we look at pipes.

Regulatory certainty - I'm sure it's been talked quite a bit about in previous hearings, not so much in this one, but that's important to us as pipeline developers - understanding the process not only from gaining land access but just in terms of getting the tariffs approved. In this project we've got the FERC approval we're going to need to have. We're to the NEB - National Energy Board approval in Canada. Can we understand the process? Do we understand the process? Is it clearly defined - and not only the process going into it but over the long haul? One of the things that pipeliners are most concerned about is that we develop a project only to find the regulatory environment change after the fact. We're willing to look at the oval of opportunity and take more risk, but we don't want to then find out that after we've taken that risk and expected a higher return, only to have that clawed back after they've said well no, you've taken the risk and thanks very much and now we want a lower return. We want to have regulatory stability over the longer haul.

... The last point is we need to understand how we're going to get access to the land, both the state, federal, private and the aboriginal Native corporations that play a big role there. REPRESENTATIVE CROFT asked what risk Mr. Brintnell is referring to since cost overruns would be added to a FERC 12 percent base.

MR. BRINTNELL said that is not necessarily true even though the implication has been made that pipeliners do not take risk. Enbridge has a long history of that not being the case. Enbridge prefers negotiated settlements in which it will take some risk. During the negotiations for the Alliance Pipeline, the developers negotiated a 12 percent return but that was variable. If the developers were able to bring the project in under budget, the return could go up. If it came in over budget, the return went down. In the case of the Alliance Pipeline, the return did go down so the shippers were not the only ones bearing the brunt of a cost overrun. He noted that more and more, pipeline companies are entering into negotiated settlements. Enbridge believes the Alaska pipeline will be a negotiated settlement that will contain some risk/reward balancing. He added:

Other things are you take some risks operationally. Our ANR-Vector Pipeline, which runs from Chicago to Ontario, we benefit and take pain on an O&M basis, operation and maintenance basis, so if we do better than we predict, then we, the pipeline owners, get to share in some of those benefits. But if we do worse, we bear the pain and we share that with shippers. So it isn't quite as straightforward as no risk because you could build a no-risk pipeline. But, quite frankly, I don't think that any of the shippers, including the state if you decide to be a shipper, works out that way. I think you're looking for pipeline companies to take some risk and be innovative on how they might be able to do that. And we're willing to do that. We want to. I mean the reality is our investors in our companies look for us to do better than just, you know, a flat rate. They want us to try and make more money and so they're expecting us to take risk.

REPRESENTATIVE GARA said everyone has accepted as a given that the investors in a pipeline expect a 12 to 15 percent rate of return, as that is what pipelines have earned historically. He questioned why that is still the case in today's financial markets where people are looking hard to find an investment that will return 7 percent.

MR. BRINTNELL said that number is not "gospel" but one needs to distinguish between financial investors who will take a lower return and companies that know how to run pipelines. Enbridge's investors are looking for Enbridge to bring a return in the 12 to 15 percent range, depending on the risk. He maintained that this project cannot be solely financed by financial investors. He pointed out that the other owner of the Alliance Pipeline is a financial player, not a pipeline company. Its returns and expectations are different but they do not know how to run pipelines and are in it solely on an investment basis.

REPRESENTATIVE FATE recalled that a 36-inch pipeline was discussed at an earlier date and asked if that option is still on the table. He asked what some of the deleterious aspects of a 36-inch pipeline would be.

MR. BRINTNELL said that option is certainly still on the table for Enbridge because it reduces the potential risk. He said the downside is the higher cost. However, if growth to 4 BCF does not occur for five to seven years, it makes more sense.

CO-CHAIR SAMUELS noted the presence of Senator Wagoner.

MR. BRINTNELL said he would not focus on financing considerations as that topic was discussed at length the previous day but he pointed out that basically, Enbridge and the financial community are looking for the same things. The banks want to be assured they are dealing with financially strong players and that whoever is putting equity in, has experience. He repeated that financial players will take a lower rate of return because they know that those who are looking for a higher rate of return have the experience and are risking their own dollars to make a return. He pointed out that regarding risk, "Our money comes last, the banks come first." Financing companies are also looking at the quantity and kinds of reserves that are backing the pipeline. He continued with his presentation:

There can be quite a broad variety of sources of debt, and I won't go through this. Once again,

you heard yesterday quite a bit about who might invest, including the equity market, pension funds, but they are looking for - they are happy to invest in pipelines because the returns are higher than they might get in other ways but they still want to know that there's someone reliable and able to run that pipe. That's why they're willing to invest in potentially not the same return that others might, because they're not pipeliners.

I'm going to skip through this. This talks a bit about what they're looking for and the biggest thing is debt service coverage ratio. They want to know that there's sufficient commitment to pay them back because the banks get paid first and participants like ourselves get paid later and hence, the reason why you want a slightly larger return because you're paid last.

A bit of a commercial for those of you who don't know who or may not know who Enbridge is. We're a pretty substantial pipeline company - about \$13 billion in assets. We own and operate the world's largest oil pipeline so we have a number of years of pipeline experience. We built the first pipeline in continuous permafrost, so the most technical hurdles and issues we've got a bit of experience with. We built a distribution company in Inuvik [ph] so we know that one of the key aspects of this project is local markets and how can that be accessed so we're looking to try and help in that.

We may or may not be an investor in the LDCs but at least we understand some of the difficulties in getting gas to new areas. We brought gas to Inuvik. We brought gas to New Brunswick, which never had gas before. So being an LDC company, a local distribution company ourselves, we kind of understand some of the challenges that it takes to get gas to new regions - just like Alaska is trying to do. We have a strong environmental track record. We have won numerous awards for building pipelines and operating our pipelines. We think we're kind of uniquely able to participate in this project and we think that we have a strong history - we do have a strong history - with engaging First Nations people.

We will be looking at taking a potential shipping commitment on the pipeline so I know there were two divergent opinions yesterday as to whether local distribution companies would in fact step up and take capacity. Enbridge is taking a very serious look at taking capacity on our own right for our local distribution company in Ontario, so we could potentially be a shipper. We are looking to go and talk to other LDCs, both in the Chicago area and as far east as New York. We believe, and we've seen indications, that they will be or might be willing to step up. The issue they face is being able to get regulatory approval. With markers stepping up several years ago and taking capacity, the LDCs were discouraged and, in fact, told they couldn't take long term capacity commitments. With those markers leaving, the opportunity is there to let them take it again, but the regulators have to be encouraged to allow them to do that. So we're going to go out and work with the LDCs to see if we can't have some dialog with those regulators and potentially with the states themselves because we think they're the ones that are going to benefit from your gas. You'll benefit because you're going to earn the royalties and the revenues. Those states benefit because the gas gets there and so we believe that there is an opportunity for Alaska to go and talk to those other states and encourage them to encourage their regulators of those LDCs to be able to take long-term commitments. And we know they are looking at it. I've talked to LDCs that are looking at potentially taking long-term commitments on LNG facilities so if they're willing to take long-term commitments on LNG, why not Alaska? So we think there's an opportunity there.

And I guess the last part of the commercial is we have had pretty extensive cross-border. The one thing we've talked about - these hearings are all about Alaska but this is a cross-border project so we think it's important to be able to look not only at the U.S. side but the Canadian side and understand some of the politics and issues and we've had a long experience, through Alliance and through Vector and other pipelines of dealing cross-border. So we think that we're uniquely well positioned there and that sort of ends the commercial.

REPRESENTATIVE GATTO said the Governor remarked that he was in active negotiations with both TransCanada and the producers. He understood the Governor to say that was because he had

reimbursable service agreements (RSAs). He asked Mr. Brintnell if Enbridge has reimbursable service agreements also.

MR. BRINTNELL said Enbridge has not signed an RSA, not because it is averse to doing so but because it has been focusing on where it can add value first, which is why it is looking at having the LDC discussions and at dual 36-inch pipelines and a few other things. He noted that Enbridge is more than willing to sign those agreements but, again, believes it is more important to focus on other areas of the project right now. Enbridge's understanding is that the rights-of-way will not be exclusive so it is not concerned that there will be no opportunity. He said Enbridge officials met with the Governor's staff this week.

REPRESENTATIVE GATTO indicated that dual 36-inch pipelines will have more capacity than a single 48-inch line, so that the dual 36-inch pipelines may cost more but can deliver more. He estimated that it would take 1.8 36-inch lines to equal a single 48-inch line. He asked for the ratio of the increased cost versus what the state would get.

MR. BRINTNELL guessed the amount to be .5 billion cubic feet, maybe more. He added:

The thing about it is that you don't directly go to a dual 36. You loop it out so the beauty of it is that if we thought we were only going to get to the point that we needed capacity for a 48, you wouldn't necessarily fully loop out the 36. You can incrementalize yourself to the various capacities, unlike building a single pipe where you build it and it's there. In the case of a dual pipe, you can build it up over time.

SENATOR GUESS indicated that Governor Murkowski opined during his presentation yesterday that he must take some risk in order to move the project forward. She asked Mr. Brintnell his opinion about whether the state must take risk or must take some ownership in the pipeline to move the project forward.

MR. BRINTNELL replied that Enbridge believes the state has a role to play and the ability to take some risk that an independent company like Enbridge does not. He continued:

There are some benefits that the state will get from a project that someone who was just purely investing in the pipeline won't. You know, the fact that the gas moves from the state has some benefits so I think there [are] benefits in participation ... it just depends on how you structure the risk. I'll give you an example, not necessarily what I would advocate here, but we've looked at before where some parties are willing to take more risk or have more opportunities than [indisc.] a producer who would be participating in the pipeline. They might be willing to take more back-end risks. In other words, allow the pipeline to take potentially a lower return but have more stable returns and they would get more returns at the back-end. So, you know, that's the kind of thing the state potentially could do is say okay, we'll participate on an equity basis. We'll take more returns than you will, Enbridge or a pipeline company, because we're willing to take slightly more risk. So I think that the state, you know, could have a role to play here. Is it essential? I'm not sure it's essential but it's positive.

SENATOR GUESS said she is aware of the positives and negatives but was trying to ask whether it is essential.

CO-CHAIR SAMUELS asked if Enbridge has partnered with any government entity, regarding an equity share.

MR. BRINTNELL could not think of any government partnerships in the Canadian or U.S. pipelines but he was not sure about offshore projects in Colombia or Spain.

CO-CHAIR SAMUELS asked if Enbridge simply did not need government equity participation in the Canadian or U.S. pipeline projects or whether it chose not to deal with government bureaucracy.

MR. BRINTNELL said Enbridge did not need government equity participation. He pointed out that Alaska is in a unique position because 12 percent of 4 BCF per day amounts to a lot of gas and puts Alaska in a

unique position.

SENATOR ELTON asked Mr. Brintnell if he was referring only to equity.

MR. BRINTNELL said he was. In terms of shipper commitments, Enbridge discussed a project with the Wyoming Pipeline Authority in which the state might have been a shipper. He clarified that Enbridge has had dialogs with government entities about entity participation in the past but nothing was formalized.