



House Democratic Caucus

State Capitol, Room 404
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March 26, 2014

Representative Eric Feige, Co-Chair
State Capitol, Room 126
Juneau, Alaska 99801

Representative Dan Saddler, Co-Chair
State Capitol, Room 104
Juneau, Alaska 99801

Dear Co-Chairs Feige and Saddler:

Thank you for allowing members of the House Resources Committee to request topics for discussion in the committee regarding SB 138 and the liquefied natural gas project proposal currently before the Legislature. We appreciate your understanding of the importance of meeting in-state energy needs, therefore we respectfully request you schedule time to discuss what is currently in the proposal or what might be added to ensure Alaskans get affordable, fair access to natural gas.

Access to affordable gas for in-state use is a crucial aspect of any North Slope gas proposal, yet the provisions currently in the bill regarding gas for in-state use are few and leave much up for interpretation. The Senate did not address in-state gas in detail, so Alaskans are depending on the House to protect their interests in having affordable access to North Slope gas.

Some questions Alaskans deserve to have answered before the state negotiates with the oil companies and TransCanada include:

- **Who will supply gas for in-state use?** The way the proposal is now, our producer partners would have no incentive to sell gas to Alaskans. That puts the burden on the state to meet all in-state demand. One specific concern would be if in-state offtake left the state with unused capacity at the LNG plant, thus damaging the state's financial position and potentially leaving us in breach of sales contracts. Is there any provision, existing or envisioned, which would ensure that all partners shared in the in-state gas offtake? Alternatively, are there expansion supplies which the state could access so as to be able to meet this need without leaving itself short at the LNG plant?
- **Will we be penalized for selling gas in-state?** If we have a firm transportation contract with TransCanada that extends all the way to the LNG plant, and we choose to pull gas off for in-state use, would we potentially owe them full tariffs on the volumes that were not shipped on that portion of the pipeline south of the offtake point?
- **Can we assure in-state gas is affordable?** Without clear terms for who will supply gas to in-state markets or assurances that expanding project capacity will be cost-effective, are there terms we can or should include in SB138 to assure gas sold to Alaskans is affordable?

• Chris Tuck, House Democratic Leader •

• Max Gruenberg, House Democratic Whip •

• Harriet Drummond • Les Gara • David Guttenberg • Andy Josephson •

• Scott Kawasaki • Sam Kito III • Jonathan Kreiss-Tomkins • Geran Tarr •

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- **Are we bearing too much of the burden of supplying in-state gas?** Janak Mayer of Enalytica mentioned on Monday that there was a potential imbalance over the current expansion terms, in which a non-participant could benefit from a state-initiated expansion that lowered the project's average capital costs, but could never be mandated to increase their costs (even restoring them to original levels via a second, subsequent expansion). Is there any interest in finding a mechanism in the bill to remedy this inequity?
- **Can Cook Inlet producers benefit?** If, whether due to in-state offtake or other reasons, there is excess capacity in the LNG plant, is there any mechanism envisioned to make this capacity available for Cook Inlet producers? Is there any precedent for allowing interruptible or spot market access to a liquefaction terminal?

We cannot underestimate the importance of setting clear expectations for how this project will get Alaska's gas to Alaskans in a fair, affordable manner. Thank you for considering our request, and we look forward to discussing this very important issue with you in the House Resources Committee.

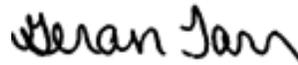
Sincerely,



Representative Chris Tuck



Representative Scott Kawasaki



Representative Geran Tarr