



governmentattic.org

"Rummaging in the government's attic"

Description of document: **Correspondence and email from Governor Sarah Palin or the Office of the Governor in the offices of the Chief Executive Officer and the Chairman of the Alaska Natural Gas Development Authority (ANGDA), 2007 – 2008**

Requested date: 14-September-2008

Released date: 20-October-2008

Posted date: 01-November-2008

Date/date range of document: 27-December-2008 – 06-October-2008

Source of document: Alaska Natural Gas Development Authority
411 W. 4th Avenue, First Floor
Anchorage, Alaska 99501
Phone: (907) 257-1334

The governmentattic.org web site ("the site") is noncommercial and free to the public. The site and materials made available on the site, such as this file, are for reference only. The governmentattic.org web site and its principals have made every effort to make this information as complete and as accurate as possible, however, there may be mistakes and omissions, both typographical and in content. The governmentattic.org web site and its principals shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information provided on the governmentattic.org web site or in this file.

STATE OF ALASKA

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

SARAH PALIN, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA
99501

TELEPHONE: (907) 257-1347

October 20, 2008

I am responding to your September 14, 2008 Alaska Public Records Act request, which was received on September 29, 2008, for;

- 1) a copy of all correspondence from Governor Sarah Palin or the Office of the Governor in your office and the office of the Chairman (January 1, 2007 to the present); &
- 2) a copy of all reasonably accessible e-mail from Governor Sarah Palin or the Office of the Governor in your office and the office of the Chairman (January 1, 2007 to the present).

Consistent with your request, we have search for both paper documents and e-mails stored on Alaskan Natural Gas Development Authority computers that are accessible through the "sent" and "received" functions of the e-mail on the computers. We have not conducted a more extensive electronic search that would require specialized technicians.

Disclosable documents responsive to your request accompany this letter.

However, a number of documents also responsive to your request are not disclosable because these documents are protected under the deliberative process privilege. *See Gwich'in Steering Committee v. State, Office of the Governor*, 10 P.3d 572 (Alaska 2000) (Recognizing deliberative process privilege in Alaska). A list of these documents is set out in the privilege log that also accompanies this letter. To the extent that non-production of these documents constitutes partial denial of your request, Department of Revenue Commissioner Patrick Galvin has delegated to me the authority to deny this public records request.

If you wish, you may administratively appeal the partial denial of your request by complying with the procedures of 2 AAC 96.340. Accompanying this letter is a copy of 2 AAC 96.335 – 2 AAC 96.350. You also have the option of obtaining immediate judicial review of the partial denial by seeking an injunction with the superior court under AS 40.25.125. Choosing not to pursue an injunction in superior court will have no adverse effect on your rights in the administrative appeal. An administrative appeal from the denial of a request for public records requires no appeal bond.

Because the cost of obtaining these documents has been minimal and would exceed the cost for arranging payment, the fee for providing these records is waived under AS 40.25.110(d).



Harold Heinze
CEO, ANGDA

661.09.0123

Privilege Log

Date	Author	Recipient	Cross Copy	Document Description	Privilege
07/25/08	H. Heinze	J. Balash M. Rutherford G. Dubay C. Starring S. Hayworth	M. Davis J. Griffith J. Lau K. Sikora	9:43 a.m. Email/Re: ANGDA Preparation for Discussion of Public / Private Partnership for in-state gas line projects.	Deliberative Process
07/25/08	J. Balash	H. Heinze M. Rutherford G. Dubay C. Starring S. Hayworth	M. Davis J. Griffith J. Lau K. Sikora	9:50 a.m. Response to request for defining gas line projects.	Deliberative Process
07/03/08	M. Rutherford	T. Irwin P. Galvin H. Heinze J. Balash M. Davis S. Heyworth G. Dubay C. Bobbie C. Starring		9:36 a.m. Email/Re: Draft "In-State Energy" Press Conference concept paper (attachment)	Deliberative Process
07/03/08	M. Davis	M. Rutherford T. Irwin P. Galvin H. Heinze J. Balash S. Heyworth G. Dubay C. Bobbie C. Starring		10:22 a.m. Additions to draft	Deliberative Process

661.09.0123

Privilege Log

Date	Author	Recipient	Cross Copy	Document Description	Privilege
07/03/08	J. Balash	M. Davis T. Irwin H. Heinze S. Heyworth G. Dubay C. Bobbie C. Starring		10:36 a.m. Observations to M. Davis's suggested additions	Deliberative Process
06/29/08	H. Heinze	J. Balash M. Davis	S. Heyworth	5:56 p.m. Email/Subject: ANGDA position on AGIA	Deliberative Process
06/29/08	J. Balash	H. Heinze M. Davis	S. Heyworth	6:08 p.m. Response	Deliberative Process
06/09/08	H. Heinze	J. Balash M. Davis S. Heyworth		2:08 p.m. Email/Subject: AGIA	Deliberative Process
06/09/08	J. Balash	H. Heinze M. Davis S. Heyworth		2:20 p.m. Approval	Deliberative Process
06/06/08	H. Heinze	J. Balash M. Davis S. Heyworth		4:25 p.m. Email/Subject: AGIA	Deliberative Process
06/06/08	J. Balash	H. Heinze M. Davis S. Heyworth		4:34 p.m. AGIA	Deliberative Process
06/02/08	J. Balash	H. Heinze		4:42 p.m. Email/Subject: Appropriations	Deliberative Process

661.09.0123

Privilege Log

Date	Author	Recipient	Cross Copy	Document Description	Privilege
04/29/08	H. Heinze	Tami of Little Su	B. Walker J. Balash M. Davis S. Heyworth M. Roberts	2:53 p.m. Email/Subject: Trip Agenda	Deliberative Process
04/29/08	J. Balash	H. Heinze	M. Davis	3:07 p.m. Response	Deliberative Process
04/14/08	S. Heyworth	J. Balash M. Davis	H. Heinze C. Young L. Hovanec D. Sullivan	4:01 p.m. China trip.	Deliberative Process
04/14/08	M. Davis	S. Heyworth J. Balash	H. Heinze C. Young L. Hovanec D. Sullivan	4:43 p.m. China trip.	Deliberative Process
04/14/08	J. Balash	S. Heyworth M. Davis	H. Heinze C. Young L. Hovanec D. Sullivan	5:13 p.m. China trip	Deliberative Process
04/10/08	H. Heinze	J. Balash M. Davis	S. Heyworth C. Young	11:18 a.m. Email/Subject: Bullet Line	Deliberative Process
04/10/08	J. Balash	H. Heinze M. Davis	S. Heyworth C. Young	11:29 a.m. Bullet Line	Deliberative Process

661.09.0123

Privilege Log

Date	Author	Recipient	Cross Copy	Document Description	Privilege
04/08/08	S. Heyworth	H. Heinze	M. Davis J. Balash	7:28 a.m. Email/Subject: Gasline	Deliberative Process
04/08/08	J. Balash	S. Heyworth H. Heinze	M. Davis	7:33 a.m. Gasline	Deliberative Process
04/08/08	S. Heyworth	J. Balash H. Heinze	M. Davis	7:52 a.m. Gasline	Deliberative Process
04/08/08	J. Balash	S. Heyworth H. Heinze	M. Davis	8:00 a.m. Gasline	Deliberative Process
04/02/08	H. Heinze	J. Balash M. Davis S. Heyworth L. Hovanec		4:56 p.m. Email/Subject: Gasline	Deliberative Process
04/02/08	J. Balash	H. Heinze		5:00 p.m. Gasline	Deliberative Process
04/02/08	H. Heinze	J. Balash		6:09 p.m. Gasline	Deliberative Process
04/02/08	J. Balash	H. Heinze		6:23 p.m. Gasline.	Deliberative Process
04/02/08	H. Heinze	J. Balash		7:32 p.m. Gasline.	Deliberative Process
04/03/08	J. Balash	H. Heinze		7:53 a.m. Gasline	Deliberative Process

661.09.0123

Privilege Log

Date	Author	Recipient	Cross Copy	Document Description	Privilege
03/24/08	H. Heinze	K. Diemer	F. Bailey M. Davis S. Heyworth C. Young L. Hovanec	3:09 p.m. Email/Subject: Status of ANGDA Board Member	Deliberative Process/Personnel
03/24/08	F. Bailey	H. Heinze		3:13 p.m. Reply	Deliberative Process/Personnel
03/18/08	J. Balash	H. Heinze		11:04 a.m. Email/Subject: Schedule. Meeting to discuss schedules and resources.	Deliberative Process
01/22/08	H. Heinze	M. Davis J. Griffith S. Heyworth K. Laughlin D. Benson L. Hovanec	J. Balash C. Young	6:02 p.m. Email/Subject: Thursday Meetings	Deliberative Process
01/22/08	J. Balash	H. Heinze		8:26 p.m. Thursday Meetings	Deliberative Process
01/23/08	H. Heinze	J. Balash		7:55 a.m.	Deliberative Process
01/23/08	J. Balash	H. Heinze		1:21 p.m. location request	Deliberative Process

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 2/13/2008 12:47 PM

Harold,

I can't put my hands on your spending plan for this coming field season. Are you able to send it to me again? I have all the other documents you gave me, but I just can't find that spending/activity chart.

Joe

✓

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 2/14/2008 10:09 AM
Subject: Re: interesting developments

When are you back in ak? I am in southcentral next week and would like to catch up.

----- Original Message -----

From: Harold Heinze <hheinze@jpo.doi.gov>
To: erwm8706@acsalaska.net <erwm8706@acsalaska.net>; kccjg@acsalaska.net <kccjg@acsalaska.net>;
steve.pratt@acsalaska.net <steve.pratt@acsalaska.net>; Diemer, Kenneth J (LAW); Davis, Marcia R (DOR); joegriff@chugach.net
<joegriff@chugach.net>; SullivanD@ci.anchorage.ak.us <SullivanD@ci.anchorage.ak.us>; heyworth@gci.net <heyworth@gci.net>;
tizzio@gci.net <tizzio@gci.net>; warwick@gci.net <warwick@gci.net>; Balash, Joseph R (GOV); john_bitney@gov.state.ak.us
<john_bitney@gov.state.ak.us>; kkl@gvea.com <kkl@gvea.com>; Young, Corrienne P (JPO); mthompso@jpo.doi.gov;
andykaye@mtaonline.net <andykaye@mtaonline.net>; dab@nhtiua.com <dab@nhtiua.com>; cdunmire@walshenv.com
<cdunmire@walshenv.com>; Lorie.L.Hovanec@wellsfargo.com <Lorie.L.Hovanec@wellsfargo.com>
Sent: Wed Feb 13 19:27:55 2008
Subject: interesting developments

channel 2 news story last night caught me out of town in Houston

will have some thoughts tomorrow after talking with Speaker Harris and Administration

need to understand what is wanted, angda's role, and strength of support

would love to accelerate in-state gas on its own track, but

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 7/8/2008 11:43 AM
Subject: RE: Letter to Governor Palin on route

Thanks!

From: Harold Heinze [mailto:HHEINZE@jpo.doi.gov]
Sent: Tuesday, July 08, 2008 11:38 AM
To: Balash, Joseph R (GOV)
Subject: Re: Letter to Governor Palin on route

>>> "Balash, Joseph R (GOV)" <joe.balash@alaska.gov> 7/8/2008 11:33 AM
>>>

Harold,

Can you locate a copy of the letter you sent Governor Palin last year regarding Richardson Highway vs. Parks Hwy? I was sure I had it in a particular file down here in Juneau, but can't seem to put my hands on it.

Joe

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 5/21/2008 11:59 AM
Subject: Re: schedule

9:00 am is yours. What number should I call?

----- Original Message -----

From: Harold Heinze <HHEINZE@jpo.doi.gov>
To: Balash, Joseph R (GOV)
Sent: Wed May 21 11:42:30 2008
Subject: Re: schedule

how about 8:30 or 9:00

>>> "Balash, Joseph R (GOV)" <joe.balash@alaska.gov> 5/21/2008 11:24 AM >>>

Harold:

I am hoping that you and Scott are available tomorrow morning to discuss the recommendation ahead of the press event at 11:00 AM. I can give you first dibs on a block of time between 8 and 10.

Joe

From: "Bailey, Frank T (GOV)" <frank.bailey@alaska.gov>
To: <heyworth@gci.net>
CC: "Young, Corrienne P (JPO)" <cyoung@jpo.doi.gov>, "Heinze, Harold C (JPO)..."
Date: 5/22/2008 7:49 AM
Subject: Re: info plz.....

You bet. I don't have email handy but he's at

----- Original Message -----

From: Scott Heyworth <heyworth@gci.net>
To: Bailey, Frank T (GOV)
Cc: Young, Corrienne P (JPO); Heinze, Harold C (JPO); Lorie Hovanec <lhovanec@aol.com>
Sent: Thu May 22 07:33:38 2008
Subject: info plz.....

Morning Frank,

Could you give me Nick's phone numbers and maybe email addy so I can call him later today and welcome him on board to ANGDA?

It's early and perhaps you already sent them to Corrie?

Much thanks.

Scott

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 5/23/2008 4:12 PM
Subject: (Virus) Re: schedule

That can work for me

----- Original Message -----

From: Harold Heinze <HHEINZE@jpo.doi.gov>
To: Balash, Joseph R (GOV)
Sent: Fri May 23 14:31:19 2008
Subject: Re: schedule

What plans do you have on holiday Monday i could aim for mid-day early afternoon

>>> "Balash, Joseph R (GOV)" <joe.balash@alaska.gov> 5/23/2008 1:54 PM >>>

OK. So 11:45 didn't exactly work for me yesterday. When would be a convenient time for us to get together and chat ANGDA needs? As you might imagine, my life goes haywire Wed-Fri, and Tuesday is likely to be a bear, too. I'm here in Anchorage all weekend if you guys might have some time to get together.

Joe

ATTENTION!!

A Virus Has Been Detected in the file attachment(s).
The file attachment(s) have been removed by JPO's Guinevere,
the Groupwise Antivirus Scanner.

====> Ever vigilant!

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: <heyworth@gci.net>, "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 5/24/2008 9:58 AM
Subject: Re: schedule

I will see you guys then.
Thanks for making time on a Holiday.

----- Original Message -----

From: Scott Heyworth <heyworth@gci.net>
To: Heinze, Harold C (JPO); Balash, Joseph R (GOV)
Sent: Sat May 24 09:32:35 2008
Subject: Re: schedule

wipes out my day.....but i will be there.

it just might turn out to be a "memorial morning"
lol

S

----- Original Message -----

From: "Harold Heinze" <hheinze@jpo.doi.gov>
To: <joe.balash@alaska.gov>; <heyworth@gci.net>
Sent: Saturday, May 24, 2008 6:57 AM
Subject: Re: schedule

joe & scott

how about 10 am monday at the angda office

i'd like to keep another appointment for a late lunch

office will be very quiet, but call when at the door and i can
let you in

>>> Scott Heyworth <heyworth@gci.net> 05/23/08 4:44 PM >>>
hey joe.

i am available Monday for the most part if not too early or afternoon? and
Tuesday a.m works best up to 9:30.
that Chamber panel is at 10:00am.

----- Original Message -----

From: Balash, Joseph R (GOV)
To: Heinze, Harold C (JPO) ; heyworth@gci.net
Sent: Friday, May 23, 2008 1:54 PM
Subject: schedule

OK. So 11:45 didn't exactly work for me yesterday. When would be a
convenient time for us to get together and chat ANGDA needs? As you might
imagine, my life goes haywire Wed-Fri, and Tuesday is likely to be a
bear, too. I'm here in Anchorage all weekend if you guys might have some
time to get together.

Joe

From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
CC: "Davis, Marcia R (DOR)" <marcia.davis@alaska.gov>, <heyworth@gci.net>
Date: 7/1/2008 10:17 AM
Subject: Re: any chance of the meeting before 1 pm today its harder onscott to meet after that time since he will be unloading are tp

Yes. I would like to bring Marty. When can we head over to your shop?

----- Original Message -----

From: Harold Heinze <HHEINZE@jpo.doi.gov>
To: Balash, Joseph R (GOV)
Cc: Davis, Marcia R (DOR); Scott Heyworth <heyworth@gci.net>
Sent: Tue Jul 01 09:36:43 2008
Subject: any chance of the meeting before 1 pm today its harder onscott to meet after that time since he will be unloading are tp



From: "Balash, Joseph R (GOV)" <joe.balash@alaska.gov>
To: "Heinze, Harold C (JPO)" <hheinze@jpo.doi.gov>
Date: 7/8/2008 2:24 PM
Subject: Re: Letter to Governor Palin on route

Sure. 11:00 am?

----- Original Message -----

From: Harold Heinze <HHEINZE@jpo.doi.gov>
To: Balash, Joseph R (GOV)
Sent: Tue Jul 08 14:03:45 2008
Subject: RE: Letter to Governor Palin on route

In Juneau on early flight tomorrow want to meet before hearing ?????

>>> "Balash, Joseph R (GOV)" <joe.balash@alaska.gov> 7/8/2008 11:43 AM >>>

Thanks!

From: Harold Heinze [mailto:HHEINZE@jpo.doi.gov]
Sent: Tuesday, July 08, 2008 11:38 AM
To: Balash, Joseph R (GOV)
Subject: Re: Letter to Governor Palin on route

>>> "Balash, Joseph R (GOV)" <joe.balash@alaska.gov> 7/8/2008 11:33 AM >>>

Harold,

Can you locate a copy of the letter you sent Governor Palin last year regarding Richardson Highway vs. Parks Hwy? I was sure I had it in a particular file down here in Juneau, but can't seem to put my hands on it.

Joe

STATE OF ALASKA

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

SARAH PALIN, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA 99501

TELEPHONE: (907) 257-1347

December 27, 2006

To: Governor Sarah Palin
Lt. Governor Sean Parnell
Commissioner Pat Galvin
Commissioner Marty Rutherford

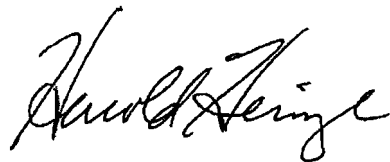
From: Harold Heinze

Subject: Follow Up To December 5, 2006, Meeting on North Slope Gas

Please find attached several narrative pages, tables, and a diagram summarizing ANGDA's understanding of project alternatives to deliver North Slope gas to Alaska markets.

While this is a high-altitude overview of project feasibility, we find it encouraging that an in-State gas pipeline is economic and can result in lower costs to Cook Inlet area gas users (especially when a Valdez LNG project happens).

ANGDA has worked on several aspects of these recommended projects and we are ready to take the lead in the focused definition efforts that are needed to advance this conceptual phase.



Copies To: ANGDA Board Members
Mike Tibbles - Chief of Staff
John Bitney – Legislative Liason
ANGDA Contractors

Summary of ANGDA Analysis

Alaska Gasline System

This project summary is a follow up to ANGDA's briefing of Governor Palin's on December 5, 2006. The alternatives for an in-State gasline system based upon Alaska gas markets were defined and the costs to deliver North Slope gas to Cook Inlet area gas consumers were estimated using comparative assumptions.

The attached tables demonstrate the following conclusions:

- The lowest cost of delivering gas to Cook Inlet is a project with a large diameter gasline to Delta Junction and a spur pipeline system connection into the Cook Inlet area.
- A gas pipeline system segment from Glennallen to Valdez delivering gas to even a small LNG project significantly lowers the gas delivery cost to Cook Inlet.
- A gasline from the North Slope, designed for the Alaska gas market only, is economically feasible if there are major industrial gas users in Cook Inlet and/or an LNG project in Valdez.
- The utilization of lower-interest-rate utility debt-structures (pledge of consumers approved by RCA) can significantly reduce the delivered cost to Cook Inlet gas consumers (up to 40% reduction).

ANGDA recommends, that in the best interest of Alaska gas consumers, the State focus its in-State project definition efforts and leadership on:

- A 16- to 24-inch spur gas pipeline system connecting Delta Junction to Cook Inlet and Valdez.

- A 16- to 24-inch gas pipeline connecting Prudhoe Bay Field to Delta Junction via Fairbanks.
- Potential gas service connections in Fairbanks, at the Yukon River bridge, and other Alaska sites along the route (including a propane distribution / utilization demonstration project for rural communities)
- Utilization of a 16- to 24-inch direct pipeline linking the North Slope to Cook Inlet and Valdez to carry the entire NGL content of larger gas volumes associated with a future very large diameter gas pipeline system through Alberta to the Mid-West.
- Receiving and inter-connection facilities and pipelines to interface with existing gas infrastructure in Cook Inlet.
- A 20- to 24-inch gas pipeline connecting Point Thomson Field to Cook Inlet and Valdez
- Conceptual design of LNG manufacturing facilities and storage to be located in Valdez (joint study with all potential LNG plant and LNG tanker builders, operators, and owners).

Further ANGDA observations on the conduct of the project definition efforts:

- In addition to the project design, engineering, construction planning, cost estimates, and logistics it is essential that work on permitting, financing, and customer development for the project proceed in parallel efforts.
- The State should encourage private-sector companies to contribute to these early project definition steps with the intention that companies may come forward that have the interest, experience, capability, and financial commitment necessary for the companies to assume the project management role and provide a maximum benefit to Alaskans.
- In any of these efforts the work should be publicly available and be communicated at appropriate intervals.

Methodology

- A simplified spread sheet model was created of a multi-node in-State gas pipeline system (see system diagram and mileages).
- Gas pipeline diameters were selected based on approximated maximum flow capacity: (implied reserves needed to support 20 years at flow capacity also shown)

12-inch	0.125 BCFPD	1 TCF
16-inch	0.250 BCFPD	2 TCF
20-inch	0.750 BCFPD	6 TCF
24-inch	1.250 BCFPD	9 TCF
36-inch	3.000 BCFPD	22 TCF

- Pipeline costs, including compressor stations, were estimated using a conservative assumption of \$150,000 per inch-diameter mile.
- A Cook Inlet share of the total pipeline system cost was estimated by proportioning the cost of each segment based on the ratio of Cook Inlet flow rate to the total flow rate in that segment.
- Calculations were performed at a variety of flow rate assumptions based on general usage numbers:

0.125 BCFPD	residential & commercial heating with gas
0.250 BCFPD	heating plus electric power generation
0.500 BCFPD	current CI consumption with industrial users
0.500 BCFPD	single train LNG plant in Valdez (3 mmtpa)
0.750 BCFPD	max gas off-take rate from Pt Thomson
3.000 BCFPD	max gas off-take rate from Prudhoe Bay

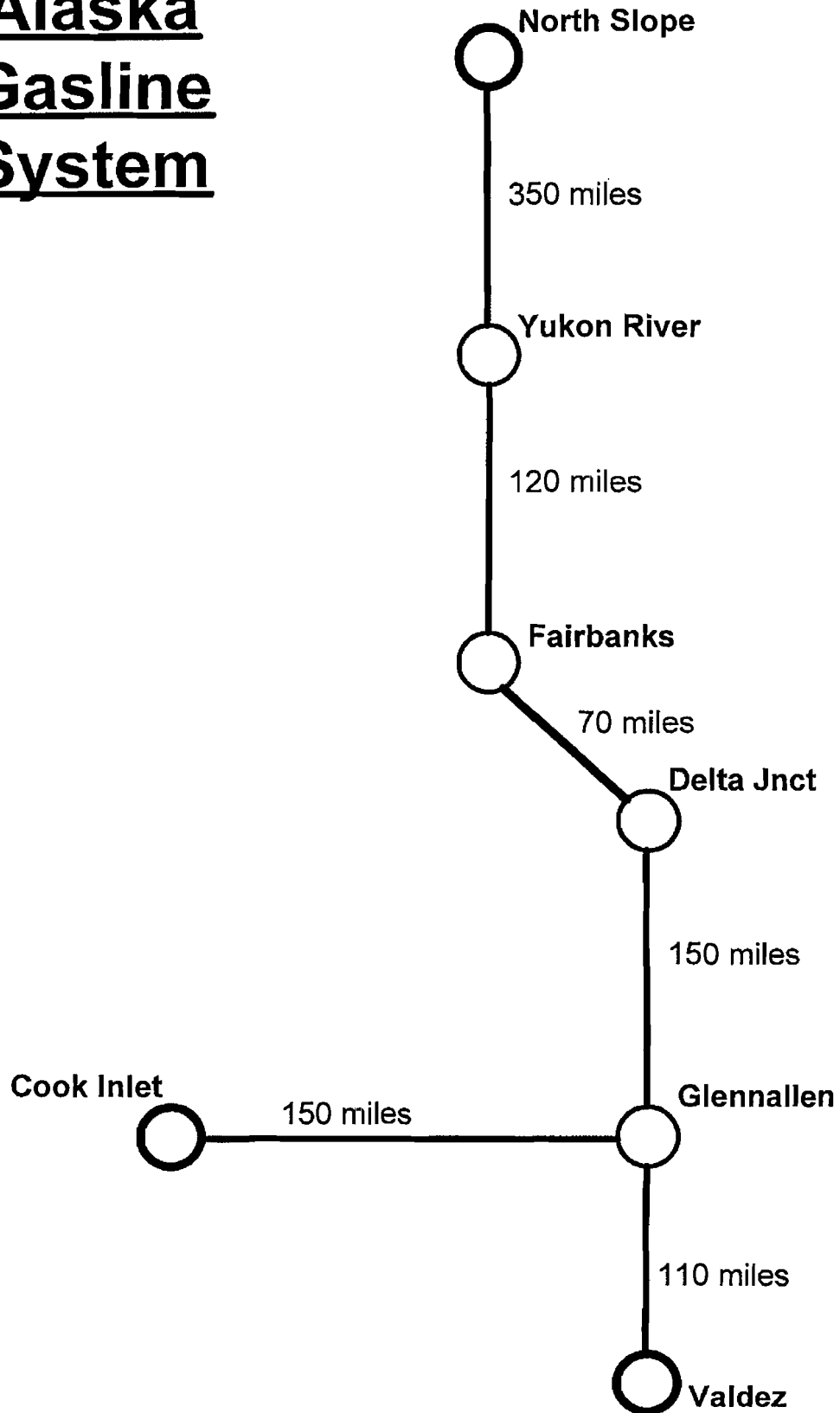
- A utility tariff structure was approximated by setting an annual revenue requirement of ten-percent of the proportioned Cook Inlet capital cost (see report by First Southwest Company on ANGDA website)
- Also, a tariff structure equivalent to the Sponsor Group's announced \$2.50 tariff to Chicago was estimated by scaling the Cook Inlet flow rate and proportioned cost using ratios compared to the 4 BCFPD flow rate in a very large diameter pipeline system costing \$21 billion.

Alaska Gasline System

Comparison of Different Configurations

				<u>Tariff To Cook Inlet</u>
	<u>Cook Inlet Rate (MCFPD)</u>	<u>Valdez Rate (MCFPD)</u>		
<u>Spur Off Large Pipeline to Delta</u>				
	250	0		\$1.83
	250	500		\$1.43
	250	1000		\$1.35
<u>Line To Cook Inlet & Valdez Only</u>				
	250	0		\$3.84
	250	500		\$2.00
	250	1000		\$1.63
<u>Gasline To Cook Inlet Only</u>				
	125			\$5.76
	250			\$3.84
	500			\$2.40
<u>Assumed North Slope to Chicago Tariff</u>				\$2.50
Prepared by Harold Heinze of ANGDA on 12/26/06				

Alaska Gasline System



Alaska Gasline System

Estimated Price of North Slope Gas In Cook Inlet

	<u>Spur Off Large Pipeline To Delta</u>	<u>Line to Cook Inlet & Valdez Only</u>	<u>Gasline to Cook Inlet Only</u>
Chicago Gas Price	\$5.50	\$5.50	\$5.50
Tariff to Chicago	\$2.50	\$2.50	\$2.50
Netback Gas Value on North Slope	\$3.00	\$3.00	\$3.00
Tariff In Large Gasline	\$0.46 ⁽¹⁾	\$2.00 ⁽³⁾	\$3.84 ⁽⁴⁾
Tariff In Spur Pipeline	\$1.37 ⁽²⁾		
Gas Value in Cook Inlet	\$4.83	\$5.00	\$6.84
<u>Assumption Footnotes</u>			
(1) 540 miles of 36" line carrying 3.00 BCFPD			
(2) 300 miles of 16" line carrying 0.25 BCFPD			
(3) 690 miles of 20" line carrying 0.75 BCFPD			
150 miles of 16" line carrying 0.25 BCFPD to Cook Inlet			
110 miles of 20" line carrying 0.50 BCFPD to Valdez			
(4) 840 miles of 16" line carrying 0.25 BCFPD			
Prepared by Harold Heinze ANGDA 12/26/06			

Alaska Gasline System -- DIFFERENT CONFIGURATIONS -- Cost of Service Comparison

		<u>Spur Off Large Pipeline to Delta</u>						<u>Line To Cook Inlet & Valdez Only</u>						<u>Gasline To Cook Inlet Only</u>					
<u>Pipeline Segment</u>	<u>Miles</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>	<u>Diam</u>	<u>BCFPD</u>		
North Slope to Delta Jnct	540	36	3.00	36	3.00	36	3.00	16	0.25	20	0.75	24	1.25	12	0.125	16	0.25	20	0.50
Delta Jnct to Glennallen	150	16	0.25	20	0.75	24	1.25	16	0.25	20	0.75	24	1.25	12	0.125	16	0.25	20	0.50
Glennallen to Cook Inlet	150	16	0.25	16	0.25	16	0.25	16	0.25	16	0.25	16	0.25	12	0.125	16	0.25	20	0.50
Glennallen to Valdez	110	0		20	0.50	24	1.00	0		20	0.50	24	1.00	0		0		0	
<u>Cost at \$ 150 k/inch-mile</u>																			
Total System Cost		\$3,636		\$4,056		\$4,212		\$2,016		\$2,760		\$3,240		\$1,512		\$2,016		\$2,520	
Proportioned Cost to Cook Inlet		\$963		\$753		\$711		\$2,016		\$1,050		\$857		\$1,512		\$2,016		\$2,520	
Cook Inlet Rate in MCFPD		250		250		250		250		250		250		125		250		500	
<u>Tariff to Cook Inlet At:</u>																			
10%/ Yr Revenue Requirement		\$1.06		\$0.83		\$0.78		\$2.21		\$1.15		\$0.94		\$3.31		\$2.21		\$1.38	
\$2.50 to Chicago Equivalent		\$1.83		\$1.43		\$1.35		\$3.84		\$2.00		\$1.63		\$5.76		\$3.84		\$2.40	
Prepared by Heinze of ANGDA on 12/26/06																			

What role for ANGDA under Palin?

New governor asks agency to take another look at LNG project in voter initiative, but not pushing that as number one for state

Kristen Nelson *Petroleum News* December 24, 2006

Why hasn't the Alaska Natural Gas Development Authority pursued an LNG project out of Valdez?

Apparently it was a question Gov. Sarah Palin asked ANGDA CEO Harold Heinze, board Vice Chairman Scott Heyworth and board member Dan Sullivan when they met with the governor, the lieutenant governor and leaders of the Palin gas team in early December.

As Commissioner of Revenue Pat Galvin put it when the ANGDA board discussed it at a Dec. 18 board meeting, the governor's reaction seemed to be that it was great the authority was pursuing a spur line to Southcentral, but wasn't ANGDA "intended to be bigger than that?" Galvin said the governor considers herself answerable to the public and she wants to go back and recognize what was in the initiative voters approved.

"You identified a more focused agenda," he said, and the governor would like an explanation of how the board identified its role as the spur line. Perhaps it was a reaction to the previous administration, Galvin said, and suggested the board might want to "take the opportunity with this new administration to go back and look at that question again before we proceed with a particular view of what ANGDA's role in all this is going to be."

Heinze said he felt the Palin administration "was asking ANGDA to go back and take a harder look at a project that makes sense within the State of Alaska," something he said he would call "an Alaska-market-based project."

ANGDA has looked at what it called a "bullet line" — a backup position in the event that a main line taking gas through Canada is not built. Heinze said such a project would need to include both Cook Inlet and Valdez, and said he thought the administration was "looking to us to bring forward some information at some point that sort of defines what the opportunity was there, what the project might look like."

Heinze said he certainly didn't get the impression this was the first or second choice of the group, but was something "the administration wanted on the list and wanted to understand enough about."

If a project into Southcentral is considered, "Valdez is an essential component of it," Heinze said. The market that exists in Southcentral is "so small that the economics of all this become very difficult. If you include Valdez, even at very modest volumes, it has a significant lowering of cost of service to this area."

Murkowski administration 'very cool'

The main emphasis of that initiative was a Valdez-based LNG project, although as Heyworth — the initiative sponsor — told the board, while the words in the initiative describe a gas pipeline from Prudhoe Bay to tidewater at Prince William Sound, he did include a spur line through Glennallen in the initiative.

He said it was wonderful to be received by the governor and her staff, and said he thought it would be "very helpful to the governor" to look at ANGDA as the "vehicle for in-state gas."

Heyworth noted that Marty Rutherford, acting commissioner of the Department of Natural Resources, was looking at a "smaller in-state project that cracks North Slope gas open."

As for the ANGDA focus under the Murkowski administration, "We picked up what we could do," he said, and lived to fight another day.

ANGDA board Chairman Andy Warwick concurred, characterizing the Murkowski administration as "very cool" toward an all-Alaska gas pipeline project (i.e. gas to Valdez for LNG). He also said the Alaska Gasline Port Authority, which is pushing a Valdez-based LNG project, "was pursuing it very aggressively and acquired access to permits," so it was "counterproductive to compete with the port authority."

However, Warwick said, "Gov. Palin would have significant influence over who took that project on — probably she would be the determining factor." The effort to put together an all-Alaska gas project would be "monumental," he added, for whichever entity the administration backed.

ANGDA never lost track of LNG

Heinze said ANGDA has "never lost track of the LNG idea." The authority knows a little more about alternatives than it did, he said, and "if you look back through the reports you'll see that a lot of what we did is usable under a very wide range of circumstances."

And, he said, ANGDA has "maintained a good relationship with those type of people that we believe that if we got gas to tidewater, they would come and build the LNG plant, build the ships, haul the gas off — and we wouldn't even have to make those investments."

Heyworth noted the memorandum of understanding ANGDA has with Mitsubishi and said both he and Heinze have worked to keep that relationship alive, to keep that option open.

Heinze said he took the opportunity to pitch the spur line and LNG from Valdez to another potential player when BG, British Gas, was in town to talk to the governor about the North Slope gas line project. There are five mega oil companies, he said; "there is only one mega gas company — British Gas."

BG became involved in North Slope exploration prospects early in 2006 as a partner with Anadarko Petroleum and Petro-Canada in the Brooks Range Foothills and later in the year in partnership with Anadarko in acreage including Jacob's Ladder south of Badami.

Heinze said he pitched BG over lunch.

"They are one of the two or three or four people in the world that would have a large interest in building an LNG plant and the tankers and developing the market — if we got the gas to tidewater. They're also the kind of people that might be willing to go upstream of that point," he said.

Heinze said BG is probably the largest player in LNG shipments, and called it an interesting connection that could happen because the governor threw open the door to people to come make their pitch.

Funding limited

As far as what ANGDA does, or can do, Heinze said that the efforts ANGDA takes on "are limited very much by the resources that are available to us."

The authority has spent a little over \$2 million, he said and still has a half a million dollars left of its capital appropriations.

ANGDA's capital budget request for this year was \$4.6 million, about "the right sum of money for the next step," for projects covering a couple of years, Heinze told the board.

The \$4.6 million "would allow us to proceed with the spur line as a project and as a business entity," he said.

The authority requested \$900,000 in operating funds; it lived on about \$300,000 this year, Heinze said.

The Murkowski administration included only \$320,000 in operating funds in the budget it passed to the Palin administration, including what Heinze described as a small amount for board stipends. Among things the \$900,000 would have allowed were a 50 percent increase in staffing and more money for public outreach, he said.

Heinze said ANGDA asked for \$4.6 million in capital last year, was told that was too much and reduced its request to \$2.5 million, but never got any capital funds.

"Basically we have stretched something over a million dollars out for a fairly good period of time and we still have a half million left. So I count ourselves as being somewhat prudent and frugal. But to advance the cause at some point requires money."

Heinze said the "easier, cheaper parts" of a spur line project, such as getting the conditional right of way from Glennallen to Palmer, are done. What comes next, "for instance getting financing arranged — those kinds of things — cost real money."

The spur line is a billion-dollar project, he said, and before the board could make a legitimate decision on a project that size, it probably will have to have spent "several tens of millions of dollars to feel comfortable with that decision."