

More work for state gas authority

Bill would add highway line, private-sector partners to review

By Larry Persily
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The Alaska Senate Resources Committee is considering a bill to expand the project options for a state-owned natural gas pipeline, while also directing the authority to look at taking in private-sector partners for actual construction and operation of any line.

Resources Chairman Sen. Scott Ogan said his bill would give the Alaska Natural Gas Development Authority the option of building a pipeline and liquefaction plant to move North Slope gas to market via LNG tankers or owning a pipeline to take the gas directly to mid-America. Existing law limits the state authority to building only an LNG project.

The Palmer Republican said it's a good time to expand the authority's work assignment, to determine if it could help the North Slope producers or pipeline operator MidAmerican Energy Holdings Co. in their separate efforts to build a pipeline from Alaska's gas fields through Canada and into Lower 48 markets.

In addition to needing more money to analyze two potential routes to market — pipe or LNG tankers — the gas authority would need more time, too, said Harold Heinze, chief executive officer for the gas authority.

Bill would give authority more time

Ogan's legislation would extend the deadline for the authority to present a development plan to lawmakers from June 2004 to January 2005.

[Senate Bill 271](#) also would direct the state gas authority, which was created by a citizen's initiative on the November 2002 ballot, to evaluate the merits of private-sector involvement in the planning, construction and operation of a state-owned gas project. The committee heard the bill Jan. 26 and held it for further review.

Ogan said he believes state ownership could bring tax savings to a gas pipeline that could make it more attractive for the producers and MidAmerican Energy, while private-sector construction and operation would relieve the state of substantial financial risks.

The existing law calls for full state ownership, construction and operation of any project put together by the gas development authority.

"Philosophically, I feel better about the private sector taking more of a risk role in this project," Ogan said at the Jan. 26 committee hearing.

North Slope producers and MidAmerican Energy have filed separate applications under Alaska's Stranded Gas Development Act to negotiate fiscal terms for a gas pipeline along the Alaska Highway to feed into Lower 48 markets. The applications are not for right-of-way permits or construction plans, but merely to start negotiations for a contract of regular payments over the life of the project in lieu of state and municipal taxes.

Measure does not favor either project

Ogan's amendment to the state gas authority does not favor either the highway route or the authority's original plan to build a line to Valdez and an LNG shipping terminal at the port. In fact, he said it's possible that a highway-route pipeline to mid-America could increase the odds for an LNG project at Valdez by bringing the gas that much closer.

"I think this makes LNG to tidewater a more viable project if the LNG line could piggyback," starting from the highway line near Delta Junction instead of building its own pipeline all the way to Prudhoe Bay.

Heinze did not provide committee members with an estimate for how much more it might cost the authority to expand its work to cover two potential gas projects. The authority already is asking for \$2.15 million for the last five months of this fiscal year to complete its analysis of an LNG project, which Heinze called the "people's pipeline."

In answer to committee questioning, Heinze explained the state gas authority is getting a lot of help in its planning work from Yukon Pacific Corp., which tried unsuccessfully for 20 years to build an LNG project at Valdez before closing down its effort more than two years ago.

State could buy Yukon Pacific permits

"There's no doubt that Yukon Pacific's cooperation with us has a motive at the end of the day," Heinze said. It may be cheaper for the state authority to buy some of Yukon Pacific's permits and work instead of starting over on its own, he said.

The authority plans to use some of the \$2.15 million it is requesting from lawmakers to pay for a consultant to advise which of Yukon Pacific's assets might be worth buying, Heinze said.