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To: Irwin; Tom E (DNR); Rutherford; Marty K (DNR); Sarah Palin; Frank Bailey; Kris Perry; Todd Palin

Subject: Sen Wilken op-ed re: AGIA

Below is a great op-ed written by Sen Wilken in support of AGIA and the TC Alaska plan. It ran today in the Newsminer.

It's time to vote 'yes' on AGIA and TransCanada

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A local legislator recently opined that the legislature's priority in special session should be Fairbanks' short-term energy needs. Of course, we all know that Fairbanks and other communities across the state are suffering the impact of sudden high energy costs. And many have encouraged Gov. Sarah Palin to lead us where your legislative leaders failed during the regular session, and she's doing it.

But this special session isn't about short-term energy needs — it's about enabling a gas line to be built that will serve Alaskans for the next 100 years. With the right gas line comes the opportunity for Fairbanks to enjoy low-cost gas comparable with any place in the nation.

One of the "must-haves" in the Alaska Gasline Inducement Act is "distance sensitive" rates. That is, gas coming down the "big line" must carry gas to five state take-off points. The corresponding tariff, the transportation cost, will be the average of the cost to each take-off point and no further. That means natural gas in Fairbanks will be less than in Alberta (some 1,300 miles distant) and at the Henry Hub (Oklahoma/Louisiana). Bottom line? Off the "big line," Fairbanks will have low-cost natural gas. It won't be cheap, but it will be low-cost. The price of our gas, at the Fairbanks flange, will be low, not only because of this short transportation tariff, but also because the fixed and operating costs to carry each gas molecule down the pipe will be spread over 4.5 billion cubic feet of gas per day, not over a much smaller line. Our savings are simply a matter of the economies of scale.

In addition to a take-out point to provide natural gas to Fairbanks, there is an opportunity for a "bullet line." The recent Gasline Determination Public Forums repeatedly underscored the fact that the legislature does not have to choose between a short-term supply to Fairbanks delivered through a small "bullet line" and the "big line" to Alberta delivering 4.5 billion cubic feet a day. AGIA does not preclude a "bullet line" if it is needed and is deemed competitive with hydro power (Susitna Dam or the like) or an enhanced development of the Cook Inlet basin (which is thought to contain as much as 17 trillion cubic feet of reserves, according to the USGS). At the forums, the experts explained construction of a "spur line" becomes much more likely if the larger pipeline project moves forward first.

On a separate note, I hope Alaskans fully appreciate the value of the state assisting TransCanada with development costs leading to project approval by the Federal Energy Regulatory Commission. This cost sharing secures a world-renowned, multibillion-dollar company as a partner that has, by all accounts, a sterling reputation for bringing projects in on time and on budget. TransCanada has agreed to enforceable steps toward the actual construction of a gas line. They have also pledged to expand the line in a manner that will not price any newcomers wishing to invest in Alaska out of the market. This in turn will provide meaningful incentives for new exploration and production across the North Slope.

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Additionally, the investment of up to \$500 million will result in slightly lower transportation costs in the pipeline which will increase, to Alaskans, the wellhead value of the gas. During the life of the line, this will result in increased earnings to the state well in excess of the initial investment. That means we get our \$500 million back, plus millions more. In short, our financial participation to get the project rolling with a capable partner gets us many meaningful commitments and the cash is paid back over time. The competing "Denali" proposal contains none of these commitments.

Additionally Alaska is telling the natural gas world, and our Congress, that we are ready to put forward a portion of our oil revenues to make Alaska's gas America's gas as envisioned by the federal government when Congress passed the groundbreaking Alaska Natural Gas Pipeline Act of 2004. The \$500 million is an investment that pays returns for generations. To characterize it as a "subsidy" is simply wrongheaded; it's an investment by any definition of the word. We should do it and we should be proud of it.

It's time for vision and courage as we begin to move Fairbanks to an alternative energy source. It's time to use America's thirst for gas to benefit our town and our state. It's time to do it right and it's time to vote "Yes" on AGIA.

Gary Wilken is a state senator representing Fairbanks and Fort Wainwright in District E.

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