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MAY 31 2011

**STATE PIPELINE
COORDINATORS**

May 27, 2011

Mr. Fred Thompson,
State Pipeline Coordinator
DNR
411 Forth Avenue
Anchorage, AK 99501

Re. ADL 418997 ROW application, public comment.

Mr. Thompson:

If the Parnell administration and the legislature had respect for the wishes of the Alaska voters this public comment would not be needed. We would already be enjoying the benefits of affordable natural gas. We would have built the All Alaska Gas Line down the ROW already permitted and approved in the 1989 FEIS as prepared by Yukon Pacific Corporation, and supported in concept, with the 2002 voter mandate, where 138,000 Alaskans voted to approve AS 41.41.010. Instead of funding the Alaska Natural Gas Development Corporation (ANGDA), or even ensuring the board of ANGDA does not have multiple vacancies, the legislature and governor have gone in the wrong direction.

Why?

When common sense and fundamental economics are ignored, as they have with the Parks Highway routing for a bullet line (and with a fairy tale pipeline project into Canada under AGIA), one has to ask why? Given the significant influence the oil industry has in Alaska, from the money it spends on lobbying, to advertising, to the outright bribery of Alaska public officials (ref. the VECO scandal) it has become apparent that public officials, by promoting the uneconomic bullet line, are bowing to pressure from the oil industry. Rather than committing similar resources to a voter mandated gas line to Valdez- a project that has:

1. Voter approval
2. Economy of Scale- providing Alaskans with affordable gas.
3. A deep water, ice free port.
4. Provides a source of new, significant, diversified revenue for Alaska.
5. The ability of providing gas to the greatest number of Alaskans at the most affordable price.

A project to Valdez, with significant LNG export, would compete with the projects the oil industry has in the Pacific basin; such as Exxon's involvement with the Gorgon, Australia LNG export project.

Instead, Alaskans are presented with a politically motivated, uneconomic pipeline down the Parks Highway from politicians more sympathetic to the desires of the oil industry than their own constituents. Some believe this foolish project is driven by oil industry

desires to 'throw Alaskans a bone'. The idea is that by getting gas to Alaskans through a uneconomic bullet line (with major subsidies from Alaska) that there will be reduced political pressure to build the gas line mandated by voters with a significant LNG export component- a LNG project that competes with other projects being pursued by the oil industry, such as the Gorgon Australia project. The bullet line:

1. Follows a un-permitted, unestablished ROW.
2. Does not provide affordable gas to Alaskans.
3. Does not provide gas to Alaska's key military bases: Eielson AFB, and Ft. Greely.
4. Bypasses Fairbanks, North Pole, Salcha, Harding Lake, Pogo Mine, Delta Junction, Copper Center, Glennallen, and Valdez.
5. Does not provide Alaska with significant new revenue.
6. Demonstrably does not make gas available to either the greatest number of residents, and the areas of Alaska with the greatest mineral extraction potential. Ref. attached letter by separate email.

In a May 23, 2011 letter Dan Fauske, of AGDC dishonestly suggested to area mayors that the bullet line following the Parks Highway actually provides gas to the greatest number of Alaska residents. His dishonest reasoning? Fauske suggests the populations of North Pole and Eielson would be served. By ignoring the high cost of providing gas to these areas, (from the Parks Highway) he then adds these populations to the Parks Highway route. The tariff that has already been proposed for a 250 MCF/D project is over \$17.00, if one assumes that 250 MCF/D is used year-round- which is extremely improbable. The tariff to get gas from Dunbar, Alaska to North Pole has not even been calculated, (nor has a route). The only consideration given by AGDC is a spur line that gets gas to the far Western edge of the University of Alaska Fairbanks. Would ratepayers in Anchorage subsidize a tariff to move gas another 20 miles to North pole, and then another 10 miles to Eielson? Not likely, as this would likely be inconsistent with the law.

Once again, for this gasline to have ANY meaningful benefit to residents the delivered price of gas would have to be less than other fuel sources. To help Eielson AFB, gas would need to be in the \$4.00 to \$6.00 per MM/BTU range. Yet this is not even a remote consideration.

It is also important to note that Eielson AFB was nearly closed when the Base Realignment and Closure Commission considered closing this base about six years ago. The base lost a fighter wing, but narrowly avoided closure. Prospects for future base closures (another round of BRAC) is envisioned, given the significant, massive, budget deficits/deficit spending Congress is dealing with. Getting affordable gas to this key military base is important to reduce its high operational costs and reducing the chance the base will be closed. The Parks Highway route- and its considerable distance from Eielson guarantees that no gas will be made economically available to Eielson AFB.

This pipeline project/ROW will result in the deaths of Alaskans; and also, cause significant harm to public health.

Lets begin with a basic fact, proven over the last ten years in Fairbanks, Alaska:

The higher the cost of clean energy, the greater the likelihood of dangerous air pollution. That is a basic fact, proven by the degradation of the air quality in Fairbanks over recent years as one, relatively cleaner fuel source, fuel oil, has significantly increased in price (and been replaced by dirtier, more affordable fuel sources) in relation to the sky-rocking price of crude oil.

The Interior now has filthy, dangerously dirty wintertime air quality. (See attached Picture). This has been well established by the EPA, and State of Alaska DEC. The reasons for the dangerously dirty air is because the Interior does not have access to clean, affordable energy for electrical generation and space heating. People, in a effort to stay warm, burn:

1. Wood
2. Coal.
3. Waste motor oil.
4. Waste Transmission fluid.
5. Heating oil with a high sulfur content.
6. Tires.
7. Plastic.
8. Old railroad ties (loaded with creosote).

Making matters worse, and a partial reflection/consequence of high living costs, the devices used to burn these dirty fuels are inefficient/inexpensive.

Why is this relevant?

We need affordable, clean, energy to entice people to make the transition to appliances that burn clean fuels. The higher the deliver cost of that energy, the less likely people will make the transition to clean(er) fuel sources. The dangerously dirty air quality in the Interior is something the Parnell Administration and the Legislature have ignored, in violation of the Alaska Constitution. Article VII, section 4 of the Alaska Constitution reads:

"Public Health. The legislature shall provide for the promotion and protection of public health."

This is a Constitutional mandate, not a mere suggestion.

May 18, 2011 letter from Gov. Sean Parnell to area mayors:

In this letter, Gov. Parnell describes the goals of HB 369, that the (Parks Highway bullet

line) should be:

1. "Economically feasible".
2. "Makes natural gas available to residents at the lowest possible cost".
3. "Allows for connecting lines to serve industrial, residential and utility customers along the entire route..."

Point 1. The line under consideration is not economically feasible and existing reports show a tariff that exceeds \$17.00 per million BTUs, with a 250 MCF/D throughput. This is due to the lack of economy of scale for this foolish project. Unaddressed is the fact that gas consumption for space heating is not needed for several months of the year. This means a project with a 250 MCF/D projected throughput, and a tariff that exceeds \$17.00 has to account for the three to four months per year May, June, July, August, when little gas will be used; a proportionate increase in the tariff needs to be addressed.

Point 2. This line simply does not make gas available at the lowest possible cost. It is absurd to suggest otherwise.

Point 3. The May 23, 2011 letter from AGDC's Dan Fauske, to local mayors, describes a project that is not consistent with objective #3. In the May 23, 2011 letter Fauske describes a pipeline intended to convey 35,000 barrels per day of natural gas liquids to South Central. Fauske writes that the decision to build this plant has already been decided. But there is no funding committed for such a plant by the legislature, or any other entity. The argument used by Fauske is that there will be less gas take off points for communities due to the pipeline being used to carry NGLs. That is entirely inconsistent with the Governor's reference to HB 369 since a NGL pipeline is restricted in the number of off take points due to costs associated with a NGL line versus a line that carries just CH₄. Unaddressed (in the Fauske letter) is the prospect of a NGL facility in Fairbanks that could strip the NGLs ahead of multiple gas take off points down stream. A pipeline with multiple gas take off points, which this one does NOT provide, is the essential way of providing gas to the greatest number of Alaskans.

Again, the higher the cost of gas, (or for any, clean energy source) the dirtier the air. The dirtier the air, the more residents who will end up with lung cancer, Leukemia, and other cardio-vascular/pulmonary problems. The extreme, cold climate Alaska residents live in requires clean, affordable energy for the requirements of Article VII of the Alaska Constitution to be met.

For the above reasons, I firmly oppose the proposed right of way for the "Parks Highway Bullet line".

Sincerely,

Merrick Peirce



PO Box 10045
Fairbanks, AK 99710

Attachment, by separate email, Analysis by Dr. Paul Metz and Jim Dodson comparing the benefits of the Richardson Highway Corridor over the Parks Highway corridor- for a natural gas pipeline.

Attachment, by separate email, picture showing dangerously degraded air quality in Fairbanks, Alaska in the winter of 2011.

Mr. Thompson,

It has come to the attention of the Fairbanks Economic Development Corporation (FEDC), that the State Pipeline Coordinator's Office has received a right-of-way application from the Alaska Gasline Development Corporation, for the purpose of transporting natural gas from the North Slope to the Cook Inlet. While we are grateful for the work that is being done in order to facilitate the construction of an in-state natural gas pipeline, we feel that the possible alternative routing along the Richardson Highway corridor should be given equal consideration to the current Parks Highway corridor route.

In accordance with House Bill 369, of the Twenty-Sixth Legislature of the State of Alaska, a route for the in-state natural gas pipeline must meet certain criteria set forth by the State, specifically the selected route must be the most economical, and it must provide natural gas to the greatest number of residents at a reasonable cost. It is on the basis of these established criteria that FEDC believes that the Richardson Highway corridor should receive an equal evaluation.

According to the State of Alaska Department of Workforce Development Resource & Analysis Section's available 2010 Census Data, the population along the Richardson Highway exceeds that of the Parks Highway. Utilizing the list of communities along the Parks Highway corridor outlined in the Alaska Gasline Development Corporation's "Alaska Stand Alone Gas Pipeline Plan of Development" (March 2011), and a list of communities established in the, State of Alaska Office of the Governors "Stand Alone Gas Pipeline Route Alternatives Analysis" (Sep. 2009) we were able to establish a comparison for the number of individuals and household who would be impacted under either proposed route. According to the data, the Parks Highway route would directly impact 10,841 individuals and a total of 8,315 households. The Richardson Highway route would impact 18,719 individuals and 9,342 households. This gives a difference of 7,878 in the total number of individuals impacted, and difference of 1,027 in the number of households impacted. If the routing decision is to follow the language set forth in House Bill 369, which establishes that the route must providing natural gas to the greatest number of residents, we feel that the Richardson Route should be reevaluated as a potential option.

The Legislature's decision that the route must be the most economical also provides a basis for additional evaluation of the Richardson Highway route. Given that the in-state gasline will require public money in order to be completed, the determination of the route must not be based solely on a comparison of the capital cost necessary for each route. It is well established in the field of welfare economics that any project which will utilize public monies should consider the total impacts to society, which requires an evaluation of the direct and indirect costs and benefits of the project (Boadway, 2003). Thus far, it seems that the Richardson Highway route has been excluded as a viable option due to the additional costs associated with the greater total distance of the pipeline, with little consideration of the additional population as well as other potential benefits to society that the Richardson route could provide. It does not appear that any consideration has been given to the foregone costs associated with routing through Denali National Park, or the additional costs associated with bypassing the park, which may be required for the Parks Highway route. Another potential social benefit associated with the Richardson route, which has been excluded from the decision making criterion, is the potential mineral resources located along the corridor. According to Dr. Paul Metz ,a professor of Geology at the University of Alaska Fairbanks, the potential value of mineral estimates along the Richardson Highway could be up to \$100 Billion dollars, where as the estimate for the mineral values along the

Park Highway Corridor is \$68 Billion dollars. While neither of these values is insignificant, it does illustrate that the Richardson Highway could provide a greater sum of benefits to the State of Alaska than the parks highway just in terms of the royalties associated with increased mining, let alone the intergenerational benefits to residents of the state through long term jobs and industries.

Alternative Instate Bullet Line Routes:

Population and Mineral Value Estimates

The population differences along the proposed instate bullet line routes were estimated using United States Census' 2010 population data available from the State of Alaska Department of Workforce Development Resource & Analysis Statistics. Communities were selected from the Alaska Gasline Development Corporation's "Alaska Stand Alone Gas Pipeline Plan of Development" (March 2011), and a the State of Alaska Office of the Governors "Stand Alone Gas Pipeline Route Alternatives Analysis" (Sep. 2009).

2010 estimates

Route	Location	Population	Housing Units
Parks	Nenana	376	215
Parks	Tanana	246	136
Parks	Anderson	246	145
Parks	Healy	1034	711
Parks	Cantwell	219	200
Parks	Talkeetna	876	744
Parks	Trapper Creek	481	499
Parks	Willow	2101	1912
Parks	Houston	1912	973
Parks	Big Lake	3350	2780
TOTAL		10,841	8,315

Route	Location	Population	Housing Units
Richardson	Moose Creek	747	332
Richardson	North Pole	2117	916
Richardson	Eielson	2647	848
Richardson	Pleasant Valley	725	396
Richardson	Two Rivers	719	348
Richardson	Harding-brich lakes	299	656
Richardson	Salcha	1095	585
Richardson	Big Delta	591	305
Richardson	Delta Junction	958	517
Richardson	Fort Greely	539	364
Richardson	Paxson	40	179
Richardson	Gakona	218	131
Richardson	Glennallen	483	336

Richardson	Copporville	155	N/A
Richardson	Copper Center	328	199
Richardson	Lake Louise	46	315
Richardson	Nelchina	59	47
Richardson	Chickaloon	272	251
Richardson	Palmer	5937	2281
Richardson	Knik-River	744	336
	Total	18,719	9,342

Route	Total Population of differing locations along routes
Parks (2010)	10,841
Richardson (2010)	18,719

Difference	7,878
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Estimate Range	
(+10%)	8,666
(-10%)	7,090

Mineral development value estimates were provide by Dr. Paul Metz of the University of Alaska. Values were estimated using the "Mineral Occurrence Revenue Estimation and Visualization Tool" (MOREV) wich was developed in cooperation with UAF and the Michigan Technical Research Institute (MTRI). MOREV uses geospatial data on metallic and non-metallic mineral resources, and other commodities for Alaska, Yukon, and British Columbia to estimate potential future revenues under pre-define and user-generated scenarios within the existing and future railroad corridors in the regions.

Route	Mineral Development Probability	Total estimated value of mineral development
Parks	10th Percentile	\$843,763,387
Richardson	10th Percentile	\$897,109,410
	difference	\$53,346,023
Parks	50th Percentile	\$14,643,109,869
Richardson	50th Percentile	\$20,167,434,999
	difference	\$5,524,325,130
Parks	90th Percentile	\$68,330,984,020
Richardson	90th Percentile	\$100,018,774,830
	difference	\$31,687,790,810

