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OFFICE OF FOSSIL ENERGY, DEPARTMENT OF ENERGY

Alaska LNG Project LLC

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Docket No. 14-96-LNG

**JOINT MOTION TO INTERVENE AND COMMENTS OF THE STATE OF ALASKA
AND THE ALASKA GASLINE DEVELOPMENT CORPORATION IN SUPPORT OF
THE REQUESTED EXPORT AUTHORIZATION**

Pursuant to Rule 303 of the Department of Energy's ("DOE") Rules, 10 C.F.R. § 590.303, the State of Alaska ("State") and the Alaska Gasline Development Corporation ("AGDC," collectively, "State Intervenors") each seek intervenor status in this proceeding. In response to the Notice of Application published in the Federal Register on September 17, 2014 by the Office of Fossil Energy of the Department of Energy ("DOE/FE"), the State Intervenors submit the following comments in strong support of the application for export authorization filed by Alaska LNG Project LLC ("Alaska LNG" or "Applicant").

Communications

The State Intervenors request the following individuals be listed on the official service list¹ and that any communications regarding this pleading should be addressed to those individuals:

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¹ The State Intervenors respectfully request waiver of 10 C.F.R. § 590.303(d) to permit more than two individuals to be listed on the official service list. Good cause exists for waiver because this is a joint intervention and includes multiple parties, and because of the importance of this proceeding to the State and the State Intervenors.

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The Application

On July 18, 2014, Alaska LNG filed an application with DOE/FE requesting long-term multi-contract authorization to export 20 million metric tons per annum of liquefied natural gas (“LNG”) produced from Alaska North Slope natural gas sources in a volume equivalent to approximately 929 billion cubic feet (“Bcf”) per year, or approximately 2.55 Bcf per day. Alaska LNG seeks authorization to export the LNG for a thirty-year term to countries that do not have a free trade agreement, and with which trade is not prohibited by U.S. law or policy (“Non-FTA” countries). Alaska LNG seeks to export the LNG on its own behalf and as agent for other parties who hold title to the LNG at the time of export, including the State.

Interests of the State Intervenors

Alaska LNG is currently comprised of affiliates of major producers that hold oil and gas leasehold interests in Alaska (“Producers”), including in the Prudhoe Bay and Point Thomson Units on the North Slope. Because such Units are located on land owned by the State, the affiliates of the Producers are obligated to pay royalties and production taxes to the State on natural gas developed from the Units. As described in the Application, the Prudhoe Bay and Point Thomson Units, along with other areas on Alaska’s North Slope, contain world class natural gas resources. Unfortunately, those resources do not have access either to domestic or foreign natural gas markets and, as a result, have been stranded for decades.

The Applicant seeks authority to export LNG to Non-FTA countries from the proposed Alaska LNG Project (“Project”). The Project will be comprised of a Liquefaction Facility to be built in south central Alaska, a gas treatment plant, an 800-mile large diameter pipeline from the Liquefaction Facility to the gas treatment plant, and transmission lines between the gas treatment plant and the producing fields on the North Slope of Alaska. Cost estimates for the Project range from \$45 to \$65 billion. Obtaining long-term export authority is a prerequisite to developing the Project.

As a result of the Heads of Agreement (“HOA”) referenced in the Application (at n.10) and executed by the State, AGDC and affiliates of the Producers, the State holds a twenty-five (25) percent participation interest in the Project, through its designees AGDC and TransCanada Corporation. On May 8, 2014, and consistent with the HOA, Alaska Governor Sean Parnell signed into law Senate Bill 138, which enables the State’s participation in the Project. Pursuant to the authority provided by Senate Bill 138, and as more fully described in the HOA, the State will be entitled to a share of gas produced by the Producers for the Project by taking its royalty

and production tax in kind. Thus, the State may also be an exporter of LNG and currently is a party for which the Applicant is seeking export authority as agent for the sellers of LNG to be exported from the liquefaction facility. In addition, and as Alaska LNG states in its Application, Alaska LNG may seek to amend the Application at a later date to add a State designee (*i.e.*, a State party that becomes a member of the Applicant LLC or any successor LLC).

Importantly, the State also has a strong sovereign interest in ensuring that a sufficient supply of reliable natural gas is available to Alaskans. While the primary purpose of the Project is to export LNG, the Project will also serve the public interest by delivering gas to Alaskans. The HOA (at PP 3.1(b) and 5.6) contemplates that the Project will provide “access for in-state gas demand,” including through the installation of at least five offtake points for in-state gas deliveries.

AGDC is an independent, public corporation of the State of Alaska located administratively within the Department of Commerce, Community and Economic Development, but having a legal existence separate and independent of the State.² AGDC was established to develop, finance, construct and potentially operate natural gas pipelines or other transportation systems capable of delivering gas and other non-oil hydrocarbons to Fairbanks, Southcentral, and other communities within the State at the lowest rates possible.³ In addition, Senate Bill 138 enacted in 2014, modified Alaska Statutes § 31.25 to empower AGDC to participate in activities associated with the development of an Alaska liquefied natural gas project through the development of all necessary infrastructure and needed transportation services, and to direct AGDC to assist the State’s Department of Natural Resources and Department of Revenue to

²See Alaska Statutes § 31.25.010.

³See Alaska Statutes § 31.25.005.

maximize the value of the State's natural gas interests.⁴ AGDC anticipates that it will have an ownership interest in some portion of the Alaska LNG project.

For these reasons, the State Intervenor has a direct interest in the Application as (1) a co-owner and participant in the Project; (2), a gas resource owner for which export authority is sought in the Application; and (3) a representative of natural gas consumers in the State. Consequently, pursuant to Rule 303 of DOE's Rules, 10 C.F.R. § 590.303, the State and AGDC seek intervenor status in this proceeding.

Comments

The State Intervenor fully support the Applicant's request for expedited approval of the requested export authority. As noted in the letter submitted in this docket by the Alaska congressional delegation on September 30, 2014, the Application should not be subject to DOE/FE's existing Order of Precedence for Processing Non-FTA LNG Export Applications. As stated by DOE at footnote 5 of its proposal, its proposed procedure regarding the processing of lower 48 export applications "does not address the treatment of applications to export natural gas from Alaska." The Application explains in detail the many unique factors that justify granting a conditional export application to the Alaska LNG Project at this time, including the fact that North Slope gas is currently stranded and thus does not serve the lower 48 market.

Through their participation in the Project, the State Intervenor seek to induce construction of the facilities needed to allow the substantial gas resources in the North Slope to be produced and brought to market. As the Application states, the Project is expected to enhance local, regional and national economies through resource development, an enhanced tax base, creation of thousands of jobs and an increase in overall economic activity. The Project can be

⁴*See id.* § 31.25.005(1)-(3), (5).

expected to be extremely beneficial to the State in the form of improved consumer welfare, gross state product and personal income. *See* Application at 32-33.

As noted previously, although the Project will be used primarily to export LNG,⁵ the State also has a strong sovereign interest in ensuring that in-state needs for natural gas will be met. The State Intervenors agree with the Applicant that there are sufficient supplies located on the North Slope to satisfy in-state demand for natural gas in addition to the demand for LNG exports.⁶ By constructing needed gas treatment and pipeline infrastructure, including at least five off-take points to facilitate in-state gas deliveries, the Project will enable gas to be delivered to meet in-state needs. On the other hand, satisfying in-state demand for natural gas may continue to be challenging if this Project is not built.

Given its size and scope, it is necessary that the Project achieve economies of scale that will justify its substantial cost. As a result, the Project infrastructure is intended to accommodate both exports of LNG, as well as in-state demand for gas. Consequently, the authorizations sought by the Applicant to export LNG will facilitate and potentially improve the economics of the delivered gas supply anticipated to be needed to satisfy in-state demand.

In this regard, the State Intervenors are extremely interested in ensuring that, in addition to being used to export LNG, the Project is used to meet the needs of gas consumers in Alaska. To that end, the State, in its role as the sovereign, has negotiated terms in the HOA for the pipeline to include at least five off-take points from which the North Slope production will be delivered to Alaskan gas consumers. The State also will seek to negotiate with the Producers

⁵ The State anticipates that approximately ten percent of deliveries through the pipeline will be used to meet in-state demands, with the remaining approximately ninety percent exported to foreign countries.

⁶ *See* Application at 16-25. Because the Application seeks to export North Slope supplies, not Cook Inlet supplies, the issue of whether Cook Inlet supplies should be exported or will be sufficient to meet future in-state needs is not relevant to this proceeding.

and their affiliates reasonable terms and conditions that ensure that there will be an opportunity to meet in-state needs for gas. In light of the substantial supplies on the North Slope that the Project will allow to be developed, and given its substantial ownership interest in the Project, the State is hopeful that it will be able to negotiate reasonable terms and conditions that ensure the opportunity for in-state demand for natural gas to be met through the Project, notwithstanding that the Project will export substantially more supplies to foreign countries.⁷

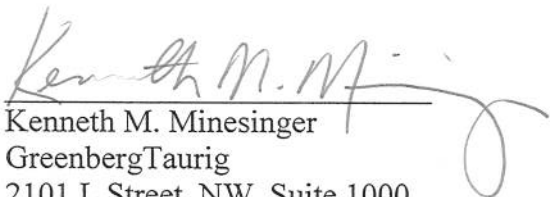
The State has also negotiated principles in the HOA that will allow the capacity of the Project to be expanded to meet additional in-state demand or supply alternatives that may develop in the future, while maintaining the Project's primary focus on exports. These pro-expansion principles will facilitate and encourage additional exploration and development, and that economic activity will thereby benefit Alaskans and other domestic interests.

⁷ The State reserves the right to file supplemental comments should it be unable to negotiate satisfactory arrangements regarding the needs of in-state gas consumers.

Conclusion

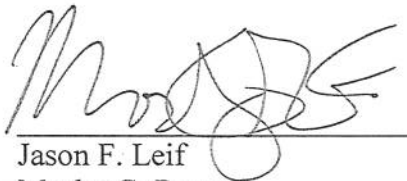
For the reasons set forth above, the State Intervenors strongly support the Applicant's request that DOE/FE grant expeditiously the authorizations as requested.

Respectfully submitted,



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*Attorneys for Alaska Gasline
Development Corporation*

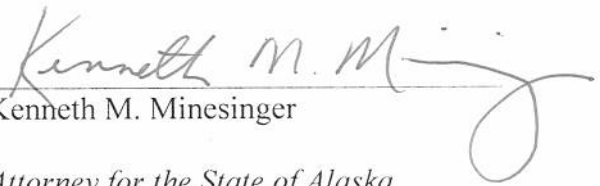
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Alaska LNG Project LLC)

Docket No. 14-96-LNG

VERIFICATION

Pursuant to 10 C.F.R. § 590.103(b), I, Kenneth M. Minesinger, being duly sworn, affirms that he is authorized to execute this verification, that he has read the foregoing document, and that all facts stated herein are true and correct to the best of his knowledge, information, and belief.


Kenneth M. Minesinger
Attorney for the State of Alaska

Subscribed and sworn to before me this 17th day of November 2014.


Notary Public

My commission expires: November 14, 2015



**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

Alaska LNG Project LLC

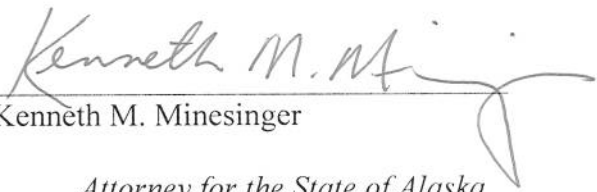
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Docket No. 14-96-LNG

CERTIFIED STATEMENT OF AUTHORIZED REPRESENTATIVE

Pursuant to 10 C.F.R. § 590.103(b), I, Kenneth M. Minesinger, hereby certify that I am a duly authorized representative of the State of Alaska, and that I am authorized to sign and file with the Department of Energy, Office of Fossil Energy, on behalf of the State of Alaska, the foregoing documents and in the above-captioned proceeding.

Dated at Washington, D.C., this 17th day of November 2014.


Kenneth M. Minesinger
Attorney for the State of Alaska

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

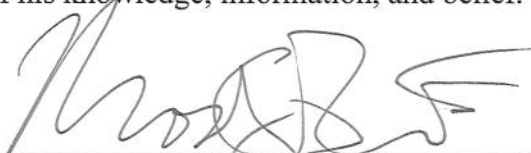
Alaska LNG Project LLC

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Docket No. 14-96-LNG

VERIFICATION

Pursuant to 10 C.F.R. § 590.103(b), I, Mosby G. Perrow, being duly sworn, affirms that he is authorized to execute this verification, that he has read the foregoing document, and that all facts stated herein are true and correct to the best of his knowledge, information, and belief.



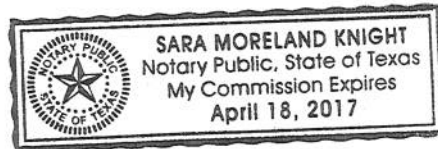
Mosby G. Perrow

Attorney for Alaska Gasline Development Corporation

Subscribed and sworn to before me this 14th day of November, 2014.

Sara Moreland Knight
Notary Public

My commission expires: 4-18-17



UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

Alaska LNG Project LLC

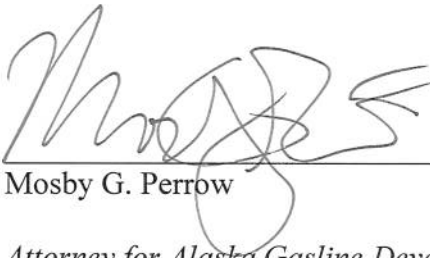
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Docket No. 14-96-LNG

CERTIFIED STATEMENT OF AUTHORIZED REPRESENTATIVE

Pursuant to 10 C.F.R. § 590.103(b), I, Mosby G. Perrow, hereby certify that I am a duly authorized representative of the Alaska Gasline Development Corporation, and that I am authorized to sign and file with the Department of Energy, Office of Fossil Energy, on behalf of the Alaska Gasline Development Corporation, the foregoing documents and in the above-captioned proceeding.

Dated at Houston, this 14 day of November, 2014.



Mosby G. Perrow

Attorney for Alaska Gasline Development Corporation

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Alaska LNG Project LLC

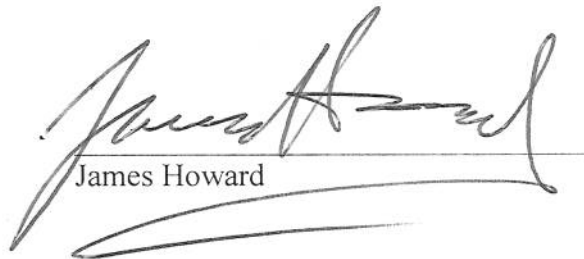
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Docket No. 14-96-LNG

CERTIFICATE OF SERVICE

I hereby certify that I caused the above documents to be served on the applicant and all other parties in this docket, in accordance with 10 C.F.R. § 590.107, on November 17, 2014.

Dated at Washington, D.C., this 17th day of November 2014.


James Howard