

Chapter Six — Findings and Determination

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Commissioners' Findings

Based on the analysis provided in the previous chapters, the Appendices, and in the supporting documentation, the commissioners find that the TC Alaska Project:

- Is Alaska's best opportunity for expediting construction of a natural gas pipeline that commercializes North Slope gas resources.
- Maximizes jobs and long-term careers for Alaskans by promoting exploration and development of oil and gas resources on the North Slope.
- Maximizes access to affordable energy for Alaskans.
- Sufficiently maximizes revenues to the State of Alaska.
- Encourages oil and gas lessees and other persons to commit to ship natural gas from the North Slope to a gas pipeline system for transportation to markets in this state or elsewhere.

Commissioners' Determination

Development of the North Slope natural gas basin is key to Alaska's long-term economic security and to the state's and the nation's energy security. The Alaska Gasline Inducement Act (AGIA) offers an opportunity to maximize Alaska's prospects for getting a natural gas pipeline and to maximize benefits for Alaskans when it comes to developing and marketing Alaska's gas resources.

One of the primary purposes of AGIA is to move the pipeline project forward through defined benchmarks so as to eliminate the project's uncertainties. At each step of the process more information will be gathered and, with that additional knowledge, appropriate decisions can be made to keep the project moving through to construction. With the uncertainties eliminated, and the project's economic potential even better defined, there will be increased predictability and incentives for the Major North Slope Producers to participate as gas shippers – without concomitant concessions by the state on the fiscal terms associated with natural gas production (such as royalty values and the state production tax).

The commitments required of an AGIA Licensee are geared toward achieving a vibrant oil and gas industry on the North Slope now and in the future. The AGIA requirements are based on what is commercially reasonable as well as what is in Alaskans' interests: getting a natural gas pipeline, maximizing jobs and long-term careers, maximizing affordable energy for Alaskans, and sufficiently maximizing state revenues.

In the course of the evaluation process, the commissioners found that the pipeline project proposed by TC Alaska is the project that has the greatest likelihood of moving forward in a timely manner with terms that most sufficiently maximize benefits to Alaskans. In comparison, the commissioners found that an LNG project will provide less revenue to the state and is less likely to move forward to construction because, among other issues, an LNG project (1) is extremely complex and requires that all elements, from production to the market destination, be in place prior to financing; (2) would likely cost more to construct than the TC Alaska project; (3) is less likely to get firm transportation commitments from North Slope producers; and (4) would face significant hurdles in obtaining federal approval to ship LNG to foreign ports.

The commissioners also found that the Producer Project would not protect the state's interests or maximize benefits to Alaskans to the same extent as the TC Alaska Project. The Producer Project provides no legally enforceable commitments that the project will continue to move forward or provide the reasonable tariff and expansion terms needed to maximize North Slope exploration and development. Furthermore, it is highly likely that, at some point, the Producer Project proponents will seek significant concessions from the state prior to moving the project forward to construction.

Through the evaluation process, and consideration of public comment, the commissioners have found that the TC Alaska Project is economically and technically viable; that it will generate significant value for the state, the producers, the federal government, and the pipeline company; that the Project is likely to succeed; and that TC Alaska has made the necessary commitments to maximize benefits to Alaskans.

Commissioners' Determination: Based on the analysis and discussion set forth in the Executive Summary, Chapters 1 through 5, the Appendices including Public Comment and Responses, and other supporting documents to these Findings, the Commissioners of the Departments of Natural Resources and Revenue determine that TC Alaska's application proposes a project that will sufficiently maximize the benefits to the people of this state and merits issuance of a License under AGIA (AS 43.90).

Because of the sheer volume of material incorporated into the Findings and Determination, the commissioners reserve the right to provide errata to correct errors or omissions that do not have a material effect on the Determination itself.

This Findings and Determination, Appendices, and associated License will be submitted to the presiding officers of each house of the Alaska Legislature on June 3, 2008. In addition, the Findings and Determination and Appendices will be publicly noticed and made available on the state's website at <http://www.gov.state.ak.us/agia/>. Hard copies of the Findings and Determination and Appendices on CD will be available for review at Department of Natural Resources Public Information Centers and Legislative Information Offices. Upon legislative approval of issuing the License proposed by the commissioners, the License will be issued to TC Alaska as soon practicable after the effective date of the legislation.

On the effective date of a bill approving issuance of the AGIA License, this determination becomes a final agency decision for purposes of an appeal to Superior Court. (AS 43.90.180(a)(1)) A person affected by this final order and decision may appeal to Superior Court within 30 days of the effective date of the bill approving issuance of the AGIA License in accordance with Appellate Rule 602(a)(2) of the Alaska Rules of Appellate Procedure.

Pursuant to AS 43.90.420, "[a] person may not bring a judicial action challenging the constitutionality of this chapter or the constitutionality of a License issued under this chapter unless the action is commenced in a court of the state of competent jurisdiction within 90 days after the date that a License is issued."

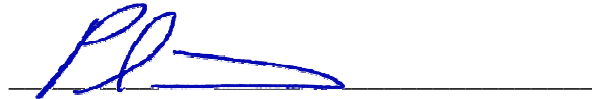


27 May 2008

Commissioner Thomas E. Irwin

Date

Alaska Department of Natural Resources



27 May 2008

Commissioner Patrick Galvin

Date

Alaska Department of Revenue