

ALASKA NATURAL GAS PIPELINE PROJECT

**Testimony on AGIA
of W. H. Sparger**

House Resources Committee
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EPC

Energy Project Consultants, LLC

Introduction

- William H. (Bill) Sparger
- Energy Project Consultants. LLC
- Consultant for Administration AGIA team
- Over 35 years of experience in natural gas pipeline project management, engineering and construction management – onshore, offshore and LNG
- Engineering management positions at two major lower 48 natural gas pipeline companies

Terminology

- “Project” – the natural gas pipeline following the southern Alaska/Canada route
- “Producers” – existing three North Slope oil producers
- “North America” – United States and Canada

Unfounded “Concerns”

- Shippers bear all of the financial risks of project cost overruns
- Producers must have economic certainty
- Producers are the only ones qualified to construct the project
- Schedules with milestone dates drive up the project cost – “firm dates are bad”

Unfounded “Concerns”

- Shippers bear all of the financial risks of project cost overruns
 - Negotiated rates – risk sharing may be included
 - Firm transportation
 - Rockies Express model

Unfounded “Concerns”

- Producers must have economic certainty
 - Supply/upstream – as certain as it gets
 - Pipeline/midstream – negotiated rates
 - Market/downstream – a normal business risk

Unfounded “Concerns”

- Producers are the only ones qualified to construct the project
 - Producers do not normally construct or own onshore natural gas pipelines in the Lower 48
 - Pipeline companies execute large projects frequently and for a living – Rockies Express
 - North American pipeline companies are very familiar with applicable regulatory requirements

Unfounded “Concerns”

- Schedules with milestone dates drive up the project cost – “firm dates are bad”
 - Realistic schedules are a project necessity
 - Projects without schedules tend to go on indefinitely
 - Schedules can be (and are) adjusted as circumstances change – subject to evaluation of overall business financial impact

Other Unfounded “Concerns” and issues

- Leading edge technology is required to reduce project costs
- Mega projects are “different
- AGIA requirement for a “detailed” project description is premature and costly
- Currently proposed schedule may be able to be shortened