

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONERS

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January 22, 2010

Mr. Anthony (Tony) M. Palmer
Vice President Alaska Development
TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, T2P-5H1
Canada

RE: January 2010 In-State Gas Demand Study

Dear Mr. Palmer:

The Commissioner of Revenue and the Commissioner of Natural Resources of the State of Alaska are in receipt of the January 2010 In-State Gas Demand Study ("Study"), prepared by Northern Economics in association with the University of Alaska Institute of Social and Economic Research and the Science Applications International Corporation. Your letter indicates the Study was prepared at the request of TransCanada Alaska Company, LLC ("TC Alaska") in connection with the Federal Energy Regulatory Commission's ("FERC") regulations governing open seasons for Alaska natural gas transportation projects. As you are aware, both the U.S. Congress and FERC have recognized that Alaska's in-state natural gas consumption needs must be given important consideration in connection with the development of an Alaska natural gas pipeline project.

FERC's regulations specifically require that any prospective applicant for a certificate of public convenience and necessity for an Alaskan gas pipeline project must "conduct or adopt a study of gas consumption needs and prospective points of delivery within the State of Alaska...." 18 C.F.R. § 157.34(b) (2009). If practicable, such study must be "conducted, approved, or otherwise sanctioned by an appropriate governmental agency office or commission of the State of Alaska." *Id.*

In your January 12, 2010 letter, you request that we approve the use of the Study in TC Alaska's FERC open season notice. After due consideration, we hereby approve the use of the Study by TC Alaska and other Alaska gas pipeline sponsors as a reasonable assessment of in-state natural gas consumption needs based on the facts currently available. It is important to note that we have not independently verified and do not expressly endorse any or each of the specific projections set forth in the Study. Nor do we believe that the study necessarily provides the only reasonable assessment of in-state needs. However, the Study appears to rely on timely, comprehensive data, and a sound methodology concerning the data that form the basis of the study.

We therefore consider the study to be reasonable and useful in connection with Alaska gas pipeline open seasons at this time.

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

The Study correctly acknowledges the difficulty in predicting in-state gas demand in the relatively small Alaska market over a long period of time. Certain assumptions about potential industrial use of natural gas, including, for example, the continuation of existing liquefied natural gas ("LNG") exports from Cook Inlet gas supplies during the forecast period, or the construction of other large scale industrial projects, do not seem assured from our vantage point today. However, in recognition of these uncertainties, the Study takes reasonable steps to describe the broad range of potential in-state demand. In our view, it is less important to focus on any specific source of natural gas demand than on a reasonable assessment of the potential demand from any combination of sources. As a result of the Study and in light of numerous aspects of the TC Alaska pipeline project, including the number of proposed delivery points in Alaska, we conclude that the TC Alaska project would likely be capable of meeting any reasonable assessment of future in-state natural gas demands.

For the reasons discussed above, the Commissioner of Revenue and the Commissioner of Natural Resources of the State of Alaska hereby approve the Study. We appreciate TC Alaska's efforts in taking the lead on commissioning this study of in-state gas consumption needs and prospective points of delivery within the State.

Sincerely,



Thomas E. Irwin
Commissioner of Natural Resources



Patrick S. Galvin
Commissioner of Revenue