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April 9, 2007

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Via Hand Delivery

US Department of Energy
APR 9 2007
Electricity Delivery and Energy Reliability

Anthony J. Como
Office of Oil and Gas Global Security
and Supply Office of Fossil Energy
U.S. Department of Energy
Forrestal Building
Room 3E-042, FE-34
1000 Independence Ave, SW
Washington, DC 20585

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APR - 9 2007
DOE/OFE/NGR

Re: Chugach Electric Association, Inc.'s Motion to Intervene
Docket No. 07-02-LNG

Dear Mr. Como:

Enclosed please find an original and 15 copies of Chugach Electric Association, Inc.'s Motion to Intervene in the above-referenced proceeding. Three additional copies of the Motion are enclosed to be file-stamped and returned to the messenger.

Thank you for your attention to this matter.

Very truly yours,

Eric Redman/mtt

Eric Redman

Enclosures

cc: Service List

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APR - 9 2007
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UNITED STATES OF AMERICA
BEFORE THE DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company	)))	**Docket No. 07-02-LNG**

CHUGACH ELECTRIC ASSOCIATION, INC.'S MOTION TO INTERVENE

1. Pursuant to the United States Department of Energy's ("DOE") Notice of Application[1] and the DOE's Rules of Practice and Procedure, 10 C.F.R. Part 590 (2006),[2] Chugach Electric Association, Inc. ("Chugach") hereby files this Motion to Intervene in the proceedings addressing the application of ConocoPhillips Alaska Natural Gas Corporation ("COP") and Marathon Oil Company ("MOC") (collectively, "Applicants") requesting blanket authorization to export liquefied natural gas ("LNG") from the United States to Japan and/or other countries from April 1, 2009, through March 31, 2011 ("Export Application").

2. Chugach hereby asks DOE and its Office of Fossil Energy ("OFE") to approve the Export Application only if the Applicants first give assurances, through contractual commitments, that local domestic supply and deliverability needs in Anchorage and the Cook Inlet region will be met for a reasonable future period. The critical question in evaluating the Export Application is whether the proposed export will

[1] Notice of Application, 72 Fed. Reg. 10507-10509 (March 8, 2007).

[2] The notice for this proceeding published in the Federal Register directs intervenors to follow the procedures outlined in the DOE's Administrative Procedures with Respect to the Import and Export of Natural Gas, 10 C.F.R. §§ 590.100 - 590.505 (2006). Rule 303 governs motions to intervene. 10 C.F.R. §§ 590.303.

be consistent with the public interest; specifically, whether there is a domestic need for the natural gas in question.[3] Chugach would submit that under the existing circumstances, granting the Application would not be in the public interest. MOC and COP are the two largest suppliers of natural gas for local domestic use in the Cook Inlet region of Alaska, where most of the State's population and commercial activity are centered, and at the moment MOC and COP have not yet entered into contractual arrangements with Chugach to assure that natural gas will continue to be available to meet Chugach's electric power generation requirements during the requested LNG extension period and beyond.

3. As shown below, Chugach, Alaska's largest electric utility, is almost wholly dependent on natural gas for the generation of electric power, and currently depends on MOC and COP for more than sixty percent (60%) of its total gas supply. Unless Chugach is able to enter into new contracts with MOP and COP, those supplies – and hence Chugach's ability to generate the power that serves the vast majority of electric requirements in the Cook Inlet region – will simply run out in 2010 (in the case of Chugach's contract with MOC) and during the first quarter of 2011 (in the case of Chugach's contract with COP). Therefore, it is simply premature to consider authorizing

[3] The DOE has held that 15 U.S.C. § 717b "creates a statutory presumption in favor of an export application . . . unless it determines the presumption is overcome by evidence in the record of the proceeding that the proposed export will not be consistent with the public interest." *See* DOE / FE Opinion and Order No. 1473, 2 FE ¶ 70,317 (April 2, 1999). The touchstone for the "public interest" test is whether there is adequate domestic supply of natural gas. *Id.* OFE and DOE may also consider other public-interest factors as appropriate. *Panhandle Producers and Royalty Owners Assoc. v. Economic Regulatory Admin.*, 822 F.2d 1105, 1107 (D.C. Cir. 1987).

the Applicants to extend their LNG exports. The time for an LNG export extension should be after local domestic natural gas needs are assured of being met – not before.

4. By this Motion to Intervene, Chugach also seeks the right to fully participate in this proceeding as a party, including the right to participate in any additional procedures OFE may order in this Docket.

I. Introduction

5. In support of its Motion to Intervene, Chugach respectfully shows as follows:

6. As an Alaska utility almost entirely dependent on Cook Inlet natural gas, Chugach's interests are directly affected by the pending Export Application. Chugach's existing committed supplies of Cook Inlet natural gas will all run out during the period requested by the Applicants as an extension of their authorization to export this same gas in the form of LNG. To date, despite negotiating since 2004, Chugach and the Applicants have not reached agreement on new gas supply contracts to assure that Chugach's natural gas supply and deliverability needs will continue to be met during the proposed extension period and beyond.

7. Chugach is not opposed to LNG exports in the abstract, and indeed supported the Applicants in the last major LNG export extension request proceeding that involved them. At this particular moment in Cook Inlet natural gas history, however, Chugach is deeply concerned that, absent agreement on new Chugach gas supply contracts with the Applicants, the Export Application, if granted, could adversely affect the availability of natural-gas supply and deliverability to Chugach and in the Cook Inlet

region generally, and thus could have a detrimental effect on the public interest. Consequently, in the absence of new gas supply contracts, Chugach necessarily must and hereby does object to the Export Application until certain preconditions are met. Chugach would not object to this Export Application being re-filed and reconsidered once the Applicants have made commitments to Chugach sufficient to assure that Chugach's gas supply and deliverability needs will continue to be met for a reasonable future period.

II. Export Application and the Instant Proceeding

8. The Applicants hold an existing long-term authorization to export LNG to Japan that is set to expire on March 31,2009.[4] The Applicants now seek a blanket export authorization to export up to approximately 99 Bcf of LNG to Japan and/or other Pacific Rim countries for a two-year period beginning on April 1, 2009 and ending on March 31, 2011. On January 10, 2007 Marathon filed its renewal application with the DOE. The DOE opened this docket to consider the Export Application, published a Notice of Application in the Federal Register on March 8, 2007, and set April 9, 2007 as the deadline for the filing of interventions and protests.[5]

III. Motion to Intervene and Statement of Position

9. Chugach hereby asks that OFE grant Chugach's motion to intervene. As demonstrated below, Chugach represents interests that will be affected directly by the

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[4] *See* DOE / FE Opinion and Order No. 1473.
[5] Notice of Application, 72 Fed. Reg. 10507-09.

outcome of this proceeding, and its participation in this proceeding is in the public interest. *See* 10 C.F.R. § 590.303.

A. Facts Upon Which Petitioner's Interest Is Based

Chugach Is an Electric Utility Entirely Dependent on Cook Inlet Natural Gas

10. Chugach is an electric cooperative organized and existing under the laws of the State of Alaska. Chugach serves retail and wholesale electric customers throughout the Cook Inlet region of Alaska, with the exception of portions of downtown Anchorage.

11. Chugach is the largest electric utility in Alaska. Chugach is the largest such utility by any measure: total load, total retail load, total wholesale load, total number of retail customers, total number of wholesale customers, and total installed generation.[6]

12. Chugach is one of the most gas-dependent electric utilities in the United States. In 2006, eighty-four percent (84%) of Chugach's generation of electric energy

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[6] Total load:
Peak load = 457 MW
Annual energy sales (2006) =2,753 GWh

Retail:
Peak load = 220 MW
Annual energy (2006) = 1,230 GWh

Wholesale (three utilities plus economy sales):
Peak wholesale utility loads = 237 MW
Annual wholesale energy (2006) = 1,262 GWh
Annual economy sales (2006) = 261 GWh

Total installed generation:

Gas-fired (four plants):	549 MW capacity 2,634 GWh annual energy (2006)
Other sources:	86 MW capacity 264 GWh annual energy (2006)

(MWh) came from natural gas. All of this natural gas comes from the Cook Inlet region. None of it comes from any other location in Alaska, and none of it is imported from other states or from foreign nations. (The other electric utility that serves part of Anchorage, namely Anchorage Municipal Light & Power, is also almost wholly dependent on Cook Inlet natural gas, as is ENSTAR, the state's largest natural gas local distribution company.)

13. Chugach purchases only a negligible amount of power from other suppliers. Even that power is typically generated using Cook Inlet natural gas.

14. In addition to its gas-fired power plants, Chugach has three hydroelectric resources, two of which are quite small and all of which are used primarily to reduce Chugach's deliverability requirements for natural gas during peak load months and peak load hours. Chugach's hydro resources are already being fully used. They cannot supply additional energy to meet Chugach's energy requirements. They also cannot meet any additional portion of Chugach's capacity needs (i.e., peak load requirements).

15. Thus, Chugach has no resources available to make up any shortfall in total annual energy available to Chugach from natural gas-fired generation, or any shortfall that may be created if for any reason Chugach's natural gas suppliers are unable to meet Chugach's natural gas deliverability requirements. (As noted in Paragraph 24 below, Chugach is prevented by its contracts with natural gas producers from developing new non-gas power generating resources at this time.)

The Export Application Raises Domestic Gas Supply Issues

16. Chugach has four natural gas suppliers: MOC, COP, Chevron, and Anchorage Municipal Light & Power ("ML&P"). Although it is an electric utility, ML&P is a one-third working interest owner of the Beluga River Field, a major natural gas property, and as such ML&P is a successor to Shell Western E&P Inc. ("Shell") as a long-term gas supplier to Chugach.

17. Together, MOC and COP – the Applicants here – currently provide more than sixty percent (60%) of Chugach's total gas supplies. MOC and COP are not only Chugach's dominant suppliers, they are also the dominant suppliers of natural gas in the Cook Inlet region generally. Chevron and ML&P each supply only about twenty percent (20%) of Chugach's requirements.

18. Chugach currently uses approximately twenty-six billion cubic feet (26 BCF) of natural gas per year. In other words, Chugach's gas requirements in any two-year period are currently about fifty percent (50%) of the gas volume that Applicants seek authority to export during the two-year period of their proposed LNG export license extension. The impact of the exports on Chugach could be huge, unless Chugach's local domestic needs for natural gas are first assured.

19. Beginning in 2014 – that is, some three years after the proposed license extension, if granted, would have expired and the potential added LNG volumes would already have been exported – Chugach's annual natural gas requirements may (or may not) be reduced to approximately fourteen billion cubic feet (14 BCF) per year. This reduction could occur if, as a result of wholesale contract expirations and non-renewals,

Chugach is thereafter required to generate power only for its retail customers and for the City of Seward as a wholesale customer. Whether and to what extent this reduction in Chugach's gas requirements will actually occur – and whether such reduction will be matched by a net reduction in demand for Cook Inlet natural gas for power generation – cannot be known at this time, either by Chugach or by the Applicants.

20. All the natural gas currently available to Chugach under its existing contracts will be used up, i.e., these supplies will run out, in 2010 (in the case of the MOC contract) and in the first quarter of 2011 (in the case of the COP, Chevron, and ML&P contracts). In other words, although Chugach and hence most of the Cook Inlet region of Alaska is almost wholly dependent on natural gas supplies for the generation of electric power, the natural gas supplies available to Chugach to meet the region's electric loads will soon run out unless Chugach is first able to enter into new contractual arrangements with MOC, COP, and other gas suppliers. Moreover, the critical date when Chugach's existing gas supplies will be exhausted will occur during the very period (2009-2011) for which the LNG export extension is proposed.[7]

21. Chugach has no assurance whatever at this time that gas supplies will be available to it during the entirety of, or (just as importantly) *after*, the proposed LNG export extension period.

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[7] Chugach estimates it will have unmet gas needs of approximately 4.9 Bcf in 2010 and approximately 17.8 Bcf in 2011. Several factors could cause current fuel commitments to be used up faster, resulting in a larger volume of unmet supply needs earlier, and during the authorization period.

22. Chugach is currently in gas supply negotiations with both MOC and COP, as well as Chugach's other gas suppliers. Chugach's objective in these negotiations is to obtain commitments for a total of some 160 BCF to 240 BCF of natural gas from all producers combined, with deliveries to commence when Chugach's existing supply contract with MOC is exhausted in 2010. Chugach has no assurance of these negotiations being successful. Despite the claims of the Applicants, which suggest that ample supplies of additional Cook Inlet gas remain available even if the export extension is granted, Chugach in fact has absolutely no assurance at this time that if the LNG export license is extended the Cook Inlet producers will continue to have available to them, in total, sufficient reserves to meet Chugach's requirements in addition to the needs of other Cook Inlet area utilities and consumers.

23. An additional and important factor is that COP is the operator of the Beluga River Field, as well as a one-third working interest owner in that Field. Of the other two producers, Chevron has indicated to Chugach that, because COP operates the Field, and because of prior production of gas from the Field for the purposes (among others) of supporting LNG exports, Chevron is uncertain what gas volumes or deliverability Chevron will be able to provide from the Beluga River Field after 2011, when volumes currently available to Chugach will be exhausted. ML&P has indicated to Chugach that it does not desire to produce additional gas for Chugach from ML&P's dwindling share of the Beluga River Field, and that ML&P will need to purchase natural gas in the Cook Inlet market – that is, from MOC, COP, or Chevron (which has acquired Unocal, the only

other significant Cook Inlet gas producer) – if ML&P is to continue meeting any portion of Chugach's needs after 2011.

24. Chugach's existing gas contracts with MOC, COP, Chevron, and ML&P are "requirements" contracts. In the contracts, Chugach agreed to purchase a specified portion of its total gas requirements from each of the four producers, and to continue doing so until the volumes available to Chugach under the contracts are exhausted (or released by operation of the contracts). Chugach also agreed that it would not reduce its purchases of gas from these producers by any of a variety of means, including by meeting portions of the Chugach load with new non-gas resources (other than conservation, certain renewable resources, and the like). As a result, Chugach has no new non-gas resources planned or under construction, and no foreseeable way to meet by other means any significant portion of the Chugach load requirements currently met by natural gas. In other words, Chugach not only is, but for the foreseeable future will remain, almost entirely dependent on Cook Inlet natural gas to meet the largest portion of the State of Alaska's electric power requirements.

The Export Application Raises Domestic Gas Deliverability Issues

25. In addition to uncertain future gas supply volumes in relation to projected future gas supply needs, declining gas supplies in Cook Inlet also mean that the region faces gas deliverability issues. Even in 2007 (and even with the Agrium fertilizer plant shut down due to lack of adequate natural gas supply), at a time when continued LNG exports as well as local domestic requirements both make demands on the natural gas production and delivery infrastructure in Cook Inlet, deliverability has already become a

problem, including on one occasion in January when deliveries to the LNG facility were curtailed in order to meet the domestic needs of customers. At this time, the Beluga River Field producers are having to undertake expensive new investments to maintain deliverability, a portion of the cost of which Chugach is obligated to pay (and the benefits of which Chugach naturally hopes to continue receiving for years to come). In practice and in policy, there is no lesser significance to a shortfall of deliverability than to a shortfall of supply. Chugach considers it imperative that the DOE focus not just on available Cook Inlet gas reserves, but also on deliverability to determine whether or not domestic needs could be satisfied if the export license is extended.

26. Until MOC and COP have entered into new contractual arrangements with Chugach, however, there is simply no real-world way to know whether local domestic needs for natural gas volumes and deliverability would continue to be met if the LNG export authorization is extended. The local domestic requirements must be assured *first* before it is possible to compute the availability of natural gas volumes for LNG exports that will not harm local domestic users. The Applicants have the sequence backwards, trying to gain authorization to increase LNG exports while the question of contracts to supply local domestic needs during the same time period and beyond remains completely unsettled.

<u>Granting the Export Application May
Undermine Economic Development in Alaska</u>

27. Chugach also believes economic development in Alaska may be hindered by the extension of the LNG export license because the extension would appear to

diminish the availability of the resource for local domestic use, and lead to higher gas and electric power prices paid by all Cook Inlet residential, commercial, industrial, and governmental consumers. The OFE should not simply accept the Applicants' assurances to the contrary. The OFE should grant the Export Application only if it is first assured that the LNG export license extension would produce net economic benefits for the Cook Inlet region.

<u>Chugach Supported the Applicants' Prior Application, but Key Facts and Circumstances Have Changed</u>

28. On the most recent prior occasion on which extension of the existing LNG export license was sought,[8] Chugach (alone among Cook Inlet utilities) affirmatively supported the extension at the request of the licensees. Although other utilities disagreed, to Chugach that particular extension seemed like a reasonable accommodation to valued commercial partners, a useful economic stimulus at the time, and something that had little potential to impact Chugach, the Cook Inlet region, or the public in any negative way. At that time, however, two important facts were very different from those existing today:

(a) Chugach's then-available gas supplies were projected to last for many years into the future. That is not the case today. Today, the MOC volumes committed to Chugach will be exhausted in a mere three (3) years, and the available COP volumes almost immediately thereafter (and also during the period of the proposed extension).

[8] The license was approved on April 2, 1999. *See* DOE / FE Opinion and Order No. 1473.

(b) There was then no serious issue about the continued availability of Cook Inlet natural gas for local domestic use – and certainly for Chugach – after the period of the requested LNG export extension. Supplies and deliverability, at the time, seemed ample. The only real issue for local Cook Inlet utilities in search of additional contractual commitments was whether reasonable contract provisions would be agreed to and approved by regulators – not whether the needed volumes and deliverability would even still exist at the relevant time. (For this reason, among others, the DOE decision granting the extension did not consider potential future gas contract impacts relevant.) Today, the situation is much different. In the absence of adequate Cook Inlet gas supplies being committed to Chugach (and others) for the proposed extension period and beyond – including the absence of reasonable assurances of adequate and economical deliverability to make good on such commitments to local domestic users – there is room for substantial, good faith concern that the added export volumes will have negative impacts on local domestic users, both during the proposed export extension period and beyond.

29. These facts reflect a fundamental change in the supply and deliverability of natural gas available to meet domestic and export demand since April 2, 1999 (much of the pre-existing reserves have been used up, and very few new reserves have been added), and also in the contractual commitments of the Applicants to continue supplying local domestic users during and after the proposed export extension period.

30. Chugach remains willing to support extensions and continued LNG exports provided that Chugach is assured that such extensions and exports will not adversely

impact Chugach, the Cook Inlet region, and the public. The only way Chugach can receive such assurance is if (a) Chugach obtains new contractual natural gas supply commitments in reasonable volumes, with reasonable deliverability, for a reasonable period of time under reasonable terms and conditions, and (b) due diligence by natural gas industry professionals whom Chugach retains confirms, with the cooperation of the relevant producers, that those producers actually have a reasonably assured ability to meet, on a continuing basis during the relevant future time period, both their contract obligations to Chugach and all other contract obligations with which their obligations to Chugach might as a practical matter otherwise conflict.

31. Chugach hopes to have the assurances described in Paragraph 30 soon – in which case, Chugach might affirmatively support (as Chugach did in the past) the requested extension of the LNG export license without additional conditions. Chugach does not have such assurances today, however. Again, the Export Application currently does not take into account issues with domestic supply and deliverability, and gets the LNG export cart ahead of the local domestic requirements horse.

32. Therefore, in light of the circumstances set forth above, and in order to protect its own interests, those of the Cook Inlet region, and those of the public, Chugach at this time respectfully requests that the OFE allow Chugach to intervene, and that it delay approval of the Export Application until local domestic requirements for natural gas, such as Chugach's, are assured.

B. Chugach's Statement of Position and the Factual and Legal Basis Therefor

33. Chugach's position is this: If Chugach's contractual gas supply and deliverability needs during the proposed LNG export extension period and for a reasonable time thereafter are first met, then Chugach will be assured of its ability to continue supplying electric power to the public in the greater Cook Inlet region, and Chugach would therefore have no reason (known to Chugach at this time) to oppose the requested extension if re-considered at a later time, even though the extension will undoubtedly impact Chugach and its customers to some extent. Again, Chugach believes in the principle of accommodating its valued commercial partners if Chugach's own needs, those of its wholesale and retail consumers, and the greater public interest are met. So long as Chugach's contractual gas supply and deliverability needs during the proposed extension period (and for a reasonable period thereafter) are *not* so met, however, then Chugach cannot support the requested LNG export extension.

34. The primary factual basis for Chugach's interest (and hence its position) is set forth in Paragraphs 1-32, above. In summary, however:

(a) The public interest in the Cook Inlet region would be heavily and adversely impacted if Chugach is not (and other Alaska companies are not) able to obtain adequate new supplies and deliverability of Cook Inlet natural gas during and after the proposed LNG export extension period.

(b) This not merely a commercial issue, i.e., a matter of reaching agreement on commercial terms. As a factual matter, and despite the representations in the Export Application, in terms of available gas volumes and deliverability there appears to be significant potential for the local domestic need for Cook Inlet natural gas (including but not limited to Chugach's large and imminent needs for such gas) to conflict with additional exports of LNG. This is true not only after the requested export extension period, but even during it, given that Chugach's existing supply (among others) will be exhausted during the proposed extension period and that deliverability issues exist already.

(c) For example, if the LNG export extension is granted, then according to the Export Application the total additional Cook Inlet natural gas volumes that may be exported as LNG (or consumed as fuel for purposes of operating the LNG facility) may be as great as 125 BCF. This represents 99 BCF of potential new exports, 10 BCF of separately authorized exports, and 16 BCF for LNG facility fuel. Compared to the currently uncontracted-for and hence unmet local domestic needs -- either in total or in rate of delivery -- including Chugach's annual requirements and hoped-for new supplies, this is a very substantial volume and rate of delivery.

(d) Despite Chugach's commercially reasonable best efforts, and on-going good-faith negotiations among the relevant parties since 2004, neither MOC nor COP has yet provided Chugach any assurance on reasonable commercial terms of contractual gas volumes or deliverability for the proposed extension period (much less thereafter). Granting the Export Application is simply not in the public interest unless these assurances are first made.

(e) Even if contract terms for this period were already negotiated, they would require approval by the Regulatory Commission of Alaska ("RCA"). The RCA's most recent action on a proposed gas contract for the relevant time period (the proposed MOC-ENSTAR contract) was to reject it, apparently because the RCA considered the proposed gas purchase prices to be too high, despite the willingness of both parties to accept the contract's pricing provisions. There is no assurance whatever that the RCA will approve natural gas supply contracts for Alaska utilities at prices that the Applicants may consider to reflect Lower 48 or world "market prices." Thus, Chugach, MOC, and COP are currently several steps removed from a situation in which Chugach's gas supply needs during the extension period (and thereafter) are assured of being met.

(f) As noted above, neither Chevron nor ML&P, the two non-operator owners of the Beluga River Field, is currently able to assure Chugach of either adequate volumes or deliverability from that Field beginning in mid-2011, a situation that presumably relates primarily to declining reservoir volumes and increased production difficulties, both of which Chugach has been led to believe may be attributable at least in part to the previously unexpected impacts on that Field of efforts by COP, as the Field operator and a co-owner, to maintain existing LNG exports.

(g) Chugach does not have an ability to substitute other resources for any gas-fired generation that it is not able to operate, or operate fully, for lack of available natural gas during the proposed LNG export extension period or the years immediately thereafter.

(h) The Applicants allege not only that additional LNG exports will benefit future gas production in Cook Inlet, but also that failure to authorize such added exports may result in facilities being shut down, wells being shut in, and other forms of reduction in natural gas production and deliverability. Further, the Applicants allege that the long-term impacts of these events might include the loss of future ability to produce the same or equivalent gas volumes or deliverability. In real-world terms for the Cook Inlet region, these are key factual allegations, and critical to the issues this case actually presents. The questions these factual allegations raise relate not only to the extension period but to the years immediately thereafter; and they are fundamental to the public interest arguments of the Applicants. What the Applicants argue, in essence, is that gas not exported as LNG during 2009-2011 cannot be saved for local domestic use thereafter. Whether this is true is perhaps what matters most in terms of the public interest and the factual focus of this proceeding. Chugach believes this key factual issue is not adequately addressed or resolved by the assertions in the Export Application.

(i) As an additional legal matter, Chugach by contract with each of the three Beluga River Field producers (COP, Chevron, and ML&P) is already entitled to purchase an additional 40 BCF of natural gas (120 BCF in total), subject to agreement by Chugach with each party on price and related delivery terms. Deliveries of these supplies should begin in 2011, during the proposed

LNG extension period. However, as noted above, the terms of sale for these volumes must first be agreed upon by the parties negotiating in good faith, then approved by the RCA. If this does not occur, then the otherwise committed volumes will be released to the producers by operation of the contracts. Absent prior agreements with these producers on the terms of sale, Chugach has a very realistic good-faith concern that the practical impact of granting the LNG export extension will be to make it difficult or impossible for such agreements to be reached, or for any agreement that is reached to be performed (and perhaps even approved by the RCA). Thus, Chugach has a good faith concern that these volumes of natural gas, previously reserved for and committed to Chugach, and the deliverability needed to allow Chugach to make reasonable use of these volumes, may as a practical matter be lost to Chugach if the LNG export extension is granted before these supplies and associated deliverability are actually secured for Chugach's use. This, Chugach believes, would be clearly contrary to the public interest.

(j) The Applicants allege that approval of the proposed extension and continuation of LNG exports would produce additional income for Alaskans, as compared with the no-new-exports case. This is a factual matter. If further procedural steps are ordered in this Docket, and if the income effects of the LNG export extension are considered to be an element of the public interest, then the Applicants' assertions in this regard should be tested. For example, even if some income benefits are found to exist, they may be more than offset by the negative income effects for Alaskans of having to pay higher prices for electricity or natural gas during the same period. These impacts, too, may be effects of granting the requested extension, unless contractual gas supplies and deliverability are first arranged for the relevant period and beyond by Chugach and similarly situated utilities.

(k) Similarly, the Applicants allege that approval of the proposed extension and continuation of LNG exports will produce additional royalty income for the State of Alaska, as compared with the no-new-exports case. This is another factual matter which, if considered to be an element of the public interest, deserves to be tested should further procedural steps be ordered in this Docket. For example, it may be that on a net basis the State of Alaska would receive nearly as great or even greater total royalties if the same gas is sold to other buyers in the Cook Inlet region, either during the same period or the years thereafter. In other words, this argument of the Applicants may not be valid if factual evidence developed at a hearing regarding alternative sales volumes, timing, and sales prices shows that denying the LNG export extension will not necessarily reduce the total volume of natural gas on which the State ultimately earns royalties and/or the average royalty payment per unit of gas sold (which is a function of the sales price).

C. Additional Issue of Policy and Law

35. The Applicants suggest that the inquiry on local domestic use of natural gas in the Cook Inlet as impacted by the LNG exports, and hence the inquiry on – and

ultimate question of -- the public interest, should be confined to the two-year period (2009-2011) of the proposed LNG export extension alone. This would be wholly inappropriate. As noted above, such a narrow temporal focus may well have been appropriate a decade ago, when the continued availability in Cook Inlet of gas volumes and deliverability beyond the then-requested period of the license extension was fundamentally not in doubt, and any question about such matters was, as a practical matter, remote. Circumstances today are very different.

36. Now, one of the key questions of the public interest the Export Application raises -- perhaps the key question -- is how a two-year export extension, and the possible use for LNG exports of another 125 BCF of Cook Inlet gas, will affect local domestic use in Cook Inlet not only during that two-year period itself but in the years that follow. As also noted above, the factual allegations of the Applicants themselves directly implicate this question, by suggesting that failure to authorize the extension may cause permanent damage to Cook Inlet gas production and deliverability long beyond the period of 2009-2011. If the Department of Energy were somehow barred from examining this fundamental issue in the course of considering the Export Application, then both the public interest test and the evaluation of the impact of these exports on local domestic uses might become, for real world purposes, dry academic exercises, and pointless. Chugach respectfully submits (and if further procedural steps are ordered in this Docket, will argue and demonstrate), that there is no valid legal or policy reason for so confining the scope of the relevant inquiries in this proceeding.

IV. Chugach Seeks the Right to Participate in Any Additional Proceedings Ordered in this Docket

37. Chugach respectfully requests the right to participate in any additional proceedings that may be ordered by OFE in this Docket in order to resolve the four clusters of factual issues raised by MOC and COP in the Export Application, issues summarized in the Federal Register notice that initiated this proceeding. Those factual issues, in all cases for the proposed extension period and a reasonable period thereafter, may be further summarized as:

(a) The impacts of the proposed export extension on the local domestic use, availability, and deliverability of Cook Inlet natural gas.

(b) The impacts of the same on the economy of the Cook Inlet region of Alaska.

(c) The impacts of the same on the royalty income of the State of Alaska.

(d) The impacts of the same (or of failure to grant the same) on the total recoverable volume and the deliverability of Cook Inlet natural gas for local domestic use.

38. Chugach also requests the right to participate in any additional procedures that may be ordered to determine the proper scope of issues to be determined in evaluating the Export Application.

V. Communications

39. All correspondence and communications in this proceeding should be addressed to:

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VI. Conclusion and Relief Requested

40. The public interest in the Cook Inlet region would be heavily and adversely impacted if Chugach and other utilities are not able to obtain adequate new supplies and continued reasonable deliverability of Cook Inlet natural gas during and after the proposed LNG export extension period. The key question raised by the requested Export Application, and the question the OFE must answer here, is whether a two-year export extension will adversely affect local domestic use in Cook Inlet (and hence the public interest) not only during that two-year period itself but in the years that immediately follow. Chugach submits that, as a factual matter, there is significant potential for the local domestic need for Cook Inlet natural gas to conflict with additional exports of LNG, unqualified approval of the Export Application is inappropriate, given that there is currently no assurance whatever that local domestic requirements for Cook Inlet natural gas will be met during the proposed extension period and beyond.

41. For this reason, and the additional reasons stated in this Motion, Chugach respectfully requests that the OFE grant its timely motion to intervene in this proceeding,

consider the issues raised herein, and delay approving the Export Application until Applicants provide adequate assurances, through contractual commitments, that domestic gas supply and deliverability needs will continue to be met for a reasonable future period. Chugach also requests such other relief that the OFE deems just and equitable in the circumstances.

Respectfully submitted,

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Dated: April 9, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon the individuals listed below in accordance with the Notice of Application issued in this proceeding, Notice of Application, 72 Fed. Reg. 10507-10509 (March 8, 2007), and the requirements of Rule 107 of the DOE's Administrative Procedures with Respect to the Import and Export of Natural Gas.

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Dated at Washington, D. C., this April 9, 2007.

Michele K. Holzer