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Community Perspective –
Unanswered questions about gas line

Appearance of conflicts
in AGIA team needs review

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Although Gov. Palin deserves credit for tackling tough issues, her actions do not live up to her rhetoric. Consider her challenge to the three major North Slope oil and gas companies to assure low pipeline tariffs (shipping charges) on the proposed North Slope natural gas pipeline.

I have long argued that the state should pay greater attention to pipeline tariffs and therefore should support Governor Palin's gas line efforts. But when I found defects in her Alaska Gasline Inducement Act (AGIA) proposal last summer, discussions with members of the governor's team failed to resolve my concerns.

The fundamental problem is this: When two of the three major transnational oil and gas firms that control 95% of the natural gas on the North Slope want to build their own pipeline, investors are unlikely to gamble huge sums of money in advance on a competing independent gas pipeline. Moreover, I believe the AGIA contract terms fail to ensure that Federal Energy Regulatory Commission tariff determination procedures will actually deliver low tariffs on the proposed North Slope line.

In early August, shortly after the state Senate voted to accept the TransCanada AGIA proposal, I obtained a copy of a letter from the Palin administration that purported to address key concerns I had raised in late July. The letter from

Deputy Commissioner of Natural Resources Marty Rutherford July 30 ducked my questions in two key areas.

First, Rutherford ignored a list I prepared identifying more than six specific AGIA statute clauses that a recalcitrant pipeline operator might employ to withhold important information from the state, thereby delaying or depriving the state of information needed to defend itself against tariff manipulation.

I also sought information about tariff rates on the Alliance Pipeline, built in the late 1990's from western Canada to Chicago. Informed sources have identified the Alliance financing model as the prototype for the North Slope project. But AGIA review documents on Alliance tariffs contained discrepancies that raise questions about tariff levels on that pipeline. Again, Rutherford did not respond substantively.

During a period when she was not working for the state in 2003, Ms. Rutherford consulted for a TransCanada subsidiary involved in the gas line project. In 2007 she told the *Anchorage Daily News* that she performed "two small research and analysis jobs" for the TransCanada subsidiary. Recently, she told the *New York Times* that "she and the governor never discussed whether her role on the team might be viewed as improper or give the appearance of a conflict of interest," and that "she was not one of the pipeline team members who recommended a developer to Ms. Palin." Neither article contains this fact: In 2003 Ms. Rutherford reported receiving $40,200 from the TransCanada subsidiary as a registered as a lobbyist.

The Palin administration's voluminous, May 2008 review record contains nine documents totaling 138 pages prepared by Greenberg Traurig, a Washington, DC law firm whose attorneys testified on technical issues several times in support of the decision to award the AGIA contract to TransCanada. Greenberg Traurig employed disgraced Washington, DC, lobbyist Jack Abramoff and helped represent President George Bush in the 2000 Florida election legal fracas on which his first election turned.

Earlier this month, the *Washington Post* reported that Greenberg Traurig not only provided technical assistance on the AGIA proposal but also recommended a Massachusetts public relations firm that claims credit for assisting Governor Palin in obtaining favorable national press coverage for her AGIA proposal.

I have always held Rutherford in high esteem and I am not asserting wrongdoing. Nevertheless, Palin's failure to close the door to the possibility of conflicts of interest at high levels on an issue of this magnitude seriously sullies her image as an ethics reformer. In the absence of clear and compelling responses to the questions I have raised, I reluctantly conclude that the appearance of conflicts of interest reported here requires further review to maintain public confidence in the actions of the governor's team.

My analysis of Governor Palin's oil and gas policies, posted on my web site last month, concludes that problems I dismissed as anomalies when I consulted to the Palin administration during oil tax deliberations in 2007 turned out to be harbingers of dubious policy outcomes in 2008. In my estimation, Palin is extremely adept at using public relations to mask fundamental problems that result from her apparent unwillingness or inability to roll up her sleeves and deal with the all-important nuts-and-bolts issues that are essential to good governance.

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