

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

Yukon Pacific Corporation

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ERA Docket No. 87-68-LNG

**JOINT MOTION OF
ALASKAN NORTHWEST NATURAL
GAS TRANSPORTATION COMPANY
AND
FOOTHILLS PIPE LINES LTD.
TO LODGE LETTER OF THE CANADIAN GOVERNMENT**


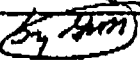
Pursuant to Section 590.302 of the Administrative Procedures of the Department of Energy ("DOE"), 10 C.F.R. §590.302, Alaskan Northwest Natural Gas Transportation Company ("Alaskan Northwest") and Foothills Pipe Lines Ltd. ("Foothills") respectfully move for leave to lodge the attached letter, dated December 20, 1989, from D. H. Burney, the Canadian Ambassador, to Richard T. McCormack, the United States' Undersecretary of State for Economic Affairs. Ambassador Burney's letter sets forth the Canadian government's reaction to DOE/FE Opinion and Order No. 350, issued herein on November 16, 1989. It is clear, moreover, that the Canadian government's position is relevant to DOE's consideration of the applications for rehearing of Order No. 350 which have been filed by Alaskan Northwest and Foothills. Indeed, DOE has already recognized that it must give "special consideration to the concerns of Canada" ^{1/} Under these

^{1/}Order at 33.

circumstances, it is both appropriate and in the public interest that Ambassador Burney's letter be lodged and made a part of the record in this proceeding.

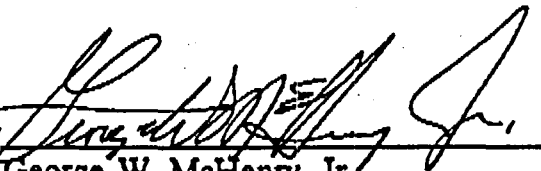
Respectfully submitted,

ALASKAN NORTHWEST NATURAL
GAS TRANSPORTATION COMPANY

By 
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FOOTHILLS PIPE LINES LTD.

By 
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January 5, 1990

Canadian Embassy



Ambassade du Canada

501 Pennsylvania Ave. N.W.
Washington D.C. 20001

December 20, 1989

The Honourable Richard T. McCormack
Undersecretary of State for
Economic Affairs
Department of State
Washington, D.C. 20520

Dear Dick,

I am writing to convey the concerns of the Canadian Government over the U.S. Department of Energy's recent decision to approve the export by Yukon Pacific Pipeline Corporation of 16.5 trillion cubic feet of Alaskan North Slope natural gas to Pacific Rim countries over a 25-year period.

The basis of our concern is that the proposed export of Alaskan North Slope gas threatens to erode the gas reserves that provide the foundation for the 1977 Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline.

In our view, the rationale for the DOE decision is inconsistent with the aim and history of the Alaska Natural Gas Transportation System (ANGTS) project and the assurances and commitments by our respective governments that support the project. The ANGTS project developed in the mid-1970s against the backdrop of acute concern in the U.S. at American dependency on insecure off-shore oil supplies. After three years of careful American review of all competing proposals, the joint U.S.-Canadian pipeline which came to be known as ANGTS was selected by U.S. authorities and Congress passed the Alaska Natural Gas Transportation Act in 1976. This set in motion the process under which we arrived at our agreement the following year to facilitate approval and financing of the pipeline. The project was to provide a land bridge for the U.S. to gain access to its Alaskan gas reserves and was held to offer substantial economic benefits to both countries. On September 20, 1977, Canada and the U.S. entered into the Agreement whose essential purpose was to permit gas to move from Alaska to the lower 48 states.

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Successive American administrations and the U.S. Congress have reaffirmed the U.S. commitment to this project. In 1980, the U.S. Administration and Congress strongly supported the pre-building of the southern segments of the pipeline for the initial transportation of Canadian gas to relieve "serious and immediate gas shortages" facing the U.S. President Carter assured the Prime Minister of Canada:

"The United States also stands ready to take appropriate additional steps necessary for the completion of ANGTS...I assure you that the U.S. Government not only remains committed to the project...the U.S. Government now is satisfied that the entire Alaska Natural Gas Transportation System will be completed."

Congress also gave strong support for the project in a joint resolution of July 1980 which stated:

"It is the sense of Congress that the (ANGTS) System remains an essential part of securing this nation's energy future and, as such, enjoys the highest level of Congressional support for its expeditious construction and completion."

Further, President Reagan wrote in 1981:

"ANGTS is important not only in terms of its contribution to the energy security of North America, it is also a symbol of U.S.-Canadian ability to work together co-operatively in the energy area."

The Canadian Government relied on specific assurances given by the U.S. Government about the completion of the entire ANGTS project before authorizing commencement of construction of the project in Canada, a decision which was highly controversial in Canada. Today, the pipeline is roughly one-third complete; to date, Canadians have invested over 2.5 billion dollars.

The Department of Energy asserts in Order 350 that:

"The U.S. Government has complied fully with its commitment to ANGTS by removing all regulatory impediments to the completion and operation of ANGTS" and;

"The DOE does not think that ANGTS mandates the rejection of a proposed export because there may be insufficient proven reserves for both the proposed exports and ANGTS".

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In our view, this characterization of the situation is incorrect; it seriously understates the commitments by the United States to Canada to facilitate and to support this project. You will recall that under the 1977 Agreement Canada and the U.S. bound themselves to "take measures necessary to facilitate the expeditious and efficient construction of the Pipeline". From the beginning, the underlying premise of the ANGTS project and the essence of all representations by your Government to mine have been that Alaskan North Slope reserves would be utilized to serve the needs of the lower 48 states and that they would be transported in a prescribed way. The DOE's decision, which authorizes the same reserves to be sold to a different location and to be transported to market through a different route from that prescribed by the ANGTS project, is completely inconsistent both with the decision that led to the selection of the ANGTS and the subsequent bilateral commitments to the project.

The DOE decision, unless modified, would undermine the ANGTS by casting doubt on the availability of a sufficient supply of Prudhoe Bay gas for the project. It would likely jeopardize the commercial viability of the ANGTS and, thus, the ability of the sponsors of the ANGTS to complete the project.

We understand that both the Canadian and American sponsors of the ANGTS have applied for a rehearing of the DOE decision. In light of the concerns expressed above, the Canadian Government is firmly of the view that the DOE decision should be reconsidered by the U.S. Government.

Yours sincerely,

signed by signed per
D. H. Burney

D.H. Burney
Ambassador

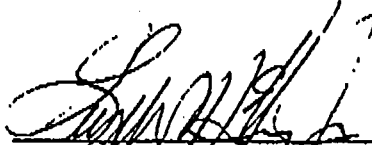
VERIFICATION

DISTRICT OF COLUMBIA

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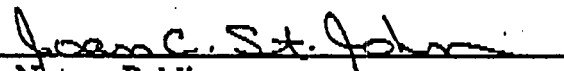
ss.

George W. McHenry, Jr., being first duly sworn, deposes and says that he is an attorney for Foothills Pipe Lines Ltd.; that he is authorized to sign the foregoing and is familiar with the contents thereof; and that the matters and thoughts therein set forth are true and correct to the best of his knowledge, information, and belief.



George W. McHenry, Jr.

Subscribed and sworn to before me, a Notary Public, this day, January 5, 1990.




Notary Public Joan C. St. John, NOTARY PUBLIC
Commission Expires October 14, 1991

CERTIFICATE OF SERVICE

I hereby certify that, in accordance with Section 590.107 of the Department of Energy's regulations, 10 C.F.R. §590.107, I have this day caused a copy of the foregoing document to be served upon each person designated on the official service list compiled by the Department of Energy, Office of Fossil Energy in this proceeding.

Dated at Washington, D.C., this day, January 5, 1990.



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