



STATE OF HAWAII
OFFICE OF HAWAIIAN AFFAIRS
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July 18, 2008

The Honorable Lyda Green
Senate President
State Capitol, Room 111
Juneau, AK 99801-1182

Dear Senator Green:

Hawai'i and the Native Hawaiian community are especially vulnerable to rising energy costs. For that reason, the Office of Hawaiian Affairs (OHA), a semi-autonomous state agency and trust created by the people of Hawai'i to better the conditions of Native Hawaiians, has been investigating potential cost savings to Native Hawaiian beneficiaries from lower electricity costs and revenue-generating opportunities for OHA from being involved in the importation, storage and distribution of natural gas from Alaska.

Recognition of natural gas' significant cost savings and environmental advantages to oil and renewable fuels first led to serious analysis of its use in Hawai'i by state and local policymakers in 2004. In 2006, OHA formed a partnership with the Hawai'i Natural Energy Institute (HNEI), the Hawai'i Energy Policy Forum to update the 2004 study with a comprehensive analysis in April 2007 featuring natural gas from Alaska. The study was supervised by Dr. Fereidun Fesharaki, Chairman and CEO of FACTS Global Energy, an internationally renowned energy consultant.

The findings of the analysis, initially reported at the OHA-sponsored 2007 Hawaiian Business Conference and Economic Expo, demonstrated great promise for the Native Hawaiian community and all of Hawai'i from the importation of natural gas from Alaska. With infrastructure, shipping, and storage costs to be borne by the private sector, Alaska natural gas could replace approximately 95% of the fuel oil that Hawaiian Electric Company (HECO) currently uses in power generation on Oahu.

According to the study, natural gas substitution in the power sector in Hawai'i would be approximately 1.35 million tonnes in 2013, increasing to 1.8 million tonnes in 2022. Hawai'i's natural gas demand exceeds the 1 million tonnes per annum that allow for reasonable economies of scale. Importing Alaska natural gas could reduce oil's share of the primary energy mix statewide by approximately 20% within 4-7 years of a decision to move forward.

Using natural gas instead of maintaining current fuel plans would reduce the global warming potential of Oahu's power generation by approximately 25% in 2013 and roughly by an average of 23.5% per annum through 2020. Most importantly, there are significant savings to be gained from using natural gas. The study pointed out that potential annual fuel savings to consumers would translate to tens of millions of dollars as the price of natural gas to the power plants would be less than the price forecasted for the low sulfur fuel oil (LSFO) it will replace.

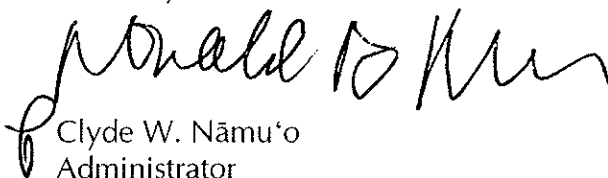
Based on these findings, I wish to inform you that OHA supports the development of the natural gas pipeline from Prudhoe Bay to Valdez together with a liquefied natural gas (LNG) facility to enable shipment of LNG to other domestic markets in the US, such as the West Coast and Hawai'i, and to the growing markets in Asia.

OHA believes a Prudhoe Bay to Valdez pipeline offers significant mutual benefits to both Alaska and Hawai'i. The short transportation distance from Valdez to the Hawaiian market makes Alaska LNG a highly competitive source of energy relative to other fuels. Since Hawai'i is located along the route from Asia to these markets, potential synergies exist in the LNG shipping capacity by serving Hawai'i along the way. There are huge existing markets for LNG in Japan and Korea, and the enormous potential markets of China, India and the continental US. At the same time, Alaska natural gas helps Hawai'i achieve a number of policy objectives regarding global warming, energy and economic security, air quality improvement, consumer savings, and transition to a future renewable and hydrogen energy economy.

If such a pipeline project were to proceed, OHA would be interested in working with Alaska to secure long-term natural gas contracts that could provide a reliable and affordable supply of energy for years to come.

Due to the above consideration, I urge you to advance the development of the All-Alaska Gasline/ LNG Project. Please do not hesitate to contact me if you have any questions or if I can be of service in any way.

Sincerely,



Clyde W. Nāmu'o
Administrator