



# Introducing SB 138

*Putting the Guidance Documents (HOA + MOU) in Context*

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# Guidance Documents & SB 138

## Heads of Agreement (HOA)

- Describes roadmap to advance project through phased process.
- Describes understanding and consensus on key terms.

## Memorandum of Understanding (MOU)

- Describes agreement to transition from AGIA License to a more traditional commercial relationship.
- Describes key commercial terms for that relationship.

HOA and MOU  
Describe how SB 138  
would be used.

## Senate Bill 138

- **Participation** in the AKLNG Project.
- **Percentage** of State Gas Share and Participation in the AKLNG Project.
- **Process** for development of Project Enabling Contracts and **Legislative oversight and approval** of future contracts.



Legislature  
decides whether  
to advance or  
not.

# Where We Are Today?



Pt. Thomson Settlement  
Joint Work Agreements



Concept Selection

SB 138  
Jan- April  
2014

Pre-  
FEED



**AGIA:**  
State: ~\$330 million  
APP (TransCanada & EM):  
~\$130 million

**Denali**  
(BP & CP)  
~\$200 million

State / TC MOU

Heads of Agreement

**GO**  
All AGIA and Denali work is contributed to AKLNG with passage of enabling legislation (SB 138).  
  
State & TransCanada mutually abandon AGIA license.  
  
No more reimbursement.

**Stop:** does State buy \$130 million of APP data?

AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)

# What Happens if SB 138 Passes?

**Pre-Front End Engineering & Design  
(Pre-FEED)  
12-18 months**

**Estimated Cost: ~\$435 million**  
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

**Producer Share: ~\$348 - \$327 million**

**State/AGDC** Subsidiary

**Share: ~\$35 - \$43 million**  
(Does not include Agency/AGDC costs and contingency in support of project)

**TransCanada: ~\$53 - \$67 million**

**Note:** Savings with TransCanada include cash commitments by TransCanada for Pre-FEED costs which reduce State of Alaska appropriations by \$53 - \$67 million and seamless transition into Pre-FEED with personnel and data continuing to be committed to the project.



**FEED**  
(Front-End  
Engineering &  
Design)

**Legislative  
Approval of  
Contracts  
Yes/No?**

**GO**

Exercise Option  
for 40% of FEED =  
\$21 - \$27 million?

**Stop**

Pay TC Development  
Costs (~\$53-\$67mm) +  
7.1% AFUDC.

**AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)**

# What Happens after FEED?

**Front End Engineering & Design  
(FEED)  
2-3 years**

**Estimated Cost:** ~\$1,800 million  
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

**Producer Share:** ~\$1,440 - \$1,350 million

**State/AGDC** Subsidiary

**Share:** ~\$145 - \$180 million  
(Does not include Agency/AGDC costs and contingency in support of project)

**State/AGDC** Subsidiary

**Share (w Equity Option):** ~\$230 - \$290 million

**TransCanada:** ~\$215 - \$270 million

**TransCanada (w Option):** ~\$130 - \$160 million

**Note:** FEED costs are VERY rough estimates and rounded!



**Final Investment  
Decision ~  
Construction**

**Approval by all  
Parties &  
Financing  
Yes/No?**

**Go Build**

**STOP**

Pay TC development  
costs (~\$183 - \$337 mm)  
+ 7.1% AFUDC.

Note: FEED estimates based on Black & Veatch independent assessment of 4% of \$45 billion. 60%/40% Mid/Downstream.

**AGDC Advancing Gas to Alaskans through interconnections etc.**

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# Summary

- The Heads of Agreement (HOA) and Memorandum of Understanding (MOU) provide guidance on how the powers provided in SB 138 will be used.
- At each stage in the project there are “off-ramps” and decision points for Legislative and public review.
- Commitments by the State will be made commensurate with progress by the project.

# THANK YOU

Please find our contact information below:

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## Resources

<http://dor.alaska.gov/MAPActDocuments.aspx>

<http://gov.alaska.gov/parnell/priorities/resources/more-alaska-production-act.html>

[www.dnr.alaska.gov/AKgas.htm](http://www.dnr.alaska.gov/AKgas.htm)

