

# Memorandum of Understanding

## MOU

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# Parties

State of Alaska,  
through the commissioners of natural resources and revenue

TransCanada Alaska Company, LLC and  
Foothills Pipe Lines, Ltd. (Jointly as Licensee)

TransCanada Alaska Development Inc. (TADI)



# MOU Issues

Should the state have an ownership interest?

How should the state transition from AGIA?

Should the state share its interest with a partner?

# State Ownership



# State Ownership

- How does the state acquire an equity interest in the midstream part of the Alaska LNG Project?
- How will the state finance an investment in a project?

# State Ownership

- Under the MOU, an affiliate of TransCanada would hold that portion of the midstream project equal to the percentage of North Slope gas the state may receive as royalty in kind and production tax on gas paid as gas.
- May be 20 - 25% of the total project depending on amount of royalty gas in kind and production tax paid as gas.



# State Ownership

- Precedent agreement & Firm Transportation Services Agreement commits the State to ship its gas in the part of the midstream project owned by TransCanada for 20 - 25 years.
- State may obtain an option to buy 40% of TransCanada's interest.

# State Ownership

- State may decide to acquire an option to eventually own *part* of TransCanada's interest near the end of the initial contract term — 20 -25 years.
- TransCanada expects to keep at least 14% of the total project, maybe 15% if the general partner has 1%.



# State Ownership

- AGDC may participate in the LNG plant while TransCanada initially holds an interest in the midstream portion that the state may have an option to acquire.

# Enabling Legislation

CSSB 138(FIN) am



# Enabling Legislation

- Given the MOU, what changes may be made to the enabling legislation without causing the MOU to fail?

# Enabling Legislation

- Separation of powers: legislature legislates — executive executes.
- At this time, the only legislative vote is on the legislation, CSSB 138(FIN) as may be amended in the House.
- May vote on the contracts in the future.



# Enabling Legislation

- When you review the MOU and the Heads of Agreement, consider changes you would like to make in the enabling legislation.
- Changes must be consistent with the “enabling legislation” or the MOU might not go forward.

# Enabling Legislation

- Is there a situation in which enabling legislation may allow the Heads of Agreement to go forward, but not the MOU?
  - Ask!



# AGIA Transition

# AGIA

- Transition out of AGIA
  - To Alaska LNG Project?
  - Is the AGIA Project to Alberta uneconomic under AS 43.90.240?



# AGIA

- MOU addresses “uneconomic” exit from AGIA in the recitals.
- What if enabling legislation fails to pass?
  - What if the MOU is not implemented?

# AGIA

- Transition out of AGIA
  - Is there a risk that the Alaska LNG Project is a competing project to the AGIA project?
  - Is the state “safe” from the damages in AS 43.90.440?
  - Why doesn't the MOU mention AS 43.90.440?



# Why TransCanada?

# Why TransCanada?

- Is the MOU the best deal?
- Should the state solicit proposals from others?



# Why TransCanada?

- Are the producers happy with the state's selection of the fourth partner?
- Do the producers expect TransCanada to take the lead in developing the Alaska LNG Project?

# Why TransCanada?

- Would TransCanada compete with itself?
- Lelu Island and the 460 mile B.C. potential LNG project.



# Things we don't know

# Things we don't know

- Things we don't know:
  - What happened during the first open season in 2010? Why did it fail?
  - Why did it take from July 2010 to May 2012 to conclude that the first open season failed?



# Things we don't know

- TransCanada solicited interest in both the Alberta Project as well as transportation to Valdez during the first open season in 2010 and during the solicitation of interest in 2012.
- What happened? Were changes identified that would make the AGIA project viable?  
Conditions?

# Things we don't know

## What's next?