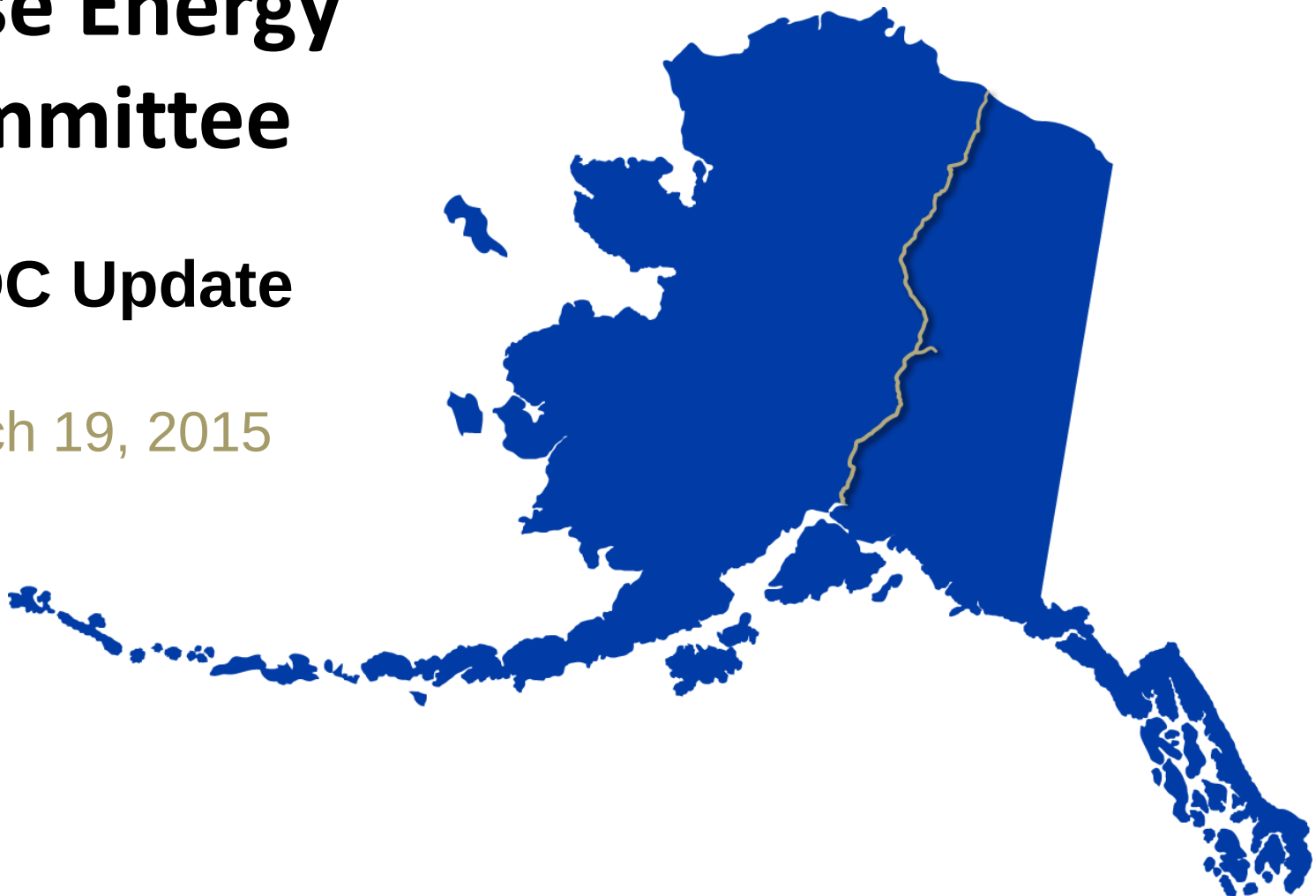
ALASKA GASLINE DEVELOPMENT CORP.
GAS FOR ALASKANS

House Energy Committee

AGDC Update

March 19, 2015



Agenda

- AGDC Mission & Purpose
- Corporate Initiatives
- Accumulated Corporate Assets
- Alaska LNG
  - State Participation
  - Coordination & Cooperation
  - Recent Activities
- ASAP
  - Class 3 Cost Estimate & Associated Tariffs
  - ASAP Spend Plan & Schedule
  - Recent Board Action – ASAP Reconfiguration
- Critical Success Factors

AGDC Mission & Purpose

AGDC is a public corporation of the State of Alaska, with a legal existence separate and independent of the State *(AS 31.25.010):*

- Develop natural gas pipelines, an Alaska LNG project, and other natural gas transportation projects in-state for the maximum benefit of Alaskans
- Finance, construct and potentially operate natural gas and other non-oil energy transportation systems
- Provide economic benefits and revenue to the State
- Assist DNR and DOR in maximizing the value of the State's royalty & tax gas
- Hold the State's equity interest in the liquefaction component of the Alaska LNG project
- Advance an in-state pipeline capable of delivering North Slope natural gas to Fairbanks, Southcentral and other communities within the state at the lowest possible cost

AGDC Objectives

- Commercialize Alaska's North Slope gas resource
- Secure a stable, affordable, long-term energy supply for Alaskans
- Generate revenue, jobs and economic growth
- Facilitate further oil and gas development
- Maximize overall benefit to Alaskans

Corporate Initiatives

	Alaska LNG	ASAP
Project Sponsors	State of Alaska (AGDC), BP, ConocoPhillips, ExxonMobil & TransCanada	State of Alaska (AGDC)
Design Objective	Liquefied Natural Gas (LNG) principally for export markets with at least 5 in-state off-takes	Utility grade "lean" gas principally for in-state markets
Facilities		
Gas Treatment	• GTP at Prudhoe Bay *(~200 acres)* • 8 Compressor Stations *(30kHP)*	• GCF at Prudhoe Bay *(~70 acres)* • Compression at Prudhoe Bay
Pipeline	800 mile, 42" mainline	727 mile, 36" mainline 29 mile, 12" lateral to Fairbanks
LNG Plant	LNG plant, 3 storage tanks and 2 tanker berths at Nikiski *(400-500 acres)*	N/A
Terminus	Nikiski *(Kenai Peninsula)*	Currently Near Big Lake *(ENSTAR's Beluga line)*
Design Capacity	~ 3.3 billion cubic feet/day at GTP ~ 2.2 billion cubic feet/day at LNG plant	Currently 500 million cubic feet/day
Cost	~ $45 - $65 bill	~ $10 bill *(+/- 20%)*
Workforce	Peak: 9,000-15,000 Operations: ~1,000	Peak: 8,000 Operations: ~150
Construction	5-6 years *(after FID in 2019)*	3.5 years *(after FID in 2019)*
Completion	2025-2026	2024

Accumulated Corporate Assets

- State Right-of-Way - 413 miles
- Final Environmental Impact Statement (FEIS) – Oct 2012
- Supplemental Environmental Impact Statement (SEIS) initiated – Aug 2014:
  - Plan of Development (POD)
  - Environmental Evaluation Document (EED)
  - Public Scoping Report Published
- Along entire pipeline route:
  - River and stream crossings surveys and designs
  - 2-D terrain unit mapping
  - Cultural resource surveys
  - Wetlands delineation and jurisdictional determinations

Accumulated Corporate Assets

- 400+ geotechnical boreholes drilled
- 128 material source sites identified
- Air quality monitoring data and permit for Gas Conditioning Facility
- Purchased Strain Based Design (SBD) pipe for:
  - Small and medium scale material testing
  - Automatic weld procedure validation
- Line-pipe specifications
- Safety & operational stipulations with PHMSA
- Final biologic assessment report
- Final essential fish habitat report
- Project Execution Plan (PEP) including:
  - Construction execution plan
  - Project logistics plan



Approximate Pipeline Land Ownership

To Last Common Milepost

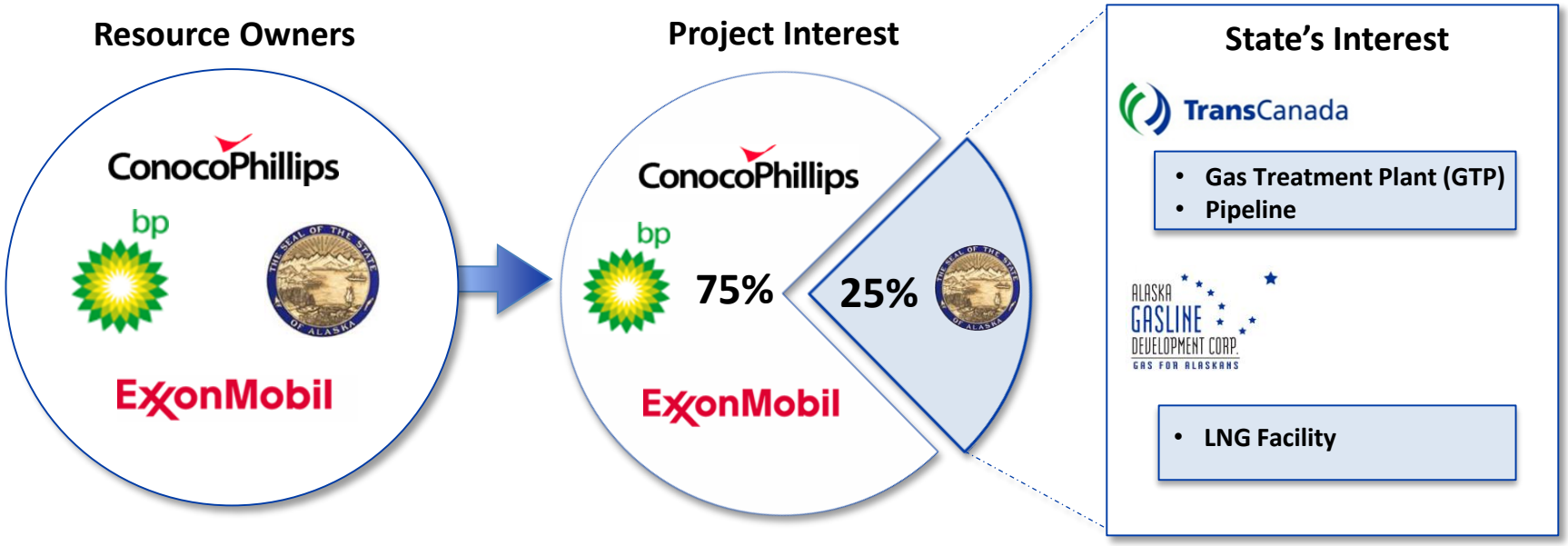
Ownership	%
State	54.7%
Federal	29.7%
Sub Total:	84.4%
Muni/Borough	6.6%
Native Corp	4.7%
Native Allotment	0.3%
Private	3.9%
Total:	100%

Alaska LNG

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Alaska LNG Project Participation



- TransCanada holds State's interest in GTP and Pipeline
- AGDC holds State's interest in LNG Facility

Alaska LNG /ASAP Coordination

All participants are interested in progressing each project in an efficient, cost effective manner and eliminating duplication of effort

Background

- Significant amount of baseline data and engineering exists from previous pipeline projects: *TAPS, APP, Denali* and *ASAP*
- Parties have developed a framework for sharing data and coordinating work efforts going forward



Objectives

- Maximize existing historical data and work product
  - *Geotechnical, hydrological, environmental, cultural* and *routing information*
- Eliminate duplication of work between the ASAP and Alaska LNG projects
- Establish common pipeline route
- Reduce cost, environmental impacts and safety risks
- Save time and advance schedules

Coordination Activities

- ✓ Identified existing datasets and common work product
- ✓ Established data sharing protocols
- ✓ Conducted routing workshops to harmonize pipeline alignments
- ✓ Coordinating 2015 field seasons and work activities

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Alaska LNG Recent Activity

- **Alaskan Hire** comprised 80% of 250+ person workforce for the 2014 Summer field season
  - Alaska LNG is actively soliciting Alaskan vendor participation and planning an information workshop
- **AGDC/Alaska LNG Coordination**
  - AGDC collecting borehole data for Alaska LNG & ASAP
  - AGDC continuing to design in-state offtake facilities for both AKLNG & ASAP applications
- **Engineering** contracts have been awarded and design work is underway for:
  - Gas Treatment Plant: URS w/CBI and ASRC Energy Services (AES)
  - Pipeline: Worley Parsons
  - LNG Plant: CBI w/Chiyoda and ASRC Energy Services (AES)
  - Marine Facilities: CH2M Hill
- **Regulatory**
  - Depart of Energy authorized LNG exports to Free Trade Agreement countries; Non-FTA pending
  - First draft of Resource Reports 1-13 transmitted to Federal Energy Regulatory Commission (FERC) in February. Reports provide baseline environmental and socio-economic data.
  - FERC issued Notice of Intent to prepare Environmental Impact Statement (EIS) on March 4th
  - FERC hosting 3-day cooperating agency meetings in Anchorage & Fairbanks this week
  - FERC pre-scoping meetings and project open houses to take place mid-2015


ASAP

ASAP Class 3 Cost Estimate

$ millions

Cost Estimate Component	2012 Estimate	2012 Inflated*	Class 3	Variance (Class 3 -2012)
Capital Cost *(Total Installed Cost)*	$6,370	$6,692	**$9,107**	
Contingency	$1,330**	$1,397**	**$861**	
TOTAL	$7,700	**$8,089**	**$9,968**	**$1,879**
Operations & Maintenance (O&M) *(Annual Average)*	$152	**$160**	**$147**	**$(13)**
Dismantle, Remove & Restore (DR&R) *(End of Life Costs)*	Not Estimated	**Not Estimated**	**$324**	**$324**
State of Alaska Development Costs	$353	**$353**	**$353**	**$(0)**

Capital Cost (TIC) Allocations	Class 3	%
Gas Conditioning Facility (GCF)	$3,180	32%
Pipeline and Other	$6,788	68%
Total	**$9,968**	**100%**

* Adjusted for 2.5% annual inflation

** Previous contingency estimate not generated using P75 risk-based Monte Carlo analysis

ASAP Estimated Tariffs

Based on updated Class 3 cost estimate at 500 MMscf/d capacity

($/MMBtu)

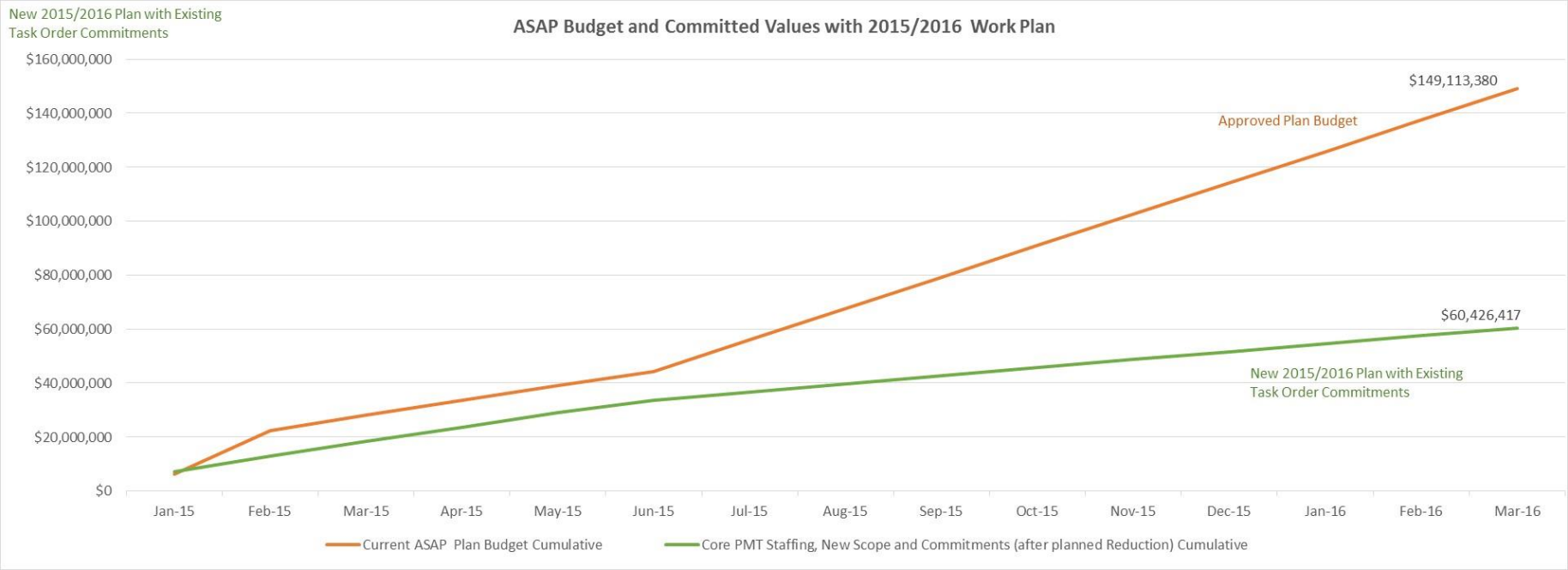
Fairbanks	2012	2014
Tariff Rate	$ 4.25 - $ 6.75	$ 5.50 - $ 6.75
Burner Tip Cost	$ 8.25 - $10.00	$11.50 - $14.00
Anchorage		
Tariff Rate	$ 5.00 - $7.25	$ 8.00 - $ 9.75
Burner Tip Cost	$ 9.00 - $11.25	$11.50 - $14.50

Major Assumptions:

- 70/30 Debt to Equity
- 12% Return on Equity
- 5.7% construction financing cost
- 25 year depreciation

- Tariff model assumes there is sufficient demand (e.g. industrial, export, etc.) to place the entire 500 MMscf/d
- Burner Tip includes estimate for cost of gas and local distribution costs:
  - Cost of Gas: $2.00-$3.30
  - Local Distribution Cost:
    - Anchorage - $1.50
    - Fairbanks - $4.00
- Burner Tip excludes any conversion costs at customer's end

ASAP Spend Plan



- Work aligned with anticipated 2Q16 AKLNG FEED decision
- Delay ASAP commercial activities – recourse tariff filing and open season
- Scale ASAP activities to those necessary to maintain viability and readiness if Alaska LNG does not proceed

ASAP Schedule

Milestone	Original Timeline	Current Timeline
Alaska LNG FEED Decision	N/A	**1Q 2016**
ASAP Redesign Complete	N/A	**2Q 2017**
RCA Recourse Tariff Filing	4Q 2014	**3Q 2017**
Open Season Complete	3Q 2015	**2Q 2018**
Project Sanction	4Q 2016	**1Q 2019**
Project Complete/First Gas	4Q 2021	**3Q 2024**

- Work scaled and scoped to align with Alaska LNG FEED decision 2Q16
- ASAP commercial activities – tariff filing and open session – delayed
- If Alaska LNG doesn't proceed to FEED:
  - 1 year to finalize ASAP design and prepare RCA filing
  - Three and half years to construct
  - Project completion and first gas 3Q24

Recent AGDC Board Direction

- AGDC Board met in Anchorage last week
- Board passed Resolution 2015-01
- Subject to withdrawal or modification of AO 271, directs staff to prepare a rough order of magnitude estimate and schedule associated with developing a Class 3 level estimate for the two scenarios
- Work product expected to be completed prior to the next regular board meeting – April 9th

History of 500MMscfd Design

- SOA issued TransCanada AGIA license AS 43.90 - Dec 2008
- AGIA statutes limited in-state pipeline capacity to 500 MMscfd
- ASAP project planning, engineering and permitting proceed with 500 MMscfd design constraint
- SOA signs MOU with TransCanada regarding Alaska LNG – Dec 2013
- Seven participating parties in Alaska LNG sign HOA establishing project framework and roadmap – Jan 2014
- Legislature authorizes State participation in Alaska LNG (SB138) – May 2014
- SOA and TransCanada agree that Alaska-Alberta project is uneconomic, abandon the project and terminate AGIA license – Jun 2014
- ASAP is no longer statutorily constrained to 500 MMscfd
- Changes could be made in compression, pipe strength and treatment capacity to increase throughput and improve project economics

Reconfiguration Strategy

- Increase the State's leverage and options
- Expand ASAP volume and capacity
- Extend terminus to tidewater
- Design for both in-state and export markets
- Use existing funds
- Build on existing efforts and work products
- Avoid duplication and competition

Initial Parameters

- Maintain current 36” diameter pipeline
- Maintain current lean gas specification
- Pursue pipeline and Gas Conditioning Facility (GCF) elements only – no LNG facilities
- Develop Rough Order of Magnitude (ROM) cost and timeline estimates for two increased volume scenarios:
    - 1.4-1.6 Bscfd, ANSI 600
    - 2.4-2.6 Bscfd, ANSI 900
- Present results to AGDC board for review and action

Critical Success Factors

- Maintaining alignment between SOA and North Slope producers
- Ensuring SOA's ability to advance independent, economically viable alternative if AK LNG falters
- Obtaining concurrence of AK LNG JVA partners
- Ensuring complementary vs competitive orientation
- Maximizing financial resources to accelerate a FEED decision

Questions

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