



AKLNG Project Update

Legislative Briefing

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SOA Alaska LNG Project Current Highlights

- SOA AKLNG Project Team's top priorities are to ensure that the State's interests are fully protected, and that the complete spectrum of SOA opportunities & benefits and cost & risks are appropriately understood, thoroughly assessed and well-communicated to our decision-makers.
- SOA has assembled a highly experienced Leadership Team to manage and direct current efforts, which has accelerated the Project pace substantially.
- SOA Project Team is now well-positioned to significantly guide and influence nearly every aspect of the AKLNG Project.
- Producers are working in good faith with all Parties, with major capital and "A-team" resource commitments clearly evident; SOA Project Team continues, however, to take a "trust but verify" approach.

SOA Alaska LNG Project Current Highlights

- AKLNG Project now in Phase 2 (Pre-FEED), with phase-gate review for FEED decision in 1Q2016.
- Project is moving forward with clearly defined milestone schedule linked to key decision points
- State believes the process requires term sheets for key project terms by 2Q 2015, with RIK decision in April, final fiscal agreement and potentially other key agreements by August, special session in Fall 2015, and final enabling agreement by FEED (1Q 2016)
- Maintaining aligned views among all Parties will be a continuing challenge

Alaska LNG – Work Plans / Key Decision Points

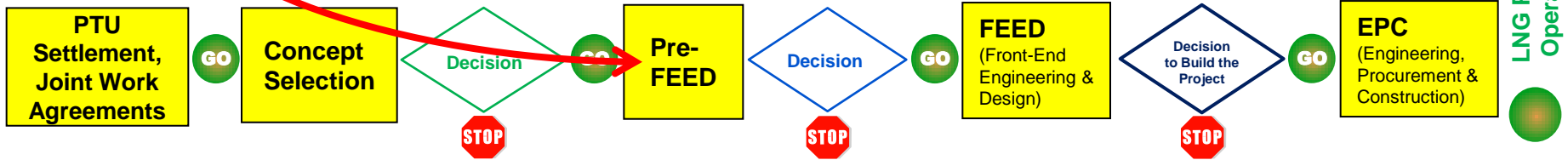
Requirements to Take Next Step:



- Viable Technical Option(s) Identified
- Government Support
- Permits / Land Use Achievable
- Potential Commercial Viability

- Viable technical option
- Government Support
- Permits / Land Use Underway
- Potential Commercial Viability

- Secure Permits / Land Use / Financing / Key Commercial Agreements
- Confirm Commercial Viability
- Execute EPC contracts



LNG Project Operations

Peak Staffing:	~200	400 - 500	500 – 1,500	9,000 – 15,000
Cost (\$):	Tens of Millions	Hundreds of Millions	Billions	Tens of Billions
Est. Engineering / Technical Duration*:		12 - 18 Months	2 - 3 Years	5 - 6 Years

June 30, 2014

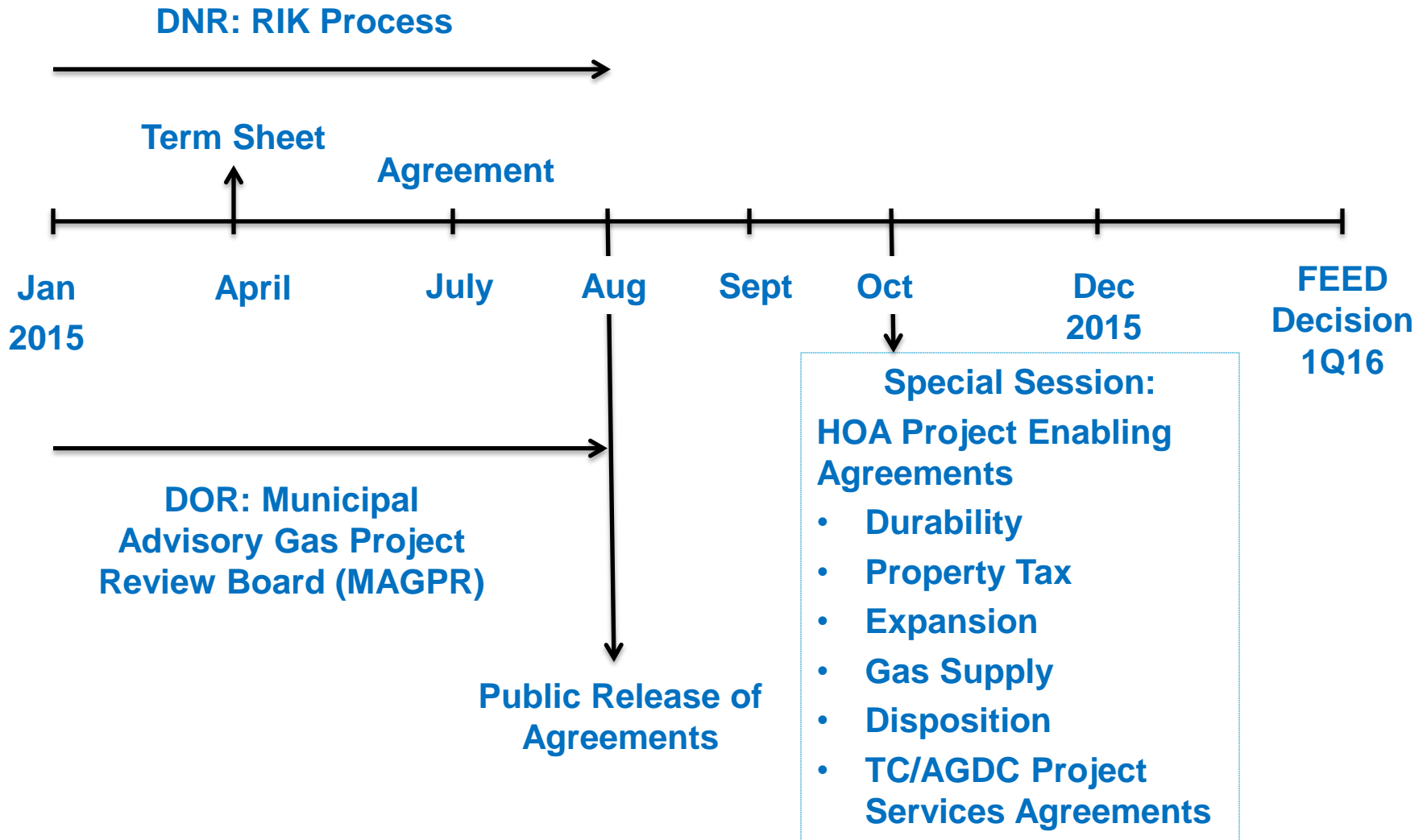
1-2Q 2016

2018-2019

2023-2025

* NOTE: Duration of various phases may be extended by protracted resolution of fiscal terms, permitting and regulatory delays, legal challenges, changes in commodity market outlook, time to secure long-term LNG contracts, labor shortages, material & equipment availability, weather, etc.

Alaska LNG – Anticipated Timelines in Pre-FEED



2014 Summer Field Season Update

SFS is a high visibility activity; results critical for FERC pre-file and stakeholder engagement process

Accomplishments:

- **Fieldwork Scope**
 - ❖ Cultural resources: ~10,000 ac
 - ❖ Fisheries: >80 targets
 - ❖ Hydrology: ~30 targets
 - ❖ Wetland and vegetation mapping: ~200 targets
 - ❖ Contaminated sites: ~5 targets
 - ❖ Lakes: >20 targets
 - ❖ GTP technical hydrology and geotechnical studies
 - ❖ Socioeconomic-related surveys
 - ❖ Ambient air monitoring (planned)
 - ❖ Ambient noise surveys (planned)
 - ❖ Marine sediment and biological sampling (planned)
- Over 40 permit applications submitted and received
- Multiple successful internal and external VIP field visits

Challenges:

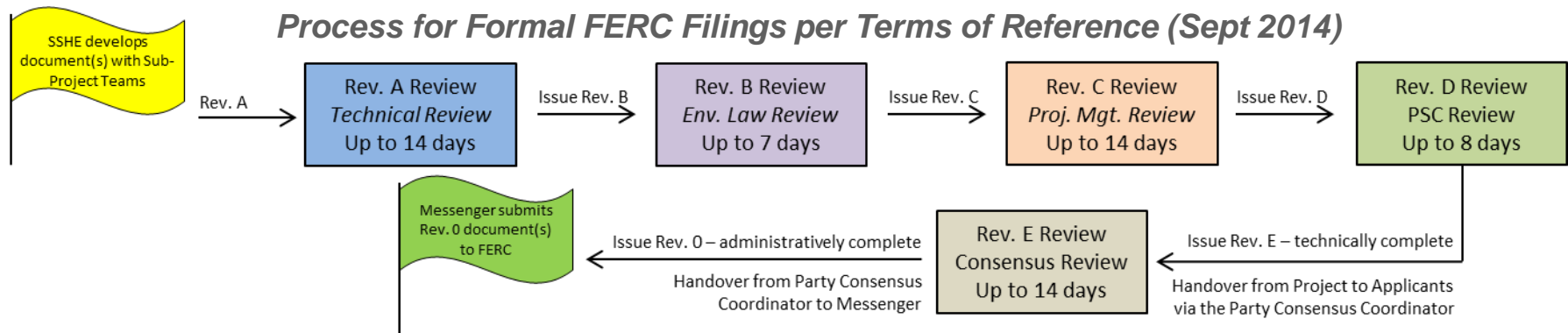
- **Safety**
- **Approvals management**
- **Land Access**
- **Resource Access**



NEPA Pre-File Update

NEPA Pre-File request approved by FERC on September 12, 2014, triggering the following near term obligations

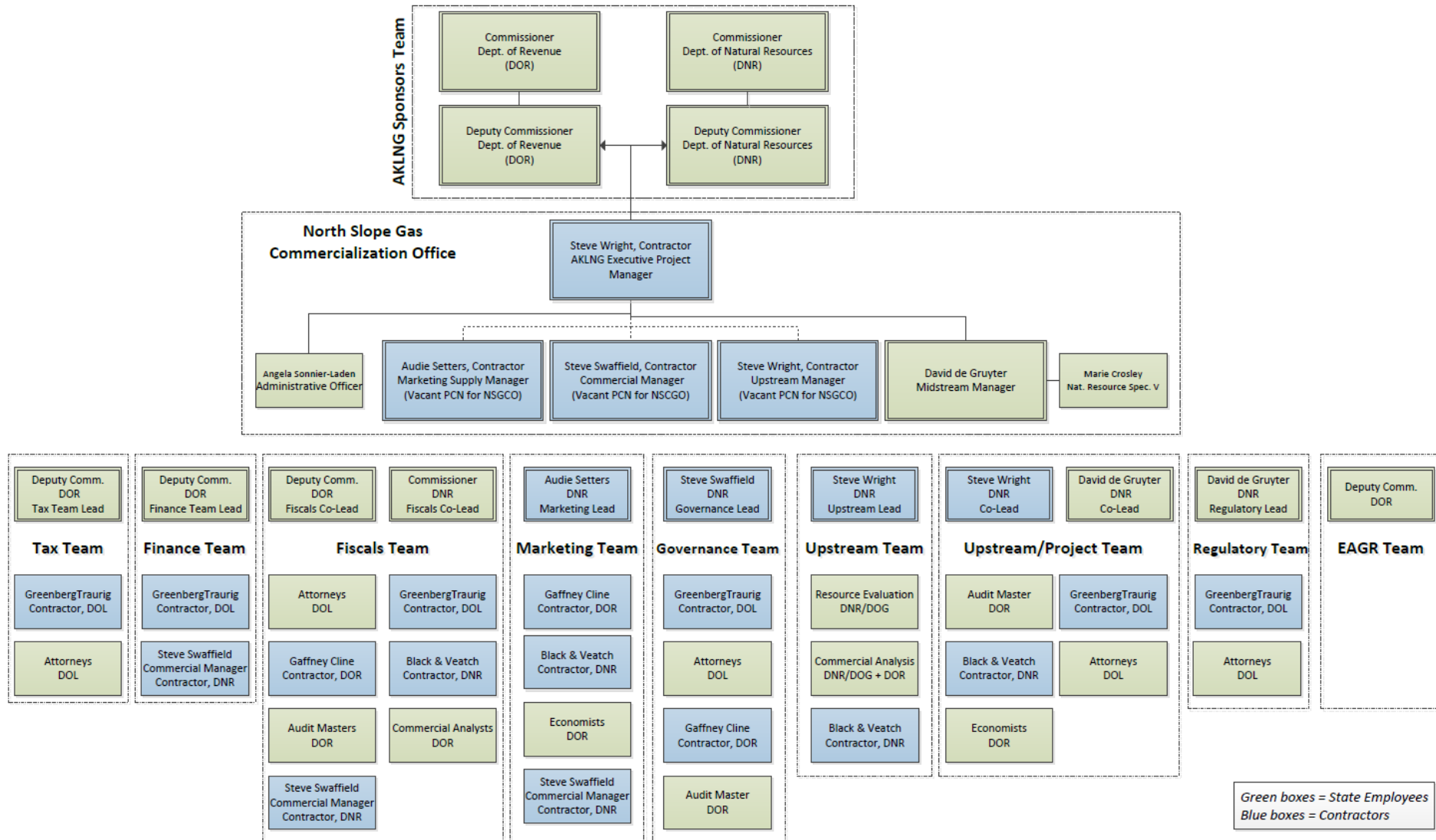
- Execute third party contract (end Sept)
- Notify Stakeholder and Interested Parties (mid-Sept)
- Formal FERC filing of Cover Letter/ Mailing list for Stakeholder notification (Sept 30)
- Submit Preliminary draft Resource Reports 1& 10 (Sept 30)
- Prepare Monthly Status report for FERC (starting Oct 30)
- Project-led community meetings; FERC attends (Oct-Nov)



Project Team working with VAMOU Commercial Regulatory Team (NEPA) to implement the Terms of Reference agreed in Sept

- Aligned on 3-month rolling calendar with obligations, roles and responsibilities, timing
- Developing 'playbook' for common terms consistent with the public documents (HOA, DOE application, etc.)
- Planning a series of workshops with Applicants to identify and review key issues related to RR 1-12

State Agency Gas Team Organization Chart



****Note:** AGDC is a separate organization within the project and their organization is not depicted here.

SOA AKLNG Working Teams and Sub-teams

- Per the HOA and SB 138, parties are actively progressing the principles and ultimately agreements they will need to make a decision to proceed to the FEED stage of the project
- Parties are negotiating these issues in the following groups:
 - Fiscal
 - Upstream
 - Project
 - Governance
 - Expansion
 - TransCanada/SOA bilateral agreements
- The parties also have several other working groups to advance the project, including:
 - Regulatory
 - Midstream technical
 - Finance
 - Tax

Finance and Property Tax

➤ Finance:

- Financing Plan
 - Interim draft report due the first day of 2015 regular session
 - Final report due when agreements are sent to legislature for approval
- Financial Consultants hired – Lazard
- Independent Registered Municipal Advisor (IRMA) – FirstSouthwest

➤ Property Tax/Impact Payments: Municipal Advisory Gas Project Review Board

- July: Governor Parnell appoints Mayors Charlotte Brower, Luke Hopkins, Clay Walker, Larry DeVilbiss, Dan Sullivan, and Mike Navarre to represent each of the boroughs directly impacted by the proposed natural gas pipeline. In addition, Mayor Reggie Joule, Robert Venables, and Robert Bartholomew were named to serve in public seats. Commissioner Angela Rodell was named the Board Chair, with Commissioners Joseph Balash and Susan Bell as additional members.
- First Recommendations due December 15, 2014.
- Website: <http://dor.alaska.gov/MunicipalAdvisoryGasProjectReviewBoard.aspx>

Importance of Confidentiality

- The purpose of SB 138 and its provision allowing the Department of Natural Resources to execute confidentiality agreements with the legislature is to allow the administration to gain legislative input during the development of the agreements.
- In the past, the administration has been given the authority to negotiate on the State's behalf without legislative input.
- Executive session will enable the administration to discuss with the legislature items such as:
 - State strategies for negotiations
 - Risks identified by the State and how to mitigate them
 - Marketing alternatives
- Preserving confidentiality is needed to protect the State's interest as public disclosure could negatively impact the ability of the State to negotiate with counterparties (either the Producers or potential buyers), which may prohibit the State's ability to maximize the value of the State's natural gas resources to benefit all Alaskans.