ALASKA IN-STATE GAS PIPELINE PROJECT

Budget Summary

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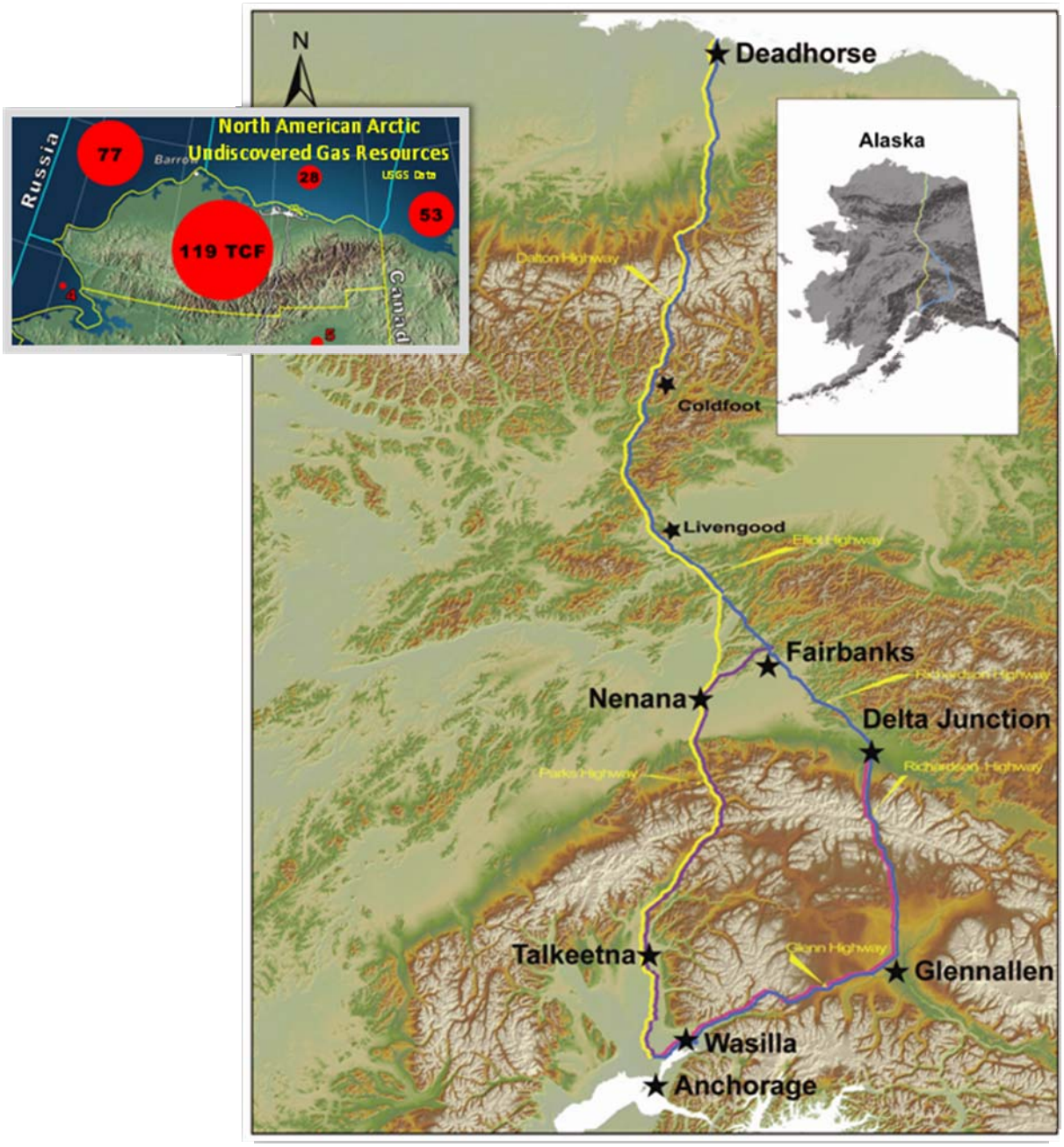
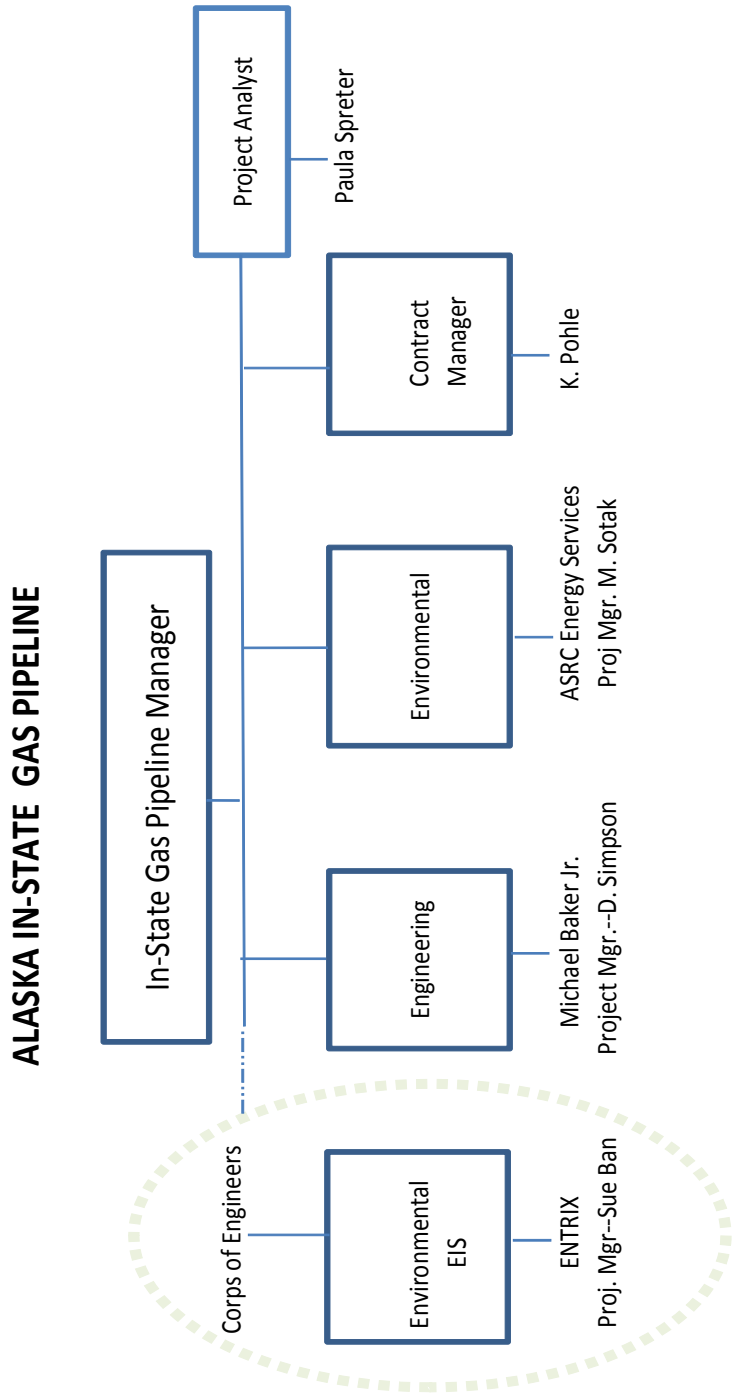
Alaska In-State Gas Pipeline - Proposed Project Map

Map showing all primary routes and alternate routes for small diameter in-state natural gas pipeline options. Alternate route analysis for the stand alone project is complete. Routes include; Stand Alone Parks (yellow), Stand alone Richardson (blue), Spur Line Parks (Purple), Spur Line Richardson (red). Inset map shows mean estimates of undiscovered conventional natural gas resources for the North American Arctic region (Data from USGS, MMS, and GSC assessments).



Organization Chart



Project Task Outline

Contract Task Number	Contractor	NTP Start Date	2/16/2010 Status
	BAKER ENGINEERING		
1	Proj Mgt/Proj Controls	6/9/2009	ongoing
2	Project Library / Data Mgt	6/9/2009	ongoing
3	Outreach	6/9/2009	ongoing
4	Alternatives Analysis	6/9/2009	complete
5	Supply/Demand Analysis	6/17/2009	partial completion-still open with money.
6	Project Description (Eng)	8/5/2009	Initial Permit Description complete. Eng.ongiong.
7	Cost of Delivery	10/20/2009	Currently the major engineering focus.
8	ROA Application	10/20/2009	Applications have been turned in.
9	Construction Planning		No NTP at this time.
10	EIS Suport		No NTP at this time
	ASRC Environmnetal		
01-001	Project Management	7/1/2009	on going
01-002	Project Management (continued)	2/16/2010	just starting
02-001	Cultural Resources	7/1/2009	scoping complete, field work next
02-002	2010 Field Program Prep. Cultural Res	2/16/2010	just starting
03-001	Wetlands Surveys/Analysis	7/10/2009	Parks initial complete
03-002	Analysis of Pre-mapped Wetland Data	7/10/2009	Parks complete
03-003	Premapping Richardson HWY Corridor	8/19/2009	Field wk complete, reports coming in.
03-004	Minto Flats Alignment	9/15/2009	Wetlands deliniation along new alignment.
03-005	Glen to Fairbanks Premapping	11/16/2009	on going
03-006	Richardson Hwy wetlands premapping		
03-007	2010 Field Program Prep, Wetlands Delination	2/16/2010	permitting fieldwork preparation.
04-001	Literature Search/Project Library	7/1/2009	on going
05-001	State & Federal ROW permitting	10/15/2009	ongoing
06-001	GSI Support for Enviro & Permitting	10/15/2009	on going
07-001	2010 Field Program Prep--Lake studies	2/16/2010	just starting

Budget Overview

Total funds for FY2010		**$8,289,043**
Total Expenditures through January 15, 2010		$2,214,968
Balance as of January 15, 2010		**$6,074,075**
Proposed Expenditures	***January 16, 2010 through June 30, 2010***	**$6,074,75**
Personal Services		**$ 160,950**
Travel		**$ 18,000**
Commodities		**$ 11,629**
Services (*items listed below):*		**$5,883,496**
• *Existing contracts (Baker, ASRC, ENTRIX)*	*$5,524,000*	
• *Department of Natural Resources -*	*$ 200,000*	
• *US Bureau of Land Management – EIS Services*	*$ 150,000*	
• *Facilities*	*$ 9,496*	
Balance Remaining June 30, 2010		**$ 0**

	Payroll & Expenditures 1/15/2010	Contract Commitments (Encumbrances)	Estimated Budget Jan-10	Estimated Budget Feb-10	Estimated Budget Mar-10	Estimated Budget Apr-10	Estimated Budget May-10	Estimated Budget Jun-10
Personal Services	170,252		26,825	26,825	26,825	26,825	26,825	26,825
Travel	17,832		3,000	3,000	3,000	3,000	3,000	3,000
Services	2,024,396	3,904,496	330,000.0	330,000.0	330,000.0	330,000.0	330,000.0	329,000.0
Commodities	2,488		2,000	2,000	2,000	2,000	2,000	1,629
Total Expended	2,214,968	3,904,496	361,825	361,825	361,825	361,825	361,825	360,454

Supplemental Bill language

Sec. 16. AMENDMENT OF LAPSE OF CERTAIN FISCAL YEAR 2010
31 APPROPRIATIONS. Section 22(e), ch. 14, SLA 2009, is amended to read:
1 (e) The appropriations made by sec. 19 of this Act lapse June 30, 2010 [February 28, 2 2010].

FY10 Budget Narrative

The following appropriations to the Office of the Governor totaling $8,289,042 for the development of an in-state natural gas pipeline will lapse on February 28, 2010:

a. Sum of $4,322,000 appropriated from the Alaska capital income fund (AS 37.05.565)

b. The unexpended and unobligated balance of $3,967,042 of an appropriation made in Sec. 8, Ch. 1, 4SSLA 2008 (Department of Natural Resources, gas pipeline implementation)

Approval of this supplemental request will extend authorization for expenditure of the appropriations through June 30, 2010 so that work related to the development of an in-state natural gas pipeline can continue.

The funds will be used to pay personal services costs for the project director and project analyst, as well as travel, lease, and office expenses including office relocation. The majority of the funds will continue to be used to pay contractors for:

- Cost of Transportation analysis for the 16 pipeline configurations under investigation by the Baker engineering group
  - These data will be used to perform the model analyses for cost of service determination provide cost distributions for economic feasibility analyses
- Support of Permitting and Right of Way activity
  - Including field investigations on wetlands, culture, stream crossing and lakes.
  - Geotechnical evaluation of seismic hazards, landslides and permafrost mitigation along pipeline routes under investigation
- Continued refinement of project description and pipeline construction cost estimates as new engineering data is acquired
- Commercial feasibility and supply-demand opportunity identification
- Commercial Group meetings and information transfer to prospective developers
- Economic, environmental, and engineering reviews and reports in preparation for development of a sales package to be marketed to pipeline companies
- Continued Development of a GIS database and data library
- Facilitation of information data exchange and public meetings

All efforts are being made to coordinate with other state agencies to minimize overlap in the various permitting and ROW activities by State Agencies along the various pipeline routes.

FY10 Project Task Details: Alaska In-State Gas Pipeline

ASRC, Inc. - Progress Report

Total all tasks -Estimated Expenditures January 1 through June 30, 2010 $ 1,300,000

ASRC Energy Services' (AES) Project Management (PM) team will:

- continue to work with Michael Baker, Jr., Inc. to ensure that environmental factors are considered and incorporated into engineering pipeline designs and programs as they are developed,
- participate in weekly project team meetings,
- support to the Third-Party Environmental Consultant preparing the EIS,
- continue coordination of the permitting process, and
- manage environmental programs.
- coordinate the work study plan for preparation for the 2010 field work, ensure that safety training is complete, and qualified field staff are deployed to the field,

The AES PM team will work with technical and field staff to initiate field planning for the following 2010 season field programs:

- wetlands
- cultural resources
- stream, and
- lake studies .

The AES wetland team will continue to work on the 2008-2009 Wetlands Field Report and complete the wetlands pre-mapping work for the alternative Richardson Highway Stand Alone Route. The wetland team will prepare complete report and joint effort with Michael Baker Jr. on Minto Flats.

Michael Baker, Inc. - Progress Report - Alaska In-State Gas Pipeline

Total Estimated Expenditures **January 1, 2010 through June 30, 2010** **$3,504,000**

TASK 1 PROJECT MANAGEMENT:

Progress to Date:

- Ongoing internal project coordination/planning meetings to manage team activities
- Ongoing public relations
- Accounting activities, preparing invoices
- Preparing sub consulting scopes, schedules and budgets
- Requesting Notice to Proceeds
- Reviewing sub invoices
- Reviewing project expenditures, budget.
- Reporting activities

Forecast Task Activity:

Future activity will consist of continuing the same activities accomplished this far.

TASK 2 DATA MANAGEMENT/LIBRARY:

Progress to Date:

- Data gathering from federal, state and borough databases, ongoing and previous studies
- Geo database creation, compilation and assimilation of developed and acquired data
- Meta data research and compilation
- Data analysis
- Coordinating activities to support engineering, route analysis and environmental analysis. Map making to display requested information, support Alternatives Analysis and Project Description
- Developed SharePoint web based collaboration library site
- Ongoing SharePoint document population
- Quality control activities

Forecast Task Activity:

Future activity will consist of ongoing data collection and analysis to support the environmental analysis, engineering, cost estimating. At the end of the project, the geodatabase will be sufficiently developed to provide a basis for future design engineering activity if required.

TASK 3 OUTREACH:

Progress to Date:

- Established Commercial Working Group
- Conducted 2-day facilitated project planning with Commercial Working Group
- Conducted Legislative multi-day Field Reviews, Prudhoe Bay to Fairbanks (3)
- Conducted Legislative Briefing, presented Project Overview
- Conducted Legislative Briefing, presented Alternatives Analysis
- Conducted Legislative Briefing, presented initial Project Description
- Conducted Commercial Working Group meeting, presented initial Project Description
- Various Agency meetings
- Distributed Project Description to Legislative Contacts
- NEPA Public Scoping meeting support (Anchorage)
- NEPA Agency Scoping Meeting support

Forecast Task Activity:

Outreach activities will continue to support the permitting process and Legislative reporting requirements. Activities may also include a continuing dialogue with the commercial working group and coordinating work with ANGDA.

TASK 4 ALTERNATIVE ANALYSIS:

Progress to Date:

The Alternative Analysis was completed and presented to the Legislature. It compared the two standalone routes (Parks Highway and the Richardson Highway) using parametric cost analysis and concluded that the Parks Highway was approximately $500 million less expensive than the Richardson Highway Route. The two Spur line routes were also compared. Baker Progress Report 3

TASK 5 SUPPLY/DEMAND ANALYSIS:

Progress to Date:

An analysis of potential customers along the pipeline routes was completed to support the Alternatives Analysis document.

Forecast Task Activity:

Supply /Demand work will focus on potential markets including in-state demand for propane, GTL, CO2, butane and ethane.

TASK 6 PROJECT DESCRIPTION:

Progress to Date:

- An Initial Project Description derived from the results of the Alternative Analysis was compiled, presented to the Legislature and attached to the ROW Applications to provide a basis for the NEPA documentation.

- The final Project Description will be completed concurrent with the end of this project. It will include the GIS, Library, Mapping and Cost of Service products as its elements. The work on this task is focused on the construction cost. Progress on this task is described as follows:
- Design Basis is approximately 90 percent complete
- Alignment Sheet map templates have been created and are awaiting final background photography and mapping.
- Construction cost estimating has been divided into two areas: Facilities and Pipeline
- There are 16 separate facility scenarios being evaluated
- Facility cost estimating is approximately 20 percent complete
- Pipeline cost estimating is approximately 20 percent complete

Forecast Task Activity:

Construction Cost Estimates will be completed for use in calculating cost of service. Additional hard data such as geotechnical bore hole logs, soil temperature data and property ownership information will be gathered, analyzed and added to the Project Description as part of the GIS. Baker Progress Report 4

TASK 7 COST OF SERVICE:

Progress to Date: Minimal

Forecast Task Activity:

An economic model considering relevant factors such as system phasing, flow ramp up, the construction cost of facilities and pipeline, operating, maintenance construction administration and financing costs will be developed to predict the Cost of Service for the pipeline.

TASK 8 ROW APPLICATION:

Progress to Date*: Initial application*

Forecast Task Activity:

Responding to requests for further analysis or information from the BLM and DNR ROW permitting agencies

TASK 9 CONSTRUCTION PLANNING: *Not Currently Authorized*

TASK 10 EIS SUPPORT: *Not Currently Authorized*

ENTRIX, Inc. Progress Report - Alaska In-State Gas Pipeline

Total Estimated Expenditures **January 1, 2010 through June 30, 2010** **$720,000**

Progress to date –

- Project kickoff meeting with USACE, cooperating agencies and ADNR
- Reviewed Alternatives Report, Project Description, ROW applications and other project information
- Established FTP sites for agencies, ADNR and project team
- Developed NEPA overview for scoping meeting presentations
- Planned and executed scoping meetings and activities concerning the EIS process – Glennallen, Delta Junction, Nenana, Fairbanks, Denali Park, Anchorage, Wasilla, and Barrow. This included all materials, etc.
- Established the EIS website and protocol for accepting on-line and email comments.
- Developed Stakeholder Database

Alaska State Department of Natural Resources

Total Estimated Expenditures **January 1, 2010 through June 30, 2010** **$200,000**

- Develop deterministic pricing scenarios for In-State gas markets
- Evaluate various in-state natural gas demand scenarios using options defined by Baker through put options
- Build and evaluate the Tarriff and fiscal models to determine economic scenarios for various stand alone line configurations
- Review and perform gap analysis on costing and pipeline schedule for route and configuration analysis

US Bureau of Land Management

Total Estimated Expenditures **January 1, 2010 through June 30, 2010** **$ 150,000**

- Applicant Fee and cost recovery for Right of Way determination and the Environmental Impact Statement for the In-State Gas Line Project.

In-State Stand Alone Pipeline - FY11 Budget Narrative

1. Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.

Total Estimated Expenditures **$ 2,000,000**

- Project Management - AES will continue to support the State of Alaska's project team and be involved with State of Alaska and the U.S. Army Corps of Engineers (USACE) in supporting the third-party EIS consultant with the NEPA review.
- Permitting - AES continue with the development and coordination with the USACE, BLM and State Pipeline Coordinator on the three major permits filed in 2009 and will begin working on ten other key permits for submission in late 2010 so that processing and the negotiations for permit approvals and mitigation measures may be completed in time for sale of the In-State pipeline asset to a future pipeline company.
- Stakeholder Engagement - Prepare and implement a stakeholder engagement program to support project development. Includes stakeholder contact database, and issues information. Engagement with the local boroughs, their communities and residents, tribal governments, the USACE, USFWS, BLM, State of Alaska, Native Corporations are critical.
- Wetlands - Conduct wetlands field program in the northern and southern sections of the proposed In-State Pipeline Project corridor to complete verification of wetlands pre-mapped to prepare for submission of the Preliminary Jurisdictional Determination to the USACE for their approval of the Section 404 Jurisdictional Determination; complete vegetation and habitat analysis. Provide assistance to the EIS contractor as required.
- Stream Crossings - compile the fish and wildlife resource data necessary for permit applications and assessing potential project impacts under the NEPA process. All data collection needs will be adjusted as necessary in accordance with the outcome of the draft EIS and provide information for engineering design and routing.
- Cultural - Phase one cultural resource studies will examine a potential corridor sufficiently large so that a right-of-way can be refined to the best possible alignment to avoid or minimize impacts to cultural resources.
- Lake Studies – Lake studies and surveys will be conducted primarily on the North Slope to assess the potential for water availability for use during winter construction.
- Wildlife and Bird Surveys – As needed to support the EIS process, wildlife and bird (raptor) studies will be conducted during the 2010 field season.
- Air and Noise Analysis – Evaluate compressor station locations for air emission issues and determine the need for air monitoring and weather stations to develop information for ADEC permitting.

- Pre-mapping - Prepare the wetlands pre-mapping information for route changes or alignments that have not been assessed such as the Gubik route, the Denali reroute, some of Minto Flats rerouted alignment, and so forth.

2. Engineering data acquisition for detailed engineering design of the project.

Total Estimated Expenditures: $3,500,000

- Gather detailed geotechnical data on major river crossings. The preferred river crossing method is assumed to be HDD (Horizontal Directional Drill). The assessment of the applicability of crossing rivers with HDD requires site specific geotechnical information. Additional field information on river approaches and total crossing length needs to be collected to verify use of HDD. This activity includes mapping and the drilling of geotechnical site investigation boreholes.

- Gather engineering field data. Pinch points such as Atigun Pass, Yukon River, and Denali Park require additional field verification of soils, available construction space and detailed routing to avoid conflicts with other facilities and to develop and verify conceptual design. Engineering field data is required to investigate and verify route geotechnical conditions and includes information on seasonal ground temperatures, geohazards and foundation conditions at project facilities (Gas Conditioning, Compressor Stations and NGL separation and storage). This information will be used to verify locations and develop conceptual designs to be included in final project documentation. This activity includes field mapping and the drilling of geotechnical site investigation boreholes with installation and monitoring of ground temperatures. Results will be analyzed and will be reported in a engineering report.

- Refine pipeline routing. The current pipeline routing is within a 2000 foot wide corridor. The actual centerline of the corridor has not been vetted and verified as the optimum route. Final route identification will be optimized for pipeline constructability, avoidance of environmentally sensitive areas, minimized TAPS, Highway and Railroad crossings, facilities location and optimized river crossings locations. These route adjustments will be made, if possible, within the 2000 foot wide corridor currently identified. Results of the engineering evaluation will be used to update the project GIS (Geographical Information System) and will be reported in a engineering report.

3. Refinement of Cost of Service estimates and Tariff modeling

Total Estimated Expenditures: $750,000

- Peer review engineering cost assessment of railbelt natural gas alternatives, and commercial assessment of options . There are a number of different project alternatives that have been proposed to alleviate the need for augmented for railbelt energy supply. They include two bullet line alternatives, two spur line alternatives, provision of propane from Prudhoe Bay to Fairbanks and other interior communities, LNG manufacturing on the North Slope to provide gas supply to Fairbanks and possibly other railbelt communities, and facilities to import LNG. Most of the analyses developed do not compare alternatives using similar assumptions for

input costs (e.g. steel prices, labor rates). Just as importantly, they do not make similar or consistent commercial assumptions. Peer review will assure that assumptions made by the various project proposals are consistent.

- Analyze the cost of Capital for in-state gas supply options, and Cost of Service Modeling. The commercial viability of all in-state gasline options depends on the cost of transportation. Because the contemplated scope of these projects would entail expenditures of several billion dollars, the transportation cost will be determined by the cost of capital – both the relative mix of debt and equity, and the cost of each. Assessment, for planning purposes, of the cost of capital for these small diameter pipelines is problematic and will be reviewed

- The cost-of-capital inputs need to be developed through scenario analysis. With the requested funds we will hire a financial advisor to help develop several realistic financing scenarios. Potential risks to the state's credit-rating, were the state to be called upon to take a major position in the project, will also be assessed. Some of the funds will be used for pipeline commercial expertise to develop realistic transportation contract scenarios and tariff modeling.

4. Prepare complete project documentation of In-State pipeline asset for consideration by private pipeline developer

Total Estimated Expenditures: **Budget Estimate; $250,000**

- Coordinate project team to include all, cost and design data, environmental, stakeholder, and permitting information for a 'data room' for prospective purchasers to review and evaluate. Be available to participate in presentations to the prospective purchasers and respond to technical questions that may be raised with regard to specific issues.