ALASKA
IN-STATE GAS PIPELINE PROJECT

PRESENTATION TO THE ALASKA STATE LEGISLATURE

BRIEFING 3

DECEMBER 15, 2009

Purpose:

Review Status of In-State Gas Program

- Work Completed to Date
- Activities Planned in Future

State's Approach

- Intent of Effort is to Encourage the Development of a In-State Gas Pipeline
- By Reducing Risk to a Future Pipeline Developer

State's Approach

The Program was set-up to Reduce Risk by:

- Defining Costs
- Acquiring Major Permits
- Letters of Intent
  - Bring Buyer/Sellers together
  - Let the market place decide scope and timing

Work Completed

- Route Alternative Analysis - Parks and Richardson Highway routes:
  - Associated comparative cost estimates
- Project Description (for permitting)
- Initial Review of ENSTAR Capital Cost Estimate – Pipeline
- Preparation of Major Permit Applications
- Request to FERC for Jurisdictional Determination
- Set Compression Station Locations (for permitting)

Major Cost Issues That Have Come From This Work

- Cost of Gas Conditioning on the North Slope
- Marketability of NGL's if Sold at Tidewater in Cook Inlet Region

Schedule

- Complete "Cost of Transport" Estimates – Early Summer 2010
- Updated "Cost of Transport" Estimates after Field Season, November 2010
- Complete Initial Permitting Effort – February 2011
- Sell State Package – April 2011 (Bidding Process)
- Project is Currently on Track for 2015-2016 Start-up

Schedule of Permitting

End of Scoping Meetings	February 5, 2009
Scoping Report Released	March 2010
Draft EIS Released	July 2010
Public Hearings on Draft EIS	August 2010
Comment Analysis Report Available	October 2010
Final EIS Released	January 2011
Record of Decision Issued	**February 2011**

Ongoing Engineering Work Plan

Purpose: Develop Cost of Transport

- Identify Facilities and Update Pipeline Design
- Cost of Facilities and Pipeline
- Increase Level of Confidence in System Cost Estimates
- Cost of Transport for Various Scenarios
- Identify Potentially Viable Project Configurations
- Provide Documentation to Interested Parties

Cost of Transport

Two Phase Development

- Early summer 2010 Cost of Transport delivery Focused on:
  - Facility Costs
  - Incorporating newly available Legacy Data
- Late 2010 Cost of Transport Delivery Focused on:
  - Incorporating Field Program Data
  - Update of Pipeline cost

Facilities Scenarios Identified

- CGF Residue Gas only, North Slope Gas Conditioning, Cook Inlet NGL Extraction
- CGF Residue Gas only, Cook Inlet Gas Conditioning and NGL Extraction
- CGF Residue Gas Only, North Slope Gas Conditioning, North Slope NGL Extraction
- CGF Residue Gas spiked with CGF Stabilizer Overhead Gas, North Slope Gas Conditioning, Cook Inlet NGL Extraction

Each scenario evaluated at 250, 500, 750 and 1000 MMscfd

Facilities Work Plan

Develop Schematic Flow Diagrams and Cost estimates

- Process Flow Simulations
- Generate Process Flow Diagrams (PFD) with Major Equipment for Cost Estimation
- Cost Estimate by Component
- Component by Component Basis
  - Conditioning train
  - NGL train
  - NGL fractionation and storage

Pipeline Work Plan

- Investigate Cost Reduction Opportunities
- Conduct Field Verification Investigation
- Develop more Detailed Design Basis
- Prepare Detailed Design Criteria and Procedures
- Documentation

Pipeline Work Plan

- Investigate Cost Reduction Opportunities
  - Improve Route Constructability
  - Optimize Pipeline Hydraulics
  - Length Reduction
  - Reduce ROW preparation and reclamation work
  - Investigate replacing compressor station refrigeration with air coolers
- Refine Mile-by-Mile Geotechnical Characterization of Pipeline

Pipeline Work Plan

Field Investigation

- River Crossing Assessment and Verification
- Geotechnical Borehole Program
- Material Site Program
  - Collaborate with ADOT&PF
  - Assess current sites
  - Identify and verify new sites
- Characterize Active Fault Crossings
- Constructability Assessment
- Characterize Roads, Camps, Storage Yards

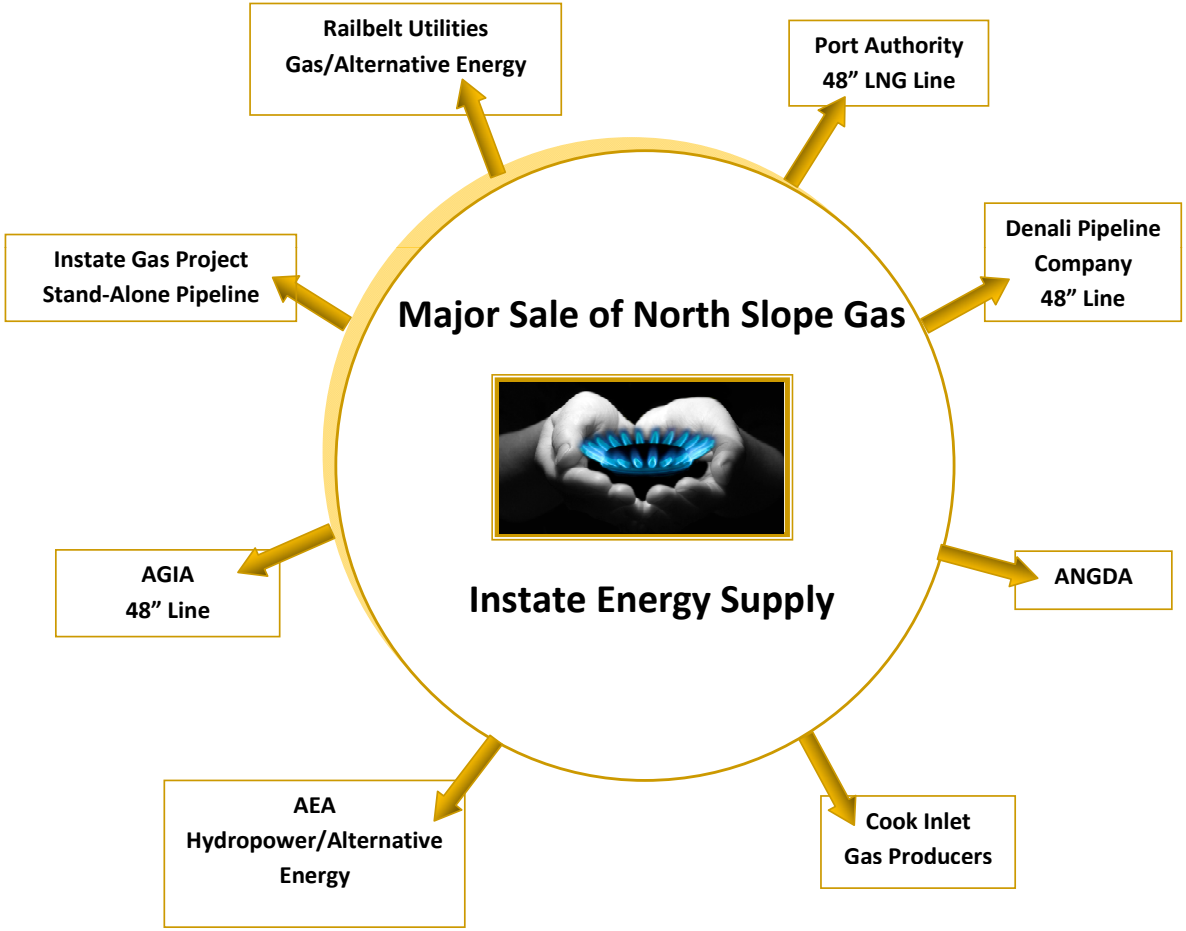
Project Documentation

- Design Basis
- Design Criteria & Procedures
- Technical Description of Pipeline and Facilities
- Updated Construction and Logistics Plan
- Cost Estimate
- Alignment Sheet Series (GIS)

Issues:

- Alaska Economy Headed for Difficult Times in Next 10Years
  - Significant Decline in Oil Flow through TAPS (Revenue)
  - Loss of Federal Dollars
- No Long Term Affordable Energy Source for Fairbanks Railbelt and Western Alaska

ENERGY TUG-OF-WAR



Define Specific Plan

Time to Make Decisions

Open Season

- Will the 48-inch Pipeline Move Forward in a Timely Manner?
- Can We Make the Open Season Work?
- Is Alaska Going to Address Fiscal Certainty?
- What is the Risk of Waiting Until 2015 to Know the Big Pipeline is Moving Forward?

Determine Back-up Plan

- Renewable Energy (major source)
- In-State Gas Pipeline

Specific Tasks to be Accomplished in Next Six Months

- "For Backup Plan"

  1. Request of AOGCC how much gas and NGL's are available for multiple projects from Prudhoe Bay.
  2. Prepare cost comparison between different backup options of renewable energy and in-state pipeline

Establish a Schedule for an Energy Project Alaska can Control

- Put the Backup Plan on a Specific Schedule!
  - Milestone

(Can always slow down if the large 48" gas line project goes forward to the lower 48 states)

Recommendations

- Define a Plan
  - Clarify fiscal certainty for open season
    - If open season is not clear – Move on
- Determine Back-up Plan
- Put Back-up Plan on a Specific Schedule
- Let Market Determine Success