



Putting the Guidance Documents (HOA + MOU) in Context

A Presentation to the House Resources Committee

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Guidance Documents & HB 277

Heads of Agreement (HOA)

- Describes roadmap to advance project through phased process.
- Describes understanding and consensus on key terms.

Memorandum of Understanding (MOU)

- Describes agreement to transition from AGIA License to a more traditional commercial relationship.
- Describes key commercial terms for that relationship.

HOA and MOU
Describe how HB 277
would be used.

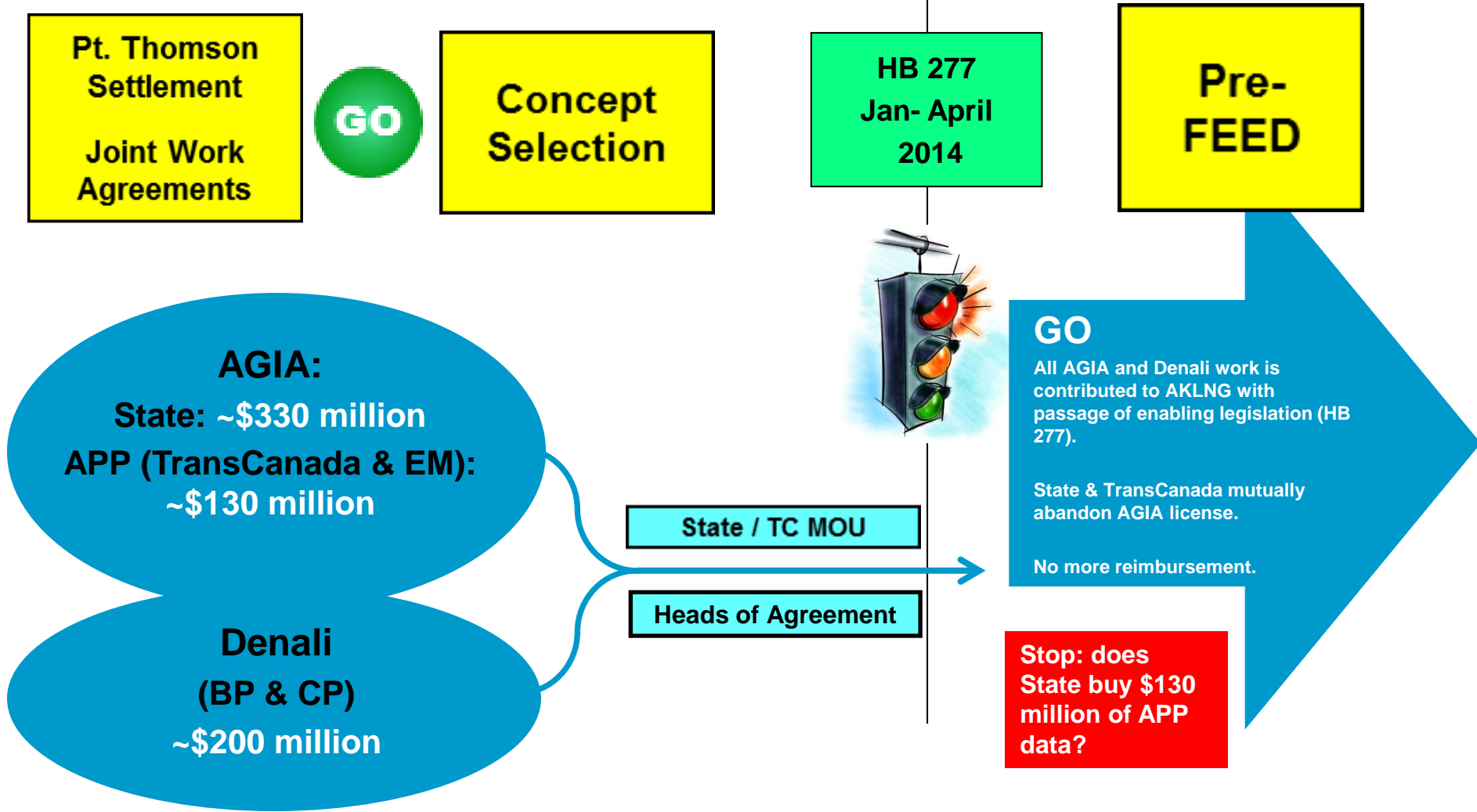
House Bill 277

- **Participation** in the AKLNG Project.
- **Percentage** of State Gas Share and Participation in the AKLNG Project.
- **Process** for development of Project Enabling Contracts and **Legislative oversight and approval** of future contracts.



Legislature
decides whether
to advance or
not.

Where We Are Today?



AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)

What Happens if HB 277 Passes?

**Pre-Front End Engineering & Design
(Pre-FEED)
12-18 months**

Estimated Cost: ~\$435 million
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

Producer Share: ~\$348 - \$327 million

State/AGDC Subsidiary

Share: ~\$35 - \$43 million
(Does not include Agency/AGDC costs and contingency in support of project)

TransCanada: ~\$53 - \$67 million

Note: Savings with TransCanada include cash commitments by TransCanada for Pre-FEED costs which reduce State of Alaska appropriations by \$53 - \$67 million and seamless transition into Pre-FEED with personnel and data continuing to be committed to the project.



FEED
(Front-End
Engineering &
Design)

**Legislative
Approval of
Contracts
Yes/No?**

GO

Exercise Option
for 40% of FEED =
\$21 - \$27 million?

Stop

Pay TC Development
Costs (~\$53-\$67mm) +
7.1% AFUDC.

AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)

What Happens after FEED?

Front End Engineering & Design (FEED) 2-3 years

Estimated Cost: ~\$1,800 million
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

Producer Share: ~\$1,440 - \$1,350 million

State/AGDC Subsidiary

Share: ~\$145 - \$180 million
(Does not include Agency/AGDC costs and contingency in support of project)

State/AGDC Subsidiary

Share (w Equity Option): ~\$230 - \$290 million

TransCanada: ~\$215 - \$270 million
TransCanada (w Option): ~\$130 - \$160 million

Note: FEED costs are VERY rough estimates and rounded!



**Final Investment
Decision ~
Construction**

**Approval by all
Parties &
Financing
Yes/No?**

Go Build

STOP

**Pay TC development
costs (~\$183 - \$337 mm)
+ 7.1% AFUDC.**

Note: FEED estimates based on Black & Veatch independent assessment of 4% of \$45 billion. 60%/40% Mid/Downstream.

AGDC Advancing Gas to Alaskans through interconnections etc.

Summary

- The Heads of Agreement (HOA) and Memorandum of Understanding (MOU) provide guidance on how the powers provided in HB 277 will be used.
- At each stage in the project there are “off-ramps” and decision points for Legislative and public review.
- Commitments by the State will be made commensurate with progress by the project.

THANK YOU

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Resources

<http://dor.alaska.gov/AKGasDocs.aspx>

www.dnr.alaska.gov/AKgas.htm

