



TransCanada and Pre-FEED Supplemental Appropriations Summary

October 2015

TransCanada and Pre-FEED Supplemental Appropriations Summary

- How much funding for AKLNG has the state provided to date?
- What is included in the supplemental appropriation request?
- Why is the supplemental request \$157.6M versus \$108M?
- What changes have occurred in the Pre-FEED phase resulting in cost increases?
- How much will it cost to complete the future gasline phases?

SOA AKLNG Appropriations to Date

Funding to Date \$90.5 M

SB138 General Fund to LNG Fund (FY14-FY15) \$69,835.0

- Capitalized the LNG Fund
- AGDC, AKLNG down stream cash calls, contractual service with agencies

General Fund Appropriations (FY15) \$11,762.0

- AEA in-state affordable energy study
- DNR North Slope Gas Commercialization
- DOR Tax Division

Appropriations (FY16) \$8,987.0

- DNR North Slope Gas Commercialization (in-state gas line fund)

Authorization from LNG Fund (FY16)

- Within original \$69,835.0 capitalization
- AGDC, DNR, DOTPF

\$3,023.0

State Gas Team--FY2016 Supplemental Summary

Supplemental Request \$157.6 million plus \$5 million AGDC Statutorily Designated Program Receipts (SDPR):

Agency Operating Budgets **\$13,607.0**

DNR: \$2,126.0
DOR: \$1,381.0
DOL: \$10,100.0

AGDC: Capital Budget **\$144,045.0**

Reimburse TransCanada: \$68,445.0
Fund State's remaining Pre-FEED share: \$75,600.0

AGDC: Receipt Authority **\$5,000.0**

AKLNG reimbursement for work performed

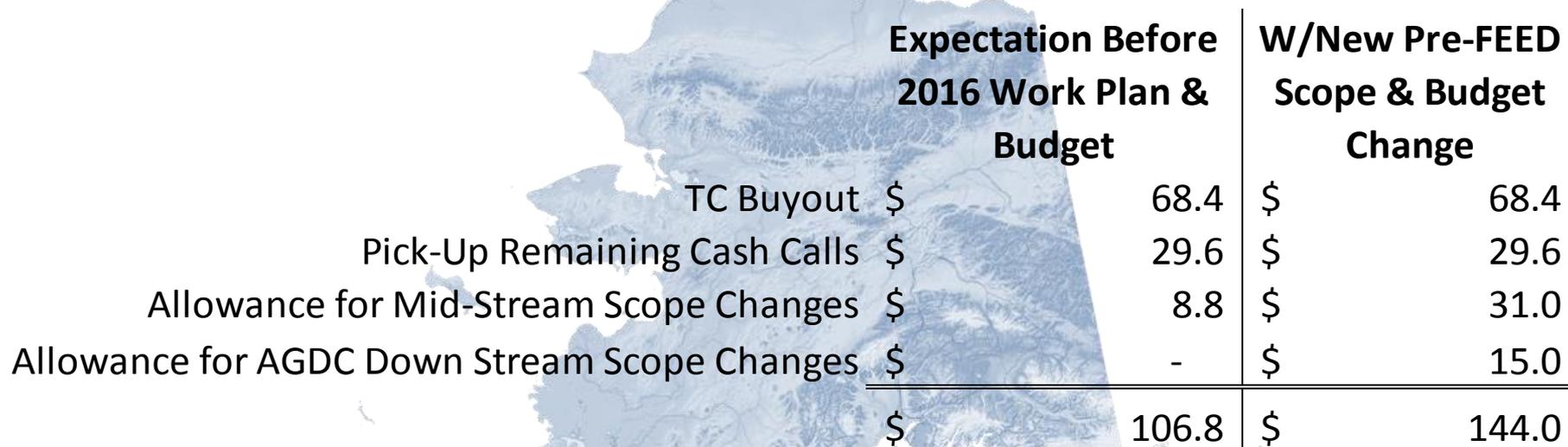
Alaska Gasline Development Corporation

State Gas Team

Anticipated changes to the scope of pre-FEED :

- Pre-FEED scope and schedule increase the budget \$182 million to \$694 million
- State share of new total is \$173 million -- \$66 million liquefaction plant, \$107 million mid-stream (GTP and pipe)
- Moving work ahead into pre-FEED is important to have the best information available to complete internal review and make FEED decision
- A project of this magnitude matures through the stage-gate development process. Work activities are often shifted between stages in order to facilitate better design and decision making
- Scope changes are designed to improve project economics, permitting outcomes and the quality of information available for FEED evaluation:
 - Component level optimization to lower costs and increase efficiency (\$57 million)
 - Accelerate regulatory and pre-bid work on FEED contracting (\$66 million)
 - Increase scope of geotechnical and geohazard work at GTP and LNG sites; complete weather delayed off-shore field work (\$29 million)
 - Bring 48" pipe deliverables up to 42" level of development (\$30 million)

Pre-FEED Scope and Budget Changes



	Expectation Before 2016 Work Plan & Budget	W/New Pre-FEED Scope & Budget Change
TC Buyout	\$ 68.4	\$ 68.4
Pick-Up Remaining Cash Calls	\$ 29.6	\$ 29.6
Allowance for Mid-Stream Scope Changes	\$ 8.8	\$ 31.0
Allowance for AGDC Down Stream Scope Changes	\$ -	\$ 15.0
	\$ 106.8	\$ 144.0

Department of Natural Resources

State Gas Team

DNR North Slope Gas Commercialization Office FY16 work scope, per SB138 and other legislation, includes these components:

- Fiscal stability commercial agreement negotiations with Producers
- Royalty In Kind (RIK)/Royalty In Value (RIV) analysis and decision
- In-state gas coordination and marketing of in-state gas, assuming RIK and Trans Alaska Gas (TAG)
- Marketing of LNG for export, assuming RIK and TAG
- Negotiate upstream agreements – gas supply and balancing
- Negotiate governance structure
- Negotiate midstream terms including system use; expansion capacity and use
- Lease modifications

Personal Services (\$646.0): Increase funding for existing Marketing Lead position to attract global LNG marketing expertise; assist the State in building successful gas marketing organization to remain competitive. Add a new Marketing Analyst to assist with negotiations and pre-marketing work (December-June).

Contractual (\$1,480.0): RSA to DNR (\$580.0) for Department resource support, primarily from the Division of Oil and Gas for upstream expertise and other commercial/lease support. Meet contractual needs (\$900.0) anticipated for FERC resource report reviews and drafting, facilities review for commercial aspects, commercial analysis and support, and TC Developmental Cost audit.

Department of Revenue

State Gas Team

DOR FY16 work scope, per SB138 and other legislation, includes these components:

- Identify and report range of state financing alternatives for Project
- Evaluate municipality, native corporation, resident investment options
- Identify impact and benefits of project on Alaskan communities
- Recommend changes to property tax statutes for Project infrastructure
- Negotiate property tax (Impact payments and Flow Related Property Tax)
- Coordinate Municipal Advisory Gas Project Review (MAGPR) Board and prepare reports to legislature
- Consult on fiscal stability negotiations
- Consult on commercial structure and governance
- Consult on upstream agreement negotiations
- State lead on Project Integrated Finance team and Project Tax team
- Co-State lead on Project Sponsor team and Venture Alignment Memorandum of Understanding (VAMOU) team
- Coordinate and implement FEED financing plan

Department of Revenue

State Gas Team

Personal Services (\$794.0): Funding for work scope on fiscals, financing options, governance, production tax, federal tax implications; property tax, and revenue aspects of marketing; coordinate MAGPR Board activities; TC Development Cost audit services.

Travel and Supplies (\$87.0): Other related expenses and audit travel expenses performing work services for AKLNG.

Contractual Budget (\$500.0): Fund State of Alaska share of “bankability” review of Project financing options and commercial structure.

Department of Law

State Gas Team

DOL FY16 work scope:

- Represent the State's interest moving the process to a project
- Provide legal support to agencies and AGDC for all commercial agreements and other decisions

Contractual (\$10,100.0):

- Contract services with law firms for drafting, negotiating and reviewing AKLNG contracts with the Producers
- Contract services to provide regulatory and legal support for state participation in AKLNG project

Law firms under contract to DOL are:

- Greenberg Traurig
- Milbank, Tweed, Hadley & McCloy

Alaska Gasline Development Corporation

State Gas Team

AGDC FY16 work scope, per SB138 and other legislation, includes these components:

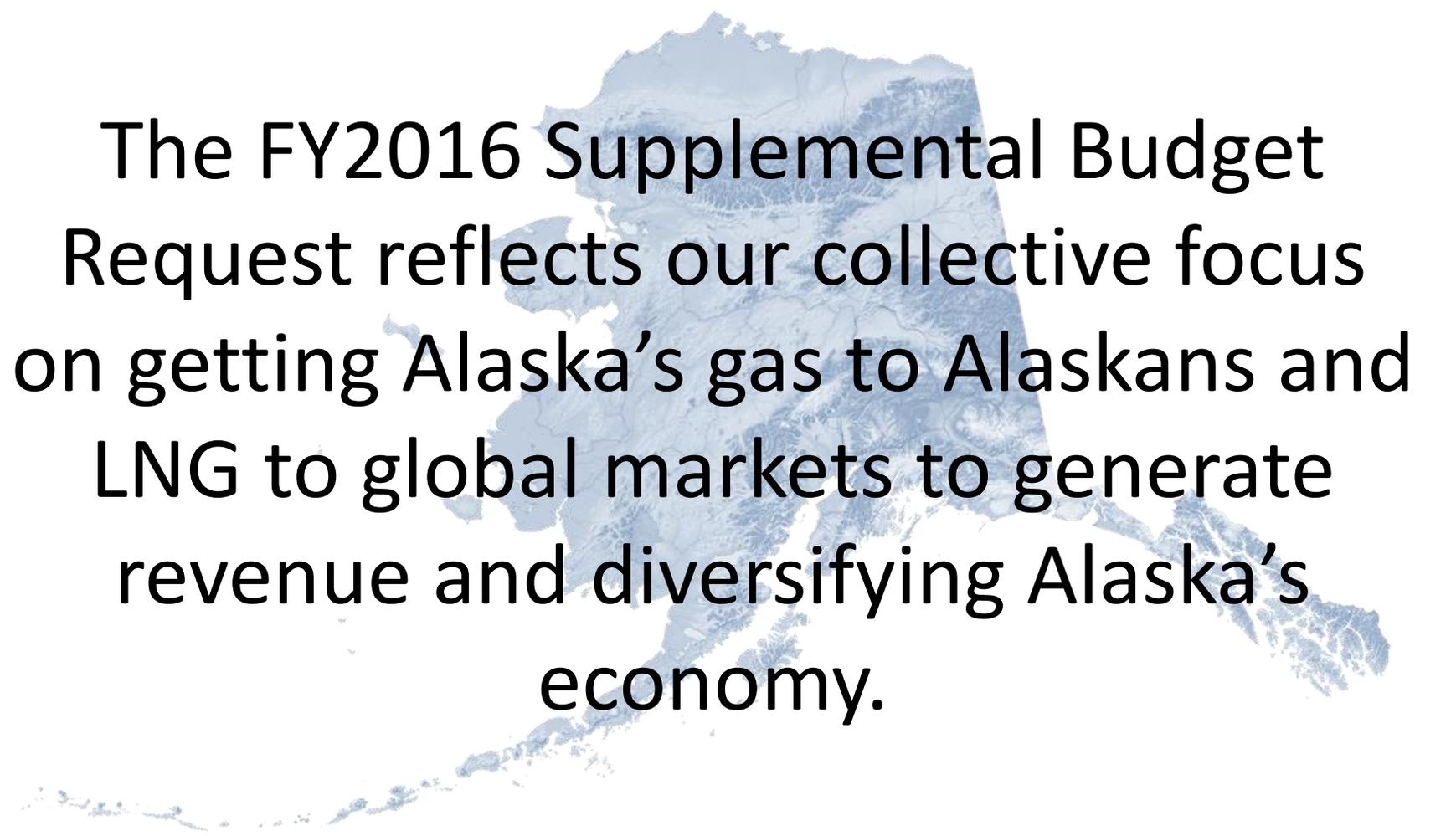
- Manage State's equity participation in Alaska LNG project including LNG & Marine facilities in Nikiski, and if TC exits, the pipeline and Gas Treatment Plant
- Develop means for delivering North Slope natural gas in-state

AGDC Capital Budget (\$144,045.0):

- \$68,445.0 – Funds to reimburse TransCanada and “buy-out” their mid-stream interest
- \$75,600.0 – State's full 25% share of remaining pre-FEED

AGDC Receipt Authority (\$5,000.0): Statutory Designated Program Receipts (SDPR) will allow AGDC to be reimbursed for Alaska LNG related field work conducted on behalf of the project

In Conclusion—Moving From Process to Project



The FY2016 Supplemental Budget Request reflects our collective focus on getting Alaska's gas to Alaskans and LNG to global markets to generate revenue and diversifying Alaska's economy.

In Conclusion—Moving From Process to Project



Questions?