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ALASKA GASLINE DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING

March 12, 2015
9:00 a.m.
Anchorage/Juneau/Fairbanks

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P R O C E E D I N G S

(On record - 9:01 a.m.)

BURNS: Madam Clerk, would you call the role, please.

GRAHAM: John Burns?

BURNS: Present.

GRAHAM: Dave Cruz?

CRUZ: Present.

GRAHAM: Fred Parady?

PARADY: Here.

GRAHAM: Heidi Drygas?

DRYGAS: Here.

GRAHAM: Hugh Short?

SHORT: Here.

GRAHAM: Rick Halford?

HALFORD: Here.

GRAHAM: Joe Paskvan?

PASKVAN: Here.

GRAHAM: We have everyone here and we have a quorum.

BURNS: So let the record reflect for the first time in a while we do have a full Board. I want to welcome everybody, all the new Board Members, so appreciate it.

UNIDENTIFIED: Thank you.

BURNS: It's quite a project that we'll all signed up for.

So at this time Safety Moment, Gwen or Dan?

FAUSKE: Thank you, Mr. Chairman, and welcome everybody and

1 to the audience here.

2 In the event of an emergency, please, evacuate the
3 building using the stairs, in our area they are to the
4 left as you exit Suite 604, AGDC's Board room.

5 The 6th floor's muster point is the northeast corner
6 of the parking lot next to A Street which is that way.
7 Please evacuate for any alarm, audible or visual.

8 If you are unable to evacuate, there are four
9 windows in our offices with big red dots. I'm not sure
10 I'd recommend leaping out of these windows, but these
11 indicate breakaway -- the ones with the red dots do
12 indicate --.....

13 (Simultaneous speech)

14 FAUSKE:do indicate breakaway windows to emergency
15 responders. Please go to one of these offices for
16 assistance and see the map located on the wall at the
17 Board room entry. Where is that? It's on.....

18 GRAHAM: It's out there.

19 FAUSKE: Yeah, it's out -- out here. The restrooms are
20 located in the hallway outside of this room to the
21 left.

22 BURNS: Great. And I would just note, notwithstanding the
23 weather conditions outside, we are entering spring,
24 fingers crossed and so, you know, it's a treacherous
25 time to be walking, so just all exercise extreme

1 caution as for entering and exiting buildings.

2 So the next item is the approval of the agenda.

3 CRUZ: Motion to approve.

4 BURNS: Question's been made. Any discussion? All right.

5 So call the question, all in favor of approving the

6 agenda?

7 IN UNISON: Aye.

8 BURNS: Any opposed? The agenda has been approved.

9 The next item is the approval of the minutes,

10 January 8th meeting and I believe at that meeting,

11 Madam Clerk, there were just four Board Members, right?

12 GRAHAM: Correct.

13 BURNS: So those four who were in attendance, is there a

14 motion to entertain?

15 PARADY: So moved.

16 BURNS: So moved.

17 DRYGAS: Second.

18 BURNS: All right. Any discussion or revisions,

19 corrections? All right. It's been moved and seconded.

20 All in favor of approval of the minutes?

21 CRUZ: Aye.

22 PARADY: Aye.

23 DRYGAS: Aye.

24 BURNS: Aye. Okay. The minutes are approved.

25 At this time, as we always do, at our meetings we

1 invite Public Comment and so anybody who either present
2 here in Anchorage or who would like to address the
3 Board telephonically, they are certainly invited to
4 come forward, so anybody in Anchorage who would like to
5 come forward and to address the Board, make some public
6 comments? Don't hesitate. All right. Your comments
7 are welcome.

8 All right, seeing nobody in Anchorage, anybody
9 statewide? Anybody in Fairbanks? All right. Nobody
10 in Fairbanks. Anybody in Juneau? Anybody statewide
11 who would like to address the Board?

12 All right. So seeing that there are no public
13 comments let's move onto the President's Scorecard.
14 Dan.

15 FAUSKE: Thank you, Mr. Chairman. For the Board Members
16 you'll see in your packet a -- sort of a large foldout
17 sheet.

18 BURNS: What item specifically?

19 DRYGAS: Seven.

20 FAUSKE: Tab 7.

21 BURNS: Seven.

22 FAUSKE: And this is what's known as the President's
23 Scorecard. We had initiated this a few months back.
24 It used to be I'd just, kind of, give a report as to
25 who we met with and the various things and then the

1 Board, and I thought it was a good move, decided that
2 we wanted to get into more strategic areas and just
3 list to the Board where we currently stand in certain
4 areas.

5 And so if you look at the upper left, you have
6 Financial Performance. The Strategic Objective is to
7 execute business operations to optimize financial
8 expenditures. The Targets, our expenditures are less
9 than or equal to budget. Project percentage completion
10 is greater than or less than percentage -- or excuse
11 me, greater than percentage spent.

12 Executive and Support at 51 percent. The AKLNG
13 Actuals at a minus two, that looks weird, but the AKLNG
14 at this time does not supply percent of work complete
15 so it can't be calculated. It's not that we don't have
16 it, but they just don't supply it on a regular basis.
17 We can develop those numbers. It's not an onerous
18 thing, it's just the way the AKLNG spend plan comes
19 through.

20 The ASAP Actuals are at 37 percent. The AG monthly
21 financial report, ASAP Monthly Report -- or Project
22 Report, AKLNG Monthly Project Report. ASAP at 38 to 36
23 percent. The ASAP Monthly Project Report and the AKLNG
24 Monthly Project Report.

25 On the Schedule, complete planned, on the Objective

1 is to complete planned work within approved program and
2 project schedules. Critical path milestone met equal
3 100 percent. Actuals at 100 percent. And the February
4 milestone is submitting the first draft of Resource
5 Reports 1-12 to FERC was achieved.

6 The Pre-FEED schedule has been updated now that sub-
7 project engineering contractor control schedules have
8 been received and integrated with the overall result
9 that the Enter FEED milestone has slipped three months
10 to June 1, 2016. This is on the AKLNG. And several
11 other 2016 and fourth quarter 2015 milestones have also
12 shifted to the right as the schedules have been
13 expanded somewhat.

14 On the Health and Safety Performance, objective is
15 to achieve health, safety, security and environmental
16 incidents below Alaska Oil and Gas industry averages.
17 Lost time to injuries at 200,000 manhours is less than
18 2.4. Recordable incidents per 200,000 manhours is 8.7.
19 Near Misses zero. Reportable Spills zero.

20 Two notes, AGDC's Risk Manager determined to
21 evacuate our building offices for a very strong burning
22 smell. This happened several weeks ago. The alarm
23 system had not worked properly. We did evacuate the
24 building. Employees sheltered in the adjacent building
25 and after 45 minutes the Risk Manager signaled the all

1 clear after building -- I became concerned that I
2 thought frostbite was more of an issue than what was
3 going on in the building, but we did get that cleared
4 up with Ravnit and our Risk people.

5 It was troubling because there was absolutely a
6 smell in the building and everybody -- you know, it was
7 pretty strong and we were wondering what the heck's
8 going on.

9 AKLNG, the following is not part of the AGDC LNG
10 remit, but did occur under the AKLNG project umbrella
11 so is reported. At Prudhoe Bay as part of the Gas
12 Treatment Plant trenching preparation, about a half a
13 gallon of hydraulic oil was spilled on the sea ice.
14 Spill was immediately contained and completely cleaned
15 up and agencies were notified.

16 Development of Commercial Agreements. The Strategic
17 Objective is to advance initiatives and agreements
18 timely to advance projects. Commercial milestones met
19 100 percent. Term sheets, documents drafted and
20 approved and documents executed. The AGDC Monthly
21 Commercial Report, AKLNG Monthly Commercial Report are
22 the Reporting Systems.

23 Compliance, objective is to comply with applicable
24 legislative and legal requirements and corporate
25 commitments. Targets are Legislative reporting per

1 statutory requirements at 100 percent. Regulatory
2 Permit Completion Reports at 100 percent.

3 The AGDC Annual Report was published on 1/10/2015,
4 Senate Bill 138 required AKLNG Project Briefings to the
5 Legislature. These were conducted on 1/30/2015 and
6 2/18/2015. A follow-up was requested and is scheduled
7 for 3/13/2015, that is tomorrow in Juneau. The ASAP
8 Monthly Project Report, AKLNG Monthly Project Report
9 are the reporting systems.

10 Under Project Options, maintain viability of project
11 options to initiate construction start within two years
12 of sanction. The -- as you read across the Project
13 Execution Milestone Completion at 100 percent.
14 Technical Team Core Staffing at 100 percent and the
15 same reporting systems apply to this report as well.

16 So that, sir, completes the report card.

17 BURNS: Are there any questions or comments?

18 SHORT: I've got a question.

19 BURNS: Yeah.

20 SHORT: So under the section of Schedule, and the three
21 month, as you've called it, a slip of three months, is
22 it -- can you talk a little bit about that and what
23 caused that slip and is this something that has
24 happened before or is this the first time in our
25 project schedule Pre-FEED has slipped?

1 FAUSKE: No, sir, Mr. Short. As a result of the JVA and some
2 of the agreements to get signed was delayed, that
3 dropped the schedule back somewhat just based on the
4 fact that agreements weren't put in place as quickly as
5 they thought, so it slipped that schedule as to the
6 completion of Pre-FEED from first quarter 2016 to
7 second quarter 2016 and that is currently the schedule
8 we're on.

9 SHORT: Okay, thank you.

10 FAUSKE: So we're start- -- it's ramping up much quicker now
11 and as you hear when the AKLNG folks give their report,
12 there's a lot of work going on and it's -- but it's
13 just tough to catchup completely.

14 SHORT: Thank you.

15 BURNS: But, Dan, I think that's the first time that has
16 been noted that there's been a slip in the schedule
17 that I understand, is that right?

18 FAUSKE: And that -- Mr. Burns, that was announced
19 (indiscernible) at the meetings, at the updates that we
20 gave on those dates that I showed in January. The led
21 -- when we testified in front of House and Senate
22 Resources that information was made public that, that
23 schedule had slipped.....

24 BURNS: Um-hum. (Affirmative)

25 FAUSKE:out to that point.

1 They also have, from that date forward, one year to
2 -- I think it's September of 2017 where the -- they
3 have a year roughly to make the FEED decision and
4 that's the final engineering and design.

5 They're currently in Pre-FEED, but once you go to
6 the FEED, that -- they scheduled it out to about 2019
7 and then they'll make the FID, the Final Investment
8 Decision.

9 What's significant about FEED is that where some
10 real money starts. I mean, we're already spending real
11 money, but I mean, this is -- gets into the billions of
12 dollars to enter into the FEED. The State would be a
13 25 percent equity shareholder in that under the current
14 agreements and you can see a State response -- or
15 requirement as high as a billion dollars or eight, 900
16 million depending on what the FEED estimate costs are
17 and the producers and TransCanada and the others that
18 share in that.

19 SHORT: Do you expect any associated cost increases because
20 of the slippage or is that negligible?

21 BURNS: Who are you looking for, Joe?

22 FAUSKE: I don't so. I mean,.....

23 SHORT: No (ph)?

24 KRUSEN: Minimal (ph).

25 FAUSKE: Minimal. Minimal from -- when Fritz and some of

1 these folks come up we can get into more of that if
2 you'd like, but we've been.....

3 BURNS: And, Dan, one just follow-up. On -- I guess, on
4 Friday, tomorrow you're having a presentation, you're
5 giving a presentation what -- what's that about?

6 FAUSKE: That is about the follow-up to the sponsors. That
7 is also to deal with, in their language, the Governor's
8 Plan or our plan going forward. They delayed us. We
9 were originally scheduled to come down with the plan
10 going forward two weeks ago -- a week ago Monday. And
11 then that -- that schedule slipped at that time.

12 I know Marty Rutherford and I think Donna Keepers
13 from Revenue were both sick. It just was one of those
14 where they rescheduled us. We were originally
15 scheduled -- we would have testified via phone and then
16 they called us literally at the 11th hour.

17 You might recall that was the day Governor Walker
18 had his press conference where he was fairly upset over
19 the fact that House Bill 132 had been introduced right
20 across and he had a chance to comment on that Bill.
21 That was also the day we were scheduled. And then they
22 had canceled that hearing. Not because of Governor
23 Walker, but because of just the people that they needed
24 there couldn't be there, so that's what this is about
25 tomorrow.....

1 BURNS: Okay.

2 FAUSKE:is to lay out the intentions of this
3 Corporation going forward.

4 BURNS: And who is going to be in attendance at that from
5 AGDC?

6 FAUSKE: It will be myself, Joe Dubler, Frank Richards.....

7 GRAHAM: Miles.

8 FAUSKE: Miles, I think the four of us.

9 BURNS: Okay.

10 FAUSKE: We'll have others available by phone if we need
11 depending on what level of detail they want to get
12 into.

13 BURNS: Any further questions of Dan on the Scorecard? This
14 is -- just for those new Board Members, this is
15 something that we developed in conjunction with the
16 Board and several of the committees just to understand
17 on a monthly basis where the project stands on each of
18 the facets of the project, so, you know, we -- the
19 sense of just, kind of, a performance management
20 matrix. So if you have any comments or as you look
21 though it over time if there's anything you'd like to
22 see enhanced about it let us know, so.....

23 All right. Next item of business, New Business,
24 AGDC Management/Operational Issues. First is the
25 Financials, so.....

1 FAUSKE: And for the Board Members, Bruce Tangeman, one of
2 our VPs on the Admin Services side. Former Deputy
3 Commissioner of Revenue you might remember and other
4 things in his career is here to present. So, Bruce, if
5 you would.

6 TANGEMAN: Thank you, Dan. For the record, Bruce Tangeman,
7 vice president of Finance and Administration. Under
8 Tab 8A you have a two page summary of the Corporation's
9 financials as of January 31st, 2015.

10 And just to orient you to the first page top to
11 bottom we have the ASAP project expenditures and the
12 corporate allocation section. Below that we'll have
13 the AKLNG project expenditures and the AGDC overhead
14 allocation. And then down at the bottom is a little
15 more detail on the ASAP expenditures to date.

16 So up top we put in place a cross allocation method
17 when we inherited the AKLNG project, so we have two
18 pots of money that we're drawing from. So we put in a
19 -- with the help of our auditors, BDO, we put in place
20 a cost allocation method in order to spread the
21 corporate costs between the two fund sources.

22 So left to right we have year to date costs, year to
23 date budgets and variance and the column after that is
24 the revised budget. The only revision that has taken
25 place took place in January when the Board instructed

1 us to throttle back the ASAP project in order to line
2 up calendar-wise with the AKLNG project. And Frank and
3 Joe will certainly be talking to more details of the
4 two projects, but that's the only budget revision that
5 has taken place.

6 I think you can see that we're well under budget.
7 It's important to note that every dollar that's not
8 spent on the Corporation's overhead, is a dollar that's
9 available for the projects, so we're very judicious in
10 how we spend out dollars and especially how we fill
11 positions.

12 Dan's mentioned many times that we're not here to
13 put a bureaucracy in place. We have a short window and
14 we know exactly what are game play -- what our jobs are
15 here to do, so we're very judicious in how we spend our
16 dollars on the corporate side.

17 To that, the second page is more of a breakdown on
18 the executive side of the house. Joe will give more
19 details on the AKLNG spend under one of the future tabs
20 and Frank will do the same for ASAP, but on page two
21 you get a breakdown of the different functions within
22 the Administrative side of the house. And, again,
23 we're underspending our budgets which is good.

24 There's been no budget variance to date and at the
25 bottom you see a breakdown between the two fund

1 sources. So, again, we're about 85 percent of the
2 corporate overhead is charged to ASAP and about 15
3 percent is charged to the AKLNG.

4 BURNS: Um-hum. Any questions so far?

5 PARADY: Mr. Chairman?

6 BURNS: Yeah.

7 PARADY: Could you restate that last statement? I heard it,
8 but I want to make sure I caught it.

9 TANGEMAN: Yes, sir, Mr. Parady. The cost allocation method
10 breaks down the corporate overhead expenditures, 85
11 percent go to the ASAP fund -- instate fund and 15
12 percent go to the AKLNG fund.

13 PARADY: Thank you.

14 BURNS: So, Bruce, the expenditures on the first page, are
15 those -- we've talked about the ASAP project
16 expenditures, my understanding is that at least from a
17 couple Board Meetings back we wanted to ensure that the
18 expenditures that we were doing on ASAP were
19 complimentary to the AKLNG and my understanding is
20 that, that is the case, is that right?

21 TANGEMAN: Yes, sir and that's reflected in the revised budget
22 where you instructed us to throttle back ASAP to line
23 up with the AKLNG project.

24 BURNS: And so are the expenditures then that are allocated
25 to ASAP, how do those reflect the fact that those are

1 complimentary expenditures meaning that they benefit
2 both of the projects? How do you make the
3 determinations as to whether they should be on the ASAP
4 side or the AKLNG side?

5 TANGEMAN: I'm going to defer that question to Frank because he
6 can speak to how those different types of expenditures
7 are beneficial to both options, so I'll defer to Frank
8 on that.

9 BURNS: All right. Any questions of Bruce on it, so that
10 the upside of this is we're under budget on everything
11 at this juncture?

12 TANGEMAN: Yes, sir.

13 BURNS: Good. All right. So anything -- any further on the
14 AGDC Management/Operational issues. So did you need to
15 talk a moment to talk to Frank?

16 CRUZ: Yeah. I want to take a little break.

17 BURNS: Okay. Why don't we take just a five minute break.
18 I think Dave wanted to touch base with Frank, so if you
19 don't mind we'll take just a five minute break.

20 SHORT: At ease.

21 BURNS: An at ease.

22 (Off record - 9:19 a.m.)

23 (On record - 9:25 a.m.)

24 BURNS: All right. The next item of business is New
25 Business - ASAP, Frank, at this -- my understanding,

1 Frank, is this is a primer for the new Board Members
2 bringing everybody up to date as to where we are on
3 ASAP and then a discussion as we move forward -- as you
4 progress forward.

5 RICHARDS: Mr. Chairman, yes. Frank Richards, vice president
6 of Engineering and Program Management for AGDC. And as
7 you suggested I think that we -- it would be beneficial
8 for the new Board Members to really -- to go over what
9 I'm calling the Gasline Project Primer and this was
10 essentially what we provided to the Board in January,
11 so for those Board Members that have heard me
12 previously I apologize for repeating. It's -- do you
13 all have a copy?

14 PARADY: Yes.

15 UNIDENTIFIED: We do.

16 PARADY: Yes, sir.

17 RICHARDS: Okay. And then in your Board packets I also would
18 refer you to a Pipeline Cheat Sheet. I believe that
19 was in there also, so if you see.....

20 DRYGAS: What Tab is that at?

21 UNIDENTIFIED: It's at the very beginning.

22 GRAHAM: It's in the front.

23 RICHARDS: It was a looseleaf cheat sheet.....

24 BURNS: See Heidi we heard, the Staff heard you. I think
25 it's this one right here.

1 DRYGAS: (Indiscernible) -- so that -- did I ask for this?

2 BURNS: Pipeline cheat sheet.

3 DRYGAS: I wonder -- I -- and yet I -- mine is missing.

4 BURNS: Here.

5 RICHARDS: So on the cheat sheet if you hear me.....

6 BURNS: But I need mine back.

7 (Simultaneous speech)

8 CRUZ: I've got one right here.

9 DRYGAS: Okay.

10 BURNS: Go ahead, Frank.

11 RICHARDS: Mr. Chairman, if you hear me falling into acronyms,
12 I apologize. I will try and enunciate all of the
13 acronyms so that new members and the public can
14 understand what I'm talking about, but it's so easy in
15 this arena to fall into the tentacle (ph) jargon, so
16 please, if I stray from that ask me and I will bring it
17 back to where we are.

18 But on this cheat sheet you see that we talk about
19 the American Society of Mechanical Engineers, ASME
20 B31.8, that's essentially industry guidelines for
21 pipeline loading evaluation. And then I will refer to
22 American Petroleum Institute, API.

23 Then there's also the -- what's known as the
24 American National Standards Institute or ANSI and this
25 is really where we get the standards for maximum (ph)

1 pressure and temperature ratings for pipe, as well as
2 their flanges and fittings, so this is some of the
3 guidance that we use in our technical design criteria.

4 And then you'll see midway down the page is a table
5 of ASME/ANSI or American Society of Mechanical
6 Engineers and American National Standards Institute
7 pressure classes. So Class 600 refers to a maximum
8 pressure of about 1,480 psi, pounds per square inch as
9 opposed to ANSI Class 900 which is 2,220 psi, pounds
10 per square inch maximum gas pressure in the pipe, so
11 there's are some of the key defining pressure
12 requirements.

13 And then on material grade, when we talk to the
14 strength of the pipe we usually refer to that in X
15 classes. So X70 would be 70,000 pounds per square
16 inch, the strength of the steel as opposed to X80 which
17 would be 80,000 pounds per square inch.

18 On the back of the page it talks about location
19 class and this is really where the Pipeline Hazardous
20 Safety Administration has identified to us how we
21 should include in areas where there's human habitation
22 and they define it by occupancy in terms of buildings,
23 so we use that as along a pipeline route and then that
24 determines what class we have to -- of class of pipe we
25 have to put into those areas where the pipeline is

1 running and that's essentially relating to wall
2 thickness.

3 And then when I talk about strain based design, that
4 is, again, a design criteria requirement by the
5 Pipeline Hazardous Materials Safety Administration
6 otherwise known as PHMSA which talks about in areas
7 across Alaska we have discontinuous permafrost and you
8 have the potential for frost heave or frost settlement
9 and then you have to look at the strain accumulation on
10 that pipe and that's where we exceed the strain
11 capacity or the design requirements in the PHMSA's code
12 then we have to come up with an alternative analysis
13 which is called strain based design.

14 BURNS: Frank, let me stop here. Can everybody hear Frank's
15 presentation?

16 UNIDENTIFIED: It's a little difficult.

17 BURNS: Yeah, if you could speak up, Frank, I'd appreciate
18 it for those in the back.

19 RICHARDS: I'm sorry, Mr. Chairman, the mic will not move for
20 me, so I will. All right.

21 BURNS: Speak louder than.

22 RICHARDS: Under Abbreviations, these are, again, common
23 abbreviations used from pounds per square inch to TAPS
24 which is the Trans Alaska Pipeline System and Alyeska
25 which would be Alaska Pipeline Service Company or APSC.

1 And then on the -- there's indications on page 3
2 which are essentially figures identifying common
3 machinery used in pipeline construction. The first one
4 is a sideboom which actually is used to lower the pipe
5 into the trench.

6 And the bottom one is a chain trencher which is
7 essentially a piece of machinery that with the right
8 ground conditions it's almost like slicing through
9 butter with a hot knife. You can actually get great
10 production, keep the amount -- the trench width to a
11 minimal and produce right next to it a castoff of a
12 good material that you can potentially use then as
13 backfill on the pipe.

14 And then on the final page is, again, typical
15 sections of what our common right-of-way would look
16 like whether it be a rock ditch which would be rock
17 excavation either blasting and -- drill and blast and
18 then excavation as opposed to an ice road which would
19 be essentially using frost pack or ice to be able to go
20 across the ground and not damage the underlying
21 substrate.

22 So just typical sections just to give an indication
23 of the right-of-way widths, what the type of machinery
24 is, what it looks like in terms of a spoil pile on one
25 side, the equipment and pipe on the other and then a

1 travel way to allow for flow around the pipe sections.

2 BURNS: Yeah. Now, we have ordered and are testing pipe
3 currently, is that right?

4 RICHARDS: That's correct, Mr. Chairman.

5 BURNS: We've got what -- in what class and X grade are we
6 currently testing?

7 RICHARDS: We had put out a solicitation for X70 pipe and this
8 was, again, for areas where we had the strain based
9 design approach to -- in order to prove to PHMSA that
10 our design models were going to be able to withstand
11 the strains that we anticipate from the discontinued --
12 essentially the thawing of discontinuous permafrost.

13 So we had pipe mills from Germany, Japan and India
14 that offered or came -- came to us and could meet the
15 criteria of essentially meeting the metallurgy
16 requirements that we had put forward in those
17 specifications.

18 We are complete now with the small scale testing.
19 And that the -- the individual mills have met the
20 requirements that we gave them for that and that's
21 essentially looking that did they meet the original
22 stress strain curves.

23 And now we have sent samples into what is known as
24 mid-scale testing and that's being done at Edmonton at
25 the Seafarer facility. So it's very -- it's proving

1 out that our -- the mills that can provide this type of
2 pipe around the world are able to meet it -- meet the
3 requirements.

4 Unfortunately there aren't mills in the U.S. or
5 North America that are meeting this standard of pipe at
6 this time, but there's hope that they will be able to
7 meet that metallurgy requirements in the future.

8 BURNS: So you made a decision on the X70 from the
9 standpoint we've now identified where we were getting
10 it, would be getting it can meet those standards.....

11 RICHARDS: That's correct,.....

12 BURNS:consistently?

13 RICHARDS:Mr. Chairman, to identify that yes, that there
14 are capabilities around the world to be able to meet
15 the requirement. And, again, this is for the strain
16 based pipe,.....

17 BURNS: Right.

18 RICHARDS:the location. So we have a pipeline that's
19 approximately 740 miles long. We are trying to define
20 how -- which of those areas are going to actually
21 require this and right now we had thought it was going
22 to be approximately 100 miles, but our analysis is
23 showing now that, that is being reduced significantly
24 between anywhere from five to 20 miles. So that means
25 that those sections of the pipeline would require this

1 specialized steel, so it's not as large a volume as we
2 had originally intended or thought it would be.

3 BURNS: And then the ANSI, the ANSI class is the -- is the
4 testing on the six or the nine currently or is it --
5 have we even.....

6 RICHARDS: Mr. Chairman, we were going with 1,480 psi pipe, so
7 that would meet the.....

8 BURNS: The 600.

9 RICHARDS:ANSI 600 pound class.

10 PASKVAN: Mr. Chair?

11 BURNS: Yeah.

12 PASKVAN: If I'm understanding what you're saying on the X70,
13 that may be a maximum of 20 miles. I assume then the
14 other 720 assuming that hypothetical is X52 capacity?

15 RICHARDS: Through the Chair, Senator Paskvan, old habits. The
16 remaining pipe we decided to go with X70 as well,
17 so.....

18 PASKVAN: Okay.

19 RICHARDS:that we would be able to have that pressure
20 class and in the anticipation of it provides strength.
21 It's a standard class pipe. The line pipe can be
22 manufactured in the U.S. and we feel would meet our
23 needs.

24 BURNS: Good. Any questions? All right. Keep going.

25 RICHARDS: Okay, Mr. Chairman. Now, going back to the Gasline

1 Project Primer, on page number 2 AGDC is in the
2 fortunate position of having two corporate
3 responsibilities. We were initially geared up by the
4 Alaska Legislature to focus on the ASAP project and
5 then with the passage of Senate Bill 138 we were given
6 the responsibility of also representing the State of
7 Alaska in a 25 percent ownership of the LNG plant for
8 the Alaska LNG project.

9 So I wanted to take the opportunity to identify the
10 two different initiatives that we are working on
11 currently. And to somewhat show a little bit of the
12 difference between the two because, again, with the
13 stand-up of AGDC with -- under House Bill 4 for the
14 ASAP project, it was really with the intended purpose
15 to provide energy for Alaskans because at that time the
16 AGIA process was underway and TransCanada and Exxon
17 Mobil were advancing a pipeline project for export.

18 So the Legislature gave us the mandate to provide
19 for energy relief for Alaskans and under that -- at
20 that time the AGIA statute was in place. The AGIA
21 license was in place, so that we were limited on the
22 ASAP project to 500 million standard cubic feet a day.
23 So it was statutorily defined for us, as well as
24 contractually.

25 Whereas with the evolution now of a new project and

1 the formation of the Joint Venture that Dan referred to
2 with the Alaska LNG project, we now have the major
3 producers, Conoco, BP and Exxon Mobil, along with
4 TransCanada representing the State's ownership on the
5 midstream or the pipeline and the gas treatment plant
6 and AGDC representing the State's interest in the
7 liquefaction plant. We now have that team working
8 towards export for the large scale commercialization of
9 the North Slope resources.

10 FAUSKE: If I may, Mr. Chair, on the AKLNG side to give you
11 a scope, the proposed liquefaction plant where they
12 chill the gas and prepare it for tankers to be shipped
13 is 20 times the size of the current plant that you've
14 all driven by in Nikiski and it is at a cost of between
15 20 and, what, \$24 billion for just that plant.

16 The GTP, gas treatment plant, on the other end is --
17 someone help me out, 18 -- I think it's 18.....

18 RICHARDS: Fifteen -- 15 to 18.

19 FAUSKE: Fifteen to 18 billion for that plant. It, too, is
20 a huge complex. And then the pipe it's hard -- it's
21 not inco- -- but it's a significant cost, but the two
22 big drivers are the gas treatment and the liquefaction
23 on the other end are really the two biggest items in
24 this overall value chain going down in terms of
25 construction.

1 DRYGAS: Can you repeat again, what was the cost for the LNG
2 plant?
3 FAUSKE: Between 20 and 24 billion.....
4 DRYGAS: Yeah.
5 FAUSKE:have been the latest estimates. Those, again,
6 are estimates and that engineering work is going on,
7 but it's a huge, huge complex. And they're purchasing
8 land and there's -- you've seen that in the papers
9 where -- you know, to -- to get the site secured where
10 you would have the ability and then they'll start
11 testing that. They, we're part of that, boreholes and
12 all this other stuff to design it to -- I remember
13 reading one article in the paper just the weight of the
14 plant is unbelievable, so you have to test if the
15 ground can hold that type of -- I mean, it's in the
16 hundreds of millions of tons and so that work is
17 ongoing, so.....
18 BURNS: Dave and then Hugh.
19 CRUZ: Yeah. So through the Chair, I want -- for the new
20 Board Members I want you to bear in mind that we are
21 only a partner in 25 percent of the liquefaction
22 process. We're not midstream and we're not in the GTP
23 on the Slope, so there gets to be some misconceptions
24 in the press that we are 25 percent partner in that.
25 We are not, only that item.

1 BURNS: Hugh.

2 SHORT: My question is how does this project compare
3 globally to -- let's just talk about liquefaction. You
4 mentioned the 20 to 24 billion, how does that -- the
5 output of the liquefaction, the size of the
6 liquefaction compare globally to other liquefaction
7 projects either built or currently in construction?

8 RICHARDS: Mr. Chairman, I would like to bring Fritz Krusen to
9 the to stand. Fritz.....

10 BURNS: Absolutely.

11 RICHARDS: Fritz was hired specifically as the vice president
12 of the AKLNG coming with 30 plus years of experience
13 with ConocoPhillips in liquefaction.

14 BURNS: And actually -- I mean, I think this is a good point
15 which we're -- in Frank we're got ASAP. In Fritz we
16 have AKLNG.

17 SHORT: Sorry to veer off the other project, but this is so
18 darn interesting.....

19 BURNS: Yeah.

20 SHORT:I've just got to know.

21 BURNS: No, but, Dan, if you want to clarify just the
22 organizational structure so that, you know, we try to
23 keep things.....

24 FAUSKE: That's a good question, Mr. Chairman. We've had the
25 ability recently to crossover, to use people on both

1 sides of AKLNG and ASAP. And there's been some
2 contention on that here recently based on how people
3 perceive it and the sharing of data, but currently
4 Frank has been primarily the ASAP side. Fritz is
5 totally AKLNG, but then supplies guidance on the ASAP.
6 You know, after 36 years with ConocoPhillips and at the
7 end of his career he was a global lead for
8 ConocoPhillips, so he brought a great deal.

9 We were fortunate that he had two daughters here and
10 wanted to get back to Alaska, so one of the daughters
11 is a psychologist which we plan to use here in the near
12 future. She's offered her services, so.....

13 And then Frank has been primarily in the ASAP side
14 on the engineering, so we've had this, but there is a
15 distinction as to function and roles. And there is a
16 distinction as to the sharing of data and how you
17 firewall that and how everyone can -- can
18 (indiscernible).

19 What we've tried to do is maximize the ability of
20 people and minimize the numbers of people. In other
21 words, like I -- I think it was Bruce made a comment
22 that we have limited ourselves to not create a
23 bureaucracy that has to be fed.

24 Most of the people that we have our consultants that
25 come and go with phases of the project that they work

1 on and as far as core staff we've kept that to a pretty
2 good minimum which is always going to be the intent
3 because that's just the way it is. This is a project
4 organization. It's a pipeline company basically,
5 so.....

6 BURNS: So, no, let's get Hugh's question answered first.

7 UNIDENTIFIED: Okay.

8 KRUSEN: So, for the record, Fritz Krusen, vice president of
9 LNG for AGDC and then I'm also what's called the
10 Project Steering Committee representative for AGDC on
11 the AKLNG project.

12 BURNS: Fritz, if you could talk and speak a little louder
13 we'd appreciate it.

14 KRUSEN: Okay. I was trying to get into the mic, but I'll
15 just.....

16 BURNS: That mic is over there, that doesn't help us.

17 CRUZ: No, he's got another mic.

18 BURNS: Oh, got cha.

19 KRUSEN: So through the Chair, Mr. Short, we mix units quite
20 a bit so we talk about LNG output in millions of metric
21 tons per anum, so the Kenai LNG plant that Dan
22 referenced earlier is about 1.3 mtpa. World standard
23 these days is around fiveish mtpa and quite often
24 there's two trains, 10 mtpa.

25 By the time you bring that up to Alaska where it's

1 colder and we're going to bring the gas in at higher
2 pressure, that's six mtpa per train, 12 mtpa for a two
3 train project, but where AKLNG differs it's a three
4 train project, so it's at least a third bigger, maybe
5 -- maybe approaching 50 -- you know, twice -- 50
6 percent bigger than the typical two train LNG project
7 in Australia, anywhere else.

8 FAUSKE: Something that might help and I'd like to -- I
9 always forget the number, but the conversion of billion
10 cubic feet of gas converts to what, about seven.....

11 KRUSEN: Yeah

12 FAUSKE:tons.

13 KRUSEN: I can never remember the number. What I do remember
14 is we've got about 900 million coming into each LNG
15 train and we've got about six mtpa going out of each,
16 that's something I can remember.

17 FAUSKE: And the AKLNG as designed, I think, it at 20
18 million.

19 KRUSEN: The license will be for 20 million.

20 FAUSKE: Twenty million tons per anum produced based on 3.3
21 billion. After you've netted out the gas to run the
22 pipeline, it's about 2.7 billion feet of gas. And
23 taking out Alaska use to produce 20 million tons of LNG
24 a year.

25 SHORT: Can I ask a follow-up?

1 BURNS: Okay.

2 SHORT: So given the fact that this is 50 percent larger
3 than the typical LNG plant and you mentioned Australia,
4 is that a factor of the amount of known reserves of gas
5 on the North Slope? Is that a fact- -- what's that's
6 a factor of? Why is it 50 percent larger?

7 KRUSEN: So, yes, it does reflect what the project thinks is
8 the appropriate way to monetize the gas reserves on the
9 North Slope, Point Thomson and Prudhoe Bay. So it
10 seems to be a nice size to efficiently monetize that
11 over a typical 20 year LNG contract.

12 SHORT: And with known reserves and the known projection of
13 20 mtpa, how long would we produce LNG given known
14 reserves today based on this liquefaction size?

15 KRUSEN: So this is maybe a little slippery ground for me
16 because we're supposed to be the downstream guys and
17 we're now talking about upstreamie (ph) stuff, but it
18 would appear that, you know, we're, sort of, at plateau
19 for about 17 years-ish and then we begin to slip off
20 plateau and one, you're still producing from Prudhoe
21 Bay and from Point Thomson, but you have to go out and
22 find other gas to keep the three trains running fully.

23 FAUSKE: One of the premisses on AKLNG is if you've looked at
24 the financials it's gas to be found as listed. You
25 know, that's recognized within the development of the

1 project that not all the gas is available to carry it
2 out beyond, I think, it's 20 years or 25. I mean, if
3 you look at long term firm transportation commitments
4 at 20 and 25 years, so that's recognized.

5 I think we could help -- the large plants currently,
6 Australia, ConocoPhillips is involved, that's a huge
7 complex.

8 KRUSEN: Two train, 10 (simultaneous speech).....

9 FAUSKE: Exxon is in New Guinea with another large -- I don't
10 know the number, but we compare -- this would be the
11 largest project in North America, but I'm not sure on
12 a world scale. It's got to be right up -- AKLNG I'm
13 talking about now.

14 SHORT: Yes, sir.

15 FAUSKE: There's talk of British Columbia, a couple on the --
16 not near this size.

17 KRUSEN: I haven't kept up with those two (ph).

18 FAUSKE: Yeah.

19 KRUSEN: My speculation would be they'd be around 10 mtpa.

20 FAUSKE: Yeah, so this is a large project on a world scale.
21 Whether it's the largest or not, I don't know, but it's
22 right up at the top. We can find that out for -- I
23 mean, get you a ranking

24 SHORT: I think there's going to be a lot of information
25 over a period of time then. I'll request, just get an

1 idea of the macro (ph) of how this project scales
2 compared to other projects. At the end of the day, I
3 feel my job is to try and make this the most
4 competitive project in the world so we can get it
5 built.

6 So the better I understand the overall global
7 completion, the global market and then how we can --
8 how I can as a Board Member help this project move
9 forward to be competitive will help me do my job.

10 KRUSEN: I would add, AKLNG did a lot of pre-work as things
11 were coming together for the Joint Venture that, sort
12 of, reinforced in their mind that this 18 to 20 mtpa
13 export and that method of monetizing the North Slope
14 gas, sort of, hit the sweet spot for what they
15 currently know.

16 BURNS: Um-hum. (Affirmative) Rick.

17 HALFORD: I would appreciate it if we could somehow we could
18 put together that run-on sentence of comparison so we
19 have a scale that we can use, metric tons per year,
20 billions, trains, you know, so we can convert to the
21 systems that you go back and forth and knowing.

22 I understand it briefly when you say it and then I
23 come back and try to figure it out and have to figure
24 it out again every time. And if we had a simple scale
25 that we could understand it on would be appreciated.

1 KRUSEN: So why don't I go away and create an LNG cheat sheet
2 like Frank did for pipeline.

3 HALFORD: Thank you.

4 BURNS: I think that would be helpful. Any other questions
5 for Frank? Oh, yes, go ahead, Joe.

6 PASKVAN: Just one observation because as I understand then
7 with three trains, than the maximum flow rate for the
8 Alaska LNG project is 2.7 Bcf a day?

9 KRUSEN: You know, we have annual averages and we have
10 maximums and so the maximum is probably higher. The
11 maximum into the LNG plant is probably 2.8 billion,
12 maybe a little bit above that. The annual average is
13 2.7.

14 PASKVAN: Okay.

15 RICHARDS: If I may, the key point is that's into the
16 plant,.....

17 PASKVAN: Correct.

18 RICHARDS:so then the output is less.

19 PASKVAN: Correct.

20 KRUSEN: And just -- I will be back for the -- I think the
21 next agenda item, so.....

22 BURNS: Yeah.

23 KRUSEN:if there's a lot of AKLNG type questions,
24 perhaps, I can help with that.

25 RICHARDS: Fritz, why don't you stay 'cause I'm going to

1 continue on with talking about the Corporation
2 initiatives and if there are question on the LNG that
3 would be great.

4 KRUSEN: Sure.

5 BURNS: And just for the new Board Members, we historically
6 structured it so we have a report on both of the
7 projects independently because this is the problem that
8 happens, you get this bleeding over and pretty soon you
9 don't realize what project you're talking about.....

10 SHORT: Right.

11 BURNS:and so we've had a discreet structure where we
12 move forward with the AK- -- or the ASAP project and
13 then we'll talk about the AKLNG and then there will be,
14 kind of, a lap-up (ph) as to how -- you know, the
15 interrelationship between the two because we -- you
16 know, those of us who started on have the same issues
17 and we've bleeding back and forth quite a bit. Yeah.

18 CRUZ: You know, for the benefit, I chair the Tech
19 Committee for -- so I'm dealing with Frank and Fritz
20 and all the group together and I asked the same
21 questions you were asking and the average worldwide
22 plant, it produces -- export facility, a little over
23 900 million cubic feet per day, that's the average when
24 you look at them. There's bigger, there's smaller, but
25 that's the average if that -- it gives you a

1 perspective of things.

2 SHORT: Three times bigger (ph).

3 PARADY: (Indiscernible) trains? I'm just.....

4 BURNS: The question is how many trains -- based on how many
5 trains? Frank, go ahead, please proceed.

6 RICHARDS: All right. Mr. Chairman, again, on the design
7 objectives, as I said, Alaska LNG was commercialization
8 of the North Slope resources. What they are doing
9 though is feeding into a liquefied plant in Nikiski so,
10 therefore, that quality of gas is different than the
11 ASAP. So ASAP was, again, lowest cost gas to Alaskans.

12 So in 20- -- summer 2013 we, within the ASAP
13 project, changed our design premiss to provide for
14 utility grade gas. Meaning gas that would come off the
15 line, could flow into an existing utility and be used
16 without any further conditioning.

17 So ASAP takes gas from the North Slope, conditions
18 it, brings it down a pipe. Can go into Fairbanks. Can
19 flow into what is now the Enstar system and be used
20 without any further work, so that was a key deciding
21 factor.

22 So the differences in the gas then is the amount of
23 conditioning that you do on the North Slope to meet
24 those two specs. So for the utility grade gas we're at
25 about three percent CO2, as opposed to the LNG quality

1 gas which is down to approximately 50 parts per
2 million.

3 So if I may I'll refer to the charts that we have on
4 the wall. These are depictions of the gas conditioning
5 facility for ASAP on the North Slope. So this is
6 approximately a mile to the west of the central gas
7 facility. An existing gas facility that proces- --
8 uses -- process the gas on the North Slope to re-inject
9 into the reservoir.

10 This facility is a two train, 250 million standard
11 cubic foot a day conditioning facility. So that means
12 that we will take the gas from the Prudhoe Bay Unit,
13 we'll condition it down to that utility grade
14 specification and than push it into a pipeline.

15 So incorporated into this is a compressor station
16 that would pressurize the gas up to the maximum
17 allowable pressure to be able to flow down through the
18 pipe. Two trains or two conditioning units that would
19 then strip out the carbon dioxide and the hydrogen
20 sulfide to be able to meet the -- essentially the
21 Enstar quality gas specification.

22 So this plant here represents approximately \$3.3
23 billion worth of facility. It's located, again, on a
24 -- would be located on a pad, approximately 70 acres
25 worth of gravel that is the same location that AKLNG

1 would likely use for their gas conditioning facility as
2 well, but the scale for the AKLNG project is six times
3 larger in terms of the gas flow.

4 So when we talk about the two projects, we've got so
5 many commonalities, same pad location, proximity to the
6 Prudhoe Bay fields and then ultimately feeding down and
7 providing gas for Alaskans.

8 BURNS: Um-hum. But that's been the intent, though, is to
9 maximize the symbiotic relationship, if you would,
10 between the two and we've gotten the -- as I understand
11 it, the permit from DNR is for both projects, you know,
12 all of that stuff, so we've sought to do that
13 intentionally?

14 RICHARDS: You're correct, Mr. Chairman. Actually the land was
15 withheld by DNR for a project, so.....

16 BURNS: For a project, that's right. And we consented to it
17 because it's going to one of the two?

18 RICHARDS: That's correct.

19 BURNS: Now, as I understand that, that design has been --
20 that's fully designed and a Level 3 cost estimate has
21 been obtained for that, correct?

22 RICHARDS: That is correct, Mr. Chairman. So that means the
23 last two years we've been working on a design premiss
24 for utility grade gas at 500 million cubic foot a day
25 maximum flow and that's what that plant is designed to

1 handle.

2 BURNS: Hugh.

3 SHORT: Mr. Chairman, so this project is contemplated to
4 deliver gas to the Enstar line and offshoot to
5 Fairbanks with a planned distribution system built-out
6 or expanded in Fairbanks.

7 What was the discussion or what is the plan for
8 those locations that are off of the road system that
9 currently aren't connected either to the gas
10 infrastructure in Southcentral Alaska or the planned
11 infrastructure that's being contemplated in Fairbanks
12 with the ASAP plan?

13 Has there been a discussion around how other parts
14 of Alaska benefit from this amount of gas getting to
15 Southcentral Alaska?

16 RICHARDS: Yes. We were given the charge under HB 4, I believe
17 it was Senator Hoffman who put in the language that
18 identified that AGDC must look at other transportation
19 mechanisms to meet the energy needs of Alaskans that
20 wouldn't be able to connect into this pipeline. So --
21 but the language is that we contemplate that work once
22 we have a pipeline in place.

23 So what we have been focusing on is initially design
24 the pipeline and now we're looking at what will be the
25 offtake points, so Fairbanks would be a major offtake

1 point. And we have a 27 mile lateral leading into
2 Fairbanks connecting into a yet to be built future
3 distribution system across the Fairbanks North Star
4 Borough.

5 And then we'll have offtake point designs for
6 smaller communities and -- to be able to have access,
7 so -- because the key driver by the Legislature is,
8 again, to maximize access by Alaskans, but in order to
9 do that we need to know the costs.

10 And the language was other transportation
11 mechanisms, so we are to look at pipelines. We are to
12 look at barge systems. Iso tank (ph) containers.
13 Whatever the mechanism may be to be able to, again,
14 economically provide for future energy delivery to
15 other Alaskans.

16 BURNS: Okay. Yeah.

17 CRUZ: So you -- one of the methodologies that -- looked at
18 is very similar to what's done in other parts of the
19 world as ISO containers. That's what you see riding on
20 the back of a truck. You see a forklift taking one,
21 set 'em on a barge or a ship. And basically we are in
22 still in the infantile stages within our Committee
23 dealing with that, but what -- the discussions we've
24 had is going to an intermodal type freight aspect.

25 So how do we get gas to Tanana, Galena. We have an

1 offtake point at or near the Yukon River. We fill
2 these ISO containers. They go on a barge. They go
3 down river. You come up, you switch 'em out at the
4 village, you know, that has for power generation or
5 their distribution system for gas within that, those
6 are things to come. And you load the empties up and
7 they go back. Very similar to what's done today with
8 diesel, just done with an intermodal freight type
9 transportation set up. That's what's done in other
10 worldwide places.

11 FAUSKE: Mr. Chairman, to add to the point. When HB-4 was
12 passed -- House Bill 4 there was a provision also that
13 we were to add a percentage of propane to the mix and
14 so we're currently configured at about one and a half
15 percent propane which is 4,000 barrels a day roughly of
16 propane.

17 And the intent then was to explore, what Dave Cruz
18 just talked about, is propane down the Yukon, propane
19 down the Richardson Highway and to see what the market
20 was and so that was taken into consideration at the
21 time the Bill was passed.

22 BURNS: Frank.

23 RICHARDS: So, again, the terminus of the two different -- of
24 the projects are at two different locations. The ASAP
25 project terminates at Milepost 39 of the Beluga

1 Pipeline which is one of Enstar's distribution lines
2 that feed into the Mat-Su Borough and into Anchorage.

3 Whereas, AKLNG project is terminating now at -- the
4 preferred alternative at Nikiski for the new LNG plant.

5 The design capacities as I said previously 500
6 million for ASAP and 3.3 billion standard cubic feet a
7 day for AKLNG.

8 And then when you get down to the cost estimates
9 ASAP with the completion of our Class 3 level work in
10 December our new cost estimate was approximately \$10
11 billion as opposed to the range of 45 to 65 billion for
12 the Alaska LNG project.

13 Workforce is fairly close, AKLNG, again, is three
14 mega projects wrapped up into one with the gas
15 conditioning facility on the North Slope, a major
16 pipeline project and then a huge LNG plant at Nikiski.
17 So a tremendous amount of work force will be necessary,
18 a tremendous amount of steel will be necessary and will
19 consume a good portion of the world's production.

20 FAUSKE: Yeah, Frank, if I may. The original estimate that
21 many saw was 7.5 billion, you know, and that was at
22 plus or minus 30 percent which was a Class 5/4
23 estimates. As you come down in class lower is better.
24 At Class 3 you can see where plus or minus 20 percent.
25 You end up getting to Class 2 before you go into

1 sanction, you know, as you start it at plus or minus
2 10.

3 What we appreciated was the fact that for -- there
4 were many that thought it won't pencil. When we first
5 started -- this was House Bill 369 which was what
6 created the team to write a report to see if it was
7 even feasible. To end up in nominal terms that we
8 stayed within the plus or minus 30 percent that we had
9 told people it would as it climbed up closer to 10 and
10 you can factor in inflation and everything else on that
11 as you're going over a two year period.

12 On this project every year delays about \$220 million
13 as just the normal cost and so that number is pretty
14 significant. And so that number is pretty significant
15 and those estimates now are getting real solid.

16 And what we did here was we asked contractors and we
17 paid them, not like -- but we paid them for their time
18 to get hard numbers. To really put not just, kind of,
19 a cocktail nap, but to get -- drill down into it.

20 Dave Cruz was very instrumental in that with our
21 team to bring them in here, a variety of different
22 contractors and asked them to get engaged into these
23 estimates. So you can take a pretty good level of
24 confidence in that Class 3 estimate and as you move it
25 down if this project were, you know, to continue. So

1 we're staying within the arena that makes it feasible.

2 We're still at a point on the tariff where we're
3 competitive to get gas to Alaskans at a price equal to
4 or less than imported LNG, but where you start getting
5 weak is you only need 250 million feet for instate use,
6 but, you know, plus or minus. That residual, the whole
7 tariff model is based on the fact that you'll see it
8 and that's where you start -- start looking
9 (indiscernible). Can you sell that gas to someone at
10 10 bucks or 11. Can you sell it to a Donlin creek or
11 an Agrium or some large commercial activity that would
12 buy it and so that's been the pressure on the 500 all
13 along.

14 BURNS: And let me just make sure that I understand though,
15 Dan. The -- when we've done this and done the Cost 3
16 estimate, my understanding was that's essentially
17 something that you could put out for bid?

18 FAUSKE: Correct.

19 BURNS: I mean, it's at that juncture.

20 FAUSKE: Yeah.

21 BURNS: And that, the final Cost 3 estimate had almost a 10
22 percent contingency in it, if I understood?

23 FAUSKE: Correct.

24 BURNS: And the total cost of that was about 10 -- 10
25 billion I think it is?

1 RICHARDS: That's correct, Mr. Chairman. So when you're
2 referring to the gas conditioning facility, we
3 essentially -- with the advanced design that had been
4 completed by Arctic Solutions, joint venture of Fluor
5 and WorleyParsons, they went out to vendors and
6 actually got quotes, price quotes for the major process
7 units. So the major process vessels. So they were
8 tangible. These weren't WAGs, wild ask guesses. These
9 were essentially vendor quotes that you could then
10 recognize that you have a level of confidence in you
11 cost estimates.

12 And as Dan described working with pipeline and civil
13 contractors, as well as Mr. Cruz, we were able to get
14 essentially right-of-way or work crew level estimates
15 from the pipeline side of the house. So we feel that
16 -- we feel that our confidence level in this Class 3
17 estimate is very good.

18 CRUZ: Yeah. So to (indiscernible) English (ph) for the
19 new Board Members, if we didn't have AKLNG today and we
20 were going to build a 500 million cubic foot per day
21 pipeline, we are ready to go and have a recourse tariff
22 developed -- or we have -- or submitted to.....

23 FAUSKE: RCA.

24 CRUZ:Alaska Regulatory Commission. They will come
25 back with a resource tariff. We've been promised 60

1 day turnaround, Mr. President.

2 FAUSKE: Yeah.

3 CRUZ: Sixty day turnaround.

4 FAUSKE: Yeah, that's what we've -- yeah.

5 CRUZ: Sixty day turnaround from Alaska Regulatory
6 Commission. At that point we then can go Open Season.
7 So effectively under the schedule that we have that we
8 are still trying to pursue, the long lead items, pipe,
9 heavy equipment, camps and that we need to be ordering
10 in January of 2016 if we are going to build this 500
11 million cubic foot pipeline today. That's the
12 threshold we are. This is not a WAG. This is hard and
13 fast that can go to bid.

14 So that's a -- we have a -- we have a huge resource
15 of extremely highly qualified people that came up with
16 these numbers. And I can't thank this Staff and the
17 people that I've had the opportunity to work with to
18 refine this number. It was brought out to Alaska
19 contractors, that's another thing that it's just not a
20 bunch of Lower 48 consulting firms that come up with a
21 number and here's what it is.

22 It was actually vetted though contractors in
23 Fairbanks. Very well known Fairbanks contractors.
24 Very large contractors based throughout. Peter Kewitt
25 as an example. Major players came in and stepped up to

1 help in this process and that's how we were able to
2 achieve a real number at less than 10 billion to build
3 this thing, so.....

4 BURNS: Hugh.

5 SHORT: So I take a lot of -- I think what you've just
6 stated gives me a lot of comfort.

7 Where I don't have a lot of comfort and it's my
8 experience -- I spent three years on the AIDEA Board of
9 Directors and as the tail end as Chairman we had a
10 project which was trucking LNG to Fairbanks. And that
11 project had a similar problem to what you just stated,
12 Mr. President, which is about three Bcf was what's
13 needed for the Fairbanks (indiscernible - coughing).
14 Maybe you could push it to four. Maybe on a good day
15 you could push it to five. The project scaled at nine
16 Bcf. That's what the plant was needed to be built at.

17 Ultimately what happened was you could -- there was
18 a gap between how quickly you could build out
19 distribution, grow the demand in the markets and bring
20 the cost down of the delivered gas to the project.

21 Now, we know what happened. We can follow, sort of,
22 the process because that project died. It's dead.
23 They're now talking about a different route.

24 And so I think on the construction side, you know,
25 I think they did a pretty darn good job of cost

1 estimates on that. They bought in a lot of really good
2 people. Where the project ultimately failed was it
3 came in at -- came in at about \$19 when it needed to be
4 about 15.

5 And so, I guess, as a new Board Member I'm
6 interested to understand the economic side, the tariff
7 side of this.....

8 FAUSKE: Sure.

9 SHORT:especially if we're counting on Donlin Creek
10 and Agrium and other large consumers of this given the
11 fact that we've had a pre-abysmal track record with
12 developing in Alaska on large projects over the last 20
13 years, so that's my concern.

14 FAUSKE: That's a very good concern. As Mr. Cruz pointed
15 out, you do your RCA, your recourse tariff filing.
16 What's key to this project that's different than AKLNG
17 is that there's an Open Season on this project.

18 SHORT: Um-hum. (Affirmative)

19 FAUSKE: AKLNG will not have an Open Season because all the
20 owners are present.

21 In this case for ASAP you would -- an Open Season,
22 a bid process.....

23 SHORT: Sure.

24 FAUSKE:before you would ever start construction or,
25 you know, pre-ordering materials you would have some

1 firm commitments from the buyers.

2 When I mentioned Donlin I was just using an example
3 of what's out there. When we originally did the tariff
4 estimates for Fairbanks, we had 'em at 60 million feet
5 of gas a day. They're now down to what we think's
6 about 23, (indiscernible) from all -- part of it's
7 Flint Hills, University, Military and so you need to
8 adjust accordingly.

9 The sad part about that is that -- and I reminded
10 Anchorage folks of this and when you talk to Fairbanks
11 folks and you get that normal -- you know, the head
12 butting that's gone on forever, is that it's in all our
13 best interest for the most amount of gas possible going
14 into Fairbanks 'cause it drives the tariffs down for
15 everybody and so that's the driver.

16 And so then the issue was get your local
17 distribution system in place so that when that gas
18 gets, you've got maximum going as quickly as possible
19 to drive those tariffs. So.....

20 SHORT: Sure.

21 FAUSKE:it's a number we're watching very closely
22 because at 20 to 23 million feet a day that's a
23 different number. Now, will Flint Hills open back up
24 if there's gas coming. You know, that's been -- we
25 have Fairbanks folks here that know that issue far

1 better and I, that's certainly been an indication.

2 One of the nice things about Donlin Creek and up
3 they've met with us numerous times. They're getting
4 ready or they were, they were going to spend a billion
5 dollars for their own pipeline, but they never believed
6 that this thing would go anywhere, so they continued
7 those plans, but if you get Donlin Creek in -- and help
8 me out here even if I'm wrong, you've got 100 miles,
9 110 miles from Bethel.

10 All of a sudden you've got a whole new arena that
11 could open up and so that's been not only resource
12 development, but the idea of all -- you're still 100
13 miles away, but you're not 500 miles away. I mean, all
14 that -- that's how that stuff goes. So we're on --
15 these are numbers that we are watching very closely.

16 SHORT: Good.

17 BURNS: But, you know, what the conundrum is -- is --
18 precisely is you've, kind of, indicated -- I mean, the
19 analysis here was based on the 500 and that was because
20 House Bill 4 had it constrained at 500 because of AGIA.
21 138 comes in and -- Senate Bill 138 comes in and AGIA
22 is no longer in play, but we have started the analysis
23 and we had progressed quite a ways in that analysis
24 under House Bill 4 with the 500.

25 And so it's neither prudent nor practical to start

1 all over because we were uncertain, as I understand it,
2 uncertain as to the viability of the project at all.
3 And so we progressed through the 500, you know, million
4 standard cubic feet analysis and found, you know,
5 pleasantly that it is a viable project. I mean, Frank
6 will walk through the analysis.

7 The caveat to that though is that you have to find
8 a market for the full 500 as the two of you guys
9 have.....

10 SHORT: Sure, yeah, yeah.

11 BURNS:indicated. And so the conundrum that we're in
12 and that leads us, you know, as we will be talking a
13 little later is that how do you maximize volumes to
14 bring down the tariff and find a market that you can
15 expand, you know, the purchase for that additional gas.
16 I mean, that's, that fine point. It -- you know,
17 that's going to be the focus of major discussion a
18 little bit later because we've done the analysis and
19 Frank will lead into it, and that the 500 is viable at
20 the 500 tariff assuming you have full 500.

21 SHORT: Sure.

22 BURNS: We just don't have it. Even if you factor in the
23 propane and all this other stuff, and so how do you
24 maximize -- how do you maximize the ASAP pipe to
25 increase volumes in a way that you've now, you know,

1 maximized the benefit for the State of Alaska.

2 SHORT: And to that point, Mr. Chairman, I think the

3 challenge in the Fairbanks project just as going to

4 what I know about that project, it took about six years

5 to build that demand, so it was a six year build-out.

6 And you did not cross break even until year four, year

7 five, early year six and so that required years one

8 through year four or maybe year five to have some sort

9 of subsidy to offset the loss taken because you didn't

10 have the demand side figured out. And then hopefully

11 year five or year six or seven you cross and then it's

12 past break even and I think that, that's.....

13 BURNS: Yeah. Nope and that's the same -- that's.....

14 SHORT: And I think that's.....

15 BURNS:precisely the same dilemma that's here.....

16 SHORT: Yup.

17 BURNS:because if you're just going to rely on instate

18 use.....

19 SHORT: Yup. Yup.

20 BURNS:it's not going -- you know, it's going to be

21 very, very difficult. So anyway.....

22 FAUSKE: Well, one of the terms that might help the Board and

23 I'll be just real quick is you'll hear is anchor

24 tenant.

25 BURNS: Yeah.

1 SHORT: Sure.

2 FAUSKE: A (indiscernible) you know, a major anchor tenant or
3 a utility. It's -- besides residential.

4 SHORT: Perfect (ph).

5 BURNS: Frank, we keep going back and forth, sorry. Rick.

6 HALFORD: Just when you mention 250 as the instate use, that
7 included all of Cook Inlet's gas.....

8 BURNS: A percentage of it.

9 HALFORD: or not?

10 FAUSKE: We're talking Railbelt usage.....

11 RICHARDS: And Fairbanks.

12 FAUSKE: and Fairbanks.

13 RICHARDS: Exclusive of gas from Cook Inlet.

14 FAUSKE: Yeah, exclusive of.....

15 RICHARDS: So we didn't -- we looked at.....

16 HALFORD: Okay.

17 RICHARDS: what was the need.

18 FAUSKE: Yeah.

19 HALFORD: Okay.

20 BURNS: We're just displacing (ph).

21 FAUSKE: And we have refined that study now and there's some
22 others that we can have on the -- we just got those,
23 didn't we?

24 RICHARDS: Yeah, we can -- we're not -- we didn't prepare
25 anything for today's discussion, but we will be glad

1 then the updated instate need.

2 FAUSKE: We'll get that to the -- the upstate use -- or
3 Statewide usage. It's just a new report that's been --
4 people have been working on. I'll get you -- we'll get
5 you that.

6 BURNS: Good. Frank, please.

7 RICHARDS: Mr. Chairman, I'll wrap up here quickly on the
8 comparisons. Again, for the ASAP project one
9 compressor station built into the gas conditioning
10 facility. That provides enough pressure for the gas to
11 flow from Prudhoe Bay all the way down through into the
12 Enstar system.

13 For the Alaska LNG project they have, again,
14 compressors at their gas treatment plant, but then they
15 also have intermittent plants along the route and
16 that's because they are pushing it at a higher volume
17 with a different quality gas, so differing approaches
18 there.

19 And then one correction I will make and I apologize,
20 on the slide for ASAP under completion date in
21 construction you show old numbers of 2016 and 2021. I
22 gave Gwen an old slide and that's my mistake. We're
23 now looking at final investment decision in 2019 and
24 then completion of construction in 2024.

25 And the reason why we did this was with the passage

1 of Senate Bill 138 the focus of the State was that the
2 priority project was the AKLNG project and, therefore,
3 AGDC completed our work efforts for the Class 3 work on
4 ASAP in December, but then we also looked at what was
5 going to be the best use of continuing engineering into
6 the next year while the AKLNG project marched towards
7 a Pre-FEED decision in first quarter 2016, so we
8 reduced our work plan efforts and, therefore, that
9 impacted our schedule.

10 FAUSKE: I hate -- but these points keep coming up 'cause I
11 remember these are new Board Members and so one you'll
12 find helpful, I think.

13 When we were run through the funding round a year or
14 so ago there were many that were troubled that we were
15 doing two projects and that people wanted to have a
16 backup. And our response has always been we just don't
17 know enough yet to make an either or decision on which
18 one. And our target date has always been first, second
19 quarter of 2016 whether the large project makes its'
20 FEED decision or not.

21 And then at that time it's always been the idea that
22 this project would meld into that one and that our goal
23 then was not to duplicate work. That we would work
24 closely with the other project and do work that was
25 beneficial to that project and we did work that was

1 beneficial to them as well, so we've had this very good
2 relationship.

3 In fact, right now we're doing the winter work
4 season on borehole testing. ASAP -- or AG- -- ASAP
5 side is doing it for AKLNG.

6 And then you get to that 2016 date where you go
7 okay, here we are 'cause you're not going to have two
8 projects. I think everyone is in total agreement with
9 that. And so I think we've done a great job of air
10 quality testing and all this stuff where you could have
11 the same tests going on within a mile of each other and
12 totally wasting the State's money. We have not allowed
13 that to occur.

14 So as you watch this, bearing in mind that a little
15 over a year from now we should be in a position where
16 there's going to be a decision one way or the other as
17 to which project goes.

18 BURNS: And the only thing I would add to that because I
19 think the -- and Joe can probably later on in the
20 presentation when we get to the AKLNG, our
21 understanding at least from the Board's perspective is
22 that the relationship has been literally exemplary, the
23 cooperation between AGDC and AKLNG and so, you know,
24 that's a huge positive.

25 The thing that we wanted to ensure though is that,

1 you know, the recognition that there really would only
2 be one project, okay, is real, but what AGDC always
3 wanted to ensure and the way we understood AK -- I
4 mean, House Bill 4 and Senate Bill 138 is that we need
5 to maintain a viable alternative project if AKLNG does
6 not proceed forward because Alaska has been waiting for
7 -- what are we, nearly 40 years or something.

8 And so, you know, it's important that we maintain
9 the viability of an alternative project. And in so
10 doing ensure that it truly is a viable project. And so
11 there were some things when AO 271 came out, for
12 example, that really, you know, wanted to make sure
13 that there was a freeze on discretionary, the -- you
14 know, what we did was we tasked some efforts in that,
15 but always maintaining the viability of the ASAP
16 project. Continuing with the supplemental
17 Environmental Impact Statement, moving things forward
18 so we maintain that viability because if you park a
19 project halfway through you lose it.

20 And so where we're at, at this juncture is we -- you
21 know, we've gone through on the ASAP at the 500 and one
22 of the issues that will come forward to this Board
23 today is -- you know, is evaluating the benefit of
24 expanding volumes through the ASAP 36 inch line. No
25 change in pipe diameter, you know, that sort of thing.

1 It's just expanding the volumes through that to capture
2 a, you know, market beyond it, but that's been the --
3 that's been the responsibility of AK -- of AGDC is
4 marshaling -- a shepherd (ph) in two new projects
5 knowing that there will only be one that moves forward.
6 And if AKLNG moves forward which is everybodys' hope
7 that, that then -- you know, then all the things that
8 we are spending on will be -- have been a significant
9 benefit to AKLNG project.

10 But the flip side of that is if AKLNG does not move
11 forward and the only reason substantively that it would
12 not move forward is if it does -- it would be simple
13 economics. And so either it's going to move forward or
14 it's not going to move forward, but Alaska cannot be
15 left in the position of having no alternative.

16 That was very clear in House Bill 4. I think it was
17 unchanged in SB 138. And it's been this Board's
18 mission to ensure that, that alternative option exists.
19 The focus has been on AKLNG. The commitment of, you
20 know, the Legislature and the Administration and this
21 Board has been, you know, advancing AKLNG, but we've
22 got to maintain the viability of an alternative.

23 RICHARDS: Mr. Chairman, if I may then let me just identify to
24 the Board what AGDC has accumulated in regards to what
25 I describe as assets for the State of Alaska. And as

1 you've heard we have a State right-of-way. Essentially
2 that's a lease that was granted to AGDC by the
3 Department of Natural Resources for the pipeline
4 alignment across State lands.

5 I'll refer you to the charts over here on my right
6 which depicts the alignment from Prudhoe Bay down
7 through to the terminus of the ASAP project.

8 Now, as Dan referred to, we have been working with
9 our partners at Alaska LNG and our routing engineers
10 have essentially landed on a common alignment for what
11 I describe as 98.5 percent of the route. So from
12 Prudhoe Bay all the way down through to the crossing of
13 the Susitna River on the Parks Highway Bridge we have
14 essentially a common alignment, so therefore, the asset
15 that AGDC holds for the State is valuable for both the
16 ASAP project, as well as AKLNG.

17 We have had published in the Federal Register a
18 final Environmental Impact Statement. Again, that was
19 in 2012, but it was on the old design premiss of a high
20 pressure, liquids rich gas stream. And with our
21 concept change to a lean gas in 2013 we've initiated a
22 Supplemental Environmental Impact Statement and that is
23 underway now with the Army Corps of Engineers.

24 So with that work we've updated what's known as a
25 plan of development which the major land owners, both

1 State and Federal agencies require that we have. We've
2 completed what is the precursor to the SES and it's
3 called an Environmental Evaluation document. And we
4 have done public scoping now in 16 communities along --
5 within Alaska to follow the Federal process for public
6 involvement in that Supplemental Environment Impact
7 Statement.

8 We have continued to do extensive field work along
9 the alignment where we not have completed our waterways
10 site visits so that we now can define the approximately
11 480 different waterways that the pipeline will be
12 crossing. And we're looking at the best ways to cross
13 those and we'll come up with those typical plans to be
14 able to present to the regulators.

15 We've conducted a 2-D terrain unit mapping along the
16 entire route. We've conducted what is known as our
17 cultural resource mapping which is the requirement of
18 Section 106 which is the Historic Preservation Act.
19 And then we've also done wetlands delineation and
20 sought jurisdictional determination from the U.S. Army
21 Corps for the wetlands that will be impacted by not
22 only the construction right-of-way, the access roads,
23 but the permanent right-of-way as well.

24 So that right there in terms of the regulatory world
25 we've done a considerable amount of work.

1 Now, shifting on to slide what is titled 8 and I
2 apologize for the numbering, we have other hard assets.
3 These are the geotechnical boreholes that we have
4 completed for AGDC along this alignment. As Dan
5 indicated previously, we have work with our partners at
6 AKLNG and we have sought not to duplicate efforts.

7 So primary where AKLNG and the partners had a
8 tremendous wealth of information north of Livengood,
9 from Prudhoe Bay to Livengood, AGDC did not. And so we
10 elected not to do work there in the hopes of being able
11 to work out an agreement to obtain that information
12 from our partners in AKLNG and we did that in late last
13 year. So we have now received that information to
14 AGDC. And in return we have shared boreholes that we
15 had south of Livengood along the alignment with AKLNG,
16 so it was a win/win for both projects.

17 As Dan mentioned also air quality monitoring at the
18 gas conditioning facility, we have been doing that and
19 have that in hand. And we've been working on an air
20 permit requirements with the Department of
21 Environmental Conservation for that gas conditioning
22 facility on the Slope, so that is far well (ph)
23 advanced.

24 The strain based design pipe I talked about earlier,
25 we've completed our line pipe specifications. This is

1 the main line pipe that would be other than stain based
2 design. And we've completed our -- what's known as a
3 Project Execution Plan. And this is a very detailed
4 document that outlines not only how we'll do the
5 efforts that we've done to date, but also how we will
6 move this through to execution phase, construction and
7 then into operations afterwards. So it's a guideline
8 that would provide essentially a tremendous wealth of
9 information in terms of how to build this project.

10 FAUSKE: Frank, I think down on the 2nd where their -- the
11 project team is located in the conference room there,
12 we have the -- correct me if I'm wrong. I always get
13 all the names wrong, but the Project Exec- -- the
14 spreadsheets, the gantt chart, aren't there 80.....

15 RICHARDS: Work breakdown structure.

16 FAUSKE: Work breakdown structure. I think there's
17 8,400.....

18 RICHARDS: Lines.

19 FAUSKE:lines on there of all the -- if you get a
20 chance go down and look at. It's pretty impressive.
21 I mean, when you get to thinking there's a awful lot
22 that goes on to one of these things, but that's all
23 spread across the wall so you can get, kind of, a
24 visual on the amount of work that goes into doing one.

25 RICHARDS: So the documents that I just referred to is the

1 information that we hold. We hold that in AGDC and it
2 is literally thousands and thousands of assets, as
3 they're called.

4 And now we did receive, again, information from our
5 partners in Alaska LNG and under the Cooperation
6 Agreement that limited -- that was limited to the ASAP
7 project at 500 million standard cubic feet a day, so
8 that information was for that project. We've cordoned
9 that off and it will not be used on other work efforts
10 going forward other than 500 million.

11 BURNS: Unless there's -- unless there's an agreement
12 otherwise.

13 RICHARDS: That's correct, Mr. Chairman. So now I'll turn it
14 back to Fritz and ask him to give an update on the
15 AKLNG milestones.

16 KRUSEN: Okay. So now we're moving to section.....

17 RICHARDS: No, no, we're going to go through here, so what's
18 been done to date (ph).

19 KRUSEN: All right.

20 BURNS: So before we transition to AKLNG, are there any
21 questions of Frank relative to ASAP? Okay.

22 People need a break?

23 UNIDENTIFIED: Yes.

24 BURNS: Okay. Let's take a five minute break.

25 (Off record - 10:29 a.m.)

1 (On record - 10:44 a.m.)

2 BURNS: All right. Just before the break Fritz was up to
3 bat on the AKLNG.

4 KRUSEN: Okay. So I'll try to speak a little louder than I
5 did in the past. Everybody hear me okay?

6 (Simultaneous speech)

7 KRUSEN: All right. So we're on a slide that is entitled
8 Alaska LNG Milestones and I'm showing page number 5 on
9 the lower right hand side.

10 GRAHAM: It's not done correctly.

11 KRUSEN: We're still in Tab 9, Section 9, are we not? Okay.
12 All right. So I'm going to read down this. This is,
13 sort of, the history of getting to where we are today.

14 Maybe a dot point that isn't there, maybe the very
15 first dot point is the Joint Venture Agreement or JVA
16 was signed on the 30th of June, 2014, so that's what
17 actually bound AGDC, TransCanada, Exxon Mobil, BP and
18 ConocoPhillips in the Pre-FEED effort.

19 One of the first things they did then -- one of the
20 first things we did was filed an export application
21 with the U.S. Department of Energy, so if we're going
22 to export LNG we've got to get our paperwork in place.
23 And they were very prompt in their response, November
24 20th they authorized LNG exports to Free Trade
25 Agreement countries and that's a really big deal.

1 We made an application to FERC, this is a FERC
2 project not -- that's the one thing it differs from
3 ASAP on. This is a FERC led project. You want that.
4 FERC looks after energy, so we -- they've made a
5 prefile request on September 8th and we've been working
6 on the Draft Resource Reports. There's actually 13
7 Resource Reports that go in. All in all the first 12
8 -- I guess maybe jump down a little bit, the first 12
9 were submitted in February of 2015.

10 We briefed the Joint House and Senate Resource
11 Committees on the 29th of September. There have been
12 subsequent individual briefings.

13 We've been all over the State, but one of the more
14 interesting sessions was the media tour in Nikiski on
15 the 9th of October. We all got on the news.

16 Our Board approved our 2015 budget. We were the
17 first of the co-ventures to approve the AKLNG budget,
18 so I certainly appreciate everybody's quick response.

19 Even though this is a Pre-FEED effort, there's still
20 a lot of real activity going on, so the LNG plant site,
21 geotech work was done and the Cook Inlet site
22 investigations were done, more to come in 2015.

23 As Frank described, we have signed agreements on how
24 to share information between AGDC and ASAP -- I'm
25 sorry, between AKLNG and ASAP.

1 And late last year the contracts for the various
2 sub-projects were awarded. So for the gas treatment
3 plant URS or actually they want to be called something
4 else now. I think it's AE COM, but they're the prime
5 contractor in Denver and they've got CBI and AES,
6 ASRC's engineering bunch.....

7 FAUSKE: Fritz, if I could, CBI is Chicago Bridge and Iron
8 which is a name that's familiar up here and AES is
9 Arctic Slope, maybe you were going to get there,
10 but.....

11 KRUSEN: Um-hum, right.

12 FAUSKE: Arctic Energy Services.

13 KRUSEN: The pipeline, that's being done by WorleyParsons in
14 Calgary. The LNG plant, CBI is the lead contractor and
15 they've teamed up with Chiyoda one of the big Japanese
16 EPC firms and AES, that's being done in Houston.

17 And the marine facilities are being done by an
18 outfit called CH2M Hill in Houston with the Alaska
19 content being provided by the CH2M Hill office in
20 Anchorage. So world class contractors engaged, but
21 also Alaska content involved.

22 So, I think, back over to you, Frank.

23 RICHARDS: Yes. Mr. Chairman, the next slide is really, kind
24 of, a history lesson that we've talked about in terms
25 of the 500 million limitation on ASAP and I think we've

1 talked about that, so maybe I can skip that unless
2 there's questions.

3 All right. So in regards to the next slide, it's
4 called the Alaska LNG/ASAP Coordination and this is
5 where we've talked about some of the agreements and the
6 cooperation that we have working with our partners at
7 AKLNG. Predominately it was originally around a lot of
8 the information north of Livengood. And as I described
9 to you earlier that information has been shared with us
10 and we in turn shared information that we had with
11 AKLNG, so the information flow is occurring back and
12 forth.

13 We are continuing to hold workshops with our
14 partners at AKLNG at the technical level in regards to
15 waterways work, geohazards work. We are using, in many
16 cases, the very same contractors because they're world
17 class contractors.

18 When we talk about geohazards in the Denali Fault
19 Crossing, the paleo seismologist who helped predict
20 that TAPS would experience a major fault and it did in
21 2002, is the same guy that's now consulting with AKLNG
22 and ASAP. So he's now predicting a fault rupture on
23 the Denali Fault just south of Denali National Park
24 during the life of the ASAP project and the AKLNG
25 project, so we had to make sure that we design

1 accordingly, so the work is going forward.

2 We are continuing to foster those relationships. We
3 have agreements in place and we are utilizing the
4 assets then that we have accumulated for ASAP in
5 conjunction with AKLNG.

6 So the last slide was, again, on the Near Term Focus
7 and I think that's part of the discussions that we'll
8 be having next, Mr. Chairman.

9 BURNS: Okay. So, Frank, just to clarify for me. I
10 understand the relationship to be exemplary between
11 AGDC and AKLNG. I mean, have I -- have I misstated?
12 I mean, it's a good working relationship, sharing of
13 the data. Are there any issues?

14 RICHARDS: Well, I think you can have two perspectives here
15 because, again, Fritz is working it from the project
16 side from within AKLNG and I'm looking at it from the
17 project side within ASAP. And as I said, we have.....

18 BURNS: From your perspective.

19 RICHARDS: From my perspective, again, ASAP, the technical team
20 has -- is a world class team as well and so we are
21 utilizing very qualified, highly experienced, capable
22 engineers. And so we have essentially a team that has
23 value with the work product that we've developed to the
24 AKLNG partners and they see that, so then they are,
25 again, soliciting work activities with us. And as Dan

1 said, the AGDC team is out in the field right now doing
2 the field work.

3 Because under House Bill 4 one of the powers that
4 the Legislature granted to us was that the State
5 agencies, the regulatory agencies have to give priority
6 basis to AGDC project, permit submittals,
7 authorizations, so we rise to the top, so therefore, we
8 are able to get our permits through very quickly
9 because, again, it was a Legislative mandate that AGDC
10 has priority projects.

11 FAUSKE: I.....

12 BURNS: And Fritz -- I'm sorry, go ahead.

13 FAUSKE: I just want to add. I mean, to be tot- -- you know,
14 for the -- it's been a little strained here lately
15 based on some of the announcements and what this
16 organization is going to do and that's normal. It's
17 just been a potential change in pace, you have the
18 Governor's comments and some of the reaction back which
19 has been felt on our side by participation and data and
20 stuff and we're sorting through all that, so -- but
21 it's a good relationship which gives you the ability to
22 sort through some of this stuff because we do talk and
23 communicate all the time, so.....

24 BURNS: Good. And, Fritz, from your perspective, the
25 relationship?

1 KRUSEN: I would agree. It's been exemplary up to this
2 point. We do have some things to work through now,
3 but, you know, we're all motivated to make something
4 happen.

5 BURNS: Okay. Any questions, any comments?

6 Okay, that leads us to, I think, the primary topic
7 so, Frank, do you want to work forward?

8 RICHARDS: So, Mr. Chairman, under Tab number 9 essentially
9 we're talking about new business with ASAP. Mr. Cruz
10 identified that we have what is known as a Tech
11 Committee or Technical Committee and that's essentially
12 a subcommittee of the Board of Directors whose focus is
13 to interface with Staff on the technical basis of the
14 projects.

15 So in those subcommittee meetings we present
16 detailed updates on the major, functional areas that
17 each project is working and provide updates and issues
18 that are coming forward and so we do that on a monthly
19 basis usually the day before the regular Board Meeting
20 and that's just one of several subcommittee meetings,
21 so.....

22 BURNS: Dave, do you want to add to something (ph)?

23 CRUZ: Yeah. And so Tech Committee is permitting. First
24 of all, that's the biggest challenge as to any project
25 today. We have cooperation through AGDC of State

1 agencies. I am reserving my comments for cooperation
2 with Federal agencies in this State, so -- but that's
3 what -- so we have a very good team, so that's one of
4 the things our committee deals with.

5 The second thing is the engineering side that we're
6 constantly interfacing with our consultants, as well as
7 our own team in the engineering aspects. Why do we
8 chose 36. What pressure is operate is (ph). What
9 capacity is bridges. Multitude. We've got to have
10 good engineering.

11 And final is construction, how do we built it, what
12 does it look like. What type of equipment are we
13 using. When do we need to order this equipment to met
14 deadlines, so that's -- so it's a very, very active
15 committee.

16 And I'm glad to see all the new members here because
17 leave your calendars open. Chairman Burns will assign
18 you to a committee and you will be able to participate.
19 This is a Board, as Mr. Fauske will attest to, that
20 does not meet once a month and get a statement and we
21 vote on a few issues going this is (ph) -- because of
22 our Chairman Burns and the way we set this up in the
23 beginning, you will need to be participating on
24 committees. All of you bring expertise into a
25 different field that will help.

1 And so I had a couple of additional members, they're
2 gone now, so I am definitely looking for some committee
3 members to come in, but that is -- what's different
4 about this is you are truly entrenched in it and you
5 can work together with the Staff and with the
6 consultants.

7 You can question 'em and you can have just -- like,
8 Mr. Short is saying why are we doing this and you can
9 have some involvement. And it's been a great, great
10 experience to work from because it's good old -- some
11 good old Alaskan engineering.

12 I know there was one comment one time, I'm going to
13 share this once and I'll get off my -- my stand. So we
14 had a discussion and there was, you know, about who
15 were the Arctic pipeline experts in the world. And I
16 boisterously stood up and said it's the Alaskans 'cause
17 we're the only one that's ever built it and made it
18 work and that is the Arctic pipeline experts and we
19 have great people here. Like I said, I can't say
20 enough.

21 What Fritz didn't say when he came in here, I want
22 you to understand, Fritz is an employee of AGDC. He is
23 not a consultant. Frank is an employee of AGDC, so
24 great, great people, so anyway that's my little
25 diatribe there.

1 BURNS: All right.

2 SHORT: Could I ask.....

3 BURNS: Yup.

4 SHORT:what committees exists?

5 BURNS: Yeah. You know, we'll get back to that. It's on
6 the agenda later on, on just committee discussion and
7 assignments.

8 SHORT: Perfect.

9 RICHARDS: Chairman Burns, I'll refer you to what's Titled ASAP
10 Reconfiguration, a slide that we prepared. And, again,
11 subcommittee Chairman Cruz, I don't know if you want to
12 give a preface to this.

13 CRUZ: Okay. Frank, let me get that. Where is -- what Tab
14 is that under, A, B, C?

15 RICHARDS: It should have been a handout.

16 FAUSKE: It's a handout, Dave.

17 BURNS: Yeah, it's a separate handout.

18 CRUZ: I'm getting a lot of paper up here now, so -- okay,
19 I think I've got it.

20 BURNS: And so you're on slide 10?

21 CRUZ: I'm on slide 10, so the reconfiguration. So -- yup,
22 we've go it.

23 DRYGAS: And Frank, I just wanted to say thank you very much
24 for this.

25 RICHARDS: You're welcome.

1 DRYGAS: This -- I needed some help with the alphabet soup,
2 so I appreciate that.

3 FAUSKE: We'll get you another one on.....

4 KRUSEN: LNG.

5 GRAHAM: AKLNG.

6 FAUSKE:LNG stuff.....

7 DRYGAS: That would be great, thanks.

8 FAUSKE:that Fritz was going to put together, so we'll
9 have that for you. Also have stuff for you from our
10 questions yesterday.

11 (Simultaneous speech)

12 BURNS: All right. Go ahead, Frank.

13 RICHARDS: Well, Mr. Chairman, again, referring to the slide
14 that subcommittee Chairman Cruz tasked the AGDC Staff
15 to look at, reconfiguration for the ASAP project. And,
16 again, with 500 million limit- -- relaxation 500
17 million, then the concept is what can we do for ASAP
18 project to make it -- or continue to have it to meet
19 its not only Legislative intent, but also the primary
20 objectives and that's really to keep alive a backup
21 plan to the AKLNG project, so that means looking at
22 something other than what we had originally designed
23 to.

24 And so with that then is, again, we have to live
25 within the intent that the Legislature gave us. The

1 provisions within Alaska Statute 31.25 that directs us
2 on what our abilities are as an organization to advance
3 a project.

4 And then make sure that we're looking at the
5 economic viability of a project because as Dan has said
6 for the 500 million we came up with a tariff that beat
7 the price of imported LNG. However, it required
8 additional volume sales to a yet to know large
9 customer.

10 And we also have to make sure that we maximize the
11 benefit for Alaskans and that means revenue to the
12 treasury, jobs and affordable energy.

13 And the key is that we continue to work on the
14 assets that we've already built on. The assets that
15 we've accumulated and what we can make sure that we --
16 what we are going to do into the future will have
17 transferability, will accelerate the development of the
18 Alaska LNG and then utilize the leverage, the existing
19 funds that we have.

20 And for the Board, we have two different fund
21 sources in statute. One is the instate natural gas
22 pipeline fund that was set up originally for ASAP and
23 then we have the Alaska LNG fund which is there for the
24 Alaska LNG project and our share of that portion of the
25 project.

1 And then we're also to have commercial discussions
2 with the market, that was part of the other charge that
3 Chairman Cruz gave us.

4 So moving on to slide 3, the strategy is to look to
5 again leverage, increase the leverage that the State
6 has and the optionality of an ASAP project through
7 extended volume and capacity in the project. And,
8 again, having the project lead to tidewater, so it
9 would be for both instate as well as export markets and
10 then we would build on, as I said, the existing assets
11 that we have and with a key of not wanting to duplicate
12 the work or -- and to avoid competition.

13 So in terms of success factors.....

14 BURNS: What do you mean by that -- that bullet, avoid
15 duplication of the AKLNG and competition with AKLNG, is
16 that what you're talking about?

17 RICHARDS: Avoid duplication of work efforts, so if AKLNG is
18 designing a pipeline route through Atigun Pass, we
19 shouldn't have to -- we can --.....

20 BURNS: Right.

21 RICHARDS: we don't have to do the same thing for the ASAP
22 project.

23 BURNS: And that's precisely what we're doing currently,
24 right?

25 RICHARDS: We are working on a common alignment, correct. So

1 with that then we want to make sure that we have
2 maximum durability and transferability of our work
3 product.

4 BURNS: Right. So a status quo moving forward
5 essentially.....

6 RICHARDS: Correct. And there again, two different.....

7 BURNS:preserving the relationship?

8 RICHARDS:volume -- two different size projects. We are
9 at 36 inch and Alaska LNG is at a 42 inch.

10 FAUSKE: Frank -- if I may, Mr. Chair. Does that map show
11 where they break off? That's just ASAP, isn't it?

12 RICHARDS: This is just ASAP. So the departure point from a
13 common alignment is at the Sustina River Crossing on
14 the Parks Highway.

15 FAUSKE: Yeah. Where AKLNG goes off further to the west and
16 south.....

17 RICHARDS: Correct.

18 FAUSKE:crossing Cook Inlet and on into Nikiski, that's
19 where -- but other than that we're, what, 99
20 percent.....

21 RICHARDS: Yes.

22 FAUSKE:same alignment with the other project.

23 RICHARDS: So, Mr. Chairman, on slide 4 again what we thought
24 were -- would be critical success factors for a
25 reconfigured ASAP was to maintain that alignment

1 between the State of Alaska and the North Slope
2 producers.

3 Again, AGDC has the role of we are partner in the
4 AKLNG project and we have the responsibility for the
5 ASAP project, so we want to make sure that we are
6 ensuring that the State's ability to advance an
7 independent project that's economically viable as an
8 alternative is very, very important.

9 And then we want to make sure to the best of our
10 ability to obtain concurrence with the AKLNG Joint
11 Venture Agreement partners on that to ensure that we've
12 got complementary as opposed to competitive orientation
13 on the project.

14 And then lastly maximizing the resources that we
15 have within AGDC to accelerate the FEED. And the FEED
16 is front end engineering and design decision, so that's
17 -- right now for the AKLNG project is scheduled in the
18 second quarter of 2016, so again, what we can do to
19 help advance that or accelerate that, that FEED
20 decision and make it more -- a more robust decision is
21 very key in terms of success.

22 Switching onto slide number 5, my underst-.....

23 CRUZ: Frank, so what I wanted to -- for the new Board
24 Members and the press and the audience here today,
25 since I've been on this Board I cringe every time

1 somebody says oh, this is the bullet line. A 36 inch
2 pipeline in today's world is a major gas transmission
3 line. It is not a bullet line.

4 So I like to refer jokingly with my Committee
5 members, you mean, the six inch smaller line than the
6 42, so -- but that's one thing you've got to remember,
7 this is not the bullet line. A 36 inch pipeline in
8 today's world is a major gas transmission line and we
9 all need to remember that, so go ahead, Frank.

10 RICHARDS: And in that regard I would invite the Board to come
11 down to our lobby where we have a piece of the 36 inch
12 pipe provided to us by Flowline in Fairbanks sitting in
13 our lobby as a reminder of just how large a 36 inch
14 pipe is as opposed to a 42 inch pipe, a six inch
15 difference.

16 FAUSKE: Can I take just a minute to explain how that.....

17 BURNS: The difference in six inches?

18 FAUSKE: Excuse me?

19 (Off record comments)

20 FAUSKE: Several years ago we were originally at 24 inch,
21 2,500 psi and we were hauling liquids meaning NGLs,
22 GTLs and LNG. And there was a great deal of interest
23 or concern by people that wanted all those liquids with
24 the, you know, components that reside within the gas
25 because of offshoot industries that could come.

1 So as a result, we conducted some -- three, what I
2 view as very good studies on LNG, NGLs, natural gas
3 liquids and GTLs which is gas to liquids such as
4 converting diesel -- or gas to jet fuel, if you will
5 and LNG.

6 And at the time even though we've kept the door open
7 on all three possibilities, the most likely candidate
8 for commercial success was LNG and I think our studies
9 have proven to be correct.

10 As a result when you were hauling that high pressure
11 gas with all the liquids in it, to do the offtake at
12 Fairbanks at Dunbar, the Railroad crossing out there
13 which then led -- I think it was a 27 or 35 mile.....

14 CRUZ: Lateral.

15 FAUSKE: lateral. Thank you. Into Fairbanks, you had
16 to build a straddle plant to pull those liquids off and
17 get the gas down to utility grade, that's straddle
18 plant was 250 million just for the plant. And then you
19 would -- gas would recycle back out. You'd bring it on
20 down to Beluga, Enstar's point.

21 The Staff, through the Board, made a decision, this
22 no longer makes sense and we converted and we optimized
23 the line and took it up to the 36 inch utility grade
24 because we've always been a gas pipeline. We've never
25 been an LNG project.

1 And since its inception ASAP has been, we'll get the
2 gas to Beluga and then someone from there will either
3 convert it to this or that or do, but our job is to get
4 it down at the lowest possible cost to benefit Alaskans
5 and then knowing that we'd had to see that residual to
6 help with the tariff model, so this was a decision.

7 It's been over two years when we optimized to the
8 36, so I wanted to just give you a little history of
9 how this all came about.

10 BURNS: Frank.

11 RICHARDS: Mr. Chairman, on slide 5 the Initial Parameters is
12 a -- as we understood them from Chairman Cruz was to
13 maintain our 36 diameter pipeline, so stay within that
14 size of pipe, work towards, again, pipeline and gas
15 conditioning facilities only, so not include an LNG
16 facility in our work package.

17 And then the ultimate goal then -- or the near term
18 goal will be to provide to the Board an estimate of
19 what the work activity and the cost to be in order to
20 move forward for increased volumes for two different
21 classes of pipe at this time. And so that would be in
22 the range of from 1.4 to 1.6 billion cubic feet a day
23 for ANSI 600 pound class and about 2.4 to 2.6 billion
24 cubic feet a day for ANSI 900.

25 And then come back to you with what it would take in

1 order to complete that work effort likely through a
2 Class 3 effort.

3 BURNS: Will you (ph) speak to it?

4 CRUZ: Yeah. So as -- through our Committee we've always
5 -- that's the beauty of this 36 inch pipe and I really
6 applaud this organization because that was done prior
7 to us forming up as the gasline Board, so it was very,
8 very -- somebody is going to say well, it was my idea.
9 I was the 36 inch guy, but it was really -- that is a
10 huge deal to make this project viable.

11 So the -- in starting to look at some different
12 opportunities there on increasing the volume through
13 this 36 inch line, we don't change our right-of-way
14 width. We do not have substantial chance that would
15 effect an EIS. We are still in the Supplemental EIS.

16 What we will have to look at is compressor stations,
17 how many of them we truly need. What is the cost for
18 them. So this is our first shot at what does it take
19 to get to -- on an ANSI 600 1.4 to 1.6 and on ANSI 900
20 36 inch line 2.4 to 2.6. So that is -- that's what our
21 challenges are today and how we're going to move
22 forward in our Committee.

23 BURNS: So, the -- this is what the Tech Committee is asking
24 Board approval on?

25 CRUZ: Right. And so what we're asking from the Board is

1 on our Resolution here.....

2 BURNS: Well, we'll have Hugh introduce it, but
3 (simultaneous speech).....

4 CRUZ: Okay.

5 BURNS: Okay.

6 CRUZ: Is approval to go ahead and come up with a ROM, what
7 is this going to cost to come up with these two
8 different numbers. And so our Staff were looking at a
9 couple of weeks. We're -- Frank is used to timelines
10 is to produce a ROM, this is what the number is, so
11 that's what we're looking and asking for the Board
12 today from, is allows us the authorization to develop
13 a cost to do both -- both these analysis.

14 PARADY: Mr. Chairman?

15 BURNS: Yes.

16 PARADY: Mr. Chairman, I think given this discussion and
17 background we're ready for the Resolution which I would
18 like to move. I want to read it into the record be --
19 for Gwen especially. I have three minor edits as we go
20 in.

21 So I would like to move Resolution 2015-01.
22 Resolution of the Board of Directors of the Alaska
23 Gasline Development Corporation directing Staff to
24 prepare a schedule and cost estimate for preparation of
25 a Class 3 estimate for the ASAP Project under certain

1 specifications and approving related matters.

2 Whereas, in order to further development -- excuse
3 me. I'm going to.....

4 Whereas, in order to further develop the benefits to
5 Alaskans of the ASAP project. I want to delete those
6 next two words, work plan. So.....

7 BURNS: Well, just read it as you would propose it to be in
8 the record.

9 PARADY: Okay. Whereas, in order to further develop the
10 benefits to Alaskans of the ASAP project, the Board of
11 Directors, (the Board) of the Alaska Gasline
12 Development Corporation (AGDC) is interested in having
13 a Class 3 estimate of costs and a projected schedule
14 for the ASAP project under each of the following
15 assumptions: (1) 36 inch diameter pipe using American
16 National Standards Institute (ANSI) class 600 pipe and
17 (2) 36 diameter pipe using ANSI class 900 pipe.

18 Now, therefore, be it resolved by the Board of
19 Directors of the Alaska Gasline Development Corporation
20 as follows:

21 Section 1. Subject to modification of
22 Administrative Order 271 as necessary, the Board hereby
23 directs Staff of AGDC to prepare a work plan for
24 presentation to the Board including a schedule and an
25 estimate of cost for preparation of a class 3 estimate

1 for the ASAP project under each of the following
2 assumptions: (1) 36 diameter pipe using American
3 National Standards Institute (ANSI) class 600 pipe and
4 (2) 36 diameter -- 36 inch diameter pipe using ANSI
5 class 900 pipe.

6 Section 2. This Resolution shall take effect
7 immediately upon its adoption. Dated this date.

8 BURNS: All right.

9 PARADY: So let me pass this to Gwen.

10 BURNS: And that's the -- that is the motion. Is there a --
11 I mean, it's been moved. Is there a second?

12 CRUZ: I'll second it.

13 BURNS: All right. Open for discussion. Why don't we just
14 go around.....

15 DRYGAS: Fred, I just.....

16 BURNS:all the way through. Joe, do you want to start
17 off?

18 PASKVAN: Sure. As I understand the three changes are: in the
19 first line take out work plan. In Section 1 on the
20 second line add right after the comma, for presentation
21 to the Board. And then the last sentence in Section 1
22 is eliminated.

23 PARADY: Yes, sir.

24 PASKVAN: I don't have a problem with that at all.

25 BURNS: Okay. Any discussion on the Resolution itself?

1 Okay.

2 PASKVAN: No.

3 BURNS: Heidi.

4 DRYGAS: I'm just making sure I have the correct -- okay. So

5 the second one, okay. I just wanted to make sure I had

6 the correct language. No.

7 BURNS: Rick.

8 HALFORD: No questions.

9 BURNS: (Simultaneous speech).....

10 CRUZ: No questions.

11 PARADY: I'm good.

12 BURNS: Fred? Hugh?

13 SHORT: I guess my only question is the 600 class ANSI pipe

14 versus the 900 class ANSI Pipe would facilitate what is

15 contemplated in the ASAP reconfiguration of one and a

16 half Bscfd versus two and a half Bscfd?

17 BURNS: That's what the intent is, is to.....

18 SHORT: That's what the intent is.

19 BURNS: Yeah.

20 SHORT: Okay.

21 BURNS: Joe.

22 PASKVAN: Yes, the question that I have and I don't have a

23 problem with this is, is there a reason why we wouldn't

24 look at a Class 1,500? In other words, I don't know

25 what the difference in magnitude of the pricing of the

1 pipe itself. I assume everything else, installation
2 cost is the same, but in this pipeline cheat sheet they
3 -- it just shows a class 1,500.

4 CRUZ: Just pretend you didn't see that.

5 PASKVAN: So I was just wondering why --.....

6 BURNS: Which isn't a question (ph).....

7 PASKVAN:why we wouldn't have the same -- you know,
8 three options, class 600, class 900 and class 1,500,
9 that's my sole.....

10 RICHARDS: Mr. Chairman, Senator Paskvan, when we look at an
11 ANSI class 1,500 you're essentially looking at
12 definitely increased wall thickness in order.....

13 PASKVAN: Um-hum. (Affirmative)

14 RICHARDS:to handle the increased pressure. So then you
15 look.....

16 PASKVAN: Um-hum. (Affirmative)

17 RICHARDS:at the issue of constructability. So with that
18 increased wall thickness if you're approaching an inch
19 or greater than an inch, than you've got a major
20 challenge with the weld ability of that. More steel,
21 heavier equipment, constructability issues. It's
22 really -- that's part of the issue.

23 And then it was the direction by the Chairman to
24 look within the volume parameters of the two smaller
25 classes.

1 CRUZ: Joe, the pipelines -- that would be over one inch
2 thick.....

3 PASKVAN: Um-hum. (Affirmative)

4 CRUZ:which is -- now that's a huge ordeal in
5 attainability.....

6 PASKVAN: As a practical matter (ph).....

7 CRUZ:in the weld process, everything else, so it's
8 very -- very uncommon.

9 PASKVAN: And what prompted that question was is that I
10 understand Point Thomson is one of the highest pressure
11 gas fields in the planet and wondering whether this
12 pipe -- in other words, I understand the pressure that
13 comes out of the gas treatment facilities is different
14 than the pressure that's in the.....

15 CRUZ: The reservoir.....

16 PASKVAN:Point Thomson Unit itself,.....

17 CRUZ: The Reservoir.....

18 PASKVAN:but I just want to make sure that we're not
19 missing.....

20 CRUZ: No,.....

21 PASKVAN:that. Okay.

22 CRUZ:we can take their gas with no problem.....

23 PASKVAN: No. I just -- making sure that it's there.

24 CRUZ: Yeah.

25 BURNS: Okay. Any further discussion? Any further

1 discussion?

2 (Side conversation)

3 BURNS: Is there any further discussion? Rick?

4 HALFORD: The -- this question basically is just limited to
5 the pipe itself. Does it imply an up-scaling of the
6 gas conditioning plant and everything else or is it
7 only the pipe?

8 CRUZ: Only the pipe at this point.

9 BURNS: Right. And it's a process of identifying a work
10 plan that ultimately -- we're looking at Class 3
11 estimate. My understanding is Class 3 estimate
12 relative to the pipe, but the work plan we'll have to
13 identify what other things are necessary to achieve
14 what that is -- what goes along with it.

15 FAUSKE: It'll have -- I'm sorry, but it will have to
16 include.....

17 BURNS: Yeah.

18 FAUSKE:some work on the plan (ph).

19 BURNS: Yeah.

20 FAUSKE: I mean, -- correct?

21 DRYGAS: It's just that this.....

22 CRUZ: Well, no, not -- not.....

23 DRYGAS: Resolution is limited.

24 CRUZ:entirely, so -- that's something we haven't
25 really vetted through our Committee as -- all I'm

1 looking for is, what does it take to get this pipe to
2 move these two different volumes.

3 Then we're going to get into Ford and Chevy. Is AIM
4 Technology better than the Fluor process on that. And
5 those are things that I think we can get there if the
6 Board would like to see that on the gas treatment
7 facility, but right now I'm specific just wanting this
8 information.

9 BURNS: So -- but let me ask, kind of, following up on it.
10 Why just limit it to this? I mean, knowing that -- as
11 I understand from Frank, there's no way that you can
12 put the volumes through assuming that you're either at
13 the 1.4 or the 2.4, you can't generate sufficient
14 volumes to the (ph) existing treatment plant, so why
15 wouldn't the work plan look at, you know, all the --
16 identify all of the steps that might be necessary, but
17 focusing predominately on cost estimates relative to
18 the six and 900?

19 But it would be important for the Board to know in
20 order to achieve these volumes what other steps have to
21 be taken along the way? I mean, that would be, kind
22 of, what I'd -- I guess I'd like to see, not just a
23 part of it, because then we're -- then we're --
24 naturally we're onto the question that Rick says is
25 that okay, what else?

1 CRUZ: So.....

2 BURNS: So -- okay.

3 CRUZ: Frank and I have discussed and that, that would be
4 a total re-engineering of the gas treatment facility as
5 it currently stands. And that's going to take longer
6 than two weeks to come up how much does that cost, so
7 that's -- that is a lot bigger undertaking right now.

8 Some of the different ideas you have on this is what
9 would the producers like to see for a gas treatment
10 facility. Would they want three of their own and re-
11 injecting and handling their own gas the way they do?
12 There's a lot of different variables.

13 So if you look at the Alyeska Pipeline model for
14 discussion purposes, Pump 1 is a pump station and a
15 metering station. The producers that are feeding that
16 have a spec that they have to meet. It comes over
17 there. They take care of their own processing to get
18 it to a pipeline spec to come down the Trans Alaskan.
19 That's why I didn't want to wade into this as a
20 Committee right now until we found out, you know, what
21 would be the best methodology.

22 Right now what we were saying we would -- if we go
23 to that extent, well, this is the prefect model for
24 everyone. I don't know it is. I like Ford trucks.
25 John likes GM. So I'm not -- I can't speak for them.

1 All this is, is a transmission line remember,
2 that's.....

3 BURNS: Rick.

4 HALFORD: Well, I don't mind separating it out. I, kind of,
5 think that's a smaller bite to take and it's faster and
6 it's better, but I just wanted to make sure that's what
7 it actually did because -- I mean, you can go 600 or
8 900 and if you go the heavier pipe you don't have to
9 use it initially if you don't have the use. I mean,
10 there's lots of options along the way, so I have no
11 problem with asking the question.

12 BURNS: Um-hum. (Affirmative)

13 HALFORD: And I think the gas treatment plant is a huge issue,
14 but that's another issue totally separate.

15 BURNS: Um-hum. (Affirmative) Hugh.

16 SHORT: Let's take the gas treatment plant aside and say
17 that's another issue completely. That still leaves the
18 eight to 15 compressor stations that need to
19 contemplate different volumes and is that part of this
20 as well?

21 BURNS: Yes.

22 SHORT: It is?

23 CRUZ: Yes.

24 SHORT: Okay. So we're including in his two week cost
25 estimate increased compression.

1 CRUZ: Increased compression to meet that volume through
2 the 36 inch line.

3 PARADY: Mr. Chairman?

4 BURNS: Yeah.

5 PARADY: I just want to note that in working with this
6 language I don't believe we're under a two week cost
7 estimate. We're under the time necessary to get a
8 quality job done and.....

9 BURNS: Um-hum.

10 VASSAR: Mr. Chair, if I could.....

11 (Telephone interference)

12 BURNS: Excuse me, however is on the line, if you could mute
13 your phone it would be appreciated. So, Frank, let me
14 ask you this, the.....

15 FAUSKE: Get to the mic, Ken.

16 VASSAR: Mr. Chair -- Mr. Chairman, could I.....

17 BURNS: Yeah. Sure.

18 VASSAR: Of course the Board can ask Staff to do what you
19 want us to do, but whatever that ends up being we want
20 the written language in the Resolution to be clear of
21 what you're asking us to do. So I'm going to point out
22 that what the current iteration of the Resolution asks
23 for is a work plan for the ASAP project. The ASAP
24 project is not just pipeline.

25 BURNS: Um-hum. (Affirmative)

1 VASSAR: So if you want to narrow that down, we're going to
2 want to change the language a little bit.

3 BURNS: So let me ask you this question, Frank. Is it --
4 are you able to just identify quickly what the
5 necessary steps are along the way if you're going to
6 increase from six to -- you know, from the existing to
7 six or nine, okay? So would you have -- is it that
8 difficult of a job to say okay, you're going to have to
9 do something on the treatment plant. You're going to
10 have to put in 14 compressors. You're going to have
11 to, you know, up-size the -- or increase the ANSI on
12 it, you know, all the things to identify.

13 And then also to say okay, if you do that, you're
14 going to have to go back for a Supplemental EIS, you
15 know, that sort of thing. So that, you know, to me I
16 guess I was thinking that, that what was going to
17 happen in the context of the plan, but then focusing on
18 predominately what the cost would be on a Class 3
19 estimate of up-sizing the pipe from six to nine, that
20 sort of thing in pressuring it.

21 RICHARDS: Mr. Chair,.....

22 BURNS: I mean, we could do it in two steps. We could
23 actually come back and if you said here's the cost
24 estimate on the six and the nine. Then we could at
25 that point in time, you know, sanction moving forward

1 or sanction, you know, doing the cost estimate on the
2 other aspects of it.

3 We could do it in a two step process, but I -- you
4 know, I guess I'm trying to get a sense from you as to,
5 you know, in developing a work plan, you know, how
6 difficult would it be to say that aside from this, you
7 also need to look at the following six or seven
8 additional points.

9 RICHARDS: Mr. Chairman, the three major work tasks that I see
10 for the ASAP project in looking at reconfiguration is
11 going to be work on the pipe. We've already designed
12 the 36 inch ANSI 600 pound class without compressor
13 station.

14 So the second major focus is going to be on the
15 facilities. And the facilities are not only a new gas
16 treatment facility, but also the compressor stations
17 necessary to allow that volume to flow through to a
18 terminus.

19 And then the third would be the environmental,
20 regulatory and lands aspect in regards to work that we
21 would have ongoing in our Supplemental Environmental
22 Impact Statement and other major Federal and State
23 authorizations.

24 So key for the work plan that I envisioned providing
25 back to you was going to be identifying those three

1 major areas and the work that would be necessary to
2 conduct those two of (ph) Class 3 level estimate.

3 BURNS: See that's what I.....

4 UNIDENTIFIED: Yeah.

5 BURNS:anticipated as a result of this, that -- that
6 -- you know, they are tasked -- we're asking them to do
7 this, but as part of that, to do an identification.
8 Exactly what Frank is saying is, what are the steps
9 that are necessary along the way to achieve that, not
10 to go and do the actual engineering and all that other
11 stuff, but to tell us so that we as a Board can be
12 informed that if you do X these are the things that
13 have to be also addressed. If you do Y, you know,
14 here's the other issues. And then we'll have that in
15 the context of the full discussion.....

16 RICHARDS: Correct.

17 BURNS:and then we'll make the determination as to
18 what's the next step.

19 RICHARDS: So with that then would be development of
20 authorization for expenditure at that (ph) next point.

21 BURNS: Yup.

22 RICHARDS: So if you choose one versus the other, then you
23 wanted us to immediately start the work, it would take
24 Board action to authorize those expenditures, so we
25 need to be able to provide that to the Board as well.

1 BURNS: Um-hum. (Affirmative)

2 PARADY: Mr. Chairman.

3 BURNS: Yes.

4 PARADY: Mr. Chairman, I'd like to move to discussion of the

5 Resolution and just piggyback on Mr. Halford and Mr.

6 Vassar's comments and Frank's which is that in reading

7 the language we have before us it's directing AGDC to

8 prepare a work plan, so we're directing our President

9 and his Staff to give us this work plan and this

10 boundary between pipe, compression and gas -- what's

11 the word I want.....

12 KRUSEN: Gas treatment plant.

13 BURNS: Conditioning.....

14 PARADY: Thank you, conditioning plant. I trust his judgment

15 in bringing the necessary options back to us for

16 further consideration.

17 BURNS: So let me ask you, let me clarify. What I

18 understand you to just be saying is that you believe

19 that this Resolution is sufficiently broad enough to

20 accomplish precisely what Frank is --.....

21 PARADY: Yes, sir, I do.

22 BURNS:is indicating?

23 PARADY: And it's constrained by common sense, so.....

24 BURNS: Now, I mean, we -- let's -- further discussion on

25 it, you know, because Rick -- you know, Rick asked the

1 question, does this -- is what this is doing just
2 asking us to cost the six and the nine. And the
3 response from another Board Member was yes, that's all
4 that's being asked, but what I'm hearing from Frank is
5 that in the context of this, he would identify all the
6 different -- all the different components, not
7 necessarily to do the cost estimate of 'em.

8 RICHARDS: Um-hum. (Affirmative)

9 BURNS: And so I'm hopeful that as I read it part and parcel
10 with the plan is to do exactly what Frank indicated
11 that he'd be doing, but an added focus on that was to
12 delve into a cost estimates relative to six and nine.
13 Identify all the other issues that are -- you know, are
14 ancillary to it and then focusing on as -- as -- you
15 know, the primary purpose, the up-sizing of the six and
16 nine.

17 SHORT: Could -- could.....

18 BURNS: So let's go through and -- yeah.

19 SHORT: So I've got two -- two questions. Question 1 would
20 be what is the timeline to have a cost estimate between
21 600 and 900?

22 And then my second question is I find that somewhat
23 helpful, but I don't find it completely helpful to make
24 a informed decision.

25 Back to your truck, you know, I want the 5.7 liter

1 versus the 6.3 liter or 6.5 liter. That's somewhat
2 helpful, but it doesn't get me to the answer that I
3 need which is you've got pipe, which we're talking
4 about and that seems to be the lowest hanging fruit
5 here. Then you've got facilities which seems to be the
6 hairiest part of this deal.

7 All right. And then the environmental, regulatory
8 and lands issues which I'm going to make an assumption
9 that those are the least of our concerns in this part
10 of this conversation initially, so -- of the three.

11 And so how do I get to the point where you can give
12 me a cost estimate contemplating what is in the
13 presentation that I saw which is one and a half versus
14 two and a half and what's the timeline for that?

15 BURNS: Well, so let me paraphrase what I understand your
16 question to be. So a timeline generally for the
17 pricing, but then also the -- is that you believe that,
18 that's just a tip of the iceberg. You want to know
19 what else would be necessary to really -- to make an
20 informed decision on a go forward basis.

21 SHORT: Yeah.

22 BURNS: Okay. And so.....

23 RICHARDS: Mr. Chairman, when we talked about the options that
24 would be available for reconfiguration, it was --
25 again, we were looking at standard 36 inch pipe.

1 Normally in a project you'd be looking at your market
2 to define what is the market --.....

3 BURNS: Um-hum. (Affirmative)

4 RICHARDS:want does the market want and then with those
5 commercial discussions you would define the throughputs
6 that you would want to design to.

7 Here we're talking about what can be, not what
8 should be,.....

9 BURNS: Um-hum. (Affirmative)

10 RICHARDS:so we really need to make sure we have an
11 understanding then of the end use of that gas.

12 So my intention, again, based on conversations with
13 Chairman Cruz was give me the options available of what
14 can be at this point.

15 BURNS: Rick.

16 HALFORD: And to that end, if it's driven by the economics,
17 not the politics and all the other things. If we -- I
18 mean, we may come back with something that says the
19 difference in the higher pressure pipe is not that much
20 and that's the thing that you can't -- if you don't
21 have the pressure of the pipe, you can't add the
22 compressor stations, you can't upgrade the plant, you
23 can't do anything else.

24 So if you just got the capacity at some future date
25 to make the project more economically feasible by

1 adding things later when you have the market developed,
2 I just thought that, that was.....

3 BURNS: Um-hum. (Affirmative)

4 HALFORD:a more limited question within the realm of
5 maybe political and economic reality to give us the
6 other decisions further down the line,.....

7 BURNS: Okay. So.....

8 HALFORD:that's all I was.....

9 BURNS: Okay. Now -- and I appreciate it. So let me make
10 sure that I understand what -- I think it's
11 crystallizing for me.

12 The purpose of doing this assessment is just to see
13 what's available. Okay. From the standpoint of, you
14 now, is it possible to up-size it to get to these
15 volumes.

16 All right. And then the second stage, the second
17 question is okay, now, if it's possible what else has
18 to go and what other steps are necessary because you've
19 got -- as Rick is saying, you've got the economic side
20 of it, but unless you know the universe of
21 possibilities you got -- you're limited.

22 So let's make sure that -- let's, you know, go back
23 on this because as I understand it, the Resolution is
24 requesting Staff to identify what would be part of an
25 up-sizing project in this regard, but to focus

1 primarily on the cost analysis of increasing the ANSI
2 from six to nine, that's -- I under- -- I see it as two
3 part.

4 I see it.....

5 DRYGAS: So this is Phase 1 bec-.....

6 BURNS: Well, what I see -- yeah. What I see in this
7 Resolution -- this Resolution is asking Staff, and
8 maybe it's not as artfully drafted as it ought to be,
9 but what I see.....

10 PARADY: It serves its purpose.

11 BURNS: Yeah. Is that the Resolution says Staff go forth on
12 our behalf, identify what -- you know, in order to get
13 to six and nine, increasing to the 1.5 to 2.5 and that,
14 give us a cost estimate associated with the pipe, so
15 that identifies the universe.

16 As a corollary to that, tell us also what are the
17 steps in a work plan, what are the other things that we
18 might have to also address down the road.

19 So step 1 as Heidi is saying is this, once we see
20 what the universe is, then we look at, you know,
21 marketability and all these other things and then we
22 make the determination as to what the next step is, so
23 it's a multi-phased approach.

24 FAUSKE: If I may, you already know what the next step is,
25 don't you? If you go a bigger pipe, you have to have

1 a bigger GTP. So we come back and say here's your
2 bigger pipe. What's next? Bigger GTP, so how.....

3 BURNS: Um-hum. And the question is do we want --.....

4 FAUSKE:long do we want to take on this,.....

5 BURNS:I guess, is what I'm asking?

6 BURNS:market it first or do we do the GTP.....

7 FAUSKE: Excuse me?

8 BURNS: Yeah. Do we market it first to see if there's
9 customers before you do that, you know, that sort of
10 thing. I mean,.....

11 FAUSKE: Okay.

12 BURNS:those are the issues I think. Once you have a
13 -- once you've got the sequence. First is identify the
14 breadth of the universe and then say, okay, you know,
15 we can do this. Now, should be do it and what's
16 associated with doing it. You know, should we do it.
17 Is there market for it, you know.

18 And all that is doing -- I mean, the irony of it
19 really is all this is doing is ensuring the viability
20 of an alternative project because we're not going to do
21 any of this if the AKLNG project, as everybody is
22 hopeful, moves forward.

23 Okay. But if it doesn't move forward, you know,
24 it's very clear to us -- at least to me as a member of
25 AGDC, that my responsibility as a Board Member is to

1 ensure the best interest of the State of Alaska and the
2 state residents are looked after and that's the
3 viability (ph) of an alternative.

4 FAUSKE: I'd like to ask a.....

5 DRYGAS: So then.....

6 FAUSKE:question if I may?

7 BURNS: Yeah.

8 FAUSKE: What level is AKLNG at right now in their pipe
9 design?

10 RICHARDS: They are in Pre-FEED, so pre-front end engineering
11 and design. They are working.....

12 FAUSKE: On a 42 inch.....

13 RICHARDS: 42 inch, ANSI 900?

14 KRUSEN: ANSI 900.

15 RICHARDS: Pound Class, so they are working towards a Class 4
16 estimate.

17 FAUSKE: Okay. So in a perfect world that could be
18 information we could achieve, right?

19 RICHARDS: Yes.

20 KRUSEN: Yeah (ph).

21 DRYGAS: I think it would.....

22 BURNS: Heidi.

23 DRYGAS:be prudent to make sure -- there's enough
24 questions on the Resolution as drafted, but it sounds
25 like we should be careful that this reflects the intent

1 of the Board and it sounds like it's close, but we can
2 do better. And I think I'd feel comfortable if we took
3 time to make sure if we vote on this, we give a clear
4 directive to Staff in this Resolution, not necessarily
5 just what's on the record. I think that's probably a
6 wiser course of action.

7 BURNS: Yeah, I think that is probably a perfect time to
8 take a break.

9 SHORT: Could I ask a quick question?

10 BURNS: Yeah, Hugh.

11 SHORT: What is ASAP right now, a Class 600?

12 RICHARDS: ANSI 600.

13 FAUSKE: ANSI 600, yes.

14 SHORT: ANSI -- okay, all right.

15 FAUSKE: But the -- it's been designed to 500 feet.....

16 UNIDENTIFIED: The volume.

17 FAUSKE: The volume has.

18 SHORT: But the pipe itself is.....

19 FAUSKE: The pipe -- the pipe.....

20 SHORT:600.

21 BURNS: ANSI 600, right.

22 FAUSKE: Correct.

23 SHORT: Okay.

24 BURNS: No compression, so.....

25 SHORT: Yeah, got it.

1 BURNS: So let me -- so, we'll.....
2 SHORT: Ten minutes.....
3 BURNS:take a break for lunch. We'll take an early
4 lunch, but do I have a couple volunteers to work on
5 this Resolution? Hugh.
6 SHORT: Sure.
7 BURNS: So we'll have Fred and Hugh.....
8 PARADY: Yeah.
9 BURNS:and I'll work with you guys on it, so the three
10 of us and that way we don't have a meeting. All right.
11 We'll take an hour break until 1:30 --.....
12 RICHARDS: 1:30, Mr. Chairman?
13 (Simultaneous speech).....
14 BURNS:or 12:30, I'm sorry.
15 (Off record - 11:38 a.m.)
16 (On record - 12:30 p.m.)
17 BURNS: Back on the record after a very nice lunch. We're
18 back on record. Where we left it prior to the break
19 was the Resolution. And so the group that was working
20 on it, what's the decision? Do you have something
21 different or.....
22 PARADY: Mr. Chairman, I think our three member discussion
23 centered around -- after going back and forth that we
24 use the Resolution as it's currently worded.
25 BURNS: All right. Any further amendment to it? Rick?

1 HALFORD: Well, just as I understand it then the primary
2 purpose is to look at the pipe quality and get a
3 number. And we recognize that other things may be
4 affected by that, but we get that number and that's
5 part of all the alternative data we have if it ever
6 needs to be utilized and pursued in the hope that we
7 don't have to go forward with it, but at least we know.

8 BURNS: Right. So the focus is simply on the numbers on the
9 six and the nine and that will be what Staff will be
10 directed to through the Resolution and the Tech
11 Committee will work with Staff in conjunction with
12 that.

13 Okay. So any further discussion on the Resolution?

14 SHORT: Question, I'll.....

15 CRUZ: No.

16 BURNS: Yes. Okay. Question's been called. All in favor?

17 IN UNISON: Aye.

18 BURNS: Let's -- we actually have to have a roll -- roll
19 call, so let's go ahead.

20 GRAHAM: John Burns?

21 BURNS: Yes.

22 GRAHAM: Dave Cruz?

23 CRUZ: Yes.

24 GRAHAM: Fred Parady?

25 PARADY: Aye.

1 GRAHAM: Heidi Drygas?
2 DRYGAS: Yes.
3 GRAHAM: Hugh Short?
4 SHORT: Yes.
5 GRAHAM: Rick Halford?
6 HALFORD: Yes.
7 GRAHAM: And Joe Paskvan
8 PASKVAN: Yes.
9 GRAHAM: Thank you.
10 BURNS: So the Resolution is read into the record. It
11 passes unanimously.
12 All right. Next item, Frank.
13 RICHARDS: Mr. Chairman, I'm walked in late for the -- was
14 there change to the Resolution or is the direction to
15 work solely on the pipe question?
16 BURNS: Yup, that's the focus of the Resolution.
17 RICHARDS: All right.
18 BURNS: So Dave can work with you after.....
19 CRUZ: So we'll work it out, Frank. We know we're going to
20 have another component to this. We'll come back at our
21 next Board Meeting and address the other components.
22 RICHARDS: If I may, Mr. Chairman,.....
23 BURNS: Sure.
24 RICHARDS:can I just articulate some of the challenge
25 with that?

1 Well, I'm going to present to you in my next
2 presentation the ASAP update and in that it identifies
3 where we are essentially with our facility's contractor
4 and they are now completing their work efforts that we
5 have provided to them at the end of a two year process.

6 BURNS: Um-hum. (Affirmative)

7 RICHARDS: And they will be done with their work efforts first
8 part of April and then they are disbanded. So if we
9 then in the next Board Meeting want to come back and
10 start doing a facility's work effort, we have to
11 restart a whole new team, so there is a major challenge
12 there.

13 If we want the continuity of the project to be able
14 to advance the work utilizing the folks that have put
15 together the work product that has allowed us to reach
16 this point, we need to retain that team.

17 BURNS: Okay. So let me make sure that I understand. I --
18 so we are at a position of potentially losing part of
19 the team that has worked so diligently on ASAP?

20 FAUSKE: Correct.

21 RICHARDS: That's correct, Mr. Chairman.

22 CRUZ: On the GTF.

23 RICHARDS: On the gas conditioning facility, so that --.....

24 BURNS: All right. (Simultaneous speech).....

25 RICHARDS:that includes.....

1 BURNS: Is that okay?

2 RICHARDS:the services of Arctic Solutions who has done
3 the major lift. They are the major design contractor,
4 as well as our individual project management
5 contractors who have been overseeing their work. So
6 that's an additional four bodies who have been
7 overseeing as AGDC's representatives in the Arctic
8 Solutions' offices.

9 BURNS: Do you have a.....

10 SHORT: I have a comment.

11 BURNS:question?

12 SHORT: I think in -- thanks for pointing this out, Frank.
13 And, I think, given the Resolution it would be prudent
14 for the Board to provide the ability for the continuity
15 of that group to move forward and not disband to slow
16 down the work, but to keep the continuity there because
17 we don't want to have to hit reset on that portion of
18 this should there be some project we need to look at.

19 BURNS: Is there any way to do that in the context of this
20 Resolution? I mean, because it's critical that the
21 continuity of that team continue is what I understand
22 you to be saying.

23 RICHARDS: That is true, Mr. Chairman. We had -- again, with
24 the Administrative Order overlying us and the issue
25 regarding discretionary versus non-discretionary work,

1 we had developed work plans that, that team would --
2 could perform for us. And that includes some looking
3 at the work of Point Thomson gas and the impacts of
4 Point Thomson gas.

5 We have not yet kicked them loose on compressor
6 stations, but that's the next evolution because
7 anything that we do on the reconfiguration of ASAP, the
8 critical path for us to move forward is going to be
9 through the facilities. It's going to be through that
10 gas conditioning facility redesign and the compressor
11 stations, so that's where the facility's teams are most
12 warranted.

13 BURNS: Okay. So what I hear you to be saying is that if we
14 just focus on the pipe, we lose that team because that
15 team will have nothing to do?

16 RICHARDS: That is correct, Mr. Chairman.

17 FAUSKE: They'll go elsewhere in the world and we're -- which
18 is a heavy demand. There's a lot of work going on.

19 HALFORD: Well, that's a totally different question and that
20 combined with the Administrative Order 271 -- I mean,
21 that is a change that is definitely going to take
22 something, so I would suggest we -- if we're going to
23 address that, we address it with another resolution
24 that starts out with the same thing, subject to the
25 withdrawal or modification of Administrative Order 271

1 as necessary, Staff is directed to take whatever
2 appropriate actions there are to maintain that team for
3 future use.

4 I don't know what -- I don't know -- I mean, how do
5 you get from here to there, but I think the
6 Administrative Order -- basically if it's not teeing,
7 kind of, says a big project that's not ongoing it's a
8 -- it's a big change, that's the big money project, but
9 it's driven by the Administrative Order more than
10 anything else.

11 PARADY: Mr. Chairman?

12 BURNS: Yeah, go ahead.

13 PARADY: I just want to read from the Administrative Order.
14 It says, to the extent spending is non-discretionary.
15 This is B, such as contractually required spending and
16 salaries of existing agency personnel continue to work
17 on the project till further notice. We may need a
18 modification, but there's also this idea that we not
19 stop cold in the middle of the stream and lose the
20 benefit of what's been built.

21 BURNS: Um-hum. (Affirmative)

22 PARADY: The Order is straddling both sides of this. We're
23 in a fiscal crisis. We've got to half discretionary
24 spending, but we also have a duty to Alaska's future to
25 sort some of these project options out and I think

1 that's resolvable with some dialogue with the Governor
2 and somewhat within the meaning of the Order as it
3 currently exists, but I -- so I like your language
4 that's -- picks up the same thread and then takes it
5 into this topic area.

6 BURNS: Thanks. Go ahead.

7 SHORT: And I would just suggest that we do that in a
8 separate motion from the Resolution. Come up with a
9 motion that directs....

10 PARADY: We've adopted (simultaneous speech).....

11 SHORT: our resolution (ph).

12 PARADY: So let's develop some language that puts that in
13 motion with our executive (ph).....

14 BURNS: So let me ask Frank. What is it that you are.....

15 PARADY: Wanting (ph).

16 BURNS: needing, okay, to ensure the continuity of that
17 team and to use them in a way that benefits the ASAP
18 project? I mean, we're not -- we don't want to just
19 pay, you know, for them to tread water.

20 RICHARDS: No, I would -- it would be beneficial for the
21 project, as well as for the State to be able to do work
22 that is, again, going to be able to advance the
23 project.

24 So in that, if you remember -- for the new Board
25 Members, at the last Board Meeting we presented to the

1 Board a decision tree that essentially we use when
2 looking at authorizing work expenditures for the ASAP
3 project under Administrative Order 271, so that it
4 meets the intent of what our interpretation of that
5 Administrative Order was, so that we are making sure
6 that we are doing non-discretionary work. That we are
7 not doing discretionary work that has transferability,
8 durability, viability to the ASAP project so to, again,
9 meet the intent of the Administrative Order.

10 I'm going to ask Ken to join me because, again, we
11 -- when we go through our process for authorization of
12 work expenditures, we get a legal review who then looks
13 at the intent of the Administrative Order for -- to
14 make sure that we are complying with the law.

15 BURNS: So, Ken, let me ask you, is the -- because you're
16 going to be giving us a legal analysis on AO 271, is it
17 appropriate to go into Executive Session to have that
18 discussion?

19 VASSAR: Mr. Chairman, I do not believe it is.

20 BURNS: Okay. All right. So what is -- so I just need to
21 understand, Frank. What is it that you need from this
22 Board relative to that team?

23 FAUSKE: I'd like -- can I help here? What we're saying is
24 that without continuing work -- this isn't a threat.
25 It's just the reality of the world you're in. We were

1 downsizing that work prior to the AO 271. We had
2 already -- we were so far ahead AKLNG that you folks
3 and -- you know, the Board, made a conscious decision
4 to go we're going to hold our spend plan down because
5 it's -- we've got to let AKLNG catch up.

6 Then the Order came out and we were way ahead of
7 that. As you know we met with the Governor and we
8 briefed him, but subsequent to that we cut the spending
9 by \$90 million. We went down to a \$60 million spend to
10 do work conducive to both projects with the idea of
11 melding them by second quarter 2016 and to comply to AO
12 271.

13 What happens then is we had already decided knowing
14 that we were trying to keep that A team together, but
15 that there had to be some work and then all this stuff
16 about new plans and.....

17 BURNS: Um-hum. (Affirmative)

18 FAUSKE:what we're going to do.

19 What's going to end up happening is if we don't have
20 work for them, they're doing to disband and go off and
21 do what they do. They're high priced, very qualified
22 people. They're WorleyParsons and Fluor. They're.....

23 BURNS: So no, I understand.....

24 FAUSKE:well known in the industry and that's -- and
25 that's just common.

1 Now, if we decide we want to try and keep 'em,
2 they're going to do the work on the gas treatment
3 plant. That would be probably -- but we're not going
4 to do the gas treatment plant, so what we're suggesting
5 to you we stand a chance here of loosing that A team.
6 And what that means is your scheduled gets -- 'cause it
7 takes a while to ramp that stuff back up again. Now
8 if, in fact, they do disband and send people off.

9 It's, kind of, like AKLNG, as you get more familiar
10 with it. These oil companies have sent their A -- they
11 have people from all over the world they've sent in
12 here to concentrate on that. This is the same thing.
13 They've pulled them off of Mozambique or New Guinea or
14 wherever they're at and they have focused a lot of them
15 here.

16 The same thing will happen on the other side, call
17 us when you've got something and we love working with
18 you, but we're going to -- four of.....

19 BURNS: Okay. So -- so.....

20 FAUSKE: our people are going over here and three
21 going --.....

22 CRUZ: Let me ask a technical question (ph) (simultaneous
23 speech).....

24 BURNS: Yeah, go ahead.

25 FAUSKE: so that's where we're at.

1 CRUZ: Okay. So, Frank, the Fluor technology that we got,
2 is this more just bumping up more trains, is that -- on
3 our GTF or -- I understand where we're going with this
4 to meet 2. -- can we get to that or do we have to go to
5 a AIM process, that's -- and so what I'm saying is, are
6 you going to -- are we totally going to reconfigure
7 that and the only the same as the -- 'cause the.....

8 RICHARDS: It's the pad.

9 CRUZ: The pad gets bigger, so that's relatively easy. Is
10 it just more trains?

11 RICHARDS: It's going to larger -- larger scale on the
12 processing units, larger utilities associated with
13 larger compressors, so that's one part of it. We have
14 to make a decision ultimately in terms of what gas
15 composition we want to drive forward to, but my goal --
16 or my understanding what you'd asked of us was to come
17 back to you and identify what is -- what it's going to
18 take to conduct the next step.

19 And that next step would be up-sizing of the pipe,
20 but the pipe is a component of an integrated system
21 which is the gas conditioning facility. In order for
22 more volume to flow through that pipe, you need
23 compressors, so that compressor work needs to be
24 identified. And you need to then look at the
25 optionality of where those compressors are going to be

1 and the horsepower associated with those for the lowest
2 cost of service.

3 CRUZ: So what you're telling -- we're not constrained
4 having to switch to an AIM tech -- AIM process. We can
5 still say -- stay the Fluor process, so we're not
6 reinventing the wheel there, that's all I'm trying to
7 get is bigger pad expansion. I understood, you know,
8 a few other items.

9 What I don't want to get to and I don't want -- I
10 want to be able to pass the test with you guys is like,
11 oh, yeah, well, that's another nine million, I should
12 have told you that, you know, that's what I'm concerned
13 about is the market dictates, but we have two options
14 there.

15 What we're asking to do 1.5, 2.5, okay. So we have
16 to look at a cost -- if we're going to do that let's
17 just say that the producers don't want to build a GTF
18 for this, you know, don't want to follow the Alyeska
19 model or whatever you want to call and they want --
20 they come on board and say well, you guys do this and
21 you guys do this and we'll do this on the -- on the
22 other end. You guys do all the input in.

23 So I just want to know walking into this that it's
24 not reinventing the wheel, is probably my biggest
25 thing. That's my biggest concern 'cause it's a big

1 plant and as long as I have a comfort feeling with that
2 than I can say to you well, this is a really good --
3 good, smart move.

4 FAUSKE: But Dave, if it's (ph) the intent that the design of
5 the pipe is to get a cost estimate as to what that
6 cost, the next logical step is you have to have a gas
7 treatment. You have to have that. So we've got the
8 pipe and we go, okay, now we've got to go -- and if I
9 go back to the Governor's comments and others,
10 schedule.

11 CRUZ: Right.

12 FAUSKE: Everybody is trying to compress this because of all
13 the desires. So we're handcuffing ourselves from one
14 regard is that we can do this, but it just takes more
15 time -- more time. Time is money. And then I'll
16 finish.

17 (Simultaneous conversation)

18 FAUSKE: Just one other question. Tomorrow, as I was
19 reminded, we're in front of House Resources. This
20 Corporation is sitting on \$200 million that -- and I
21 used to joke with my friend Senators, it's a time when
22 they'll take your lunch money down in Juneau when
23 you're -- it's tough time. I think we need to be
24 prepared to what is the money going to be used for. I
25 know we can't answer it all tomorrow, but when we start

1 looking at this schedule, I think we need to be helping
2 ourselves now. Well, we think it's going to be this
3 and here's the time frame.

4 CRUZ: So here's a quick question for Fritz. You don't see
5 an issue in a global market place, Fluor versus AIM
6 technology that somebody is going to say well, why the
7 hell did you guys do it that way?

8 KRUSEN: Well, thanks for inviting me up 'cause I do have an
9 opinion on that.

10 CRUZ: Okay.

11 KRUSEN: And it seems to me that as we -- so the Fluor
12 solvent was an excellent solution for ASAP 500 million
13 a day and we were selling Enstar type gas to the users
14 and where you're supplying some base load industrial
15 tenant. Great, great, great selection for that.

16 As you go bigger if you aspire to supply an LNG
17 project with your pipe and I don't know what you'd be
18 doing if it wasn't that, the Fluor solvent begins to
19 have two problems. The richer stuff that you want in
20 the gas gets stuck in the Fluor solvent, so it's not so
21 good for that. Point Thomson has got richer gas. You
22 want that Point Thomson gas to move down.

23 Prudhoe Bay is using immiscible injectant to wash
24 oil off rocks, but maybe the day comes when you want to
25 ship that out and sell it. You can't do easily with

1 the Fluor solvent. So as you go big, I think, it
2 almost forces you to switch to an Aiming technology.

3 You could always fall back to a Fluor solvent if we
4 end up being, you know, a 500 million a day project,
5 but I think that's the sweet spot for it. If you
6 aspire to supply LNG you really need to go to Aiming.

7 FAUSKE: A question to help. Fritz, the Aiming technology
8 could be done at this end? I mean, that's what.....

9 KRUSEN: You would have to do it on the North Slope and then
10 the question is would you also choose to do it at this
11 end. Or would.....

12 FAUSKE: Okay. Because currently.....

13 KRUSEN:you do it only one time at the Slope.

14 FAUSKE: I was trying to help out with -- yeah, all right.

15 KRUSEN: I mean, in my own mind there was a time when I
16 thought we could do the Fluor solvent at the Slope,
17 finish it off with Aiming down here, not if you're
18 trying to ship Point Thomson gas, not if you're trying
19 to supply an LNG project, not if you want to keep the
20 hope of possibly moving MI off the Slope some day,
21 you've got to switch to Aiming on the Slope.

22 CRUZ: And you guys are curr- -- currently doing the AIM.

23 KRUSEN: Yes. We're doing Aiming and the (simultaneous
24 speech).....

25 FAUSKE: AKLNG, is.

1 KRUSEN: Yeah, AKLNG, yes.

2 CRUZ: Okay. So that's my only hesitation from our
3 Committee is, okay, step in Frank. We're scraping that
4 plant. To go to a billion and a half we've got to go
5 to Aiming which may not be a difficult deal because
6 there's people -- that's well accepted and all we're
7 looking for is we asked -- we asked them a level 3,
8 that's a pretty detailed -- we paid a lot of money to
9 get that design right there, so what does that cost to
10 get a billion and a half plant or a two and a half
11 billion? I have no idea, so.....

12 RICHARDS: And that's what the work plan would identify for
13 you.

14 CRUZ: Okay.

15 RICHARDS: We'll come back to you and say here's the work that
16 would take you to a new technology at a larger volume,
17 that's what we'd come back, so again, I'll come back
18 with that suite of -- of work packages for gas
19 conditioning, compression, pipe, (indiscernible).....

20 CRUZ: So and this.....

21 RICHARDS:and then.....

22 CRUZ:would be adaptable -- so say the producers
23 liked this, you know, market changes and whatever and
24 the producers are coming on board. We can share this.
25 Hey, there's a GTF for you that's AIM Technology that

1 works, so we're -- so from that sense we're not.....

2 FAUSKE: They're currently doing it.

3 CRUZ: Right. But they're doing it at a different volume

4 then what we're looking at, so that's all I'm saying is

5 -- and I -- okay. So I have a good perspective. I

6 don't want to belay it. I just don't want to get a

7 surprise that well, we need 210 million now to do that

8 so you've got to go ask the Legislature for another \$10

9 million.

10 FAUSKE: But I.....

11 CRUZ: That's what I'm concerned about.

12 FAUSKE: And I share that. I think we're going to get that

13 anyway tomorrow because -- I just can't imagine a

14 legislative body, and I've sat in front of many of 'em,

15 accepting our cha- -- you know, and they'll hear us out

16 and what are we changing. There's always the question

17 is any idea what this costs. And you folks -- well,

18 yeah, maybe, kind of or we're going to have to fine

19 tune it and that might be a good enough answer, I don't

20 know, but I --.....

21 CRUZ: Well, okay.....

22 FAUSKE:you know, I just -- they're going to ask the

23 question I would -- I can't imagine them not asking it.

24 CRUZ: So Frank is right and Fritz is right. So I would

25 support whether we use Mr. Halford's resolution or

1 modification, that we at least get this data, what it
2 costs, so we're not sitting there assuming someone else
3 is going to do this. That this is the next step that
4 we're going to do.

5 FAUSKE: For the GTP?

6 CRUZ: For the GTP, so (simultaneous speech).....

7 FAUSKE: Okay.

8 BURNS: So Frank, I want to make sure that I understand what
9 you're asking for. You're asking for the work plan to
10 encompass not simply the pipe, but also the GTP.....

11 RICHARDS: And compressors.

12 FAUSKE: And compressors.

13 BURNS: Okay. And -- and.....

14 RICHARDS: Fac- -- I call 'em facilities.

15 BURNS: Okay. And so unless we do that you lose the team.
16 Unless.....

17 RICHARDS: Correct, right, so.....

18 BURNS:we do that you lose the team?

19 RICHARDS: That's correct, Mr. Chairman.

20 BURNS: Okay.

21 CRUZ: And we'd lose the time.

22 BURNS: Rick.

23 HALFORD: Question on timing, would you go over what you said
24 about when they're going to have the completion of the
25 phase they're on at the 500 level and when you have to

1 make this commitment to go forward?

2 RICHARDS: Yes, Senator, the work that they -- that's depicted
3 by these charts is the Class 3 level work. And, again,
4 that Class 3 is from the American Association of Cost
5 Estimators. And it's a level that defines
6 approximately 30 percent design effort.

7 HALFORD: Yes.

8 RICHARDS: They completed that work and provided to us their
9 Class 3 estimate in December. They are now finishing
10 up essentially their documentation. They're wrapping
11 a ribbon around all of their product and that will be
12 to us the first week of April, that's the completion of
13 the FEED effort, front end engineering and design for
14 the gas conditioning facility.

15 They are now working on offtake point designs for us
16 and that work will be wrapped up the second week of
17 April. And once that is done, the work product that we
18 have coming from Fluor is complete.

19 FAUSKE: But see, if I may, what troubles me about that and
20 we've had this discussion internally, if we're going to
21 change, which is fine, that's good. We're now spending
22 money on offtake facilities that I don't know that
23 they're compatible.

24 RICHARDS: For both. Well, we -- they did it -- we had two
25 packages with them. They completed the one for ASAP

1 and they will soon complete the one for the AKLNG.

2 FAUSKE: So we're not blowing money on.....

3 HALFORD: No, no (Simultaneous speech).....

4 RICHARD: This is AG- --.....

5 FAUSKE: Okay, good, I.....

6 RICHARDS:this is AGDC's -- one of our roles is offtake
7 point design, so we did it for both ASAP and AKLNG
8 because they're going to be different based on the gas
9 composition.

10 FAUSKE: So that design of work at 1.5 or 2.5 billion.

11 RICHARDS: It's based on the gas composition.

12 FAUSKE: Okay, got cha, all right.

13 RICHARDS: Yeah.

14 BURNS: And so, Frank, is there a possibility or a
15 likelihood of being able to share data with AKLNG as we
16 move forward, you know, assuming that the Board were to
17 sanction a work plan to develop these other cost
18 estimates, is there a possibility to share the data and
19 to provide benefit to the AKLNG project as well?

20 RICHARDS: I'll talk first to the gas conditioning facility.
21 And Fritz in his previous life worked on gas treatment
22 plant on the Slope based on probably two iterations ago
23 and so they have done a tremendous amount of work
24 already on gas conditioning on the North Slope and they
25 have that.

1 Now, they're advancing that or combining all their
2 efforts and advancing that, so in regards to an ASAP
3 project starting over on an Aiming process, we'd be
4 starting from square one and then advancing, so AKLNG
5 is on the facilities design far in advance of where we
6 are.

7 On compressors, we have none no -- we have
8 essentially done no work on compressor stations as
9 well, but the AKLNG has. And they've already, I
10 believe, you know, designed their kit which is
11 essentially they've optimized what the turbines would
12 be and the -- based on the horsepower and the cost of
13 service.

14 We'd be starting again anew (ph), but we're going to
15 need compressor stations in any event on any of the
16 design premiss that you've given me,.....

17 FAUSKE: In the past.....

18 RICHARDS: so we have to start.....

19 FAUSKE: In the past, John, they have been very clear that
20 they would not share data if they felt we were a
21 competitive.....

22 BURNS: Um-hum. (Affirmative)

23 FAUSKE: project. If they felt. Whether we feel it or
24 not, if they feel this is competition they've said that
25 publicly. We need to work with them. Maybe we can get

1 through this. I don't know, but they have said it, so
2 I'm just bringing the Board up to speed on comments
3 that have been make.

4 BURNS: No. And I appreciate that. And, you know, let's
5 maybe talk about that a little bit because, you know,
6 from -- at least, you know, from my perspective having
7 been on this Board from inception the -- the focus has
8 always been on, you know, having a primary AKLNG --
9 after 138 was passed, a primary as AKLNG and having a
10 viable alternative secondary.

11 And if AKLNG moves forward, as you said, there's
12 going to be a point of convergence at some point,
13 hopefully, in the very near future and a decision will
14 be made. And the decision, presumably, you know, will
15 be made on pure economics and if the AKLNG line, as we
16 are all hopeful, moves forward then all of this
17 becomes, you know, essentially meaningless, but the
18 risk is that if it does not move forward, than we
19 really are stuck without an alternative.

20 And I would hope that the producers would see the
21 ASAP line, particularly if it's able to be increased in
22 volumes, as a viable benefit to them if the AKLNG does
23 not move forward. And to me, you know, I would hope
24 that the parties could share the data in that respect
25 because there is a symbiotic relationship and there

1 should be a mutual, you know, desire to achieve the
2 objective which is gas to market.

3 FAUSKE: I'm not -- I'm not the head of the fan club for the
4 petroleum industry, but I'm going to tell you this,
5 that is not how they view the world. This is
6 information they've spent billions of dollars on. Some
7 of it, I think, they probably do overact on their
8 ability to protect it, but it's their call and that's
9 what I'm getting at.

10 Whether we think it's right or not, I've said this
11 for years, we're asking people for their stuff and you
12 just -- it's just frustrating.....

13 BURNS: No, and.....

14 FAUSKE:I know, but I share your belief (ph).....

15 BURNS: But my understanding.....

16 FAUSKE: I hope we can get there.

17 BURNS: Yeah.

18 FAUSKE: I'm just saying.....

19 BURNS: Yeah. My understanding.....

20 FAUSKE:there have been bumps.....

21 BURNS:is that we have data that -- is there data that
22 we have data that they have asked for?

23 FAUSKE: We just transferred some- -- go ahead.

24 RICHARDS: No, Mr. Chairman, when we -- we each presented data
25 that we felt -- or was available to essentially

1 exchange and we provided a very detailed list of the
2 work products that ASAP had generated including, you
3 know, the gas conditioning, but that was certainly
4 something they didn't want.

5 They elected to only take a very small percentage of
6 the option that we gave them. They felt becaus- -- the
7 reason why -- one of the reasons is because they felt
8 that we were too advanced. The information that we had
9 was FEED quality. They're in the Pre-FEED effort.
10 They don't want to expend money because they're budget
11 constrained in Pre-FEED and they don't necessarily need
12 the detail that we were offering to them.

13 FAUSKE: But they liked the information.

14 RICHARDS: The information was -- yeah, met industry standards,
15 done by world class folks and they offered to buy it on
16 the cheap, but I said no 'cause that wasn't in the best
17 interest of the State.

18 BURNS: Um-hum. Well, I -- you know, I would hope that
19 there would be a way that we could ensure (ph) the
20 sharing of the data because there's nothing -- and I'm
21 just speaking individually. There's nothing that I
22 think that we have that I would not want the AKLNG
23 project to not -- you know, that I would not want them
24 to have because honestly -- you know, and speaking as
25 an Alaskan, I want to see a gas line go.

1 And if we have to -- and, you know, everything that
2 we have developed have to give it over to AKLNG, I'm
3 all for that as long as there's a symbiotic
4 relationship that we -- we are receiving the
5 information relative to allow us to have that
6 alternative option because I think there -- unless I'm
7 mistaken, everybody is focused on ensuring to the best
8 that we can the viability of AKLNG, but, you know, the
9 world being what it is, you know, sometimes the things
10 that we want don't come to reality and we waited for 40
11 years and we should not have to wait any longer for a
12 gas line.

13 I mean, we are 3.5 billion deficit. We've got to be
14 able to figure out ways to increase some revenue,
15 so.....

16 RICHARDS: I can assure you, Mr. Chairman, that we have -- we
17 are working cooperatively, diligently to be able to
18 advance the -- as you just suggested. We are not
19 withholding information back, but again, the issue
20 would be if they've offered up something that we feel
21 is of value, they want -- they want recompense for it
22 and vise versa.

23 FAUSKE: We will be, you know, be aggressively pursuing the
24 very thing that you suggest. I'm just warning the
25 Board, it's going to be bumpy ride and so.....

1 SHORT: So can I ask a question now (simultaneous
2 speech)

3 FAUSKE: so maybe we can get there.

4 BURNS: Hugh.

5 SHORT: So we're the second largest member of AKLNG.

6 FAUSKE: Correct.

7 SHORT: Correct. Let's assume AKLNG moves down the path.
8 Let's assume we're to next June and we need to make a
9 decision and it's a no go. All right. We're not
10 moving this to FEED. At that point in time, who owns
11 the data that has been produced by AKLNG?

12 RICHARDS: Come on up (ph).

13 FAUSKE: Joe. This is a comp- -- good question, but is a
14 complicated issue.

15 SHORT: And let me just preface my question with this, we
16 are the second largest member and we, under the
17 Chairman's statement, are sharing data and I'm assuming
18 Exxon, BP, ConocoPhillips are sharing data to the
19 collective good of the project.

20 And we have a data room that's accessed by everyone
21 who's members and then you have everyone having their
22 own data room of what we're going to share as a member
23 of AKLNG. Who -- at what point in time -- when it does
24 not go into FEED, should it not go into FEED, who owns
25 that data and what's done with that data?

1 DUBLER: Through the Chair, Mr. Short, that's a seemingly
2 simple, but realistically complicated question because
3 while it's true that the State parties combined own the
4 second largest portion of the AKLNG project, the State
5 parties are, in fact, two separate parties. One being
6 TransCanada in the midstream which is comprised of the
7 two lines from the respective fields to the gas
8 treatment plant and the main pipeline down to Nikiski.
9 So TransCanada represents the State in that portion of
10 the project.

11 AGDC represents the State in the LNG portion of the
12 project which is comprised of the LNG and marine
13 terminal, so it's two different pieces.

14 The overriding, I guess, principle that applies to
15 data is if you pay for it, you have ownership of it.
16 So with regard to the LNG plant and marine terminal,
17 AGDC would have a right to the data that was generated
18 for that portion of the project.

19 TransCanada would have a right to the data for the
20 midstream portion of the project which, again, is the
21 pipeline and the GTP and the two lines from the
22 respective fields.

23 So what that means for AGDC is that the -- and this
24 is where it gets a little tricky. For ASAP, AGDC is by
25 statute forbidden from building an LNG plant. So in

1 the event AKLNG goes away, we would have data to build
2 an LNG plant, but not statutory authority to build an
3 LNG plant. We would not have data to build a GTP and
4 a pipeline, but we would have the statutory authority
5 to do so.

6 SHORT: That doesn't make sense to me.

7 (Indiscernible)

8 SHORT: Yeah, I just said it doesn't make sense 'cause if we
9 are contemplating a gasline and a GTP in a (ph)
10 liquefaction and ASAP -- or not liquefaction, but the
11 other two components. And in the other project we
12 don't have the ability to have data on the pipeline and
13 from field (ph) to GTP, then we're investing all this
14 money into data that's not going to get us any further
15 along the way, is that how you see this?

16 DUBLER: Through the Chair, Mr. Short, yes, that is -- I mean
17 -- and, again, the overriding principles were and
18 always have been if you pay for data you get to keep
19 data.

20 Now, having said that I don't know what the
21 agreement is between the State of Alaska and the other
22 party that's representing the State in the midstream,
23 TransCanada. They may well have the ability to get
24 that data if AKLNG goes away and we have not see those
25 agreements, so that -- it may be available through the

1 State of Alaska. I do not have the answer to that
2 question though. We're not a party to those
3 agreements.

4 BURNS: Okay (ph).

5 FAUSKE: The sharing of data has always been one where if
6 they didn't view us or fear us as competition everyone
7 was comfortable and especially if we were doing work
8 that was of benefit to the other project.

9 I said this earlier this morning, back and forth,
10 where we're not duplicating work, double spending State
11 money. That's been the issue.

12 The issue that's always been the sticker is volume.
13 Go above the volume (ph) sometimes it's arb- -- but
14 it's always been this 500 which is a trailer from AGIA,
15 but then it's just stopped and it's always been the
16 trigger point if you go above that and that's where the
17 debate then begins and just -- just letting the Board
18 know that, that's where the argument will be.

19 CRUZ: Right.

20 FAUSKE: We'll have to see how we -- how we fare on that.

21 SHORT: So could I ask you a question. Let's assume you're
22 a king -- you've king for a day, Mr. President,
23 and.....

24 FAUSKE: You need to let my wife know if that happens,
25 so.....

1 SHORT: Well, good luck with that. What would you do in the
2 situation? What would you do in the situation?

3 FAUSKE: What would I do?

4 SHORT: What would you do?

5 FAUSKE: I would work very hard to try and figure out a way
6 to share data and protect the State's interests so that
7 we don't end up standing around the curb with our
8 clothes gone, if you know that old saying, if they
9 don't go to Pre-FEED. Meaning, we can't end up with
10 the -- the finest design 500 million feet gas pipeline
11 in the world that isn't used, but if there was a way to
12 share that data, not get everybody riled up and end up
13 at the end of the day that they decided not to go --
14 they, we're part of they. We're 25 percent on the --
15 but Dave's point is, we're 25 percent of the whole
16 thing if you include the State.

17 AGDC's 25 percent of liquefaction, but the
18 cumulative aggregate, 25 percent -- State's 25 percent
19 owner. If they decide not to go, we want to be able to
20 pick up the pieces and go. That's, I know, what the
21 Governor and others have been -- have intended and
22 that's a good goal. The trouble is getting there.

23 I mean, you know, the sharing of the data, the
24 trusting of each other. So if I were king for a day
25 I'd set up a system which I think we're trying to do.

1 We're troubled with where we get to share the data
2 'cause I think I sense from the Board it's data sharing
3 -- and data sharing's key. It's expensive stuff, but
4 if we could get to a point where we could do that and
5 Pre-FEED fails. FEED fails for AKLNG. The State of
6 Alaska is left in a good position where it has valuable
7 data and could then determine through marketing efforts
8 with -- on a merchant (ph) based program where
9 marketers -- you market your gas. Buyers come in,
10 which can be done, you at least have all this
11 information that can be used. That would be, to me,
12 ideal 'cause you haven't lost all the time or energy or
13 money.

14 BURNS: So Dan, let's -- I mean, for certain we -- and I
15 think you guys have been doing this, continue those
16 efforts to get that data sharing,.....

17 FAUSKE: Sure.

18 BURNS:but in the meantime, in order to preserve the
19 State's best interest, okay -- I mean, what I'm hearing
20 from Frank is that in order to do that, in order to
21 serve our best interest, that we need to move forward
22 and authorize the -- you know, the evaluation in the
23 work plan to address these other items, the GTP -- you
24 know, not just the pipe, because, you know, that gets
25 resolved. If you guys are successful in having the

1 dialogue and having a pure sharing of the data, then,
2 you know, we're not in a position of having to, you
3 know, do the funding in order to ensure that we've got
4 a viable project up.....

5 FAUSKE: Um-hum. (Affirmative)

6 BURNS:until that Pre-FEED, but until that happens the
7 longer we delay on that, the more behind and
8 handicapped the State of Alaska.....

9 FAUSKE: Oh, yeah.

10 BURNS:becomes. And so.....

11 FAUSKE: But back to Hugh, that's the worst place to end up
12 in my.....

13 BURNS: Yeah, yeah. And -- and -- but that -- we're.....

14 FAUSKE: That would be horrible to end up there. That would
15 just be bad.

16 BURNS:we're, kind of, right there. The problem is
17 we're, kind of, right there is what I'm sensing. And
18 so -- and I'll reserve the decision on the motion.

19 Yes, Dave.

20 CRUZ: So too much wording is focused on competition.
21 These producers are not our competition. These are our
22 clients. They're the ones that's going to ship whether
23 it's an ASAP line, it's an AKLNG line, they're still --
24 you know, and they are a customer of ours, so I don't
25 view it as a competing line.

1 We're not selling -- never once have we said well,
2 we're going to sell our own gas over here to whoever.
3 We've never, ever got to that, that's not the State's
4 place. All we're doing is providing a highway to get
5 gas to, so someone else can sell their product. So I
6 think too much focus is on that word competition and
7 what -- we've got to get by that, so.....

8 FAUSKE: And, Dave, all due respect, I couldn't agree with
9 you more. They don't care about -- I'm not being crass
10 here. This is.....

11 CRUZ: Well, they should care about it.

12 FAUSKE: But -- but -- I'm not saying they don't care. I'm
13 saying, they're separate companies that own the gas and
14 all this. And Joe, you've dealt with (indiscernible).
15 I couldn't believe -- I couldn't agree with you more.
16 It's just we're not in control of that decision. We
17 don't get to go in and tell 'em you will do that. We
18 don't get to.

19 So what you have to do then is negotiate and.....

20 UNIDENTIFIED: Um-hum. (Affirmative).....

21 FAUSKE: work with and give a little bit, take a little
22 bit.

23 CRUZ: So it's down to my original point,.....

24 FAUSKE: It takes forever.

25 CRUZ: my -- and it gets down to my original point is,

1 it's just a -- it's a commercial deal on a tariff per
2 SCUF (ph) move down this line. If we are -- can offer
3 a better price at a faster turnaround, all we're doing
4 is providing a service. We're not competition. We are
5 not taking and drilling our own wells up there and
6 saying our gas is going in before yours. We're not gas
7 balancing (ph). I know that. I know what you're
8 saying, Dan,.....

9 FAUSKE: Yeah.

10 CRUZ:so I agree that we do need -- I'm supporting
11 Frank. We are -- we have to know -- we have to have an
12 idea on the ROM (ph) cost to do this GTF to handle a
13 billion five and 2.5. We have to have that 'cause we
14 cannot speak.....

15 FAUSKE: Joe, want to (indiscernible).....

16 BURNS: Yeah, Joe.

17 PASKVAN: I'm trying to get up to speed with a lot of
18 information that the Board has obviously dealt with in
19 the past, but as I am perceiving from what Frank has
20 said is, is that the design team that put together this
21 gas treatment facility has been in place, know what
22 they're doing. They have industry standards as far as
23 what's come out of that process and they're expecting
24 to be fully done with a couple of weeks.

25 RICHARDS: Yes.

1 PASKVAN: So they -- that team was anticipating that they
2 would disband, so to speak, 'cause they will have done
3 they're job.

4 BURNS: Um-hum. Affirmative)

5 PASKVAN: Ultimately the question is, is that -- and I'm
6 trying to -- in the event it's -- what I'm hearing you
7 say is that these -- this team because they are
8 specialized knowledge and work very well together as a
9 team, can provide this information that you say would
10 be necessary to get to the 1.5 or the 2.5 that has been
11 addressed, can do that most efficiently and that data
12 would be information usable by AKLNG also, is
13 that --.....

14 BURNS: If they want it.

15 PASKVAN:is that accurate?

16 And then the second point is, is to the extent that
17 they were not maintained and you were to have to try
18 and assemble a team later, is that -- and I assume it's
19 doable, but I assume it's doable at a hell of a
20 increased price?

21 BURNS: Well, and.....

22 PASKVAN: And so I -- yeah, in other words, I'm just trying to
23 figure out what are the real parameters that we have to
24 make a decision.

25 FAUSKE: Arctic Solutions -- and I know Frank -- Arctic

1 Solutions is also working on AKLNG.

2 RICHARDS: WorleyParsons is, Fritz, defined as the pipeline
3 engineer for AKLNG. Fluor is doing some work for them,
4 but to a lesser extent.

5 If I may I'll take your second question first.

6 PASKVAN: Okay

7 RICHARDS: If we terminated work right now and then in a
8 month's time you said go forward and design me some
9 pressure stations or revamp this gas conditioning, we
10 would have to go out for solicitation. We would have
11 to find out, you know, the -- the pool of candidates to
12 take this on at this level with Arctic experience is
13 extremely small.

14 AKLNG our other priority project has the main
15 competition already wrapped up and they're doing the
16 work for them, so that's part of the challenge.

17 Your first question yes, the team that we have
18 available is probably going to be the most efficient of
19 the (ph) least costly to be able to do additional work.
20 And as we talked about -- when we saw that we were
21 going to be doing -- we had to ramp down our work and
22 we were going to be reducing our work scope for the
23 ASAP project by \$90 million over the next year.

24 We ramped it from about 150 million spend down to
25 60, it included work that was going to be beneficial to

1 keeping that design team working on durable,
2 transferrable work product that would be helpful to
3 ASAP in its next evolution.

4 So we need to -- as ASAP evolves and if it were
5 going to be providing gas not only from Prudhoe Bay
6 Unit because this plant is only designed to take
7 Prudhoe Bay gas. We haven't considered -- because
8 Point Thomson when we initiated this work was not --
9 had not been resolved, hadn't been under construction.

10 Now, we've got Point Thomson, so one of the work
11 products that we have on the books ready to go is
12 looking at the Point Thomson gas stream and how that
13 will then impact the processed units, so that's work
14 that we could have Arctic Solutions do for us, looking
15 at the compressor stations is the next evolution of
16 work, that's work Arctic Solutions can do for us.

17 That's why I raise the issue because they're an
18 efficient team, they're a quality team and they can get
19 it done on a schedule that we want.

20 BURNS: Okay.

21 PASKVAN: Mr. Chair, if I.....

22 BURNS: Yeah.

23 PASKVAN: What is the time limit that you would expect that
24 they would take to put together the gas treatment
25 facility and compressors component that you are

1 recommending at this time, is that two weeks, three
2 weeks?

3 And then as I'm understanding what you're saying, at
4 the end of that period of time whether it's two weeks
5 or a month or whatever it is, than that team will
6 disband anyway.

7 RICHARDS: That's right, unless we evolved into the next phase,
8 so we that -- we'd already been -- begin the
9 discussions with Arctic Solutions in terms of what it
10 would take to look at work products and so I was
11 cavalierly saying two weeks. And I'll give you a rough
12 -- rough order of magnitude because that was my
13 direction, give me a rough number in terms of what that
14 next traunch of work is going to be. If that's
15 acceptable to the Board and we can put that into an
16 authority for expenditure, than we'll be advancing.

17 If you want defined work that identifies
18 clearly.....

19 PASKVAN: Um-hum. (Affirmative)

20 RICHARDS:every single work activity and develop that
21 work breakdown structure to design a Class 3 level
22 estimate for this, it's going to take a lot longer than
23 that, but I can get you a rough order of magnitude
24 within a couple weeks to define the work flow (ph).

25 FAUSKE: But if -- which is really important to have a budget

1 anyway. I mean, we've got a finite amount of money.

2 BURNS: Yup.

3 FAUSKE: We're not asking for any money this Legislative
4 Session, so I think the Board would find that helpful
5 anyway to know.....

6 BURNS: Yup.

7 FAUSKE: all right, what are we dealing with here. How
8 much is going to go out. You know, you, the Board, to
9 give us good direc- -- I mean, it's obvious you have to
10 know -- you have to know what kind of money, you know,
11 you have at your disposal.

12 BURNS: Okay. So let me end (ph) some discussion. I'll
13 entertain a motion.

14 PARADY: Mr. Chairman, and Members of the Board, for
15 discussion as I've listened to where my colleague, Mr.
16 Halford, started this discussion off some half hour ago
17 or 45 minutes ago and then to the back and forth and I
18 appreciate -- I mean, this has been a deep dialogue
19 we've had going.

20 So I'd like to offer some language that is certainly
21 open for amendment, but I would like to move that
22 subject to modification of Administration Order 271 as
23 necessary, the Board directs the Staff of AGDC to
24 further assess the components associated with
25 Resolution number 2015-01. And develop a rough order

1 of magnitude cost estimate and impact to the schedule
2 of the ASAP project.

3 What I'm trying to do there is open the door to the
4 concern that's been expressed, but not obligate us
5 to.....

6 BURNS: Future expense.

7 PARADY:expenses we're not prepared to deal with in
8 this meeting.

9 BURNS: All right. So that's the motion. Is there is
10 second?

11 CRUZ: I'll second.....

12 PASKVAN: I'll second it.

13 BURNS: All right. It's been moved and seconded. Any
14 discussion? Hugh.

15 SHORT: I've got a tactical question. Is there any legal
16 reason that we cannot move forward with the Resolution
17 and the motion that was passed?

18 And back to the competitive -- the word that you've
19 been using and others have been using competitive, is
20 there any legal reason that we cannot move forward with
21 reconfigured ASAP?

22 FAUSKE: The only legal reason would be -- and we've
23 discussed earlier, was the interpretation of AO
24 271,.....

25 BURNS: Um-hum. (Affirmative)

1 FAUSKE:discretionary versus non-discretionary. I
2 think we'll get that sorted out.

3 The competitive is a subjective debate. We have --
4 we can --.....

5 BURNS: (Simultaneous speech) two projects.....

6 FAUSKE:we, this Board has the right to do whatever
7 they want and, you know, what I'm saying. Those that
8 would be handled through negotiations, but there's
9 certainly no legal impediment to -- I mean, I'm not a
10 lawyer, but I -- I do know one and.....

11 GRAHAM: Two, three, four.

12 FAUSKE: I know several, Mr. Chairman.

13 VASSAR: Mr. Chairman, Members of the Board, for.....

14 BURNS: Give a smile, come on, Ken, smile.

15 VASSAR:for the first time in three attempts I'm going
16 to introduce myself, Ken Vassar, general counsel.

17 I agree with Dan (ph). I believe that a
18 modification of AO 271 is necessary, but apart from
19 that I don't think there is any other legal impediment.

20 BURNS: Yeah, okay.

21 SHORT: I mean, from a -- just to follow-up on that. I
22 mean, I'm sitting here trying to get up to speed as
23 quickly as possible. And I feel like I have a
24 beautiful date for the prom. All right. She's
25 beautiful. I like her. She thinks -- seems to like

1 me. We've got a date. She's bought the dress, I
2 think. I've rented the tux, but I also want to make
3 sure that I go to the prom. And so I need to make sure
4 that in case she's so beautiful maybe -- maybe she --
5 maybe she doesn't go with me, but I still make it to
6 the prom. Okay.

7 (Simultaneous speech)

8 BURNS: So you're going to drive yourself, I got it. Okay.
9 I knew there was a moral to this story. Holy cow.

10 FAUSKE: You need the keys to Dad's car, that's what you
11 need,.....

12 BURNS: Yeah, that's right, that's right.

13 FAUSKE:as we all did (ph).

14 SHORT: Ken just gave me the keys because Dad said I could
15 take the car, okay. So I'm trying to figure out there's
16 no legal reason to not move forward with the
17 reconfigured ASAP line that has more capacity. And
18 there's legislation through HB 132 that would limit it
19 to one Bcf -- one T- -- Bcf.

20 PARADY: Under consideration.

21 SHORT: Under consideration.....

22 BURNS: Under consideration.

23 SHORT:that's -- in the Legislature. So I'm just
24 trying to get a lay of the landscape here. The
25 language that we put together through 2015-01, as well

1 as the language that Commissioner Parady just read,
2 provides a path forward for you to go out and explore
3 this further utilizing the team that you have so that
4 they don't disband.

5 RICHARDS: Correct.

6 FAUSKE: Correct.

7 SHORT: Okay.

8 BURNS: All right.

9 SHORT: That's just (simultaneous speech).....

10 FAUSKE: Just for one -- just two seconds.

11 BURNS: Yeah.

12 FAUSKE: When we were at the real peak of this, we had, I
13 think, 110 people working in California.

14 RICHARDS: 130.

15 FAUSKE: 130 to give you an idea and we've scaled that way
16 back, but it's -- it's a major operation and they were
17 headquartered there and that's where the work came out
18 of, but.....

19 RICHARDS: 200,000 person hours.

20 DRYGAS: What are we at now?

21 FAUSKE: Seven -- we're down to how many, 30 or.....

22 RICHARDS: A handful.....

23 FAUSKE: Yeah, it's.....

24 RICHARDS: We are -- we are down to probably 15 wrapping that
25 up, plus the four that we have on retainer.

1 BURNS: Well,.....

2 FAUSKE: But they're prepared to.....

3 DRYGAS: Why California?

4 FAUSKE:continue. They've enjoyed the work.

5 CRUZ: 'Cause that's the only place you'll find them.

6 FAUSKE: We've got a great relationship with them, but, you
7 know, it's just business. If we don't have something
8 for them, they're going to utilize -- so we're open.
9 We -- if we're -- to do the Board's work, you know,
10 bidding, we're hoping that we can, you know, maintain
11 that to expedite the schedule and get you the answers
12 back sooner rather than later.

13 BURNS: Okay.

14 DRYGAS: Why California?

15 FAUSKE: It's mission -- what's the.....

16 RICHARDS: Well, Fluor is headquartered in California and their
17 process engineers are located there, so in order for
18 them to be able -- actually Fluor and WorleyParsons
19 both have project offices down there. And so in this
20 particular case Arctic Solutions is a Joint Venture
21 between those two entities and they do the
22 preponderance of the work on the North Slope for the
23 oil producers in terms of process engineering. They've
24 combined two offices in this -- and this particular
25 project they headquartered it in their Aliso Viejo

1 office in California.

2 BURNS: All right.

3 FAUSKE: Do you want to say something?

4 BURNS: So -- Joe, did you have something to add to the
5 motion, the underlying motion?

6 DUBLER: Mr. Chairman, just to add to the answer to Mr. Short
7 about legal problems with the motion. I just want to
8 ensure that you weren't talking about contractual.....

9 SHORT: Um-hum. (Affirmative)

10 DUBLER:because there are contractual issues with going
11 above 500 and those are the con- -- some of the
12 contracts we have with AKLNG if we go over 500, and I
13 can't really go into too many details, but the gist of
14 it is if we go over 500 the data we've received from
15 AKLNG won't be able to be used on the ASAP project.

16 BURNS: Oh, I see what you're saying.

17 DUBLER: So that -- I mean, that's a contractual -- I just
18 want to make sure the Board was aware of that, that
19 when you said legal, that technically that isn't a
20 legal issue, but that is a consequence of the action
21 that the Board's contemplating.

22 FAUSKE: I'm glad you said something (ph).

23 CRUZ: That works both ways.

24 DUBLER: You're right, it does.

25 BURNS: Yeah. Yeah. And, you know -- I mean, honestly as

1 I understand the whole rationale here, ideally we don't
2 get into this situation because it should be open
3 sharing of the data. Unrestricted, open sharing of the
4 data because it's a -- it truly ought to be a symbiotic
5 relationship and so that would be really what we would
6 urge that you, you know, continue.

7 I know, you've been beating those drums, but in the
8 meantime, you know, Alaska is -- our Board is
9 responsible for marshaling these two projects and we've
10 done a dog gone good job to date of it and we're not
11 going to deviate the focus. You know, we're advancing
12 and we've committed lots of, you know, effort on the
13 AKLNG and, you know, anything that is necessary we've
14 tried to bend over backwards on that, but at the same
15 time we've got to preserve the optionality on the ASAP.

16 And so, any further discussion on the motion? Okay.
17 All in favor? If you would you take a roll call,
18 please.

19 GRAHAM: John Burns?

20 BURNS: Yes.

21 GRAHAM: Dave Cruz?

22 CRUZ: Yes.

23 GRAHAM: Fred Parady?

24 PARADY: Yes.

25 GRAHAM: Heidi Drygas?

1 DRYGAS: Yes.
2 GRAHAM: Hugh Short?
3 SHORT: Yes.
4 GRAHAM: Rick Halford?
5 HALFORD: Yes.
6 GRAHAM: Joe Paskvan?
7 PASKVAN: Yes.
8 GRAHAM: Okay.
9 BURNS: All right.
10 GRAHAM: Unanimous.
11 BURNS: Okay. The next -- you guys want to take a break or
12 do we want to.....
13 UNIDENTIFIED: Break.
14 BURNS: Take a five minute -- let's take a 10 minute break.
15 (Off record - 1:26 p.m.)
16 (On record - 1:44 p.m.)
17 BURNS: All right. We're back on record and we are on 9b,
18 Project Update. Boy, we've been -- we've been slugging
19 away for a lot of hours and we've got a lot left to go,
20 so I apologize to everybody. It's taken a lot longer,
21 but, you know, it's important that we have a real
22 candid dialogue on these issues because it's -- you
23 know, I mean, we just -- it's critical to the State.
24 Anyway, so 9b, Frank, you're still up. This is,
25 kind of, the Frank show.

1 RICHARDS: Thank you, Mr. Chairman, I really appreciate that.
2 I'm almost done. Some of these items we've talked in
3 great detail. The facilities design specifically with
4 Arctic Solution. They will be done and demobilizing
5 their team and completing their work efforts by mid-
6 April.

7 BURNS: Okay. You're specifically to reference -- to orient
8 everybody you're in Tab 9b then, February 2015
9 activities?

10 RICHARDS: That is correct.

11 UNIDENTIFIED: This?

12 RICHARDS: That's correct, Mr. Chairman, page 1.

13 BURNS: Okay.

14 RICHARDS: What I define -- usually provide in an update of
15 ASAP is the key functional areas of the project, so for
16 instance, the first one is Facilities Design. That,
17 again, is Arctic Solutions and they're work on the gas
18 conditioning.

19 On the Pipeline Materials, this has to do with the
20 testing of the pipe to make sure that it's meeting the
21 design parameters. As I said earlier, the small scale
22 testing is complete. We're now migrating on to the
23 mid-scale testing. At the direction of the Board, we
24 have put on hold the full scale testing until a future
25 date.

1 Within the Civil work items we've been primarily
2 working back and forth with our folks in environmental,
3 regulatory and lands making sure that we've got good
4 delineation for the Army Corps Section 404 permit.

5 And then also coordinating with the Department of
6 Transportation and Public Facilities for use of the
7 highway bridges. So the goal is to deal with utilize
8 existing infrastructure to the maximum extent possible
9 and we have been doing that through -- for instance, on
10 the Yukon River bridge we'd applied for a utility
11 permit because the issue on the Yukon River bridge was
12 one concern on security related issues. So that's a
13 process that we're now working with DOT, but also with
14 the State Pipeline Coordinator's Office.

15 The Geotechnical Field Program, this is where we're
16 drilling geotechnical holes to essentially assess the
17 ground conditions. Work is underway today as we speak.
18 We've completed the work in the Prudhoe Bay area with
19 31 additional holes in the gas conditioning site.

20 Doing 156 more holes on the North Slope. This is
21 essentially delineating not only the centerline, but
22 also in regards to work on materials sites because
23 material for bedding and padding and work pad is going
24 to be very important for the construction of this
25 project.

1 I talked to you earlier about our pipeline design
2 regarding geohazards and we have worked on a Fault
3 Study that was now complete by the Geologic and
4 Geophysical Survey, part of DNR. And we're also
5 conducting joint workshops with AKLNG on liquefaction
6 coordination with Alyeska Pipeline Service Company and
7 our routing workshops.

8 And then for our waterways work we've identified new
9 waterways designs for what we're -- what we call
10 Revision 6.1 of our alignment which is the joint or
11 common alignment with AKLNG.

12 So moving on to page 2 under Environmental,
13 Regulatory and Lands we've been doing a tremendous
14 amount of permitting for the borehole and winter field
15 program and that's work that AGDC is doing for both
16 work for ASAP, as well as work for AKLNG.

17 And we've been working with the Army Corps of
18 Engineers and our third party contractor on our
19 Supplemental Environmental Impact Statement, but I
20 would like to point out that on March 2nd the Army
21 Corps suspended work on they SEIS pending the outcome
22 of the Legislative season because as Alaskans they read
23 the newspaper.

24 They have seen the stories that are going back and
25 forth between the Legislative and the Administration

1 and they were concerned that -- where ASAP was going to
2 go and what it was going to become, so rather than
3 continue the work, they identified that they would
4 suspend it for two months pending the outcome of the
5 Legislative process.

6 BURNS: So did you hear that directly from them?

7 RICHARDS: Yes.

8 FAUSKE: Yes.

9 BURNS: That's incredible. So essentially the politics that
10 are going back and forth has stopped the SEIS process?

11 FAUSKE: Yes (ph).

12 RICHARDS: Mr. Chairman, part of the challenge that the
13 regulatory world has is that they -- for ASAP we've
14 been working with them and on the State side we have
15 priority. On the Federal side they see this as a
16 project, but there's also another project that they're
17 also working on and that's AKLNG. So they wonder which
18 project is real, which project is going forward.

19 FAUSKE: They're also balancing the use of their resources at
20 this time and maybe a bit of an overreaction, but
21 that's -- it is what it is.

22 BURNS: Okay.

23 FAUSKE: We have a great relationship with them and we'll --
24 that will get -- I think, as soon as some of the dust
25 settles or -- we'll be right back in stride with them,

1 but that's the action they took.

2 BURNS: Okay. So they can put it back on? If.....

3 FAUSKE: Yes.

4 BURNS:there's a sense of a direction they can put it
5 back on. Okay, good.

6 RICHARDS: Absolutely, Mr. Chairman.

7 CRUZ: Remember that's an arbitrary decisions they made.

8 BURNS: Um-hum. (Affirmative)

9 RICHARDS: So, again, with all the assets that we have gained
10 within AGDC, we are putting in place a Content
11 Management System which is essentially a commercial
12 product to be able to do electronic document
13 management, so that's all of our drawings, all of our
14 files, all of our specifications that are coming in
15 from our contractors as we've completed our Class 3
16 work. And then we are continuing to prioritize our
17 ASAP Quality Program procedures and approval process.

18 And then in the Legislative world there have been a
19 couple of Bills that were dropped last week. SB-70 was
20 a Bill by the Administration seeking authorization for
21 a natural gas pipeline through State park lands or
22 Title 41 lands where those lands had been withdrawn
23 from the public domain and we really need to be -- the
24 State needs to have the authority by the Legislature to
25 allow a natural gas pipeline to flow across those

1 lands.

2 There was a companion Bill that was also drafted by
3 Representative Talerico and is now in House Resources
4 with hearings starting next week. As we have two
5 companion Bills that are out there ongoing, but both of
6 which will benefit either project, ASAP or AKLNG
7 because of our common alignment crossing those State
8 park lands.

9 CRUZ: So -- you know, so, Frank, for the benefit of the
10 new members explain what we're crossing in the State
11 parks. This is going down the road right-of-way and
12 where else?

13 RICHARDS: Well, we're actually crossing Denali State Park,
14 about 38 miles of the park, so we're not actually in
15 the road right-of-way. We're outside the road right-
16 of-way and we're in many instances on the west side.
17 And from our Public Hearings, that's where folks wanted
18 us to be, but when the Legislature under House Bill 4
19 directed DNR to provide us a right-of-way, they
20 provided us right-of-way on Title 38 lands which were
21 in the public domain, but DNR didn't -- felt they
22 didn't have the ability to provide a lease across Title
23 41 lands and so this will provide us that.

24 Besides Denali State Park, we are crossing Willow
25 Creek recreational area. We are crossing -- or we

1 included in the language a description for Captain Cook
2 State Park which is for the AKLNG route. So when AGDC
3 represented to the Administration and to the
4 Legislature, we combined the State lands that we saw
5 that either project or both projects would need to be
6 able to have the authority to do. So that work is
7 ongoing and we continue those hearings.

8 BURNS: Okay.

9 RICHARDS: Moving on to Tab number C, Mr. Chairman, is a
10 monthly update on the expenditures of the ASAP project.
11 And as Dan reported in his President's Report one of
12 the key matrix is the percent spend versus percent
13 complete. So through the end of January we had spent
14 36 percent of the monies appropriated to AGDC for the
15 ASAP project with the physical percent completion of 38
16 percent.

17 So since January 1 of 2013 on the totals line, the
18 far right hand number is 110,714,156, that's the amount
19 of money that we have spent essentially since passage
20 of HB-4.

21 The bottom line in the tinier font the grand total
22 of 159 million is essentially the money that AGDC has
23 spent since the inception of House Bill 369 up through
24 House Bill 4, so it's all the work that we've done to
25 date representing a total.....

1 BURNS: During AHFC then. When AGDC was under the purview
2 of AHFC?

3 RICHARDS: Yes, sir.

4 FAUSKE: Correct. 369, Mr. Chair, remember.....

5 BURNS: Right.

6 FAUSKE:when we wrote a report and did that work.....

7 RICHARDS: And that concludes my report, Mr. Chairman.

8 PARADY: Mr. Chairman?

9 BURNS: Yup.

10 PARADY: Mr. Chairman, Frank, I just want to open the door to
11 a conversation later today about some of those
12 right-of-way issues as to pertains to work I'm involved
13 with in the context of the Cook Inlet gas supply to
14 Fairbanks. I just want to chat about the lay of the
15 land, so.....

16 RICHARDS: Be glad to.

17 BURNS: On record or off? It's not part of this.

18 PARADY: After the meeting.

19 BURNS: Yeah, okay, got it.

20 FAUSKE: Mr. Chairman?

21 BURNS: Yeah.

22 FAUSKE: You asked me to remind you, I was wondering if this
23 might be an opportune time. Senator Halford had asked
24 us a question yesterday on the work that was done in
25 the past on a small diameter, eight inch, steel line

1 coming off, I believe, it's Pump Station 4 that would
2 have supplied gas to Fairbanks. Mike Thompson worked
3 on that project so I called Mike yesterday and asked
4 him to prepare a brief statement to bring the Senator
5 up to speed if -- with the Board's permission, Mike's
6 here if we want to hear that information.

7 BURNS: It's not on the agenda, but if everybody would
8 entertain, we'd go off script and let Mike come in.

9 FAUSKE: All right.

10 BURNS: Okay.

11 FAUSKE: Thank you. This should be quick, so we'll.....

12 THOMPSON: Yeah.

13 FAUSKE: Thank you, Mr. Chairman.

14 BURNS: Yeah. Go ahead, Mike, state your name for the
15 record, please.

16 THOMPSON: Thank you, Mr. Chairman. Mike Thompson, I'm the
17 ASAP Environmental, Regulatory and Land Manager
18 and.....

19 FAUSKE: Mike, just give them some of your history, so -- I
20 know that most of them probably know you.

21 THOMPSON: Yeah, I've been in Alaska all my life, lived in many
22 different locations around the State mostly in areas
23 associated with fisheries. I'm a fisheries biologist.

24 And in about 1991 I moved from Kodiak to Anchorage,
25 joined the State Pipeline Coordinator's Office and from

1 about '91 until 2012, thereabouts, 2013 I worked in and
2 out of that office, so a fair amount of experience on
3 permitting and regulating pipelines.

4 And as part of that job, actually that's a good
5 segue, when of the things we were looking at a few
6 years ago and it was very high level, conceptual work,
7 was the -- what was the opportunity to use the Trans
8 Alaska Pipeline System fuel gasline which goes from
9 Pump Station 1 to Pump 4, a distance of about 145 miles
10 to extend that pipeline down into the Fairbanks area to
11 provide gas there. And it was being eval- -- this
12 project was being evaluated simultaneously with the LNG
13 trucking project everybody probably remembers.

14 So what I did was I -- Dan asked me about that
15 yesterday. I put these few bullets together just to
16 describe the high level evaluation process we went
17 through.

18 And we did determine that there was excess capacity
19 in the pipeline itself. It's a 10 inch pipeline that's
20 downsized to an eight inch pipeline at Milepost 21.
21 There's a pig launcher receiver there, so there is
22 excess capacity in the pipeline.

23 It supplies Pump Station 3 and Pump Station 4 and
24 their peak loads are during the winter months as you
25 can imagine. And so what we looked at was taking that

1 excess capacity and how do you deliver that to
2 Fairbanks. And we landed on one compressor station
3 which would be at the -- near the Chandalar DOT site
4 just south of Atigun Pass. And taking the eight inch
5 steel pipeline and extending that down into the
6 Fairbanks area.

7 Some of the things we found were that during the
8 peak winter use months we'd need storage in the
9 Fairbanks area.

10 The pipeline itself was fairly expensive for an
11 eight inch pipeline to run about 240 to 250 miles. In
12 other words, the cost per mile of pipe related as a
13 function of capacity seemed somewhat high when we were
14 looking at a potential larger in diameter gas pipeline
15 in the future. In other words, why would you invest in
16 that if there's another larger pipeline coming at a
17 later date.

18 And the other things that became apparent were that
19 it's not a common carrier pipeline. It's considered an
20 ancillary feature of the TAPS pipeline and, therefore,
21 we didn't know how we would develop a tariff structure
22 for that pipeline. What would be charged to ship the
23 gas, so we never resolved that issue, but it was
24 identified as an issue.

25 The other thing is, in working with Alyeska, Alyeska

1 was quite clear that their needs had to be met first if
2 there was any pressure on the capacity itself. And
3 that they may have had some future needs for that gas
4 at Pump Station 5 where they were going to provide
5 additional heat into the crude stream, so I think since
6 then they've determined that they're going to use
7 diesel and probably are actually heating the oil there,
8 so those are some things we learned.

9 One of the key issues and we were under some timing
10 constraints and the air permitting itself for the
11 compressor station was going to take up to three years
12 to do and that just really was difficult in trying to
13 meet a schedule that we had.

14 So that's just a quick summary.

15 BURNS: Thanks. Rick.

16 HALFORD: The reason I asked the question was that when I
17 heard what came out as a real Fairbanks demand it was
18 so low that I thought it might be something to look
19 back at. What was the capacity of a 10 inch line at
20 the part that you're talking about?

21 THOMPSON: That I couldn't answer here today. So this -- this
22 was put together just totally on memory. Those bullet
23 -- I mean, the work was done three or four years ago,
24 so.....

25 FAUSKE: Do you have any idea on that, Dave?

1 HAUGEN: No (ph) .

2 FAUSKE: We'll get -- we'll get that answer. That's a good
3 question.

4 THOMPSON: Well, what I would.....

5 HALFORD: (Simultaneous speech) question for -- I was just
6 looking for an immediate response to a problem or a
7 more immediate response than the other things we're
8 talking about, that's all.

9 FAUSKE: If I could on that, we looked at it because -- and
10 tell me if the work got done, but they did a bunch of
11 work on that because frost heave keeps messing with
12 that line. And we knew they were going in to work on
13 it, so we explored well, why don't -- maybe there's an
14 opportunity here while they're doing the work to talk
15 about running it further down. It involved and -- you
16 know, some of our funding, work with 'em, see if we
17 couldn't get a line down and.....

18 THOMPSON: So -- you know, I don't want to minimize the work
19 that was done. I mean, we met with DEC. We met with
20 Alyeska Pipeline. Alyeska was very involved in these
21 discussions. I'm not sure how supportive they were,
22 but they didn't oppose the idea outright and those
23 numbers were wrong. They actually modeled, you know,
24 the hydraulics of the system and so I know that
25 information is out there and available and it

1 might.....

2 FAUSKE: But we'll get it.

3 THOMPSON: be publicly available if we're go -- if we were

4 to go to the State Pipeline Coordinator's Office.

5 FAUSKE: You know, the way things go, it still could be -- it

6 could be viable again, you know. This thing.....

7 HALFORD: Yeah. I just wanted.....

8 FAUSKE: keeps morphing.

9 HALFORD: to look again.

10 FAUSKE: Yeah.

11 PASKVAN: Mr. Chairman?

12 BURNS: Yeah.

13 PASKVAN: My question along the line of Senator Halford's was

14 not just capacity, but what the excess capacity was

15 that you had determined existed, you know, so that we

16 would.....

17 THOMPSON: No, and that was seasonally driven as you can

18 imagine. In the summer months excess capacity was

19 higher and how do you capture that, you know, through

20 storage obviously.

21 And another idea that was floated, if we are going

22 to build a larger diameter gas pipeline, let's build

23 that south of Atigun.....

24 PASKVAN: Um-hum. (Affirmative)

25 THOMPSON: and, you know, 36 or whatever that is and then

1 we'll use this line. We'll actually pack the larger
2 line. The larger line then becomes your storage, you
3 know,.....

4 PASKVAN: Um-hum. (Affirmative)

5 THOMPSON:for Fairbanks area or other downstream users.
6 So there were a lot of ideas that were being floated to
7 try and economically bring this gas to Fairbanks and we
8 just couldn't get it quite to work at that time anyway.

9 BURNS: Fred.

10 PARADY: Mr. Chairman, Members of the Board, and Mr. Halford,
11 I'd like to offer that the AIDEA project team lead on
12 this project is Bob Shevik (ph) and I'll take this
13 communication to him and just fold it into the
14 discussions that are hard work. They're -- it's well
15 beyond discussions that are ongoing on this effort.

16 FAUSKE: That's a good idea, thank you. All right. Thank
17 you,.....

18 BURNS: Good. All right. Thanks, Mike.

19 FAUSKE:Mike. Any.....

20 BURNS: I'm good (ph).

21 FAUSKE: Mr. Chairman, again, thanks for letting us get that
22 in there.

23 BURNS: No, absolutely, appreciate it. Joe, AKLNG. Joe,
24 Fritz, come on up, thanks. So this is item 10 in your
25 packet.

1 KRUSEN: Okay. Ready to begin. So I think we're on Tab 9
2 and Section A of Tab 9. I'm just opening that up.

3 BURNS: I think we're on Tab 10A.

4 KRUSEN: Ten. Oh, 10, I'm sorry, Tab 10, there we are. 10,
5 Section A, so I'm going to talk about the Alaska LNG
6 technical activities in the month of February. You
7 call got, kind of, caught up earlier on what we did
8 last year.

9 I think you've heard a lot already about the
10 AKLNG/AGDC cooperation and interface. Frank described
11 how AGDC is doing the boreholes for both AKLNG and ASAP
12 along the northern bit of the line, the southern bit of
13 lone along Cook Inlet, so won't go over that.

14 And then, I think, Frank touched upon the fact that
15 AGDC is responsible for offtake facility design for
16 both projects, so we're working that and they're pretty
17 far along on the ASAP version which is a bit of a
18 leaner gas. And then once we get that done, we're
19 going to plug in something to take care of the AKLNG
20 richer gas, so we'll know more about that in a couple
21 of weeks.

22 AKLNG is divided into sub-projects, so it's a
23 massive project and the first sub-project as we go from
24 north to south is the gas treatment plant, what's
25 happening at Prudhoe Bay Unit to make it ready for

1 AKLNG and what's happening at Point Thomson Unit to
2 make it ready to export gas.

3 Really the news there is that for the gas treatment
4 plant there was a design review held last month where
5 the experts, the gas treating experts, the Aiming
6 experts from the three producers Exxon Mobil, BP and
7 ConocoPhillips got together and really augured in on
8 some of the details of the Aiming system design that
9 they're going to do, so that was a good session.

10 Pipeline also held what's a CoV, Co-Venture workshop
11 where everybody is invited. Frank and I and another
12 person from AGDC went to that. Results from there, a
13 little bit analogous to what you heard on ASAP.
14 They've decided to lock in on the X70 grade of pipe and
15 use a .72 design factor for the strain based portions
16 of the route. That is, the parts of the route that are
17 in discontinuous permafrost or in, sort of, slumping
18 soils, that kind of thing.

19 They presented their work where they, sort of,
20 (indiscernible) a little closer on pipeline capacity.
21 They, kind of, had this notion at the start of Pre-FEED
22 that the 42 inch line operating ANSI 900, 2075 maximum
23 pressure with eight compression stations was the right
24 way to do, but they looked at alternatives and they
25 came out of that, once again, feeling that for the

1 AKLNG project that 42 inch ANSI 900, eight compressor
2 stations is the right pick for them.

3 With that said it's not out of consideration that
4 you would do a 48 inch. The State has some interest in
5 -- in fact we're obligated to look at 48 inch and so
6 we've asked that they try to keep alive any optionality
7 for 48 inch so that can go into the Resource Reports if
8 it comes to past that, that's what everybody lands on
9 instead of 42, but meanwhile the work continues, the
10 engineering work continues on the 42 inch case.

11 We talked a little bit about the Cook Inlet
12 Crossing. There's an eastern crossing, kind of, up by
13 Point Mac and there's a western crossing that begins a
14 little bit west of the Village of Tyonek and then comes
15 into the Kenai Peninsula at the Boulder Point.

16 And looking to routes, there was just, boy, that
17 whole Point Mac looked a little messy so we came to the
18 conclusion that we'll focus on the western route, the
19 Tyonek to Boulder Point. And that's where we'll do the
20 sensing and then the boreholes and stuff like that, the
21 offshore boreholes for the summer 2015 program and will
22 just keep the eastern route alive as an option in the
23 permit request and that's saving money, so.....

24 BURNS: Fritz, Hugh has a question.

25 KRUSEN: Yes.

1 SHORT: Fritz, could you explain the messiness of Point
2 MacKenzie then?

3 KRUSEN: Yes, several things going on there. It would appear
4 that the bottom conditions are not stable, so there was
5 some bathymetry work done five years ago. They did
6 some last summer and there -- boy, it looks like things
7 have moved around. So it looks like there is a lot
8 shifting sands at the bottom up there. Whereas we
9 don't see that same feature for the western route, much
10 more stable.

11 There's also just a lot of things happening up
12 there. There's, sort of -- if you will, it's almost
13 like an offshore version of an on shore pipeline pinch
14 point. So you've got the fiber optic cables coming in.
15 You've got the -- what do you call it, the --.....

16 CRUZ: Chugach's power.

17 KRUSEN: the fairway into the Port of Anchorage and some
18 other things going on. Oh, you've got the power cable,
19 so what -- how do you anchor your pipe lay (ph) vessel
20 with all this stuff going on and that was a big
21 concern, too. How do you anchor a pipe lay vessel and
22 move it down without breaking something.

23 SHORT: Has the Beluga issue been contemplated, discussed?

24 KRUSEN: Yes, yes. And both routes will, sort of, trigger
25 considerations, but, you know, on think on the map.....

1 (Telephone interference)

2 BURNS: Anyway, if you're on the phone if you could, please,
3 mute your phones, please.

4 KRUSEN: So yes, both -- both areas will trigger
5 investigations into the Beluga situation. However, I
6 think it's generally acknowledged that the upper bit is
7 more serious than the western bit.

8 SHORT: And that was taken into consideration.....

9 KRUSEN: Yes.

10 SHORT:in your decision?

11 KRUSEN: Yes. Yes. And then our favorite acronym, PHMSA,
12 Pipeline and Hazardous Materials Safety Administration,
13 when you do things like do a pipeline to a strain based
14 design, something that's different than what they do in
15 the Lower 48, you have to get a special permit.

16 One of the conditions of that special permit was it
17 has to be renewed every five years, so the AKLNG
18 project team met with PHMSA and got them to say okay,
19 we're not going to force that upon you, so that was a
20 good thing. That's progress. It's nice to have your
21 permit in place and not to know that five years later
22 somebody could change the rules of the road.

23 Moving down to the LNG plant, we, the Project
24 Steering Committee folk, haven't seen a lot of the
25 results yet. They've been working hard, sort of,

1 churning doing their project team stuff. We will be
2 exposed to their work for the first time next week, so
3 I'll be going down and some others will be going down
4 to participate in the -- as LNG presents their
5 workshops.

6 Marine, they also held a workshop in February and a
7 lot of things discussed there, but maybe the most
8 interesting thing is the jetty locations. They will
9 have two jetty lo- -- two jettys.

10 As you go, sort of, from the Kenai River -- gosh,
11 which direction is -- I guess, north. Yes, north, you
12 come to the LNG -- the AKLNG plant site and then to the
13 Agrium jetty, the existing ConocoPhillips LNG jetty and
14 then the Tesoro KPL jetty.

15 And so you get -- the closer you -- the further you
16 are away from the mouth of the Kenai River and the
17 closer you get to that Agrium jetty, the sooner you're
18 into deep water and that's good.

19 But the problem is that if Agrium goes back into
20 operations, there have some times been ships that got
21 away from their jetty, so until we get all that figured
22 out we're actually going to be as far south as we can,
23 that will be the reference case. And then we'll, sort
24 of, hold this optimistic upside case of being close to
25 the Agrium jetty if we're able to work things out.

1 So those are the four sub-projects, but there's a
2 team called the Integration Team that, sort of, is the
3 glue that holds everything together. So I think -- I
4 think we talked a little bit about the Pre-FEED master
5 schedule. It's been reissued. I don't know if it's
6 official yet, but it's awful close to official.

7 So -- I mean, they had a schedule going in, but as
8 you heard the JVA got signed late, project team got
9 stood up late, contractors kicked off late, so
10 contractor said, you know, get all your schedules
11 together. We'll integrate them and the bottom line is
12 that the milestone for making a decision going into
13 Pre-FEED has shifted to the right by three months from
14 March 1st, 2016 to June 1st. Now, that's just a
15 diamond on the map. There's actually a band around it
16 when you make the decision, but that's the milestone.

17 And there's a lot of things that went into that, but
18 basically it's a recognition that with the late start,
19 lots to do, LNG is going to take another month. The
20 task of integrating all the sub-projects is going to
21 take another month and then just a recognition that a
22 lot of this is going to be happening over the 2015 to
23 2016 winter holidays and that's going to slow things
24 down, so there's a lot more going on than that, but
25 that's, sort of, the short version.

1 We talk about what a big engineering project is and
2 I think as Mr. Cruz said, but it's also a huge
3 permitting project for ASAP, ditto for AKLNG, but as I
4 mentioned before the first draft of Resource Reports 1
5 through 12 which are required for the FERC EIS
6 methodology, those went in, in February.

7 There's going to be a second draft once we're done
8 with all the Pre-FEED stuff. All those results go into
9 the second draft and that will be February of 2016.
10 And then good news from that submittal FERC have
11 already issued their Notice of Intent to start work on
12 the AKLNG Environmental Impact Statement, that was --
13 that's March business, but we thought that was so
14 important that we wanted to get it into this.

15 And comments on that, Joe?

16 DUBLER: No, no (ph).

17 KRUSEN: Yup. So anyway it's a big -- once again, it is a
18 sign that the Federal Government is taking this project
19 seriously. So, you know, when you think about how
20 quickly they granted the DOE, granted the Fair Trade
21 Agreement countries export license, when you think
22 about how quickly FERC turned this around, we think
23 that's a positive sign.

24 So, you know, normally I speed through this stuff
25 pretty fast and I realize that we've got some new folks

1 here, so I just -- you know, can I ask this with any --
2 answering any questions on AKLNG?

3 BURNS: Anybody any questions on AKLNG?

4 PASKVAN: Just.....

5 BURNS: Yeah.

6 PASKVAN: I mean, it's -- as far as countries under the Free
7 Trade Agreement,.....

8 KRUSEN: Yeah.

9 PASKVAN:I assume India is still one of those and that's
10 a.....

11 KRUSEN: I don't know about -- I think India might be and,
12 you know, it could be a target. I think South Korea
13 is.....

14 DUBLER: South Korea is.

15 KRUSEN:and -- and I don't know about India though.

16 DUBLER: Japan is not. I know South Korea is and Japan is
17 not.

18 KRUSEN: Yes.

19 DUBLER: I do not know about India.

20 KRUSEN: Yeah.

21 FAUSKE: On that, did you -- are you talking about the pipe?
22 Some -- when we ordered the pipe that you referenced
23 earlier Japan is not.....

24 KRUSEN: Right (ph).

25 FAUSKE:and so when we're done testing the pipe it has

1 to be destroyed under the terms of the Free Trade.....

2 DUBLER: Or we day large duty.

3 FAUSKE: Yeah. In other words, you have to destroy the pipe.

4 You can't cut it up into little -- it has to be

5 destroyed. Just a little tidbit you'd find handy in

6 your.....

7 PASKVAN: Well, I didn't know we are -- my question was going

8 to lead us down this path, but, I mean, I guess

9 that's.....

10 KRUSEN: But, yeah, South Korea is the only one I know of,

11 maybe India. Unfortunately, you know, the other folks

12 that we'd like to talk to that's yet to come.

13 PASKVAN: And what is the process that this Board needs to

14 understand about getting.....

15 KRUSEN: I'll have to get.....

16 PASKVAN:those people in line so that we can talk to

17 them?

18 KRUSEN: I'll have to get you -- get back to you. I know

19 that Senator Murkowski is trying to get after the DOE

20 on this and keep them -- I did see a press release on

21 that.

22 DUBLER: And just for clarification, that will be an issue

23 for whoever is marketing the gas. And at this point in

24 the project it hasn't been determined whether that will

25 be AGDC, whether the State Department of Natural

1 Resources will market the gas since they're technically
2 the owner, technically they are the owner of any gas
3 that would come through this project or whether they
4 would assign that to the producers for the producers to
5 market the gas on their behalf.

6 So -- and that determination hasn't been made, but
7 whoever ends up doing it would be concerned with what
8 countries they could market it to.

9 BURNS: Any other questions? Okay, great. The next item is
10 on b.

11 DUBLER: Mr. Chairman, the budget numbers you have in front
12 of you are actually budget versus actual comparisons.
13 There's three columns. The first set of -- actually
14 there's nine columns. The first set of columns of
15 numbers are the Prior Cumulative. Those were the
16 numbers through December of 2014.

17 The current month of January, 2015 we had a budget
18 for LNG facilities and, again, we're back to -- all
19 we're showing is LNG and Marine which is the only
20 portion of the project that AGDC participates. LNG
21 facilities had a budget for January of \$1.5 million and
22 change and the actual was \$1,013,000 for a \$500,000
23 variance.

24 The marine facilities also had a positive variance.
25 And I noticed when -- and I believe it was -- Bruce was

1 earlier discussing variances on the project and under
2 spending on a project is generally considered a
3 positive variance, that's only if it's not
4 significantly underspending because that means you're
5 not getting enough work done.

6 I mean, so you want to be close to a budget. You
7 want to be hitting your targets 'cause otherwise like
8 Fritz said earlier, we got a little bit of a slow start
9 on the project and you can see with the year to date
10 actuals, we have a \$5 million underspend so far to
11 date. That means we're not doing nearly as much work
12 as we had intended to and we are catch- -- we are
13 catching up though, I will say that.

14 There -- the numbers coming in February and March
15 are looking better. They're spending more money.
16 They've got more people on board and they're getting
17 more things done.

18 So the overall participating interest for AGDC for
19 January, we had \$2.24 million budget and 1.63, so we're
20 about 50 percent under budget for January.

21 And the year to date actual we're a little bit lower
22 than that, 12.7 budget and we've spent 7.6 with a
23 variance of 5.1.

24 The numbers down below are the Corporate
25 expenditures and Bruce talked about those earlier as

1 well. The operating budget and the CAM, is the
2 Corporate Allocation Method is the acronym they came up
3 with, and that was a method that was approved by the
4 Board of Directors to allocate things like the computer
5 system, the phone system, the -- you know, the
6 overhead, the accountants, that kind of -- and actually
7 Bruce, I think, is in there, too. He's, kind of,
8 overhead, but allocate all of those kinds of costs, G&A
9 basically.

10 So what -- and what it does, Bruce talk -- I mean,
11 Bruce, it was 85/15 ASAP and AKLNG. And the reason for
12 that is that most of the Staff and contractors we've
13 got in this building work on ASAP.

14 AKLNG dedicated employees Fritz, I think, Jenny (ph)
15 is and part of my time, part of Daryl's time, part of
16 the Commercial Team's time and then some SMEs or
17 subject matters experts from the Technical Team work on
18 AKLNG as well, but the whole rest of the Staff are
19 either Admin Overhead or they are ASAP.

20 So that's why -- it sounds like a big difference, 85
21 to 15, but it has to do with the amount of money that
22 comes through here and the amount of people, so that's
23 why that number may seem out of whack to you, but the
24 budget to date for AGDC corporate expenditures \$4.7
25 million total. Yeah to date actual 2.9 with a variance

1 of 1.7, so those are lower as well.

2 And with that, Mr. Chairman, if you have any
3 questions I'd be happy to address them.

4 BURNS: Fred.

5 PARADY: Mr. Chairman, and I might direct this either to you
6 or to our President, but if you do percentages on those
7 numbers, the project expenditures year to date are at
8 60 percent of budget. The Corporate are at 62. The
9 total's 60. The monthly Corporate -- or, excuse me,
10 monthly project are at 52 percent and the monthly
11 Corporate are at 63. So we're popping along at a slow
12 -- I'm speaking to your point that we're popping along
13 at a slow rate of activity and I just would like some
14 discussion about that rate compared to our overall
15 goals in terms of alignment, et cetera 'cause, you're
16 right, that's an opportunity cost here (ph). Times a
17 wasting (ph) and in -- in some respects depending on
18 what you're trying to do with time.

19 FAUSKE: If I may on that and I know Joe can add, but in the
20 work on the AKLNG side I'm part of what's known as the
21 Sponsor's Group, that's the presidents on down.

22 PARADY: That's the big overhead.

23 FAUSKE: Yeah. Well, yeah.

24 PARADY: I'm sorry, I should have restrained myself. I
25 hope.....

1 FAUSKE: I pale -- I pale in.....

2 PARADY:that was taken in good fun.

3 FAUSKE:comparisons to some those guys. The work -- we
4 spend an awful lot of time -- and I'm going to say this
5 in a complimentary manner, these are three
6 corporations, TransCanada being, kind of, a separate
7 entity. When we gather and we meet it is not always --
8 it's -- it's time consuming and there's a lot of
9 decisions that take a great deal of time to make which
10 does have an affect, in my opinion, on expenditure
11 levels and the amount of work getting done.

12 There is still an unbelievable amount of work to be
13 done in regards to the gas balancing, governance,
14 commercial terms and a variety of issues. And so that
15 is part of the explanation and I think that's an
16 accurate one and Joe -- it's just things -- things that
17 you think are going to go lickety-split get hung up
18 because corporates are fighting over who's the L one,
19 the lead or who answers to who, what piece of that
20 goes, but I -- it's getting better. You know, they're
21 -- I mean, we're spending money. You know, they -- you
22 know -- but it could be getter I would think and.....

23 DUBLER: We had expected to kick off the effort earlier in
24 2014 than actually happened. It didn't really get
25 going until July 1 of 2014, so we did miss part of 2014

1 summer field season.

2 What that means is that instead of a normal ramp up
3 like this and then some work and then a ramp down, it
4 was more like this and then ramping up fast and
5 spending more fast and then it's going to drop faster.

6 So, I mean, we're in the phase right, and Fritz,
7 correct me if I'm wrong, but all the major contractors
8 have been named. They have all staffed up and they're
9 all working full time on their component -- their
10 particular components of the project and they still
11 expect -- I don't think any of the end dates have
12 shifted, have they? They're just going to get more.
13 I mean, they haven't pushed any.....

14 KRUSEN: LNG did shift a month. Everything else.....

15 DUBLER: A month, okay.

16 KRUSEN: Yeah, yeah. So and I would just say from the
17 Technical side we are at pace. We're beginning to get
18 confidence in the burn rate that we're seeing. You
19 know, I think next month we can say this is the monthly
20 burn rate and just be -- you know, feeling real good
21 about that.

22 At the same time with the \$50 barrel oil, we're all
23 trying to figure out ways we can reduce the costs of
24 the AKLNG project spend and so there are deliberate
25 steps taken to move out scope -- or remove scope if you

1 really don't need it so the Cook Inlet east crossing
2 versus west crossing, well, come on guys, let's do our
3 homework now and see if we can maybe not do twice a
4 much field work. So yes, we're going to run a little
5 longer, three months, but we're trying to take scope
6 out to bring the burn rate down.

7 BURNS: Um-hum. Let me -- do you have another follow-up?

8 PARADY: No, sir.

9 BURNS: You know, if you look at our -- from the ASAP -- at
10 what we have required you guys to do on the ASAP,
11 there's a percent spent versus percent completion.
12 That's not in this one. And, I think, it would be
13 beneficial to know that the money that's being spent,
14 how that tally's to the completion -- the project
15 completion. And I think it would be very helpful to
16 have something similar to what's on 9c because I --
17 these numbers are meaningless to me.

18 PARADY: Um-hum, 'cause you can't orient them (ph).

19 FAUSKE: Let's just go back,.....

20 BURNS: Yeah.

21 FAUSKE:if I may, Mr. Chairman, to what I said this
22 morning on the corporate scorecard -- the scorecard.

23 DUBLER: Yes, yes, that's exactly what it is.

24 FAUSKE: Well, that data is not supplied and so.....

25 KRUSEN: We do in the monthly report get to see the spend co

1 (ph) and how it's doing against the target and they're
2 supposed to put a new -- you know, reduced target on
3 it, so we can -- we can see a tracking, but thus far
4 that, you know, translated into 35 percent actual
5 versus 37 percent planned or something, that hasn't
6 been done. I can certainly ask.....

7 FAUSKE: We will work on getting that.

8 DUBLER: Well, no, what he's asking about he -- what you're
9 talking about are both financial numbers.

10 KRUSEN: Yes.

11 DUBLER: He's talking about percentage complete number versus
12 percentage spent numbers.....

13 KRUSEN: Oh.

14 DUBLER:to show you a ratio. Basically a -- what do
15 they call it. A earned -- earned.....

16 KRUSEN: Yeah, earned value.....

17 DUBLER: Yeah, earned value, that's what it is. So you can
18 say are we -- have.....

19 BURNS: Because we spent a lot of time in developing.....

20 DUBLER: Yes.

21 BURNS:the charts that's on 9c and it has value. I
22 mean, we know.....

23 DUBLER: Yes.

24 BURNS:you know, it's performance management.

25 DUBLER: Yes.

1 BURNS: And it's great that you guys are -- maybe it's bad.
2 It sounds like that you guys are underspending on the
3 AKLNG, but you may be way over spending in comparison
4 to -- to.....

5 DUBLER: To the work that's being done,.....

6 BURNS:get it completed (ph).

7 DUBLER:that's correct. And, Mr. Chairman,.....

8 BURNS: And -- and I -- yeah.....

9 DUBLER:we have asked them about that in Pre-FEED, but
10 the response I got was Pre-FEED they don't do that. In
11 FEED and EPC (ph) they do. It's the part of the
12 project that they're in right now, they typically don't
13 do percentage complete of work. We can ask again and
14 see if they -- if they.....

15 BURNS: See what we can do. You know, why that would also
16 be of benefit because this -- for the first time I've
17 seen a slip of three months. You know, I've never seen
18 a slip prior to that and there's a slip of three months
19 and I think it helps us to evaluate things in context.
20 You know, if we see where the spend rate is compared to
21 completion rate, that sort of think.

22 Anyway, I guess, my only -- my desire is if you guys
23 could mirror the one similar to this one and if that --
24 if the Boards.....

25 SHORT: No, I agree.

1 PARADY: Yeah.
2 BURNS: Okay.
3 PARADY: I agree.
4 BURNS: Yeah, okay.
5 PARADY: Sign us up.
6 BURNS: Sign -- anything else on AKLNG financials?
7 DUBLER: None from me, Mr. Chairman.
8 BURNS: Anything further on AKLNG?
9 DUBLER: (Shakes head in the negative)
10 BURNS: The next item was a -- we were hoping to have a
11 representative from DNR. And I guess what I would
12 suggest, Dan -- I mean, and leave it to the Board to
13 see if they're in line with this, I would like there to
14 be a standing invitation to DNR, DOR and to AKLNG, you
15 know, Steve Butts. It's my understanding that Steve
16 is, kind of, the lead on the AKLNG side of it. And,
17 you know, to have them, you know, be participants and
18 attend the AGDC, so we can have those candid dialogues
19 and make sure that there are any questions or concerns
20 that they have. I'm assuming that you've already been
21 inviting.
22 FAUSKE: Marty is out.....
23 GRAHAM: She's in Juneau.
24 FAUSKE: She's in Juneau testifying. We were even going to
25 try and attempt -- I think she's testifying, to try to

1 set up a call and it just got too complicated, but
2 yeah, she's.....

3 BURNS: You know, the other thing, it harkens back to the
4 prior Administration, I understood that DOR was tasked
5 with doing the research to determine whether or not
6 Alaskans could invest in the gas pipeline. And, I
7 mean, I see Bruce -- Bruce, if you want to comment on
8 that. What is the status of that evaluation?

9 TANGEMAN: So that is called the Lazard Report. That's a
10 company that came on to study just that part. They've
11 rolled out their preliminary report, presented it to
12 the Legislature in late January. A lot of it is 101
13 type financing issues. They're due to roll out the
14 final report in October of this year and part of
15 that --.....

16 BURNS: What were the preliminary.....

17 TANGEMAN:part of that operating expenditure is under
18 AKLNG that Joe is speaking to is being fund- -- it's a
19 two and a half million dollar study that is being
20 funded through us from that fund.

21 FAUSKE: We were -- this is a -- goes back to a House Finance
22 meeting. I had the question of me. Other times I did
23 some work years ago for Governor Hickel on the idea of
24 creating a fund back in the days when the State didn't
25 have -- you know, and how could we raise money. And so

1 it was a specific request of us that we include in our
2 analysis, when we get to the financing stage, the
3 ability to create a mutual fund or some type of -- some
4 type of instrument that Alaskan citizens could use to
5 invest in the fund.

6 And when you look at it if you -- let's say, AKLNG
7 goes and you've got this fund that's going to pay a
8 return on equity of probably 11 to 13 percent, I know
9 many will go well that -- I'm in. Your -- your
10 partners are BP, Exxon, ConocoPhillips, TransCanada and
11 Alaska -- the State of Alaska that has the makings of
12 the creation of a pretty unique fund.

13 The theory being that people could say I want to --
14 I'm just -- I don't want to, you know, just get -- just
15 a theory. People could say well, I want for the next
16 10 years take my permanent fund. I want to roll it
17 into that mutual fund with a guaranteed rate of return
18 and then we know -- that was discussed openly at a
19 House Finance and even a Senate Finance 'cause they
20 Alaskans to have the opportunity to invest. And then
21 through financial firms and others would be to create
22 -- well, we've met with several banks and the idea of
23 be thinking down the road of how to create.....

24 BURNS: So that's -- that's ongoing?

25 FAUSKE: That's ongoing.

1 TANGEMAN: And I -- and.....

2 BURNS: Okay. And that applies to both projects I'm

3 assuming. I mean, the principle is the same I would

4 imagine.

5 FAUSKE: Absolutely.

6 TANGEMAN: And I think the initial report that Lazard rolled

7 out was more of a 101 general look and I think they got

8 a lot of feedback, especially in the committees they

9 were in that were more geared towards that type of how

10 Alaska wants to treat this, so I think that's some of

11 the takeaways they took out of this and will be rolled

12 into the October final report.

13 BURNS: Okay, great.

14 FAUSKE: So that's ongoing.

15 DRYGAS: Can you send the Board Members a copy of that.

16 TANGEMAN: Absolutely.

17 DRYGAS: Thanks.

18 TANGEMAN: Um-hum. (Affirmative)

19 BURNS: Good. So we are at the end of New Business. Is

20 there anything for discussion in Executive Session?

21 Don't see any.

22 Other Matters to Come Before the Board. The only

23 matter that I am aware of is committee assignments and

24 rather than me do the assignments unilaterally, there

25 are three committees.

1 GRAHAM: Four.

2 BURNS: Four committees. We've got -- just read through
3 them if you would. Governance, we've got Governance.
4 We've got what Dave refers.....

5 GRAHAM: Commercial.

6 BURNS:to as the Tech Commercial, the Commercial and
7 the Audit, okay, and those are the four. And we are,
8 because we are subject to the Opens Meeting Act,
9 limited to three Board Members on each of those
10 committees.

11 And so what I would appreciate if you would do is to
12 shoot me an e-mail as to which committee you would like
13 to be on and then I will call and talk about it because
14 some may have more strength in Commercial even through
15 they may want to work on the Tech side of it. I mean,
16 we want to -- we'd really like to get the maximum
17 benefit of your expertise in the appropriate
18 committees.

19 PARADY: Mr. Chairman?

20 BURNS: Yeah.

21 PARADY: Might I ask Gwen that she e-mail us that detailed
22 list and who's where so that we can.....

23 GRAHAM: No problem.

24 PARADY:respond to her?

25 GRAHAM: Um-hum. (Affirmative)

1 BURNS: Okay.

2 PARADY: To you through her.

3 BURNS: Yeah. Now, that will just list the four that are
4 currently on it.

5 GRAHAM: Um-hum. (Affirmative)

6 BURNS: Okay, good. So the three new ones.....

7 GRAHAM: Yes.

8 BURNS:if you can just let us know. And we can
9 shuffle assignments around, too. I mean, if -- you
10 don't necessarily have to be (indiscernible).....

11 PASKVAN: Are we.....

12 BURNS: Yeah.

13 PASKVAN:picking two committees or.....

14 BURNS: Yeah.

15 PASKVAN:just -- okay.

16 BURNS: Well, you know, some people can -- because Tech
17 Committee is very intense, okay. And -- and -- I mean,
18 you're -- there's the task master right there.

19 CRUZ: Ouch.

20 GRAHAM: Three or four hours at a time.

21 BURNS: Other committees, you know, get canceled and he just
22 drives 'em hard, but you can see the results of it and
23 so that's a -- that's a very labor intensive committee.
24 And the Commercial Committee, kind of, ebbs and flows.
25 There will be a lot of flow as we move forward here.

1 The Governance Committee, we're getting pretty well
2 situated with all the governance documents, but we
3 essentially started from ground zero. We've got to
4 work on -- I think, Miles, we still have the
5 Communication Policy that we need to develop. And
6 there are -- there are a couple others.

7 FAUSKE: (Indiscernible) Governance.....

8 TANGEMAN: Yeah, (ph) level two policies.....

9 FAUSKE: Level two policies and we can work -- that's
10 ongoing, but when we get everybody up and running here
11 that will help and we'll get that done, John.

12 BURNS: Okay.

13 CRUZ: And one thing I want to add to the committees, you
14 need to be present at the committee. Do not call in
15 because it's just disruptive to the flow of our work,
16 so.....

17 BURNS: And the Committees generally are the day before.

18 CRUZ: Right, so we try -- we try -- you know.....

19 BURNS: But they'll be -- you know, I mean, the Tech
20 Committee is many hours. Governance -- I mean, the
21 Financial Committee, you know, like I said, that ebbs
22 and flows, but you know, it's two and three hours.

23 FAUSKE: Mr. Chair, I think for the members, I think this
24 would be an area that you'll enjoy in reference to some
25 of the experts we have. You really get down in the

1 weeds. I mean, they -- you know, we cover a lot here,
2 but you can -- you can really get down and meet the
3 folks that are making sense out of the madness, if you
4 will, but they're why it's designed this way, why it
5 does that.

6 BURNS: And the other thing is, you know, as a Board we just
7 can't know it all and so we are critically dependent on
8 those committees to delve into the details and then to
9 report back because we've got the fiduciary
10 responsibility. And as great as the Staff is, you
11 know, we've got to also -- you know, it's a series of
12 checks and balances and so we rely on the Board
13 Members.

14 Now, you know, we still have to get through this
15 issue of the confidentiality agreements in the context
16 of the Committees. And, you know, we're -- I'll work
17 with Ken on that because there are only two Board
18 Members who have signed confidentiality agreements and
19 a lot of the data that is discussed in these, like in
20 the Tech and the Commercial Committees, is subject to
21 confidentiality agreements, so -- yeah.

22 PARADY: Mr. Chairman, I had been going to bring that
23 subject up under Other Matters to Come Properly Before
24 the Board. It was my understanding that Mr. Vassar and
25 Mr. Juday were revisiting those confidentiality

1 agreements to consider what modifications might be
2 appropriate such that we can have some further
3 discussion at the Board level and in our respective
4 roles, if you will, as to what we can sign or what's
5 necessary to be signed.

6 I would like for those confidentiality agre- -- I
7 understand the need for confidentiality, so does the
8 Governor, but it's to be as limited as possible.

9 And then I also wanted to offer -- I offered
10 extensive commentary to the Governance documents as
11 they currently exist, but on a conceptual level for
12 just the joy of discussion and dialogue as we get in
13 the harness with each other, I think it would be
14 interesting to consider not a confidenti- -- in
15 addition to a confidentiality policy, a transparency
16 policy.

17 The hallmark of this Administration is transparency
18 and to the degree we can establish the criteria we
19 intend to govern around transparency, it's the flip
20 side of the confidentiality coin and I just think it
21 leads to an interesting discussion at the Board level.
22 Again, responsive to your thought about our fiduciary
23 duties and our responsibilities to supervise this
24 operation.

25 BURNS: Okay. Ken, can I impose on you to, kind of, give

1 the overview as to where you and Jerry landed relative
2 to the series of questions that were asked regarding
3 the confidentiality agreement because what we're -- in
4 the committee assignments that are going to happen and
5 you're aware of those committees and some of the comm-
6 -- you know, two of the committees specifically are
7 dealing with often very confidential information
8 particularly when we are asking contractors to put low
9 (ph) numbers, you know, these sorts of things.

10 And so, you know, if a Board Member is participating
11 in that committee, okay, without a CA, okay, there is
12 no Board Meeting and so there's no Executive Session
13 that applies to that Committee.

14 VASSAR: Right.

15 BURNS: Now, we can deal with the confidentiality in the
16 context of an Executive Session at the Board level, but
17 that doesn't help us at the committee level, so where
18 did you guys land on giving us a road map forward?

19 VASSAR: If I could, Mr. Chairman, Members of the Board, just
20 a couple of things about the Committees. First,
21 because it does feed into this, but two things
22 especially for the new members of the Board. We've
23 been through this before.

24 The committees are sized at three members or less
25 because, as the Chairman says, if -- whenever four of

1 -- four of you are together that's a meeting and the
2 public is entitled to participate in that meeting, so
3 the committee meetings -- the committees are set at
4 three members. That makes it not a meeting. It's not
5 subject to the Open Meeting Act and you can talk about
6 anything you want.

7 We have had on a previous occasion, in all
8 innocence, a Board Member who felt like rotating around
9 and listening into meetings even though they weren't a
10 member of the meeting and when that happens now you've
11 got four in a room and it's a meeting, so please keep
12 it to three or less.

13 Also committees cannot take action. The committees
14 are for the purpose of gathering information. If the
15 committee takes an action such as, for example, telling
16 Staff to conduct some kind of study or some other
17 action, now that's a meeting. As long as you -- the
18 committees cannot take actions. You can report back to
19 the Board. Committees cannot take actions.

20 On the issue of confidentiality as Mr. Parady has --
21 Commissioner Parady has alluded, in essence what the
22 letter that we've put together suggests is that the
23 Board should consider a regulation going forward or at
24 least a policy that, number one, identifies the kinds
25 of information that we need to keep confidential. And

1 the -- up until this point the default position has
2 been that all of our information is confidential and we
3 only make it public through some deliberate action.

4 What we're proposing which, I think, is consistent
5 with the Governor's desire for transparency is that the
6 Board would consider a regulation or a policy that
7 would say -- that would define what kinds of
8 information need to be kept confidential and then the
9 default would be that everything else would be
10 available to the public.

11 We are aware that the Board Members are not planning
12 to sign the confidentiality agreements and, again, in
13 the past we've used confidentiality agreements for one
14 of two reasons; either to protect the information that
15 AGDC has gathered or because we have to have
16 confidentiality agreements to protect the information
17 that other people have given to us.

18 Commissioner Parady.

19 PARADY: Yeah, Mr. Chairman, and I apologize to interrupt,
20 but I want to correct a mis-impression you just stated.
21 I would not say that I'm not intending to sign a
22 confidentiality agreement. I am awaiting the work
23 necessary to narrow that confidentiality agreement
24 sufficiently that I can sign it. It's a view of the
25 Administration that those agreements are overly broad.

1 Now, I don't know that we can get to a middle ground
2 that suffices, but I'm intensely interested in that
3 work and reaching a reasonable balance of the peoples'
4 interest and the projects' interests, but under the
5 proprietary nature of confidential information, I --
6 that's reasonably acceptable, we just have to work out
7 some of these different perspectives, but I -- it's not
8 that I don't in- -- or any of us don't intend to sign
9 it. It's that it's -- in its current form it's not
10 workable.

11 BURNS: Now, let me make sure that I understand this because
12 that's a different paradigm than what we had all been
13 operating under. The prior paradigm, and I think you
14 guys as the lawyers who have been looking at this, was
15 that there was not going to be a CA. So if it's a
16 matter of narrowing.....

17 PARADY: (Simultaneous speech).....

18 BURNS: the CA -- if it's a matter of narrowing the CA,
19 that puts us down to a different -- that moves us in a
20 different direction and so I think we need to get some
21 clarity on that.

22 PARADY: The understanding I had, Mr. Chairman, and with all
23 due respect, was that the confidentiality agreement in
24 its current form was not signable from my perspective,
25 but I think there's room for discussion of an

1 appropriate balance there. And it may not be in a
2 place that's acceptable to our partners. I'm not sure
3 how that resolves itself,.....

4 BURNS: Right.

5 PARADY:but I believe it's open to further work, hard
6 work. And I would like to ask my colleague, Mr. Short,
7 who has substantial experience in this area given his
8 financial industry experience just for his thoughts.

9 SHORT: I was going to say it's not a paradigm, it's a
10 parody.

11 BURNS: Yeah, it is a parody.

12 SHORT: No, bad joke.

13 BURNS: Parody.

14 SHORT: So I believe that I think it's going to be very
15 difficult -- and it's my personal opinion, that it's
16 going to be very difficult to navigate AKLNG and ASAP
17 without some sort of confidentiality agreement in
18 place.

19 BURNS: Yeah.

20 SHORT: Now, how that takes form and how that looks through
21 the drafting and development of it is very important.
22 I think it bears a longer discussion at the Board level
23 and probably some direction and some work for our
24 general counsel to embark.

25 Now, again, that's my personal opinion. I think

1 that -- I think it's an area that we need to address.
2 I do -- I am interested in what -- executive sessions,
3 how those can substitute CAs in conversations and how
4 those can be used as another tool along side a CA, so
5 those are my comments.

6 BURNS: Okay. So just parking the question for a moment.
7 I mean, what I'd like to -- I'd like to request that
8 the two -- our AKLNG attorney and our ASAP attorney to
9 do is look at the existing CA because we cannot -- I
10 understand that you haven't looked at it to see if it
11 can be somehow re-crafted at this juncture, is that
12 correct?

13 DRYGAS: I'm.....

14 VASSAR: It can -- it can be re-crafted, although the
15 difference --.....

16 BURNS: I'd ask you to do that.

17 VASSAR:the difference be-.....

18 BURNS: I mean, subject to the will of the Board, if that's
19 -- if that truly is an option that we ought to look
20 at.....

21 VASSAR: The difference between.....

22 BURNS:potentially crafting.....

23 VASSAR:what I was suggesting and what Commissioner
24 Parady said is very minimal. It's a very thin
25 difference. In each case it comes down to how do you

1 want us to define what's confidential, that's the
2 issue.

3 BURNS: Um-hum. (Affirmative)

4 VASSAR: That's the key factor.

5 BURNS: Um-hum. (Affirmative)

6 VASSAR: Once we have an idea of what it is you want to keep
7 confidential then we will work a confidentiality
8 agreement to fit that. I'm not sure that the existing
9 one wouldn't fit that. If we have a definition of
10 what's confidential, the confidentiality agreement only
11 requires you to keep confidential what's confidential.

12 BURNS: Um-hum. (Affirmative)

13 FAUSKE: But if I may, we don't always get to determine
14 what's confidential.

15 VASSAR: Well, this gets.....

16 FAUSKE: Some other company comes and says this is
17 confidential.

18 VASSAR: And that would be part of our definition.

19 FAUSKE: All right.

20 DRYGAS: I'd suggest, and what I had understood, is that the
21 CA was to be discussed by general counsel and the
22 Attorney General because I think that would be the best
23 way to proceed.

24 BURNS: Which is what we got. The AKLNG is the AG's office.

25 DRYGAS: Well, I guess I realize that. I was actually hoping

1 that the Attorney General would be involved himself.
2 And I had actually hoped that, that would have happened
3 prior to this meeting.

4 VASSAR: Do you want to address that (ph)?

5 DRYGAS: I realize we all have other things to do, but I --
6 I agree with Commissioner Parady is I don't think that
7 it's necessarily that we wouldn't be able to sign
8 anything. It's the limiting the scope and if that
9 means we have to define what confidentiality means,
10 then I think it's incumbent upon general counsel and
11 the Administration to, kind of, work together to define
12 that because transparency is, kind of -- is paramount.

13 And understanding that there are certain things that
14 we have to keep -- we have to keep confidential, but
15 there's got to be a way, I would think, to be able to
16 strike that balance to where the Administration and the
17 Board Members would feel comfortable signing it.

18 FAUSKE: If -- do you happen to know, Commissioner Drygas,
19 did the same embargo, if you will or prohibition --
20 'cause as the Governor had announced, he thought they
21 were too broad and the AG that he applied to his
22 Commissioners -- his Commissioners won't sign it. Does
23 that apply to Mr. -- Senators Halford and Paskvan, are
24 they -- and Mr. Short? I don't know the answer to the
25 question.

1 BURNS: The three public?
2 DRYGAS: Um-hum. (Affirmative)
3 FAUSKE: Yeah, I don't know if that's been stated.
4 DRYGAS: I -- I couldn't speak to that. I don't know what
5 conversations they've had with the Governor.
6 FAUSKE: We need to glean that out, too.
7 SHORT: Could I make a.....
8 BURNS: Sure.
9 SHORT:suggestion for a path forward? And you just
10 had a conversation around our committees and it would
11 seem that this --.....
12 BURNS: Governance Committee.....
13 SHORT:this could be in the Governance Committee. We
14 should make this a priority of the Governance Committee
15 with our two general counsels and it should be
16 completed and some recommendations put forth prior to
17 next Board Meeting as to.....
18 BURNS: Okay.
19 SHORT:the next -- the direction in this (ph).
20 BURNS: Okay. In the meantime though, you know, we're going
21 to have a very busy next couple of -- I mean, busy
22 committees coming up.....
23 DRYGAS: Um-hum. (Affirmative)
24 BURNS:and so we're obviously not going to be able to
25 work through the CA between now and then. And I'm,

1 kind of, wanting to understand how on the Tech side and
2 the Commercial side we can navigate through because on
3 the AKLNG we're bound by numerous confidentiality
4 agreements. And AGDC itself is bound by various
5 confidentiality agreements even though Board Members
6 may not be. And so I'm just asking for, you know, a
7 process. Just walk us through -- navigate us through
8 the concerns? Fred.

9 PARADY: Well, Mr. Chairman, I'm frankly a little bit
10 surprised. I -- and I obviously had a mis-impression,
11 but coming out of the dialogue over Commissioner Drygas
12 -- between Commissioner Drygas and myself when we were
13 appointed prior to the last meeting and I was in
14 attendance at the last meeting by phone,.....

15 BURNS: Um-hum. (Affirmative)

16 PARADY:but I understood that we had work proceeding on
17 these confidentiality agreements between the two
18 gentlemen sitting in front of us. I feel like we've
19 lost a month. So you're speaking to we're under the
20 gun in the need to get our committee work going.

21 I'd like a draft prepared and I'd like to see it
22 next week. I mean, I don't know if that's reasonable.
23 Maybe it's two weeks, but let's get this show on the
24 road and get some ideas on the table. I don't know how
25 it will turn out, but I know we have to think our way

1 through it in order to be able to work together
2 effectively.

3 BURNS: Um-hum. (Affirmative)

4 CRUZ: So on the Governance Committee, my suggestion is to
5 limit it to only two attorneys 'cause we're going to
6 have -- isn't there some weird Alaskan law you've got
7 five attorneys in one room something bad happens, you
8 know.

9 DRYGAS: And I'll add to that, that as of right now I believe
10 that it is John Burns, myself and Fred Parady on the
11 Governance Committee, so this.....

12 BURNS: No, I'm off. I'll -- I'll.....

13 DRYGAS: Oh, you're off, okay.

14 BURNS:step off.

15 DRYGAS: 'Cause there are already -- there's.....

16 BURNS: Yeah, (simultaneous speech).....

17 DRYGAS:already two attorneys on.....

18 PARADY: I'm not an attorney.

19 DRYGAS: John and I are.

20 CRUZ: But I'm going to -- the next big one we've got is
21 that Commercial Committee because that's -- we've got
22 to have some good sales people.

23 BURNS: Anyway, I guess we're not going to resolve it here,
24 but, you know, Ken, if the two of you guys can give us
25 some guidance on -- and we want to be able to -- I

1 mean, the reality is, we understand the balancing, but,
2 you know, the practical reality is work's got to get
3 done and we need to be able to move it forward.

4 And to do so to ensure that all the information
5 that's necessary to be reviewed, can be reviewed, so
6 that the Board can made appropriate decisions. And
7 that we're not violating AGDC's confidentiality, that
8 we've not violating the relationships with AKLNG, all
9 of that stuff.

10 FAUSKE: But I have a concern there, if I may just state it
11 quickly. Mr. Juday is with the Attorney General's
12 Office. It was the Attorney General of the State that
13 determined that the confidentiality agreements were too
14 broad. So Ken can write till he is blue in the face.
15 If -- it's the Attorney General that needs to, I think,
16 determine the breadth of the confidentiality agreements
17 that the Governor is willing to allow his Commissioners
18 to sign, correct?

19 JUDAY: I don't know that, that's correct.

20 FAUSKE: Well, I -- again, I stand corrected then. I just
21 wondering who....

22 BURNS: Yeah. Jerry, do you want to comment?

23 JUDAY: The Attorney General -- we have been working with
24 the Attorney General, to answer Commissioner Drygas'
25 question. We've developed some draft documents.

1 They're in process.

2 BURNS: Okay.

3 JUDAY: It's just not completed yet and.....

4 BURNS: Okay.

5 JUDAY: so we can attempt to advance that to get it to

6 some sort of completed level to where we'd recommend

7 something to Governance Committee to look at it.

8 FAUSKE: All right.

9 JUDAY: This is a confidentiality policy or regulation and

10 then you guys can take it from there.

11 DRYGAS: Well, I guess I would just echo Commissioner

12 Parady's concern, it's been two months, so I, kind of,

13 hoped that we'd have something before this, so I'd say

14 the sooner the better.

15 BURNS: But I guess.....

16 JUDAY: Understood.

17 BURNS: But I guess what I hear you to be saying, Jerry, is

18 it's a regulation? It's not a modification of the

19 existing CA, a narrowing of the CA. It's a regulation,

20 then it's got to go through the whole administrative

21 process.

22 JUDAY: Chair, when you say CA you're confusing me 'cause

23 there is many different CAs. There is a CA that AGDC

24 has in place itself that it had been using that you

25 signed,.....

1 BURNS: Yup.

2 JUDAY:that and Mr. Cruz signed. And if you're
3 talking about narrowing that CA, yes, we can do that.
4 Ken can rewrite it and revise it to appropriate correl
5 it, however it needs to be.

6 There are many other CAs in place for the AKLNG
7 project which we cannot unilaterally modify and we'd
8 have to negotiate with our partners about that and that
9 would be a difficult undertaking, not that it's
10 impossible.

11 BURNS: Yeah, and nobody is -- nobody is anticipating that
12 we would modify anything other than at this juncture I
13 believe is the CA that relates to the Board, the
14 Board's ability to see the documents, to participate
15 in, you know, the candid discussions relative to the
16 documents with the parties and ensure that
17 confidentiality.

18 VASSAR: And this is the very first time that I have heard
19 that signing confidentiality agreements was an option.

20 JUDAY: Same here.

21 VASSAR: This was not.....

22 BURNS: Yeah.

23 VASSAR:the option, as I understood it, so if that's an
24 option that's fine, but as I said not at all sure that
25 the existing CA doesn't work if you have a policy or a

1 regulation that narrows down what the confidential
2 information is and that's what we've been working on.
3 We've been working with the Attorney General on that
4 and nothing that the Board has done has violated any
5 existing confidentiality agreements.

6 PARADY: Mr. Chairman?

7 BURNS: Yeah.

8 PARADY: Mr. Chairman, again and with respect, but I want to
9 push back at that. On February 3rd I sent an e-mail to
10 the Board Chairman, the President. I did not include
11 Mr. Vassar, but Mr. Tangeman and it says under Item 9,
12 I had substantial comments to the Governance Policies
13 which I took -- I labored over. It took a long time to
14 put that together.

15 Said, I would like to discuss with the Board's
16 attorney and the Attorney General. Perhaps, it's a
17 place to have a deeper discussion of the
18 confidentiality agreements being required of the Board
19 as to their scope and applicability and any possible
20 revisions. The confidentiality policy discussion could
21 also be turnaround to discuss transparency. Maybe we
22 need a transparency policy as well.

23 This is five weeks past that date. This isn't news
24 and it's work that needs to be done and I just want to
25 get on with it.

1 BURNS: No. And I appreciate it. So we -- if you guys can
2 advance that process, we will put together the
3 Governance Committee and we will that Committee
4 scheduled soon.

5 SHORT: And just.....

6 BURNS: Yeah.

7 SHORT:one comment and this is something the.....

8 BURNS: Thanks, Fred.

9 SHORT:President said, but I don't --.....

10 BURNS: (Simultaneous speech) that again, would you (ph)?

11 SHORT:I'm not entirely sure how we can forecast or
12 understand what's going to be confidential and what's
13 -- you're going to put a list together and it's going
14 to have a lot of buckets and those buckets are going to
15 be this -- you know, commercial bucket -- I don't know,
16 Tech- -- technical budget and there's going to be some
17 other existing documents.

18 Going forward there's going to be things that are
19 going to hit us on a daily, weekly, monthly basis that
20 will have to be assigned into a bucket and then a
21 confidentiality agreement will either have to apply or
22 not apply. And so I think that the exercise of going
23 through and cataloguing everything is great and I
24 encourage it, but that -- that's less than half the
25 problem.

1 The problem is going to be next week we get a letter
2 from a partner that requires a decision to be made. We
3 have to move forward on some sort of a confidentiality
4 agreement, how do we handle that? That's going to be
5 the real business decision we're going to have to make.
6 It doesn't necessarily help looking in the rear-view
7 mirror as to what's confidential or not, so that's what
8 I'm really interested in.

9 BURNS: And that's the reality of how some things have
10 happened. You get agreements at the last minute and,
11 you know, the Special Board Meeting or something that
12 you're approving, you're looking at an agreement, then
13 having to make a determination.

14 VASSAR: Well, there would definitely be a definition of what
15 kinds of information is confidential. So as I
16 mentioned to Mr. Fauske, if we receive information that
17 is given to us under a Confidentiality Agreement from
18 an outside party and that information is confidential
19 pursuant to that Confidentiality Agreement that we've
20 ready signed, well, I mean, that's pretty easy. That's
21 confidential information.

22 If we develop information, if ASAP develops
23 information, we may want to keep that information
24 confidential because it has cash value and it loses
25 cash value if we make it public and we have a

1 responsibility to the State to preserve the value of
2 the State's assets, so that might be a category of
3 information that we would say in this regulation would
4 be confidential.

5 Hopefully we could develop those kinds of buckets,
6 as you say, that are clear enough that as the
7 information is developed, we can assign them as we get
8 it, but there may be instances -- I mean, it's
9 difficult to cover every possible circumstance and
10 there may be instances where we do have to ask the
11 Board to make a decision.

12 BURNS: Okay. So rather than belabor this further, if you
13 guys -- as I understand it, there is something that
14 you're dealing with. If you could advance that, in the
15 mean- -- and look at the existing CA to see if there
16 can be -- you know, to -- in the context of what -- you
17 know, the transparency issues and the public -- the
18 concerns that have been discussed here, if we can -- if
19 there's a way to narrow the CA just as relates to the
20 Board.

21 And then in the meantime Gwen, we'll try to get the
22 Governance Committee staffed up and then have a
23 Governance Committee meeting within the next two weeks.

24 GRAHAM: Okay.

25 BURNS: That will hopefully get us resolved before the Tech

1 and the Commercial Committees, you know, that will be
2 the day before the next Board Meeting, so -- okay.

3 Any Other Matters to Come Before the Board? Anyone?
4 Joe.

5 PASKVAN: Just an information matter is -- and we can do this
6 after the meeting, is to get a list of who is on what
7 Committees currently, so that we know where we need to
8 pigeon hole our number one and number two pick, so to
9 speak, if we can do that? I mean, I'm just trying to
10 figure out.....

11 BURNS: Sure. And you can.....

12 PASKVAN: It's obvious I know who --.....

13 BURNS:just shoot an e-mail?

14 GRAHAM: I will.

15 PASKVAN:what Committee Dave's on, so.....

16 BURNS: Yup. Okay. Anything else to come before the Board?

17 SHORT: Just.....

18 BURNS: Yup.

19 SHORT:at least three of us have confirmation hearings
20 and any support --.....

21 BURNS: Miles, do you want to address this?

22 SHORT:any support from Miles to help.....

23 BURNS: Confirmation hearing process.

24 SHORT:coordinate this confirmation process and, sort
25 of, give us -- give us some administrative support, as

1 well as just a heads up and communication as to dates,
2 times, where we need to be, would be greatly
3 appreciated on my behalf.

4 I know that March 23 seems to be a date coming up
5 here pretty quick for House Resources, Senate
6 Resources, but again, just that whole process over the
7 next six or eight weeks is.....

8 BAKER: Sure.

9 SHORT: Yeah, happening real time.

10 BAKER: Sure.

11 BURNS: Yeah. Miles, before -- Fred.

12 PARADY: I just wanted to offer Mikayla Fowler is DCCED's
13 Legislative liaison. She's in Juneau. She's intently
14 involved with the process in confirmation hearings and
15 giving that AGDC is administratively local -- what's
16 the word I want, located.

17 FAUSKE: Located.

18 PARADY: Thank you. In our department, I'd like to offer her
19 assistance. She's particularly helpful in chasing your
20 schedule. The normal process -- well, Miles can
21 elaborate, but you've got a lot of meetings in your
22 future.

23 BAKER: Sure. Mr. Chairman, to Mr. Short's question. The
24 new appointees of the Board have been referred to two
25 committees. In the House.....

1 FAUSKE: You need to speak up, Miles.

2 BAKER: In the House they were referred to the Resources
3 Committee and the Labor and Commerce Committee. In the
4 Senate they were referred to the Resources Committee
5 and the Finance Committee. Neither of the first two
6 committees have publicly posted yet the schedule, but
7 through conversations I know individually and I've had
8 conversations with the Chairman's office for both House
9 and Senate Resources Committee, that there was at least
10 -- currently the intent is to start that process the
11 week of the 23rd. Monday the 23rd.

12 I believe the House Resources Committee plan
13 currently is to ask all three, Mr. Short, Mr. Halford
14 and Mr. Paskvan to be prepared to testify at the
15 confirmation hearing on Monday the 23rd at 1:00
16 o'clock. Their intent -- my understanding is that if
17 they can't conclude that on Monday, they would pick up
18 again at Wednesday's hearing.

19 So I know -- I know Mr. Paskvan has some scheduling
20 challenges with Wednesday and so I've expressed that to
21 the Committee. And I'm perfectly willing to offer my
22 services to help coordinate any or all of that. I
23 could step away and let individual members deal
24 directly with the Committees on that at your choice.

25 On the Senate side right now Senator Giessel has

1 talked to Mr. Short about testifying on the 23rd and
2 the Senate Resource Committee has not confirmed whether
3 they want the other two appointees on that same agenda.

4 I have communicated a request from Mr. Paskvan to
5 also testify that day since he will be in Juneau, so I
6 spoke with her Committee aide this afternoon and
7 they're still considering that request along with the
8 rest of the stuff they've got scheduled for that date.

9 I believe I for- -- if I didn't I apologize, but I
10 had prepared, sort of, a brief, like, one pager that I
11 had given the previous Board Members -- the first slate
12 of Board Members on just the confirmation process in
13 general. I don't know if I forw- -- I think I
14 forwarded that. And beyond that, we're happy to
15 prepare, you know, any background information you might
16 need or if we get any indication on the types of
17 questions they expect to ask, we'll be happy to pass
18 that along.

19 BURNS: So, Miles, I guess I would just ask, if you could
20 keep the three regularly updated.....

21 BAKER: Absolutely.

22 BURNS: And likewise, to the extent that you have any
23 questions or need information run it through Miles and
24 Miles will coordinate with Dan.

25 BAKER: And the ques-.....

1 FAUSKE: We will -- we'll follow-up tomorrow because we will
2 be in Juneau tomorrow.....

3 BAKER: Yes.

4 FAUSKE:and we'll do a little follow-up tomorrow on
5 that.

6 BAKER: And the question that had come up also whether the
7 Corporation would cover travel expenses for those
8 appointees to go to those hearings and we will do
9 that.....

10 BURNS: Yeah.

11 BAKER:so Gwen can coordinate how that works in terms
12 of reimbursement.

13 FAUSKE: Yeah, and 604 in the Baranof is the room that we'll
14 get you in.

15 BURNS: Gwen, the other thing is from some housekeeping
16 matters, if you could send the reimbursement, the
17 financial reimbursement.....

18 GRAHAM: Expense report.

19 BURNS:expense report out, circulate it to everybody,
20 so everybody knows how to provide the data and in the
21 format which we landed on to make sure that it crosses
22 the T's. All receipts to the extent that you have,
23 taxi fare or something, everything has got to be
24 accompanied by receipts, airplane, everything. So
25 there are no -- there are no exceptions to it.

1 So are there any other administrative things that we
2 need to deal with before.....

3 HALFORD: Yeah.

4 BURNS: we move on? Yeah, Rick.

5 HALFORD: Just a question on, we all have a conflict of
6 interest obligation and there's -- March 15th is annual
7 report and then it says 15 da- -- 30 days after either,
8 you know, accept the first payment for anything or you
9 take the Oath of Office. I don't know -- and somebody
10 has also said that it depends on the date of
11 appointment. What is governing of all those choices
12 just to make sure that we get those in on time
13 obviously?

14 PARADY: Question.

15 BURNS: Great question. Yeah, Frank.

16 PARADY: Well, Mr. Chairman, I have some unfortunate personal
17 experience with this. I -- my appointment letter was
18 signed July 17th, but I didn't come to work till August
19 25th and APOC recommended a fine to me. And I ended up
20 not hitting September 25th. I wasn't aware of this.
21 I submitted October 3rd or something, so I missed it by
22 eight or 10 days. They wanted to go back to my date of
23 appointment letter and I objected saying I wasn't a
24 State employee till August 25th. And they ended up
25 using a date, August 8th, when I stopped into the

1 office and signed -- signed up for my coming start
2 date. So I just urge you to get the report filed the
3 sooner the better because I have reduced the fine, but
4 it's still \$227 and it's no end of irksome 'cause
5 I --.....

6 BURNS: Yeah.

7 PARADY:I don't believe there was any -- there was
8 certainly no intent on my part to avoid reporting. I
9 was happy to do so, but I just wasn't aware of it.

10 BAKER: Well, we can -- I can work with Mr. Vassar and we
11 can make the request of the APOC to just clarify those
12 dates.

13 FAUSKE: We can deal with it on our end is what I'm.....

14 BURNS: Yeah. And I guess, Gwen, if you would just send out
15 to every Board Member, we need to know what our
16 obligations are. We have to sign a Conflict of Waiver
17 -- don't we all have to sign a Conflict of Waiver
18 report, AGDC?

19 CRUZ: You have an annual due the 15th.

20 BURNS: Yeah.

21 CRUZ: You got yours done, didn't you?

22 BURNS: Yeah.

23 HALFORD: Then you have an individual, too.

24 CRUZ: So that's due.....

25 BAKER: That's in three days.

1 BURNS: Three days, yeah.

2 HALFORD: Well, yeah, the 15th is one date, that's if you
3 don't have to file a new one. If you have to file a
4 new one, that may be overridden by the 30 days from
5 sign -- we signed an Oath of Office today, so that's
6 obviously one point. My appointment was, I think, the
7 19th of February, that's another point you would take
8 30 days. And the other thing is if none of those
9 applied then -- then first payment would apply and the
10 regulation is pretty clear, but those three things are
11 not exactly the same thing.

12 BURNS: Well, just cut a check for 255 like Fred did. Okay.
13 Yeah.

14 PASKVAN: Well, my preference is, is that they try to solicit
15 from, like, myself -- in other words, from APOC that we
16 have 30 days, for example, from today to get this
17 information in.

18 BURNS: When do the new Board Members -- when do the newly
19 appointed Board Members have to submit it? That's the
20 simple question to ask.

21 PASKVAN: Yeah.

22 BURNS: Yeah.

23 DRYGAS: One more?

24 BURNS: Yes, Ma'am.

25 DRYGAS: Can we get a copy of the Resolution that the -- I

1 guess the two, but I was thinking the first one as
2 amended by Commissioner Parady, can we get a copy of
3 that even --.....

4 BURNS: Yup.

5 DRYGAS: at the.....

6 PARADY: Just to clarify,.....

7 DRYGAS: close of business today?

8 PARADY: Mr. Chairman, we.....

9 BURNS: Yes.

10 PARADY: didn't -- we adopted a Resolution and then we
11 made a motion. It didn't amend the Resolution. It was
12 a separate motion.

13 DRYGAS: Okay.

14 GRAHAM: But you can get a copy.

15 DRYGAS: Thank you.

16 BURNS: Yeah, if you can just shoot an e-mail to (ph).....

17 GRAHAM: Sure.

18 BURNS: everybody. I just signed 'em (ph). Okay.
19 Board comments, let's start with our newest member,
20 Joe.

21 PASKVAN: I'm just looking forward to working hard and I --
22 it's very apparent to me that the other Committee
23 Members are wanting to work hard to get this work done,
24 so that's why I want to be here.

25 BURNS: Good.

1 PASKVAN: I want to work hard.

2 BURNS: Commissioner?

3 DRYGAS: There's a lot of passion, not just at this table,
4 but in this room on this project and, you know, there's
5 some difference of opinion, but there's so much more
6 that we have in common that it's exciting. I mean,
7 this could actually -- this should happen. This needs
8 to happen and I feel pretty fortunate that I get to be
9 a part of this and I want to make it happen.

10 BURNS: Good. Rick?

11 HALFORD: A lot to learn and a lot at stake.

12 BURNS: Yeah, boy that's true. Dave?

13 CRUZ: I just, again, want to welcome all the new members
14 here. We've got a real good breadth of knowledge
15 that's coming in and I really appreciate you guys
16 jumping in and getting right in the middle of it, so
17 that's all I have.

18 BURNS: Fred?

19 PARADY: Mr. Chairman, I just wanted to speak to -- I don't
20 think any of us are unaware of the current back ad
21 forth between the branches and the temporary tension
22 that might exists in different perspectives on this
23 project, but what unites everyone around the project is
24 far greater than what divides them.

25 I mean, there's nothing that's been brought up that

1 can't be sorted out and the ultimate goal of building
2 the pipeline is shared by every person that gives voice
3 to their thoughts and their passions. And I just want
4 to stay focused on what can be accomplished by
5 harnessing that passion and sort through all these
6 details. They're vital, critical and important.
7 Devil's in the details, but I don't want to let us get
8 derailed by some -- again, some of the temporary
9 tensions that might exists.

10 We can get this done and I'm just honored to be
11 joining this team in the sense of trying to get there.
12 Alaska has been at this a long time and we're not going
13 to get there except by pulling together.

14 BURNS: Um-hum. Huge?

15 SHORT: You know, I sat -- I sat there listening to the
16 Chairman and a reporter talk during our break and the
17 reporter made the comment that stories about LNG put
18 people to sleep, that people don't read 'em. And the
19 gentleman spent most of the day here.

20 But I think -- I think one of the things that I'm
21 hoping to do is raise the profile of this project. I
22 don't think people realize the pressure we have on the
23 State budget. That fact that our education system
24 could crumble in the next five years. The fact that an
25 income tax or a sales tax or your PFD being capped.....

1 PARADY: Or all of the above (ph).

2 SHORT: Or all of the above happening if we don't figure out
3 a new revenue source. And the best revenue source we
4 have and the best time in the history of the State is
5 gas and we've got to get it to market and we've got to
6 put our differences aside. And people in the public
7 need to understand that as interesting as someone
8 getting shot or some celebrity getting in trouble, that
9 LNG is the future of the State for our education and
10 for our State government to provide the services.

11 And I'm honored to be here. Honored to be in this
12 process and look forward to serving.

13 BURNS: Good. Well, I just want to say welcome to
14 everybody. It's -- you know, Dave and I have been at
15 it for a while and the amount of work is enormous, but
16 the reward is incredible because, you know, if you look
17 back at House Bill 4 and I think, you know, Rick made
18 a comment earlier, it's probably the most expansive,
19 enabling legislation that Alaska put out, you know,
20 maybe ever. And it speaks to one objective and that is
21 to get a gasline done.

22 And so when you couple House Bill 4 with 138, it's
23 not -- it really is not if we are going to get a
24 gasline. I think it's when. And it's incumbent upon
25 AGDC's Board to really focus and ensure that -- you

1 know, that we do the business that's necessary for the
2 State of Alaska.

3 And it troubles me, you know, frankly that there's
4 this friction between this AKLNG and the ASAP because,
5 you know, there's going to be convergence as Dave -- I
6 mean, as Dan had said repeatedly. And there's a point
7 where either the -- you know, one project moves forward
8 or it doesn't, but, you know, we can't as a State allow
9 ourselves to be left without an option if the AKLNG
10 does not move forward.

11 And I am confident with the effort that everybody
12 has put forward on the AKLNG -- I mean, I -- I've had
13 the opportunity to speak with Steve in the past and --
14 Steve Butts and that the producer group and our group
15 and -- you know, I'm very optimistic and hopeful
16 regarding the AKLNG, but, you know, Alaska can't wait
17 any more.

18 I mean, we are facing \$3.5 billion deficit. You
19 know, the horror stories that you just alluded to, I
20 mean, might happen unless we find alternative revenues.
21 And, you know, we can't let this opportunity fail. And
22 so Dan, when you go to Juneau, make it happen.

23 FAUSKE: Yes, sir.

24 PARADY: Make it so.

25 BURNS: Yeah, make it so. And, you know, I want to

1 compliment the Staff, I mean, it's -- as you guys got
2 the sense that -- the Board Members, it's incredible.
3 It's a -- we're very, fortunate to have the caliber of
4 the people that we do, so thanks guys.

5 SHORT: Mr. Chairman?

6 BURNS: We're off?

7 GRAHAM: Well, no, you didn't adjourn.

8 BURNS: Oh. So I.....

9 SHORT: Move to adjourn.

10 BURNS:would entertain a motion to adjourn.

11 SHORT: Move to adjourn.

12 CRUZ: Motion to.....

13 PARADY: Second.

14 BURNS: Moved, seconded and unanimously.....

15 PARADY: Agreed to.

16 BURNS:accepted. All right.

17 (Adjourned - 3:17 p.m.)

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C E R T I F I C A T E

UNITED STATES OF AMERICA)
) ss
STATE OF ALASKA)

I, Suzan K. Olson, Notary Public in and for the State of Alaska, residing at Anchorage, Alaska, and Electronic Reporter, do hereby certify:


THAT the annexed and foregoing ALASKA GASLINE DEVELOPMENT CORPORATION, BOARD OF DIRECTORS REGULAR MEETING was taken before Suzan Olson on the 12th day of March, 2015, commencing at the hour of 9:00 o'clock a.m., and recorded at the offices of Alaska Gasline Development Corporation, 3200 C Street, Anchorage, Alaska, pursuant to Notice;

THAT this Transcript, as heretofore annexed, is a true and correct transcription of said Public Meeting taken by and thereafter transcribed by Suzan K. Olson to the best of her ability;

THAT the original of the Transcript will be lodged with the Alaska Gasline Development Corporation;

THAT I am not a relative, employee or attorney of any of the parties, nor am I financially interested in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this 23rd day of March, 2015.



Notary Public in and for Alaska
My Commission Expires: 08/01/15

ALASKA GASLINE DEVELOPMENT CORP.
BOARD OF DIRECTORS MEETING 03/12/15

