



The Honorable Kevin Meyer
Senate President
716 W. 4th Avenue, Suite 500
Anchorage, AK 99501-2133

The Honorable Cathy Giessel
Chair, Senate Resources Committee
716 W. 4th Avenue, Suite 511
Anchorage, AK 99501-2133

August 11, 2016

Dear Senator Meyer and Senator Giessel:

This is in response to your letter dated July 15, 2016, where you requested information to assist the Legislature's evaluation of the Alaska Gasline Development Corporation (AGDC) draft concept proposal for Alaska natural gas development. Specifically, you requested an explanation (in broad terms and to the extent permissible under applicable confidentiality obligations) of the Pre-FEED Joint Venture Agreement (JVA) and other Alaska LNG Project commercial agreements as they relate to each participant's election to continue the Alaska LNG Project beyond the Pre-FEED phase. Your letter also requested that AGDC work with the JVA Parties to determine what aspects of these agreements might be made public.

AGDC appreciates your sensitivity to the confidential nature of the commercial agreements associated with the Alaska LNG Project, including the JVA. While the terms of the JVA and other project-related agreements are confidential, AGDC consulted with BP, ConocoPhillips, and ExxonMobil and provides the summary below, which may be shared publicly.

The Pre-FEED JVA. The parties to the JVA are AGDC, BP Alaska LNG LLC (BPALL), ConocoPhillips Alaska LNG Company (CALC), and ExxonMobil Alaska LNG LLC (EMALL). TransCanada Alaska Midstream LP was initially a JVA Party, but its interest was acquired by AGDC in November 2015. In broad terms, the JVA provides the terms and conditions under which the JVA parties execute work, share costs for the work, and achieve certain rights to the work product and any other property interests that arose from the conduct of the work.

It is important to note that the JVA applies to Pre-FEED activities only and focuses on the development of the technical work required for the project; it does not apply to any Alaska LNG Project activities after Pre-FEED. Following the completion of the Pre-FEED work and deliverables, expected in September of this year, each JVA Party will review the deliverables and then will indicate its interest in preparing for FEED. If two or more JVA Parties indicate

an interest in preparing for FEED, those Parties would negotiate with the aim of concluding an agreement for the next stage (i.e., a FEED agreement). If a FEED agreement is executed prior to expiration of the remaining term of the JVA (the JVA term runs through June 30, 2017 unless terminated sooner), the conduct of the operations would be transitioned to FEED work under that FEED agreement. If only one JVA Party indicates an interest in preparing for FEED, the JVA terminates.

Specifically addressing the request concerning a party not continuing beyond Pre-FEED, all parties, whether continuing or not, have similar rights and obligations to use the information and deliverables produced under and subject to the terms of the JVA, including confidentiality.

However, notwithstanding the terms of the JVA, ExxonMobil, BP, and ConocoPhillips have each indicated in testimony that if AGDC is the only party that indicates interest in preparing for FEED in 2017, they are willing to work with AGDC to negotiate a transition to a State-led Alaska LNG project. Furthermore, each is willing to individually make its natural gas available to a State-led Alaska LNG project on bi-lateral, mutually agreed commercially reasonable terms.

The Alaska LNG Project LLC (ALPL) Agreement. Another commercial matter of importance is for AGDC to demonstrate access to the assets held by the ALPL. The ALPL Agreement is among BPALL, CALC, and EMALL as its Members (shareholders). Among other assets, ALPL holds title to land in Nikiski, where the Alaska LNG plant and marine terminal would be sited, and possesses the U.S. Department of Energy LNG export authorization. The ALPL has thus far been funded solely by the three Members, separate and apart from the JVA. AGDC is not a party to the ALPL Agreement as it was established in the Concept Select phase, before Senate Bill 138 and AGDC's participation in the JVA. However AGDC intends to negotiate to achieve access to the ALPL assets. These negotiations would be an important part of a transition to a State-led Alaska LNG project.

The FERC NEPA Pre-Filing Terms of Reference (TOR) Agreement. The four JVA Parties along with the Department of Natural Resources (DNR) and Department of Revenue (DOR) are parties to the TOR Agreement. The purpose of this agreement is to govern the terms of the FERC NEPA pre-file process among the parties (i.e., the approval of the content and filing of FERC draft Resource Reports). While EMALL, under the JVA, is charged with preparing the draft Resource Reports, the TOR parties decide on the final content and the filing of the draft Resource Reports with the FERC. To date, draft Resource Reports 1 through 10 (in excess of 34,000 pages) have been agreed among the TOR parties and filed with the FERC and are open to the public for review on the FERC website. Resource Reports 11 and 13 are under development. Given the confidential nature, FERC would not post these two Resource Reports on their website. The TOR Agreement only covers FERC related matters during the NEPA pre-file process and expires when the JVA expires.

I hope that you find this summary helpful. Please let me know if you have any additional questions.

Regards,

Keith Meyer
President

Alaska Gasline Development Corporation

cc: Frank Richards
V.P. Engineering & Program Management
Alaska Gasline Development Corporation

David E. VanTuyt
President
BP Alaska LNG LLC
P.O. Box 196612
Anchorage, AK 99519-6612

Leo W. Ehrhard III
V.P. Commercial Assets
ConocoPhillips Alaska
700 G Street, #1950
Anchorage, AK 99501

Steve D. Butt
Senior Project Manager
Alaska LNG Project
ExxonMobil Development Company
16945 Northchase Drive
DEV-GP4-402