

HB

30001

(FILE 3)

Porter - so long as producers are moving the project forward state cannot take gas away -

Impact of Political & Regulatory Standing

2003 - 2008 400% increase

\$ 43 million	2003	27,538 households
\$ 159 million	2008	

Residential Space Heating

Article VIII (17)(2)

7.00 well

1.67 tariff

8.67 22.91

State intervention with RCA.
US Dept of Energy intervention.



Petro Star - Conoco Phillips 2/3 ds heating oil

State charges Flint Hills market rate for crude
plus 15¢ barrel premium - provides 2/3 heating oil.

55,000 barrels a day Flint Hills

20% diesel

20,000 barrels Petro Star

Royalty = volume * value * 12.5%

RLA Docket # U-03-58

Price restricted

Docket 07-02-LNG

Volume restricted

11¢ kWh Anchorage electric

Doug

—— 14 to 16% in state for disposable income FNSB

└ State goes down w/nation
└ FBKs gone down w/state

Equitable discount for heating fuel -

HB 152 ⊕

Doug - I wake up tomorrow after I spent
my \$1,200 and the problem is still there.

Power Point

0



Susitna
Bullet line

AEA - restructuring

Thomas - Bullet line makes Susitna
go away *

Gasification project -
take project to point of whether or not
it's financable

Kelly

Trapper Creek

Guy outside Wasilla City limits -

→ 12 Hrb

→ 7 Cook Inlet

Isaacson - excessive profits

AK Housing has spreadsheet very close to Cold Climate chart.

Kelly - price of heating oil is killing us

Current Commodity Conditions

Dept of Commerce } Community Regional Affairs

Ramras

Weigh to Average Cost of Gas WACOG

Get behind governor build bullet line by 2013

Coghill - not a fan of subsidizing gas and oil costs and building a false economy.

90 of capital costs to help change behavior; individuals investing alternative energies and conservation.



All of them seem to have forgotten ACES and your amendment which gives the adjusted tax break statewide for instate use. They need

T. Bone Pickens on t.u.

Wall Street Journal

7/11 - From 10th
Tim Powers
Help Desk

7/19 Not posted

Denali Survey Vehicles on ROW

French

Taxation power of settlement lands & reservations

Trans Canada position -

1st Nations is challenge for any project in Canada

Trans Canada has a few steps down the path than any other project.

Gatto - 1st Nation #8

1st Nation issue is not show stopper
Canadian gov committed to Trans Canada route
30 years ago - Bennett Jones Rupp

Huggins McKenzie First!

pattyb@jadenorth.com absence

6 of 8 1st Nations claims completed

White River has not ratified but in negotiated
Other claim not negotiated

Fairclough

① off takes in Yukon Territory - Galvin aware

② have restricted Alaska use to .5 bcf daily

No restriction on off take after line is
built

AGIA Presentation Schedule 6/6 - 6/10

Friday 6/6/2008

Introduction - *Pat Galvin (Commissioner, DOR)*

TC Alaska Application Overview - *Tony Palmer (CEO, TC Alaska)*

Overview of Findings - *Pat Galvin (Commissioner, DOR) / Tom Irwin (Commissioner, DNR)*

The Prize - *Robert Swenson (State Geologist; Director, of DGGS) / Dave Houseknecht (Geologist, USGS)*

(Time Permitting) Jobs, Training and In-State Gas - *"Click" Bishop (Commissioner, DOL) / Conrad Mulligan (ARCADIS) / Kurtis Gibson (Deputy Director)*

Saturday 6/7/2008

(If Needed) Jobs, Training and In-State Gas - *"Click" Bishop (Commissioner, DOL) / Conrad Mulligan (ARCADIS) / Kurtis Gibson (Deputy Director, Div Pipeline Regulator and Commercial Issues - Black & Veatch / Greenburg Traurig / Bill Sparger (Energy Project Consultants) / Pat Anderson (Pingo International)*
The Importance of True Open Access to Exploration - *Banks*

Sunday 6/8/2008

How to Get the Gas - *B&V, TC, Spencer Hosie (Hosie, MacArthur LLP- by phone), Allan Van Fleet (Greenburg Traurig)*

Monday 6/9/2008

LNG: Economics, Likelihood of Success, and Path Forward - *Robert Fenton - (Gas Strategies) / B&V / Westney / Bill Sparger (Energy Project Consultants)*

Tuesday 6/10/2008

TC's Project: Economics, Likelihood of Success - *Goldman Sachs, Bill Sparger (Energy Project Consultants), Pat Anderson (Pingo International), Westney*

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strey, Black & Veatch

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stney, Black & Veatch

The Alaska Gasline Inducement Act is Governor Palin's statutory changes to encourage an open and competitive process in getting Alaska's natural gas reserve to market in the lower forty-eight. Leaders of Governor Palin's gasline team were in Washington, D.C., last week, visiting with the Bush Administration, all three members of Alaska's Congressional Delegation, the Federal Pipeline Coordinator's Office, FERC officials, and officials with pertinent federal agencies, including the Department of Energy.

The AGIA accomplishes six primary goals:

- Initiates an application process open to any project sponsor
- Takes all possible steps to promote the construction of a gas pipeline as quickly as possible
- Ensures the North Slope basin is open to long-term exploration and production
- Ensures reasonable natural gas tariffs
- Ensures North Slope natural gas is made directly available to Alaskans
- Creates natural gas pipeline jobs for Alaskans

The purpose of the meetings is to update key Administration and federal officials on AGIA, as passed by the Alaska Legislature during the legislative session. They also will discuss the roles that key federal players will have as the AGIA process moves forward, and the interaction of the state and federal governments in assuring expeditious progress toward certification of a gasline.

At the recent ceremonial signing in Fairbanks, Governor Palin said, "Today we stand at a critical juncture for the state, for the region, and for Fairbanks. It is a critical juncture economically and geographically. Economically, almost exactly 30 years after oil began to flow from Prudhoe Bay, we focus on the state's next economic lifeline – a natural gas pipeline. Alaskans need access to affordable natural gas and as owners, we should have that access."

Make energy available for Alaskans first

How take off points are going to be allocated

Start as soon as possible to construct a small line from north slope to Fairbanks to southcentral.

Tariff allocation manipulation

In his mind the gasline will only be built by the three big companies

Reserve power to use all state royalty gas for in state use

Project crying out for resolution in power of AIDEA to get the Healy clean coal project in production; could be producing in oone year

DICK HANCOCK – Fairbanks

Coalition of one.

Favorable opinion of legislature

If you grant the license we can move forward; if you don't we will delay

If the producers builds the line we will get more tariffs; they already have with TAPS

The producers will cut corners; look at the corrosion and leaks in 2005

We put out the proposal; we said what we wanted and AGIA offered what we wanted; if we don't take them then we don't mean what we say.

TAMMY WILSON

Tanks for coming to Fairbanks so nice to be able to see you and ask questions. Thanks for coming on the road and leaving your families. Looking to legislature to make the decisions that create jobs and brings cheaper energy to Alaskans.

The Port Authority and the things they want to do will be great and this could work wit them. We don't want the gas to go to Chicago and have it come back four times the price. This is our chance to do things right. The energy crisis can't wait ten years there won't be a Fairbanks in ten years if we don't do something now.

IF the gasline is only going to last 30 years what do we do after that. We have to take care of our resources and use them first.

MERRICK PEIRCE

Board of Directors of AGPA

Being asked to approve a \$500 million deal. Once signed off legislature will be out of the process and will the public

Having been told what the five delivery points are ahead of the time

Take a sharp left hand turn at livengood and avoid FNSB property tax.

This deal doesn't supply gas to Fairbanks until 2020.

This deal makes it more difficult for voters in 2002 that said they wanted a gasline to Valdez; what does that say to the voters

One year after talking and adopting AGIA the price of gas is much different

9 billion surplus next year would get a gasline to Delta.

How quick could we get 48 inch pipe – answer 2010

234 trillion estimated reserves – 12 mbtu = \$2.8 trillion

If we send to Japan rises to \$5 trillion – spending 12 billion to get gasline to Valdez seems like a no brainer.

Doogan – PF paying dividends for 30 almost 30 years – get a 6% rate of return

Get a board and CEO for the gasline – hire a private sector contractor to run the gasline.

Think about AEA Bradley Lake 1991 has been delivering 4 cents pkh

WILLIAM SACKINGER

38 year resident. Taught at UofA electrical engineering and geophysics for 25 years
Retired 13 years ago

1942 worked in oil industry first job in Pennsylvania – family in oil industry since 1876

Speaking as citizen of the world realize the world needs energy

Food is also tied to energy with decision to make more energy with corn based ethanol.

Large demand for gas in Asia

Fulfill our responsibilities to the human race by providing gas and oil to the world

Congress will make decision where Alaskan energy gets exported to

Three proposals all sound good

1. Proposal through Canada to supply gas to Midwest; no question they need it
2. Proposal to supply LNG to the Pacific Rim – Japan will grow at 2% a year
Korea 4% of
China 5.5%
3. Alaskan use strongly in favor of that – Enstar wants Anchorage not to go dark
4 years from now

One problem with Canadian approach completion time is far away
Depletion rate is 7% per year – new fields being brought online in Prudhoe can not keep
up at that rate

At some point revenues will stop in TAPS
Will the Canadian line come on line before TAPS shuts down
Love to see Canadian line come online faster

A piece of gas delivered twenty years from now will be much more in 20 years than
today and the producers will want to wait as long as they can – but while the state would
share in increase we have a time restraint because of the shut down of TAPS

Is there any limit on producer equity – is there a precedent
In 1930's there was a law that producers couldn't own trans country pipelines.

Enstar should begin at Prudhoe Bay and be 28 inch line

Make Susitna Hydro Project begin as soon as possible.

MIKE KELLY

How do you make a 48 inch line work with a dribble? There is no negative from TC
from making the turn point at Delta.

Gasline has to be brought to Fairbanks to Anchorage and possibly to Valdez.

Thinks there is a great potential for instate gas and making gas to hydrocarbon liquids; if
we were doing that today would see price at gas pump \$1.50 a gallon cheaper.

JERRY WALKER

Lived in Alaska for over 18 years. Perspectives based on a strong economy
Concern about ability to maintain and grow an strong economy

2bcf per day vote to AGIA TC contract should be no

Fundamental flaw in AGIA is it does not support the private industry and global competition

The granting of a license will not insure that gas will flow in a timely manner

JAY QUACKENBUSH

Urge for approval of license to AGIA

Ramras - What are Jay's thoughts of Denali Proposal? Side by side comparison
One with government subsidy vs one not asking for a subsidy

Since AGIA passed that has been his focus. See \$500 million proposal as an investment; it's a drop in the bucket to what we stand to gain

PAM BRADLEY

Have no expertise; no space scientist although related to one

Move forward and thanks for traveling here to listen

Owner equity proposal hasn't happened

Don't trust any business entities to build in this state

Please watchdog; understand you have done your homework

ODIE OSAGER

Support AGIA as long as gas capacity in pipeline is allocated for instate use

Legislature should be more public about supporting instate gas

Think .5 bcf is too low

Most legislators will not get all the info they need to get to make a decision; most of you will understand what is needed and what it takes to make a decision. Its okay. It's not legislators job to find out what legal and financial guidelines

What is maximum long-term financial and environmental ; how much wet gas goes to Canada; what are the tariffs.

What are state charges for instate gas use what %

What is amount of wet gas goes to Alaska – take it all and give them methane

How do we handle the NGL's should be more than one income stream and if we take it all we get seven incomes not one.

Come up with a win win solution for life of project

Labor demand list

Consider applying the lessons learned from TAPS – Mike Thompson or Jerry Grassi

Support training centers

Good luck; you wanted this job; please don't delay your work or put it off until after elections

Private land less than one percent Alaska has fewer roads and bridges than the entire state of Vermont.

1967 was purchased from Russia; 140 years later Alaska does not have control of our land. Promised a 90/10 split now eroded to 50/50; urge to press federal government.

Worked at Joint Pipeline Office – TAPS lessons:

Have someone go through the stacks at JPO – helpful financial wise for quality control he was chief of quality control on pipeline

1. Make sure contracts are laid out concisely – don't have knowledge of the oil companies-draw from Ken Thompson and Harold Heinz – have a graybeard commission that has institutional brains-not tied to the four-year term that legislators are. Alaska Inc.
2. People moving in and out – police departments, homeland security

Huggins agrees that AGIA does limit state use of instate gas .5 billion is not enough

JANET KURL

2002 bought TAPS stock because she thought they would be built by the gasline

Double stock

Alaskans should have first access to gas out there. Don't see why we can't be partners with Port Authority.

Took a tour of one of the refineries in NP 12% of what is in pipeline is natural gas told by tour guide

RANDY GRIFFIN

AGIA cross threaded

Believe producers are more motivated to keep costs down

**Lines in lower forty-eight have competitors; here we are at the end of the earth.
One line operator has the producers and shippers over a barrel.**

In 1969 estimated at \$900 million, in 1977 \$8 billion actual cost

Number one priority little citizen me is that we build the thing.

**Some people have no 1 to punish oil companies; not me worked for ARCO from 73
through 74**

The better the deal for the oil companies the more likely the line will be built.

**AGIA is the administrations baby; and proper for them to stick by it; legislature is not
bound by that decision; legislature approved AGIA to allow the governor to give it her
best shot.**

LISA PEGER

Lisa Peger representing myself and maybe some others.

**Reject a notion we shouldn't compare apples to oranges. Pass AGIA. It has already
started the gasline construction underway. Pass Agia so Alaska gets a competitive
playing field**

AEA \$1 billion power line between Anchorage and Fairbanks

Bullet line should be built by ourselves as a utility line.

Don't want to keep gas buried when we are losing power costs.

Have an Oil and gas reserve tax to encourage immediate extraction of natural gases

Citizens are flowing negative and need a relief for Alaskans'

\$2.00 power Military base, university

PAMELA SAMESH - Nenana

Don't have opinions about what legislature has been talking about

Energy fair for Nenana helping local community and family

One piece of advice – when I am confused and don't know how to make a decision I lean on the Bible and lean on the elders and listen to them; Bible says they wear a crown of wisdom.

Stay at home mom husband works at Clear is a teamster.

Last winter \$1,000 a month for oil, \$450 vehicle gas, \$200 electric.

By April owed Visa \$300 and bank account broke. Shut off boiler.

If a Tsunami hit and an earthquake the legislature would act immediately. A tsunami will hit in October its called winter.

BERT COTTE

Do open season on both routes and see who wants what route

AGIA process worst case scenario is 10 ten years before a decision is made.

Jobs – where would we all be if TAPS wasn't built.

Bullet line – what is number one studied piece of real estate is TAPS ROW

Don't go down the Parks Hwy we'll have people nailed to trees to prevent that. Go down the TAPS ROW

\$8.50 a gallon in Nome

Ramras – when doing the 90 day session brought up time and again have strongest executive branch in the nation. Is this administration exercising its best effort to address the urgency of instate use.

Have state take ownership of pipeline

Have two open seasons

GLORIA

Frank DeLong is a world of wisdom

BUD FATE

Pt. Thomson issue – consensus that Pt Thomson would be integral part of a pipeline. Now we are circumventing Pt Thomson; that increases the risk and could create a problem with open season.

Can't sustain any further delay

There is a common theme that is correct; we need a pipeline as quickly as possible.

Have a lot of confidence in legislature; we will come out of this special session with a pipeline.

SUE HULL

1. Thank you for coming to Fairbanks; wasn't able to stay for whole thing but much of what I heard is redundant.
2. I think your decision is very simple; you put in place a process; you got a bidder; I think if you don't okay bidder question did we bargain in good faith; grant the contract and let the administration administer the contract;
3. Incumbent on administration for local hire and labor contracts both for

She believes AGIA moves us forward.

Greenberg Traurig

Memorandum

TO: Kenneth Minesinger
FROM: Terence P. McCourt
Jeffrey M. Burns
DATE: May 7, 2007 (revised from May 5, 2007)
RE: Alaska Gasline Inducement Act: Project Labor Agreement Requirement

I. Introduction and Brief Conclusion

Your client, the State of Alaska, has requested advice concerning the inclusion of a Project Labor Agreement ("PLA") requirement in the Alaska Gasline Inducement Act in light of an Executive Order issued in 2001 by President Bush which seeks to prohibit mandating the use of PLAs. As set forth below, we conclude that loan guarantees do not constitute federal "financial assistance" so that the Executive Order is inapplicable.

II. Project Labor Agreements

Briefly stated, a PLA is a multi-employer, multi-union pre-hire agreement, designed to harmonize labor relations at a construction site. It typically requires that all contractors and subcontractors who will work on a specified project subscribe to the agreement; and that wages, hours, and other terms of employment are standardized pursuant to the PLA across the different unions and crafts working on the project. On public works projects at both state and federal levels, the implementation of a PLA is typically accomplished by making agreement to the PLA a bid specification, thereby allowing the awarding authority to ensure that the general contractor and all subcontractors comply with the terms of the PLA.

To: Kenneth Minesinger, Esq.

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III. Federal Law (ANGPA)

A federal law, known as the Alaska Natural Gas Pipeline Act ("ANGPA"), was passed by Congress in 2004. It provides a process and various requirements related to the construction of an Alaska natural gas transportation project.

Section 103 of ANGPA enables the Federal Energy Regulatory Commission ("FERC") to issue a certificate of public convenience and necessity authorizing the construction and operation of a natural gas transportation project to a qualified applicant. Section 111 states that it is "the sense of Congress that (1) an Alaska natural gas transportation project would provide significant economic benefits to the United States and Canada; and (2) to maximize those benefits, the sponsors of the Alaska natural gas transportation project should make every effort to negotiate a project labor agreement to expedite construction of the pipeline."

Certain loan guarantees are provided for in Section 116 of ANGPA. Section 116(a)(1) permits the Secretary of Energy to "enter into agreements with 1 or more holders of a certificate of public convenience and necessity ... to issue Federal guarantee instruments with respect to loans and other debt obligations for a qualified infrastructure project." The term "Federal guarantee instrument" is defined, in part, as "any guarantee or other pledge by the Secretary [of Energy] to pledge the full faith and credit of the United States to pay all of the principal and interest on any loan or other debt obligation entered into by a holder of a certificate of public convenience and necessity." Section 116(c) of ANGPA authorizes the Secretary of Energy to issue federal loan guarantees not to exceed, in the aggregate, \$18 Billion for qualifying gas transportation projects. Section 116(f) authorizes an appropriation of "such sums as may be necessary to cover the cost of loan guarantees."

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IV. Alaska State Legislation (AGIA)

Following passage of ANGPA, the State of Alaska is considering passage of the Alaska Gasline Inducement Act ("AGIA"). AGIA provides various inducements for the construction of a natural gas pipeline consistent with ANGPA. Section 43.90.130(17) of AGIA states that an applicant for a license under the Act must "commit to negotiate before construction, a project labor agreement; in this paragraph, a 'project labor agreement' means a comprehensive collective bargaining agreement between the licensee or its agent and the appropriate labor representatives to ensure expedited construction with labor stability for the project by qualified residents of the state." Section 43.90.130(21)(E) of AGIA requires applicants who intend to make use of the federal loan guarantees under ANGPA to describe the circumstances under which they intend to do so and their capacity to meet applicable requirements.

V. PLA Executive Order

On February 17, 2001, President Bush issued Executive Order No. 13202, captioned: "Preservation of Open Competition and Government Neutrality Towards Government Contractors' Labor Relations on Federal and Federally Funded Construction Projects." The Executive Order contains two main provisions, described as follows.

Section 1 of the Executive Order states, in pertinent part, as follows: "To the extent permitted by law, any executive agency awarding any construction contract after the date of this order, or obligating funds pursuant to such a contract, shall ensure that the neither the awarding Government authority nor any construction manager acting on the behalf of the Government shall ... require or prohibit bidders, offerers, contractors, or subcontractors, to enter into or adhere to agreements with one or more labor organizations, on the same or other related construction

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project(s)." In sum, Section 1 of the Executive Order prohibits a federal agency, when awarding a construction contract, to require a PLA in its bid specifications or otherwise. Section 1 does not appear to be applicable to the instant situation because the federal government is not acting as the awarding authority.

Section 3 of the Executive Order provides, in pertinent part, as follows: "To the extent permitted by law, any executive agency issuing grants, providing financial assistance, or entering into cooperative agreements for construction projects, shall ensure that neither the bid specifications, project agreements, nor other controlling documents for construction contracts awarded after the date of this order by recipients of grants or financial assistance ... contain any of the requirements or prohibitions set forth in Section 1".

Section 3 of the Executive Order may be applicable to the instant situation if loan guarantees issued by the Secretary of Energy, pursuant to ANGPA, are considered "financial assistance" within the meaning of the PLA Executive Order.

VI. Judicial Interpretation of PLA Executive Order

The Executive Order was challenged in the United States District Court for the District of Columbia. The District Court issued an injunction enjoining the enforcement of the Executive Order with respect to a highway project in the State of Maryland. See Building and Construction Trades Department v. Allbaugh, 160 F. Supp 2d. 90 (D.D.C. 2001). In a subsequent decision, the District Court invalidated Section 3 of the Executive Order as being "beyond the scope of the President's authority." Building and Construction Trades Department v. Allbaugh, 172 F. Supp 2d. 138, 159 (D.D.C. 2001).

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On April 11, the United States Court of Appeals reversed the District Court and found that Section 3 was, in fact, valid. In so ruling, the Court of Appeals found significant the reference in Section 3 of the Executive Order to the phrase "to the extent permitted by law." The court ruled as follows:

In the Executive Order, the President directs his subordinates how to proceed in administering federally funded projects, but only "to the extent permitted by law." Thus, if an executive agency, such as the FEMA, may lawfully implement the Executive Order, then it must do so; if the agency is prohibited, by statute or other law, from implementing the Executive Order, then the Executive Order itself instructs the agency to follow the law.

Building and Construction Trades Department v. Allbaugh, 295 F.3d 28, 32 (D.C. Cir. 2002), cert. denied, 537 U.S. 1171 (2003).

VII. Application of PLA Executive Order to AGIA

In applying this judicial precedent to the instant set of facts, the first question is whether the Secretary of Energy is exempted from the restrictions against PLAs in Section 3 of the Executive Order pursuant to the language in ANGPA providing that "every effort" be made to "negotiate a project labor agreement." In other words, has a statute or law directed the use of PLAs thereby prohibiting the implementation of the Executive Order?

In answering this question, it is critical to the analysis that the ANGPA language is in the context of an expression of "the sense of Congress." Courts that have analyzed the phrase "it is the sense of Congress" have generally held that such language, particularly when combined with the term "should," is precatory only in nature and does not, for example, preempt state law, create causes of action or provide for enforceable federal rights. See, e.g., Trojan Technologies, Inc. v.

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Com. PA, 916 F.2d 903, 909 (3d Cir. 1990) ("The Trade Agreement Act, in making reference to the effects of state policy on international trade, goes only so far as to announce the 'sense of Congress' that state agencies should not use standard related activity to create unnecessary obstacles...it is unlikely that a 'sense of Congress' is sufficient to preempt a state statute establishing a standards-related barrier...Indeed, the cited provision suggests that Congress is aware of state activities affecting foreign trade and has decided to confine itself to persuasive appeals rather than mandatory preemption"); Monahan v. Dorchester Counseling Ctr., Inc., 961 F.2d 987, 995-95 (1st Cir. 1992) (affirming dismissal of claim predicated on statutory language that "It is the sense of Congress that, as previously stated each State should review and revise, if necessary, its laws to ensure that mental health patients received the protection and services they require. " because the "use of the terms 'should' and 'the sense of Congress' indicates that the statute is merely precatory" and neither requires nor prohibits any action on the part of the states or any other party); Yang v. State of California Dept. of Soc. Serv., 183 F. 3d 953, 959 (9th Cir. 1999) (affirming dismissal of claim by Hmong veterans for food stamps predicated on statutory language "It is the sense of the Congress that Hmong and other Highland Lao veterans.. should be considered veterans for the purposes of continuing certain welfare benefits" because "like the sense of Congress provisions at issue in Monahan, [the applicable section] couples the phrase 'sense of Congress' with the term 'should,' yielding the conclusion that this provisions is precatory and did not bestow on Hmong veterans any right to food stamp benefits"). Thus, it would appear that the sense of Congress clause in ANGPA would not trump the PLA Executive Order because Congress, ostensibly aware of the Executive Order, chose not to make a PLA mandatory.

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The second inquiry is whether the loan guarantees provided in ANGPA constitute "financial assistance" within the meaning of Section 3 of the Executive Order. As an initial matter, the PLA Executive Order does not provide a definition of the term. Of significance, however, the term has been defined to exclude loan guarantees when used in a prior executive order. In 1980, President Carter signed Executive Order 12250 to "provide for the consistent and effective implementation of various laws prohibiting discriminatory practices in Federal programs and programs receiving Federal financial assistance." The Department of Justice promulgated regulations to implement the executive order and defined the term as follows: "Federal financial assistance means any grant, loan, contract (other than a procurement contract or a contract of insurance or guaranty)." 28 C.F.R. § 41.3(e). The term has been given the identical definition in regulations of the Department of Health and Human Services implementing the Rehabilitation Act of 1973 (45 C.F.R. § 84.3(h)), and in regulations of the Nuclear Regulatory Commission regulating programs for "which Federal financial assistance is authorized." (10 C.F.R. § 4.4(d)).

With respect to Department of Energy ("DOE") regulations, the definition of "Federal financial assistance" does not specifically exclude or include loan guarantees. DOE regulations that "establish uniform policies and procedures for the award and administration of DOE grants and cooperative agreements," define the term "financial assistance" as "the transfer of money or property to a recipient or subrecipient to accomplish a public purpose of support or stimulation authorized by Federal statute. For purposes of this part, financial assistance instruments are grants and cooperative agreements and subawards." 10 C.F.R. § 600.3.

The term "financial assistance" is defined in a number of federal statutes whereby loan guarantee contracts are excluded. For example, Title VI of the Civil Rights Act provides as

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Re: Alaska Gas Line Inducement Act: Project Labor Agreement Requirement

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follows: "Each Federal department and agency which is empowered to extend Federal financial assistance to any program or activity, by way of grant, loan or contract other than a contract of insurance or guaranty...." 42 U.S.C. § 2000d-1. See also 20 U.S.C. § 1682 which contains the identical language for Title IX of the Education Amendments of 1972; and 42 U.S.C. § 6103(a)(4) which contains the identical language for the Age Discrimination in Employment Act. In the Uniform Relocation Assistance and Property Acquisition Act, the term "Federal financial assistance" is defined as "a grant, loan, or contribution provided by the United states, except any Federal guarantee or insurance...." 42 U.S.C. § 4601(4). See also Shotz v. American Airlines, 420 F. 3d 1332 (11th Cir. 2005) and cases cited therein for discussion of term "federal financial assistance" and requirement that there be the provision of a subsidy.

Finally, it should be noted that the contractors who would presumably be parties to a PLA are not directly receiving federal funds under ANGPA. Rather, a lender, pursuant to a loan guarantee instrument, would receive federal funds if the loan guarantee was called in the event of a loan default. In, Bachman v. Am. Society of Clinical Pathologists, 577 F.Supp. 1257 (D.N.J. 1983), the plaintiff sought to characterize the defendant as the indirect recipient of "Federal financial assistance" on the basis that it enjoyed tax exempt status. The court rejected this argument: "The term 'assistance' connotes a transfer of government funds by way of subsidy, not merely an exemption from taxation." Id. at 1264. Similarly, the fact that a contractor may be the beneficiary of a loan guarantee should not transform that arrangement into financial assistance.

Based on the foregoing precedent, it would appear that the loan guarantees provided by ANGPA do not constitute "financial assistance" within the meaning of Section 3 of the Executive Order.

June 5, 2008 LB & A CONSULTANTS

Slide 34 pipeline systems' length – caution there are duplicate lengths

Canadian Mainline is the big system

Slide 36 – Canadian Natural Gas controls about a third of natural gas supply

Slide 39 Shale is not a big thing in Canada yet but is very big in U.S. Barnett Shale is in Texas.

When natural gas prices started to spike there were 30 plus LNG terminals announced. Only two were completed, one in Louisiana

Slide 65 how do you get other parties – engineering and construction contractors could negotiate terms to become partners in the project advancing services without up front funding and providing equity.

Slide 68 and 69 projected income with and without TransAlaska projections show a continuous decline after the first year of Alaska natural gas going through the line. Ask for assumptions for the declines and lack of declines in these graphs.

Hawker warned for people not to assume that graphs are absolutely accurate because the consultants aren't savvy to corporate financial documents of companies. Wants to know if any contingency costs with legal battles.

Doogan – if we were looking for someone to build a pipeline would TransCanada be on the list and is there a better dancing partner.

Seaton on access – on AGIA and this contract – TC would have to open season every two years.

John Neri – Natural gas lines are **contract transporters not common carriers**¹. AGIA is an open season asking gas producers if there is an interest in expanding the capacity of the gasline. FERC requires a review on a scheduled basis to examine the tariffs.

Barry the tariff reduction on \$50 million is about 5 cents per bcf

Samuels could you run a model if exploration offshore expansion on Shell gas came up and tariff goes up so royalties are worth less. It would be good for private economy but bad for the state.s

Neri let's say the producers take up all the capacity. If pipeline does not want to expand when there is a need to do so the State would go to FERC and object under the congressional law that allowed FERC to mandate it. FERC would make the

¹ Could TC be made a common carrier?

determination that FERC would decide. Congress has given FERC this authority for the first time because of AGIA.

DAN DICKENSON PRESENTATION

What are the enforceable commitments in AGIA?

Slide 28 Assumption is prices would rise until 2022 or 2042? Be hard pressed to find a price in the 1990's that was lower than a price in the 1980's.

Gara comments to press on Dickinson's presentation on AGIA.

"Dickinson comes with baggage opposing oil tax reform
Comes with baggage opposing AGIA
Comes with baggage working for Murkowski
Feel like I have been misled by him so many times in the past I am not put a whole lot of stock on today's presentation.
I felt very misled with Dickerson's advice on the PPT"

Dickinson the issuance of the license should be the kick off not the ending.

Gatto – Is this a license they own or is this a license we can make restrictions on? Is this a license they can sell? Is there a sunset on the license?

Doogan a couple provisions not protected - early expansion – have to get to 7 bcf a day before that is an issue

Requirement to reevaluate every two years.

Samuels said the best way to get the straight answer is to have everyone at the table eyeball to eyeball to give the answers.

Pipeline Negotiations and the Role of the Regulators

Misconceptions about role of FERC, NEB, NPA versus what the individual pipeline and shippers role; very significant

Negotiation process in building major pipeline project

Role of regulators

FERC regulators will not always take care of Alaska's interest

TC proposal ultimately a successful project allocate risks cost & benefits

Overview of project:

Pipeline sponsor identify specific project and market – put pieces together

Technical work to see what project would cost

Technical work increases over time – 30 years this studied more than any proposed pipeline in the business

Negotiations with potential shipper – venture to say parties have talked through the years

Refinement and feedback from shippers – refine scope of project

Non binding season – go out and solicit expressions of interest

Party says they would be interested in moving 2 billion cf a

day

More technical work to consider the scope

Then binding open season – ask for binding offers to transport gas through line; TC says will do in 18 mos within issue of license

Get commitment – binding precedent agreements with very detailed terms of agreement with understanding permitting, pricing; establish the rules of agreement, outline share of risks and how to proceed with the project

National Energy Board Canadian parallel of FERC

Alaska can't rely on FERC to protect Alaska's interest. Its role is not to be proactive for Alaska.

ROLE OF THE FERC/NAP/NEB

What Regulators do

- Review and approve open seasons procedures
- Administer the environmental review process
- Hold pre-filing conferences for interested parties
- Approve the certificate application
- Monitor construction process
- Resolve disputes after the pipeline goes into operations – dispute with shipper
- Oversee rate case when shippers file for new tariff rates

What Regulators can't do

- Control or limits costs – unless imprudent costs – imprudence difficult to show
- Set terms for contracts between the pipe and the shippers
- Establish key components driving rates (eg: capital structure) at least rates the shipper initially establishes as long as debt to equity level is in reasonable rate (could be 50/50% ratio) wouldn't address 70/30% ratio discussed
- Establish deadlines

REGULATORS WON'T NECESSARILY BE PROTECTING ALASKA INTEREST

Won't ensure physical access and expansions for new shippers

Will only establish conventional recourse rates unless presented with innovative rate methodologies like

- Levelized rates – normal rates start high then go down toward end of life of line; levelized keep rate level throughout the life of the line; good for royalty owner; TC is going to use levelized rates.
- Term-differentiated rates – Current River
- Capital structures
- Cost overrun recovery mechanism – TC has made some innovative proposals essentially to keep TC's costs down
- Federal loan guarantees to cover cost overruns – ANGPA provided for \$18 million in loan interest loans; TC has proposed ways to use that none. Construct 70/30; online 75/25; expansion 60/40

Won't impose project deadlines

ANGPA mandatory expansion provisions risk litigation, delay and uncertain outcome.
(Separate breakout presentation)

FERC Order 2005 does not mandate that:

Sponsors conduct open seasons for the project by any certain date (TC agreed to every two years)

Sponsors hold subsequent open seasons to test market demand for new capacity
Sponsors expand to meet new demand in reasonable engineering increments with commercially reasonable terms

File for certificate approval or accept certificate – TC file by date certain

Sponsors propose rolled-in rates for expansions – generates more exploring and more long-term jobs in exploration

Project rates be lowest possible (70/30 debt/equity structure) means a great deal to the tariff rates in this projects comparing that to a (75/25 on completion compared to 50/50 debt/equity structure of producer proposal) would mean \$8 billion to the state as compared to the \$500 million we are willing to give TransCanada; New pipeline is 14% net plus taxes; generally no one will finance the whole project; they want the shipper to have an equity in the line. f/t's

TransCanada has committed to all these

TRANS CANADA'S PROPOSAL WILL BE NEGOTIATED

ExxonMobil characterization as an opening offer

Context for evaluating their proposal¹

Negotiations and agreements with multiple shippers with different interests

Approval by the regulators

Importance of long-term firm contracts means the producers/shippers will have considerable bargaining power

Denali provides additional negotiating leverage – let TC do it's process over the next 18 months and let producers think about their do diligence and rethink what shipping method should be used. In a large part there will be duplication by circumstance; once they get passed the Yukon River the ROW's aren't shared.

Process will take time and a lot of give and take

Gruenberg – if you view negotiations as gamesmanship; negotiations should be in good faith coming out with a win/win agreement.

Through AGIA you are getting things you couldn't have negotiated with producers-

They don't necessarily agree first to FERC gets approved; Ken said FERC could certificate two projects; FERC requires market demand or need; FERC does not take eminent domain authority lightly; If the State doesn't agree to hundred of millions of dollars in concessions to make a project workable FERC isn't going to permit that project. FERC doesn't want to process two complete applications.

¹ When you have an independent sponsor the negotiations can differ from one producer to the other versus negotiations between a group of producer shippers. TC offers competition and open access to producers other than the big three.

Don't forget Canada; TransCanada would argue they already have the permits to go through Canada. Ken, Can argue it is rational for producers to put a project out there for negotiating purposes but that doesn't mean it is reasonable demand.

Projects are not identical; routes across Canada is different; Denali takes to Chicago; TC takes to Alberta;

Major risks

Capital costs and potential overruns

Gas reserves/production for the pipeline

Development costs

Within economic reach of pipeline

Gas prices in Alberta and U.S.

Schedule delays and attendant impacts on costs

Pipeline and GTP

Development of reserves

Even if just Prudhoe Bay enough natural gas to pay off the gasline;

Opportunities to Share Risk and Move the Project Forward

Equity participation by the shippers

Negotiated levelized rates

Adjustments to ROE;s for costs overruns

Recovery of cost overruns tied to minimum market prices for gas

Federal loan guarantee

Bridge shipper concept

Additional terms

Improvements in terms offered by TC

Depreciation rates offered by TC

Depreciation rates and contract term

CONCLUSIONS

Unique project with long history of regulatory and legislative actions

Regulators have an important role by they won't necessarily provide best outcome for Alaska

Within the requirements AGIA the negotiation process between producer/shippers and TC will provide means to accomplish the states accomplishments

Process will take time and a lot of give and take

Commissioners can renegotiates certain provisions

IF the producers are obviously stalling the pressure would have to come from Capitol Hill, of FERC or US Attorney General; FERC has said anti trust issues would be considered in decisions.

Laura Pipeline Pipeline Project Finance

Bruce Hertz
Ray Strong

Art of taking a business plan and turning it into a facility
Resource development projects

Energy projects

Art of apportioning or eliminating risks

Equity sponsor – guy that wants to build a project – has ability to finance some of the project. Eliminate all financing risks, some construction risks, and project risks.

Desing construction consortium to sign contract on this date I will deliver you a project that will deliver this and agree to pay for additional costs after deadline. Risks are mitigated. If not built designer pays the risk, contractor takes risk for construction risk.

Slide four – make sure enough money committed to complete the project.

Pipelines don't have a lot of construction risks
Credit quality of producers important

Slide five all these things need to come together; its kind of like pulling one string and everything unravels'

Sponsor/Want high credit rating

Reserve/Gas supply

Construction and Completion Risk – big one for this project; TransCanada does not have EPC contractors ensuring this gets completed. Don't have a turnkey contract for cost overruns and critical component is federal loans for overruns. Goldman was not responsible for overrun factors; longer term 20 year perspective would logically say 15% is too high; 4% inflation rate questioned by Wilson and Fairclough.

Offtake contracts and rates-big plus to project-very economic to big shippers

Gas Market/Netback rate – big companies that will be able to satisfy 25 year contract keeping line at high capacity. Doll – line going through a couple thousand miles of desolate land that there is no market in. 4.5 bcf per day and market is 60 bcf a day; when shipper agrees to ship gas and pay tariff it doesn't matter to Alaska where the gas ends up; 20 years from now Rockies Line east to change market; didn't look at it like a straight line going to a California; TC has GTN system on east coast;

4.5 bcf how much goes to tars and how much go to lower forty-eight? If enough capacity almost all would go to lower forty-eight because there is a surplus of Canadian gas. Doogan – is loan guarantee for overruns? Loans are for gasline construction not for cost overruns; it could require Congressional action.

Karen Hunt,- best development Thomson is oil before take gas; comments seems to be based on Point Thompson; knowing if Point Thompson is off the table they looked at that possible. 4 bcf project has positive take from shippers. If we did a smaller pipeline what would the financeability of the pipeline could be worked out. If shipper underwrites all the changes could be a little cheaper to build and could still be more financeable.

Finance Plan – 70/30 debt/equity formula very successful

Operating risk – TC is strong operator; operating risks pose no bottleneck;

Why finance for 25 years what will last only 15 years? Oriental guy. Chicken and egg issue. Encouraging exploration and need producers.

Exxon AAA
Conoco A
BP AA

15% of companies rated A or above

TransCanada has a lot of cushion for one notch downgrade; bought a utility company that Moody considers questionable. Funding is more than six years away so Alaska has been shoved aside for a while when it comes to rating Alaska and TransCanada. What is TC going to do over the next six years to prepare for funding project.

Slide 10 Tear off a portion of \$18 billion to use as financing for the project and have the balance as a cushion for overruns.

Tariff rate wouldn't be impacted with AA company using a portion;

There is no project this size; \$1 million project you could get someone to build and say if there is a cost overrun contractor will pay the difference.

MacKenzie 800 miles for \$16 billion; how do you figure cost of 1,718 miles for \$29 billion. Model in when you go over the \$26 million.

JUNE 9th Day 7

Fairclough – Hosier made statement yesterday thought was wrong. Cook Inlet gas profits. Alaska can take gas in kind and do anything we wanted. Hosier 1979 Allen Compton made decision RIK take no less than cash value. State is not able to sell at below fair market value. Fairclough wants the public to know the state can't take royalty oil and gas and sell it below fair market value.

Reasonable and commercial terms – who will decide the court or FERC? Assuming negotiations fail the superior court would make the decision, not FERC. What's reasonable and commercial terms can be debated forever with lawyers, Hosier thinks 12 to 15% is reasonable.

Wilechowski – duty to produce and market – siphoning gas through reservoir is not production of the resource because it is not a royalty bearing event.

French - Hosier has been consistent that litigation is the last resort. French wants to prepare for doomsday scenario. What would be different between Exxon Valdez case and a case of nonproduction. If state filed a lawsuit trying to prove profitability of building a pipeline to extract natural gas and transport. It would be the same as Exxon a ten-year battle. If a third party builds a pipeline it is a whole new ball game because the producers are saying there is a way to transport natural gas to the market but we are going to take our marbles and go home.

If you question a lawyer's sincerity in winning a case, ask them if they will do the case on a contingency basis.

Samuels – whomever builds the trans-Alaska gasline will have a monopoly on transporting natural gas to the lower forty-eight.

Marty Rutherford DNR – spoke to Conoco in early December Conoco said they would not be open to open access if partnered with TransCanada.

Cost controls –

Hawker – the issue of expansion hasn't changed in the six years he has been here.

Hoeffler has never been involved in a contract that requires a mandatory open season every two years.

Shepler SGDA allowed for state initiated expansions.

Two requires under AGIA:

1. Nonbinding open season every two years

2. Expansion of line if under reasonable and commercial terms expansion is needed

FERC would not step in and stop Exxon from buying 51% ownership.

Pro

Con

TC come to the table

Green opens meeting; Huggins chair of joint meeting. Samuels introduced the consultants. Encouraged consultants to ask questions just like legislators. Made every effort to keep from arm's length from consultants.

Barry Pulliam, economists work out of Los Angeles oil and natural gas for twenty years. Worked with Alaska most of the time period gas line issues, royalty other states and federal government and worked for private producers and refiners.

Pipe is expandable to 7 bcf but with just addition of compression increase to 5.9 bcf a day.

AECO Hub a connection of natural gaslines serving north America. It is the entire province of Alberta that is an interconnection of pipes and center of trade for natural gas sales and distribution.

Gardner is there adequate infrastructure now to handle 4.5 bcf. No by the time gas comes on line in ten years expansions of lines would have to take place.

Guttenberg - NGSL would be extracted in Alberta to get the highest value for the state. Once NGLs get to AECO is there different authority that allocates the NGL's THE NGL would belong to the shippers and it would be their decision to sell the NGL's in Alberta or building an NGL plant of their own. Typically shippers sell NGL's to AECO; doesn't discount sending NGL's in lower forty-eight.

Samuels if you take NGL's in Alaska will you lose volume; not much. The issue is where can you get the most for the NGL's Alaska has a small market so NGL's extraction in Alaska may not be economical for the shippers. Talk of extracting propane at Yukon river. Is the value less. You can extract some in Alaska measure the gas in Canada to determine what value was extracted in Alaska. You will lose some e-content but not significant. How small can you get a plant to make it economic to do this. Is it still an economic plan for sw Alaska to get propane in their homes. Adair what is value of propane in Alaska compared to other states. How much gas to you have to extract to get the propane out. Gut feeling we could make it work.

Huggins what is important is jobs for processing, transportation and for Alaskans to get jobs rather than just exporting our resources.

Doogan - NGL assumption is based on economics not a requirement of the contract.

Samuels - TC rather ambivalent about rather the NGL is taken in Canada or Chicago/ TC is not interested in extraction they are interested in shipping. Alaska extraction would decline a little but volume would have to be added through production from other fields or quicker production.

GTP would be regulated depending on who built it. If it built by integrated system would be regulated along with gasline. If built by producers not sure access issues would be

Pro

TC came to the table

TC sits at the table

TC has ROW Alberta BC

TC says Roll backs plus

Sovereignty is big issue

Ten year contract +
vs a game we are caught
in. Could it be TC, BP &
Conoco have already talked?

Con

BP & Conoco didn't

They will be there
anyway

Don't have YT

Negotiated rates
down draw

Feds give short
end of stick to
Alaska & Statehood
Compact 90/10 turns
to 50/50. is the
right worth fighting?

Affects Tariffs; affects
OSI and Federal
revenue sharing.

regulated and exploration is something you want to encourage to get gas to facility and how to expand the facility.

Joule – tar sands use and others how much gas is really going to get to the lower forty-eight.

LeDoux how would we know Canada will continue to export gas if there is a shortage.

Therriault the shorter the distance the higher the netback for Alaska so shorter distance for NGL better for Alaska. Samuels requirements for guaranteed loans haven't been written. Are there any rules from Congress that say molecules should go from point A to point B.

How do you deal with taken a certain amount of gas Samuels.

Recourse rate cost of service rate
Negotiated rate partners sit down and negotiate

Equity 965 basis 9.65% added to prime interest rate so 14% to 23% rate of return on investment

Samuels can you negotiate away that 15% increase.

Is there inflation proofing for the 115% cap? Expansion would bear cost of expansion only.

Therriault TC hopes to get 14% back and agrees to rolled in rates with a 115% cap but neither has been sanctioned by FERC. FERC might allow a 115% cap but not at the expense of a subsidy.

Dickinson – findings says the stac is not bound by the plan.

Kelly not sure about 115% explain further. First expansion will probably result in a reduction for everyone because you a increasing compression and adding volume so transport rate is less.

Higher Alaska consumption rate higher the tariff.

Samuels – rate is \$3 bcf and my rate could be increased to no more than \$3.45 in the life of the gasline only FERC could changed the FERC because of subsidization.

Crawford – timeline irritates him more than anything four years to get FERC approval and two years to construct the thing. America needs our gas and there is no sense in them holding it that long.

John said FERC normally is 24 months. Doesn't know why FERC is taking so long to approve the proposal.

Hawker – Natl Energy Board and NCA

Doesn't require TC build the pipeline. It requires certification of the pipeline.

Difference between 5 cents and state's 6 cents and is 5 cents based on TC costs; 6 cents based on states cost estimate. Slide 8

Lyda wants the requirement of building a gasline in order to spend the \$500,000.

Hawker: would you characterize the request of TC as gratuitous. Answer no.

Doogan – If any consultant disagrees with the answer that a license does not obligate the states to provide fiscal certainty he wants to know. Slide 7

LeDoux concerned that the State can spend \$500 million and TC can still back out without proving the project is not economical.

Elton says Alaskans want to know what the State requires of TC to approve the license. This presentation looks like the TC is doing the requesting. We need to hear from lawyers whether we have accepted legal obligation to these terms if we approve the license.

Huggins as a body should expect that the certification is based on a contract that clears up the ambiguity and is clear what AGIA requires and what the TC proposal demands or commits to.

French \$1 difference in tariff between State and TC tariff. Alaska higher. Admin capital costs overall higher. Stemming higher GTP to build and exchange rate between Canadian and U.S. dollar lower. Amin forecast inflation 4% a year Canada 2.5% State estimated pipeline in 2020 Canada 2018.. State borrow cost higher than Canada estimated.

Slide 11 – State and producers prefer lower tariffs for higher netback. Exception is when producer owns the gasline.

Slide 10 tariffs in nominal dollars.

Gardner – risk to shipper – tariff freeze for term of contract unless renegotiated.

Rate of return is typically the most important aspect of FERC. Rates are typically renegotiated after the gasline is constructed

Could TC negotiate a rate with the negotiators that is different than 115% provision in a negotiated rate, could that be done.

The state has some say before the rate is approved. The state could go back after a negotiated rate is approved and asked for change but highly unlikely to succeed.

Sheet 31 Contradictory

Samuels could they negotiate a rate that goes around the regulatory agencies.

Average rate of return allowed by Canada is closer to 12% versus FERC's 14% rate of return on equity. Slide 37

Slide 39 – These are proposed terms that the shipper would have to agree with.

Slide 42 Samuels says the more they have in cost overruns they still increase what they make.

The risk shifting for cost overruns shift quickly with the increase of construction costs.

115% applies to the original rate not the lowest rate – Green

Anadarko signed up at \$2.50 but is held to 115% of \$3.00

Muse Stancil PRESENTATION

Not using insider information only that information available in public documents.

Jay showing difference between being a small scale hotel operation trying to build a hotel the size of Marriott vs buying Fbks Marriott Hotel. Her response was you would have to find partners with the equity seed money to borrow money with. Jay took exception to that.

Gara what is the comparison for TransCanada vs only the pipeline project segments of BP and Conoco.

DAY 3 SPECIAL SESSION TC AGIA PRESENTATION

Fairclough –

Admin put 50%/50% all the way through. Potential applicants said that if there is a failed first open season; they said the State should allow those who proceed to a second open season have a larger risk and the split should be different.

Tony Palmer - TransCanada

TC Alaska - 3600 employees and 36,000 miles of pipeline and 7700 mega watts of power.

Will not give imprudent estimates – are a conservative firm
Used assumption the state asked for
Believe they have provided what the state asked for
Looks at this as a gasline opportunity within geographic imprint been in it for 50 years;
TransCanada has been involved in this project for thirty years; we still hold the rights through Canada; Palmer started on this project 23 years ago; actively involved for past seven years and first testified before the legislature in 2004

Coordination, cooperation and compromise are required to complete this project;
If all stake holders AK TC Canada US collaborate this project will succeed

Think they are inherently aligned to state's goals.

Have 350 customers of 450 producers in Canada; TransCanada has a massive gasline system in the United States – 12,000 miles; Have employees in Michigan and Houston; the TC Alaska project would increase our line by 6%.

Keystone Project construction commenced last week;

50 years ago had three initial customers at beginning of operations;

Can TransCanada do this?

Can they be a good partner and can they do the job; they move 20% of north American gas; one in five molecules; 2/3rd of western canadian gas.

Cost are 25 to 35% lower than competitors; haven't build the business we have by overcharging our customers; When you examine TC business over fifty years you can see we have not overcharge our customers.

Its not just engineering and construction skills
Regulation skills

First nations
Environmental
Commercial skills
Financial capacity

Has raised 6 billion in equity
2 billion in debt last fifteen months

\$18 billion dollar loan guarantee – apply a portion to cost overruns

“Open and transparent”

Clear distinction from FERC rules

When this project is completed there will be fifty to 75 employees to run the gasline.

180 wells before gas line to 13 to 16,000 natural gas wells in western Canada when gasline available to transport the natural gas to the market.

Slide 3 converting a fifty year gasline to an oil pipeline to operate for 30 to 50 years (2100 mile line) Keystone pipeline;

If they expand the Keystone project to Houston Texas another \$6 billion

Huggins would like to see contacts with Keystone partners.

50000

1100 places off shoot in Alberta

75 bcf estimated life volume

Have found additional 150 bcf and more reserves known.

TransCanada shareholders would not agree with Samuels that 7% return is not a good investment.

Rocky West has 55% return on equity

30 to 40 cents better net back going into existing line; going on a new pipe costs you money.

Wilechowski open season is a failure; China comes in to buy all from LNG in Valdez; have commit to a gasline to Valdez for 5 bcf

Gardner – any scenario advantageous to Alaska to build new pipe to Chicago. Tony Palmer said no advantage. Have looked at issue multiple times in last couple of years.

Johnson – if they do not interconnect with the TransCanada Pipeline in the Alberta system, they will not have access to the Hub; we have the right to build the first pipeline through Canada.

Huggins – Instate gas- first gas 2018 or ten years after license is granted.
Bullet line to Homer – 1.5 bcf – what parameters would TC look at if the state wanted to participate in building the line. Palmer said he would see it as above the agreement in the license of .5 bcf so it would be a violation of the contract.

Galvin get gas to an outside market and getting instate usage also. In AGIA we have language for allowance of a bullet line. A bullet line is one that serves instate consumption of gas. The upper estimate of usage in ten years caps off below the .5 bcf.

Galvin said one of the things they have learned in the last six months is there is a lot of things about LNG and gaslines we didn't know. False assumptions can happen like timelines of LNG project and overland route. The choice of faster gas through LNG then overland route is not true.

Gara – .5 bcf instate what would we lose in taxes.

Irwin - All known gas right now was found looking for oil. Glenallen basin Nenana Basin basins along Yukon River, Foothills, A lot of exploration will happen between now and 2018 and increased production should prevent a 1.5 bcf from effecting a 5.9 bcf line.

Slide 11 r:move CO2 puts volume from 5 bcf to 4.5 bcf

Slide 12 GTP became a bottleneck could commissioners force expansion and doesn't that defeat the advantage of a non-producer line. Couldn't a producer line be opened to non-owner usage through a complaint filed by Alaska.

Doogan – differences in cost

- Higher 81 to 83%

- Higher capital costs for GTP rate;

- Two sea lifts

- Much higher escalator of capital costs

- Interest 4.7% gov guarantee 6.2% for non guarantee

Slide 14 schedule is aggressive but reasonable.

TAPS line is elevated oil line; TC is buried gas line; TC doesn't have TAPS data for construction of line; line was built 31 years ago.

Disincentives for producers to build a gasline, so incentive to become an equity owner.

Galvin – ACES special session include DPR rather than accepting the tariff rate charge by shipper to look beyond that when no arms length involvement what was paid to establish fair market value. State courts and state agencies have established what they think is a fair rate and it is far less than the pipeline owner is charging.

Dickinson is saying the producers wouldn't participate because of the formula not using tariff rate for tax purposes. 43.55.150(a)

Day 5 4th SPECIAL SESSION

Ramras 130 bcf a year consumption in Fairbanks. Ramras doesn't agree with Irwin's math of consumption of natural gas and is concerned about the issue before us right now. What is the smallest project we can do so we can move today?

Ramras does not hear a can do attitude about getting natural gas to Anchorage. Railbelt communities, Flint Hills, Agrium. Ramras hears natural gas to Alaskans after the Canadian line is built using \$500 million of our money.

per day .5 X 365 Irwin said they have the same math .5 bcf

Enstar met with Therriault the other day to talk about the bullet line and they said they need nothing from Alaska at this point. Would the state be willing to help pay down the debt on a bullet to keep the cost of natural gas affordable to Alaskans.

Galvin said yes it is something the state is considering but it needs to be based on facts and truths instead of unknowns and false assumptions. WE have a can do attitude and AGIA allows the discussion to occur and eliminates the bumper sticker solutions that have long term problems. Subsidies affect our taxes, oil revenues, and PFD's and we need to know which gives us the state as a whole the most.

The immediate to get gas to Alaskans has no conflict with AGIA. We can serve Alaskan market separately.

Spur lines off the main line are not in competition with the AGIA for a long term solution of Alaska's energy needs.

Galvin: Whether AGIA is going to preclude short term issues. Answer is no

Doogan: When does license end? When gasline is completed.

A year ago when legislature discussed AGIA Tony Palmer testified six times about where TransCanada would go after the open season that failed; he stated you could increase your contributions when going for a second open season to continue the course for certification. That didn't increase the limit it increased the contribution rate. Huggins said amendment was offered by the administration. Galvin said there was ample testimony about the concern to carry on after a failed open house. Galvin didn't check but thinks it could have been the administration's amendment in response from concerns voiced by TransCanada. He knows MidAmerica and Port Authority testified but don't recall if they testified about the contribution rate.

Transfer employees from their regular positions to a different location temporarily – second

Palmer said the reason they got a row through Yukon Territory twenty five years ago because the process and politics in Yukon was much more difficult and time consuming than Alberta and British Columbia so ROW in Yukon Territory was sought early.

Eight First Nations in Yukon; while we have the ROW, there are specific terms and conditions that lay out the benefits spelled out in a law passed 30 years ago. They will negotiate with individual First Nations groups. Dahlstrom if you are not able to negotiate with even one group would this allow them to sue over the gasline and put it to a stop.

Canadian section does not qualify for the rolled-in tolls up to 115%.

The MUST HAVE for two year open seasons was an easy on for TransCanada because it is good business practice. Other contracts don't have that requirement.

If you put a line in place and are successful you are looking future potential tcf's. Prudhoe estimates 24 tcf proven reserve; in Canada one line is being built with only 6 tcf proven basin.

Black Veatch analysis on potential expansion.

Wouldn't a user owned pipeline want to look for other gas shippers; not until you get to a 45% capacity level in the gasline. Do we want a pipeline that just encourages the big three to explore or one that solicit all explorers who want to move natural gas.

ANGSDA 2004 passed

Existing shippers cannot subsidize expanding shippers.

Carbon credits for lowering emissions.

Ramras – the notion that the states seed money is going to change the mind of gas producers to provide natural gas to this project is a “fool's errand”.

Galvin – producers have not expressed absolute rejection of providing natural gas. They have expressed desire to change fiscal certainty and some provisions of AGIA. It is a challenge to get the project gas but experts say there is a high likelihood the project will succeed.

Palmer said his company is not in the practice of spending \$100 million on a project knowing it is going to failed.

2:10 p.m. Fred Dyson – considers his colleague from Fairbanks' remarks out of line and a cheap shot. Has a letter from Exxon on his desk with interest in selling natural gas. Very few pipelines are built by producers in North America; most are built by an independent firm to transport gas for producers.

Doogan unique situation we are not divided in the house we are in. Not under rules normally under. Would like some instruction as to proportion of questioning and political posturing from the chair.

Huggin – everybody desires a chance to ask a question, give an answer and give an opinion.

Neuman- there is nothing to compare TransCanada's proposal to.

Gara – lower in not no tax for instate gas usage for a bullet line. Galvin - ACES legislation there was a global change to the taxing North Slope gas consumed in the state. The question of providing affordable gas to the state. If the state built the gasline we would be providing low cost transportation for the gas, but ultimately the gas price will be driven by the market.

Stedman – Palmer expressed \$100 million as comfort zone for expending for open season. Is there any connection between the 50/50 90/10 80/20 split and the probability success of the project. The incentive may have changed the probability of success of AGIA because there may have been no applications.

Gatto – knowing you're not a charity case; you must have done a lot of research before deciding to apply for AGIA. He is very hopeful TC has done their homework. He believes TC can do it and help Alaska pay their bills.

Samuels – need to continue to ratchet down on TC until they squeal then ratchet back one notch. Because we got one application we didn't get the competition we were promised. How are we going to get a better deal than what TC has offered being we didn't get the competition we thought we were going to get in AGIA.

Irwin - Fair, open predictive process. We could have asked for bidders and not get a fair best deal; We chose to very clearly define what we wanted and chose the best and final offer by date certain.

Got AGIA passed by legislature and then let the RFA reflecting what is in AGIA. I saw equity investment we might not have gotten in open bidding process.

Galvin – TransCanada didn't know who else was going to submit an AGIA application. They submitted the best offer they could come up with. We are here today with the best offer we got.

Kelly – how many real players did Palmer think was in the dog fight with AGIA.

Howliskowski and Ken Bird paper 2006

NPRA 2004 estimate oil numbers are on high side and gas numbers on the low side.

Alpine Play was Alpine field gas oil ratio 840

Arctic Alaska is grossly under explored:

>35 tcf proved reserves

119 tcf onshore & state waters

108 tcf federal offshore

Howliskowski said cost of production very close to those estimates of TransCanada.

Gt – what I see from Denali is a lot of wonderful ads.

Hawker – has heard Denali is a fraud a political ploy to delay to fool the public: Fackrell – not true 75 people in the field; spend \$40 million this year; 9 vice-presidents; in a few months will have up and running company. Major goal right now is to have a successful open season that will commence in 2010. They will have milestones that you can watch and determine if we are reaching them or not.

Stedman – if this was a sham what recourse would the parent companies have for misleading shareholders and public. What are federal repercussions if you are running a flim flam operation.

Fackrell - On July 22 will accompany FERC chairman to North Slope. Very common for producer to welcome government officials to visit North Slope operations to see what it is like and get a feel for it. The first segment of project is the largest gas treatment plant in the world. This plant will be larger than the 1977 and 1986 plants built on the North Slope combined.

Lynn - AGIA had some twenty must haves. Why didn't you apply under AGIA and which ones of the must haves were not acceptable to you. Ownership issue not pipeline issue. They told him under the terms of AGIA the project was not viable.

Wiel – the difference between Denali and AGIA is AGIA has penalties and consequences for not building a line with must haves.

Fackrell – we are spending \$600 million this year.

Joule – 30 years of a monopoly with producers. Open access

Fackrell “Our pipeline is an open access pipeline” reiterate “This is an open access pipeline.”

“All parties have a right to nominate gas for the gasline.” “Every two years Denali will solicit interest in expansion of the pipeline.”

Gara – FERC says we get rolling rates for voluntary expansion. For mandatory rates you can charge incremental rates. Will Denali commit to same schedule of voluntary expansion rolling rates for mandatory expansions.

Gara – can you guarantee AGIA terms for pipeline expansion

Fairclough – we're afraid of the lack of access to TAPS vs TransCanada's expansion from three customers to three hundred customers. Best of both worlds for many legislators is Denali and TransCanada. TransCanada said under AGIA they can't partner with Denali.

Fackrell – owners have said they are open to taking in partners for the gas pipeline.

Fairclough - What language in AGIA prevents a partnership?

Coghill – convinced of credibility of TransCanada to build a pipeline and the permits they hold on the Canadian side are very real. We are at the eve of voting on a license that could restrict a partnership. Have you had talks with TransCanada about partnership. Fackrell – you will have to ask the producers. Coghill – timing is an issue to know.

Coghill – Is it okay to assume there is 4 bcf available for a pipeline since you are working with is there a study underway that shows there is 4 bcf available to transport to market. Fackrell committed to have open season end of 2010.

Hoffman – construction plan. Have you come to any terms with the Canadian government to be sure the project you have planned will eventually be built. Is debt equity ratio favorable to Alaska? Fackrell – not committing to debt equity ratio in AGIA. Will negotiate with financial market. Does not have any agreements with Canada. Hoffman – have you had preliminary conversations with TransCanada about using permits in Canada? Fackrell has not had conversation with TC but producers may have.

Crawford – 1. Denali plans to solicit – why not Denali will solicit
2. Read Denali intends to use 5 million tons of steel – TC is using 2.25 to 2.5 million tons of steel
3. Under AGIA commitment to negotiate PLA.

Bundy – Will approval of TransCanada harm Denali? Fackrell – no matter what legislature decides Denali will still move forward. Do have a couple of concerns. 1. all for competition but the playing field needs to be level. Denali needs approval of permits in state. If Denali's permit process is slowed down not fair. 1. Fiscal certainty may be a problem with TC holding the license.

Seaton – estimate \$600 million to be spent for successful open season. How much spent in Canada? Don't know. How did we come up with this estimate? Have experience in field work in Alaska and experience in open seasons.

Seaton – unincorporated joint venture in Canada and corporate partnership in Alaska. Why difference? Fackrell – dealing with two countries with different laws. Canada has different process than U.S.

Seaton – is Denali going to commit that if there is nominated gas after two years and in reasonable increment Denali will commit to voluntary expansion instead of FERC mandatory process? Fackrell – out process today is to solicit and if demand is there expansion will happen. Is that a decision of the pipeline company or owners? Fackrell – in the end I have to make capital investment so I will have to evaluate it and take recommendation to owners.

Wiel – are you willing to commit to solicit open season within two years? Yes
Are you willing to have time certain commitment for construction? Already have
Are you willing to commit to cost overrun protection? Very committed to
avoiding cost overruns.

Gatto – Denali had the choice to compete for the gold medal.

Protecting Alaska's interest:

Time certain open season

Date certain FERC application

Open season

Commitment to expansion

Fackrell – personally thinks if you vote for AGIA you are voting to keep producers out of the pipeline and are hurting the chances of the pipeline being constructed.

Roses said TC will spend \$84 million for open season and Denali \$600 million. Question not really answered.

Thomas – Fackrell role managing large, complex operations around the world. Off shore projects construction, pipelines.

Fackrell – looking at five take off points

Samuels – spent \$600 million in 36 months for open season

TC \$84 million to open season and \$611 million to FERC

How much will Denali spend to get to FERC? \$2 to \$3 billion to get to FERC license approval

French - if Fackrell tells us Denali will proceed even if license is issued to TC tells French Denali thinks State will pay treble damages.

Guttenberg – will Denali build gas facility in Prudhoe Bay? If open access starts downstream from the GTP there is a problem with open access? Fackrell says yes GTP will be built by Denali. Will have vp for pipeline from NS to Canada vp from Canada to Lower 48, vp for GTP

Guttenberg – intake outtake provisions – Fackrell we want customers and we want to fill the pipeline so open access.

Guttenberg – gas liquids interested in taking them off instate if economical. Are producers more interested in taking it to the end of the line. Fackrell 25 psi will not be stripping off hydrocarbon liquids at GTP. If you get to Yukon River could strip propane and reinject others in pipeline at any point along the line.

Hawker – 1st benchmark point – Palmer says they have exclusive rights of pipeline activity in Canada. Fackrell – Denali has subsidiary companies in Canada; do not believe BP and Conoco are shut off in Canada.

Hawker – do you anticipate working with TC or legal action to challenge TC's exclusive claims.

Fackrell – above ground Yukon River and seismic active locations.

Have 75 people in field this summer. Didn't want to lose summer.

Denali is up and running; regardless of decision here, Denali will move forward. Need to make customers aware of the cost. Don't want to be a bride waiting at the altar and nobody shows.

Doogan – how do you arrive at capacity of pipeline? Fackree – estimates of what is available in the state. Do you have to go to owners to get permission to expand. Solicit customers every two years, review the solicitations, and give recommendations to owners. Doogan said there has never been a voluntary expansion to a pipeline. Fackrell doesn't have information to answer that.

Stedman - State is going to be spending hundreds of millions of dollars for infrastructure improvements. Denali showed Haines port as an example. How does timeline work in so the state doesn't spend \$100 millions for infrastructure and have Denali or TC back out of construction of gasline.

Stedman – where is point of no return? Fackrell – after successful open season have confidence to get financing for construction.

Fackrell people ask can't you get it done sooner? Have to pre order steel; that won't happen until successful open season.

Gardner – would like a list of all elements of fiscal certainty.

Why we are here today

Negotiated stranded gas at \$3.50 high prices estimated 4 to 5 bucks

Economists of world usually 6 to 9 months behind.

Push pull going on during the lean years; the economics weren't there for producers to drill additional wells.

In the lower forty-eight a certified well is usually brought on line; in Alaska it could be six to eight years because as a practical matter if something is wrong with the well it takes another season to get to the well.

With everything single lease in default; there was an exception 7 certified wells that made it so the leases were not in default.

Gara – interested in the Supreme Court decision and what is recommendations of Porter? You don't mediate successfully unless both parties agree to it.

Therriault – state can't dictate what you do with lease; Porter – not so; if you reject a POD you have a right to make a proposal the producer follows.

Pt Thomson out of the equation and not available for first gas – 1 mcf a day

Goes from 4.5 to

4 mcf

3.5 mcf at the economic limit of moving forward

Not having Pt Thomson in the project the change is in economics and tariff from 50 cents to \$1 in tariffs.

Steve thinks DNR thought they couldn't talk to Exxon during this phase of the procedure. Thinks DNR and Exxon want to solve it. At this stage they should be able to sit down and talk about what the state wants.

Hopes DNR works with Exxon; he fears if we fight this battle DNR loses to Exxon because the State has not given Exxon a remedy.

Round table discussion

Continental Energy Systems Parent Enstar
Harold Heinz
Bill Walker
Pat Galvin
Radoslav Shipkoff

Galvin – ANGDA, Enstar, state working together to put together a structure to build a instate gasline

If gas is not discovered in Cook Inlet line will continue north to North Slope
Eventually hook into main line for gas movement either direction

With announcement it is the beginning of the partnership; details need to be worked out and brought to public in the next few months;

Details of legislature January 2009

Price of gas has changed so dramatically that players are now interested

SCR 22 - Get Alaskan gas to Alaskans as soon as possible
Timing right to get Cook Inlet exploration going again as soon as possible

460 mcf is what Enstar come up with as gasline moves south – Cook Inlet north may not be that amount.

Hawker-seems a deal was cut already and want to know how long state has been talking to Enstar and ANGDA.

Discussions have been going on quite awhile; discussions jointly just recently.
Come to legislature with a clear role of the state and bind the state for that role
Will come to legislature later to say what we want

It was a bit of a shotgun wedding; we were both drunk together a little bit last week.
ANGDA comment

Heinz was contacted two Monday's ago; ANGDA and ENstar me the next Wednesday.

Dubay tried consistently to keep administration informed of ENSTAR project for quite a while and with the legislature

Huggins – two routs the Parks Hwy and Glenallen route. Dubay and ENSTAR has been working along Parks Highway route this summer.

Heinz wrote a two page letter to Enstar to see if there were ways to work together. A week ago starting talking about a business structure not just a project;

Heinz – governor has not asked either company to stop doing what they are doing. ANGDA doing wetlands assessment this summer.

Huggins – what impediments exist for Enstar to deliver gas to Alaskans. DUBay working on design from Foothills to Fairbanks.

Chenault – should be the happiest guy in this room – agrium plant employed 300 people through the years. Seems like we have a lot of natural gas we didn't know we had.

If the price of gas is too high and Agrium can't compete against the world market—catch 22 more talk needed;

Heinz – will cover ROW, permitting, designing, surveying (\$25 million) is a continuation of what ANGSDA is doing; they firmly received their route if is the best gasline route. Fairclough – triggering treble damages with 500 mcf limit for instate use.

Palmer has proposed offtakes, a line to Valdex, and cross Canada but never proposed an instatethem.

Fairclough – build a 28" line with 460 mcf a day but could be expanded to over 500 mcf. Palmer said as long as TransCanada line is not in operation it would not be a treble damage situation.

Porter – Fairbanks needs are 50 mcf; look fifteen twenty years down the road.

Palmer – you can't flag your molecules. If there is more than 500 mcf a day er

Galvin – 500 mcf per day from North Slope
Cook Inlet Nenana Basin has no implications for treble damages because it is not coming from the North Slope.

Huggins – we put the treble damages in the law; we want instate gas consumption; we need to figure out how to do it without penalizing ourselves.

Salmon – open discussion of transporting fuel to river villages; possible with running gasline from Anchorage to Fairbanks.

Doogan – announcement of partnership yet to be formed, shipping gas yet to be found, in a direction we have yet determined;

Heinz – at least a third of Alaskans will not benefit from the instate line. Working with city of Tanana on how they would use propane in that community. Monday hired a propane coordinator to within one year on North Slope a commercial wholesale propane facility. Believe reasonably priced energy source.

o

Salmon- oil and gas still dictating what the State should do; the legislature should be dictating what we want.

Ramras what a pleasure to be on same side as Galvin on this project; can I please have in writing a list of days and times of meetings with the producers and Enstar.

Wielow – add to list of those surprised about moving gas north. When legislature talked instate, administration was vehemently opposed saying big line was economy of scale and instate small line meant higher tariffs.

State's involvement of bullet line or spur line – Galvin

Talk about Cook Inlet running out of gas because know supplies are drying out; small discoveries on fringes but no big discoveries even though we have heard they are out there. Admin decided to combined two issues: encouraging exploration and providing short term solutions to energy needs.

Huggins – what was the timing problem of the resolution. Galvin can't remember.

Hawker asking DuBay – impediments to moving forward from corporate perspective to delivering gas to Alaskans. Mentioned RCA – give better understanding. Chugach Electric has filed as an intervenor who has counsel that has worked for the administration.

DuBay – RCA requirements are not impediments they are tasks
Eisinger and Posey did represent state at one time

Heinz – oil and gas prices are significantly higher than just one year; there is extreme attraction to finding ways to increase production.

Cowdery – what would happen if the state incurred treble damages;

Pricing Cook Inlet North – and North to Cook Inlet

DuBay – no contracts beyond 2014 – new contracts not Henry Hub; hoping spur line will result in more production that demand which means a discount and better prices. North of \$300 for car rental for three days; reflection of more demand than rental cars than rental cars.

DuBay does not have taking over FNG in Fairbanks in their model

Last year and stronger last couple of months designing a line from Foothills to Cook Inlet; customers Fairbanks, Flinthills, Soldotna, Agrium; Nenana basin Doyon and Anadarko Foothills.

South to North and a lot o production potential found .north, would continue north

DuBay Conoca, Chevron, Marathon on a weekly basis

Heinz – do you drill wells before pipeline

Wyoming Natural Gas Authority stoc ' between pipeline firm and producers; State play a role in encouraging both to continue.

Porter – so long as treat all parties equally, there are no damages. If you extend an advantage to another company there is damage.

Skipkoff - Disagree with administration estimate of cost of plant because of assumption of location. Bechtel included consideration of low ambient temperature and high pressure pipeline to derive cost of construction of pipeline ; these considerations are unique to port authority project.

Seaton – what is Enstars commitment to servicing local communities with natural gas.

French – frustrated we have no cost for the project.

Reggie Joule – heard about using North Slope propane to supply communities up and down the Yukon River, but not Cook Inlet. Heinz - Cook Inlet Gas has no propane in it.

Green – thinking through what is being said whatever the state does to get into Enstar and ANGDA will slow it down.

Palmer certificate of public convenience and single window regulatory agency arrangement.

Proposal Phase: 100 – 150 people

Internal: 20 people
Engineers
environmental people
People go through and implement open season

Contractual & sub-contracts to AK businesses

Definition Phase: 275 – 400 people

Internal team – 100 people retained by TC to move things along
Would see that any openings are hired to Alaskans

Engineering any other contractual go to Alaskans

Execution and Construction Phase: 7,000 – 9,000 (does not include GTP)

Internal:

McGuire looking for more specifics– page 7 – what key internal roles:

Reciprocity for Canadian portion of projects

Fackrell said Rebuttal presumption of rolled in toll if there is mandatory expansion there is incremental rates.

If there is sufficient demand for an LNG plant in Valdez, TC will build the pipeline to Valdez.

Committed to going beyond a failed first open season
Reliable company to complete the project
Capital costs performance 42 to 48 inch line – internal work 1990 – 2003 costs 19% lower than competitors in Canada and 38% lower than competitors in U.S.

If you grant license it precludes a partnership- not true – have a provision in the application to allow this and precisely suggest it.

Friday Roundtable Shippers

Huggins 4.5mcf daily volume
 Point Thomson
 Gas offtakes

Galvin – don't know what the potential offtake is will be combination of existing gas reserves being put into production and an estimate of what production will do in ten years. Offtake will be determined over time. Look at range of possibilities.

Porter – agree with commish the key is on open season what results are and Point Thomson. Cost to the state over ten year delay of Point Thomson at \$1 additional tariff.

Chevron – yet to find gas will not be an issue at open season however the ownership of Point Thomson must be resolved before open season.

Cathy Forester four pieces - Prudhoe Bay spent a year doing studies of what the oil losses would be with gas production scenario vs loss of gas; within reason Prudhoe will be able to supply a significant portion of the gas in the line as long as producers aggressively produce

Second – other oil fields out there besides Prudhoe Bay.

Third – undiscovered gas – there are huge numbers generated by USGS but until exploration occurs we won't know

- Fourth - Point Thomson
1. 2010 open season – Pt Thomson not there
 2. DNR and Exxon come to some terms and Exxon proceeds; AOOGC convinced PT Thomson should be developed as gas field
 3. DNR gives leases back to Exxon and Exxon puts it in production

Galvin - 1/3 to 40% of FT are proven reserves; significantly above with or without Pt Thomson

Fairclough what was original projection for oil production and length of extraction; Forester 9 billion barrels. Fairclough over time technology has allowed us to exceed that original estimate; technology will take us further than we anticipate on the natural gas.

Dave Van Tuyl BP Exploration - ACES structure provides disincentives to exploration on Prudhoe Bay.

Doogan – would you only commit to proven reserves in open season?

Palmer – most shippers do not have proven reserves for 25 years when they participate in open season

Dave Van – AGIA and TC structure prohibits opportunity for shippers and producers to negotiate rates. Concerned with difference between known and proven reserves.

Zager – Chevron – without PT Thomson \$125 billion loss in t

Wendy King – figure out what they think the field will produce; open season will be approached by each individual shipper separately to determine if they can take the risk of a twenty-five year commitment; each individual shipper will have to determine if they can take the risk of not being able to meet that commitment because if they don't make it they still are committed to paying the tariff.

Massey – Exxon doesn't know if Exxon could go forward in open season without knowing the fate of Pt Thomson.

Wendy King – a risky venture; companies will weigh all the economic criteria

What is the market price

What is the forecast profits

Deliverability

Known reserves

1. Pipeline is looking for fiscal stability
2. Shipper is looking at risk of being able to keep their commitment for providing volume agreed upon.

Dave Van Tuyl -

Key is what cost of project is

What terms pipeline company is going to offer during open season

What is cost of transportation of gas to shipper

Critical that cost to transport is as low as possible

Terms of tariff agreeable to shippers

Weil – without drilling wells at Pt Thomson how do you know what's there?

Marty – admit there is some uncertainty Yesterday awarded contract for ice road.

Palmer – tc put forward a provision that shares the risk with the shipper

75/25

70/30

60/40 ration expansion

Paul Bloom – Goldman Sachs

TransCanada will not indemnify anyone.

Massey – a low risk, but a risk that has to be dealt with before entering an agreement with TC. Termination risk
Return on equity
Cost of construction

Knee deep in money – DEPA said people will show up at open season- Massey said not true;

Wendy King Conoco - Item in AGIA not must have but statutorily required must accept FERC certificate regardless of the conditions and must sanction the project and move forward; TC has conditions that require more costs they must move forward; the project is driven by a schedule regardless of the effect of costs of the project;

600 million vs 84 million - deal with someone spending 1.5 to 2 % ultimate cost for getting to open season

Rollback discriminates against shippers 115% of original tariff and newer shippers 115% of a different rate

Fiscal package - 20 to 25 years fiscal stability from shippers; statutes can change but no fiscal stability for shippers to balance out flexibility in taxation

John Zager – look at quality of open season materials; must have confidence that the figures are realistic; price of gas cannot be controlled cost of steel can not be controlled; can't say whether

Massey - Denali nor Trans-Canada result in a commercially viable project; the two need to get together to become viable.

Galvin – Purpose of AGIA

Palmer – Kings comment of requirement to commit to date certain to receive FERC certificate doesn't exist; the date certain is to apply for a FERC certificate; applaud Massey on compromise observation; TC has put forward offers to compromise for many years now; can't do a comparison of Denali and TC because he hasn't seen Denali's commercial terms; TC has fifty years of experience in natural gas business in America; move 20% of North American gas everyday; have put forward open season proposals for years and will put forward with same standards as all others; hold assets in Canada that

no other party has; a number of uncontrollable costs exists in any project; TC has reasonable estimates of these uncontrollable costs;

Dickinson – one of must have commitment for date to apply FERC; December 2011 subject to issuance of license; slide 14 of presentation given to body seven times; October 2012; December 2011 was dependent on license by April of 2008; it is a sliding date dependent on issuance of license;

Crawford - waited since yesterday to ask question; waited eight years to see project start; main criteria to have lowest tariff possible; where does the lower tariff outweigh producer on line project; owner line could shift costs like TAPS;

Massey – producer owned pipeline can generate as low of a tariff as third party; tariff is driven by capital costs; financial strength can achieve lowest debt costs and go to market and pull in debt to 80% on the market; slight advantage to producer owned because of financial strength;

Zager – have not done analysis; weighing out things that are financial but not apple to apple comparison; premise that independent it has significant advantage – doesn't buy;

Wendy King – tariff conditions; strength of project sponsors; percentage of debt; when the project sponsor is strong no one is motivated to waste capital but on this project because the costs go back to the shippers the alignment encourages the producers to keep the costs down. Don't consider the history over the last four years a failure;

Dave Van Tuyl – financibility of this project is huge; FT commitments are substantial;

Fairclough, Commish Galvin – modification provisions can't diminish value of project to state and can't decrease success of project;

One item Palmer brought forward is 36,000 of natural gas pipeline transmission system impressive; highlight is started with 3 customers and now 300 customers; upstream competition is what Alaskans fear; realize TAPS lifeline for decades and much appreciated and hats off to team and people they employ but no the less when you say there is an open access in TAPS we only see the big three shipping in TAPS; tell me why Alaskans shouldn't feel threatened by the big three;

Wendy King – ability for explorer to use pipeline; if economically attractive the explorers can have space; Fairclough in reality heard from administration the tariff rates make it uneconomical to access the line; the admin has convinced her the tariffs are preventing explorers from using TAPS;

Porter – TAPS comes from historically issues; when oil sold for 14.84 it cost \$10 for production and \$5 tariff from TAPS loss is 16 cents a barrel; now oil is \$140 barrel now economic; Fairclough goes back to upstream competition which is 300 in Canada;

King – largest explorer; Conoco likes to get co-venture to share the risk; believe co-ventures will be able to get access to TAPS; believe ANCPA for expansion FERC can force mandatory expansion; should not ask initial shippers to take the risk for the cost of the project;

Dave – during open season anybody can get access to the gasline whether or not they have gas;

Massey – doesn't believe tariff is an issue with TAPS anymore; gasline will have significant incentive for expansion; starts at 4.5 bcf and can expand to 5.9 and to 6.5 without facing any hurdle; FERC protection for open access with ability to make expansion mandatory;

Zager – Chevron own 1% of TAPS; have foothills gas exploration and in event of find have no concerns about access;

Wendy King – have had success with Pioneer sharing with third party in last year;

Galvin – trust FERC for expansion but rolled in rates may not be approved by FERC; rebuttal presumption is not there with mandatory expansion; Fackrell was asked yesterday if every two years open season found successful open season would Denali commit now to expand; Fackrell said he would have to go back to owners for okay because expansion requires capital outlay.

King – if gas comes from federal lands, shippers could be paying more for transportation; want to be able to go to FERC;

Palmer – AGIA requires the company to voluntarily expand; initial shippers are always concerned with what will happen with tolls in the future. National Energy Board has had policy for more than 20 years for mandatory expansion and roll back provisions. Shippers are opposed but that is a policy call for the legislature;

Porter – when do you trust FERC and when don't you trust FERC; define subsidy – the initial shipping costs are not a subsidy; shipping from Chukchi is federal gas where you get no royalties and no taxes; 14% return and 965 points TC; FERC has approved 14% rates but have never approved a floating rate; Canada has approved a floating rate but 14% return would be high; return on equity won't get lower rate; cost of debt will lower tariff with stronger investors;

Palmer – Porter assumed that both parties would have the same capital costs; there is no external benchmark study; internal study from 1990 to 2003 TC 19% lower in Canada and 38% lower than any other company in US; have no data to compare Denali project because not aware of interstate or provincial project of parties in Denali; there are Rockies Express 55% equity times 13%; floating rate NEC 40% equity at 8.17% return;

Palmer to Fairclough there is no charge for a trade at the Alberta Hub and used NOVA transfers. If delivery is off the NOVA system there is a delivery charge;

Ramras - Tony Palmer – Who will be President of TC Alaska? Denali spending \$40 million this summer; Palmer is President and CEO of TC Alaska; spending 80 million in next 18 months; 3 direct reports engineering and consultings; not knowing whether we get a license we have not rented space; will you live here? Palmer has not made that decision; Palmer commitment to open season and to FERC filing; plan is in service by 2018;

Porter – timing for open season – usually a couple of summer field work; field work report attached to engineers report; can't understand why TC moved open season in July until Oct or November after review of two years of field reports; Palmer said they are doing field work this summer and next and conclusion of reports and review will be July 2010.

Galvin analysis of soonest gas delivery – license and timeline under TC and moving forward with FERC regardless of who gets FERC approval the moving forward of TC gets whoever transporting gas sooner;

Dave Van – not keen to have schedule drive project because that can result in train wrecks and massive cost overruns;

Jim Brown World wide gas marketing
Mark Nelson commercial group working
Norman Carter - financing
Jim Morris - commercial attorney

Exxon is Alaska for over fifty years
Largest leaseholder of discovered gas

Doubles Exxon's current U.S. gas production

Prior to 2000 \$3.00

FNG sale first sale of NS natural gas

Plan to pay plaintiffs on Exxon Valdez case.

Wile – plans to pay on Exxon lawsuit -

Marty Massey – deeply regret a tragedy; Exxon will abide by US Supreme Court decision.

Wile Brown Williams released report May 2008 that pipelines are getting built with thru put of 10 years. Massey said this project is too big to get financing for a ten year thru put.

Gara – mediation both parties have to want to do it

Massey – have not offered mediation but are fine with mediation if that is what the administration wants to do.

10,000 a day

One of third paths:

1. Expand
2. Oil recovery is not adequate go to gas production
3. Combination of oil and gas production

Massey thinks oil production first is the best route at Point Thomson.

Bundy –

1. Explain little more about cycling – is process that works around the world – 10,200 pounds of pressure; large distances between wells. Put two wells compression and gas put back into input well.
2. When will reserves be booked – is extremely important; there is a gate (do you have a commercially viable project?) next gate (is project sufficiently far along you know you are going to finish the project?) Somewher between sanction and project getting up.
3. If we were to approve AGIA would it harm the success of a pipeline? That's legislatures decision. Don't want to tell legislature what to do. The ? to ask does AGIA help align the parties to successfully allow the project to go forward.

Kerttula-

Hydro logics and cost analysis Black and Vetch came up with same thing Exxon came up with in 2001 at 45. bcf

Massey – Exxon doesn't have a hurdle rate-they look at the whole picture – does this project deliver the expectation.

Lynn-

Must haves

Gruenberg – South Florida Exxon delayed payment for years because the internal return rate was greater than the payoff. Massey said Exxon is not going to delay payment.

Therriault – some departments said Exxon said if we can't do this we will relinquish the leases.

Massey first time we have committed to bringing pt Thomson into production. Second hearing we committed to timeline and said if we didn't meet these commitments we

Therriault why would we accept a POD that would wipe out decisions retroactively to Mendke decisions.

Massey – guessed retroactivity is what state wanted.

Massey hard to predict what Exxon would do after open season to commit to one of two pipelines.

Huggins – Federal loan guarantees; Massey believes federal loan guarantees are extremely important to TC proposal being successful. If Exxon had access to them they would seriously consider it. It could be that a federally backed loan guarantee would be too expensive.

Wielokowski –

- Point 1: Get to book reserves once line up
- Point 2: Carry it as a footnote, not a debt.- current footnote 3 billion
With Alaska production up to \$75 billion footnote

Pedro VanMears – it is not within scope of government anymore to

Massey – AGIA does not offer any financial predictability.

Massey – Exxon has to look at total deal tax rate, total revenue, can it be predicted over the term of the contract.

Massey – tariff predictability – what is pipeline capacity how much is available and what is tariff going to be.

Hoffman – is tax structure on the books acceptable? Massey – look more than tax structure.

Stedman – why should the state lock down oil taxes when the economics of oil and gas is not locked down. Massey the tax rate should be part of the totalitarian of a deal. The last deal made sense at that point in time but it doesn't have to apply to this deal.

Seaton – other 50% of gas not in Alaska do you own 50% of the pipeline the gas goes through? Massey the lower 48 sell at the wellhead so have very little to none of transportation costs.