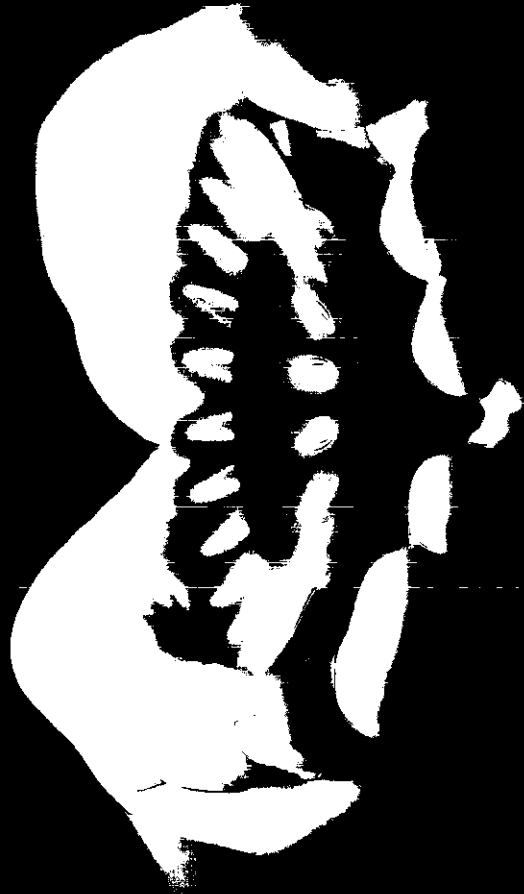


**12/15/09**  
**PRESENTA-**  
**TION:**  
**ALASKA IN-**  
**STATE GAS**  
**PIPELINE**  
**PROJECT**

**ALASKA  
IN-STATE GAS PIPELINE PROJECT**



**PRESENTATION TO THE ALASKA STATE LEGISLATURE  
BRIEFING 3  
DECEMBER 15, 2009**

# Purpose:

## Review Status of In-State Gas Program

- Work Completed to Date
- Activities Planned in Future

# State's Approach

- Intent of Effort is to Encourage the Development of a In-State Gas Pipeline
- By Reducing Risk to a Future Pipeline Developer

# State's Approach

The Program was set-up to Reduce Risk by:

- Defining Costs
- Acquiring Major Permits
- Letters of Intent
  - Bring Buyer/Sellers together
  - Let the market place decide scope and timing

# Work Completed

- Route Alternative Analysis - Parks and Richardson Highway routes:
  - Associated comparative cost estimates
- Project Description (for permitting)
- Initial Review of ENSTAR Capital Cost Estimate – Pipeline
- Preparation of Major Permit Applications
- Request to FERC for Jurisdictional Determination
- Set Compression Station Locations (for permitting)

# Major Cost Issues That Have Come From This Work

- Cost of Gas Conditioning on the North Slope
- Marketability of NGL's if Sold at Tidewater in Cook Inlet Region

# Schedule

- Complete “Cost of Transport” Estimates – Early Summer 2010
- Updated “Cost of Transport” Estimates after Field Season, November 2010
- Complete Initial Permitting Effort – February 2011
- Sell State Package – April 2011 (Bidding Process)
- Project is Currently on Track for 2015-2016 Start-up

# Schedule of Permitting

- 
- |                                     |                  |
|-------------------------------------|------------------|
| ▫ End of Scoping Meetings           | February 5, 2009 |
| ▫ Scoping Report Released           | March 2010       |
| ▫ Draft EIS Released                | July 2010        |
| ▫ Public Hearings on Draft EIS      | August 2010      |
| ▫ Comment Analysis Report Available | October 2010     |
| ▫ Final EIS Released                | January 2011     |
- 
- |                                    |                      |
|------------------------------------|----------------------|
| ▫ <b>Record of Decision Issued</b> | <b>February 2011</b> |
|------------------------------------|----------------------|
-

# Ongoing Engineering Work Plan

Purpose: Develop Cost of Transport

- Identify Facilities and Update Pipeline Design
- Cost of Facilities and Pipeline
- Increase Level of Confidence in System Cost Estimates
- Cost of Transport for Various Scenarios
- Identify Potentially Viable Project Configurations
- Provide Documentation to Interested Parties

# Cost of Transport

## Two Phase Development

- Early summer 2010 Cost of Transport delivery Focused on:
  - Facility Costs
  - Incorporating newly available Legacy Data
- Late 2010 Cost of Transport Delivery Focused on:
  - Incorporating Field Program Data
  - Update of Pipeline cost

# Facilities Scenarios Identified

- CGF Residue Gas only, North Slope Gas Conditioning, Cook Inlet NGL Extraction
- CGF Residue Gas only, Cook Inlet Gas Conditioning and NGL Extraction
- CGF Residue Gas Only, North Slope Gas Conditioning, North Slope NGL Extraction
- CGF Residue Gas spiked with CGF Stabilizer Overhead Gas, North Slope Gas Conditioning, Cook Inlet NGL Extraction

Each scenario evaluated at 250, 500, 750 and 1000 MMscfd

# Facilities Work Plan

## Develop Schematic Flow Diagrams and Cost estimates

- Process Flow Simulations
- Generate Process Flow Diagrams (PFD) with Major Equipment for Cost Estimation
- Cost Estimate by Component
- Component by Component Basis
  - Conditioning train
  - NGL train
  - NGL fractionation and storage

# Pipeline Work Plan

- Investigate Cost Reduction Opportunities
- Conduct Field Verification Investigation
- Develop more Detailed Design Basis
- Prepare Detailed Design Criteria and Procedures
- Documentation

# Pipeline Work Plan

- Investigate Cost Reduction Opportunities
  - Improve Route Constructability
  - Optimize Pipeline Hydraulics
  - Length Reduction
  - Reduce ROW preparation and reclamation work
  - Investigate replacing compressor station refrigeration with air coolers
- Refine Mile-by-Mile Geotechnical Characterization of Pipeline

# Pipeline Work Plan

## Field Investigation

- River Crossing Assessment and Verification
- Geotechnical Borehole Program
- Material Site Program
  - Collaborate with ADOT&PF
  - Assess current sites
  - Identify and verify new sites
- Characterize Active Fault Crossings
- Constructability Assessment
- Characterize Roads, Camps, Storage Yards

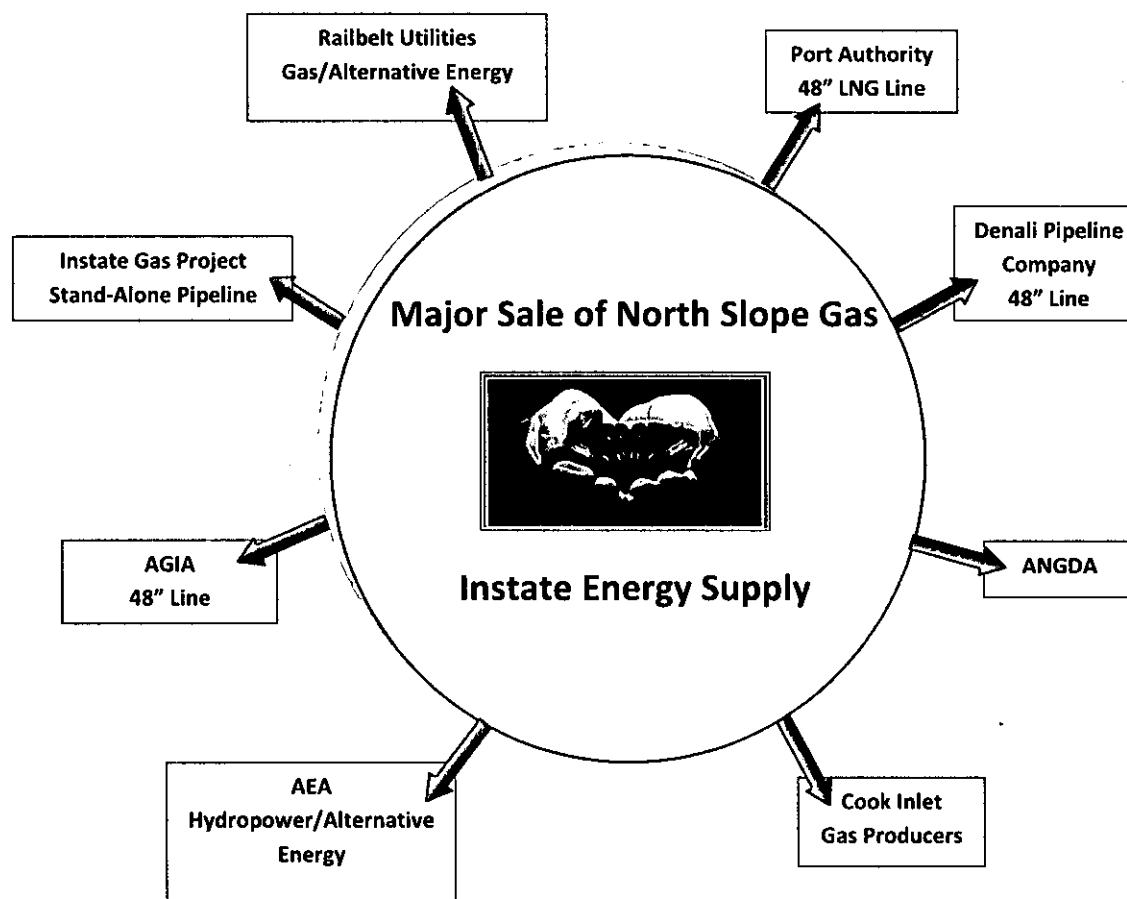
# Project Documentation

- Design Basis
- Design Criteria & Procedures
- Technical Description of Pipeline and Facilities
- Updated Construction and Logistics Plan
- Cost Estimate
- Alignment Sheet Series (GIS)

# Issues:

- Alaska Economy Headed for Difficult Times in Next 10 Years
  - Significant Decline in Oil Flow through TAPS (Revenue)
  - Loss of Federal Dollars
- No Long Term Affordable Energy Source for Fairbanks Railbelt and Western Alaska

# ENERGY TUG-OF-WAR



# Define Specific Plan

# Time to Make Decisions

# Open Season

- Will the 48-inch Pipeline Move Forward in a Timely Manner?
- Can We Make the Open Season Work?
- Is Alaska Going to Address Fiscal Certainty?
- What is the Risk of Waiting Until 2015 to Know the Big Pipeline is Moving Forward?

# Determine Back-up Plan

- Renewable Energy (major source)
- In-State Gas Pipeline

## Specific Tasks to be Accomplished in Next Six Months

- “For Backup Plan”
  1. Request of AOGCC how much gas and NGL’s are available for multiple projects from Prudhoe Bay.
  2. Prepare cost comparison between different backup options of renewable energy and in-state pipeline

# Establish a Schedule for an Energy Project Alaska can Control

- Put the Backup Plan on a Specific Schedule!
  - Milestone

(Can always slow down if the large 48" gas line project goes forward to the lower 48 states)

# Recommendations

- Define a Plan
  - Clarify fiscal certainty for open season
    - If open season is not clear – Move on
- Determine Back-up Plan
- Put Back-up Plan on a Specific Schedule
- Let Market Determine Success

# Alaska In-State Gas Pipeline Project

## □ November Expenditures

<b>Administrative</b>	\$ 36,184.61	\$ 36,184.61
baker	\$ 220,142.62	\$ 220,142.62
ASRC	\$ 122,455.72	\$ 122,455.72
BLM	\$ 100,000.00	\$ 100,000.00
<b>Total</b>	<b>\$ 478,782.95</b>	<b>\$ 478,782.95</b>
<b>Total Year to DATE</b>		<b>\$ 2,305,641.58</b>

## □ Year-to -Date Expenditures

<i>Jan - May 09 Total</i>	\$ 115,802.58
June-09	\$ 19,419.00
July-09	\$ 371,010.47
August-09	\$ 475,293.82
September-09	\$ 445,364.35
October-09	\$ 399,968.41
November-09	\$ 478,782.95
<b>YTD</b>	<b>\$ 2,305,641.58</b>