

**6/23/09  
TRANS-  
CANADA/  
EXXON-  
MOBIL  
AGREE-  
MENT...**

## House Resources Committee and House Energy Special Committee

### TransCanada/ExxonMobil Agreement Hearing

Tuesday, June 23, 2009

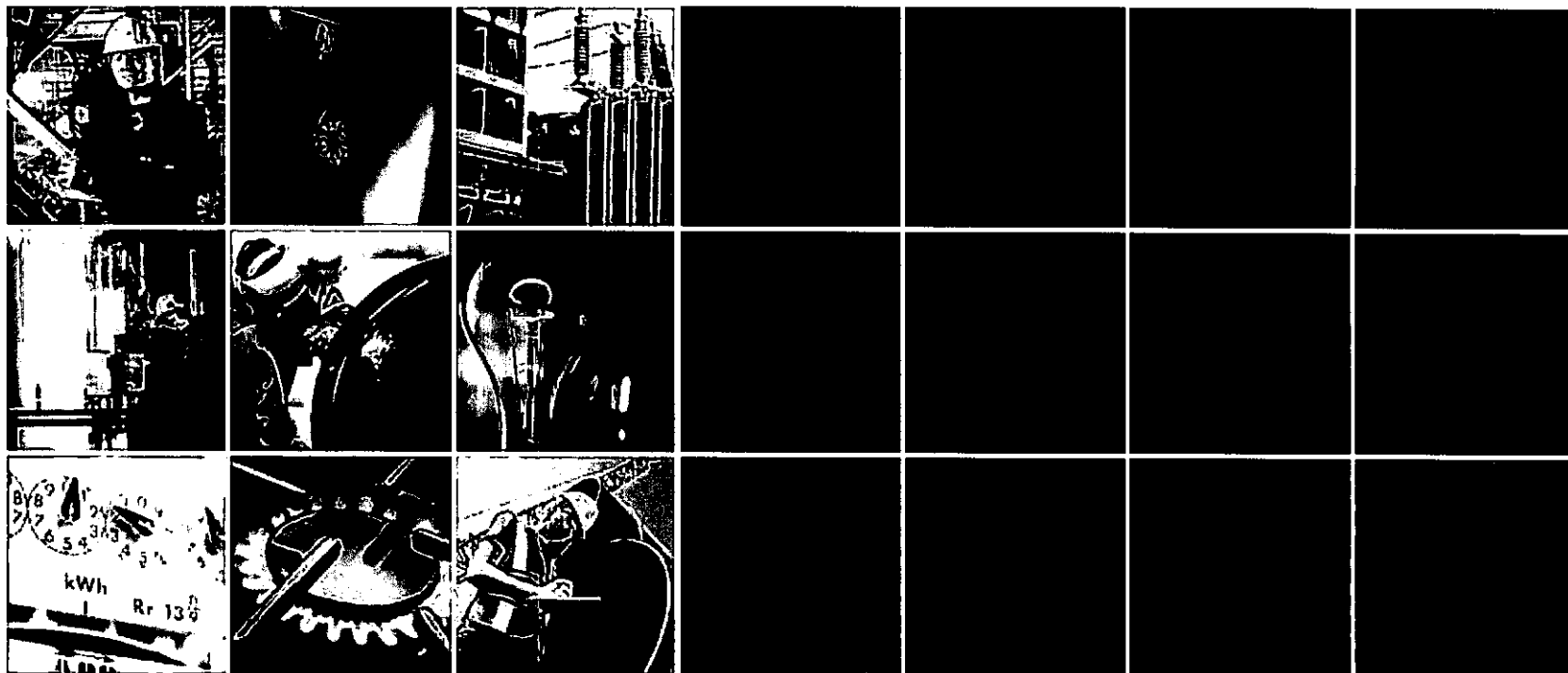
9:00am – 1:00pm

Anchorage LIO, Room 220

### AGENDA

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- |             |   |
|-------------|---|
| 9:00-10:30  | TransCanada, Tony Palmer<br>Exxon/Mobil, Marty Massey |
| 10:30-11:00 | State of Alaska – AGIA Pipeline team                  |
| 11:00-11:10 | Break   |
| 11:10-12:00 | Denali Pipeline Project, Bud Fackrell                 |
| 12:00-12:20 | BP LLC, Claire Fitzpatrick                            |
| 12:30-12:45 | ConocoPhillips, Wendy King                            |



# TransCanada's Alaska Pipeline Project

Senate/House Committees- Alignment with ExxonMobil

June 23, 2009



## Overview



- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project
  - Immediate EM participation and project support
  - TC / EM will jointly advance all aspects of the project – technical, commercial, regulatory, financial, etc.
  - EM contributing prior study results, existing Alaska ROW data
- TC Alaska and Foothills remain the AGIA Licensees
  - AGIA rights / obligations are unchanged and remain with Licensees
  - EM is ready to work with the State to enable full participation in the AGIA license
- Project Schedule unchanged
  - Initial Open Season target completion by July 2010

## Overview (cont')



- AGIA Project Scope unchanged
  - GTP and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
  - TC / EM will also advance an upstream gas transmission pipeline from Point Thomson to GTP to be included in the Open Season
    - Outside of AGIA project and ineligible for AGIA reimbursement
- Current TC / EM alignment not contingent on any commitments by State
- TC can progress project independently, if it so elects, using all jointly developed assets / information

## Overview (cont'd)



- Legislation / Regulatory
  - Utilize ANGPA (Alaska Natural Gas Pipeline Act) in Alaska and NPA (Northern Pipeline Act) in Canada
- Upfront spending increased to \$150 million through Open Season
  - Additional front-end spending reflects increased emphasis on early execution/construction planning, additional efforts in regulatory, environmental and land areas, as well as size, complexity and execution challenges of GTP
- Development costs will be shared by TC / EM
  - TC retains majority interest
  - No change to State's total reimbursement contribution of \$500 million

## Overview (cont'd)



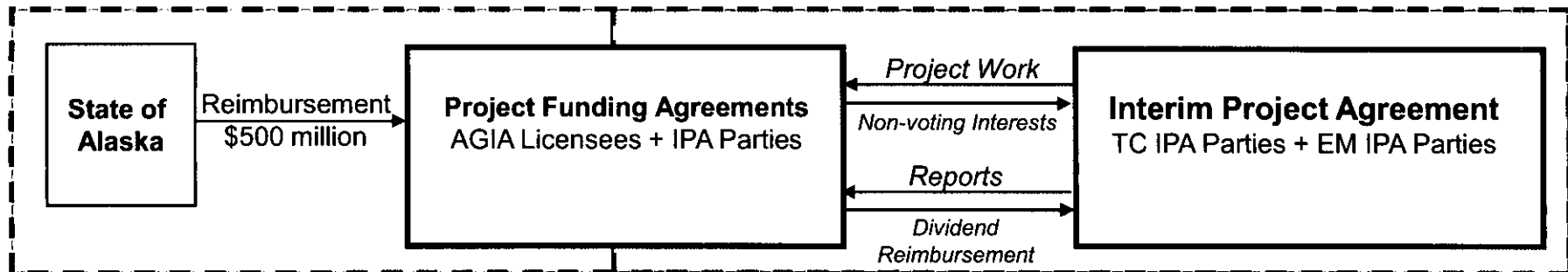
- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
  - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a result of the arrangement
  - State administration supports TC / EM alignment
- Bottom Line
  - Real progress to align all essential parties necessary for successful project
  - Combination of TC and EM brings unrivaled expertise and experience to the project
  - TC / EM share a common goal – realization of an Alaska pipeline project

# Project Framework



## Objectives

- Perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by July 2010 target
- Pursue required regulatory authorizations for pipeline construction



	AGIA Licensees	IPA Parties
<b>US PFA</b>	<ul style="list-style-type: none"> <li>• TransCanada Alaska Company, LLC</li> </ul>	<ul style="list-style-type: none"> <li>• TransCanada Alaska Development Inc.</li> <li>• ExxonMobil Alaska Midstream Gas Investments, LLC</li> </ul>
<b>Canada PFA</b>	<ul style="list-style-type: none"> <li>• Foothills Pipe Lines (North B.C.) Ltd.</li> <li>• Foothills Pipe Lines (South Yukon) Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>• TransCanada PipeLines Limited</li> <li>• ExxonMobil Canada Resources Company</li> </ul>

## Project Framework (cont'd)



- Interim Project Agreement (IPA) establishes basis under which TC / EM work together
- Project Funding Agreements (PFA) are companion agreements to IPA
  - Executed simultaneously with IPA; separate PFA for US and Canada
  - Provides “bridge” between TC Licensees and IPA parties
- TC Licensees maintain interface with the State of Alaska and retain AGIA obligations
- TC Licensees maintain sole discretion over request for State reimbursement for qualified expenditures

## Project Framework (cont'd)



- TC Licensees have right to all work provided to them by IPA parties for purposes of meeting TC AGIA obligations
- All major project components, including regulatory filings and Open Season contracts, will be made or entered into in the name of and on behalf of the AGIA Licensees
- TC Licensees have the right, at all times, to progress the project alone, if they so choose.
  - If TC Licensees elect to do so, they have the right to all jointly-developed work product; and both parties will retain rights to project information
  - Parties have agreed to a reasonable transition to sole management by TC in the event of a termination
- During the term of PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon transfer of work product

## Project Framework (cont'd)



- When EM becomes a participant in TC Licensees, the non-voting interests will convert to voting interests in AGIA Licensees
- State reimbursements to TC Licensees will be distributed to IPA parties in proportion to their participating interests in the IPA
- IPA includes typical joint venture terms
- The project is managed by a Management Committee, with TC as chair (Tony Palmer)
- Fully-integrated project team staffed at all levels by personnel of both TC / EM
- EM is IPA lead and TC is the sub-IPA lead for the Canadian portion of the project. Through Open Season, TC remains primarily responsible for the overall pipeline / compression work and EM primarily responsible for the GTP work.
- Project costs are jointly funded based on the parties' proportionate shares.

## Benefits of Alignment with ExxonMobil



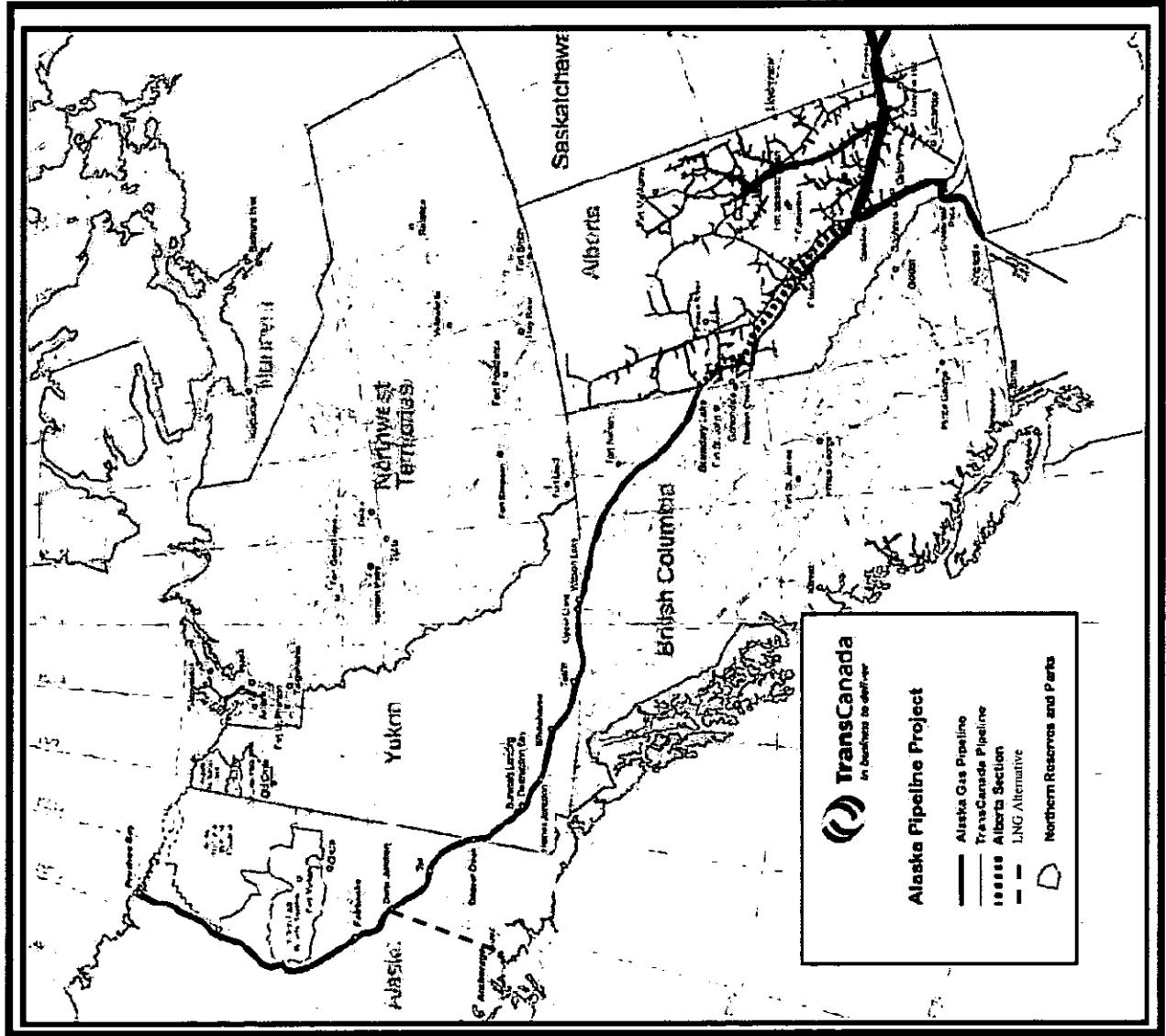
- Represents real progress to align all essential parties necessary for successful project
  - TC/State alignment under AGIA License in 2008
  - EM supports progress of TransCanada's Alaska Pipeline Project under AGIA
  - EM ready to work with State of Alaska and TC to become a full participant in AGIA Licensees
- Combination of TC and EM brings unrivaled expertise and experience to the project
  - TransCanada
    - TC has in-house expertise and experience to develop top quality CAPEX and rate estimates for the initial Open Season
    - 2000+ employees responsible for transporting 20% of North American gas
    - Recipient of the 2008 Global Pipeline Award for leading-edge technology
    - Current North American pipeline projects: \$12 B Keystone Project under construction, North Central Corridor Project in Alberta under construction, Bison and Guadalajara pipelines in application/approval stages

## Benefits of Alignment with ExxonMobil (cont'd)

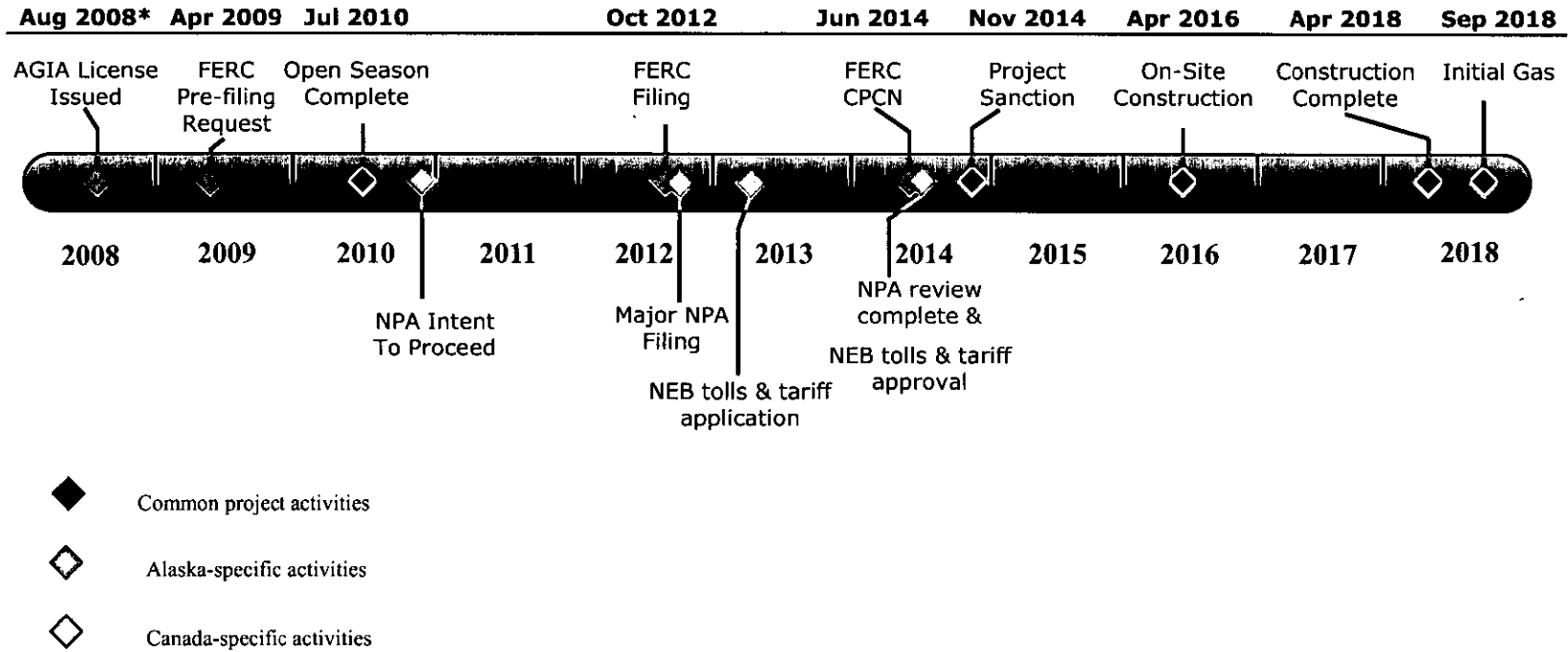


- ExxonMobil
  - Global financial and project management strength
  - Recognized industry leader in execution of large complex projects
  - Substantial financial resources
  - Largest holder of discovered Alaska North Slope natural gas resources
  - Gas treatment plant technology/expertise, as well as pipeline systems
  - Decades of Alaska experience
  - Access to 2001 ANS Producer Study and TAPS information
  - Committed to timely development of Alaska's gas resources
- Combination will deliver excellence in project execution
- TC/ EM share a common goal – realization of an Alaska pipeline project constructed under AGIA
  - Need full support of State of Alaska, US/Canadian governments, North Slope producers, including ConocoPhillips and BP, and other interested parties

# TransCanada's Alaska Pipeline Project



# Project Schedule



\* AGIA license assumed to be issued in August 2008 – actual date December 5, 2008

## TC Project Accomplishments Since June 2008



- TC/State alignment under AGIA License
  - TC Application reviewed and License approved by Legislature
  - AGIA License issued on December 5, 2008
  - AGIA Coordinator appointed
- Alignment with ExxonMobil
  - Achieves real progress toward broader alignment
- Capital Cost Estimate – engineering, environmental, limited field work, etc.
  - Extensive work underway since August 2008
  - Project team in place
  - Pre-FEED contractors retained – significant Alaska players engaged
  - Bringing EM personnel onboard broadens the expertise and experience of TC's project team and enhances credibility with potential customers

## TC Project Accomplishments Since June 2008 (cont'd)



- Attracting Customers
  - Ongoing discussions with potential customers for deliveries in Alaska, LNG via Valdez and to Lower 48 markets via Alberta Hub
  - Drafting of commercial terms for Open Season underway
  - EM alignment improves likelihood of success
- LNG
  - Cost estimation and commercial terms drafting underway
  - Discussions with potential customers resulted in 3.0 Bcf/d design
  - Potential customers can select Valdez as delivery point in initial Open Season

## TC Project Accomplishments Since June 2008 (cont'd)



- **Canada Regulatory**
  - EM reviewed / endorsed NPA as the Canadian regulatory model for project
  - Re-staffing of Northern Pipeline Agency underway
  - Northern Pipeline Agency coordinating project within Government of Canada, and with Canadian provinces
    - Multi-department meetings completed with federal agencies, BC and Yukon
    - Individual agency meetings underway
- **U.S. Regulatory**
  - FERC Pre-file
    - April 2009, two years earlier than TC's approved AGIA schedule
    - Progressing communications with FERC project staff
  - Multi-agency meetings complete, individual meetings underway
  - Ongoing discussions with Federal and State coordinating agencies

## TC Project Accomplishments Since June 2008 (cont'd)



- Canadian First Nations
  - TC has contacted all Right-of-Way First Nations and offered to negotiate Participation Agreements
  - 5 of 8 Yukon First Nations ready to discuss
  - Negotiations have commenced with some parties
- ANNGTC Withdrawn Partners
  - ANNGTC Partnership in dissolution
  - Full mutual releases in hand from all but one Withdrawn Partner
- Fort Nelson Upside
  - NEB decision approving Federal regulation for TC Alberta System improves chance of achieving Fort Nelson upside
  - TC also proposing Groundbirch and Horn River pipelines into North BC

## TC Project Accomplishments Since June 2008 (cont'd)

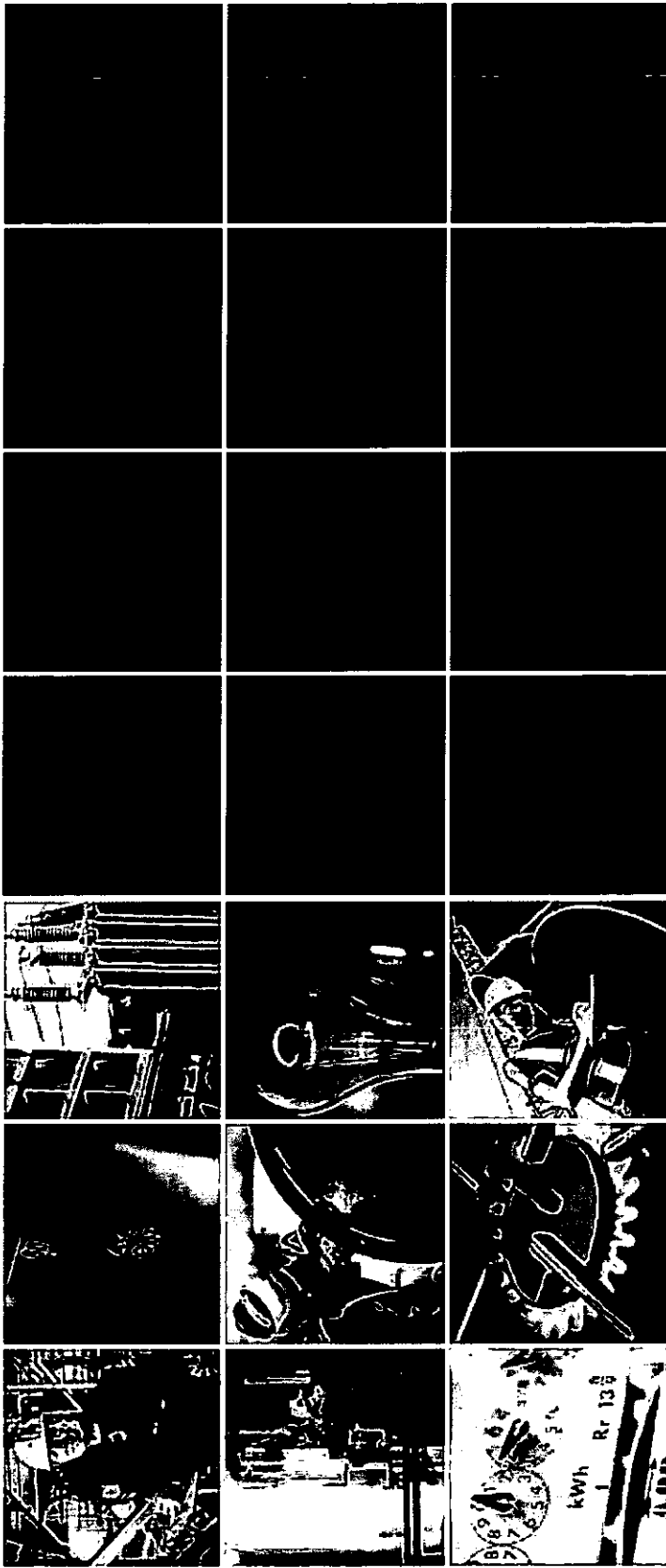


- In-State Gas Study
  - Contract awarded to Northern Economics
- Anchorage Office
  - Open in early 2009
  - Expansion planned later this summer

## Next Steps Through Open Season to July 2010



- Complete cost estimate
  - Engineering, environmental, field work, etc.
- Finalize Commercial Terms and Precedent Agreements
- Advance Canadian First Nations Participation Agreements and Fort Nelson issue
- Complete In-State Gas Study
- Ongoing discussions with potential customers
- State/EM dialogue on issues to achieve successful initial Open Season
- File Open Season package with FERC and obtain approval
- Conduct Open Season



**Thank You**



# STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

## ALASKA GASLINE INDUCEMENT ACT

**For Immediate Release** - On Thursday June 11, the Governor's Gasline Team Lead, Marty Rutherford, issued a letter to TransCanada's Tony Palmer stating that the proposed project agreement between TransCanada Corporation and ExxonMobil would not require state approval as an amendment or modification of the license issued under the Alaska Gasline Inducement Act (AGIA).

Under the agreement, ExxonMobil will work with Alaska's project licensee, TransCanada Alaska (TC Alaska), to progress the AGIA licensed gas pipeline project. TC Alaska's obligations under the AGIA license will not be impacted by the new partnership, nor is Exxon's participation contingent upon any action or concession from the State. "The partnership is an exciting step forward," said Commissioner Tom Irwin. "It demonstrates just the type of commercial alignment which AGIA was designed to encourage."

By adopting the AGIA process, the legislature established a clear set of commercial terms for developing a pipeline to commercialize Alaska's North Slope natural gas resources. Through an open and transparent bidding process, TC Alaska was awarded the state's AGIA license. Under the license, TC Alaska has committed to advance a gas pipeline project to the point of securing a certificate of public convenience and necessity (CPCN) from the Federal Energy Regulatory Commission (FERC). In addition, the AGIA license ensures that the pipeline will be operated to provide low cost tariffs and open access for new gas shippers. In exchange for those commitments, the state will invest up to \$500 million in the development of the project, and provide certain tax and royalty terms for gas which is committed during the initial Open Season.

Under the agreement, the project schedule will remain unchanged. An initial Open Season will be completed in July 2010, during which potential shippers will be provided an opportunity to make shipping commitments for capacity in the pipeline, either to Alberta and into the North American gas pipeline network, or to Valdez for liquefaction and shipment as LNG.

ExxonMobil's actions show that they believe that working with TransCanada and the state through AGIA is the best opportunity for aligning the parties to move this project forward. They bring world-class expertise to the project in construction planning, regulatory and environmental work, as well as technical capability and prior study information that will enhance development of the Gas Treatment Plant. Their early collaboration with TC Alaska will accelerate pre-Open Season spending to roughly \$150 million, and will help to ensure a project design that is tailored to meet the technical needs of potential gas shippers.

The Commissioners indicated that there will be additional opportunities to enhance stakeholder alignment. "This new partnership is further confirmation of the project's commercial viability" said Commissioner Pat Galvin. "This event continues the undeniable progress in this long lead-time project. An AGIA gasline provides Alaskans with a source of careers, affordable energy, and secure state revenue. Producers and new explorers in the state will benefit from an affordable and accessible means of monetizing Alaska's vast natural gas resources. Americans will receive a plentiful and reliable source of clean energy, and a step towards energy independence."

For supporting documents and further information please visit <http://www.gov.state.ak.us/agia/>

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## ALIGNMENT SUMMARY

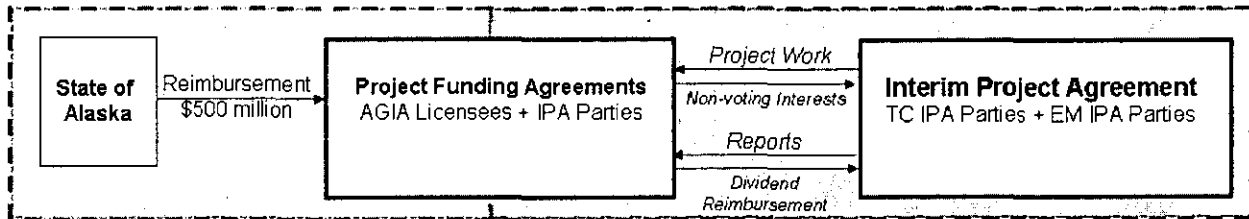
TransCanada's Alaska Pipeline Project – Alignment with ExxonMobil  
June 11, 2009

- TransCanada (TC) and ExxonMobil (EM) have reached agreement to work together to progress TransCanada's Alaska Pipeline Project (details on Page 2)
- TC / EM will jointly advance all aspects of the project – technical, commercial, regulatory, financial, etc.
- TC Alaska and Foothills remain the AGIA Licensees; AGIA rights / obligations are unchanged and remain with Licensees; EM is ready to work with the State to enable full participation in the AGIA license
- Project Schedule unchanged – initial Open Season target completion by July 2010
- AGIA Project Scope unchanged – Gas Treating Plant (GTP) and pipeline from Prudhoe Bay to Alaska delivery points, LNG via Valdez, or Lower 48 markets via Alberta Hub
- Current TC / EM alignment not contingent on any commitments by State
- TC can progress project independently if it so elects, using all jointly developed assets / information
- Legislation / Regulatory – utilize ANGPA (Alaska Natural Gas Pipeline Act) in Alaska and NPA (Northern Pipeline Act) in Canada
- Upfront spending increased to \$150 million through Open Season – emphasis on early execution / construction planning, regulatory, environmental, land and GTP
- Development costs will be shared by TC / EM
  - TC retains majority interest
  - No change to State's total reimbursement contribution of \$500 million
- In early May, TC provided State Administration with full disclosure of proposed TC / EM arrangement
  - State has reviewed the TC / EM arrangement and has determined that no action is needed by the State as a result of the arrangement
  - State administration supports TC / EM alignment

### Bottom Line Benefits

- Real progress to align all essential parties necessary for successful project
  - Need full support of State of Alaska, US / Canadian governments, North Slope producers, and other interested parties
- Combination of TC and EM brings unrivaled expertise and experience to the project
- TC / EM share a common goal – realization of an Alaska pipeline project

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- Objective is to perform work necessary to facilitate completion by TC Licensees of Open Seasons in US and Canada by target of July 2010 and pursue required regulatory authorizations for pipeline construction
- Interim Project Agreement (IPA) establishes basis under which TC / EM work together
- Project Funding Agreements (PFA) are companion agreements to IPA
  - Executed simultaneously with IPA; a separate PFA for US and Canada
  - Provides “bridge” between TC Licensees and IPA parties
- TC Licensees maintain interface with the State of Alaska and retain AGIA obligations
- TC Licensees maintain sole discretion over request for State reimbursement for qualified expenditures
- TC Licensees have right to use all work provided to them by the IPA parties for the purposes of meeting the TC AGIA obligations
- All major project components, including regulatory filings and open season contracts, will be made or entered into in the name of and on behalf of the AGIA Licensees
- TC Licensees have the right, at all times, to progress the project alone, if they so choose
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  - Parties have agreed to a reasonable transition to sole management by TC in the event of a termination

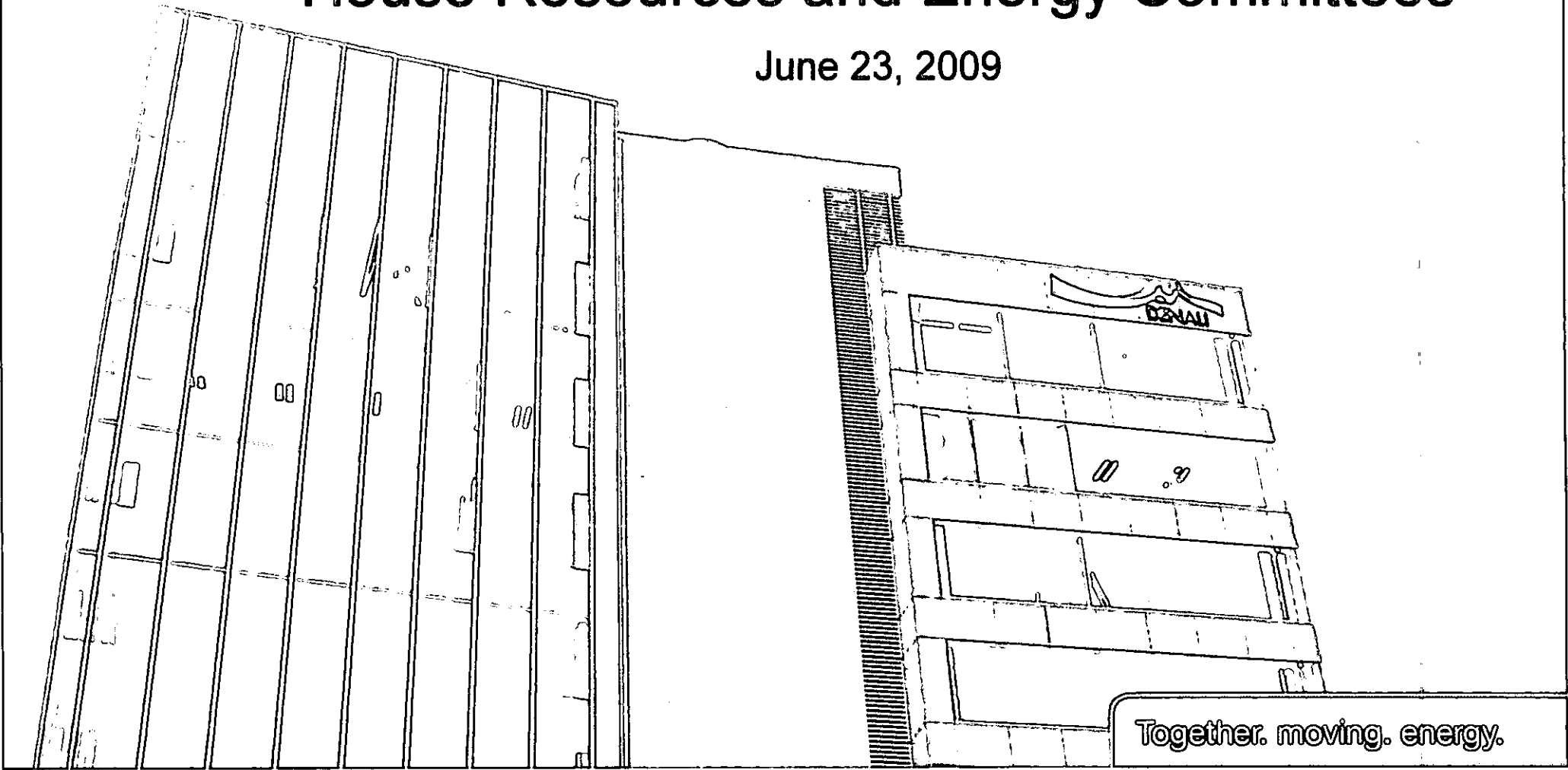
- During the term of the PFA, the IPA parties will earn non-voting interests in the TC Licensees, upon the transfer of work product
- At the time EM becomes a participant in the TC Licensees, the non-voting interests will convert to voting interests in the AGIA Licensees
- State reimbursements to TC Licensees will be distributed to the IPA parties through dividends, in proportion to their participating interests in the IPA
- IPA includes typical joint venture terms
- The project is managed by a Management Committee, with TC as chair (Tony Palmer)
- Fully-integrated project team staffed at all levels by personnel of both TC / EM
- EM is IPA lead and TC is the sub-IPA lead for the Canadian portion of the project; through Open Season, TC remains primarily responsible for the overall pipeline / compression work and EM primarily responsible for the GTP work
- Project costs are jointly funded based on the parties' proportionate shares



# Project Update

## House Resources and Energy Committees

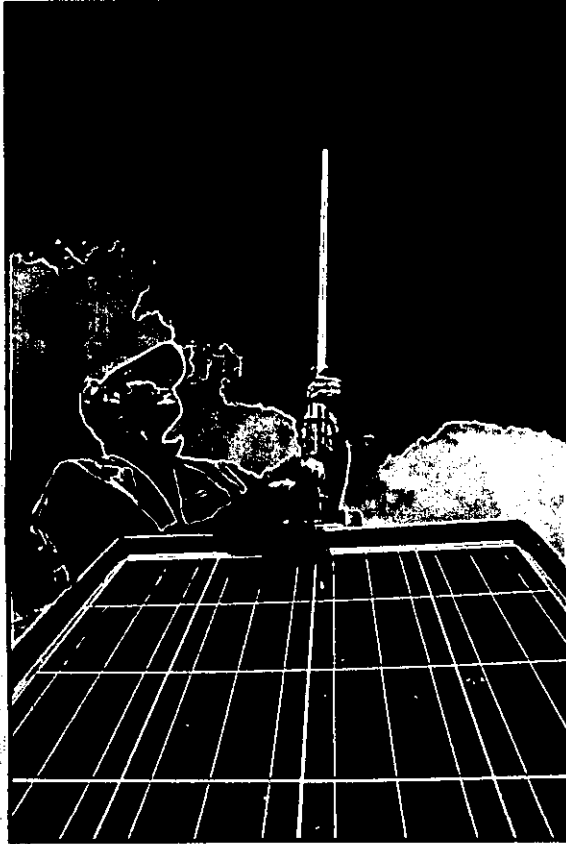
June 23, 2009



Together. moving. energy.



# Denali - The Alaska Gas Pipeline



## Moving Forward -

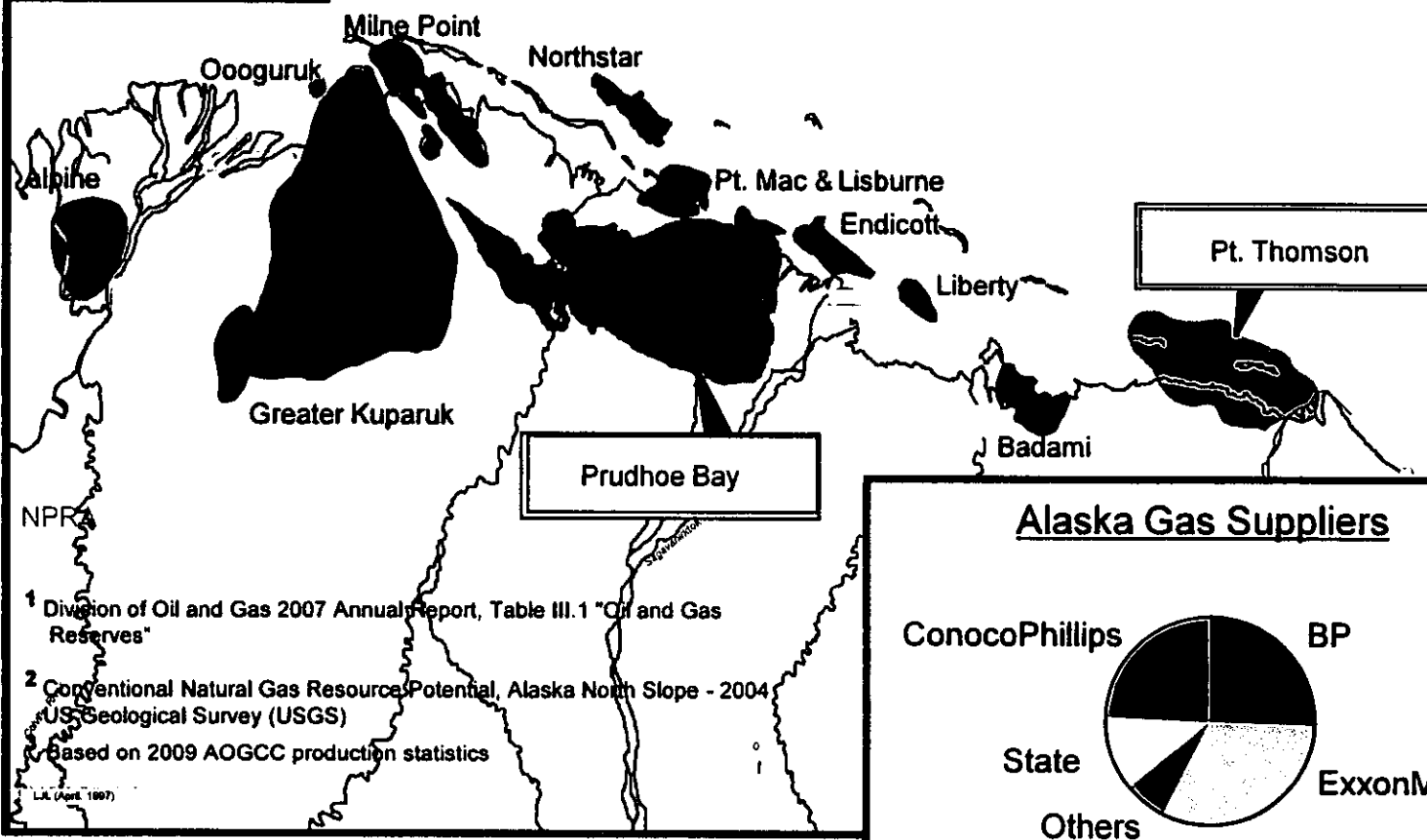
- BP and ConocoPhillips formed Denali to build the Alaska Gas Pipeline
- Denali is uniquely qualified to deliver this gigantic, complex project
  - Unparalleled experience in North Slope operations and project construction
  - Worldwide experience in constructing and operating mega projects
  - Strong balance sheets
- Denali remains on track to conduct an Open Season in 2010
- Positioned for a superior commercial offering
- The economy has not changed our focus



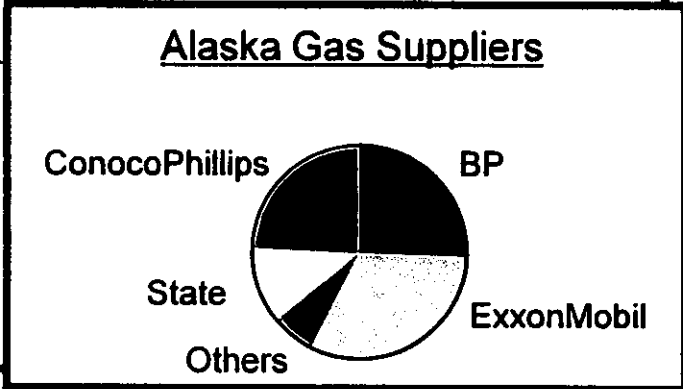
# North Slope Oil and Gas Fields

- Operated by BP
- Operated by ConocoPhillips
- Operated by ExxonMobil
- Operated by Pioneer

35 tcf discovered gas resource <sup>1</sup>  
 Prudhoe Bay, Pt Thomson primary gas sources  
 100-200 TCF undiscovered potential <sup>2</sup>  
 BP & COP operate ~99% current NS production<sup>3</sup>



<sup>1</sup> Division of Oil and Gas 2007 Annual Report, Table III.1 "Oil and Gas Reserves"  
<sup>2</sup> Conventional Natural Gas Resource Potential, Alaska North Slope - 2004, US Geological Survey (USGS)  
<sup>3</sup> Based on 2009 AOGCC production statistics





## Regulatory Frameworks – U.S. and Canada

### U.S.

- The Federal Energy Regulatory Commission (FERC) is responsible for authorizing and *regulating* the project
- The Alaska Gasline Inducement Act (AGIA) is not an exclusive license to build a pipeline. Denali can proceed outside of AGIA

### Canada

- Denali will use the National Energy Board (NEB) process which incorporates all of the modern environmental regulations and is open to any project proponent
- The NEB and FERC have a history of working together to approve cross-border energy projects



# Denali Terms of Service

- Denali is an Open Access pipeline – *It's the law*
  - *"People have open access to the pipeline, not just the producers."*  
(FERC testimony to Joint AGIA Committee, June 16, 2008)
- Will include the gas treatment plant
- Distance sensitive transportation rates for local use
- Will use FERC mandated rolled in rates
- Design will provide for efficient expandability
- Solicit shippers every two years regarding expansion
- Will provide at least five offtake points within Alaska
- Will provide offtake points in Canada if warranted



# Denali Progress – Key Accomplishments



***Spent ~\$100 million in the past year***

- Project Team mobilized
- Core team of 80 to 90 people with Anchorage and Canadian Headquarters
- FERC pre-filing request approved
- Filed Right of Way on federal lands with Bureau of Land Management
- Successful 2008 summer field program
- Community outreach meetings in Alaska and Canada
- Advanced workforce development
- Met with Alaska, U.S. and Canadian government officials
- Awarded contracts for multi-million dollar Gas Treatment Plant and Pipeline preliminary engineering



Denali has a core team of 80-90 people and dozens of contractor companies supporting its work





# 2009 Plans Focused on Open Season

- Broader work program will result in updated cost estimate – necessary for 2010 open season
- Ongoing work with DNR, FERC, NEB, OFC, BLM
- Continue to meet FERC prefilng requirements and engage FERC 3<sup>rd</sup> Party Contractor
- Work with AK DOTPF to advise on infrastructure requirements
- Field work program focused on Canada
- Workforce Development (UAF, AKDOL, survey crew training)
- Stakeholder engagement in Alaska and Canada
- Progress commercial work for open season

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AN IRIDIUM COMPANY





# Denali is on track and moving ahead

- Focus on 2010 Open Season
- Cost estimate will provide confidence to shippers
- Denali positioned for a superior commercial offering
- Denali does not require state funding to move forward
- The economy and competition has not changed our focus