SB 287

<target><bill>SB 287</bill><subject>SB 287</subject><comm>SFIN26</comm></target>

ALASKA STATE LEGISLATURE

Session
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SENATOR LESIL MCGUIRE

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Senate Special Committee on Energy
Senate Special Committee on
World Trade, Technology, and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee
Joint Armed Services Committee

Senator.Lesil.McGuire@legis.state.ak.us

SPONSOR STATEMENT FOR SENATE BILL 287

"Act amending the powers and duties of the Alaska Railroad Corporation and the Alaska Housing Finance Corporation related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in-state use, and transferring exclusive and primary responsibility for the initiation and development of that project from the Office of the Governor and the Department of Natural Resources to those corporations; and providing for an effective date."

Since the discovery of natural gas in Cook Inlet by Unocal in 1958, the residents of Southcentral Alaska have enjoyed relatively cheap and abundant energy. While the development of Cook Inlet natural gas reserves over the succeeding decades was eclipsed by the discovery of the mammoth reserves at Prudhoe Bay; the Inlet has provided gas to generations of Alaskans and fueled the growth of Southcentral since statehood. From the LNG export terminal to the value-added manufacturing facility producing fertilizer at Nikiski, natural gas created an industrial hub on the Kenai. Cheap gas also fueled electric generation throughout the Railbelt, heated homes and facilitated economic growth throughout the region.

Today however, gas supplies in Cook Inlet are declining; threatening the energy security of major segments of Alaska's population. The challenge facing Southcentral is certainly not new; the residents of interior and rural Alaska have faced similar circumstances for generations. That is why the solution lies not in meeting the needs of Southcentral through imported LNG or stop-gap measures, but in a broader strategy to deliver gas to Alaskans. The vast supplies of gas on the North Slope provide an opportunity to meet not only the existing needs in Cook Inlet, but to distribute gas more widely across the state. In communities as diverse as Bethel and Fairbanks, community leaders are working to develop ways to get gas to their community and their efforts ultimately depend on access to a stable supply of gas.

Senate Bill 287 takes an important step towards that goal by tasking the Alaska Railroad, a public corporation of the State of Alaska with developing the Alaska Stand Alone Pipeline (ASAP) project. Work on the ASAP project was started in the latter days of the 2009 legislative session, when language was attached to the Supplemental Appropriations bill (Ch. 14 SLA 09) authorizing work on an in-state natural gas pipeline. As the project has progressed, the need to accelerate its development has become more apparent as the discovery of large deposits of previously inaccessible natural gas reserves in the lower 48 have clouded the future of the American natural gas market. SB 287 moves the ASAP pipeline project beyond legislative intent language into a more enduring statutory framework that will enable the project to progress.

Bringing Alaskans' natural gas to Alaskans will invigorate the economy and should enable the development of value-added industries; providing jobs in-state and a strong economic legacy to Alaskans. While the future demand for gas in the Lower 48 is questionable, the need for gas in Alaska is self-evident. SB 287 focuses the attention on that need and takes a first step toward bringing the energy security Cook Inlet has enjoyed statewide.

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Changes to CS SB 287 (RES) in CS SB 287 (FIN)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following references are to the S version of SB 287

Title The following changes were made to the Title of the bill:

1. Page 1, line 2: deleted "purchase" and ", and sell"
2. Page 1, line 2:Inserted "plan and develop an in-state natural gas pipeline to" following "authority to"

Section 1 The following changes were made to section 1: Legislative Findings and Purpose

1. Page 2, lines 18-22: deleted all material following "Alaska Railroad Corporation" up to "to plan and develop."
2. Page 2, line 26: inserted "by July 1, 2013" following "project sanction"
3. Page 2, line 28: inserted new (3) directing the chairman of the board to oversee the project.

Section 3 The following changes were made to section 3: AS 42.40.560

1. Page 3, line 5: inserted "provide" following "facilities, and"
2. Page 3, lines 13-15: deleted all material following "markets in the" and inserted "state."
3. Page 3, line 26: inserted "generally" before "using one of two routes"

Section 4 The following changes were made to section 4: AS 42.40.560

1. Page 4, line 4: deleted "subsidiary" and inserted "separate division"
2. Page 4, line 8: replaced "reports" with "updates"
3. Page 5, line 6: inserted new language specifying that the requirements of 38.05.850 do not apply.

Section 5 The following pages were made to section 5: uncodified law

1. Page 5, line 30: replaced "report" with "update"
2. Page 6, line 19: inserted new subsection directing the Alaska Railroad to account for expenditures related to the project separately and submit quarterly reports to the legislature.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 287(RES)
(S) Publish Date: 3/23/10

Identifier (file name): SB287-CED-ARR-3-19-10
Dept. Affected: DCCED
Title: In-State Gas Pipeline
RDU
Component: Alaska Railroad
Sponsor: Senator McGuire
Requester: Senate Resources Committee
Component Number

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**34,222.0**		**20,628.0**	**2,709.0**	**1,794.0**	**1,884.0**	**1,978.0**
CHANGE IN REVENUES ( )							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	34,222.0		20,628.0	2,709.0	1,794.0	1,884.0	1,978.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**34,222.0**		**20,628.0**	**2,709.0**	**1,794.0**	**1,884.0**	**1,978.0**

Estimate of any current year (FY2010) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

SB 287 amends the Alaska Railroad Corporation's (ARRC or the corporation) enabling statute to require ARRC to initiate planning and development of construction of an in-state natural gas pipeline. The project is well outside ARRC's norms, both in type and size. Similar to the approach currently underway, this fiscal note addresses funding necessary for ARRC to bring the project through permitting and preliminary engineering phases. Construction costs are not included at this juncture. Also excluded from this analysis are estimated costs to be incurred by a pipeline company or other entity that would presumably complete design and build the project.

(Continued)

Prepared by: Wendy Lindskoog
Phone 907-265-2498
Division: Alaska Railroad Corporation
Date/Time 3/19/10 12:00 AM
Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development
Date 3/19/2010

FISCAL NOTE # 1

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSSB 287(RES)

ANALYSIS CONTINUATION

This fiscal note assumes the corporation will establish a project office, staffed mainly by newly hired ARRC employees. The office will function autonomously from other railroad operations and be funded by the State of Alaska, presumably out of the General Fund. Contractors will be used for all major project functions including engineering, permitting, right of way acquisition, cost estimation, and marketing activities.

ARRC's preliminary evaluation is that substantial progress has been made to date along the critical path to project completion. First, an Environmental Impact Statement (EIS) is well underway. The EIS is almost certainly the most important effort to meet an aggressive project schedule. Second, a well-founded cost estimate for construction is due in June, 2010. This is critical to determining the project financial feasibility and for development of both supplier and customer contracts.

The fiscal analysis summary below is predicated upon ARRC hiring seven new employees to support this effort. By statute, ARRC employees are not state employees; the corporation has a distinct employment system separate from the State of Alaska. The initial basis for the cost estimates shown below are derived from analysis performed by the Office of the Governor, Alaska In-State Gas Pipeline Project office.

(Thousands)

ARRC Funding Needs	2011	2012	2013	2014	2015	2016	2017	Totals
Internal Costs	1,550	1,628	1,709	1,794	1,884	1,978	2,077	12,620
RSA's DNR & JPO	1,172							1,172
Pipeline Engineering	8,500	1,000						9,500
Permitting/ ROW	20,000	10,000						30,000
Facilities		5,000						5,000
Commercial Analysis	3,000	3,000	1,000					7,000
Totals - ARRC	34,222	20,628	2,709	1,794	1,884	1,978	2,077	65,292

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 287(RES)
(S) Publish Date: 3/23/10

Identifier (file name): SB287-REV-TAX-03-19-10
Dept. Affected: Revenue
Title: In State Gas Pipeline
RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Senator Lesil McGuire
Requester: (S) Resources
Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2011**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES ( )							
FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2010) cost:

POSITIONS							
Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

There is no fiscal impact to the Department of Revenue.

This bill amends the powers and duties of the Alaska Railroad Corporation (ARRC) and the Alaska Housing Finance Corporation (AHFC) related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in state use. This bill also transfers exclusive and primary responsibility for the initiation and development of the project from the Office of the Governor and Department of Natural Resources to the Alaska Railroad Corporation and the Alaska Housing Finance Corporation.Under this bill, the ARRC and AHFC may apply to the governor to transfer unexpended balances and appropriations for use in support of the in-state North Slope natural gas pipeline project . The effective date of the bill would be immediately under AS 01.10.070(c).

Prepared by: Dona B. Keppers, Audit Master
Phone (907) 269-1034
Division: Tax Division
Date/Time 03-19-10; 6:32pm
Approved by: Ginger Blaisdell, Director
Date 03-20-10; 1:03pm
Administrative Services Division

(Revised 11/6/2009 OMB)

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SENATOR LESIL MCGUIRE

Changes to SB 287 (26-LS1467\A) in CS SB 287 (RES) (26-LS1467\S)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

Title The following changes were made to the bill *Title*:

1. Page 1, line 2 – deleted "Alaska Housing Finance Corporation"
2. Page 1, line 5 – deleted "from the Office of the Governor and Department of Natural Resources"
3. Page 1, line 6 – changed "corporations" to "corporation" to reflect the removal of AHFC.

Section 1 The following changes were made to the *Legislative Findings and Purpose* section:

1. Page 2, line 1 – following "significant" and before "shortages" inserted "short-term"
2. Page 2, line 7 – inserted a new subsection (5) expressing findings related to the work of the Alaska Natural Gas Development Authority.
3. Page 2, line 9 – deleted "only"
4. Page 2, line 11 – deleted "will result in" and inserted "is necessary for"
5. Page 2, line 25-27 – deleted all material
6. Page 2, inserted new subsection (b)(2) describing the purpose of the act as advancing to the point of project sanction an in-state natural gas pipeline.

Section 2 Section 2 was deleted to remove AHFC from the CS.

Section 3 Section 3 was deleted to remove AHFC from the CS.

Section 4 No changes were made to section 4 (section 2 of the S version).

New Section A new section 3 was added in the S version clarifying the AKRR has authority to engage in the construction of the gas pipeline project and providing clarification about the specific project being authorized.

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Section 5 The following changes were made to section 5 (section 4 of the S version):

1. Page 3, inserted new subsection (b)(1) directing the AKRR to establish a subsidiary corporation to perform the work described in the section.
2. Page 4, lines 10-11 – deleted all material to remove references to AHFC.
3. Page 4, line 15 – page 5, line 8 – subsection (d) was rewritten to provide a process for the granting of a conditional right-of-way to the AKRR for the project as opposed to a transfer of land.

Section 6 The following changes were made to section 6 (section 5 of the S version):

1. Subsection (c) was deleted.
2. Project timelines were inserted (subsections (3)-(6) in section 5 of the S version).
3. A new subsection (c) was inserted establishing a mechanism to cancel the project.

Section 7 The effective date was changed to July 1, 2010.

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Sectional Analysis of Senate Bill 287: 26-LS 1467\A

Please note that a sectional analysis is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill establishes legislative findings and provides the general purpose of the act.

Section 2 of the bill amends AS 18.56.086 to authorize the Alaska Housing Finance Corporation to create subsidiary corporations to finance or facilitate the financing of the project described in section 5.

Section 3 of the bill provides a broad authority to the Alaska Housing Finance Corporation, or a subsidiary thereof, working with the Alaska Railroad, to finance or facilitate the financing of the project described in section 5.

Section 4 of the bill clarifies that the provisions in subsection (d) of section 5 supersede other land transfer processes set out in current law.

Section 5 of the bill expands the authority of the Alaska Railroad under AS 42.40.560 in relationship to financing a natural gas pipeline project, provides direction for the management of a project and directs the Railroad to identify a right-of-way for the project. Section 5 also directs the Department of Natural Resources to convey the selected land and waives the best interest findings of AS 38.05.

Section 6 of the bill amends uncodified law by providing further direction for the transfer of responsibility for the Alaska Stand Alone Pipeline project to the Alaska Railroad.

Section 7 of the bill provides an immediate effective date.

Prepared By: Michael Pawlowski, Aide to Senator McGuire

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

July 17, 2009

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Alaska Legislators:

In accordance with the legislative intent language of Section 19 of SCS CS HB113(FIN) directing me to submit monthly written reports to all legislators, this is the second monthly report on the evaluation and development of an in-state natural gas pipeline. I hope these short summaries are helpful and I certainly welcome any calls or e-mails with requests for additional information.

Much of the activity in June focused on the commercial working group's first meeting. Two dozen representatives - BP, ConocoPhillips, ExxonMobil, Anadarko, Chugach Electric Association, Golden Valley Electric Association, Agrium, Enstar, Barrick Gold Corporation and contractors and subcontractors on this effort - met for two days in Anchorage to review the project.

Baker, a worldwide engineering firm with offices in Anchorage, is the lead contractor for the evaluation and assessment project. The commercial working group listed the questions, the known and missing information, and the research and analysis needed to define the project. Work assignments were handed out with a schedule determining the order of the pieces for the project to proceed on schedule.

The work breaks down into several categories for planning and analysis - the pipeline and compressors along the route, the North Slope gas conditioning plant, other necessary North Slope infrastructure, a natural gas liquids extraction plant, permitting, Fairbanks and Interior Alaska needs, Southcentral customers (utilities and industry), other possible users around the state, and alternatives - to meet Alaska's natural gas needs.

This state-funded effort will prepare an estimate for the cost of moving gas down the pipe (pipeline tariff), not the cost of gas to consumers. That final cost will depend on the cost of production, distribution charges and market issues, all outside of this assessment.

Our work continues to focus on three principal aspects of the project: Define the project, determine the demand for gas, and calculate the cost of service (tariff) for the pipeline.

The project drivers are a stable, affordable energy supply for businesses, residential customers and to promote economic growth.

Baker is managing the work on the pipeline alternative route analysis, in addition to construction cost estimates for the project. The focus of their work will be to identify the capital cost of each option and the potential customers, in addition to potential environmental impacts. I expect to have cost comparisons and analysis by this fall of the two pipeline routes for moving North Slope gas south — the Parks Highway or Glenn Highway — so that a decision can be made on which route is best for the project and the people of Alaska.

Baker is working under a cost-plus fixed-fee contract, not to exceed $5 million. Payments to Baker were not included in June totals. These costs will be reflected in the July report.

The environmental services contract was awarded in June to ASRC, on a cost-plus basis not to exceed $2 million. ASRC's role will be to gather environmental data in support of the EIS process for the pipeline right-of-way application, looking at both the Glenn and Parks highway routes. The contract started in June; payments will be reflected in the July report.

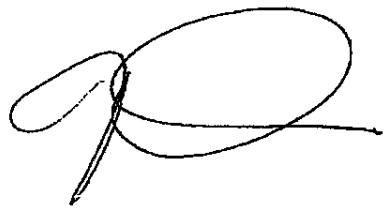
Administrative costs for June were $19,419; year to date they total $98,621. Other work last month included:

- Meetings with the federal lead agency (U.S. Army Corps of Engineers) to discuss how the permitting process would proceed.
- Planning work started on the option of a pipeline extension to the west to potentially serve the Donlin Creek mine.

The work program for July includes detailed review of a potential pipeline route around Denali National Park, completing a draft of the alternative routing analysis, a field trip with key state and federal agency personnel to plan permitting of the project, and starting site selection and analysis for the gas conditioning plant on the North Slope and also for a natural gas liquids extraction plant at tidewater. In addition, we will obtain mapping for a routing study of the pipeline to western Alaska

A long-term natural gas supply is important to Alaska and I appreciate your support as we move forward make this project a success. Please call on me if I can provide any additional information as we work toward answering that one big question for Alaskans.

Sincerely,



Harry Noah
Project Manager
Alaska In-state Natural Gasline

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Governor Sean Parnell
STATE OF ALASKA

August 21, 2009

Members of the Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801-1182

Dear Legislators:

It has been a busy summer month for the team as we work to determine the costs and feasibility of a stand-alone Alaska natural gas pipeline project. Work continues on the route analysis for the gas pipeline from the North Slope, along with engineering work on a possible route for a pipeline extension toward Western Alaska and site selection for a natural gas liquids extraction plant. The engineering work that is currently being done will allow for cost estimates to be derived for any potential pipeline option potentially serving the railbelt area. This would include gas from the Foothills area of the North Slope, the Nenana basin, or Cook Inlet.

I expect to have the first summary report of the alternative route analysis completed by early September, and will promptly send a copy to legislators. The Baker engineering team continues to analyze the capital cost differences, environmental issues, and a number of potential customers for the two routes: from the North Slope to Fairbanks and down the Parks Highway to Southcentral Alaska versus the route to Fairbanks and then along the Richardson Highway over to Delta and down to Glennallen and along the Glenn Highway to Southcentral.

The summary report of the route analysis will not propose a decision but rather will set out the facts for policymakers to use in a future determination of the preferred route.

The current plan is to submit a right-of-way application for both routes in October. The right-of-way applications will go to the Alaska Department of Natural Resources, United States Bureau of Land Management, and the United States Army Corps of Engineers, with the Army Corps expected to serve as the lead federal agency in charge of the environmental impact statement process.

As part of the right-of-way preparations, we held field trips last month with state and federal agency personnel to familiarize everyone with some of the issues that will come up in the right-of-way and environmental impact statement process.

Our work this past month also included more detailed review of a potential pipeline route around Denali National Park to avoid the obvious problems with national park lands. We believe we have identified a possible route outside the park boundary, just east of the Parks Highway. It appears to offer an economic option to running the pipe through the park and the special permission that would be required for such an undertaking. Of course, the route could run along the highway in the park if the National Park Service were to prefer having the pipe closer to its main facilities. This

work is part of the route analysis between the two alternatives for a gas line from the North Slope to connect with the existing Southcentral pipeline system, as there are locational issues specific to each route.

Engineering work is also continuing on a possible extension toward Western Alaska to serve the proposed Donlin Creek mine, just north of the Middle Kuskokwim River village of Crooked Creek, about 280 miles northwest of Anchorage. One possible pipeline route would run from the west side of Cook Inlet to Donlin Creek, and another route under review would connect to the stand-alone pipe just south of Nenana and extend west from there.

The team just started work in July on site review for a possible natural gas liquids plant to extract the heavier gas liquids from the gas stream. The team is looking at sites in Cook Inlet.

I have enclosed a copy of the stand-alone gas line project action plan, which the team put together in a meeting with engineers, North Slope producers, Southcentral utilities, potential natural gas customers, and others. It provides additional details on our scope of work, our objectives, infrastructure issues, and timelines for the project team's work assignments.

Our expense report is as follows:

> The project spent $321,040 during the month of July and has spent a total of $470,943 year to date.

Thank you for your support in this work. Please call on me if I can provide any additional information, and I will have another update for you in about 30 days.

Sincerely,

Harry Noah
Project Manager
In-state Gas Program

Enclosure

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Office of Governor Sean Parnell
STATE OF ALASKA

November 18, 2009

Members of the Alaska State Legislature
State Capitol Building
Juneau, AK 99801-1182

Re: September/October Instate Gasline Report

Dear Legislators,

The State team and its contractors continue to work on permit applications, refine cost estimates, and review project alternatives toward the goal of having a final environmental impact statement by December 2010 for a possible in-state natural gas pipeline from the North Slope to tidewater at Cook Inlet. We are doing the preparatory work; the final project decision will be up to the Legislature, the Governor, and whether private interests see a need for the project. Our work is only to analyze and present the pipeline as an option.

Our work over the past couple of months has concentrated on:

- Completion of the hydraulic analysis for the gas pipeline in order to establish the best locations for compressor stations along the pipeline route. Compressor turbines operate most efficiently at colder temperatures, so the analysis included soil and ambient temperature analysis up and down the two potential pipeline routes from the North Slope to tidewater (the Parks Highway and the Glenn/Richardson Highway routes). The work included modeling the temperatures, compressor efficiency, and drop-off in pipeline pressure to determine the most effective locations for compressor stations. The work identified potential sites, within a four or five mile range, also considering ground composition, access, and wetlands issues. The exact number of compressor stations and precise location for each station would depend on the capacity of the gas line and would be a decision for the project developer.

- Preparation of right-of-way permit applications to State and federal agencies. The State team and its contractors expect to submit those permit applications later this month. The Alaska Department of Transportation and Public Facilities (DOT & PF) will be the permit applicant. Applications will be filed for both pipeline routes. A decision on which route to select will be up to the Legislature and the Governor, and a private developer, at a later date.

- Preparation of wetlands permits that will be submitted later this month to the U.S. Army Corps of Engineers.

- Working with the DOT & PF to identify potential gravel sites along the pipeline routes.

- Determining the need and cost for a gas treatment plant to remove carbon dioxide, hydrogen sulfide, and other impurities from the gas stream before it enters the pipeline. Though Enstar has shared with the State team its work on an in-state gas line, that effort did not include a review of gas treatment needs or costs. The State team will be talking with North Slope producers and others in the coming months to learn more about possible gas treatment plant configurations, costs, and operations. Certainly, the size and cost will depend on the volume of gas expected to move through the line, and planning for any possible expansions.

- And, we are continuing with cost and economic feasibility analysis of natural gas liquids extraction in Alaska, possible sites for an Natural Gas Liquids plant, and marketing issues.

The reference case for our work is a 24-inch line from Prudhoe Bay to tidewater at Cook Inlet, though the team also is looking at smaller pipe for a lower-capacity line. A 24-inch line could accommodate up to one billion cubic feet per day, depending on the number of compressor stations. The reference case would be a pipe capable of moving wet or dry gas, while we also look at a dry-gas only line as an option. Obtaining gas supplies from Gubik in the Brooks Range Foothills is another option that will be considered as the team models out all the alternatives in the coming months. Those alternatives will range from a pipeline capacity of 250 million cubic feet per day to one billion cubic feet per day.

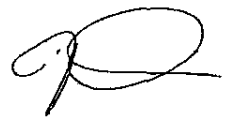
Upcoming work will also include flow simulations and diagrams to help determine major equipment needs and costs for the line, including a component-by-component analysis of costs, investigating cost-reduction opportunities for the project, and conducting field work next summer to verify site data — particularly at river crossings, gravel sites, fault crossings — and to conduct a geotechnical borehole drilling program. The State's team includes Baker for engineering, design, and cost work, and Arctic Slope Regional Corporation for much of the permit work.

Assuming the State obtains all of the right-of-way permits, wetlands permits, and a final Environmental Impact Statement next winter, the State would be ready in the spring of 2011 to turn over (sell) the package of engineering work and permits to a private entity to build the line, if the Legislature and Governor decide that is the best option for Alaska.

Our expenses for September and October were $445,364 and $399,968 respectively. Total expenditures for the year-to-date are $1,826,859.

Please do not hesitate to contact me at 907-269-8656 if you have any questions. I will have another report in December.

Sincerely,



Harry Noah
Project Manager
In-state Gas Program

SEAN PARNELL
Governor

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR

February 8, 2010

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Legislators,

As the new Alaska in-state gas line project manager, I am pleased to have the opportunity to introduce myself. I am honored by the appointment, and humbled by the responsibility of helping to provide adequate information to evaluate the many energy resource options that Alaska is so fortunate to have. I am keenly aware that energy development in this state is at a crossroads, and that the decisions we make will have a significant impact on the fiscal well-being of our state and its citizens. For this reason, we must be diligent in our pursuit of fact-based analysis and forecasts, and tenacious in our efforts to incorporate long-term stability to create a well-balanced energy future.

Since my appointment by Governor Parnell in January, I have spent a great deal of time reviewing project status and work plans, managing critical project risks, incorporating present and potential options, meeting with the Governor and his staff, and meeting with Legislators who are committed to ensuring that natural gas remains a significant element of our developing in-state energy portfolio.

In-state gas project activities that occurred during the month of December include:

- The Corps of Engineers Environmental Impact Statement (EIS) scoping meetings were held from December 8 through 17. The communities where public hearings were held include: Glennallen, Delta Junction, Nenana, Fairbanks, Denali National Park and McKinley Village, Anchorage, Wasilla, and Barrow. The website for the EIS materials and schedule can be found at <http://www.asapeis.com>. The Wetlands Field Report was completed and work continues on wetlands pre-mapping for the alternative Richardson Highway Stand Alone Route.
- The collection of previously prepared information and documents for the In-state Project Library is nearing completion.
- The *Initial Project Description* derived from the results of the *Alternative Analysis* was compiled and presented to the Legislature. The final *Project Description* will include elements such as the Geographical Information System, Library, Mapping, and Cost of Service products.

The project expenses for the month of December are $354,765. Total expenditures for calendar year 2009 are $2,664,244.

I look forward to working with the Alaska State Legislature to secure Alaska's energy future. Please feel free to contact me at 907-257-1352, if I can be of assistance.

Sincerely,

Robert Swenson
Project Manager
Alaska In-State Natural Gas Line

SEAN PARNELL
Governor

P.O. Box 110001
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(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR

February 19, 2010

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Legislators,

This is my first opportunity to address a full month of program activity for the in-state gas line project. The new reporting format below is designed to help you easily track activities and progress. As always, I welcome your feedback.

In January, I was focused on the necessary review of this complex program, and the work team remained focused on moving critical action items forward. I congratulate them for their diligence in staying on task, on time, and under budget.

In my initial review, I identified a number of project risks requiring immediate attention. As a result, a significant amount of time and effort was expended to reduce or mitigate any potential detrimental affects posed by the risks. Nevertheless, the team worked hard to stay on task, and to date, no deadlines or milestones were missed as a result of this extended transition period. I am pleased to report that forward progress was significant and we remain on track.

The outline below provides an executive summary of in-state gas project activities that occurred during the month of January. Furthermore, I have included an overview of planned project activities over the coming months.

I. **Project Results for January 2010:**

- We are making significant progress on the final Project Description. This involves calculating the pipeline configurations and material quantities in preparation for pipeline and facilities cost estimating phase, beginning on March 15. Also, development of capital cost quantity calculations, analysis of civil quantity, construction logistics, and material costs have been initiated.

- Subcontractors are working on finalizing facilities schematic variations that will provide data for cost modeling efforts by Larkspur. This information is the first estimate of over 40 separate facilities construction cost estimates that will feed into the final project cost matrix.

- The project team has continued work for the Environmental Impact Study (EIS) being conducted under the oversight of the U.S. Army Corps of Engineers. The information that has been collected and updated includes extensive landowner and stakeholder databases, the transcripts and comments of all scoping meetings held, and the drafting of the scoping report.

- Coordination for establishing an agreement with the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.

- Continued to incorporate data into the electronic library for use by contractors and regulators.

The project expenses for the month of January were $511,872. Total expenditures for the project to date are $3,175,710.

II. Below is an overview of planned activities:

- Finalize data agreement with ENSTAR Natural Gas Company; coordinate permitting and Right-of-Way (ROW) application efforts with the Alaska Natural Gas Development Authority and work with federal and State regulatory bodies to minimize duplication of effort; identify additional data-mining opportunities so pertinent information from previous permitting efforts is used where appropriate (these two activities have the potential to save over a million dollars of State funds); and prepare work plans for summer 2010 environmental and geohazards field work.

- Hold two-day workshop to calibrate cost of transportation analysis and further refine remaining FY10 program focus; re-initiate and broaden contacts with commercial working group to identify potential upstream supply and downstream market opportunities; meet with potential pipeline companies to overview program progress and solicit feedback; and initiate cost of service modeling and refine construction schedules for commercial and economic feasibility modeling.

- Support on-going EIS and ROW activity and address project concerns and questions; continue to refine project and permit schedules as necessary; address scoping extension reports; provide background for purpose and need reports; finalize draft wetlands report; and finalize contract for new engineering project oversight manager.

Like any review of this magnitude, communication and collaboration with other agencies will be a huge component for success. The Governor's goal of consistently evaluating all potential energy projects will be accomplished through attention to details and diligence in providing consistent peer-reviewed work product. Focused plans and transparency of scope in the near term will ultimately pay significant dividends as Alaska defines its bright energy future.

Sincerely,

Robert Swenson
Project Manager
Alaska In-State Natural Gas Line

Enclosures

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Governor Sean Parnell
STATE OF ALASKA

March 18, 2010

The Honorable Lesil McGuire
Alaska State Legislature
State Capitol, Room 125
Juneau, AK 99801-1182

Re: SB 287/ Work Draft "R"

Dear Senator McGuire,

Thank you for speaking with me yesterday regarding SB 287 and Work Draft "R" of that legislation. I believe this legislation is on the right track to codifying the work being done by our bullet line gas team and I welcome the opportunity to work further with you on it.

Alaska's natural gas is a rich and abundant resource that must be commercialized for the benefit of Alaskans. To that end, the State is currently pursuing two paths, effectively leaving open more opportunities for a gasline than choosing only one pipeline at this time.

The State has a project team pursuing bullet line opportunities intended to bring natural gas to Alaskan homes and businesses. I instructed the engineering team to determine the cost of a pipeline from the Interior basins near Nenana, to the foothills of the North Slope, or if need be, all the way to the North Slope so that the least costly routing and long term gas supply can be identified.

Last year, the Legislature approved funding for the bullet line work and we are pleased with the progress to date. An Environmental Impact Statement is in progress, preliminary engineering and permitting is underway, and we anticipate the initial cost estimates will be available this summer. In addition, a commercial group of gas owners, utilities, and other private sector parties continue to meet to support our efforts to move forward.

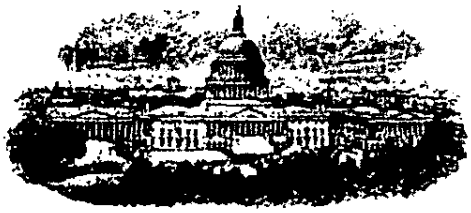
On a parallel path, the Alaska Gas Pipeline Project being pursued by TC Alaska and ExxonMobil is scheduled to initiate its open season in the weeks ahead. These private sector companies are bringing their expertise and capital to the table to assure a gasline project moves forward. The Alaska Gas Pipeline Project has been fully engineered and tariffs established for gas delivery to Alaskan communities (including a tidewater LNG project) and throughout North America. I fully support maintaining this Alaskan private sector opportunity.

Earlier, I noted that your bill is headed in the right direction. We need to foster opportunities for a gasline, rather than limit our options by picking only one path that may or may not lead to a project. Because Work Draft "R" of SB 287 leaves open opportunities for Alaska jobs and Alaska energy for Alaskans, I will continue working with you on the merits of the bill.

Regards,

Sean Parnell
Governor

DON YOUNG
CONGRESSMAN FOR ALL ALASKA
WASHINGTON OFFICE
2111 RAYBURN BUILDING
TELEPHONE 202-225-5765



COMMITTEE ON RESOURCES
COMMITTEE ON TRANSPORTATION
REPUBLICAN POLICY COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515

March 19, 2010

Sen. Lesil McGuire, Co-Chair
AK State Capitol, Room 125
Juneau, AK 99801

Rep. Craig Johnson, Co-Chair
State Capitol, Room 126
Juneau AK, 99801

Sen. Charlie Huggins, Co-Chair
State Capitol, Room 119
Juneau AK, 99801

Rep. Mark Neuman, Co-Chair
State Capitol, Room 432
Juneau AK, 99801

Dear Members of the Alaska State Legislature, In-State Gas Caucus,

Over three decades ago we built the Trans-Alaska Pipeline; one of the greatest achievements in Alaska's history. Unfortunately, since that time, Alaskans have seen few large-scale projects that would generate the economic activity needed to shape and guarantee the economic prosperity of our state for succeeding generations.

Today, our State finds itself in the unique position to unite around a project that will do just that. So on this historic occasion, I pledge my full support for your efforts in developing Alaska's natural gas for the in-state needs of Alaskans.

As deliverability shortfalls in Anchorage become imminent, and an explosion of natural gas reserves in the Lower 48 are already a reality, it is my view that the best way to bring Alaska's great natural gas potential to fruition is through the construction of an in-state line. An in-state gas line from the North Slope to Kenai or Valdez that also meets the local domestic and industrial needs of Fairbanks and Anchorage is the best option for developing Alaska's natural gas resources and shoring up Alaska's economy for decades to come.

An in-state gas line will fuel electric generation throughout the Railbelt, heating homes and facilitating economic growth throughout the region. Proposals such as Alaska Senate Bill 287, which tasks the Alaska Railroad with developing an in-state pipeline project, and Alaska House Bill 369, which creates an in-state gas development team, are positive steps towards this goal.

In Congress, I will help assist in these endeavors in any way possible beginning with a letter to the Secretary of Energy requesting a long-term extension for the export license of Liquefied Natural Gas. Now is the time to seize upon this opportunity to put Alaskans to work with a project that will carry our economy into the future.

Sincerely,

DON YOUNG
Congressman for All Alaska

VISIT OUR WEBSITE
HTTP://DONYOUNG.HOUSE.GOV

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907-271-5978

101 12TH AVENUE
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FAIRBANKS, ALASKA 99701
907-456-0210

612 W. WILLOUGHBY AVENUE, SUITE B
P.O. BOX 21247
JUNEAU, ALASKA 99802
907-586-7400

805 FRONTAGE ROAD
SUITE 110
KENAI, ALASKA 99611
907-283-7701

CALL TOLL-FREE
1-866-990-5979

failed in HFin

OPERATING BUDGET AMENDMENT

OFFERED IN: The House Finance Committee

TO: CSHB 300(FIN)/CSHB 302(FIN)

OFFERED BY:

DEPARTMENT: Governor
APPROPRIATION: Executive Office
ALLOCATION: AK Resources Marketing and Development

ADD: $6,500.0 AHCC Receipts, Fund Code 1213

Personal Services	$ 321,960
Travel	$ 36,040
Services	$ 6,130,000
Commodities	$ 12,000
Total expenditures	**$ 6,500,000**

EXPLANATION: The In-State Gas Line Project requests a budget amendment to complete the evaluation of a stand-alone in-state gas line, and to prepare a detailed project package for a commercial offering to be performed in the 4th quarter of FY 2011, there are four project tasks that need to be funded:

1. Completion of environmental and permitting for U. S. Army Corps of Engineers and State and Federal right-of-way approvals. $2,365,000

This includes:
- development and coordination of permitting,
- working with stakeholders such as local communities, native corporations, BLM and others,
- beginning studies on wetlands, stream crossings, cultural impacts, lake studies, wildlife and bird surveys and air and noise analysis

2. Project management and engineering data acquisition for further refinement engineering design of the project. $2,750,000
- Project management
- Gathering detailed geotechnical data
- Refinement of pipeline routing for final EIS and optimization

3. Refinement of Cost of Service estimates and Tariff modeling $750,000
- Reviewing costs of the different project alternatives, and analyzing the cost of capital for in-state gas supply options and cost of service modeling

4. Prepare complete project documentation of In-State pipeline asset for consideration by private pipeline developer $250,000

Action Plan for a Feasibility Analysis

of the

STAND-ALONE GAS PROJECT

State of Alaska

Baker

ORION*FPI

1305

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

INTRODUCTION

The attached Action Plan was developed by representatives of the State of Alaska, with active participation of representatives of ExxonMobil, BP, ConocoPhillips, Anadarko, Enstar, Fairbanks Gas, Golden Valley Electric, Chugach Electric, Agrium, and Barrick Gold, and with technical support from representatives of Michael Baker Engineering, during a two-day VIP (Value-added Interactive Planning) Session held in the Opportunity Salon of the Embassy Suites in Anchorage on Thursday and Friday, June 18th and 19th, 2009.

The planning session was facilitated and documented by ORION Facilitated Planning Inc.

NAME OF PROJECT

The project is evolving, and a generic working name was selected for the early phases of the project: it will be known on an interim basis as the ***Stand-Alone Gas Project.***

OWNER

For purposes of this workshop, the Owner of the project was identified as the ***State of Alaska***.

OBJECTIVE OF PROJECT

The Owner's objective of the project was established as a desire " - - - for the development of a commercially-viable in-state natural gas system with these embedded characteristics:

- Producers to make a net profit equal to, or greater than, by exporting gas;
- Industrial users to be served at a cost that enables them to be competitive in a world market; and
- To turn the project over to a private developer who will recoup costs and make a profit on the operation of the pipeline."

It was noted that the State considers that it has the authority to be the Developer, if necessary.

OBJECTIVE OF VIP SESSION

The objective of the VIP Session was defined as a need " - - - to develop an action plan for a Prefeasibility Study of the Stand-Alone Gas Project."

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

PLANNING TEAM

The Action Plan defined in this document was developed by the planning session participants identified below. The full planning team functioned on an interactive, participative basis, with an Owner-oriented focus. These same participants also wrote the scope descriptions in Section 2 of this document; there, their initials identify the authors of each work package. The corporate affilitation of each participant is indicated by a superscript following his or her name.

Planners		***Areas of Relevant Experience***
Ken Pohle [AK DNR]	KRP	*Mine Eng; Mine Ops Mgt & Admin; Proj Mgt*
Dan Clark [ConocoPhillips]	DMC	*Mech Eng; Nat Gas Processing; O&G Production Mgt*
Kate Lamal [GVEA]	KKL	*Geologist; Economics; Au Mines; Energy Mgt*
Vin Robinson [ENSTAR]	VLR	*Civil Eng; PL Studies & Design PL Projs TAPS*
Robert Wall [ExxonMobil]	RAW	*Mech Eng; Gas Processing & Treatment; Design; Risk Mgt*
Steve Wendt [Agrium]	SMW	*Nitrogen Fertilizer Operations; Proj Mgt*
Mike Metz [Baker Eng]	MCM	*Eng Geol; R&D; Cold Regions O&G Projects*
Keith Meyer [Baker Eng]	KJM	*Pipeline Eng; Nat Gas Transmission; Production Ops*
Ward Whitmore [Baker Eng]	WAW	*Chem Eng; O&G Operations; North Slope; Nat Gas Issues*
Terry Lee [ORION*FPI]	TDL	*Facilitator*

Sponsors		***Areas of Relevant Experience***
Harry Noah [AK DNR]	HAN	*Enviro; Mine Permitting*
John Lau [ENSTAR]	JJL	*Elec Eng; Conoco Eng & Field Mgt; Enstar; Pipeline Projects*
Marty Massey [ExxonMobil]	MWM	*Petroleum Eng; Commercial; Gas Project Marketing*
John Reeves [AK DOT]	JMR	*Business; Valdez Port; Gas Pipelines*
Brad Evans [CHUGACH]	BWE	*Elec Eng; Pipeline Projects; Heavy Const; Utilities Ops & Mtce*
Colleen Starring [ENSTAR]	MCS	*Nat Gas; User Management*
Dan Simpson [Baker Eng]	DGS	*Civil Eng; North Slope Projs; Heavy Civil Projs; Proj Mgt*

Supporters		***Areas of Relevant Experience***
Dave Anderson [Anadarko]	DBA	*Business; Gas Processing & Commercial; AK Gas Markets*
John Denis [BP]	JRD	*Geol; Resource Mgt; Tech Mgt*
Hiten Mehta [BP]	HM	*Chem Eng; MBA; Contract Negotiations; Commercial*
Eduardo Naranjo [ExxonMobil]	EJN	*Bus Admin; Gas Commercial; O&G Operations*
Stan Foo [Barrick]	STF	*Geology; Gold Mine Ops, NV & AK; Donlin Admin*
Dan Britton [Fairbanks Gas]	DWB	*Nat Gas Utilities; Gas & LNG Distribution*
Jerry Gallagher [AK DNR]	JLG	*Geol; Mines; Expl; Govt-Community Relations; Legislative Dir*
Larry Persily [AK]	LP	*O&G Tax Fiscal Issues; AK O&G Policy Issues*

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

METHODOLOGY

The VIP process is an interactive, Owner-oriented, high-level planning process that focuses on development of a plan by a designated team to achieve the Owner's objectives for his project or program. The process is guided by an experienced Facilitator who records the aggregate input of the planning team, but does not influence the content, direction or technical viability of the plan.

For this project, the State's Sponsor (identified on the previous page) clearly identified the strategic objective of the project, and then identified the objective of the VIP Session. These objectives, coupled with other basic project information that was developed interactively during the Kickoff Portion of the workshop with the participation and endorsement of the Sponsors, are included in Section 1 of this Action Plan; they provided solid parameters for development of the plan.

The participants then developed their plan to achieve the stated project objectives. First, they developed a logic network that established the work packages and their logic-driven interactions. This part of the process largely ignored the durations of individual activities, and maintained an objective focus on the work process. As a wrap-up step, the participants made a thorough review of the logic network they had created -- they adjusted interactions if necessary and added durations to each of the work packages, remaining consciously objective through this vital phase of the planning process.

The result of the VIP Session was a plan that was developed by the team that, to large extent, will be involved with the execution of the program. This document records their plan to execute a Prefeasibility Study for the Stand-Alone Gas Project.

"COST OF SERVICE"

It was recognized that the phrase "cost of service" is potentially very misleading, that there are three significant and distinctly different components to the cost of gas, and that "cost" is not the same as "price". The participants resolved that the cost of the three components, as used in this study, should be referred to as follows:

- Production Cost
- Treatment & Pipeline Cost
- Distribution (incl Storage) Cost
- Total Cost = the Sum of these three cost elements

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

ASSUMPTIONS

Two clarifying assumptions were discussed briefly during the planning session; they are included in this document to provide clarification to the context of this Action Plan:
Assumption #1: the major working assumption was that a stand-alone gas pipeline project would only be constructed if the 48-inch pipeline to the lower 48 states is either delayed from the planned 2019 start-up date, or will not be constructed at all.
Assumption #2: this action plan is focused on defining a cost of service for a stand-alone gas pipeline project. There are other aspects of the In-State gas project work that are not included in this document.

PROJECT DRIVERS

During a focused discussion, each of three groups identified the "drivers" for the project from their unique perspectives:

State of Alaska – wants the pipeline system

- to provide an energy supply to support economic growth;
- to provide a financial opportunity to the State; and
- to provide affordable natural gas service to home-owners.

Producers – want to

- sell all gas at highest possible net-back; and
- sell largest volume of gas possible.

Users – wants vary, depending on the User organization, as follows:

- Agrium: Could re-start its Kenai operations and operate at full capacity, if long-term gas service was available.
- Western Alaska: Residents of western Alaska could be served by a pipeline; the Donlin Creek mining project is one example of a major potential user.
- Utilities: Requires long-term, secure, reliable supply for existing and growing customer base; there is a sense of urgency for secure supply, and the pipeline option appears to be superior to current options.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

POTENTIAL OPPORTUNITIES

Two potentially-significant opportunities to improve the success potential for the project were identified by the participants:

- Develop opportunities to confirm and increase gas volume requirements; and
- Adopt a proactive approach to permitting by the State, to avoid project schedule delays.

POTENTIAL THREATS, RISKS & ISSUES

Six potentially-significant threats, risks or issues were identified and discussed briefly:

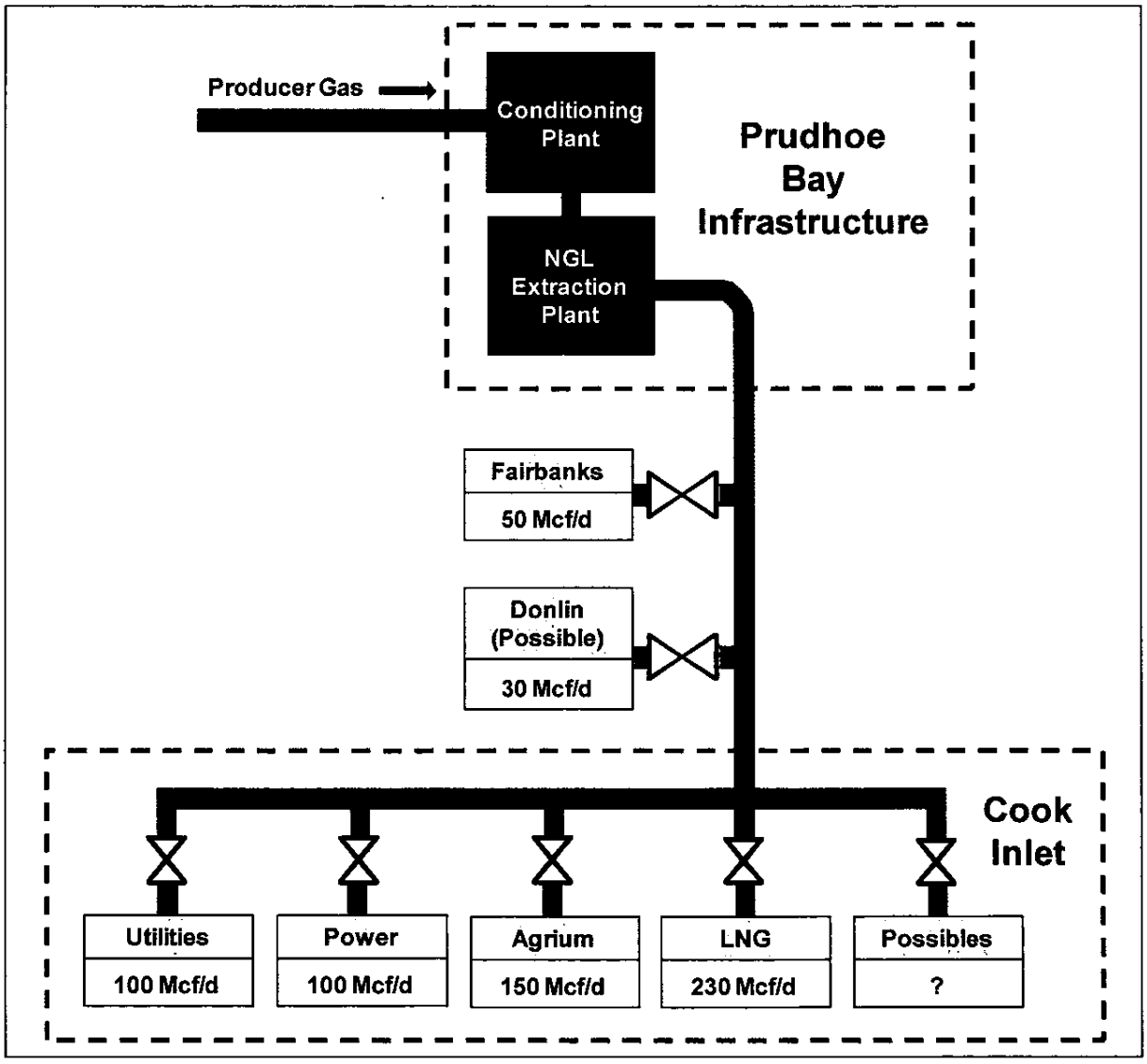
- Ramp-up may be slow, impacting the economics of the project;
- Industrial users (e.g., Agrium) may not commit if schedule is deferred;
- Possible users (e.g., Barrick) may not materialize;
- If the "big line" proceeds, this project would not be viable in the current configuration;
- If a major discovery is made in Cook Inlet, this line would not be necessary; and
- High pricing would threaten the economics of the project.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

REFERENCE CASE

Prior to development of their plan, the participants established a "reference case" to describe the scope of the project in simple graphic format:



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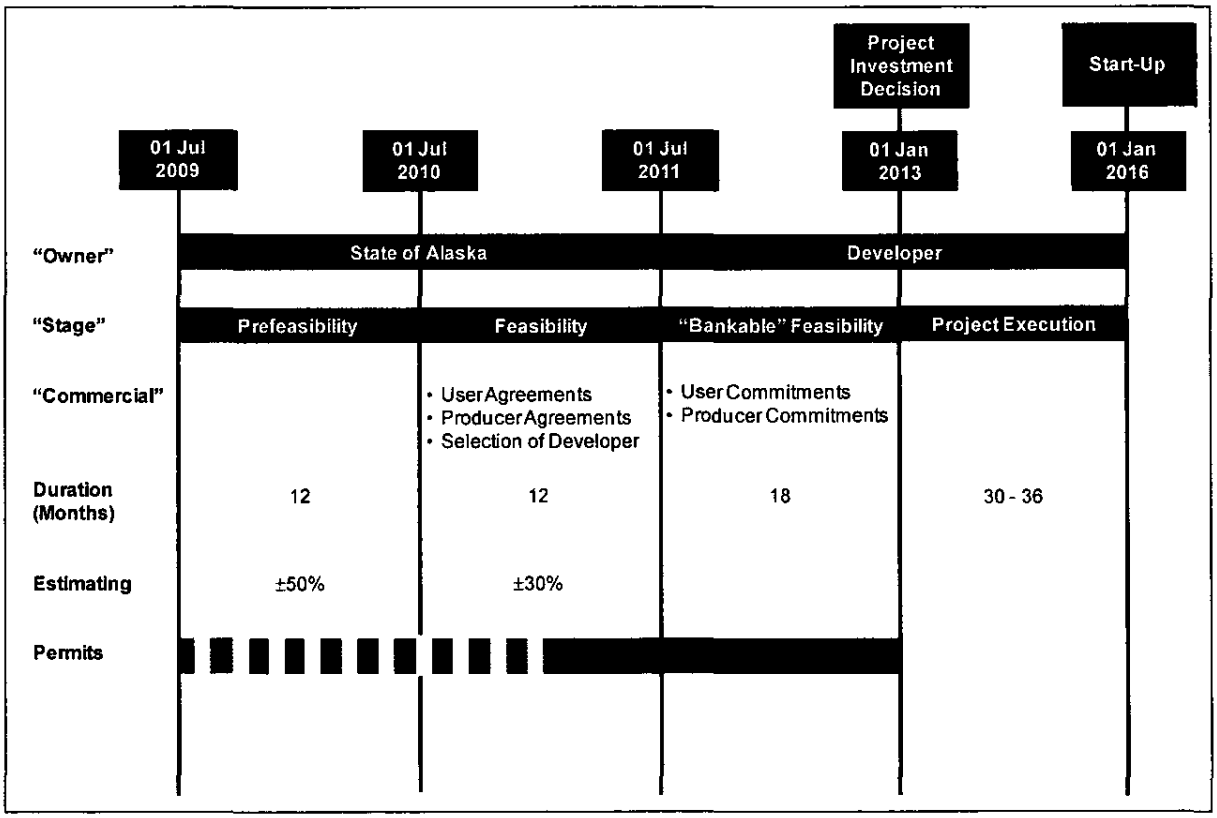
ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

PROJECT OVERVIEW SCHEDULE

Prior to commencement of planning, the participants developed and reviewed a simple overview schedule of the project, to understand the State's perspective of a possible advancement program for the Stand-Alone Gas Project. The numbers under the bars identify the number of months each activity could require. It is emphasized that this conceptual sketch does not represent a committed program – it was developed simply to provide a vehicle for discussion.



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ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

WORK BREAKDOWN STRUCTURE (WBS)

The Stand-Alone Gas Project has numerous asset or administrative themes. These themes, or Work Areas, were defined by the planning team at the start of the active planning session; they form the primary structure of this action plan:

A	Program Administration
B	Conditioning Plant
C	NGL Plant
D	North Slope Infrastructure
E	Pipeline & Compressors
F	Fairbanks
G	Cook Inlet – Utilities
H	Cook Inlet – Industrial
J	Possible Users
K	Permitting
L	Alternatives

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

SCHEDULE CALENDAR

The schedules in this document were prepared using the Primavera software package. They were based on the precedence [logic] network developed during the planning session, and used a start date of June 22nd, 2009

The schedules use one-day time units, with five days per calendar week. No allowances were provided for statutory holidays or vacation periods, apart from a nominal two-week lost time allowance over the Christmas period.

SCHEDULE RESULTS

The as-developed schedule indicated that the Prefeasibility Report would not be finalized and issued until August 18th, 2010 – about two months beyond the milestone date of June 30th, 2010.

The development of a logic network using the VIP process tends to create a schedule that can be reduced by some amount while staying faithful to the content of the workshop and the intent of the participants. In this case, ORION*FPI's Facilitator subsequently made a total of five carefully-considered adjustments to the schedule to enable the Prefeasibility Report to be issued on June 9th. This post-workshop pattern is a normal follow-up to an VIP Session. Only one duration was changed; the balance of the improvement was achieved by creating or extending the "overlaps" between adjacent work packages.

The schedule included in this action plan incorporates these five adjustments:

ITEM	WP – or – RELATIONSHIP	ADJUSTMENT	
		From	To
1	A-08 / A-09	FF^{15}	FF^{10}
2	A-16 / A-17	FF^{10}	FF^{5}
3	E-03 / E-04	FS	SS^{10}
4	E-04	90	70
5	E-04 / A-07	FF^{10}	FF^{5}

SUMMARY

SCHEDULE FORMATS

The ***Prefeasibility Master Schedule*** for the ***Stand-Alone Gas Project*** is presented in this report in three different formats:

- A 2-page tabulation of the work packages which describes the early start and finish dates, the late start and finish dates, the duration, and the total float for each activity; it is included on Pages 3-02 to 3-03 of this report.

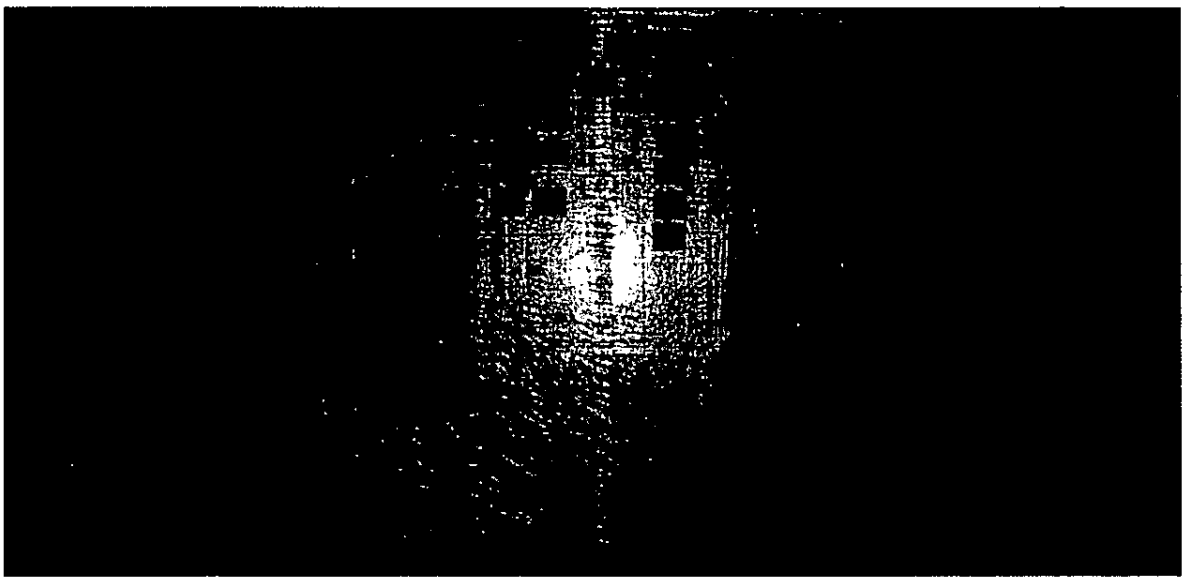
- A 4-page detailed bar chart, in color, of all work packages sorted by program areas. It is a simple and clear presentation of all of the work packages, sorted in the usual early-start, early-finish fashion; it can be found following Page 3-03.

- A large Time-Scaled Logic Diagram of all work packages, grouped by Work Areas. This format is similar to the bar charts above, but it is a large, fold-out version. It is included in a plastic pocket in the back of certain Action Plan reports, flagged by an asterisk (*) behind the names on the Letter of Transmittal.

SUMMARY

PHOTOGRAPH

The following photograph shows the logic network, as developed at the VIP Session – although not legible in this format, it will serve as a visual reminder of shape of the plan.



SCOPE DESCRIPTION

The scope description of each work package on the following pages is brief, but it highlights the essential content and context of the work for each activity. The key persons who attended the planning session also wrote the scope descriptions for the individual work packages. For convenience, the initials of each Planner have been placed adjacent to the scope descriptions which he or she prepared; note that the initials are not intended to imply a responsibility for execution of the work package. The write-ups have been edited by the Facilitator to achieve similarity of format and presentation, and to stay within the context of the VIP Session; in cases where the edits have been significant, the Facilitator's initials have been inserted following those of the primary author.

* * * * *

A PROJECT ADMINISTRATION

A-01 **Develop Project OrChart** (KRP)

An organization chart will be produced to show the relationship of the private and public entities participating in the project.

A-02 **Develop Points of Contact** (KRP)

An individual will be identified within each organization to handle inquiries and determine subordinate participation in the gas project.

A-03 **Develop RASCI Matrix** (KRP)

A grid system (responsibility matrix) will be established assigning roles and responsibilities within the team, bringing structure and clarity to the system, and ensuring everything the team will need to do will be taken care of. The matrix will establish interacting responsibilities regarding deliverables, processes and procedures.

A-04 **Develop Level 2 Schedules** (KJM/TDL)

This action plan includes a Level 1 (or "Master") schedule, and provides an overview of the Prefeasibility program. Level 2 schedules, including significantly more detail, will be developed with continuing reference to the Level 1 schedule, and expected inconsistencies will be rationalized. The product will be a tier of schedules, from the overview-level master schedule to the detailed Level 2 and 3 schedules that will be used to manage the program effectively.

SCOPE DESCRIPTION

A-05 **Develop Project Execution Strategy** (DGS/TDL)

An owner-oriented project execution strategy will be developed to establish the parameters within which the capital project will be implemented. To ensure the project's success, a clear vision of the purpose and objectives will be developed so that the general work activities can be identified. A project organization chart will be developed to manage the resources.

A-06 **Execute Contructability Review** (DGS)

A detailed field review of the route and conceptual plans will be performed by experienced pipeline construction personnel to identify significant factors for consideration such as routing, terrain and geotechnical issues, appropriate construction techniques and materials, logistical constraints, and cost saving measures. The proposed construction schedule will be analyzed for feasibility and significant risk factors will be identified. A similar process will address the construction of the conditioning plant and the NGL extraction plant at the north end of the pipeline, and the gas compressor stations. The results of the reviews will be fed forward into the design process.

A-07 **Develop Project Execution Plan** (DGS/TDL)

A number of detailed project execution plan components will be developed to define the execution phase of the project. Level 2 EPCM schedules will be prepared for the capital program. Critical assumptions and constraints will be identified. Quality assurance and quality control procedures will be documented. A Safety Plan will identify proper field conduct and procedures. These elements will support the development of the Basis of Estimates.

A-08 **Develop Logistics Plan** (DGS)

A Logistics Plan will be developed for the project. It will provide a time and spatial reference addressing the major elements of material and personnel transportation for the project. In conjunction with the construction schedule, likely material sources will be identified and matched with transportation modes such as air, shipping, railroads, and trucking – and perhaps sea-lifts for the facilities on the north slope. Camp and material storage locations and capacities will be identified. Water and fuel requirements will be estimated. Other material preparation or handling sites such as pipe coating and double jointing yards will be located. This plan will form the basis of transportation costs for the construction cost estimate.

SCOPE DESCRIPTION

A-09 **Establish Basis of Estimates** (DGS)

All relevant information for the pipeline, compressor stations and the conditioning plant/NGL extraction plant will be assembled and the unit costs required for the project construction cost estimate will be documented. Prevailing union labor rates and equipment rental rates will be collected. An estimating system will be set up for manpower by craft, equipment by units, fuel consumption, consumables and supplies. A crew-up type estimating system will be assembled to factor union labor rates and fringes, equipment rental rates, equipment operation and maintenance costs, cost of supplies/consumables, small tools mark-up system, applicable payroll taxes, and insurance and personnel per diem cost. Collectively, these elements will establish the basis for estimating the direct and indirect costs of the project by work area.

A-10 **Assemble Cost Estimates** (DGS)

Using the prefeasibility-level project description, unit quantities will have been determined and construction cost estimates will be prepared for the Gas Treatment Plant, the NGL Extraction Facility, and the pipeline system. Ideally, two estimates for each facility will have been prepared for comparison purposes. Conflicts will be reconciled and GTP and NGL costs will be compiled with pipeline costs into one package. The estimates that were developed by work area will be assembled and reviewed to avoid gaps and overlaps.

A-11 **Establish Commercial Parameters** (EJN)

A listing of pipeline commercial parameters will be developed including return on investment, debt-equity ratio, depreciation methodology, financing costs, pipeline access terms, and methods for allocation of cost overruns. To develop these parameters, a comparison to other pipelines will be established for relevant benchmarks. The overall return of the pipeline investment will be assessed to ensure the pipeline investment can be financed.

A-12 **Estimate Reference Project Cost** (DGS)

The "reference project" has been defined as a no-frills baseline (see sketch on Page 1-06). The project cost will be calculated from the sum of the component costs (design costs, owner-supplied long-lead time items, infrastructure development, project management, quality assurance, contingency, construction, environmental restoration and as-built costs).

SCOPE DESCRIPTION

A-13 **Execute Reference Project Cost Reviews** (KJM)

An interactive workshop will be prepared for review of the capital costs developed for the reference case. The workshop participants will have a background in developing detailed greenfield pipeline and related facility cost estimates. The workshop will have the unit cost basis of estimate, the work breakdown, crew development, as well as related production factors. As appropriate, the information will be compared and calibrated against other project cost estimates and/or relevant cost estimate items. A similar review will be conducted for evaluation of the operational costs.

A-14 **Execute Reference Project Commercial Reviews** (EJN)

An expert review of commercial terms will be performed to assess if the commercial parameters selected are appropriate. An estimation of the gas treatment and pipeline costs will be presented at this review.

A-15 **Develop Project Scenario Matrix** (KJM)

Using developed information from prior work tasks, the relevant project data and completed costs will be assembled into a scenario matrix that will succinctly describe the base elements of the project, especially as they relate to the cost of service of the project. A narrative description of significant items in the completed matrix will be developed with reference to reports that further explain these differences, especially as these items may affect the cost of service.

A-16 **Develop Alternate Scenario Cost Estimates** (KJM)

Using the same format as for the reference case, the completed information for the studied alternatives will be assembled into an analogous matrix. Along with this, a narrative description of significant differences in the completed matrix will be developed with reference to reports that will further explain these differences.

A-17 **Develop Draft Prefeasibility Report** (KJM)

The information from work tasks will be compiled into a draft prefeasibility report on an evolutionary basis throughout the study period. The report will reference completed prior reports as appropriate and summarize the findings. It will explain the matrix for comparison of the reference and alternate scenarios and will outline the significant conclusions.

A-18 **Review Draft Prefeasibility Report** (KJM)

A review of the draft prefeasibility report will be completed by the entire Working Group as well as interested personnel in the Client Group. The comments and edits will be assembled in a spreadsheet with resolution of each item noted.

SCOPE DESCRIPTION

A-19 **Finalize & Issue Prefeasibility Report** (KJM)

As appropriate, the developed actions from the review of the draft report will be incorporated into the final document. The report will be attributed with appropriate project description as a contract deliverable and prepared for further distribution as a paper report and an electronic version.

SCOPE DESCRIPTION

B CONDITIONING PLANT

B-01 **Develop Conditioning Design Basis** (WAW)

A design basis will be developed to describe major components of a Gas Conditioning Plant to remove carbon dioxide, hydrogen sulfide and water from source gas and deliver it to the inlet of the NGL Extraction Plant on the North Slope per the reference case scenario. Flow rates and compositions of all GCP sources, products and by-products will be identified. Applicable codes and standards will be identified. Facilities and supporting infrastructure will be described to a level only as required to support project permitting and cost estimation.

B-02 **Develop Conditioning Plant Specifications** (WAW)

Specifications for major components of the Gas Conditioning Plant will be developed from information in the GCP design basis. Specifications will be developed in conjunction with cost estimation and project permitting only to the detail required to support these activities. Specifications will include a block flow diagram and process flow diagram with overall material balance including fuel. A preliminary site plan showing connections to existing infrastructure will be developed. A preliminary design will not be done, but a. preliminary module layout will be developed.

B-03 **Estimate Conditioning Plant Costs** (WAW)

A +/- 50% capital cost estimate, with a corresponding non-fuel operating cost estimate, will be developed for the Gas Conditioning Plant based upon GCP specifications. Capital costs will be based on use of modules typical of North Slope construction and will include module transport to the site.

SCOPE DESCRIPTION

C NGL EXTRACTION

C-01 Establish NGL Extraction Design Basis (WAW)

A design basis will be developed to describe major components of the NGL Extraction Plant to be located immediately downstream of the Gas Conditioning Plant on the North Slope per the reference case. The design basis will include all facilities necessary to deliver compressed and chilled utility grade natural gas to the pipeline inlet. Flow rates and compositions of all feed, product, and by-product streams will be identified. Applicable codes and standards will be identified. Facilities and supporting infrastructure will be described to a level only as required to support project permitting and cost estimation.

C-02 Develop NGL Extraction Specifications (WAW)

Specifications for major components of the NGL Extraction Plant will be developed from information in the NGL plant design basis. Specifications will be developed in conjunction with cost estimation and project permitting only to the detail required to support these activities. Specifications will include a block flow diagram and process flow diagram with overall material balance including fuel. A rough site plan showing module layout and connections to existing infrastructure will be developed. A preliminary design will not be done.

C-03 Estimate NGL Extraction Costs (WAW)

A ±50% capital cost estimate with corresponding non-fuel operating cost estimate will be developed for the NGL Extraction Plant based upon NGL Plant specifications. Capital costs will be based on use of modules typical of North Slope construction and will include module transport to the site.

SCOPE DESCRIPTION

D NORTH SLOPE INFRASTRUCTURE

D-01 **Develop North Slope Infrastructure Design Basis** (DGS)

A design basis will be developed for the north slope infrastructure that will be associated with the conditioning plant and the NGL extraction plant. It will follow standard practice for BP operations near the existing gas handling facilities. A review of these design standards will be performed in consultation with BP.

D-02 **Develop North Slope Infrastructure Concepts** (DGS)

Infrastructure design will support the main GTP and NGL Extraction Facility complex and will be dependent on the layout of those facilities. Features that will drive the design include main and injection pipeline routing, access to the road system and power grid, proximity to existing facilities, and permitting issues. Photogrammetric level mapping will be required for the layouts. The conceptual design process will be iterative and may require several cycles and several concepts to settle the design. A basic cost estimate will be developed to aid in decision making, but the main facility cost will overshadow infrastructure cost.

D-03 **Develop North Slope Infrastructure Design** (DGS)

Prefeasibility-level design efforts will involve a modest improvement of the conceptual level design. Some local, up-to-date as-builts may be required to determine tie-in points of existing facilities. Plans will be developed to the level necessary to determine quantity takeoffs.

D-04 **Estimate North Slope Infrastructure Costs** (DGS)

For the associated pipelines, pads, roads, injection wells, power generation, and other necessary infrastructure facilities, relevant unit quantities will be determined and tabulated. Capital and operating costs will be calculated on a unit cost basis from historical cost databases for the North Slope.

SCOPE DESCRIPTION

E PIPELINE & COMPRESSORS

E-01 Develop Gas Market Projection (JJL)

A gas-needs market projection will be prepared for use in sizing the Alaska Stand-Alone Gas Pipeline. Information from this summary will be used to determine the throughput and ramp-up requirements of the system. In general, the pipeline throughput will be the difference between the estimated market projections (Fairbanks/Interior AK, Cook Inlet Utilities, LNG-Nikiski, Agrium-Nikiski, and other potential prospects) and existing gas contracts for Cook Inlet area gas, projected annually over the life of the pipeline. One key assumption is that annual usage will be normalized across each year through storage adequate to address peak usage and backup supply needs.

E-02 Establish Reference Flow Rate (WAW)

A schedule of annual pipeline flow rates for the reference case will be developed for use in pipeline hydraulic simulations and specification of attendant gas handling facilities. Annual pipeline flow will be estimated as the difference between projected Cook Inlet demand and supply, both of which will be developed via other items in the Action Plan. Annual flows will be expressed in volumetric and thermal (BTU) rates to allow adjustment based on pipeline gas heating value. Reference case flow will include gas to Fairbanks.

E-03 Establish Pipeline Design Basis (MCM)

A pipeline design basis will be established for a reference case from Prudhoe Bay to Cook Inlet. The basis for design will address the basic criteria and general guidelines under which the gas pipeline will be designed and constructed. The document will include average daily gas flow rate, pipe diameter, operating pressure, grade of steel, compressor and metering facilities, routing criteria, environmental data, hydrologic data, geotechnical data, construction and operational philosophy, construction scheduling and seasonal constraints. Additionally, the design basis will include a listing of applicable regulations, codes, and standards.

SCOPE DESCRIPTION

E-04 **Design Pipeline System** (MCM)

The pipeline conceptual design will utilize the pipeline design basis to complete a mile-by-mile conceptual design for input to a +/- 30% defensible cost estimate. The pipeline design will be based on terrain unit/landform mapping, permafrost mapping, digital elevation model, longitudinal slopes, cross slopes, and other derived data. The mile-by-mile design will be summarized to include compressor station locations, recommended construction season, anticipated soil and thermal conditions, pressure profile, temperature profile, ditch type, erosion control, civil grading requirements and quantities, material sites, temporary facilities sites, river crossings, road crossings, facility crossings, and an assessment of geohazards. The format of the final document will be coordinated with the pipeline cost estimate team, but will include alignment sheets and design segment summary.

E-05 **Estimate Pipeline System Costs** (MCM)

A prefeasibility level cost estimate will be developed using the mile-by-mile pipeline design. The pipeline design will be provided as alignment sheets and in a spreadsheet format to facilitate the development of a defensible cost estimate. The cost estimate format will be itemized and as a crewed-up estimate.

SCOPE DESCRIPTION

F FAIRBANKS

F-01 **Develop Fairbanks & Interior Projection** (JJL)

A summary of the expected gas use for Fairbanks and interior Alaska will be assembled to be used for input to the overall gas needs for the Alaska Stand-Alone Gas Pipeline. Estimation of loads for the Fairbanks area will be based on quantities provided directly from the Fairbanks area utilities (Fairbanks Natural Gas, Golden Valley Electric Association, University of Alaska Fairbanks, and the local military bases), a study of the potential gas customers along each potential pipeline corridor (Parks Highway and Richardson/Glenn Highway), and work that has been compiled by Northern Economics. Information from this projection will feed into the overall market projection for the project.

SCOPE DESCRIPTION

G COOK INLET - UTILITIES

G-01 Develop Cook Inlet Utilities Projection (JJL)

A summary of the expected gas use in the Cook Inlet area will be prepared for use in estimating the overall gas needs for the Alaska Stand-Alone Gas Pipeline. This summary will include demand projections that have been assembled from ENSTAR and the local power utilities (Matanuska Electric Association, Chugach Electric Association, Municipal Light and Power, and Homer Electric Association). Information from this projection will feed into the overall market projection for the project.

SCOPE DESCRIPTION

H COOK INLET - INDUSTRIAL

H-01 **Establish Projection Criteria** (JJL)

Criteria will be established to use as a guideline when projecting the gas requirements for areas where gas service will be provided from the proposed Alaska Stand-Alone Gas Pipeline. The criteria will establish the assumed user growth rates as well as a build-out schedule. Assumptions are that the gas storage necessary to allow utility loads to be consistent throughout the year will be in place.

H-02 **Develop Agrium Projection** (SMW)

A preliminary plan will be developed that will establishe baseline projections for gas usage at the Agrium's Kenai Nitrogen Operations facility. The plan will include daily as well as annual projections and corresponding delivery schedules.

H-03 **Develop LNG Export Projection** (DMC)

The potential capacity of the LNG Plant that could be available beginning in the 2016 timeframe will be determined. It will be assumed that the LNG Plant could take supplies from either the pipeline from the North Slope or Cook Inlet area fields. The described capacity will reflect what could be achieved assuming that necessary investments are made and customer support through appropriate commercial arrangements.

H-04 **Develop Cook Inlet Supply Projection** (JJL)

A summary of Cook Inlet gas reserves will be assembled for use in the determination of gas needs for south-central and interior Alaska. Data will be first compiled from current reserve information sources. Second, future supply/reserve projections will be developed by assigning a probability to geotechnical estimates. This information will be used to help determine the gas flow ramp-up for the Alaska Stand-Alone Gas Pipeline.

SCOPE DESCRIPTION

J POSSIBLE USERS

J-01 **Develop Possible Users Projection** (KRP)

Possible major natural gas users not already active in the Stand-Alone Gas Project will be identified. The associated gas specifications and projected annual consumption will be determined. Possible delivery methods and infrastructure needed to deliver the gas will be identified. It is anticipated this data will be used for inclusion in a ramp-up schedule for the pipeline under the future possibility category.

SCOPE DESCRIPTION

K PERMITTING

K-01 **Execute Alternative Routing Analysis** (HAN)

There are two major pipeline route alternatives south of Fairbanks, following either the Richardson Highway or the Parks Highway. An alternative routing analysis will compare the capital costs, people served, and potential environmental impacts of each route and a report will be produced.

K-02 **Define Alternatives** (HAN)

A specific report along with drawings will be produced to identify localized routing options. Those areas include the Minto Flats area, Denaili Park area and Sheep Mountain. The best route option will be determined.

K-03 **Establish Reference Project Footprint** (HAN)

A pipeline corridor will be established from Prudhoe Bay to the Cook Inlet. This corridor will be 2500 ft wide and will include both major pipeline route alternatives. Support facilities such as compressor stations, construction camps, and lay-down areas will be described but not specifically sited.

K-04 **Develop Project Description** (HAN)

A permitting level project description will be prepared to present an overview of the project including alternatives considered and rejected, pipeline routing, and general description of support facilities needed to operate the pipeline. In addition, this document will describe the general approach to construction and it will include a schedule.

K-05 **Develop Regulatory & Environmental Strategy** (HAN)

A report outlining the Permitting Plan for the project will be produced. The key element will be the role of the FERC. The second major issue will be the level of detail needed for information during the EIS process.

K-06 **Request FERC Jurisdictional Determination** (HAN)

A formal request will be made to the FERC to define their jurisdiction.

K-07 **Obtain EIS Memorandum of Understanding** (HAN)

A MOU will be written between the Federal lead agency and the applicant. The MOU will define how the permit process will be managed, the schedule, and how the other Federal and State agencies will be involved in the process.

SCOPE DESCRIPTION

K-08 **Execute EIS Process** (HAN)

The EIS process will include scoping, preparation of a draft and final EIS, and a record of the decision.

K-09 **Estimate Enviro-Permitting Costs** (KRP)

The scope of major environmental permitting activities will be established according to the outcome of FERC versus RCA determination. Ongoing environmental tasks required for permit maintenance during the operating phase of the pipe line will be identified. The level of project decommissioning for final close-out will be described. Estimates will be prepared for the initial permitting for capital cost purposes, the ongoing environmental costs for operating cost purposes, and the closure costs. The level of precision will be the same as the Stand-Alone Gas Project Report. The estimates will be included in the capital estimates.

SCOPE DESCRIPTION

L ALTERNATIVES

L-01 **Develop Liquid Demand Forecast** (MWM)

A liquid demand forecast will be developed that will describe a most likely 30-year outlook for in-State liquid and export opportunities. The forecast will include high-side and low-side outlooks based on existing demand and the probability of additional demand developing. The liquid forecast will also consider the potential location of each potential demand.

L-02 **Develop Alternate Gas Market Projections** (DMC)

A projection of possible markets in which to place ethane will be determined based on the potential volumes that could be supplied by the Stand-Alone Gas Project. Both domestic and export markets will be considered. Existing methane markets will be investigated as to their ability to take this heavier hydrocarbon component.

L-03 **Develop Alternate Project Scenarios** (WAW)

Alternate project scenarios to the reference case will be developed in conjunction with the Commercial Team with the goal of enhancing project viability. Alternates will address gas markets and potentially new gas supplies in the interior of Alaska as well as transport of North Slope NGL if this becomes available in the future. Overall project material balances will be developed for alternate scenarios. Capital and operating costs for alternate scenarios will be factored from capital costs developed for the reference case. New facility capital and operating costs will be developed if alternatives differ significantly from the reference case.

SCHEDULE

SCHEDULE FORMATS

The ***Prefeasibility Master Schedule*** for the ***Stand-Alone Gas Project*** is presented in this report in three different formats:

- A 2-page tabulation of the work packages which describes the early start and finish dates, the late start and finish dates, the duration, and the total float for each activity; it is included on Pages 3-02 to 3-03 of this report.

- A 4-page detailed bar chart, in color, of all work packages sorted by program areas. It is a simple and clear presentation of all of the work packages, sorted in the usual early-start, early-finish fashion; it can be found following Page 3-03.

- A large Time-Scaled Logic Diagram of all work packages, grouped by Work Areas. This format is similar to the bar charts above, but it is a large, fold-out version. It is included in a plastic pocket in the back of certain Action Plan reports, flagged by an asterisk (*) behind the names on the Letter of Transmittal.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCHEDULE

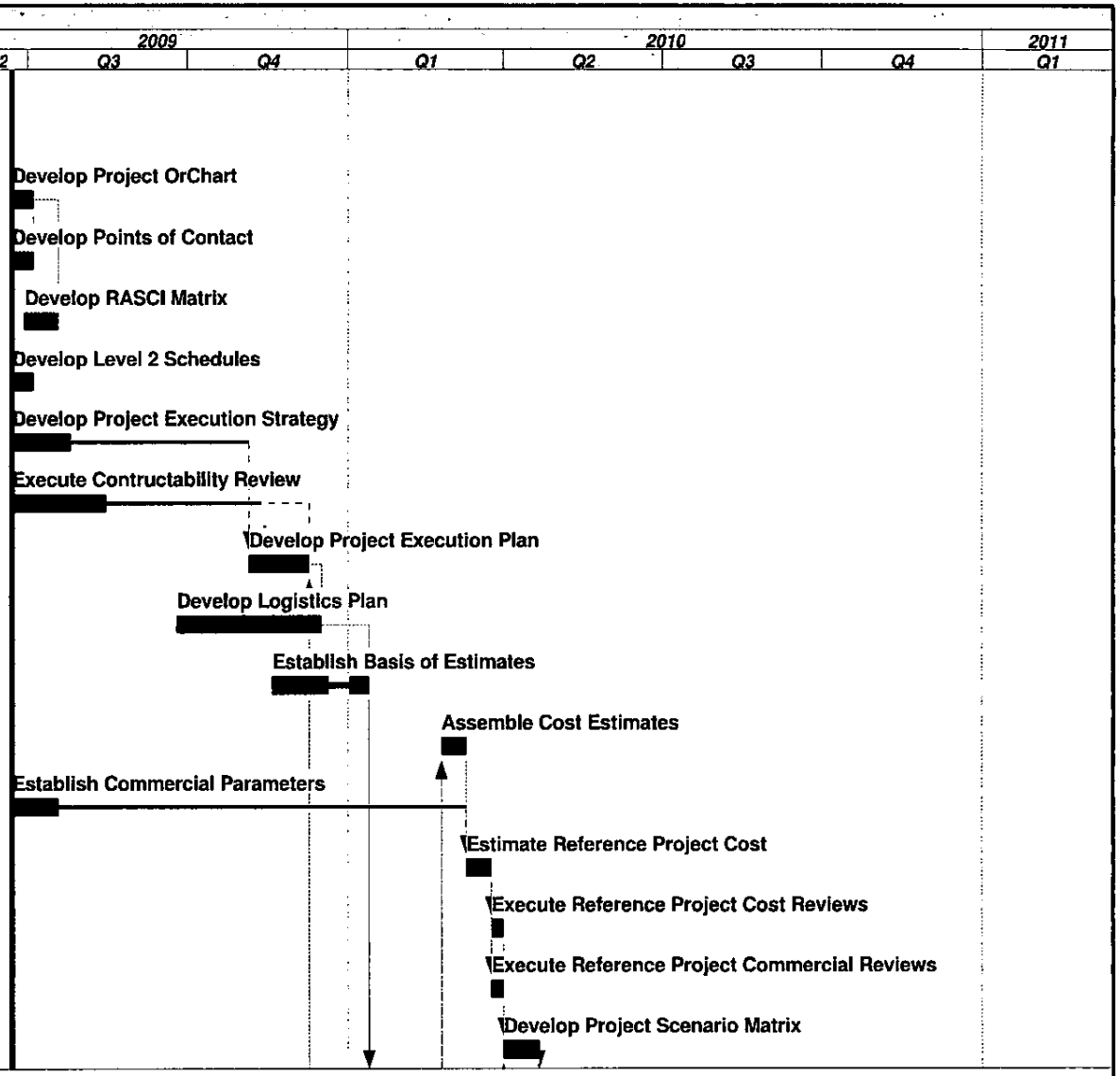
Activity ID	Activity Description	Early Start	Early Finish	Late Start	Late Finish	Original Duration	Total Float
A	**PROJECT ADMINISTRATION**						
A-01	Develop Project OrChart	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-02	Develop Points of Contact	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-03	Develop RASCI Matrix	29-Jun-09	17-Jul-09	29-Jun-09	17-Jul-09	15	0
A-04	Develop Level 2 Schedules	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-05	Develop Project Execution Strategy	22-Jun-09	24-Jul-09	01-Oct-09	04-Nov-09	25	73
A-06	Execute Contructability Review	22-Jun-09	14-Aug-09	17-Sep-09	11-Nov-09	40	63
A-07	Develop Project Execution Plan	05-Nov-09	09-Dec-09	05-Nov-09	09-Dec-09	25	0
A-08	Develop Logistics Plan	24-Sep-09	16-Dec-09	24-Sep-09	16-Dec-09	60	0
A-09	Establish Basis of Estimates	19-Nov-09	13-Jan-10	19-Nov-09	13-Jan-10	30	0
A-10	Assemble Cost Estimates	25-Feb-10	10-Mar-10	25-Feb-10	10-Mar-10	10	0
A-11	Establish Commercial Parameters	22-Jun-09	17-Jul-09	11-Feb-10	10-Mar-10	20	158
A-12	Estimate Reference Project Cost	11-Mar-10	24-Mar-10	11-Mar-10	24-Mar-10	10	0
A-13	Execute Reference Project Cost Reviews	25-Mar-10	31-Mar-10	25-Mar-10	31-Mar-10	5	0
A-14	Execute Reference Project Commercial Reviews	25-Mar-10	31-Mar-10	25-Mar-10	31-Mar-10	5	0
A-15	Develop Project Scenario Matrix	01-Apr-10	21-Apr-10	01-Apr-10	21-Apr-10	15	0
A-16	Develop Alternate Scenario Cost Estimates	22-Apr-10	05-May-10	22-Apr-10	05-May-10	10	0
A-17	Develop Draft Prefeasibility Report	04-Feb-10	12-May-10	04-Feb-10	12-May-10	70	0
A-18	Review Draft Prefeasibility Report	13-May-10	26-May-10	13-May-10	26-May-10	10	0
A-19	Finalize & Issue Prefeasibility Report	27-May-10	09-Jun-10	27-May-10	09-Jun-10	10	0
B	**CONDITIONING PLANT**						
B-01	Develop Conditioning Design Basis	13-Aug-09	26-Aug-09	10-Sep-09	23-Sep-09	10	20
B-02	Develop Conditioning Plant Specifications	27-Aug-09	23-Sep-09	29-Oct-09	25-Nov-09	20	45
B-03	Estimate Conditioning Plant Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
C	**NGL EXTRACTION**						
C-01	Establish NGL Extraction Design Basis	13-Aug-09	26-Aug-09	10-Sep-09	23-Sep-09	10	20
C-02	Develop NGL Extraction Specifications	27-Aug-09	23-Sep-09	29-Oct-09	25-Nov-09	20	45
C-03	Estimate NGL Extraction Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
D	**NORTH SLOPE INFRASTRUCTURE**						
D-01	Develop North Slope Infrastructure Design Basis	16-Jul-09	09-Sep-09	13-Aug-09	07-Oct-09	40	20
D-02	Develop North Slope Infrastructure Concepts	10-Sep-09	07-Oct-09	08-Oct-09	04-Nov-09	20	20
D-03	Develop North Slope Infrastructure Design	17-Sep-09	28-Oct-09	15-Oct-09	25-Nov-09	30	20
D-04	Estimate North Slope Infrastructure Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
E	**PIPELINE & COMPRESSORS**						
E-01	Develop Gas Market Projection	02-Jul-09	15-Jul-09	02-Jul-09	15-Jul-09	10	0
E-02	Establish Reference Flow Rate	16-Jul-09	12-Aug-09	16-Jul-09	12-Aug-09	20	0
E-03	Establish Pipeline Design Basis	13-Aug-09	16-Sep-09	13-Aug-09	16-Sep-09	25	0
E-04	Design Pipeline System	27-Aug-09	02-Dec-09	27-Aug-09	02-Dec-09	70	0
E-05	Estimate Pipeline System Costs	14-Jan-10	10-Feb-10	28-Jan-10	24-Feb-10	20	10

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCHEDULE

Activity ID	Activity Description	Early Start	Early Finish	Late Start	Late Finish	Original Duration	Total Float
F	**FAIRBANKS**						
F-01	Develop Fairbanks & Interior Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
G	**COOK INLET -- UTILITIES**						
G-01	Develop Cook Inlet Utilities Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H	**COOK INLET -- INDUSTRIAL**						
H-01	Establish Projection Criteria	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
H-02	Develop Agrium Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H-03	Develop LNG Export Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H-04	Develop Cook Inlet Supply Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
J	**POSSIBLE USERS**						
J-01	Develop Possible Users Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
K	**PERMITTING**						
K-01	Execute Alternative Routing Analysis	22-Jun-09	14-Aug-09	26-Oct-09	18-Dec-09	40	90
K-02	Define Alternatives	22-Jun-09	17-Jul-09	23-Nov-09	18-Dec-09	20	110
K-03	Establish Reference Project Footprint	22-Jun-09	14-Aug-09	26-Oct-09	18-Dec-09	40	90
K-04	Develop Project Description	26-Oct-09	29-Jan-10	26-Oct-09	29-Jan-10	60	0
K-05	Develop Regulatory & Environmental Strategy	22-Jun-09	14-Aug-09	21-Sep-09	13-Nov-09	40	65
K-06	Request FERC Jurisditional Determination	20-Jul-09	09-Oct-09	19-Oct-09	22-Jan-10	60	65
K-07	Obtain EIS Memorandum of Understanding	21-Sep-09	16-Oct-09	04-Jan-10	29-Jan-10	20	65
K-08	Execute EIS Process	01-Feb-10	28-Jan-11	01-Feb-10	28-Jan-11	250	0
K-09	Estimate Enviro-Permitting Costs	14-Jan-10	10-Feb-10	28-Jan-10	24-Feb-10	20	10
L	**ALTERNATIVES**						
L-01	Develop Liquid Demand Forecast	22-Jun-09	11-Sep-09	22-Jun-09	11-Sep-09	60	0
L-02	Develop Alternate Gas Market Projections	14-Sep-09	09-Oct-09	14-Sep-09	09-Oct-09	20	0
L-03	Develop Alternate Project Scenarios	12-Oct-09	18-Dec-09	12-Oct-09	18-Dec-09	50	0

Activity ID	Orig Dur	Early Start	Early Finish	Total Float
STAND-ALONE GAS PROJECT				
A PROJECT ADMINISTRATION				
A-01	10	22JUN09	03JUL09	0
A-02	10	22JUN09	03JUL09	0
A-03	15	29JUN09	17JUL09	0
A-04	10	22JUN09	03JUL09	0
A-05	25	22JUN09	24JUL09	73
A-06	40	22JUN09	14AUG09	63
A-07	25	05NOV09	09DEC09	0
A-08	60	24SEP09	16DEC09	0
A-09	30	19NOV09	13JAN10	0
A-10	10	25FEB10	10MAR10	0
A-11	20	22JUN09	17JUL09	158
A-12	10	11MAR10	24MAR10	0
A-13	5	25MAR10	31MAR10	0
A-14	5	25MAR10	31MAR10	0
A-15	15	01APR10	21APR10	0



Start Date 22JUN09
Finish Date 28JAN11
Data Date 22JUN09
Run Date 25JUN09 08:55

Early Bar
Float Bar
Progress Bar
Critical Activity

STA2 Sheet 1 of 4

STAND-ALONE GAS PROJECT

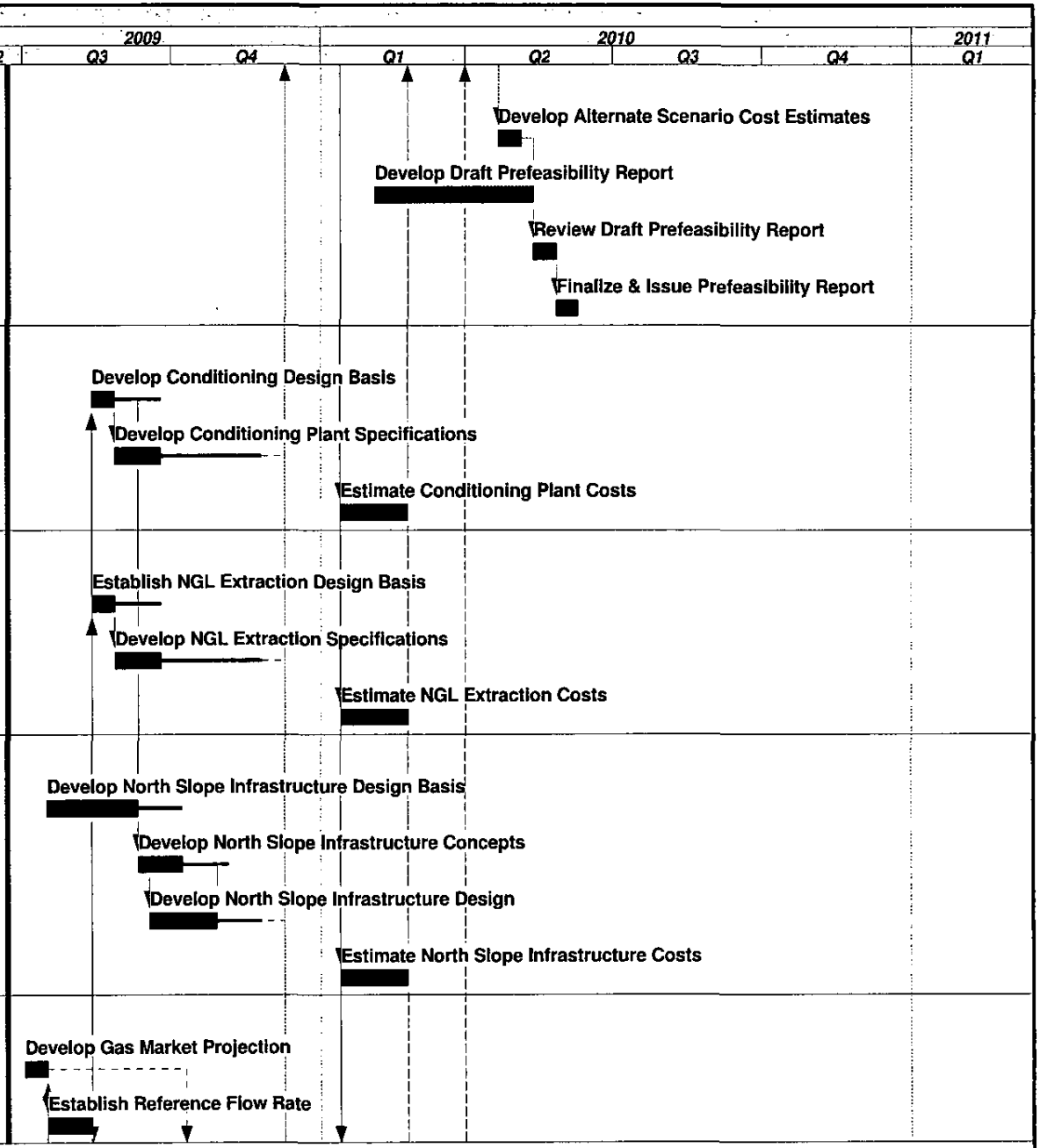
State of Alaska

PREFEASIBILITY MASTER SCHEDULE

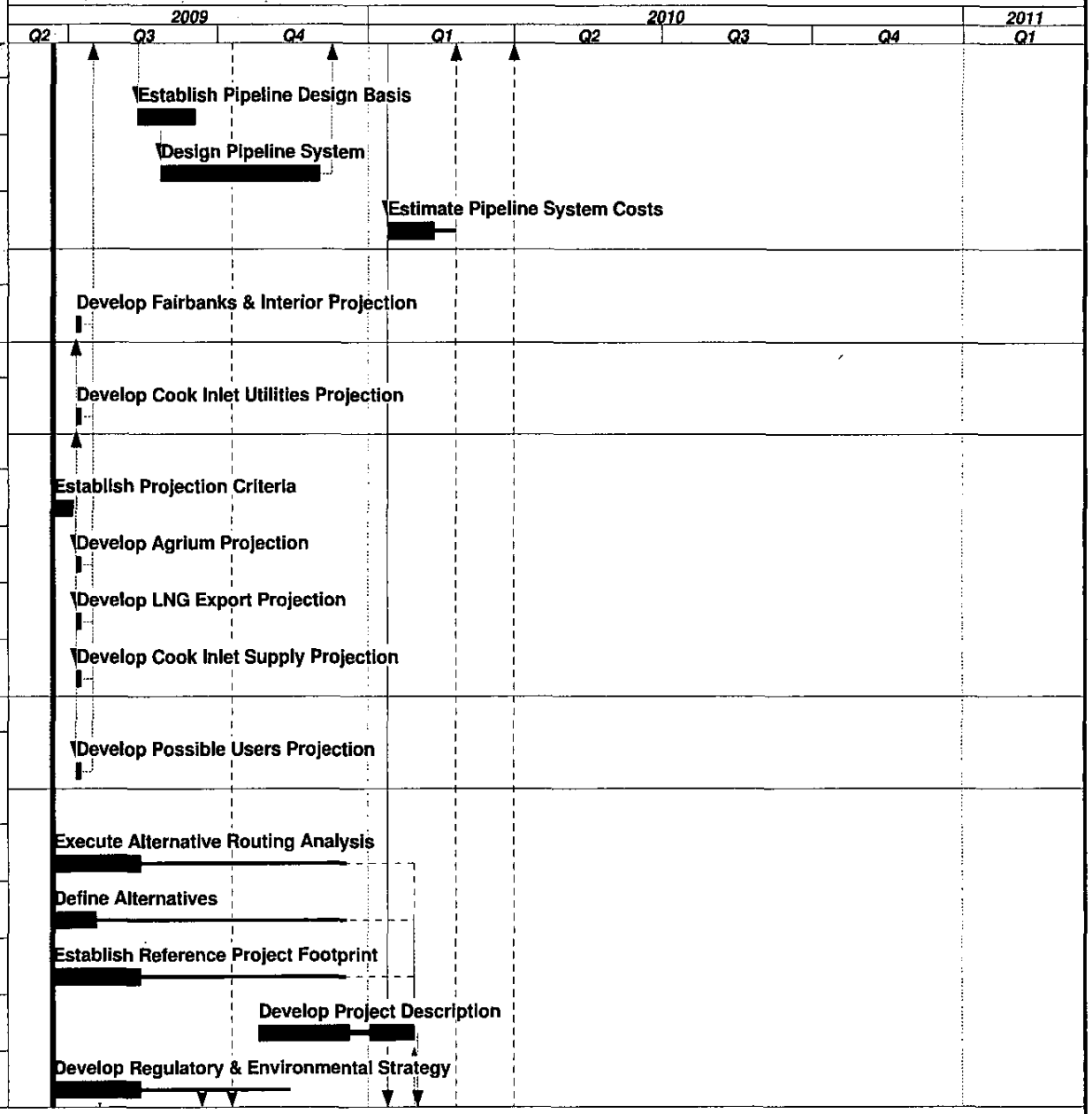
Baker

ORION*FPI

Activity ID	Orig Dur	Early Start	Early Finish	Total Float
A PROJECT ADMINISTRATION				
A-16	10	22APR10	05MAY10	0
A-17	70	04FEB10	12MAY10	0
A-18	10	13MAY10	26MAY10	0
A-19	10	27MAY10	09JUN10	0
B CONDITIONING PLANT				
B-01	10	13AUG09	26AUG09	20
B-02	20	27AUG09	23SEP09	45
B-03	30	14JAN10	24FEB10	0
C NGL EXTRACTION				
C-01	10	13AUG09	26AUG09	20
C-02	20	27AUG09	23SEP09	45
C-03	30	14JAN10	24FEB10	0
D NORTH SLOPE INFRASTRUCTURE				
D-01	40	16JUL09	09SEP09	20
D-02	20	10SEP09	07OCT09	20
D-03	30	17SEP09	28OCT09	20
D-04	30	14JAN10	24FEB10	0
E PIPELINE & COMPRESSORS				
E-01	10	02JUL09	15JUL09	0
E-02	20	16JUL09	12AUG09	0

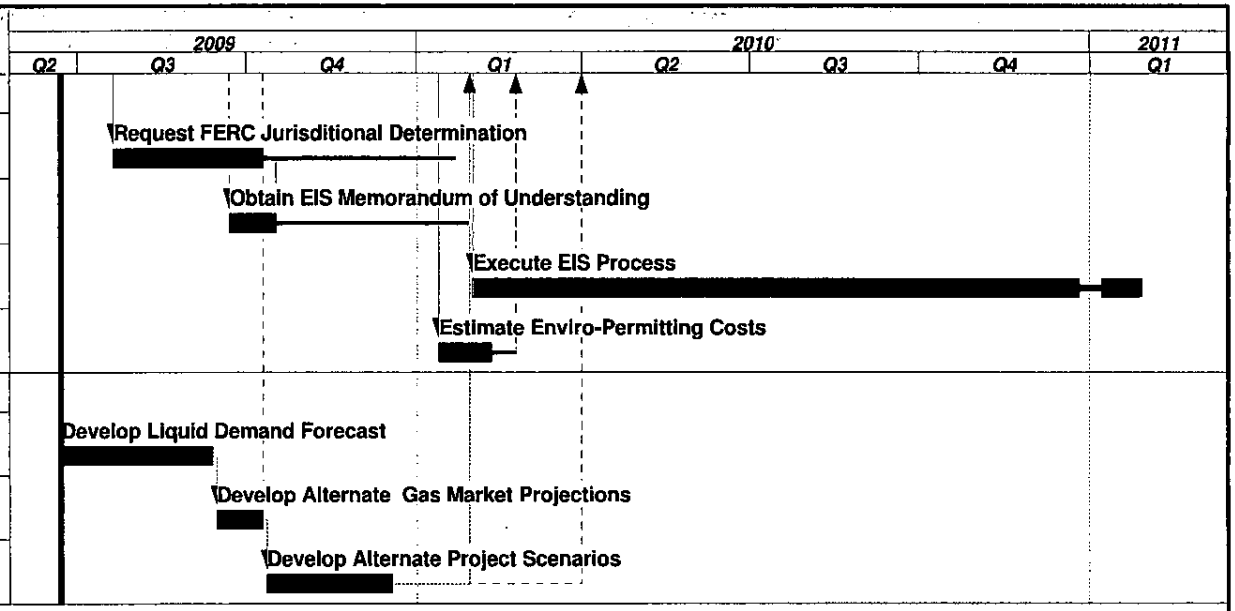


Activity ID	Orig Dur	Early Start	Early Finish	Total Float
E PIPELINE & COMPRESSORS				
E-03	25	13AUG09	16SEP09	0
E-04	70	27AUG09	02DEC09	0
E-05	20	14JAN10	10FEB10	10
F FAIRBANKS				
F-01	3	06JUL09	08JUL09	0
G COOK INLET - UTILITIES				
G-01	3	06JUL09	08JUL09	0
H COOK INLET - INDUSTRIAL				
H-01	10	22JUN09	03JUL09	0
H-02	3	06JUL09	08JUL09	0
H-03	3	06JUL09	08JUL09	0
H-04	3	06JUL09	08JUL09	0
J POSSIBLE USERS				
J-01	3	06JUL09	08JUL09	0
K PERMITTING				
K-01	40	22JUN09	14AUG09	90
K-02	20	22JUN09	17JUL09	110
K-03	40	22JUN09	14AUG09	90
K-04	60	26OCT09	29JAN10	0
K-05	40	22JUN09	14AUG09	65



1340

Activity ID	Orig Dur	Early Start	Early Finish	Total Float
K PERMITTING				
K-06	60	20JUL09	09OCT09	65
K-07	20	21SEP09	16OCT09	65
K-08	250	01FEB10	28JAN11	0
K-09	20	14JAN10	10FEB10	10
L ALTERNATIVES				
L-01	60	22JUN09	11SEP09	0
L-02	20	14SEP09	09OCT09	0
L-03	50	12OCT09	18DEC09	0



Alaska In-State Gas Pipeline Project January 2010

Table of Contents

Summary of Project Activities for January 2010

ASRC

- Continued work on the Environmental Impact Study throughout the month of January.
- Plans for the 2010 field seasons and pre-mapping completed and submitted for approval.
- Coordinated to establish agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Continued to incorporate data into the electronic library for use by contractors and regulators.
- Finalizing draft Wetland Technical Report.

Baker

- Significant progress was made on the final Project Description. This involved the calculation of the pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. This included:
  - developing capital cost quantity calculations;
  - preparing spreadsheets for distribution to capital cost estimators and GIS; and
  - analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs.
- Subcontractors worked to finalize facilities schematic variations that will provide data for cost modeling efforts by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix.
- Moved forward to request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.
- Ongoing property ownership data gathering.
- Worked to incorporate property ownership data into GIS database.
- Worked to incorporate Harvested JPO Data into Data Library.

ENTRIX

- Compiled transcripts from scoping meetings.

- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Cleaned up landowner mailing list to a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Identified issues that need clarification for project description, purpose and need, resource analysis.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.

ASRC Energy Services – Project Activity Detail – January 2010
Stand Alone Pipeline – Environmental Support

Milestones:

- Participated in weekly Project Team team meetings.
- Attended USACE EIS scoping meetings as the ADNR consultant representative.
- Continued to work with ENTRIX to provide data and information for the EIS.

TASK LEVEL DETAILS

Task 1 –	**Project Management**
Current Activity:	Attend weekly Project Team meetings with engineering and environmental. Track USACE EIS scoping meetings as the ADNR consultant representative. Provide budgetary information presentation by State Project staff to the Office of Management and Budget.
Look Ahead:	Continue to be available to BLM, State of Alaska Joint Pipeline Office, and USACE regarding draft permit applications and questions regarding information provided. Task orders for pre-planning of 2010 field seasons and pre-mapping submitted to ADNR for approval. Work on budget for 2010-2011 legislative approval process.
Concerns:	**Resolve the data ownership with ENSTAR.** **Clarification from FERC on jurisdictional opinion.** Approval of task orders so that planning for the 2010 wetland, cultural resources, stream studies, and lake surveys will be adequately resourced.

Task 2 –	**Cultural Resources**
Current Activity:	Communication with Paul Lawrence, Stephen R. Braund and Associates, was initiated and has continued into February. SRBA is working on the cultural resource piece for the USACE EIS. Working on the 2009 report and predictive model with Michael Yarborough. Coordinated on establishing agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
Look Ahead:	Continue to work with CRC on the predictive model, and circling back with CRC and GIS where needed. Lack of tools and need for GIS to provide GIS model so

CRC and Shawna can develop and test the predictive model. Jason Rogers, is waiting for a first run of at least a test area in order to exam the applicability of variables he defined, and to draft a narrative for the model. GIS had just started in December, and lacked necessary data. Looking into a GIS module that would do a *chi* square test on the model.

Task 3 – Wetlands Analysis

Current Activity: Continue work on draft Wetland Technical Report, which should be available in February 2010. Prepared 2010 Field Work Order Tasks. Prepared PowerPoint slide presentation for Bob Swenson held at Baker's office.
Met with USACE Project Manager to discuss permit application.

Look Ahead: Continue to coordinate with the USACE re the draft permit.

Task 4 – Project Library

Current Activity: Completed library tasks assigned for this task order.

Look Ahead: New task order and budget, discussed in January 2010. Determination not made yes as to whether more work is required to support EIS 3rd Party Contractor.
All library reference materials are ready to be entered into the SharePoint system.

Concerns: Need to discuss copyright requirements for hard-copy and access to library information with ADNR.

Task 5 – Permitting

Current Activity: Continue to support ADNR ROW permits and Section 404 permits with BLM, ADNR, and USACE as needed.

Look Ahead: Will attend and present the project description as the ADNR consultant representative.

Concerns: None at this time.

Task 6 – GIS Support

Current Activity: Task Work Order approved by ADNR in late November. Purpose is to support ADNR through permitting and EIS as needed/requested.

Look Ahead: Land ownership information is supposed to be available in early February from M. Baker, Jr. Work with M. Baker, Jr. to ensure that proper data transfer of GIS information is made to ENTRIX.

Concerns: None at this time.

Michael Baker, Inc. - Project Activity Detail – January 2010

Milestones

Past Monthly Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Weekly Project Meetings
- Accounting activities, preparing invoices
- Preparing sub-consulting scopes, schedules and budgets
- Reviewing sub-invoices
- Reviewing project expenditures, budget
- Reporting activities

Task 2 Data Management/Library:

- Data gathering from federal, state and borough databases
- Geo database compilation
- Quality control activities
- Ongoing GIS database layers; material sites, land ownership and cost of service elements
- Ongoing JPO ANGTS data evaluation / incorporation into GIS

Task 3 Outreach:

- Legislative Outreach Support

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Reviewed TCPL Report
- Reviewed DGGS Report

Task 6 Project Description:

- Additional Mapping Discussions
- Developing capital cost quantity calculations
- Preparing spreadsheets for distribution to capital cost estimators and GIS.
- Analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Forecast Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Refine Project Schedule, Refine Scope
- Weekly Project Meetings

Task 2 Data Management/Library:

- Incorporating Harvested JPO Data into Data Library
- Data Management Committee ongoing meeting
- Building GIS Database
- Sharepoint Updating and Maintenance

Task 3 Outreach:

- Support USACOE activities and requests

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Redevelop scope to incorporate NGL

Task 6 Project Description:

- Compiling final project description due 7/1/10

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Actual vs. work order Dollars

Task	Estimate	Actual Labor	Actual Expense	Actual Subs
1-Project Management	$549,313	$229,603	$4,755	$0
2-Data Management/Library	$219,548	$82,589	$36,941	$0
3-Outreach	$268,154	$33,743	$28,114	$74,496
4-Alternative Analysis	$269,221	$221,361	$10,633	$31,742
5-Supply/Demand Analysis	$104,200	$0	$450	$24,909
6-Project Description	$2,179,606	$882,877	$36,302	$181,682
7-Cost of Service	$1,022,328	$0	$1,358	$22,781
8-ROW Application	$54,632	$0	$0	$0
9-Construction Planning	NTP not received			
10-EIS Support	NTP not received			
Total				

Monthly man-hours (cumulative man-hour vs. budget)

Task	Budget Man-Hours	Baker Cumulative Man-Hours
1-Project Management		1207.5
2-Data Management/Library		620.5
3-Outreach		258.0
4-Alternative Analysis		1,625.0
5-Supply/Demand Analysis		0
6-Project Description		7,079.7
7-Cost of Service		0
8-ROW Application		0
9-Construction Planning		
10-EIS Support		
Total		

Narrative comparing actual vs. budget of overall project completion

The project is progressing under budget and on schedule.

Short written discussion addressing upcoming work order packages

Significant progress is being accomplished weekly on the Task 6 Project Description as we calculate pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. We are also completing the facilities schematics for estimating by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix. Baker will request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.

ENTRIX, Inc. – Project Activity Report – January 2010

The following project activities were conducted during the month of January 2010:

- Developed and obtained advertising for reminder of the close of the formal scoping period in/on the Anchorage Daily News website, Frontiersman, Fairbanks Daily Newsminer, Delta Wind, Copper River Record and Arctic Sounder.
- Submitted announcement to What's Up website.
- Compiled transcripts from scoping meetings.
- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Organized landowner mailing list into a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Conducted project team meeting to discuss work plan for PDEIS.
- Met with USACE to discuss scoping process issues.
- Identified issues that need clarification for project description, purpose and need, resource analysis.

- Met with USACE and Bob Swenson to discuss project.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.
- Maintained stakeholder database; Maintained project website and updated documents as available.

The following activities are planned for the month of February 2010:

- Develop and publish/distribute additional notices regarding scoping period extension
- Update and maintain interested parties mailing list from scoping responses and property owner information provided by ASRC.
- Collect and review scoping comments, develop scoping report.
- Develop EIS annotated outline; develop more detailed work plan and schedule.
- Conducted meetings with lead and cooperating agencies and applicant to define purposes and need, project description and alternatives.
- Draft Purpose and Need Section; continue data gap analysis; develop information requests.

Outstanding Issues:

- A clear understanding of purpose and need, project description, and path forward needs to be established with the applicant and cooperating agencies by the end of February.
- ENTRIX conducted or is conducting several out of scope items at the request of USACE: Dec 09; translator at the Barrow scoping meeting; additional advertising regarding the close of the formal scoping period. Feb 10; Develop and publish/distribute additional notices regarding scoping period extension.