

**03-13-15
PRESENTATIONS:
ALASKA LNG
PROJECT THIRD
PARTY COST
FORECAST AND
ASAP PROJECT
RECONFIGURATION**

<TARGET><BILL></BILL><SUBJECT>03-13-15 PRESENTATIONS
ALASKA LNG PROJECT THIRD PARTY COST FORECAST AND ASAP
PROJECT
RECONFIGURATION</SUBJECT><COMM>HRES29</COMM></TARGET>



AKLNG Project Update

SOA 3rd Party Cost Forecast

January 30, 2015

Marty Rutherford
Deputy Commissioner
Department of Natural Resources

SOA AKLNG 3rd Party Cost Forecast

Through the State of Alaska's agreements with TransCanada pertaining to the AKLNG Project, SOA is accruing costs associated with TransCanada's work on the Project as follows:

➤ Actual TC Reimbursable Costs for Jan–Dec, 2014	\$ 14M
➤ Estimated TC Reimbursable Costs for 2015	<u>\$ 70M</u>
➤ Estimated Total SOA Obligation to TC for 2014-15	\$ 84M*
➤ Add'l SOA Pre-FEED Forecast (Jan-June, 2016)	\$ 20M
➤ Estimated TC Reimbursable Costs for FEED	<u>\$377M**</u>
➤ Est. Total TC Reimbursable Pre-FEED & FEED Costs	\$481M

* First Off-ramp for TC termination option on or before Dec, 2015

** Multiple Off-ramps exist for TC termination during FEED. This estimate assumes total FEED cost of \$2.5B, with 25% SOA share, and ~50% of total FEED expenditures within TC work scope.

***Based on cost data provided by TransCanada and AKLNG Project Forecasts



House Resources Committee

ASAP Reconfiguration

March 13, 2015



Primary Objectives

- Build a North Slope natural gas project
- Accelerate development of Alaska LNG
- Ensure Alaska has an economically viable alternative if Alaska LNG falters
- Maximize ultimate benefit for Alaskans – revenue, jobs, affordable energy
- Build on previous work and leverage existing funds

Reconfiguration Strategy

- Increase the State's leverage and options
- Expand ASAP volume and capacity
- Extend terminus to tidewater
- Design for both in-state and export markets
- Use existing funds
- Build on existing efforts and work products
- Avoid duplication and competition

Critical Success Factors

- Maintaining alignment between SOA and North Slope producers
- Ensuring SOA's ability to advance independent, economically viable alternative if AK LNG falters
- Obtaining concurrence of AK LNG JVA partners
- Ensuring complementary vs competitive orientation
- Maximizing financial resources to accelerate a FEED decision

Initial Parameters

- Maintain current 36” diameter pipeline
 - Maintain current lean gas specification
 - Pursue pipeline and Gas Conditioning Facility (GCF) elements only – no LNG facilities
 - Develop Rough Order of Magnitude (ROM) cost and timeline estimates for two increased volume scenarios:
 - 1.4-1.6 Bscfd, ANSI 600
 - 2.4-2.6 Bscfd, ANSI 900
 - Present results to AGDC board for review and action
-

ASAP Potential Design Scenarios

0.5
Bcfd

1.4
Bcfd

2.4
Bcfd

	ASAP Current	ASAP Option 1A	ASAP Option 1B
Design Objective	Utility grade “lean” gas; low-cost access for Alaskans	Utility grade “lean” gas; low-cost access for Alaskans with additional gas sales to amortize in-state cost	Utility grade “lean” gas; low-cost access for Alaskans with additional gas sales to amortize in-state cost
Facilities			
Gas Treatment	<ul style="list-style-type: none"> Upstream PBU GCF at PBU (~70 acres) Physical solvent technology 	<ul style="list-style-type: none"> Upstream PBU & PTU TBD GCF at PBU (~200 acres) Technology selection required 	<ul style="list-style-type: none"> Upstream PBU & PTU TBD GCF at PBU (~200 acres) Technology selection required
Pipeline	<ul style="list-style-type: none"> 727 mile, 36” mainline (1,480 psi) 26 mile, 12” lateral to Fairbanks Compression at GCF 	<ul style="list-style-type: none"> 740 mile, 36” mainline (1,480 psi) 26 mile, 12” lateral to Fairbanks 8-15 Compressor Stations 	<ul style="list-style-type: none"> 740 mile, 36” mainline (2,220 psi) 26 mile, 12” lateral to Fairbanks 8-15 Compressor Stations
LNG Plant	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> LNG plant by others 	<ul style="list-style-type: none"> LNG plant by others
Terminus	Near Big Lake (<i>ENSTAR Beluga pipeline</i>)	Tidewater (<i>Cook Inlet</i>)	Tidewater (<i>Cook Inlet</i>)
Design Capacity	0.5 billion cubic feet per day	Approx. 1.4 – 1.6 billion cubic feet per day; ANSI 600	Approx. 2.4 - 2.6 billion cubic feet per day; ANSI 900
Total Cost to FID	~ \$250 million (<i>\$150 million expended to date</i>)	~ 5% of Capital Cost (<i>\$150 million expended to date</i>)	~ 5% of Capital Cost (<i>\$150 million expended to date</i>)
Construction	~ 3.5 years (<i>after FID in 2019</i>)	~ 5-6 years (<i>after FID in 2019</i>)	~ 5-6 years (<i>after FID in 2019</i>)
Completion	2024	2025	2025
Capital Cost	\$10 billion (+/- 20% in 2014)	TBD	TBD

Board Meeting Results

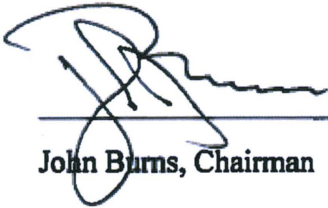
- AGDC Board met in Anchorage yesterday
- Board passed Resolution 2015-01
- Subject to withdrawal or modification of AO 271, directs staff to prepare a rough order of magnitude estimate and schedule associated with developing a Class 3 level estimate for the two scenarios
- Work product expected to be completed prior to the next regular board meeting



ALASKA GASLINE DEVELOPMENT CORPORATION
BOARD OF DIRECTORS
MOTION

Moved that: subject to modification of Administrative Order 271 as necessary, the Board of Directors of the Alaska Gasline Development Corporation directs staff of AGDC to further assess the components associated with Resolution No. 2015-01 and prepare a rough order of magnitude cost estimate and impact to the schedule of the ASAP project related to those components.

Moved, seconded, and passed unanimously this 12th day of March, 2015.



John Burns, Chairman

RESOLUTION NO. 2015-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA GASLINE DEVELOPMENT CORPORATION DIRECTING STAFF TO PREPARE A SCHEDULE AND COST ESTIMATE FOR PREPARATION OF A CLASS 3 ESTIMATE FOR THE ASAP PROJECT UNDER CERTAIN SPECIFICATIONS AND APPROVING RELATED MATTERS.

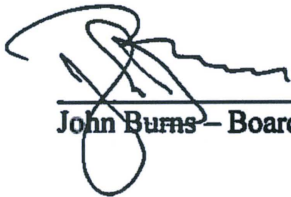
WHEREAS, in order to further develop the benefits to Alaskans of the ASAP project, the Board of Directors (the "Board") of the Alaska Gasline Development Corporation ("AGDC") is interested in having a class 3 estimate of costs and a projected schedule for the ASAP project under each of the following assumptions: (1) 36-inch diameter pipe using American National Standards Institute ("ANSI") class 600 pipe; and (2) 36-inch diameter pipe using ANSI class 900 pipe;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Gasline Development Corporation as follows:

Section 1. Subject to modification of Administrative Order 271 as necessary, the Board hereby directs staff of AGDC to prepare a work plan for presentation to the Board, including a schedule and an estimate of cost for preparation of a class 3 estimate for the ASAP project, under each of the following assumptions: (1) 36-inch diameter pipe using American National Standards Institute ("ANSI") class 600 pipe; and (2) 36-inch diameter pipe using ANSI class 900 pipe.

Section 2. This Resolution shall take effect immediately upon its adoption.

DATED this 12th day of March, 2015.



John Burns – Board Chair



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

COMMISSIONER'S OFFICE

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February 17, 2015

The Honorable Ben Nageak
The Honorable Dave Talerico
Co-Chairs of the House Resources Committee
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representatives Nageak and Talerico:

This letter is to inform you that the previously reported break-down of projected project spending by TransCanada on the State's behalf in the Alaska LNG Project was further refined after submittal. We have provided an updated breakdown of TransCanada's most recent estimates of expenses it will incur over the next year and a half (through mid-2016).

Projected Total Project Spending

In the January 29, 2015 report, DNR reported that TransCanada was estimated to incur approximately \$100 million in development costs and cash calls for the pre-FEED phase of the project, inclusive of \$8 million in carrying costs¹.

Upon further review, TransCanada is still expected to incur approximately \$100 million associated with TransCanada's work on the Alaska LNG Project, not including \$8 million in carrying costs, through pre-FEED. However, the amounts reported on January 29, 2015, did not separately specify the approximately \$5.6 million TransCanada already incurred on concept selection costs since January 1, 2014, net of AGIA reimbursements, prior to entering pre-FEED in the estimated total project spending amounts.

The updated numbers are as follows from January 1, 2014 through mid-June 2016:

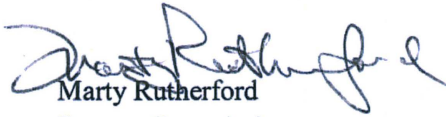
- a. Alaska LNG Project cash calls made on the State's behalf: **~\$77 million (unchanged)**;
- b. Development costs, i.e. TC internal costs for pre-FEED period: **\$18 million (total unchanged, previously reported as \$15 million ± \$3 million contingency)**;
- c. Concept Selection costs prior to entrance of pre-FEED (from January 1 to June 30, 2014), net of AGIA reimbursements: **\$5.6 million (previously not included)**; and
- d. Carrying Costs: **\$8 million (unchanged)**

The total projected amount that the State of Alaska would be responsible for through pre-FEED is estimated to be \$108 million, which includes the approximately \$13.7 million spent from January 1 to December 31, 2014, as previously reported on January 29, 2015.

¹ Carrying costs are also referred to as "Allowance for Funds Used During Construction/AFUDC"

We hope you find this clarification useful. Continued coordination efforts with TransCanada will take place to further refine and expand the information provided in future reports to include high-level narrative of activities and forecast information. If we can be of further assistance, please do not hesitate to contact us directly.

Sincerely,

A handwritten signature in blue ink, appearing to read "Marty Rutherford".

Marty Rutherford
Deputy Commissioner

CC: Alaska State Representatives
Mark Myers, Commissioner, Department of Natural Resources
Randy Hoffbeck, Commissioner, Department of Revenue
Darwin Peterson, Legislative Director, Office of the Governor