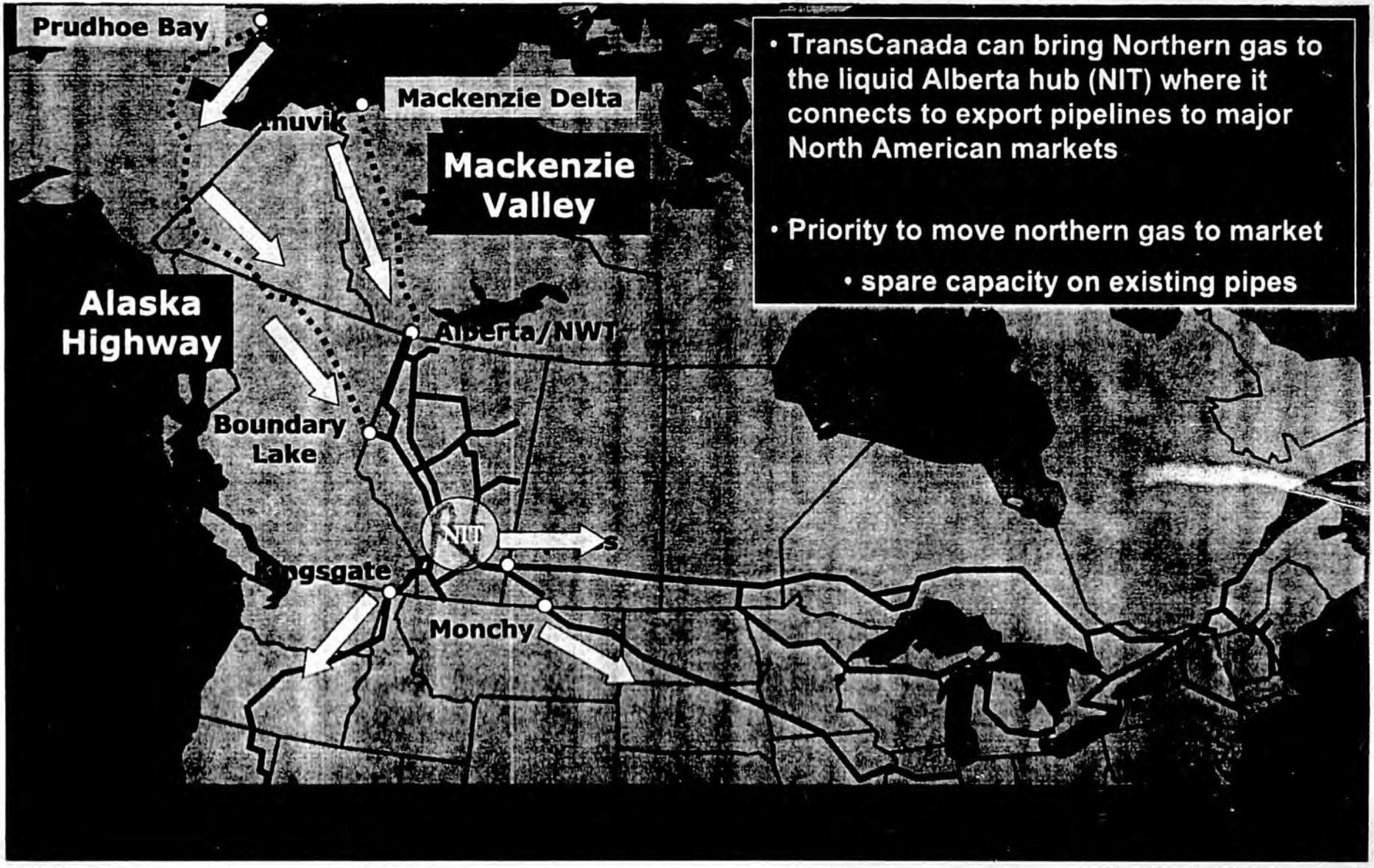
Legislative/Regulatory Structure - Competition Held, and Canadian Project Sponsor Selected

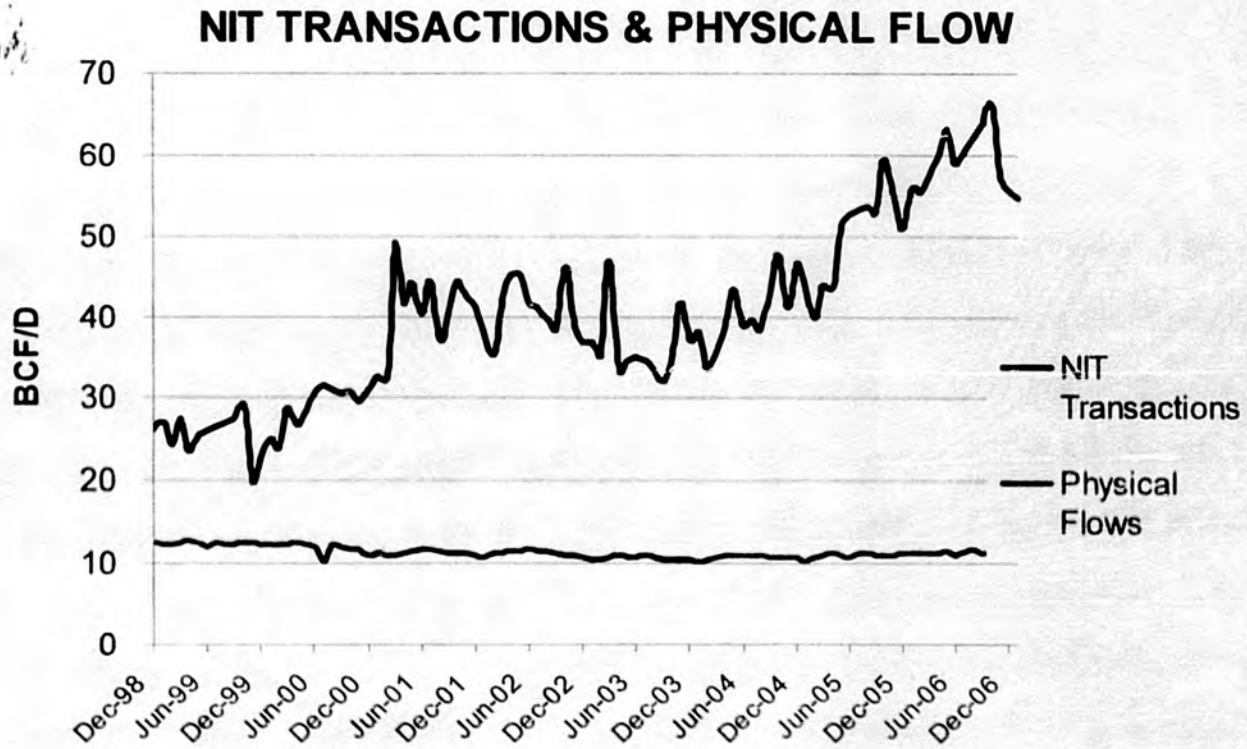
- NEB held competitive hearings, open to all parties
  - Selected Foothills as Canadian project sponsor
  - Rejected other applications (Arctic Gas)
- Canada / U.S. negotiated Treaty for Alaskan gas project
  - Canada obtained benefits in exchange for access across Canada for Alaskan gas
  - Foothills named Canadian sponsor in Treaty
- Canada enacted Northern Pipeline Act (NPA)
  - Enshrined Foothills rights and obligations
  - Established single-window regulator, complement to NEB
- Foothills granted exclusive rights – only reasonable interpretation.
  - Project expedition not achievable unless exclusive
  - No commercial party would invest necessary billions without exclusivity.
  - No expiry or "sunset" date in Foothills certificates.

TransCanada

TransCanada is ready to move Northern Gas to North American markets



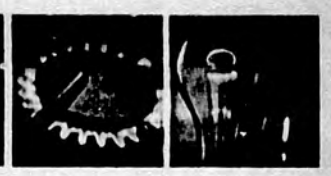
The Alberta Hub (NIT) is the most liquid natural gas market in North America

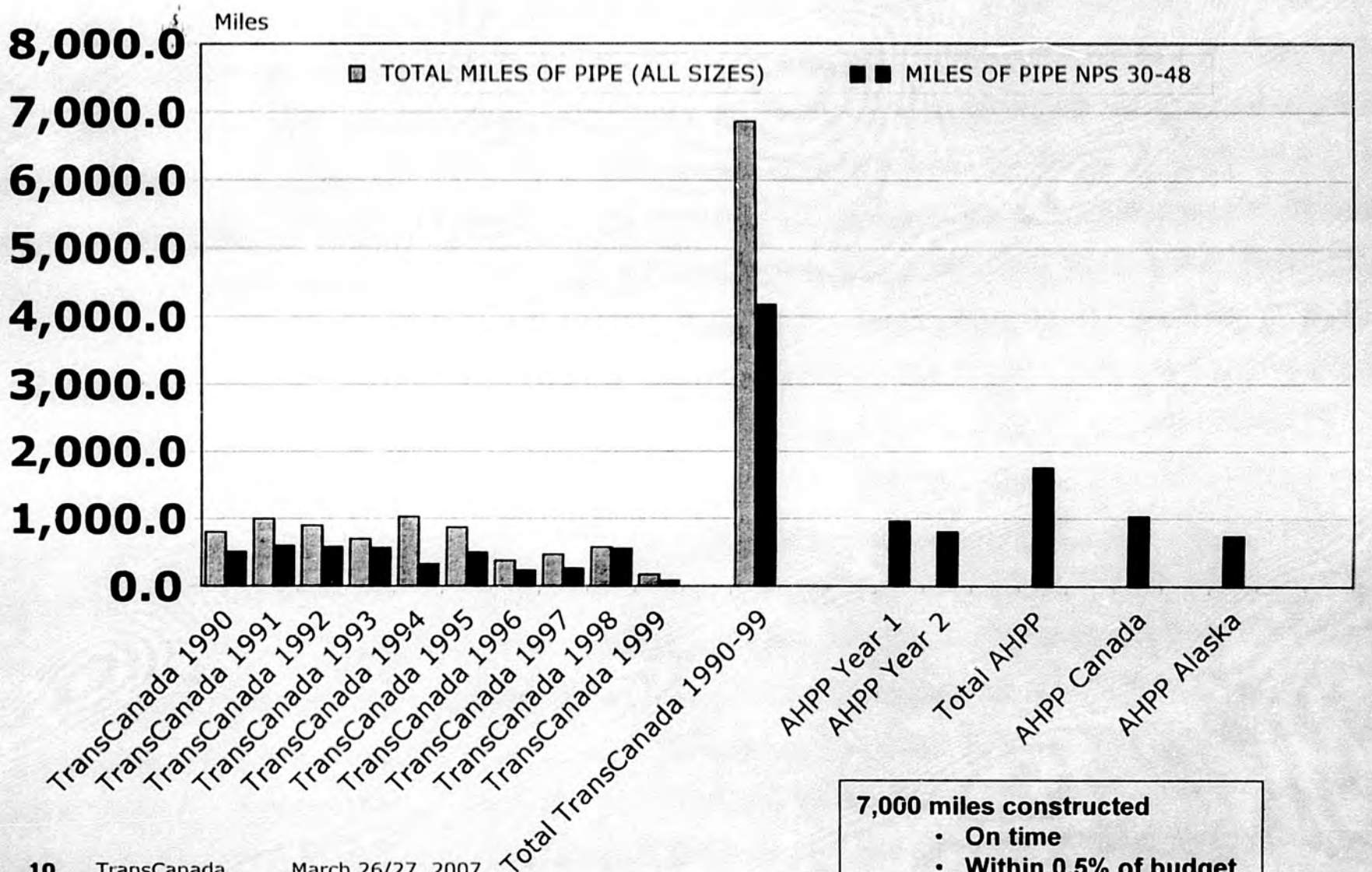


- **Alberta liquidity continues to grow**
- **Transaction statistics suggest that NIT is the most iiquid market in North America**

TransCanada

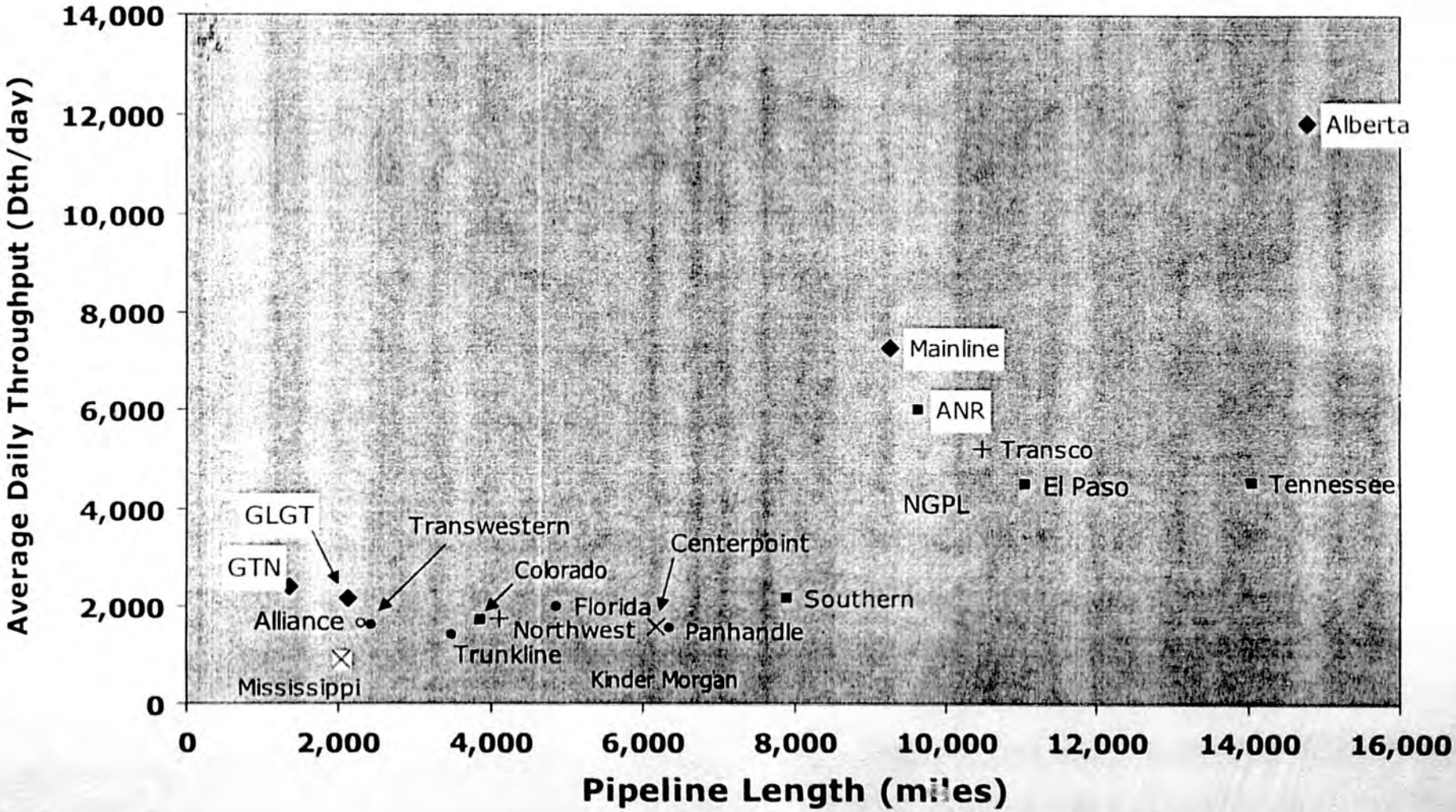
Our Western Canada Track Record: 1990s Miles Constructed





7,000 miles constructed
- **On time**
- **Within 0.5% of budget**

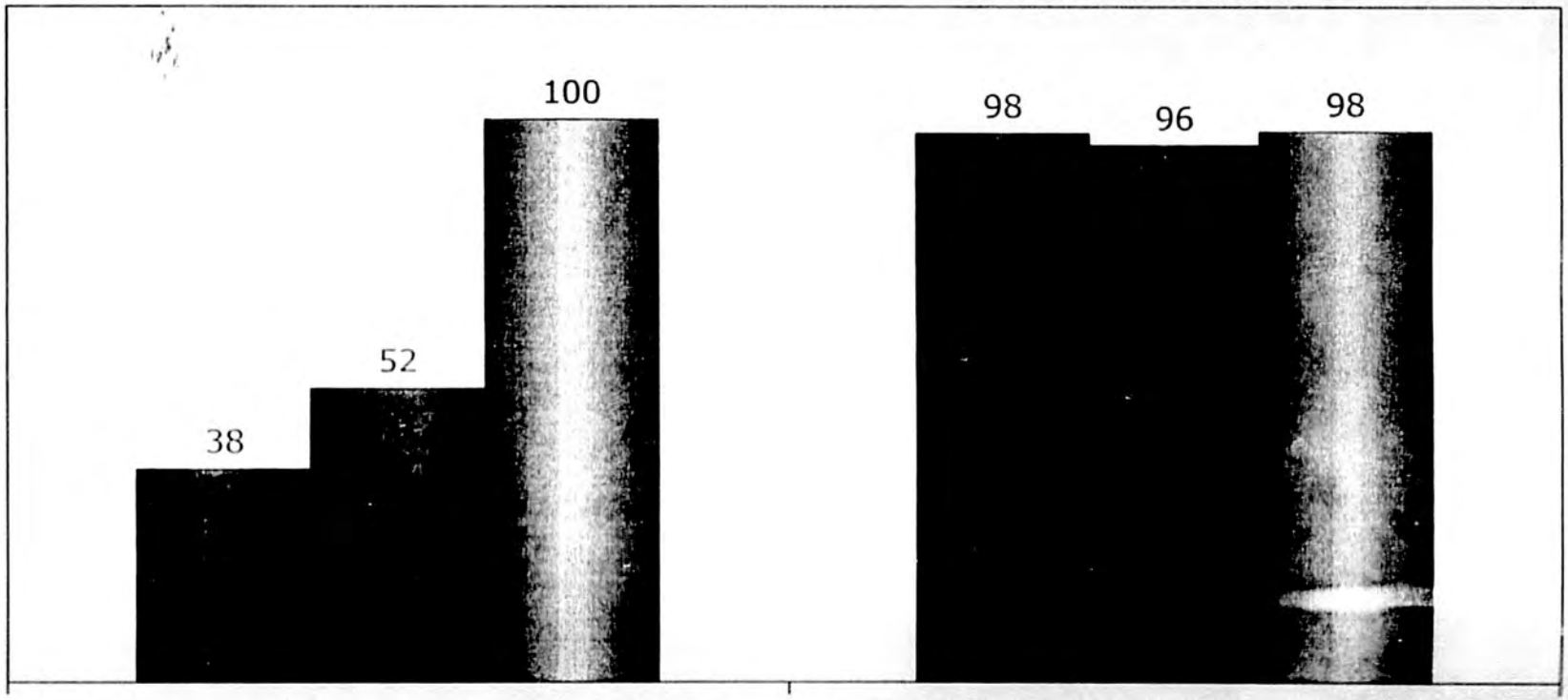
Operating Costs & Reliability – Study Participants



Source (Operating data): ***"Major Interstate Pipelines" (2004, Foster Associates)***

TransCanada

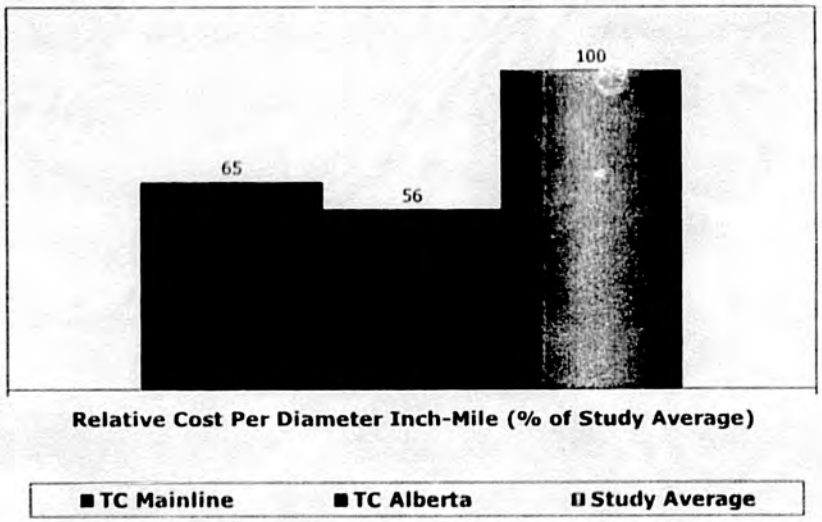
Compression Maintenance Comparisons

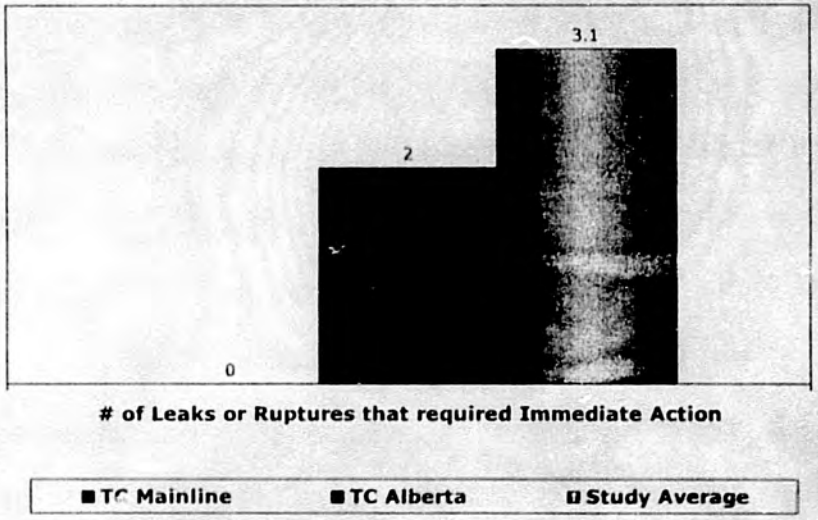


Source: Solomon Associates Natural Gas Transmission System Performance Analysis for Operating Year 2004

TransCanada

Pipeline Maintenance Comparisons



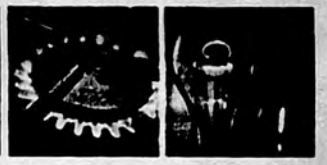


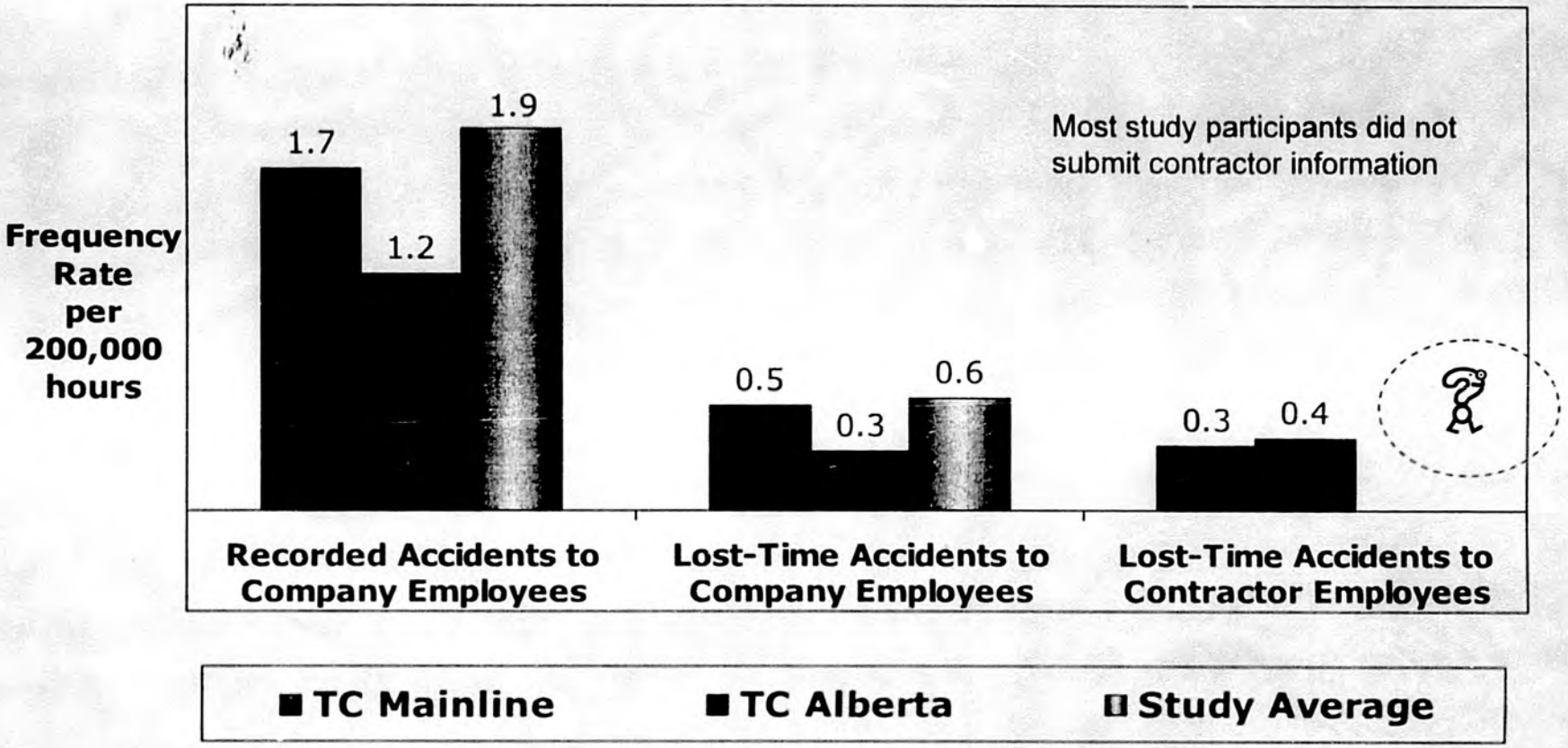
Note: Diameter Inch-Mile (DIM) is calculated by multiplying each pipe diameter by its length and summing the products

Source: Solomon Associates Natural Gas Transmission System Performance Analysis for Operating Year 2004

TransCanada

Safety Performance



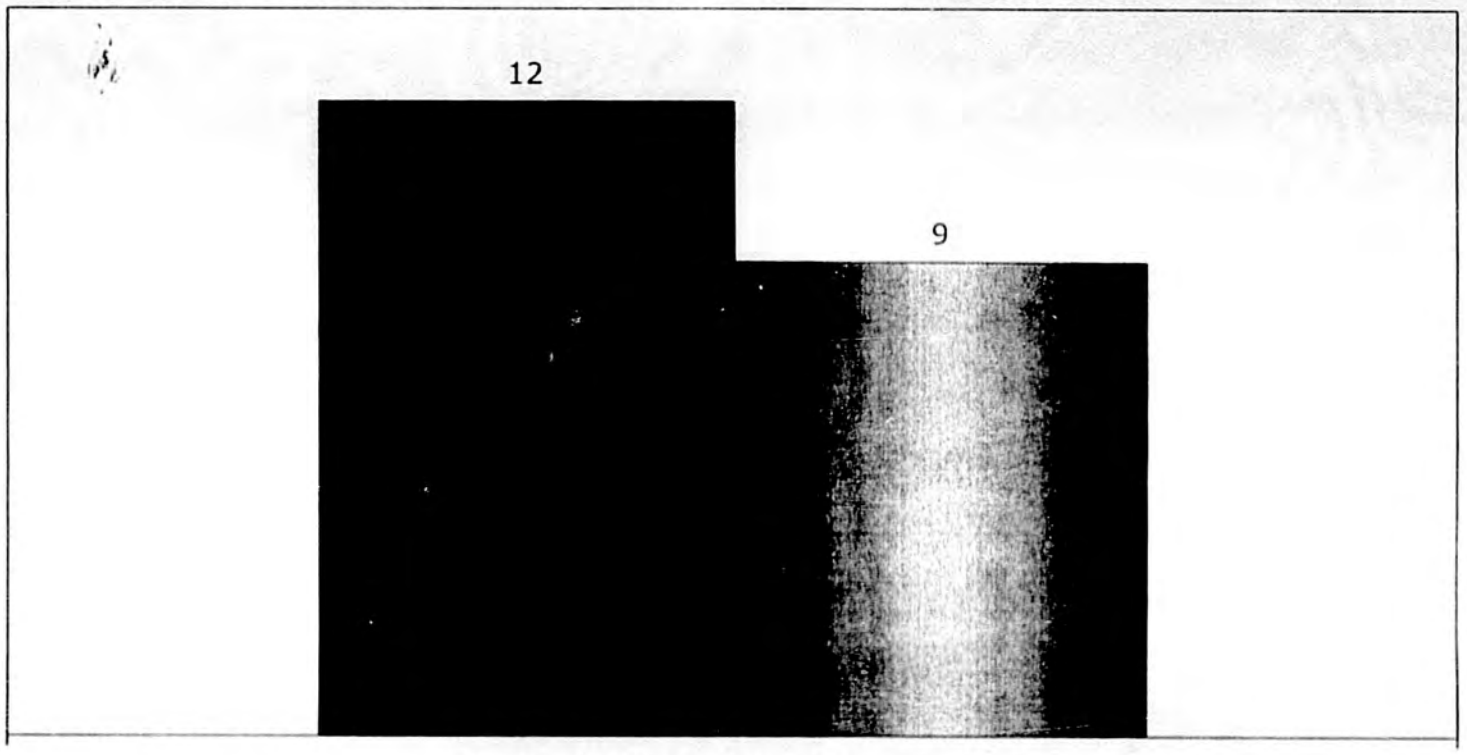


TransCanada expects the same high standards of Health, Safety and Environmental (HSE) performance from its contractors as from its employees

Source: Solomon Associates Natural Gas Transmission System Performance Analysis for Operating Year 2004

TransCanada

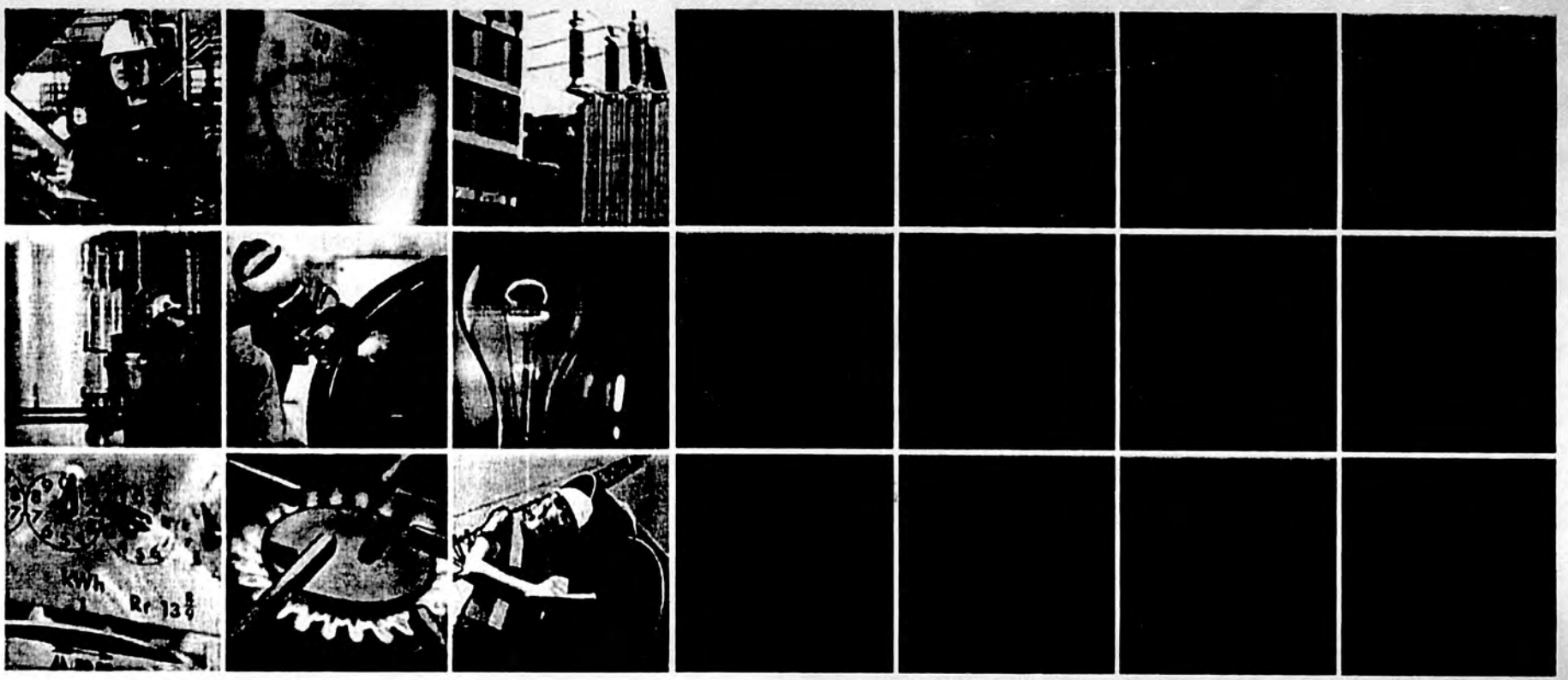
% of Total Pipeline Length Inspected Annually



Mainline is a similar type of pipeline as the proposed Alaska project

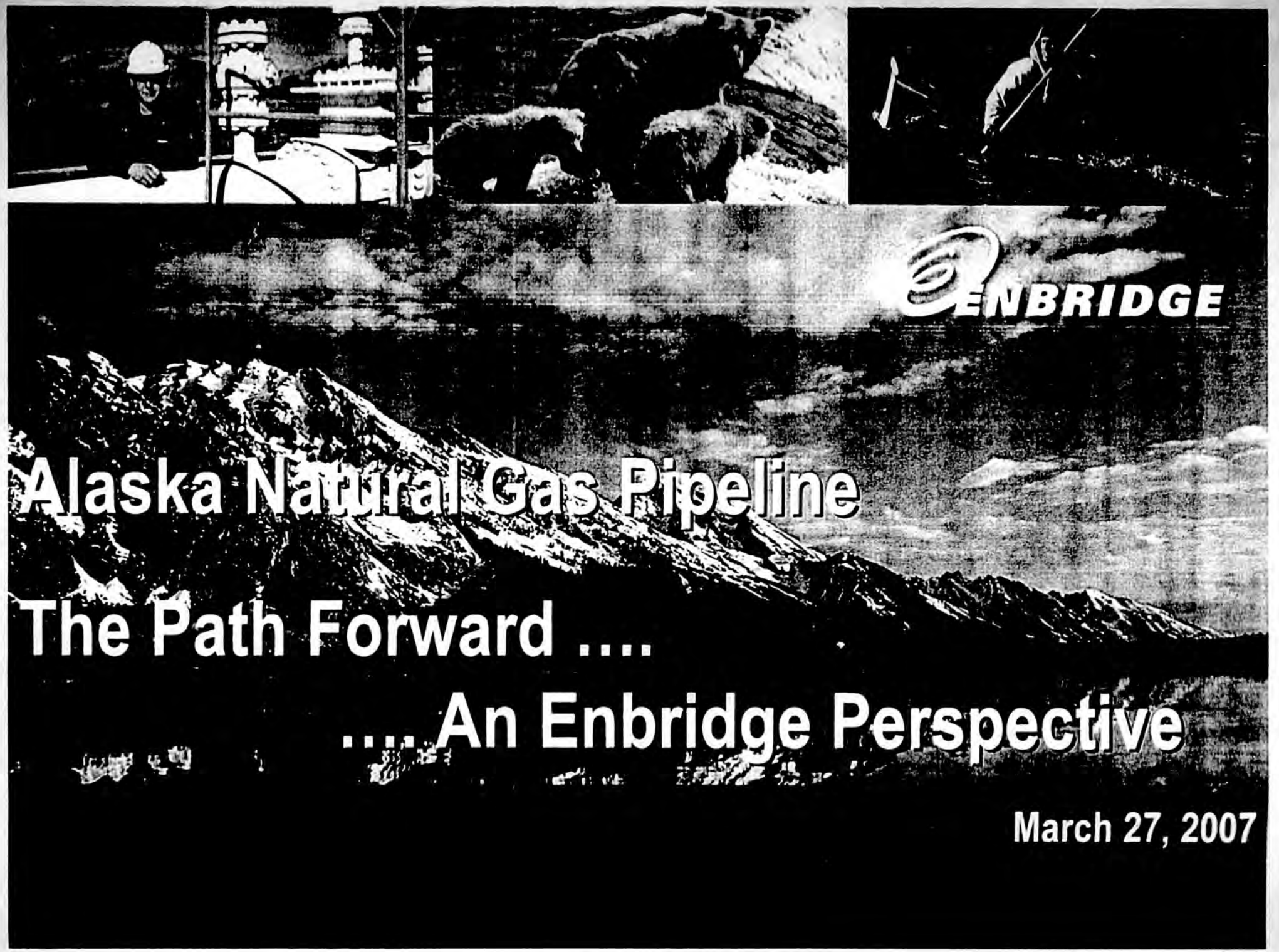
Source: Solomon Associates Natural Gas Transmission System Performance Analysis for Operating Year 2004

TransCanada



Thank You

TransCanada
In business to deliver



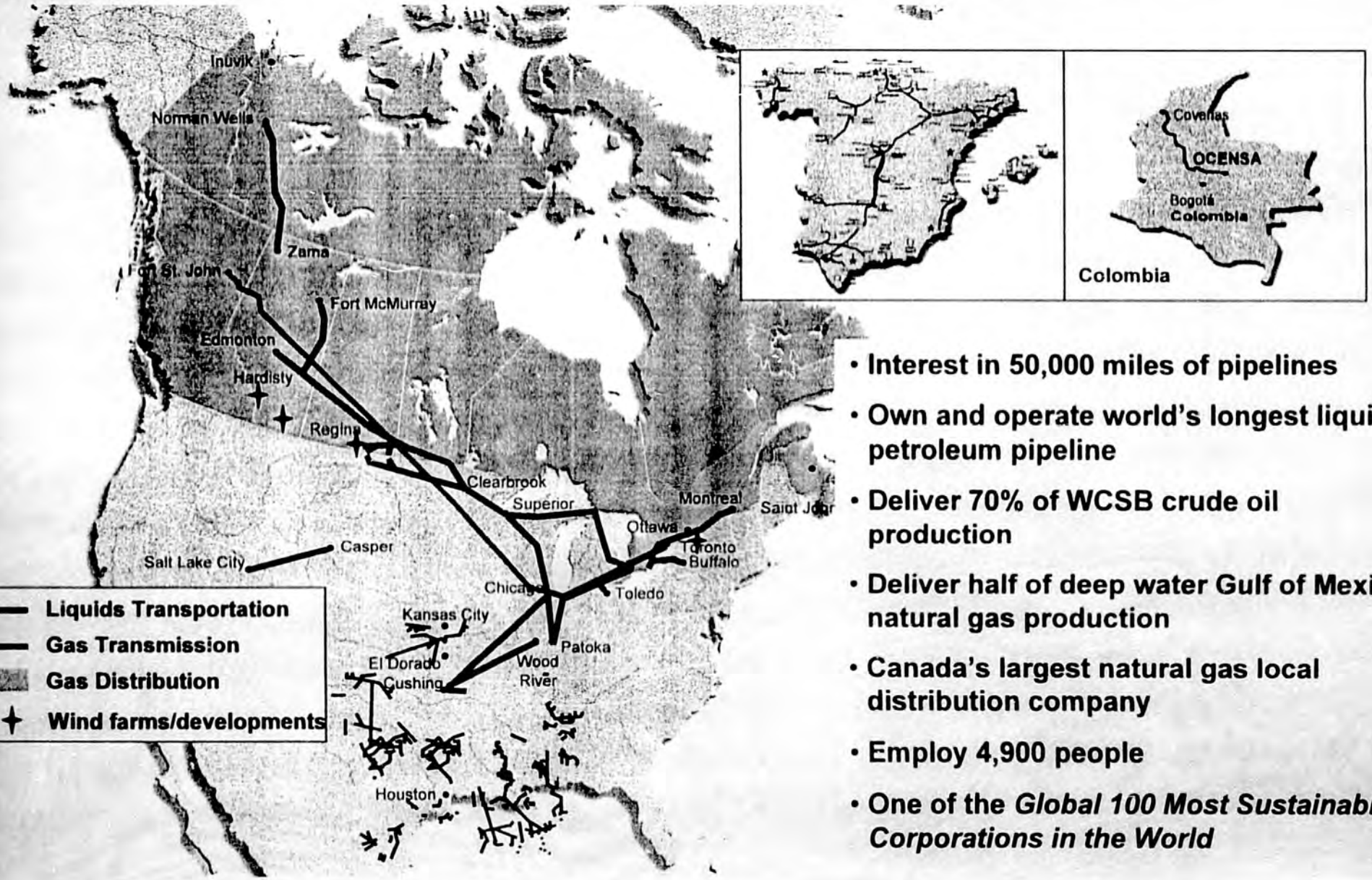
Alaska Natural Gas Pipeline

The Path Forward ....

....An Enbridge Perspective

March 27, 2007

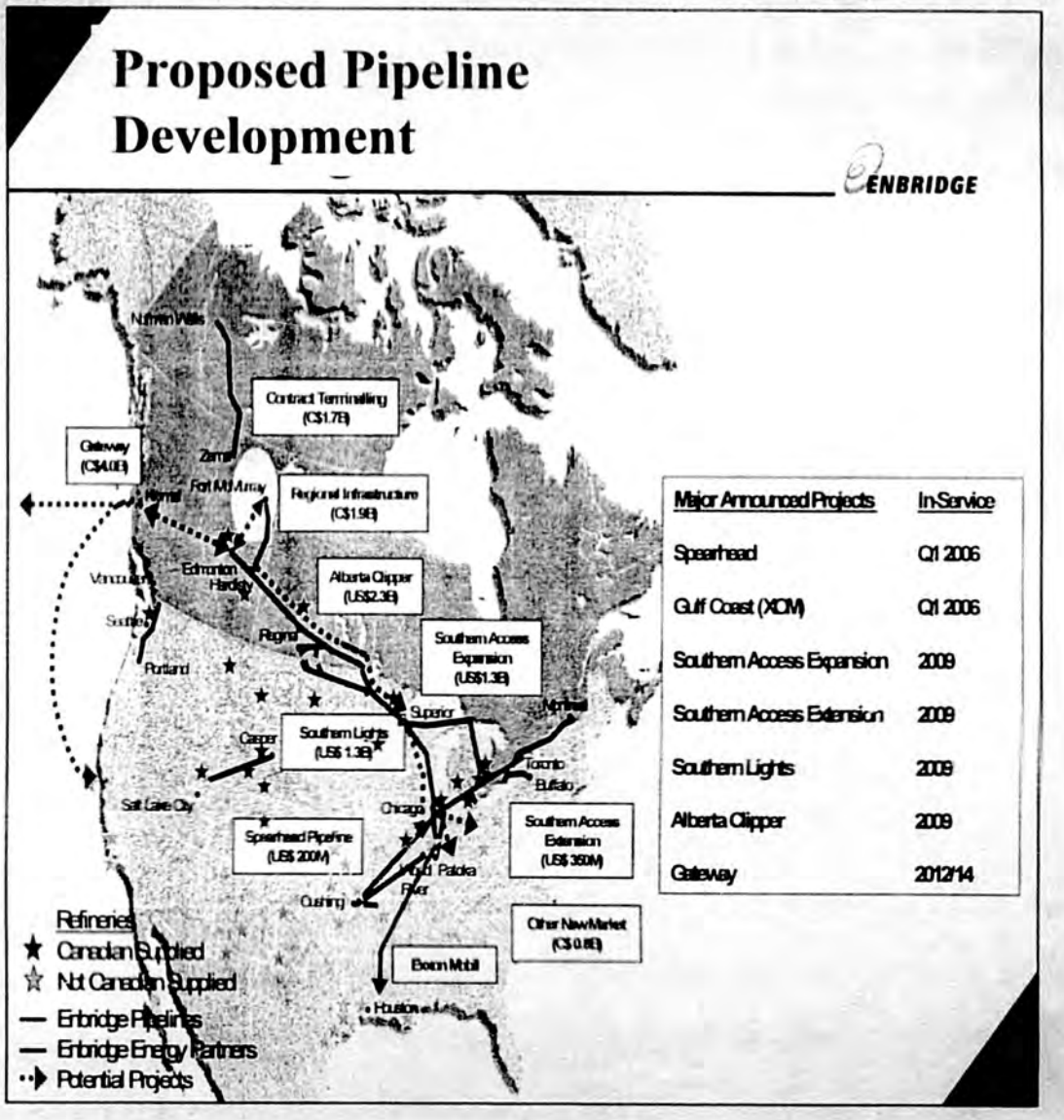
Enbridge Overview



- Interest in 50,000 miles of pipelines
- Own and operate world's longest liquid petroleum pipeline
- Deliver 70% of WCSB crude oil production
- Deliver half of deep water Gulf of Mexico natural gas production
- Canada's largest natural gas local distribution company
- Employ 4,900 people
- One of the *Global 100 Most Sustainable Corporations in the World*

Unparalleled Recent Pipeline Development

- $15 billion over the next 10 years
  - Unmatched recent experience managing labor, construction, procurement, environment, regulatory and cost-control challenges
  - Today's development environment is substantially different than 10 years ago
- Alliance Pipeline
  - Technical and commercial similarities



Moving the Pipeline Forward

ENBRIDGE

- Process ***Requires State – Producer alignment***
  - No producers No pipeline
    - Timing is Key – market degredation/capital competition
    - Focus on what is essential vs. what is desirable
      - Producers' goals / motivations
      - North American supply / demand fundamentals make timing critical
      - The FERC Regulatory process is well defined and will work

Moving the Pipeline Forward

- AGIA introduced as a catalyst to expedite the construction of a natural gas pipeline
  - Applaud the new Administration's high priority given to moving the pipeline development forward
- AGIA process will likely not produce the desired results because:
  - AGIA focus is on the pipeline and not Producer alignment
  - Project is too risky to move forward without Producer commitment
    - Enbridge will not participate in AGIA or any other similar process unless we are part of a consortium that includes producer commitment
- AGIA adds unnecessary regulatory layer
  - FERC process well defined and effective

Why Producer Involvement is Important

ENBRIDGE

- Promotes efficient development through:
  - Alignment
  - Financial resources
  - Previous experience

- Most importantly they will bear lion's share of risk

Project Progression

- Binding shipper commitment is required prior to spending significant $'s on regulatory applications
  - Not commercially prudent to assume producers will show, or that gas can be "acquired"
  - Risk too high even with government cost sharing
- Even binding shipper/pipeline agreements will have conditions including:
  - An acceptable FERC Certificate
  - Acceptable Financing
  - Shipper resolution of Alaska state taxation issues
  - Defined project milestones / timing
- An unconditional commitment to proceed will not happen
  - Regulatory certificates may have conditions making project uneconomic
  - Events between application and certificate could make project uneconomic

Regulatory Application

ENBRIDGE

- FERC and NEB (Canadian) applications require:
  - Detailed project cost evaluation
  - Project management plan
  - Environmental assessment
  - Stakeholder engagement
  - Finalization of tariff structure (Cost of Service / Incentives)
  - Environmental assessment

In Conclusion

ENBRIDGE

Enbridge believes:

- AGIA does not resolve producer fiscal (tax) concerns
- Producers unlikely to commit to pipeline brought forward by another company under AGIA unless and until fiscal issues resolved
- Producer support is required and achievable without AGIA
- Government financial assistance not essential
- Government can achieve key goals without adding to regulatory process
- An unconditional commitment to proceed with project is not achievable

ConocoPhillips

House Oil and Gas Committee
March 28, 2007

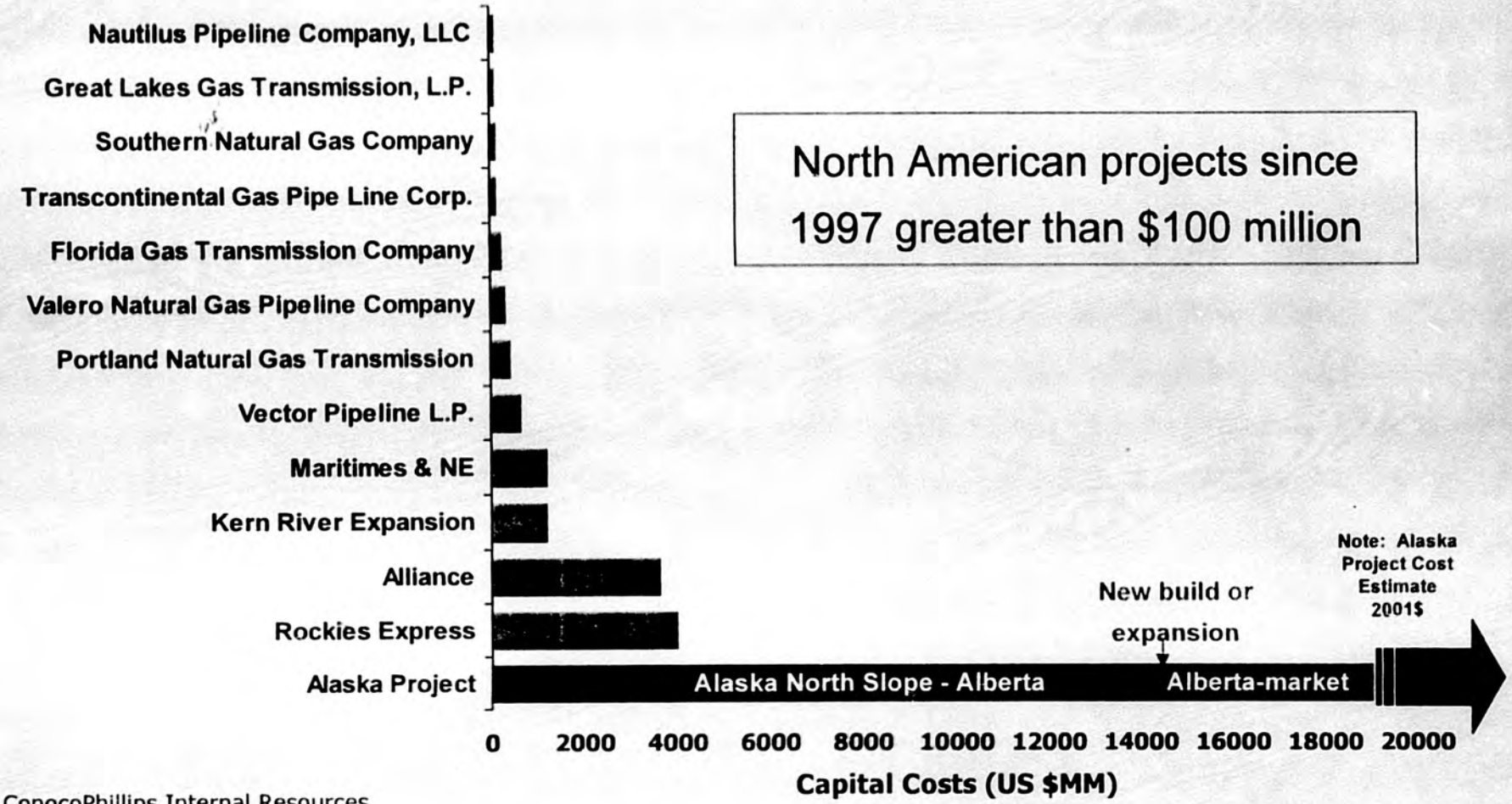
Wendy D. King
ANS Gas Development Team

Investing in Alaska Today

- Alaska's #1 Oil Producer
  - 2006 production: 280,000 barrels of oil per day
- Alaska's #1 Gas Producer
  - 2006 production: 145 million cubic feet per day
  - Kenai LNG ~1200 uninterrupted LNG shipments since 1969
- Alaska's Leading Explorer
  - Largest acreage holder on ANS*, 1.7MM net undeveloped acres
  - 60 wells since 1999, including 16 wells in NPRA
- Largest Industry Community Supporter
  - 2006 > $12 Million Contributions
- 1,093 Employees
  - Annual Payroll over $122 Million
  - Thousands of Induced and Indirect Jobs
- Largest Royalty and Taxpayer
  - 2006 Estimated Taxes and Royalties: $2.1 Billion
- Alaska Capital and Operating Budget
  - More than $12 Billion invested over past 10 years

*Note: Federal and State Lands

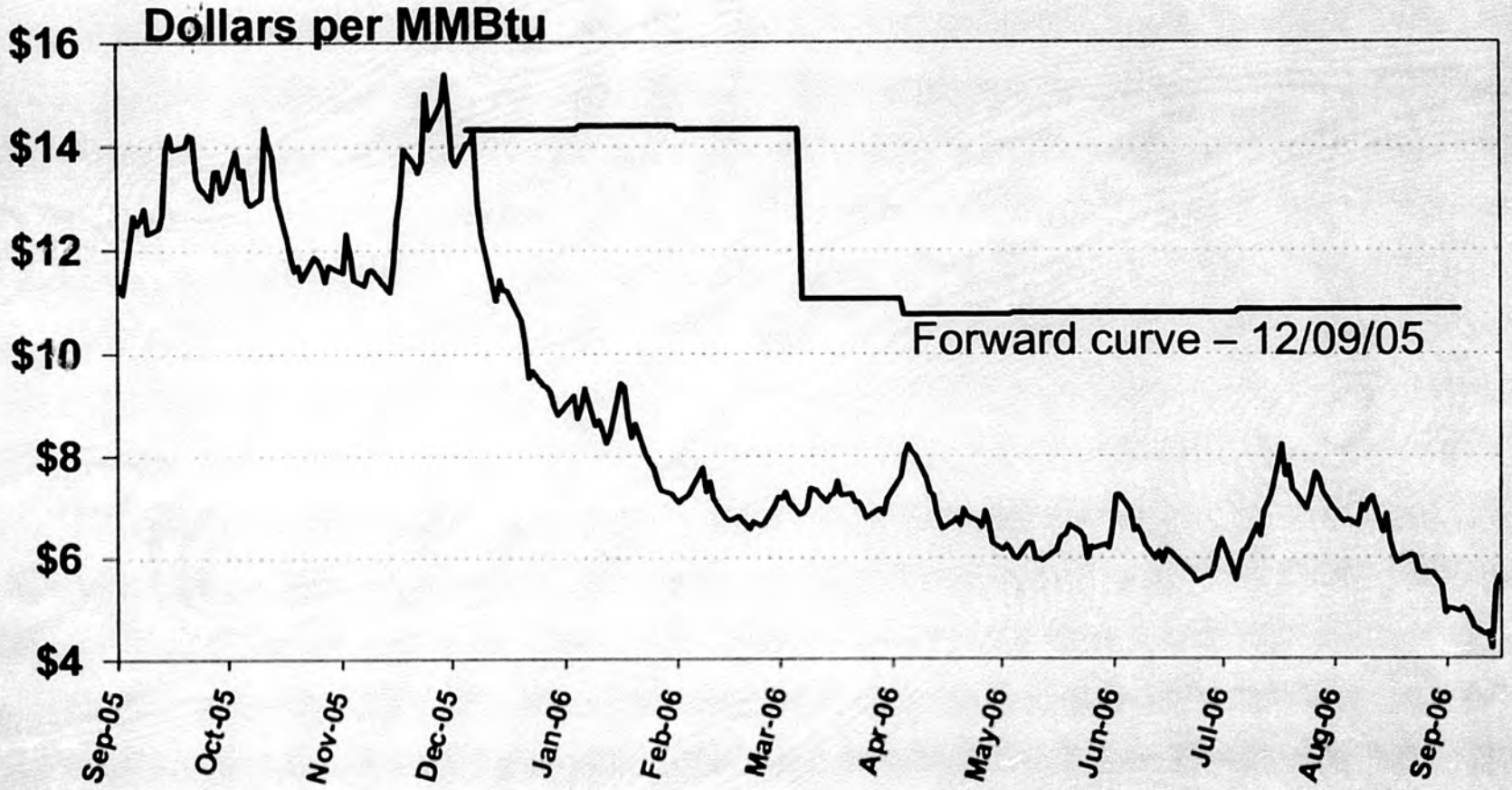
What makes the Alaska Project Different?



Source: ConocoPhillips Internal Resources

Alaska Gas Pipeline will be much larger / more difficult than other US/CAN pipelines. Size brings additional risk.

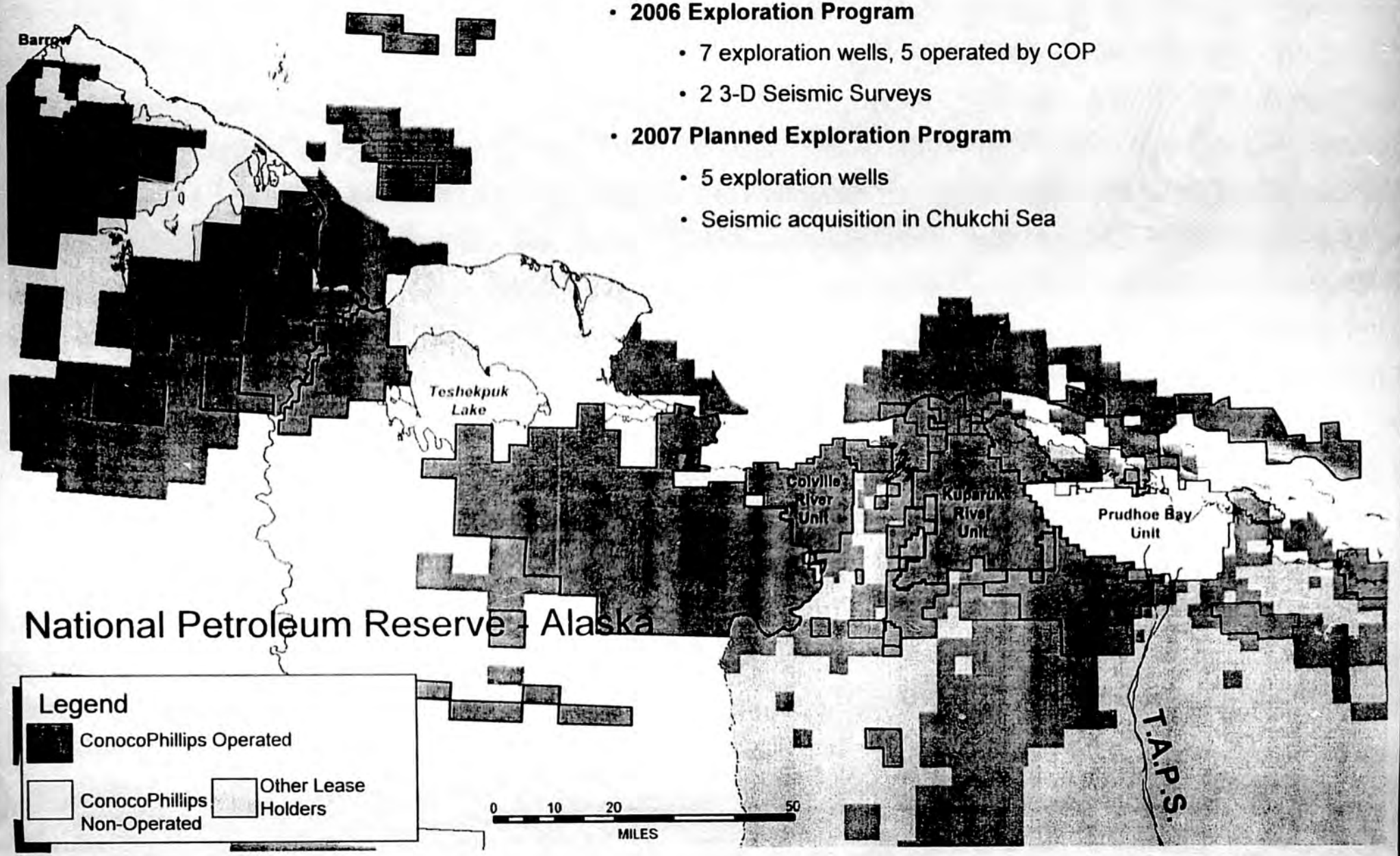
Predicting Natural Gas Prices



Source: New York Mercantile Exchange, Henry Hub Basis

Largest Base for North Slope Development

- **2006 Exploration Program**
  - 7 exploration wells, 5 operated by COP
  - 2 3-D Seismic Surveys
- **2007 Planned Exploration Program**
  - 5 exploration wells
  - Seismic acquisition in Chukchi Sea

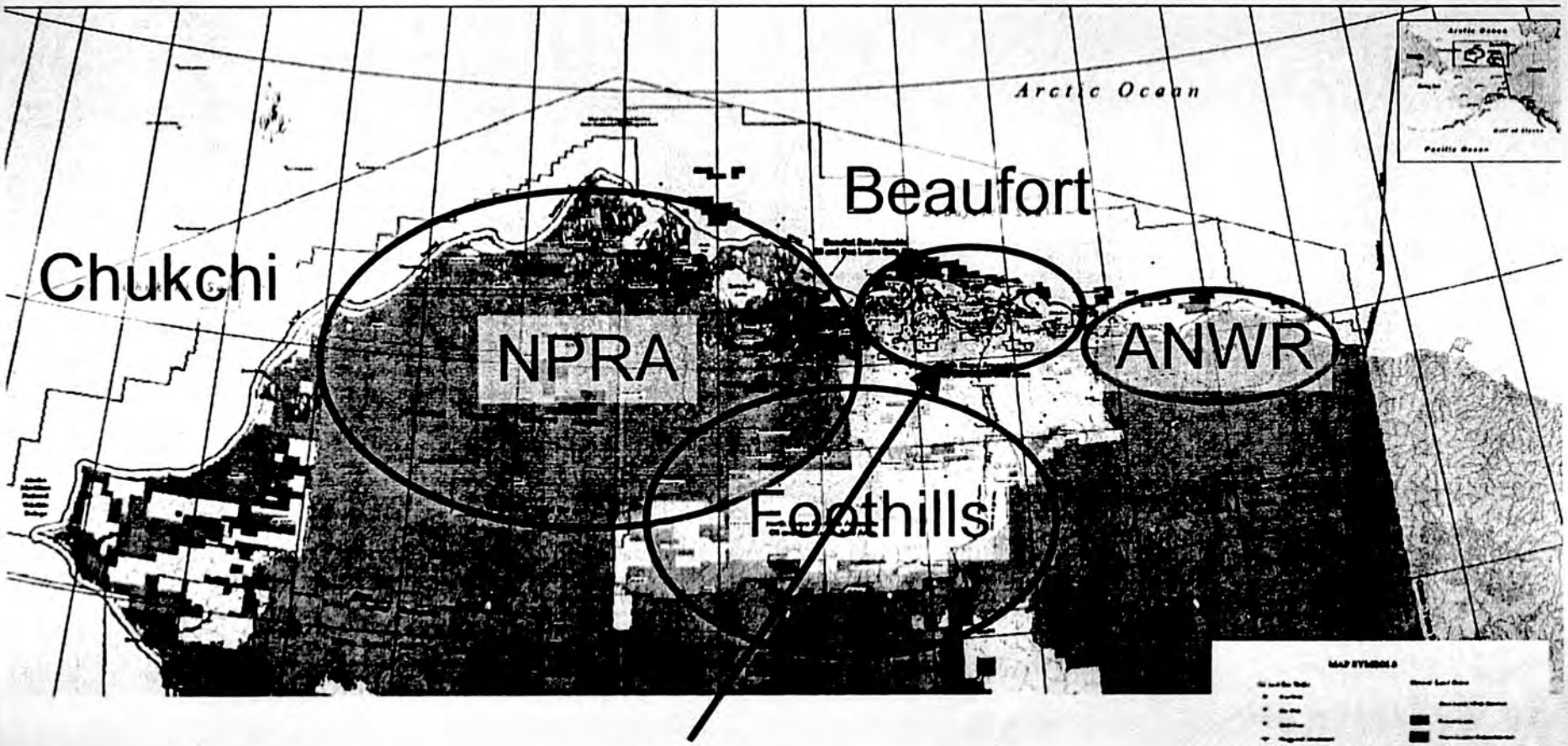


AGIA Project Risk Allocation

Project Risk	Pipeline Entity	Initial Shipper	Late Shipper
Upstream development and operating costs		XX	X
Gas reserves and deliverability		XX	XX
Increased State take over period of FT		XX	X
Increased tariffs from rolled-in rates on expansions		XX	X
Project delay causing increased costs	X	XX	X
Obtaining shipping commitments from creditworthy parties	X		

Risks are greater for initial shippers

Alaska's North Slope



Existing infrastructure
predominantly on State Lands

ConocoPhillips

ANS Exploration Potential

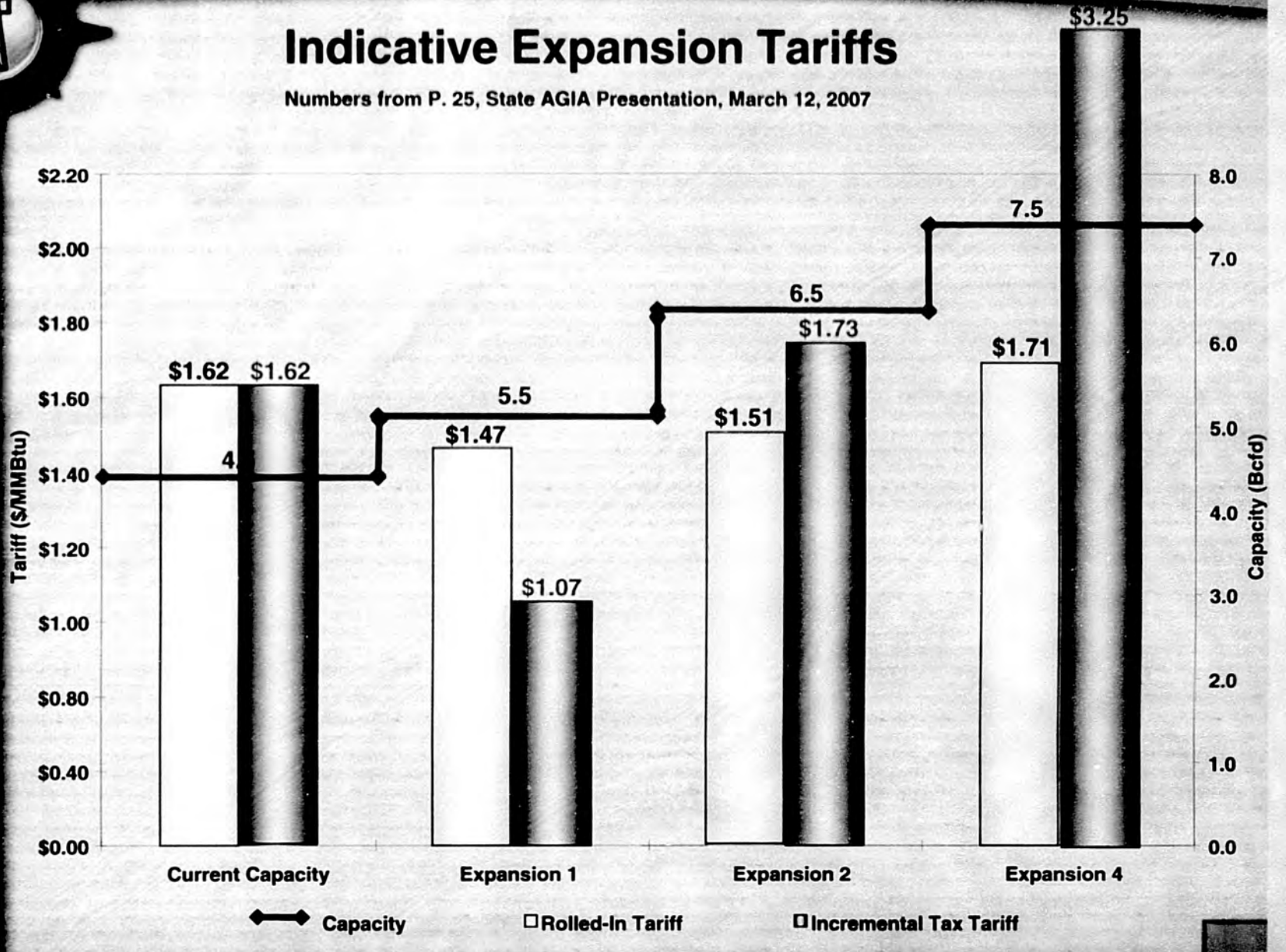
	Acres	Range (5 – 95%)	State Royalty?	State Taxes?
State lands* (onshore & offshore)	15 million	24 – 45 TCF unassociated	**Yes**	**Yes**
Private lands* (mostly native)		3 – 6 TCF associated		**Yes**
Federal onshore				
1002 Area of ANWR	19 million	0 – 20 TCF	Shared Federal Royalty	**Yes**
NPRA	23 million	39 – 83 TCF	Shared Federal Royalty	**Yes**
Federal OCS				
Beaufort Sea		1 – 72 TCF		
Chukchi Sea		10 – 210 TCF		

* *Includes Foothills acreage*

Source: USGS assessments for State (2005), ANWR (1998), NPRA (2002), Chukchi (2006), Beaufort (2006)

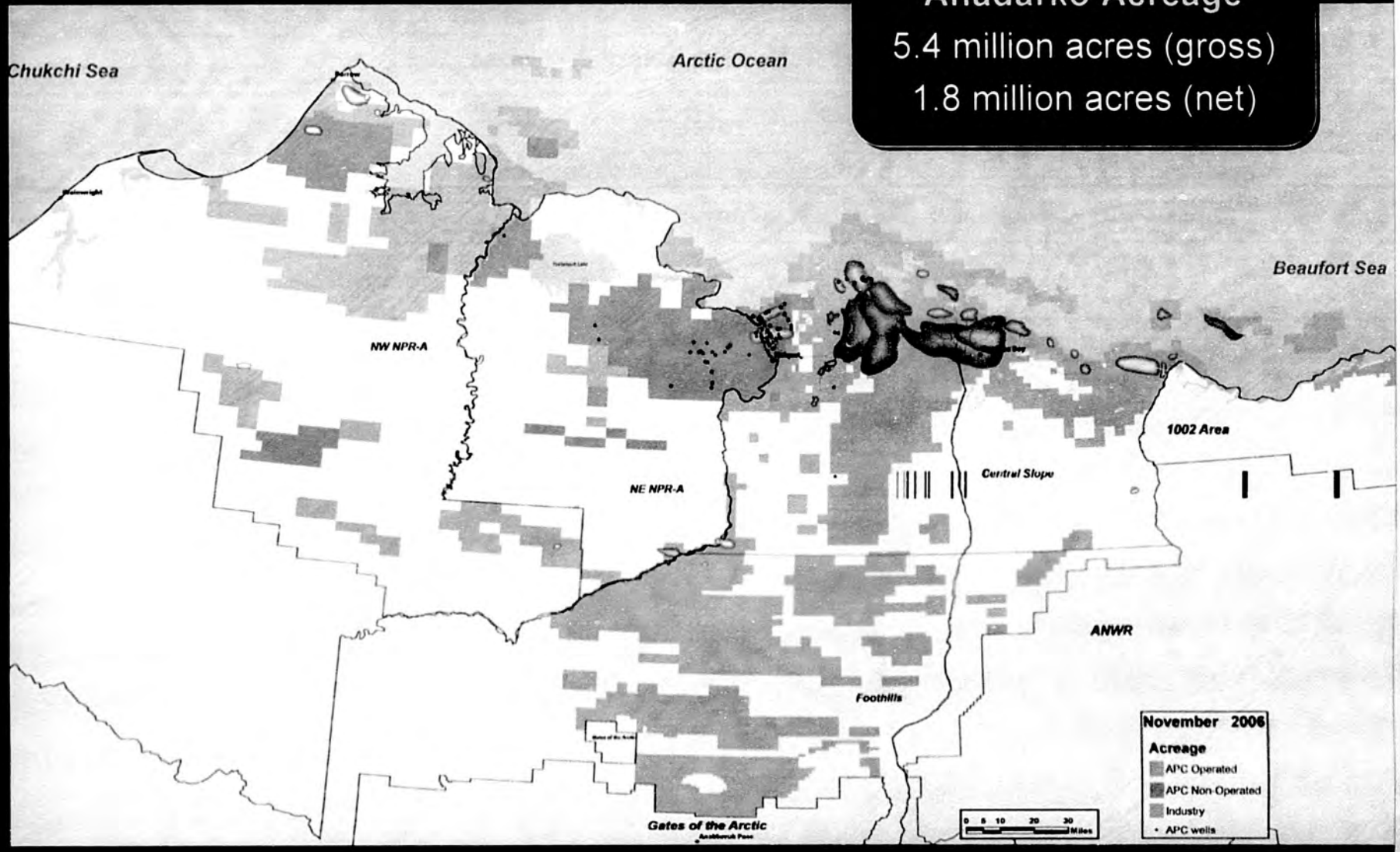
Indicative Expansion Tariffs

Numbers from P. 25, State AGIA Presentation, March 12, 2007



Anadarko's Investment in Alaska-Land

Anadarko Acreage
5.4 million acres (gross)
1.8 million acres (net)



Testimony of Kirk Morgan, President Kern River Gas Transmission Company
to the House Oil & Gas Committee
Alaska House of Representatives
March 29, 2007

Good afternoon.

Thank you Mr. Chairman, I appreciate the opportunity to testify to this committee on behalf of MidAmerican Energy Holdings Company concerning the proposed Alaska Gasline Inducement Act.

My name is Kirk Morgan. I am president of Kern River Gas Transmission Company, a wholly owned subsidiary of MidAmerican Energy Holdings Company. MidAmerican has assets totaling $37 billion and an employee base of 18,000. MidAmerican, through Kern River and its sister company, Northern Natural Gas, owns and operates more than 17,500 miles of interstate natural gas transmission pipelines with a combined capacity exceeding 6.4 Bcf/d. MidAmerican's pipelines deliver approximately 8.3% of the natural gas delivered in the United States. The Kern River pipeline, which our company built in 1991, brings natural gas from the Rocky Mountain supply basins across 926 miles of rugged mountainous and remote desert terrain to customers in Utah, Nevada and California. Kern River was the largest gas pipeline project to have been built in the United States in more than a decade. In 2003, Kern River expanded the pipeline, more than doubling its capacity, adding 717 miles of 36-inch and 42-inch diameter pipeline. The $1.2 billion project was completed on time, $87 million under budget, and helped restore stability to energy markets in the Western United States.

MidAmerican is a subsidiary of Berkshire Hathaway, Inc. Berkshire is one of only a few companies in the world with a AAA credit rating. Berkshire has a market capitalization in excess of $160 billion. It is recognized world-wide for financial strength, investment acumen and integrity.

The development of Alaska's huge natural gas reserves is essential to both Alaska and the United States. Projected market growth, combined with a decline in North American production, has created a growing supply/demand imbalance that cannot be adequately addressed by traditional gas supply basins alone. Alaska's natural gas is needed to help ensure energy security, reliability and price stability in the United States.

The Alaska natural gas pipeline project is unprecedented in its scale and complexity. The successful development of the project will require an alignment of stakeholder interests, including the state of Alaska, the North Slope producers, future North Slope explorers and producers, a pipeline developer, shippers and the federal government.

Projects of this scale can be easily delayed. (That has been the history of this project.) Only through proper planning, organization and execution can the project achieve its goals to accelerate development of Alaska's natural gas resources and transport gas to lower 48 markets at the lowest reasonable cost. To do otherwise will relegate this project and development of this resource to reacting to the next energy crisis where goals are frequently compromised in the interest of expediency.

MidAmerican has a serious interest in developing this project in a manner that is consistent with the state of Alaska's interests. From our perspective, the negotiations conducted by the pervious administration under the Stranded Gas Act were not fruitful for many reasons. Foremost among these were that they produced proposals not supported by the people of the state; they failed to give serious consideration to alternative proposals for development; and they consumed years without advancing the project.

We believe AGIA is a positive step toward revitalizing the gas pipeline development process in a way that will move the project forward. The bill will allow consideration of competing proposals and ideas for developing the pipeline. The state benefits from such competition. The bill offers positive inducements to those who already have discovered gas to commit to the pipeline, while defining tariff provisions that will encourage new exploration. And the bill offers inducements to a pipeline developer to advance the project in a manner that the state defines as in its best interest. Perhaps most importantly, the bill establishes a process where each party that proposes to develop the line must make meaningful commitments to development milestones for the legislature and the public to see what it will and will not do and by what dates.

AGIA is a good first step. AGIA is an open, transparent and competitive process designed to advance the project on a deliberate schedule and in a manner that achieves the overarching goals of the State which are to 1) encourage new exploration on the North Slope, 2) provide for expansion of the pipeline as new reserves are brought into production, 3) achieve the lowest cost commercially reasonable tariff, 4) create jobs for Alaskans, and 5) provide natural gas to Alaskans for in-state use.

AGIA recognizes the magnitude of front-end development risks and offers to share that risk, in a significant way, by offering dollar-for-dollar matching of initial development expenditures, by offering worker training for Alaskans, and by committing to expedite state permitting requirements. These, plus separate inducements offered to resource owners, are significant commitments which signal to the marketplace that the project is moving on a serious and credible path to completion. In the absence of such progress, markets will have no alternative than to seek other means to meet market demand. The most significant alternative would be to allow imported LNG even greater market access, uncontested by development of Alaska's natural gas resources.

While LNG is certainly a necessary part of the natural gas resource mix, it makes little policy sense to unnecessarily increase our reliance on foreign energy from many unstable and unpredictable regions around the world. This project, in MidAmerican's view, is undeniably necessary and the time is now to push it forward. The key to moving the project forward is to determine the appropriate balance of risks and rewards for all stakeholders.

There is an alternate approach. The North Slope producers have for years articulated their "must haves" before advancing the project. You have heard these prerequisites before including: 1) tax and royalty certainty on gas and on oil, 2) regulatory certainty in both the U.S. and Canada, 3) cost reductions through technological advancements, and 4) federal enabling legislation.

This approach is effectively saying that the project will get started if and when all of the pre-conditions have been met and all concessions have been extracted. This approach has proven to be ineffective in advancing the project.

MidAmerican's approach is different. We believe the project can be advanced concurrent with resolution of issues that today remain outstanding. I want to emphasize MidAmerican's view that alignment of stakeholder interests is essential. Parties will understandably act in their self-interest and in their own business interest. That is why stakeholder interest alignment is critical to a successful project. That alignment must clearly set forth the roles and responsibilities of each party, as well as the commercial structure which will balance the risks and rewards, such that investment expectations will be known up front. Our approach does not exclude interested parties or discount new ideas which may be offered to help manage project risks. We know that even if the pipeline is developed by an independent developer, the North Slope producers will play the crucial role as shippers on the line and sellers of gas to other shippers. MidAmerican, as an independent pipeline, is impartial and in a unique position to help facilitate solutions when stakeholders' interests diverge. We are confident that an appropriate capital structure and rate design, coupled with our low cost of capital and project experience, can result in a project structure with appropriate allocations of risk and reward for all stakeholders, including the state of Alaska and the producers.

Indeed, MidAmerican believes that an independent pipeline provides the best alignment of interests. National energy policy promotes, in fact requires, competition and the unbundling of market segments. For example, the market structure in the United States typically requires that exploration and production, interstate transportation, marketing and distribution be performed by separate companies. Competition, not market concentration, will lead to efficient markets. MidAmerican has no upstream, downstream or global commercial interest that would create any conflicts of interest or raise any type of market power concern with respect to this project. Accordingly, MidAmerican's interests align extremely well with the state of Alaska and include:

1) Accelerating development of this critically important project;
2) Achieving the lowest cost commercially reasonable tariff;
3) Offering a commercial structure that encourages new exploration and production to both expand and extend the life of the pipeline. Thirty-five Tcf implies only a 22-year project life, and new discoveries are critical to fill the pipeline over its useful life;
4) Providing open-access, non-discriminatory transportation services to ensure both receipts and deliveries are provided for in-state use; and
5) Ensuring Alaskan jobs and workforce development. The state's commitment to workforce training and development is extremely important. Skilled labor shortage is one of the contributing factors in construction cost increases throughout the industry. A skilled Alaskan workforce will not only ensure jobs for Alaskans, but will help address an industry-wide demand for these workers.

The process set forth in AGIA will allow these ideas, and all parties' ideas and proposals, to be advanced and tested in an open and transparent manner. We support that process and while we can understand debate over what constitutes the best pipeline development proposal, it is harder to understand why parties would object to a process that calls for an open and transparent comparison of proposals. We urge the legislature to approve this legislation this session, so that a pipeline developer can be selected in a time frame that will allow a productive 2008 field season for engineering and environmental programs to be conducted.

That concludes my prepared testimony. Thank you for the opportunity to appear before you today. I would be happy to address any questions.

ALASKA GASLINE
PORT AUTHORITY

COMMENTS AND RECOMMENDATIONS FOR ALASKA GASLINE INDUCEMENT ACT

While the Port Authority would be willing to submit an application under the AGIA in it's current form, we believe the bill can be improved through the legislative process and make the following suggestions for improvements to this legislation:

1. Section 43.90.140(2) (D) ii requires approximately 10 specific areas of information for an LNG project applicant, however if you are an applicant for a project through Canada there are little specifics required as to that route. We would suggest a Canadian line project applicant include (a) a detailed description of all access and tariffs for downstream elements (b) if it is a project to Alberta, how does it get from there to the Midwest (tariffs and terms) (c) where do they intend to offtake the liquids and at what terms (d) who will own and control the facilities. Basically, the same things that they are asking from the LNG project should be included for a Canadian line.
2. Applicants requiring an initial offtake from PBU in an amount greater than that presently allowed by the Alaska Oil and Gas Conservation Commission (AOGCC) should be required to have already filed an application with the AOGCC for a determination that the amount of offtake in excess of the current Rule 9 limit on Prudhoe Bay offtake will be allowed.
3. If the appplicant's project requires the discovery of additional gas, they should include a cost estimate and timeline for the additional gas exploration.

4. The applicant should be required to provide an analysis of how their project would affect oil loss and ultimate oil recovery of a field.
5. An additional criterion should be added which would identify if the applicant is making gas liquids available within Alaska for value added processing.
6. Timeliness of project construction should be given a high priority in the evaluation. Alaskans need access to our gas now. Previous net present value analyses have shown that an earlier project brings substantial value to the state.

Alaska Gasline
PORT AUTHORITY

Alaska Legislature Testimony

March, 2007

The Alaska Gasline Port Authority ("AGPA")

- A municipal port authority established by the voters of the Fairbanks North Star Borough, the North Slope Borough and the City of Valdez on October 5, 1999
    - in accordance with AS 29.35.600 the Alaska Municipal Port Authority Act

- Formed to build or cause to be built a project that will commercialize Alaska's North Slope gas

The Alaska Gasline Port Authority ("AGPA") (cont'd)

- Formed to ensure:
  1. A gasline is built
  2. Lowest tariff for Alaska's gas to Alaskans and marketplace
  3. Stable source of energy to Alaskans not tied to Lower 48 price index (Henry Hub, etc.)
  4. All pipeline and liquefaction associated jobs are within the state of Alaska; including construction, operation, and maintenance
  5. Direct net-project revenue sharing – 60% to State / 40% to every Alaska municipality
  6. Earliest opportunity for in-state gas availability
  7. Greatest opportunity to supply gas liquids to in-state petrochemical industries

AGPA Project Description

Alaska Gasline Port Authority

Pipeline from Prudhoe Bay to Valdez

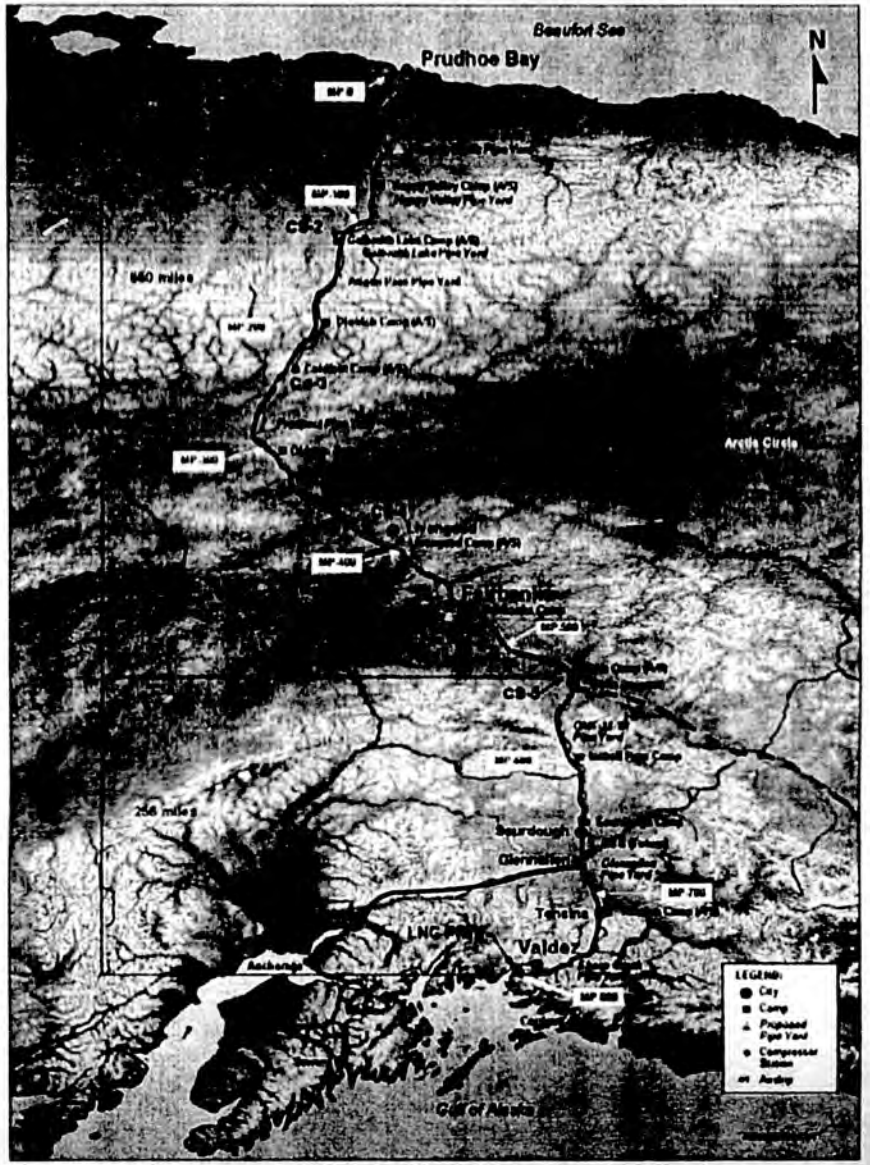
- parallel to TAPS
- pre-build to Delta Junction for later tie-in for the Alaska/Canada Highway Project
- tie-in at Glennallen for a spur line to Alaska South Central natural gas grid

LNG Facility in Valdez

- integrated LNG liquefaction and LPG extraction facilities
- includes storage and vessel loading facilities

Gas Conditioning Plant in Prudhoe Bay

- removes impurities
- compresses and chills the gas to pipeline specifications



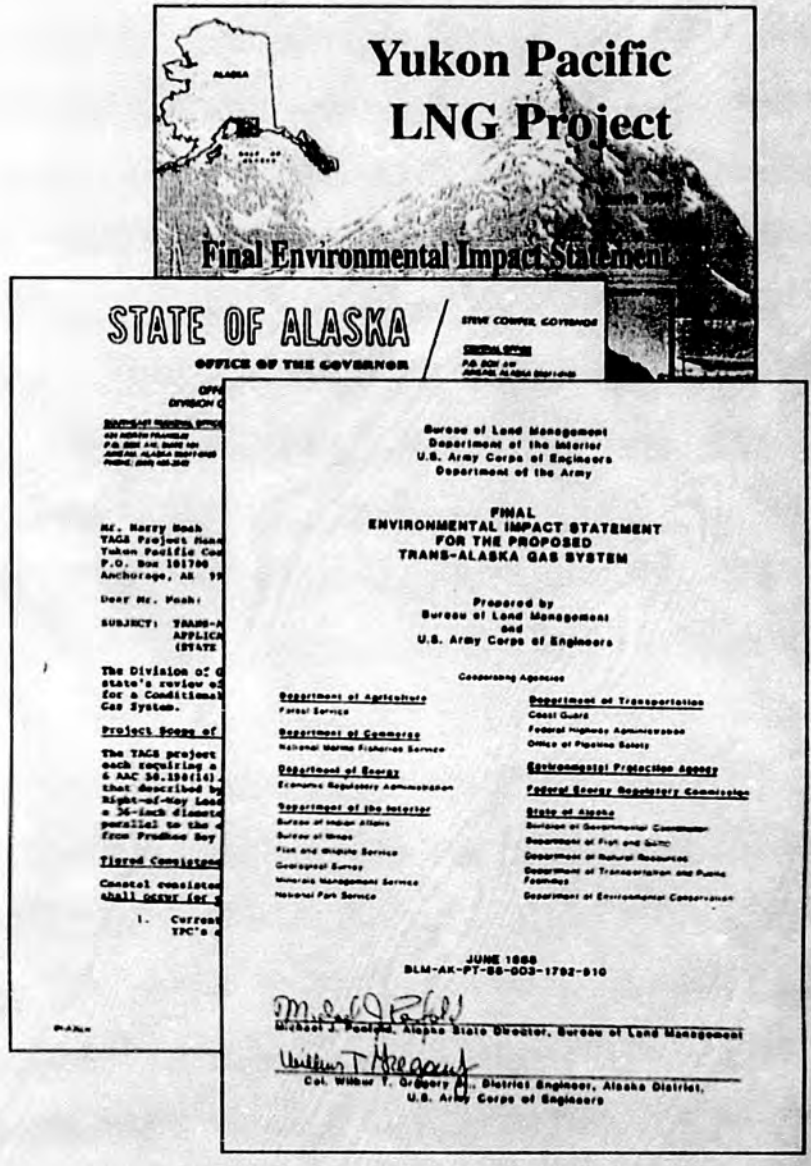
AGPA Project: Permits

Yukon Pacific Corporation ("YPC")

- Formed in 1982 by William Egan and Walter Hickel, former Governors of Alaska
- Sole purpose: to build a trans-Alaska gas pipeline to Valdez for the export of LNG
- Parent company is the CSX Corporation

YPC Permits

- YPC has obtained numerous State and Federal permits and rights associated with a Trans-Alaska gas pipeline and Alaska LNG project
- Over $100 million of expenditures in obtaining of environmental data and regulatory and environmental permits
- CSX has entered into an exclusive option agreement with AGPA to sell YPC and the permits



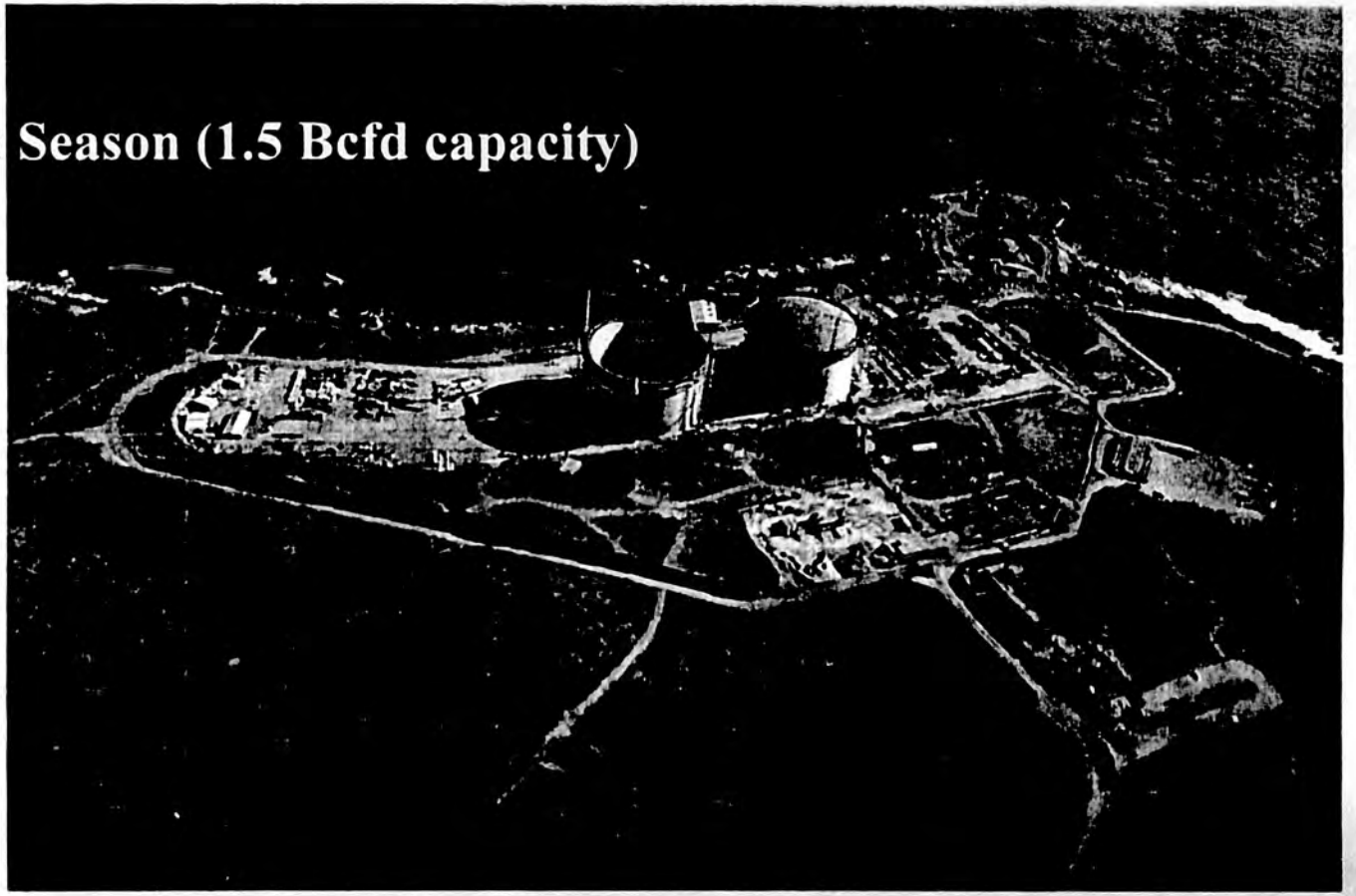
Energia Costa Azul / Sempra LNG

i. **Currently Under Construction**

ii. **Initial LNG Supply:**

- **50% from British Petroleum**
- **50 % Shell**

iii. **Expansion Open Season (1.5 Bcfd capacity)**



AGPA Project: Progress To Date

- ☑ Established by public vote
- ☑ Positive IRS ruling on exemption from federal income taxes
- ☑ EPC study performed by Bechtel
- ☑ EPC cost update in 2005
- ☑ Detailed economic and financial analysis and modeling
- ☑ Secured exclusive option on existing project permits
- ☑ Act of Congress to add LNG project to $18 billion federal loan guarantee
- ☑ Strong interest from N. American gas market participants
- ☑ Participation in the Open Season for the expansion of the Energia Costa Azul regasification terminal in Baja California, Mexico
- ☑ MOU with Mitsui OSK Lines and BGT Ltd regarding marine transportation requirements
- ☑ MOU with the Alaska Natural Gas Development Authority (ANGDA) for Glenallen to Palmer spurline

ANS Gas Commercialization

- AGPA's objective is to promote the timely commercialization of Alaska's North Slope gas resources

- AGPA is actively developing the LNG concept as the first step towards full commercialization of ANS gas:
  - initial phase: in-state gas distribution to maximum extent practical, LNG project
  - full ANS gas commercialization: pipeline projects through Canada, LNG expansion

- AGPA's goal: obtain gas supply to enable commercial operation within the 2013–2014 timeframe

ANS Gas Commercialization: (cont'd)

- Gas requirements:
  - Current ANS discovered gas resource: 35 Tcf
  - Alaska LNG project initial phase gas requirements: 15-25 Tcf
  - Proposed AlCan Highway pipeline project through Canada: 50-65 Tcf

- It is expected that with further exploration, the ANS gas resource will be increased to over 100 Tcf

- The Alaska LNG project will enable Alaska's gas to reach market sooner, while exploration efforts are underway for the larger pipeline projects

- AGPA provides Alaska's gas the significant benefit of market optionality

ANS Gas Commercialization: (cont'd)

- In anticipation of full ANS gas commercialization, AGPA has proposed to pre-build the pipeline section from Prudhoe Bay to Delta Junction to accommodate eventual larger gas volumes to Canada
  - pipeline diameter to allow expansion to 6 Bscf/d of capacity
  - Canadian pipeline could tie in at Delta Junction
  - phased development reduces pressure on steel/pipe markets
  - shared line to Delta Junction reduces unit cost for both projects

- AGPA is prepared to work in a partnership with a project developer of the Canadian Highway route
  - timetable will be coordinated with Canadian pipeline project developer

Advantages of LNG from Alaska

- Alaska LNG will be competitive with other gas suppliers in the North American gas market, including international LNG suppliers

- The Alaska LNG project will benefit from an efficient, low-cost liquefaction operation:
  - ambient conditions (low average temperatures) in Valdez result in significant unit cost savings in comparison with liquefaction facilities located in tropical climate
  - efficiency gains estimated in the range of 30 – 40%

- Most other LNG projects have significantly higher marine transportation costs to market due to longer shipping distances

Advantages of LNG from Alaska (cont'd)

- Valdez Port:
  - ice free, deep water port
  - most advanced vessel tracking system in US
- Many other LNG projects involve higher upstream costs due to complex, expensive field development
  - Alaska benefits from substantial existing North Slope infrastructure and developed fields (Prudhoe Bay)
- Low-risk political environment in comparison with some international suppliers

AGIA Suggested Amendments

- More detail required from Canadian line applicants
- If offtake amounts outside AOGCC Rule 9 limitations (2.7 bcf/d), must have already filed an application with AOGCC for increased offtake limits
- Additional gas reserves needed? Budget and timeline for exploration program
- Analysis of anticipated oil loss from PBU if volume exceeds AOGCC Rule 9 limitations
- Analysis of liquids availability in Alaska for value added processing
- Timeline for project start up and completion for present value analysis

AGIA benefits towards advancing gas pipeline

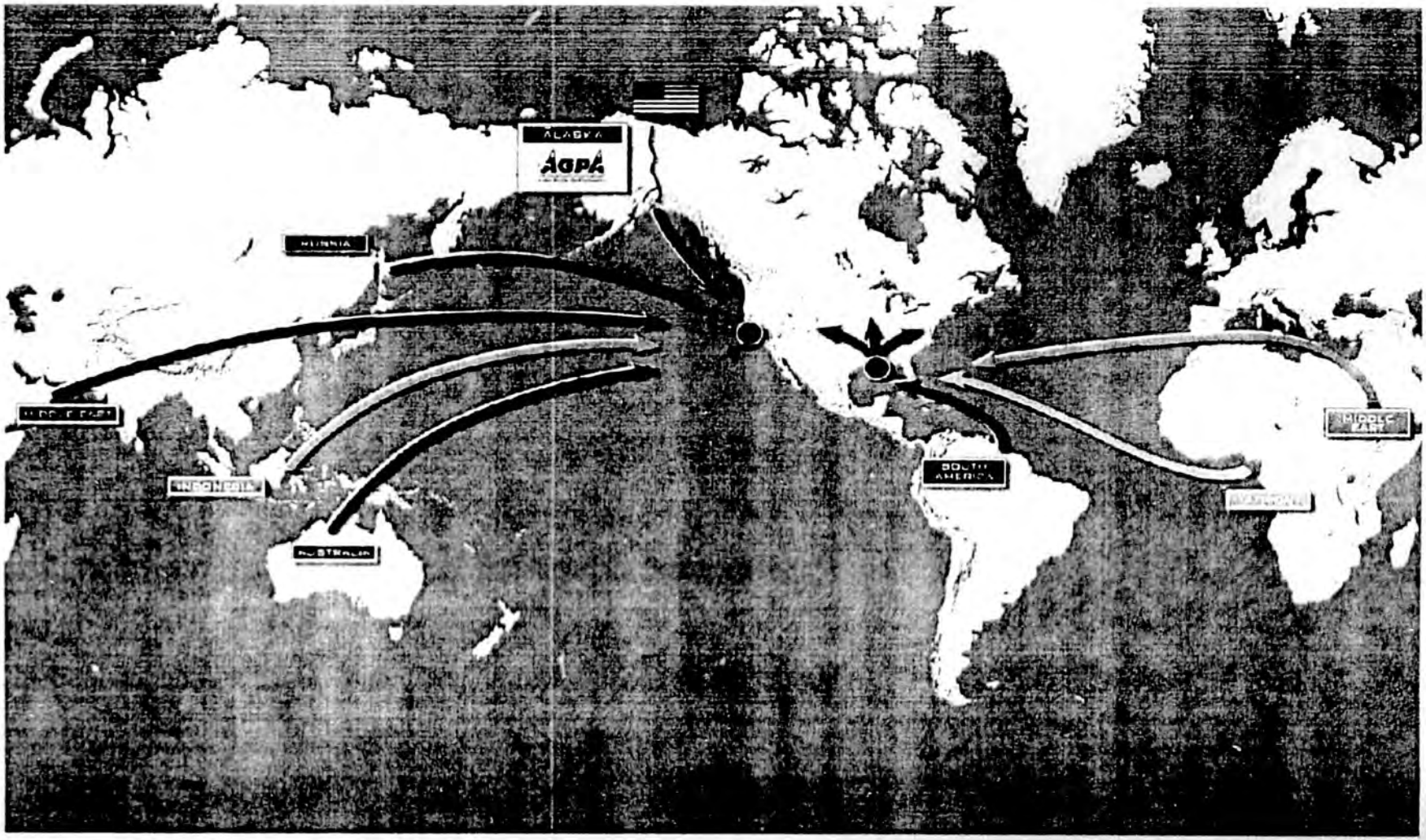
- Rolled in rates – good for Alaska's future
- Allows for independently owned infrastructure
- $500 million skin in the game – sends very positive message about Alaska's desire to commercialize Alaska's gas

Alaska at Strategic Crossroads

- **AGIA**
  - Open and transparent
  - Identified evaluation criteria
  - Inducements in exchange for specific commitments
  - Empowers selected applicant to build successful consortium, leading to open season

- **Return to Stranded Gas Act**
  - No identified criteria
  - No requirement to justify need for concessions
  - State in compromised negotiating position
  - No commitments other than spending levels

Competition for U.S. Gas Markets – Alaska's Risk



The All-Alaska Gasline. The future is on the line

Alaska Gasline
PORT AUTHORITY

Chevron

AGIA Testimony
HB 177

John Zager
General Manager, Alaska

Tim Houston
Alaska Commercial Manager

Juneau, Alaska
March 29, 2007

AGIA Observations

- Chevron's stake in the outcome
- Various stakeholders have different objectives
- Recognition that we either succeed or fail together
- It's all about alignment and risk allocation
- Participants are disciplined investors

Gasline Objectives Vary

State of Alaska	Pipelines	Producers	Explorers
• Long Term Revenue • Low tariffs – High Netbacks, but willing to accept higher tariffs for other benefits ■ Guaranteed access & expandability ■ Gas for Alaska ■ Rapid schedule ■ Jobs ■ Economic Activity	• Earnings • Financeable project ■ Long-term FT Contracts ■ Assured cost recovery ■ Limited completion risk • Low tariff to attract more gas to expand or extend life of pipeline	• Earnings • Low tariff for those providing initial FT- High Netbacks • Project that meets plan ■ No cost overruns ■ No schedule slips • Lowest cost pipeline • More gas for expansions that lower overall rate	• Earnings • Assured access for new discoveries - Expandable Pipeline • Low tariffs for expansion - High Netbacks

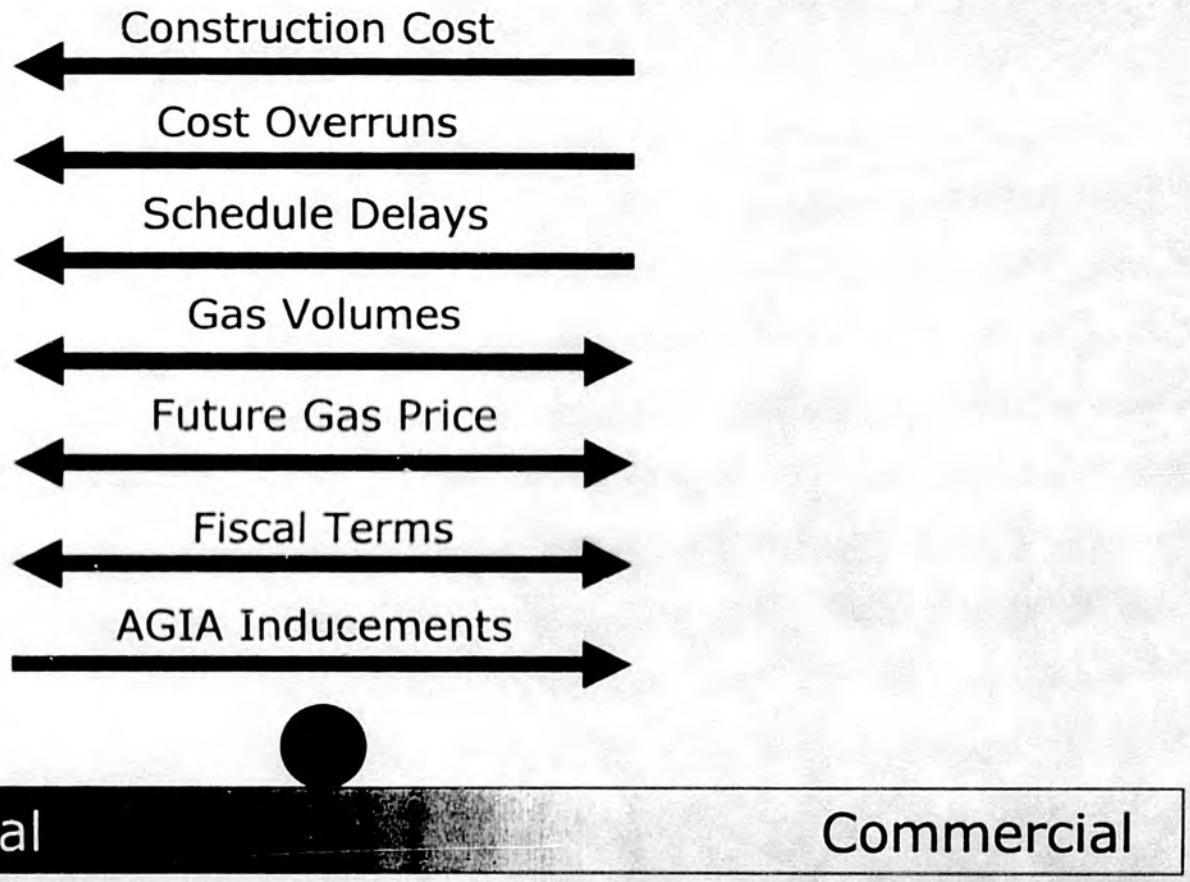
AGIA Observations

- AGIA provides inducements for key risks in two segments
  - Midstream
    - $500 million of upfront development costs
    - Exclusivity & streamlined processes
    - Upstream inducements apply only to selected project
  - Upstream
    - Royalty "higher of" language
    - State "take in kind" or "take in value"
    - Gas tax rates "locked" for 10 years

- Are these sufficient for a successful open season?

Key Commercial Influences

- Cost and allocation of risk will effect the commercial viability of the project
  - Where is the ball? How can we "move the ball" forward?



AGIA – What will help "move the ball"?

- Longer and more comprehensive fiscal stability
  - "The exemption under this section may be applied within 10 years …" [Sec 43.90.320 (b) page 16]
- Limit cumulative impact of rolled-in rates
  - "… recovery of all expansion costs … increase existing shippers' rates by no more than 15 percent of the initial maximum recourse rate …" [Sec 43.90.140 (7) p.6]
  - "… in order to exercise an election under this section, … will not protest or appeal a filing by the licensee to roll in expansion costs … required in AS 43.90.140.(7);" [Sec 43.90.310 (b)(4) page 15]
- Remove future uncertainties where possible
  - "… The commissioner of natural resources shall … at least every two years … determine whether the regulations continue to meet the requirements of this section under current conditions; the commissioner shall amend the regulations as necessary.;" [Sec 43.90.310 (c) page 15]

Summary

Chevron's driver is to monetize our gas on the slope.

To be successful alignment must be created, the participants need to work together to realize a solution. Chevron will work to the best of our ability to help make that happen.