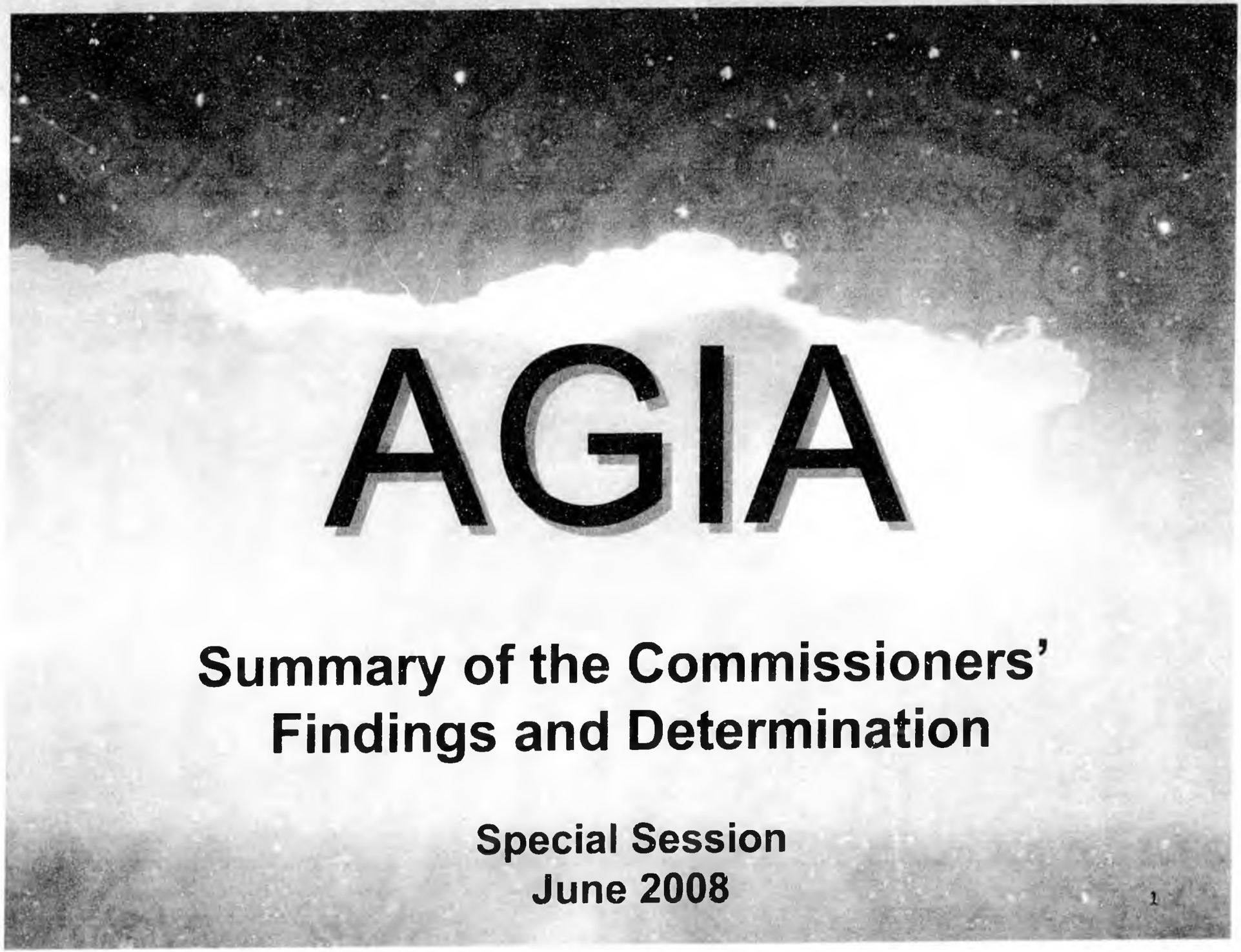
# HB 3001
# SB 3001
# 6/14/08
# SPECIAL SESSION DOCUMENTS




# Summary of the Commissioners' Findings and Determination

**Special Session**
**June 2008**

# Commissioners' AGIA Findings and Determination

AGIA
The Alaska Gasline Inducement Act

- The pipeline project proposed by TC Alaska's application
  - will sufficiently maximize the benefits to the people of Alaska, and
  - merits issuance of an AGIA license.
- Issuing an AGIA License to TC Alaska maximizes benefits to Alaskans more than pursuing an LNG project or the Producers Project.

# Maximizing Benefits to Alaskans

AGIA
The Alaska Gasline Inducement Act

- Get a Pipeline
- Jobs and long-term careers
- Opportunity of affordable energy for Alaskans
- Maximize state revenue and create opportunity for future growth of state economy

# Maximizing Benefits to Alaskans

AGIA
The Alaska Gasline Inducement Act

- Get a Pipeline
  - A feasible project plan, sponsored by a capable pipeline company
  - An economic project likely to attract firm transportation commitments and secure financing
- Jobs and long-term careers
- Opportunity of affordable energy for Alaskans
- Maximize state revenue and create opportunity for future growth of state economy

# Maximizing Benefits to Alaskans

AGIA
The Alaska Gasline Inducement Act

- Get a Pipeline
- Jobs and long-term careers
  - True "open access" for explorers
- Opportunity for affordable energy for Alaskans
- Maximize state revenue and create opportunity for future growth of state economy

# Maximizing Benefits to Alaskans

AGIA
The Alaska Gasline Inducement Act

- Get a Pipeline
- Jobs and long-term careers
- Opportunity of affordable energy for Alaskans
  - Off-Take Points, and Distance-Sensitive Rates
  - Expansion Provisions
  - Does not interfere with "Bullet Line" project
- Maximize state revenue and create opportunity for future growth of state economy

# Maximizing Benefits to Alaskans

AGIA
The Alaska Gasline Inducement Act

- Get a Pipeline
- Jobs and long-term careers
- Opportunity of affordable energy for Alaskans
- Maximize state revenue and create opportunity for future growth of state economy
  - Lowest Reasonable Transportation Rates (tariff)
  - Expansion Provisions

# TC Alaska Project Evaluation

AGIA
The Alaska Gasline Inducement Act

- Economic Evaluation
  - Net Present Value (NPV) to the State
  - NPV to the Producers
- Likelihood of Success

# TC Alaska Project Evaluation

AGIA
The Alaska Gasline Inducement Act

- As allowed in AGIA, TC Alaska's application had alternative project designs based on how much gas was committed at the initial open season
- Analysis considered many different possible designs

# NPV Analysis

AGIA
The Alaska Gasline Inducement Act

- Two "Base Cases" Reported for TC Alaska's Project
  - "Proposal Base Case"
    - 4.5 Bcf/d (including 0.9 Bcf/d from Pt. Thomson)
    - 75/25 debt to equity
    - 14% return on equity
    - 25 year shipping contracts
  - "Conservative Base Case"
    - 4.0 Bcf/d (No gas from Pt. Thomson)
    - 75/25 debt to equity
    - 14% return on equity
    - 20 year shipping contracts

# NPV Analysis

AGIA
The Alaska Gasline Inducement Act

- Factors in NPV Analysis
  - Gas Prices
  - Transportation Costs
    - Pipeline Project Capital Costs
    - Cost Escalation Rates
    - Initial Pipeline Throughput
    - Tariff Terms (e.g. debt to equity ratio)
  - Pipeline Construction Schedule
  - Gas Production Costs

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- Gas Price Models
  - Separate price forecasts were obtained from
    - US DOE's Energy Information Administration (EIA)
    - Wood Mackenzie
    - Gas Strategies Consulting
    - Black and Veatch

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- Project Cost and Schedule
  - "Technical Team", included
    - Westney Consulting
    - Energy Project Consultants
    - Pingo International
    - AMEC Paragon
    - Colt Engineering
    - Mustang Management
    - Energy Operations Consulting
    - Black and Veatch
    - Merlin Associates

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- Project Cost Estimates – Mid-Range
  - Proposal Base Case
    - $31 Billion in today's dollars
      - $3.19 tariff
    - $45 Billion in dollars spent
      - $4.73 tariff
  - Conservative Base Case
    - $29 Billion in today's dollars
      - $3.59 tariff
    - $42 Billion in dollars spent
      - $5.33 tariff

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

## Project Cost Estimates – Why Higher than TC Alaska's?

- Different Purposes – Project Planning vs. Risk Assessment
- TC Alaska's Cost Estimates are "realistically aggressive" and appropriate for project planning
  - Analytical team tested sensitivity of estimates to changed circumstances
- Difference Between Assumptions Mandated in the RFA and the final analysis assumptions
  - Exchange rate, cost escalation rate
- Assumed "Neutral Competence" of Operator
- Cost of the GTP
  - One vs. Two seasons of sea-lift

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- Project Schedule
  - Mid-range probability put first gas in 2020
  - State's Canadian Counsel advised on expected regulatory timeline in Canada, including First Nation issues

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

## Reporting NPV Results – Proposal Base Case

- Gas Prices (WoodMac)
- Transportation Costs
  - Pipeline Project Capital Costs ($31.5 billion)
  - Cost Escalation Rates (4%)
  - Initial Pipeline Throughput (4.5 Bcf/d)
  - Tariff Terms (e.g. debt to equity ratio[75/25])
- Pipeline Construction Schedule (2020)
- Gas Production Costs

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

## Proposal Base Case Results

- The State of Alaska would realize an estimated cash flow of $261.5 billion, and an estimated NPV of approximately $66.1 billion at a discount rate of 5%.
- The Major North Slope Producers would realize an estimated cash flow of $147.4 billion, and an estimated NPV of approximately $13.5 billion at a discount rate of 10%.

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

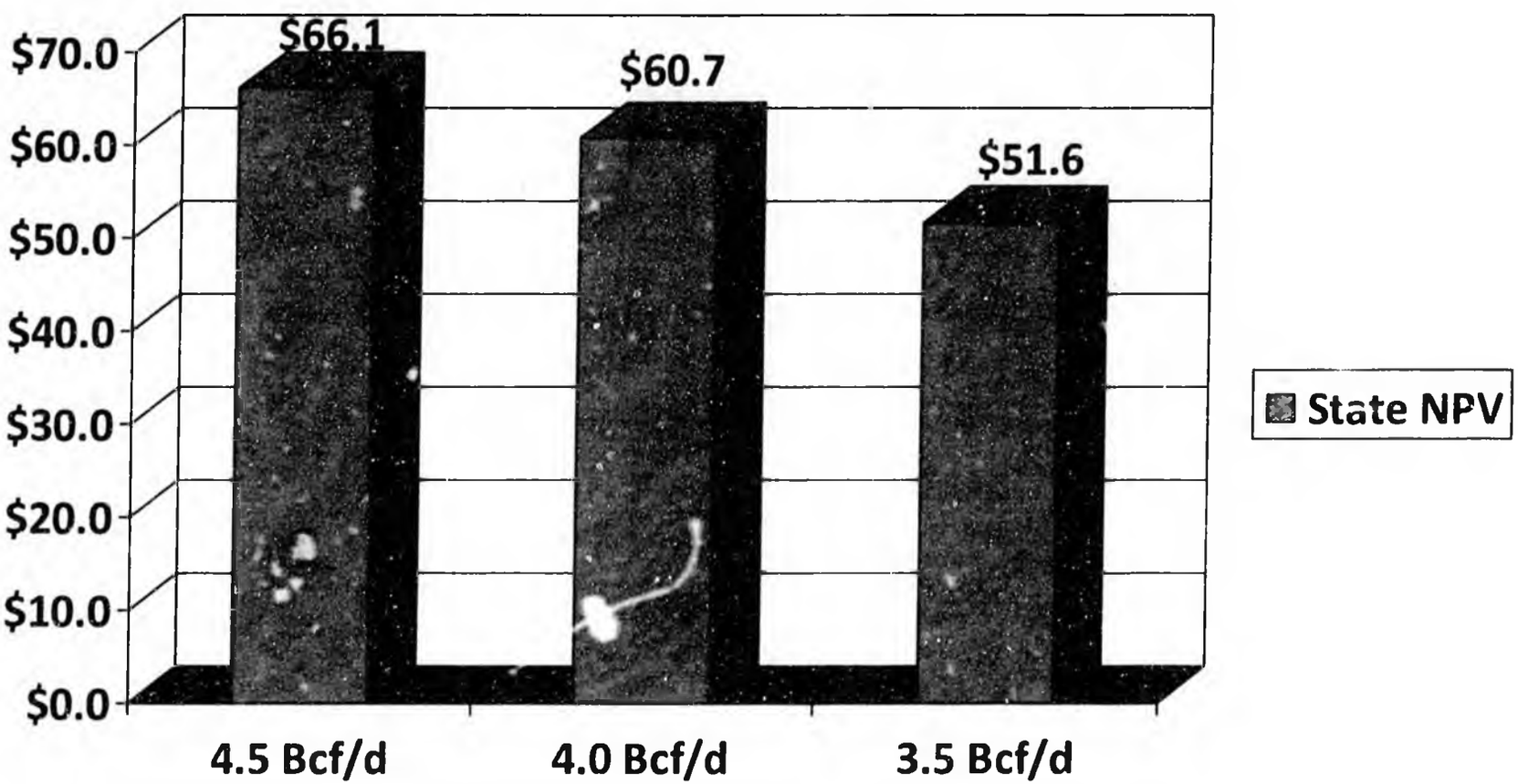
## Conservative Base Case Results

- The State's NPV decreases by 8% from the Proposal Base Case to $60.7 billion.
- The Major North Slope Producers NPV decreases by 9% to $12.3 billion.

# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

## State NPV at Various Initial Throughput



# Project Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- The Project Economics are Extremely Robust
  - It would take a "perfect storm" of worst case scenarios of multiple factors for the Project to be uneconomic to the Producers.
  - Indeed, a "perfect storm" of low gas prices and high construction costs, together, are not enough to generate a negative NPV for the State.

# $500 Million Matching Contribution

AGIA
The Alaska Gasline Inducement Act

## Effect of State's $500 Million Matching Contribution to TC Alaska's Project

- Tariff is reduced by 6 cents
- State's NPV increases by $200 Million

# TC Alaska Project Is Likely to Succeed

AGIA
The Alaska Gasline Inducement Act

- TC Alaska has submitted a plan for its project that is technically feasible, reasonable, and specific.
- TC Alaska has demonstrated the technical and financial ability to construct the project.
- TC Alaska has submitted a reasonable commercial plan which, coupled with economic and political factors, should help to encourage firm shipping commitments

# Attracting Gas Commitments to TC Alaska's Project

AGIA
The Alaska Gasline Inducement Act

- Robust economics and reasonable commercial terms.
- Extremely capable pipeline company.
- State's Upstream Inducements
  - 10-year tax certainty
  - Royalty valuation certainty
- Avoid Problems of Not Committing Gas
  - Duty to develop
  - Anti-trust
  - Congressional Attention
  - Shareholder Questions

# TC Alaska Project Is Likely to Succeed

AGIA
The Alaska Gasline Inducement Act

## Contingent Liability Issue

- Risk of litigation is significantly overstated.
- Potential legal claims by withdrawn partners are, at best, weak and unlikely to succeed.
- Not a reasonable basis for the Major North Slope Producers to refrain from partnering with TC Alaska or contracting with the Project.

# TC Alaska Project Comparisons

AGIA
The Alaska Gasline Inducement Act

- Producer Project (Denali)
- LNG Options

# Denali Project Is More Risky For the State

AGIA
The Alaska Gasline Inducement Act

- Lack of commitments create risks for state
- No certainty on project schedule
  - Likely Anti-trust Challenges
- Undefined tariff terms
  - Example, 50/50 debt to equity increases the tariff by $1 compared to 75/25, costing the state over $8 billion in NPV
- Undefined state fiscal concessions needed for Denali
  - SGDA concessions worth over $10 billion
- No Certainty on Expansion Provisions
  - Producer Incentives to exercise basin control
  - Stifles North Slope basin development
  - Loss of long-term jobs and careers
  - Loss of Potential LNG development

# Producer Pipeline Considerations

AGIA
The Alaska Gasline Inducement Act

- Even if TC Alaska License is issued, Producers can proceed with Denali, commit gas to it, and build it without any additional state concessions
- State has significant interest in attracting Producers to commit gas to TC Alaska's project
  - Expansion Provisions
  - Lowest reasonable tariff - Highest Netback
- State Needs to Use Power of Competition to Protect Alaskans Interests

# LNG Analysis

AGIA
The Alaska Gasline Inducement Act

- Extensive Analysis of LNG economics and likelihood of success
  - Asian market price
  - LNG project costs and schedule
  - How LNG projects are developed
  - Potential hurdles for LNG projects

# LNG Economic Analysis

AGIA
The Alaska Gasline Inducement Act

- Ran economics on both a 2.7 bcf/d and 4.5 Bcf/d projects
- Alaskan LNG is economical and viable
- Confirmed Asian market premium price
- Liquefaction plant costs create an economic drag
- LNG does not provide time or cost savings over TC Alaska project
- State and Producer NPV lower under all stand-alone LNG options than under TC Alaska project

# LNG Likelihood of Success

AGIA
The Alaska Gasline Inducement Act

- LNG is viable, but less likely to succeed without TC Alaska Project
  - Entire project stream, from gas supply, to pipeline, to liquefaction, to tankers, to re-gasification, to gas sales must be negotiated and executed nearly simultaneously
  - Expansions are more difficult because of size
  - Export authorization is a challenge

# Opportunity for "Y line" LNG

AGIA
The Alaska Gasline Inducement Act

- If gas is committed, TC Alaska will transport gas from Delta Junction to Prince William Sound
- LNG project will benefit from TC Alaska's financial and technical capabilities
- State will benefit from supplying gas to both LNG and North American markets
- "Y line" is the best LNG option for the state

# Additional Considerations

AGIA
The Alaska Gasline Inducement Act

- Treble Damages Exposure
- Competition

# Treble Damages Exposure

AGIA
The Alaska Gasline Inducement Act

## $Millions

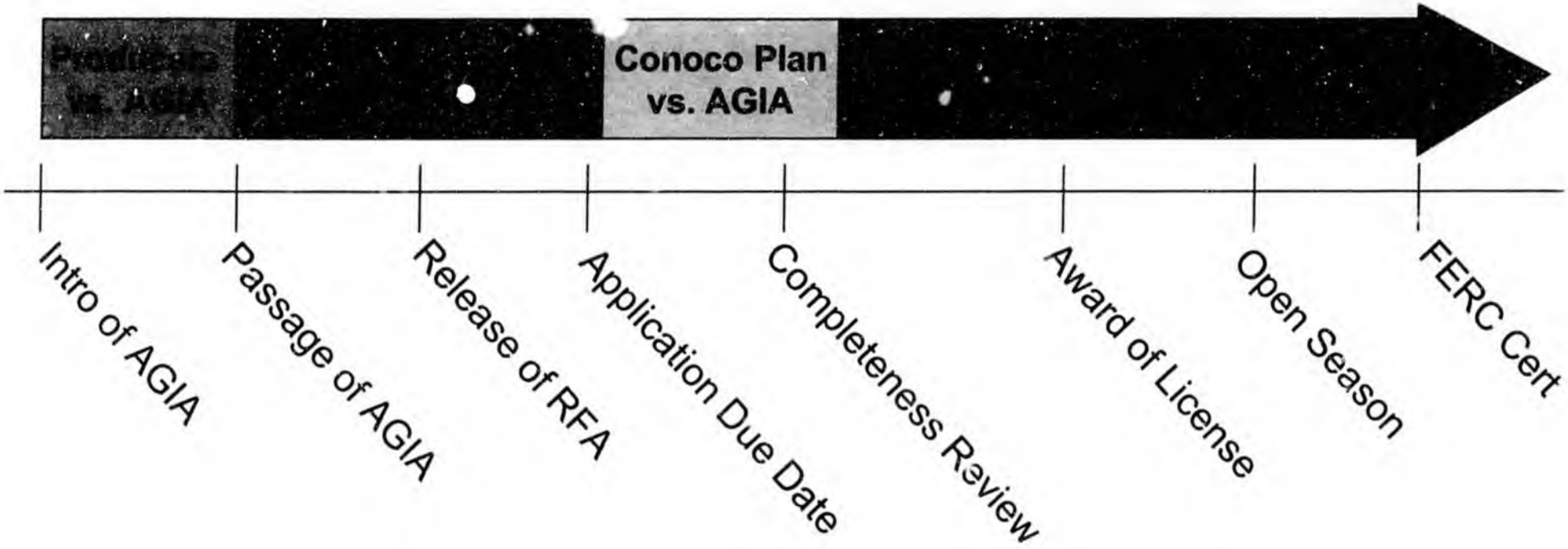
| Year | Annual Spend | State Expenditure | TC Alaska Expenditure | 3x TC Alaska Expenditure | Cumulative State Exposure |
|---|---|---|---|---|---|
| 2008 | $41 | $21 | $21 | $62 | $82 |
| **2009*** | **$42** | **$21** | **$21** | **$63** | **$166** |
| 2009 | $34 | $31 | $3 | $10 | $207 |
| 2010 | $141 | $127 | $14 | $42 | $376 |
| 2011 | $144 | $130 | $14 | $43 | $549 |
| 2012 | $147 | $132 | $15 | $44 | $726 |
| 2013 | $75 | $39 | $36 | $109 | $874 |
| **Total** | **$625** | **$500** | **$125** | **$374** | **$874** |

***Scheduled Open Season**

**Expenditure Schedule Based on TC Alaska Application**

# Competition

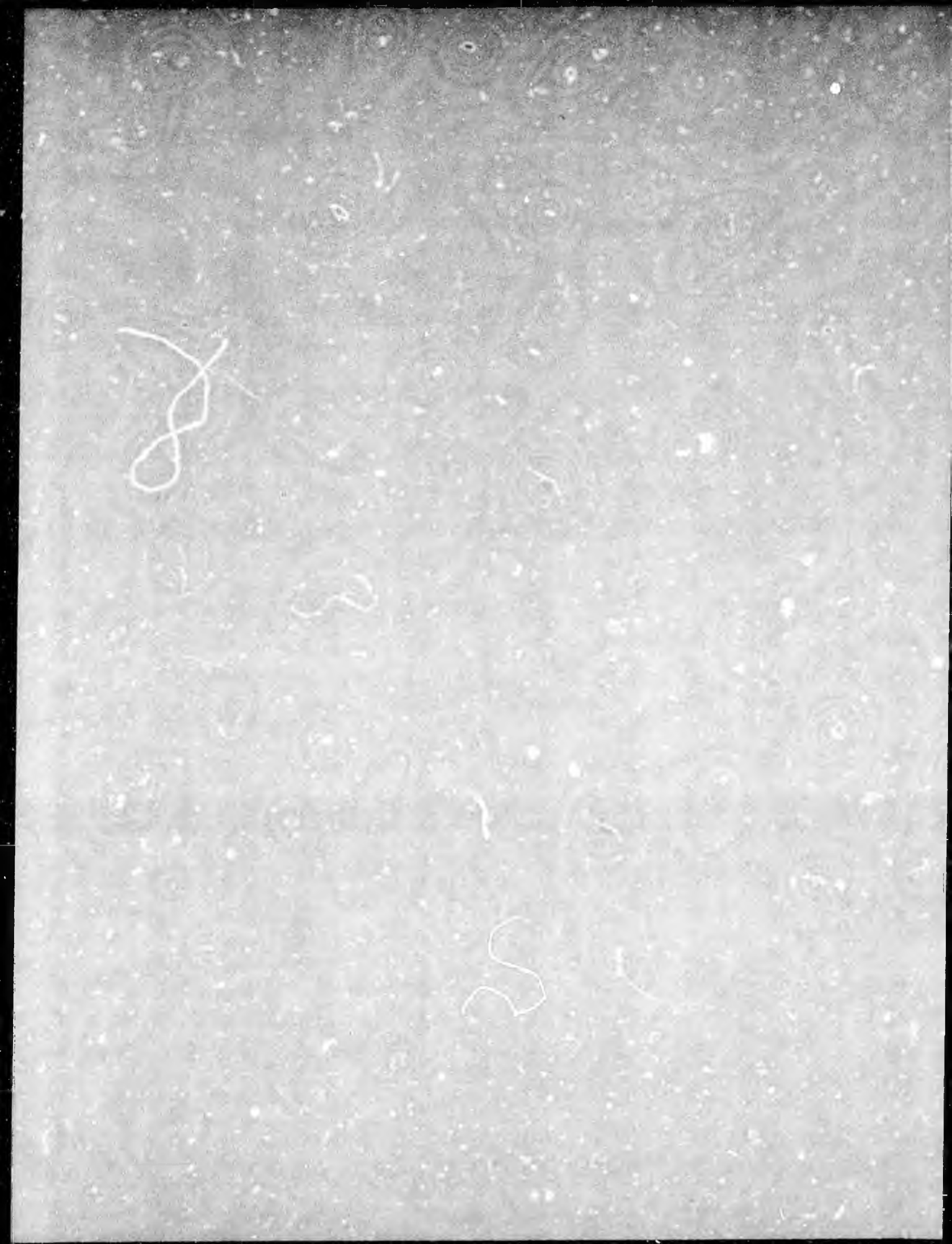
AGIA
The Alaska Gasline Inducement Act

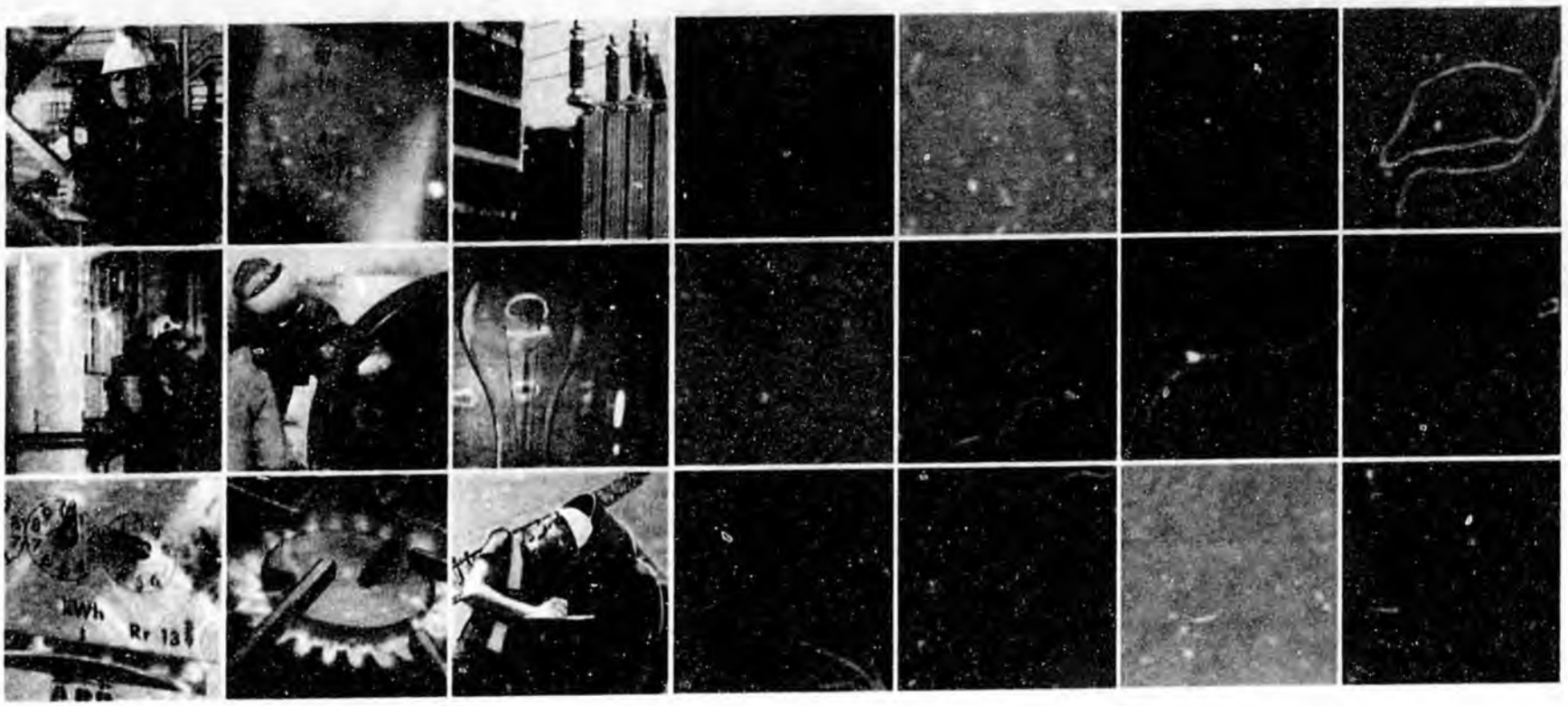


# Summary

AGIA
The Alaska Gasline Inducement Act

- TC Alaska's Project Maximizes Benefits to Alaskans
  - Best Chance to Get a Pipeline
  - Expansion Provisions Provide Best Chance for Jobs and Long-Term Careers for Alaskans
  - Increases Alaskans Opportunity of Affordable Energy
  - Maximizes State Revenue
- TC Alaska's Project is Better for the State than LNG Options and the Producer Project (Denali)





# TransCanada's AGIA Application
# Statewide Legislative Hearings

June / July 2008

TransCanada
*In business to deliver*

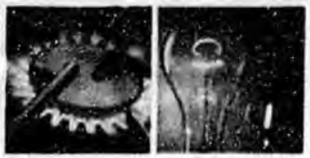
# TransCanada's Objectives – Alaska Project

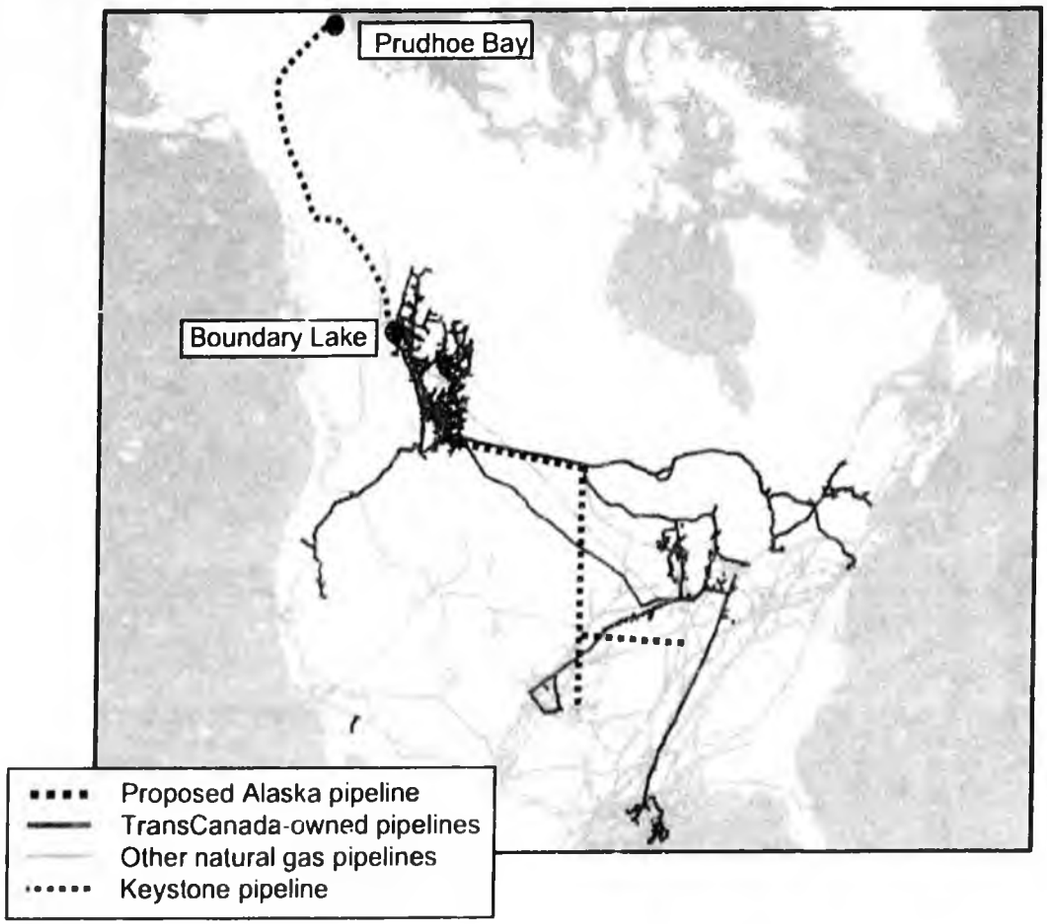
- Early in-service
  - Largest investment opportunity in core business line and geographic footprint
  - Utilize spare capacity on existing North American pipelines
  - LNG market as alternative investment opportunity
- Encourage long-run basin development
  - Serve In-State and other markets
  - Increase market and supply diversity
  - Growth investment opportunities
    - Pipeline expansions can create "virtuous circle"
      - Pipeline expansions promote more exploration and drilling which, if successful, leads to more pipeline expansions
- Equitable treatment for all customers
  - 50-year successful track record of balancing interests
    - Initial and future
    - Large and small



TransCanada

# TransCanada's Credentials



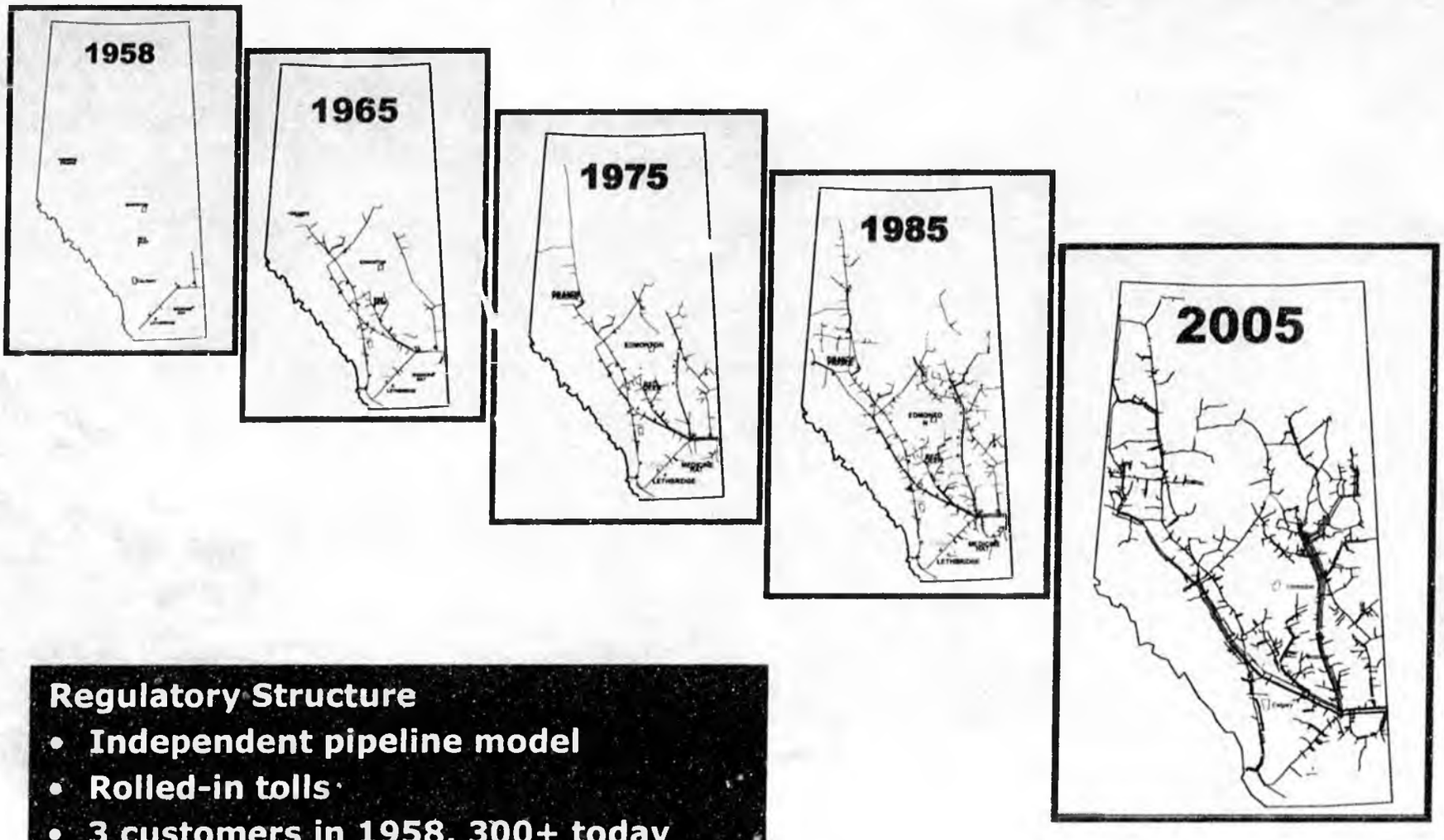



| | TransCanada Total | Alaska Pipeline Project |
|---|---|---|
| Miles of Pipe<br>• in U.S. | 36,500<br>• 12,000 | 1,715<br>• 750 in Alaska |
| Compression Horsepower | 5,370,000 | 750,000<br>• 265,000 in Alaska |
| Throughput Volumes | 15 bcf/d | 4.5 bcf/d |

| | |
|---|---|
| 1957/58<br>TransCanada's Mainline | Original build across Canada<br>2,300 miles |
| 1990s<br>Expansion | 7,000 miles<br>Completed within 0.6% of budget and on schedule |
| 2008 – 2009<br>Keystone Pipe | 2,150 miles<br>New build in U.S. – 1,380 miles |

TransCanada

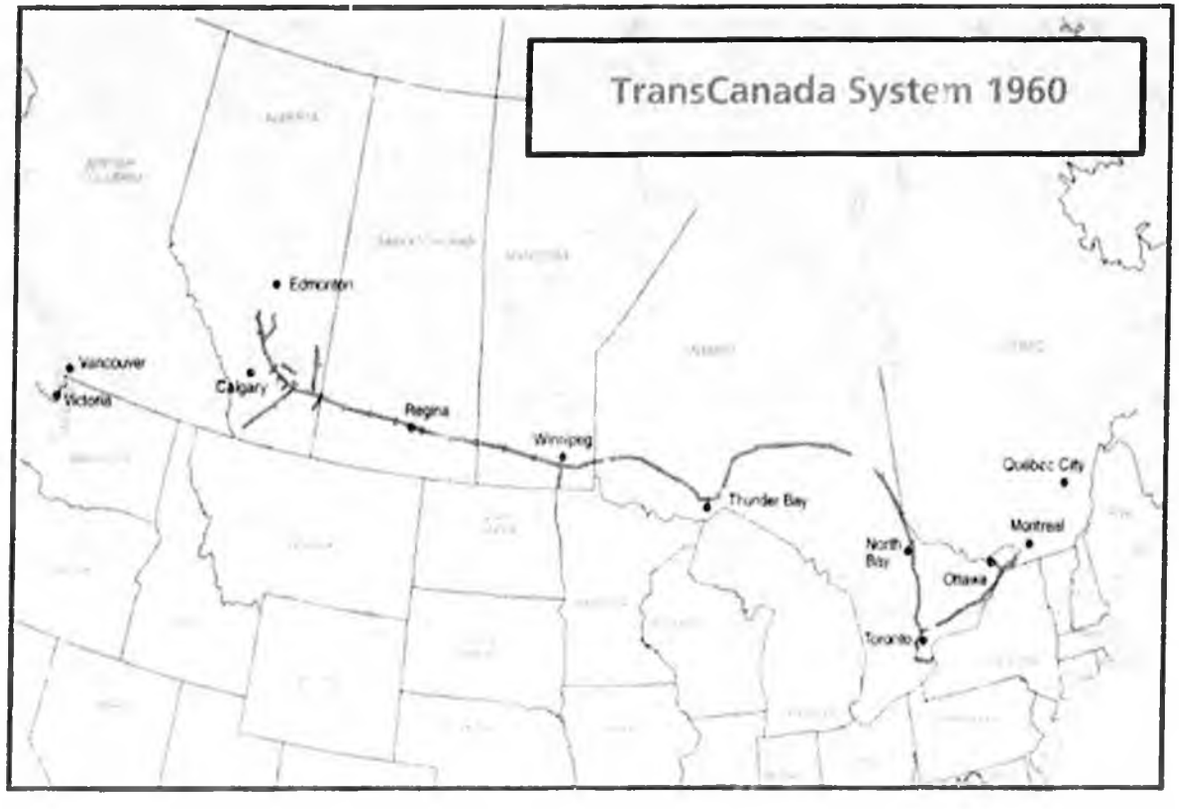
# Proven Basin Developer – Alberta Example




**Regulatory Structure**

- **Independent pipeline model**
- **Rolled-in tolls**
- **3 customers in 1958, 300+ today**

# Proven Basin Developer – Mainline Example 1960







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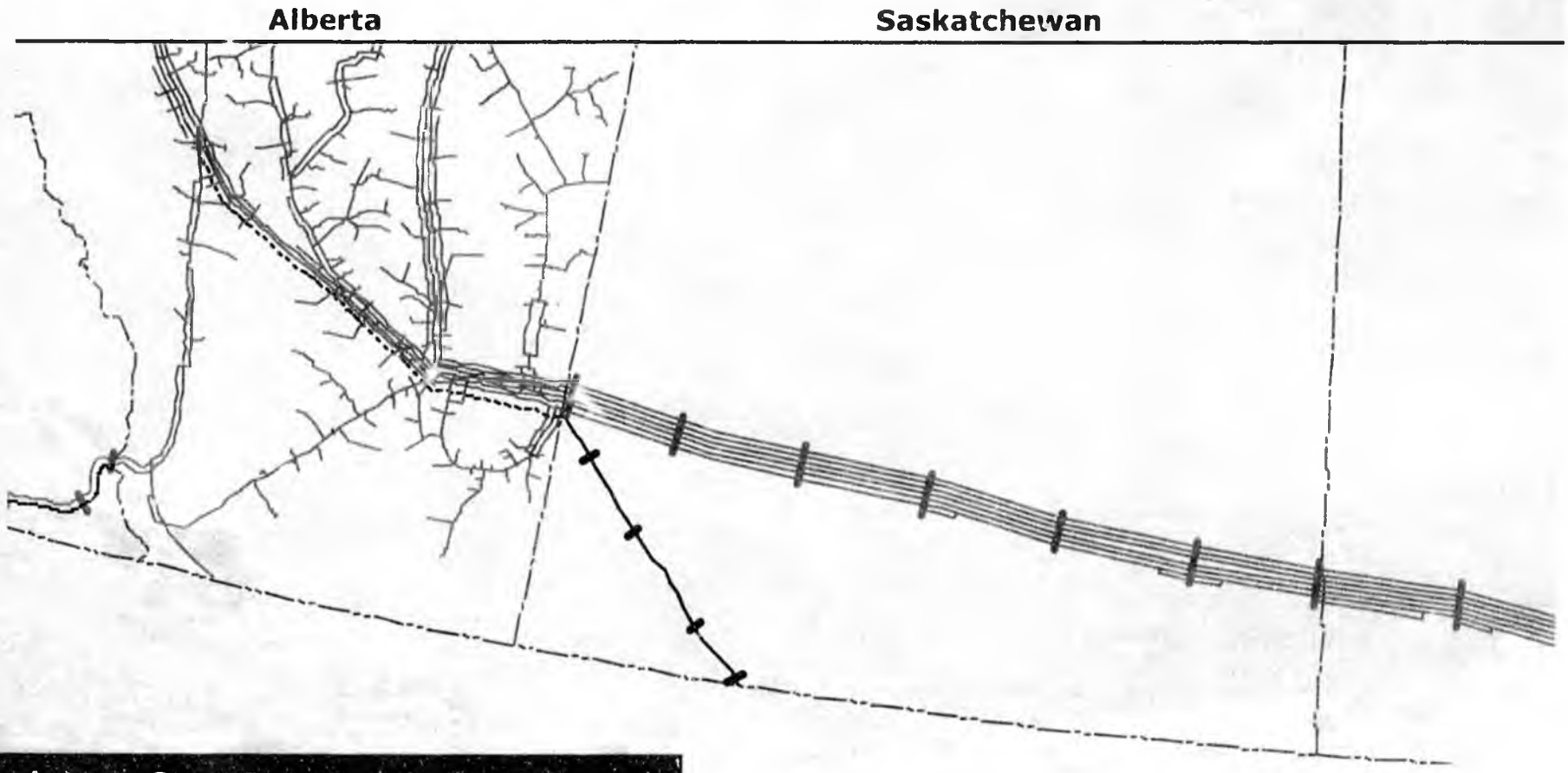
# Proven Basin Developer – Mainline Example 2008




**Regulatory Structure**

- **Independent pipeline model**
- **Rolled-in tolls**
- **3 customers in 1958, 300+ today**

# AGIA "Must Haves"

| AGIA "Must Haves" | TransCanada's Application | Completeness |
|---|---|---|
| 1. Filed by deadline | Filed on November 30, 2007 | ✓ |
| 2. Project details & schedule | Alaska Highway route<br>5 bcf/d GTP and 48" 2500/2600 psi pipe<br>2017 November in-service* | ✓ |
| 3. Open season date certain<br>Apply for FERC pre-filing<br>Apply for FERC CPCN | Completed by Sept. 2009*<br>June 2010* - not contingent on Open Season<br>December 2011* - as above | ✓ |
| 4. RCA filing | N/A | **N/A** |
| 5. Open season frequency | Once every 2 years | ✓ |
| 6. Expansions - Commitment to expand in engineering increments | Yes, 4.5 bcf/d initial design capacity<br>Expandable to 5.9 bcf/d with compression only | ✓ |
| 7. Rolled-in tolls | Up to 115% of initial rates in Alaska<br>Full rolled-in rates in Canada | ✓ |
| 8. Gas treatment plant | TransCanada will build if 3rd parties do not | ✓ |
| 9. State reimbursement | Up to $500 million | ✓ |

* Subject to AGIA license by April 2008

TransCanada

# AGIA "Must Haves"

| AGIA "Must Haves" | TransCanada's Application | Completeness |
|---|---|---|
| 10. Project debt ratio minimum | Construction - 70%<br>Operation – 75% (to reduce tolls) | ✓ |
| 11. Capital cost overrun measures | TransCanada's return reduction (penalty)<br>Potential $18 B loan guarantee (stable tolls) | ✓ |
| 12. In-state deliveries | Min. 5 delivery points | ✓ |
| 13. In-state delivery rates | Distance sensitive rates | ✓ |
| 14. Local headquarters in Alaska | Yes | ✓ |
| 15. Local hire, local businesses, etc. | Opportunities for local hire and businesses | ✓ |
| 16. Waive right to appeal | Waived | ✓ |
| 17. Project labor agreement | Commit to negotiate PLA | ✓ |
| 18. Treatment of State reimbursement | Excluded from r › base | ✓ |
| 19. Details of Applicant | Provided | ✓ |
| 20. Readiness, financial resources and technical ability of Applicant | Proven record and demonstrated capability | ✓ |

TransCanada

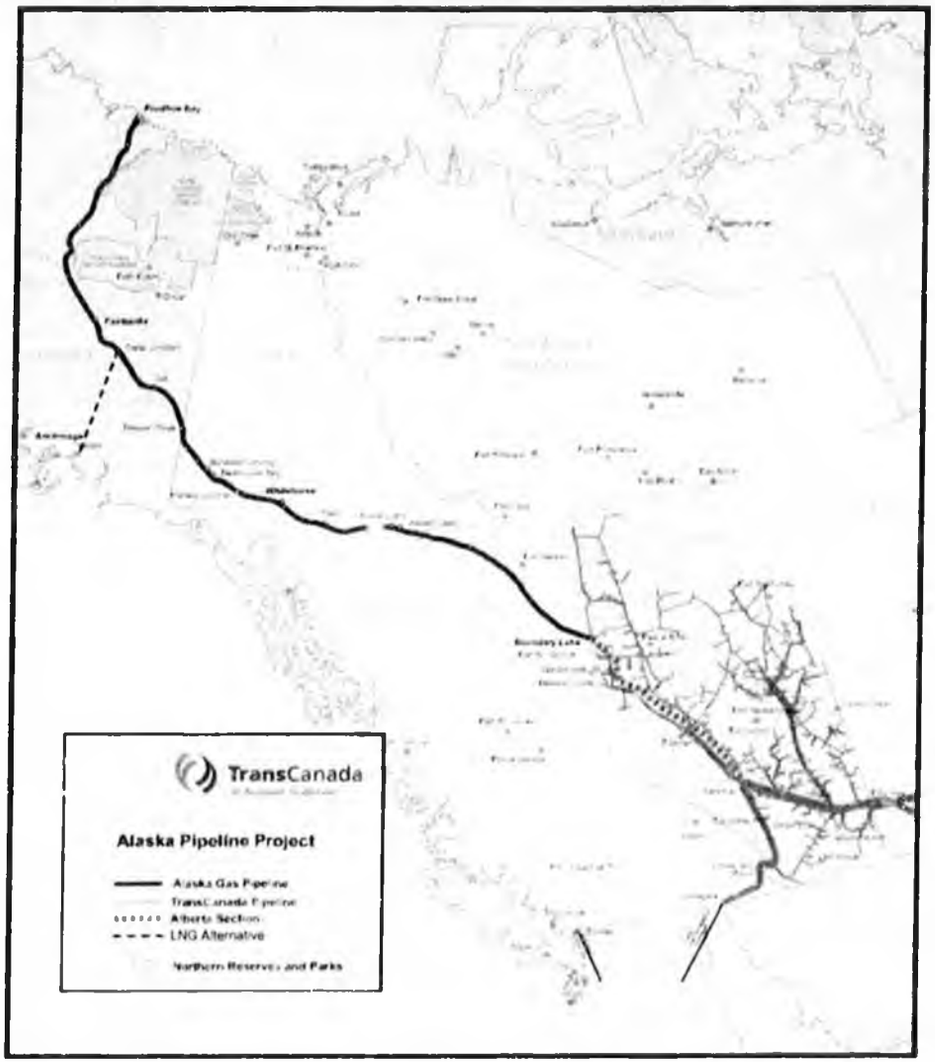
# TransCanada's Competitive Response to AGIA

- TransCanada bid to win – competitive enhancements
  - Initial system design with inexpensive expandability
  - Gas treatment plant ownership, if no 3rd party willing to build
  - Equity opportunity for shippers committing gas in initial open season
  - 75% debt vs. 70% minimum limit in AGIA
    - Toll reduction of $0.09/mmbtu
  - TransCanada's return reduction in event of capital cost overruns
  - Fort Nelson Option upside
    - Toll reduction of $0.13 -$0.18/mmbtu
  - LNG alternative if insufficient gas commitments through Canada , or via Y-line



TransCanada

# Alaska Pipeline Project




- **Alberta Hub is the most liquid market in North America**
- **TransCanada's Alberta System is the Alberta Hub**
- **Access to all North American markets coast-to-coast on TransCanada's existing pipelines**
  - **By 2018, spare takeaway capacity sufficient for full Alaska volumes**
- **One-third of Alaska pipeline in-service as Prebuild moving 3 BCFD**
- **LNG alternative if insufficient gas commitments through Canada or via Y-line**

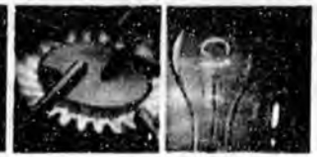
TransCanada

# Project Description

- Gas treatment plant at Prudhoe Bay
  - 5 Bcf/d initial capacity
  - TransCanada will develop/own only if necessary
- Natural gas pipeline from Prudhoe Bay to Alberta Hub
  - 4.5 Bcf/d initial capacity
    - Expansion to 5.9 Bcf/d with compression only
  - More than 1700 miles
  - 48-inch diameter; 2500/2600 psig
- Alberta Hub to Lower 48
  - TransCanada's existing pipeline system in Alberta is the "Alberta Hub"
    - TransCanada's Alberta pipeline is both a physical and commercial system
    - Largest natural gas trading hub in North America
  - By 2018, downstream pipelines projected to have spare capacity for full Alaska volumes

TransCanada

# Project Economics [1]



- Capital costs
  - $26 billion (2007 $US excluding AFUDC)
    - Approximately $0.6 billion for Open Season and regulatory certification
- Tolls
  - $US 2.76/MMbtu in 2018 to the Alberta Hub
    - Levelized negotiated toll for 4.5 Bcf/d in nominal dollars, including fuel
  - Expansion Tolls
    - Rolled-in tolls in Canada
    - Rolled-in tolls in Alaska up to 115% of initial tolls, including fuel

[1] Based on information provided by the State and current TransCanada estimates



TransCanada

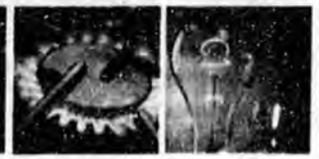
# Financial Parameters

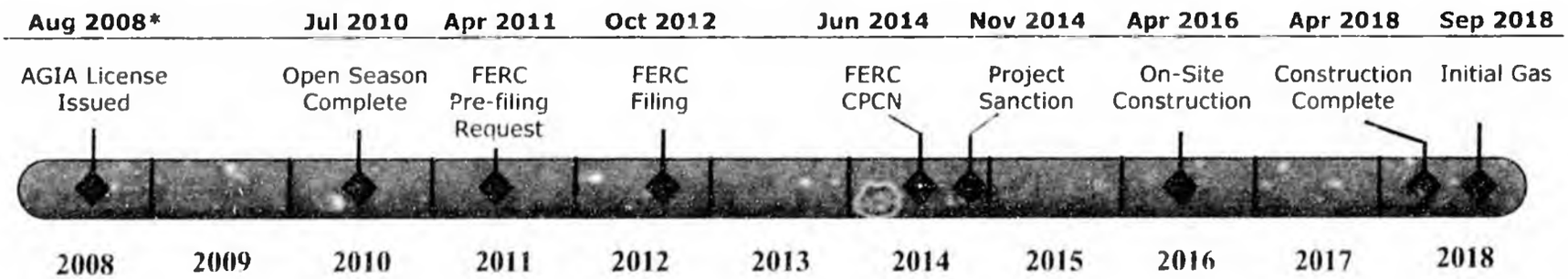
- Debt/Equity Ratio
  - 70/30 during construction
  - 75/25 upon completion of initial project
  - 60/40 for all expansions
- Return on Equity
  - U.S. 10-year Treasury Note plus 965 basis points
  - TransCanada's ROE will be adjusted downward in first 5 years by up to 200 basis points in the event of CAPEX overruns
- Fuel
  - 7.9% including GTP from Prudhoe Bay to Alberta Hub
  - $US 0.35/MMbtu in 2018 @ 4.5 Bcf/d



TransCanada

# Project Schedule






* AGIA license assumed to be issued in August 2008



TransCanada

# Partnership Opportunity

- TransCanada will offer equity opportunity to Shippers in the initial Open Season that subscribe for a threshold volume
  - Should improve likelihood of success and alignment of interests between project sponsors and Shippers



TransCanada

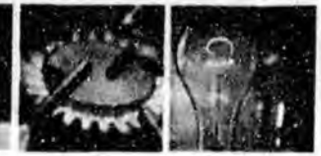
# Upstream Fiscal Terms

- TransCanada's AGIA obligations are not conditional on a review of Alaska's upstream fiscal terms.
- TransCanada acknowledges that this issue is between the State and natural gas producers.
  - TransCanada requests that the State review upstream fiscal terms for natural gas prior to the initial open season.



TransCanada

# Other Project Components

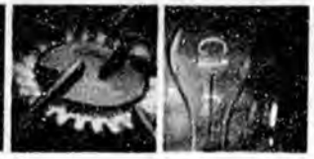


- Natural Gas Liquids (NGLs) Extraction
  - TransCanada can accommodate NGL extraction in Alaska or downstream
  - TransCanada's Alberta system is straddled by three NGL complexes owned by third parties
  - Excess capacity expected at those plants sufficient to process Alaskan gas if Shippers so choose
- LNG Alternative
  - TransCanada is willing to offer gas treatment and transportation services from Prudhoe Bay to an LNG terminal should insufficient gas be committed through Canada or via a Y-line



TransCanada

# Regulatory Structure



- Alaska
  - TransCanada Alaska Company, LLC will proceed under Alaska Natural Gas Pipeline Act of 2004
- Canada
  - Foothills Pipe Lines Ltd. will proceed under the Northern Pipeline Act (NPA)
- Canada/U.S. Treaty
  - The pipeline will follow the route set out in the Treaty and the NPA



TransCanada

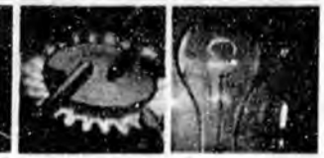
# AGIA "Must-haves" Promote Basin Development

- Rolled-in tolls up to 115% of initial rates in Alaska
- Open Season every 2 years
- In-State deliveries
  - Distance-sensitive tolls
  - Minimum 5 delivery points
- Low equity ratio requirement for pipeline sponsors
- State fiscal incentives (if any) targeted to AGIA pipeline shippers



TransCanada

# Long-run Basin Development – Pipeline Expansions



- Value to Producers / Governments?
- Does Alaska have enough gas?
- Drilling impacts?
- Impact of rolled-in tolls?



TransCanada

# Value of Potential Expansions ($Billions)[1]

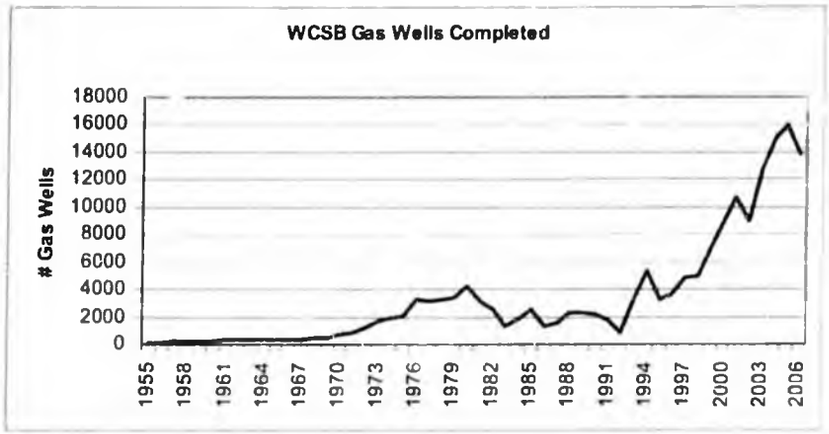
| | Producer/Govts. Total Revenue * | Expansion Value |
|---|---|---|
| Base Project | | |
| - 25 years @ 4.5 Bcfd | $350 Billion | |
| Expansions | | |
| Case I | | |
| - Base volumes for 10 years (4.5 Bcf/d) | | |
| - 30% expansion for 25 years (5.9 Bcf/d) | $600 Billion | $250 Billion |
| Case II | | |
| - Base volumes for 10 years (4.5 Bcf/d) | | |
| - 60% expansion for 25 years (7.2 Bcf/d) | $700 Billion | $350 Billion |

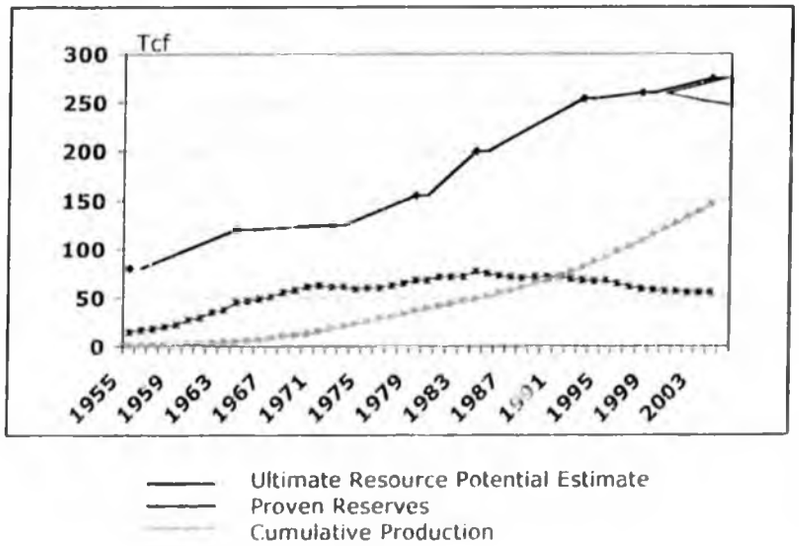
[1] Assumes annual average netback of $6.89/MMbtu

* Direct revenue only
  - no indirect impacts from additional E&P activity and spin-offs

TransCanada

# Basin Development – Western Canada Example



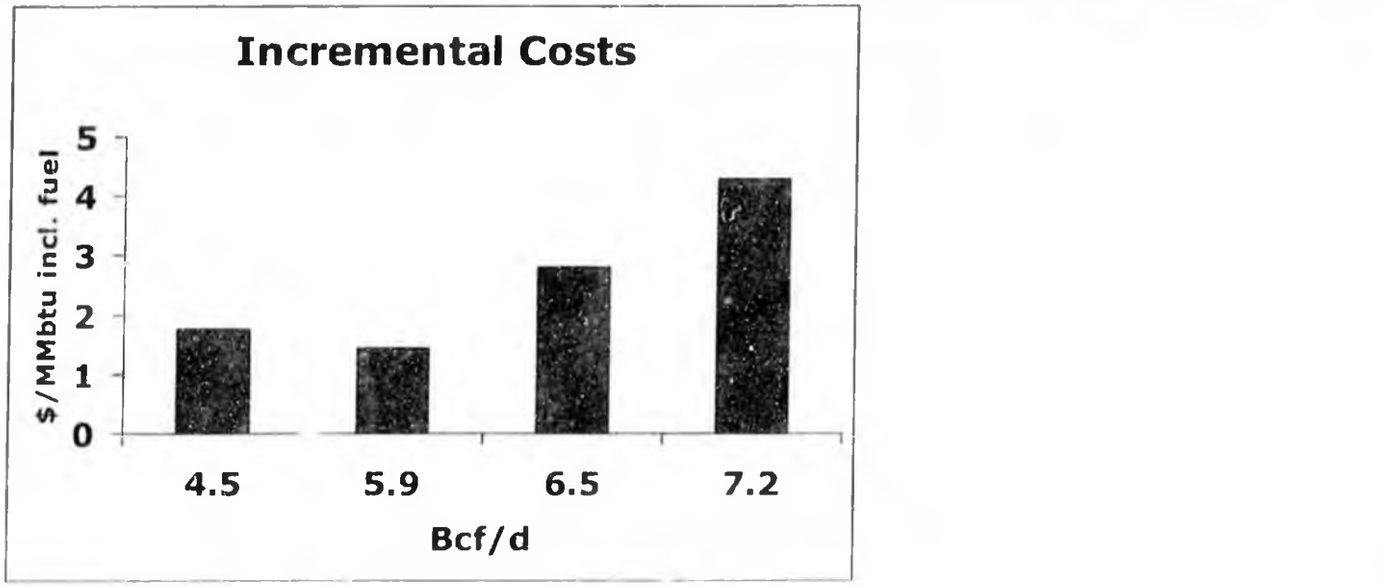




- Pipeline expansion can create "virtuous circle"
  - More exploration and drilling
  - If successful, leads to more pipeline expansion
- Exploration and drilling drives service industry and employment over long term



TransCanada

# Impact of Rolled-in Tolls?




Alaska & Yukon-B.C. sections only

Assumed Volumes: 4.5 Bcf/d years 1 & 2
5.9 Bcf/d years 3 & 4,
6.5 Bcf/d years 5 & 6,
7.2 Bcf/d years 7 & beyond

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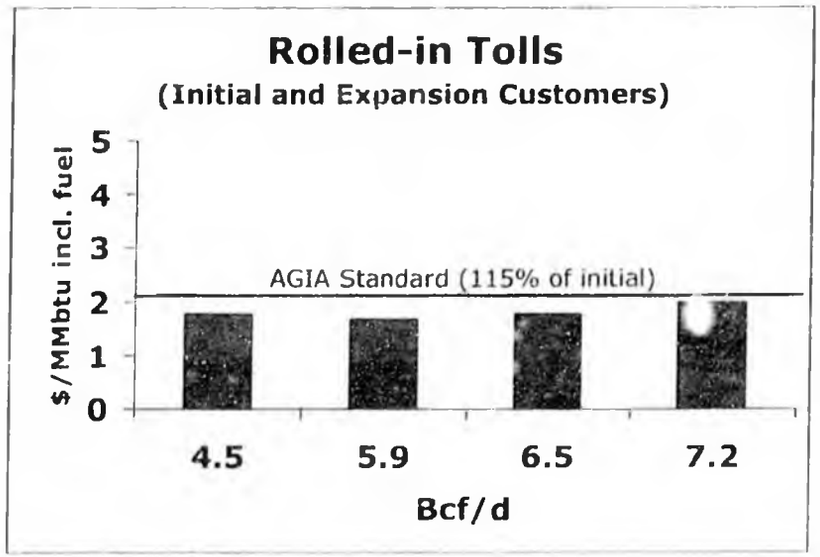
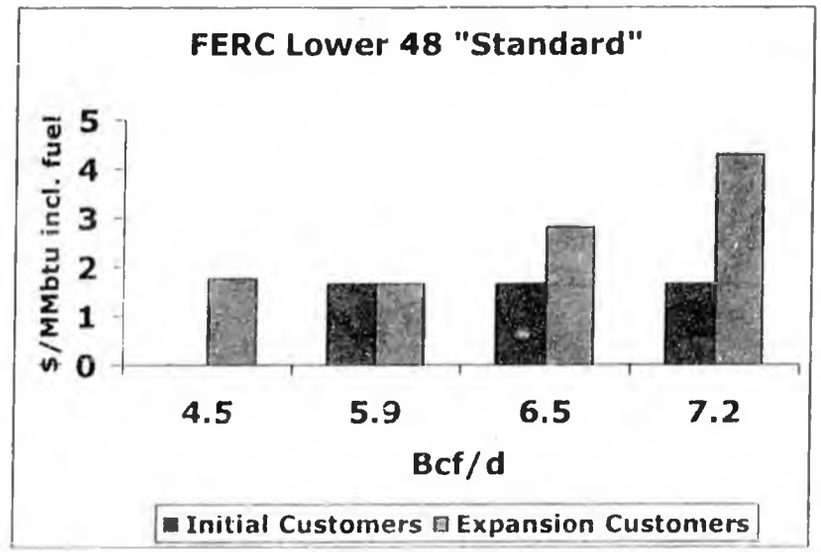
# Impact of Rolled-in Tolls?




- Rolled-in tolls increase chance of expansions above 5.9 Bcf/d
  - 35% lower tolls for expansion customers to 6.5 Bcf/d
  - 50% lower to 7.2 Bcf/d

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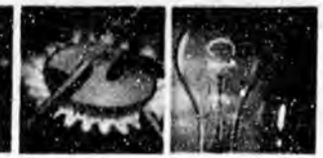
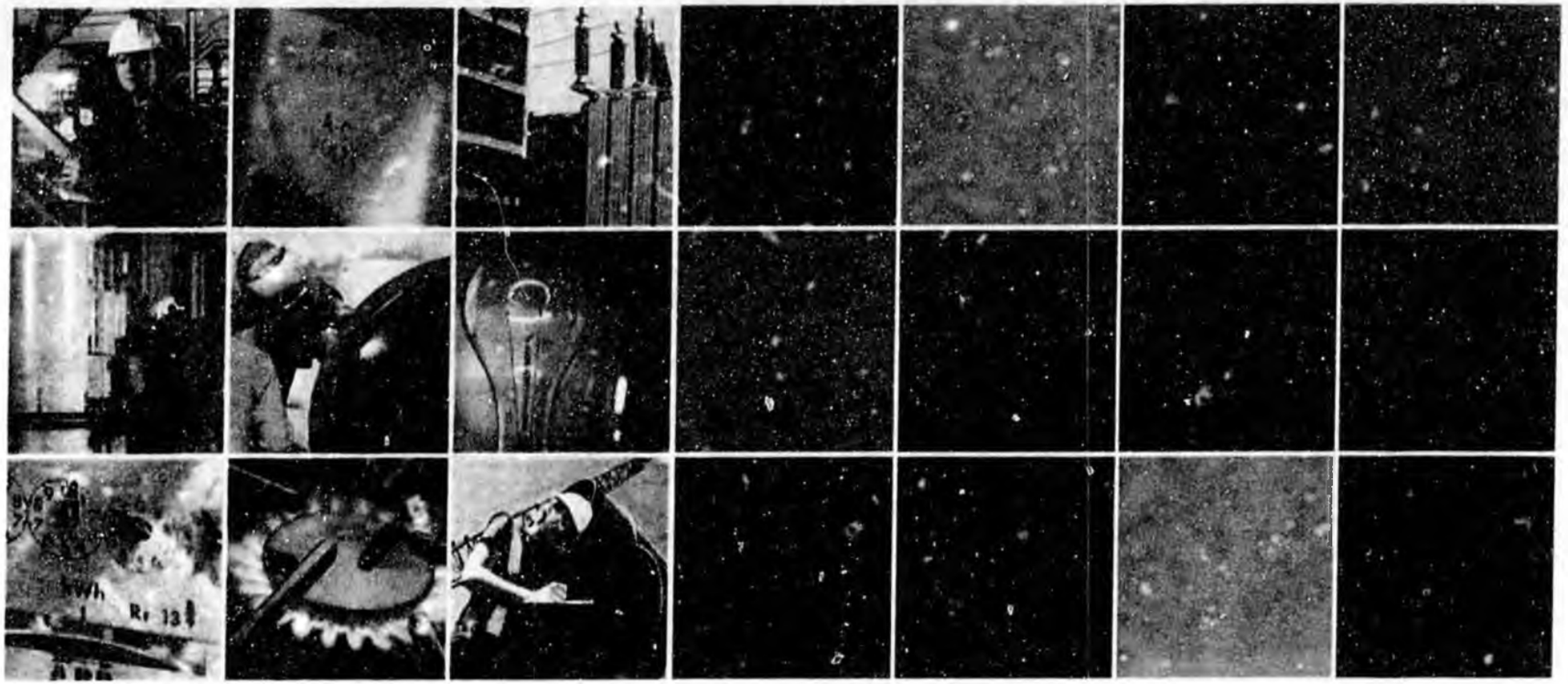
# Summary



- Last year, the Administration and Legislature established AGIA as Alaska's transparent and competitive process to advance a gas pipeline project
  - AGIA was structured to encourage:
    - Construction of base project
    - Long-run basin development
    - Open access terms for:
      - Initial and future shippers
      - In-State, Lower 48, and LNG markets
- TransCanada has the credentials and capacity to build, own, operate and expand the project
- TransCanada's objectives are aligned with AGIA
  - Early in-service
  - Long-run basin development
  - Open access – equitable treatment for all customers



TransCanada



# Thank You

TransCanada

*In business to deliver*

DENALI
the alaska gas pipeline

June 15, 2008

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., PJ-11
Washington, DC 20426

Re: Docket No. PF08 - ___ - 000
Pre-filing Process
Denali – The Alaska Gas Pipeline Project

Dear Ms. Bose:

Denali – The Alaska Gas Pipeline LLC ("Denali") has been formed to pursue a project (the "Denali Project") to construct and operate an Alaska natural gas transportation system as defined by Section 103 of the Alaska Natural Gas Pipeline Act ("ANGPA"). This letter requests approval to use the pre-filing procedures pursuant to 18 CFR 157.21(b) and consistent with 157.21(d) and (f) as otherwise specified by Commission staff during our initial consultation on the Denali Project.

This request is being submitted much earlier in the process than is normally the case with major pipeline projects. Because of the scope of the Denali Project, project design and application development will require a much longer time period (approximately 36 months) than is typically the case. Taking into account the extended pre-application period, and because Denali was only recently formed and is still being staffed, we have not initiated a number of the activities that are normally required in Section 157.21(d), nor will we meet the timelines contemplated by Section 157.21(f). However, as was suggested by Commission staff during our initial consultation on the Denali Project, initiating the pre-filing process now will be beneficial by enabling Denali and the Commission to exchange information and coordinate planning and activities to insure a timely and efficient application development and review process.

As required by Section 157.21(b)(1), Denali provides the following information in support of this request.

1. ***A description of the schedule desired for the project including the expected application filing date and the desired date for Commission approval, including at least six months of pre-filing review (Section 157.21(d)(1)).***

The current estimated schedule for the Denali Project is attached as Exhibit A. Assuming a successful open season within that schedule, Denali would expect to submit its complete application to the Commission in August 2011. Consistent with the expedited process contained in Section 104(d) of ANGPA, Denali would desire Commission approval no later than August 2013.

2. ***An explanation of why the prospective applicant is requesting to use the pre-filing process under this section (Section 157.21(d)(3)).***

Denali submits this request to use the Commission's pre-filing process under Section 157.21 in order to engage the Commission early in the process and facilitate staff involvement in the environmental data collection and in the development of and participation in Denali's Public Participation Plan.

The Denali Project will be one of the largest construction projects in North American history, making early engagement between Denali and Office of Energy Projects particularly valuable, even before development of all of the information normally available at the time of a pre-filing request.

It is important to note that at this early point, Denali is not in a position to supply all of the information required by Section 157.21(d), or to meet the timelines contemplated by Section 157.21(f). As a result, Denali requests that the staff and Denali jointly develop modifications to the normal informational and scheduling procedures in order to reflect and accommodate the Denali Project schedule attached in Exhibit A.

3. ***A detailed description of the project, including location maps and plot plans to scale showing all major project components. The maps and plot plans should not include CEII material (Section 157.21(d)(4)).***

The plans for the Denali Project include (i) transmission pipelines to transport gas from where produced to connections with other portions of the Denali system, (ii) a stand-alone gas treatment plant (GTP) on the Alaska North Slope where gas will be processed to remove impurities, as appropriate, and the residue gas chilled, and (iii) a 48 to 52 inch pipe capable of transporting approximately 4.0 bcf/d of gas at approximately 2,500 psi. The pipeline will generally follow the Dalton Highway south to Fairbanks where it will follow the Alaska Highway southeast to the Canadian border.

At the Canadian border, the pipeline will connect to a pipeline to be constructed by Denali affiliates in Canada that would be capable of transporting natural gas from the Canadian border into Alberta. If additional capacity is needed to accommodate the delivery of the gas into the U.S., the Canadian affiliates may also construct a pipeline from Alberta southeast to the U.S. border, in which case, the Project would include a pipeline from the U.S. border across parts of North Dakota, Minnesota, Iowa and Illinois to the Chicago area.

A general map of the preliminary pipeline route is attached as Exhibit B. At this early stage of the process, the Denali Project is not able to provide plot plans. These plot plans will be provided when available.

4. ***A list of the relevant federal and state agencies in the project area with permitting requirements (Section 157.21(d)(5)).***

A preliminary list of the federal and state agencies in the Denali Project area with permitting responsibilities is attached as Exhibit C. This list will be supplemented as the detailed route is developed and additional information becomes available.

5. ***A statement indicating that those agencies are aware of the prospective applicant's intention to use the pre-filing process (including contact names and telephone numbers) (Section 157.21(d)(5)(i)).***

Denali is notifying the agencies listed in Exhibit C that it has submitted to FERC a request to commence the pre-filing process by providing them with a copy of this letter.

6. ***A statement indicating that those agencies have agreed to participate in the process (Section 157.21(d)(5)(ii)).***

In June 2006, a Memorandum of Understanding (MOU) related to the Alaska Natural Gas Transportation Project was entered into by federal agencies regarding regulatory and other responsibilities relevant to an Alaska natural gas transportation project such as the Denali Project. As part of the MOU, the signatory agencies committed to participate in and work within a pre-filing time frame set by the Commission to identify and seek to resolve issues at the earliest stages of project development for an Alaska natural gas transportation project.

Potentially, there are some federal agencies with jurisdiction over portions of the project that are not a signatory to the MOU. Alaska state agencies also will have jurisdiction over some aspects of the Denali Project. Denali will supplement this statement as it identifies

and engages these additional agencies on their agreement to participate in the pre-filing process.

7. ***A statement indicating how the applicant has accounted for agency schedules for issuance of federal authorizations (Section 157.21(d)(5)(iii)).***

   Denali has not yet begun the agency involvement process. Denali will account for agency schedules for federal authorizations as the agency involvement process unfolds, and once completed, will supplement this statement.

8. ***A statement indicating when the applicant proposes to file with these agencies for their respective permits or other authorizations (Section 157.21(d)(5)(iv)).***

   Denali has not yet initiated the agency involvement process and, because of the extended initial preparation and design phases, is not yet able to provide this statement. Denali will supplement this statement as it identifies when it proposes to file with the relevant agencies for the appropriate permits or other authorizations.

9. ***A list and description of the interest of other persons and organizations who have been contacted about the project (including contact names and telephone numbers) (Section 157.21(d)(6)).***

   Although Denali has not yet developed a stakeholder engagement plan, Denali has contacted landowners and agencies along that portion of the pipeline corridor where Denali intends to conduct preliminary field studies in the summer of 2008. A list and description of the interest of such persons (including contact names and telephone numbers) is attached as Exhibit F. This request will be supplemented with a list and description of other persons and organizations that have been contacted about the Denali Project (including contact names and telephone numbers).

10. ***A description of what has already been done, e.g. contacting stakeholders, agency consultations, project engineering, route planning, environmental and engineering contractor engagement, environmental surveys/studies, and open houses (Section 157.21(d)(7)).***

    Contacting stakeholders and agency consultations:
    Denali will engage in preliminary field studies along portions of the anticipated pipeline corridor during the summer of 2008. Preparation

for the 2008 preliminary field studies required initiation of the following activities.

Landowner contacts:
ConocoPhillips, whose affiliate is one of the members of Denali, began contacting landowners along the portion of the preliminary route not co-located with TAPS (primarily from Delta Junction, Alaska to the US/Canada border) on behalf of the Denali Project in April 2008. These contacts continue at this time, and are made for the purpose of obtaining access and permission to conduct preliminary field studies.

Agency Consultations:
Also as part of obtaining access approvals for the preliminary field studies, a number of state and federal agencies have been contacted to discuss required permits for this activity. A list of these contacts is provided in Exhibit D.

Project Engineering, Route Planning, Contractor Engagement, Surveys and Studies:
The Denali Project will use and build upon a study conducted by the Alaska Gas Producers Pipeline Team (AGPPT) in 2001 and 2002.

Open Houses:
Open houses have not yet been scheduled for the Denali Project.

***11. Identification of the environmental and engineering firms and sub-contractors under contract to develop the project (Section 157.21(d)(7)).***

At this time, a number of environmental and engineering firms and sub-contractors are under contract specifically to assist with the 2008 preliminary summer field studies (Exhibit E). Exhibit E will be amended and supplemented to identity contractors and sub-contractors for future environmental and engineering work after those contracts are completed.

***12. Proposals from at least three prospective third-party contractors from which Commission staff may make a selection to assist in the preparation of the requisite NEPA document, or a proposal for the submission of an applicant-prepared draft Environmental Assessment, as determined through the initial consultation (Section 157.21(d)(9)).***

Denali commits to fund a third party contractor to assist the Commission in the development of the Environmental Impact Statement required under NEPA. Denali will initiate the selection

process for the contractor under the direction of Commission staff. We expect this will occur before the end of 2008.

***13. Acknowledgement that a complete Environmental Report and complete application are required at the time of filing (Section 157.21(d)(10)).***

In accord with Section 157.21(d)(10), Denali acknowledges that a complete Environmental Report and complete Certificate Application are required at the time of filing.

***14. A description of a Public Participation Plan which identifies specific tools and actions to facilitate stakeholder communications and public information, including a project website and a single point of contact (Section 157.21(d)(11)).***

Denali is committed to stakeholder communications and effective public outreach and is currently developing a Public Participation Plan that identifies the specific tools and actions used to facilitate stakeholder communications and public information. At this time, Denali has established a project website, but has not yet established a single point of contact. This request will be supplemented at the time the Public Participation Plan is completed.

All requests from, and responses to, federal and state permitting agencies will be appropriately addressed and responded to by Denali. As the lead agency, FERC will be copied by Denali on all pertinent correspondence.

At a minimum, the plan will include Denali's commitment to:

- Host public open houses;
- Distribute periodic news letters to affected landowners and interested stakeholders;
- Meet regularly with elected officials and community leaders in the project area;
- Maintain a stakeholder contact and public/agency correspondence log; and
- Post information in local newspapers and at local libraries.

The Denali Project website can be accessed at:

**http://www.denali-thealaskagaspipeline.com/.**

Once the Public Participation Plan is complete, this website will be expanded to include all the pertinent information on the Denali Project.

Until the Denali organization is staffed and a single point of contact is established, please contact both Lisa Pekich at ConocoPhillips (907-265-1173) and Gary "Gus" Gustafson at BP (907-339-4918). Once the organization is staffed, a single point of contact for stakeholder communications and public information will be established and the contact information for that person will be substituted.

In summary, we look forward to working closely and cooperatively with the Commission staff during the pre-filing process. Thank you for your timely consideration of this request.

Sincerely,

Bud E. Fackrell, President
Denali – The Alaska Gas Pipeline LLC

Cc: Mark Robinson, FERC
Lauren O'Donnell, FERC
Mike Boyle, FERC

Attachments:

Exhibit A – Denali Project Success Case Schedule
Exhibit B – General Denali Project Map
Exhibit C – State and Federal Agencies with Permitting Responsibilities
Exhibit D – List of Agency Consultations (2008 Summer Field Studies)
Exhibit E - List of Environmental/Engineering Contractors (2008 Summer Field Studies)
Exhibit F - List of Contacts for Preliminary 2008 Field Studies