

MUNICIPAL ADVISORY GAS PROJECT REVIEW BOARD

September 30, 2014

9:05 a.m.

Taken at:

Alaska Industrial Development
and Export Authority (AIDEA)
813 West Northern Lights Boulevard
Board Room
Anchorage, Alaska

MUNICIPAL ADVISORY GAS PROJECT REVIEW BOARD:

Commissioner Angela Rodell, Chair
Commissioner Susan Bell
Commissioner Joe Balash
Mayor Clay Walker
Mayor Larry DeVilbiss
Mayor Luke Hopkins
Mayor Michael Navarre
Robert Bartholomew
Robert Venables
John Bitney

Others participating:

Deputy Commissioner Mike Pawlowski
Stephanie Alexander, Department of Revenue
Steve Butt, Alaska LNG
Jack Beatty, Alaska LNG
Sara Fisher-Goad, Alaska Energy Authority
Sandra Moller, Alaska Energy Authority
John Woodman, Department of Law
Corey Mills, Department of Law (via telephone)

PROCEEDINGS

CALL TO ORDER

COMMISSIONER RODELL stated that it was 9:05 and there was no quorum to get started with the official business of the Municipal Advisory Gas Project Review Board. She stated that it would start as an informal workshop until there is a quorum and began with a presentation by the Alaska LNG project. She recognized Steve Butt, who would be making the presentation and thanked him for coming.

MR. BUTT stated that he has been in the industry for about 30 years, and gave a short background of projects he had been involved in.

COMMISSIONER RODELL asked everyone to go around and introduce themselves. She then asked Mr. Butt if the members could interject questions during the presentation.

MR. BUTT replied that he was comfortable with as much dialogue as possible.

COMMISSIONER RODELL did a quick roll call, and then asked for a motion to approve the agenda.

COMMISSIONER BELL made a motion to approve the agenda.

MAYOR DeVILBISS seconded.

There being no objection, the motion was approved.

COMMISSIONER RODELL moved to the minutes from the meeting of September 11, 2014, and asked for a motion to accept them.

MR. VENABLES made a motion to accept the minutes of the September 11, 2014, meeting.

MR. BARTHOLOMEW seconded.

There being no objection, the motion was approved.

COMMISSIONER RODELL recognized Steve Butt.

MR. BUTT stated that from a safety, health and environmental perspective, there have been good environmental and health results with no incidents. He continued that health is a big deal because any illness that gets into a camp can be debilitating for the entire environment. He moved on to the executive summary and a couple of highlighted bullets of what the project has accomplished in the last several months. He stated that a pre-FEED team is being built up, which includes all the people needed to do the work, the project design, get the permits; people were nominated for every job. He went into greater detail of the process, and added that no one

has ever built a project like Alaska LNG before, because no one has ever built a gas line this large in the Arctic Circle or in North America.

MR. BARTHOLOMEW stated that the contracts that should be in place by the end of October are the results of some competitive pool, and he asked if the delivery of those contracts were needed to accomplish the pre-FEED phase.

MR. BUTT replied affirmatively, and continued that some of the groups are led by global companies and some are led by Alaskan companies. He introduced Jack Beatty, the pipeline manager, who has identified the range of resources and a large group of companies that he will work with. He moved on to the JVA and explained why it is not in the public domain. He continued that the Alaska LNG project has a unique characteristic of being the only project that is working with the State as a participating equity owner, representing a State's citizens that is trying to satisfy the requirement for transparency and the desire for competitiveness.

MAYOR NAVARRE stated that, as a municipal official, he will continue asking questions because information is power. He added that he is for transparency, and there is a duty and an obligation to ask the questions and to keep asking them and is for transparency.

MR. BITNEY asked who the contract is with.

MR. BUTT replied that the contract is with ExxonMobil, who has the contract as the leading party on behalf of the Alaska LNG facilities.

MR. BARTHOLOMEW asked about the other participants.

MR. BUTT replied that the Department of Natural Resources and Department of Revenue are signatories to the HOA which is the framework public document that governs how the JVA was written.

MAYOR NAVARRE asked the Commissioners if the State has seen the JVA.

COMMISSIONER BALASH replied yes.

A short discussion ensued.

MR. BUTT stated that the one thing that makes the Alaska LNG project very different from previous attempts to move North Slope gas is that it is the first time ever that all the resource owners are working together to build an infrastructure that connects the resource to the market. He added that the State of Alaska is an owner of the resource, as well as Alaskans. He explained that Pre-FEED is all about identifying the risks, which he went through in great detail.

MAYOR DeVILBISS asked if there is a paradigm shift in the delivery of energy across the board worldwide.

MR. BUTT replied that energy is about improving standards of living, especially for the kids. He continued that LNG is an important part of that because it is the largest growing form of energy because it is so flexible and, from an environmental standpoint, gas is clean compared to other hydrocarbon resources.

MAYOR DeVILBISS asked if this project will have the flexibility to produce modules, ISOs, which can go anywhere.

MR. BUTT replied that this is a very high-volume, large project and is trying to capture economies of scale to global markets. He continued that the plan is to build a large LNG plant that delivers large volumes of LNG to global buyers, and in doing so, creates an infrastructure that provides gas to Alaskans. He added that it is much more efficient to move large volumes of LNG by water than small volumes of LNG by truck.

COMMISSIONER RODELL pointed out that it is important to be aware of all the work that AGDC, the Alaska Gasline Development Corp., has been doing. She stated that they have been tasked in their enabling statutes to work on the in-state delivery mechanism.

MR. BUTT talked about the location, sizing and managements of the off-takes and the impacts on the compression stations, and then moved on to having a viable technical option and the right government support. He continued that the governments represented are the State, the Federal, as well as the Municipalities. Government support is a big umbrella. He moved on to the importance of permits and land use, and then the testing of commercial viability. He stated that in FEED there is a whole new level of detail with a similar process where uncertainty is constantly reduced to identify risk and get results. He added that it will go from pre-FEED into FEED in early 2016, and he talked about the cost.

A discussion ensued on the cost and financing.

MR. BUTT stated that an LNG project is a fundamentally different business because the owner is going to build an infrastructure to sell the product owned to the market. He added that a piece of the pipe is owned, as well as a piece of the plant. He continued, that is a very important characteristic that is different because this is a FERC 3 integrated LNG export project, which means that it is not subject to the other characteristics normally done with tariffs on a pipeline.

COMMISSIONER RODELL asked Deputy Commissioner Pawlowski to talk about SB 138.

DEPUTY COMMISSIONER PAWLOWSKI stated that the development of 138 is one of the most important concepts for the State in how to improve the economics of the project for all parties. He continued that an infrastructure will be built which will be a cost to recovering the investment in moving the molecule from the top to the bottom, put it on a boat, and then get it to market. He explained in greater detail.

A discussion ensued.

MR. BUTT stated that this issue was really thought about and in reading the HOA it is an attempt to honor alignment among the long-term deal. He continued that a more durable structure is trying to be created with alignment among the owners.

COMMISSIONER RODELL recognized that Mayor Hopkins joined the meeting, and called for a ten-minute break.

(Break taken.)

COMMISSIONER RODELL called the meeting back to order.

MR. BUTT continued his presentation with the framework issues and thoughts about the project.

MAYOR DeVILBISS asked about the equity position for each of the owner representatives.

DEPUTY COMMISSIONER PAWLOWSKI responded that it runs about 33 percent for ExxonMobil; 25 percent for the State; Conoco, about 22; and about 21 for BP.

MAYOR HOPKINS asked about the part AGDC is in the LNG facility.

MR. BUTT replied that AGDC has hired a person with a lot of experience working in a kind of project steering team who sees the project to the end. He stated that there is a large resource at Prudhoe Bay in that it is the largest oil field in North America, and is also one of the largest gas fields. He continued that it is an enormous resource, and to manage that, a gas treatment plant must be built. He added that through the gas treatment plant the things that do not contain hydrocarbons and nonhydrocarbon elements are removed. He continued that the CO₂ is removed, put back in the ground, and then the gas is moved down the pipeline which provides gas to Alaskans. He explained the process more fully. He introduced Jack Beatty, the project manager for the pipeline.

MR. BEATTY explained that there was a fair amount of work going on in that area, particularly the off-shore work in Cook Inlet. He added that the on-shore pipeline works with the off-shore pipeline, where access is very difficult. He continued that there will be field work done over the winter, and next summer more definition around that will be worked on.

MR. BUTT added that these options need to be looked at in conjunction with the regulators to see what makes the most sense from the range of options.

MAYOR DeVILBISS stated that the people in Trapper Creek have appreciated the way business has been done there.

MR. BUTT went through the strengths of the project and talked about the opportunity to integrate with Prudhoe Bay. He continued explaining his presentation, moving through the subcomponents of the project. He stated that the key to designing the pipeline is to make sure the pipe never moves, and to do that, the pressure temperature in the pipe needs to hold constant.

COMMISSIONER RODELL asked to talk a bit about the volumes shifting a little going into the GTP, the pipe and into the LNG facility, as well; not just from off-take, but just from the nature of the molecules.

MAYOR HOPKINS asked if it was known where possible off-takes are being discussed at AGDC.

MR. BEATTY replied that Fairbanks is fairly obvious. One at the south end for Anchorage; tie in with ENSTAR in some way; and the rest working with the State to figure out the best places. He added that there are no definite spots for all of the off-take points yet.

A discussion ensued.

MR. BUTT stated that there is not a lot of propane in the system; it was stripped over the years at Prudhoe Bay, and the yields at Point Thomson are relatively low. He explained that every time Prudhoe Bay cycles the gas, the lighter things are taken out and put in TAPS; anything that can be liquefied is put in TAPS. He added that there was never a lot, and now there is even less. He stressed that there is not a lot of propane in the gas. He moved on and talked about the project team, with 27 people in the top leadership roles. He continued that the team has 800 years of project experience, which is one of the strengths of the project.

COMMISSIONER BALASH stated that there is a dose of skepticism that comes along with an effort like this, and the money being spent by each of the companies has a very short supply of human capital. He continued that he has taken comfort in the quality and caliber of the individuals each of the companies has assigned to this project.

MR. BUTT moved on to the federal regulatory update and pointed out a couple characteristics of the export permit because there are some things that are different about the Alaska LNG export application than other applications pending before the Department of Energy. He stated that one is 30-year duration because the project is so big and complex; next is a 12-year cycle for adequate time to permit this large project prior to construction; third is confirmation of the federal finding from 1988 that President Reagan signed that Alaska gas is stranded and subject to export. He continued that the Department of Energy has already provided an export permit that can be leveraged for this. He stated that the other huge milestone was the FERC pre-file which was submitted in September and accepted in record time. He continued, that triggered the environmental impact statement which proves that the required work was done. He added that it also brought in the third-party consultant company, the NRG. He explained that FERC is the umbrella agency that does the work and has been extremely supportive.

DEPUTY COMMISSIONER PAWLOWSKI stated that the FERC process in the EIS around socioeconomic impacts is important to this group and the agencies supporting this group. He continued that there will be an opportunity to ensure that the FERC contractors are supporting the evaluation of the impacts on communities and the State, and that process is going to be open. He added that the group can support that through the Department of Commerce, and, also, each of the boroughs and representatives of communities can weigh in and support that process because it will produce a document assessing those impacts.

MR. BUTT continued his presentation.

COMMISSIONER RODELL thanked Mr. Butt and asked for any other questions. She breaks for lunch.

(Lunch break taken from 12:05 p.m. to 1:05 p.m.)

COMMISSIONER RODELL called the meeting back to order, and stated that the next presentation is by the Alaska Energy Authority. She recognized Sara Fisher-Goad.

MS. FISHER-GOAD stated that the deputy director of project development is Sandra Moller. She began with the community of Buckland. She talked about a powerhouse that was built and explained that there is waste heat from the powerhouse that feeds into the school and the new addition on the school. She added that their mission is to reduce the cost of energy in Alaska. AEA is an independent corporation of this state that was created in 1976. It is directed by a board of directors with five public members and two Commissioners, and she added that the people on the AIDEA board of directors also sit on the AEA board of directors. She stated that Gene Therriault is the deputy director for policy and outreach, and is in charge of the planning; Emily Ford is the outreach manager; Sean Skaling, deputy director of program development; and Sandra Moller, deputy director of operations and project implementation. She continued that AEA has an infrastructure that it owns: the Alaska intertie; the Bradley Lake hydroelectric power which provides about 10 percent of the electricity for the railbelt. AEA is pursuing the Susitna-Watana hydro project. They have also worked on bulk fuel and powerhouses and built tank farms for isolated communities in rural Alaska. She added that over 227 grants have been funded through the renewable energy grant fund, and there are currently 72 projects under construction. She continued that the emerging energy technology fund helps complete the kind of portfolio of different programs and projects that have been committed to by the State of Alaska. She stated that several projects that include renewable and alternative projects and energy efficiency and fossil fuel projects have also been funded. She continued that three hydrokinetic projects have been funded, and all three have been working this summer and producing electricity. She moved through citing some of the other programs.

COMMISSIONER RODELL asked if there is a lot of demand for the village energy efficiency program, the emerging energy technology.

MS. FISHER-GOAD replied that there is tremendous interest in EETF; VEEP program is popular, and there have been a lot of interested rural communities.

COMMISSIONER RODELL asked if the grants require a match from the villages in any way.

MS. FISHER-GOAD replied that a match is not required, but there is a scoring criteria that scores higher for people with other resources that make the retrofits go further. She moved on, stating that the power project fund is the loan program that provides loans for smaller-scale power facilities, and the power cost equalization program provides economic assistance to residential ratepayers and community facilities in about 180 small rural communities. She

continued that several years ago AEA was asked to develop an energy plan. Steve Haagenon, her predecessor, had come up with a document that has been very well received and used tremendously called Energy Pathways. She explained that it is a community-by-community basis of a planning document to take and use on a regional basis. She continued that Robert Venables, with his experience in the Southeast Conference as the energy coordinator, has been working extensively to help with some of the regional coordinators as the planning leaders to come up with effective plans for regional project development. She stated that the recommendations are due on January 1, 2017, with the task of looking at and identifying the most cost-efficient manner of delivering more affordable energy. She explained this in more detail, and then moved on to the Affordable Energy Fund. She continued that it is part of the legislation that would set up a special account to help fund some of the infrastructure that would be built.

A discussion ensued on the subject.

MS. FISHER-GOAD continued her presentation, and explained the four energy quadrants for both heat and electricity and what is available and being used right now. She stated that the last thing is a rough timeline that shows the regional energy plans and the strategies. She asked for any questions.

A short discussion ensued clarifying some of the previous points.

COMMISSIONER RODELL thanked Ms. Fisher-Goad, and called a break.

(Break taken.)

COMMISSIONER RODELL introduced John Woodman from the Department of Law, with a presentation on ethics.

MR. WOODMAN stated that he is the State ethics attorney and is always happy to take questions, calls, and emails. He continued that today he would talk about ethics and the Executive Branch Ethics Act. He stated that it applies to all public officers under the statute which are all State employees, including employees of State/Public corporations and members of boards and commissions. He continued that everyone has a designated ethics supervisor under the statute that is approached first; and for this board it is your chair, and for her it would be Guy Bell at the office of the Governor. He explained that ethics are always talked about to try and engender the public's trust and be accountable for what is being done. He talked about the problems with ethics and added that the best way to avoid all rationalizations is to stick with the wording of the statute. He stated that the opening prologue of the Act says: "All who serve the State have a solemn responsibility to avoid improper conduct and to prevent improper behavior by colleagues and subordinates." He ran through some of the definitions, explained personal interest and financial interest, and answered questions as he went along.

A discussion ensued on gift disclosure and restrictions after leaving State employment.

MR. WOODMAN continued on to complaints and violations, explaining and answering questions. He stated that if an issue comes up in the future, it is always better to over-report and show the disclosures.

COMMISSIONER RODELL asked for any other questions. There being none, she recognized Corey Mills from the Department of Law, on teleconference, and added that she will talk about the Public Records Act and Open Meetings Act.

MS. MILLS stated that she is an assistant attorney general at the Department of Law, and started with the Open Meetings Act. She continued that both the Open Meetings Act and the Public Records Act have similar themes: Mainly, the laws favor public access, whether it is meetings or records, and the exceptions to these Act are narrowly construed, for the most part. She stated that the purpose of the Open Meetings Act is: "All meetings of a governmental body of a public entity are open to the public, except as otherwise provided by this section or another provision of law." She explained that the statute requires open meetings. First is ensuring that the public has adequate notice of the meeting, and that the public can attend the meeting or participate. She added that the standard for both is reasonableness, which she explained in detail. She stated that the law applies to any board or commission that works with or for government, and has been established in some way. She continued that there are two types of governmental bodies: Decision-making bodies are empowered to establish policies or make decisions; advisory bodies advise or make recommendations to another public entity or public official. She continued going through the different distinctions, explaining each fully, and answering questions.

A short discussion ensued.

MS. MILLS stated that, in going forward it is best to consult with your attorneys with any questions and specifics. She added that any actions of an advisory board that violate the Act are actually not voidable, but do follow the law.

COMMISSIONER RODELL thanked Ms. Mills, and stated appreciation for the board's willingness to talk about specific procedures tomorrow. She recessed the meeting until 9:30 a.m.

(Proceedings recessed at 3:40 p.m.)