Introducing SB 138
Putting the Guidance Documents (HOA + MOU) in Context

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**Guidance Documents & SB 138**

**Heads of Agreement (HOA)**
- Describes roadmap to advance project through phased process.
- Describes understanding and consensus on key terms.

**Memorandum of Understanding (MOU)**
- Describes agreement to transition from AGIA License to a more traditional commercial relationship.
- Describes key commercial terms for that relationship.

**Senate Bill 138**
- **Participation** in the AKLNG Project.
- **Percentage** of State Gas Share and Participation in the AKLNG Project.
- **Process** for development of Project Enabling Contracts and Legislative oversight and approval of future contracts.

HOA and MOU describe **how** SB 138 would be used.

Legislature decides whether to advance or not.
Where We Are Today?

**AGIA:**
- State: ~$330 million
- APP (TransCanada & EM): ~$130 million

**Denali**
- (BP & CP)
- ~$200 million

**Pre-FEED**

**SB 138 Jan-April 2014**

**Concept Selection**

**Pt. Thomson Settlement**

Joint Work Agreements

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**AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)**

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**State / TC MOU**

**Heads of Agreement**

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**GO**
- All AGIA and Denali work is contributed to AKLNG with passage of enabling legislation (SB 138).
- State & TransCanada mutually abandon AGIA license.
- No more reimbursement.

**Stop: does State buy $130 million of APP data?**
What Happens if SB 138 Passes?

Estimated Cost: ~$435 million
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

Producer Share: ~$348 - $327 million

State/AGDC Subsidiary Share: ~$35 - $43 million
(Does not include Agency/AGDC costs and contingency in support of project)

TransCanada: ~$53 - $67 million

Note: Savings with TransCanada include cash commitments by TransCanada for Pre-FEED costs which reduce State of Alaska appropriations by $53 - $67 million and seamless transition into Pre-FEED with personnel and data continuing to be committed to the project.

Pre-Front End Engineering & Design (Pre-FEED)
12-18 months

Legislative Approval of Contracts Yes/No?

GO
Exercise Option for 40% of FEED = $21 - $27 million?

Stop
Pay TC Development Costs (~$53-$67mm) + 7.1% AFUDC.

AGDC ASAP Advancing to 2015 Open Season (sharing w AKLNG)
What Happens after FEED?

Front End Engineering & Design (FEED)  
2-3 years

Estimated Cost:  ~$1,800 million  
(Does not include costs upstream in Prudhoe Bay & Pt. Thomson)

Producer Share:  ~$1,440 - $1,350 million

State/AGDC Subsidiary Share:  ~$145 - $180 million  
(Does not include Agency/AGDC costs and contingency in support of project)

State/AGDC Subsidiary Share (w Equity Option):  ~$230 - $290 million

TransCanada:  ~$215 - $270 million  
TransCanada (w Option):  ~$130 - $160 million

Note: FEED costs are VERY rough estimates and rounded!

Approval by all Parties & Financing Yes/No?

Go Build

Final Investment Decision ~ Construction

Pay TC development costs (~$183 - $337 mm) + 7.1% AFUDC.

AGDC Advancing Gas to Alaskans through interconnections etc.

Note: FEED estimates based on Black & Veatch independent assessment of 4% of $45 billion. 60%/40% Mid/Downstream.
Summary

- The Heads of Agreement (HOA) and Memorandum of Understanding (MOU) provide guidance on how the powers provided in SB 138 will be used.

- At each stage in the project there are “off-ramps” and decision points for Legislative and public review.

- Commitments by the State will be made commensurate with progress by the project.
THANK YOU

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Resources

http://dor.alaska.gov/AKGasDocs.aspx

www.dnr.alaska.gov/AKgas.htm