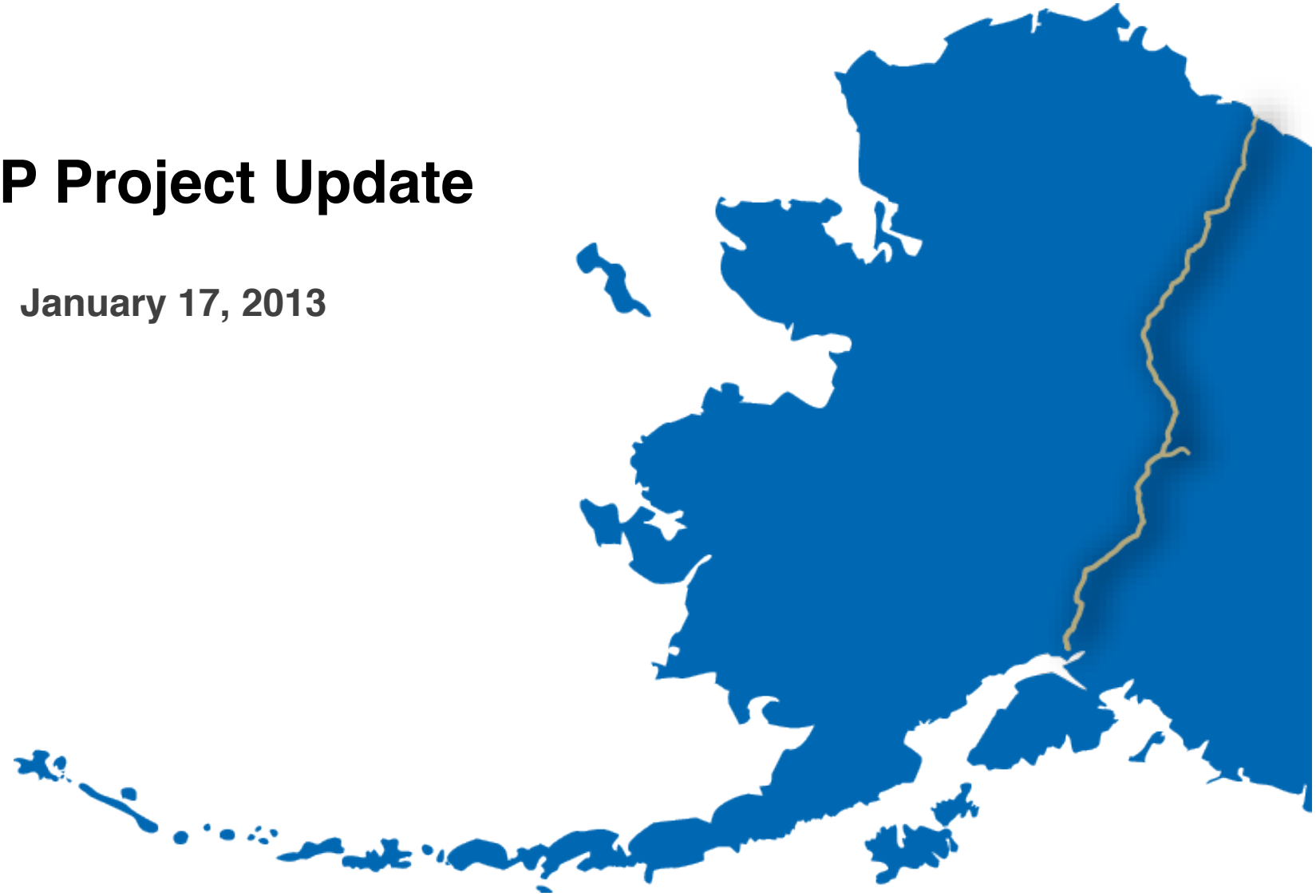
ASAP

Alaska Stand Alone Gas Pipeline

ASAP Project Update

January 17, 2013



Who? AGDC and What? ASAP

April 2010: HB 369 mandated that **A**laska **H**ousing **F**inance **C**orporation (**AHFC**) facilitate development of a plan for an in-state pipeline ***project*.**

July 2010: AHFC established the **A**laska **G**asline **D**evelopment **C**orporation (**AGDC**) as a subsidiary corporation to take over ***project*** planning and execution.

ASAP is that ***project:*** the **Alaska Stand Alone Pipeline.**
Also known as the in-state pipeline.

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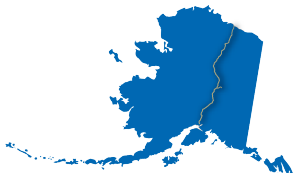

ASAP Progress Up-date

- 604 miles of State Right-of-Way lease; includes Fairbanks lateral
- Final Environmental Impact Statement (FEIS) completed November 2012
- FEIS Record of Decision expected January 2013
- 100 miles of federal Right-of-Way expected
- AGDC team optimized the project plan to Lean Gas
- Up-dated capital costs and tariff models
- Contracted a facility design firm
- Identified enabling legislation required to move ASAP forward

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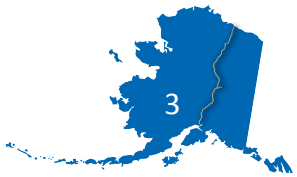
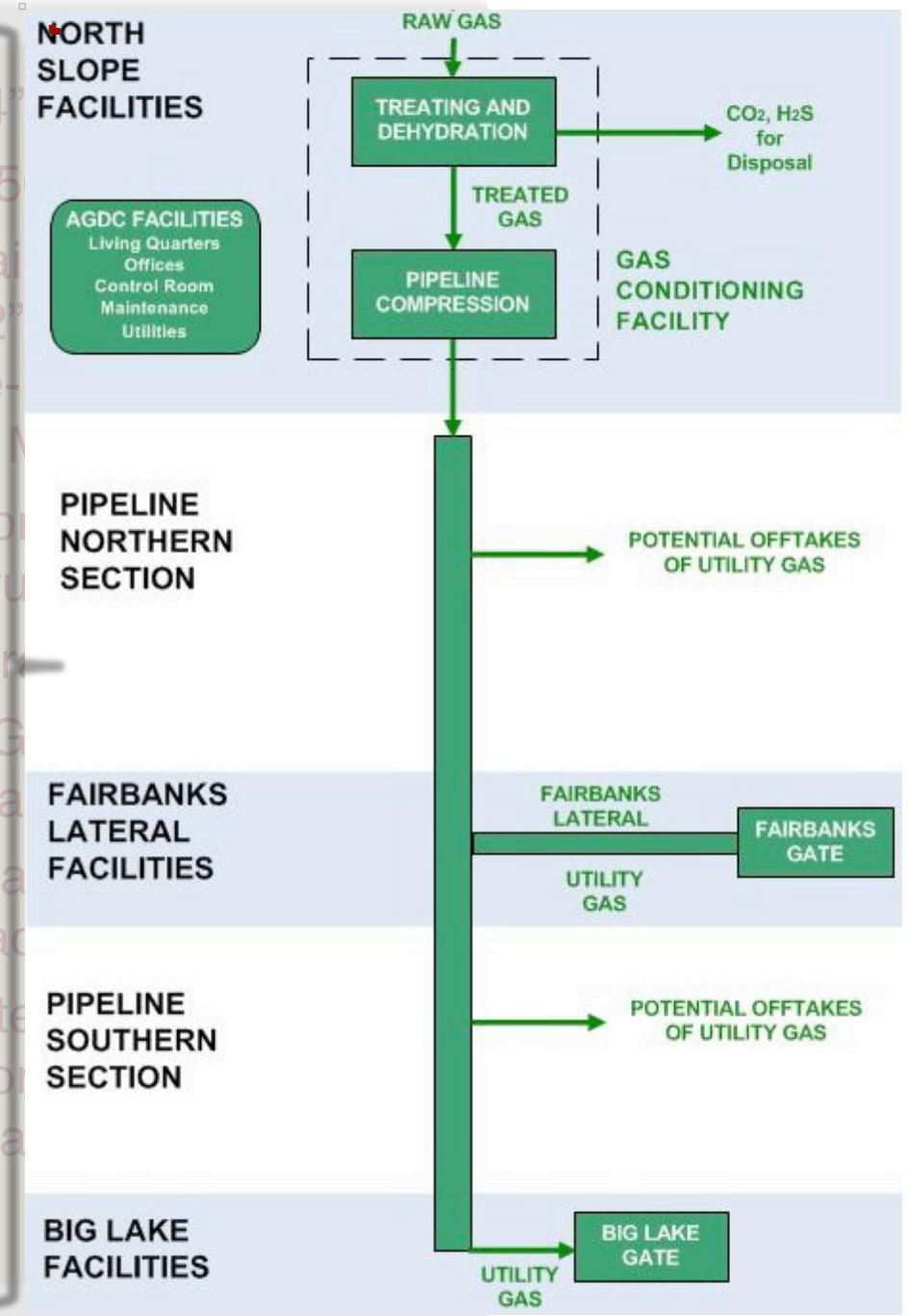


2011 Plan vs. Optimized Project Plan

- 36” diameter pipe
- 1,480 psi max
- Fairbanks Lateral: 12” diameter pipe, tie-in with mainline at MP 458
- North Slope GCF at Prudhoe Bay
- More off-takes possible

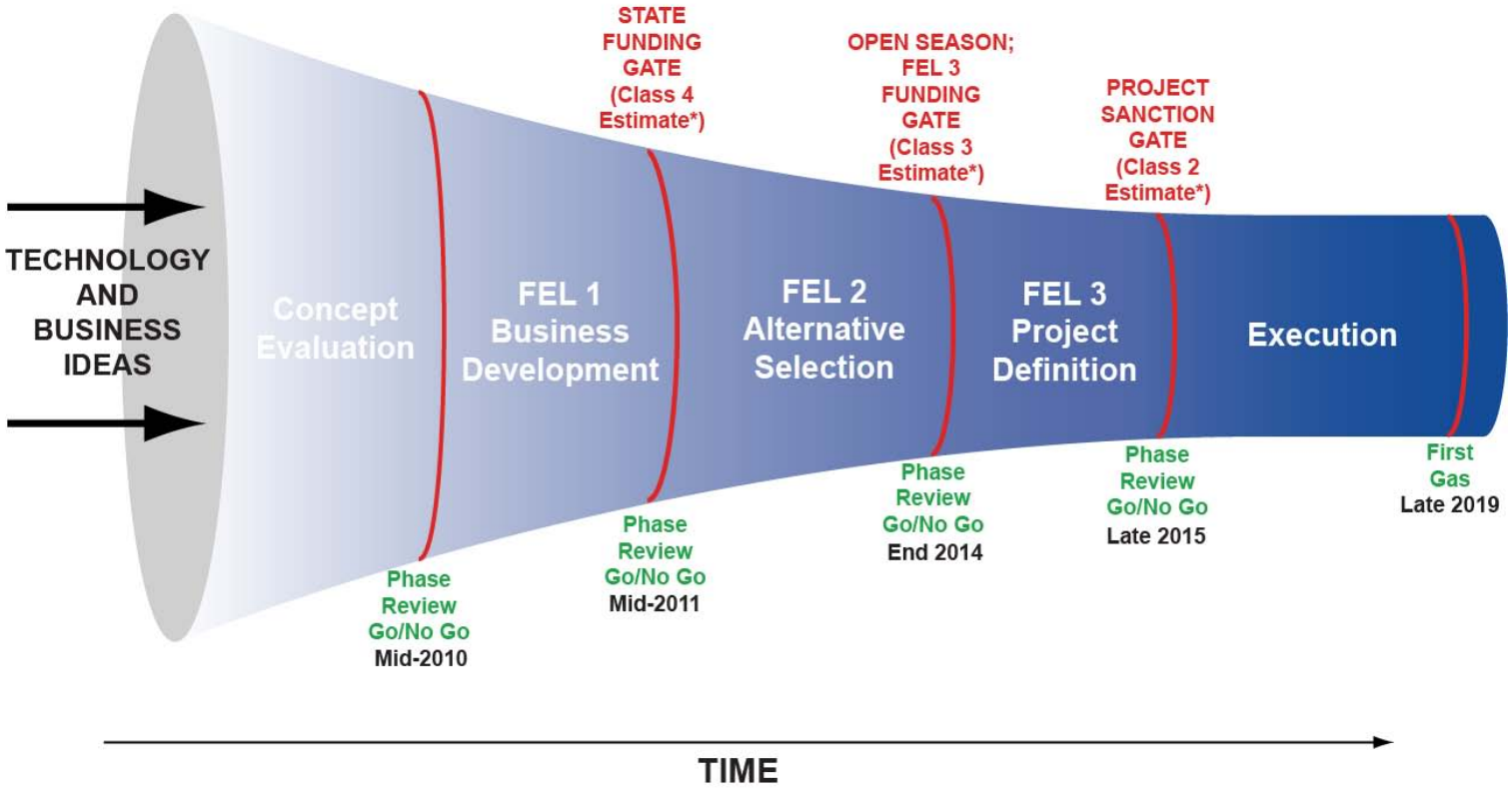


Optimized Project Plan Benefits

Issues	Optimized Project Plan (Lean Gas)	July 2011 Project Plan
Customers	▪ Easier and less expensive connections ▪ More off-take points ▪ More potential customers and greater access ▪ Deliver natural gas to Alaskans by 2019	▪ Costly connections ▪ Fewer off-take points for Alaskans
EIS/Permits	▪ Supplemental environmental document required with minimal impact to schedule ▪ Smaller footprint and reduced carbon impacts	▪ Risk of carbon tax ▪ More permits; greater complexity/impact ▪ FEIS complete (November 2012)
Complexity	▪ Less risk — One facility (GCF) with standard pressure & equipment ▪ Design process less costly ▪ Propane extraction still available for in-state demand	▪ 5 + facilities with high pressure pipeline and specialized materials and equipment required
Tariff	▪ Lower tariff	▪ Higher tariff
Cost	▪ $7.7B (+/- 30%) in $2012 ▪ Lower construction risk ▪ Lower O&M costs	▪ $7.5B (+/- 30%)in $2011 ($7.7B in @2012) ▪ Higher construction risk ▪ Higher O&M costs
Political / External	▪ Improved economics for Interior users ▪ Increased customer base with ease of connections ▪ Requires enabling legislation to more effectively and efficiently advance the project and schedule ▪ NOT viewed as competition to AGIA	▪ Petrochemical plant ambitions ▪ Lack of market for by-products ▪ Efficiencies not realized ▪ NOT viewed as competition to AGIA

Stage Gate Approach

Front-End Development Progressively Narrows Uncertainty of Cost and Schedule



*Refers to AACE cost estimate classes (Association for the Advancement of Cost Engineering). The lower the class number, the higher the confidence in the accuracy of the estimate.

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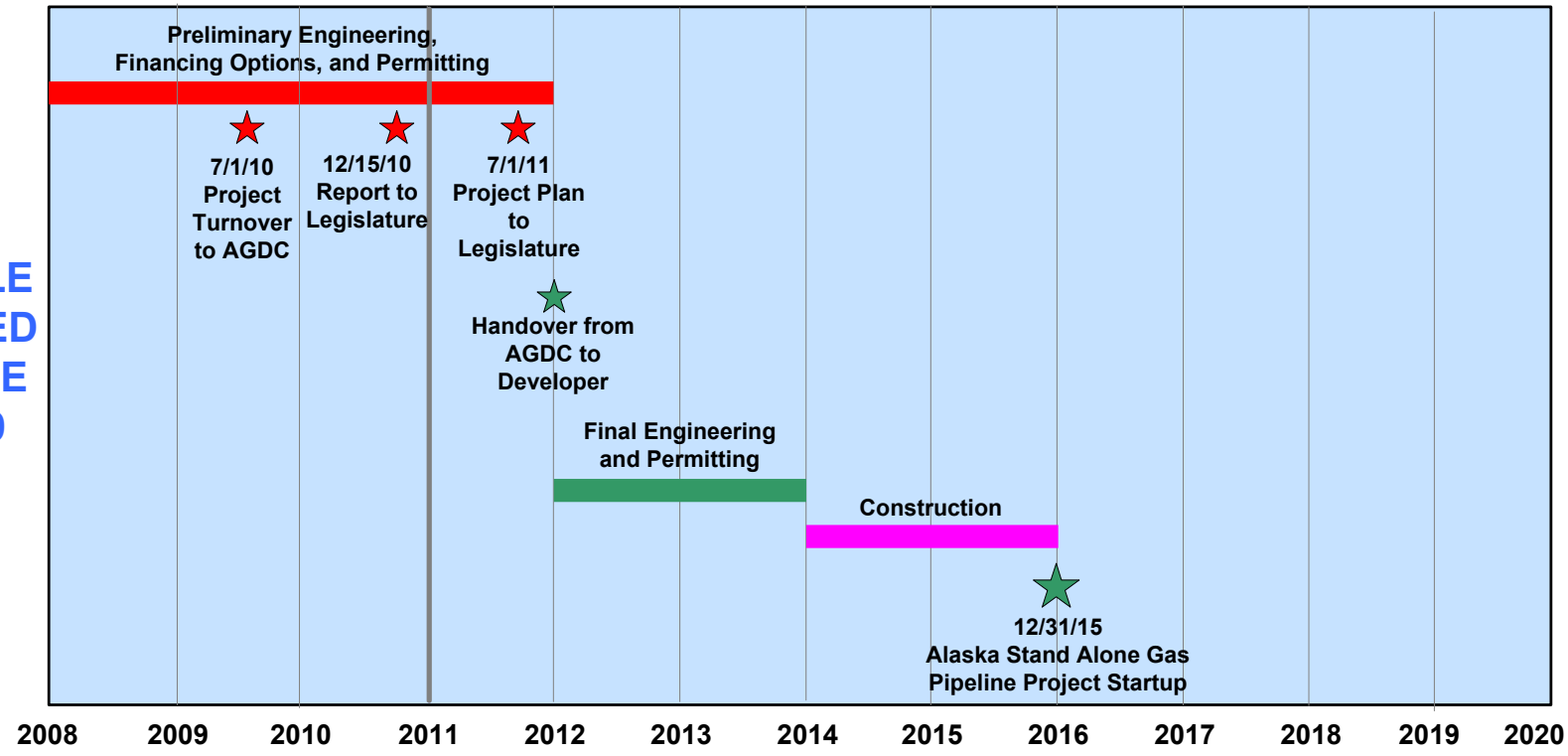
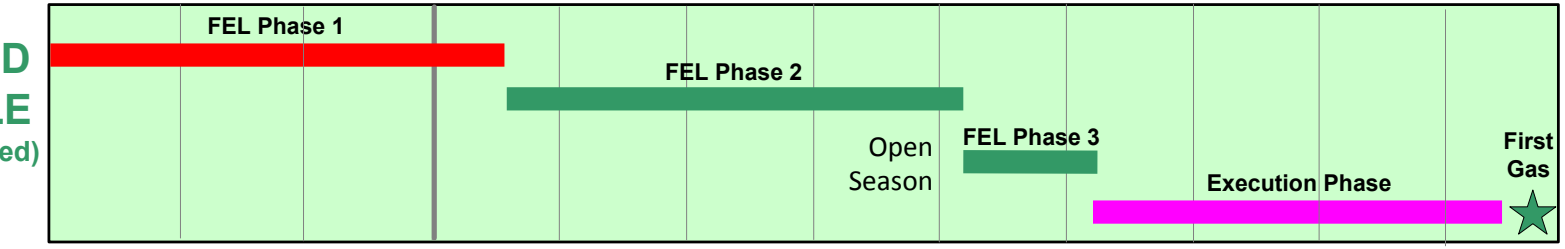
ASAP Optimized Project Schedule

SCHEDULE MANDATED BY HOUSE BILL 369



OPTIMIZED SCHEDULE
(Front-end loaded)



Rev. 9/24/12

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Optimized Project Tariff Update

- Longer term: 30-year levelized vs. original 20-year
- Updated capital cost estimates with more appropriate contingency
  - ✓ Pipeline now 10% vs. 5% (facilities 30%)
- Equity share and return on equity adjusted
  - ✓ Debt/equity split now 75/25 vs. 70/30
  - ✓ ROE 11% vs. 12%
- Year delay ($2011 -> $2012)
- 2.5% inflation per year

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Tariff Assumptions Comparisons

	Alaska Gasline Tariffs - Key Assumptions			
	APP 2010	Denali 2010	ASAP July 2011	ASAP 2012
Levelized term	20-35 yr (80% over 25 yrs)	20 yrs min (80% of capex)	20 years	30 years
Debt/Equity (Long term)	75/25	75/25	70/30	75/25
Debt/Equity (During Construction)	70/30* (For later capex or expansion)	70/30	70/30	75/25
Return on equity	12%	12-14%	12%	11%
Cost of debt	5.10%	5.10%	5.70%	5.70% (3.75% during construction)
Compounding			Semi-annual	Annual
State Contribution	-	-	$400 MM	$400 MM
Depreciation	25 years	25 years	20 years	30 years
Inflation	-	-	3%	2.50%
Property taxes	-	-	2% of total capex (flat)	2% of total capex (flat)
Operating costs	-	-	2%	2%
Pipe	48"	48"	24"	36"
Volume	4.5-5.9 BCFD (3 BCFD to Valdez)	4.5-5.6 BCFD	500 MMSCFD	500 MMSCFD
Pressure (Max)	2500 psi	2500 psi	2500 psi	1480 psi
Gas (BTU/Mscf)	1117 MMBTU	1117 MMBTU	1218 MMBTU	1068 MMBTU
Capex	$32-41 Bn ($2009) (Valdez: $20-26 Bn)	$35.5 Bn ($2009)	$7.52 Bn ($2011) [$7.75 Bn ($2012)]	$7.7 Bn ($2012)

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Tariff Comparison

2012 Tariff Comparison Original Project Plan vs. Optimized Project Plan		
	ASAP 2011 Project Plan $/MMBtu	Optimization Update $/MMBtu
$ Levelized at Project Startup (Uninflated/Constant)	$2011	$2012
Fairbanks	$6.45	$4.25 to $6.00
Big Lake	$5.63	$5.00 to $7.25
$Levelized at Project Startup (Inflated/Nominal)		
Fairbanks	$8.99	$4.75 to $6.50
Big Lake	$7.75	$5.75 to $8.00
Cost Drivers		**Tariff Impact**
Capital cost : +/- $1 Billion for pipeline		
	Fairbanks	+/- $.50/MMBtu
	Big Lake	+/- $.80/MMBtu
State of Alaska Contribution : +$1 Billion		- $.45/MMBtu
Rate of return on equity (ROE): +/- 1%		+/- $0.20/MMBtu
Useful life (bond length): + 10 years		- $0.75/MMBtu
Cost of 1 Yr. Delay to Entire Construction Schedule		+$0.20/MMBtu

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ASAP Costs

- **Cost to Alaskans**: $400M up-front cost to be recovered through gas royalty and taxes
- **Cost Benefit**: Long term natural gas supply for Alaskans
- **Project Cost**: $7.7 Billion* in 2012 dollars, +/- 30%
- **Cost of Gas to Consumers** (burner tip)

Anchorage

- Optimized $ 9 - 11.25/MMBtu in 2012 dollars
- Base case $ 9.63/MMBtu in 2011 dollars

Fairbanks

- Optimized $ 8.25 - 10/MMBtu in 2012 dollars
- Base Case $ 10.45/MMBtu in 2011 dollars

*Each year the project is delayed, 2.5% inflation is added to the cost of the project

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Funding Required to Advance

- Achieving legislative objectives to advance an in-state natural gas pipeline for Alaskans is **contingent on legislative funding**
- Full funding will keep project on schedule
  - ✓ Advance facilities and pipeline engineering
  - ✓ Regulatory permitting activities and agency engagement
  - ✓ Engineering field investigations
- Partial funding will cause schedule delays
  - ✓ Limited pipeline and facilities engineering
  - ✓ Limited field investigation

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ASAP Requires Enabling Legislation

Critical legislation components:

- Ability to enter into confidential agreements
- Contract carrier status is needed to allow AGDC to enter into long-term contracts
- Authority to determine ASAP ownership structure is key to attracting shippers/buyers; financing; and pipeline tariffs
- Enabling legislation will significantly advance meeting the purpose of the original legislation: “. . . deliver natural gas to as many communities as practicable along the route ..”

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Thank You

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