



RDC Annual Conference Anchorage, Alaska

November 18, 2010

APP Challenges

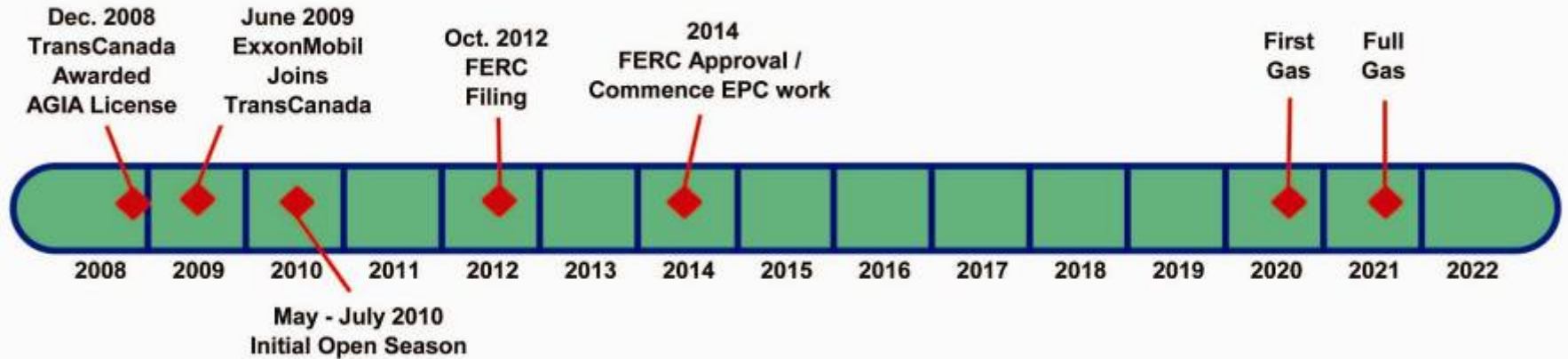


To succeed, APP must:

- Attract customers
- Obtain regulatory approvals
- Achieve project financing



Project Schedule



- **Pre-Construction (now to 2014)**

- Open Season
- Stakeholder Engagement
- Land Access
- Field Studies
- Engineering & Construction Planning
- Environmental Impact Statement
- Permitting

- **Construction (2015 to 2020)**

- **Operations (2020 and beyond)**





Large pipeline projects undergo:

- Lengthy development stage
- If development stage is successful, then move to construction and operations

APP's development stage scheduled to run through 2014

All parties have important responsibilities

- Alaska Pipeline Project / Producers-Shippers / Governments

All parties need to achieve commercial and regulatory breakthroughs

Upcoming Regulatory/Commercial Milestones



Alaska Pipeline Project

- Resolve conditions precedent with Shippers
- Continue work to prepare for major U.S./Canadian permitting
- Prepare for project financing
- Meet AGIA obligations (including FERC Application in 2012)
- Advance project in step with commercial and regulatory breakthroughs

Producers / Shippers

- Resolve conditions precedent with APP
- Resolve upstream fiscal and resource access issues with State
- Arrange downstream transportation and secure final gas markets

State of Alaska

- Resolve any fiscal or resource access issues with Producers / Shippers
- Facilitate project permitting

U.S. Government / FERC

- Establish Federal Loan Guarantee level / terms and conditions
- Facilitate project permitting

Government of Canada

- Facilitate project permitting



- **Attract Customers**
- **Regulatory Approvals**
- **Project Financing**

APP Actions – Attract Customers



- **APP offered better commercial terms / access than in AGIA Application**
 - Better commercial terms reduces tolls by \$500 million/year
 - 12% ROE
 - 80% capital recover over initial contract term
 - 70/30 debt/equity ratio for expansion
- **Open Season**
 - Concluded July 30
 - Received multiple bids (with conditions)
 - Confidential negotiations underway to turn bids into Precedent Agreements

APP Actions – Regulatory Approvals



- Intensive field season this summer – environmental and land
- Active discussions with FERC and other regulators
- Stakeholder engagement
- Pipeline technology studies
- Engineering and technical analyses



APP Actions – Local Hire



- APP progressively utilizing Alaskan businesses & employees as project advances
- Approx. 425 Alaskans have worked on the project to date
- 34 Alaskan companies are working with APP



2010 summer & fall activities—environmental



2010 summer & fall activities—seismology



2010 summer & fall activities—geotechnical



2010 summer & fall activities—welding studies



2010 summer & fall activities—training



2010 summer & fall activities—community





- **Federal Loan Guarantee**
 - Senate Energy Committee passed significant enhancements
 - Awaiting congressional action
 - DOE delegated Loan Guarantee Project Office to administer
- **Extensive discussions with domestic/international financial institutions**



- **APP has made excellent progress on all aspects of the project**
 - **attract customers**
 - **obtain regulatory approvals**
 - **achieve project financing**
- **APP meeting its commitments**
- **All parties need to achieve commercial and regulatory breakthroughs**

ALASKA PipelineProject



Thank You

APP project information available at www.TheAlaskaPipelineProject.com or on the FERC website

