Notes from April 5 Gasline Study Group

(Unedited and not approved or agreed upon by participants)

Attendees: Dayle Lyke, Bob Bulmer, Grant Hunter, Mark Foster, Rich Wilson, Pat Burden, Karen Matthias, Jeff Staser, Blair Murphy, Jerry Strang, Brian Davies, Joe Farrell, Brian Wenzel, Wendy King

Discussion: (Primarily information and questions from Wendy King)

- The AGIA bill, inducements and requirements-review of bill
- There are midstream inducements
  - The pipeline
  - The 500 million
- There are Resource inducements
  - Streamline the permitting process only to licensee
  - 3 components
    - Regulations (higher of)
    - RIK RIV switching-90 day
    - Tax stability provision
- ConocoPhilips concerns
  - 1. Exclusivity
  - 2. Bid requirement variables
- Timing is important-steel and labor cost continue to rise
- If the resource side and shipping commitments are address, the project will fall into place
- Has to include the cost estimate of gas processing (getting CO_2 out)
- See chart of two factors:
  - Cost
  - Gas prices
- The deal needs to be public and balanced
- ConocoPhilips already is experienced and value added
- Two areas ConocoPhilips is testifying:
  - Exclusivity
  - Bid variables
- Exclusivity means the only one who gets $500mil and AGIA coordinator
- The problem with exclusivity is that Alaska can be at risk for damages if the wrong winner is chosen (e.g. what if the winner can't complete the project-stuck with them for 10 years and other possible litigation issues for unforeseen circumstances)
  o Exclusivity is focused on the pipeline
- Most important success factor is if the company chosen can attract customers (possibly no one else than the big 3 can be included)
- Possibly $100 billion in shipping commitments are necessary for years
- ConocoPhilips has objections to taking the State money-inducing a low risk side of the project

and many strings (rights to information etc.)
- $500 million really isn't that much compared to the cost
- Gas price and capital costs are greatest concern for all interested companies
- CP would partner on a case-by-case basis like in Prudhoe
- All study group wants to know if there is a way to get away from lowest common denominator when working with the other producers?
- The size of the pipe is variable so no one knows-depends on cost and economies of scale
- The problem is that AGIA is not limited to the type of proposed projects or parts of the project-could end up comparing large apples to small oranges
- The group discussed the types of projects that are possible
    - Variables in partnerships
    - Anti-trust issues
- CP doesn't like the fixed dates in AGIA-don't like not being flexible even if negotiated with money and there are other requirements that limit acceptable proposals
- Review of slides re:
    - Project risk allocation
    - Rolled in rates-FERC regulation
- There is the issue of public perception & politics that shape the subjectivity of the process-has to be a long term perception of commitment