

ASAP

Alaska's In-State Gas Pipeline

January 10, 2014

Ms. Allison Iversen
Acting State Pipeline Coordinator
State Pipeline Coordinator's Office
411 West 4th Avenue, Suite 2
Anchorage, AK 99501

Subject: Revised Access Road Widths - ADL 418997

Dear Ms. Iversen:

The AGDC has made a modification to the access road widths in Exhibit B numbers 3, 4, and 5 for the ROW lease amendment. We appreciate your comments and look forward to working with you through the right-of-way lease amendment process.

If we can be of further assistance or if you need additional information, please contact Mike Thompson, Environmental, Regulatory, and Land Manager at mthompson@agdc.us or 907-330-6315.

Sincerely,



Joe Dubler
Vice President and Chief Financial Officer

Attachment: Revised AGDC Proposed Changes to ADL 418997

cc: Marie Crosley, State Pipeline Coordinator's Office
Jason Walsh, State Pipeline Coordinator's Office
Dave Haugen, AGDC
Mike Thompson, AGDC



Attachment 1
Proposed Changes to ADL 418997
Alaska Stand Alone Pipeline/ASAP
Right-of-Way Lease
1-10-14

Recitals:

Delete the recital sections beginning with "WHEREAS".

Lease Sections:

Revise the following sections as shown below to reflect modified project design and other changes contemplated in HB4:

1. Lease of Right-of-Way

- (c) Replace "24-inch" with "36-inch"

To: "This Lease is granted for the purpose of the Construction, Operation, Maintenance, and Termination of a Natural Gas transportation Pipeline, consisting of one 36-inch diameter Pipeline, one 12-inch diameter Pipeline and Related Facilities in compliance with the terms of this Lease and all applicable State laws and regulations."

3. Rental

Revise the section to add a new section (g) given the changes implemented in HB4:

(g) Notwithstanding the foregoing, for so long as AGDC or its successor in interest is the Lessee, paragraphs (a) through (e) of this Section shall not apply.

4. Payment

Revise the second sentence of the section 4(a) as shown below given the changes implemented in HB4:

"Subsequent rental payments, if required, shall be due annually on or before each Lease Anniversary Date."

7. Access to Navigable and Public Waters

Delete the second sentence of the section. Revised section to read:

The State reserves a public access easement to and along all public or navigable water bodies or waterways that border on or are included in the State Lands included in the Leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. The Lessee will not petition to vacate, abandon, or extinguish any public access easement without the prior written approval of the Commissioner.

8. Covenants of Lessee

Revise the section as shown below given the changes implemented in HB4:

Unless specifically exempted by law, the Lessee expressly covenants, in consideration of the rights acquired by it pursuant to this Lease, that:

(a) Lessee will assume the status of and will perform all of its functions undertaken under this Lease as a contract carrier and, subject to its contracts with shippers, will accept, convey, and transport without discrimination, Natural Gas delivered to it for transportation from fields in the vicinity of the Pipeline throughout its route on State Land obtained under this Lease and on other land; subject to its contracts with shippers, Lessee will accept, convey, and transport Natural Gas without unjust or unreasonable discrimination in favor of itself or one producer or person against another, but will take the Natural Gas delivered or offered, without unreasonable discrimination;

(b) Lessee will interchange Natural Gas and provide connections with each public utility pipeline, common carrier pipeline or contract carrier pipeline, and facilities for the interchange of Natural Gas at every locality reached by both pipelines when the necessity exists, as provided in contracts on file with the Regulatory Commission of Alaska;

(c) Lessee shall maintain and preserve books, accounts, and records and shall make those reports that the Commissioner may prescribe by regulation or law as necessary and appropriate for the purposes of administering AS 38.35;

(d) Lessee shall accord at all reasonable times to the State and its authorized agents and auditors the right of access to its property and records, of inspection of its property, and of examination and copying of records at Lessee's offices or other location chosen by Lessee;

(e) Lessee will expand the Pipeline on commercially reasonable terms that, when possible, encourage exploration and development of gas resources in this state without increasing transportation costs for a shipper except as provided for in the contract with the shipper; in this paragraph, "commercially reasonable terms" means terms that produce sufficient revenue from transportation contracts to cover the cost of the expansion, including increased fuel costs and a reasonable return on capital, without impairing the ability of the pipeline to recover the costs of existing facilities; Lessee may not construct or expand or allow the construction or expansion of the Pipeline to cause the Pipeline to be a competing natural gas pipeline project for the purposes of AS 43.90; in this subsection, "competing natural gas pipeline project" has the meaning given in AS 43.90.440;

(f) Lessee shall, notwithstanding any other provision, provide connections and interchange facilities at State expense at such places the State considers necessary, if the State determines to take a portion of its royalty or taxes in Natural Gas;

(g) Lessee shall construct and operate the Pipeline in accordance with applicable State laws and lawful regulations and orders of the Regulatory

Commission of Alaska or its successor with jurisdiction over common carrier pipelines;

(h) Lessee shall, at its own expense, during the term of this Lease

- (1) maintain the Leasehold and Pipeline in good repair;
- (2) promptly repair or remedy any damage to the Leasehold;
- (3) promptly compensate for any damage to or destruction of property for which the Lessee is liable resulting from damage to or destruction of the Leasehold or Pipeline;

(i) As more fully set out in Section 22 of this Lease, Lessee shall not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the Lessee, its interest in this Lease, or any rights under this Lease or any Pipeline subject to this Lease to any person other than another owner of the Pipeline (including subsidiaries, parents and affiliates of the owners), except to the extent that the Commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing and able to perform the transportation or other acts proposed in a manner that shall reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the Commissioner shall not unreasonably withhold consent to the transfer, assignment, or disposal;

(j) Lessee shall file with the Commissioner a written appointment of a named permanent resident of the State of Alaska to be its registered agent in Alaska and to receive service of notices, regulations, decisions and orders of the Commissioner; if Lessee fails to appoint an agent for service, service may be made by posting a copy in the office of the Commissioner and filing a copy of it in the Office of the Lieutenant Governor and by mailing a copy to the Lessee's last known address;

(k) the applicable law of the State of Alaska shall be used in resolving questions of interpretation of this Lease;

(l) the granting of this Lease is subject to the express condition that the exercise of the rights and privileges granted under this Lease shall not unduly interfere with the management, administration, or disposal by the State of the State Land affected by this Lease, and that Lessee agrees and consents to the occupancy and use by the State, its grantees, permittees, or other Lessees of any part of the Leasehold not actually occupied or required by the Pipeline for the full and safe utilization of the Pipeline, for necessary operations incident to land management, administration, or disposal;

(m) as more fully set out in Section 9 of this Lease, Lessee shall be liable to the State for damages or injury incurred by the State caused by the Construction, Operation or Maintenance of the Pipeline and Lessee shall indemnify the State for the liabilities or damages;

(n) Lessee shall procure and furnish liability and property damage insurance from a company licensed to do business in the State or furnish other security or undertaking upon the terms and conditions the Commissioner considers necessary if the Commissioner finds that the net assets of the Lessee are insufficient to protect the public from damage for which the Lessee may be liable arising out of the Construction or Operation of the Pipeline;

(o) Lessee will not require a shipper to pay a rate in excess of the rates provided for in the contract with that shipper; and

(p) Lessee may offer to a shipper firm transportation service, interruptible transportation service, or both. In this subsection, "firm transportation service" has the meaning given in AS 42.08.900.

22. Transfer, Assignment, or Other Disposition

Revise the section to add a new section (d) given the changes implemented in HB4:

(d) After approval by the Commissioner, and in accordance with AS 31.25.090(e), this Lease may be transferred to a successor in interest under the same terms and conditions applicable to AGDC.

23. Release of Interest

Revise subsection (g) as shown below given the changes implemented in HB4:

(g) The State shall have ninety (90) calendar days after delivery of the final survey required by Subsection (f)(2) of this section to record the survey and reduce the rental amount as set forth in Section 3 for that year, if rent is required, and all subsequent years by the same proportion as the released acreage bears to the original Lease acreage.

26. Correspondence

(c) Change address to the following:

3201 C Street, Suite 200
Anchorage, AK 99503
Fax: 907-330-6309
jdubler@agdc.us

Proposed Changes to Exhibit B:

Draft Legal Description for the Amendment to State-Right-of-Way Lease – ADL 418997

In 2011 and 2012, the AGDC conducted additional analysis of the original commercial Base Case, which revealed several constraints. It was determined that multiple optimizations would be gained by shifting the project to a lean gas Base Case (2011 Project Plan – Option 7). AGDC's updated findings and recommendations for design, financing, construction, and operation of the project is included in the ASAP Project Plan Update Year End 2012 (Enclosure).

Changing the project to a 36 inch diameter lean gas pipeline with a maximum allowable operating pressure of 1,480 psi eliminates most of the processing facilities previously proposed. This optimization will help reduce costs, risk, environmental impacts, and maximize access to the gas. The following changes to the right-of-way lease are numerically indexed in the attached figures and described briefly below.

1. Gas Conditioning Facility (GCF) Pad:

Legal Description: Section 10, Township 11 North, Range 14 East, Umiat Meridian

The Gas Conditioning Facility (GCF) Pad is estimated at approximately 100 acres in size which includes the process facility, operations and maintenance pad, and flare(s) (See #1 in the attached figure). The GCF would be constructed in the winter and contain several modular buildings to house equipment, utilities, workspaces, and personnel in addition to other ancillary facilities required for the natural gas conditioning process (ASAP FEIS 2012). These facilities typically contain primary and backup power generation, natural gas compressors, heating and refrigerant equipment. A power tie-in-line between the GCF and existing PBU power grid is not proposed. The GCF will include a standalone power plant and service facilities. Each flare will require an 850 foot offset from other equipment due to radiant heat issues (ASAP FEIS 2012).

The modular units will have structural steel base mounted on piles over a gravel pad and have a design life of 25 years. Modules containing process and utility equipment will primarily be enclosed and heated to facilitate equipment operation and maintenance. Two Class I disposal wells will be drilled on the GCF Pad for continuous disposal to support ongoing operations of non-hazardous waste water, liquid sewage, and solid waste precipitates from the water treatment process.

Sealift module sections will be transported by barge during one open water season to West Dock and trucked to the GCF Pad where they will be assembled. The current plan calls for nine barges to transport the Sealift modular sections (90 feet by 200 feet) to West Dock.

2. GCF Construction and Operations Camp Pad:

Legal Description:

Section 10, Township 11 North, Range 14 East, Umiat Meridian

Section 9, Township 11 North, Range 14 East, Umiat Meridian
Section 4, Township 11 North, Range 14 East, Umiat Meridian

The GCF Construction (temporary)/ Operations (permanent) Camp Pad would be approximately 23 acres in size and located approximately 1,200 feet northwest of the GCF Pad. Temporary facilities used to support construction include construction offices, safety training center, tool room, piping and electrical warehouse, structural and sheet metal shop, material receiving office, incinerator, diesel fuel storage and dispensing, and power generation. Temporary facilities will be dismantled and removed after the GCF startup.

Permanent facilities include an Operations warehouse, Operations cold storage, Operations center and laboratory, and maintenance shop. Permanent facilities will have a design life of 25 years similar to the GCF facility.

The Construction/Operations Camp Pad will include a standalone construction camp and a sewage treatment plant. Power generation equipment installed to supply power for the GCF Construction/Operations Camp during construction may be retained as part of the permanent power generation capacity for the GCF and the Operations Camp. Liquid sewage will be treated and initially discharged to surface waters; however, will be injected into the Class I disposal wells when functional. The Camp Pad will be constructed on a gravel pad similar to other existing facilities in the PBU (See #2 in attached figure).

3. GCF In-Plant Road from Camp to the GCF:

Legal Description: Section 10, Township 11 North, Range 14 East, Umiat Meridian

The GCF In Plant Road would be constructed as a new gravel access road 50 feet wide and 775 feet long (~0.9 acres). This road would connect the GCF Construction/Operations Camp to the GCF Pad and would be used for regular vehicle access. It is anticipated that agreements will be made with PBU for maintenance and snow removal of all roads and pads associated with the GCF.

4. Road South from GCF to Haul Road:

Legal Description:

Section 10, Township 11 North, Range 14 East, Umiat Meridian
Section 15, Township 11 North, Range 14 East, Umiat Meridian
Section 14, Township 11 North, Range 14 East, Umiat Meridian

A new gravel road 50 feet wide and 7,950 feet long (~9.2 acres) will be developed on the south side of the GCF Pad to connect with the existing road network in the PBU. As noted above, it is anticipated that agreements will be made with PBU for maintenance of all roads. Security checkpoints are planned on open access roads to the GCF Pad.

5. Road East to Central Gas Facility (CGF):

Legal Description:

Section 10, Township 11 North, Range 14 East, Umiat Meridian
Section 11, Township 11 North, Range 14 East, Umiat Meridian

A new gravel road approximately 50 feet wide and 2,380 feet long (~2.7 acres) would be constructed on the east side of the GCF to connect to the existing CGF. This road would be used for local vehicle access for GCF facility staff between the GCF and CGF.

6. Pipelines between CGF and GCF:

Legal Description:

Section 10, Township 11 North, Range 14 East, Umiat Meridian
Section 11, Township 11 North, Range 14 East, Umiat Meridian

Multiple pipelines would be constructed to transfer natural gas and the byproduct between the CGF and GCF. The construction right-of-way for these pipelines would be a combined width of 70 feet and a length of 4,220 feet (~6.8 acres). All pipelines connected to the GCF would be constructed in the winter and positioned on vertical support members.

7. Pipeline Milepost 0 – 3, Current Alignment (Delete):

Legal Description:

Section 11, Township 11 North, Range 14 East, Umiat Meridian
Section 14, Township 11 North, Range 14 East, Umiat Meridian
Section 15, Township 11 North, Range 14 East, Umiat Meridian
Section 22, Township 11 North, Range 14 East, Umiat Meridian
Section 27, Township 11 North, Range 14 East, Umiat Meridian

The first 3 miles (MP 0-3) of the ASAP right-of-way has been moved west of the original location approximately one mile due to the placement of the GCF Pad (See #7 in the attached figure). AGDC would like to delete this segment from the right-of-way and replace it with the alignment described in #8 below.

8. Pipeline Milepost 0 – 3, New Alignment (Add):

Legal Description:

Section 10, Township 11 North, Range 14 East, Umiat Meridian
Section 15, Township 11 North, Range 14 East, Umiat Meridian
Section 16, Township 11 North, Range 14 East, Umiat Meridian
Section 21, Township 11 North, Range 14 East, Umiat Meridian
Section 28, Township 11 North, Range 14 East, Umiat Meridian

The ASAP right-of-way from MP 0-3 has been realigned west of its original location to commence at the GCF Pad. The realignment of MP 0 to MP 3 originates at the GCF and travels in a southerly direction and connects with the original pipeline route at approximately MP 3.2 (See #8 in the attached figure). As noted in the 2012 ASAP Project Plan Update, the mainline pipeline is 36 inches in diameter with a maximum allowable pressure of 1,480 psi and will be positioned on VSMs.