



Understanding the Alaska Pipeline Project Open Season

With the Alaska Pipeline Project (APP) natural gas open season having closed on July 30 and the project having received bids from potential shippers, it is understandable that many Alaskans and others are interested in knowing what was accomplished and what will happen next. In order to address these two questions, some information about how the open season process works may be helpful.

The principal purpose of an open season is to determine market interest in a pipeline project. When APP launched its open season on April 30 under the rules of the U.S. Federal Energy Regulatory Commission (FERC), it provided potential shippers the opportunity to assess the project's detailed technical and commercial terms. This offering represents nearly one-half million hours of engineering and analysis by project teams. It also reflects the combined expertise of TransCanada and ExxonMobil, which have joined together with the State of Alaska to advance this historic project.

By the close of the open season on July 30, potential gas shippers had to decide whether to make bids of 20 years or more in duration to reserve capacity on the proposed pipeline. Post open season, the Alaska Pipeline Project will work with its potential shippers to convert these bids into precedent agreements. These commitments of billions of dollars are needed to secure the financing for a project that could cost as much as \$32-\$41 billion to build.

Having received bids from potential shippers upon the close of its open season, the project will now begin assessing the details of the bids, including issues such as gas volumes, route preferences and the conditions attached to the bids by the potential shippers. Conditioned bids are typical in all major open seasons and unavoidable in a project this large and complex. Time will be needed to evaluate the bids carefully and to negotiate solutions with the shippers. It is likely that some conditions can only be resolved between shippers and governments.

Resolving complex issues and conditions on a project of this magnitude can only be done through confidential negotiations between the parties. For that reason, APP is currently able to provide only general information about the open season results. This is an expected result for any major open season and is consistent with the rules established by FERC and the terms of the Alaska Gas Inducement Act (AGIA). It also complies with confidentiality agreements signed by both APP and potential shippers.

Maintaining confidentiality during these negotiations is essential for two reasons: first, the need to protect proprietary information; and second, the competitive concerns of both APP and the shippers. Many of the potential shippers compete with each other in Alaska and around the world, and APP is facing competition from the Denali project, which is currently conducting its own open season.

During this period of bid assessment and negotiation with potential shippers, APP will do its best to keep Alaskans and others as informed as possible. As the project progresses through the process, it will look for opportunities to communicate the project's status as milestones are reached and as key issues are resolved. If APP is successful in securing Precedent Agreements, it will publicly release the names of shippers, the volumes bid, and the term of years of these agreements within 10 days of their being signed, as stipulated by FERC regulations.

The Alaska Pipeline Project launched its open season with the goal of it leading to the development of Alaska's North Slope gas— a goal Alaskans and others share. To that end, the project believes taking the time and steps needed to maximize the likelihood of APP achieving success in the marketplace is in everyone's best interest.

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