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September 3, 2015

Alaska Industrial Development & Export Authority
Attn: Procurement Department
Tom Erickson
813 W. Northern Lights
Anchorage, AK 99503

RE RFP Number: 15142
Project Site: Interior Alaska
Project Title: Interior Energy Project

Dear Tom:

WesPac Midstream LLC ("WesPac") greatly appreciates being selected as a finalist to meet the goals of the Interior Energy Project and the opportunity to advance to Phase Two of the IEP selection process. WesPac respectfully submits its 5-page summary of our proposal pursuant to your Letter of Negotiations, dated August 27, 2015. The 5-page summary follows the outline provided and offers what we believe to be a concise summary of the Primary Option, Alternate 1 and Alternate 2. We intentionally omitted reference to Alternate 3 as submitted in our original response dated August 3, 2015 based on feedback from your office. It is our understanding that Alternate 3 as submitted is outside the scope for the RFP. Please advise if we need to further clarify the omission of Alternate 3.

We look forward to our RFP Feedback Meeting with you and the rest of the AIDEA team on September 11th at 10 AM. In the meantime WesPac is available to answer any questions you may have regarding the 5-page summary or other LNG and gas development activities currently underway by WesPac in Alaska. Please direct any questions to myself at 713 502 1482 or Michael Cox at 949 222 9908.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Brad A. Barnds'.

Brad A. Barnds
Senior Vice President

**Five-Page Summary
WesPac Midstream LLC
Response to RFP #15142
Non Confidential Information**

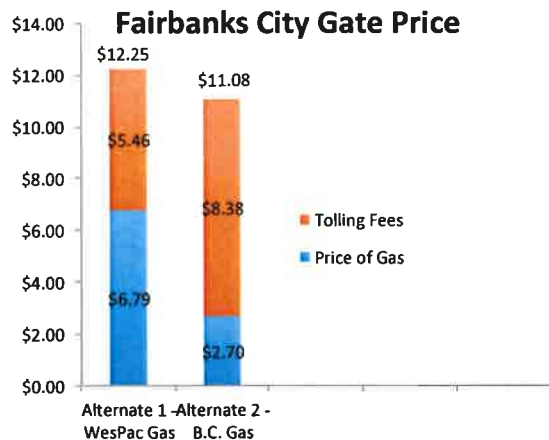
I. Proposal Summary

WesPac offers its responses to AIDEA's RFP #15142 for the sole purpose of meeting AIDEA's primary goal "to facilitate and develop a low cost natural gas supply chain to provide energy relief for Interior Alaska and improve air quality in the Fairbanks North Star Borough." WesPac's proposal meets AIDEA's primary goal by combining WesPac's market knowledge, experience, and access to capital, with the benefits of AIDEA financing options to lower the delivered cost of gas to the residents of Fairbanks, the Interior and all of Alaska. WesPac's proposal also offers opportunities to share infrastructure and lower overall costs by delivering LNG to coastal and interior markets.

WesPac's proposal includes a primary option and two alternate solutions:

- The Primary Option is a standalone LNG facility at Port MacKenzie developed by WesPac in two separate phases (Primary Option). In Phase 1, the facility would be capable of producing 200,000 gallons per day (GPD) by 1st Qtr. 2018. In Phase 2, assuming market demand, the facility would be expanded by 100,000 GPD as early as 1st Qtr. 2022. WesPac has an exclusivity agreement with the Matanuska Susitna Borough to develop the LNG facility on 44 acres within the Port. WesPac has performed appropriate siting, permitting and pre FEED engineering work and has found no fatal flaws in its Primary Option. The Primary Option does not include feedstock gas or the transport of LNG to Fairbanks. WesPac proposes a tolling fee of \$3.46 per MMBtu to provide liquefaction and storage services.
- Alternate 1 is a bundled energy solution that combines the Primary Option with long-term gas supply from WesPac's proprietary gas production in the Cook Inlet and the transport of LNG to Fairbanks. WesPac has partnered with BlueCrest Energy, Inc. to acquire 100% working interest in the shallow gas zones in the Cosmopolitan field near Anchor Point, AK. The Cosmopolitan field is the largest undeveloped oil and gas field in the Cook Inlet with substantial proven and probable reserves. These reserves have been evaluated and substantiated by three different reservoir consultants including the preeminent reservoir engineering firm Ryder Scott. Up to 70 MMcf/d of gas will be produced from two offshore platforms commencing as early as October 2017. The Cosmopolitan gas reserves have an anticipated reserve life in excess of 20 years. WesPac anticipates the cost of gas feedstock will be \$1.20 per MMBtu lower than the expected prevailing market price of gas in 2018. The estimated total delivered price of LNG, which includes the LNG tolling fee, the cost of delivery, and the cost of gas feedstock, is \$12.25 per MMBtu.
- Alternate 2 proposes to deliver LNG sourced from the expansion of the Tilbury LNG plant located near Vancouver B.C. which is owned and operated by FortisBC, the largest gas utility in B.C. The Tilbury expansion is in construction today and is proceeding on schedule. Subsequent expansions are planned in the near future. LNG would be delivered to Fairbanks from Tilbury LNG in two phases as early as January 2017. In the first phase LNG is delivered in ISO containers by barge from Tilbury LNG to Seward AK for trans-loading onto railcars or trucks for final delivery to Fairbanks. In the second phase LNG is delivered in WesPac proprietary designed bulk vessels configured to transfer bulk LNG to ISO containers on land through a system developed by WesPac and its shipping partners (Break Bulk system). The refilled ISO containers are trans loaded (if necessary) onto railcars or trucks for final delivery to Fairbanks. The estimated total delivered price of LNG, which includes the Tilbury LNG tolling fee, the cost of delivery, and the cost of gas feedstock, is \$11.08 per MMBtu.

The following chart illustrates the delivered price of LNG to the Fairbanks City Gate.



II. Background and Experience of Proposer's firm

WesPac has been directly involved in LNG development, delivery, distribution, marine use, port infrastructure and LNG conversion applications throughout Alaska since 2012. WesPac is a leader in developing LNG alternatives for rural Alaska, and has done so without State subsidy or funding. As a result, WesPac is uniquely qualified to supply LNG to AIDEA and the Interior markets from supply sources currently under development or contract in Alaska and Canada.

WesPac is majority owned by Highstar Capital, a significant investor in energy infrastructure with over \$8 billion under management. Highstar Capital is part of Oaktree Capital Management, a global asset management firm with over \$93 billion under management including major investments in upstream, midstream, and downstream sectors such as power, E & P, shipping, and utilities. CME, a minority owner of WesPac, provides vessel financing and LNG solutions for vessel owners and shipping companies across North America.

Examples of WesPac's experience include:

1. **In construction of JAX LNG** project in Jacksonville, Florida dedicated to serve marine customers;
2. **Exclusive provider** of marine jetty and loading services for the Tilbury LNG expansion project, owned and operated by FortisBC in Vancouver, BC;
3. **Building the first of its kind** 2,200 m3 LNG barge to serve TOTE and other marine operators in Florida and the Pacific Northwest;
4. **Contracted to supply LNG as a bunker fuel** for TOTE's new LNG fueled vessels operating between Jacksonville/Puerto Rico and Tacoma/Anchorage (Tacoma on an interim basis until other sources are available).

III. Project Description and Costs

In the Primary Option and in Alternate 1, WesPac proposes to build, own and operate a nominal 200,000 GPD LNG production facility with an associated 2,500,000 gallons of cryogenic storage. The facility will be located on 44 acres of land owned by the Matanuska Susitna Borough at Port MacKenzie. The plant will be pre-engineered for a 100,000 GPD expansion to accommodate future LNG requirements as early as 2022. The LNG facility also includes 12 miles of pipeline, on site gas fired generation, marine, rail and road access.

The Primary Option and Alternate 1 will produce and store LNG at Port MacKenzie and fill ISO containers at a truck loading rack onsite. ISO containers will be transported from the facility by truck and/or rail to the Fairbanks City Gate. ISO containers may also be delivered by marine vessel to other Alaska communities. WesPac's Primary Option and Alternate 1 includes the use of up to 160 ISO containers in circulation to deliver LNG to Fairbanks.

In Alternate 2, LNG will be supplied by FortisBC pursuant to a long-term off take contract. Gas feedstock is currently delivered by pipeline from some of the largest gas reserves in North America to Tilbury LNG for liquefaction and storage. Canadian gas prices are currently approximately one third the price of gas produced in the Cook Inlet, giving Canadian LNG a significant competitive advantage. FortisBC is currently constructing 1 BCF (12 million gallons) of LNG storage and will have as much as 3 BCF (36 million gallons) of new LNG storage in the future. As noted above, LNG will be delivered initially in ISO containers from Tilbury LNG by barge to Seward for trans loading onto railcars or trucks. In the second phase, LNG will be delivered in specially designed 5,000 m³ vessels that will deliver bulk LNG to Seward and other Alaska communities. Bulk LNG is then transferred onshore to ISO containers and final delivery to Fairbanks by rail or truck. Bulk to break bulk requires 50% fewer ISO containers.

The capital costs, projected rates and delivered cost of gas under WesPac's proposal are illustrated below.

	Primary	Alternate 1	Alternate 2
LNG Alternatives	(LNG Plant Only)	(Plant + Supply + Logistics)	(Tilbury LNG + Logistics)
Total capex (\$millions)	\$184.9	\$211.3	\$171.2
State Funds contributed (\$millions)	\$117.2	\$147.9	\$117.2
Volume - Gallons per Day	200,000 - 300,000	200,000 - 300,000	200,000 - 300,000
Delivery destination	Plant Gate	FOB Fairbanks	FOB Fairbanks
Gas Supply (\$/MMBtu)	n/a	\$6.79	\$2.70
WesPac Tolling Fee (\$/MMBtu)	\$3.46	\$5.46	\$5.33
Fortis Liquefaction Fee (\$/MMBtu)	n/a	n/a	\$2.23
Dock Fees (\$/MMBtu)	n/a	n/a	\$0.82
Annual Market Storage	n/a	n/a	n/a
Total Rate (\$/MMBtu)	\$3.46	\$12.25	\$11.08
Fixed portion of rate (\$/MMBtu)	\$2.46	\$2.64	\$3.69
Variable portion of rate (\$/MMBtu)	\$1.00	\$9.61	\$7.40

Primary Option does not include gas or delivery to Fairbanks; plant costs only

IV. Timeline to First Gas

In the Primary Option and Alternate 1, first gas could be available within 24 months of execution of firm off take agreements. Assuming final definitive agreements are concluded by January 2016, first gas could be available by January 2018.

In Alternate 2, first gas would be available in January 2017 from Tilbury LNG. The Tilbury expansion project is currently in full construction and will be in service by December 2016. January 2017 deliveries are subject to procurement of ISO containers and marine transport and the execution of off take contracts. Assuming final definitive agreements are concluded by January 2016, WesPac and its partners would be positioned to order ISO containers and contract with shipyards, ship builders and owners to design, build and/or retrofit the vessels to accommodate Alaska's requirements.

The projected in-service dates are based on permit and equipment delivery time frames and do not include unforeseen delays imposed by the State, AIDEA or regulatory agencies. If the project is

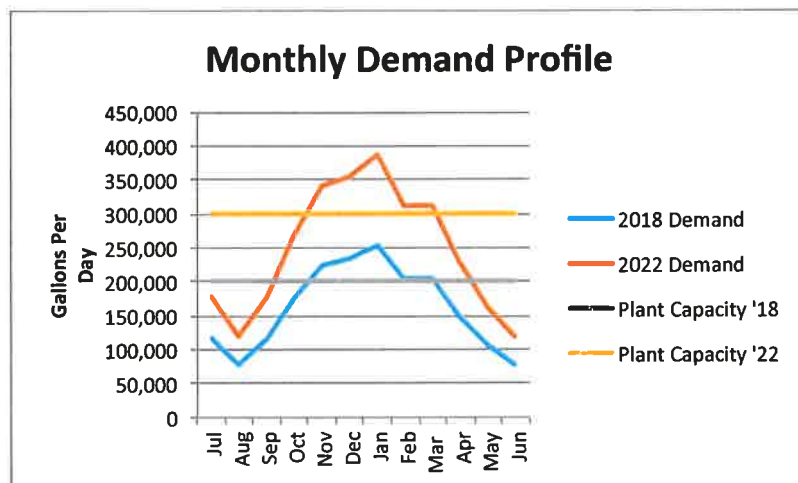
significantly delayed, WesPac has the ability procure needed volume from other LNG sources and pricing will be adjusted accordingly.

V. Major Assumptions/Financing Considerations

There are four major assumptions built into WesPac's proposal: forecast demand, access to utility off take, acceptable credit, and security of supply.

Our first major assumption is AIDEA's monthly and annualized demand forecast. In evaluating AIDEA's demand profile, WesPac concluded that the Interior utilities must build, own or contract for sufficient market area storage to allow the utilities to meet their expected peak day send out requirements. The LNG capacity designed by WesPac, the selection of the equipment, the projected rates of production and the forecasted rates take into account higher utilization attributable to storage injection during off peak months.

The following chart shows forecast demand and WesPac's planned capacity at the Port Mackenzie plant to meet the forecasted demand. Excess summer time capacity is used to fill market area storage to meet winter time requirements which exceeds plant capacity at least 5 months of the year. To lower overall costs for Fairbanks, WesPac is actively engaged in discussions with additional off takers throughout Alaska.



The second major assumption is that Fairbanks utilities will enter into off take contracts for terms of not less than 10 years. WesPac provides that the off take contracts may be extended for two additional 5 year terms upon 2 years advance notice.

The third major assumption is that utility customers will meet normal industry credit requirements for similarly situated projects given the nature of the investment, commercial terms and regulatory environment. WesPac has not made provision for alternative credit solutions other than to assume State financial assurances would apply.

The fourth major assumption is that security of supply is a key component for the Interior utilities. WesPac believes it offers the most secure supply options for Alaska. WesPac offers access to proven LNG technology, two robust supply basins, proven gas reserves, multiple storage options, access to capital, an experienced development team and logistic solutions which all translate into higher security of supply.

Financing is a key element of WesPac's proposal. WesPac has proposed a low cost pricing structure by assuming access to AIDEA financing ranging from 63% to 70% of the total capital requirement. Balancing WesPac's desire to invest in Alaska's infrastructure and earn an acceptable return with AIDEA's need to find the lowest cost solution has been one of WesPac's primary objectives. WesPac believes it has

developed a balanced approach. Depending on the scenario, WesPac has assumed that AIDEA contributes up to \$45 million in equity, \$72.2 million in SETS funding and \$30.72 million through AIDEA bonds at market rates. The following table depicts the capital allocations:

Alaska Project Contributions	Primary	Alt 1	Alt 2
	Primary (Plant only)	Alternate 1 (Plant + CG)	Alternate 2 (Tilbury CG)
Total capex \$MM*	\$184.94	\$211.31	\$171.20
WesPac Contribution	\$67.74	\$63.39	\$54.00
State Equity	\$45.00	\$45.00	\$45.00
AIDEA SETS	\$72.20	\$72.20	\$72.20
AIDEA Bonds	\$0.00	\$30.72	\$0.00
WesPac % of Total	37%	30%	32%
AIDEA % of Total	63%	70%	68%
Debt to Equity	64%	95%	73%

VI. How the Proposed Project will meet/fit into IEP goals

WesPac is offering 3 unique alternatives for meeting the IEP's goals. All three options provide energy relief and will improve air quality for the greater Fairbanks area. WesPac's proposal introduces new lower cost pricing alternatives, different modes of transporting energy, substantially improved reliability and paves the way to incrementally add new customers throughout the State by encouraging the use of natural gas. Along the way WesPac's proposal creates jobs, new tax revenue opportunities for State and local government, economic development, and a cleaner environment.

VII. Conclusion

WesPac offers AIDEA, IEP and the State access to robust supply options, proven reserves, an experienced team of professionals with Alaska experience, proven state of the art technology, access to lower cost pricing alternatives, bulk logistic solutions, firm commitments to deliver, and access to capital. Furthermore, WesPac can serve Fairbanks and Interior markets and other rural and coastal Alaska markets by delivering LNG by marine, rail and truck. WesPac has demonstrated it has the experience, the technical and financial resources, and the vision to meet the needs of Alaska.