THE FAIRBANKS PIPELINE COMPANY

AN ALASKAN SOLUTION

No. 1 of 4

The Competition, Markets, Product & Service, Capital & Equity Profile and Supplier Incentives

Presentation for the Fairbanks Banking and Accounting Community

1/11/11

FPC GOALS

The Goals

- Lower Interior Alaska's nondiscretionary energy costs by at least half. If the State is interested, install an Alaskan Hub at a strategic location that can control the future commercial value of ANS and Cook Inlet gas resources into the next century

- Improve Alaskan air quality by 2015 to lower health risk and to circumvent the potential loss of Federal appropriations in PM 2.5 non-attainment areas such as the FNSB

- Provide the State and Producers a means to monetize ANS gas resources in a manner that extracts the highest net value for ANS gas per unit produced over time while leaving enough in the ground for future generations

- Retain a higher proportion of our wealth-in-resources in Alaska by commercializing ANS gas through a publicly owned natural gas transmission pipeline. If the ownership of the pipeline and its future earnings is retained in Alaskan hands, the transportation component cost of ANS can be kept at a minimum and both its equity and earnings can be retained in Alaska to increase the VOM (velocity of monies) circulating in our local communities. This increase in the VOM will compound the economic value of these monies by a factor of 1.48 over time

- Initiate a low risk investment plan for all Alaskans by offering partnership shares in the pipeline company returning an minimum annual return on investment of 11% with 0% volatility on share equity

- Adopt proven and reliable transportation methods that lower energy costs as transported volumes increase to support future economic growth (not attainable by trucking LNG)

THE COMPETITION

Industry Average Competitive Hurdles

Industry Average Competitive Price Hurdle for Delivered Gas

0.8% to 4.3%

FPC's Competitive Hurdle

> 50%

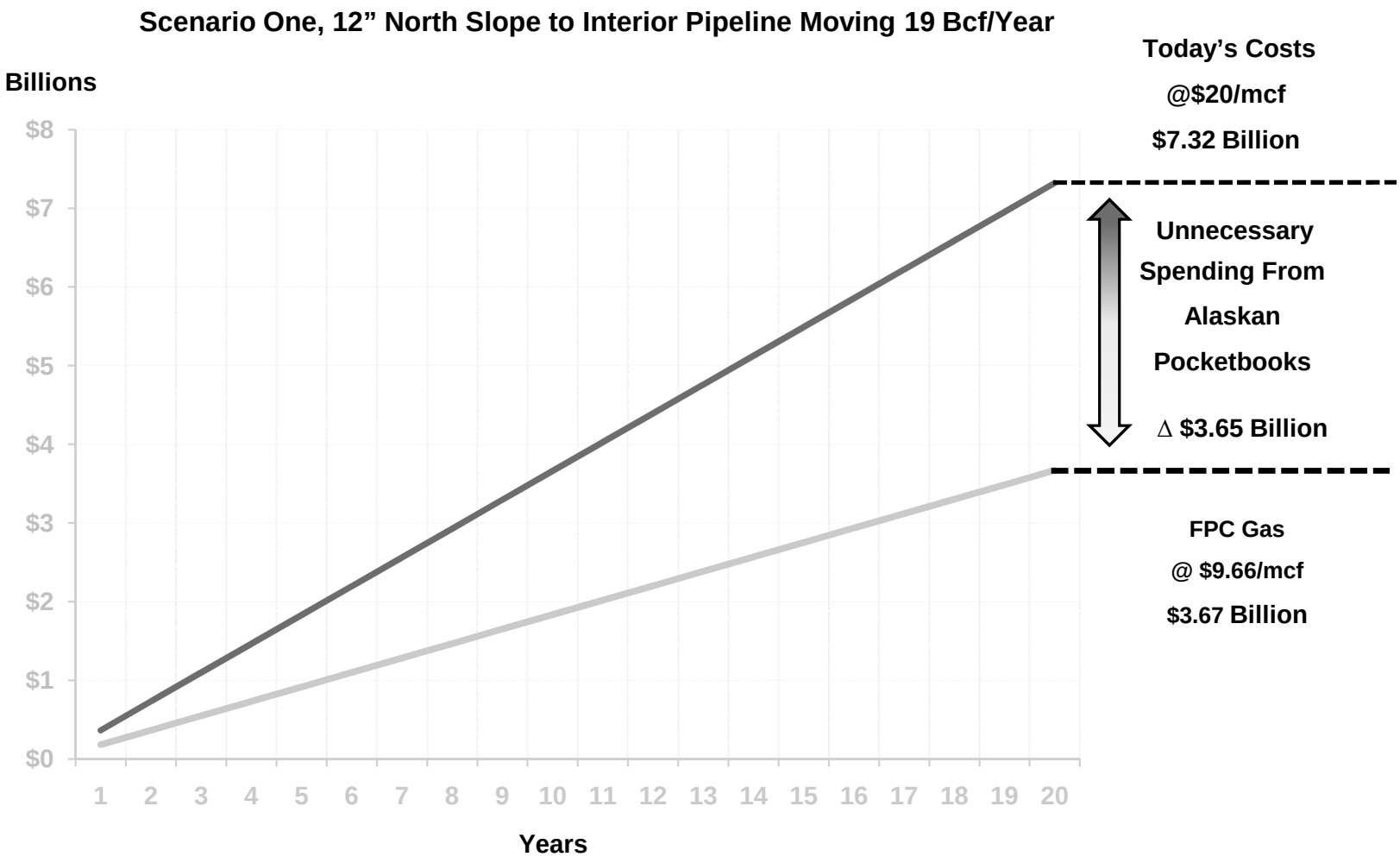
US Average Regulatory Rate of Return for Gas Pipelines

14.3%

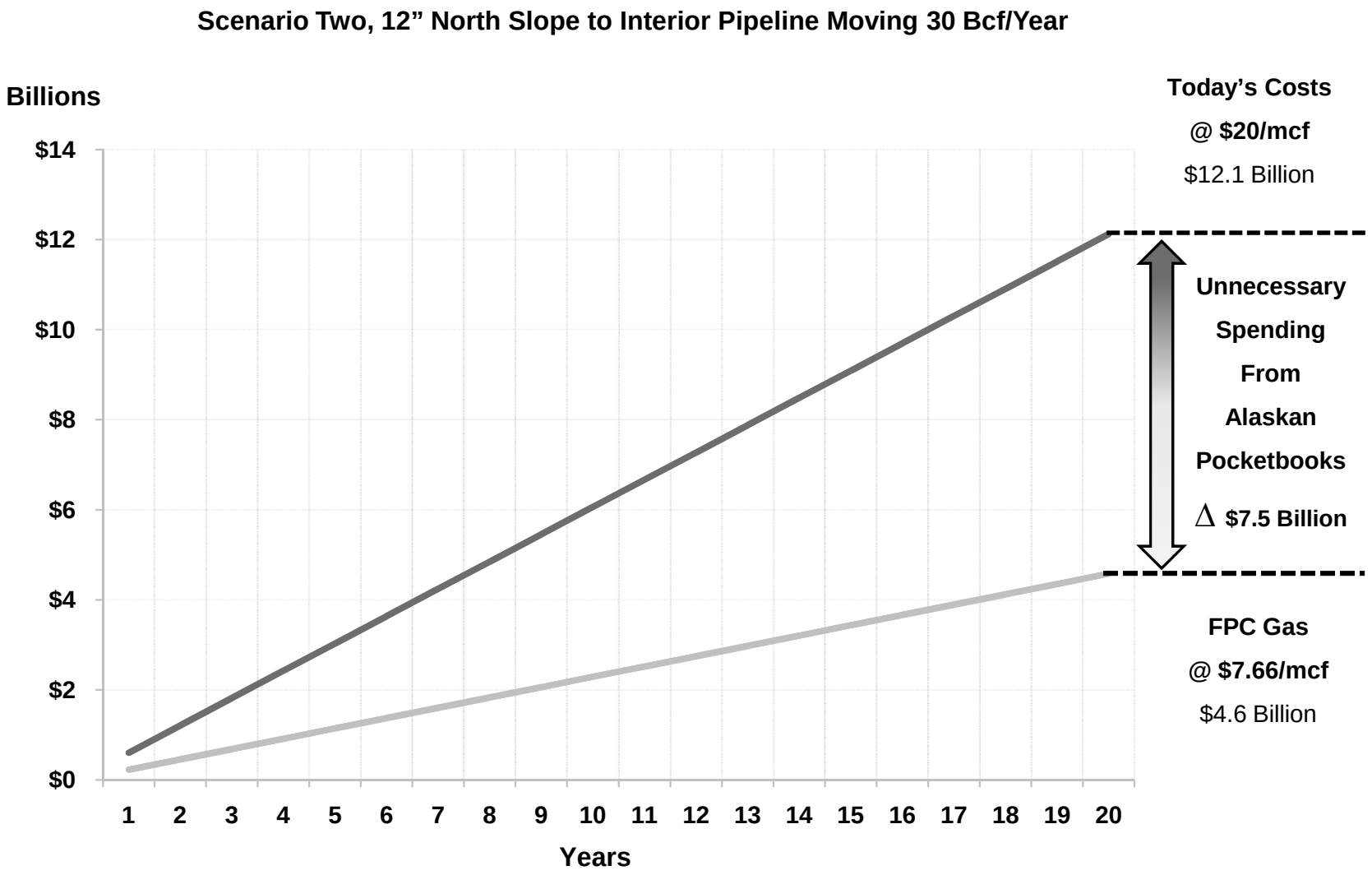
FPC's Rate of Return Target

12%

FPC's Competition Assuming Today's Nominations



FPC's Competition on Potential Economic Nominations



THE MARKET PROFILE

FPC's Primary Interior Market Profile

- While Alaskan wages remained comfortably above average for many years, the Interior's average per capita income declined below the US average several years ago. It continues to move downward, slowed only by its high proportion of State and Federal employment. Almost 50% of the Interior's payroll are State and Federally funded. It's military bases are now being scrutinized for down-sizing and/or closure

- The Interior's number of unemployment checks increased by 69% between 2008 and 2009. 2010 numbers have not been released yet, but other socio-economic indicators suggest that we will see another radical increase when released in February, 2011. We see the global recession creeping farther north every day

- Our State's largest refinery has cut production and its long term viability is in question. If closed, the price of crude-sourced energy will most likely escalate State-wide

- Interior households pay $24/mcf for gas, $23/mcf for heating oil, and their electricity provider GVEA, is paying in excess of $20/mcf for their naphtha fuel today. On current nominations of 19 Bcf/yr , FPC gas would cost $9.66/mcf today. If FPC can secure 30 Bcf prior to closing its open season, FPC gas would cost $7.65/mcf, assuming that it will secure purchase contracts for treated and compressed gas from North Slope Producers no higher than $4.22/mcf

- The need for affordable energy supplies in the Interior is growing ever more critical as crude approaches $100/Bbl.

- Barriers to entry. A power study last summer for a large new mine proposed in Livengood compared the cost of commercial power from GVEA when generated on the basis of their $19/mcf fuel (at the time) versus self-generating its power on FPC's gas priced at $7.50/mcf. **The difference was close to $3/4 billion over twenty years.** If crude climbs to $130/Bbl as now predicted, the difference will easily surpass **$1 billion**. Today, FPC gas would cost $9.66/mcf at 19 Bcf/year and $7.65 at 30 Bcf/year throughputs.

FPC's Secondary South Central Alaskan Market Profile
The Price Collar or Future Physical Transfers/Sales

- On March 26, Kevin Banks, Director of ADNR Oil and Gas Division was quoted when speaking on the cost implications for future deep-gas production in the Cook Inlet:

  "If you take that progression of costs and apply it to gas prices increased from today's, it implies prices of $5/mcf to $13/mcf over the next decade."

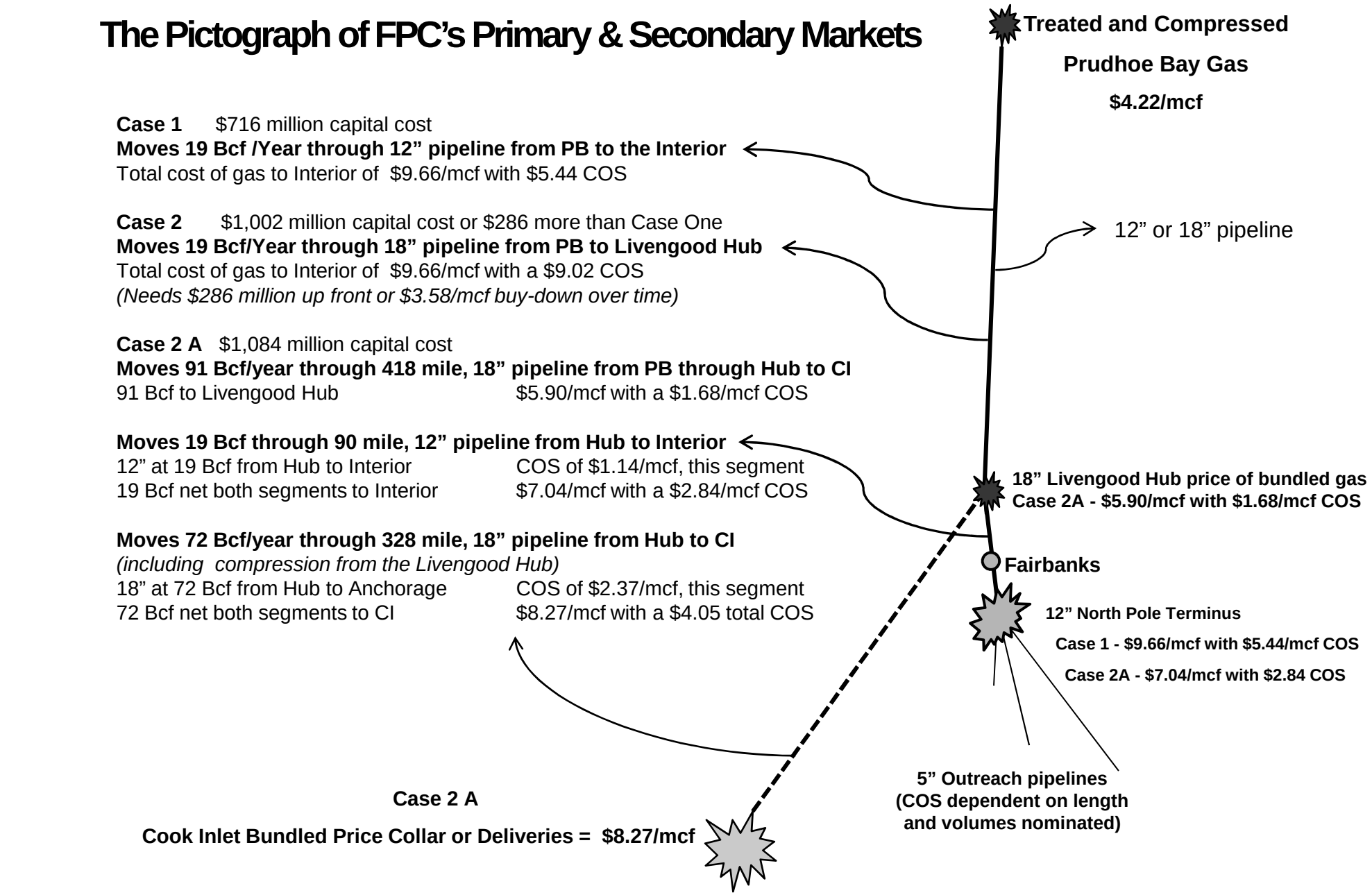
- With future Cook Inlet gas supplies suffering upside price pressure, there is powerful motivation to increase FPC's gas line from 12" to 18" down to Livengood (77 miles north of Fairbanks), where a future outtake flange can be installed to firmly collar future price escalation for an additional cost of $286 million.

- The outtake flange in Livengood moves ANS gas 418 miles closer to Anchorage and caps future Cook Inlet prices at $8.27/mcf (in 2010 dollars). The flange is sized to serve 100% of Cook Inlet's demand for gas as it exists today. When ramped against ADNR's Cook Inlet decline curve, this Alaskan Gas Hub could support Cook Inlet demand well into the next century

- FPC's projection on the future median price escalation for Cook Inlet Gas through the next decade is lower than ADNR's. It estimates the impacts of diminishing supplies from Cook Inlet's legacy fields along with the increased cost of deep-gas productions will most likely result in prices between $8.25/mcf to $10.75/mcf in this decade.

- The State is currently offering significant incentives for new Oil and Gas plays in the Cook Inlet. Incentives and discounted royalties need to be factored into Cook Inlet's future cost of gas. When doing so, Energia Cura estimates that the price of ANS gas sourced from the Livengood Hub will be at par with Cook Inlet gas perhaps as early as 2016 - 2018. The Livengood Hub can be installed by 2015. If the State chooses, deliveries to Anchorage could start as early as 2017 if implemented through an 18", 320 mile pipeline from the Livengood Hub to Cook Inlet for $1.1 billion in 2010 dollars.

The Pictograph of FPC's Primary & Secondary Markets



Case 1 $716 million capital cost
Moves 19 Bcf /Year through 12" pipeline from PB to the Interior
Total cost of gas to Interior of $9.66/mcf with $5.44 COS

Case 2 $1,002 million capital cost or $286 more than Case One
Moves 19 Bcf/Year through 18" pipeline from PB to Livengood Hub
Total cost of gas to Interior of $9.66/mcf with a $9.02 COS
(Needs $286 million up front or $3.58/mcf buy-down over time)

Case 2 A $1,084 million capital cost
Moves 91 Bcf/year through 418 mile, 18" pipeline from PB through Hub to CI
91 Bcf to Livengood Hub $5.90/mcf with a $1.68/mcf COS

Moves 19 Bcf through 90 mile, 12" pipeline from Hub to Interior
12" at 19 Bcf from Hub to Interior COS of $1.14/mcf, this segment
19 Bcf net both segments to Interior $7.04/mcf with a $2.84/mcf COS

Moves 72 Bcf/year through 328 mile, 18" pipeline from Hub to CI
(including compression from the Livengood Hub)
18" at 72 Bcf from Hub to Anchorage COS of $2.37/mcf, this segment
72 Bcf net both segments to CI $8.27/mcf with a $4.05 total COS

Summary of FPC's Primary and Secondary Markets

FPC is ready, willing, and able to build a pipeline from Prudhoe Bay to Interior Alaska and have it operational by 2014. The FPC plan offers two system configurations:

Case 1 Construct and Operate a stand alone 12" Line from Prudhoe Bay to the Interior

Case 2 Construct and Operate an 18" Line from Prudhoe Bay to Livengood to include an 18" outtake flange to limit future Cook Inlet price risk. A 12" Line would be installed from the Livengood Hub to serve Interior Markets by 2014. When justified by escalating gas prices or supply shortages in the Cook Inlet, the remaining 340 mile, 18" pipeline segment from this Hub to the Cook Inlet could be installed within two years (Case 2-A)

Capital costs for each option are as follows:

Case 1, The 12" Line
This line requires no subsidies from the State because it's business model is self supporting by deliveries to the Interior priced at half today's costs ($9.66/mcf versus $20/mcf). Cost is $716 million (2010 dollars)

Case 2, The upsize from a 12" to 18" pipeline
The State contributes the $287 million differential cost to increase FPC's 12" line to 18" or pays down FPC's cost of service (tariff) for that upgrade at $3.58/mcf over time. This moves ANS gas 418 miles closer to Cook Inlet and creates an Alaskan Gas Hub in Livengood

Case 2-A, The 18", 328 mile Pipeline from the Livengood Hub to Cook Inlet
If implemented, this segment will cost approximately $1.1 billion and deliver gas at $8.27 (2010 dollars)

Summary of FPC's Primary and Secondary Market Pricing Structure

Assumptions

Current Cook Inlet Gas Demand	72 Bcf/Year
FPC Interior Gas Demand	19 Bcf/Year
FPC and Cook Inlet Gas Demand	91 Bcf/Year
Estimated Cost of Treated and Compressed Gas	**$4.22/mcf**

COS (Cost of Service or Tariff) Delivered

		To Interior	To Cook Inlet
Case 1	FPC 12" Pipeline Stands Alone at 19 Bcf/yr	$5.44/mcf	N/A
Case 1 – A	FPC 12" Pipeline Stands Alone at 30 Bcf/yr	$3.43/mcf	N/A
Case 2	Install 18" Pipeline & Livengood Hub	$9.02/mcf	(State buys-down final COS)
Case 2 - A	Install 18" Pipeline to Cook Interior	**$2.82/mcf**	**$4.05/mcf**

Total Cost of Bundled Gas (COS + Gas)

Case 1	FPC 12" Pipeline Stands Alone at 19 Bcf/yr	$9.66/mcf	N/A
Case 1 - A	FPC 12" Pipeline Stands Alone at 30 Bcf/yr	$7.65/mcf	N/A
Case 2	Install 18" Pipeline & Livengood Hub	$9.66/mcf	(State buys-down final COS)
Case 2 – A	The Cook Inlet Price Collar or 91 Bcf deliveries	**$7.04/mcf**	**$8.27/mcf**

PRODUCT AND SERVICE

Product and Service Basis - Bundled Gas

Bundled Gas = Total Costs Delivered to Load Center, otherwise expressed as:

COS (Cost of service or tariff) Plus GC (Gas & NGL Cost)

COS = Capex (Capital Amortization) Plus Opex (Operating Costs) Plus ROR (Standard Rate of Return)

GC = Avg US Well Head Value Less Quality Less Shared Capex Risk Plus Compression Plus Treatment

Why Has FPC Employed These Basis, Discounts and Premiums on its GC Pricing Structure?

US Avg Well Head Value	***It is a published valuation index for gas in the ground***
Quality Discount	***Raw ANS gas is of poor value, comprised of 12.3% inert CO_2***
Shared Capex Risk	***AVG. US Gas Well Head Value is based on an average of gas wells located closer to existing transmission networks & markets than ANS gas. Alaska has no transmission network (yet) and its markets are located roughly 508 miles away for Case 1 and/or 836 miles away for Case 2. It stands to reason that sellers of the resources should share in the capital risk to transport them to markets.***

FPC's Bundled Gas (cont.)

Why Has FPC Employed Compression and Treatment Premiums on its GC Pricing?

Compression *To move gas or dense phase products requires compression. Compression costs are a function of Capex repayment, Opex including the energy to run compressors & fair margins (profit) for those undertaking its Capex and Opex risks*

Treatment *To remove CO_2 and other contaminants from ANS gas requires treatment facilities. Treatment costs are a function of Capex repayment, Opex including energy to run the facilities and fair margins (profit) for those undertaking its Capex and Opex risks.*

Why Not Have FPC Install (Capex) and Operate its Own Compression and Treatment Facilities (Opex) to Save Profits Offered to the Producers?

Capex *FPC has estimated its Capex costs for installing a single compression station and skid-mounted treatment facilities on the North Slope to treat and move 19 Bcf to Interior markets. FPC expects that Producers' ability to modify its existing facilities including new facilities required will cost about the same, if not lower than FPC's because they can leverage their existing physical and human resources on the North Slope to install these facilities .*
This leaves the question of margins – read on.

Opex *FPC has estimated its Opex costs for operating compression and treatment facilities on the North Slope. FPC expects these costs to be significantly higher than Producers" due to their leveraging advantages. They already have the camps, the crews and other facilities to undertake their operation and maintenance far cheaper than FPC. In summary FPC expects* ***Producers' Capex + Opex + Margins is less than FPC's own Capex + Opex.***

FPC's Negotiation Target for its Final GC - $4.22/mcf

Details of final GC pending completion of negotiations with British Petroleum, ConocoPhillips and ExxonMobil

CAPITAL AND EQUITY

Capitalization and Equity Distribution 100/0 - Equity to Debt

FPC (the operating company) will be wholly owned by the Alaska Holding Company (the equity company).

Ownership of the Alaska Holding Company's and its future earnings will be assigned to:

- Alaskan Residents
- The State of Alaska Permanent Fund
- Alaskan companies hiring Alaskans and those making in-kind-contributions to the project
- The Fairbanks Pipeline Company's customers

Capital stocks (common shares) in the Alaska Holding Company will be issued at $100 par value.

- No preferred or other classification of shares will be offered
- Par values shares are based on the original capital paid into or invested in the business by its founders
- The Fairbanks Pipeline Company requires $716,000,000 to build and start its operations
- This transcribes into 7,160,000 total shares in the Alaska Holding Company at par value

The State of Alaska Permanent Fund will first be given 515,520 (7.2% of total) shares in exchange for the State's in-kind contributions such as pipeline easements, environment al permits, geophysical, survey, and LIDAR data. This leaves 93% or 6,644,480 shares available to offer Alaskan residents and companies

- The Alaska Holding Company will return dividends of $11.07 per year, per share.

- This is an 11.1% annual ROI (return on investment for case 1) in a utility company whose sales are guaranteed by its owner's own energy requirements, otherwise a very safe investment.

Summary - Equity Distribution in AHC/FPC

Share Volumes Based on Case 1 or 1A, the Stand Alone12" Pipeline

- AHC/FPC will employ a tiered capitalization and equity acquisition model aimed at maximizing Alaskan ownership of the companies to improve our State's economy by adding monies into local circulation

- The model integrates the characteristics of both a publicly owned private company and a cooperative company owned by its direct customers . Again, the company = $716 ,000,000 or 7,160,000 shares

Tier 1 Comprised of Alaskan residents and companies hiring Alaskans (the publicly owned private Co.)
Estimated at 4,983,360 shares (see Tier 2) available for purchase. In-kind-contributions from qualified Alaskan engineering, logistic and construction is being evaluated using shares instead of cash for issue of payments. FPC expects to release its detailed sweat-equity plan in April, 2011.

Comprised of the State of Alaska Permanent Fund for Transfer of Existing Assets
*The Permanent Fund will be given **51,552,000**, shares . This 7.2% share limit may grow if ADOT offers to install additional pits along the Dalton and Elliot Corridors to sell gravels to the project*

Tier 2 Comprised of Companies Purchasing FPC Gas (the cooperative side of the company)
Purchase Limit = the proportion of specific gas volumes nominated by each customer relative to FPC's entire total nominated gas volumes times 6,644, 480 shares (7,160,000 shares less the State's 51,552,000, shares). FPC estimates that only about 30% of total available equity (6,644,480 shares) will be purchased by these companies, leaving the bulk of equity (4,983,360 shares) available to Alaskan residents and Alaskan companies

All shares issued will return yearly dividends paying an 11.1% annual return on investment

SUPPLIER INCENTIVES

Supplier Incentives

Assumptions

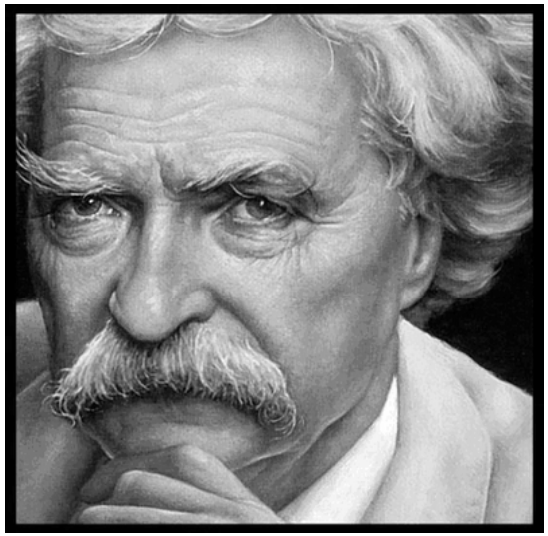
Their Potential Exportation Markets	Uncertain at Best
Possible Cook Inlet Market	72 Bcf/Year
FPC's Interior Market	19 to 30 Bcf/Year
FPC and Cook Inlet Gas Demand	91 to 102 Bcf/Year
Estimated Price Point for Treated and Compressed gas *(All treated, but compressed only to the Livengood Hub)*	**$4.22/mcf at $3.67 AWHV**

Producer sales on 20-Year Contract (Will increase/decrease based on US Average Well Head Value Index)

Case 1 at 19 Bcf/yr	$1.6 Billion	$80,180,000 per year
Case 1A at 30 Bcf/yr	$2.53 Billion	$126,600,000 per year
Case 2A at 92 Bcf/yr	$7.77 Billion	$388,240,000 per year
Case 2 A at 102 Bcf/yr	$8.61 Billion	$430,440,000 per year

Estimated Profits Net Back to Producers' Costs

Information pending completion of negotiations with British Petroleum, ConocoPhillips, and ExxonMobil. Energia has concluded introductory meetings and is planning on completing its negotiations in March with 20 year contract/s in hand



End, Presentation No. 1 of 4 to Banking Community