

SEMI-MONTHLY REPORT

June 30, 2017

AGDC Semi-Monthly Report

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1. Message from AGDC

The following is the semi-monthly report from the Alaska Gasline Development Corporation (AGDC) to Alaska’s governor, legislators, and congressional delegation to help improve transparency of the corporation’s business activities as we develop the Alaska gasline and LNG project. For your convenience, all semi-monthly reports are available at <https://agdcus.sharepoint.com/sites/webshare/legreports/SitePages/Home.aspx>.

2. Commercial

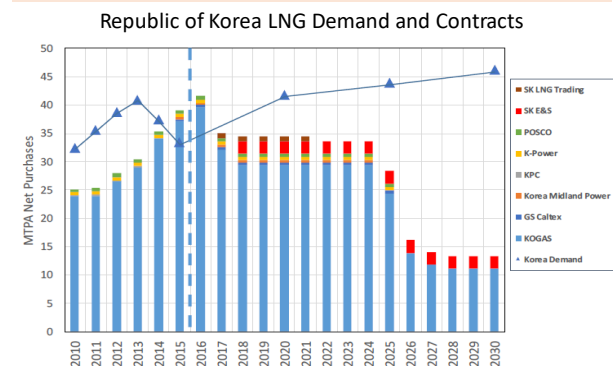
AGDC signed a memorandum of understanding (MOU) with the Korea Gas Corporation (KOGAS) in Washington, D.C. on June 28, 2017. Concurrently, progress continues to move forward in the areas of commercial agreements, in-state gas issues, discussions with producer partners, federal support, and project financing.

2.1 Commercial Agreements

- Korea:** AGDC signed a memorandum of understanding (MOU) with the Korea Gas Corporation (KOGAS) in Washington, D.C. on June 28, 2017. The objective of the MOU is to set forth a framework for the Parties to discuss and evaluate in good faith the possibility and feasibility of jointly developing the Project, with a view to participate in the Project by mutual agreement. KOGAS is a state-run, natural gas giant; the primary LNG buyer in the Republic of Korea as well as the second-largest corporate LNG buyer in the world. The company operates four regasification terminals and thousands of miles of natural gas pipeline across South Korea and is an investor in natural gas infrastructure across the globe. The MOU establishes a joint committee with decision-making authority and sets the framework for AGDC and KOGAS to collaborate on the potential of KOGAS participating in all aspects of the development of Alaska LNG.



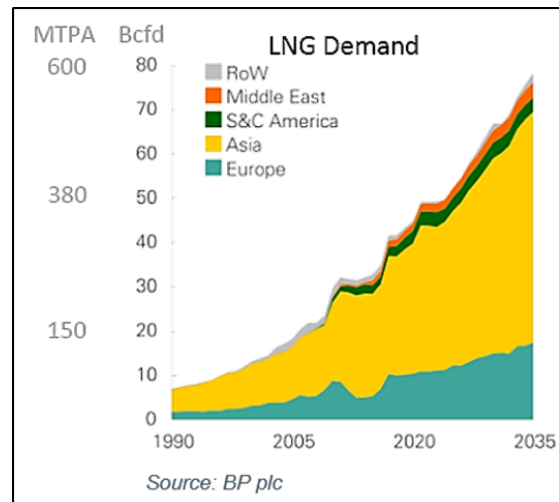
AGDC President Keith Meyer and KOGAS President & CEO Dr. Seung-hoon Lee at the AGDC-KOGAS MOU signing in Washington, D.C. on June 28, 2017.



Governor Bill Walker invited AGDC president Keith Meyer to join him in a meeting with the new Republic of Korea President Moon Jae-in in Washington, D.C., on June 28, 2017. AGDC is promoting Alaska LNG as a strategic opportunity for sovereign governments to invest, reduce trade imbalances, and secure long-term LNG supplies. Later in the week, U.S. President Trump also met with Korean President Moon and discussed various ways to achieve American Energy Dominance, including a specific mention of increased LNG supplies to South Korea.

Kogas also reportedly signed an MOU with Exxon for the Golden Pass, Texas facility and Energy Transfer for the Lake Charles Louisiana facility, setting up somewhat of a horserace between the different projects. Because of upcoming contract expirations, by 2026, KOGAS is expected to require supply contracts of approximately 30 Mtpa. (The Alaska LNG project at full capacity is 20 Mtpa.)

- AGDC continues to solicit foundation capacity commitments for the Alaska LNG project. The capacity solicitation will provide participants with the ability to express interest in a specific quantity of capacity on the individual components of the Alaska LNG system and secure foundation customer rights; capacity on the system will provide upstream gas producers the ability to access global gas markets and thereby sell their gas. The capacity solicitation process will also allow in-state as well as other third parties – including AGDC – an ability to secure foundation capacity on the system.



Asia is driving global LNG demand growth making Alaska LNG an attractive new source of reliable natural gas.

- AGDC will use the responses to assist in determining the initial capacity design of the Alaska LNG system.
- Initial respondents will secure rights to become “Foundation Customers,” which will include certain rights to expansion capacity, favored nations pricing, extension options, and other rights typically afforded to customers that provide the commercial foundation for a pipeline or LNG system.
- This process will not close the door on future capacity commitments, but rather will guide the project’s initial design and commercial structure decisions.
- Negotiations of final definitive agreements for capacity will commence at the conclusion of the initial capacity solicitation, and are targeted to be concluded in 2018.

- AGDC continues to negotiate an agreement with the Alaska LNG LLC JV partners (BP, ConocoPhillips, and ExxonMobil) for an option to purchase land selected for the liquefaction facility in Nikiski, AK.

2.2 In-State Gas

- AGDC is in commercial discussions with in-state gas users to advance initial commercial agreements for gas purchases through AGDC's in-state aggregator.

2.3 Cooperation

- AGDC and BP continue to work together in the areas of regulatory, finance, and commercial structure as they relate to the Alaska LNG project. BP has provided expert staff to the project to advance these efforts.

2.4 Federal Support

- The Pipeline Hazardous Materials and Safety Administration (PHMSA) concurred with AGDC that the regulatory jurisdiction for the proposed Prudhoe Bay gas treatment plant (GTP) should be the same as other North Slope gas and oil processing facilities that are connected to PHMSA jurisdictional pipelines, principally Occupational Safety and Health Administration (OSHA) and the State Fire Marshall.
- AGDC met with representatives of the Export-Import Bank of the United States (EXIM), U.S. Department of Commerce, and the Council on Environmental Quality (CEQ), in Washington, D.C. on June 29, 2017, to discuss specific concepts for expediting the Alaska gasline and LNG project.
- AGDC continues to receive positive feedback from various federal agencies involved in the permitting of the project. The agencies are all very aware of the Alaska project and seem to be on the mission of "American Energy Dominance" and recognize the potential importance of Alaska in that broader national plan.

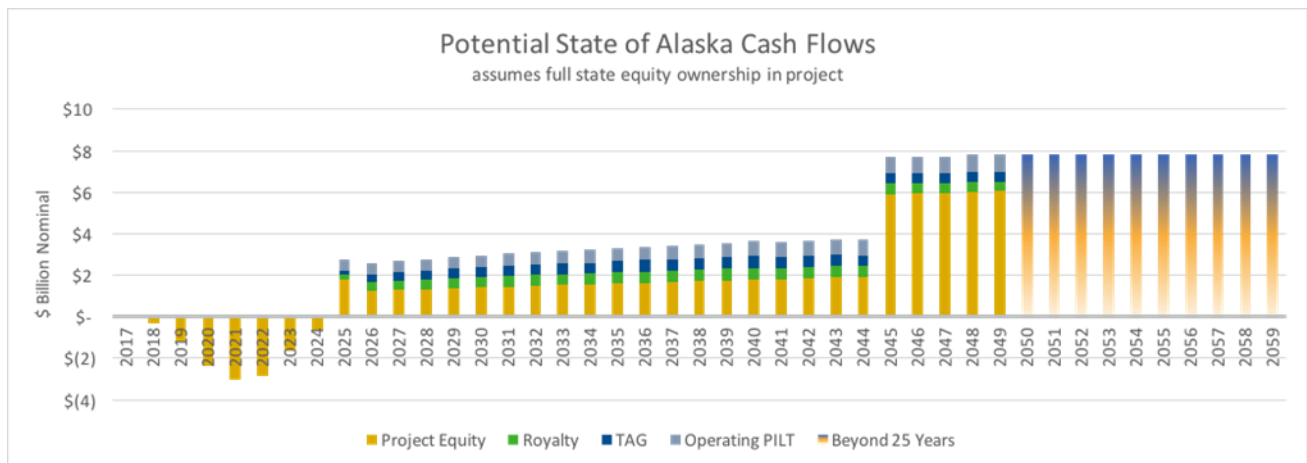
2.5 Project Marketing

- AGDC continues to address the lack of awareness and misperception of Alaskan gas in the Asian marketplace through an enhanced marketing campaign focused at markets in the Asia-Pacific region. Since taking over leadership of the project, AGDC is prioritizing the awareness and promotion of Alaska LNG to the global LNG community. In the last six months, Alaska LNG has gained the attention of many large buyers in Korea, China, Japan, and other markets in the Asia-Pacific region because of Alaska's unique ability to deliver energy stability at competitive pricing. In addition to raising awareness of the project, AGDC continues to address erroneous negative perceptions of the project being injected into the minds of the major customers by Alaska LNG's major competitors.

- AGDC participated in the CWC World LNG & Gas Series 15th Americas Summit. The summit, which was held in Houston, TX on June 20-23, 2017, brought together key players in the LNG and gas value chain in both the Americas region and globally. In addition to attending the summit and displaying Alaska LNG on the tradeshow floor, AGDC Vice President of Commercial & Economics Lieza Wilcox was a featured speaker. Mrs. Wilcox participated in a panel discussion, “Make American LNG Great Again,” on June 21, 2017.

2.6 Financing

- AGDC is continuing to refine a project economics presentation. The presentation’s objective is to provide audiences with the information necessary to make well-informed investment decisions.
- AGDC has interviewed several globally recognized financial institutions to serve as a financial advisor. The successful candidate will assist in arranging financing for the Alaska LNG project. Currently, AGDC is working with an independent registered municipal advisor (IRMA) to help identify the regulatory requirements for a financial advisor (FA) to provide service to a state-owned entity.



Potential cash flows to the State of Alaska, assuming full state equity ownership in Alaska LNG. Equity-only ROE is 8% through the initial period and 10% over the life of the project. Equity ROE plus RIK/TAG and PILT is 13% during the initial period and 15% over the life of the project.

- A detailed investor prospectus to demonstrate the competitiveness of the project to potential major investors, lenders, and the Legislature continues to be refined. The investment prospectus will demonstrate the following:
 - Lower return third-party project financing will allow the project to provide an acceptable return on investment to long-term lenders and infrastructure investment funds.
 - Under a third-party project finance structure, the project is able to compete with other new supply sources.

- Upstream gas sellers will earn an acceptable netback.
- The State of Alaska will earn an acceptable return on equity for its investment, taking advantage of debt leveraging and project finance structure.
- The potential, after debt retirement, to provide a multi-billion-dollar annual cash flow to the State of Alaska (assuming the state is the majority owner).

3. Regulatory and Program Management

AGDC completed Phase 1 responses to the Federal Energy Regulatory Commission (FERC). While Alaska LNG moves forward as AGDC's priority project, the Alaska Stand Alone Pipeline (ASAP) continues to advance toward a final environmental impact statement and record of decision.

3.1 Alaska LNG Project

- AGDC submitted the final batch of responses to FERC's regulatory questions and comments at the end of June. The responses add over 1,000 pages to Alaska LNG's FERC docket, which is now totals more than 60,000 pages.
- AGDC is continuing the selection process of an engineering, procurement and construction (EPC) contractor to perform a "lead contractor" role to assist in advancing the Alaska LNG project. Additional face-to-face meetings with lead contractor candidates are ongoing.
- Work continues on providing responses to FERC comments on in-state gas issues.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- The U.S. Army Corps of Engineers (Corps) published a Notice of Availability in the Federal Register.
- The Corps confirmed the ASAP SEIS public hearing schedule, which will include meetings across the state throughout July-August, 2017.

4. Communications, Administrative, and Other

AGDC implemented public events in Houston, Texas, and Washington D.C. throughout the latter half of June. Concurrently, work continues on developing new promotional materials, addressing questions from reporters and Alaska residents, as well as hosting community meetings across the state in areas directly affected by the Alaska LNG project.

4.1 Communications

- AGDC held a community meeting to present an update on Alaska LNG and answer questions in Minto on June 28, 2017.
- AGDC is finalizing the second quarter newsletter for distribution in early July.