



PRESIDENT'S REPORT

BOARD OF DIRECTORS MEETING

AUGUST 18, 2016



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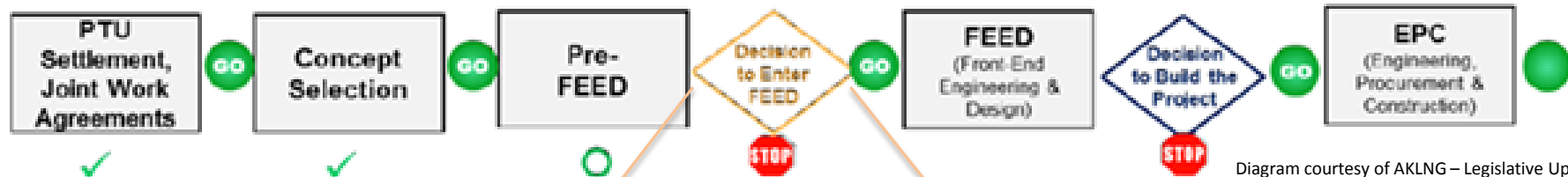
Key Messages

- The Alaska LNG project continues to make good technical progress. Pre-FEED work is over 90% complete and Pre-FEED deliverables are anticipated by mid-September.
- The Parties are working together to consider commercial options to improve the project's ability to compete in the global LNG market.
- As part of the effort to improve the project's competitiveness, the Parties are working collaboratively to transition the project to State leadership. They are also pursuing alternative commercial structure options and concepts that have been successfully used in global LNG projects to reduce the Cost of Supply of the project. The goal is to have a seamless continuation of the project and maintain project momentum.
- Planning for the transition to an AGDC-led Alaska LNG project is underway with the target for commencement by the end of October with completion by the end of the year. Once transitioned, the Alaska Gasline Development Corporation will be responsible for managing the project going forward including: a) applying for regulatory approval, b) securing the commercial commitments from gas sellers, shippers, and buyers necessary to acquire the equity and debt financing that will be required to complete the project, and c) preparing to start FEED.

Additional AGDC Messages

- AGDC has approved funding through FY2017. A decision on supplemental FY2017 funding is pending. As part of the State's budgetary process, AGDC will provide a budget request to the Alaska Legislature for FY2018.
- AGDC will augment its current technical, commercial, and project management expertise as necessary, consistent with project progress and funding.
- AGDC plans to ensure the Alaska LNG project builds upon the tremendous expertise and accomplishments already invested into the project.
- The AGDC greatly appreciates the professional and cooperative way the parties have advanced the project to this stage and looks forward to working closely with them during the next stage of the project.

Refining the “Stage Gates”



New elements in the “Decision to Enter FEED”:

- ◆ Have we structured the project for tax and other financial efficiencies?
- ◆ Have we secured customers sufficient for financing?
- ◆ Have we identified and secured parties interested in equity investment in the infrastructure project?
- ◆ Have we identified and secured lenders for non-recourse project debt finance?
- ◆ Have we secured large EPC companies competent to manage the construction of the project and shoulder a significant part of the construction related risks?

Major Activity Timeline

Alaska Gas Infrastructure and LNG Project																
Target Timeline of Major Activities																
Major Activities	2016				2017				2018				2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
1) Transition to AGDC lead.																
2) FERC Filing																
3) Project Structuring																
4) LNG and Service Marketing																
5) Project Equity Marketing																
6) Project Lenders																
7) Engage Capable EPC and Construction Management Firms																
8) Finalize Gas Supply and Upstream Issues																
9) Preliminary FID, FEED, FID, Financial Close, EPC																
10) Move to Construction.																

Note: EPC = Engineering Procurement Construction; FID = Final Investment Decision; NTP = Notice to Proceed

Other Upcoming Activities

- **Preparing for Legislative Hearing on August 24-25**
- **Preparing for International Marketing Opportunities**
 - ✓ Identify G to G opportunities
 - ✓ Strategic planning for sales and marketing
- **Preparing FY 2018 Budget**