

SEMI-MONTHLY REPORT

April 28, 2017

AGDC Semi-Monthly Report

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1. Message from AGDC

The following is the semi-monthly report from Alaska Gasline Development Corporation (AGDC) to legislators designed 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 finalized preparations for a marketing campaign in China, which will commence with the CWC China LNG & Gas International Summit & Exhibition in Beijing from May 17-18, 2017. Concurrently, progress continues to move forward in the areas of commercial agreements, in-state gas issues, cooperation with producer partners, federal support, and project financing.

2.1 Commercial Agreements

- AGDC is in discussions with a number of Alaska LNG Summit attendees about signing confidentiality agreements which will allow them access to the Alaska LNG project data room, which contains the majority of technical data, reports, and presentations relating to the project.
- AGDC continues to prepare for a capacity marketing process with draft letters of intent (LOI) and tolling term sheets developed in-house with support from outside counsel. The LOI outline agreements between AGDC as the infrastructure owner and customers before the agreements are finalized. The tolling term sheets are intended to identify certain, but not all, contractual conditions that would be embodied in a definitive tolling agreement. Additionally, LOIs and term sheets will be developed for LNG sales.
- AGDC continues to negotiate a deal 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.
- Work continues on crafting responses to Alaska LNG project FERC comments on in-state gas issues.

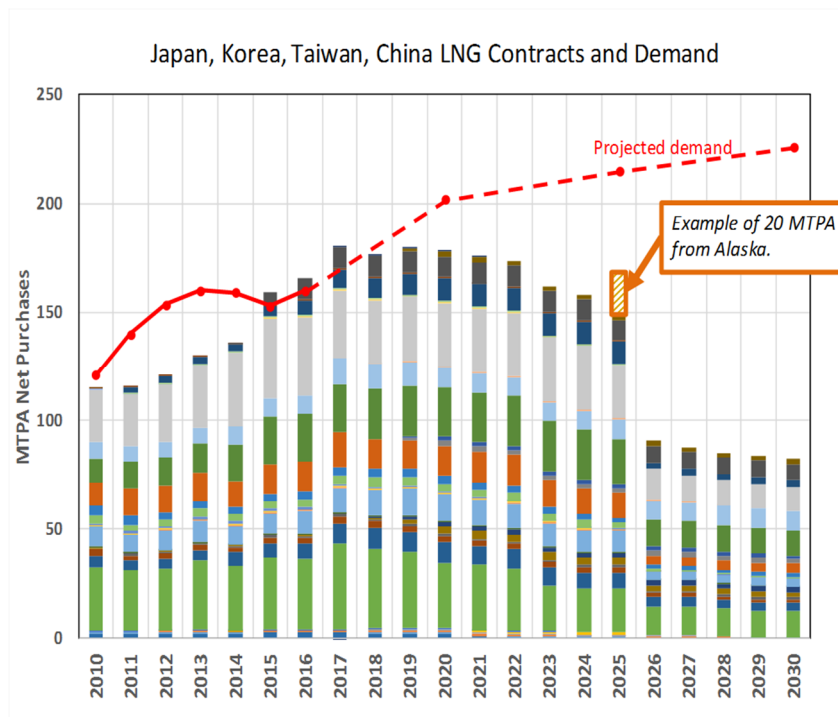
2.3 Cooperation

- As a result of the AGDC/BP cooperation agreement entered into earlier this year, AGDC and BP continue to work together in the areas of regulatory, finance, and commercial structure as they relate to the Alaska LNG project.

- In preparation for negotiations, AGDC has commenced discussions with gas owners to establish common business purposes and intents.

2.4 Federal Support

- U.S. Vice President Mike Pence met with Alaska Governor Bill Walker and AGDC President Keith Meyer in Anchorage on April 15. During their nearly two-hour appointment, AGDC briefed the Vice President on the details of the Alaska LNG project. Conversation covered a myriad of topics, including how the Alaska LNG project can contribute to the Trump Administration's goals on America's infrastructure, creating high-paying jobs, achieving energy independence, and balancing trade deficits. Asian market potential for Alaska LNG (illustrated by the graph below) was a central topic of discussion and served as an ideal precursor to the Vice President's trip to South Korea and Japan – two of Alaska's primary LNG markets.

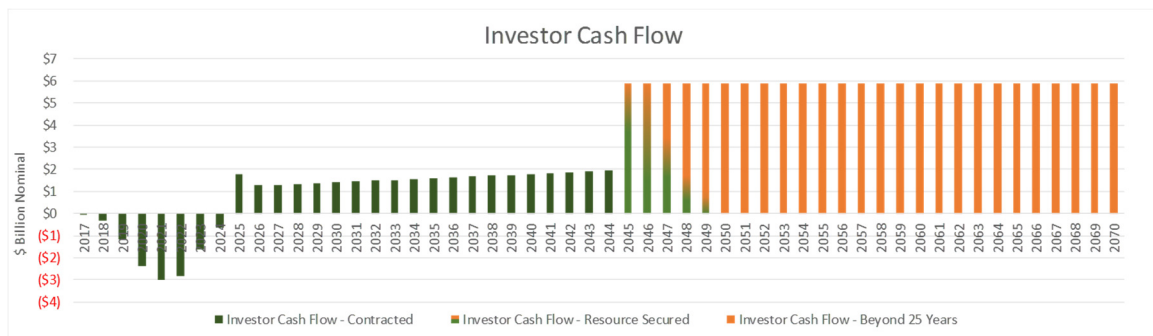


2.5 Project Marketing

- Preparations are underway for AGDC to attend the CWC China LNG & Gas International Summit & Exhibition in Beijing May 17-18, 2017. In addition to prescheduled meetings with prospective LNG buyers, AGDC president, Keith Meyer, will give a presentation about the Alaska LNG project on May 18.
- AGDC produced new, country-specific, six-panel promotional brochures for Japan, South Korea, and China. These promotional pieces illustrate the Alaska LNG project's ideal position to be a long-term LNG supplier to the Asia-Pacific region.

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. The graph below illustrates the project's attractive projected investor returns and will be included in the final project economics presentation.



- AGDC has interviewed several globally recognized financial institutions to serve as a financial advisor. The successful candidate will assist in acquiring, managing, structuring, and arranging financing for the Alaska LNG 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.
 - 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 filed an application to obtain a Natural Gas Act Section 3 permit with the Federal Energy Regulatory Commission (FERC) for its Alaska LNG project on April 17, 2017.

3.1 Alaska LNG

- AGDC reached a major milestone on April 17, 2017 when the corporation filed an application to obtain a Natural Gas Act Section 3 permit with FERC. This is the culmination of over one million man-hours invested in project engineering and design, more than 193,000 acres mapped, over 300 streams surveyed, thousands of boreholes drilled along the proposed route, and approximately 50,000 pages of material submitted to FERC. FERC is the federal agency that authorizes siting, construction, and operation of liquefied natural gas (LNG) export projects, and will lead the National Environmental Protection Act (NEPA) review process. The agency will prepare an environmental impact statement (EIS) for the project as well as coordinate permit applications with other federal agencies. Advancing the project through the federal environmental process will reduce the permitting risk and provide surety to project investors, financiers, and customers. FERC will soon publish a schedule for the NEPA process in the federal register that outlines the time to develop a draft EIS (likely 12 months) and a final EIS (another 6 months). The outcome of this NEPA process will be a FERC order that authorizes AGDC to construct the Alaska LNG project.
- Legislators received USB drives containing copies of the Natural Gas Act Section 3 permit application as well as the twelve resource reports submitted to FERC from AGDC the week of April 17, 2017.
- FERC received 457 comments, editorial, and questions from Alaska state agencies including Alaska's Department of Natural Resources (DNR), Department of Transportation & Public Facilities (DOT&PF), Department of Fish & Game (ADF&G), Department of Environmental Conservation (DEC), and Department of Health & Social Services (DHSS) regarding the second drafts of the Alaska LNG resource reports. AGDC has been reviewing these comments and will work to address them directly with the state agencies during the state permitting process that is outside of the official FERC NEPA review process. AGDC will continue to collaborate with the agencies to address concerns.
- AGDC has requested information and cost estimates from potential engineering, procurement and construction (EPC) contractors interested in performing a "lead contractor" role to assist in advancing the Alaska LNG project through the FERC regulatory filing and into the engineering, procurement, and construction phases of the project.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- AGDC continues to respond to 350 requests for information from the Army Corps of Engineers and other regulatory agencies on the draft Supplemental Environmental Impact Statement chapters covering air quality, permafrost, and cultural resources.

4. Communications, Administrative, and Other

Preparing for U.S. Vice President Mike Pence and Chinese President Xi Jinping's visits to Anchorage was a primary focus of AGDC's communications department in April. Concurrently, work continues on developing new promotional materials as well as hosting community meetings across the state in areas directly affected by the Alaska LNG project.

4.1 Communications

- AGDC distributed a press release to local, national, and international media highlighting the discussion about the Alaska LNG project between Vice President Pence, Governor Walker, and Mr. Meyer.
- AGDC presented an update on the Alaska LNG project to the House Resources Committee on April 14, 2017.
- AGDC presented an update on the Alaska LNG project to the Nikiski Community Council in Nikiski on April 17, 2017.
- AGDC held community meetings to present an update on the Alaska LNG project and answer questions in Homer, Seward, and Nikiski on April 20, 25, and 26, respectively. Additional community meetings are scheduled throughout early May in Healy, Nenana, Minto, Cantwell, Trapper Creek, Houston, Fairbanks, and Wasilla.
- AGDC participated in Valdez High School's career day on April 25, 2017.
- AGDC presented an update on the Alaska LNG project to the Downtown Anchorage Rotary on April 25, 2017.
- AGDC continued to work on regional outreach via community advisors in Fairbanks, Juneau, Kenai, and the Mat-Su Valley.

4.2 Administrative

- The March accounting period closed on April 17, 2017. As of March, AGDC is underspending its operating budget fiscal year-to-date (FYTD) by \$1 million. The primary variance drivers include AGDC direct hire vacancies and lower than budgeted FYTD services expenditures. AGDC is currently underspending against the capital authorization for expenditures (AFE) by \$6 million year-to-date due primarily to timing differences. The primary variance drivers include the timing of AFE activity and activity deferrals.