

SEMI-MONTHLY REPORT

April 14, 2017

AGDC Semi-Monthly Report

April 14, 2017

Contents

1. Message from AGDC	2
2. Commercial	2
2.1 Commercial Agreements	2
2.2 In-State Gas	2
2.3 Cooperation	2
2.4 Federal Support.....	3
2.5 Project Marketing	3
2.6 Financing	3
3. Regulatory and Program Management	4
3.1 Alaska LNG	4
3.2 Alaska Stand Alone Pipeline (ASAP) Project.....	4
4. Communications, Administrative, and Other	5
4.1 Communications	5
5. Appendix	6
5.1 FERC Filing Authorization	6

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

Preparing for a meeting with Chinese President Xi Jinping was the primary focus of early April. 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. In addition, 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, ExxonMobil) to gain access to land selected for the liquefaction facility in Nikiski, AK. Negotiations will likely continue past the Federal Energy Regulatory Commission (FERC) application filing.

2.2 In-State Gas

- AGDC is in commercial discussions with three large 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.

2.4 Federal Support

- AGDC contracted with Holland & Hart for the service of Ms. Drue Pearce, Director of Government Affairs, to assist with Federal initiatives related to the Alaska LNG project. Ms. Pearce will help expedite the project in the federal arena.

2.5 Project Marketing

- The President of the People’s Republic of China (PRC), His Excellency Xi Jinping, met with AGDC president, Keith Meyer, on Friday, April 7 in Anchorage. President Xi, traveling with PRC First Lady Peng Liyuan and a delegation of high-ranking Chinese officials, visited Anchorage for an evening of meetings and dinner with State of Alaska executives, including Governor Bill Walker. A significant point of discussion between President Xi, Governor Walker, and Mr. Meyer, was the Alaska LNG project. During dinner, President Xi mentioned the large scale of Chinese need for natural gas, saying his country has 100 years of demand. AGDC is currently working with Chinese diplomats to continue the momentum created by President Xi’s visit to move the Alaska LNG project forward.
- Preparations are underway for AGDC to attend the CWC China LNG & Gas International Summit & Exhibition, which will be held 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 attended the GasTech Exhibition & Conference in Tokyo, Japan, April 4-7. Meetings were held with 12 potential LNG buyers, investors, and North Slope producer LNG affiliates, including many that participated in the Alaska LNG Summit in early March.

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 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

The primary task for the AGDC regulatory department over the first half of April continued to be addressing the nearly 3,000 comments made by the 13 federal, state, and local agencies that reviewed the second drafts of the Alaska LNG resource reports. AGDC's current plan is to submit the FERC filing in April 2017. In preparation for the upcoming filing, each draft resource report is being thoroughly reviewed for the final time.

3.1 Alaska LNG

- 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 National Environmental Policy Act (NEPA) review process. AGDC will continue to collaborate with the agencies to address concerns.
- Redline review of the FERC application and its appendices was completed during the first week of April. Resource report printing began on April 10, 2017. Greenberg Traurig completed the Section 3 application.
- 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 Chinese President Xi Jinping’s visit to Anchorage was the primary focus of AGDC’s communications department in the first half of April.

4.1 Communications

- AGDC assisted the governor’s office with preparations for Chinese President Xi Jinping’s visit to Anchorage.
- The monthly AGDC Board of Directors meeting was held on April 13, 2017 in Anchorage. A resolution of the board of directors authorizing submittal to FERC of the application of AGDC for authorization under section 3 of the Natural Gas Act was unanimously passed. The signed resolution is included in appendix 5.1 of this report.
- AGDC distributed a press release to local, national, and international media highlighting the discussion about the Alaska LNG project between President Xi, Governor Walker, and Mr. Meyer.
- AGDC provided answers to interview questions from *Alaska Business* magazine for an upcoming article on the Alaska LNG project.
- AGDC distributed the corporation’s quarterly newsletter, *The Newsline*, on April 3, 2017. This first quarter edition included an update on recent activities and developments, a recap of the Alaska LNG Summit, and a calendar of upcoming events where AGDC will present.
- AGDC continues to make arrangements for community meetings across Alaska, including: Homer, Fairbanks, and Mat-Su.
- AGDC continued to work on regional outreach via community advisors in Fairbanks, Juneau, Kenai, and the Mat-Su Valley.

5. Appendix

5.1 FERC Filing Authorization

RESOLUTION 2017-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA GASLINE DEVELOPMENT CORPORATION AUTHORIZING SUBMITTAL TO THE FEDERAL ENERGY REGULATORY COMMISSION OF THE APPLICATION OF ALASKA GASLINE DEVELOPMENT CORPORATION FOR AUTHORIZATION UNDER SECTION 3 OF THE NATURAL GAS ACT

WHEREAS, Alaska Gasline Development Corporation (“AGDC”) has taken the lead in advancing the Alaska LNG project;

WHEREAS, on February 9, 2017, the AGDC Board of Directors (the “Board”) approved an authorization for expenditure (“AFE”) that, among other things, authorized AGDC to expend funds to prepare an application to the Federal Energy Regulatory Commission (“FERC”) for the Alaska LNG project under Section 3 of the Natural Gas Act and to carry out other activities with respect to FERC necessary to progress such an application;

WHEREAS, AGDC’s outside legal counsel has prepared the necessary FERC application, which is entitled “Application of Alaska Gasline Development Corporation for Authorization under Section 3 of the Natural Gas Act” (the “Application”), and copies of the Application have been provided to the Board;

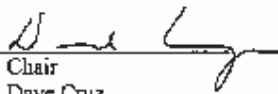
WHEREAS, submitting the Application to FERC will further AGDC’s goal of developing the Alaska LNG project and will be in the best interests of AGDC and the State of Alaska as step towards realizing on the benefits of Alaska’s vast North Slope natural gas resources.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA GASLINE DEVELOPMENT CORPORATION THAT:

1. The Application in the form provided to the Board is approved.
2. AGDC’s President is authorized and directed to have AGDC’s outside legal counsel execute the Application and submit it to FERC as soon as reasonably possible.
3. This Resolution shall take effect immediately.

PASSED AND ADOPTED THIS 13th DAY OF APRIL, 2017.

**BOARD OF DIRECTORS OF THE ALASKA
GASLINE DEVELOPMENT CORPORATION**

By: 
Chair
Dave Cruz