

LETTER OF INTENT FOR TOLLING SERVICES
ON ALASKA LNG

This Letter of Intent (LOI) is made as of this ____ day of _____, 2017 (Effective Date) by and between:

- a) _____ [name], a _____ [company type], whose address is _____ (CUSTOMER); and
- b) Alaska Gasline Development Corporation, an independent, public corporation of the State of Alaska, whose address is 3201 C Street, Suite 200, Anchorage AK 99503, U.S.A., either directly or through its designated affiliate (OWNER).

Background

- 1. OWNER, on behalf of the State of Alaska, is developing an integrated liquefied natural gas (LNG) system (Alaska LNG) to enable the commercialization of Alaska's stranded North Slope gas resource base, including the 35 Tcf of developed North Slope natural gas resources. On April 17, 2017, OWNER filed with the U.S. Federal Energy Regulatory Commission an application to construct and operate the Alaska LNG system pursuant to Section 3 of the Natural Gas Act at Docket Number CP17-178-000.
- 2. OWNER and CUSTOMER desire to enter into negotiations for tolling services agreements (Definitive Agreements) including, as applicable, gas treatment, gas transportation and liquefaction services on Alaska LNG.
- 3. OWNER currently estimates that tolling services will commence during 2023-2025.
- 4. OWNER desires to offer CUSTOMER the opportunity, upon satisfaction of certain conditions, to become a foundation customer (Foundation Customer), with unique rights in exchange for CUSTOMER'S early contractual commitment to Alaska LNG capacity rights.
- 5. The parties desire to provide a framework for the negotiation of the Definitive Agreements. The terms outlined in this LOI are subject to the negotiation and execution of one or more Definitive Agreements between the parties.

Framework for Negotiation

Accordingly, the parties will proceed on the following basis:

- 1. **Term.** This LOI becomes effective on the Effective Date and continues until the earliest of:
 - a) the date on which one or more Definitive Agreements have been executed;
 - b) the date OWNER provides written notice of termination to CUSTOMER;
 - c) the date CUSTOMER provides written notice of termination to OWNER; **or**
 - d) May 31, 2018.The parties may extend this LOI's term only by a written agreement signed by both parties.
- 2. **Negotiation Process.** Each party intends to:
 - a) conduct itself in a commercially reasonable manner to negotiate one or more of the Definitive Agreements contemplated in this LOI; **and**
 - b) commit sufficient resources to evaluate and negotiate one or more of the following Definitive Agreements:
 - i) a Liquefaction Tolling Services Agreement for the liquefaction, storage and loading of LNG onto marine tankers (LTSA);

- ii) a Pipeline Transportation Services Agreement for the transportation of treated natural gas from a gas treatment plant on the North Slope of Alaska (GTP) to a gas liquefaction plant at Nikiski, Alaska (PTSA);
 - iii) a Gas Treatment Services Agreement for the treatment of gas at the GTP to meet gas quality standards for natural gas transmission and liquefaction (GTSA);
 - iv) a Prudhoe Bay Transmission Line Agreement for the transportation of gas from the Prudhoe Bay Unit to the GTP (PBTLA); **and**
 - v) a Point Thomson Transmission Line Agreement for the transportation of gas from the Point Thomson Unit to the GTP (PTTLA).
- 3. **Foundation Customer Eligibility.** CUSTOMER becomes a Foundation Customer eligible to receive the unique rights set forth in Paragraph 6 of Exhibit A only if all of the following conditions have been satisfied, and only with respect to Definitive Agreements that meet the conditions of Section 3(b) below:
 - a) by August 31, 2017, CUSTOMER:
 - i) executes this LOI, which includes the Tolling Services Term Sheet as Exhibit A; and
 - ii) completes the Capacity Reservation Form attached as Exhibit B; and
 - b) by May 31, 2018, CUSTOMER executes one or more of the Definitive Agreements regarding the liquefaction, transportation, or treatment of natural gas on the Alaska LNG system with:
 - i) a minimum term of 20 years; **and**
 - ii) a minimum capacity as set forth in Exhibit A.
- 4. **No Exclusivity.** This LOI is not intended to, and does not, create any obligation on any party to negotiate exclusively with the other party for a Definitive Agreement or any other transactions or services contemplated in this LOI.
- 5. **No Obligation To Enter Into Definitive Agreements.**
 - 5.1 No obligation.** This LOI, including Exhibit A, does not impose, and is not to be construed as imposing, an obligation on either party to execute any agreements, including any Definitive Agreement. Neither party is or will be under any obligation (legal or otherwise) to continue discussions or to conclude any Definitive Agreement or any other transaction.
 - 5.2 No reliance.** Each party: (a) is responsible for its own costs and expenses related to any negotiations or discussions; (b) has no liability to the other party for costs, expenses or other claims related to any negotiations or discussions; or (c) may not rely on any representations, discussions or negotiations of the other party and relies on its own independent analysis in making any decisions or taking any actions related to this LOI or any Definitive Agreement. Any draft, memoranda, correspondence, financial model, and other communications prepared or exchanged in the course of discussions regarding any Definitive Agreement is to be considered preliminary and has no legal effect, unless incorporated into a Definitive Agreement executed by the parties after this LOI.
 - 5.3 Waiver of claims.** Each party waives all claims it might have against the other arising from or relating to:
 - a) any discussions or negotiations with a third party relating to a Definitive Agreement or any other transactions or services contemplated in this LOI;
 - b) any failure to complete a Definitive Agreement under Section 3, including the giving of a written notice of termination or not agreeing to extend the Foundation Customer Negotiation Period under Section 1;
 - c) any reliance whether justified or not on the provisions of this LOI; **or**
 - d) any other discussions or negotiations (or lack of them) relating to this LOI or the transactions it contemplates.

The parties have executed this LOI as of the Effective Date.

OWNER

CUSTOMER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A
TOLLING SERVICES TERM SHEET

1. CUSTOMER	[Customer name.]
2. OWNER	The Alaska Gasline Development Corporation, a public corporation wholly owned by the State of Alaska, or an affiliate established for the purpose of developing Alaska LNG and providing associated tolling services to third parties (" OWNER "). ¹
3. Tolling Services and Tolling Facilities	CUSTOMER intends to produce and supply, or buy from third parties under one or more long-term gas sales agreement(s), natural gas produced from wells located on the Alaska North Slope or elsewhere in Alaska, which gas will be delivered to OWNER and, depending on the location of the source of supply, (i) transported on transmission lines on the North Slope (the " Prudhoe Bay Transmission Line " and the " Point Thomson Transmission Line "); (ii) treated to remove certain impurities by a gas treatment plant on the North Slope (the " Gas Treatment Plant "); (iii) transported from the North Slope to SouthCentral Alaska by a natural gas pipeline (the " Gas Pipeline "); and (iv) delivered to be liquefied by a liquefied natural gas (" LNG ") production facility and delivered as LNG to CUSTOMER at the LNG delivery flange near Nikiski, Alaska (the " Liquefaction Facility ") (collectively, the " Tolling Facilities "). OWNER shall provide to CUSTOMER tolling services through one or more of the Tolling Facilities (the " Tolling Services "), in accordance with CUSTOMER'S election as specified in each Definitive Agreement. The Parties shall enter into a separate Definitive Agreement for each Tolling Facility through which CUSTOMER elects to receive Tolling Service.
4. Foundation Customer Eligibility	<p>CUSTOMER shall be a Foundation Customer, and eligible to receive the Foundation Customer Rights set forth in Paragraph 6 below, if it:</p> <ul style="list-style-type: none"> (a) Agrees, for a minimum Term of 20 years, to the following minimum capacity commitments, unless otherwise approved by OWNER in its sole and reasonable discretion, as set forth in CUSTOMER'S Capacity Reservation Form: for liquefaction service, Gas Pipeline service, and GTP service a Maximum Daily Quantity ("MDQ") of 250,000 MMBtu. The minimum capacity requirements do not include Gas used as FL&U and only apply to segments of the Alaska LNG system on which a Foundation Customer requires service; and; b) Executes, in a manner acceptable to OWNER, Definitive Agreements for Tolling Services by May 31, 2018.
5. Foundation Customer MDQ	A Foundation Customer must indicate on the Capacity Reservation Form set forth at Exhibit B its requested quantity MDQ for each individual Tolling Facility on the Alaska LNG system, including the Prudhoe Bay Transmission Line and Point Thomson Transmission Line.

¹Defined terms used herein shall have the same meaning as defined terms used in the Letter of Intent.

<p>6. Foundation Customer Rights</p>	<p>Foundation Customers shall have the following rights, in addition to the rights afforded to other customers, for capacity that meets the Foundation Customer eligibility requirements:</p> <ul style="list-style-type: none"> ○ <u>Favored Nations Pricing rights</u>: OWNER shall offer to charge Foundation Customers a Tolling Fee no higher than the lowest Tolling Fee paid for comparable service by any other Customer. ○ <u>Preferential rights to additional capacity in each Tolling Facility</u>: In any Contract Year, OWNER may offer to provide Tolling Services for uncontracted capacity in any Tolling Facility ("Extra Capacity"). Such Extra Capacity shall be offered by OWNER first to in-state regulated utilities, then to Foundation Customers, and then to other customers, on a pro rata basis in proportion to each customer's MDQ in relation to total MDQ, and, if accepted by CUSTOMER, such Extra Capacity will be included in its contract quantity. <p><u>Multiple contract extension rights</u>, up to 50 years (inclusive of the Primary Term): The primary term of the Definitive Agreements shall be 20 years commencing on the commercial operations date for the project, which will be defined in the Definitive Agreements ("Primary Term"). A Foundation Customer shall have six (6) options to extend the term of the Definitive Agreements by an additional five (5) years each, provided that OWNER (i) is able, by reasonable efforts, to maintain in effect all regulatory permits and government approvals for such extension periods, and (ii) reasonably believes the Tolling Facilities are capable of safe and reliable operations during such extension periods. No later than thirty-six (36) months prior to the end of the Primary Term, CUSTOMER shall exercise (or decline) its option for the first extension period. No later than twenty-four (24) months prior to the end of each extension period, CUSTOMER shall exercise (or decline) its option for the next extension period. Except for the new term, all other terms and conditions of the Definitive Agreements shall apply during the extension periods. Notwithstanding the above, if OWNER receives a request for service that would commence after the Primary Term, OWNER shall have the ability to require CUSTOMER to exercise (or decline) its extension up to sixty (60) months prior to the expiration of the contract term (whether that be the Primary Term or an extension term).</p> <ul style="list-style-type: none"> ○ <u>A right of first refusal</u> on CUSTOMER'S capacity rights after the expiration of the foregoing six extension terms. ○ <u>A right of first negotiation on new capacity</u> that can be created through expansions or significant debottlenecking investments in the Tolling Facilities, including but not limited to adding another liquefaction train. ○ <u>Capacity Assignment rights</u>: The right to assign permanently a portion of Foundation Customer's capacity rights to a third party, subject to the prior consent of OWNER, which consent shall not be unreasonably withheld. ○ <u>Technical review</u>: The right to participate in a periodic technical review of Alaska LNG's technical specifications, facility deliverability and construction schedule, provided that such review will not include approval rights. ○ A Foundation Customer shall not have any Foundation Customer Rights on capacity obtained outside this capacity solicitation as described in the capacity solicitation notice issued by OWNER on June 15, 2017.
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<p>7. Tolling Charges and Fuel</p>	<p>CUSTOMER shall pay to OWNER a reservation fee for Tolling Services ("Tolling Fee" or "TF_n"), derived by multiplying CUSTOMER'S MDQ for the applicable Tolling Facility by the following Fixed Price, which shall recover all costs incurred to provide Tolling Services:</p> <p>$TF_n = (85\% \text{ of } TF_1 \text{ times } (1.01)^{n-1}) \text{ plus } (15\% \text{ of } TF_1 \text{ times } (1+i)^{n-1})$ where TF_n, expressed in US\$/MMBtu/day, is the price of Tolling Capacity to be paid for year "n" of the contract (regardless of CUSTOMER'S level of actual capacity usage).</p> <p>"n" is any given year during the contract Term. For purposes of calculating the Tolling Fee, n=1 in 2018.</p> <p>TF_1, expressed in US\$/MMBtu/day, is the initial price of Tolling Capacity in 2018. The above formula will be used to adjust the Tolling Fee from 2018 to the first contract year.</p> <p>"i" is the change, expressed in percent, of the U.S. Consumer Price Index ("CPI") from Year n-1 to Year n.</p> <p>85% of TF_1 reflects the portion of the Tolling Fee for Contract Year n-1 that recovers all costs other than operating costs.</p> <p>15% of TF_1 reflects the portion of the Tolling Fee for Contract Year n-1 that recovers operating costs other than FL&U (as defined below).</p> <p>CUSTOMER shall continue to pay the full Tolling Fee at all times, regardless of CUSTOMER's actual usage of Tolling Services.</p> <p>OWNER also shall be entitled to use as fuel (including lost and unaccounted for gas), at no cost to OWNER, a portion of the Gas delivered by CUSTOMER, as required to operate the Tolling Facility and provide Tolling Services to CUSTOMER ("FL&U"). OWNER, acting as a prudent operator, shall use reasonable efforts to minimize FL&U.</p>
<p>8. Other Provisions</p>	<p>The Definitive Agreements shall contain other terms and conditions common to tolling agreements, as applicable to the relevant Tolling Facility for which service is provided, including but not limited to:</p> <ul style="list-style-type: none"> • Conditions precedent • Definition of Tolling Facilities and design capabilities • Receipt/delivery points • Risk of loss • Storage allocation and inventory sharing provisions • Operations and coordination agreement • Scheduling • Invoices and payment • Quality specifications • Off-spec Gas • Force majeure • Make-up rights and other remedies, if any, for failure to provide service • Damages, including limitation of liability • Liability and insurance regime

	<ul style="list-style-type: none"> • Applicable law/dispute resolution • Assignment rights • Testing and measurement standards • Tolling Facility construction progress reports • Representations and warranties to be made by CUSTOMER and OWNER • Limit on third party beneficiaries • Creditworthiness • Events of default and termination • Implementation procedures • FCPA and legal compliance
9. Creditworthiness	<p>Concurrent with the execution of Definitive Agreements, CUSTOMER shall demonstrate creditworthiness in a manner that materially contributes to OWNER's ability to obtain acceptable financing and facilitates project development, as determined by OWNER in its sole and reasonable discretion. In order to maintain its Foundation Customer status, CUSTOMER must also maintain creditworthiness throughout the term of the Definitive Agreements in a manner to be agreed by the Parties in the Definitive Agreements.</p>

EXHIBIT B
CAPACITY RESERVATION FORM

CUSTOMER shall indicate their firm capacity commitment for a (1) Point Thomson Transmission Line Agreement; (2) Prudhoe Bay Transmission Line Agreement; (3) Gas Treatment Services Agreement; (4) Pipeline Transportation Services Agreement; or (5) Liquefaction Tolling Services Agreement.

The MDQ amounts indicated below by CUSTOMER should exclude fuel (including lost and unaccounted for volumes), which must be provided by CUSTOMER. Indicative fuel requirements are provided for ease of calculating requested MDQ for each service.

The Indicative Tolling Fee may be adjusted upward or downward by OWNER by up to 10 percent prior to execution of Definitive Agreements in response to changing cost estimates.

Please contact OWNER to obtain the confidential Indicative Tolling Fees by emailing a request to:

Nick Szymoniak
nszymoniak@agdc.us

		2018 Indicative Tolling Fee	Requested MDQ (Quantity at Outlet)	Indicative Fuel & Losses	Indicative Fuel & Losses	Indicative Quantity at Inlet
		(\$/MMBtu/day)	(MMBtu/day)	(% of MDQ)	(MMBtu/day)	(MMBtu/day)
		-	<u>A</u>	<u>B</u>	<u>C</u> $C = B \times D$	<u>D</u> $D = A + C$
1	Point Thomson Transmission Line	Z		0.00%		
2	Prudhoe Bay Transmission Line	Y		0.00%		
3	Gas Treatment Plant	X		5.17%		
4	Gas Pipeline	W		1.54%		
5	Liquefaction Facility	V		7.20%		

Assumptions

Royalty:

___ In-kind
___ In-value

Tax

___ Tax as Gas
___ Production Tax