

SEMI-MONTHLY REPORT

August 15, 2017

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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 and Korea Gas Corporation’s (KOGAS) joint committee, established by the June 28, 2017 memorandum of understanding (MOU) signing between the two organizations, met in Daegu, South Korea on August 1, 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

- AGDC and KOGAS’ joint committee met at KOGAS’ headquarters in Daegu, South Korea on August 1, 2017. The committee, which is empowered with decision-making authority, discussed the next steps toward finalizing a commercial agreement. KOGAS representatives will travel to Alaska in September to meet with State of Alaska officials and other stakeholders as well as visit the North Slope to inspect existing oil and gas facilities.
- AGDC is in the final weeks of its foundation customer capacity solicitation. 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. For those producer parties that do not want to hold capacity on the system, AGDC will be seeking LNG customers for a direct or indirect acquisition of gas supply. The capacity solicitation process also allows in-state and other third parties, including AGDC, the ability to secure foundation capacity.
 - 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.

- AGDC continues to negotiate an agreement 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 subject matter expertise to advance these efforts. BP has also supported AGDC's efforts to promote the project in Asia by offering physical and work product assistance in educating Asian commercial entities about Alaska's rich proven gas resource in Prudhoe Bay.

2.4 Federal Support

- In a recent ruling, the United States Internal Revenue Service (IRS) determined AGDC qualifies as a tax-exempt political subdivision of the State of Alaska under new and more stringent proposed IRS regulations. As a political subdivision, AGDC will not be subject to federal income tax and can issue tax-exempt debt. The federal tax exemption can further reduce the cost of service on the system and can increase the competitiveness of the project while also improving overall returns to project stakeholders. AGDC was not dependent on this ruling to make Alaska LNG economically viable; however, the ruling creates the opportunity, under the right conditions, for lower cost debt financing and makes the project even more competitive.

2.5 Project Marketing

- AGDC met with several large, high-potential LNG buyers in Japan and China. All of these meetings were follow-up to earlier, initial outreach efforts.
- AGDC is creating six "data gift packs" (DGP) for distribution to potential LNG buyers and investors. Each DGP summarizes information contained in the Federal Energy Regulatory Commission (FERC) resource reports submitted with the section 3 application on April 17, 2017. The DGPs are designed to be a marketing tool and technical reference for potential LNG buyers and investors.

- At the invitation of Governor Bill Walker, AGDC President Keith Meyer joined the governor and members of his cabinet at a meeting with Tokyo Gas President Michiaki Hirose in Juneau on July 31, 2017. Discussion centered on opportunities for Tokyo Gas to participate in upstream, midstream, and downstream aspects of Alaska LNG.



Tokyo Gas President Michiaki Hirose discusses Alaska LNG in Juneau on July 31, 2017.

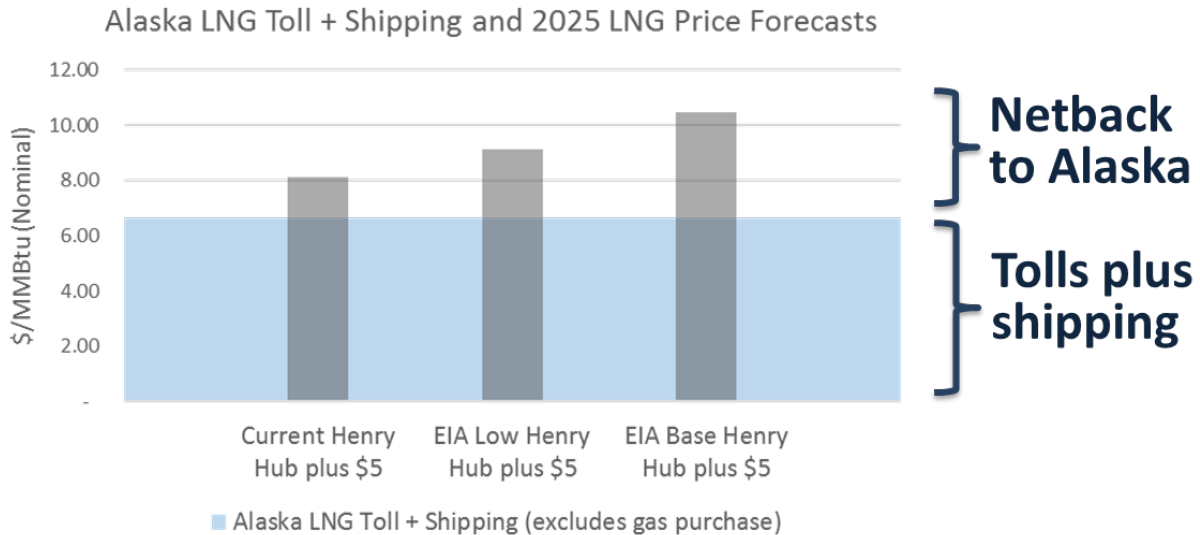
- AGDC continues to build project awareness and address the misperception of Alaskan gas in the Asian marketplace through an enhanced marketing campaign. Due to this effort, in the last six months, Alaska LNG has gained the attention of many large buyers in Korea, China, Japan, and other markets in the Asia-Pacific region. There is recognition Alaska has the unique ability to deliver energy stability at competitive prices and with reliability advantages.

	Alaska LNG	Gulf Coast Projects	Qatar	Australia
Gas Price Volatility	Small	Highly Volatile Henry Hub	Small	Competition with Local Demand
Shipping	<ul style="list-style-type: none"> Short No canals/straights 	Panama Canal	Straits of Malacca	Lombok Straits
Geopolitical	US Rule of Law	US Rule of Law	<ul style="list-style-type: none"> Issues w/GCC Field issues with Iran 	Little Risk
Local Support	<ul style="list-style-type: none"> Land Rights Local Support 	Significant Opposition due to Fracking	Nationally Controlled	Competition with Local Demand

Comparison of Alaska LNG versus major competitors.

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.



3. Regulatory and Program Management

AGDC continues to progress the major permits needed for the Alaska LNG project. 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 applied for Title 41 of Fixing America’s Surface Transportation Act (FAST-41) on August 7, 2017.
- AGDC responded to the Federal Energy Regulatory Commission’s (FERC) first data request (issued on July 5, 2017) regarding section 3 application resource reports 1, 6, 7, 10, 11, & 13. The response addressed 278 questions.
- AGDC received a second data request from FERC on July 28, 2017 regarding resources reports 5, 8, & 9. AGDC will provide a response to FERC ahead of the 20-day deadline.
- AGDC continues to address Phase 2 questions from FERC regarding the section 3 permit application.
- AGDC applied to the Pipeline and Hazardous Materials Safety Administration (PHMSA) for a special permit to enable facilities to utilize pipe-in-pipe for LNG loading. AGDC plans to submit the permit application to PHMSA this quarter.

- The U.S. Army Corps of Engineers (USACE) suspended the USACE 404 permit application pending additional information. The suspension is typical as it represents normal agency-applicant interaction. AGDC will continue to work with the USACE to provide the required information. The suspension will not affect the Alaska LNG project schedule.
- 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 EPC candidates are ongoing.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- The UASACE held ASAP draft supplemental environmental impact statement (SEIS) public hearings in Anchorage, Healy, Cantwell/Denali, and Trapper Creek in early August.

4. Communications, Administrative, and Other

AGDC continues to provide presentations to various audiences statewide to build project awareness and share information regarding the importance of Alaska LNG to the Asia-Pacific region as well as Alaska. Work continues on developing new promotional materials, addressing questions from media and Alaska residents.

4.1 Communications

- AGDC Board of Directors held a monthly meeting in Anchorage on August 10, 2017.
- AGDC Communications Committee held a monthly meeting in Anchorage on August 9, 2017.
- AGDC responded to multiple inquiries from legislators and media regarding the IRS PLR that determined AGDC qualifies as a tax-exempt political subdivision of the State of Alaska.
- AGDC printed and distributed the second quarter newsletter.