Alaska LNG Project Update: Joint House and Senate Resources Committee

July 11, 2018



Presentation Overview



Technical and Regulatory Update

Market and FinancingUpdate

Overall Alaska LNG
 Project View and
 Wrap Up

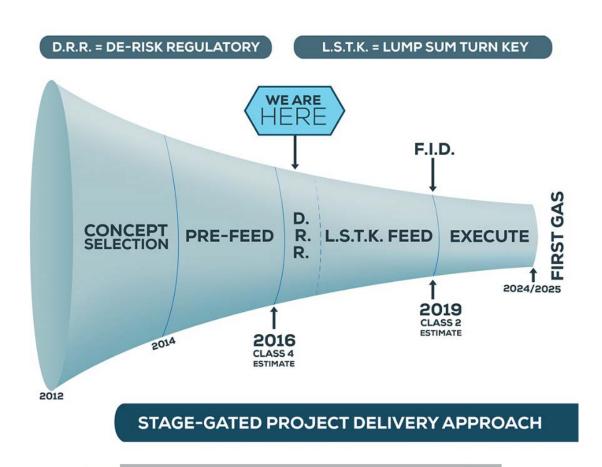


Alaska LNG Project Development



2018 Technical/Regulatory Focus:

Actively De-Risking the Project through Regulatory Process.



Alaska LNG Technical & Regulatory Update



Advancing Regulatory Actions

Federal:

- Federal Energy Regulatory Commission.
- Department of Interior.
- Army Corps of Engineers.
- Environmental Protection Agency.

State:

- Department of Environmental Conservation.
- Department of Natural Resources.
- Department of Transportation & Public Facilities.

FERC Schedule Published

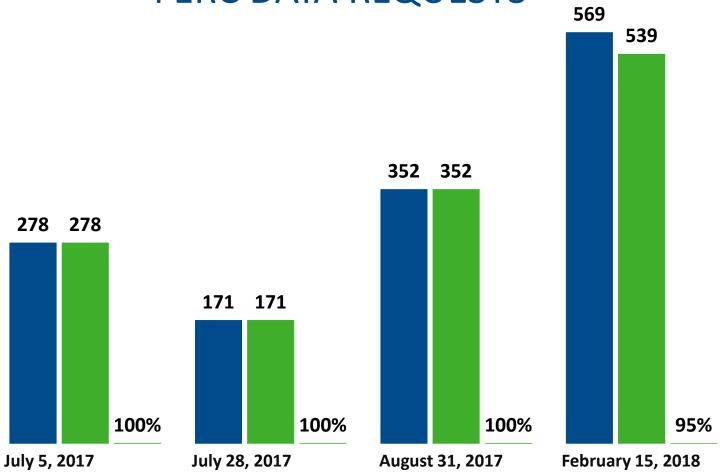


ALASKA LNG PERMITTING TIMELINE						
2014 – 2016 Producer Led Effort	\$600 million of engineering, environmental, and science completed to advance permitting of Alaska LNG under Producer Led Effort.					
	December 2016	AGDC takes the lead of Alaska LNG project				
	April 2017	AGDC Files FERC Application				
b t	August 2017	FAST Act Acceptance				
2017 and Beyond AGDC Led Effort	August 2017	Presidential Executive Order				
and B	November 2017	Joint Development Agreement				
017 a	March 2018	FERC publishes EIS schedule				
2	March 2019	Draft Environmental Impact Statement				
	December 2019	Final Environmental Impact Statement				
	March 2020	FERC authorization to construct				

FERC Data Requests and Responses



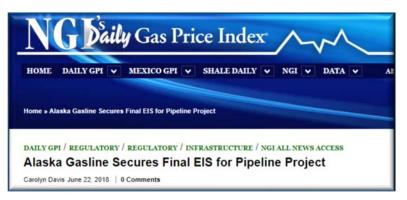
FERC DATA REQUESTS



Alaska Stand Alone Pipeline Right-of-Way



- U.S. Army Corps of Engineers Releases
 Final Supplemental Environmental
 Impact Statement for Alaska Stand
 Alone Pipeline Project (ASAP).
- The ASAP Project and Alaska LNG
 Project both include buried pipelines,
 share a common mainline alignment
 for over 80 percent of the route, and
 provide gas to Alaskans.
- The ASAP Final SEIS and forthcoming Record of Decision, will result in three additional federal authorizations that will provide tremendous benefit to both projects.







Alaska LNG Project Technical Actions RLASKA GASLINE



- Construction Execution Plan completed.
- Lump Sum Turn Key (LSTK) Contracting Strategy.
 - Engineering, Procurement and Construction (EPC) Contractors.
- Sinopec Technical Team Interactions:
 - Pipe and Steel Mill Inspections U.S. and China.
 - Pipeline Right of Way, Gas Treatment and Liquefaction Plant Sites and AVTEC.

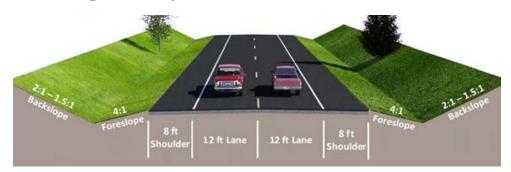


Kenai Spur Highway Re-route



Selected route presented to Nikiski – June 2018

- Adds 0.9 miles to KSH.
- Meets National Highway System standards.
- Smallest number of landowners impacted.
- Smallest number of full acquisitions.
- Least impact to neighborhoods.
- Lowest additional maintenance cost.
- Lowest cost to construct ~ \$20 million.
- Working with DOT&PF on engineering design and procurement.





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Balancing Three Drivers



 All infrastructure and resource development projects have similarities.

Three key drivers have to be balanced to make the

project economic. **Resource Owner/SOA:** Resource Owner/SOA Acceptable netback and PILT. System **Operations** Financing: **Customers:**

Customers

Finance

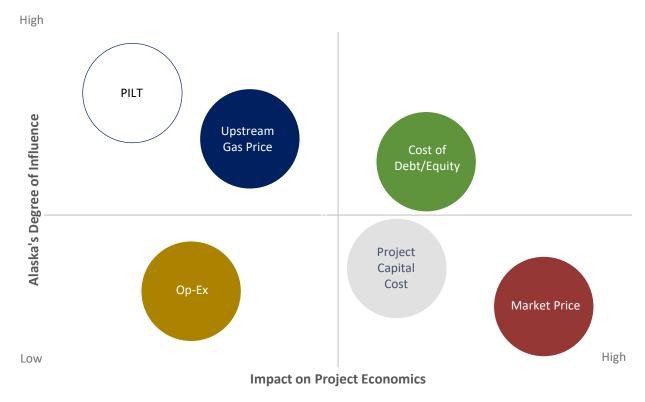
Product delivered at a market clearing price.

Adequate pricing for debt and equity markets.

Economic Value Drivers



 The focus of decisions by the State of Alaska is most impactful on value drivers where it has the most influence.



For Illustrative Purposes Only

Status of Agreements



- Progressing anchor capacity under negotiation with Joint Development Agreement parties (Sinopec, China Investment Corporation, and Bank of China).
- Advancing definitive agreements and optimal sale and financing arrangements for the entire project.
 - At least 5 MTPA reserved for regional markets.
- Goldman Sachs and Bank of China engaged as lead project capital coordinators.

ALASKA LNG



- 15 LOIs/MOUs concluded, moving to SPA.
- Strategic participation opportunities.



 Seeking portions of financing connected to offtake.



Project structure to allow segment investment.

Joint Development Agreement (JDA) Update



Joint Development Agreement (JDA) Work Team Visit:

- March 25-30, 2018: JDA executive, commercial, facilities, and pipeline teams.
- The delegation included 38 JDA representatives.
- Participated in the weeklong series of work sessions, field visits, and meetings.

JDA Parties working through the framework period:

- Sinopec is on track for 75% of project offtake.
- AGDC supports Sinopec's due diligence efforts including working with the Producers to provide sufficient upstream data.
- All parties actively engaged to progress to definitive agreement.



Work team meeting at Hotel Captain Cook.

Gas Supply Agreements



- BP Alaska and AGDC have agreed to key terms of a Gas Sales Agreement (GSA) including price and volume.
 - The parties anticipate finalizing a long-term GSA in 2018 for AGDC to purchase BP Alaska's share of 30 trillion cubic feet (TCF) of gas from the Prudhoe Bay and Point Thomson units.
- AGDC continues to work on all agreements for gas supply to Alaska LNG as they are critical for project financing and also help create a positive market perception.

BP Alaska and AGDC sign a Gas Sales Precedent Agreement May 4, 2018.

May 7, 2018 (ANCHORAGE) — The Alaska LNG Project reached a historic milestone today as BP Alaska and Alaska Gasline Development Corporation (AGDC) announced the parties have agreed to key terms of a Gas Sales Agreement, including price and volume. The terms are captured in a Gas Sales Precedent Agreement signed May 4, 2018.

Modeling: Status and Development



Assumptions Calculations Outputs

Phases of Modeling:

- 2016/2017: Tolling and pricing model.
 - Develop set of assumptions/inputs using existing FERC materials and Resource Reports.
 - Conduct market research to determine market conditions.
- 2018: Internal cash flow model for contracts and banks.
 - Developed with banks and IRMA to minimize risk while optimizing value to Alaska.
- 2018/2019: Full investment model.
 - Engage with gas suppliers, EPC contractors, offtakers, and financing experts to further develop model, including specific terms related to contracts.
 - Contracts negotiated in parallel with modeling effort.
 - Finalize project structure and cash flows between involved parties.

Model Structure



Summary of Model Inputs:

- 75% debt is \$32.6 billion; 25% equity is \$10.8 billion; total CAPEX is \$43.4 billion C-PILT of \$200 million included in total CAPEX.
- System capacity is 20 MTPA, with up to 600 mmscf/d In-State Allocation.
- Debt term is 20 years at 5% interest, with 5% financing fees.
- Wellhead gas purchase is between \$1.00 and \$2.00.
- Inflation is 2% and applied to operations and maintenance.
- O-PILT assumed at \$450 million per year and escalated at 1% (based on \$1.00/MMBtu gas purchase price).
- In-State gas price is \$4.50 above wellhead gas purchase. In-State is escalated at 1.15%.
- Train 1 operational Q4 2024, train 2 operational Q4 2025, train 3 operational Q4 2026.
- Market price of LNG is expected to be \$8.00-\$9.00 delivered to Asia, with \$0.80 shipping.

Capital Spend By Component \$Millions

	GTP	Pipeline		LN	G
Base CAPEX	\$ 6,338	\$	8,522	\$	13,016
Owner's Cost	\$ 1,847	\$	2,106	\$	2,058
Contingency	\$ 2,299	\$	3,038	\$	3,939
Total	\$10,485	\$:	13,666	\$	19,013
C-PILT	\$ 46	\$	54	\$	101
Total CAPEX. Owner's Cost. Contingency					43.363

Financing Update



- Multi-day session with legal team and Goldman Sachs (June 19-22).
 - Project structuring how structure will optimize investment and return.
 - Model inputs and assumption agreements.
 - Draft legal documents including sales and purchase.
 - Equity Road Show:
 - 4Q 2018: Introduction.
 - 1Q 2019: Active engagement.
- Continuous contact with Goldman Sachs and Bank of China.

Bank of China, Goldman Sachs & Co. selected as Lead Global Investment Banks.

March 27, 2018.

March 27, 2018 (ANCHORAGE) — The Alaska Gasline Development Corporation ("AGDC") today engaged Bank of China Limited ("Bank of China") and Goldman Sachs & Co. LLC ("Goldman Sachs") to serve as global capital coordinators to AGDC's Alaska LNG project.

- Weekly discussions regarding model structure, inputs, and assumptions.
- Organize meetings with JDA partners-scheduled for July/August as part of definitive agreement process.

Collaboration with State Agencies



- AGDC continues to work in a collaborative manner with the Departments of Natural Resources (DNR) and Revenue (DOR).
 - Working to align modeling assumptions to enable DNR and DOR to perform the analysis required to fulfill their statutory duties.
 - DNR is working on analysis to complete a BIF and make a RIK/RIV election.
 - DOR is examining project investment opportunities and the project's overall financial impact to the State.
- AGDC also met in June 2018 with the consultants hired by the Legislative Budget & Audit Committee (LB&A) to align assumptions to enable their analysis of overall financial impact to the State.

Expenditures and Projected Funds



(Reporting Period January 2017 to June 2019)

	Actuals					
Quarterly Project Spend (\$0,000)	(Jan17-Jun18)	FCST	FCST	FCST	FCST	Total
Major Activities	18-Months	1Q FY19	2Q FY19	3Q FY19	4Q FY19	Spend
Communications	1,691	471	561	421	561	3,705
Commercial	9,257	2,341	2,379	2,379	2,379	18,736
Project Finance	776	673	813	813	813	3,888
Regulatory (FERC)	27,230	5,031	5,001	5,267	6,239	48,767
AGDC Corporate (Operating)	13,789	2,490	2,490	2,490	2,490	23,749
Total Monthly	52,743	11,005	11,244	11,370	12,482	98,845
Period Monthly Burnrates	2,930	3,668	3,748	3,790	4,161	

Estimated Spend.

	(Jun FY18)				
Projected Fund Balance	Beginning	FCST	FCST	FCST	FCST
Fund	Balance	1Q FY19	2Q FY19	3Q FY19	4Q FY19
AKLNG Total	39,085	42,373	31,129	19,759	7,277
ASAP Total	14,293				
Remaining Balance	53,378	42,373	31,129	19,759	7,277

Estimated Balance.

NOTES:

- Actuals shown above include June forecast. June closes on July 15.
- AFE-Authorization For Expenditures (Board Approved).
- Funds are combined at the end of FY18.
- ITD-Inception To Date.

2018 and 2019 Funding Targets



\$-MM	Spend Profiles			
Major Activity	\$≈Min	\$≈Max	\$≈Range	
Communications (Core)	3	5	3	
Commercial (Core)	8	16	8	
Project Finance (Ramp-up)	4	9	5	
Regulatory (Core)	27	41	14	
LSTK FEED (Ramp-up)	0	700	700	
AGDC Corporate (Operating Core)	12	27	15	
Total	\$ 53	\$ 797	\$ 744	

- Project funding from 3rd party sources, with no repayment obligation to the State.
- Current fund balance will cause project delay due to inability to advance engineering and Lump Sum Turn Key (LSTK) negotiations.
- The additional pre-Final Investment Decision (FID) funding will allow the project to stay on schedule for the 2024-2025 timeline by advancing engineering and procuring spots in manufacturing queues for long-lead times.
- Minimum Case progresses Regulatory, Commercial, Project Finance.



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- Alaska Gasline Development Corporation