

SEMI-MONTHLY REPORT

June 15, 2017

AGDC Semi-Monthly Report

June 15, 2017

Contents

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

1. Message from AGDC

The following is the semi-monthly report from 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 presented the Alaska gasline and LNG project to White House Administration officials in Washington, D.C., during an invitation-only infrastructure summit at the White House. 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 today initiated a process similar to an “open season” to solicit foundation capacity commitments for the Alaska LNG project. 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. The capacity solicitation process will also allow in-state as well as other third parties – including AGDC – an ability to secure foundation capacity on the system.
 - AGDC will use the responses to determine 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 design and commercial structure decisions.
 - Negotiations of final definitive agreements for capacity will commence at the conclusion of the initial capacity solicitation, and are targeted to be concluded in 2018.
- AGDC has executed several confidentiality agreements with Alaska LNG Summit attendees and other parties that will allow them access to the Alaska LNG project data room, which contains technical data, reports, and presentations relating to the project.
- AGDC continues to negotiate an agreement 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.

2.3 Cooperation

- BP submitted comments in support of Alaska LNG to the Federal Energy Regulatory Commission (FERC) on June 5, 2017.
- 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 expert staff to the project to advance these efforts.

2.4 Federal Support

- AGDC President Keith Meyer attended a Washington, D.C. invitation-only “White House Infrastructure Summit” on June 8, 2017. As part of President Trump’s Infrastructure Week, the meeting at the White House brought together select governors, mayors, and state officials to ensure “Administration policies align with the states’ specific needs,” according to a White House press release. The event was hosted by U.S. President Donald J. Trump and was also attended by Vice President Mike Pence, Commerce Secretary Wilbur Ross, Interior Secretary Ryan Zinke, Transportation Secretary Elaine Chao, National Economic Council Director Gary Cohn, and other top Administration officials.
- AGDC continues to provide detailed project information to representatives of the Trump Administration and the congressional delegation, including developing and distributing 13 white papers outlining specific detailed concepts for expediting the Alaska gasline and LNG project.



AGDC President Keith Meyer in working group chaired by Secretary of Commerce Wilbur Ross at the White House on June 8, 2017.

2.5 Project Marketing

- AGDC is promoting Alaska LNG as a strategic opportunity for sovereign governments to invest, reduce trade imbalances, and secure long-term LNG supplies.

- AGDC will be addressing the lack of awareness of Alaskan gas in the Asian marketplace through an enhanced marketing campaign focused at markets in the Asia-Pacific region. Since taking over leadership of the project, AGDC is prioritizing the promotion of Alaska LNG to the global LNG community. In only six short months Alaska LNG has gained the attention of many large buyers in China, Korea, Japan, and other markets in the Asia-Pacific region because of Alaska's unique ability to deliver energy stability through long-term fixed-price or largely fixed-price contracts.
- AGDC finalized preparations to attend the CWC World LNG & Gas Series 15th Americas Summit. The summit, which will be held in Houston, TX on June 20-23, 2017, brings together key players in the LNG and gas value chain in both the Americas region and globally. In addition to attending the summit and displaying Alaska LNG on the tradeshow floor, AGDC Vice President of Commercial & Economics Lieza Wilcox is a featured speaker. Mrs. Wilcox will participate in a panel discussion, "Make American LNG Great Again," on June 21, 2017.

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 arranging financing for the Alaska LNG project. Currently, AGDC is working with an independent registered municipal advisor (IRMA) to help identify the regulatory requirements for a financial advisor (FA) to provide service to a state-owned entity.
- 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, taking advantage of debt leveraging and project finance structure.
 - 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 met with Alaska’s congressional delegation and cabinet secretaries in Washington, D.C. to provide project updates and present ways to streamline the federal regulatory process for the Alaska LNG project. While Alaska LNG moves forward as AGDC’s priority project, the Alaska Stand Alone Pipeline (ASAP) continues to quietly advance toward a final environmental impact statement and record of decision.

3.1 Alaska LNG Project

- AGDC submitted the first 100 responses to FERC’s regulatory questions and comments on June 5, 2017.
- AGDC submitted a Motion for Leave to Answer Protests and Answer to Protests to FERC on June 6, 2017. The motion is to correct misstatements made by the Center for Biological Diversity and the Sierra Club.
- AGDC attempted to contact the Sierra Club to discuss the environmental organizations’ concerns and will pursue a meeting with them.
- 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 lead contractor candidates are ongoing.
- Work continues on providing responses to FERC comments on in-state gas issues.
- AGDC met with Alaska’s congressional delegation, committee staff, and cabinet secretaries in Washington, D.C. on June 6-8, 2017. Discussion centered on white papers AGDC developed to advise congressional offices and federal administration personnel as AGDC requests regulatory, statutory, and administrative flexibility in the permitting process.

3.2 Alaska Stand Alone Pipeline (ASAP) Project

- AGDC provided the print ready supplemental environmental impact statement (SEIS) to the U.S. Army Corps of Engineers (Corps) on June 9, 2017. A Notice of Availability will be published in the Federal Register by the end of June 2017.
- The ASAP SEIS public hearing scheduled is confirmed and will include meetings across the state throughout July-August, 2017.

4. Communications, Administrative, and Other

AGDC is preparing for upcoming public events in Houston, Texas and Washington DC. Concurrently, work continues on developing new promotional materials, addressing questions from reporters and Alaska residents, as well as hosting community meetings across the state in areas directly affected by the Alaska LNG project.

4.1 Communications

- AGDC Board of Directors held a monthly meeting in Anchorage on June 15, 2017.
- AGDC Communications Committee held a monthly meeting in Anchorage on June 14, 2017.
- AGDC presented an Alaska LNG update to the Fairbanks Chamber of Commerce on June 13, 2017.
- AGDC distributed a press release to Alaska media on June 8, 2017 to announce AGDC's participation in the "White House Infrastructure Summit."
- AGDC held a community meeting to present an update on Alaska LNG and answer questions in in Cantwell on June 8, 2017.
- AGDC submitted weekly reports on corporation activity to the Department of Commerce, Community, and Economic Development.