



# **ALASKA MOVING FORWARD: *AGDC UPDATE***

***SENATE FINANCE COMMITTEE***

**FEBRUARY 14, 2017**



**[www.agdc.us](http://www.agdc.us)**

- **CY17 and FY18 Focus Areas**
- **Commercial and Project Finance Objectives**
- **Regulatory and Program Management Objectives**
- **Communications Objectives**
- **AGDC Budgets and Fund Balances**

# CY 2017 & FY 2018 FOCUS AREAS

## Primary focus areas for CY 2017 and FY2018:

- **Commercial – Secure customer commitments necessary to underpin project finance.**
  - ✓ Raise market awareness.
  - ✓ Develop attractive commercial proposal.
  - ✓ Actively pursue potential customers in key market areas.
- **Project Finance – Secure 3<sup>rd</sup> party infrastructure finance at pricing attractive enough to clear the market.**
  - ✓ Engage financial advisor.
  - ✓ Develop financial/ownership structure for maximum tax efficiency.
  - ✓ Pursue alternative financing available to large U.S. infrastructure projects.
- **Regulatory – FERC filing**
  - ✓ File complete FERC NGA Section 3 application and advance permitting.
  - ✓ Engage Lead Contractor (also required for financial).
  - ✓ Obtain Federal ROW.
- **Communications – Increased Transparency**



- Land/LLC negotiations continue.
- Conoco/AGDC Joint Marketing negotiations in full swing (delayed from last year while transition agreements were being finalized).
- **AGDC and BP Cooperative Agreement:**
  - ✓ Collaborate in the development of the financial and tolling structure intended to advance the Alaska Gasline and LNG project.
  - ✓ Assist in developing a commercial structure of the project to enable project financing.
  - ✓ BP will contribute staff, resources, and selection of some third-party contractors.
- Responses to regulatory questions proceeding with internal resources for now, to be augmented with external resource.
- Preparing for tolling structure, capacity marketing, LNG marketing (SOA and ConocoPhillips gas supply), project configuration decisions (potential phasing).
- Market will determine project configuration.

# FOCUS AREAS AND AUTHORIZATION FOR EXPENDITURES (AFE'S)

## The focus areas map to three Authorization for Expenditures (AFE's):

- Commercial & Project Finance: \$30.6mm (AFE 2017-001)
- Regulatory & Program Management: \$53.5mm (AFE 2017-002)
- Communications: \$2.2mm: (AFE 2017-003)

**Composite total: \$86.4mm**

## Intent is to inform about AGDC's future budgetary actions:

- Align capital budget funds to meet current strategy of commercial-led project.
- Board of Directors approved.
- Overall expenditure levels are down as the project is not going into a \$1 to 2 billion further engineering phase.



AGDC Board of Directors Approved  
Authorization for Expenditure 2017-001

# COMMERCIAL AND PROJECT FINANCE

# COMMERCIAL & PROJECT FINANCE OBJECTIVES



- Develop **tolling commercial structure** for an integrated pipeline and LNG system and **establish a subsidiary to facilitate LNG sales.**
- Engage and **secure customer commitments** for tolling services and bundled LNG sales to provide commercial underpinning for initial facility phasing decision.
- **Identify project finance sources** sufficient to construct a commercialized system.

# AFE SCOPE OF WORK – COMMERCIAL & PROJECT FINANCE

## Commercial

- Complete agreements to acquire access to and ownership of Nikiski land and DOE authorization.
- Implement market development strategy with help of expert contracting staff.
- Establish presence in key geographic locations.
- Conduct an Alaska project solicitation for interest in tolling capacity.
- Enable AGDC subsidiary to conduct LNG sales and gas wellhead purchases.
- Legal support for assistance drafting agreements and advising negotiations.

## Financial

- Secure Financial Advisor to:
  - ✓ Review AGDC's term sheet and contract drafts;
  - ✓ Develop non-recourse project finance structure;
  - ✓ Engage global financial community;
  - ✓ Examine and pursue alternative financing options; and
  - ✓ Complete project financing plan.
- Retain legal support for drafting and reviewing of agreements to ensure project finance-ability.



# AFE SUMMARY – COMMERCIAL & PROJECT FINANCE

SUMMARY OF ESTIMATED COSTS (\$000s)	
Items/Description	CY17 to FY18
<b>(1) Commercial Contract Services (incl. Legal)</b>	<b>\$ 20,554</b>
(a) LNG Bundled Offering	
(b) Capacity Reservation Solicitation	
(c) LNG Export Marketing	
(d) Marketing JV	
(e) Gas Supply Agreements	
(f) Complete AKLNG Transition	
(g) Support Business Structure & Plan	
<b>(2) Financial Activities (incl. Legal)</b>	<b>\$ 6,577</b>
(a) Engagement of Financial Advisor/Bank	
(b) Equity Investor Engagement	
<b>(3) Support FERC Regulatory</b>	<b>\$ 318</b>
<b>(4) Houston/Tokyo Office Leases</b>	<b>\$ 400</b>
Subtotal	\$ 27,850
Contingency (10%)	\$ 2,785
<b>TOTAL</b>	<b>\$ 30,635</b>

	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
<b>EXPENDITURE FLOW (\$000s):</b>	\$ 2,607	\$ 3,969	\$ 5,798	\$ 5,760	\$ 4,816	\$ 4,900

The budget has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has been added to this AFE. Contingency funds will be retained by AGDC for potential increases to task orders as a result of uncertainties associated with negotiation activity levels.

# COMMERCIAL AND FINANCE CAPITAL FORECAST

## JANUARY 2017 – JUNE 2018

This represents a forecast of individual capital categories contained in the Board authorized capital budget. Individual department RSAs will undergo a more detailed development with each department, and the final amounts may vary. 1-2Q FY2018 are expected to have heightened commercial activity due to numerous ongoing negotiations.

COMMERCIAL AND FINANCE AFE FORECAST OF CAPITAL EXPENDITURES (\$000s)							
Commercial and Finance	FY17 3Q	FY17 4Q	FY18 1Q	FY18 2Q	FY18 3Q	FY18 4Q	3Q CY17/FY18
Anchorage - Embedded Contractors	\$ 593	\$ 767	\$ 759	\$ 760	\$ 760	\$ 760	\$ 4,399
Houston Office - Contractors	\$ 709	\$ 700	\$ 313	\$ 313	\$ 313	\$ 313	\$ 2,659
Houston Office - Lease	\$ 60	\$ 60	\$ 51	\$ 51	\$ 51	\$ 51	\$ 325
Tokyo Office - Contractors	\$ 65	\$ 65	\$ 39	\$ 39	\$ 39	\$ 39	\$ 285
Tokyo Office - Lease	\$ 23	\$ 23	\$ 12	\$ 12	\$ 12	\$ 12	\$ 92
Marketing Contract Support	\$ 71	\$ 579	\$ 1,294	\$ 1,630	\$ 836	\$ 879	\$ 5,289
AGDC Business Development Travel	\$ 92	\$ 92	\$ 92	\$ 92	\$ 92	\$ 92	\$ 553
Collateral and Advertising	\$ 50	\$ 143	\$ 282	\$ 200	\$ 50	\$ 50	\$ 775
Financial Advisor	\$ 150	\$ 288	\$ 288	\$ 288	\$ 288	\$ 328	\$ 1,630
Finance Support and Modeling (DOR RSA)	\$ 141	\$ 275	\$ 300	\$ 300	\$ 300	\$ 300	\$ 1,615
Gas Commercialization (DNR RSA)	\$ 45	\$ 45	\$ 90	\$ 90	\$ 90	\$ 90	\$ 450
Legal Support - Commercial Contracts (DOL RSA)	\$ 137	\$ 440	\$ 1,455	\$ 1,263	\$ 1,263	\$ 1,263	\$ 5,821
Legal Support - Finance (DOL RSA)	\$ 330	\$ 350	\$ 680	\$ 580	\$ 580	\$ 580	\$ 3,100
Legal Support - Dept of Law	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 143	\$ 857
<b>Total Commercial and Finance AFE</b>	<b>\$ 2,607</b>	<b>\$ 3,969</b>	<b>\$ 5,798</b>	<b>\$ 5,760</b>	<b>\$ 4,816</b>	<b>\$ 4,900</b>	<b>\$ 27,850</b>
<b>Contingency</b>	<b>\$ 464</b>	<b>\$ 464</b>	<b>\$ 464</b>	<b>\$ 464</b>	<b>\$ 464</b>	<b>\$ 464</b>	<b>\$ 2,785</b>
<b>Total Commercial and Finance</b>							<b>\$ 30,635</b>

- Primary objective is to secure tolling agreements sufficient to underpin financing.
- Tolling structure is the basic commercial structure whereby customers contract for capacity on the segment components.
  - Most common system in the US gas pipeline arena.
  - Used for the majority of US LNG import and export capacity.
  - Well understood and accepted by financial community.
- Tolling customer contracts underpin project financing and reduce owner risk.

# ALASKA LNG TOLLING PROJECT STRUCTURE



SPA – Sales and Purchase Agreement

# NON-RECOURSE PROJECT FINANCE

- Under project finance structure, a separate legal entity is formed to hold the assets and liabilities of the project. A lender only has recourse to the project entity.
- A tolling commercial structure provides the revenue foundation that enables the use of non-recourse project finance.
- Non-recourse project financing is underwritten by the project's contractually obligated revenue, not the balance sheet of the project's owner (AGDC/State of Alaska).
- A combination of tolling commitments and LNG SPA's and wellhead purchase agreements provide the project's contractually obligated revenue.
- Individual parties can provide portions of credit support to further limit financial risk and reduce the cost of capital.

# POTENTIAL POSITION OF STATE OF ALASKA IN PROJECT FINANCE STRUCTURE

- Project entity is formed to be the borrower and asset owner.
- Project entity financed with majority third party capital using a tolling structure.
- SOA to participate as equity investor.
- SOA-owned infrastructure may lower costs further by providing federal tax benefits.
- SOA realizes revenue through sale of royalty gas, production tax or TAG, PILT, plus return on investment from equity investment.





# MARKETING EFFORT ASIA-PACIFIC

- **Marketing mission to Asian buyers.**
  - ✓ Follow-up from previous “G-to-G” efforts.
  - ✓ Significant coordination and assistance from Japan rep Shiratori\*.
  - ✓ Project updates and encourage attendance at “Alaska LNG Summit.”
- **Continue to receive positive reception.**
- **Supply overhang provides buyers breathing room to make decisions.**
- **Nuclear uncertainty and deregulation brings demand uncertainty.**



\*Mr. Shiratori has over 37 years of experience in the oil and gas industry, and has retired from an Executive Vice President position at Mitsubishi Corp.

- **AGDC coordinating Alaska LNG Summit**
  - Representatives from potential customer companies invited to Alaska to get more familiar with the project.
    - Prudhoe Bay visit.
    - All day informational seminar (Producers, Govt reps, AGDC technical, AGC, Regional Corps, others).
    - Iditarod ceremonial start; tour of COP Kenai plant/reception with local government reps).
  - **Event co-sponsored by numerous supporters.**
- **Iditarod Sponsorships.**
  - ✓ Recognized as an official sponsor in all 2017 Iditarod materials.
  - ✓ 3' x 10' banners displayed at the ceremonial start, race restart, finish line in Nome.



AGDC Board of Directors Approved  
Authorization for Expenditure 2017-002

# **REGULATORY AND PROGRAM MANAGEMENT**

# REGULATORY & PROGRAM MANAGEMENT OBJECTIVES

- Assume leadership of the Alaska LNG project utilizing the existing AGDC program management team augmented by third party expertise.
- Engage a Lead Contractor.
- Complete and file the Natural Gas Act (NGA) Section 3 application to the Federal Energy Regulatory Commission (FERC) for the integrated Alaska LNG project.
- Complete the ASAP Project Supplemental Environmental Impact Statement (SEIS) and receive a grant of right-of-way across federal lands.

# SCOPE OF WORK – REGULATORY & PROGRAM MANAGEMENT

Maintain core embedded technical team, who advance ...

- FERC Filing
  - ✓ Complete and file a NGA Section 3 application
  - ✓ Respond to regulatory and public concerns/issues
  - ✓ Represent owner in FERC process
- Securing a Lead Contractor
- Completing the ASAP SEIS
- Managing AKLNG physical assets
- Developing in-state gas delivery
- Reviewing AKLNG cash calls

# AFE SUMMARY – REGULATORY & PROGRAM MANAGEMENT

SUMMARY OF ESTIMATED COSTS (\$000s)		
Items/Description	CY17	FY18
(1) Core Embedded Technical Team	\$ 3,703	\$ 6,382
(2) FERC Filing	\$ 11,480	\$ 13,520
(3) Lead Contractor	\$ 2,470	\$ 6,360
(4) SEIS	\$ 978	\$ 1,115
(5) AKLNG Physical Asset Management	\$ 84	\$ 109
(6) In-State Gas Delivery	\$ 346	\$ 732
(7) Alaska LNG Cash Calls	\$ 1,405	\$ -
Subtotal	\$ 20,465	\$ 28,218
Contingency (10%)	\$ 2,047	\$ 2,822
<b>TOTAL</b>	<b>\$ 22,512</b>	<b>\$ 31,040</b>

	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
<b>EXPENDITURE FLOW (\$000s):</b>	\$ 8,975	\$ 11,490	\$ 7,955	\$ 7,063	\$ 6,700	\$ 6,500

The budget has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has been added to this AFE. Contingency funds will be retained by AGDC for potential increases to task orders as a result of uncertainties associated with negotiation activity levels.



- Project cost exposure due to the following:
  - ✓ Regulatory delays
  - ✓ Major cost overruns
  - ✓ Major schedule delays
- Alaska project execution risk.
- Alignment of major contracts to protect owner interests but viable for the contractor.
- Full scale design may not meet the needs of the market, design premise may change, with associated engineering requirements.

- Mitigate risks of deliverability by managing work efforts through a fully-staffed owner's Project Management Team (PMT).
- PMT will provide overall technical and regulatory leadership and governance for the FERC submittal efforts.
- PMT will be supported by leveraging the services of a Lead Contractor that will be capable of scaling project support up through the FEED/Execute stage.
- Expeditiously entering into appropriate key contractual "bridging" relationships.

AGDC Board of Directors Approved  
Authorization for Expenditure 2017-003

# COMMUNICATIONS

# COMMUNICATIONS OBJECTIVES

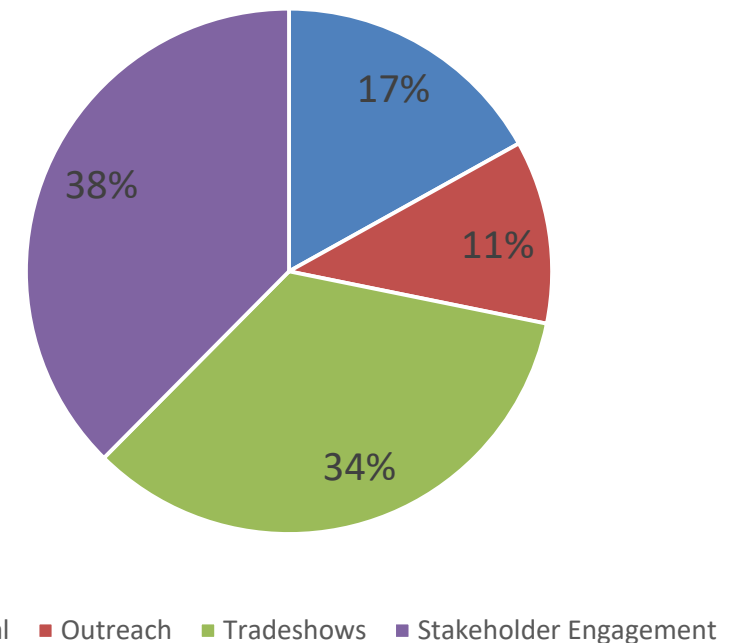
- Develop consistency in internal/external messages and corporate brand.
- Engage stakeholders strategically and efficiently.
- Provide transparency with Legislature, Public, and Market.
  - Ensure public is properly informed.
  - Greater frequency and quality of communication with legislature.
- Raise positive awareness of the Alaskan LNG project to global markets.

# AFE SUMMARY – COMMUNICATIONS

## Scope of Work

- Corporate and Project related collateral.
- International, statewide and domestic outreach.
- Industry tradeshow and conferences.
- Communications consistency and transparency.

CY17 to FY18 AFE Spend by Focus Area



SUMMARY OF ESTIMATED COSTS (\$000s)	
Items/Description	CY17 to FY18
(1) Collateral	\$ 341
(2) Outreach	\$ 228
(3) Tradeshow and Conferences	\$ 691
(4) Message consistency and transparency	\$ 758
<b>Subtotal</b>	<b>\$ 2,018</b>
<b>Contingency (10%)</b>	<b>\$ 202</b>
<b>TOTAL</b>	<b>\$ 2,220</b>

	Q3	Q4	Q1	Q2	Q3	Q4
	FY17	FY17	FY18	FY18	FY18	FY18
<b>EXPENDITURE FLOW (\$000s):</b>	\$ 368	\$ 388	\$ 332	\$ 365	\$ 295	\$ 270

The budget has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has been added to this AFE. Contingency funds will be retained by AGDC for potential increases to task orders as a result of uncertainties associated with negotiation activity levels.

# AGDC Budgets and Fund Balances



**AS 31.25.100. In-state natural gas pipeline fund** was created in HB4 for the corporation's use in planning, financing, development, acquisition, maintenance, construction, and operation of the **in-state natural gas pipeline** described in AS 31.25.005(4) and for purposes in AS 31.25.005 (4), (6), and (7).

**AS 31.25.110. Alaska liquefied natural gas project fund** was created in SB 138 for the corporation's use in purposes related to an **Alaska liquefied natural gas project** and for the purpose of transferring net revenue received by the corporation related to equity interests, contracts, and other activities to the appropriate fund of the state as determined by the commissioner of revenue in consultation with the commissioner of natural resources.

# AFE'S, OPERATING BUDGETS, & FUND BALANCES

## EXPENDITURE AUTHORIZATIONS

Composite AFE total (capital budget):	\$ 86.4mm
Remaining FY2017 Operating Budget (Feb-Jun):	\$ 5.2mm
FY2018 Operating Budget:	<u>\$ 10.4mm</u>
Total:	\$102.0mm

## AGDC FUND BALANCES

In-State (incl Alaska USA account) Fund 1229 :	\$26.0mm
Alaska LNG Fund 1235:	<u>\$76.0mm</u>
Total:	\$102.0mm

# AGDC EXPEDITURES AND FORECAST

Operating		FY16	FY17	FY18
	Rent Anchorage Office	\$ 816	\$ 837	\$ 840
	Personnel (PCNs)	\$ 5,717	\$ 5,716	\$ 6,069
	Other (Contracts, Support & Supplies)	\$ 3,632	\$ 3,237	\$ 2,763
	Contractors (Embedded Staff)	\$ 345	\$ 596	\$ 714
	<b>Total Operating</b>	<b>\$ 10,510</b>	<b>\$ 10,386</b>	<b>\$ 10,386</b>
AGDC Capital (AKLNG/ASAP)		FY16	FY17	FY18
	Engineering, Regulatory, Program Management	\$ 126,097	\$ 42,456	\$ 31,040
	Commercial	\$ 143	\$ 9,887	\$ 23,131
	Communications	\$ 1,108	\$ 1,124	\$ 1,395
	<b>Total Capital</b>	<b>\$ 127,348</b>	<b>\$ 53,467</b>	<b>\$ 55,566</b>
Houston Office		FY16	FY17	FY18
	Rent		\$ 95	\$ 155
	Other Office Exp.		\$ 25	\$ 50
	Personnel		N/A	N/A
	Contractors		\$ 1,409	\$ 1,250
	<b>Total</b>	<b>\$ -</b>	<b>\$ 1,529</b>	<b>\$ 1,455</b>
Japan Office		FY16	FY17	FY18
	Rent		\$ 40	\$ 40
	Other Office Exp.		\$ 5	\$ 10
	Personnel		N/A	N/A
	Contractors		\$ 129	\$ 155
	<b>Total</b>	<b>\$ -</b>	<b>\$ 174</b>	<b>\$ 205</b>

Note: Houston Contractors represents a lower forecast for FY17 than previously communicated to Senate Resources based on reflecting forecast amounts rather than not-to-exceed amounts.

# AGDC EXPEDITURES and FORECAST

## Operating Budget FY17 and FY18

The FY18 Operating Budget was held the same as FY17.

Operating		FY16	FY17				FY18
(\$000s)		Actuals	Budget	YTD Actuals	2017 FCST	2017 Total	Proposed
Personal Services		\$ 5,717	\$ 5,716	\$ 2,902	\$ 2,814	\$ 5,716	\$ 6,096
Travel		\$ 93	\$ 95	\$ 96	\$ (1)	\$ 95	\$ 95
Services		\$ 4,580	\$ 4,325	\$ 2,036	\$ 2,289	\$ 4,325	\$ 3,945
Commodities		\$ 120	\$ 250	\$ 110	\$ 140	\$ 250	\$ 250
<b>Operating Total</b>		<b>\$ 10,510</b>	<b>\$ 10,386</b>	<b>\$ 5,144</b>	<b>\$ 5,242</b>	<b>\$ 10,386</b>	<b>\$ 10,386</b>

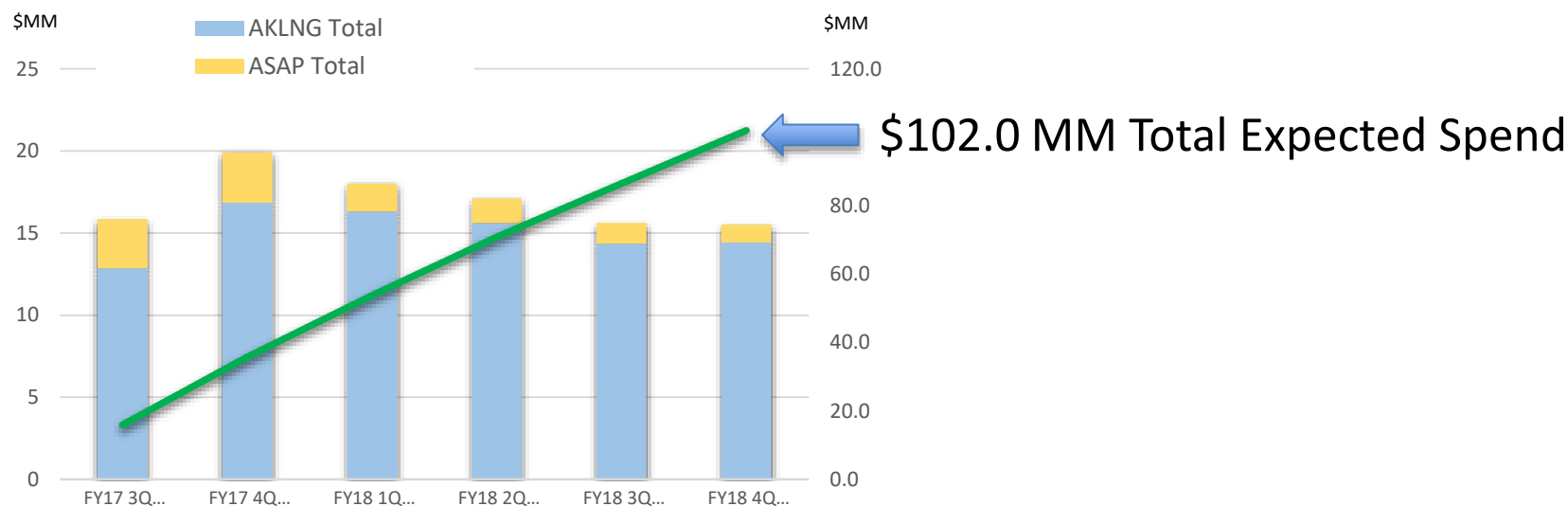
## Capital Budget FY17 and FY18

The FY18 Capital Budget and balance of FY17 were designed to moderate activities to live within previously allocated amounts, with the focus on achieving a commercialization event through the advancement of commercial, financial, and regulatory objectives.

Capital		FY16	FY17	FY17	FY18	Total
(\$000s)		Actuals	YTD Actuals	AFE FCST	AFE FCST	AFE Amount
AKLNG/ASAP		\$ 126,097	\$ 19,944	\$ 22,512	\$ 31,040	\$ 53,552
Commercial		\$ 143	\$ 2,383	\$ 7,504	\$ 23,131	\$ 30,635
Communications		\$ 1,108	\$ 299	\$ 825	\$ 1,395	\$ 2,220
<b>Capital Total</b>		<b>\$ 127,348</b>	<b>\$ 22,626</b>	<b>\$ 30,841</b>	<b>\$ 55,566</b>	<b>\$ 86,407</b>

- Tokyo
  - 135 sq. ft. office (9'x15')
  - Shared conference rooms
  - Ability for Japan representative to have meetings and work space
  - Japan represents 32% of global LNG purchases
- Houston
  - Occupying a portion of existing AKLNG project space.
  - 6,500 sq. ft., \$2.43/sq ft until July 31 (existing lease), then reduced to \$1.94/sq. ft.
  - Fully furnished space with all desks, conference rooms, and video projection capability.
  - Important asset for the project to be connected to the US energy hub that hosts most LNG commercial and legal expertise.

# CY17 to FY18 QUARTERLY PLAN BY FUND



Note: Bars Denote Forecast

Spend by Fund Forecast		CY17 1Q FY17 3Q	CY17 2Q FY17 4Q	CY17 3Q FY18 1Q	CY17 4Q FY18 2Q	CY18 1Q FY18 3Q	CY18 2Q FY18 4Q	
Corporate Split	AKLNG/ASAP %	40/60	40/60	90/10	90/10	90/10	90/10	Total
AGDC Corporate AKLNG		1.0	1.0	2.3	2.3	2.3	2.3	11.4
AGDC Corporate ASAP		1.6	1.6	0.3	0.3	0.3	0.3	4.2
AGDC Corporate Total (i.e. Operating)		2.6	2.6	2.6	2.6	2.6	2.6	15.6
AKLNG		12.0	15.9	13.8	13.1	12.0	12.1	78.9
ASAP		1.5	1.5	1.4	1.2	1.0	0.8	7.5
Total Capital		13.5	17.4	15.3	14.4	13.0	12.9	86.4
<b>Total Spend</b>		<b>16.1</b>	<b>20.0</b>	<b>17.9</b>	<b>17.0</b>	<b>15.6</b>	<b>15.5</b>	<b>102.0</b>
cum.		16.1	36.0	53.9	70.9	86.5	102.0	
AKLNG Total		13.0	16.9	16.2	15.5	14.3	14.4	90.3
ASAP Total		3.0	3.1	1.7	1.5	1.3	1.1	11.7
<b>AGDC Total</b>		<b>16.1</b>	<b>20.0</b>	<b>17.9</b>	<b>17.0</b>	<b>15.6</b>	<b>15.5</b>	<b>102.0</b>



# FUND BALANCE RE-APPROPRIATION

## AGDC FUND BALANCES

In-State (incl Alaska USA account) Fund 1229 :	\$ 26.0mm
Alaska LNG Fund 1235:	\$ 76.0mm
Total:	<u>\$102.0mm</u>

## ANTICIPATED EXPENDITURE BY FUND

In-state Natural Gas Pipeline Fund (ISNGP)	\$ 11.7mm
Alaska LNG Project Fund (AKLNG)	\$ 90.3mm
Total:	<u>\$102.0mm</u>

Capital budget re-appropriation of ~\$14.3mm from ISNGP (Fund 1229) to AKLNG (Fund 1235) will be requested

# HISTORICAL AKLNG FUND APPROPRIATIONS, EXPENDITURES and CASH CALLS

Alaska LNG Fund Appropriation Balance (\$0,000)	Total Appropriation	FY14	FY15	FY16	YTD FY17	FY 17 Forecast	Balance Remaining
FY 2014 SB 138 Passed	\$ 69,835						
FY 2016 SB3001 Receipt Authority	\$ 2,900						
FY 2016 SB3001Pre-FEED	\$ 75,600						
FY 2016 CSSB 138 Appropriated from Instate 122	\$ 26,000						
FY 2016 SB3001 Appropriation	\$ 4,100						
FY 2014 AGDC Corporate Operating Work		\$ (1,052)					
FY 2015 LNG Project Related Work			\$ (5,290)				
FY 2015 AGDC Corporate Operating Work			\$ (1,515)				
FY 2016 LNG Project Related Work				\$ (3,955)			
FY 2016 AGDC Corporate Operating Work				\$ (1,682)			
FY 2017 LNG Project Related Work					\$ (4,007)		
FY 2017 AGDC Corporate Operating Work					\$ (1,970)		
Alaska LNG Cost Share (cash call)			\$ (16,312)	\$ (51,715)	\$ (14,250)	\$ (687)	
<b>Totals</b>	<b>\$ 178,435</b>	<b>\$ (1,052)</b>	<b>\$ (23,117)</b>	<b>\$ (57,352)</b>	<b>\$ (20,227)</b>	<b>\$ (687)</b>	<b>\$ 76,000</b>

This table shows historical appropriations, cash calls, balance and uses of the Alaska LNG Project Fund (1235)

Alaska Gasline Development Corporation  
3201 C Street, Suite 200  
Anchorage, Alaska 99503  
(907) 330-6300  
[www.agdc.us](http://www.agdc.us)

# BACKUP SLIDES

## **Creates construction and long-term jobs**

- During the peak of construction Alaska LNG could create over 8,000 direct jobs.
- 1,000 long term jobs created during the operating of the project

## **Long-term secure source of natural gas for in-state demand**

- Alaska LNG can supply stable, low price natural gas for all current and future Alaska natural gas demand
- Mitigates risk of Cook Inlet decline
- Allows new communities and industries to use natural gas

## **Increase North Slope oil production**

- Extends the period Prudhoe Bay is economic to operate
- Gas sales an additional source of revenue for new fields, improving their economics
- Gasline will increase the probability of finding oil while exploring for gas that can be monetized

# ConocoPhillips Kenai LNG Facility

# KENAI LNG PLANT ACQUISITION BACKGROUND



- **ConocoPhillips announces Kenai LNG plant for sale in December 2016.**
  - Data room open from 9 January until 3 March, 2017
  - Bids due 17 March, 2017
- **Acquisition of the Kenai Plant fits broader AGDC strategy.**
  - Alternative LNG supply to FNG/IGU; no need to expand liquefaction plant.
  - Encourages Cook Inlet production.
  - Increases waterfront access for the Alaska LNG Project.
  - Early revenue for the Alaska LNG project.
  - Additional incremental LNG production capacity at reduced cost vs greenfield.
  - Enables AGDC early commercial engagement with LNG Buyers and other Alaska LNG participants.
  - Consistent with statutory responsibility “for developing an Alaskan liquefied natural gas project, and other transportation mechanisms to deliver natural gas in-state”.
- **Future value increase under multiple scenarios.**

# KENAI LNG PLANT ACQUISITION FUTURE VALUE UPLIFT

- The COP Kenai facility has a **high probability of future value increase** under two reasonable future scenarios.

## Current Use

Provides a site for in-state LNG delivery by truck & rail, and barge loading for coastal communities. Can export LNG during summer.

Acquisition Cost + Minor Refurbishment

## Future Value Increase

**With the gasline**, refurbishment of the existing LNG trains at Kenai will result in low cost LNG production capacity (1.5Mtpa), compared to newbuild facilities.

Plant Capital Improvement Costs

Gasline?

N

**Without the gasline**, Alaska will eventually face a gas crisis as Cook Inlet production becomes inadequate to supply Anchorage plus Fairbanks; at this point, the COP Kenai plant will have high value as an import facility and the only alternative supply.

Regasification Equipment Costs



Alaska Gasline Development Corporation  
3201 C Street, Suite 200  
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(907) 330-6300  
[www.agdc.us](http://www.agdc.us)