

ALASKA
GASLINE
DEVELOPMENT CORP.



BOARD OF DIRECTORS MEETING

AUGUST 10, 2017

www.agdc.us



AGENDA
ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
REGULAR BOARD MEETING

August 10, 2017 AGDC Board Room, 3201 C St Suite 604 Anchorage, AK 9:00 am

- I. CALL TO ORDER
- II. ROLL CALL
- III. CHAIRMAN'S CHOICE
- IV. APPROVAL OF AGENDA
- V. APPROVAL OF MINUTES – June 15, 2017
- VI. PUBLIC COMMENTS - Boardroom _____ Statewide _____
- VII. PRESIDENT'S REPORT
- VIII. AGDC MANAGEMENT/OPERATIONAL
 - A. Committee Chair Updates
 - B. External Affairs Update
 - C. Commercial Update
 - D. Project Update
- IX. FINANCIALS
- X. EXECUTIVE SESSION
- XI. ANY OTHER ITEMS TO COME BEFORE THE BOARD
- XII. BOARD COMMENTS
- XIII. ADJOURNMENT

The Chair may announce changes in the Order of Business during the meeting.



Meeting Minutes

ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

June 15, 2017

09:00am

A Regular Board of Directors Meeting of the Alaska Gasline Development Corporation (“AGDC”) was held at the Alaska Gasline Development Corporation Board Room, 3201 C Street, Suite 604, Anchorage, Alaska, on June 15, 2017, convening at 09:00am.

The following board members were present at the meeting (or attended via teleconference) except as otherwise noted:

DAVE CRUZ Anchorage, AK	Chair of the Board
HUGH SHORT Anchorage, AK	Vice Chair of the Board
Joey Merrick Anchorage, AK	Secretary/Treasurer
COMMISSIONER MARC LUIKEN Anchorage, AK	Member of the Board
COMMISSIONER HEIDI DRYGAS Telephonic	Member of the Board
WARREN CHRISTIAN Anchorage, AK	Member of the Board
DAVID WIGHT Excused Absence	Member of the Board

- I. CALL TO ORDER: Chair Cruz convened the meeting at 9:00am.
- II. ROLL CALL: A quorum was declared present and the meeting was duly and properly convened for the transaction of business.
- III. CHAIRMAN'S CHOICE: None.
- IV. APPROVAL OF AGENDA: Hugh Short moved to approve the agenda and Commissioner Luiken second. The approval of the agenda passed unanimously (6-0).
- V. MINUTES: Commissioner Luiken moved to approve board meeting minutes from April 13, 2017. Warren Christian second. The approval of the board meeting minutes from April 13, 2017 passed unanimously (6-0).
- VI. PUBLIC COMMENTS: Boardroom – Governor Sheffield and Dan Coffey Statewide – None
Mr. Coffey and Governor Sheffield expressed that they felt that AGDC was not addressing concerns of the Alaska citizens, such as communicating information about the gasline and the extreme cost of fuel in Alaska's interior and village communities.
- VII. PRESIDENT'S REPORT: AGDC President Keith Meyer gave an update on AGDC's organizational activities, highlighting the commercial, regulatory and communications areas. Additionally, he spoke about AGDC's legislative update and federal initiatives.
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES:
 - A. Committee Chair Updates:
Communication Committee – Commissioner Luiken addressed the board room public comments made earlier. As the committee chair, Commissioner Luiken indicated he has knowledge of the outreach programs that the AGDC communications department has

implemented, such as holding 11 community meetings statewide this past spring and one-on-one meetings at various trade fairs. In addition, he communicated that the communications department produces a semi-monthly report to keep the legislators and the Governor's office up to date on the gasline.

Technical Committee – Warren Christian said the technical committee discussed AGDC permitting and the FERC process. The AGDC staff has been diligent in answering FERC's questions and the FERC application will be an ongoing process.

- B. External Affairs Update: AGDC VP of Communications Rosetta Alcantra stated that her team has been focusing on community meetings throughout the state; her team has been working jointly with the commercial and technical teams to try to inform Alaska citizens of AGDC's activities and listen to their concerns.
 - C. Commercial Update: VP of Commercial and Economics Lieza Wilcox gave a presentation highlighting AGDC's engagement with Japan, Korea, and China. She stressed that AGDC is building relationships with each of these countries and AGDC is being well received because of the AGDC branding.
- IX. FINANCIAL UPDATE: Philip Sullivan, AGDC Finance Manager, gave an update on the operating and capital budget through April 2017.
- X. PROJECT UPDATE: Frank Richards, Vice President of Engineering and Program Management, gave an overview of the Alaska LNG Project, focusing on the following regulatory process: GTP, PBU, & PTU; pipeline; LNG plant; and marine facilities. Concerning the ASAP Project, he highlighted environmental, regulatory and land, and pipeline/project services.
- XI. EXECUTIVE SESSION: None
- XII. ANY OTHER ITEMS TO COME BEFORE THAT BOARD: None

Meeting Minutes

- XIII. COMMENTS: All the Board members expressed their enthusiasm about the positive attention AGDC is receiving from Washington DC and world leaders. AGDC has strong support locally and is gaining support nationally and internationally.
- XIV. ADJOURNMENT: Warren Christian moved to adjourn, Hugh Short second, none opposed. The meeting adjourned at 1:04pm.



Dave Cruz, Chair

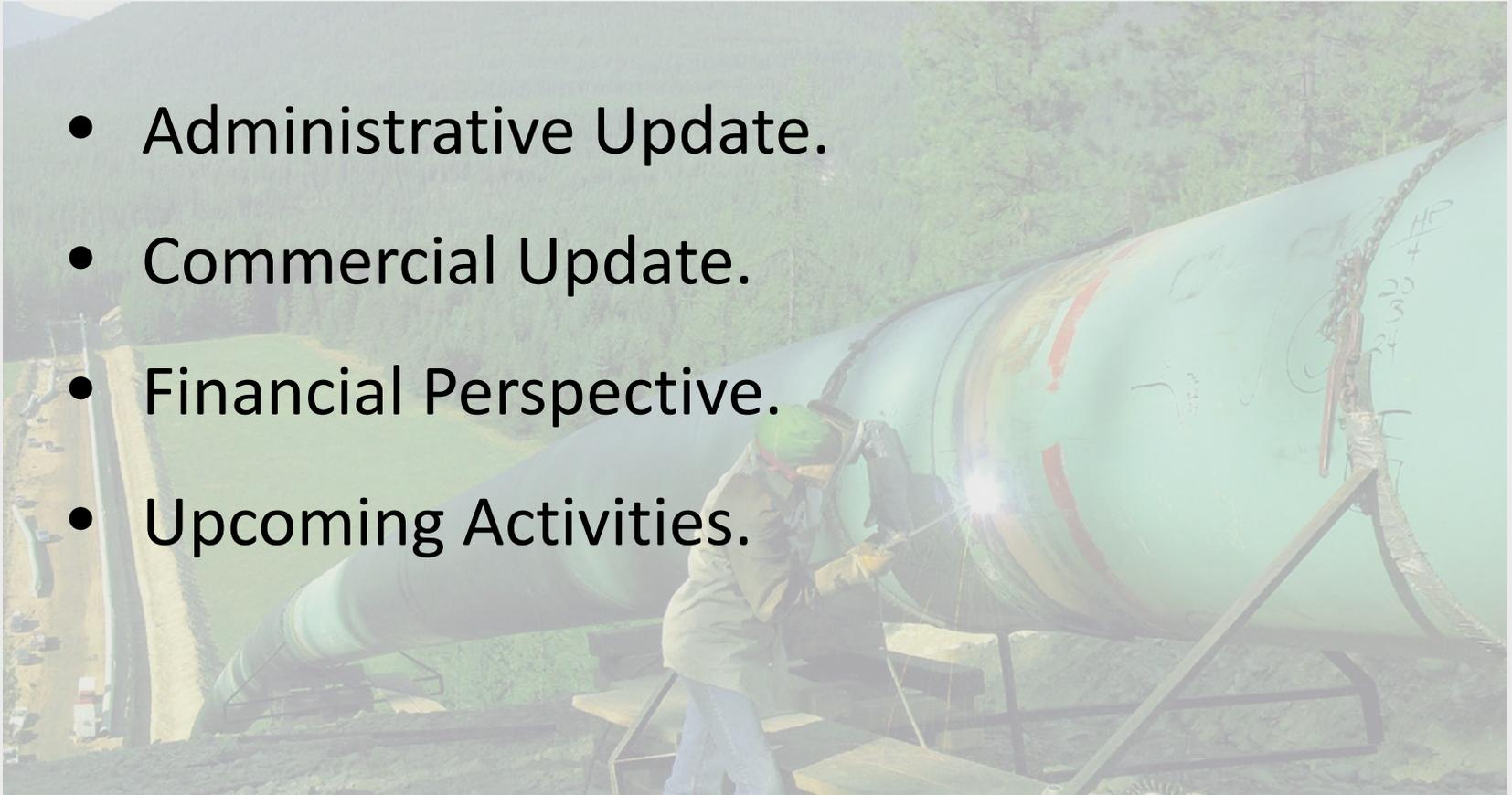
8-10-17

Date

PRESIDENT'S REPORT

AUGUST 10, 2017

- Administrative Update.
- Commercial Update.
- Financial Perspective.
- Upcoming Activities.



- FY2019 Budget preparation underway.
- Continued outreach includes:
 - Semi-monthly reports.
 - Individual legislator requests for information.
 - Individual legislator meetings.
 - Committee hearings.
- Upcoming activity:
 - Alaska LNG Joint Resource Committee hearing.
 - Follow up on individual meeting requests as needed.

ALASKA LNG REGULATORY UPDATE

- Working with Federal Administration to explore means to expedite process.
- Met with U.S. Pipeline Hazardous Materials Safety Administration (PHMSA) regarding Design Spill Plan.
- Army Corp 404 permit on hold until necessary work is completed.
- AGDC addressed Phase I FERC questions; received Phase 2 FERC questions on July 28, 2017.
- Anticipating FERC EIS schedule this fall.



ANTI-CORRUPTION POLICY

- AGDC is increasingly interacting with foreign counterparties.
- US Foreign Corrupt Practices Act (FCPA) and similar anti-corruption laws globally provide harsh penalties for improperly influencing foreign officials.
- AGDC will be implementing an anti-corruption policy:
 - To be reviewed by Governance Committee in August.
 - To be posted on AGDC website after Governance Committee review.
 - Language of recognition and adherence to be include in AGDC agreements.
- Relevant AGDC employees and contractors were provided a compliance training program administered by Greenberg Traurig.

- **Communications Plan overview:**

- Jump start and refine communications around the Alaska LNG project.
- Focus on in-state, federal, and international audiences utilizing a multimedia approach to include social networking (Facebook), trade shows, and conference presentations.



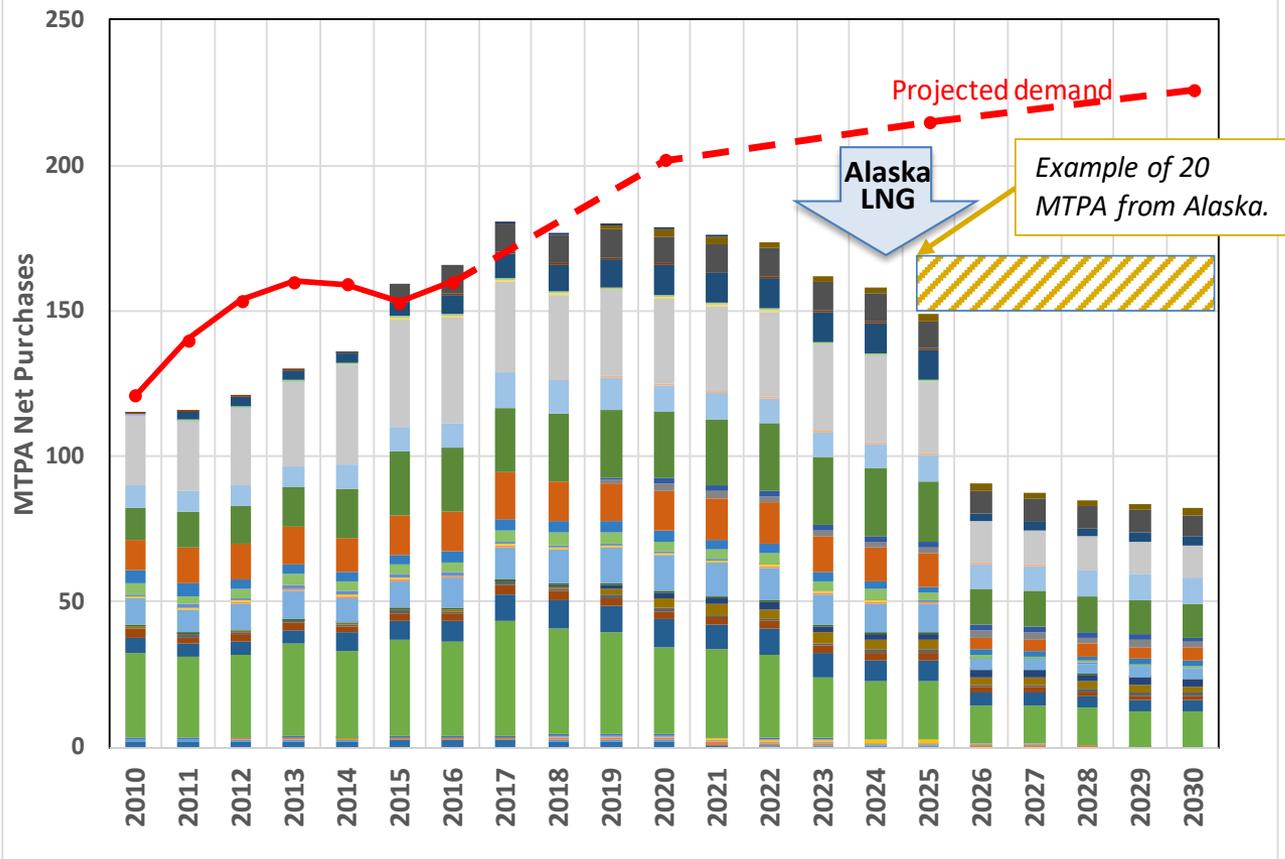
- **Overall objectives of the program include:**

- Communicate Alaska LNG is needed, achievable, and competitive;
- Raise awareness of the project's significance to the State's economic growth, jobs and prosperity;
- Convey the urgency to support the Alaska LNG project now.

- Is Alaska LNG competitive?
- Lots of new projects and expansions announced around the world, doesn't that make it tough for Alaska to compete?
- Recognize, all the arm-waving and “announcements” on the supply side are because the supply side recognizes the future demand is there.
- **Alaska LNG is competitive and has unique advantages.**
- However, Alaska has to compete; no one is actively selling Alaska other than Alaska.

ASIAN LNG DEMAND MID-2020'S

Japan, Korea, Taiwan, China LNG Contracts and Demand



Note: Colored bar segments represent individual Asian LNG buyers
Source: Global NatGas Advisors LLC Analysis

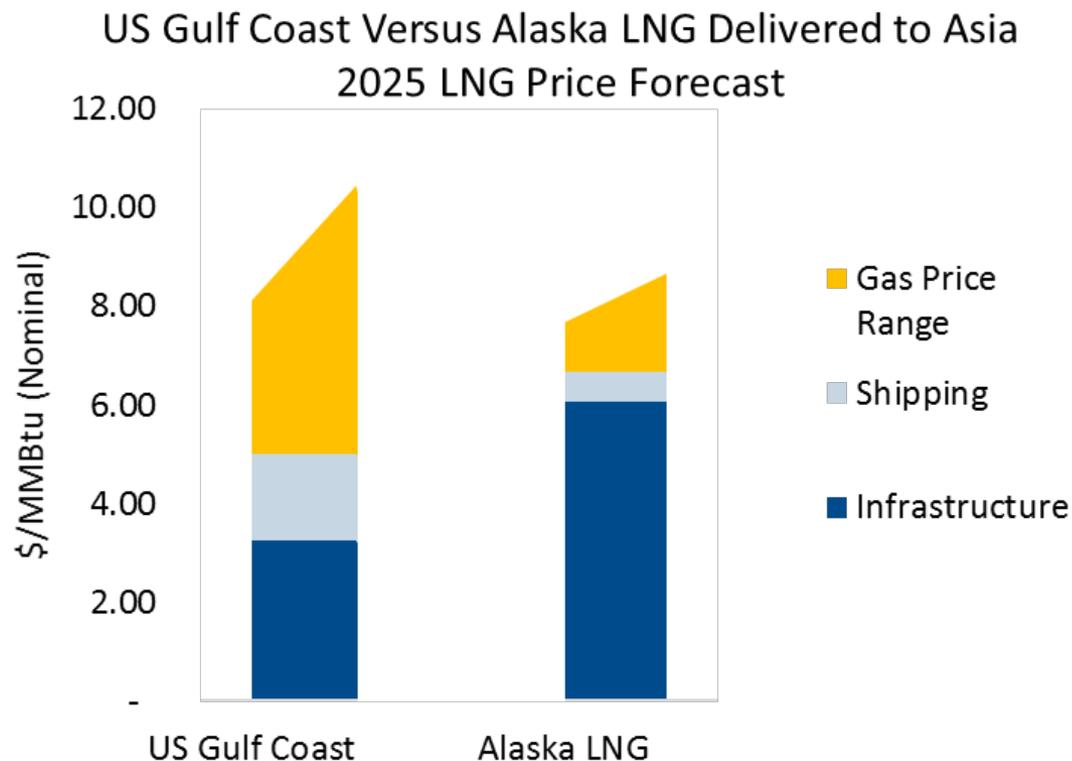
- Market opportunity for LNG exists across Asia.
- Global demand grew 7.5% in 2016, with Japan, Korea, Taiwan and China collectively up 4.6%.
- Existing contracts expire in the same timeframe as a projected global shortfall in LNG supply.
- Japan, Korea, Taiwan and China together have contracted supply gaps of over 70 MTPA by 2025. 125 MTPA by 2026.

A successful execution of the project will balance three primary objectives:

- Clear the LNG market in the Asia-Pacific,
- Acceptable pricing and length for debt and equity markets.
- Acceptable netback to the State of Alaska.



ALASKA LNG IS VERY COST COMPETITIVE



- Shipping and gas supply advantage offsets higher relative infrastructure costs.
- North Slope gas supply is stranded and not connected to other markets.
- Most of the investment is capital associated with transportation and liquefaction, which is sold under long term stable contracts.

- **Premise:** Producers want to sell Alaskan gas at reasonable prices.
- **Level playing field:** Provide a non-discriminatory capacity offering to all parties with a price structure that allows the LNG to be competitive in the global arena while providing an acceptable netback to Alaska.
- **Sweetener:** Provide initial subscribers with Foundation Capacity rights that provide long-term benefits.
- **Purpose of Capacity Solicitation is two-fold:**
 - Determine the quantity of capacity producers want on the Alaska LNG system to enable them to market gas to global markets.
 - Determine the quantity of capacity that producers want AGDC to hold and sell to LNG customers.

- **Korea Gas Corporation (KOGAS):**
 - MOU signed on June 28, 2017.
 - Sets framework and process for moving forward.
 - Not binding, but not insignificant.
 - Government entity.
 - Largest single utility buyer of LNG.
 - Significant new LNG demand in the mid-2020's.
- **Alaska is one of four U.S. projects elevated to move forward with formal signing:**
 - Alaska is only project on the western side of Panama Canal.
 - Others include: 2 in Texas and 1 in Louisiana.

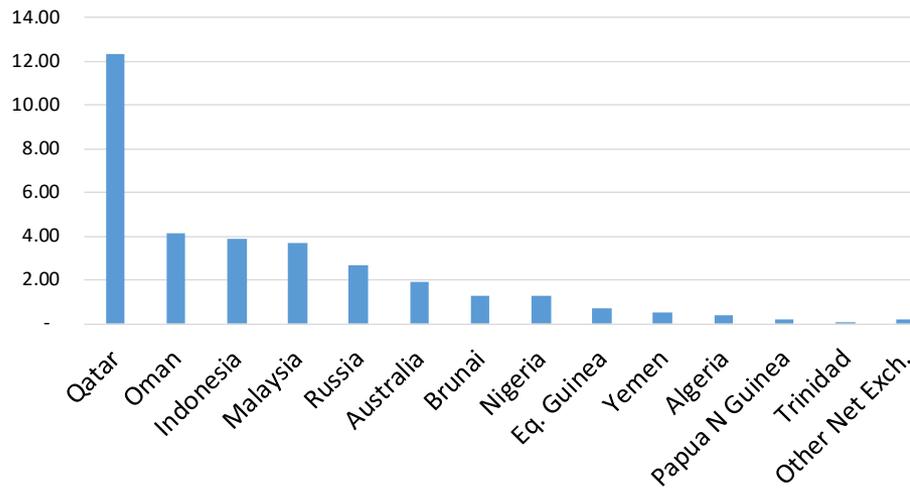


Alaska LNG is the prize.

KOREA'S SUPPLIERS

- Largest supplier to Korea is Qatar; big exposure to contract renewal.
- In 2012, KOGAS signed a large 3.86 Mtpa, 20 year LNG purchase agreement with Cheniere which commenced with its first loading June 1, 2017 for delivery to Korea. This is the first long term LNG contract between the United States and Korea.

Korea LNG Imports by Source Country
(2015 Mtpa)



Korea - 2015 Net Imports (Mtpa*)

Qatar	12.36	Qatar Petroleum (Govt), ExxonMobil,
Oman	4.12	Oman Govt, Gas Natural (Spain), Eni (Italy)
Indonesia	3.90	Tangguh: BP, CNOOC (China)
Malaysia	3.69	Petronas(Govt),
Russia	2.69	Gazprom (Russia), Shell
Australia	1.93	Wheatstone: Chevron;
Brunai	1.29	Govt, Shell
Nigeria	1.29	NNPC (Govt), Shell, Total, Eni
Eq. Guinea	0.72	Marathon, Sonogas (EG)
Yemen	0.53	Govt, Total, Hunt Oil
Algeria	0.37	Sonatrach(Govt)
Papua N Guinea	0.21	ExxonMobil
Trinidad	0.05	Shell, BP
Other Net Exch.	0.21	
Total Korea 2015 Net Imports	33.36	

*Note: Mtpa=Million tonnes per annum = 51 Bcf
Source: IGU World LNG Report 2016

COMPETING IN THE MARKET

	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

- Alaska LNG has compelling advantages.
- Alaska LNG's relatively large infrastructure costs are offset by competitive advantages in gas price and shipping.

- **Familiarization site visits held in Alaska:**
 - High-potential Alaska LNG Buyer.
 - Financial institution.
- **Itinerary included:**
 - Presentations by: Alaska Department of Natural Resources, Doyon Limited and AGDC technical and commercial overview.
 - Tours included: DNR Geologic Materials Center, and Prudhoe Bay Central Gas Facility, West Dock and ARCO discovery well, and Doyon Limited's Rig 25.
- **Guests paid for their own travel and lodging.**



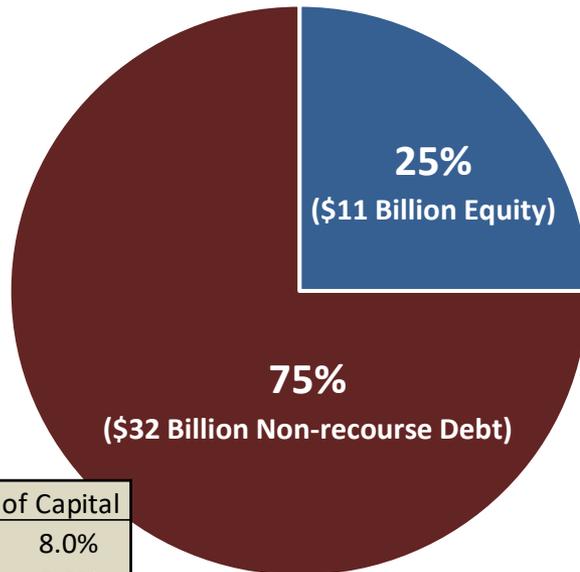
G2G INTERACTION

- **Focused Government-to-Government program.**
- **High level engagement with Government Officials:**
 - Chinese President Xi Jinping
 - Republic of Korea President Moon Jae-in
- **Addressing investment and LNG pricing options; business development opportunities.**



ALASKA LNG CAPITAL STRUCTURE

The integrated Alaska gasline and LNG project will cost about \$40 Billion.



Weighted Cost of Capital	
Equity	8.0%
Debt	5.0%
WACC	<u>5.8%</u>

\$11 Billion Equity Investment

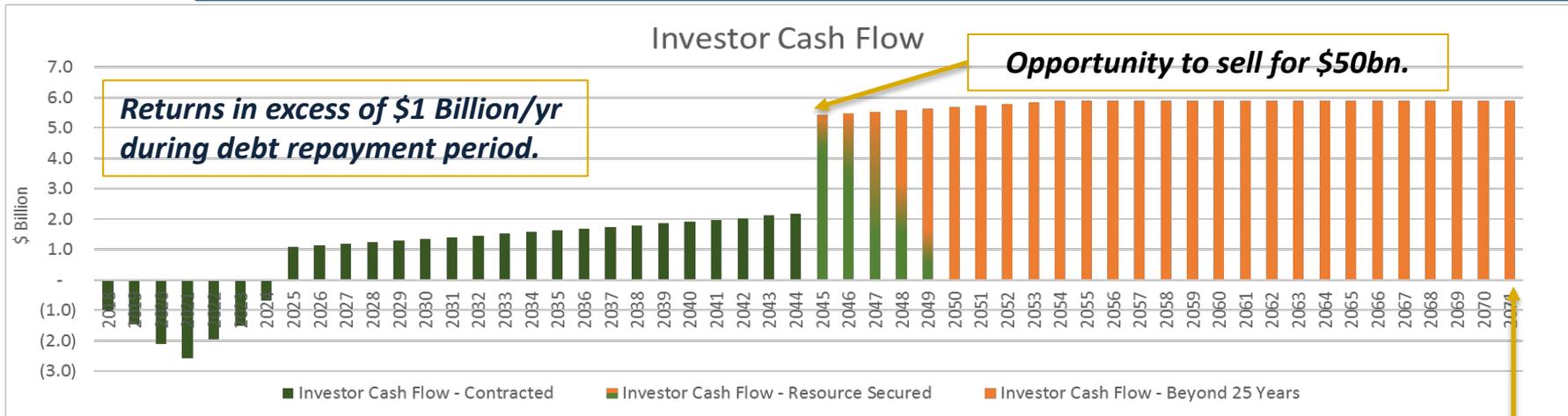
- Equity investors can earn in excess of 10% returns.
- State of Alaska has the opportunity to invest.
- Other Equity investors could include:
 - AGDC,
 - Alaska Native Corporations, municipalities, private citizens,
 - Third parties.

\$32 Billion Non-Recourse Debt

- Backed by long-term contracts.
- Does not create a liability for the equity owners.

Note: Project may be phased to further reduce the initial capital requirement.

ACCEPTABLE EQUITY RETURNS



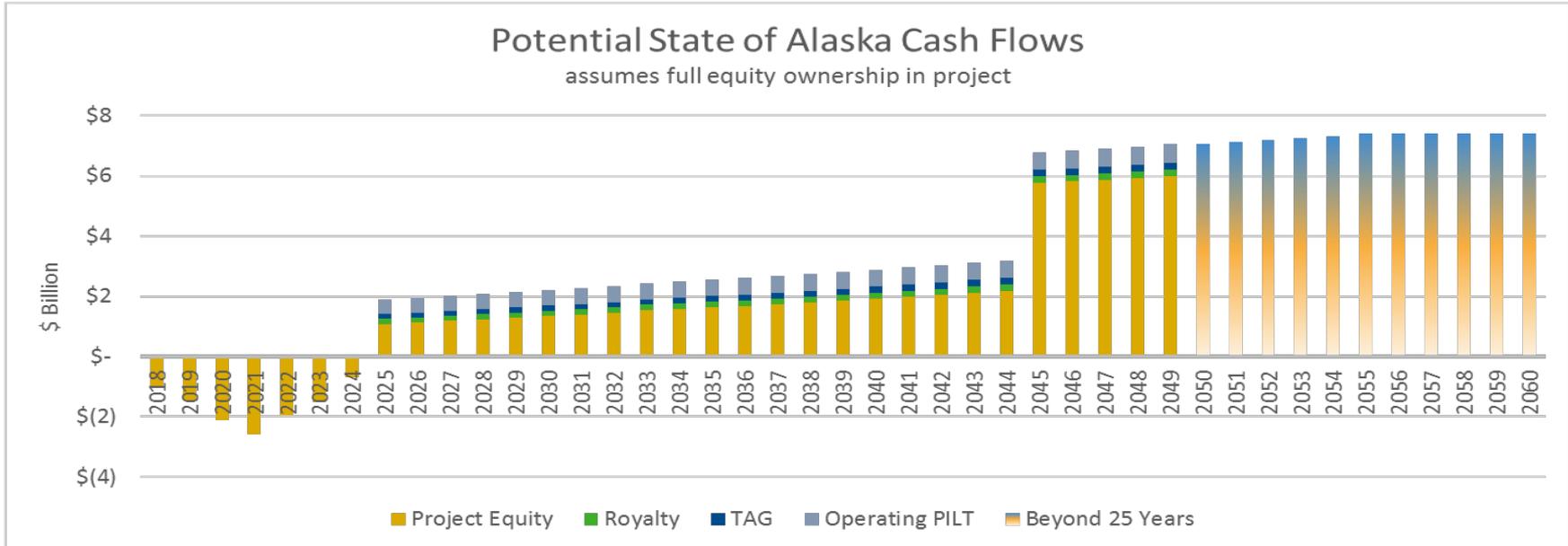
Generates over \$150bn of cumulative cash over 50 years.

Contract Period:

- A 20 year firm contact period.
- Acceptable return on investment.
- Secured by “ship or pay” terms.
- Approx. 25 TCF of gas.

Beyond Contract Period:

- Debt paid off during contract period releasing more revenue to equity owners
- 30 TCF (10 TCF of known, 20 TCF of YTF) needed to operate an additional 25 years – 10% of potential YTF.
- Asset Value at 2045 could be \$50bn.
(Assumes 10% return over following 20 years, same tolls and volumes)



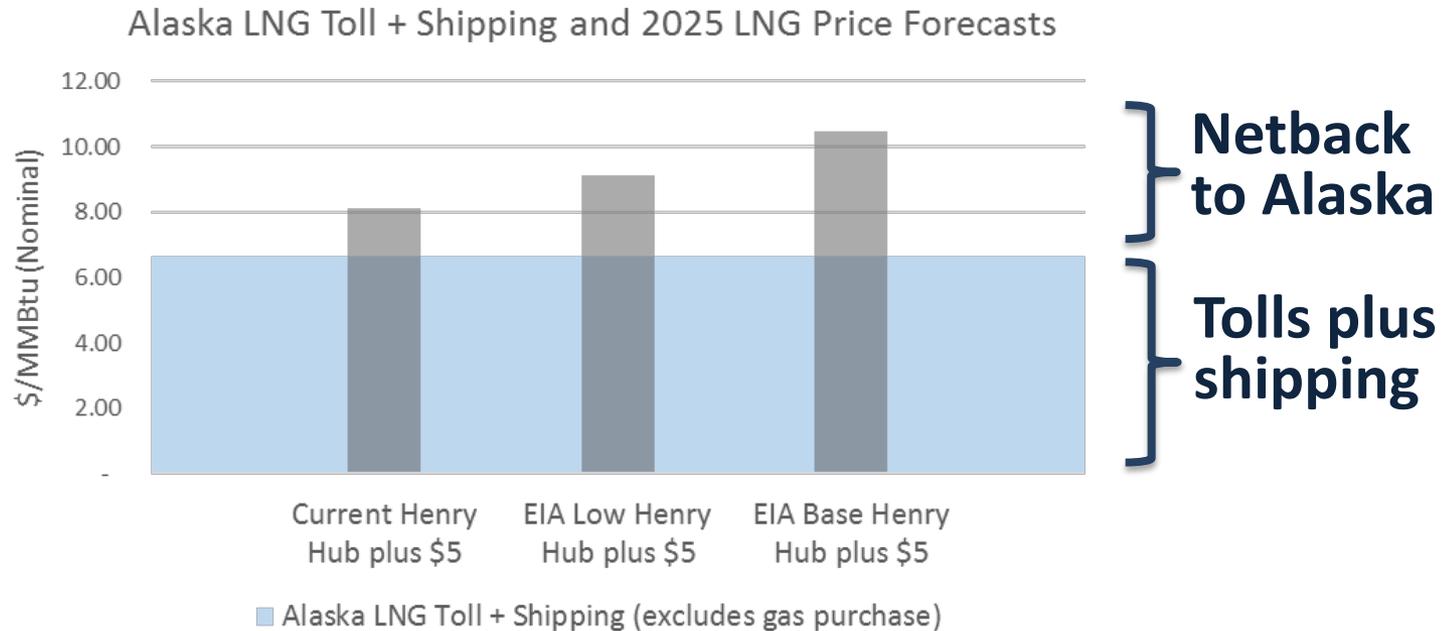
Equity-only ROE:

- 8% through initial period
- 10% extended period

Equity ROE plus RIK/TAG and PILT:

- 13% during initial period
- 15% extended project

NETBACK TO ALASKA



- Alaska LNG toll and shipping costs can deliver a reasonable netback even at current US prices.
- North Slope gas supply is stranded and not connected to other markets.
- As market prices increase, benefits to stakeholders increase.

POTENTIAL PHASING

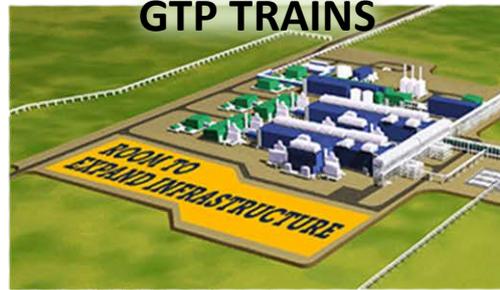
The three-train, modular design of the GTP and LNG components allows for a phased development of the system.

Initial capital reduction of about \$9 Billion.

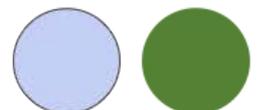
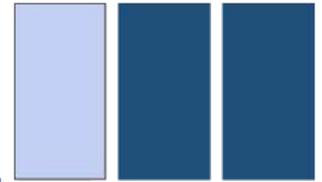
Foundation Customers receive preferential rights to future expansion.



STORAGE



**800 MILE PIPELINE
COMPRESSOR STATIONS**



RECAP: THE ALASKA LNG PROJECT IS:

Needed:

- The Asian market will experience a contracted supply gap within 7 years.
- Alaska LNG is well positioned to target this supply deficit.
- Alaska LNG provides large, long-term cash flow to Alaska with the potential to sell down equity after financing period.

Competitive:

- Alaska is able to deliver LNG at a competitive price and high value to customers.
- Alaska LNG can provide stable, predictable and competitive long-term returns.
- The ability to phase the project reduces both the risk and the exposure.

Achievable:

- Allows for introduction of infrastructure investors and provides tax efficiency.
- Project finance structure is proven, most recently with Lower-48 LNG projects.

UPCOMING ACTIVITIES

- Continue to advance US federal administrative support.
- Continue to respond to FERC comments.
- Engage EPC company to assist with regulatory and construction cost and schedule validation.
- Finalize AKLNG LLC purchase option agreements.
- Continue to interface with Chinese, Japanese, Korean and other companies and global LNG trading organizations.
- Engage financial advisor.
- Continue to keep Alaskans informed on the progress.

End

External Affairs & Communications

BOARD REPORT

August 10, 2017

GOVERNMENT RELATIONS

- A. Legislative semi-monthly reports (June 15, June 30, July 14, July 31)
- B. Capital Budget passed on July 27; AGDC's capital allocation intact.
- C. Presentation to Joint Senate & House Resources Committee (*TBD*).

PRIMARY COMMUNICATIONS INITIATIVES

- A. Presentations
 - July 28: Tikahtnu Forum, Anchorage
- B. Familiarization (FAM) Trips
 - July 19-20
 - Itinerary for the two day trip was finalized.
 - Meetings were coordinated with the Governor's office, Dept. of Natural Resources, and Doyon Limited.
 - Coordinated North Slope tour with BP.
 - Meals, transportation, and translation services were coordinated.
 - August *TBD*
 - Finalize itinerary, schedule meetings and tours; coordinate meals and transportation.
- C. Trade Show Preparation
 - Alaska State Fair/Energy Day (August 24)
 - EAGR staff will manage the trade show booth.
 - Promotional materials in production for fair.
 - Alaska Federation of Natives (October 19-21, 2017)
 - Sponsorship and booth have been secured.
- D. Collateral
 - Prudhoe Bay foldout map created for use when AGDC staff is escorting guests to the North Slope.
- E. Digital Communication:
 - The LNG World Market Update continues to be distributed on a bi-weekly basis and is distributed to in-state audiences and other interested stakeholders.

- The “In Case You Missed It” (ICYMI) report continues to be compiled on a weekly basis and is distributed to in-state audiences and other interested stakeholders.
- Traffic to the website continues to grow, with total traffic over the past year exceeding 25,000.

MONTH	TRAFFIC
July 2016	1,254
August 2016	1,638
September 2016	792
October 2016	1,866
November 2016	1,879
December 2016	2,027
January 2017	2,765
February 2017	2,168
March 2017	2,125
April 2017	2,700
May 2017	2,308
June 2017	2,498
July 2017	1,607
FISCAL YEAR TOTAL	25,627

F. Public Opinion Research:

- EAGR is finalizing questions and developing schedule for distribution.

G. Community Coordinators:

- Established schedule for outreach.

EVENTS AND ACTIVITIES

A. Upcoming Events:

- Aug 24, 2017 – Alaska State Fair/Energy Day
- Sept. 20, 2017 – World Trade Center luncheon
- Sept. 27-29, 2017 – Asia Pacific Gas Conference (Daegu, Korea)
- Oct 18, 2017 – LNG Producer-Consumer Conference (Tokyo, Japan)
- Oct 19-21 – Alaska Federation of Natives Conference (Anchorage, AK)
- Jan 18-19, 2018 – World Gas Congress Asia (Osaka, Japan)
- June 25-29, 2018 – World Gas Conference (Washington DC)
- April 1-5, 2019 – LNG 2019 (Shanghai, China)

ALASKA
GASLINE
DEVELOPMENT CORP.



ALASKA LNG: PROJECT MARKETING UPDATE August 10, 2017



www.agdc.us

- Alaska LNG Marketing;
- Capacity Solicitation;
- In-State Markets;
- Alaska LNG Commercial Structure;
- State-Led Project Cost Efficiencies.

July

Oct

Jan

Apr

July

Continued Progress on Core Markets:

- Confidentiality Agreements (CAs).
 - 17 executed with various companies covering six different markets.
 - 6 additional CAs executed since June Board meeting.
 - Conducting meetings to provide more detailed commercial and technical information and answer questions.
- Proposed LOIs have been transmitted to those entities who have signed CAs.
 - MOU with KOGAS.
 - One AGDC LOI executed by counterparty and under review.
 - Drafts in active review by **13** parties in several countries.
- Substantial increase in project awareness and interest.
 - The State, through AGDC, is the best and most committed advocate of the project.
 - Increasing the visibility of Alaska's oil and gas potential along with DNR is a corresponding benefit.

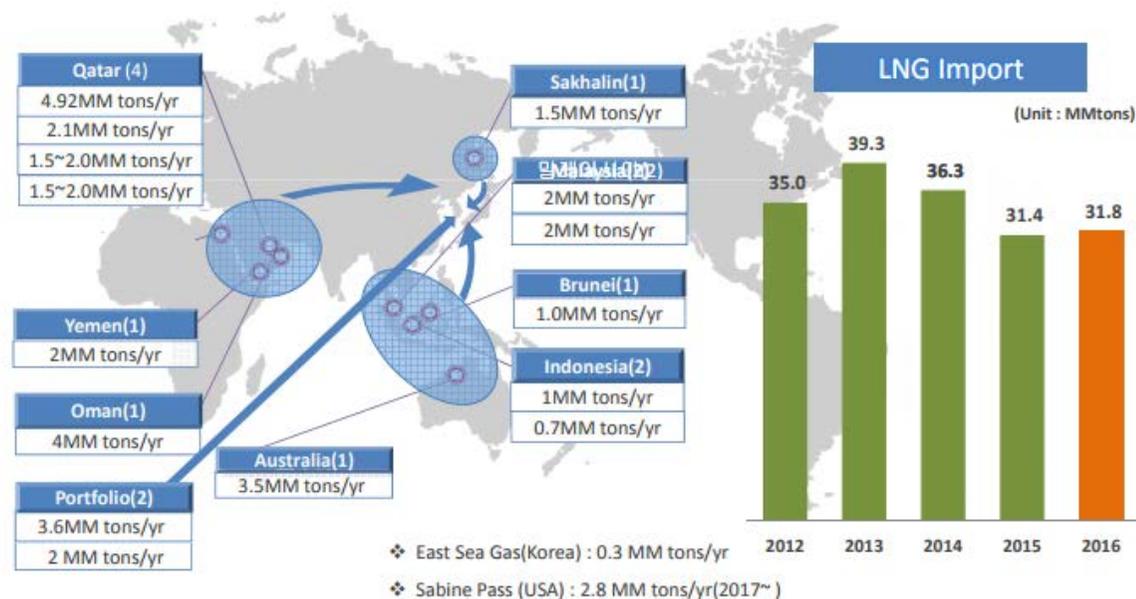
Concluded Memorandum of Understanding (MOU) with Korea Gas Corporation (KOGAS).

- Signed on June 28, 2017.
- KOGAS is second-largest corporate LNG buyer in the world.
 - Contracted supply gap of approximately 30 million tonnes per annum (Mtpa) by 2025.
- Four regasification terminals and thousands of miles of natural gas pipeline across South Korea.
- Investor in natural gas infrastructure across the globe.

KOGAS Overview

LNG Import Sources

- 15 Long-term(20 to 25 years) and 1 Mid-term contracts in 10 countries around the world



Source: KOGAS Investor Presentation, FY2016 4Q Cumulative Results, February 2017

- MOU sets framework for cooperation in several areas of Alaska LNG, including:
 - Korean investment;
 - KOGAS cooperation on EPC of project components and operation.
- Represents KOGAS' active effort to learn more about the current project plan and assess project economics.
 - Marks beginning of a relationship, first working session occurred in July.
 - Additional meetings planned on both commercial and technical aspects.
 - Helps determine interest and potential participation in Alaska LNG.
- First step is to impart detailed status and fundamentals of Alaska LNG.



- KOGAS a leader in LNG tank development (270 m³ capacity).
- Number of complimentary strengths and similarities to AGDC.
- KOGAS has assets through the entire gas value chain globally.
- Alaska is one of four projects in North America with KOGAS MOU.
 - Alaska is only project west of Panama Canal.

Major Overseas Projects Status

Overseas Projects

- 25 Projects in 13 countries (as of Sep, 2016)
(Exploration 4, Development/Production 10, LNG project 7, Downstream 4)
- 2 Projects as an operator (Iraq Akkas, Mozambique Maputo Pipeline), 23 Projects as a non-operator



Source: KOGAS Investor Presentation, FY2016 4Q Cumulative Results, February 2017

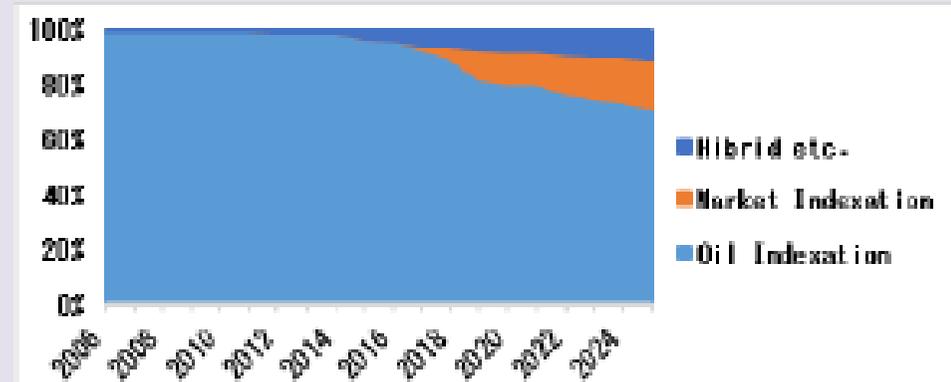
China:

- Executed CAs with five entities, review of LOIs underway.
- Third set of in-country meetings planned to discuss LOI drafts.
- One of the three National Oil Companies (NOCs) visited Alaska.
 - Conducted meetings with DNR and AGDC.
 - Positive feedback received and active engagement will continue.
- High interest level in upstream participation from companies new to Alaska and relatively new to U.S. but involved in other international projects.
 - Alaska LNG marketing effort is engaging new potential entrants into Alaska's oil and gas developments.
 - AGDC collaborating with DNR's Division of Oil & Gas (DOG) to provide information.

Japan:

- Two additional in-country trips since June Board meeting.
 - Commercial activity has narrowed down to the most interested companies (5 thus far).
 - Better focus, deeper relationships will deliver better commercial results.
 - Ongoing G2G engagement with JBIC, METI, and JOGMEC.
- Japanese Free Trade Commission (JFTC) released report in June.
 - Report primarily impacts existing projects.
 - The Alaska project is perfectly positioned to not require destination clauses, and will be new build, therefore fully in compliance with this report.

[Transition of pricing formation ratio in Japan (Volume ratio)]



Source: The JFTC based on reports from users

Taiwan/Korea

- In commercial discussions with 4 companies aside from KOGAS.

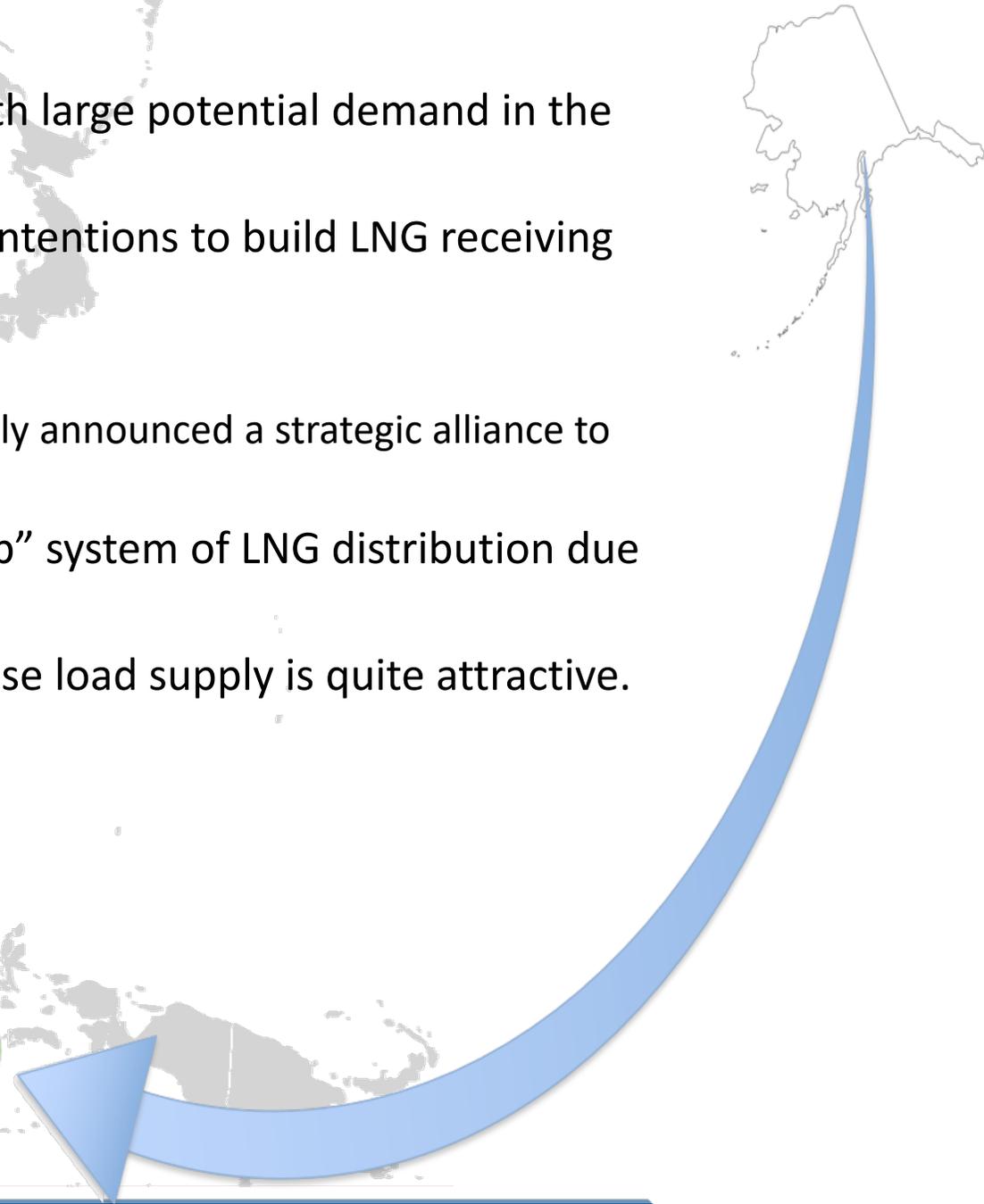
Indonesia:

- Good prospective market with a sophisticated LNG industry.
- AGDC was a Key Note Speaker at the Gas Indonesia Summit in mid July.
- Conducted follow up meetings in Jakarta with both key LNG and gas buyers.
- Meetings with officials from the Ministry of Energy for Indonesia, Ministry of Energy for Thailand.
- Indonesia has a history of slower LNG negotiations similar to Japan, and will require persistence.



Southeast Asia:

- Growing economies are new importers with large potential demand in the 2020-2030 timeframe.
- A number of companies have announced intentions to build LNG receiving terminals.
- Active and competitive market.
 - Tokyo Gas and PetroVietnam Gas recently announced a strategic alliance to develop new demand.
- Alaska LNG can also be a supplier to a “hub” system of LNG distribution due to proximity and stability.
- Alaska’s proposal for a stable long-term base load supply is quite attractive.



Capacity Solicitation:

- The Capacity Solicitation Period started June 15 with responses due by August 31.
- By participating, AGDC will offer prospective foundation customers certain rights and prices to reserve capacity on the Alaska LNG system.
- Invited the North Slope producers and other qualified third parties to participate.
- Serves to determine the most viable initial size and configuration of the project.
- AGDC continues to directly market to LNG buyers and will reserve transferrable capacity on the Alaska LNG system.
- Upon receipt of positive responses to the solicitation AGDC will enter directly into negotiations for definitive tolling agreements.

In-State Markets:

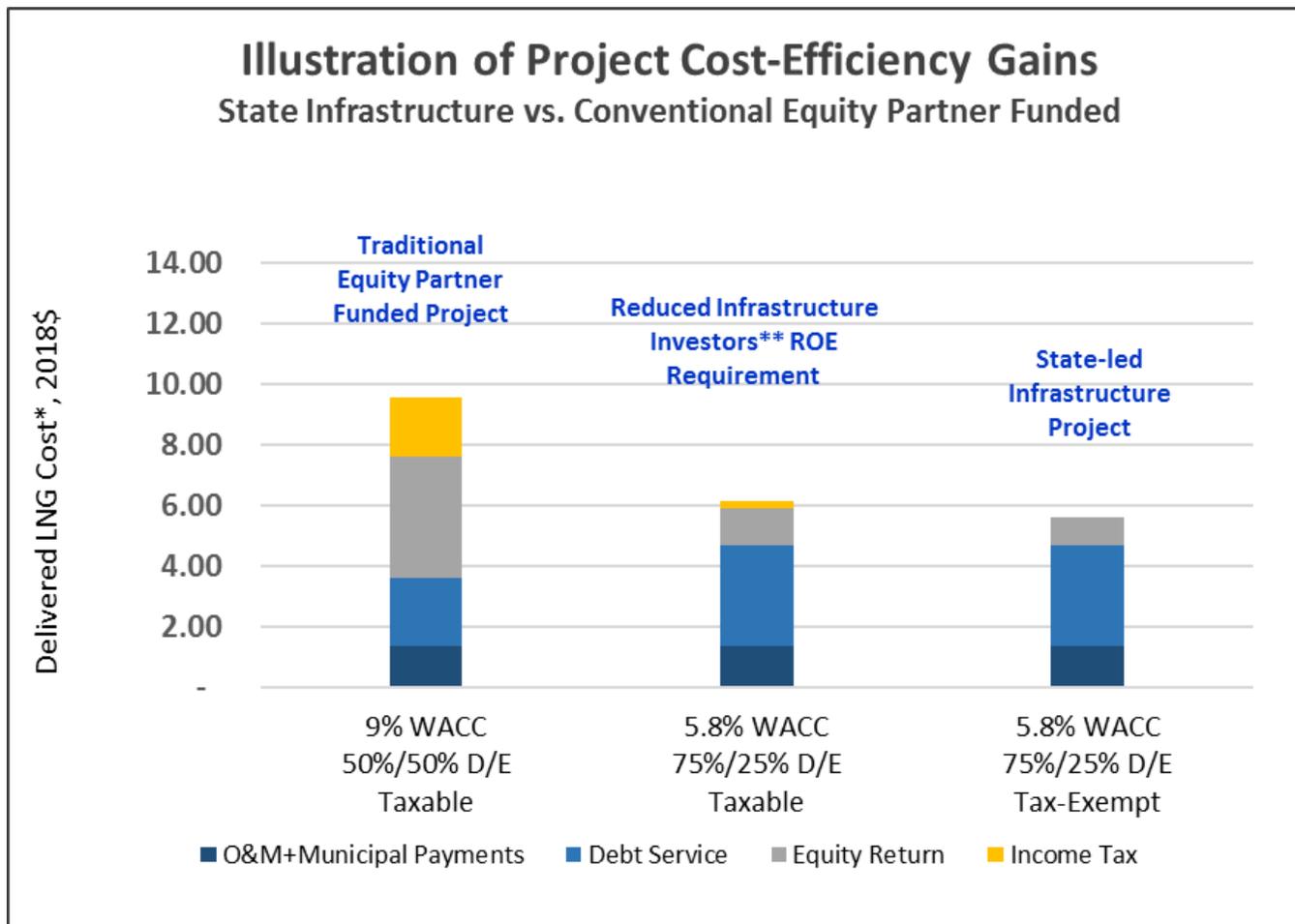
- Currently in negotiations with an in-state user on a detailed LOI for gas sales from the project.

NEXT STEPS



- Project structure creates a blend of project participants that together can help secure financing of the project, but each entity can also make their own marketing and balance sheet decisions.

- Reduced Project WACC Requirements.
- Reduced Federal Income Tax Burden.



*Includes only the portion of total Delivered LNG Cost associated with Alaska LNG infrastructure

- **Regulatory**

- FERC Section 3 Application & EIS Process

- FERC ex-parte rules now in effect
 - Data Request #1 issued July 5, 2017
 - Resource Reports 1, 6, 7, 10, 11(for pipeline), & 13(partial) (278 requests)
 - Response completed within 20-day deadline
 - Data Request #2 issued July 28, 2017
 - Resource Reports 5, 8, & 9 (171 requests)
 - Response due August 18, 2017
 - Data Request #3 (Resource Reports 3, 4, & 5) pending
 - Data Request #4 (Resource Reports 11[for Facilities] & 13) pending
 - Response provided schedule when the individual comments will be addressed

- USACE 404 Application

- The USACE suspended the permit application pending additional information.
 - The suspension was not unexpected – typical agency-applicant interaction
 - AGDC will continue to work with the USACE to provide the required information
 - Will not impact the Alaska LNG Project schedule

- **Regulatory – continued**
 - Federal Agency Meetings – Washington DC June 6-8, 2017
 - Endangered Species Act – Cook Inlet Beluga
 - Wetlands Policy Waiver – FERC Policy and Procedures
 - Belowground Construction Mode – USFWS and EPA
 - Public Land Order 5150 – Revocation
 - National Environmental Policy Act Schedule – FERC
 - Pipeline and Hazardous Materials Safety Administration (PHMSA/USDOT)
 - Applied for Four Special Permits for pipeline:
 - Strain Based Design
 - Extended valve spacing
 - Extended spacing for crack arrestors
 - Three layer polyethylene coating
 - Assigned federal dockets
 - Additional Special Permit for Facilities to utilize pipe-in-pipe for LNG loading
 - In development, application expected this quarter
 - Applied for Title 41 of Fixing America’s Surface Transportation (FAST-41)

- Required by PHMSA to evaluate LNG plant & public safety in case of LNG, refrigerant, or other hazardous substance release
- A favorable evaluation by PHMSA is required before FERC will issue a Schedule Notice
- AGDC submitted the Design Spill Package to PHMSA on 30 June, 2017
- AGDC hosted a Design Spill Workshop at PHMSA in Washington DC on 24 July (FERC attended)
- The Alaska LNG Design Spill Package includes two “non-standard” requests
 - Code Equivalency to use Pipe-in-Pipe (PiP) for the LNG rundown and loading lines
 - Authority Having Jurisdiction to approve a 1-minute jetty LNG spill duration
- On 2 August, PHMSA requested that the PiP argument be resubmitted as a Special Permit application, work underway
- Additional Design Spill Package Data Requests are anticipated

▪ Pipeline

- Assisting the Environmental Regulatory and Lands (ERL) team answering questions and requests for information (RFIs) from the U.S. Army Corps and the general public
- Pipeline strain demand and capacity analysis complete – 60 miles of potential thaw settlement, expected to be reduced to less than half after field verification.
 - More cost effective to increase wall thickness
 - Conclusion: No PHMSA Special Permit required

▪ Environmental, Regulatory and Land (ERL)

- ASAP SEIS and Clean Water Act 404 Application
 - Submitted Cultural Resource Management Plan – May 5th
 - Completed 25 desktop cultural site evaluations for Determination of Eligibility (DOE) to list in the Federal Register
 - DOE Evaluation complete for 85% of cultural sites. Awaiting Corps decision on remaining 15%
 - Notified Corps and PHMSA about decision not to apply for Special Permit
 - SEIS Public Milestone and Hearing schedules finalized
 - FEIS scheduled for Dec 2017 with ROD to follow on March 2018

- **Environmental, Regulatory and Land (ERL) (continued)**
 - Ten Public Hearings in North Slope, Interior, and Southcentral Alaska Communities
 - Barrow – July 17th
 - Nuiqsut – July 18th
 - Fairbanks – July 20th
 - Minto – July 21st
 - Bettles / Evansville – July 25th
 - Wiseman – July 26th
 - Anchorage / Willow – August 1st
 - Healy – August 2nd
 - Cantwell / Denali – August 3rd
 - Trapper Creek – August 4th
 - The Public Comment Period Closes August 14th
 - AGDC is reviewing and providing formal comments on the DSEIS
 - ERL has reached out to > 25 individuals or companies to request a letter of support for the proposed project

JUNE FISCAL YEAR (FY) 2017 OPERATING BUDGET VARIANCE ANALYSIS

Operating Expenditures by Account Fiscal Year

(\$000s)	Full FY17 Budget	FY17 YTD Actuals	FY17 YTD Budget	FYTD Variance (Under)/Over	Percent Spent
Personal Services	5,716	5,158	5,716	(558)	90%
Travel	295	249	295	(46)	84%
Services	4,125	3,261	4,125	(864)	79%
Commodities	250	249	250	(1)	100%
Depreciation		167	-	167	-
Operating Total	\$ 10,386	\$ 9,085	\$ 10,386	\$ (1,301)	87%

Operating Expenditures by Dept. Fiscal Year

(\$000s)	Full FY17 Budget	FY17 YTD Actuals	FY17 YTD Budget	FYTD Variance (Under)/Over	Percent Spent
Executive	2,702	2,556	2,702	(146)	95%
Commercial	666	507	666	(159)	76%
External Affairs	1,583	1,465	1,583	(118)	93%
Legal	445	147	445	(298)	33%
Finance	1,005	917	1,005	(88)	91%
Admin Services	2,580	2,287	2,580	(293)	89%
IT Data Mgmt.	1,405	1,206	1,405	(199)	86%
Operating Total	\$ 10,386	\$ 9,085	\$ 10,386	\$ (1,301)	87%

Notes: Fiscal Year (FY) is July 1 to June 30

June actuals are preliminary. The June period remains open. AGDC follows the State's FY close schedule. The state keeps June open to allow for late FY17 transactions. June will close in late August.

Operating Variance Commentary:

Variance Drivers:

- Personal Services- AGDC current FY17 PCN headcount is 21 verses budgeted headcount of 26. FY18 PCN headcount is 24.
- Services – Two headcount budgeted in services have become AGDC direct hires. General Counsel position is vacant. Office 365 implementation less than budgeted.

Vacant positions need to be filled. As project activity intensifies the need will become more acute.

JUNE 2017 CAPITAL BUDGET VARIANCE ANALYSIS

Capital Expenditures (\$000s)	Calendar Year		YTD Variance
	YTD Actuals	YTD Budget	
Regulatory/Program Management	9,402	20,465	(11,063)
Commercial	3,383	6,576	(3,193)
Communications	415	764	(349)
Capital Total	\$ 13,200	\$ 27,805	\$ (14,605)

Total Expenditures by Fund (Capital and Operating) (\$000s)	Calendar Year		YTD Variance
	YTD Actuals	YTD Budget	
AKLNG (1235)	11,742	24,399	(12,657)
ISG (1229)	1,458	3,406	(1,948)
Capital Total	\$ 13,200	\$ 27,805	\$ (14,605)
AKLNG (1235) 40% of Operating	1,918	2,077	(114)
ISG (1229) 60% of Operating	2,876	3,116	(239)
Total Operating	\$ 4,794	\$ 5,193	\$ (354)
AKLNG (1235)	13,660	26,476	(12,771)
ISG (1229)	4,334	6,522	(2,187)
AGDC Total	\$ 17,994	\$ 32,998	\$ (14,959)

Capital Variance Commentary:

Variance Drivers:

Regulatory

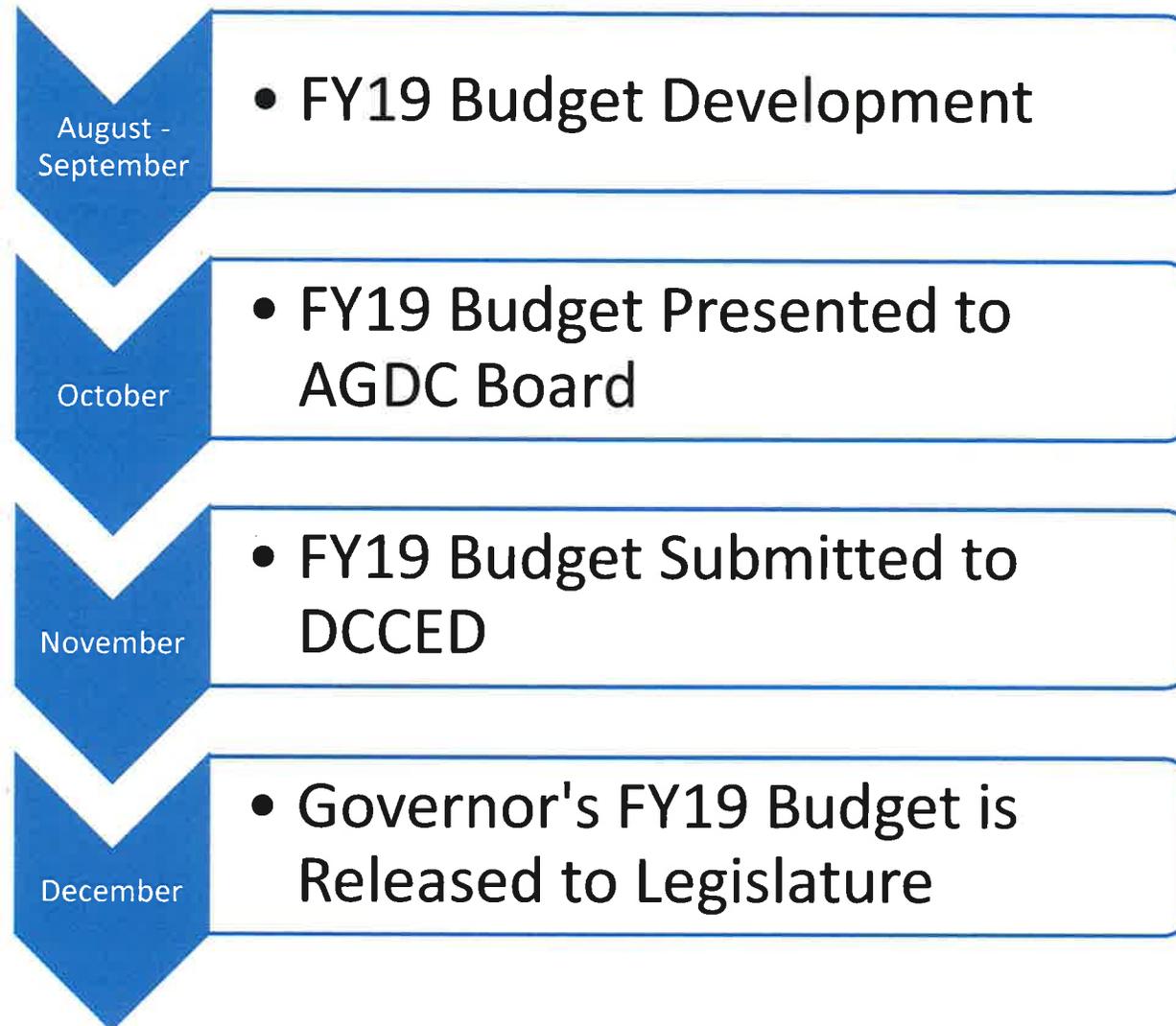
- Timing – Related to AFE activity ramp up and vendor engagement
- Elected Deferrals including:
 - EPC Contractor Selection
 - Legal Counsel
- Efficiency Gains
 - Use of internal resources for FERC comment responses
 - Continuity of effort with no work stoppages

Commercial

- Timing – Related to AFE activity ramp up and vendor engagement
- Elected deferrals including:
 - Financial Advisor Selection
 - Legal Counsel
- Efficiency Gains
 - Use of internal resources for drafting of term sheets and LOIs
 - Continuity of effort with no work stoppages

Deferred activity will be executed as needed.

JUNE 2017 FY19 BUDGET PLANNING MILESTONES AND DATES



ALASKA
GASLINE
DEVELOPMENT CORP.



THE ALASKA LNG OPPORTUNITY:

DEVELOPING A WORLD-CLASS LNG EXPORT PROJECT

www.agdc.us