

# President's Report

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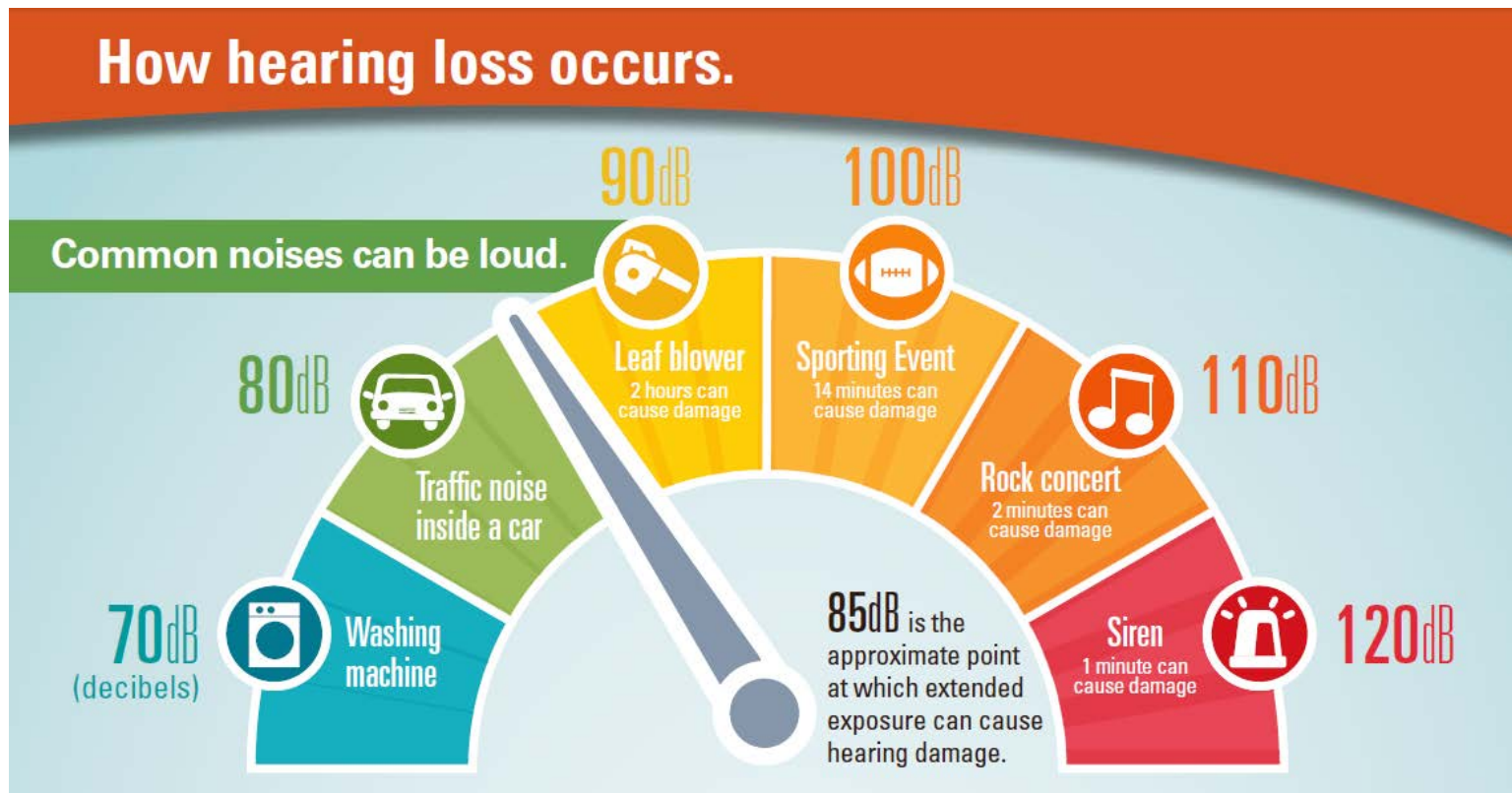
Frank Richards, President

August 25, 2020



## Hearing protection prevents permanent ear injury in noisy environments:

- Hearing loss occurs gradually (even in intense exposures) so that, by the time you notice it, irreversible damage has already occurred
- Physical effects of hearing damage can include loss of hearing, pain, and nausea
- Hearing damage affects not just people's professional lives, but also their home and social lives
- Wearing high-quality industrial earplugs or ear muffs helps protect your ears and your hearing



- August, 2020 – Following Office Re-Occupancy and COVID-19 Mitigation Plan
  - Complying with Mayor’s Health Mandate
  - Staff safety is guiding principle
  - Staff continue to work from home
  - Procedures in place for pre-shift screening for access to office
  - Follows existing guidelines for social distancing and on-site precautions
    - Masks worn at all times when not at work station
    - Wipe in, wipe out protocol
    - 6’ social distancing
    - Maximum occupancy in conference room
    - Procedure for office visitors
    - Encourage meetings via TEAMS
    - All-staff telework Fridays
    - Protocols for illness onset while on-site
  - Guests to AGDC follow protocols

- Alaska LNG Project FERC Order – Interveners
  - FERC authorized parties that were able to show substantial interest and/or met the intervention motion filing deadlines
  - Are listed in the FERC Order
  - Only parties that can file motion for rehearing request
- June 22 - Interveners file requests for rehearing FERC Order
  - Matanuska-Susitna Borough
  - Center for Biologic Diversity and Earthjustice
    - On behalf of Chickaloon Village Traditional Council, Northern Alaska Environmental Center and Sierra Club
- July 22 - FERC denied the rehearing request
  - Reserved the right to issue another Order addressing the rehearing requests if it so chooses
- Interveners have 60 days to file with U.S. Circuit Court of Appeals
- If an appeal is filed, FERC has 40 days to deny rehearing or modify its prior Order

- Interface (daily) with Federal Project Improvement Steering Committee (FPISC) on timely issuance of federal permits
- Addressing late questions from federal regulators for final permits
- Establishing 8-Star, LLC asset structure and working with JVA parties to agree to future transfer
- Economic modelling with new cost of supply completed
- Discussions with potential Strategic Parties and growing the Strategic Party group
- Obtaining ROW leases - especially state lease
- Meeting cultural resource requirements
- Continued reductions of operating and capital expenditures in line with work effort and budget

# Strategic Plan Metrics

AGDC Strategic Plan 2020/2021				
Tactical Action Plan Scorecard				
No	Action	Due Date	Assigned Responsibility	Status
1A	Conduct Board of Director's Executive Committee strategic planning workshop to obtain review comments and finalize AGDC FY21 Strategic Plan.	4-Mar-20	F. Richards	Complete
1B	Obtain issuance of the Notice of Availability of the Alaska LNG Project Final EIS.	6-Mar-20	F. Richards	Complete
1C	Resolution to Approve AGDC Strategic Plan (Executive Committee Summary)	9-Apr-20	Board of Directors	Complete
1D	Conduct leadership review with Governor's office and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1E	Conduct leadership review with Legislature leadership and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1F	Interface with the Legislature to maintain fund levels and maintain AGDC Receipt Authority for FY2021.	15-May-20	F. Richards	Complete
1G	Complete Alaska LNG Project cost reduction studies and update Class 4 Project Cost Estimate to \$Q42019.	15-May-20	B. Chastain	Complete
1H	Provide FY2021 AGDC Work Program & Budget proposal to Strategic Parties for planning of funding.	1-Jun-20	F. Richards	Complete
1I	Obtain issuance of the Alaska LNG Project FERC Final Order.	4-Jun-20	F. Richards	Complete
1J	Conduct economic assessment review with Strategic Parties using the updated Joint Economic Model.	15-Jun-20	M. Kissinger	Complete
1K	Establish 8-Star, LLC asset structure and transfer Alaska LNG Project assets.	30-Jun-20	M. Kissinger	31-Aug-20
1L	<b>Key Decision Point – Stage Gate (Economics)</b>	30-Jun-20	Board of Directors	
	Alaska LNG Project Economically Viable: Proceed to Task 2A			
	Alaska LNG Project Not Economically Viable: Proceed to Task 3A			

- Economic assessment completed by all Strategic Parties
- Cost sharing agreement with Strategic Parties
- Additional potential Strategic Parties are being approached to join the discussions on project structure and execution
- Project competitiveness has been improved through recent cost reductions and project structuring efforts
- Further optimizations to project competitiveness have been identified and are being pursued

# FY20 Financial Report – June 2020

## ALASKA GASLINE DEVELOPMENT CORPORATION

### Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of June 30, 2020 Unaudited

	<u>YTD Costs</u>		<u>YTD Costs</u>	
LNG Project Expenditures	8,734	Core Staff	2,122	AKLNG Expenditures
		Asset Mgmt	117	
AGDC General & Admin Function	5,861	FERC Labor	63	
<b>Total</b>	<u>14,595</u>	FERC Engr	4,657	
		FERC EIS	1,419	
		FERC Legal	15	
		FERC RSA	225	
		FERC BLM	116	
		<u>8,734</u>		

### General and Administrative by Department / Function

	<u>YTD Costs</u>		<u>YTD Costs</u>		
Executive	1,740	G&A by Department	Personnel	3,179	G&A by Function
Commercial	736		Travel	18	
External Affairs	177		Services	1,057	
Legal	247		RSA Services	125	
Finance	620		Services - Mgmt Consulting	1,307	
Administrative Services	1,387		Commodities	126	
Data Management	954		Depreciation	49	
<b>Total</b>	<u>5,861</u>		<b>Total</b>	<u>5,861</u>	



# FY21 Financial Report – July 2020

## ALASKA GASLINE DEVELOPMENT CORPORATION

### Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of July 30, 2020 Unaudited

	<u>YTD Costs</u>		<u>YTD Costs</u>	
LNG Project Expenditures	103	Core Staff	101	AKLNG Expenditures
		Asset Mgmt	0	
AGDC General & Admin Function	247	FERC Labor	0	
		FERC Engr	0	
<b>Total</b>	<u>350</u>	FERC EIS	2	
		FERC Legal	0	
		FERC RSA	0	
		FERC BLM	0	
		<u>103</u>		

### General and Administrative by Department / Function

	<u>YTD Costs</u>		<u>YTD Costs</u>		
Executive	55	G&A by Department	Personnel	184	G&A by Function
Commercial	5		Travel	0	
External Affairs	0		Services	37	
Legal	13		RSA Services	0	
Finance	13		Services - Mgmt Consulting	25	
Administrative Services	47		Commodities	1	
Data Management	114		Depreciation	0	
<b>Total</b>	<u>247</u>			<u>247</u>	

Alaska LNG Project  
Technical and Regulatory Update

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- Draft Cultural Resource Management Plan
  - Completed and distributed for comments
  - Significant outreach effort
- State ROW Lease
- August Approvals
  - Alaska Railroad permit
  - GTP air permit
  - Cook Inlet marine mammal (whale/seal) permit
  - LNG Export License (to Alaska LNG Project LLC)

# Major Permit Status - Completed

Permit	Agency	Status	Note
Natural Gas Export	DOE	Issued	November 21, 2014 (Free Trade Agreement Nations) May 28, 2015 (Non-Free Trade Agreement Nations)
Letter of Recommendation - WSA	USCG	Issued	August 17, 2016
Draft EIS	FERC	Issued	June 28, 2019
Cook Inlet Marine Mammals (sea otters)	USFWS	Issued	August 1, 2019 (joint with Hilcorp)
Strain-Based Design	PHMSA	Issued	September 9, 2019
Crack Arrestor Spacing	PHMSA	Issued	September 9, 2019
Mainline Block Valve Spacing	PHMSA	Issued	September 9, 2019
Three Layer Polyethylene Coating	PHMSA	Issued	September 9, 2019
Essential Fish Habitat Consultation Recommendations	NOAA	Issued	September 27, 2019
Siting Review Letter of Determination	PHMSA	Issued	February 4, 2020

# Major Permit Status - Completed

Permit	Agency	Status	Note
<b>DOD Letter of Non-Objection (Clear AFS)</b>	DOD	Issued	March 10, 2020
<b>Final Environmental Impact Statement</b>	FERC	Issued	March 6, 2020
<b>Pipe-in-Pipe</b>	PHMSA	Issued	April 27, 2020
<b>FERC Order</b>	FERC	Issued	May 21, 2020
<b>Biological Opinion - ESA</b>	NOAA	Issued	June 3, 2020
<b>Biological Opinion - ESA</b>	USFWS	Issued	June 17, 2020
<b>Water Quality Certification</b>	ADEC	Issued	June 19, 2020
<b>Water Quality Certification</b>	EPA	Issued	June 22, 2020
<b>Section 404 Wetlands</b>	USACE	Issued	June 24, 2020
<b>Programmatic Agreement - Cultural Resources</b>	FERC	Issued	June 24, 2020

# Major Permit Status – Completed

Permit	Agency	Status	Note
Right-of-Way – Federal ROD	BLM	Issued	July 10, 2020
Right-of-Way – Federal ROD	NPS	Issued	July 10, 2020
Denial of Rehearing Request	FERC	Issued	July 22, 2020
Alaska Railroad Permit	ARR	Issued	August 10, 2020
Air Permit - GTP	ADEC	Issued	August 13, 2020
Cook Inlet Marine Mammals (whales/seals)	NMFS	Issued	August 17, 2020
LNG Export License	DOE	Issued	August 20, 2020 – Issued to Alaska LNG Project LLC

# Major Permit Status – In Process

Permit	Agency	Status	Note
<b>Prudhoe Bay Marine Mammals (whales/seals)</b>	NMFS	In Process	Proposed rule published July 16, 2020.
<b>Prudhoe Bay Marine Mammals (polar bear)</b>	USFWS	In Process	Final rule published August 5, 2016 in place until August 5, 2021. Update submitted jointly with AOGA.
<b>Bridge Permits</b>	USCG	In Process	Public notice complete; scheduled for issuance September 18, 2020.
<b>Air Permit – LNG Facility</b>	ADEC	In Process	Anticipating draft permit for public notice August 21; final permit anticipated Q4 2020.
<b>Right-of-Way - State</b>	ADNR	In Process	

FY21 Authorization for  
Expenditure (AFE)

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- Fully aligned with AGDC's Strategic Plan
- Integrated AGDC functions around the Alaska LNG Project and venture structuring
- Excludes AGDC overhead previously approved in Resolution 2020-03 (Approval of Operating and Capital Budget 2021)
- Developed with inputs from cost sharing parties



# FY 2021 Work Program & Budget (WP&B)

Sub-Program	Budget Item	Staff Cost	Contract Cost	FY 2021 Total
AGDC Corporate	1.1. Corporate Personnel	Previously approved in Resolution 2020-03 (Approval of Operating and Capital Budget 2021)		
	1.2. Overhead Services			
	1.3. Office Consumables			
	1.4. Stakeholder Management			
	1.5. Government Relations			
1. Venture Development	2.1. Project Sponsor Alignment	\$ 436,076	\$ 520,000	\$ 956,076
	2.2. 8-Star Structuring and Ownership	\$ 139,544	\$ 275,000	\$ 414,544
	2.3. Special Regulatory Approval	\$ 17,443	\$ 225,000	\$ 242,443
	2.4. State and Federal Support	\$ 17,443	\$ 80,000	\$ 97,443
2. Core PMT & Systems	3.1. Owner's PMT	\$ 500,905	-	\$ 500,905
	3.2. Project Management Systems	\$ 366,520	\$ 131,000	\$ 497,520
	3.3. Technical Interface	\$ 37,652	-	\$ 37,652
3. ERL	4.1. FERC Support	\$ 117,600	\$ 100,000	\$ 217,600
	4.2. Major Federal and State Permits	\$ 117,600	\$ 125,000	\$ 242,600
	4.3. Tactical State and Local Permitting	\$ 117,600	\$ 50,000	\$ 167,600
	4.4. Field Program	\$ -	\$ 350,000	\$ 350,000
	4.5. Land & ROW Management	\$ 196,000	\$ 50,000	\$ 246,000
	4.6. Approved Cost Reduction MOC ERL Actions	\$ 47,040	\$ 50,000	\$ 97,040
	4.7. Compliance Assurance Process	\$ 113,905	\$ 122,500	\$ 236,405
	4.8. Legal Strategy	\$ 70,560	\$ 100,000	\$ 170,560
		<b>\$ 2,295,888</b>	<b>\$ 2,178,500</b>	<b>\$ 4,474,388</b>

# Authorization for Expenditure (AFE)

- AFE 2021-001 covers July 1, 2020 through June 30, 2021
- Strategic Plan milestones:

1L	<b>Key Decision Point – Stage Gate (Economics)</b>	30-Jun-20
	Alaska LNG Project Economically Viable: Proceed to Task 2A	
	Alaska LNG Project Not Economically Viable: Proceed to Task 3A	
2A	Extend agreements with Strategic Parties for funding the FY2021 AGDC Work Program & Budget.	30-Jun-20
2B	Negotiate, establish, and implement 8 Star, LLC ownership options to optimize project asset structure.	31-Dec-20
2C	Develop and issue a FEED DSP that addresses next steps for the Alaska LNG Project.	31-Dec-20
2D	Complete an initial Project solicitation with Strategic Parties.	31-Dec-20
2E	<b>Key Decision Point – Stage Gate (Strategic Parties)</b>	31-Dec-20
	Provide a positive Strategic Parties recommendation to the Board of Directors for formal action: Proceed to Task 4A	
	Insufficient Strategic Parties interest: Proceed to Task 3A	
3A	Initiate an open Project solicitation to other parties.	1-Jan-21
3B	Provide a recommendation to the Board of Directors for formal action based on evaluation committee results from the open Project solicitation.	30-Apr-21
3C	<b>Key Decision Point – Stage Gate (Open Solicitation)</b>	30-Apr-21
	Provide a positive solicitation recommendation to the Board of Directors for formal action: Proceed to Task 4A	
	Insufficient solicitation interest: Suspend/Archive Projects & Wind-Down	
4A	Maintain viability of major federal and state authorizations/permits for the Alaska LNG Project prior to transition to Lead Party.	30-Jun-21
4B	Achieve a positive FEED Stage Gate transition, including defined equity structure, project sponsor transition, and funding.	30-Jun-21
4C	Maintain viability of project documentation, data, systems, and tools prior to transition to Lead Party.	30-Jun-21
4D	Complete Lead Party transition activities and update the AGDC Strategic Plan to align with AGDC's future role in the Project, if any.	30-Jun-21

# Authorization for Expenditure (AFE)

- Associated with the Economic Stage Gate Decision and progressing the AGDC Strategic Plan
- Authorizes total AGDC expenditure of \$4,474,388 funding:
  - Venture Development
  - Core PMT Systems
  - Environmental, Regulatory, and Lands
- Aligned with Strategic Party expectations for scope and pending Cost Sharing Agreement

**AGDC staff recommend that the Board approve the FY2021 Authorization for Expenditure (AFE) and advance through the Project Economic Stage Gate and direct the AGDC President to continue to advance the Alaska LNG Project**



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