

A smiling woman in outdoor gear, including a cap and a high-visibility vest, stands in a field of tall grass. A rainbow is visible in the background. Another person is blurred in the background.

ANNUAL REPORT 2015

ALASKA
GASLINE
DEVELOPMENT CORP.
GAS FOR ALASKANS



ALASKA GASLINE DEVELOPMENT CORP.

GAS FOR ALASKANS

*The Alaska Gasline
Development Corporation
is charged with the critical
responsibility of ensuring that
Alaska's vast North Slope
natural gas resources are
available for the maximum
benefit and use of Alaskans.*



Cover Photo: Cultural Resources Survey Team by Brian Adams



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Message from Our Chairman

Fellow Alaskans,

I am pleased to report that 2015 was another productive and successful year for the Alaska Gasline Development Corporation (AGDC). We made significant progress toward commercializing Alaska's North Slope natural gas and in meeting our ultimate goal of providing greater energy and economic security for Alaskans.

In 2015, AGDC accelerated the pace of its work on the Alaska LNG project while also maintaining the viability of the Alaska Stand Alone Pipeline (ASAP) project as our in-state alternative. We expanded cooperation and coordination between the ASAP and Alaska LNG initiatives. Our team focused on developing durable engineering, environmental, and regulatory work and transferable data that can benefit either endeavor. We successfully concluded our second year of preliminary Front-End Engineering Design (Pre-FEED) with our Alaska LNG venture partners, and continued to negotiate the commercial and technical agreements that will be necessary to move the project into FEED.

In November, the Alaska State Legislature approved the State's acquisition of TransCanada's mid-stream interests in the Alaska LNG project. AGDC now holds the State's full 25 percent equity in this world-class, integrated LNG export project. The legislature's action was a strong validation of this organization and the work we've done over the last two years. We've been entrusted with greater management and technical responsibilities and are moving aggressively to secure the skills, expertise and organizational alignment necessary to meet them.

Looking ahead to 2016, we expect to complete all Alaska LNG Pre-FEED deliverables and to begin a robust FEED analysis later in the year. With principal engineering on ASAP complete, our efforts there will be concentrated on completing the U.S. Army Corps of Engineer's Supplemental Environmental Impact Statement process so that federal permits and rights-of-way can be secured. We expect to significantly increase our efforts around in-state gas delivery next year. The Corporation has formed a subsidiary to focus exclusively on this critical component of our mission and will be working with policymakers and the public to develop a framework for evaluating off-take infrastructure investments and in-state access locations.

A natural gas pipeline has never been more important to the future of Alaska. I'm proud of the progress we have made and humbled by the trust and confidence the public has placed in this Corporation. AGDC is committed to vigorously promoting and protecting Alaska's interests in everything we do. While many challenges lie ahead, with your continued support, I am confident that Alaska will build a natural gas pipeline.

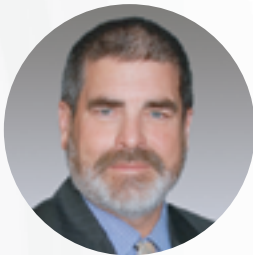
Sincerely,



Dave Cruz
Chairman of the Board

Board of Directors

AGDC is governed by a seven-member board of directors — five public members and two principal department heads of the State of Alaska. Board members are appointed by the governor and subject to confirmation by the legislature. Public members serve staggered five-year terms. Individuals are selected for their experience in disciplines critical to the Corporation's success, including finance, pipeline construction and operations, gas marketing, and large project construction management.



Dave Cruz
Chairman
Palmer

Mr. Cruz is president of Cruz Companies, specializing in oil field services, heavy civil and camp construction, tug and barge operations, and other construction support activities. He is active with the Resource Development Council, Alaska Support Industry Alliance and Associated General Contractors.



Hugh Short
Vice Chairman
Girdwood

Mr. Short is chairman and CEO of Pt Capital, an Anchorage based investment firm. He was mayor of Bethel, Alaska and served as chairman of the Alaska Industrial Development & Export Authority and the Alaska Energy Authority. Mr. Short is on the board of Rural Energy Enterprises and United Utilities, Inc.



Joey Merrick
Secretary Treasurer
Eagle River

Mr. Merrick is secretary-treasurer for Laborers' Local 341. His association with the union began in 1989 and he has served as a general foreman, business agent and president. Mr. Merrick has over 15 years of construction management experience in the pipeline industry. He previously served on the Alaska Workforce Investment Board.



Heidi Drygas
Fairbanks

Ms. Drygas is the commissioner of the Alaska Department of Labor and Workforce Development. She is an attorney and graduate of the University of Alaska Fairbanks with a decade of prior service as general counsel to the Alaska District Council of Laborers.



Richard Halford
Dillingham

Mr. Halford served for 24 years in the Alaska State Legislature where he retired as senate president in 2003. He is a retired commercial pilot, air taxi operator and former member of the Alaska National Guard. Mr. Halford is a graduate of Alaska Methodist University.



Luke Hopkins
Fairbanks

Mr. Hopkins served two terms as mayor of the Fairbanks North Star Borough. During his tenure, he helped create a new municipal gas utility to expand natural gas distribution to the community. Mr. Hopkins is a graduate of the University of Alaska Fairbanks.



Marc Luiken
Anchorage

Mr. Luiken is the commissioner of the Alaska Department of Transportation and Public Facilities. He also served as deputy commissioner of aviation and was a project manager with RLG International prior to his current appointment. Mr. Luiken had a 29-year military career as a fighter pilot in the U.S. Air Force.

A person wearing a blue work uniform and white gloves is holding a yellow hard hat. The background is a blurred industrial setting with large pipes and structures. The text "Alaska Gasline Development Corporation" is overlaid on the image.

Alaska Gasline Development Corporation

Commercializing Alaska's North Slope Natural Gas

"Alaska's North Slope has over 30 trillion cubic feet of conventional natural gas reserves."



Alaska Gasline Development Corporation (AGDC) is an independent, public corporation of the State of Alaska established to develop, finance and operate natural gas pipelines and other energy transportation systems within the State.

Southcentral Alaska's energy infrastructure relies almost entirely on natural gas, all of which is currently supplied from declining Cook Inlet fields. While recent exploration activities in the Inlet are promising, they have not yet improved the long-term energy security of the region. In Fairbanks and Alaska's Interior, natural gas has never been widely available. In these and other areas of the State, heating oil, wood and coal are still the primary fuels used for heating and powering homes and businesses. Meanwhile, Alaska's North Slope has over 30 trillion cubic feet of conventional natural gas reserves, one of the largest in North America. Yet, despite this resource abundance, gas remains stranded hundreds of miles away from Alaska's business and population centers. A pipeline is the safest and most efficient way to bring this energy to market and to develop it for the maximum benefit of our State.

Today, AGDC is managing two alternatives for commercializing Alaska's North Slope natural gas reserves — the Alaska LNG export project and the Alaska Stand Alone Pipeline (ASAP) project. The Corporation has been granted extraordinary powers with which to expedite the development, financing and construction of these projects. As a public corporation of the State of Alaska, AGDC has a legal existence separate and distinct from the State. The Corporation has the authority to represent the State as a pipeline developer, owner and operator. We are entitled to expedited review and priority treatment from State entities on permit processing. We can issue debt to finance project construction and have unlimited bonding authority. Collectively, these powers have allowed us to make remarkable progress on both pipeline initiatives. Only one of these projects will be built, but AGDC is committed to ensuring that either project is capable of securing a long-term energy supply for Alaskans and creating a path to commercialize our tremendous North Slope gas reserves.



2015

Year in Review

In 2015, AGDC intensified its focus on the Alaska LNG project, the State of Alaska's highest policy priority.

After executing a cooperation agreement in late 2014, we accelerated data sharing and coordination between the ASAP and Alaska LNG initiatives in an effort to eliminate costs, avoid duplication and leverage the use of existing engineering and environmental data. This year we scaled our project work plans to concentrate on those activities that will help efficiently advance the Alaska LNG project or maintain the readiness and viability of ASAP as the State's in-state alternative. It is important to preserve the ASAP knowledge base in the event the Alaska LNG project does not progress to sanctioning and construction. During three years of intensive work on the ASAP project, AGDC has accumulated detailed data that is beneficial to both initiatives. This includes valuable information on routing,

engineering, pipe metallurgy, welding, geotechnical and environmental characteristics, permitting and the right-of-way. This year we leveraged some of this prior work during successful joint alignment workshops attended by participants from both projects. Each team shared their best data and ultimately settled on a common pipeline

alignment along the majority of the route. With a harmonized pipeline route established, AGDC was able to contract with Alaska LNG to perform some of that project's geotechnical and geophysical borehole drilling on a reimbursable basis during the summer of 2015. The technical data produced from those field efforts helped assure that the Alaska LNG project is able to maintain an aggressive schedule for completing federal regulatory filings. Reaching

agreement on a common pipeline alignment and efficiently collecting joint borehole data are two excellent examples of how coordination between ASAP and Alaska LNG was advanced in 2015.

**"Overall, the
Alaska LNG
project had a very
successful and
productive year
in 2015."**



Overall, the Alaska LNG project had a very successful and productive year in 2015. The Federal Energy Regulatory Commission (FERC) began its formal engagement with the project. Following the project management team's filing of the preliminary round of resource reports in February, FERC published a Notice of Intent to prepare an Environmental Impact Statement (EIS) on the project in March. The federal agency held public scoping and information sessions throughout the State in the fall. The Alaska LNG project team also held a variety of public engagements, business information sessions and other informational meetings around Alaska in 2015.



Public input will be critical to improving and informing the content of the EIS and ultimately will help shape the final project. The Department of Energy (DOE) granted conditional approval to export LNG to non-Free Trade Agreement countries. When combined with last year's DOE approval to export to Free Trade Agreement countries, the project's gas owners can now market LNG to a much broader Asian market. In October, the Alaska Oil & Gas Conservation Commission (AOGCC) approved an average off-take rate of 3.6 billion standard cubic feet of gas per day from the Prudhoe Bay field. As the public agency charged with ensuring Alaska gets the greatest ultimate recovery of our shared oil and gas resources, AOGCC's ruling is an important milestone for the project. It is the first time the agency has ever approved an off-take capacity sufficient to meet the anticipated throughput of the project.

On the technical side, the Alaska LNG project management team successfully concluded a second year of preliminary Front-End Engineering and Design (Pre-FEED). The 2015 summer field program stretched across the state and involved the collection of data related to soils, water, air, wildlife, and community socioeconomics. In Cook Inlet, crews collected information on currents, waves, and sediments, as well as mapped obstacles and terrain on the sea floor. The effort involved over 250 specialists, who worked over 225,000 hours to help better define the project's design and footprint. The completed field studies are intended to support FERC regulatory filings, permitting, project routing, and siting of project facilities.



2015 Year in Review (Continued)

Since Pre-FEED began in mid-2014, AGDC has been representing the State of Alaska's equity interest in the liquefaction component of the Alaska LNG Project, currently planned for Nikiski on the Kenai Peninsula.

TransCanada had been holding the State's interest in the project's mid-stream: the 800-mile pipeline, North Slope gas treatment plant, and the gas transmission lines from Prudhoe Bay and Point Thompson. In November, the Alaska State Legislature approved the State's acquisition of TransCanada's interests. With the \$65 million purchase, AGDC now assumes the State's full 25 percent equity in this world-class integrated LNG export project. The TransCanada acquisition helped resolve two significant project governance issues for the State, ensuring the State's equity share of the project was equal to its share of gas being shipped, and giving the State full voting rights in integrated and component level project decisions. Although Alaska is responsible for covering 25 percent of the project's costs, the State's long-term revenue potential has significantly increased. As a full partner in the pipeline component of the project, AGDC's ability to influence decisions around in-state gas off-take and delivery has

also been enhanced. The legislature's action was a strong validation of our organization and the work the Corporation has done over the last two years.

With major design and engineering work having been completed for ASAP, the project team concluded the fieldwork and environmental studies necessary to keep the project progressing through the state and federal permitting process. In addition, AGDC updated and amended the project's existing permit and right-of-way applications to reflect the most current information. A right-of-way lease





amendment was filed with the Alaska Department of Natural Resources to secure all the necessary easements across state land. The team continued its consultation with the U.S. Army Corps of Engineers to revise the project's Clean Water Act permit application and to maintain progress on the federal Supplemental Environmental Impact Statement (SEIS) process. Successfully completing the SEIS process will result in the project receiving a federal permit to construct and grant of right-of-way from the Bureau of Land Management.

"Increasing Alaskans' access to natural gas is one of AGDC's primary missions."

Increasing Alaskans' access to natural gas is one of AGDC's primary missions. Toward that end, in 2015 the Corporation completed a detailed in-state natural gas demand forecast to identify Alaska's current and future domestic gas needs. Along the pipeline route, there will be interconnection points to facilitate in-state gas delivery. AGDC is working collaboratively with the State to develop a framework for evaluating the most appropriate location for these interconnection points and the off-take infrastructure that will be required to remove gas from the line. This year AGDC completed preliminary design, engineering and rough



order of magnitude costs for four different sized off-take facilities. Formulating the State's domestic gas plan will also involve a number of commercial, financial and policy considerations. The AGDC board authorized the creation of a subsidiary, an in-state gas aggregator, to assist in this process. It has always been envisioned that AGDC could help aggregate in-state gas demand, both for existing utilities and for those smaller communities within close proximity to the pipeline that don't already have an existing public gas utility. AGDC could help pool smaller quantities of in-state gas demand, assist in setting up distribution entities and potentially serve as an intermediary between gas owners and in-state users.

Management Team



Dan Fauske
President

Mr. Fauske was a founding member of the team that established AGDC. He became president in 2013 after 18 years as CEO and executive director of the Alaska Housing Finance Corporation. Previously, Mr. Fauske was chief financial officer and chief administrative officer for the North Slope Borough. He is retiring in January 2016.



Bruce Tangeman
VP, Administration and Finance

Mr. Tangeman is responsible for AGDC's finances, internal administration and operations. He was previously deputy commissioner of revenue, chief financial officer for Doyon Utilities, budget officer for the Alaska Railroad Corporation and a fiscal analyst with Alaska's Legislative Finance Division.



Fritz Krusen
VP, Alaska LNG

Mr. Krusen is AGDC's technical and project management lead on the Alaska LNG project. He joined AGDC after a 36-year career in the oil and gas industry, including 25 years working on LNG projects. He was lead engineer at ConocoPhillips' Kenai LNG plant and project manager on two previous efforts to commercialize Alaska's North Slope natural gas.



Joe Dubler
VP, Commercial Operations

Mr. Dubler oversees business development, commercial operations and gas marketing. He serves as AGDC's representative on the Alaska LNG Management Committee and has been leading the Corporation's commercial negotiations in that venture. Mr. Dubler is a CPA and former chief financial officer for Alaska Housing Finance Corporation. He is leaving the Corporation in January 2016.



Frank Richards, PE
VP, Engineering and Program Development

Mr. Richards manages design, engineering and program management. He was previously deputy federal coordinator for Alaska Natural Gas Transportation Projects and deputy commissioner of transportation. Mr. Richards has extensive experience managing large-scale transportation, hydroelectric, mining and infrastructure development projects throughout Alaska.



Miles Baker
VP, External Affairs and Government Relations

Mr. Baker manages corporate communications, media, government relations, and public affairs. He has 12 years of experience managing public policy at the local, state and federal level in Alaska. Mr. Baker was state director for U.S. Senator Lisa Murkowski, leadership staff in the Alaska State Senate and a captain in the U.S. Marine Corps.



Ken Vassar
General Counsel

Mr. Vassar has over 35 years of experience practicing law in Alaska. He served as assistant attorney general and as legal counsel to the Alaska State Legislature. Mr. Vassar's practice has focused on public finance and public corporations. He has served as bond counsel to a number of State corporations including Alaska Housing Finance Corporation and Alaska Industrial Development and Export Authority.



Dave Haugen, PMP
*Senior Project Manager,
ASAP*

Mr. Haugen is responsible for the overall design, construction and operation of the ASAP project. He is a pioneer in Alaska's pipeline industry having worked on the original construction of the Trans Alaska Pipeline System and with the Alyeska Pipeline Service Company. Previously he worked for the Denali gas pipeline project, served as vice president at Lynden Transport and deputy commissioner of transportation.



Mike Thompson
*Environmental, Regulatory,
and Lands (ERL) Manager*

Mr. Thompson is responsible for ERL management and all federal, state and local permitting for the ASAP project. He is currently managing the Supplemental Environmental Impact Statement (SEIS) process and working to secure federal and state rights-of-way. He previously served as the Alaska State Pipeline Coordinator.



Lieza Wilcox
Commercial Advisor

Ms. Wilcox is responsible for natural gas demand analysis and forecasting and Alaska LNG commercial negotiations. She coordinated the market expression of interest AGDC held on the ASAP project. Ms. Wilcox formerly worked for BP Exploration (Alaska) on the Denali gas pipeline project as finance team leader and FERC open season coordinator.



Bettina Chastain, P.E.
*Facilities Project
Manager*

Ms. Chastain is responsible for the engineering, design and management of gas conditioning and pipeline process facilities. She is a registered professional chemical engineer with over 26 years of industry experience. Ms. Chastain was president/CEO of a multidisciplinary international engineering firm based in Anchorage. She serves on the Chugach Electric Association board of directors.



Brad Chastain, CPG
*Pipeline and
Interface Manager*

Mr. Chastain is responsible for pipeline design and engineering, project component interface, and operations and maintenance planning. He is a certified professional geologist with over 28 years of experience in the industry. Formerly he was with Alyeska Pipeline Service Company, BP Exploration (Alaska), and served as president of a subsidiary of the NANA Development Corporation.

Looking Ahead

In 2016, we expect the Alaska LNG project team to complete Pre-FEED deliverables by the third quarter so that we can begin a robust FEED analysis later in the year.

With AGDC assuming the State of Alaska's full 25 percent ownership in Alaska LNG, we've been entrusted with greater management and technical oversight of the project. AGDC is moving aggressively to make the organizational changes necessary to secure the skills, expertise and resources required to meet our greater responsibilities. As an owner, the Corporation must exercise oversight on the technical aspects of the project, but AGDC must also exercise due diligence over the State's partnership interest in the overall venture. Both are critical to managing risk for the Corporation and the State as a whole. We will adjust internal resources as necessary to ensure that we can provide technical oversight as well as integrated project asset governance. Specifically, we intend to implement a structured capital investment assurance process, so that our board, the State of Alaska and the legislature can make a fully informed FEED decision, one that is based on a thorough understanding of the project's technical, commercial, financial and economic risks.

We expect the Alaska LNG project to file a second draft of its National Environmental Policy Act (NEPA) Resource Reports with FERC by the second quarter, in advance of filing the project's Natural Gas Act Section 3 permit application before the end of the year. Moving the project through the next decision gate will require the successful execution of a number of additional commercial and project enabling agreements. In 2016, we will continue to work with the State and our Alaska LNG venture partners to negotiate the commercial and technical agreements that will be necessary to move the project into FEED and beyond.



Community Advisory Council

We will work with the administration, DNR, DOR and other state agencies to gain legislative approval on any project enabling agreements that require it, including a possible constitutional amendment addressing fiscal certainty.

With regard to the ASAP project, we will continue the U.S. Army Corps of Engineers SEIS process with the expectation that a Final SEIS and Record of Decision can be issued in late 2016. The Corps action should be followed by a grant of federal right-of-way being issued by the Bureau of Land Management. To meet that time frame, the ASAP team will be assisting with the preparation of the draft SEIS and participating in the public comment period that follows. In 2016, we also expect to get approval on our amended State right-of-way lease from DNR. Once these ASAP permits and the project right-of-way have been secured, AGDC will evaluate how these assets can be useful to the Alaska LNG project, whose pipeline is not largely dissimilar in terms of planned design and construction.

Finally, AGDC will significantly increase our in-state gas delivery planning efforts. We will continue to work collaboratively with DNR, the Alaska Energy Authority, and others to develop a framework for evaluating options and infrastructure investments. The Corporation will stand-up its new in-state aggregator subsidiary to begin gathering the commercial and technical information communities, utilities and the public will need in order to develop an actionable plan for increasing domestic gas distribution. While a final investment decision is still several years away, the State must also consider off-take facilities, transmission lines and other distribution systems that may potentially need public funding assistance. Consequently, the administration, the legislature and other policy makers need a more detailed in-state gas delivery plan to factor into the State's FEED funding analysis.



The AGDC Community Advisory Council (CAC) is a volunteer group of stakeholders interested in advancing a North Slope natural gas pipeline capable of delivering gas to Alaskans.

The CAC was formed to educate Alaskans about the need for in-state gas, to collect and distribute project-related information, and to provide two-way communication back to AGDC management. The CAC is an independent organization and is not a part of the Corporation or any agency.

During the past year, the CAC made several notable improvements, among them adopting new bylaws to improve governance and to provide more process and structure to the organization. The new bylaws recognized the CAC's desire to have its membership include broader geographic representation from around the State. The organization also changed its name from the ASAP CAC to the AGDC CAC in recognition of the fact that the Corporation's mission had expanded beyond the singular pursuit of the ASAP project.

AGDC

Corporate Milestones

2010

The Alaska State Legislature began exploring the feasibility of a publicly financed in-state North Slope natural gas pipeline

AGDC established as a subsidiary of Alaska Housing Finance Corporation

2011

AGDC delivers ASAP project plan

ASAP receives unconditional right-of-way lease from the State

2012

North Slope producers and TransCanada establish integrated Alaska LNG team

U.S. Army Corps of Engineers publishes ASAP Final Environmental Impact Statement (FEIS)

2013

ASAP delivers new, optimized “lean gas” design plan

Alaska LNG concept selection completed

HB 4 passes — AGDC becomes independent public corporation of the State

Nikiski selected as Alaska LNG lead terminal location

2014

AGDC, State of Alaska, and producers sign seven-party Heads of Agreement

SB 138 passes – AGDC authorized to hold State’s equity in Alaska LNG project

Alaska LNG Joint Venture Agreement signed, \$500+ million Pre-FEED phase initiated

Alaska LNG initiates NEPA pre-filing request with FERC

ASAP SEIS process initiated with U.S. Army Corps

Alaska LNG receives DOE approval to export to Free Trade Nations

ASAP and Alaska LNG cooperation agreements executed to eliminate duplication of effort

Class III cost estimate for ASAP is completed



2015

Alaska LNG files initial NEPA Resource Reports with FERC

AGDC completes in-state natural gas demand study

AGDC completes preliminary off-take facility design and cost estimates

ASAP and Alaska LNG pipeline routes harmonized

Alaska LNG receives DOE approval to export to non-Free Trade Nations

ASAP files revised 404 Permit application with U.S. Army Corps

AGDC Board approves two subsidiaries: an in-state aggregator and an asset holding company

FERC holds Alaska LNG public scoping meetings throughout Alaska

ASAP publishes revised Environmental Evaluation Document (EED) and addendum to the Plan of Development (POD)

ASAP files to amend state and federal rights-of-way

Legislature approves the purchase of TransCanada's interest in Alaska LNG

Alaska LNG partners unanimously approve \$230 million 2016 Work Program and Budget

2016

Alaska LNG files second round of NEPA Resource Reports with FERC

Alaska LNG files Natural Gas Act Sec 3 Permit Application with FERC

Alaska LNG Pre-FEED phase completed

ASAP Final SEIS issued by U.S. Army Corps of Engineer

2017

ASAP Record of Decision (ROD) received and federal right-of-way granted by BLM

Alaska LNG FEED phase begins

2018

Alaska LNG Final EIS issued by FERC

2019

Alaska LNG concludes FEED

Alaska LNG Final Investment Decision (FID)

2020

Construction Begins

2025

First LNG produced

AGDC Initiatives

Alaska LNG

Alaska LNG is a world-class liquefied natural gas (LNG) project capable of producing up to 20 million tons per year of LNG for export.

The project would be the largest integrated gas processing and liquefaction project ever designed and constructed. The project partners are ExxonMobil, BP, ConocoPhillips and the State of Alaska, represented by AGDC. TransCanada was also a project participant until November of this year, when the State acquired their interests. AGDC now holds the State's full 25 percent equity interest in this integrated LNG export project.

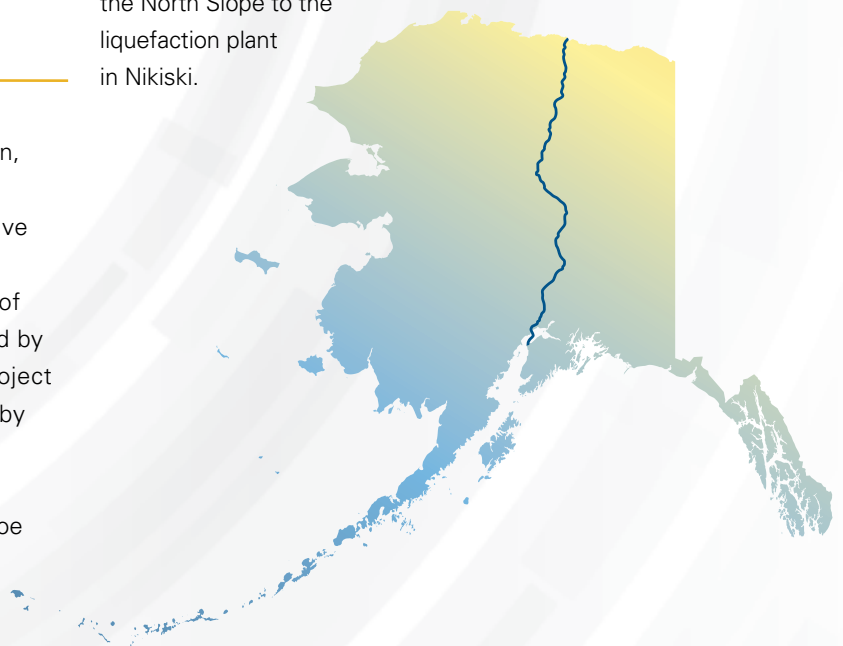
"AGDC is working hard to ensure that significant opportunities are available for Alaskan contracting and employment."

The project costs are estimated at \$45 to \$65 billion, and if constructed, would be the single largest investment in state history. The project partners have committed to spend approximately \$694 million on preliminary design and engineering. AGDC's share of those costs, including the portion previously funded by TransCanada, is approximately \$174 million. The project management team expects to complete Pre-FEED by the third quarter of 2016.

The project consists of a gas treatment plant at Prudhoe Bay on the North Slope, an 800-mile pipeline, and a liquefaction plant in Nikiski on the Kenai

Peninsula. The 600+ acre site in Nikiski will also include storage tanks, a jetty with two tanker berths, a support vessel dock, and a material off-loading facility. The project will also provide a number of interconnection points along the pipeline route to facilitate in-state gas deliveries. AGDC will be working to help develop the State's plans for identifying interconnection points and off-take facilities.

The Alaska LNG project is anchored by the Prudhoe Bay and Point Thomson gas fields. These fields are expected to deliver, on average, about 3.5 billion cubic feet of gas per day with approximately 75 percent from the Prudhoe Bay field and 25 percent from the Point Thomson field. The 200+ acre gas treatment plant will process over 3 billion cubic feet of gas per day and will require more than 250,000 tons of steel, making it among the largest in the world. At the treatment plant, CO₂ will be removed from the gas, captured, compressed and re-injected into the field. An approximately 800-mile pipeline will transport the treated gas from the North Slope to the liquefaction plant in Nikiski.



Initiatives

Alaska LNG (Continued)

The current design calls for 42" diameter pipe, but during Pre-FEED the project team is evaluating the possibility of using 48" pipe. The liquefaction plant will consist of three modularized liquefaction trains, two 240,000 cubic meter storage tanks, and a jetty with two marine berths capable of handling 15 to 20 LNG carriers per month. LNG tankers will then transport the LNG to world markets.



A comprehensive regulatory process has been established to ensure compliance with all applicable regulatory requirements. The Energy Policy Act mandates that FERC lead the siting analysis and approval of LNG terminals proposed in the United States. Therefore, FERC will serve as the lead federal agency in coordinating the EIS and in issuing the final order authorizing construction and operation of the facilities. In February the project submitted a series of draft technical, environmental and socioeconomic reports, known as resource reports, to FERC. The second drafts of resource reports are expected to be filed by second quarter 2016 in advance of the project filing its Natural Gas Act Section 3 permit application





before the end of the year. Each step in the regulatory process provides opportunities for stakeholders, the public, government entities and other interested parties to provide comment to FERC.

AGDC is working hard to ensure that significant opportunities are available for Alaskan contracting and employment. During peak construction, the project is expected to employ 15,000 people and will create approximately 1,000 permanent jobs during operation. Alaskan businesses should have multi-faceted, complex contracting opportunities, particularly during the project's five- to six-year construction phase. The Alaska LNG project team is completing a comprehensive logistics and labor study, and has been holding business information exchanges to better understand local interests, capabilities, and capacity. The project will develop its strategic approach to procurement and contracting before the conclusion of Pre-FEED.



Barrow

Prudhoe Bay

Atigun Pass

Livengood

Minto

Fairbanks

Denali
National Park

Talkeetna

Anchorage

Nikiski

Gas Treatment Plant

The Gas Treatment Plant removes impurities and prepares the gas for transport.

Off-Take Facilities

Off-take facilities along the pipeline route will remove gas from the line and process it for in-state use.

Liquefaction Facility

At the LNG Facility, gas is liquefied, stored, and shipped.

Proposed Alaska LNG
Pipeline Route

Proposed ASAP
Pipeline Route

Initiatives

In-State Gas Access

One of the principal benefits of the Alaska LNG project is its potential to provide Alaskans with a reliable, long-term supply of natural gas.

Along the pipeline route, there will be interconnection points to facilitate in-state gas delivery. Formulating the State's domestic gas plan involves a number of engineering, commercial, financial and policy considerations. The first step involves forecasting Alaska's current and future domestic gas needs. In 2015, AGDC completed a detailed forecast of in-state demand, which analyzed historical production and consumption, identified both existing and potential demand segments, and identified the most likely forecast scenarios through 2040.

Moving natural gas from the mainline to in-state customers downstream will require a combination of additional infrastructure to include off-take facilities, spur lines, and local distribution systems. The cost of this infrastructure will be paid by third parties: if not the State, then local governments, public utilities, end users or a combination of these groups. AGDC is working collaboratively with the State, to develop a framework for evaluating off-take infrastructure investments and to assist policy makers, Alaskan communities, utilities and the public in identifying the most appropriate location for in-state access points.

Initially, the focus has been on ensuring that the project can satisfy existing in-state demand, specifically the electric utilities and local gas distribution companies already operating within the State. However, AGDC is also assessing the technical and economic feasibility of expanding distribution to areas of the state where natural gas isn't currently available, including the potential for communities in relatively close proximity to the pipeline to directly access natural gas. AGDC may help aggregate small quantities of in-state demand, primarily for communities without an existing public utility, and could potentially serve as an intermediary between gas owners and small in-state buyers.

The State's final off-take proposal may involve a phased approach with some facilities built during pipeline construction and others conditioned on future demand growth or specific legislative policy directive. While bringing additional communities on-line is technically feasible, preliminary analysis highlights the significant economic challenges associated with this goal. AGDC is responsible for coordinating this planning effort, but no final decisions have been made and as yet, no public money has been appropriated for the construction of any in-state off-take facilities.



Initiatives

Alaska Stand Alone Pipeline

The Alaska Stand Alone Pipeline (ASAP) is capable of delivering natural gas from Alaska's North Slope to Fairbanks, Southcentral and other communities along the way.

Since its inception, the Corporation's charge was to deliver gas to Alaskans, as quickly as possible and at the lowest possible cost. The ASAP project was designed specifically with that objective in mind. The 100 percent State-owned project was AGDC's singular focus prior to the enactment of Senate Bill 138 in 2014, which made Alaska LNG the State's highest priority. However, until otherwise directed, AGDC is obligated to maintain the viability and readiness of ASAP as a backup in the event the Alaska LNG project does not proceed.

The project consists of a 70+ acre gas conditioning facility at Prudhoe Bay, a 733-mile main pipeline, and a 30-mile lateral into Fairbanks. The project was designed principally to deliver gas for in-state use and is currently designed to transport 500 million standard cubic feet per day of natural gas. The gas is conditioned to utility grade on the

North Slope, simplifying the interconnection for existing and future in-state customers. The pipeline route generally parallels the Trans Alaska Pipeline/Dalton Highway corridor from Prudhoe Bay to Livengood, before heading south toward Cook Inlet, roughly paralleling the Parks Highway and eventually terminating at ENSTAR's Beluga distribution system near Big Lake.



AGDC completed FEED on the \$10 billion project in December 2014. This was the culmination of a substantial body of work, conducted over several years, which was delivered on time and under budget. AGDC has the components necessary to finalize tariff work and to hold a commercial open season. However, in response to the State's decision to prioritize the Alaska LNG initiative, all ASAP commercial activities have been postponed pending the next major policy decision regarding Alaska LNG. The Corporation is proceeding with the U.S. Army Corps of Engineers SEIS process so that federal permits and a right-of-way can be secured. Publication of the Draft SEIS is expected in 2016, with a 60-day comment period and public hearings to follow. A final Record of Decision and a right-of-way are expected before the end of 2016. The State of Alaska has invested approximately \$150 million to progress the project to its current stage.



Photos courtesy of Alaska LNG

**35 Trillion
Cubic Feet**

- Estimated North Slope Natural Gas Reserves
- Average Daily Volume of Natural Gas Being Re-Injected on the North Slope
- Estimated Average Daily In-Take Volume at the Proposed Gas Treatment Plant
- Estimated Average Daily Volume of LNG Produced for Export
- Estimated Average Daily Natural Gas Use in Alaska

**8.5 Billion
Cubic Feet**

**3.3 Billion
Cubic Feet**

**2.2 Billion
Cubic Feet**

**0.35 Billion
Cubic Feet**



Contractor Spotlight

E3 Environmental

E3 Environmental, LLC is comprised of a team of people who approach issues with a “can do” attitude and strive to benefit the communities they work in and with throughout Alaska.

As Calista Corporation’s newest subsidiary created in 2012, E3 provides a wide range of professional consulting services for all types of projects and operations, from start to finish.



Sixty percent of E3’s staff are Calista shareholders, which fits well with AGDC’s mission to benefit all Alaskans, while offering a skill set congruent with the needs of the corporation and its projects. Many of the company’s staff were raised in rural Alaska and have firsthand knowledge of the challenges and conditions associated with living and working in more remote areas of the state. E3 leverages this unique perspective to help its clients better understand and better communicate with Alaskans.

E3 has been involved with Alaska LNG stakeholder relations since 2014. During that time, the firm has organized over 100 meetings with communities along the proposed route and throughout the state. E3 engages municipal and tribal governments, private property owners, and village corporations by building key relationships within each of these communities. Their work focuses on creating,

"E3's mission is to provide high-quality, professional consulting services in natural resource development, infrastructure and energy fields to benefit Alaskans and our Shareholders."

**-Rosetta Alcantra
President, E3 Environmental**

promoting and managing opportunities for information sharing between the project, interested stakeholders and the boarder public. The staff are sensitive to the needs of each constituency and skilled in coordinating logistics and creating opportunities for project outreach. This function is critically important to the long-term success of the project and will help ensure that local voices are heard, and concerns fully addressed.



E3 Highlights

A subsidiary of the Calista Corporation

Located in Anchorage, Alaska

Over 60 percent of employees are Calista shareholders

Staff understands the challenges of living and working in rural Alaska

Clients include industry, as well as state, borough, and village governments

Specializes in stakeholder engagement, environmental planning, NEPA support, and water quality monitoring

Stakeholder engagement lead on the Alaska LNG project

E3

ENERGY

ENGINEERING

ENVIRONMENT

AGDC Financial Highlights

Overview

The Corporation has responsibility over two funds from which it finances its operations and activities relative to the Alaska LNG and ASAP projects.

The In-State Natural Gas Pipeline Fund (AS 31.25.100) was established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of an in-state natural gas pipeline project.

The Alaska Liquefied Natural Gas Project Fund (AS 31.25.110) was established in 2014 to fund State expenditures associated with an Alaska liquefied natural gas pipeline project including developing infrastructure and services related to transportation, liquefaction, marine terminals, marketing and commercial support. AGDC uses the fund to make the 25 percent equity contributions to the Alaska LNG export project.

The Corporation has contracted with the Department of Revenue to manage temporary investment of both funds. Once money has been appropriated to these funds, AGDC is authorized to spend money out of the funds as expenditures occur, without further appropriation. The Corporation has established Reimbursable Services Agreements (RSA) with other state agencies who are performing project related activities. Interest and other income received on monies in the fund are separately accounted for and may be appropriated to the fund by the Legislature. AGDC has instituted internal procedures to separately account for and allocate project and Corporate expenditures to the appropriate fund.

The Corporation's audited financial statements for Fiscal Year 2015 are available in electronic form on the Corporation's website at www.agdc.us under Publications/ Financial Reports.



Financial Highlights

Appropriation and Fund Tracking

For the fiscal year ending **June 30, 2015** (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Beginning Balance as Restated*	\$ 301,749	\$ 68,822	\$ 370,571
Appropriation	(166,000)	0	(166,000)
Interest, Investment Income & Retirement Funding	1,437	253	1,690
Expenditure	(75,412)	(23,117)	(98,529)
Ending balance	\$ 61,774	\$ 45,958	\$ 107,732

*Restatement due to implementation of Governmental Accounting Standards Board, Statement Number 68

For the fiscal year ending **June 30, 2014** (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Starting Balance	\$ 17,184	\$ 0	\$ 17,184
Appropriation	355,000	69,835	424,835
Interest, Investment Income & Retirement Funding	2,304	39	2,343
Expenditure	(72,799)	(1,052)	(73,851)
Ending balance	\$ 301,689	\$ 68,822	\$ 370,511

For the fiscal year ending **June 30, 2013** (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Starting Balance	\$ 849	\$ 0	\$ 849
Appropriation	32,663	0	32,663
Interest, Investment Income & Retirement Funding	140	0	140
Expenditure	(16,468)	0	(16,468)
Ending balance	\$ 17,184	\$ 0	\$ 17,184

Financial Highlights

Statement of Net Position

For the fiscal year ending **June 30, 2015** (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Assets			
Cash and Investments	\$ 236,560	\$ 46,901	\$ 283,461
Prepaid Expenses	197	0	197
Equipment, Net of Depreciation	632	0	632
Total Assets	\$ 237,389	\$ 46,901	\$ 284,290
Deferred Outflows	\$ 809	\$ 0	\$ 809
Liabilities			
Accrued Payables	\$ 9,694	\$ 0	\$ 9,694
Accrued Compensated Absences	861	0	861
Due to/from other AGDC Funds	(943)	943	0
Net Pension Liability	728	0	728
Total Liabilities	\$ 10,340	\$ 943	\$ 11,283
Deferred Inflows	\$ 84	\$ 0	\$ 84
Net Position			
Total Net Position	\$ 227,774	\$ 45,958	\$ 273,732

Financial Highlights

Statement of Activities

For the fiscal year ending **June 30, 2015** (in thousands of dollars)

	In-State Fund	Alaska LNG Fund	Total
Revenues			
Revenues from the State of Alaska	\$ 0	\$ 0	\$ 0
Investment and Interest Income	1,155	253	1,408
Retirement Funding State of Alaska	282	0	282
Total Revenues	\$ 1,437	\$ 253	\$ 1,690
Expenditures			
Contractual Services	\$ 68,695	\$ 21,602	\$ 90,297
Personnel	4,075	1,061	5,136
Office and Supplies	1,776	304	2,080
Travel	103	101	204
Retirement Funding State of Alaska	282	0	282
Depreciation	354	40	394
Insurance	36	7	43
Other Services	79	1	80
Advertising	12	1	13
Total Expenditures	\$ 75,412	\$ 23,117	\$ 98,529
Change in Net Position	\$ (73,975)	\$ (22,864)	\$ (96,839)
Fund Balance			
Beginning of Year Balance as Restated	\$ 301,749	\$ 68,822	\$ 370,571
End of Year Balance	\$ 227,774	\$ 45,958	\$ 273,732
Restricted	166,000	0	166,000
Unrestricted	61,774	45,958	107,732
Total	\$ 227,774	\$ 45,958	\$ 273,732

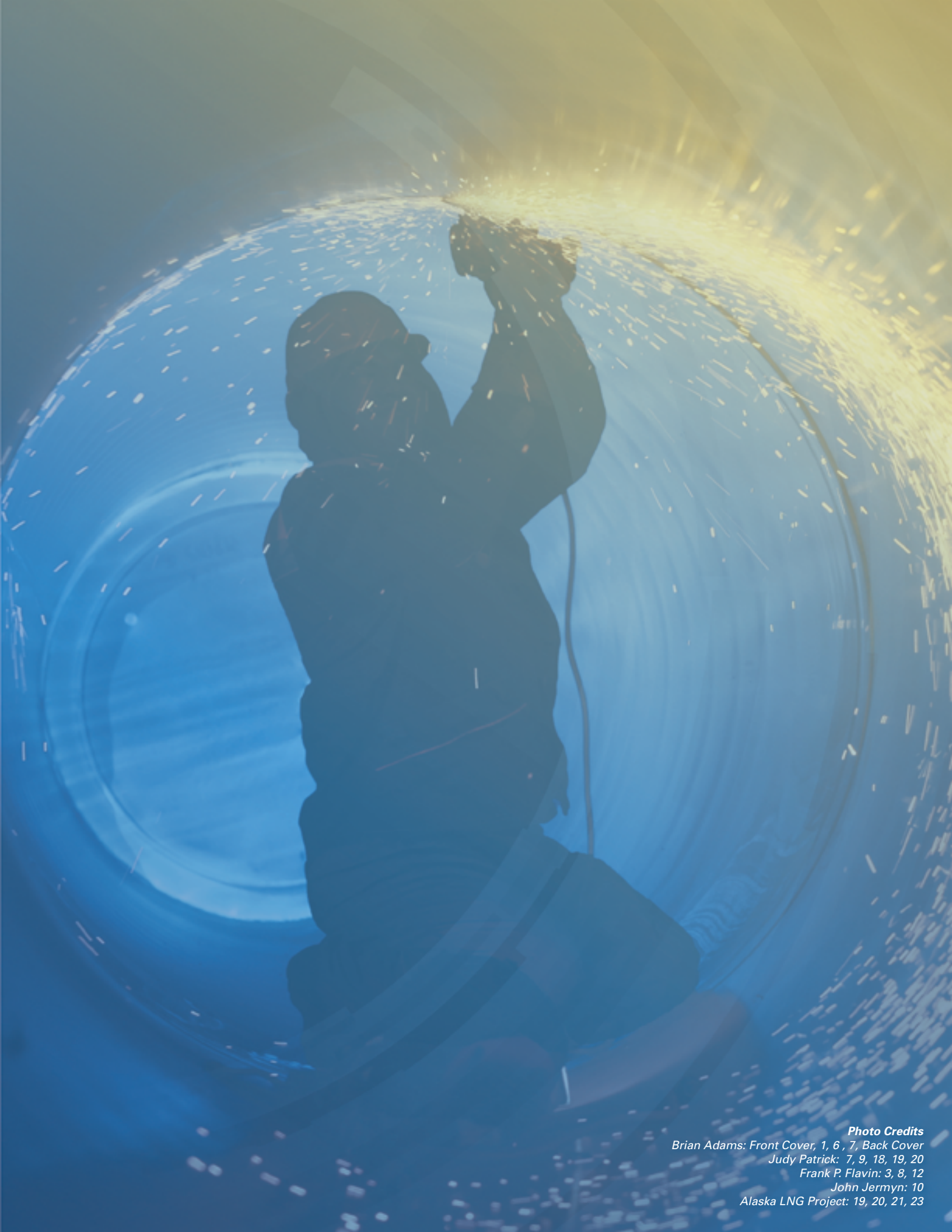


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