



AGENDA
ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
REGULAR BOARD MEETING

June 15, 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 – April 13, 2017
- VI. PUBLIC COMMENTS - Boardroom _____ Statewide _____
- VII. PRESIDENT'S REPORT
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL
 - A. Committee Chair Updates
 - B. External Affairs Update
 - C. Commercial Update
- IX. FINANCIALS
- X. PROJECT UPDATES
- XI. EXECUTIVE SESSION
- XII. ANY OTHER ITEMS TO COME BEFORE THE BOARD
- XIII. BOARD COMMENTS
- XIV. 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

April 13, 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 April 13, 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
Absent

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
Anchorage, AK

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: Chair Cruz asked board members if anyone knew the definition of MIJ. David Wight explained that MIJ is the electrical disconnect between an offshore and onshore pipeline that prevents a catalytic process that could destroy the pipeline.
- IV. APPROVAL OF AGENDA: Commissioner Luiken moved to approve the agenda and David Wight second. The approval of the agenda passed unanimously (5-0).
- V. MINUTES: David Wight moved to approve board meeting minutes from February 9, 2017. Warren Christian second. The approval of the board meeting minutes passed unanimously (5-0).
- VI. PUBLIC COMMENTS: Boardroom – None; Statewide – None
Frank Richards, Senior Vice President of Engineering and Program Management, recognized the passing of AGDC's former president, Dan Fauske.
- VII. PRESIDENT'S REPORT: AGDC President Keith Meyer gave an update on Alaska LNG, which included the FERC Section 3 application, financing, commercial activities, Asia-Pacific marketing efforts, the China initiative, Alaska LNG milestones, and government relations.
- VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES:
 - A. Committee Chair Updates:

Communication Committee – Commissioner Luiken said the communication committee discussed the regular reports that AGDC sends to the Alaska State Legislature and the importance of maintaining transparency and presenting information that is

consistent and aligned with AGDC messaging. He also spoke to the importance of the Chinese President's visit to Alaska and discussions with AGDC.

Commercial Committee – David Wight said that the commercial committee continues to have ongoing discussions on how to improve the outcome of gasline costs.

Technical Committee – Dave Cruz discussed the importance of the FERC filing for the Alaska LNG Project and thanked all who helped make it happen.

- B. External Affairs Update: AGDC VP of Communications Rosetta Alcantra shared with the board that her team was continuing to build awareness about how AGDC and Alaska are taking the lead on the Alaska LNG Project, show the commercial viability of the project, and explain that Alaska can be competitive in a global arena.
- C. Commercial Update: VP of Commercial and Economics Lieza Wilcox gave a presentation highlighting that the Asian market will experience a contracted supply gap within 7 years and that Alaska LNG is well positioned to target this supply deficit. The Alaska LNG Project will provide large long-term cash flows to Alaska and provide the potential to sell equity after the financing period. Alaska will be able to deliver LNG at a competitive price and high value to customers. Alaska LNG will provide stable, predictable, and competitive long-term returns. The ability to phase the project reduces both risk and the exposure.

Commissioner Drygas phoned in at 10:50am during the FERC presentation.

- D. Resolution 2017-01, Authorizing Submittal of AGDC's Application to the Federal Energy Regulatory Commission (FERC): Frank Richards, Senior VP of Engineering and Program Management, gave an overview of the FERC Regulatory Process. Staff requested that the Board approve Resolution 2017-01, which authorizes AGDC to submit to FERC AGDC's Application for Authorization Under Section 3 of the Natural Gas Act. Warren Christian moved to approve, David Wight second. The Resolution 2017-01 passed unanimously (6-0)

- IX. FINANCIAL UPDATE: Philip Sullivan, Finance Manager, gave an update on the fiscal year-to-date statement of activities through February 2017.
- X. PROJECT UPDATE: Frank Richards, Vice President of Engineering and Program Management, gave an overview of the Alaska LNG Project, focusing on the 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
- XIII. COMMENTS: All the Board members expressed their congratulations to the AGDC team on the amount of work that it had accomplished for the FERC process and on the interest that AGDC is gaining internationally due to commercial and marketing efforts.
- XIV. ADJOURNMENT: Joey Merrick moved to adjourn, Commissioner Luiken second, none opposed. The meeting adjourned at 11:38am.

Dave Cruz, Chair

Date

PRESIDENT'S REPORT

JUNE 15, 2017

- Organization Activities
 - Commercial,
 - Regulatory,
 - Communications.
- Legislative Update.
- Federal Initiatives.
- Upcoming Activities.

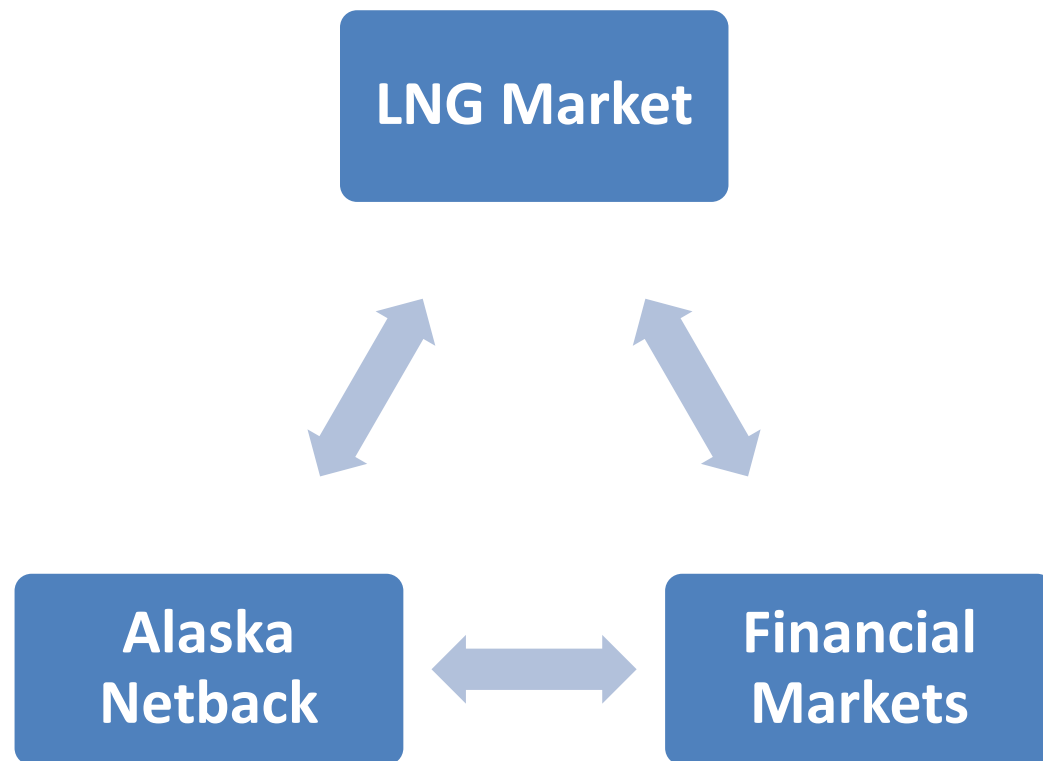


- Organizational departments are all focused on the three major areas for 2017:
 - **Commercial:** Focus on demand side customer attachment for tolling system and bundled LNG sales.
 - **Regulatory/EPC:** FERC filing, state and federal agency interface.
 - State agencies coordinated under DNR.
 - Addressing agency questions during application review.
 - EPC (Engineering, Procurement, and Construction firms in negotiation).
 - **Financial Structuring:**
 - Major firms engaged in negotiations.
 - Dodd-Frank issues pose encumbrance.

BALANCING THREE OBJECTIVES

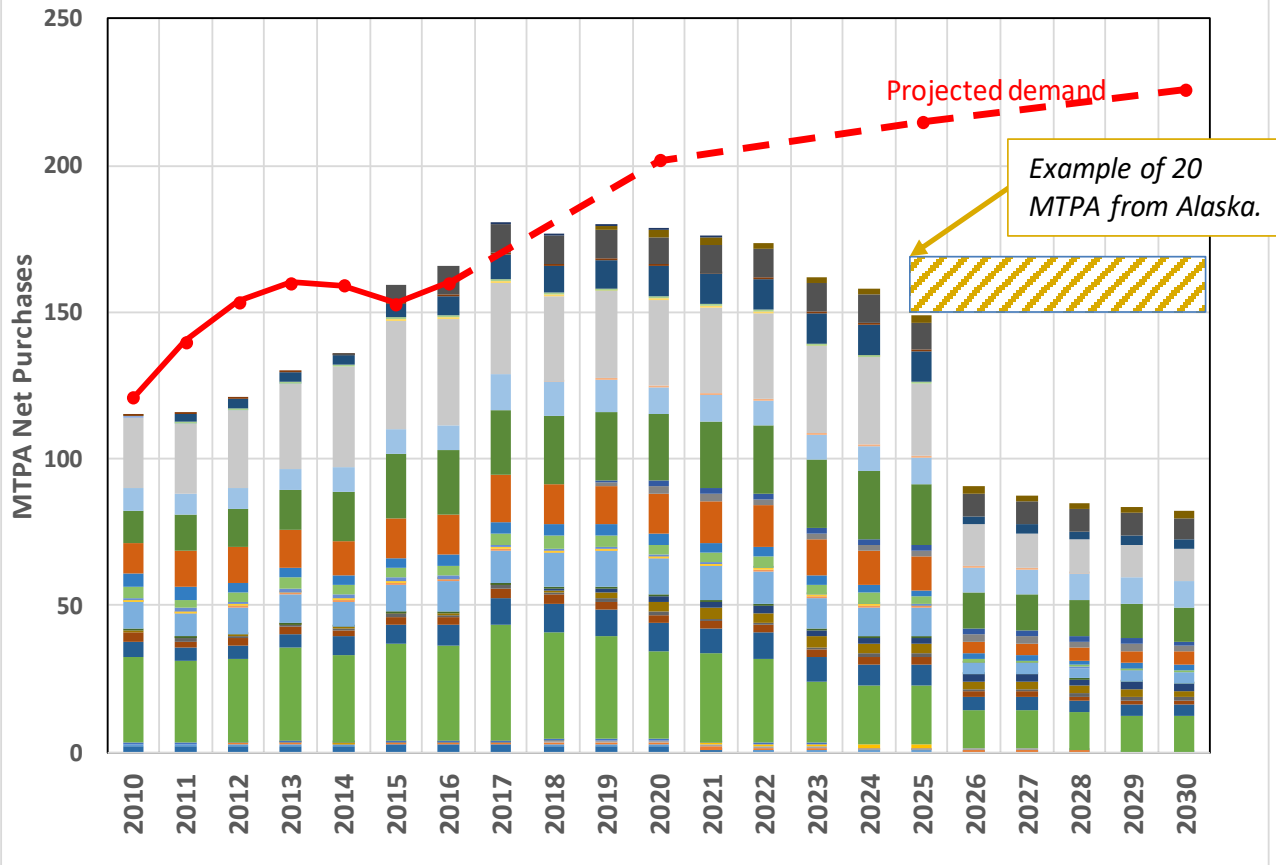
A successful execution of the project will balance three primary objectives:

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



ASIAN LNG DEMAND MID-2020'S

Japan, Korea, Taiwan, China LNG Contracts and Demand

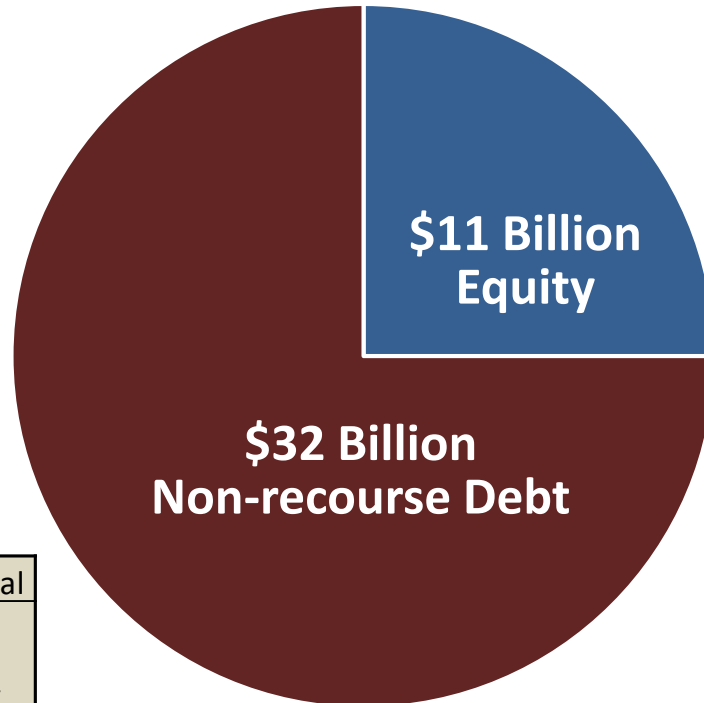


Note: Colored bar segments represent individual Asian LNG buyers
Source: Global NatGas Advisors LLC Analysis

- 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 by 2026.

FINANCING: CAPITAL STRUCTURE

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



\$11 Billion Equity Investment

- Opportunity to earn stable return on equity through initial period.
- Equity Investors can include:
 - AGDC and State of 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.

Weighted Cost of Capital

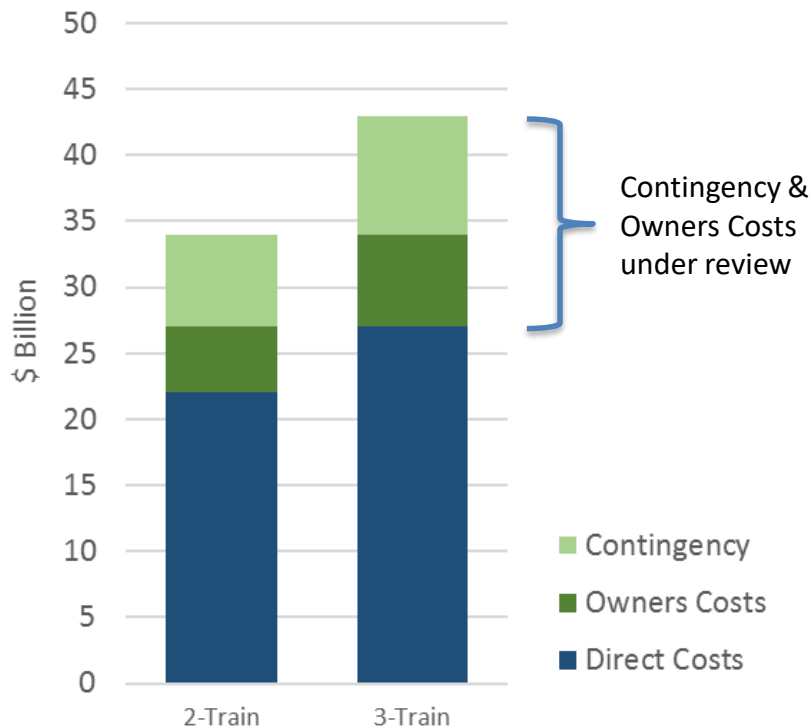
Equity	8.0%
Debt	5.0%
WACC	<u>5.8%</u>

Tolls for integrated system to service debt and provide equity return = \$6.00 to \$7.00/MMBtu LNG FOB Nikiski

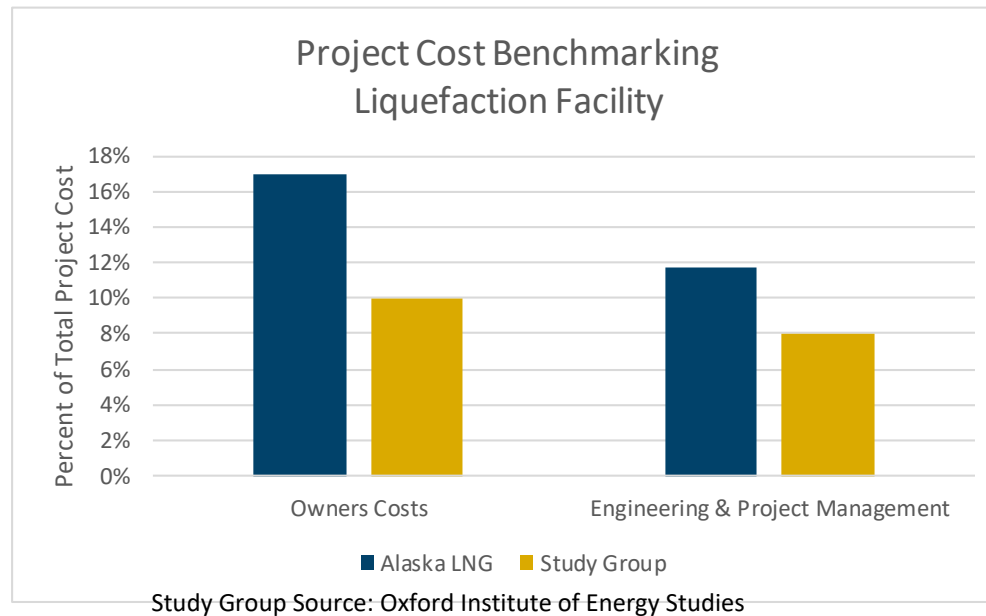
Note: Project may be phased to further reduce the initial capital requirement.

POTENTIAL TO REDUCE CAPITAL COST

Capital Costs by Component

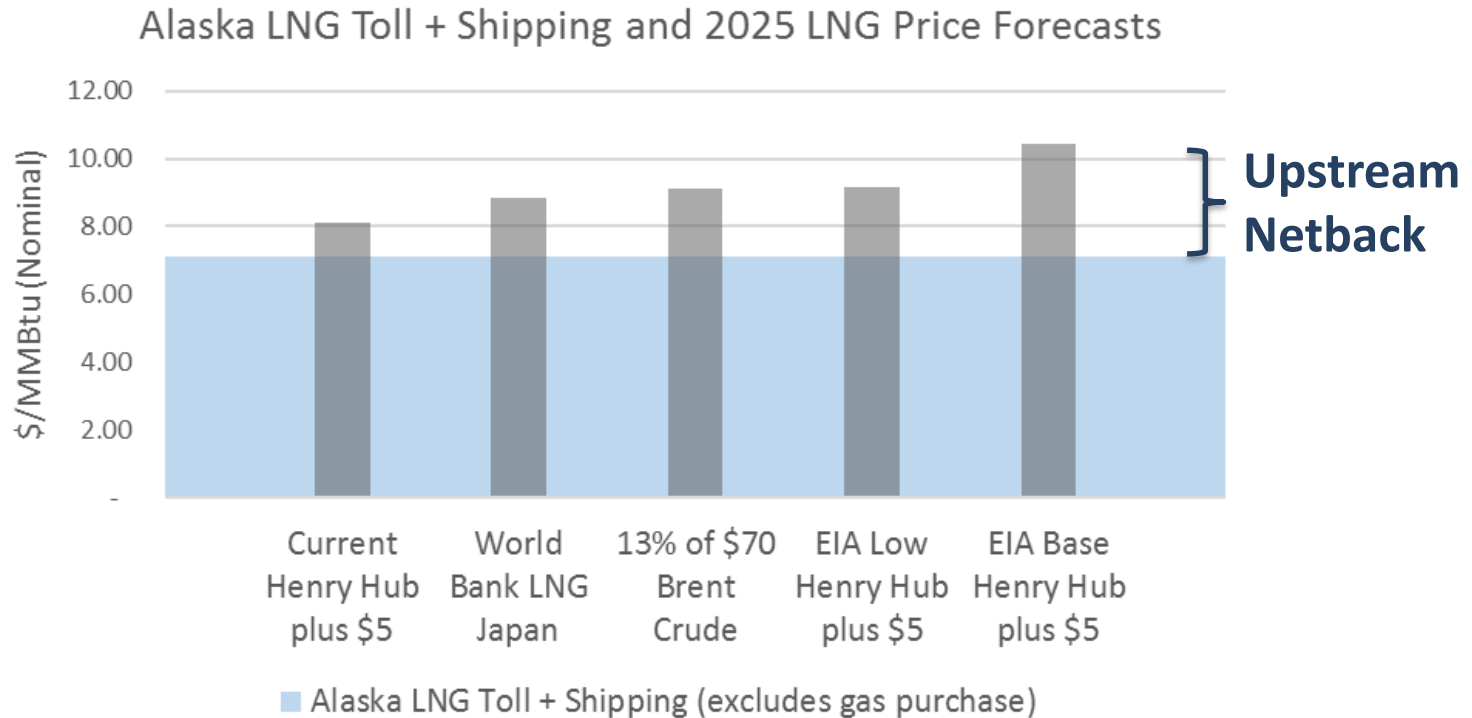


The potential to phase the project, first building a two-train system, expandable to three trains, reduces the exposure to investors.



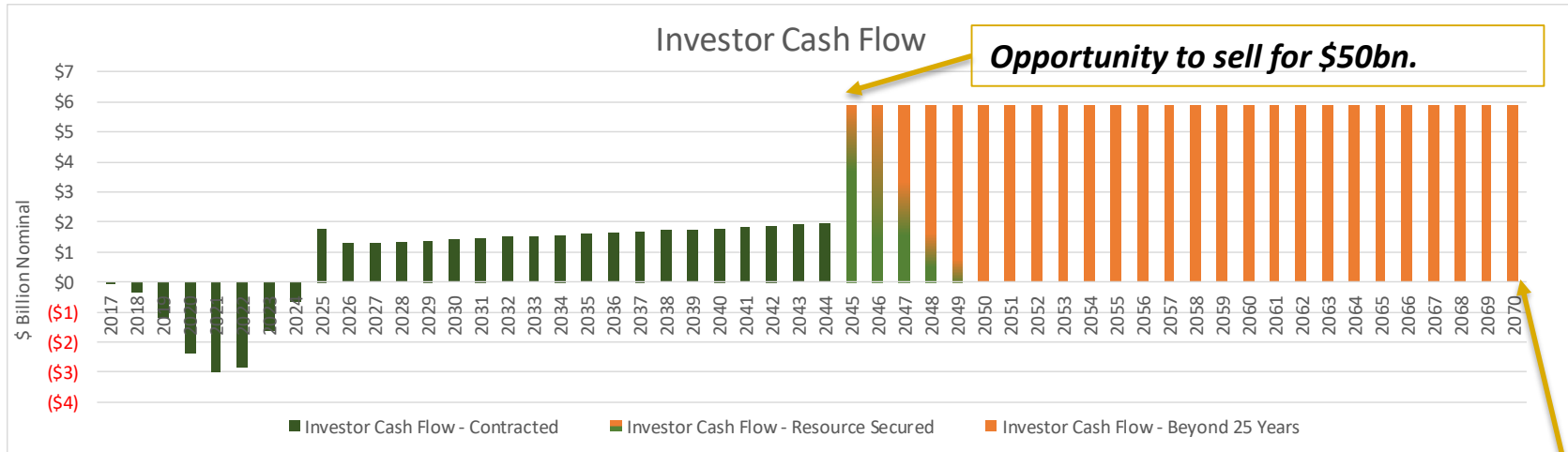
Contingency and Owners Costs (including Engineering and Project Management) are being benchmarked and further reviewed, with early indication of potential for reduction.

CLEARING THE LNG MARKET



- Alaska gasline and LNG tolls plus shipping to Asia provides acceptable gas netback.
- North Slope gas supply is stranded and not connected to other markets.
- The larger the difference between LNG market price and delivery costs (Alaska LNG tolls + shipping) the more potential profit for project participants.

INVESTOR ECONOMICS



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

Contract Period

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

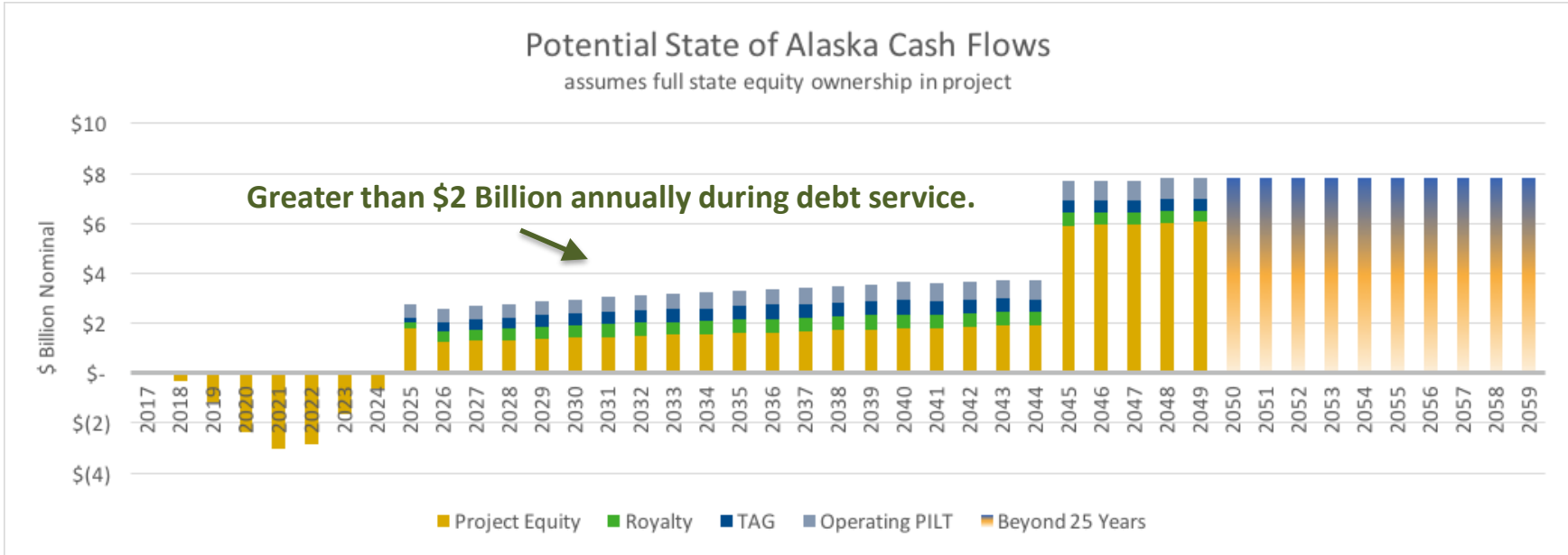
Equity-only ROE:

- 8% through initial period.
- 10% life of project.

Beyond Contract Period

- Debt paid off during contract period releasing more cash 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)

ALASKA INVESTMENT PERSPECTIVE



Investor economics plus PILT, Royalty, and TAG significantly enhance Alaska's economics.

Equity ROE plus RIK/TAG and PILT:

- 13% during initial period
- 15% life of project

Needed

- The Asian market will experience a contracted supply gap within 7 years.
- Alaska LNG is well positioned to target this supply deficit.
- Long-term cash flow to Alaska with significant sale value.

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.
- Project finance structure is proven within the gas pipeline and LNG industries.

ALASKA
GASLINE
DEVELOPMENT CORP.

AMERICA'S STRATEGIC ENERGY EXPORT PROJECT

ALASKA LNG

www.agdc.us

AMERICA'S PROJECT

US Federal Initiatives

- US White House holds conference call with states to hear of infrastructure projects.
 - » Alaska gasline and LNG project referred to as a “big meaty project.”
- VP Pence visit April 15; Alaska gasline significant focus.
- Alaska provides the US with a **strategic energy export in the Asia-Pacific region.**

Alaska Initiatives

- State funding has enabled development work.
- State agencies to coordinate FERC permitting issues through DNR.

AMERICA'S LARGEST ENERGY EXPORT PROJECT


TRANSFORMING ALASKA GAS INTO JOBS AND EXPORTS TO THE ASIA-PACIFIC REGION

Alaska holds America's largest concentration of proven, conventional, but stranded gas supply. Through the development of an 800-mile pipeline and LNG facility, Alaska can supply domestic projects and can provide a stable source of gas supply to our allies in the Asia-Pacific region. With expedited regulatory approval the project can finalize commercialization and begin construction.

This LNG project will create 10,000 direct jobs and up to 70,000 total jobs without burdening the taxpayers, increase our national energy production capacity, and strengthen commercial ties with our allies.

Alaska gave birth to the US-Japan LNG trade and now seeks to be the strategic supplier to the region.

ALASKA MOVING FORWARD



- NEW ENERGY INFRASTRUCTURE
- 70,000 NEW CONSTRUCTION & RELATED JOBS
- STRENGTHENS ENERGY TIES WITH OUR ALLIES
- IMPROVES TRADE BALANCE WITH ASIAN MARKETS

Alaska LNG will be pivotal and profitable for America.



- Multi-day visit by U.S. Dept. of the Interior Secretary Ryan Zinke
 - Private meeting on May 29 to discuss federal issues to address Alaska’s issues.
 - The Secretary acknowledged Alaska’s role in making America energy dominant.
 - *“The only path for energy dominance is a path through the great state of Alaska.”*
 - Secretarial order (ORDER NO. 3352) signed on May 31:
 - *“This order provides for clean and safe development of our Nation’s vast energy resources, while at the same time avoiding regulatory burdens that unnecessarily encumber energy production, constrain economic growth, and prevent job creation. The prudent development of these natural resources in Alaska and beyond is essential to ensuring the Nation’s geopolitical security.”*



- **Washington, D.C. meetings** week of June 5, 2017:
 - Alaska Congressional Delegation.
 - US Departments of Interior, Commerce, OMB.
 - White House staff.
- **Established lines of communication** with working level representatives.
- Invited to attend **White House Infrastructure Summit.**



WHITE HOUSE SUMMIT

Invitation-only summit to work on policy changes and legislation designed to accelerate approval and construction of major infrastructure projects.



MAJOR TRADE ENHANCEMENT

- Alaska is currently an exporter to Asia of seafood and other products.
- Alaska LNG will significantly increase exports to Asia.
- Future mining projects, enabled by Alaska LNG will further enhance trade.

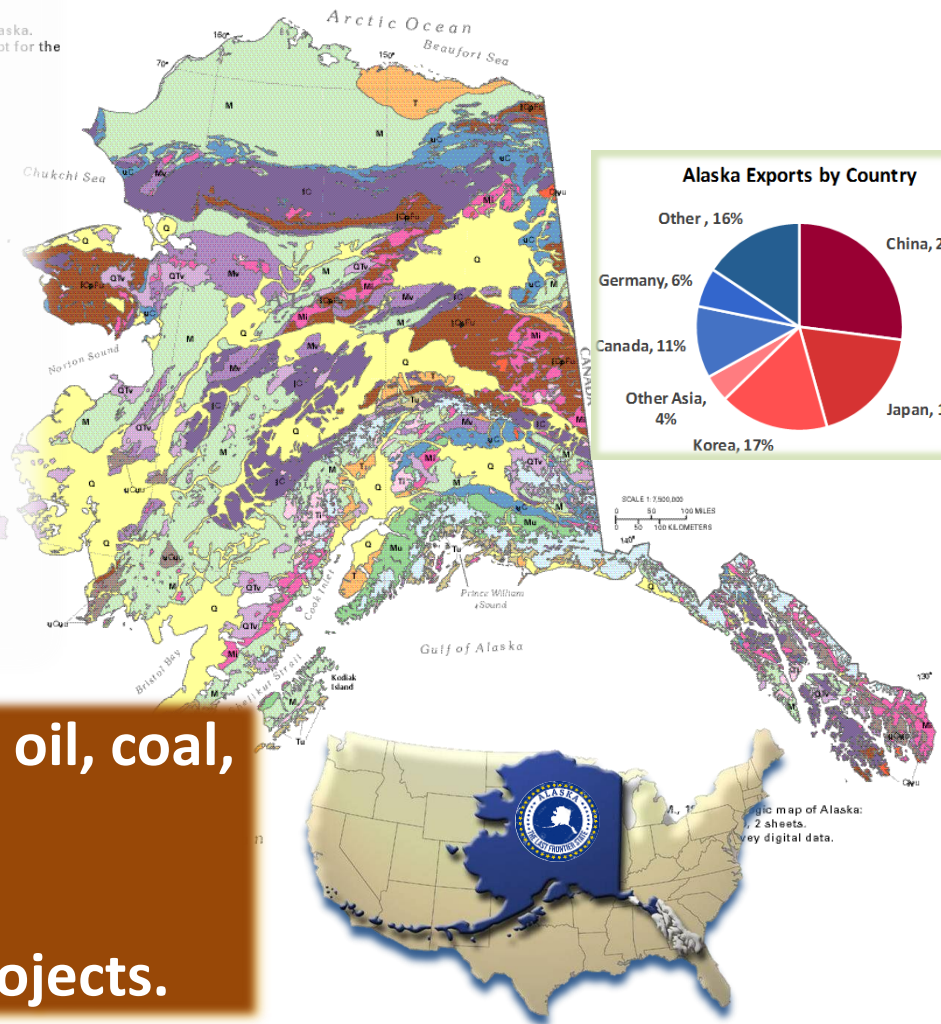


**\$8-10 Billion
annual export
increase with
Alaska LNG**

ALASKA – FRONTIER STATE

Figure 10. Paleozoic and Mesozoic sedimentary rocks are the most widespread rock units in Alaska. Volcanic and intrusive igneous rocks underlie most of the State's major mountain ranges, except for the Brooks Range, which contains Paleozoic sedimentary and metamorphic rocks.

- Statehood in 1959.
- Resource state – Alaska owns the resources in the ground.
- Large resource base, small population.
- Alaska relies on exports.



- Enormous resource base: gas, oil, coal, copper, zinc, graphite, other.
- Mining projects need fuel.
- Alaska gasline fuels mining projects.

Alaska is one of the most mineral and hydrocarbon rich areas in the world.

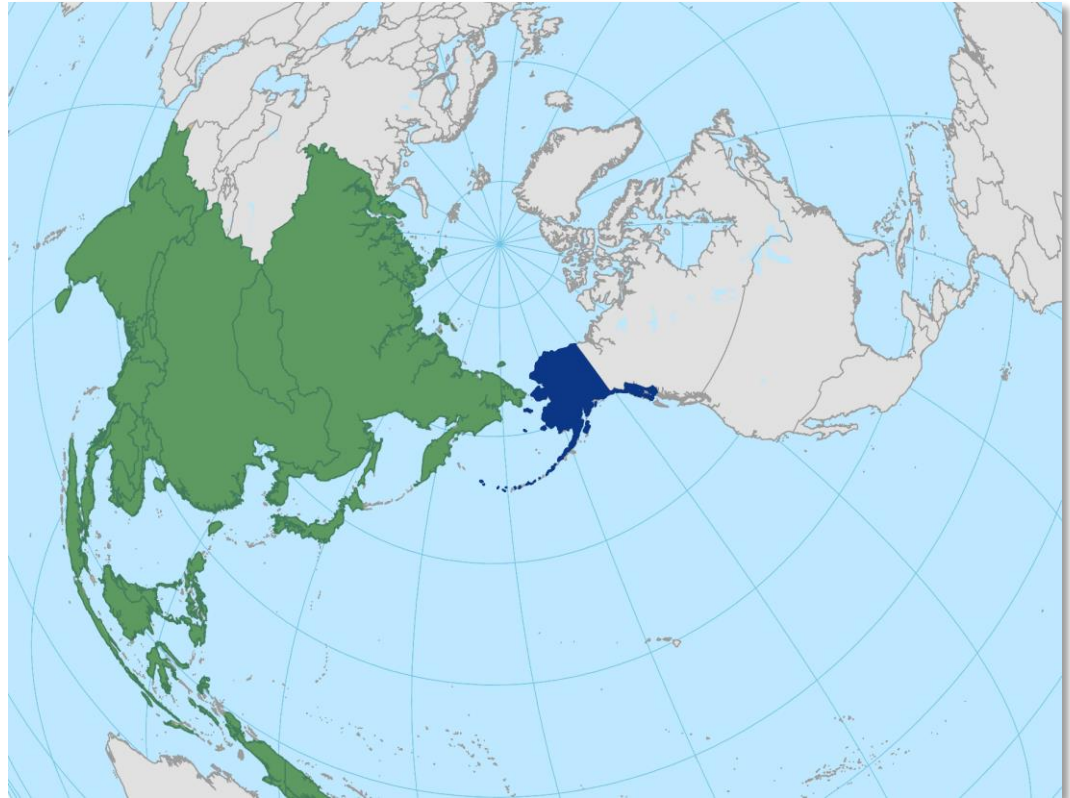
AMERICA'S STRATEGIC LOCATION

Alaska is Asia's regional energy resource.

- ✓ Close proximity.
- ✓ Direct route.
- ✓ 7 to 9 days shipping.

Alaska is US strategic.

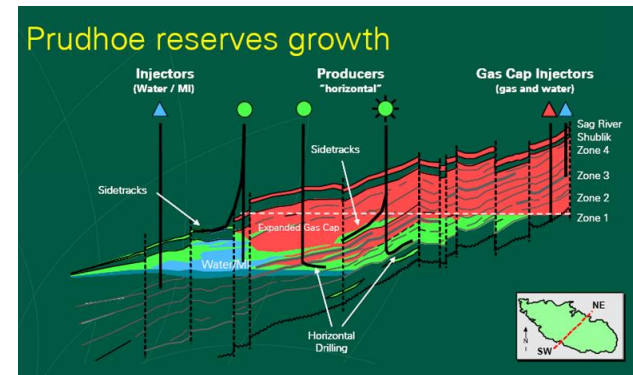
- ✓ Direct energy supply link to Asia.
- ✓ Arctic Council member.
- ✓ Major military installation and support.



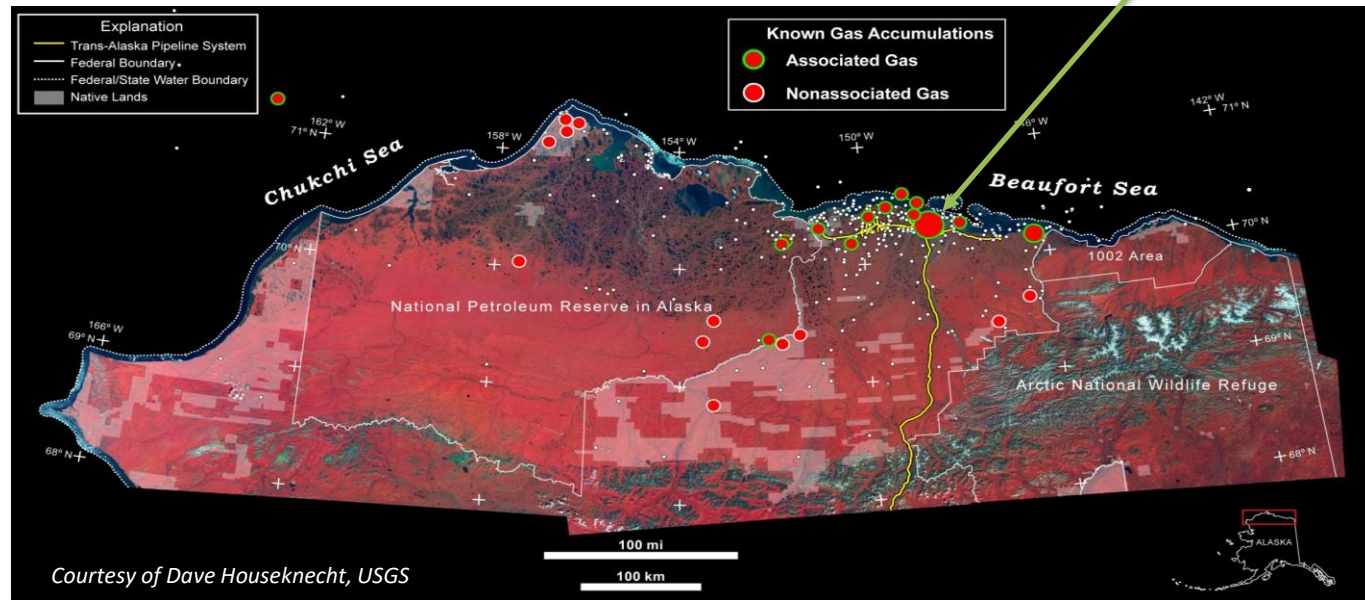
Alaska is the closest North American LNG Supply to Asia.

• North Slope Gas System

- ✓ 35 Tcf Initial: Prudhoe Bay and Point Thomson;
 - Remove and sequester CO₂.
- ✓ Future gas gathering and treating for entire North Slope;
 - 200 Tcf conventional.
 - Shale and methane hydrates add 100's Tcf.

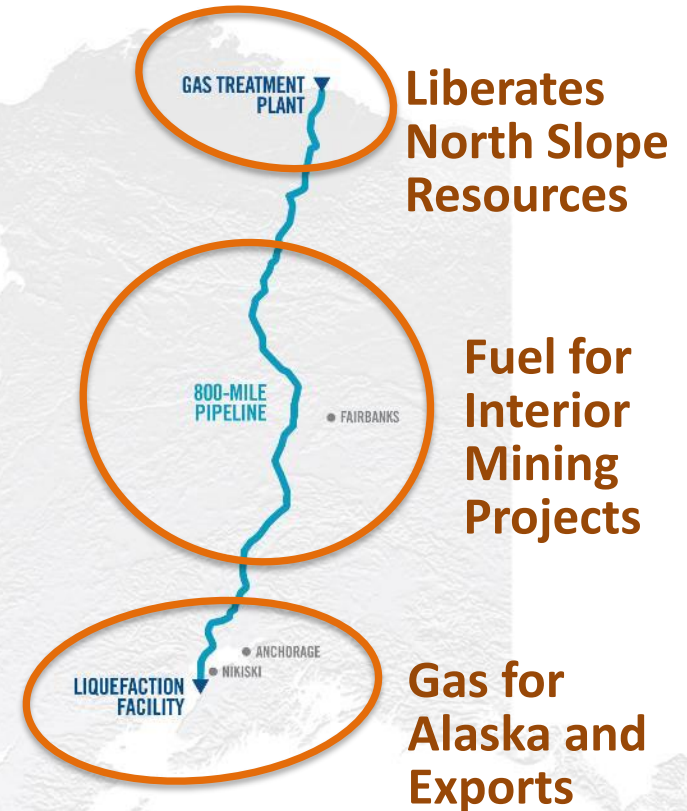


Alaska's North Slope is a hydrocarbon-rich, largely unexplored area. At 245,000 km², it is larger than most U.S. states.



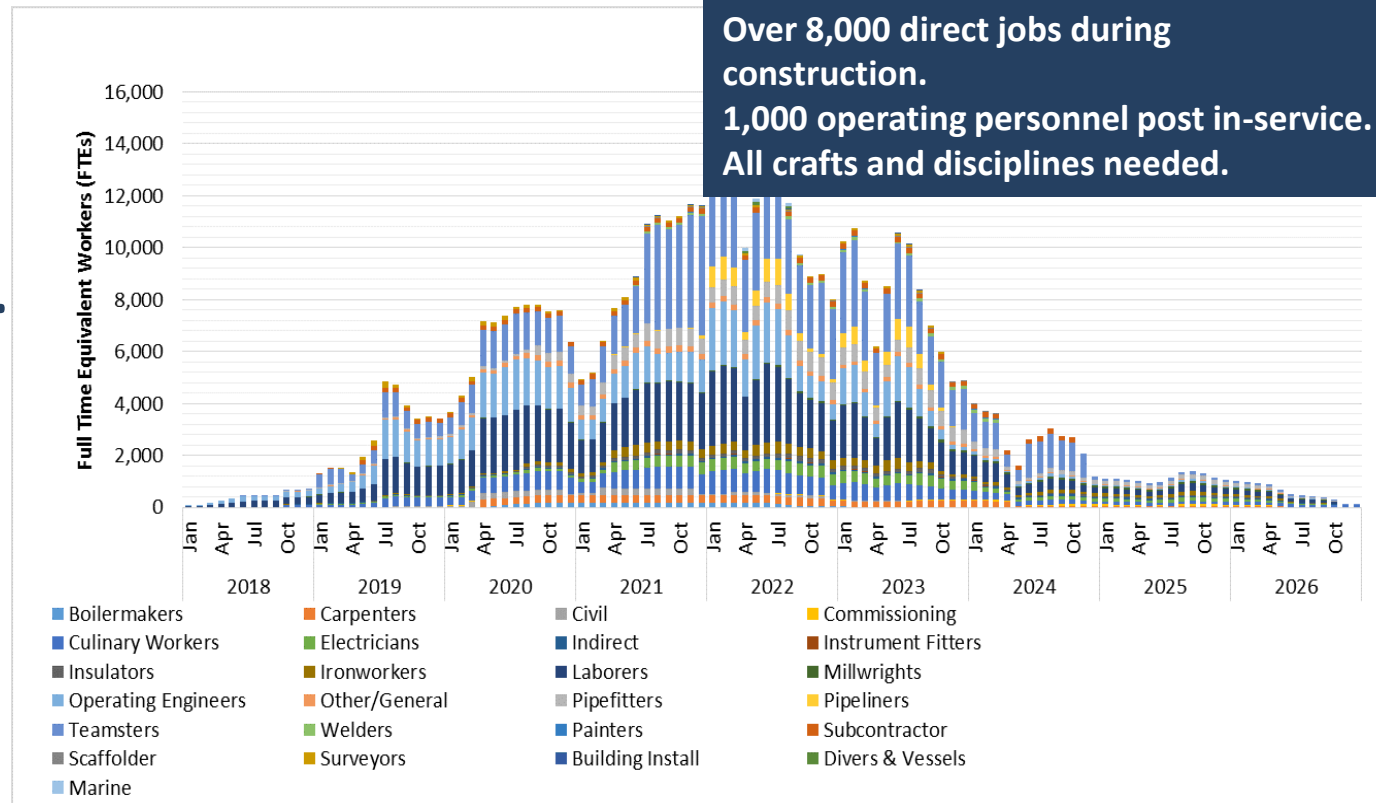
- **The backbone of Alaska's natural gas future.**

- ✓ 800-mile (1,287 km), 42-inch (1.1m).
- ✓ Well established corridor.
- ✓ Peak capacity of 3.3 Bcf/d.
- ✓ Liberates North Slope resources.
- ✓ Provides fuel to mining projects.
- ✓ Provides gas to Alaska communities.
- ✓ Reliable supply for exports.
- ✓ 100+ year future.

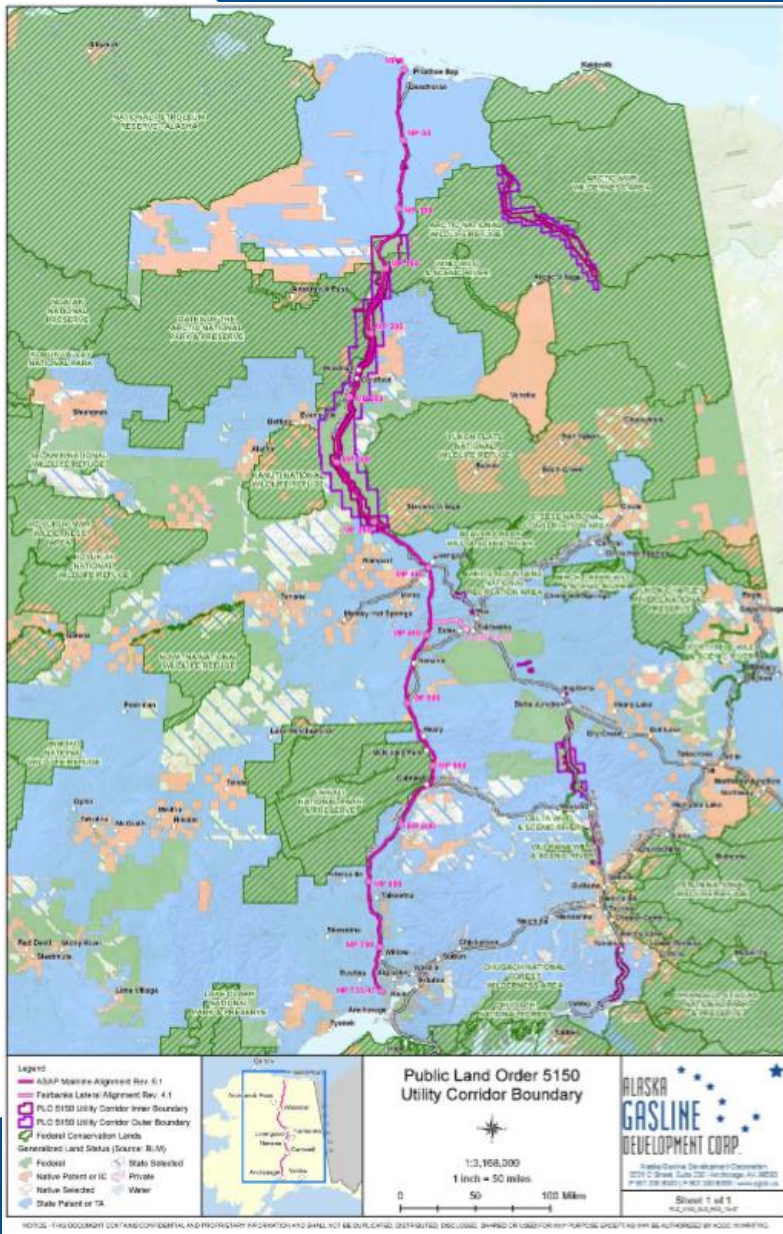


SIGNIFICANT JOB CREATION

Construction jobs.
Support industries.
Operating positions.
Maintenance.
Gas distribution.
Increased exploration and production.



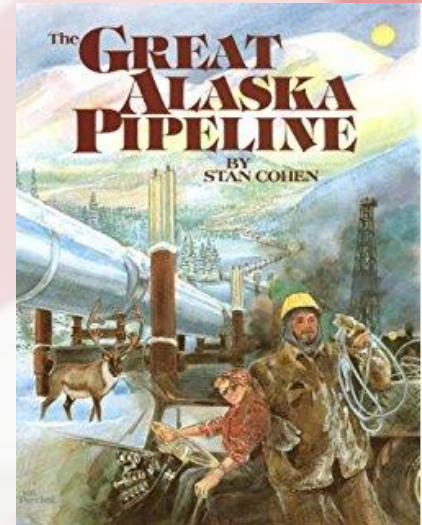
A THOROUGHLY STUDIED ROUTE



- The route of the Alaska gasline goes through an existing and well-defined corridor that has anticipated a gas pipeline since the 1970's.
- Numerous environmental approvals have been received for earlier projects.
- Majority of route on State and federal lands.
- Expediting approval is justified.

SUMMARY

- Integrated Alaska gasline and LNG project is beneficial to Alaska and the United States.
- Competitive in the global LNG market.
- Attractive investment with long term stability and upside.
- Extensive historical review and approvals.
- Alaska gasline deserves expedited treatment.
 - Historical review,
 - Major construction and infrastructure project,
 - Strategic market access.
- America's energy project.



- Continue on focus areas.
 - Commercial, Regulatory/EPC, Financial structuring
- Wrap up trailing issues on LLC purchase option.
- Capacity solicitation (“open season”) to determine potential phasing of capacity or segments.
- Prepare for marketing subsidiary to respond to open season.
- Focused negotiations with prospective LNG customers.
- FERC and agency interface.
- Engage financial advisor.
- Interface with White House liaison office to help shape policies for Alaskan projects.

END

BOARD REPORT

June 2017

GOVERNMENT RELATIONS

- A. House Resources Committee, April 14, 2017.
- B. Legislative semi-monthly reports (April 14, April 28, May 15, and May 31, 2017).
- C. AGDC Board confirmations were approved May 16, 2017:
 - Warren Christian – Term expires 9/13/2018
 - Hugh Short – Term expires 9/13/2021
 - David Wight – Term expires 9/13/2021

PRIMARY COMMUNICATIONS INITIATIVES

A. Presentations:

- May 1: Community Meeting, Healy
- May 2: Community Meeting, Nenana/Anderson
- May 10: Community Meeting, Trapper Creek
- May 11: Community Meeting, Houston, AK
- May 16: Community Meeting, Barrow
- May 18, Community Meeting, Fairbanks
- May 18: CWC China LNG & Gas Summit, Beijing
- May 25: Community Meeting, Mat-Su Valley
- June 8: Community Meeting, Cantwell
- June 13: Fairbanks Chamber of Commerce

B. Media Relations/Messaging:

- Alaska Dispatch News: AGDC President Keith Meyer and Governor Walker were interviewed by Alex DeMarban on May 25 regarding meetings with Chinese executives and how the U.S.-China Economic Cooperation 100-day Plan is having a positive impact on discussions related to the Alaska LNG project.
- Voice of America: AGDC President Keith Meyer was interviewed on May 25 regarding the status of the Alaska LNG project.
- Press release was posted on www.agdc.us regarding the private meeting held on Monday, May 29 between U.S. Secretary of the Interior Ryan Zinke, AGDC President Keith Meyer, and Governor Bill Walker.
- Press release was posted June 8, 2017 regarding AGDC President attending White House Infrastructure Summit in Washington, DC. AGDC was given the opportunity to present the Alaska gasline and LNG project alongside of other national priority infrastructure projects.

C. Trade Show Preparation

- AOGA Conference (May 31)
 - Participated as a “Pipeline Sponsorship.”
 - EAGR staff managed the trade show booth.

- Select USA Investment Summit
 - AGDC will be supporting DCCED’s booth at the Select USA Investment Summit in Washington DC. John Tichotsky will attend the Summit and help staff the trade show booth.
 - Provided the AGDC logo and map artwork to DCCED for inclusion in the booth design.

- CWC Americas Summit
 - Logo, speaker photo/bio, and program guide ad have been submitted to show organizers.

D. Collateral

- New 6-panel brochures were produced in Mandarin, Japanese, Korean, and English and will be used during overseas sales missions.

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 exceeding 21,000 over the past 11 months.

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
FISCAL YEAR TOTAL	21,522

F. CRM Database:

- EAGR populated CRM with 11 community events and the Alaska LNG Summit.

G. Public Opinion Research:

- Questionnaire is being finalized.

H. Community Coordinators:

- Established schedule for outreach.

EVENTS AND ACTIVITIES

A. Upcoming Events:

- June 18-20 – Select USA Investment Summit, Washington DC (John Tichotsky)
- June 20-22 – CWC World LNG Series: Americas Summit 2017, Houston (Lieza, Terry, Jesse)
- June 27 – Community Meeting, Minto (Rosetta, Kathy, Lisa)
- Aug 24 – Alaska State Fair/Energy Day (Rosetta, Kathy, Jesse)

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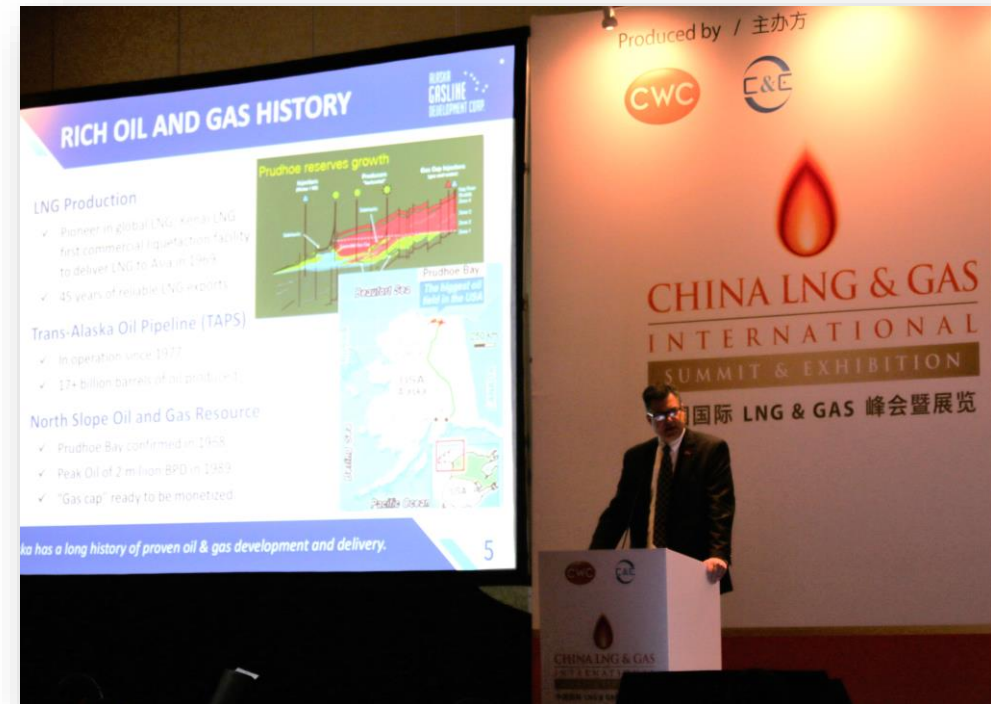
ALASKA LNG: PROJECT MARKETING UPDATE



www.agdc.us

Progress on Core Markets:

- Commercial agreements
- Relationships with prospective customers
- Conferences:
 - CWC China LNG & Gas International Summit & Exhibition (Beijing)
 - Leveraging international politics

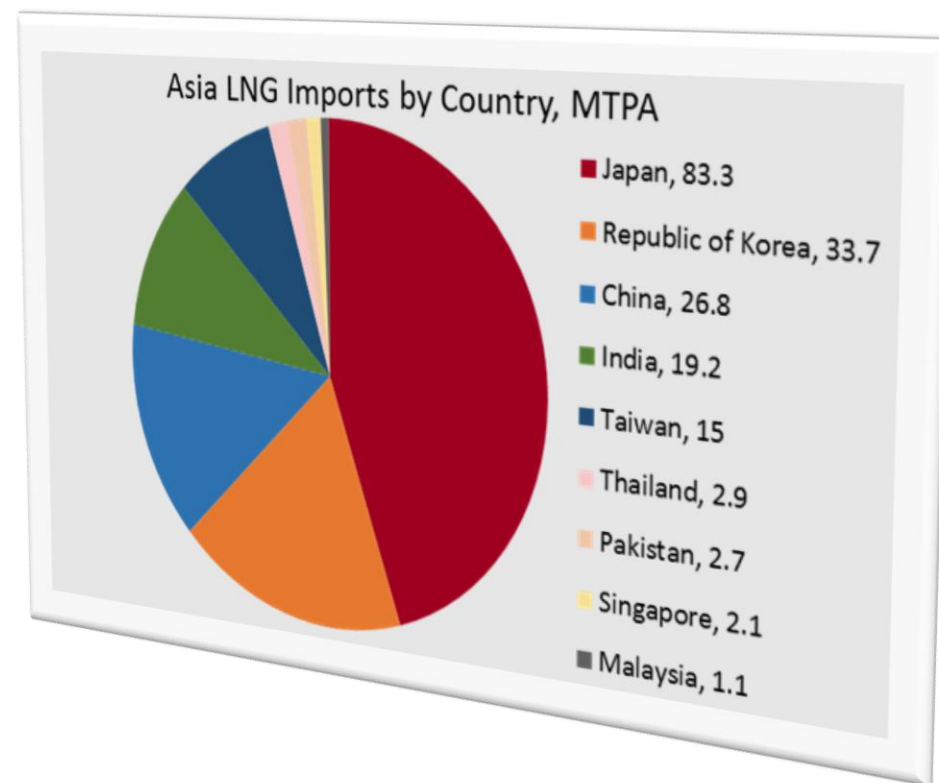


Broader Market Engagement:

- Customer Relationship Management database implementation
- Focus areas over next 3 months
- Conference presentations

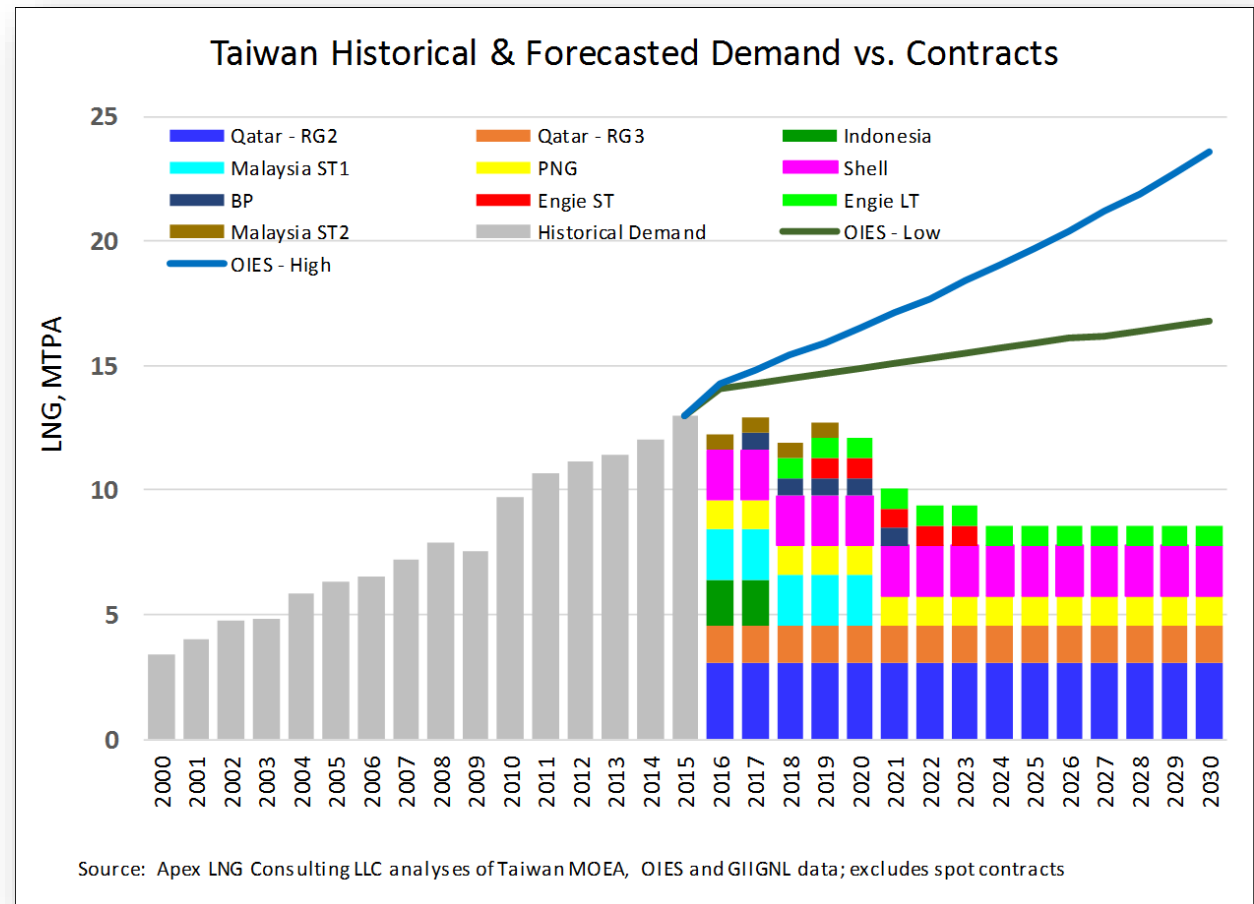
Japan:

- Met with 9 companies; Confidentiality Agreements (“CAs”) signed with 5 companies
- Alaska brand remains strong with past buyers
- Some large buyers unfamiliar with the project premises
- Japanese energy policy regarding nuclear energy and local market deregulation of gas and power markets has created demand uncertainty and caution among LNG buyers
- Several companies are interested, but it will take time to conclude agreements; announcements may be aggregated



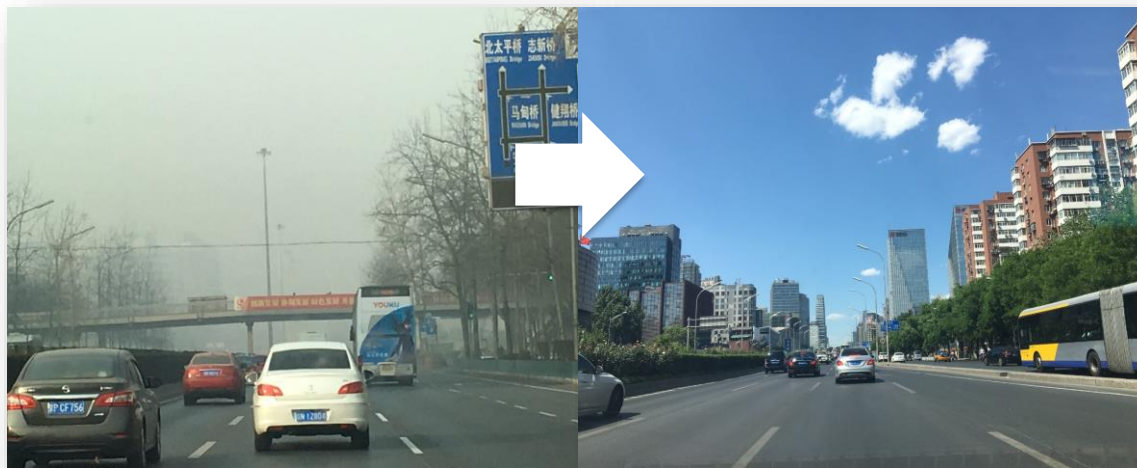
South Korea and Taiwan:

- One major buyer in each country, several smaller buyers (1-2 mtpa)
- Kogas has substantial portion of contracts up for renewal in mid-2020's
- Alaska LNG spec a good fit for Korean trunkline specification
- New South Korean government wants to phase out most of coal power generation
- Taiwan has a material LNG shortfall starting in 2023 due to retirement of nuclear
- Meeting are underway with 2 companies
- CAs signed with 2 companies

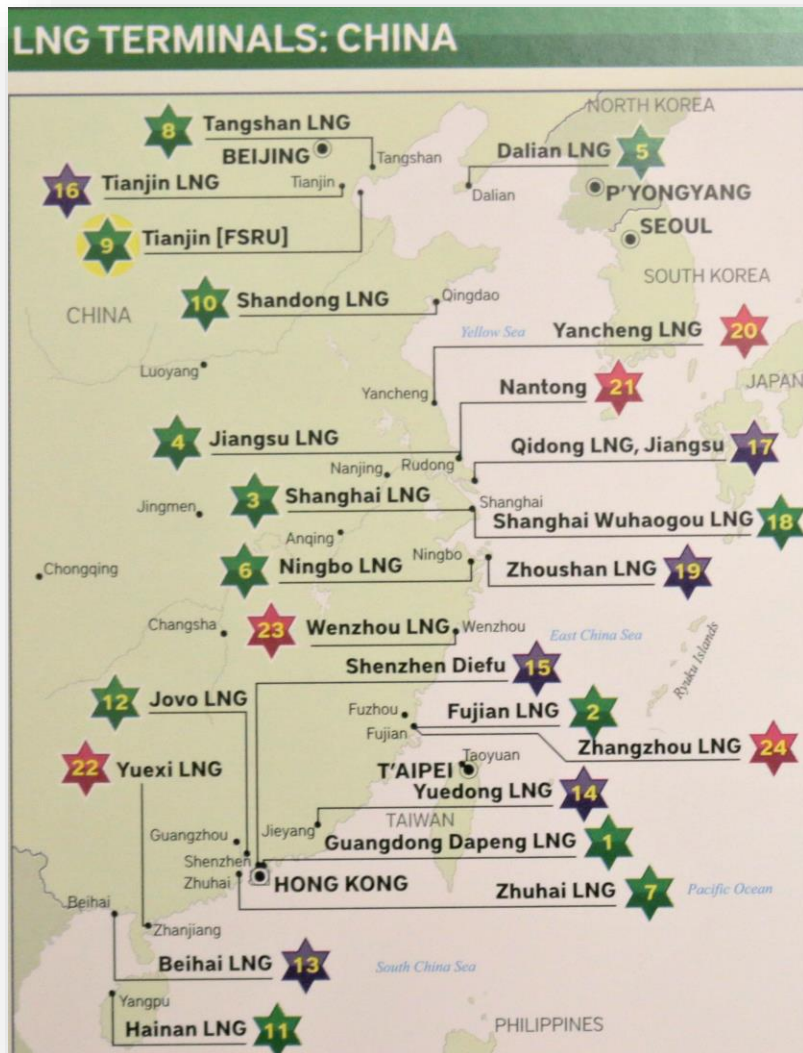


China:

- Three big National Oil Companies (NOCs) have historically dominated the LNG import market
 - CNPC: China National Petroleum Corporation owns PetroChina
 - Sinopec: China Petroleum and Chemical Corporation
 - CNOOC: China National Offshore Oil Corporation
- Regulatory changes allow non-NOC companies to build their own import terminals and contract for short or long-term LNG supply
- Several gas and power utilities serve customer bases that exceed US population
- Continued economic growth is making air pollution a priority issue and natural gas is seen as the solution



*China is ready to
move beyond coal*



China recognizes LNG as:

- A solution for increased gas supply
- Peak-shaving function for managing needle-peak demand spikes and grid stability
- Break-bulk gas distribution as LNG via coastal tankers and river-way barges where pipeline grids do not exist or are geographically difficult

China LNG import capacity is growing with unprecedented infrastructure speed:

- In China, LNG imports began in 2006; 11 years later, China has grown to 30 import terminals
- In contrast, Japan LNG imports began in 1969; 50 years later, Japan has grown to 39 import terminals

“The question is not whether Chinese LNG demand will grow, but by how much.”




- CWC Beijing presentation

CWC China LNG & Gas International Summit & Exhibition:

- During AGDC's presentation, the Alaska LNG project was promoted within a fast-growing and competitive market
- The Summit highlighted the dichotomy of shorter-term LNG trading markets and the need to finance new LNG export supply projects with longer-term contracts to enable supply growth

Commercial Progress:

- Business meetings before and during the Summit advanced Alaska's objectives
- Site visits and meaningful contractual steps are planned with two companies so far

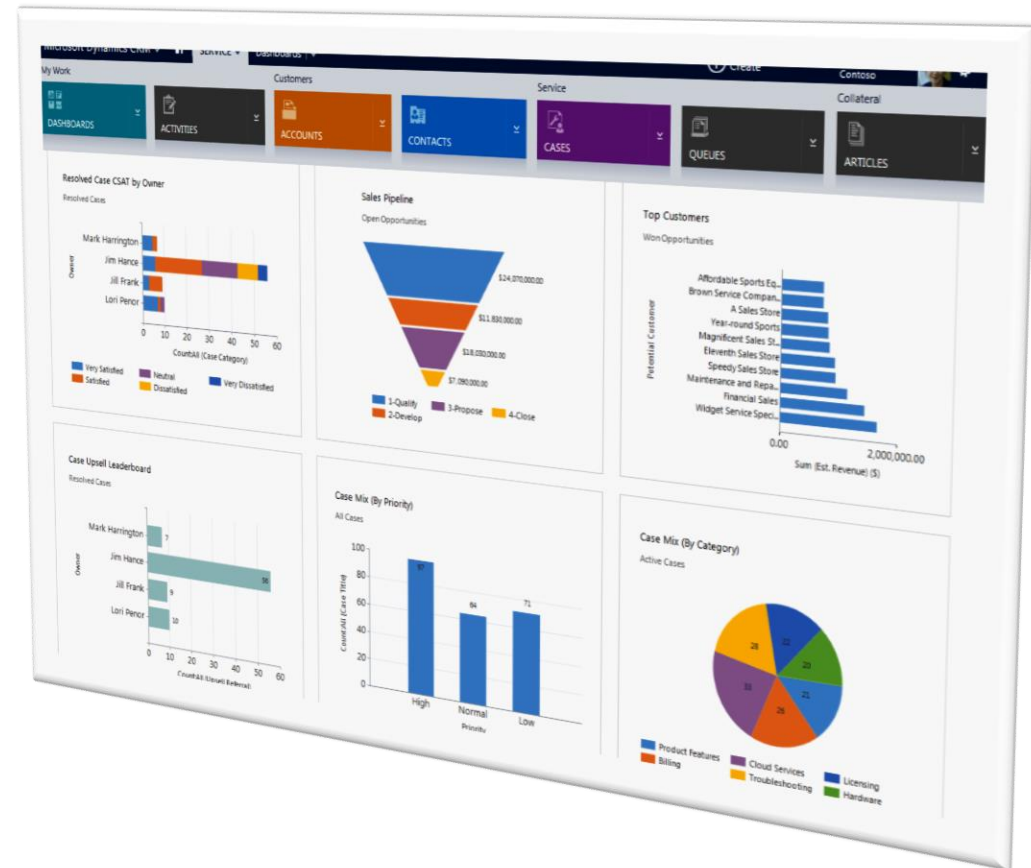
Rank ▲	Bank name	Total assets (US\$ billion) ▼
1	 Industrial and Commercial Bank of China	3,475.34
2	 China Construction Bank Corporation	3,018.40
3	 Agricultural Bank of China	2,817.74
4	 Bank of China	2,613.12
5	 Mitsubishi UFJ Financial Group	2,597.96
6	 JPMorgan Chase & Co.	2,490.97
7	 HSBC Holdings PLC	2,374.94

Goal and Intent:

- Build a database of contacts
- Streamline marketing and sales communications with clients
- Manage and track sales process from first meeting (e.g., trade show) to contract delivery and beyond

Implementation:

- Contacts currently being loaded
- Customization in progress



Integrate upcoming Capacity Solicitation with Alaska LNG project marketing efforts:

- Capacity solicitation creates opportunity for third-party tollers on the project
- Asian LNG marketing brings interest from customers in either capacity or LNG purchases from the State and/or producers
- Opportunity for Foundation Customers to secure initial capacity rights on the system
- Provides AGDC with guidance for a phased construction implementation

Contract Drafting:

- Greenburg Traurig is primary external legal resource
- Continue to move commercial relationships forward to contracts

Near Term Conference Participations:

- Select USA Investment Summit (June 18-20); booth share with DCCED
- Speaking at CWC “LNG Americas Summit” (June 20-23)



APRIL 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	4,179	4,763	(584)	73%
Travel	295	195	246	(51)	66%
Services	4,125	2,646	3,438	(791)	64%
Commodities	250	207	208	(1)	83%
Depreciation		149	-	149	-
Operating Total	\$ 10,386	\$ 7,376	\$ 8,655	\$ (1,279)	71%

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.

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	2,151	2,252	(101)	80%
Commercial	666	386	555	(169)	58%
External Affairs	1,583	1,100	1,319	(219)	69%
Legal	445	126	371	(245)	28%
Finance	1,005	747	838	(90)	74%
Admin Services	2,580	1,861	2,150	(289)	72%
IT Data Mgmt.	1,405	1,005	1,171	(166)	72%
Operating Total	\$ 10,386	\$ 7,376	\$ 8,655	\$ (1,279)	71%

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

APRIL 2017 CAPITAL BUDGET VARIANCE ANALYSIS

Capital Expenditures (\$000s)	Calendar Year		
	YTD Actuals	YTD Budget	YTD Variance
Regulatory/Program Management	5,663	12,810	(7,147)
Commercial	2,249	3,818	(1,569)
Communications	362	485	(123)
Capital Total	\$ 8,274	\$ 17,113	\$ (8,839)

Total Expenditures by Fund (Capital and Operating)		Calendar Year		
(\$000s)		YTD Actuals	YTD Budget	YTD Variance
AKLNG (1235)		7,146	15,125	(7,979)
ISG (1229)		1,128	1,988	(860)
Capital Total		\$ 8,274	\$ 17,113	\$ (8,839)
AKLNG (1235)	40% of Operating	1,234	1,385	(114)
ISG (1229)	60% of Operating	1,851	2,077	(226)
Total Operating		\$ 3,085	\$ 3,462	\$ (341)
AKLNG (1235)		8,380	16,510	(8,093)
ISG (1229)		2,979	4,065	(1,086)
AGDC Total		\$ 11,359	\$ 20,575	\$ (9,180)

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
 - International Marketing Travel
 - 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.



PROGRAM MANAGEMENT UPDATE:

JUNE 2017 BOARD OF DIRECTORS MEETING





Stay Bear Aware!

With summer finally here and outdoor recreation in full swing, don't forget to stay aware of our furry neighbors! In Alaska, we have three species of bears:
Black Bears, Brown Bears and Polar Bears.
Both Black and Brown Bears are easy to encounter in Southcentral Alaska!

Bear Safety Tips

- Never feed bears.
- Report bears that hang around people or get into garbage.
- Never get too close to bears.
- Hike in groups and make noise so you don't surprise a bear.
- Watch for bear signs. Be alert. No headphones!
- Stay on trails and avoid thick brush.
- Never get between a mother bear and her cubs.
- Never explore a bad-smelling area; a bear might be feeding.
- Keep a clean camp.
- Learn more about bears!



▪ Regulatory

- FERC Section 3 Application & EIS Process
 - FERC review of application progressing
 - Comment period ended – May 22nd
 - 40 positive vs. 2 negative and 10 interveners requests
 - Ex-parte rules now in effect
 - Phase 1 comment responses – on schedule
 - 104 responses submitted on June 2, 2017
 - Remaining comment response in production
 - Planning for Phase 2 comment responses
- USACE 404 Application – Update
 - The USACE submitted a letter to FERC indicating the 404 application was incomplete on May 17th
 - The letter was not unexpected, agency-applicant interaction is typical in the permitting process
 - 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

- **GTP, PBU, & PTU**
 - Teams are completing responses to Phase 1 FERC comments

- **Pipeline**
 - Teams are completing responses to Phase 1 FERC comments
 - Applied for four PHMSA Special Permits:
 - PHMSA Valve Spacing Rules
 - Multi-Layer Pipe Coating System
 - Crack Arrestor Spacing
 - Strain Based Design

- **LNG Plant & Marine Facilities**
 - Teams are completing response to Phase 1 FERC comments

▪ 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 – 13 miles of potential thaw settlement. More cost effective to increase wall thickness and not apply for Special Permit.

▪ 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 (see next two slides)

Alaska Stand Alone Pipeline SEIS Milestone Schedule

Print Ready SEIS provided to the Corps	JUNE 9, 2017
Corps approval of the SEIS – transmit to EPA for publication in the Federal Register	JUNE 9-23, 2017
Notice of Availability published in the Federal Register	JUNE 30, 2017
45 day public comment period	JUNE 30 – AUGUST 14, 2017
Public hearings	JULY 17 – AUGUST 4, 2017
Prepare final SEIS	AUGUST 25 – OCTOBER 10, 2017
Prepare camera ready final SEIS	NOVEMBER 13 – DECEMBER 1, 2017
Notice of Availability published in the Federal Register	DECEMBER 15, 2017
90 day cooling off period	DECEMBER 15, 2017 – MARCH 14, 2018
Issue ROD	MARCH 16, 2018

Alaska Stand Alone Pipeline SEIS Public Hearing Schedule

BARROW	JULY 17, 2017
NUIQSUT	JULY 18, 2017
FAIRBANKS	JULY 20, 2017
EVANSVILLE/BETTLES	JULY 25, 2017
WISEMAN/COLDFOOT/ALATNA	JULY 26, 2017
MINTO/TANANA	JULY 28, 2017
ANCHORAGE/WILLOW	AUGUST 1, 2017
HEALY	AUGUST 2, 2017
CANTWELL/DENALI	AUGUST 3, 2017
TRAPPER CREEK	AUGUST 4, 2017