



AGENDA
ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)
REGULAR BOARD MEETING

March 8, 2018 AGDC Board Room, 3201 C St Suite 604 Anchorage, AK 9:00am

- I. CALL TO ORDER
- II. ROLL CALL
- III. CHAIRMAN'S CHOICE
- IV. APPROVAL OF AGENDA
- V. APPROVAL OF MINUTES – December 7, 2017
- VI. PUBLIC COMMENTS - Boardroom _____ Statewide _____
- VII. PRESIDENT'S UPDATE
- VIII. AGDC MANAGEMENT/OPERATIONAL
 - A. Committee Chair Updates
 - B. External Affairs Update
 - C. Project Update
 - D. Commercial Update
- IX. FINANCIALS
- X. EXECUTIVE SESSION
- XI. ANY OTHER ITEMS TO COME BEFORE THE BOARD
- XII. BOARD COMMENTS
- XIII. ADJOURNMENT

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



Meeting Minutes

ALASKA GASLINE DEVELOPMENT CORPORATION REGULAR BOARD OF DIRECTORS MEETING

December 7, 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 December 7, 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
Telephonic

Vice Chair of the Board

Joey Merrick
Anchorage, AK

Secretary/Treasurer

COMMISSIONER MARC LUIKEN
Anchorage, AK

Member of the Board

COMMISSIONER HEIDI DRYGAS
Juneau, AK - Telephonic

Member of the Board

WARREN CHRISTIAN
Anchorage, AK

Member of the Board

DAVID WIGHT
Anchorage, AK

Member of the Board

Meeting Minutes

- I. CALL TO ORDER: Chair Cruz convened the meeting at 9:02am.
- 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 deferred to Commissioner Luiken who asked all to remember today, which is known as Pearl Harbor Day.
- IV. APPROVAL OF AGENDA: Warren Christian moved to approve the agenda and Commissioner Luiken second. The approval of the agenda passed unanimously (7-0).
- V. MINUTES: Commissioner Luiken moved to approve board meeting minutes from October 23, 2017. Warren Christian second. The approval of the board meeting minutes from October 23, 2017 passed unanimously (7-0).
- VI. PUBLIC COMMENTS: Boardroom – None; Statewide – None
- VII. PRESIDENT'S REPORT: AGDC President Keith Meyer gave an economic overview of the Alaska LNG system and a commercial/regulatory/communications update. The overview and update consisted of the following:
 - a. capital structure
 - b. balancing three project drivers
 - c. market price
 - d. cost of infrastructure
 - e. North Slope netback
 - f. non-equity benefits to Alaska
 - g. G2G Transactions
 - h. Unified buyer/lender proposal(s)
 - i. AGDC joint agreements
 - j. Joint development agreement
 - k. PetroVietnam Gas
 - l. Korea Gas Corporation

m. Tokyo Gas Co. Ltd.

VIII. NEW BUSINESS – AGDC MANAGEMENT/OPERATIONAL ISSUES:

A. Committee Chair Updates:

Governance Committee – David Wight, chair of the Governance Committee, stated that the Governance Committee discussed the external audit for the last fiscal year completed by independent auditing firm BDO, as well as liability insurance coverage for the next year. The Committee also touched on the entire suite of insurance coverage for AGDC.

Technical Committee – Dave Cruz, chair of the Technical Committee, stated that the Technical Committee had a two-day meeting that focused on the FERC requirements. In addition, the Committee focused on permit/commercial/technical requirements.

Communications Committee – Commissioner Luiken, chair of the Communications Committee, stated that he thinks that the rest of the world believes that the gasline is a real project, but for some reason parts of the State of Alaska still show reluctance to believe. He asked for a more aggressive communication strategy by AGDC and its board members to help get the State to believe in the gasline and its potential.

- B. External Affairs Update: AGDC VP of Communications Rosetta Alcantra stated that her team has been busy working on presentations for the House Resources Committee hearings. In addition, her team has been working on the Legislative semi-monthly reports and focusing on providing materials for the individual meetings with legislators. Other focuses have included the following:
- a. Joint press conference with Governor Walker
 - b. Press releases
 - c. Statewide newspaper inserts
 - d. Talk radio
 - e. Community outreach

- f. Social media
 - g. Digital communication
 - h. Quarterly newsletter
- C. PROJECT UPDATE: Alaska LNG - Frank Richards, Vice President of Engineering and Program Management, gave an update on the continued discussions with key regulatory agency staff in Washington, D.C. In addition, work continues on the FERC Section 3 application and EIS process. His team's focus also remains on the LNG plant and marine facilities.
- ASAP - Work continues with the environmental, regulatory and land issues, as well as with engineering and project development.
- IX. FINANCIAL UPDATE: David Wight, chair of the Governance Committee, made a motion to approve the Fiscal Year end June 30, 2017 Financial Audit. Warren Christian second. The motion passed, none opposed. Philip Sullivan, Finance Manager, gave an update on the operating and capital budget through October 2017.
- X. EXECUTIVE SESSION: None
- XI. ANY OTHER ITEMS TO COME BEFORE THE BOARD: None
- XII. COMMENTS: Board members expressed their gratitude to the entire AGDC staff for all its hard work and long hours trying to make this project a success. They also acknowledged how well things are progressing with the pipeline thanks to outreach and public messaging.
- XIII. ADJOURNMENT: David Wight moved to adjourn, Warren Christian second, none opposed. The meeting adjourned at 11:23am.

Dave Cruz, Chair

Date

President's Report

March 8, 2018

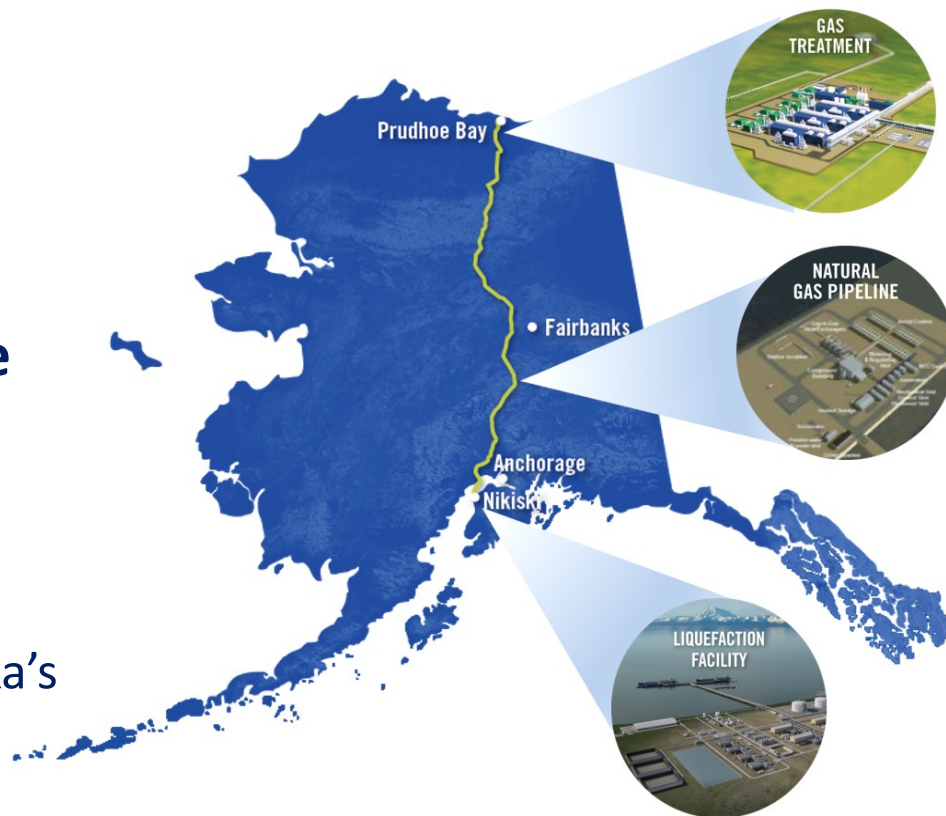
Keith Meyer, President



Presentation Overview

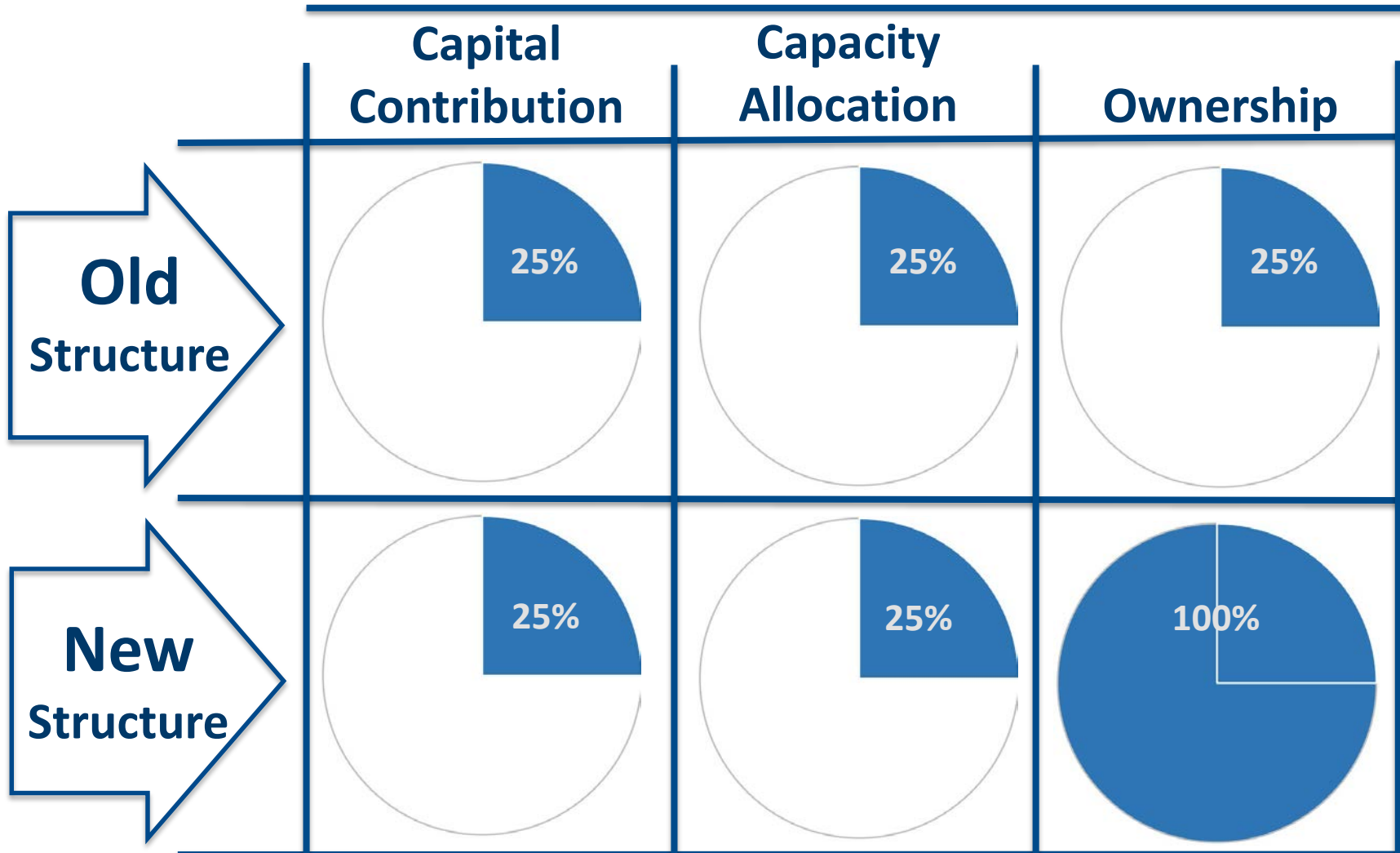
- Old vs New Structure
- Evolving Objectives by Department
- Capital Cost and Structure

Mission: Maximize the benefit of Alaska's vast North Slope natural gas resources through the development of infrastructure necessary to move the gas into local and international markets.



In-service 2024 – 2025.

Old vs. New Structure



Control of Project Pace

Under the new structure, AGDC has much greater control of the pace of project development.

	OLD	NEW
Unilateral ability to stop project:	Only Exxon	Only AGDC
Ability to move project forward:	Exxon plus two others; State vote not required	AGDC
State ability to advance an 'Alaska First' agenda:	No	Yes

Evolving Activity

The departmental activity at AGDC will continue to evolve as the organization moves the project into full-scale implementation.

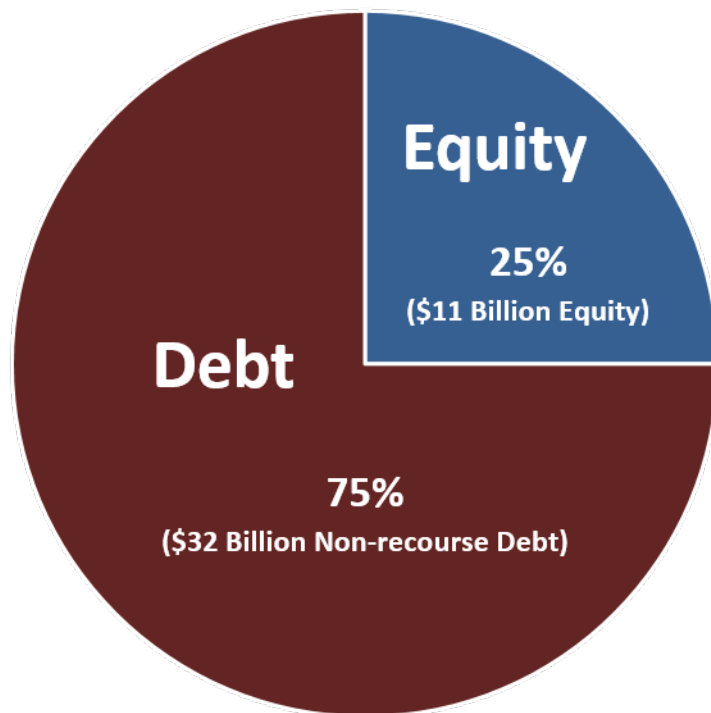
Department	2016	2017	2018
Commercial	Transition to State Leadership	Broad marketing	Focused contracting
Communications		Alaska in the Lead	Get Ready
Finance		Austerity	Structure for third party funding
Regulatory		FERC filing	FERC filing completion
Technical (E&C)		Data transfer	Contracting and preparation for procurement and construction
HR		Policies (FCPA)	“Alaska First” workforce interface
IT		Data management	Leveraging of workforce/systems
Legal		Governance	Major contracting

- **No longer seeking LOI's or MOU's except for very select regional customers:**
 - Announced: 4; (Sinopec, Tokyo Gas, Kogas, PV Gas)
 - Confidential: 7
- **Focus will be on specific customer contracting:**
 - LNG sale and purchase agreements,
 - Underlying tolling agreements,
 - Gas supply agreements.

- **First half of 2017 messaging was “give us a chance, let the new structure and strategy have time to work.”**
- **Second half of 2017, especially post-China, was “this is real.”**
- **2018 we are now shifting to a “get ready”, “Alaska First” call to action.**
 - Interface with labor groups, regional organizations, general contractors and individuals.
 - Developing a system to gather and organize information from individuals and organizations that are interested in working on the Alaska gasline and LNG export project.
- **Preparing for community interface across Alaska with an emphasis on impacted areas.**
- **Continued awareness communications at federal and international levels.**

- **Preparing for funding authority to raise funds to take us to a 2019 FID and through 2019 pre-construction activities:**
 - Additional engineering work,
 - Completing the regulatory application,
 - Structuring for project financing,
 - Preparing for a share offering,
 - Building the organization,
 - Preparing for construction activities.
- **\$500 to 700 Million depending upon activities undertaken.**
- **AGDC is seeking Statutory Designated Program Receipt Authority (“SDPRA”) from the legislature, which will allow us to receive funds from third-parties.**
- **Investment Banker engagement to finalize structure and pursue third-party funding.**

Alaska LNG Capital Structure



- Base case: 42-inch, three train, 20 Mtpa design.
- Total Capital Cost = \$43.4 Billion.
- Potential for phased development.

Equity Requirement = \$11 Billion
Debt Requirement = \$32 Billion

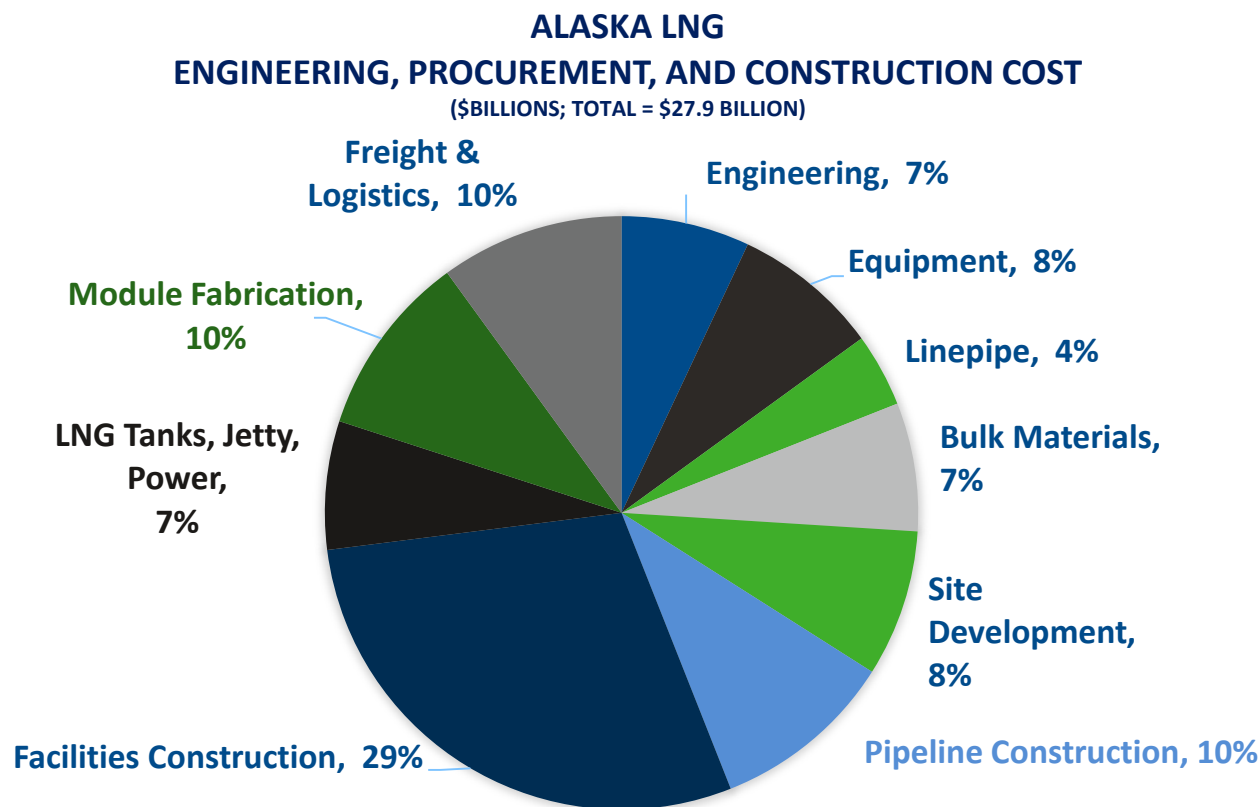
Construction (EPC*) Cost Estimate

- In developing the construction and capital cost estimate for the Alaska LNG system, **over \$600 Million in engineering, optimization, and project management was spent** over a two and a half year period.
- The resulting engineering, procurement and **construction cost estimate for the entire system is:**

\$27.9 Billion

* EPC = Engineering, Procurement, Construction

The \$27.9 Billion construction estimate is divided into various components and categories.



Alaska LNG EPC Cost	
	\$Billions
LNG	\$12.9
Pipeline	9.2
GTP	6.5
Optimization	(.7)
Total	\$27.9

Owner's Cost

- In addition to the construction cost, there are costs that the owners must bear; the largest of these costs is a Project Management Team (“PMT”) that will oversee the contractors building the project.
- The cost of the Project Management Team used in the Alaska LNG estimate is **\$3.4 Billion**.
- Additional Owner's Costs include FEED (\$764 Million); Insurance, operating organization and training, start-up, other (\$2.1 Billion) for a **Total Owner's Cost of \$6.2 Billion**.

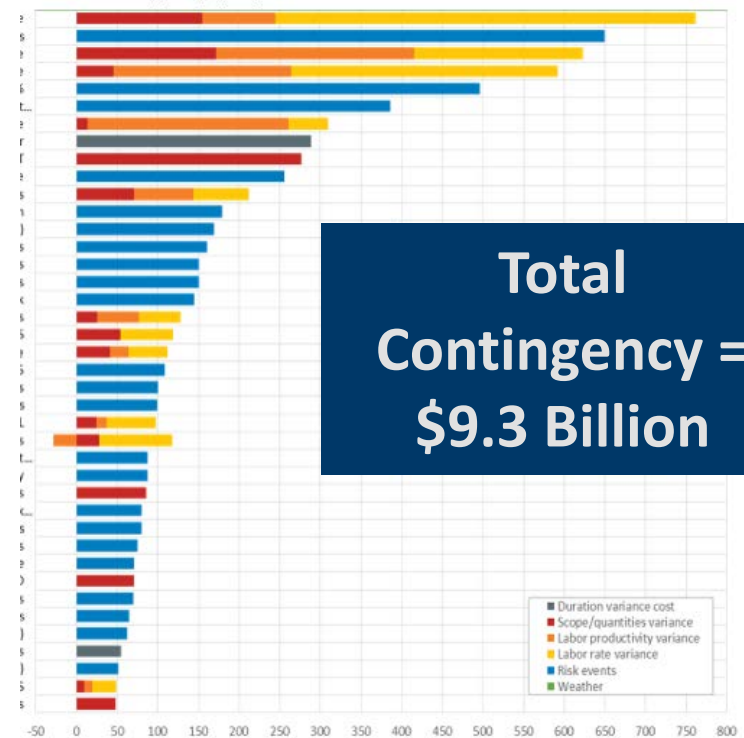
Total Owner's Cost = \$6.2 Billion

Total Base Cost = \$34.1 Billion

Alaska LNG Total Project Cost	
	\$Billions
Construction (EPC)	\$ 27.9
Owner's Costs	\$ 6.2
Subtotal Base Cost	<u>\$ 34.1</u>
EPC = Engineering, Procurement, Construction	

Overrun Risks and Contingencies

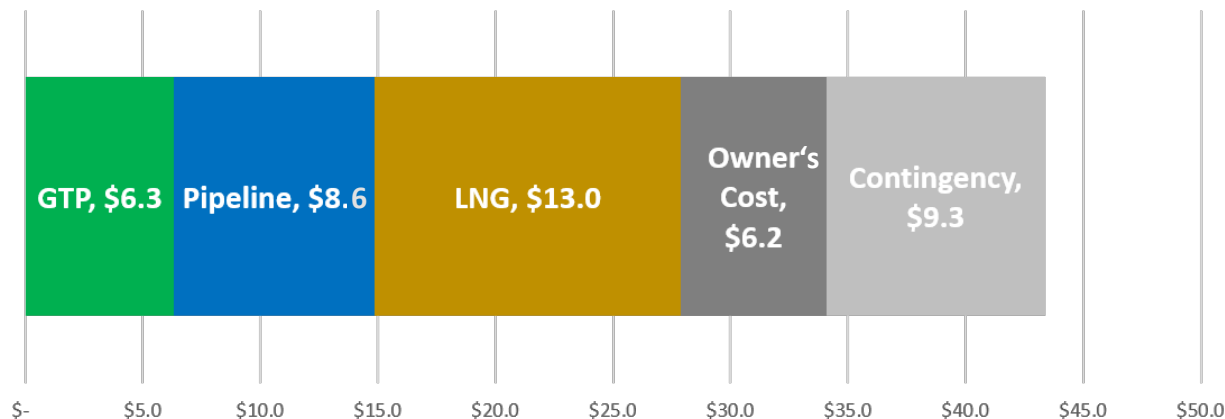
- During construction, many things may not go according to plan.
- To estimate the downside exposure of these risks, the major cost components were subject to a probabilistic simulation.
- The simulation produced the “tornado diagram” shown at right and identified a **potential exposure of \$7.7 Billion** if everything went against the project (specific variability by item is confidential).
- Additionally, with all going bad, the project management team and other **owner’s costs were increased by \$1.6 Billion.**



Total Project Cost

Total Project Cost = \$43.4 Billion*

Alaska LNG- Total Project Cost
(\$Billions)



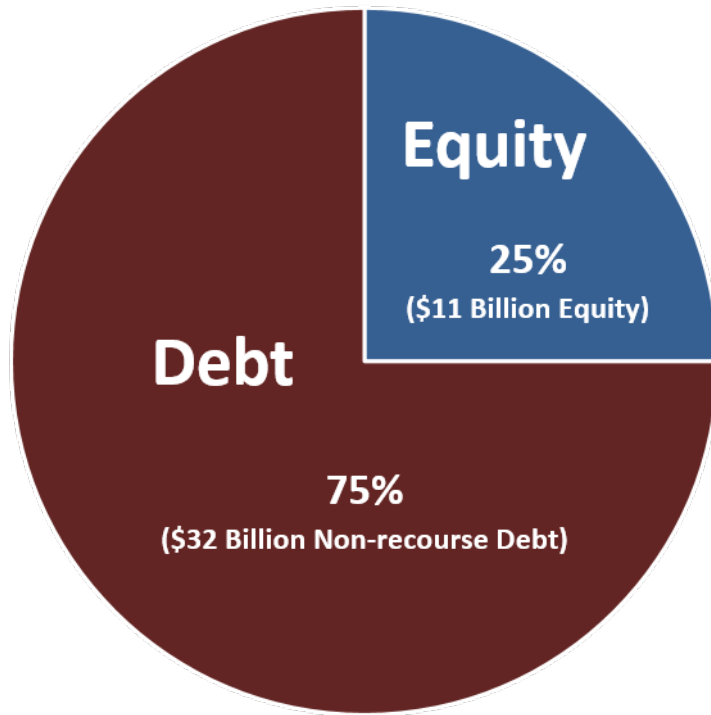
Alaska LNG Total Project Cost	
	\$Billions
Construction (EPC)	\$ 27.9
Owner's Cost	\$ 6.2
Subtotal Base Cost	\$ 34.1
Contingencies	\$ 9.3
Total Project Cost	\$ 43.4
EPC = Engineering, Procurement, Construction	

*This number is a highly probable number, but there are other risks that could increase the cost – earthquakes, war, new regulations.

- AGDC engaged Fluor to develop a, “zero based estimate” of the project to identify where potential savings off the base cost may exist and to adjust for inflation since the original estimate.
- Fluor identified a potential \$2 Billion in savings related to optimization and strategic sourcing.
- Additionally, AGDC has received informal input from a major contractor that they would perform the project management for significantly less than the \$3.4 Billion used in the base estimate.
- **None of these reductions have been incorporated into our cost estimate.**

Total Project Cost = \$43.4 Billion

Capitalization and Equity Requirement



\$11 Billion Equity requirement for project company.

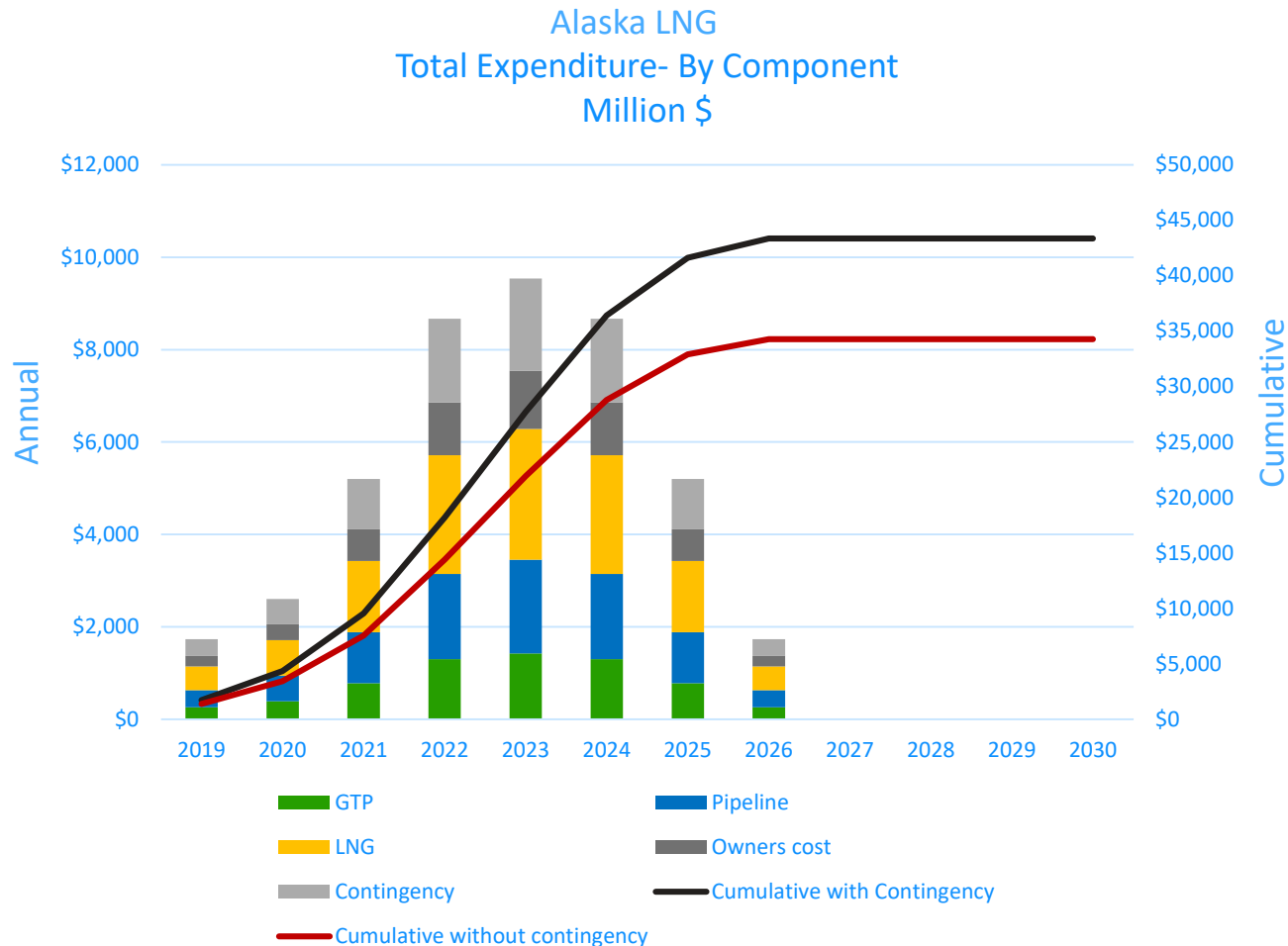
AGDC focus turns to equity funding.

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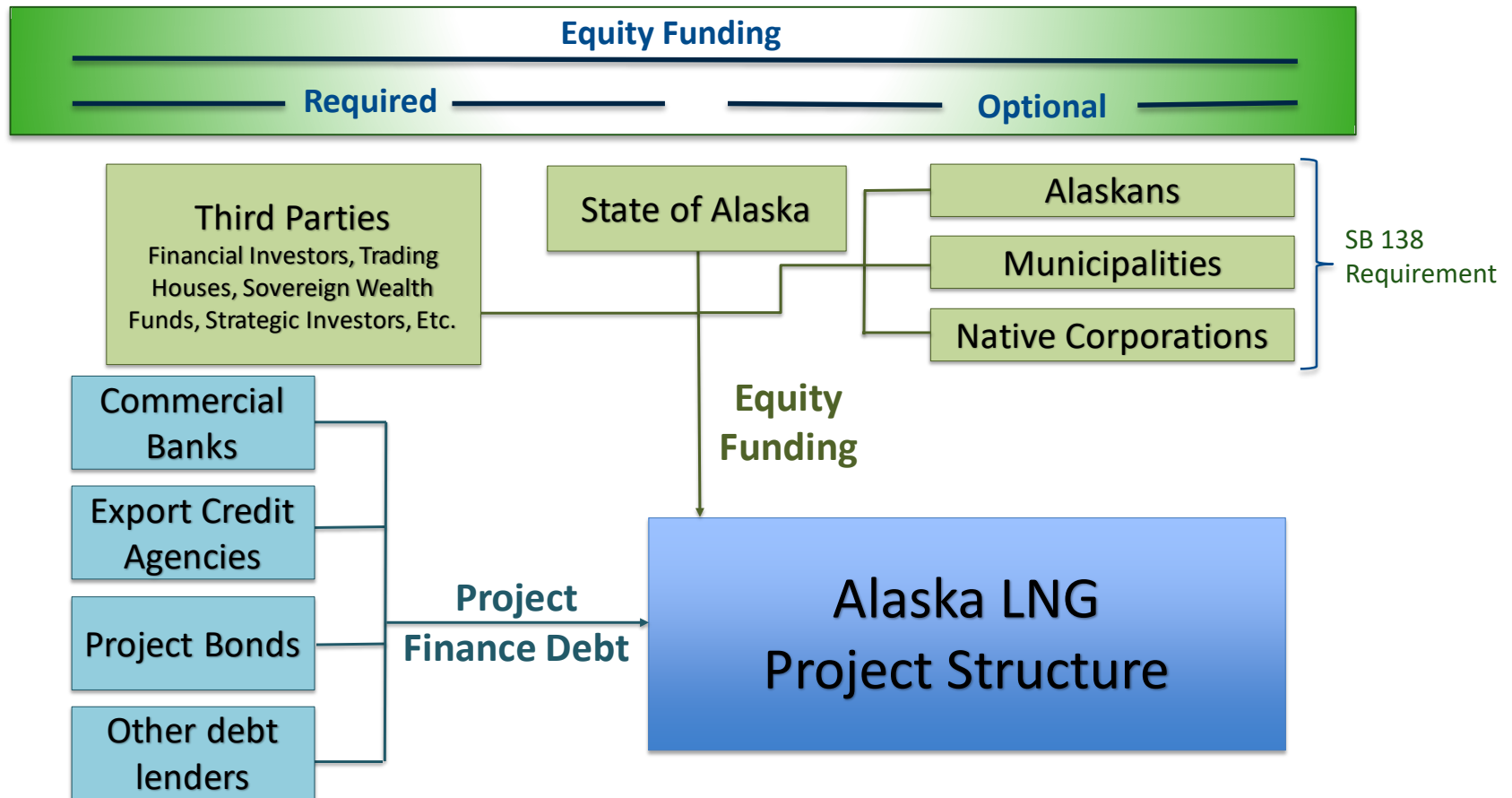
\$32 Billion debt secured with customer commitments.

Construction Draw Schedule

- Capital expenditure by component during construction phase.
- Construction commencing in 2019.
- Train 1 in-service Q3 2024; Train 2 in Q3 2025; Train 3 in Q3 2026.

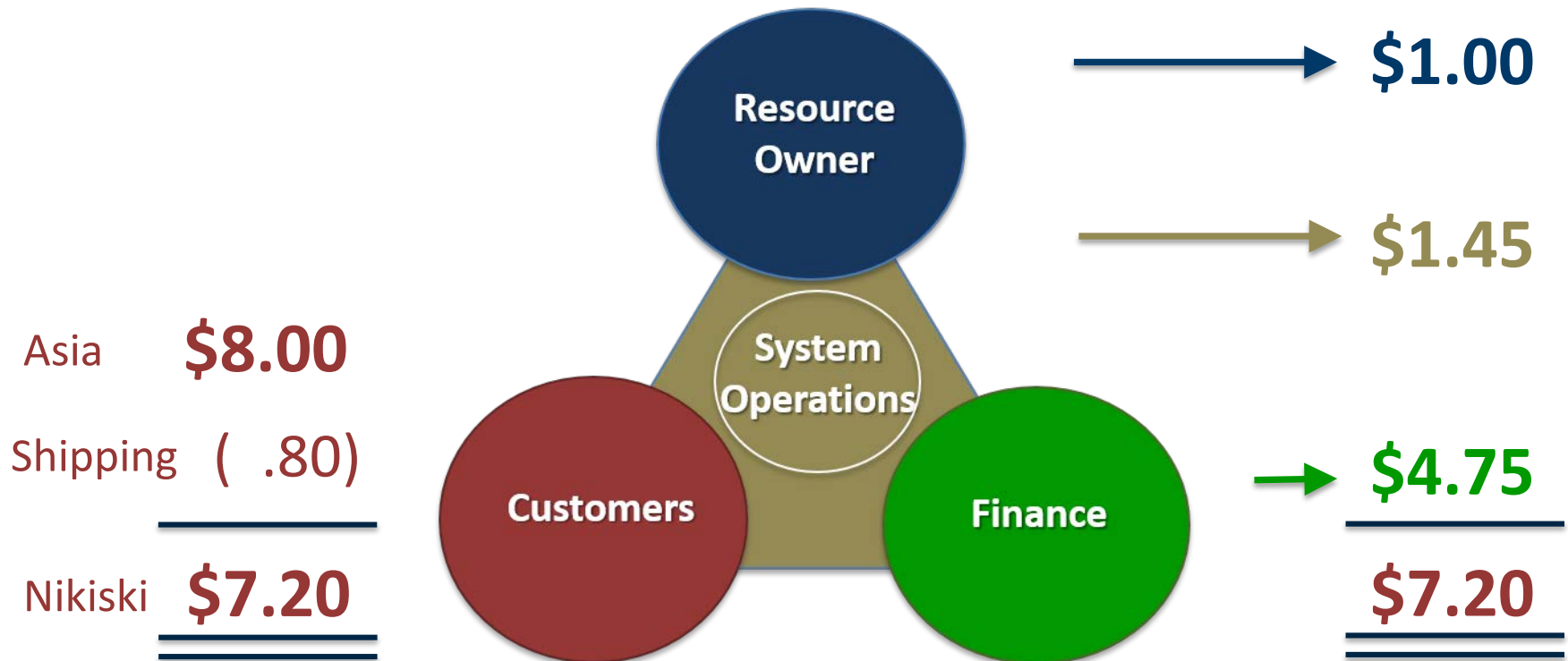


The project company must be structured to enable third parties to invest in the company.

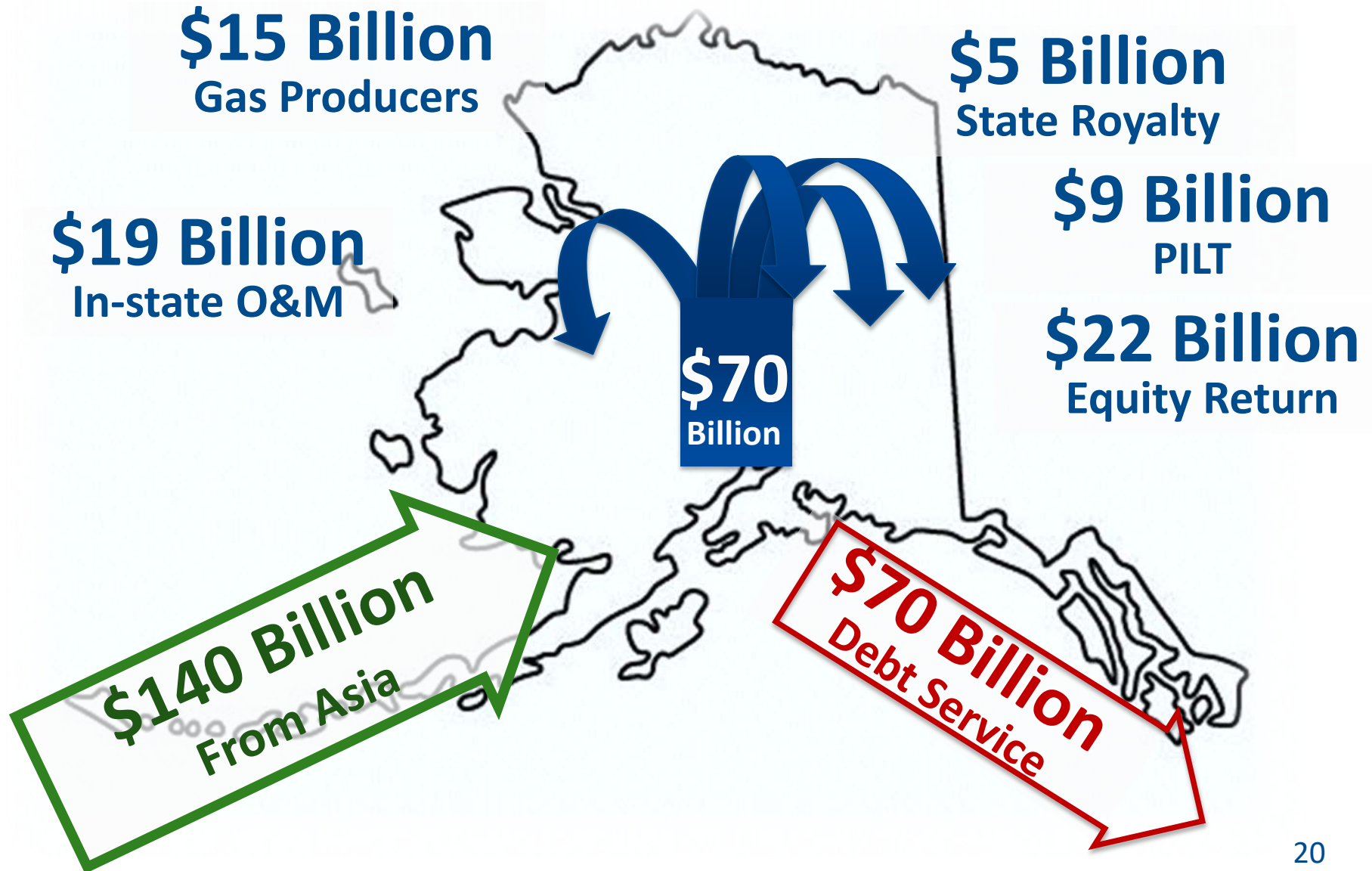


Balancing Three Drivers

- The project is economic to all stakeholders under the current structure.



First 20 Year's Operating Cash Flow



Communications Update

March 8, 2018



- **House Resources Committee Hearing:**

- Dec 4: Update on JDA, budget, activities to date.
- Jan 24: House Resources Committee.
- Jan 25: Senate Joint Resources & Finance Committees.
- Jan 25: Legislative Lunch & Learn, sponsored by Rep. Josephson.
- Feb 28: Senate Joint Resources & Finance Committees (*continuation*).

- **Legislative semi-monthly reports:**

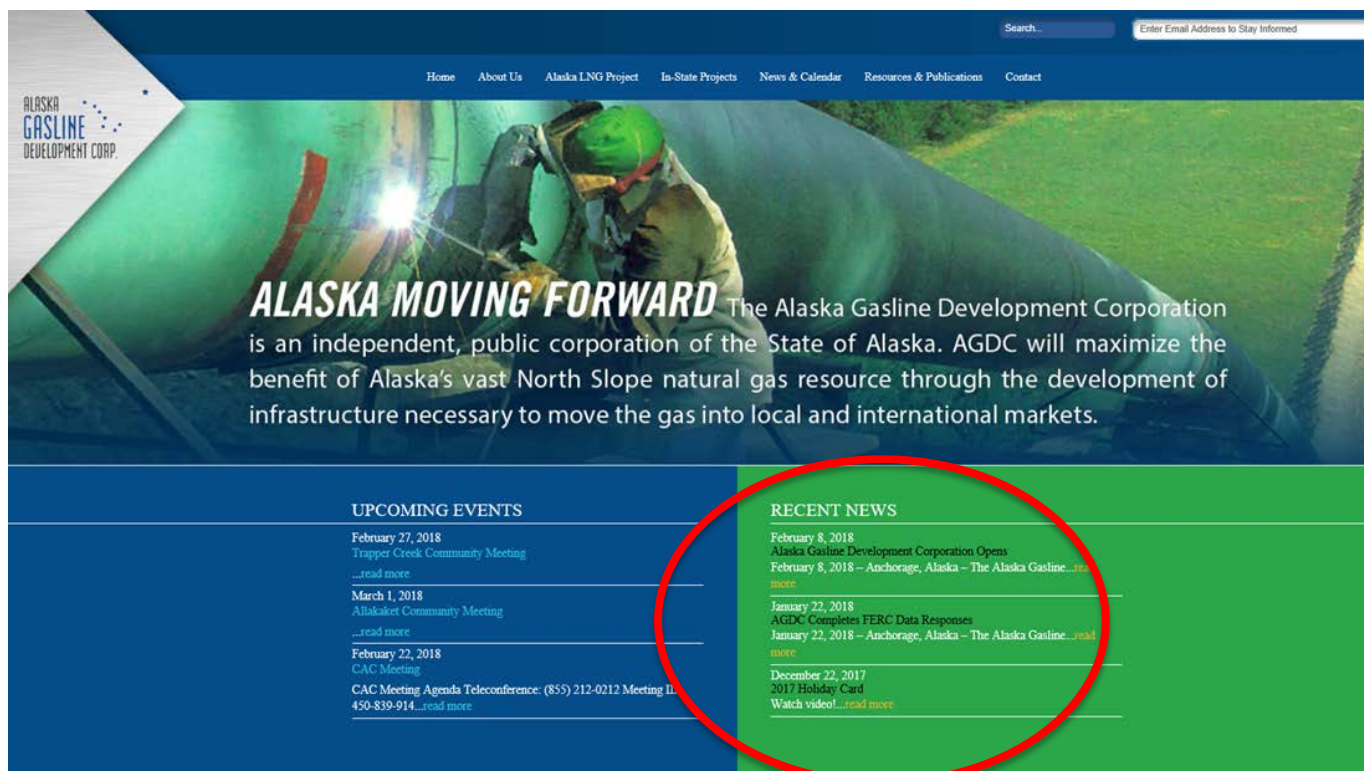
- Dec 15, Dec 29, Jan 15, Jan 31, Feb 15, Feb 28.

- **Individual meetings with Legislators:**

- Mat-Su Delegation Update, sponsored by Rep. Rauscher:
 - Senators Dunleavy, Hughes, and Wilson, along with staff members.
 - Representatives Johnson, and Tilton, along with staff members.

- **Press releases Distributed:**

- Dec 4: Alaska Signs Letter of Intent with Tokyo Gas.
- Jan 22: AGDC Completes FERC Data Responses.
- Feb 8: Alaska Gasline Development Corporation Opens Nikiski Office.



Visit agdc.us for all the latest news.

Newspaper Inserts

- Original insert continues to be distributed.
- April insert being drafted; focus on jobs/benefits.



Alaska and China Sign Historic Joint Development Agreement Developing America's Largest Energy Export Project

Beijing • China Nov 9, 2017



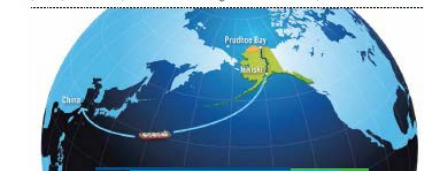
Senior executives from the State of Alaska, AGDC, Sinopec, CIC Capital Corporation, and Bank of China sign a historic Joint Development Agreement in front of U.S. President Donald J. Trump and China President Xi Jinping in Beijing, November 9, 2017.

ALASKA GASLINE DEVELOPMENT CORP.



中国投资有限责任公司
CHINA INVESTMENT CORPORATION
中国银行
BANK OF CHINA

Alaska is the closest U.S. export point to China, and holds one of the largest sources of proven, conventional, but stranded natural gas. China is an ideal partner for Alaska LNG.



What is Alaska LNG?

Gas Treatment Plant
The gas treatment plant will be located at Prudhoe Bay, processing natural gas from the Prudhoe Bay field. The gas will be processed to meet the requirements of the Alaska Gasline and LNG Project.

Alaska Gasline
The Alaska Gasline will be a 1,500-mile pipeline that will transport natural gas from the Prudhoe Bay field to the LNG Facility.

LNG Facility
The LNG Facility will be located at Prudhoe Bay and will process natural gas into LNG. The facility will have a capacity of 3.6 million tons per year.

LNG Carriers
A fleet of LNG carriers will transport the LNG to markets in Asia.

The Right Companies to Advance the Project

AGDC
ALASKA GASLINE DEVELOPMENT CORP.

SINOPEC
SINOPEC GROUP

CIC
CHINA INVESTMENT CORPORATION

BANK OF CHINA
BANK OF CHINA

How Does Alaska LNG Work?

Natural Gas is Primarily Methane
Natural gas is primarily methane, which is a clean-burning fuel. It is extracted from the ground and transported via pipeline to the LNG Facility.

LNG Facility
The LNG Facility will process natural gas into LNG. The facility will have a capacity of 3.6 million tons per year.

LNG Shipping
LNG will be transported to Asia via LNG carriers.

Asia LNG Markets
LNG will be sold to markets in Asia, including China, Japan, and South Korea.

Energy Resources

Oil	Gas
Oil is the primary energy source for Alaska.	Gas is the primary energy source for Alaska.

Mineral Resources

Gold	Coal
Gold is a valuable mineral resource in Alaska.	Coal is a valuable mineral resource in Alaska.

Did you know?

The Arctic Strategic Transportation and Resource Project (ASTRP) would create a road system used to further explore and develop northern Alaska. Past exploration projects have shown incredible potential that could add valuable oil and gas to the pipeline projects.

Did you know?

Most cargo vessels between Asia and North America transit through the Aleutians.

Did you know?

Every day more than twice the amount of gas needed for Alaska LNG is produced at Prudhoe Bay and transported into the ground.

Did you know?

China has 1.6 billion people, or about 25% of the world's population.

Existing corridors

Existing corridors are utilized to continue driving growth and a thriving economy in Alaska while preserving the natural beauty of our protected places.

Legend

- Alaska Gasline and LNG Project
- Alaska Gasline
- Alaska LNG Project
- Alaska LNG Project

Alaska Gasline and LNG are part of a well planned and responsible development future for Alaska.

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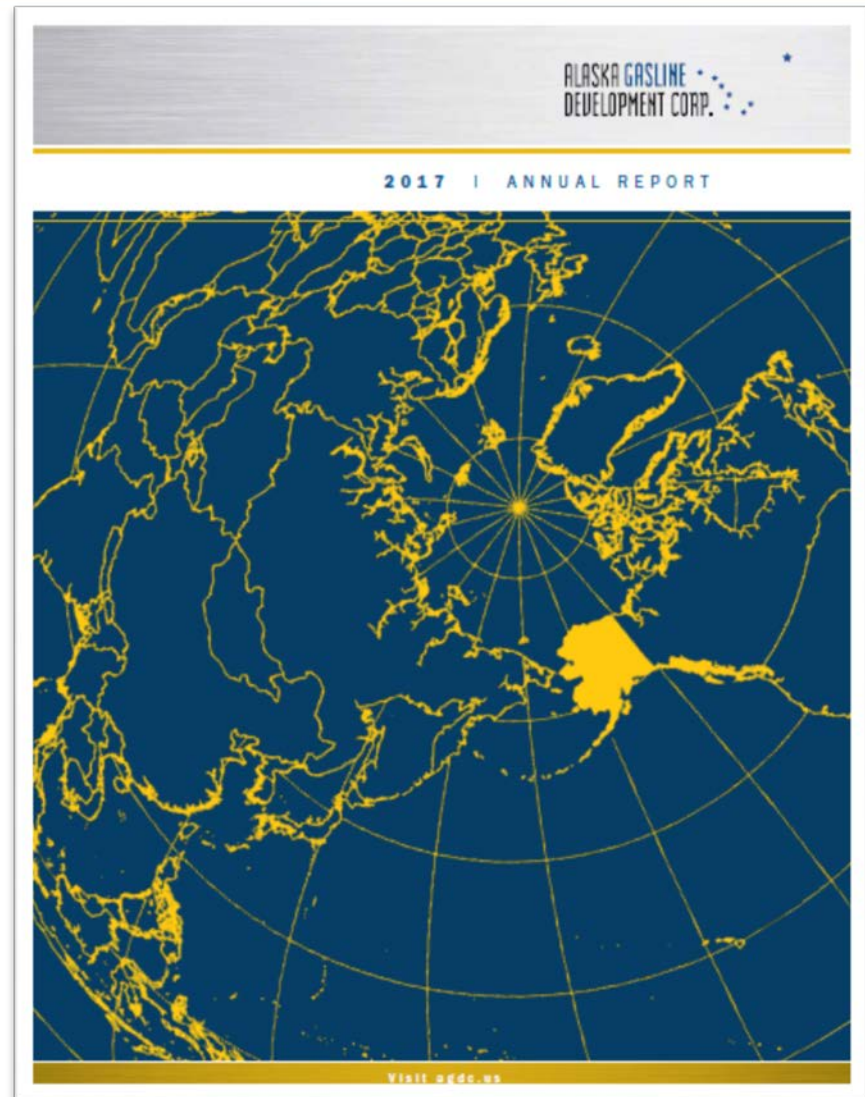
Legend

- Alaska Gasline and LNG Project
- Alaska Gasline
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- Alaska LNG Project

Growing with the Gasline

Annual Report

- **2017 Annual Report printed/distributed.**
- **Available at agdc.us.**

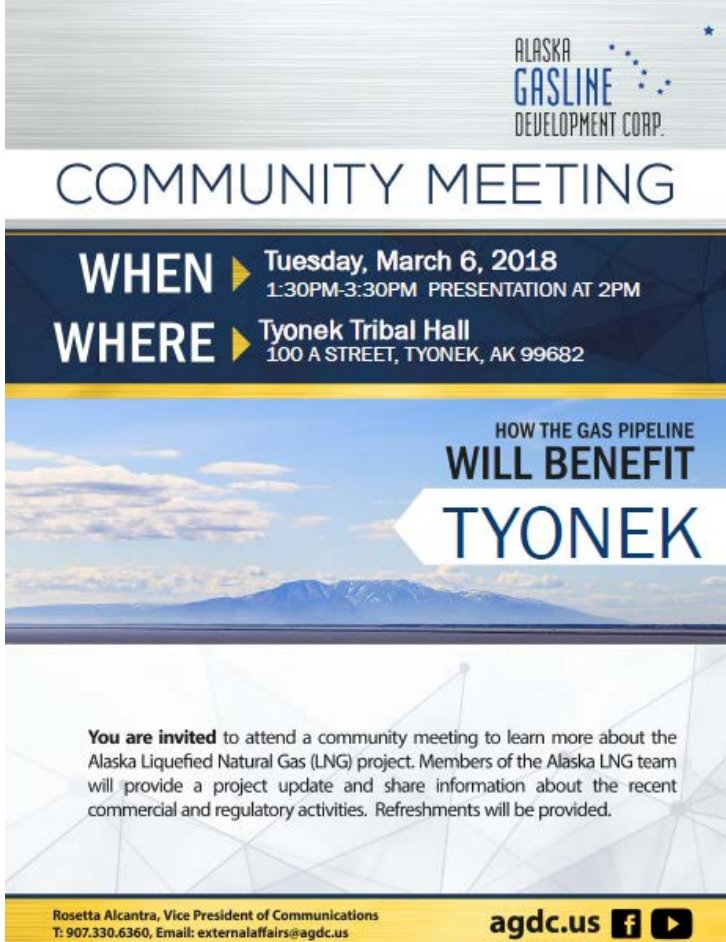


Community Meetings

• Community Meetings taking place February – May:

- Feb 20: Homer
- Feb 21: Seward
- Feb 27: Trapper Creek
- Mar 1: Alatna & Allakaket
- Mar 6: Tyonek
- Mar 20: Nenana & Anderson
- Mar 21: Fairbanks
- Mar 22: Minto
- Mar 27: Cantwell
- Mar 28: Healy
- Apr 3: Anaktuvak Pass
- Apr 4: Barrow
- Apr 5: Nuiqsut
- Apr 9: Bethel
- Apr 11: Kotzebue
- Apr 12: Nome
- Apr 17: Dillingham
- Apr 19: Unalaska
- Apr 24: Juneau
- Apr 26: Anchorage
- May 1: Mat-Su
- May 5: Nikiski
- TBD: Houston

**Note meetings are subject to change.*



ALASKA GASLINE
DEVELOPMENT CORP.

COMMUNITY MEETING



WHEN ▶ Tuesday, March 6, 2018
1:30PM-3:30PM PRESENTATION AT 2PM

WHERE ▶ Tyonek Tribal Hall
100 A STREET, TYONEK, AK 99682

HOW THE GAS PIPELINE
WILL BENEFIT
TYONEK

You are invited to attend a community meeting to learn more about the Alaska Liquefied Natural Gas (LNG) project. Members of the Alaska LNG team will provide a project update and share information about the recent commercial and regulatory activities. Refreshments will be provided.

Rosetta Alcantra, Vice President of Communications
T: 907.330.6360, Email: externalaffairs@agdc.us

agdc.us  

Community Meetings

• Messaging: Benefits to Alaskans, “Are you Ready?”

WHAT JOBS ARE AVAILABLE?

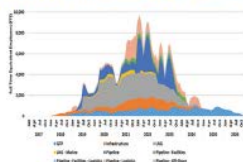
OUR GOAL ▶ TRAIN AND EDUCATE AN ALASKAN WORKFORCE WITH THE SKILLS NECESSARY TO BUILD AND OPERATE THE ALASKA LNG PROJECT.

ALASKA LNG LABOR STUDY

- ▶ Sharing results with Alaska Dept. of Labor and other stakeholders.
- ▶ Findings incorporated into Alaska LNG labor strategy.

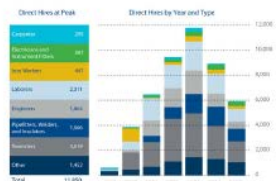
KEY FINDINGS

- ▶ Project labor demand exceeds current Alaska capacity; anticipate 9,000-12,000 direct jobs.
- ▶ Competing Alaska, USA, and global projects will challenge labor acquisition.
- ▶ Maximize use of Alaskans; focus on workforce development.
- ▶ Project labor agreements can minimize contingency and risk impacts to engineering, procurement and construction bidding.



AGDC AND DEPT. OF LABOR INITIATIVES

- ▶ Develop construction workers towards the legacy operation & maintenance jobs (anticipate 700-1,000 jobs).
- ▶ Coordinate training programs, University of Alaska, union, native corporations, and private.



TRAINING OPPORTUNITIES

Four main strategies to prepare Alaskans for a natural gas pipeline project.

1. Increase awareness of and access to career opportunities.
2. Develop comprehensive, integrated career and technical education programs.
3. Increase opportunities for registered apprenticeships and expand other structured training opportunities.
4. Increase opportunities for development of appropriate training programs for operations, technicians, and managers.

EMPLOYMENT EXAMPLES



WELDER

Fabricates and assembles metal structures and pipelines.



ELECTRICIAN

Install and maintain wiring, control and lighting systems.



MECHANICAL ENGINEER

Design power-producing machines.



CONSTRUCTION MANAGER

Determines material and labor costs, hires workers.

WHERE DO I GET TRAINING?

NORTHERN REGION

▶ **NOME**
1000 1st Street, Suite 100, Nome, AK 99560-1000
PHONE: 907-442-1000 • FAX: 907-442-1001

SOUTHWEST REGION

▶ **DILLINGHAM AND BETHEL**
DILLINGHAM: 500 WOOD AVENUE, DILLINGHAM, AK 99570-0400
BETHEL: 400 WOOD AVENUE, SUITE 100, BETHEL, AK 99509-0007
PHONE: 947-2000 • FAX: 947-2001

ANCHORAGE/MAT-SU REGION

▶ **ANCHORAGE MIDTOWN, MTN VIEW, WILDOON**
ANCHORAGE: 1000 1st Street, Suite 100, Anchorage, AK 99501-0000
MIDTOWN: 1000 1st Street, Suite 100, Anchorage, AK 99501-0000
WILDOON: 1000 1st Street, Suite 100, Anchorage, AK 99501-0000
PHONE: 907-556-1000 • FAX: 907-556-1001

INTERIOR REGION

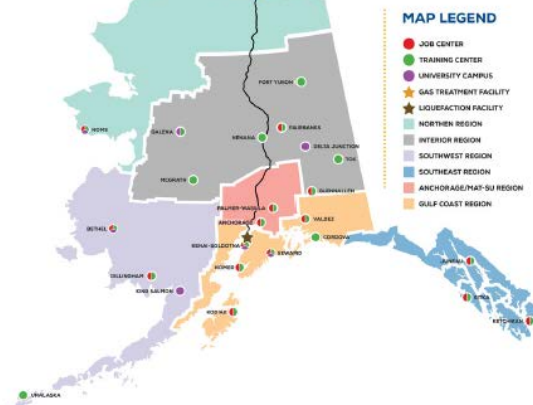
▶ **GLENNALLEEN, FAIRBANKS**
GLENNALLEEN: 1000 1st Street, Suite 100, Glennallen, AK 99723-0000
FAIRBANKS: 1000 1st Street, Suite 100, Fairbanks, AK 99701-0000
PHONE: 907-452-1000 • FAX: 907-452-1001

SOUTHEAST REGION

▶ **JUNEAU, KETCHIKAN, SITKA**
JUNEAU: 1000 1st Street, Suite 100, Juneau, AK 99801-0000
KETCHIKAN: 1000 1st Street, Suite 100, Ketchikan, AK 99901-0000
SITKA: 1000 1st Street, Suite 100, Sitka, AK 99801-0000
PHONE: 907-452-1000 • FAX: 907-452-1001

GULF COAST REGION

▶ **HOMER, KODIAK, KENAI PENINSULA, VALDEZ**
HOMER: 1000 1st Street, Suite 100, Homer, AK 99603-0000
KODIAK: 1000 1st Street, Suite 100, Kodiak, AK 99581-0000
KENAI PENINSULA: 1000 1st Street, Suite 100, Kenai, AK 99551-0000
VALDEZ: 1000 1st Street, Suite 100, Valdez, AK 99586-0000
PHONE: 907-452-1000 • FAX: 907-452-1001



CONTACT AGDC

GET INFORMED

Visit us on agdc.us to learn more about who we are, what we do, and what this project means for Alaska.

GET READY

Alaska LNG will need all the talent and skill Alaska has to offer. From construction to support, all job sectors will be in demand. Learn more about opportunities and what role you can fill by visiting the Alaska Department of Labor at labor.state.ak.us.

GET ENGAGED

Do you have questions? Do you want to track our progress? Follow us on Social media! We are constantly updating our followers with status updates, milestones and more. [Facebook.com/AGaslineDevelopmentCorp](https://www.facebook.com/AGaslineDevelopmentCorp)

ALASKA
GASLINE
DEVELOPMENT CORP.

3801 C Street, Suite 200 Anchorage, Alaska 99503
1.907.330.6360 AGDC.US

ALASKA LNG: BENEFITS TO ALASKANS

CREATES CONSTRUCTION AND LONG-TERM JOBS

- ▶ During the peak of construction Alaska LNG could create between 9,000 to 12,000 direct jobs.
- ▶ 700 to 1,000 long-term jobs created during the project operating phase (+ 30 years).

LONG-TERM SECURE SOURCE OF NATURAL GAS FOR IN-STATE DEMAND

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

INCREASE NORTH SLOPE OIL PRODUCTION

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

INCREASE REVENUE TO THE STATE OF ALASKA

- ▶ Alaska LNG will be the biggest economic driver in Alaska since the construction of the Trans Alaska Pipeline System (TAPS).
- ▶ Alaska LNG project will spur new resource development projects, including mining projects and other industrial and commercial developments.
- ▶ Low cost, clean burning natural gas will spur economic development for the next generation.

LOW COST ENERGY FOR ALASKANS

- ▶ The Alaska Gasline will provide low cost, clean burning natural gas to Alaska households and businesses for generations.



Project Momentum

- AGDC made top lists of Business Stories for 2017:

ALASKA Journal of Commerce

No. 4: Agreement in China highlights year for Alaska LNG

It was a year of promise for the Alaska Gasline Development Corp.

The state-owned corporation took over the immense Alaska LNG Project at the start of 2017 and by the end of the year touted agreements with six Asian companies looking to buy from or invest in the \$43 billion project.

AGDC held its first big event in early March, the Alaska LNG Summit in Girdwood. Corporate officials contended the closed-door marketing conference attracted several potential LNG customers.

By mid-April AGDC was making the biggest environmental impact statement application ever — approaching 60,000 pages — with the Federal Energy Regulatory Commission.

Gov. Bill Walker also spent an evening in Anchorage with China President Xi Jinping in April, who was on his way home after meeting with President Donald Trump. That meeting spawned a relationship that could pay dividends, according to the governor.

In June came the first of a string of nonbinding agreements: a memorandum of understanding with Korea Gas Corp., the second largest LNG buyer in the world.

The biggest news came Nov. 8 when Walker and AGDC President Keith Meyer signed a joint development agreement with three Chinese mega corporations in front of Xi and Trump in Beijing. That agreement, with oil and gas giant Sinopec, China Investment Corp. and Bank of China, is for up to 75 percent of the capacity of the project in exchange for 75 percent of its needed financing.

It preceded another MOU with PetroVietnam Gas Corp. and a letter of intent with Tokyo Gas.

2018 will go a long way towards figuring out if the promise can turn to substance.



Top Business Stories of 2017

COMPILED BY ALASKA BUSINESS STAFF

Published: December 22, 2017



Alaskans gather around and applaud US Interior Secretary Ryan Zinke after he signs a secretarial order directing interior agencies to review management and leasing of the North Slope NPR-A and to conduct a new oil and gas assessment of the coastal plain of the Arctic Wildlife Refuge coastal plain.

PHOTO BY ABM STAFF

Despite significant challenges, many of Alaska's businesses, associations, nonprofits, and other economic drivers—from colossal industry players to one-employee entrepreneurial operations—kept a steady keel as they navigated tough terrain in 2017. Alaska Business has pulled together a few news highlights from 2017 in celebration of the drive, innovation, longevity, and commitment each of these operations.

Alaska LNG

In November Alaska Governor Bill Walker signed the five-party joint development agreement for the Alaska liquefied natural gas (Alaska LNG) project. This historic signing is the most significant step toward finally monetizing Alaska's vast resources of natural gas. President Donald Trump and President Xi Jinping were present for the signing ceremony at the Great Hall of the People, underscoring the international importance of the agreement.

- **Facebook:**

- New video vignettes were filmed with CAC members in January.
- Reach, engaged users, and impressions nearly tripled due to a change in ad buying strategy and greater organic interest.



	LIKES	TOTAL REACH	ENGAGED USERS	TOTAL IMPRESSIONS
SEPTEMBER	56	3,557	158	5,325
OCTOBER	96	2,710	228	4,613
NOVEMBER	688	70,748	2,580	85,721
DECEMBER	1,157	129,748	4,964	155,016
JANUARY	1,730	39,352	1,180	44,678
FEBRUARY	2,325	96,595	3,319	120,408

- **LNG World Market Update:**

- Features LNG news from around the world.
- Distributed weekly.

- **Website:**

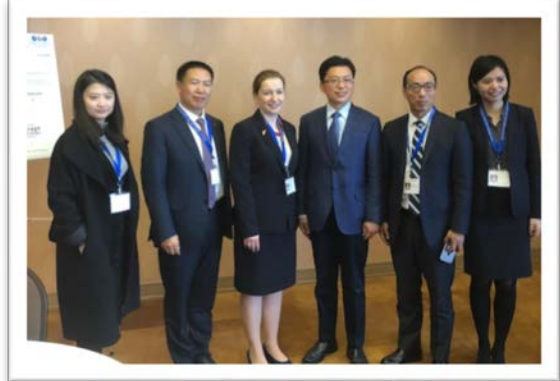
- Traffic to AGDC.US continue to grow.

MONTH	TRAFFIC VISITS
November 2017	4,928
December 2017	3,234
January 2018	3,030
February 2018	2,320

Community Outreach

- **Outreach to a variety of audiences:**

- Dec 1: UAF Engineering School.
- Dec 15: AFL-CIO Pre-Legislative Meeting.
- Dec 21: Kenai & Soldotna Joint Chambers.
- Jan 10: Kenai Peninsula Economic Development District Annual Industry Outlook Forum.
- Jan 19: Meet Alaska Conference.
- Jan 23: World Trade Center/China
- Feb 14: World Trade Center/Japan
- Feb 21: Alaska Support Industry Alliance.



Upcoming Activities

- **In-state:**

- Refine community outreach calendar.
- Develop “Alaska First” online database to track Alaskans interested in working on the project. Contact information and skill areas will be captured.
- Quarterly Newsletters to share project advancements.

- **National:**

- Ad campaign timed around industry events.
- Continued preparation for World Gas Conference, Washington DC.
- Support Regulatory team as needed.

- **International:**

- Assist with China Trade Mission scheduled for May 2018.
- Support Commercial team as needed.

Project Update

March 8, 2018



Frank Richards, P.E., Senior Vice President Program Management

- **FERC Section 3 Application & EIS Process:**
 - FERC Data Requests #1, 2, & 3:
 - 801 responses complete with final answers January 2018.
 - FERC Data Request #4:
 - 288 FERC comments with 279 Federal agency comments.
 - Completing initial response to FERC by March 7th, 2018.
 - Face to face meeting with FERC requested.
 - No response yet from Nov 16th letter to FERC:
 - Requesting they publish NEPA schedule.
 - Requesting they rely on ASAP SEIS and defer to USACE expertise on wetlands regulation.
 - FERC drafting Preliminary Administrative EIS (PAEIS).
- **FERC granted intervener status to Matanuska Susitna Borough.**
- **AGDC met with Matanuska Susitna Borough on February 27th to discuss Port McKenzie.**
- **USACE 404 Application:**
 - All 117 responses complete and undergoing review for March 15, 2018 submission.

- **NOAA Fisheries – Petition for Incidental Harassment:**
 - NOAA Fisheries has accepted the AGDC Petition for Incidental Harassment application as complete.
 - The Petition for Incidental Harassment will be public noticed in the next two weeks beginning the year long process for a Letter of Authorization.
- **Air Permits:**
 - Air Permit Applications - GTP submitted December 2017: Liquefaction submittal depending on delivery schedule of construction ambient analysis.
 - GTP Wind Tunnel Study- Review by ADEC/EPA complete and study approved as part of the GTP modeling protocol.
- **PHMSA:**
 - The Environmental Assessments (EA) of 4 Special Permits have been submitted to PHMSA.
 - The final draft of the Pipe-in-Pipe EA is being formatted for transmittal.
 - AGDC is working with PHMSA on providing clarifications and edits to the EA and special conditions.

- **Technical team participating with JDA negotiations.**
- **Materials engineering team travelling to China to meet with Sinopec Materials Team and visit steel and pipe mills.**
- **Meeting with ExxonMobil to discuss design alternatives to the Pt. Thomson transmission line from Pt. Thomson to Prudhoe Bay.**
- **Major studies underway:**
 - Updating Construction Execution Plan (as per FERC filing basis).
 - Updating workpad justification and collate former related responses into a single targeted document for FERC.
 - Developing Hydrotest Plan with specific water sources and disposal areas.
- **Kenai Spur Highway Re-route:**
 - Alternatives analysis complete in December; two alternatives selected primarily based on cost, disruption to community, ability to permit, and number of parcels to acquire.
 - Public meeting held on February 12, 2018.
 - Public comment period – ends March 15, 2018.
 - Follow up meeting presenting final alternative to be held end of 2nd quarter 2018.

- **PHMSA Activity:**
 - Pipe-in-Pipe Special Permit Application.
 - Provided responses to data requests – February 1, 2018.
 - Design Spill Package:
 - Requested review status meeting.
- **FEED-Entry Design Change Register:**
 - Styled after AKLNG Pre-FEED “Major Engineering Decisions Register.”
 - Examples:
 - LNG Storage Area Tertiary Berm.
 - Additional Jetty Sump Surveillance in support of 1-minute design spill.
- **Meeting held with City of Kenai to discuss LNG plant water usage on March 1, 2018:**
 - Feasibility established, costs similar to onsite water well development.
 - Practicality of City of Kenai water supply is much better than onsite wells.
 - Developing next steps in conjunction with City of Kenai.

- **Environmental, Regulatory and Land (ERL):**
 - USACE provided Jurisdictional Determination (JD) on wetlands impacted:
 - Significant milestone for project.
 - USACE revised Final Supplemental Environmental Impact Statement (FSEIS) schedule:
 - Publish Notice of Availability in May 2018.
 - USACE requiring near final cultural and wetland mitigation plans.
 - USACE continues consultation with NOAA Fisheries / USFWS under Section 7 of the Endangered Species Act.
 - Draft Programmatic Agreement (PA) developed for Cultural Resources.
 - Completing the Cultural Resource Management Plan (CRMP), to be submitted by April.
 - Workshop with USACE on Wetlands Mitigation Plan.
- **Engineering:**
 - Supporting ERL in discussions with USACE on wetlands and mitigation plans.

Commercial Update

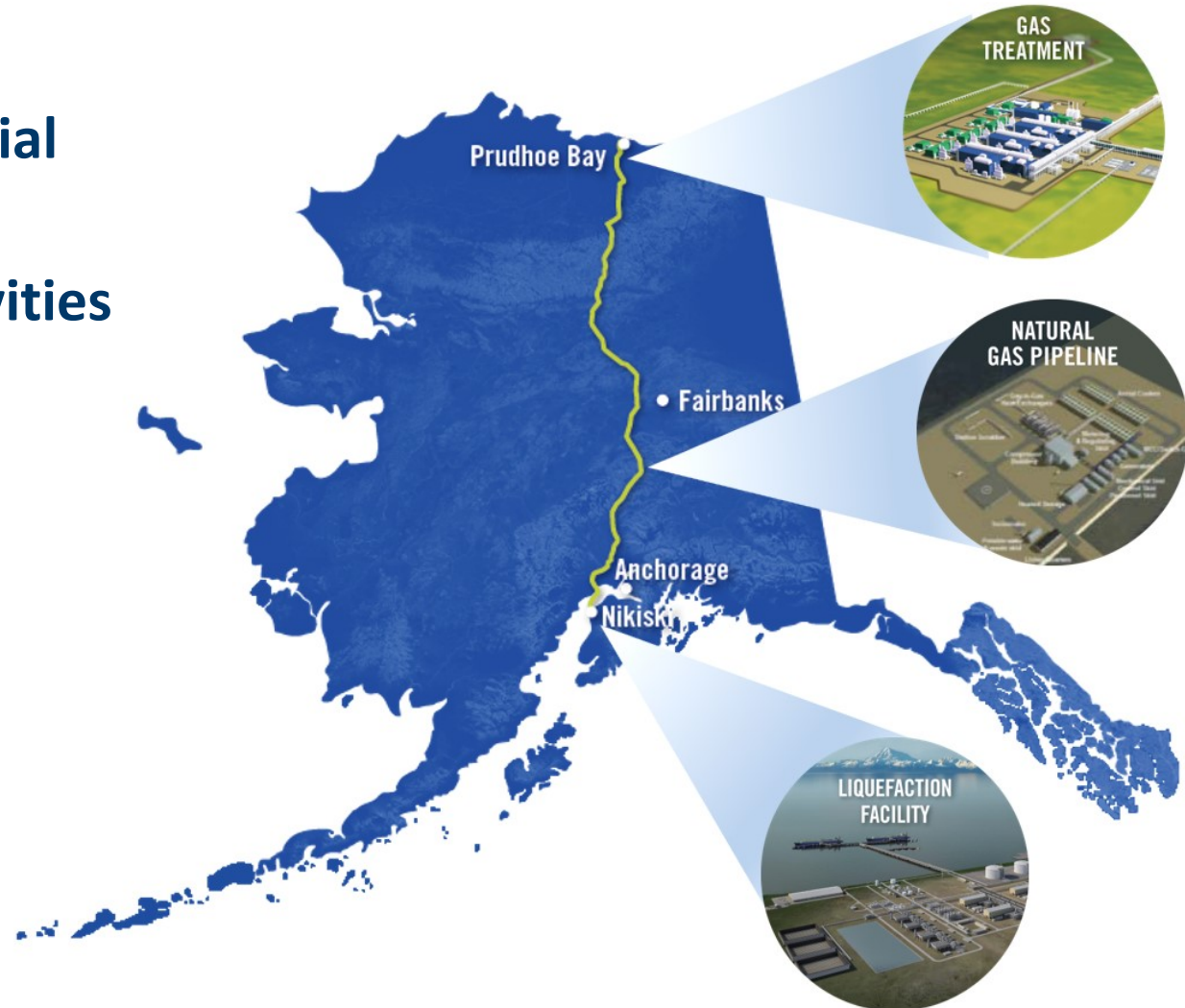
March 8, 2018

Lieza Wilcox, Vice President of Commercial and Economics



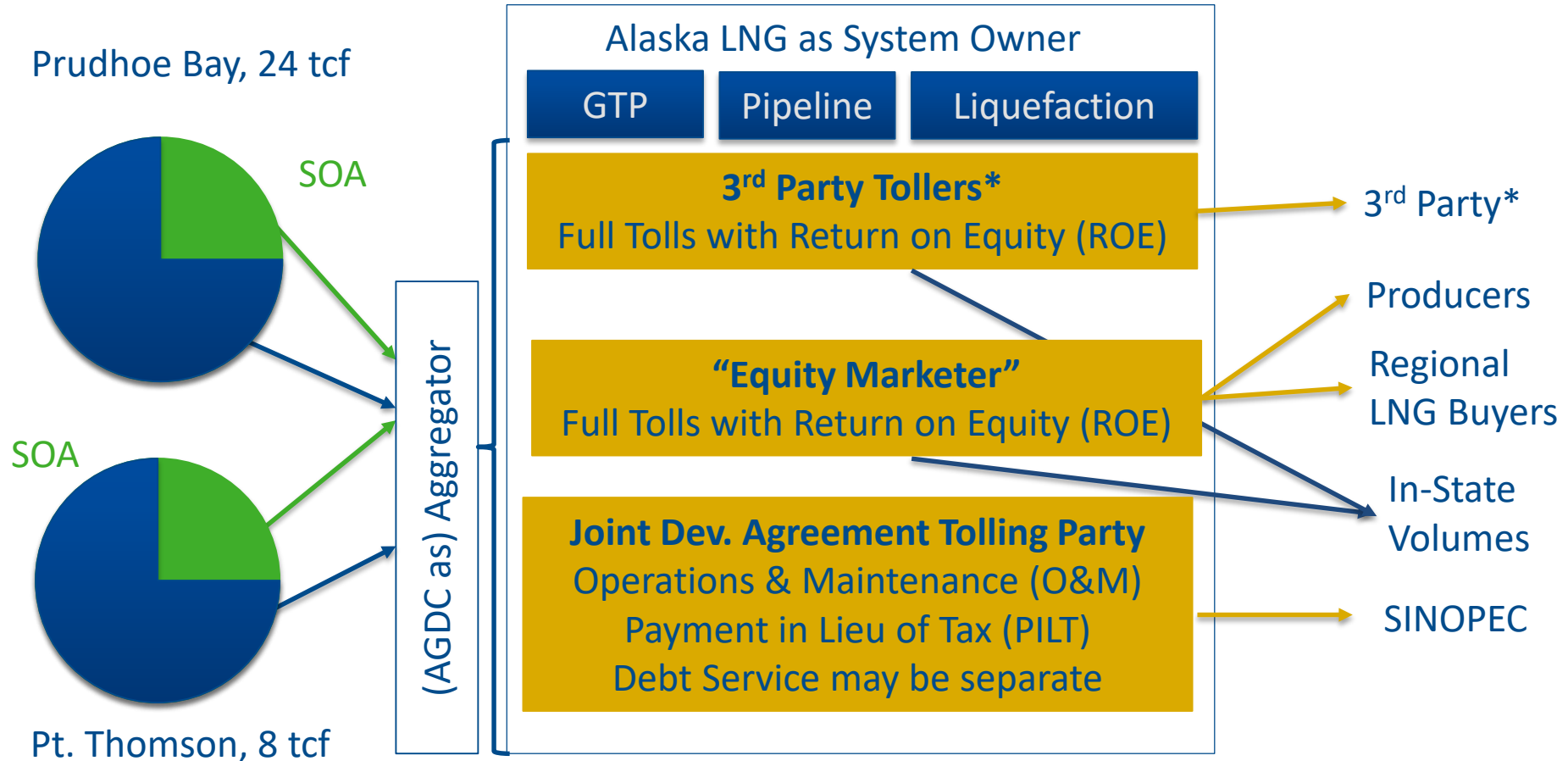
Commercial Update

- Project Commercial Structure.
- Commercial Activities Update.



- Hybrid merchant/tolling model:
 - Alaska LNG infrastructure will be owned by a project company, which in turn will be co-owned by AGDC.
 - AGDC, on its own or with other investors, will own a gas and LNG marketing company that will purchase gas and sell gas/LNG, and pay tolls to the project company.
 - Tolling agreements with Alaska LNG project company (or companies) will allow infrastructure investors to recover a stable return.
 - Gas purchasing/LNG selling entity does not take commodity pricing risk; costs of tolls and gas purchases are passed on to creditworthy buyers.

Project Commercial Structure



* Potential for other/future resource owners

- Project-Enabling Benefits of this Model:
 - Access to low-cost project financing.
 - Resolution of upstream gas balancing.
 - Allows third parties to utilize capacity on the system, sell gas into the project, and/or offtake LNG.
 - AGDC's income from project participation remains exempt from federal tax.
 - State receives upstream revenue from gas purchases, and ultimately AGDC's income.

- Joint Development Agreement (JDA):
 - Contract framework package under development.
 - Ongoing meetings with all parties.
 - Upcoming technical/commercial team meetings and project site familiarization in Alaska.
- Other Asia marketing activities:
 - Detailed LNG Sale and Purchase Agreement (SPA) being finalized for late March rollout to LOI parties.
- Gas Purchasing:
 - Ongoing negotiations on gas purchases and sales with all upstream gas providers.
 - DNR has begun Royalty-in-Kind evaluation process.
- Financing:
 - DOR employee has joined AGDC team for financing plan development and oversight (Maria Tsu).

Resolution

March 8, 2018

RESOLUTION 2018-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA GASLINE DEVELOPMENT CORPORATION AUTHORIZING THE PRESIDENT TO FORMALLY ENGAGE INVESTMENT BANKS FOR ALASKA LNG

WHEREAS, under AS 31.25.080, AGDC may develop and finance a pipeline system and other related natural gas facilities to advance the Alaska LNG Project ("Alaska LNG");

WHEREAS, in relation to Alaska LNG's financing activities, AGDC sought investment banks to serve as financing arrangers, underwriters, and/or placement agents for the possible issuance of equity or debt securities by AGDC or its affiliates;

WHEREAS, AGDC, in conjunction with AGDC's Independent Registered Municipal Advisor ("IRMA") and the Alaska Department of Law, are negotiating terms with two investment banks ("Investment Banks") in separate engagement letters (each an "Engagement Letter") and collectively the "Engagement Letters") to have the Investment Banks serve as AGDC's financing arrangers, underwriters, and/or placement agents for Alaska LNG; and


WHEREAS, AGDC will continue to negotiate the Engagement Letters and seeks Board authorization to execute the Engagement Letters when finalized,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA GASLINE DEVELOPMENT CORPORATION THAT:

1. After the AGDC Governance Committee has reviewed the final Engagement Letters, and subject to the Governance Committee choosing to exercise its discretion to refer the Engagement Letters to the Board for approval, AGDC shall sign and execute the Engagement Letters with the Investment Banks to engage them as AGDC's financing arrangers, underwriters, and/or placement agents for Alaska LNG.
2. The President and his or her designee(s) are hereby authorized and directed to execute and deliver any and all papers, documents, and instruments, and to carry out all acts necessary to effectuate this Resolution.
3. This Resolution shall take effect immediately.

PASSED AND ADOPTED THIS 8th DAY OF MARCH, 2018.

BOARD OF DIRECTORS OF THE ALASKA
GASLINE DEVELOPMENT CORPORATION

By: 
Chair
Dave Cruz

Financial Update

March 8, 2018



Expenditures and Projected Funds

Summary of Expenditures and Projected Fund Balance

Expenditures by Major Activity (\$000s)	Spent (Jan 17-Jan 18)	FEB	MAR	APR	MAY	JUN	Total
Communications	940	60	60	60	76	106	1,300
Commercial (Agreements and Marketing)	6,606	526	526	526	526	526	9,236
Project Finance	-	105	255	255	260	260	1,136
Regulatory (FERC Effort)	19,652	1,490	1,490	1,490	1,490	1,490	27,102
LSTK FEED Prep (Prepare for FID)	-	1,861	1,890	2,061	2,125	2,509	10,445
AGDC Corporate (Operating)	9,719	866	866	866	866	866	14,047
Total Expenditures	36,917	4,907	5,086	5,257	5,342	5,756	63,266

Projected Fund Balance (\$000s)	(Dec 2016) Balance	Draw Down (Jan 17-Jan 18)	- FEB	- MAR	- APR	- MAY	- JUN
AKLNG Total	79,720	(28,453)	47,271	43,113	38,800	34,411	29,647
ASAP Total	26,410	(8,464)	17,035	16,107	15,162	14,210	13,217
Remaining Balance	106,130	(36,917)	64,305	59,219	53,962	48,620	42,864

Forecasted Spend Estimate and Forecasted Balance Estimate.



Note: Numbers are rounded to the nearest thousand.

Operating Budget Variance Analysis

Reporting Period July 2017 to January 2018 Fiscal Year (FY) 2018

Fiscal Year					
Operating Expenditures (\$000s)	Full FY18 Budget	FY18 YTD Actuals	FY18 YTD Budget	FYTD Variance (Under)/Over	Percent Spent
Account					
Personal Services	6,365	2,857	3,713	(856)	45%
Travel	600	285	350	(65)	47%
Services	2,771	1,539	1,616	(77)	56%
Commodities	650	312	379	(68)	48%
Depreciation		23	-	23	-
Operating Total	\$ 10,386	\$ 5,015	\$ 6,059	\$ (1,043)	48%

Variance Drivers:

- **Personal Services-** AGDC current In-House Full Time PCN headcount is 19 verses budgeted headcount of 25.
- **Services** –General Counsel position vacancy.
- **Vacant positions** need to be filled; as project activity intensifies the need will become more acute.

Fiscal Year					
Operating Expenditures (\$000s)	Full FY18 Budget	FY18 YTD Actuals	FY18 YTD Budget	FYTD Variance (Under)/Over	Percent Spent
Department					
Executive Team	3,111	1,507	1,815	(307)	48%
Commercial Team	872	458	509	(50)	53%
External Affairs Team	1,129	571	659	(88)	51%
Legal Team	200	98	117	(18)	49%
Finance Team	1,390	563	811	(248)	40%
Admin Services Team	2,201	1,012	1,284	(272)	46%
IT Data Mgmt Team	1,483	805	865	(60)	54%
Operating Total	\$ 10,386	\$ 5,015	\$ 6,059	\$ (1,043)	48%

Capital Budget Variance Analysis

Reporting Period January 2017 thru January 2018

Capital Expenditures (\$000s)	Actual Spend Jan 17 to Jan 18	Budget Jan 17 to Jan 18	Variance
Regulatory/Program Management	19,652	37,747	(18,095)
Commercial	6,606	19,739	(13,133)
Communications	940	1,564	(624)
Capital Total	\$ 27,198	\$ 59,050	\$ (31,852)

Expenditures by Fund (\$000s)		Actual Spend Jan 17 to Jan 18	Budget Jan 17 to Jan 18	Variance
AKLNG (1235)		24,565	53,352	(28,786)
ISG (1229)		2,633	5,699	(3,066)
Capital Total		\$ 27,198	\$ 59,050	\$ (31,852)
AKLNG (1235)	40% of Operating	3,888	4,501	(613)
ISG (1229)	60% of Operating	5,831	6,751	(920)
Total Operating		\$ 9,719	\$ 11,252	\$ (1,533)
AKLNG (1235)		28,453	57,853	(29,401)
ISG (1229)		8,464	12,450	(3,986)
AGDC Total		\$ 36,917	\$ 70,302	\$ (33,385)

Variance Drivers:

Significant austerity program was implemented to extend potential use of allocated funding

Regulatory:

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

Commercial:

- Timing – Related to AFE activity ramp up and vendor engagement.
- Elected deferrals including:
 - Financial Advisor Selection.
 - Legal Counsel.
- Efficiency Gains:
 - Use of internal resources for drafting of term sheets and LOIs.
 - Continuity of effort with no work stoppages.
- Ramp up of activity is planned in 2018.

Capital Expenditure

Reporting Period January 2017 thru January 2018

Authorization for Expenditure (AFE) (\$0,000)	AFE Activity Group	AFE Activity Element	Actuals Spent CY2017	Actuals January 2018	Actuals Jan to Jan Total
Regulatory	Regulatory Core Activities	FERC	10,729	1,121	11,850
		AK LNG Cash Calls	1,353	0	1,353
		AKLNG Physical Asset Mgmt.	108	(0)	108
		Core Embedded Technical Team	4,014	390	4,404
		In State Gas Delivery	164	0	164
		Supplemental Environmental Impact	1,652	121	1,773
Regulatory Total			18,020	1,631	19,652
Commercial	Business Development	Agreements	2,811	577	3,389
		In-State-Gas	113	13	126
		Project Marketing	2,551	186	2,736
	Business Development Total		5,474	776	6,250
	Project Finance	Project Financing / Analysis	297	58	355
	Project Finance Total		297	58	355
Commercial Total			5,771	834	6,605
Communications	Collateral	Marketing Material	164	(7)	158
	Outreach	Engagement	194	52	246
	Tradeshows	AGDC LNG Promotions & Outreach	570	(34)	536
Communications Total			928	12	940
Grand Total			24,720	2,477	27,197

FY2019 Budget Request

Statutory Designated Program Receipt Authority (SDPR)

What is Statutory Designated Program Receipt Authority (SDPR)?

- SDPR gives AGDC the ability to receive third-party funds.

Why does AGDC want third-party funds and SDPR ?

- To continue to advance the project without requiring the state to provide funding.

SDPR is Not

- A request for additional appropriation.
- An obligation or pledge of the State of Alaska's credit (as per A.S. 31.25.240.)

Get Involved.

Get Ready.

Get Engaged.



agdc.us

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 Alaska Gasline Development Corporation