Alaska LNG Project Interim President's Report

March 6, 2019







- Alaska LNG Project Pre-Front End Engineering and Design (Pre-FEED) completed in 2016 under the Joint Venture Agreement.
- Funding constraints prevented FEED initiation.
- Project leadership transitioned to AGDC in late 2016.
- FERC permitting initiated to de-risk Alaska LNG in 2017. Final authorization expected in 2020.
- Commercial potential defined through non-binding agreements. Gas purchase term sheets completed with two Alaska producers.
- Reinitiate stage-gate process to make informed decisions about project potential and feasibility.
- Spending refocused on core permitting and commercial activity.
- Engage third parties with the expertise and resources needed to complete the project.



• Recommitting to original Alaska LNG design:

- Transmission lines from Prudhoe Bay and Point Thomson;
- North Slope Gas Treatment Plant;
- ~800 mile, 42" steel pipeline with multiple in-state offtakes; and
- 3-train LNG terminal at Nikiski to produce 20 Million Tonnes Per Annum (MTPA) of LNG.

• Engage third-party expertise:

- Project schedule under review to incorporate updated assumptions.
- Identify opportunities for value engineering to lower project Total Installed Cost (TIC).
- Timely and technically advanced responses to obtain permits as rapidly and cost-effectively as possible.

Commercial Path Forward

• Review:

- Economic model;
- Financing options and strategies;
- Equity and debt capital costs, Internal Rate of Return (IRR), and tax structure.
- Update costs and assumptions to assess economic viability.
- Continue fostering commercial relationships with potential buyers (and their sovereigns) and investors in the worldwide LNG market leading to completed agreements.

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Next Steps:

- Model economics based on updated costs and assumptions.
- Review resulting competitive position and potential of the project.
- Value engineering and TIC reductions reflecting industry advancements.
- Complete regulatory process.
- Continuous stakeholder engagement including board, administration, DOR, DNR, state legislature, and others.



• AGDC will only pursue Alaska LNG if project viability is assured:

- AGDC will continue work towards receiving the license from FERC for Alaska LNG.
- AGDC will seek third-party support from qualified, experienced LNG project owners and operators to build, own, and operate the project.

Budget Savings



Reductions to allow AGDC to extend remaining funding.

FY2019 AGDC Contract Reductions		eduction	
(\$0,000)	Value		
Contract labor reduced by 16 FTEs	\$	2,567	
Leased office space reduced by 8,327 sq. ft.	\$	125	
Legal support and consultants reduced by	\$	2,308	
Totals	\$	5,000	

Reductions Commentary

- In step with Alaska's fiscal reality.
- Right size organization for narrower marketing focus.
- Continue to advance FERC process.
- Corporate structure and decisions focused on Alaska LNG.

Notes: FTEs-Full time equivalent Sq. ft.- Square Feet



AGDC Financial Summary	FY2017		FY2018		F	Y2019		
(\$0,000)	Actuals		Actuals		Pi	ojected	Totals	
Communications	\$	415	\$	1,217	\$	1,055	\$	2,687
Commercial	\$	2,596	\$	6,669	\$	6,645	\$	15,910
Project Finance	\$	232	\$	657	\$	1,006	\$	1,895
Regulatory/Technical	\$	4,652	\$	5,226	\$	4,321	\$	14,199
FERC Support	\$	4,532	\$	11,698	\$	11,195	\$	27,425
Capital Budget Total	\$	12,427	\$	25,467	\$	24,222	\$	62,116
Operating Budget	\$	4,703	\$	9,223	\$	9,737	\$	23,663
Totals	\$	17,130	\$	34,690	\$	33,959	\$	85,779

Fund Balance End of Period	\$	89,000	\$	54,309	\$	20,348
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Notes:

- 1. FY2017 is a partial year reporting structure not in place prior to January 2017.
- 2. Projected fund balance does not include the January 28, 2019 \$5M re-appropriation. Fund balances are end of period.

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Commercial Update

Lieza Wilcox, VP Commercial and Economics March 6, 2019





Commercial Team Update



- Marketing effort re-focused as Alaska LNG undergoes a project stage gate review
- Cost reductions
 - Centralizing operations in Anchorage
 - Closed the Houston office and reduced staff
 - Near Term Goals
 - Continue commercial relationships with key customers to keep a strong foundation for concluding long-term contracts for Alaska LNG supply in the future
 - Support AGDC and SOA stage-gate review of the project's economics and viability
 - Engage in discussions to create a structure that includes qualified project operator(s)

- Commercial Team shifting focus from marketing LNG to engaging companies to participate in the project and maintaining relationships
 - LNG offtake agreements will be necessary for project financing
- Held meetings with Japanese companies to provide update on current project status and stage gate process after CWC Japan LNG & Gas Summit
 - Conference discussed:
 - Japan's gas and LNG industry outlook and its position in global markets
 - Japan's international investment strategy
 - Asian LNG trading and Japan's role
 - Latest trends and business models in project finance
 - Feedback on Alaska LNG remains favorable



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Defining Success in Stage Gate Process ALASKA GASLINE

- Demonstrate a path to deliver returns sufficient for private investment and financing
- Engage qualified project operator(s) and attract participants with world-class LNG project experience to minimize risk
- Ensure that AGDC's statutory objectives are met
 - Deliver natural gas in-state for the maximum benefit of Alaskans
 - Provide economic benefits within and revenue to the state
 - With DNR and DOR, maximize value of the state's royalty and tax-as-gas (TAG) gas

Online - AGDC.us





@AKGaslineDevelopmentCorp

Technical and Regulatory Project Update

Frank Richards, Senior Vice President of Program Management March 6, 2019



Environmental & Regulatory Milestones

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Alaska LNG Project:

- Draft Environmental Impact Statement (DEIS) June 2019.
- Public meetings Scheduled on release of DEIS; Locations and dates set by FERC.
- AGDC review and comment on DEIS.
- Timely response to additional FERC data requests.
- Final Environmental Impact Statement March 2020.

Environmental & Regulatory



FERC Section 3 Application & EIS Process

- FERC Environmental Data Requests:
 - Data Request #5 hydraulic modeling request complete.
 - Data request #6 173 (of 193) responses for DEIS completed Dec 21, 2018; 20 remaining responses for FEIS due by September 2019.
- FERC Engineering Data Requests:
 - Data Request #1 Received Dec 26, 2018, 91 requests: geotechnical, process and security design, hazardous materials, fire protection, engineering standards, etc.; Initial response submitted on January 15, 2019 with response schedule through June 2019.
 - Data Request #2 Received Jan 15, 2019, 83 requests. Hazard mitigation, process design, fire protection; Initial response submitted on February 4, 2019 with response schedule through July 2019.
- MSB Port MacKenzie response to MSB January 25, 2019 comments submitted on Feb. 13, 2019.
- FERC Draft EIS Scheduled June 2019.

Environmental & Regulatory

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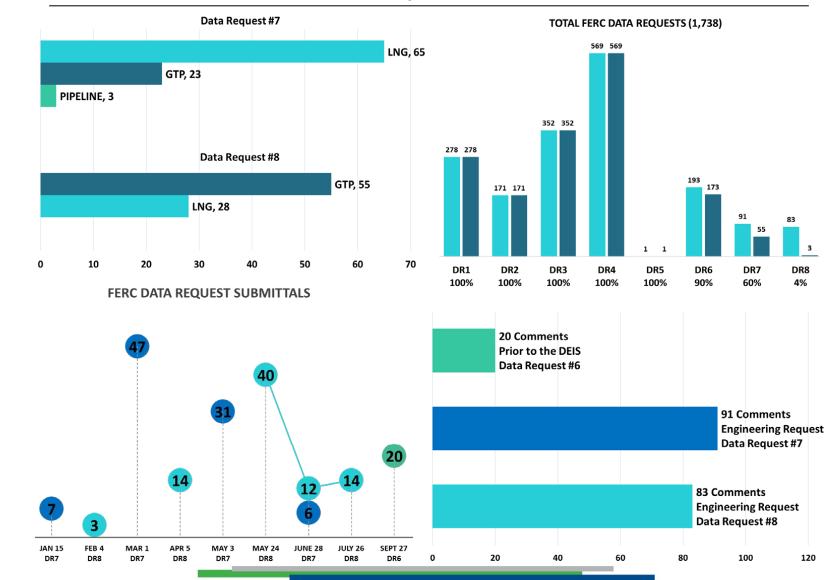
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Updated: March 2019



FERC Data Requests – Dashboard

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Environmental & Regulatory



Air Permits:

• Draft air permits for GTP expected May 2019 and for LNG expected August 2019.

PHMSA:

- •Federal Register publication of conditions for 4 special permits expected April 2019:
 - Mainline Block Valve (MLBV),
 - Strain Based Design (SBD),
 - Crack Arrestor (CA),
 - Three Layer Polyethelene (3LPE).
- Pipe-in-Pipe special permit expected December 31, 2019.
- Design Spill Package permit expected March 2019.

USCG Bridge Permits:

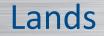
- Bridge Permits filed November 16 and December 19, 2018.
- Public Notice of Applications expected March 2019.

Project Services



Engineering, Content Management, GIS and Cost & Schedule

- Re-organized Project Management Team (PMT) to align with new policy focus.
- Initiated contract modifications for new policy focus.
- Generated new PMT organizational chart.
- Initiated plan for completion of ASAP Project.
- Developed plan forward for consolidation of Content Management policies and procedures.
- Engineering team focusing on completion of PHMSA Special Permit Applications.





Alaska LNG

- Engaged Black-Smith, Bethard & Carlson, LLC and Alan Olson, commercial appraisers to conduct an appraisal for Ahtna lands overlapped by project footprint.
 - Appraisal due to AGDC on March 29, 2019.

Stakeholder Management



Presentations:

- KTOO Coffee Table January 16, 2019.
- Native Village of Cantwell January 26, 2019.
- Cook Inlet Stakeholders and the NMFS ITR Proposed Rule January 31, 2019.

Meetings:

- Alaska LNG Project Advisory Committee January 15, 2019 and February 12, 2019.
- AGDC Community Advisory Council January 17, 2019 & February 21, 2019.
- Nikiski Community Council February 11, 2018.
- Agency meetings:
 - EPA on Underground Injection Control Well application at GTP location,
 - State Pipeline Coordinator's Section and Alaska Department of Environmental Conservation on water rights application.

Financial Update

March 6, 2019

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	Actuals	2-Months		
Quarterly Project Spend (\$0,000)	(Jan17-Jan19)	FCST	FCST	Total
Major Activities	25-Months	3Q FY19	4Q FY19	Spend
Regulatory (FERC)	34,367	2,761	4,495	41,623
Commercial (Agreements)	14,287	427	1,196	15,910
Project Finance	1,640	(50)	305	1,895
Communications	2,196	192	299	2,687
AGDC Corporate (Operating)	19,514	1,660	2,490	23,664
Totals	72,004	4,990	8,785	85,779
Monthly Burnrates	2,880	2,495	2,928	

Estimated Spend.

	(Jan 2019)		
Projected Fund Balance (\$0,000)	Ending	FCST	FCST
Fund	Balance	3Q FY19	4Q FY19
AKLNG Total	34,123	29,133	20,348
ASAP Total	0		
Remaining Balance	34,123	29,133	20,348

Estimated Balance.

Operating Budget Variance Analysis

Actuals Reporting Period July 2018 to January 2019 (FY19)



Fiscal Year								
Operating Expenditures (\$000s)	Full FY19 Budget	FY19 YTD Actuals	FY19 YTD Budget	FYTD Variance (Under)/Over	Percent Spent			
Account								
Personal Services	6,096	3,405	3,556	(151)	56%			
Travel	500	138	292	(154)	28%			
Services	3,240	1,727	1,890	(163)	53%			
Commodities (Office/IT Supplies etc.	550	309	321	(12)	56%			
Depreciation		8	-	8	-			
Operating Total	\$ 10,386	\$ 5,587	\$ 6,060	\$ (473)	54%			

Variance Drivers

Personal Services- AGDC inhouse full time PCN headcount is 20 verses budgeted headcount of 25.

Variance Commentary

Operating Expenditures	Full FY	19	FY19	9 YTD	FY19 YTC)	FYTD Variance	Percent
(\$000s)	Budge	et	Act	tuals	Budget		(Under)/Over	Spent
Department								
Executive Team	3,:	189		2,066	2,07	0	(4)	65%
Commercial Team		854		422	49	8	(76)	49%
External Affairs Team	1,3	386		479	59	9	(120)	35%
Legal Team		275		103	16	50	(57)	37%
Finance Team	1,2	269		562	70)5	(143)	44%
Admin Services Team	2,:	147		1,185	1,25	52	(67)	55%
IT Data Mgmt Team	1,2	266		770	77	' 6	(6)	61%
Operating Total	\$ 10,3	386	\$	5,587	\$ 6,06	50	\$ (473)	54%

AGDC currently has five (5) full time PCN vacancies. The vacant positions account for 31% of the operating budget underrun (\$151K). The remaining 68% of the underrun is due to timing of travel and services spend (\$320K).

Savings:

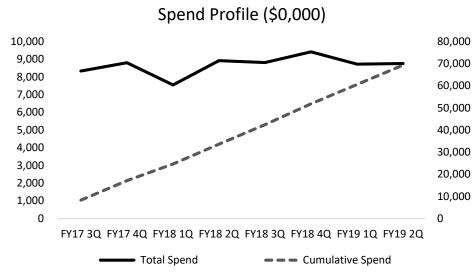
\$0.89MM reduction in FY19 contracted commitments

Expenditure Variance Analysis

Reporting Period January 2017 thru January 2019



AFE Expenditures	AFE ITD Actual Spend	-	
(\$000s)	25-Months	25-Months	Variance
Regulatory/Program Management	34,367	38,025	(3,658)
Commercial	15,927	20,127	(4,200)
Communications	2,196	2,615	(419)
Operating (Non-AFE)	19,514	19,987	(473)
AGDC Total	\$ 72,004	\$ 80,754	\$ (8,750)



Notes:

AFE-Authorization For Expenditures (Board Approved). ITD-Inception To Date. Chart above includes complete guarters only.

Variance Drivers
A cost reduction program was implemented to extend use of appropriated funds. Overall, AGDC reduced FY19 contracted commitments by \$5.0MM
 Regulatory Variance Drivers: Timing of FERC related activities (-\$0.48 MM) Timing of Core Regulatory activities (-\$3.17 MM) Savings: \$1.36MM reduction in FY19 contracted commitments Efficiency Gains: Use of internal resources for FERC comment responses. Continuity of effort with no work stoppages. Team Optimization
Commercial Variance Drivers: Timing of Core activities (-\$1.64 MM) Timing of Financing activities (-\$2.55 MM) Savings:

\$2.76MM reduction in FY19 contracted commitments

Efficiency Gains:

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- Use of internal resources for drafting of key agreements.
- Team Optimization

FY20 Operating Budget Review

March 6, 2019



FY20 Operating Budget

- AGDC Management is requesting board approval of the FY20 Operating Budget
- AGDC submitted "status quo" FY20 Operating budget to OMB
- Current FY19 headcount is 25 including five vacancies
 - Pipeline Engineer
 - SPA Negotiations Manager
 - LNG Distribution Specialist
 - VP, Finance
 - HR Specialist
- Vacant Positions will be filled as needed

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Operating Budget FY19 vs FY20



AGDC Operating	2019 Authorized Budget		2019 Management Plan			2020 overnor's mended
Personal Services	\$	6,096	\$	6,236	\$	6,236
Travel	\$	235	\$	235	Ş	128
Services (Lease, Contractual, etc.)	\$	3,805	\$	3,665	\$	3,522
Commodities* (Office & Supplies)	\$	250	\$	250	\$	250
Component Total:	\$	10,386	\$	10,386	\$	10,136

Budget Assumptions Include:

- ✓ Health Insurance premiums in FY20 flat to FY19
- ✓ Employee contribution to health insurance premium 5% (-\$62K)
- ✓ \$107K Reduction to Travel
- ✓ \$143K Reduction to Lease Expense

Get Involved. Get Ready. Get Engaged.

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