# **President's Report**

Joe Dubler, Interim President May 22, 2019







- Stay on track for 2020 FERC authorization
- Measured and careful approach to Alaska LNG
  - Return to stage-gate planning process
  - Assess partner requirements; the State will not go it alone
- Targeted stakeholder outreach to potential partners, Alaska Legislature, DNR, DOR
- Refocusing organization: consolidating space, internal communications

# **Economic Analysis**

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- Competitive assessment underway
- Open-book model
- Analyze economic sensitivities
- Identify potential cost reductions
- Collaborative producer engagement



- Complete FERC permitting on time and with reasonable conditions
- Reduce regulatory risk
- Create investment value



- Evaluate consortium necessary for success: fund, design, build and operate Alaska LNG; share risks and benefits
- Engage with potential partners
- LNG2019
  - AGDC provided update on new management, stage gate approach, and efforts with BP and ExxonMobil
  - Alaska LNG project update welcomed by the market with potential customers expressing appreciation of the new measured approach
  - Customers also looking forward to results of AGDC's efforts with BP and ExxonMobil

## **Online - AGDC.us**



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# Alaska LNG Project Technical and Regulatory Update

Frank Richards, Senior Vice President of Program Management May 22, 2019





## Milestones

- 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
- Record of Decision June 2020

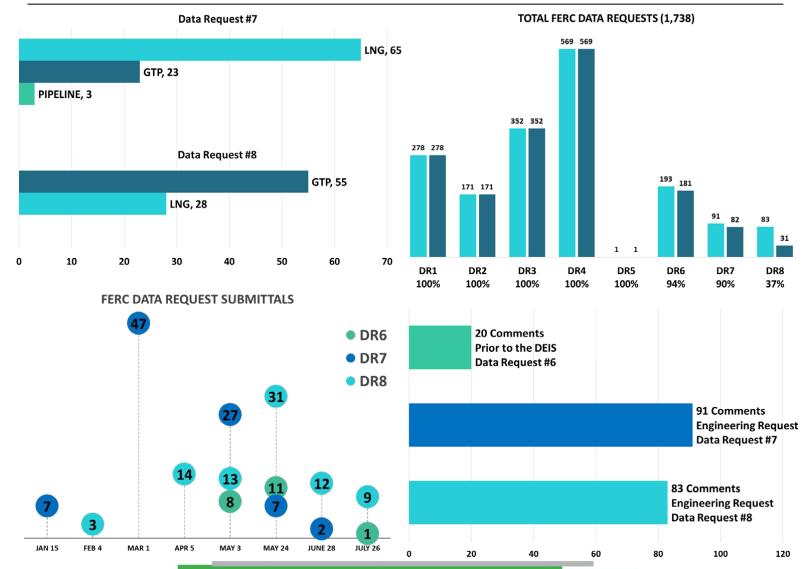


## **FERC Section 3 Application & EIS Process**

- FERC Environmental Data Requests:
  - Data request #6 (193 questions) 90% complete. 11 responses will be completed by end of May 2019. Final response due in July 2019
  - Cultural Section 106 Consultation Re-started consultation process with SHPO and BLM to address FERC Data Requests. Completed cultural assessment of submerged area on Cook Inlet pipeline crossing to increase overall survey coverage to 95%
- FERC Engineering Data Requests:
  - Data Request #7 (91 questions) 90% complete. Remaining 9 responses will be completed in May and June
  - Data Request #8 (83 questions) 37% complete. 31 responses scheduled for completion by May 24. Remaining 21 responses completed in June and July 2019
- FERC Draft EIS Scheduled June 2019 (specific date pending from FERC).
  - 90 day Public Comment Period following notice of availability



Updated: May 2019



FERC Data Requests – Dashboard

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## **Air Permits:**

• Draft air permits expected for GTP by June 2019 and for LNG by September 2019.

## **PHMSA:**

- Federal Register publication of conditions for 4 special permits expected May 2019:
  - Mainline Block Valve (MLBV)
  - Strain Based Design (SBD)
  - Crack Arrestor (CA)
  - Three Layer Polyethelene (3LPE)
- Pipe-in-Pipe special permit expected by December 31, 2019
- Siting Review Letter of Determination expected 30 days before FEIS (May 2020)

## **USCG Bridge Permits:**

• Public Notice of Applications expected August 2019

## **Project Services**



## Engineering, Content Management, GIS and Cost & Schedule

- Alaska LNG Cost Reduction Workshop completed in April with key participants from AGDC, BP, and ExxonMobil
- Finalized archival of ASAP Project controlled content
- Updated Integrated Project Schedule controlled document with latest FERC schedule
- Engineering team focused on completion of PHMSA Special Permit Applications





### **Plans**

- Finalized AGDC Alaska LNG Land and ROW Acquisition Plan
- Received and Reviewed Annual Market Rent Appraisal Report for the proposed Alaska LNG Easement through Ahtna, Inc. lands by Black-Smith, Bethard & Carlson, LLC
  - Report additionally reviewed by real estate appraiser Alan Olson

## **Stakeholder Management**



### **Meetings:**

- AGDC Community Advisory Council May 23
- Nikiski Community Council March 11, April 8 & May 13
- Agency meetings:
  - Alaska Division of Parks and Outdoor Recreation
  - State Pipeline Coordinator's Section and Alaska Department of Environmental Conservation on water rights application
  - Project Planning work with ADNR, BLM and SPCS

## **Financial Update**

March 2019 Close

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	Actuals		
Quarterly Project Spend (\$0,000)	(Jan17-Mar19)	FCST	Total
Major Activities	27-Months	4Q FY19	Spend
Regulatory (FERC)	36,237	3,980	40,217
Commercial (Agreements)	14,701	1,196	15,897
Project Finance	1,526	305	1,831
Communications	2,220	299	2,519
AGDC Corporate (Operating)	21,017	2,490	23,507
Totals	75,699	8,270	83,971
Monthly Burnrates	2,804	2,757	

**Estimated Spend.** 

	(Mar 2019)	
Projected Fund Balance (\$0,000)	Ending	FCST
Fund	Balance	4Q FY19
AKLNG Total	30,425	22,155
ASAP Total	0	
Remaining Balance	30,425	22,155

Estimated Balance.

Notes:

Estimated fund balance does not include the January 28, 2019 \$5M re-appropriation

# **Operating Budget Variance Analysis**

### Actuals Reporting Period July 2018 to March 2019 (FY19)



Fiscal Year									
Operating Expenditures (\$000s)	-	ll FY19 udget	FY19 YTD Actuals	FY19 YTD Budget	FYTD Variance (Under)/Over	Percent Spent			
Account									
Personal Services		6,096	4,462	4,582	(120)	73%			
Travel		500	158	375	(217)	32%			
Services		3,240	2,125	2,420	(295)	66%			
Commodities (Office/IT Supplies etc.		550	335	413	(78)	61%			
Depreciation			9	-	9	-			
Operating Total	\$	10,386	\$ 7,090	\$ 7,791	\$ (702)	68%			

### Variance Drivers

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

### Variance Commentary

Fiscal Year									
Operating Expenditures (\$000s)	Full FY19 Budget	FY19 YTD Actuals	FY19 YTD Budget	FYTD Variance (Under)/Over	Percent Spent				
Department									
Executive Team	3,189	2,701	2,771	(70)	85%				
Commercial Team	854	568	641	(73)	67%				
External Affairs Team	1,386	590	730	(140)	43%				
Legal Team	275	127	206	(79)	46%				
Finance Team	1,269	762	847	(85)	60%				
Admin Services Team	2,147	1,473	1,610	(137)	69%				
IT Data Mgmt Team	1,266	869	986	(117)	69%				
Operating Total	\$ 10,386	\$ 7,090	\$ 7,791	\$ (702)	68%				

AGDC currently is currently underspending by 7% YTD. The vacant positions account for 17% of the operating budget underrun (\$120K). The remaining 82% of the underrun is due to timing of travel and services spend (\$580K).

#### Savings:

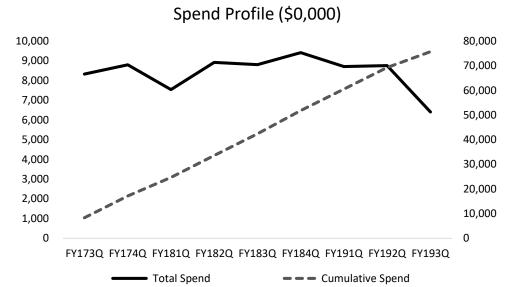
\$0.89MM reduction in FY19 contracted commitments

# **Expenditure Variance Analysis**

### **Reporting Period January 2017 thru March 2019**



AFE Expenditures	AFE ITD Actual Spe		AFE ITD Budget		
(\$000s)	27-Month	is 27	7-Months	v	ariance
Regulatory/Program Management	36,2	37	41,793		(5,556)
Commercial	16,2	25	22,963		(6,738)
Communications	2,2	20	2,842		(622)
Operating (Non-AFE)	21,0	17	21,719		(702)
AGDC Total	\$ 75,6	99 \$	89,317	\$	(13,618)



#### 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 (-\$1.25MM)
- Timing of Core Regulatory activities (-\$4.3MM)

#### 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 (-\$3.11 MM)
- Timing of Financing activities (-\$3.62 MM)

#### Savings:

 \$2.76MM reduction in FY19 contracted commitments

#### **Efficiency Gains:**

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

## Quarterly Reporting Period January 2017 thru March 2019

Authorization Fe	or Expenditure		Actual									
Major Activity	Activity Group	Business Plan Element	FY17 3Q	FY17 4Q	FY18 1Q	FY18 2Q	FY18 3Q	FY18 4Q	FY19 1Q	FY19 2Q	FY19 2Q	ITD Total
Regulatory	Regulatory Core Activities	FERC	1,338	3,195	2,427	3,770	2,845	2,657	2,054	2,537	1,886	22,708
		AK LNG Cash Calls	1,179	55	0	119	(4)	0	0	13	0	1,362
		AKLNG Physical Asset Mgmt.	34	49	11	14	7	6	0	1	31	153
		Core Embedded Technical Team	1,086	1,164	956	972	984	1,211	863	722	844	8,802
		Supplemental Environmental Impact	345	741	302	264	360	24	485	425	267	3,212
Regulatory Tota	I		3,981	5,203	3,696	5,140	4,191	3,897	3,402	3,698	3,028	36,237
Commercial	Business Development	Agreements	1,099	527	871	672	1,191	1,041	2,379	1,132	378	9,289
		In-State-Gas	29	16	32	36	57	77	63	80	9	399
		Internal Legal	0	0	0	250	125	327	(278)	33	31	488
		Project Marketing	456	469	453	565	461	513	490	640	479	4,526
	Business Development Total		1,584	1,012	1,355	1,523	1,833	1,958	2,654	1,885	897	14,701
	Project Finance	Project Financing / Analysis	71	161	75	(11)	183	410	216	431	(11)	1,525
	Project Finance Total		71	161	75	(11)	183	410	216	431	(11)	1,525
Commercial Tot	al		1,655	1,173	1,431	1,512	2,016	2,368	2,870	2,316	886	16,227
Communication	s Collateral	Marketing Material	0	28	65	71	62	271	210	124	26	858
	Outreach	Engagement	260	113	217	(11)	51	57	46	37	13	783
	Tradeshows	AGDC LNG Promotions & Outreach	0	14	107	64	99	162	56	75	2	579
Communications Total		260	154	390	124	212	490	312	236	41	2,220	
AGDC Operating	ng (Non AFE)		2,435	2,269	2,027	2,146	2,390	2,660	2,131	2,508	2,451	21,017
Total Spend			8,331	8,800	7,543	8,922	8,810	9,416	8,715	8,758	6,406	75,699

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