

President's Report

Joe Dubler, Interim President
June 20, 2019



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Producer Participation

- BP & ExxonMobil
 - First third-party financial participation in Alaska LNG in three years
 - Each willing to fund 1/3 of AGDC's FY20 costs up to \$10MM
 - Technical assistance with DEIS review and analysis
 - Assisting with evaluation of potential cost reduction opportunities

- Draft Environmental Impact Statement (DEIS) anticipated June 28
 - Significant step reflecting five years of work, 150,000 pages of data, 1,738 data requests
 - Initiates FERC-led public comment process
 - Opportunity for public input in person, online and in writing
 - Remaining steps include Final EIS and Final Order (2020)
- Federal support

“I appreciate this commitment and urge all involved parties to work closely with FERC to complete final permit review as soon as possible.”

– Sen. Lisa Murkowski

- Ongoing commercial engagement with potential partners
 - AGDC staff and Dunleavy Administration representatives conducted meetings with JDA parties and Chinese policy and economic leaders earlier this month
 - Introduced Senior Policy Advisor and Commissioners of Revenue and Natural Resources
 - Confirmed work effort planned for 2020
 - AGDC staff met with representatives from other Asian markets during trip

Financial Highlights

- AGDC currently underspending budget by 9% YTD
- Reduced overhead through office consolidation and reorganization. \$5.0MM reduction in FY19 contracted commitments
- FY20 budget legislation (as of June 13)
 - \$9.7MM in operating authorization included in operating budget, pending final action
 - \$25MM in receipt authority included in capital budget, pending final action

Expenditures and Projected Funds

Fiscal Year to Date Statement of Activities as of April 30, 2019 Unaudited (in thousands of dollars)

General and Administrative	YTD Costs	YTD Budget	Dollar Variance Actual Less Budget	Total Budget For FY19	Percent Expended
Executive	2,864	2,958	(94)	3,489	82.1%
Commercial	642	712	(70)	854	75.2%
External Affairs	658	955	(297)	1,186	55.4%
Legal	142	229	(87)	275	51.5%
Finance	845	958	(113)	1,169	72.2%
Administrative Services	1,608	1,789	(181)	2,147	74.9%
Data Management	936	1,055	(119)	1,266	73.9%
Totals	7,695	8,656	(961)	10,386	74.1%

Authorization for Expenditures	Authorized	FY17 Total	FY18 Total	FY19 To Date	Total Spend To Date	Remaining
Commercial	30,000	2,817	7,338	6,250	16,405	13,595
Regulatory / Program Management	52,900	9,214	16,895	10,673	36,782	16,118
External Affairs	3,507	415	1,217	602	2,234	1,273
Totals	86,407	12,446	25,450	17,525	55,421	30,986

Stakeholder Engagement

- Government
 - Open dialogue with administration, legislature, and municipalities regarding project developments
- Community
 - Alaska Native Village Council Association (ANVCA) resolution of support
 - AGDC Community Advisory Council & Kenai Peninsula Borough Alaska LNG Project Advisory Committee

Online - AGDC.us



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Alaska LNG Project Technical and Regulatory Update

Frank Richards, Senior Vice President of Program Management
June 20, 2019



Milestones

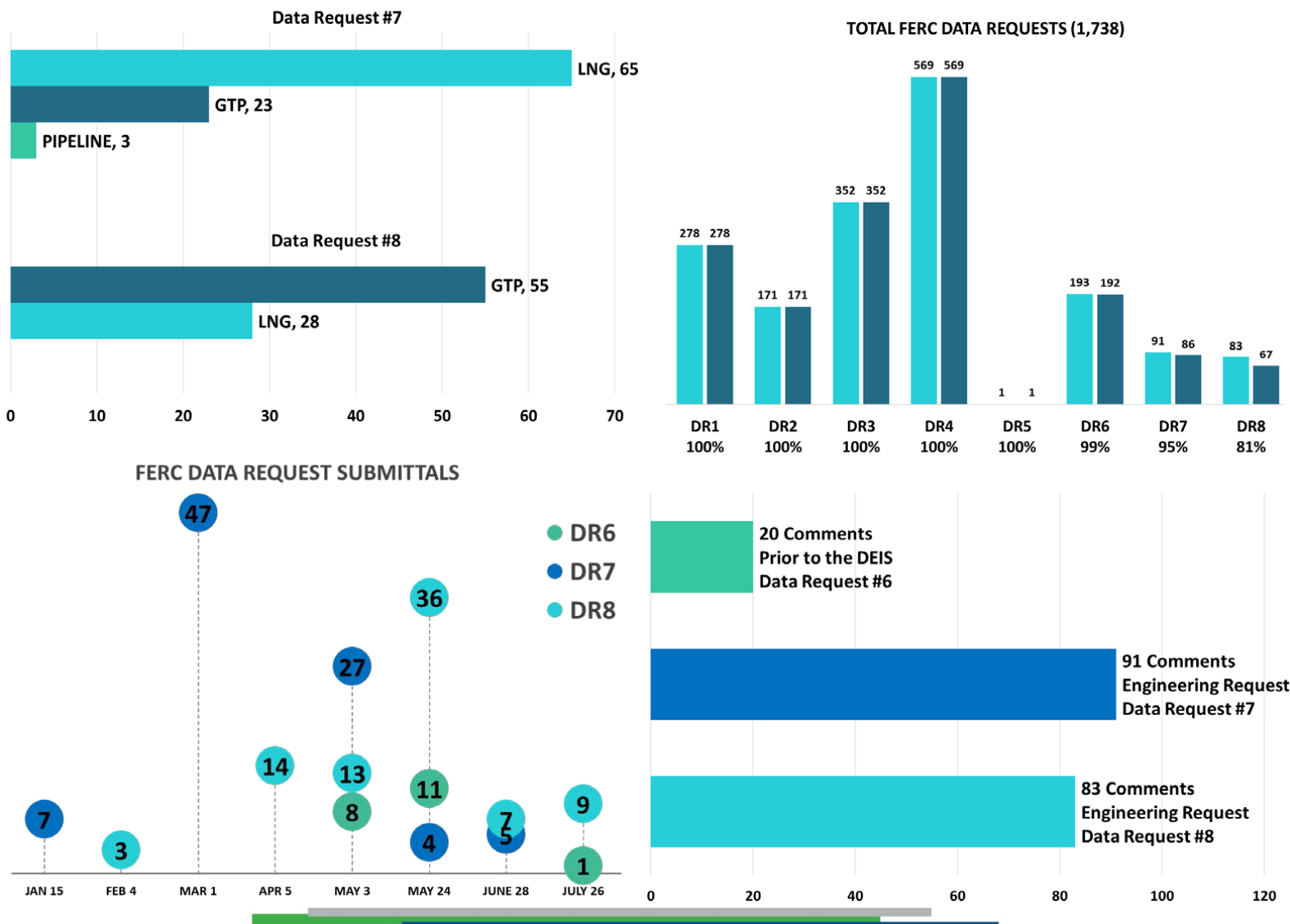
- Draft Environmental Impact Statement (DEIS) – June 28, 2019 (FAST-41)
- 90 day public comment period – July, August & September 2019
- FERC Public meetings – locations and dates identified on release of DEIS
- AGDC review and comment on DEIS
- Timely response to additional FERC data requests
- Final Environmental Impact Statement – March 6, 2020
- Issuance of FERC Final Order – June 4, 2020

FERC Section 3 Application & EIS Process

- FERC Environmental Data Requests:
 - Data request #6 (193 questions) 99% complete. Final response due in July 2019
- FERC Engineering Data Requests:
 - Data Request #7 (91 questions) – 95% complete. Remaining 5 responses will be completed in June
 - Data Request #8 (83 questions) – 81% complete. Remaining 16 responses completed in June and July 2019
- FERC Draft EIS – Scheduled June 2019
 - 90 day (estimated) Public Comment Period following notice of availability

Updated: June 2019

FERC Data Requests – Dashboard



Air Permits:

- Draft air permits expected for GTP July 2019 and for LNG September 2019

PHMSA:

- Federal Register publication of 4 special permit requests on May 28, 2019
 - Mainline Block Valve, Strain Based Design, Crack Arrestor, Three Layer Polyethelene (3LPE)
- Pipe-in-Pipe special permit expected to go to public notice by December 31, 2019
- Siting Review Letter of Determination expected 30 days before FEIS (May 2020)

Additional Permits:

- Significant package of supplemental information delivered to the Army Corps in May to support the 404 wetlands permit application and compensatory mitigation plan
- Advancing eagle permit applications and preparing 401 water quality certification package

Agency Outreach – Significant Effort

State

- OPMP: DEIS review process with AGDC invited to kickoff meeting & work planning
- SPCS: Work planning and Nikiski waterfront access discussions
- SHPO: Cultural resources management plan (developed initially for ASAP); cultural resource ‘districts’ and path forward on Alaska LNG (major principles discussed)

Federal

- BLM: Specific work tasks and estimated spend by quarter, feedback on cultural resources, increased involvement of Alaska State Director
- USACE: Ongoing discussions on 404 permit, process for managing date commitments set
- NPS: Meeting in June to discuss Denali Park route alternative
- EPA: Ongoing interaction regarding the water quality certification process

Engineering, Content Management, GIS and Cost & Schedule

- Finalized FERC completion AFE covering Program Management department for FY20
- Updated Alaska LNG Project FERC DEIS Interface Plan for Program Management Team
- Participated in West Dock Users Group Spring Meeting
- GIS team updated project landowner list for submittal to FERC

Meetings:

- AGDC Community Advisory Council – May 23, 2019
- Kenai Peninsula Borough Alaska LNG Project Advisory Committee – June 3, 2019

Authorization for Expenditure (AFE): Commercial and Finance

FY 2020



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- Commercial Objective – Prepare viable project commercial structure options
 - Complete necessary contractual and governance framework for WP&B cost sharing and achieving technical deliverables
 - Develop a project alignment document for strategic investors/lenders
 - Evaluate a viable project commercial structure
 - Develop and complete a structure under which parties can work together in FEED prep
 - Develop a strategy for engaging future third-party investors
- Project Finance Objective – Develop potential project finance plan
 - Maintain AGDC's project model
 - Provide support for technical deliverables, such as evaluation of cost reductions or FERC requests
 - Develop a viable project finance plan

AFE Summary

Commercial and Project Finance

SUMMARY OF ESTIMATED COSTS	
Items/Description	FY20 (\$000s)
(1) Commercial Agreements	\$ 2,855
(2) Engagement in Asia / Tokyo Office	\$ 833
(3) Project Finance	\$ 1,312
Total	\$ 5,000

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Total
EXPENDITURE FLOW (\$000s):	\$ 1,118	\$ 1,262	\$ 1,272	\$ 1,348	\$ 5,000

- Pace of completion of commercial and finance deliverables
 - The progress and timely conclusion of deliverables depends on consensus among multiple parties and maturity of technical work on the project (e.g. cost estimate, permitting)
 - Finance plan development may require agreement of various parties including government
 - The pace of activity and staffing will be matched to the level necessary at each stage of the project
- Cost overrun/underrun
 - Completion of FERC is a recognized budgetary priority
 - Faster-than-expected progress on commercial priorities may require additional external legal expenses, but is an unlikely outcome
 - Above risks will be continually monitored by the AGDC management team and communicated to the Board

For the latest news and information:

Online - AGDC.us



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Alaska Gas Line Development Corporation
Project Name: Alaska LNG Project – Commercial and Finance Development
AUTHORIZATION FOR EXPENDITURE (\$000)

X	CAPITAL	EXPENSE
TITLE:	Commercial and Finance Development	AFE # 20-001
Start Date:	July 1, 2019	Original Authorization:
Completion Date:	June 30, 2020	Rev
Responsible Manager:	Lieza Wilcox	TOTAL \$5,000

Budgeted – Yes/No	Yes			
		Q1 FY20	Q2 FY20	Q3 FY20
		Q4 FY20		
EXPENDITURE FLOW (\$000s):		\$1,118	\$1,262	\$1,272
				\$1,348

SUMMARY OF ESTIMATED COSTS	
Items/Description	FY20
(1) Commercial Agreements	\$ 2,855
(2) Engagement in Asia / Tokyo Office	\$ 833
(3) Project Finance	\$ 1,312
Total	\$ 5,000

Justification:

The Alaska Gasline Development Corporation (AGDC) is continuing to progress the Alaska Liquefied Natural Gas (Alaska LNG) Project in order to commercialize Alaska's North Slope natural gas resources by exporting LNG, while at the same time providing natural gas to in-state Alaska users.

This AFE will enable AGDC to execute the commercial, project finance, and legal work (as necessary) to progress toward preparing the FEED investment decision support package in parallel with the Technical work to obtain the FERC regulatory process.

(1) Scope of Work

As an outcome of the Memorandum of Understanding (MOU) dated February 25, 2019, BP and ExxonMobil would each contribute up to \$10M to complete the FERC regulatory process, major Federal and State permitting, and advance Alaska LNG commercial and project finance activities.

The FY20 major areas of activity for this AFE are listed below:

1.1 Commercial

- Complete necessary contractual and governance framework for WP&B cost sharing and achieving technical deliverables
- Develop a project alignment document for strategic investors/lenders
- Evaluate a viable project commercial structure
- Develop and complete a structure under which parties can work together in FEED Prep
- Develop a strategy for engaging future third-party investors

1.2 Finance

- Maintain AGDC's project model
- Provide support for technical deliverables, such as evaluation of cost reductions or FERC requests
- Develop a viable project finance plan

(2) Review Process

The final AFE has been reviewed and approved by the Vice President – Commercial and Economics and the AGDC President.

(3) Options Considered

The Alaska LNG Project is the sole project being pursued by AGDC to commercialize North Slope natural gas. The commercial, finance, and legal work to progress the commercial agreements, project structuring, and financing planning necessary to position the project to advance into the FEED Prep and FEED stages will not commit AGDC or the project to progressing past FY 2020. It will be necessary in the event that AGDC has determined an economic case to pursue project work beyond the FERC permitting.

Suspending commercial and finance work is not recommended due to the necessity of having a commercial structure and financing plan involving third parties determined upon completion of the FERC process in order for the project to not suffer critical delays in progress.

(4) Spend Comparison to Overall Legislative Sanction and Current Year Fiscal Budget

The requested funds are in line with the Board approved FY20 operating budget, legislative sanction through AGDC statute, and the level of financial support provided by BP and ExxonMobil. There will be sufficient funds within AGDC's Alaska LNG Fund to cover AGDC's share of the AFE expenditure.

(5) Risks of Delivery and Mitigations

The primary risks associated with delivering commercial and financial milestones are:

5.1 - Negotiations.

Since commercial activities involve the conclusion of one or more successful negotiations, the ability of AGDC's team to conclude the deliverables with cooperation from counterparties is a key success factor. Some of the key elements of the FEED Prep decision support package and project finance plan may involve decisions made by the State or Federal government, and will need to be appropriately presented and obtained with the support of AGDC's Legal and Communications organizations, as well as AGDC's Board. AGDC's management is planning to mitigate this risk by engaging highly experienced commercial and finance professionals with a track record of successful project deliveries, setting specific and focused goals for completing agreements, and maintaining appropriate pace of activities relative to the technical and regulatory progress of the project.

5.2 - Reputational.

AGDC has been operating in the territory of project marketing and international communications, and has had the responsibility of maintaining and improving not just the reputation of the corporation itself, but in many cases impacting the reputation of the State of Alaska abroad, and the reputation of Alaska LNG as a project. This effort will be bolstered by AGDC's overall mission to progress the project responsibly under industry standard practices and with experienced project developers and operators. Commercial interactions and communications with the world LNG and investment markets are a tremendous responsibility, and will be handled with the utmost care through the rigorous application of business and government ethics, policies, and practices, and close coordination with the administration of the State of Alaska in any matters involving foreign governments.

5.3 - Cost Overrun

As a result of the work under this AFE being performed by specifically identified contractors and the low level of legal drafting activity anticipated, the risk of cost overrun is low. This is a result of the commercial scope of work being limited to engaging only a select number of carefully selected potential strategic investors and project participants. Communication and meetings with other potential LNG buyers and funding sources will continue to help maintain AGDC's and the project's international reputation but such communication will be much more limited than in prior AFEs. Cost saving measures will be applied throughout the process, such as using the least expensive contractors that are well qualified to perform each task, utilizing teleconference and videoconference technology in lieu of travel, and controlling the pace of activity to eliminate periods of unproductive spending.

(6) Cost Phasing

The proposed quarterly phasing of the costs is shown on page 1 of this document.

(7) Resources

Required resources will be provided by existing AGDC embedded contractors, expert consultants, and external legal resources procured through a reimbursable services agreement with the State of Alaska Department of Law. Additional outside financial expertise may be utilized for specific project investment and financial advice.

(8) Cost Contingencies

The authorized AFE amount includes an embedded 5% contingency on the overall spend.

(9) Risks of Delivery and Mitigation

AGDC will mitigate risks of deliverability by managing AGDC work efforts. The AGDC commercial and finance work will be supported by leveraging the services of specialized contractors and SMEs with senior technical and management expertise. The risk of delivery will be mitigated by authorizing expenditures and expeditiously entering into appropriate key contractual relationships.

AGDC RECOMMENDATION/APPROVAL	
Originator: <i>Loze V. who</i> Title: VP, Commercial & Economics Date: June 17, 2019	
Financial Authority: <i>Jm. Dufley</i> Title: Interim President Date: June 17, 2019	
BOD Approval: Title: Chairman Date:	

Authorization for Expenditure (AFE) 20-002

FY20 Work Program & Budget –
Program Management

Frank Richards, Senior Vice President of Program Management
June 20, 2019



Obtain FERC Order authorizing construction of Alaska LNG project by:

- Responding to items identified by FERC from the public comment period
- Addressing FERC engineering and environmental data requests with timely and informative responses
- Conducting field work as necessary to provide information requested by FERC or federal agencies
- Completing FERC National Environmental Policy Act (NEPA) environmental review and receive FERC authorization to construct
- Completing major Federal permit process and receive a Record of Decision (ROD)
- Completing Federal and State right-of-way (ROW) process and receive ROW grants
- Continuing to maintain the overall viability of project information and data
- Continuing the cost reduction validation work program

- **Project Management Team (PMT)**
 - Core embedded expertise
 - Oversee completion of FERC process
 - Interface with BP and ExxonMobil Subject Matter Experts (SME)
 - Manage 3rd party contractors
- **EIS and Engineering 3rd Parties**
 - Support FERC in preparing EIS and Order
 - Technical expertise to address FERC data requests
 - Support PMT to maintain viability of Alaska LNG
- **Federal and State Support**
 - Reimbursable agreements to cover permitting costs
 - Completion of Federal and State Right-of-Way
 - Coordination of State agencies review and comments

Budgeted – Yes/No	Yes				
		Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
EXPENDITURE FLOW (\$000s):		\$5,192	\$4,758	\$2,688	\$2,362

SUMMARY OF ESTIMATED COSTS (\$000s)	
Items/Description	FY20
(1) Project Management Team (PMT)	\$2,808
(2) EIS and Engineering 3 rd Parties	\$11,412
(3) Federal and State Support	\$780
TOTAL	\$15,000

- **Megaproject failure due to the following:**
 - Regulatory delays
 - Major cost overruns
 - Major schedule delays
 - Major operational problems
- **Alaska project execution risk**
- **Value of the LNG market compared to the project cost**
- **Mis-alignment of risk sharing between owner and major contractors**
- **Schedule delay due to lack of commercial contracts and funding or authorization of expenditure**

- **Mitigate risks of deliverability by managing work efforts through an experienced and competent owner's PMT**
- **PMT will provide overall technical and regulatory leadership and governance for the FERC regulatory efforts**
- **PMT will be supported by leveraging the services of specialized contractors and SME's from BP and ExxonMobil**
- **Expeditiously entering into appropriate, key contractual relationships**

Alaska Gas Line Development Corporation
Project Name: FERC Order Completion
AUTHORIZATION FOR EXPENDITURE
(\$000s)

<input checked="checked" type="checkbox"/> X	CAPITAL	EXPENSE <input type="checkbox"/>
TITLE:	Program Management FERC Order Completion	AFE # 20-002
Start Date:	July 1, 2019	Original Authorization: \$15,000
Completion Date:	June 30, 2020	Rev # 0
Responsible Manager:	Frank Richards	TOTAL \$15,000

Budgeted – Yes/No	Yes	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
EXPENDITURE FLOW (\$000s):		\$5,192	\$4,758	\$2,688	\$2,362

SUMMARY OF ESTIMATED COSTS (\$000s)	
Items/Description	FY20
(1) Project Management Team (PMT)	\$2,808
(2) EIS and Engineering 3rd Parties	\$11,412
(3) Federal and State Support	\$780
TOTAL	\$15,000

Justification:

The Alaska Gasline Development Corporation (AGDC) is continuing to progress the Alaska Liquefied Natural Gas (Alaska LNG) Project in order to commercialize Alaska's North Slope natural gas resources by exporting LNG, while at the same time providing natural gas to in-state Alaska users. With the conclusion of the Pre-Front End Engineering and Design (Pre-FEED) and the Joint Venture Agreement (Pre-FEED JVA) at the end of 2016, AGDC became the sole project proponent. AGDC has submitted a Federal Energy Regulatory Commission (FERC) Section 3 application, submitted major Federal and State permit applications, and completed additional technical work programs that have added to the project definition

and reduced the project's risk profile. The status of major regulatory and permitting activities for the Alaska LNG Project is summarized on the project's FAST-41 Permitting Dashboard for Federal Infrastructure Projects:

<https://www.permits.performance.gov/permitting-projects/alaska-lng-project>

AGDC is now advancing the Alaska LNG Project with cooperation and support from BP and ExxonMobil as an outcome of the Memorandum of Understanding (MOU) dated February 25, 2019. Parties announced in June 2019 that BP and ExxonMobil would both contribute up to \$10M to complete the FERC regulatory process and complete major Federal and State permitting. This Authority for Expenditure (AFE) reflects the scope of work, activities, and cost estimate reviewed and agreed to by the cooperating parties.

For Fiscal Year 2020 (FY20), Program Management Department activities under this AFE will be conducted from July 1, 2019 through June 30, 2020 in order to achieve the following major objectives:

- Respond to items identified by FERC from the public comment period;
- Address FERC engineering and environmental data requests with timely and informative responses;
- Conduct field work as necessary to provide information requested by FERC or federal agencies;
- Complete FERC National Environmental Policy Act (NEPA) environmental review and receive FERC authorization to construct;
- Complete major Federal permit process and receive a Record of Decision (ROD);
- Complete Federal and State right-of-way (ROW) process and receive ROW grants;
- Continue to maintain the overall viability of project information and data; and
- Continue the cost reduction validation work program.

This AFE succeeds AFE #17-002 (previously approved by the the AGDC Board of Directors on February 9, 2017). The scope of AFE #17-002 covered Regulatory and Program Management Work Programs and will hereby terminate on June 30, 2019. The following regulatory and technical work programs will provide regulatory assurance, further de-risk the project, and maintain the viability of project information and data.

(1) Scope of Work

1.1 – Project Management Team (PMT)

Primary Objectives:

- Owner's Management
- Project Sustainability
- Cost Control

The PMT scope of work is to maintain an internal staff of owner personnel and contractors with project management and technical subject matter expertise (SME) sufficient to reach the program objectives and maintain viability of the project in future phases of development. The AGDC PMT is within the AGDC Program Management Department and oversees all project work activities of the Alaska LNG Project.

To support the completion of the FERC regulatory process and achieve the issuance of the FERC Order, major Federal and State permits, and Federal and State ROW, this plan requires maintaining core PMT personnel who are functional SMEs and oversee specialized contractors who complete work products for the Alaska LNG Project. The PMT will continue to rely on contractors who have supported the FERC application to date, as well as specialized contractors with SMEs in specific technical areas required to provide FERC Data Request responses and comment on the Draft Environmental Impact Statement (EIS).

Throughout the FERC regulatory process, it will be necessary to respond to questions and technical requests from FERC and cooperating agencies as the Draft EIS is reviewed and commented upon. Responding will be a major work activity for the AGDC PMT through this period and will require the support of the entire AGDC PMT organization.

The AGDC PMT will continue to staff highly qualified individuals with experience in managing megaprojects, as well as familiarity with Alaskan and arctic oil and gas projects and the technical elements of the Alaska LNG Project. PMT staff will also continue to coordinate with other non-project functions (commercial, financing, marketing, etc.) and interface with BP and ExxonMobil regulatory and technical contacts. In the event of major decision points or transitions, the PMT will also provide the structure and process to support major project changes.

1.2 – EIS and Engineering 3rd Parties

Primary Objective:

- FERC Order

The EIS and Engineering 3rd Parties scope of work is focused on completing the FERC regulatory process and receiving a FERC Order to construct the Alaska LNG Project. The published FERC Notice of Revised Schedule for Environmental Review of the Alaska LNG Project at the date of this AFE is as follows:

Issuance of Notice of Availability of the Final EIS	March 6, 2020
90-Day Federal Authorization Decision Deadline	June 4, 2020
Issuance of Final Order	June 4, 2020

FERC regulatory activities will continue to be the responsibility of the AGDC ERL Manager in the AGDC PMT. The ERL Manager will be supported by PMT staff, the FERC regulatory contractor, environmental SME contractors, and contract legal support with specific expertise in FERC requirements and process.

AGDC is required to provide the funding of FERC 3rd-party contractors who prepare the EIS and perform technical reviews of the Alaska LNG Project. AGDC is also obligated to provide reasonable reimbursement of cooperating agency costs to support the FERC regulatory process.

In addition, BP and ExxonMobil have agreed to continue supporting AGDC with FERC SMEs and technical expertise under the MOU dated February 25, 2019. Interface with these companies at the single-point-of-contact (SPOC) level will be the responsibility of the AGDC Project Services Manager. The objective of the interface process will be to add value to AGDC's FERC process and keep BP and ExxonMobil updated on the status of regulatory and permitting efforts.

1.3 – Federal and State Support

Primary Objectives:

- Other Major Federal Permits
- State Air Permits
- Federal and State Right-of-Way

The Federal and State Support scope of work is focused on completing other major Federal and State permits to satisfy the FERC environmental review and construct the Alaska LNG Project. As part of the FERC Section 3 application, AGDC applied for several major Federal and State permits required to eventually receive the FERC Order. AGDC will also be completing the application and negotiation process for Federal and State ROW as a result of the FERC regulatory and major permitting process.

These major permits represent the highest priority permitting requirements but do not address the entirety of permitting requirements at the Federal, State, and local levels. Secondary permitting priorities will be completed in future phases of the project such as Front-End Engineering and Loading (FEED) and Execution.

Federal and State permitting and ROW activities will continue to be the responsibility of the AGDC ERL Manager in the AGDC PMT. The ERL Manager will be supported by PMT staff, environmental SME contractors, and contract legal support where necessary.

(2) Review Process

The work scope detailed in this AFE has been developed internally within AGDC and reviewed and agreed to by MOU Leads from BP, ExxonMobil, and AGDC. The final AFE has been reviewed and approved by the AGDC Senior V.P. Program Management and the AGDC Interim President.

(3) Options Considered

The Alaska LNG Project is the sole project being pursued by AGDC to commercialize North Slope natural gas. Completion of the FERC regulatory process and major Federal and State permitting scope of work was selected by AGDC management and cooperating parties to significantly de-risk the regulatory aspect of the project. FERC approval of the project is critical path overall and will allow commercial and financing structures to be explored to make the project as attractive as possible to the market.

Suspending regulatory approval and permitting activities would essentially stop the Alaska LNG Project. No direction has been provided to suspend activities, so this option was not considered.

(4) Spend Comparison to Overall Legislative Sanction and Current Year Fiscal Budget

The requested funds are in-line with the Board approved FY20 operating budget, legislative sanction through AGDC statute, and are in-line with the magnitude of financial support committed by BP and ExxonMobil. There will be sufficient funds within AGDC's Alaska LNG Fund to cover AGDC's one third share of the work program and budget agreed to by the cooperating parties.

(5) Risks of Delivery or Non-Delivery

The following major project risks have been identified for the Alaska LNG Project:

- Megaproject failure due to the following:
 - Major cost overruns
 - Major schedule delays
 - Major operational problems
 - Regulatory delays
- Alaska projects are more expensive and have higher execution risk than U.S. Gulf Coast equivalents because of difficult logistics and remoteness from needed services. These issues can amplify impacts of cost overruns and schedule delays.
- Value of the LNG market compared to the project cost.
- Alignment of major contracts to protect owner interests but viable for the contractor.
- Slippage in schedule due to lack of commercial contracts and funding or authorization of expenditure.
- Since the project designed in the Pre-FEED phase may not meet the needs of the market, design premise may change, with associated engineering requirements and delay.
- Alaska Legislature can appropriate AGDC's funds to apply to other State priorities or can re-define AGDC's abilities through new legislation.

(6) Cost Phasing

The cash flow associated with this AFE is based on cost estimates over the FY20 budget. There are no phasing issues associated with the ongoing FERC regulatory process and major Federal and State permitting. Contract commitment of funds will be need-driven during the Fiscal Year and obligated as needed in the period. In the absence of authorization for expenditure, AGDC will not be able to complete the FERC regulatory process, will not receive major Federal and State permits, will not obtain Federal and State ROW, and will not receive a FERC Order to construct the Alaska LNG Project.

(7) Resources



Required resources will be provided by existing AGDC PMT staff and contractors, selected technical subcontractors with subject matter expertise, and BP and ExxonMobil SMEs. The AGDC Senior V.P. Program Management and PMT staff will provide owner's representation and technical oversight of the work scope and interfaces between cooperating parties.

(8) Cost Contingencies

The budget for the scope of work has been built-up and spread on a monthly basis with no contingency included. A 10% cost contingency has not been added to this AFE per previous direction from the Board of Directors due to the relatively strong definition of scope for FY20.

(9) Risks of Delivery and Mitigation

AGDC will mitigate risks of deliverability by managing AGDC work efforts through an owner's PMT. The AGDC PMT will provide overall technical and regulatory leadership and governance for the authorized work efforts. The AGDC PMT will be supported by leveraging the services of specialized contractors who have SMEs with senior technical and management expertise. The risk of delivery will be mitigated by authorizing expenditure and expeditiously entering into appropriate key contractual relationships.

AGDC RECOMMENDATION/APPROVAL	
Originator: 	
Title: Senior V.P., Program Management	Date: June 7, 2019
Financial Authority: 	
Title: Interim President	Date: 6/7/19
BOD Approval:	
Title: Board Chair	Date: