

President's Report

Frank Richards, President
November 5, 2020



Winter is fast approaching in southcentral Alaska, bringing ice and snow to parking lots, driveways and walkways.

Here are several ways to avoid slips, trips and falls during the winter season:

- Wear ice cleats (YakTrax, Stabillcers, IceTrekks, etc.) whenever possible; be sure to remove before walking indoors on hard surfaces
- Wear footwear with heavy treads for increased traction; walk along grassy areas if a walkway is covered in ice
- Keep walkways, stairways and other work areas ice free with prompt snow removal and application of ice melt
- When walking, look where you are going and have your hands ready to steady yourself should you slip
- Avoid carrying heavy loads that may compromise your balance; use a cart, dolly or team lift whenever possible
- Make yourself visible to drivers by wearing a brightly colored jacket or clothes



- November 2020 – Following COVID-19 Mitigation Plan
 - Complying with Municipality of Anchorage and State of Alaska Mandates and Advisories
 - Staff safety is guiding principle
 - Staff working on site is voluntary
 - Pre-shift temperature screening required for access to office
 - Follows existing guidelines for social distancing and on-site precautions
 - Masks worn at all times when not at work station
 - Wipe in, wipe out protocol
 - 6' social distancing
 - Maximum occupancy in conference room
 - Nearly all meetings via TEAMS
 - All-staff telework Fridays
 - Protocols for illness onset while on-site
 - Guests asked to follow AGDC protocols

- Advancing development agreement with Strategic Parties and discussing participation with interested entities
- Finalizing 8-Star, LLC asset structure and working with JVA parties to agree to future transfer
- Supporting FERC Order with motion filed in D.C. District Court
- Communicating with FERC staff on execution plans, free of ex parte restrictions
- Providing technical interface with Strategic Parties
- Negotiating State approvals (ROW lease and air permit)
- Continuing to address cultural resource obligations
- Continuing reductions of operating and capital expenditures in line with work effort and budget
- BDO concluded financial audit of FY20
- Developing FY22 operating budget authorization
- Monitoring LNG market actions and trends

- Additional Strategic Parties targeted, with a focus on experience in LNG and major projects development
- Recent Energy Outlooks by BP and Total have a common theme:
 - Declining oil demand
 - Growth in LNG demand, with a premium on low-carbon LNG
 - Transition in 2030s from hydrocarbons to hydrogen
 - Blue Hydrogen derived from methane, with the carbon captured
 - Green Hydrogen derived from water using renewable energy
 - Alaska LNG is well positioned for this global energy transition
- Alaska LNG project is being further optimized to improve competitiveness
 - Recent cost reductions and commercial structuring put Alaska LNG on competitive footing with lowest cost Gulf of Mexico projects
 - Higher infrastructure costs are offset by lower gas supply costs and shipping cost
 - High capital requirements are a challenge in this environment
 - Property taxes need to be in line with competing projects and investors need fiscal certainty to move forward

- High Profile Meetings & Presentations
 - August 27 – Tikahtnu Forum
 - September 23 & 24 – North Slope Borough Planning Commission
 - October 22 & 28 – Alaska Eskimo Whaling Commission
- Upcoming
 - November 30 – North Slope Borough Assembly Work Session

AGDC Strategic Plan 2020/2021 Tactical Action Plan Scorecard

No	Action	Due Date	Assigned Responsibility	Status
1A	Conduct Board of Director's Executive Committee strategic planning workshop to obtain review comments and finalize AGDC FY21 Strategic Plan.	4-Mar-20	F. Richards	Complete
1B	Obtain issuance of the Notice of Availability of the Alaska LNG Project Final EIS.	6-Mar-20	F. Richards	Complete
1C	Resolution to Approve AGDC Strategic Plan (Executive Committee Summary)	9-Apr-20	Board of Directors	Complete
1D	Conduct leadership review with Governor's office and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1E	Conduct leadership review with Legislature leadership and socialize the AGDC Strategic Plan.	30-Apr-20	F. Richards	Complete
1F	Interface with the Legislature to maintain fund levels and maintain AGDC Receipt Authority for FY2021.	15-May-20	F. Richards	Complete
1G	Complete Alaska LNG Project cost reduction studies and update Class 4 Project Cost Estimate to \$Q42019.	15-May-20	B. Chastain	Complete
1H	Provide FY2021 AGDC Work Program & Budget proposal to Strategic Parties for planning of funding.	1-Jun-20	F. Richards	Complete
1I	Obtain issuance of the Alaska LNG Project FERC Final Order.	4-Jun-20	F. Richards	Complete
1J	Conduct economic assessment review with Strategic Parties using the updated Joint Economic Model.	15-Jun-20	M. Kissinger	Complete
1K	Establish 8-Star, LLC asset structure and transfer Alaska LNG Project assets.	30-Jun-20	M. Kissinger	In Progress
1L	Key Decision Point – Stage Gate (Economics)	30-Jun-20	Board of Directors	Complete
	Alaska LNG Project Economically Viable: Proceed to Task 2A			
	Alaska LNG Project Not Economically Viable: Proceed to Task 3A			
2A	Extend agreements with Strategic Parties for funding the FY2021 AGDC Work Program & Budget.	30-Jun-20	F. Richards	Complete
2B	Negotiate, establish, and implement 8 Star, LLC ownership options to optimize project asset structure.	31-Dec-20	M. Kissinger	
2C	Develop and issue a FEED DSP that addresses next steps for the Alaska LNG Project.	31-Dec-20	B. Chastain	
2D	Complete an initial Project solicitation with Strategic Parties.	31-Dec-20	F. Richards	
2E	Key Decision Point – Stage Gate (Strategic Parties)	31-Dec-20	Board of Directors	
	Provide a positive Strategic Parties recommendation to the Board of Directors for formal action: Proceed to Task 4A			
	Insufficient Strategic Parties interest: Proceed to Task 3A			

ALASKA GASLINE DEVELOPMENT CORPORATION

Fiscal Year to Date Statement of Activities

(in thousands of dollars)

as of Sept 30, 2020 Unaudited

	<u>YTD Costs</u>
LNG Project Expenditures	745
AGDC General & Admin	<u>745</u>
Total	<u><u>1,490</u></u>

General and Administrative by Function

	<u>YTD Costs</u>	
Personnel	430	G&A by Function
Travel	0	
Services	300	
RSA Services	0	
Services - Mgmt Consulting		
Commodities	3	
Depreciation	12	
Total	<u><u>745</u></u>	

LNG Project Expenditures

	<u>YTD Costs</u>	
Venture Development	244	AKLING Expenditures
Core PMT & Systems	230	
ERL	271	
Total	<u><u>745</u></u>	

Alaska LNG Project
Technical and Regulatory Update



- Technical:
 - Technical interface with strategic parties
 - Readiness for transition to new lead party
- Regulatory:
 - Remaining major permits and Right of Way authorizations
 - Cultural resource requirements
 - Legal challenge responses/preparation
 - Compliance Assurance Program development

- Core Project Management Team (PMT) Systems
 - Content Management System
 - Geospatial Data System
 - Stakeholder Database
 - Compliance Assurance Process
- Next steps
 - FEED definition & budget (project development phase)
 - 8 Star governance structure (Venture Development)
 - Lead party PMT structure and cutover

Major Permits and ROW Authorizations - Completed

Permit	Agency	Status	Note
Natural Gas Export	DOE	Issued	November 21, 2014 (Free Trade Agreement Nations) May 28, 2015 (Non-Free Trade Agreement Nations)
Letter of Recommendation - WSA	USCG	Issued	August 17, 2016
Draft EIS	FERC	Issued	June 28, 2019
Cook Inlet Marine Mammals (sea otters)	USFWS	Issued	August 1, 2019 (joint with Hilcorp)
Strain-Based Design	PHMSA	Issued	September 9, 2019
Crack Arrestor Spacing	PHMSA	Issued	September 9, 2019
Mainline Block Valve Spacing	PHMSA	Issued	September 9, 2019
Three Layer Polyethylene Coating	PHMSA	Issued	September 9, 2019
Essential Fish Habitat Consultation Recommendations	NOAA	Issued	September 27, 2019
Siting Review Letter of Determination	PHMSA	Issued	February 4, 2020

Major Permits and ROW Authorizations - Completed

Permit	Agency	Status	Note
DOD Letter of Non-Objection (Clear AFS)	DOD	Issued	March 10, 2020
Final Environmental Impact Statement	FERC	Issued	March 6, 2020
Pipe-in-Pipe	PHMSA	Issued	April 27, 2020
FERC Order	FERC	Issued	May 21, 2020
Biological Opinion - ESA	NOAA	Issued	June 3, 2020
Biological Opinion - ESA	USFWS	Issued	June 17, 2020
Water Quality Certification	ADEC	Issued	June 19, 2020
Water Quality Certification	EPA	Issued	June 22, 2020
Section 404 Wetlands	USACE	Issued	June 24, 2020
Programmatic Agreement - Cultural Resources	FERC	Issued	June 24, 2020

Major Permits and ROW Authorizations - Completed

Permit	Agency	Status	Note
Right-of-Way – Federal ROD	BLM	Issued	July 10, 2020
Right-of-Way – Federal ROD	NPS	Issued	July 10, 2020 (Permit to follow; anticipated Q4, 2020)
Denial of Rehearing Request	FERC	Issued	July 22, 2020
Alaska Railroad Permit	ARR	Issued	August 10, 2020
Air Permit - GTP	ADEC	Issued	August 13, 2020
Cook Inlet Marine Mammals (whales/seals): Incidental Take Rule (ITR)	NMFS	Issued	August 17, 2020
LNG Export License	DOE	Issued	August 20, 2020 – Issued to Alaska LNG Project LLC
Right-of-Way - Grant Offer	BLM	Issued	September 25, 2020
Bridge Permits	USCG	Issued	September 11, 2020
Cook Inlet Marine Mammals (whales/seals): Letter of Authorization (LOA)	NMFS	Issued	September 21, 2020

Major Permits and ROW Authorizations - In Progress

Permit	Agency	Status	Note
Prudhoe Bay Marine Mammals (polar bear)	USFWS	In Progress	Final rule published August 5, 2016 in place until August 5, 2021. Update submitted jointly with AOGA.
Prudhoe Bay Marine Mammals (whales/seals)	NMFS	In Progress	Proposed rule published July 16, 2020; comment period ends November 16, 2020; final anticipated Q4 2020.
Air Permit – LNG Facility	ADEC	In Progress	Draft permit published September 11, 2020 for public comment; final permit anticipated Q4 2020 or Q1 2021.
Right-of-Way – State Lease	ADNR	In Progress	Decision expected October, 2020; ROW lease anticipated Q4 2020 or Q1 2021.
Right-of-Way – DNPP Permit	NPS	In Progress	Draft anticipated Oct 2020; Final permit Q1, 2021
Cultural Resource Management Plan (CRMP)	FERC	In Progress	Comments on draft being incorporated; Programmatic Agreement Signatories will need to sign final version

- Marine mammals – Prudhoe Bay
 - Requested authorization for marine mammal harassment due to sound associated with pile driving at West Dock
 - Proposed rule published July 16, 2020
 - NMFS received comments from the Marine Mammal Commission, Alaska Eskimo Whaling Commission (AEWC), Center for Biological Diversity, Pipeliners Union 798
 - Comment period extended to November 16, 2020
 - AGDC held several work sessions with AEWC and is preparing comments
- National Park Service (NPS)
 - Permit requested for 7 mile segment through Denali National Park
 - Appraisal completed in September
 - Permit is pending with NPS

- Developing under terms of the Programmatic Agreement (PA)
- Defines processes for cultural resource avoidance, minimization, and mitigation
- Draft CRMP distributed August 17, 2020 for comments
 - Sent to signatories of the PA and to all parties indicating interest
 - Also placed on AGDC's public web site
- Next Steps
 - AGDC is producing an updated draft incorporating comments
 - The web site includes a link to the CRMP, provides names and e-mail links for parties interested in getting involved in this process
- Ongoing interaction is anticipated
 - As the project develops, AGDC will continue to consult with interested parties and to seek input

- State Lease
 - Applications submitted October 2019
 - Actively responding to the State Pipeline Coordinators Section (SPCS) information requests
 - Waiting for DNR Decision and public comment period
- Air Permit – Liquefaction Facility
 - Draft permit published September 11, 2020
 - ADEC received comments from the FWS, NPS and the National Parks Conservation Association (NPCA)
 - Comment period was scheduled to end October 11, 2020
 - NPS and NPCA asked for more time
 - Comment period was extended to November 10, 2020
 - NPCA recently requested access to confidential data and requested an additional 60-day extension after receipt of that data
 - AGDC is responding to ADEC information requests

- Goal: Provide efficient and effective identification and tracking of compliance obligations
 - Complex process given the number and diversity of approvals and permit
- Obligation Tracking
 - Includes obligations from permits and authorizations received to date
- Applicability Review
 - Identifies legal requirements (beyond permits/authorizations) that apply to various components of the project



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