

# ALASKA STATE LEGISLATURE

## SENATE AND HOUSE RESOURCES COMMITTEES

SEN. CATHY GIESSEL

Senate Chair  
State Capitol, Room 427  
Juneau, AK 99801-1182

REP. GERAN TARR

House Co-Chair  
State Capitol, Room 126  
Juneau, AK 99801-1182

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**September 25, 2017**

**Mr. Keith Meyer**

**President**

**Alaska Gasline Development Corporation**

**Calais Building One**

**3201 C Street, Suite 200**

**Anchorage, AK 99503**

President Meyer

Thank you for working with our offices to schedule the next legislative update on the Alaska LNG Project (AK LNG) for Monday, October 16, at 1:00pm. We appreciate the legislative session, coupled with the summer activities for the Alaska Gasline Development Corporation (AGDC) have coincided to push an update later than anyone would have preferred.

In anticipation for the questions that may arise in the hearing, we write you today, in our capacity as Chair and Co-Chair of our respective standing committees, to enumerate some of the topics and inquiries that will be asked of you and your staff. Our intent in providing this to you is for AGDC staff, and yourself, to be ready for a discussion with committee members on the following subjects.

**The private letter ruling from the Internal Revenue Service (IRS):** What were the conditions under which the IRS private letter ruling was issued? What provisions of AK LNG might change as the project progresses that may impact the private letter ruling, and require a re-evaluation from the IRS? Does AGDC have scenarios planned for different versions of AK LNG that takes into consideration the tax status of potential co-venture stakeholders, and how their tax status may impact the project?

**An analysis of the Memorandum of Understanding (MOUs):** What is the significance of the MOUs to date? What are the anticipated next steps with the parties who have signed the MOUs with AGDC to further participate in the project? What is the transition path for a party that has signed a non-binding MOU to a binding agreement with AGDC?

**An Overview and Assessment of the Capacity Solicitation Process:** What kind of capacity was offered, and under what terms that are disclosable to the public? What was the response from stakeholders from the capacity solicitation process? How do the results of the capacity solicitation process influence the next steps in the AK LNG Process? What kind of commitment did AGDC make, as a respondent to the capacity solicitation process? Was there any specific level of commitment, in terms of molecule volume of financial commitment, that AGDC made during this process? How does AGDC reconcile being both the facilitator for the capacity solicitation respondent, and a respondent?

**In-Depth Cost Assessment and Analysis:** What is the cost structure of AK LNG currently? What are the likely sources of funding for AK LNG? Under what circumstances, and to what degree, is the State of Alaska government (SOA) anticipated to fund AK LNG? What are the timelines for when more explicit cost provisions will be known? Does AK LNG's cost and netback to the SOA also consider the funding to local governments, and if so, in what manner (a Payment In lieu of Taxes or PILT)?

**Personnel:** What is the progress on securing a financial advisor for AGDC as well as a general counsel? If those positions have been secured, who are those individuals? Are they contracted positions from external firms, or employees of AGDC? How will securing those positions impact the timeline on the inquiries referenced earlier?

**State Agency Cooperation:** What is the Department of Revenue (DOR) doing to assist AGDC in fulfilling its duties under Senate Bill 138 (SB 138), the enabling legislation for AK LNG? Is the DOR providing the necessary financial analysis for AK LNG? What is the Department of Natural Resources (DNR) doing to assist AGDC in fulfilling its duties under SB 138? Is the DNR providing the necessary pathway for a royalty decision on AK LNG? If a royalty decision is not necessary from DNR, why has that changed? Has the recent development with the Plan of Development (POD) of the Point Thomson Unit (PTU) impacted the AK LNG timeline in any way?

We respectfully request also that personnel from the Department of Revenue, and the Department of Natural Resources, be available to answer agency specific questions as it pertains to the Departments' role in the AK LNG Project.

Thank you for coordinating schedules during a busy time of the year. Should you have any questions, or request to clarify, the points outlined in this letter, please do not hesitate to contact our offices.

Respectfully,

A handwritten signature in blue ink that reads "Cathy Giessel". The signature is fluid and cursive, with the first name "Cathy" and last name "Giessel" clearly legible.

Senator Cathy Giessel, Chair  
Alaska Senate Resources Committee

A handwritten signature in black ink that reads "Geran Tarr". The signature is bold and cursive, with the first name "Geran" and last name "Tarr" clearly legible.

Rep. Geran Tarr, Co-Chair  
Alaska House Resources Committee