THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Natural Resources
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January 27, 2016

The Honorable Cathy Giessel
Chair of the Senate Resources Committee
Alaska State Capitol
Juneau, Alaska 99801-1182

The Honorable Benjamin Nageak and Dave Talerico
Co-Chairs of the House Resources Committee
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Senator Giessel and Representatives Nageak and Talerico:

The Department of Natural Resources (DNR) in consultation with the Department of Revenue (DOR) submits the following written report in accordance with Section 77 of Senate Bill 138 (SB138), Chapter 14 SLA 14. Given the legislature's approval and appropriation of the money required to reimburse TransCanada's costs, the State acquired TransCanada's share of the project on November 24, 2015. This report provides an update to the amount of money the state paid TransCanada for the work they undertook on the State's behalf through the Precedent Agreement (PA).

Total Reimbursed Costs, Subject to Audit

TransCanada reported to the State actual spends for January 1, 2014 through November 24, 2015, totaling $64,590,000, broken down as follows:

a. A total of $62.09 million on a cash basis, which includes cash calls related to the Alaska LNG Project and development costs associated with development and negotiation of agreements and regulatory activities.
b. A carrying cost of $2.5 million.

Total Reimbursable Costs to TransCanada through November 24, 2015 (in US$ million)

	CSA (Jan. 1-Jun 30, 2014)	PRE-FEED (July 1, 2014-November 24, 2015)	TOTAL
AKLNG Cash Calls and TC Development Costs	$9.73	$56.13	$65.86
Less: AGIA Reimbursement	($3.77)		($3.77)
Carrying Cost			$2.5
TOTAL			**$64.59**

With the termination of the PA and upon receipt of the final cost report (which DNR received on January 15, 2016), DNR and DOR have 60 days to complete a development cost review. The State has entered into a contract with international accounting firm Ernst & Young to perform the cost review requirements for a sum not to exceed $45,000. The State anticipates that this review will be completed no later than mid-March.

If we can be of further assistance, please do not hesitate to contact us directly.

Sincerely,

Marty Rutherford
Deputy Commissioner, DNR

CC: Mark Myers, Commissioner, Department of Natural Resources
Randy Hoffbeck, Commissioner, Department of Revenue
Dona Keppers, Deputy Commissioner, Department of Revenue
Fritz Krusen, Acting President, Alaska Gasline Development Corporation
Darwin Peterson, Legislative Director, Office of the Governor