THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Natural Resources
Joe Balash, Commissioner
Department of Revenue
Angela M. Rodell, Commissioner

March 21, 2014

The Honorable Eric Feige, Co-Chair
The Honorable Dan Saddler, Co-Chair
House Resources Committee
Alaska State Capitol, Room 124
Juneau, AK 99801

Dear Representatives Feige and Saddler:

Please find the following responses to questions, which were asked by committee members during the February 14, 2014 House Resources Committee meeting. Please see questions in italics and our responses immediately below the questions.

**2/14/14 Questions from House Resources**

*Is the state's discussing commercial and fiscal terms with AK LNG a potential violation of the AGIA project assurances at AS 43.90.440? Is AK LNG a competing project? Are we already at risk for damages under AGIA?*

No. The State's discussions with the AK LNG parties concerning fiscal terms are not a potential violation of AGIA because TransCanada is a participant in the process with the AK LNG parties – the State, the Producers and AGDC. Thus, the HOA, MOU and other discussions the State has with the AK LNG parties do not put the State at risk for damages under AGIA. The MOU signed by the State and TransCanada acknowledges that both parties need the enabling legislation currently before the legislature to authorize the State to negotiate commercial agreements with TransCanada and other project participants for the AK LNG project.

*What would be the basis of determining the amount of a treble damages claim?*

Assuming a claim by TransCanada for treble damages under AGIA could be sustained, it is not possible to know an exact amount, if any, which the State could be liable for, without knowing the specific facts and circumstances associated with a specific claim for treble damages. Under AGIA, AS 43.90.440, the maximum amount of the monetary basis for a treble damages claim by the licensee would be the amount of the unreimbursed qualified expenditures that were paid by the licensee net of reimbursements by the State, from the date the AGIA License became effective (December 5, 2008) to the date that the state first extended preferential royalty or tax treatment, or a grant of state money, to another person for the purpose of facilitating the construction of a competing natural gas pipeline project - multiplied by three. The amount of treble damages is limited to the qualified expenditures incurred by the licensee that are not paid by the State. The State reimbursed TransCanada for 50 percent of qualified expenditures from the date the license was issued through the close of the first binding open season (July 30, 2010), and has reimbursed TransCanada for 90 percent of qualified expenditures since that date under AS 43.90.110.

We hope the House Resources Committee finds this information to be useful. Please do not hesitate to contact either of us if you have further questions.

Sincerely,

Joe Balash, Commissioner
Department of Natural Resources

Angela M. Rodell, Commissioner
Department of Revenue