



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

COMMISSIONER'S OFFICE

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February 17, 2015

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

Dear Senator Giessel:

This letter is to inform you that the previously reported break-down of projected project spending by TransCanada on the State's behalf in the Alaska LNG Project was further refined after submittal. We have provided an updated breakdown of TransCanada's most recent estimates of expenses it will incur over the next year and a half (through mid-2016).

Projected Total Project Spending

In the January 29, 2015 report, DNR reported that TransCanada was estimated to incur approximately \$100 million in development costs and cash calls for the pre-FEED phase of the project, inclusive of \$8 million in carrying costs¹.

Upon further review, TransCanada is still expected to incur approximately \$100 million associated with TransCanada's work on the Alaska LNG Project, not including \$8 million in carrying costs, through pre-FEED. However, the amounts reported on January 29, 2015, did not separately specify the approximately \$5.6 million TransCanada already incurred on concept selection costs since January 1, 2014, net of AGIA reimbursements, prior to entering pre-FEED in the estimated total project spending amounts.

The updated numbers are as follows from January 1, 2014 through mid-June 2016:

- a. Alaska LNG Project cash calls made on the State's behalf: **~\$77 million (unchanged);**
- b. Development costs, i.e. TC internal costs for pre-FEED period: **\$18 million (total unchanged, previously reported as \$15 million ± \$3 million contingency);**
- c. Concept Selection costs prior to entrance of pre-FEED (from January 1 to June 30, 2014), net of AGIA reimbursements: **\$5.6 million (previously not included);** and
- d. Carrying Costs: **\$8 million (unchanged)**

The total projected amount that the State of Alaska would be responsible for through pre-FEED is estimated to be \$108 million, which includes the approximately \$13.7 million spent from January 1 to December 31, 2014, as previously reported on January 29, 2015.

¹ Carrying costs are also referred to as "Allowance for Funds Used During Construction/AFUDC"

We hope you find this clarification useful. Continued coordination efforts with TransCanada will take place to further refine and expand the information provided in future reports to include high-level narrative of activities and forecast information. If we can be of further assistance, please do not hesitate to contact us directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Marty Rutherford", written over the printed name.

Marty Rutherford
Deputy Commissioner

CC: Alaska State Senators
Mark Myers, Commissioner, Department of Natural Resources
Randy Hoffbeck, Commissioner, Department of Revenue
Darwin Peterson, Legislative Director, Office of the Governor