THE STATE of ALASKA
GOVERNOR BILL WALKER

Department of Natural Resources
COMMISSIONER'S OFFICE
550 W. 7th #1400
Anchorage, AK 99501
Main: 907.269.8431
Fax: 907.269.8918

October 30, 2015

To Whom It May Concern:

The Alaska State Legislature is currently considering a bill (SB 3001) that would, among other things, appropriate funds to the Alaska Gasline Development Corporation (AGDC) to pay for the termination of TransCanada Alaska Midstream LP's (TC LP) services in the Alaska Liquefied Natural Gas Project (AKLNG Project). Under the Alaska LNG Midstream Services Precedent Agreement (Precedent Agreement), DNR is entitled to terminate TC LP's services. Upon such a termination, DNR is obligated to pay a termination amount and, once payment in full has occurred, DNR may elect to have TC LP or its assets conveyed to DNR or its designee affiliate. AGDC is an "affiliate" of DNR for purposes of the Precedent Agreement.

If the Alaska State Legislature approves the appropriation contemplated in SB 3001, the Department of Natural Resources (DNR) intends to provide a termination notice under the Precedent Agreement and to elect to receive a "partnership interest conveyance" under the Transporter Conveyance Mechanics (Schedule F) incorporated into the Precedent Agreement. DNR will then designate AGDC as its affiliate to take an assignment of the TC LP partnership interest. The Department of Law has drafted the legal instrument that will convey the TC LP partnership interest to AGDC should the Legislature approve the appropriation contemplated in SB 3001. Existing agreements between the AKLNG Project parties contemplate AGDC's acquisition of TC LP's interest in the AKLNG Project, and the Department of Law has confirmed that AGDC has legal authority to acquire that interest.

Please let me know if you have any further questions or concerns regarding this issue.

Sincerely

Mark Myers
Commissioner
State of Alaska Department of Natural Resources