



STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT (AGIA)

January 27, 2012

To: All Members of the Alaska State Legislature

Included with this letter is a report from the Department of Revenue (DOR) and the Department of Natural Resources (DNR), submitted in accordance with reporting requirements under the Alaska Gasline Inducement Act (AGIA).


AS 43.90.400(d) of AGIA requires the DOR and DNR Commissioners to submit a report to the legislature within the first 10 days of each regular session on the status of reimbursements from the AGIA reimbursement fund. This report must include a list of all disbursements made from the AGIA fund during the preceding fiscal year, a written justification for each disbursement, and the projected amount of money that will be required for future disbursements during each of the next three fiscal years.

This report is focused on information specific to AGIA fund disbursements. This report and other AGIA-licensed project resources are available on the AGIA website, at <http://www.gasline.alaska.gov/>.

We hope that you find this information useful. If we can be of further assistance, please do not hesitate to contact us directly.

Sincerely,


Bryan D. Butcher, Commissioner
Department of Revenue


Daniel S. Sullivan, Commissioner
Department of Natural Resources

Attachment: AGIA Fund Disbursement Report, January 27, 2012

AGIA Fund Disbursement Report
Department of Revenue and Department of Natural Resources
January 27, 2012

Executive Summary

This report was produced by the Department of Revenue (DOR) and the Department of Natural Resources (DNR) pursuant to AS 43.90.400(d) of the Alaska Gasline Inducement Act (“AGIA” or “the Act”). The statute requires that the Commissioners of DOR and DNR, within 10 days after the convening of each regular session, “shall submit to the legislature a report that lists all the disbursements from the [AGIA reimbursement] fund during the preceding fiscal year with a written justification for each disbursement and the projected amount of money that will be required for reimbursements in each of the next three fiscal years.”

AGIA was passed by the Legislature in May of 2007 to encourage construction of a natural gas pipeline from Alaska’s North Slope. The Act instructed the DOR and DNR Commissioners to solicit applications for a license to receive certain inducements from the State. After review of the submitted applications, the Commissioners recommended that a license be jointly issued to TransCanada Alaska Company, LLC, and Foothills Pipe Lines Ltd (for purposes of this report, jointly referred to as “TC Alaska” or “Licensee”). The recommendation was approved by the legislature on August 1, 2008 and the license was issued and signed by the Commissioners on December 5, 2008.

In exchange for commitments related to the project schedule, tariffs, and future expansions, the AGIA licensee is entitled to receive certain inducements from the State, including up to \$500MM in reimbursements from the AGIA reimbursement fund for qualified expenditures.

Under the AGIA framework the gas pipeline project (the Project) is required to advance work concurrently on three levels: technical, regulatory and commercial. Since the filing of last year’s disbursement report, the Project continues to make significant technical and regulatory progress culminating in the filing of the eleven draft resource reports with the Federal Energy Regulatory Commission (FERC) in January 2012. These draft reports focus on an Alberta option. The filing of these reports prepares the way for the Alaska Pipeline Project (“APP”) to remain on schedule to file for a CPCN with FERC by the end of October 2012.

Since the last report, the Project has continued to make progress and has submitted claims for reimbursement on refining technical and execution (construction) definition of the pipeline and

proposed gas treatment plant located in Prudhoe Bay, refining the pipeline route and progressing regulatory activities for the Alberta option.

The information included in this report focuses on reimbursements issued from the AGIA reimbursement fund through December 31, 2011, to the State's AGIA Licensee, TC Alaska. For purposes of confidentiality under AGIA, disbursements are summarized at the cost category level.

Reimbursement Process

Subject to appropriation, a license issued under AS 43.90 entitles the Licensee or its designated affiliate to receive reimbursements up to \$500MM for qualified project expenditures made during the seven year period immediately following the date that the license was awarded.

Qualified expenditures are those which have been paid by the Licensee, and are determined to be directly and reasonably related to advancing the project, with the exception of overhead, lobbying and litigation costs, civil or criminal penalties or fines, or any expenditures for assets or work product acquired or developed by the licensee before the license was issued.¹ Prior to the close of the first open season, reimbursements to TC Alaska could not exceed 50% of its qualified expenditures. TC Alaska's initial open season concluded on July 30, 2010. After that date, reimbursements to TC Alaska cannot exceed 90% of its qualified expenditures.²

In order to receive reimbursement from the State, the Licensee must submit supporting information for all expenditures in a form prescribed by DOR. This information is submitted on a monthly basis, with "Requests for Reimbursement" being filed each quarter. This regular flow of information allows DOR to review information on a consistent basis. As the project advances, the volume of transactions and supporting documentation continue to increase.

The monthly compilation, submission and review process is detailed, time intensive and lengthy for TC Alaska (the Licensee) and the State. TC Alaska must associate and identify "each" expenditure to a qualified activity, and each must contain sufficient descriptive supporting documentation explaining how it directly relates to that specific activity. A qualified expenditure is a cost that is incurred after the license is issued, and is directly and reasonably related to the following qualified activities:

1. Pursuing firm transportation commitments in a binding open season,
2. Securing financing for the project,

¹ "Qualified Expenditures" are defined in AS 43.90.110(c) and 15 AAC 90.030

² AS 43.90.110(a)(1)(A) and (B)

3. Obtaining a certificate of public convenience and necessity from the Federal Energy Regulatory Commission, or
4. Satisfying a requirement of an agency with jurisdiction over the project.

The due diligence review and determination of the qualified expenditures is performed by DOR on a monthly basis. Regular communications and coordination between the State and TC Alaska ensure the reimbursement process continues to move forward.

A separate, high level due diligence review is performed by the Technical Pipeline Monitor and involves evaluating information and documentation relating to TC Alaska's claim for reimbursement. The purpose of the due diligence review is to facilitate a recommendation as to whether a particular claim should be paid by the State under the AGIA statutes and regulations. The systematic research effort gathers the critical facts and descriptive information which is most relevant to the making of the informed decision as to whether each transaction is an actual and reasonable expenditure directly and reasonably related to a qualified activity that has been paid by TC Alaska.

Once the due diligence review is completed, the recommendations are reviewed and reimbursement determination decisions are made by the AGIA License Administrator, who may approve, deny, or take exception to expenditures which do not meet the statutory or regulatory requirements for qualified expenditures, or for which there is insufficient information to make a determination. If additional information is needed, the AGIA License administrator may request that information be submitted prior to issuing a final reimbursement determination.

On a quarterly basis, the AGIA License Administrator generates a reimbursement payment package containing detailed reports of the approved qualified expenditures to be reimbursed as well as the unreimbursed exceptions and pending expenditures requiring additional information. The Licensee responds to the exceptions taken by submitting the additional information and the review process continues.

The ultimate goals of the due diligence reviews are to provide reasonable assurance that the reimbursement being considered is for qualified expenditures and to ensure professional care is being conducted in these activities.

Once the AGIA License Administrator has issued a final reimbursement determination, the Licensee may appeal the determination to the Commissioner of DOR for expenditures which it contends meet the definitions for qualified expenditures outlined in the statutes and regulations.

In regard to the current reimbursement process, TC Alaska submits a monthly expenditure report and supporting documentation for State review. Every quarter, it submits an invoice for a claim for reimbursement. This invoice is submitted approximately 45 days after the close of a quarter. With the increase in project activity the State's reimbursement process takes approximately 45 days to review the third month of expenditures and generate reimbursement.

AGIA Reimbursement Information System

The AGIA Information Reimbursement System (AIRS) is an automated system that will improve the process by which project expenditure data is collected, tracked, reviewed, and reported by the State. Once complete, the new system will completely replace the manual Excel based reimbursement system in place since 2009. AIRS went live on January 1, 2012 with continued parallel testing taking place during the first quarter of 2012. The project has made significant progress over the last year but is behind schedule. AIRS is slated to completely replace the manual system on April 1, 2012.

Initial design of the reimbursement system process and workflows were completed in 2009. In FY 2011, \$250,000 was appropriated for development of AIRS. The business process analysis necessary for software specifications began in September 2010. The technical design and construction of the AIRS reimbursement system continued, and the external user interfaces of the new system were shown to TC Alaska staff in January 2011. Complexities in the TC Alaska and State accounting process required additional programming. This delayed the date AIRS was made available to TC Alaska for external user testing from February 2011 to June 2011. User testing is a time intensive critical step that provides input resulting in required programming changes. Extensive State internal user testing and report creation began in June 2011.

TC Alaska initially started data entry in early September. In October 2011, they shifted focus and dedicated additional resources to the AIRS implementation, after the annual audit fieldwork completed in September. Along with the State, they have since invested a considerable amount of time and effort in standardizing and frontloading data into AIRS. TC Alaska's user testing during November and December was interrupted by the holiday season. Clearly, both the State and TC Alaska have experienced several challenges caused by the delay of initial testing, other projects competing for limited resources, and budget limitations. Knowing the significant time saving and impact the automated system will have once it is completed, both teams continue to advance the AIRS project.

The FY 2012 funding of \$50,000 was made to the Department of Revenue through an RSA from the Department of Natural Resources, AGIA pipeline budget. The AIRS project is close to completion and will exhaust its available funding in February 2012. Recent results confirmed

through user testing that both internal and external user programming issues exist. However, because external user testing started so late in the process it is consuming more time and effort. Those programming issues are being worked through at this time. The parallel testing will continue through this quarter. Continued testing of the external and internal systems for a full quarter from TC Alaska must be completed. And, depending on the issues that surface, project funding will be exhausted and additional funding may be needed. Current estimates from the Department of Revenue IT section indicate a need for approximately \$130,000 to \$150,000. Factors that contribute to this cost estimate include, the Tax Division, with its Tax Revenue Management System (TRMS) project and the ongoing divisional support, does not have the human resources to provide additional programming resource assistance to the contractor. The contractor would need to provide 100% of the resources necessary to complete the AIRS project.

Completion is close, and transition to AIRS is a priority because it improves efficiency for the State and TC Alaska. The new system can accommodate the high transaction volume, process exceptions on a real time basis, expedite the review time, and process the payments.

AGIA Fund Disbursements

As of December 31, 2011, the State has reimbursed TC Alaska a total of \$146,024,395 for expenditures submitted through the third quarter (3Q) of 2011. Of that total, \$109,289,857 has been reimbursed primarily at the 90% rate over this calendar year ending December 31, 2011. . Over the past year, TC Alaska and the State have maintained the focus and strived to be on time for submission, review and payment of reimbursements. As of December 31, 2011, quarterly reimbursement payments are current.

To date, TC Alaska has submitted a total of \$240,083,540 in gross expenditures for State review. Of this amount, the State has taken exception to \$24,956,919. TC Alaska has not been reimbursed this portion, pending final resolution. The State has requested and is currently waiting for additional supporting information from TC Alaska. Once it is received, the review process will continue. Exceptions are part of the normal review process and many of the previous exceptions were subsequently resolved when additional information was provided. Most exceptions are resolved and reimbursed in the following quarter if determined to be qualified expenditures. An additional \$2,502,329 is being held in reserve pending receipt of additional information and audit resolution. If all information was received, and all expenditures were approved as qualified, the potential reimbursement payable to TC Alaska would be approximately \$24,392,011.

A summary overview of the increase in gross expenditures and reimbursements are illustrated below. Over the past year, TC Alaska and the State have maintained the focus and strived to be on time for submission, review and payment of reimbursements. As of December 31, 2011, quarterly reimbursement payments are current.

	CY 2010	CY 2011	Increase (Decrease)
Claimed Gross Expenditures	\$92,220,644	\$240,083,540	\$147,862,896
Gross Exceptions**	(13,769,788)	(24,956,919)	(11,187,131)
Approved Gross Qualified Expenditures	\$78,450,856	\$215,126,621	\$136,675,765
Net Reimbursements Totals*	\$36,734,537	\$146,024,394	\$109,289,857

* Reimbursements include prior year adjustments at 50% and 90% rates

** Most Gross Exceptions resolved and reimbursed in following quarter

A list of total disbursements made in FY 2011 and a projected amount of money required for future disbursement during each of the next three fiscal years can be found on **Table 2 – AGIA Disbursement and Forecast Summary**, in the Financial Reports section on page 11.

Table 3 - AGIA Reimbursement Summary below provides a summary of all expenditures claimed and reimbursed by month, quarter and year, from inception in December 2008 through December 31, 2011. **Table 3a** is the same summary of expenditures claimed and reimbursed shown by year.

Table 4 – AGIA Reimbursements by CBS Cost Category provides reimbursements broadly categorized into five major classifications based on information provided by TC Alaska. The cost breakdown structure (CBS) are project accounting codes used to more clearly categorize the types of project costs being incurred.

Requested Reimbursement and Reimbursement Forecast

As of December 31, 2011, State reimbursement payments for project activity through (3Q) 2011 were current. TC Alaska expects to submit fourth (4Q) 2011 reimbursement claims of \$32MM in gross expenditures by mid February 2012. TC Alaska's initial open season concluded on July 30, 2010. This marked the change in reimbursement rate from 50% to 90 % for qualified expenditures. The (4Q) 2011 reimbursement claim contains costs to be reimbursed at the 90% rate.

At this time, the State has received and is currently reviewing the October 2011 AGIA monthly filing with gross expenditures of \$11.8MM. Currently, TC Alaska and the State are implementing AIRS, and this transition will affect the timing and process for reviewing and paying reimbursement filings. The next reimbursement to TC Alaska for (4Q) 2011 is scheduled for payment in the March to April 2012 timeframe.

In addition to the (4Q) 2011 reimbursement claim, the State anticipates it will receive, review and reimburse claims for (1Q) 2012 prior to the end of FY 2012. Reimbursement for the first (1Q) 2012 claim may fall into FY 2013, and depends on the success and final acceptance of the AIRS parallel testing, training resources and reviews in dual systems.

Table 2 contains the AGIA reimbursement forecast summary for the remainder of FY 2012 through to FY 2015. The forecasted reimbursement payout for the remainder of FY 2012 is approximately \$77MM. TC Alaska's January 2012 forecast has been adjusted down by the State due to timing of invoicing and for potential exceptions to be taken. Currently, an amount of approximately \$25MM in exceptions through (3Q) 2011 have not been paid by the State pending response from TC Alaska on information requests. Discussion and resolution between the State and TC Alaska are in progress.

The FY 2012 AGIA appropriation approved was for \$60MM. As of December 31, 2011, the AGIA Fund balance was \$99,975,605 and based on the current spending plan and reimbursement cycles, the anticipated balance may be around \$22MM at the end of FY 2012.

For FY 2013, the appropriation request in Governor's December 15, 2011 proposed budget is \$60MM. With the \$60MM FY 2013 appropriation, and the anticipated low AGIA fund balance at the end of FY 2012, available funding could expire in the October to December 2012 timeframe, after reimbursement for (2Q) 2012 project activity is made. Using the current spending plan and reimbursement cycle, the AGIA Fund balance would be approximately \$22MM in October 2012, and a (3Q) 2012 reimbursement payment of \$38MM would be due prior to December 31, 2012. In order to generate payments for prior year exceptions and current project activity through (1Q) 2012, a potential FY 2013 supplemental budget request may be needed based on the current project spending plan or on an alternative plan that may come forward. Reduced reimbursement claims due to timing differences have moved the forecasted expenditures into FY 2013. The State's FY 2013 reimbursement forecast includes TC Alaska's contingency forecast contained in Table 1 below.

Estimated Project Spending

The figures in Table 1 are based on TC Alaska's 1Q 2012 Budget Report, received by DOR in January 2012. It shows the projected amount of money required for reimbursement during each fiscal year until the Licensee is scheduled to obtain a FERC Certificate. The rate of spending could vary as the project moves forward. For example, the rate of spending could change substantially based on the degree to which certain Project uncertainties are resolved or as a result of information requests received subsequent to submission of project documentation to regulatory authorities. To recognize these uncertainties as well as potential changes resulting from discussions with North Slope gas producers related to interest in LNG, the Project has included a contingency amount in the updated expenditure forecast. This contingency is shown in Table 1 below.

Table 1³

Fiscal Year Basis*	Pre-License	Thru June 2009	Thru June 2010	Thru June 2011	Thru June 2012	Thru June 2013	Thru June 2014	Contingency	TOTAL
	← Reimbursement Paid →				← Estimated Reimbursement →				
Total Annual	\$4,100	\$20,402	\$102,137	\$161,171	\$179,165	\$118,519	\$90,000	\$41,749	\$717,244
TC/EM	\$4,100	\$15,872	\$63,708	\$76,611	\$24,473	\$15,565	\$10,861	\$6,054	\$217,244
State of Alaska	\$0	\$4,530	\$38,429	\$84,561	\$154,692	\$102,954	\$79,139	\$35,696	\$500,000
Total Cumulative	\$4,100	\$24,502	\$126,639	\$287,811	\$466,976	\$585,495	\$675,495	\$717,244	\$717,244
TC/EM	\$4,100	\$19,972	\$83,680	\$160,291	\$184,764	\$200,330	\$211,190	\$217,244	\$217,244
State of Alaska	\$0	\$4,530	\$42,959	\$127,520	\$282,211	\$385,165	\$464,304	\$500,000	\$500,000

* Note: Fiscal year for the State of Alaska runs from July 1 to June 30.

Annual Audit

As required under the AGIA license, the second annual audit of TC Alaska was performed by Martindale Consultants, Inc. The fieldwork was completed in September 2011. The CY 2010 audit covered expenditures reimbursed by the State through the calendar year that ended December 31, 2010. The prior year CY 2009 audit covered expenditures for only four months of activity. The CY 2010 annual audit covered reimbursements made for activity conducted from 2Q 2009 through the 2Q 2010. The scope of the annual audit was to assess the adequacy of TC Alaska's internal controls and accounting process in relation to the identification and

³ Numbers are based on TC Alaska's 1Q 2012 Budget Report. Comparative spending after 2010 reflects a change in the state's matching contribution from 50/50 to 90/10, following the close of the Open Season on July 31, 2010.

submission of qualified expenditures, to determine if the licensee was in compliance with applicable statutes and regulations, and to determine if the costs submitted for reimbursement complied with AGIA. The goal of the audit was to identify areas of improvement for DOR and TC Alaska, make recommendations, and facilitate corrections to the reimbursement process. Between April 1, 2009 and June 30, 2010, the auditors reviewed approximately \$89MM in gross expenditures to ensure eligibility under AGIA and applicable regulations. TC Alaska had received \$35MM in state matching funds as of December 31, 2010.

Of this audit population, Martindale Consultants, Inc. achieved 91% dollar coverage by reviewing approximately 21,500 submitted line items out of the submitted 38,000 line items during the audit period.

Adding to the experience gained in last year's audit, Martindale conducted interviews with personnel from both the State and TC Alaska, to build on their understanding of the applicable laws, reimbursement process, and duties of involved individuals. Major vendor contracts and invoices were reviewed and reconciled with those examined during earlier parts of the reimbursement process. For a significant portion of the company labor, auditors reviewed job duties to ensure they were performing qualified functions, verified hours billed were reasonable and accurate and confirmed all components of hourly labor rates qualified for reimbursement. At this time the audit process is still open and moving toward completion.

The audit process started a month later this year, and is not as far along as it was at this point last year. The draft audit report has been received by the State, and is currently in the review stage. The State and TC Alaska will continue to work together to resolve issues and close the audit promptly. The State anticipates audit completion by the end February 2012. Even though the audit is not yet concluded, the approved FY 2012 audit funding of \$125,000 is expected to be sufficient to conclude the work.

The upcoming CY 2011 annual audit will cover approximately \$150MM in gross expenditures submitted for review, and \$109MM in disbursements of qualified expenditures made through the year ended December 31, 2011. Non-qualifying gross expenditures spent by the Licensee are not submitted for reimbursement. The reimbursements to be audited will cover project expenditure activity from 3Q 2010 through 3Q 2011, with disbursements primarily at the 90% rate. The audit period will also contain some reimbursements and adjustments paid at the 50% rate. As the project has advanced, the transaction volume and dollar values have continued to increase significantly. The CY 2011 annual audit will require a similar amount of time and number of auditors to complete. Implementation of AIRS will be completed and in use during the next audit cycle (CY 2012), and potential time savings are anticipated. Funding of \$125,000

for the AGIA annual audit is included in the Natural Gas Commercialization component of the Governor's FY 2013 budget request. TC Alaska and the State continue to work toward resolving technical issues as they arise, and continue to work towards advancement of the audit process.

Financial Reports

Table 2: AGIA Disbursement and Forecast Summary

Table 3: AGIA Reimbursement Summary by Month

Table 3a: AGIA Reimbursement Summary by Year

Table 4: AGIA Reimbursements by CBS Cost Category

Table 2
AGIA Disbursement and Forecast Summary

FY 2011 Actuals and FY 2012 to FY 2015 Forecast

Disbursement Summary			
FY	Reference	Reimbursement Amount	Date Paid
Total Paid FY10		\$4,358,982	
FY11	1Q 2009 Exceptions	\$136,338	9/18/10
FY11	2Q 2009 Exceptions	\$715,282	9/28/10
FY11	3Q 2009 AGIA Quarterly Filing	\$4,095,425	9/07/10
FY11	4Q 2009 AGIA Quarterly Filing	\$13,789,355	10/4/10
FY11	1Q 2010 AGIA Quarterly Filing	\$7,190,984	10/20/10
FY11	2Q 2010 AGIA Quarterly Filing	\$6,448,166	10/26/10
FY11	3Q 2010 AGIA Quarterly Filing	\$12,656,905	3/29/11
FY11	3Q 2009 Exceptions	\$357,652	4/05/11
FY11	4Q 2010 AGIA Quarterly Filing	\$11,440,228	5/18/11
Total Paid FY11		\$56,830,339	
FY12	4Q 2009 Exceptions	\$1,574,726	7/18/11
FY12	1Q 2011 AGIA Quarterly Filing	\$31,470,614	7/19/11
FY12	1Q 2010 Exceptions	\$1,353,576	9/6/11
FY12	2Q 2010 Exceptions	\$2,393,417	9/6/11
FY12	3Q 2010 Exceptions	\$1,135,054	9/6/11
FY12	2Q 2011 AGIA Quarterly Filing	\$23,899,703	10/7/11
FY12	1Q 2009 Audit Adjustments	\$47,001	10/13/11
FY12	4Q 2010 Exceptions	\$3,611,047	10/31/11
FY12	2009 - 2010 Audit Adjustments	\$498,062	11/15/11
FY12	1Q 2011 Exceptions	\$346,991	11/21/11
FY12	3Q 2011 AGIA Quarterly Filing	\$18,504,883	12/27/11
Total Paid to Date FY12		\$84,835,073	
Grand Total Paid to Date		\$146,024,394	
Reimbursement Forecast Summary			
FY	Reference	Reimbursement Amount	Estimated Pay Date
FY12	4Q 2011 AGIA Quarterly Filing	\$28,000,000	Mar 2012
FY12	1Q 2012 AGIA Quarterly Filing	\$40,000,000	May 2012
FY12	Prior Years thru 1Q 2011 Exceptions	\$6,500,000	June 2012
FY12	Withheld Reserve Amounts	\$2,500,000	June 2012
Total Forecast Payout FY 2012		\$77,000,000	
Total Forecast Payout FY 2013		\$180,000,000	
Total Forecast Payout FY 2014		\$80,000,000	
Total Forecast Payout FY 2015		\$16,975,606	
Total AGIA Inducement		\$500,000,000	

Table 3
AGIA Reimbursement Summary by Month

As of Quarter Ending September 30, 2011

Reflects reimbursement payments thru December 31, 2011

Year	QT	Month	Claimed Gross Expenditures	Gross Exceptions	Approved Gross Qualified Expenditures	Qualified Expenditures Available for Reimbursement at 50% & 90%	Less Qualified Reimbursement Held in Reserve	Reimbursed Qualified Expenditures
2011	1 Q	January	\$7,281,778	(\$382,443)	\$6,899,335	\$6,206,960	\$0	\$6,206,960
		February	\$7,022,093	(\$601,587)	\$6,420,506	\$5,778,152	\$0	\$5,778,152
		March	\$22,963,784	(\$914,379)	\$22,049,405	\$19,832,492	\$0	\$19,832,492
		1 Q Total	\$37,267,655	(\$1,898,409)	\$35,369,246	\$31,817,604	\$0	\$31,817,604
	2 Q	April	\$11,000,215	(\$2,785,593)	\$8,214,622	\$7,370,394	\$0	\$7,370,394
		May	\$14,921,001	(\$3,304,728)	\$11,616,274	\$10,307,988	\$0	\$10,307,988
		June	\$10,613,655	(\$3,701,076)	\$6,912,578	\$6,221,320	\$0	\$6,221,320
		2 Q Total	\$36,534,871	(\$9,791,397)	\$26,743,474	\$23,899,703	\$0	\$23,899,703
	3 Q	July	\$9,944,822	(\$3,367,343)	\$6,577,479	\$5,916,283	\$0	\$5,916,283
		August	\$9,078,431	(\$2,100,147)	\$6,978,283	\$6,280,455	\$0	\$6,280,455
September		\$12,334,669	(\$5,325,619)	\$7,009,050	\$6,308,145	\$0	\$6,308,145	
	3 Q Total	\$31,357,922	(\$10,793,109)	\$20,564,813	\$18,504,883	\$0	\$18,504,883	
2011 Total			\$105,160,448	(\$22,482,915)	\$82,677,532	\$74,222,190	\$0	\$74,222,190
2010	1 Q	January	\$4,951,324	(\$8,941)	\$4,942,383	\$2,471,192	(\$200,246)	\$2,270,945
		February	\$6,783,939	\$0	\$6,783,939	\$3,391,969	(\$205,985)	\$3,185,984
		March	\$6,814,774	(\$424)	\$6,814,349	\$3,407,175	(\$226,203)	\$3,180,971
		1 Q Total	\$18,550,037	(\$9,366)	\$18,540,671	\$9,270,335	(\$632,435)	\$8,637,901
	2 Q	April	\$5,934,148	(\$25,000)	\$5,909,148	\$2,954,574	(\$221,697)	\$2,732,877
		May	\$6,268,134	\$0	\$6,268,134	\$3,134,067	(\$196,421)	\$2,937,646
		June	\$7,000,969	(\$25,243)	\$6,975,727	\$3,487,863	(\$221,596)	\$3,266,267
		2 Q Total	\$19,203,252	(\$50,243)	\$19,153,009	\$9,576,504	(\$639,715)	\$8,936,790
	3 Q	July	\$7,540,705	\$0	\$7,540,705	\$3,770,352	\$0	\$3,770,352
		August	\$5,312,031	\$0	\$5,312,031	\$3,677,171	\$0	\$3,677,171
		September	\$9,332,291	(\$80,535)	\$9,251,755	\$6,344,435	\$0	\$6,344,435
		3 Q Total	\$22,185,026	(\$80,535)	\$22,104,491	\$13,791,959	\$0	\$13,791,959
	4 Q	October	\$4,916,643	(\$47,102)	\$4,869,542	\$3,712,369	\$0	\$3,712,369
		November	\$4,662,727	(\$1,254,362)	\$3,408,365	\$2,993,668	\$0	\$2,993,668
		December	\$11,483,037	(\$343,634)	\$11,139,404	\$8,345,237	\$0	\$8,345,237
		4 Q Total	\$21,062,407	(\$1,645,097)	\$19,417,310	\$15,051,275	\$0	\$15,051,275
2010 Total			\$81,000,721	(\$1,785,241)	\$79,215,481	\$47,690,073	(\$1,272,149)	\$46,417,924
2009	1 Q	January	\$321,122	\$0	\$321,122	\$158,217	\$0	\$158,217
		February	\$954,437	(\$350)	\$954,087	\$477,044	\$0	\$477,044
		March	\$1,282,591	\$0	\$1,282,591	\$641,295	\$0	\$641,295
		1 Q Total	\$2,558,150	(\$350)	\$2,557,800	\$1,276,556	\$0	\$1,276,556
	2 Q	April	\$2,757,510	(\$235,806)	\$2,521,704	\$1,260,852	\$0	\$1,260,852
		May	\$4,319,554	(\$124,245)	\$4,195,309	\$2,097,654	\$0	\$2,097,654
		June	\$1,595,291	(\$182,351)	\$1,412,940	\$706,470	\$0	\$706,470
		2 Q Total	\$8,672,355	(\$542,402)	\$8,129,953	\$4,064,977	\$0	\$4,064,977
	4 Q	October	\$9,575,828	\$0	\$9,575,828	\$4,787,914	(\$281,488)	\$4,506,426
		November	\$13,385,498	(\$6,326)	\$13,379,172	\$6,689,586	(\$513,245)	\$6,176,341
		December	\$19,646,089	(\$135,695)	\$19,510,394	\$9,755,197	(\$435,447)	\$9,319,750
		4 Q Total	\$42,607,416	(\$142,021)	\$42,465,394	\$21,232,697	(\$1,230,180)	\$20,002,517
2009 Total			\$53,837,921	(\$684,774)	\$53,153,148	\$26,574,230	(\$1,230,180)	\$25,344,050
2008	4 Q	December	\$84,450	(\$3,989)	\$80,460	\$40,230	\$0	\$40,230
	4 Q Total	\$84,450	(\$3,989)	\$80,460	\$40,230	\$0	\$40,230	
2008 Total			\$84,450	(\$3,989)	\$80,460	\$40,230	\$0	\$40,230
Grand Total			\$240,083,540	(\$24,956,919)	\$215,126,622	\$148,526,723	(\$2,502,329)	\$146,024,394

Table 3a
AGIA Reimbursement Summary by Year
 As of Quarter Ending September 30, 2011

Reflects reimbursement payments thru December 31, 2011

Year	QT	Claimed Gross Expenditures	Gross Exceptions	Approved Gross Qualified Expenditures	Qualified Expenditures Available for Reimbursement at 50% & 90%	Less Qualified Reimbursement Held in Reserve	Reimbursed Qualified Expenditures
2011	1 Q	\$37,267,655	(\$1,898,409)	\$35,369,246	\$31,817,604	\$0	\$31,817,604
	2 Q	\$36,534,871	(\$9,791,397)	\$26,743,474	\$23,899,703	\$0	\$23,899,703
	3 Q	\$31,357,922	(\$10,793,109)	\$20,564,813	\$18,504,883	\$0	\$18,504,883
2011 Total		\$105,160,448	(\$22,482,915)	\$82,677,532	\$74,222,190	\$0	\$74,222,190
2010		\$81,000,721	(\$1,785,241)	\$79,215,481	\$47,690,073	(\$1,272,149)	\$46,417,924
2009		\$53,837,921	(\$684,774)	\$53,153,148	\$26,574,230	(\$1,230,180)	\$25,344,050
2008		\$84,450	(\$3,989)	\$80,460	\$40,230	\$0	\$40,230
Grand Total		\$240,083,540	(\$24,956,919)	\$215,126,622	\$148,526,723	(\$2,502,329)	\$146,024,394

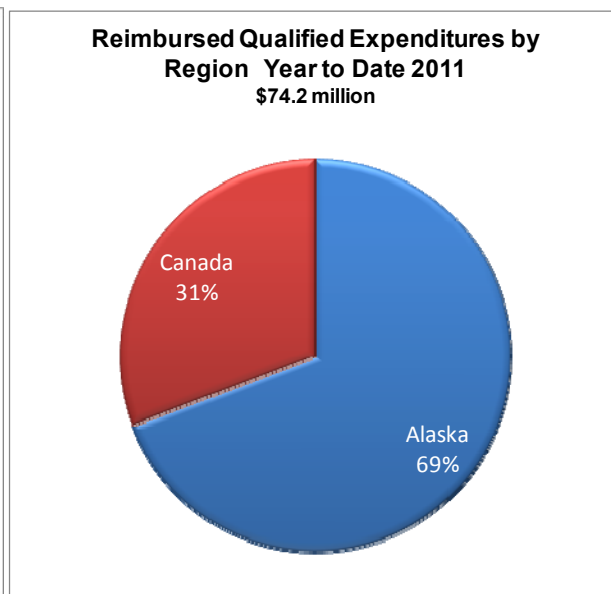
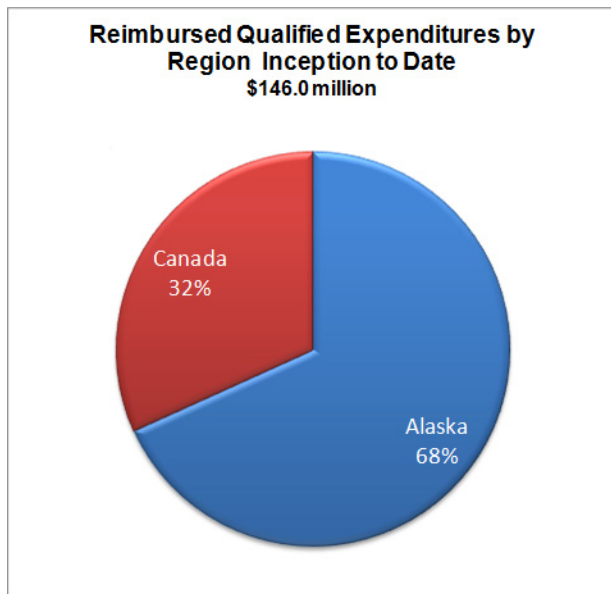
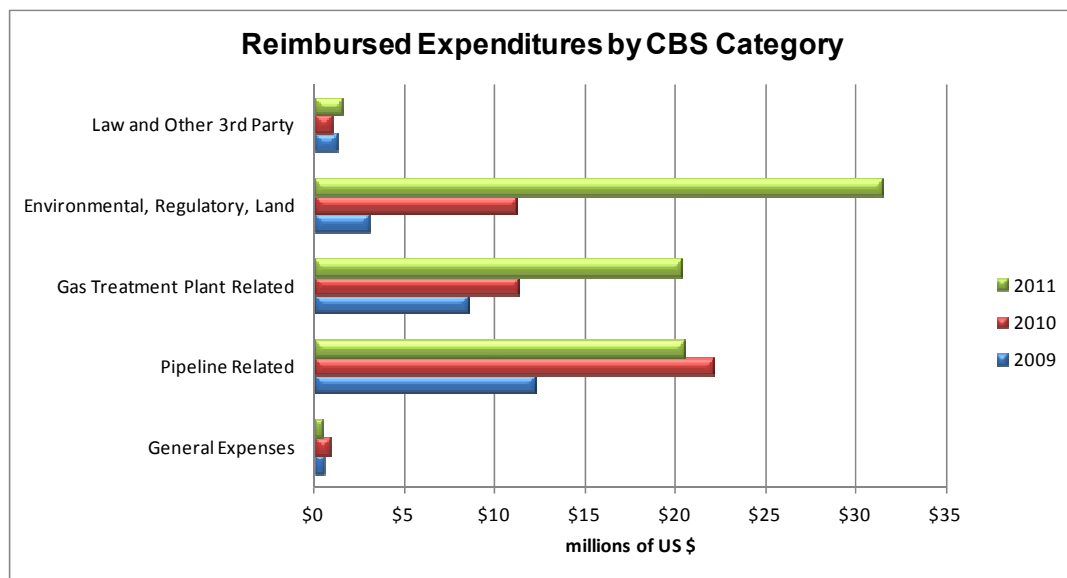


Table 4
AGIA Reimbursements by CBS Cost Category
 As of Quarter Ending September 30, 2011

CBS Categories	Reimbursed Qualified Expenditures				
	2008	2009	2010	2011 ¹	ITD
General Expenses	\$9,740	\$499,831	\$859,733	\$462,608	\$1,831,912
Pipeline Related	\$27,268	\$12,250,331	\$22,064,004	\$20,486,160	\$54,827,764
Gas Treatment Plant Related	\$3,222	\$8,452,468	\$11,326,074	\$20,290,594	\$40,072,358
Environmental, Regulatory, Land	\$0	\$2,963,850	\$11,197,715	\$31,462,907	\$45,624,471
Law and Other 3rd Party	\$0	\$1,177,570	\$970,398	\$1,519,921	\$3,667,889
Total	\$40,230	\$25,344,050	\$46,417,924	\$74,222,190	\$146,024,394

¹ 2011 has gross qualified expenditures thru 3Q 2011

The reimbursements are broadly categorized into five major Cost Breakdown Structure (CBS) categories based on information provided by TC Alaska.



End of Report