

November 15, 2007

Karleen K. Jackson, Ph.D.  
Office of the Commissioner  
350 Main Street, Room 404  
PO Box 110601  
Juneau, Alaska 99811-0601

Dear Commissioner Jackson:

Fairbanks Memorial Hospital/Denali Center is planning a project for which we believe a Certificate of Need is required. The project will consist of the purchase, installation and operation of a PET/CT scanner and would involve both remodeling existing space and the acquisition of major medical equipment. This project would establish a PET/CT category of service; the bed capacity will not change as a result.

PET, or positron emission tomography, uses radioactive glucose to image the body's metabolism at the cellular level, mapping the chemical functioning of organs or tissue. CT, or computed tomography, is used to image a patient's anatomy and can reveal abnormalities. Used together in one machine, PET-CT combines PET's early detection of disease with the precise internal organ visualization of CT. PET isotopes have recently become available in Fairbanks. The PET/CT procedure is painless and non-invasive and usually takes about half an hour.

The project consists of renovating approximately 1,100 square feet and installing a PET/CT scanner. The renovation cost has been estimated by an architect licensed under AS 08.48 at approximately \$705 per square foot, for a remodeling cost of \$775,000. We anticipate a major medical capital expenditure of approximately \$2,450,000 to purchase the scanner.

The project is currently in the planning phase, with detailed scheduling expected to continue through the middle of December. Our certificate of need submission target is December 28, 2007. Construction would begin upon certificate of need issuance and is expected to require four months.

The space to be renovated is located in the Fairbanks Imaging Center on the hospital campus. While the project budget is \$3.2 million, detailed line-item costs have not been approved. Substantial deviations may be made to the plan before the certificate of need application is submitted.

We will continue our planning efforts and begin preparing an application for a certificate of need for this project while we await your determination. Thank you for your attention to this matter.

Sincerely,

Robert Gould  
CFO & Operations