

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

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May 5, 2005

Mayor Jim Whitaker, Chairman
Alaska Gasline Port Authority
411 Fourth Avenue
Fairbanks, Alaska 99701

Re: AGPA Application under the Alaska Stranded Gas Development Act

Dear Mayor Whitaker:

I want to express my appreciation to the Alaska Gasline Port Authority (AGPA) for resubmitting its earlier application under the Alaska Stranded Gas Development Act (SGDA). Clearly the Port Authority has significant potential to advance a gasline project. We are accepting your application and granting conditional approval based on the following:

For reasons that we expressed to you earlier, we do not believe that AGPA is a qualified applicant under the SGDA because it does not meet the criteria set out in AS 43.82.110. However, based on your offer to purchase gas from ExxonMobil, BP and ConocoPhillips we believe that the following is a criterion under which AGPA could qualify: "has the right to purchase at least 10 percent of the stranded gas . . ." (AS 43.82.110(2)(B)). The defect could also be cured by a qualified entity providing a financial guarantee of the AGPA's performance. ("has an unused line of credit equal to 15 percent of the estimated cost of constructing a qualified project.")

For the conditional approval to stand the AGPA must, within the next three months, show proof of either a firm purchase contract for at least 10% of the gas, a financial guarantee from a qualified entity or meet another qualification criterion under SGDA.

In addition, success of the application will ultimately rest on a favorable letter ruling from the IRS and a permanent exemption from the Jones Act which we know you are working hard to get.

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Conditional approval requires successful execution of a reimbursement contract with the state.

The Department of Law is still reviewing the application to determine whether any other legal requirements may apply.

Conditional approval to the Port Authority does not limit, in any way, the state's ability to execute a SGDA with any other party.

We look forward to discussing the Port Authority application at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "William A. Corbus".

William A. Corbus
Commissioner of Revenue

cc: Ben Stevens, President of the Senate
John Harris, Speaker of the House
David Marquez, Attorney General
Tom Irwin, Commissioner DNR
James Clark, Chief of Staff