

ALASKA GASLINE PORT AUTHORITY

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February 27, 2004

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Governor Frank Murkowski
3rd Floor State Capitol
Juneau, AK 99811

Commissioner William A. Corbus
Department of Revenue
11th Floor State Office Bldg.
Juneau, AK 99811

Re: AGPA Application under Alaska Stranded Gas Development Act

Dear Governor Murkowski & Commissioner Corbus:

The Alaska Gasline Port Authority voted at its December 12, 2003 annual meeting to submit an application under the Stranded Gas Development Act for determination by the Commissioner of Revenue that the Port Authority is a qualified sponsor and that the project qualifies under AS 43.82.100.

While the Stranded Gas Act was authorized to allow the fiscal terms relative to royalty and taxes be tailored to the particular economic conditions of the project, the Port Authority structure requires no such concession on the part of the State. In fact, as is demonstrated in the application, the Port Authority project is, without such concessions, the most favorable gasline project to the State and the gas producers in terms of well head value. Further the "Y-line" concept of the project, with the additional line to Southcentral Alaska, provides for maximum market exposure and maximum in-state distribution of Alaska's natural gas resources.

Pursuant to AS 43.82.200 it is the intent of the Port Authority, to negotiate with the Commissioner, a contract for payment of impact funds to affected municipalities prior to and during construction. This will provide Alaskan communities with the means to mitigate the strain on local infrastructure during construction, as well as share the benefit of development of Alaska's natural resources with all municipalities throughout the term of the project.

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As evidenced in this application, the Port Authority structure, with the "Y-line" concept, allows for the maximum development of Alaska's natural gas resources to the maximum benefit of its people.

In accordance with its formative mandate, the Alaska Gasline Port Authority intends to provide for the maximum commercialization of Alaska's North Slope natural gas resources by securing North Slope gas supplies, and financing and contracting for the construction and operation of a gas pipeline project.

The Port Authority looks forward to continuing its work with other project applicants in the exploration of ways to make the Port Authority structure available to maximize the benefit of a natural gas pipeline.

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By:


Bert Cottle, Chairman
Mayor, City of Valdez

Enc.

cc: Commissioner Tom Irwin, Department of Natural Resources
Attorney General Gregg D. Renkes
Jim Clark, Chief of Staff