

ALASKA STATE LEGISLATURE



REPRESENTATIVE PAUL SEATON, REPRESENTATIVE ERIC FEIGE,
REPRESENTATIVE PEGGY WILSON, REPRESENTATIVE KURT OLSON,
REPRESENTATIVE CRAIG JOHNSON, REPRESENTATIVE GERAN TARR,
REPRESENTATIVE SCOTT KAWASAKI

April 15, 2014

Governor and Alaska Legislature

Governor Parnell and members of the 28th Alaska State Legislature,

We, the undersigned legislators, submit the following list of issues that were put on the record during the legislative process for SB 138. While these ideas were ultimately considered not ripe for inclusion as specific amendments to SB 138 at that time, we are highlighting them for your administration as you proceed with negotiations under the enabling legislation.

The intent of the undersigned legislators in submitting this letter is to provide an outline of the concerns that will continue to follow the AK LNG concept as contracts are negotiated and the legislature is required to act on these contracts in the future. The items below provide direction for what legislators want to see when agreements come back before the legislature for approval:

- In negotiating contracts, the commissioners shall not negotiate changes in oil production tax and no terms shall be included in a contract to require compensation for any future changes in oil production tax.
- Any change to property taxes enabled via a payment in lieu of taxes may not reduce the revenue that would be received by the state and municipalities to

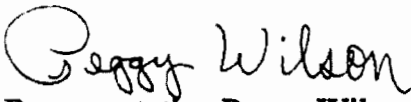
to less than what would have been otherwise received under the current property tax statutes.

- An agreement or contract negotiated for the AK LNG project may not include the conversion to a payment in lieu of property tax system to the state or to a municipality before a final investment decision is made for the project, although impact payments may be arranged for before final investment decision.
- The marketing decisions and contracts for the state's LNG must be fully resolved before the final decision is made to modify leases with a long term commitment to take royalty in kind.
- The pipeline must be designed and operated to allow adequate expansion at reasonable terms that will encourage additional exploration and development of North Slope resources and in no case will a non-expansion party be required to pay more than their initial shipping cost per mcf.
- The state must retain the ability to expand its share of the project even if we are in disagreement with our midstream partner.
- Project partners, whether through direct provision or via impact payments made to the state and municipalities, shall adequately participate to provide the necessary infrastructure required for the construction and operation of the LNG project.
- Any final decision to invest in an equity stake in the pipeline must be made with the full authorization of the legislature.
- The state may bring in partners to own and operate all or part of our share of the project, under commercially reasonable terms if in the best interest of the state.
- Any disputes arising during the project must be handled in such a way that best protects the state's interests, ideally in Alaska courts.

Sincerely, House Resources Committee Members

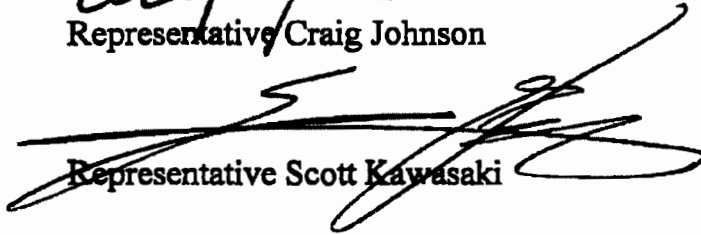

Representative Paul Seaton



Representative Eric Feige


Representative Peggy Wilson


Representative Craig Johnson


Representative Kurt Olson


Representative Scott Kawasaki


Representative Geran Tarr