

February 11, 2014

Governor Sean Parnell
State of Alaska
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Parnell:

As local government leaders, we are encouraged by the prospect of construction of a natural gas pipeline. We support continued efforts toward completion of a successful project and the economic benefits it will bring to the State of Alaska, our communities and our residents.

We would be remiss in our responsibilities, however, if we did not express our growing concerns about the potential impacts to local governments. Our individual taxing structures and tax bases provide the revenues necessary to pay for local government services. In that respect, we have become concerned about the lack of information provided to municipalities regarding the impacts of the ongoing negotiations, particularly local government concessions that may be considered during pending gas pipeline negotiations with the North Slope producers.

The Heads of Agreement between the State of Alaska, North Slope producers and TransCanada provides the parties will negotiate fiscal concessions before undertaking an additional study of a gas pipeline project. The agreement states one of its purposes is to reduce valuation disputes between the parties, and to ensure a healthy long-term oil business. We are concerned that these terms might alter property taxes paid on existing infrastructure, including that used in oil exploration, production and transportation. The municipalities wish to be assured that the terms of a fiscal deal on the gas pipeline will not impact taxes on existing property.

We recognize there may be a need for agreements on fiscal terms to help facilitate a successful project. We are willing to be party to such agreements provided that we have the opportunity to participate in the discussions and to negotiate and agree to terms that directly impact municipal tax structure and revenues. The terms of any agreement will extend well beyond our tenure in elected office. We have a responsibility to understand, analyze and evaluate, in depth, the impacts and consequences as they relate to the State of Alaska, our communities and residents - including future generations.

We have joined together in this effort, and are hopeful that you and your administration will not only engage in "consultation" with the municipalities, but will allow us to meaningfully participate. We look forward to counting on your support and are hopeful you will work with us to ensure that municipalities affected by the gas pipeline directly participate in the discussions and negotiations on decisions that will impact our communities.

Sincerely,



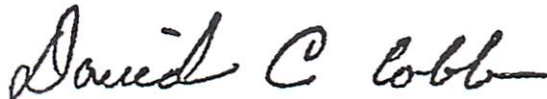
Mayor Luke Hopkins
Fairbanks North Star Borough



Mayor Mike Navarre
Kenai Peninsula Borough



Mayor Charlotte Brower
North Slope Borough



Mayor Dave Cobb
City of Valdez

Cc: House Speaker Mike Chenault
Senate President Charlie Huggins