



Golden Valley Electric Association

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Your Touchstone Energy® Cooperative 

November 14, 2013

Mark Davis  
Alaska Industrial Development and Export Authority  
813 West Northern Lights Blvd.  
Anchorage, AK 99503

Dear Mark:

In response to your letter of November 13<sup>th</sup>, GVEA reiterates its commitment and support of any project that will ensure a reliable supply of low-cost gas to Interior Alaska. As I have emphasized to you and other AIDEA representatives during the meetings and conversations that we have had over the past several weeks, GVEA must take a measured approach to the risk attendant to financing construction of a northern gas supply plant or to invest financially in a North Slope LNG facility.

We appreciate your repeated assurances that this project can go forward without GVEA's contractual obligations. We are pleased that neither GVEA's financial investment in the North Slope gas supply facility nor entering into a take-or-pay gas supply contract is necessary to the success of the Interior Energy Project. We recognize that GVEA's participation is nonetheless important in assuring the project's success and, under terms and conditions yet to be negotiated, is willing to actively participate as follows:

TERM SHEET

1. GVEA would provide and assign its rights in the engineering work-product completed to date by Chicago Bridge and Iron.
2. GVEA would assign its rights to the property along the Spline Road on the North Slope and would contribute the permitting work, which it has done to date in connection with the permitting of that site.
3. GVEA would consent to the project utilizing the 20-year gas supply contract, which GVEA currently has with BP. As AIDEA is aware, GVEA has a long-term contract with BP for

the supply of 23 BCF of natural gas at preferential pricing. As per the terms of the GVEA/BP contract, GVEA was selected by BP to be the aggregator of gas for all Interior consumers. The gas contract is at a volume that is more than sufficient to meet Interior Alaska's future needs for space heating, power generation, military bases, the University of Alaska and bulk industrial consumption, including expanded mining loads.

4. GVEA will contribute project management and grant administration expertise. As AIDEA well knows, GVEA has completed several major projects during the past eight years (Northern Intertie and BESS (\$135M with \$67M AEA grant), North Pole Expansion Plant (\$120M), and Eva Creek Wind Farm (\$98M with \$14M AEA grant)) and, as such, has both the project management and grant administration expertise necessary to achieve the LNG project.
5. GVEA is willing to participate in any meaningful way to advance the project, including participating in the project development and facility operation.
6. Depending upon an agreed upon fixed price that is commercially reasonable, GVEA envisions being able to commit to purchasing between 1.5 to 2.5 BCF of gas annually.
7. GVEA reserves the right to accept or reject any or all proposals, in its sole discretion.

Neither the submission of a Final Term Sheet nor GVEA's decision to proceed to negotiate a transaction shall constitute binding obligations of GVEA. A binding obligation shall arise only upon the subsequent mutual execution of definitive agreements.

GVEA reserves the right to negotiate only with a proposer that GVEA believes, in its sole opinion, has a reasonable likelihood of executing a transaction substantially as proposed.

GVEA has no obligation to enter into definitive agreements with AIDEA and may terminate or modify this process at any time without liability or obligation to AIDEA.

GVEA applauds and supports AIDEA's efforts in aggressively pursuing the LNG Trucking Project on behalf of Interior Alaska.

Sincerely,

  
Cory R. Borgeson  
President & CEO

cc: Rick Adcock – MWH Global  
Dan Britton – Fairbanks Natural Gas  
Ray Latchem – Spectrum