



HARVEST
ALASKA

February 11, 2015

The Honorable Mike Hawker
Alaska State House of Representatives – District 28
State Capitol
Juneau, Alaska 99801

Dear Representative Hawker,

Thank you for your letter dated February 7, 2015, which outlined certain questions the Legislative Budget and Audit Committee is seeking answers to in advance of its February 12, 2015 committee hearing regarding AIDEA's recent announcement of its intent to purchase Pentex Alaska Natural Gas Company, LLC ("Pentex Alaska").

I regret that I am unable to appear in person, but we have prepared the attached fact sheet that I believe answers many of your questions, and provides certain additional information regarding the pending Harvest Alaska/Pentex Alaska agreement that may be helpful in your committee hearing.

Please feel free to contact me at skolassa@hilcorp.com or (713) 289-2668 if you have any additional questions regarding this fact sheet in advance of the hearing.

Best regards,

HARVEST ALASKA, LLC



Sean Kolassa
President

Enclosure: Fact Sheet



**Fact Sheet regarding Purchase and Sale Agreement between Harvest Alaska, LLC
("Harvest Alaska") and Pentex Alaska Natural Gas Company, LLC, Titan Alaska LNG,
LLC, and Arctic Energy Transportation, LLC (collectively "Pentex Alaska")
February 11, 2015**

Harvest Alaska first began discussions with Pentex Alaska in September 2013 regarding the possible purchase of the Point MacKenzie LNG facility and related assets.

Harvest Alaska entered into a Purchase and Sale Agreement ("PSA") to purchase the facility from Pentex Alaska on November 5, 2014. The PSA (including the purchase price) has not been disclosed, as both Harvest Alaska and Pentex Alaska are subject to mutual confidentiality obligations.

The PSA is structured as an asset sale to Harvest Alaska of the following assets: (i) the Point MacKenzie LNG facility; (ii) an LNG fueling station in Houston, Alaska (the "Big Lake Station") and an LNG fueling station in Fairbanks, Alaska (the "Fairbanks Station"); (iii) two (2) LNG trucks owned by Titan; (iv) certain LNG trailers either owned or leased by Titan; and (v) certain LNG storage tanks and related equipment located at the Talkeetna Lodge. The PSA does not include Harvest Alaska acquiring any portion of the local gas distribution system in Fairbanks which is currently owned by Fairbanks Natural Gas.

Closing on the purchase of the facility is conditioned upon receipt of all governmental approvals, including approval by the Alaska Attorney General. While Harvest Alaska does not believe the PSA and the transactions contemplated therein involve any anti-competitive issues, Harvest Alaska had initial discussions with the Attorney General's office during the spring and summer of 2014, and again around the time the PSA was executed. We have scheduled a meeting to discuss the transaction in more detail with the Attorney General's office in April 2015.

In connection with the Purchase and Sale Agreement, Harvest Alaska and Fairbanks Natural Gas, LLC ("FNG") entered into a ten (10) year LNG Sales Agreement on November 5, 2014.

Approval of the LNG Sales Agreement is currently pending before the RCA. A copy of the LNG Sales Agreement was filed by FNG with the Regulatory Commission of Alaska ("RCA") and is available for public review in RCA Docket TA37-514 titled "LNG Supply Contract" and RCA Matter U-15-002 titled "In the Matter of the Tariff Filing Designated as TA37-514 Filed by Fairbanks Natural Gas, LLC." Based upon an RCA status conference held last Friday, it is our understanding that the RCA will extend the deadline for final order from June 1, 2015 to September 22, 2015 to accommodate the parties to the proceeding and to facilitate the Attorney General's review of the transactions.

Key terms of the LNG Sales Agreement are as follows:

- Harvest Alaska to meet all of FNG's current gas requirements by delivering to FNG the entire maximum output of the existing facility.
- Harvest Alaska to deliver the LNG to FNG at a price of \$15.00/Mcf, subject to 2% annual escalation beginning in the third year of the contract.
- A price matching provision beginning in the sixth year to adjust the price to match any comparable sales of LNG into the Fairbanks area by another seller.

Since execution of the Purchase and Sale Agreement, Harvest Alaska has continued to pursue aggressive expansion of both the LNG manufacturing capacity of the Point MacKenzie facility and additional LNG transportation options to Fairbanks and other locations in the Interior, including both truck and rail options. If the transactions are approved in a timely manner, Harvest Alaska believes that expansion of the LNG facility could be achieved by October 2016. Harvest Alaska is preparing to make the necessary investment so that the equipment for expansion can be ordered as soon as the transaction is completed.

On or around January 26, 2015, Harvest Alaska learned from Pentex Alaska that AIDEA had expressed a desire to purchase Pentex Alaska as an equity transaction in which AIDEA would acquire Pentex Alaska, the parent company to Titan, AET and FNG. We understand that Pentex Alaska and AIDEA signed a non-binding letter of intent to move toward a definitive agreement for that transaction.

Shortly thereafter, Harvest Alaska was contacted by Governor Walker's office to discuss the proposed transaction and the impact on the existing PSA between Harvest Alaska and Pentex Alaska. The discussions have been very preliminary at this stage, and Harvest Alaska hopes to have more substantive discussions with the Governor's office, AIDEA, and Pentex Alaska over the next few weeks.

The proposed AIDEA/Pentex Alaska deal should not impact the Titan transaction covered by the PSA. The PSA is a binding agreement on Pentex Alaska (under either its current ownership or under AIDEA ownership), and Harvest Alaska intends to proceed to closing on the transaction upon satisfaction of all conditions in the PSA and receipt of all required approvals. Based upon our understanding of the RCA process and our discussions with the Attorney General's office, we believe that the transaction can be closed by October 1, 2015. Closing no later than that date is essential to our ability to expand the LNG plant in time to serve the 2016-17 heating season.

Harvest Alaska believes that the current structure of the Harvest Alaska/Pentex Alaska transaction and the proposed AIDEA/Pentex Alaska transaction may provide the right public/private arrangement to deliver more gas to more Interior customers, with Harvest Alaska focused on operation and expansion of the LNG supply and Pentex Alaska/AIDEA focused on expansion of the local distribution system in Fairbanks and the surrounding areas.