

**Private and Confidential**

August 27, 2004

Mr. Larry Persily  
State of Alaska  
Department of Revenue  
333 Willoughby Avenue, 11th Floor  
Juneau, AK 99801

Dear Larry:

**Report on Canadian tax issues with respect to state ownership of a portion of an Alaskan natural gas pipeline**

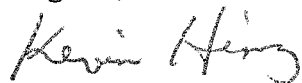
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We are pleased to enclose a report on Canadian tax issues with respect to State ownership of a portion of an Alaskan natural gas pipeline for your review. The report considers a number of Canadian tax issues with respect to both State ownership of a pipeline located in Canada and sales of natural gas owned by the State in Canada.

Please note that this document is more comprehensive in scope and is intended to supersede our letter of August 20, 2004. Thus, when considering alternative approaches to the Stranded Gas Project, the State should rely exclusively on the comments made in the enclosed report, and not on our letter dated August 20, 2004.

If you have any questions with respect to this document please give me call at (403) 509-7567 or email me at [kevin.a.hinz@ca.pwc.com](mailto:kevin.a.hinz@ca.pwc.com).

Regards,



Kevin Hinz  
Partner  
Tax Services

encl.