ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

ALASKA ENERGY AUTHORITY

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March 1, 2004

Moses Carl, President
Newtok Village
P.O. Box 5545
Newtok, AK 99559

Subject: Powerhouse And Tank Farm Project Update

Dear Mr. Carl:

As senior energy partner to the Denali Commission, The Alaska Energy Authority (AEA) has been working with the Newtok Village, the Newtok Corporation, and the Ungusraq Power Company to develop bulk fuel and powerhouse upgrade projects. AEA has identified a site for the new facilities, the Council and local participants have agreed to that location, and AEA project managers and design consultants have collected information needed to determine the capacity, configuration and foundation type of the new facilities.

Unfortunately, AEA's ability to proceed with development of these projects has been adversely affected by local conditions related to the erosion problems that Newtok experiences and the community's plans to relocate in the near future. These conditions are at odds with the Denali Commission's Investment Policy. As a result, AEA has no plans to proceed with the tank farm and powerhouse projects at this time.

If you would like to discuss this issue, please call me at 888-300-8534.

Sincerely,

Chris Mello

Chris Mello
Tank Farm and Powerhouse Program Manager

cc: Larry Charles, Chairman, Newtok Corporation
Rita Kilongak, Manager, Ungusraq Power Company
Stanley Tom, Private Fuel Vendor in Newtok
Kathy Prentki, Denali Commission Energy Program Manager