



ALBERTA TO ALASKA RAILWAY

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Ruth E. Knight
Mayor
City of Valdez
P.O. Box 307
Valdez, AK 99686

Dear Mayor Knight,

October 23, 2017

As you know, A2A Rail is developing a freight railway with a route between Northern Alberta and Alaska. The route will intersect and potentially interchange with the Trans Alaska Pipeline System (TAPS) near the town of Delta Junction.

Through our extensive consultation with Alaskans, we have come to understand the long-term issues facing the pipeline and believe that the long-term viability of TAPS is critical to the economy of the State of Alaska. To address the projected decrease in volumes challenging the viability of the pipeline, we have offered TAPS carriers an opportunity to interconnect and trans-load with our railway to ensure greater diversity and sufficient supply of oil to maintain operating volumes. TAPS operators have made it clear to us that while they are a common carrier and could accept new oil, the composition of oil we would bring prompts a number of engineering challenges, and potential changes to downstream refineries. At this time, A2A Rail is focusing on making it clear to shippers that interchanging with TAPS is one of two options, the other being to interconnect with the Alaska Railroad and to bring the bitumen to tidewater in Cook Inlet.

For the TAPS option, we take seriously our expectation that the A2A railroad will have a common carrier obligation. To meet that obligation, we have suggested the development of storage and trans-load facilities at the point of interconnect. We believe that we can offer this service to shippers and the TAPS at a very reasonable cost.

We believe that working together with all stakeholders can offer significant value to the energy industry and to local communities. We believe that the rail link would improve the revenues of the Port of Valdez in several ways regardless of the ultimate disposition of oil brought north from Canada, and we would like to work with you on all options.

Toward that end, I am in the early stages of planning a trip to Anchorage in November. My Alaska team (Pt Capital) has informed me the City of Valdez may also have a trip to Anchorage in November. I would like to formally request a meeting during your trip, if schedules align, and suggest November 13 or 14.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'John Falcetta', is written over the printed name and title.

John Falcetta

President and CEO

Alberta - Alaska Railway Development Corp