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May 2, 2011

Mr. Rob Lewis, USAD Coordinator
Kenai Peninsula Borough
148 N. Binkley
Soldotna, Alaska 99669

RE: **Grandross Utility Special Assessment District (USAD)**

Dear Mr. Lewis:

ENSTAR is very pleased to let you know, the Grandross USAD project engineering has been completed. The project design requires 39,610 feet of 2-inch pipe. ENSTAR's 2011, construction charge for 2-inch pipe is \$17.64 per foot. Therefore, ENSTAR's total estimated cost would be \$698,720.00.

This is a non-refundable project and a Contribution in Aid of Construction Agreement will be used for this project. Credits or Free Main Allowances will be paid directly to the Borough by ENSTAR as customers connect to the gas system over the term of the contract. FMA credits will be based upon projected annual gas usage by each new customer and will be adjusted annually throughout the ten-year contract.

In the event the Grandross USAD is approved by the Kenai Peninsula Borough Assembly by September 6, 2011, Enstar will attempt to construct the project in 2011 prior to freeze-up. However, should any unexpected delays and/or weather conditions prevent completion of the project; ENSTAR will honor the 2011 construction charge and complete the installation in the 2012 construction season.

Please do not hesitate to call should you need assistance or have questions.

Respectfully,

Charlie Pierce
Southern Division Operations Manager

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