



MUNICIPAL
LIGHT & POWER

March 31, 2004

Commissioner
Department of Natural Resources
550 West 7th Avenue, Suite 1400
Anchorage, AK 99501

Re: Cook Inlet Royalty in Kind Gas

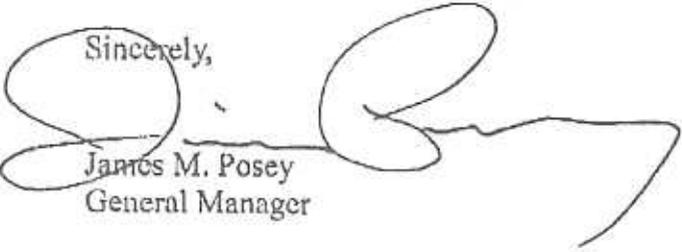
Dear Mr. Irwin,

We appreciate the opportunity to express our interest in Cook Inlet Royalty in Kind Gas.

Municipal Light & Power owns a one third interest in the Beluga River field. Our gas requirements for electrical generation were over 9 BCF in 2003 and we expect to need over 10.5 BCF annually in the future. This requirement together with contracted sales to other local utilities will be met by production from the Beluga River field. As such we do not expect to purchase gas on a sustained basis until after 2010. However, if the State elects to take its royalty gas in kind, this will accelerate the time at which ML&P will need to purchase gas.

The State clearly has the right to pursue the maximization of the value of its royalty gas. Historically the gas sold to local utilities has yielded higher values than for other uses. As the gas supply situation tightens in Cook Inlet, we believe that it will be in the best interest of all concerned to ensure that supplies to local utilities is not impaired and urge you to consider this as you evaluate the royalty in kind options.

Sincerely,


James M. Posey
General Manager

Commissioner's Office
Juneau

APR 01 2004

Department of
Natural Resources

cc: Will