

Fiscal Options for an Alaska Gas Pipeline

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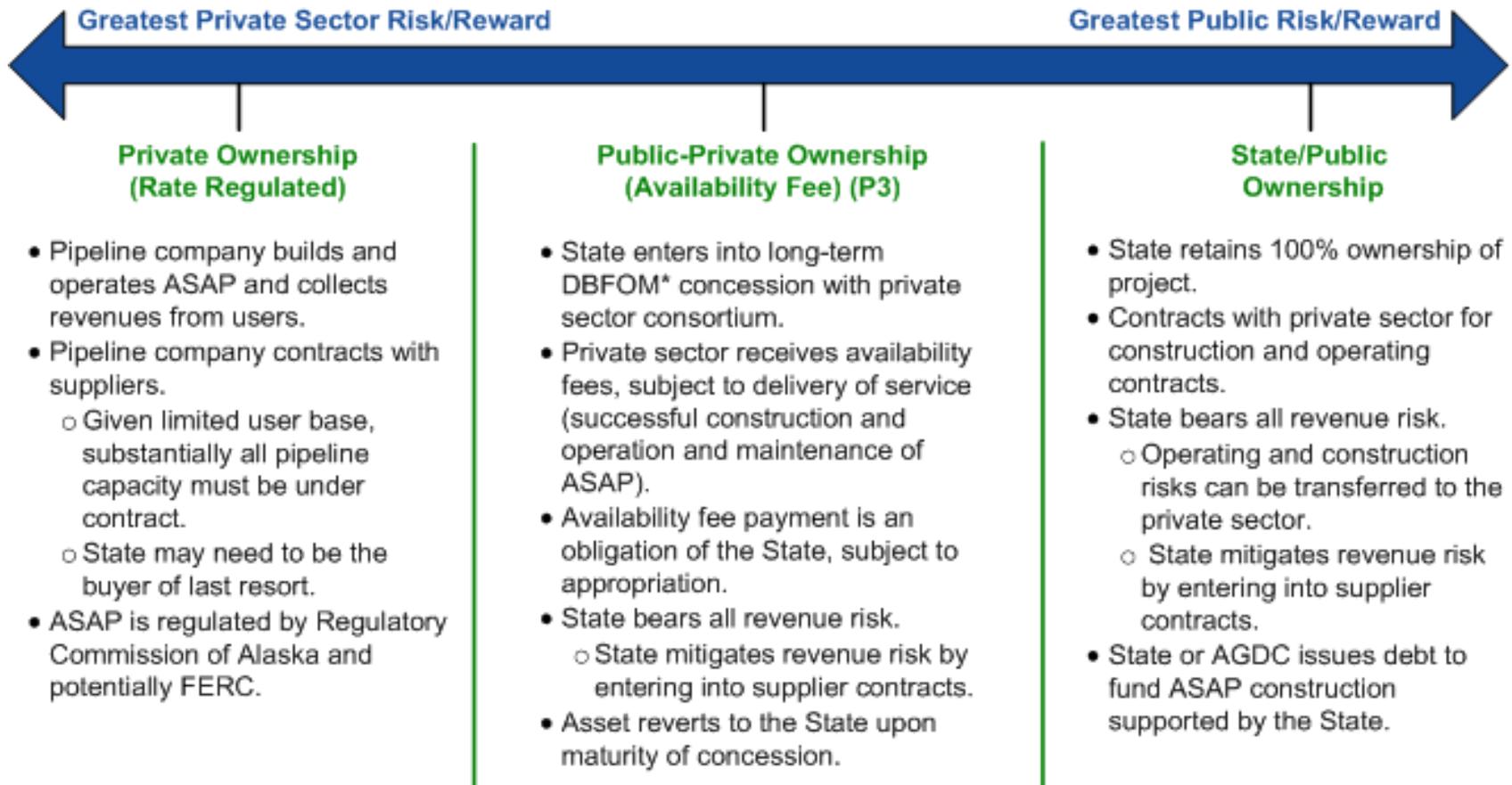
Source

- ▶ Citigroup and Samuel Ramirez
 - Experts in public finance, oil & gas, infrastructure and utilities
 - Compilation and analysis of options
 - Specific to ASAP
 - Could apply to any project
 - Estimated tariff deltas for each scenario
 - Allows comparison

Disclaimer

- ▶ Presentation is NOT:
 - An endorsement of any or all options
 - An indication of need
 - A representation of support by any policy maker
 - ▶ Presentation IS:
 - Theoretical avenues of support available to the State for a project
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Ownership Options

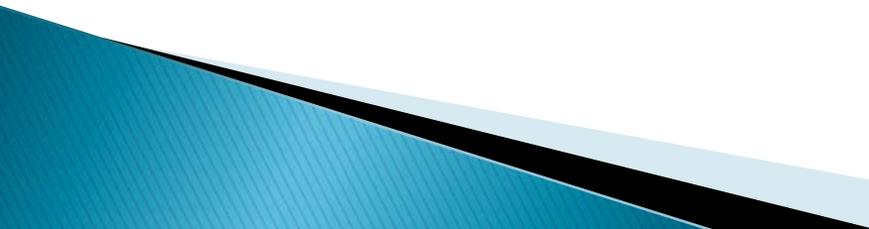


*DBFOM = design, build, finance, operate, and maintain

Equity Contribution

- ▶ State cash or in-kind contribution used to fill gap in conventional financing
- ▶ Pros:
 - One-time payment
 - Could provide incentive for 3rd party investment that would increase royalty income to State
- ▶ Cons:
 - State resources are limited
 - Doesn't guarantee a successful project

Debt Issued by State

- ▶ The State could use its strong credit rating to reduce the cost of borrowing
 - ▶ Pros:
 - No direct out of pocket expense
 - ▶ Cons:
 - Potential for State to repay bondholders
 - Could impact credit rating and thus cost of borrowing for State and municipal issuers
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Pre-Build Portion of Pipeline

- ▶ The State could finance a 48” pipeline to Fairbanks with a 24” pipe to Southcentral
- ▶ Pros:
 - Single pipe from ANS to serve in-state and export
 - Could be an incentive to export component
- ▶ Cons:
 - Approximately \$3 billion cost
 - Costs not recoverable for in-state component

Use of Royalty Gas

- ▶ The State could use its 12.5% royalty share of gas for line fill or take in-kind to ship
- ▶ Pros:
 - Would reduce BOO's shipping requirement
 - As fill, would reduce up-front costs of project
- ▶ Cons:
 - Researching legality
 - State forgoes royalty for fill

Private Investment Option

- ▶ The State could set-up fund for individual investors to buy equity in pipeline
 - ▶ Pros:
 - No direct State contributions required
 - Allows individual Alaskans to participate
 - ▶ Cons:
 - Administrative issues
 - Potential for losses
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More Information

- ▶ AGDC Website:

- <http://www.gasline.us.com/>

- ▶ AGIA Website:

- <http://gasline.alaska.gov/>

- ▶ APP Website:

- <http://www.thealaskapipelineproject.com/home>