

Calculation of State Subsidy for South to North Line

| | <u>Tariff</u> | <u>Tariff+Gas</u> |
|---|----------------------|----------------------|
| ASAP Estimated Cost | 6.45 | 8.45 |
| Current Cook Inlet Cost of Gas | | 6.85 |
| Allowable Tariff to beat ASAP | <u>6.45</u> | <u>1.60</u> |
| Average MCF/Day | 60,000.00 | 60,000.00 |
| # Days/Year | 365.25 | 365.25 |
| Allowable cost recovery/year | 141,351,750 | 35,064,000 |
| # of years of cost recovery in Tariff | <u>20</u> | <u>20</u> |
| Total cost able to be recovered | <u>2,827,035,000</u> | <u>701,280,000</u> |
| Pipeline cost, Big Lake to Dunbar | 1,565,000,000 * | 1,565,000,000 |
| Lateral Line Dunbar to Fairbanks | 60,000,000 | 60,000,000 |
| Cost of Compressor Station in Cook Inlet | 80,000,000 | 80,000,000 |
| Cost of Chilling Unit at Cantwell | 20,000,000 | 20,000,000 |
| Annual Operating Costs @2% CapEx*20 years | 690,000,000 | 690,000,000 |
| Total cost of South to North | <u>2,415,000,000</u> | <u>2,415,000,000</u> |
| State Subsidy to run South to North | <u>(412,035,000)</u> | <u>1,713,720,000</u> |

Note: Does not include cost of fuel gas, local distribution system for Fairbanks and vicinity, cost of re-engineering project, or inflation.

***cost of pipeline from dunbar to big lake less CI NGL Extraction and Compressor Station. Costs shown on 3-4 and 5-35 of July 1 report.**