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House District 21

House Bill 8: Tariff and Revenue Model for "Buy The Pipe" Scenarios

Assumptions

Construction cost and timing per TransCanada AGIA application
 Daily Volume mmcf 4,500
 Yearly Volume tcf 1.64
 State Discount Rate 5%
 State purchases steel in 2009 and delivers it to pipeline builder in 2015
 Option 1: State gives pipe to pipeline builder at no cost
 Option 2: State sells pipe to pipeline builder at state's original cost
 Capital cost \$2 billion

Scenario 1: 5% Annual Cost Inflation for Steel

	Tariff Estimate	Additional Yearly Wellhead Value (\$millions)	Additional State Yearly Revenue (\$millions)	Additional 25 Year Revenue (\$millions)	Additional NPV5 25 Yrs (\$millions)	Cost to State (\$millions)	Net Benefit (\$millions)
Baseline (Black & Veach)	\$4.73	\$0					
Give pipe at no cost	\$4.37	\$591	\$203	\$5,081	\$2,865	\$2,000	\$865
Sell pipe for cost	\$4.63	\$164	\$56	\$1,412	\$796	\$680	\$116

Scenario 2: 8% Annual Cost Inflation for Steel

	Tariff Estimate	Additional Yearly Wellhead Value (\$millions)	Additional State Yearly Revenue (\$millions)	Additional 25 Year Revenue (\$millions)	Additional NPV5 25 Yrs (\$millions)	Cost to State (\$millions)	Net Benefit (\$millions)
Baseline (Black & Veach)	\$4.73	\$0					
Give pipe at no cost	\$4.31	\$690	\$237	\$5,928	\$3,342	\$2,000	\$1,342
Sell pipe for cost	\$4.57	\$263	\$90	\$2,258	\$1,273	\$1,174	\$100

Scenario 3: 10% Annual Cost Inflation for Steel

	Tariff Estimate	Additional Yearly Wellhead Value (\$millions)	Additional State Yearly Revenue (\$millions)	Additional 25 Year Revenue (\$millions)	Additional NPV5 25 Yrs (\$millions)	Cost to State (\$millions)	Net Benefit (\$millions)
Baseline (Black & Veach)	\$4.73	\$0					
Give pipe at no cost	\$4.26	\$772	\$265	\$6,634	\$3,740	\$2,000	\$1,740
Sell pipe for cost	\$4.52	\$345	\$119	\$2,964	\$1,671	\$1,543	\$128