

BUILDING A WORLD OF DIFFERENCE

STATE PARTICIPATION IN AKLNG PROJECT
PRESENTATION TO HOUSE FINANCE COMMITTEE
PREPARED FOR THE STATE OF ALASKA

APRIL 15, 2014



BLACK & VEATCH
Building a world of difference.®

STATE REVENUE FROM SALE OF ROYALTY & TAX GAS

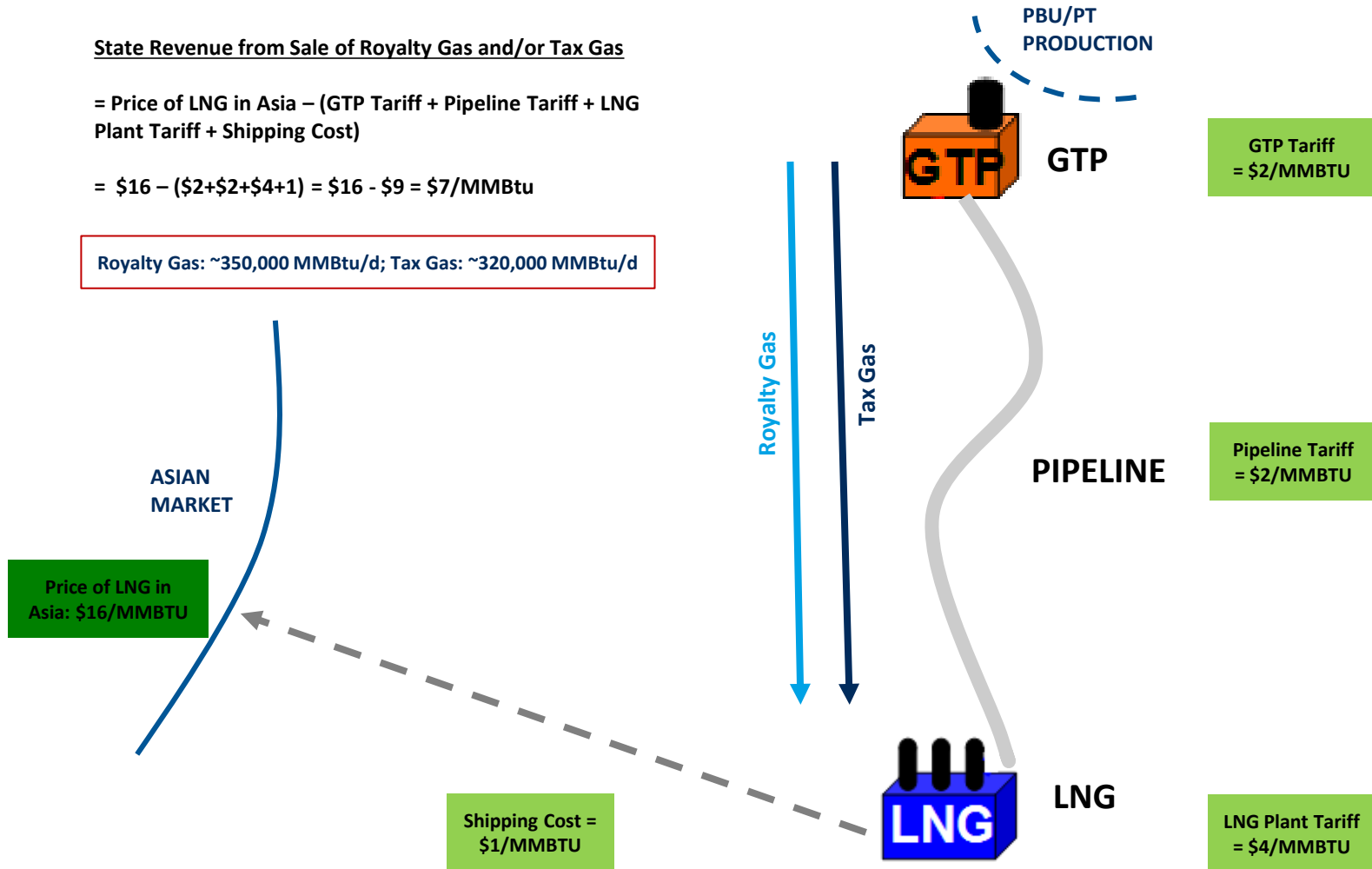
25% STATE/TC OWNERSHIP OF AKLNG PROJECT

State Revenue from Sale of Royalty Gas and/or Tax Gas

= Price of LNG in Asia – (GTP Tariff + Pipeline Tariff + LNG Plant Tariff + Shipping Cost)

= \$16 – (\$2+\$2+\$4+1) = \$16 - \$9 = \$7/MMBtu

Royalty Gas: ~350,000 MMBtu/d; Tax Gas: ~320,000 MMBtu/d



- Assumes debt of 70-75% and equity of 25-30% with a 12% return on equity and 5% cost of debt for GTP, Pipeline and LNG Plant.
- Estimated tariffs rounded to nearest \$0.50/MMBtu for illustration purposes.

STATE REVENUE FROM SALE OF ROYALTY & TAX GAS

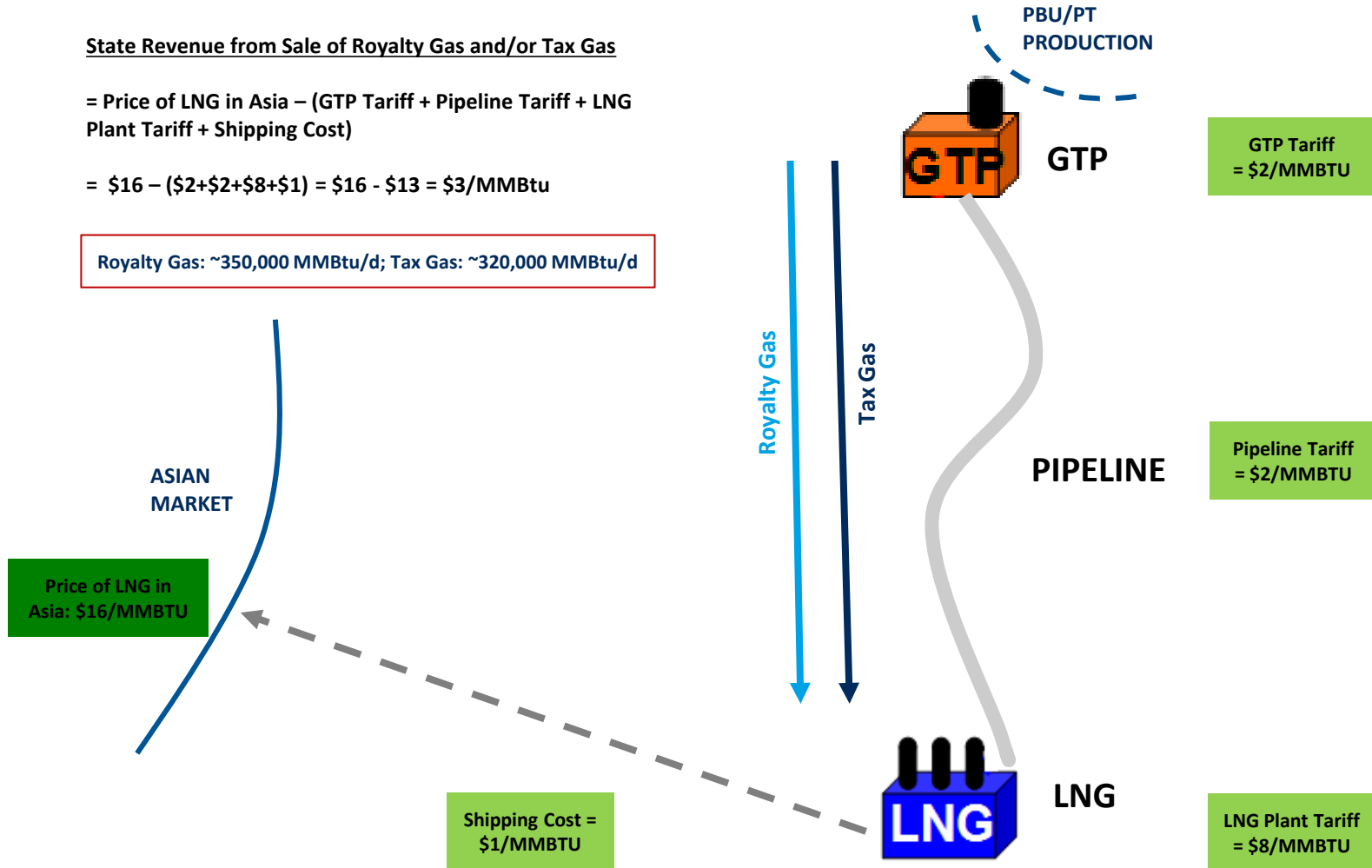
25% STATE/TC OWNERSHIP OF AKLNG PROJECT WITH CAPITAL STRUCTURE CHANGE FOR LNG PLANT

State Revenue from Sale of Royalty Gas and/or Tax Gas

= Price of LNG in Asia – (GTP Tariff + Pipeline Tariff + LNG Plant Tariff + Shipping Cost)

= \$16 – (\$2+\$2+\$8+\$1) = \$16 - \$13 = \$3/MMBtu

Royalty Gas: ~350,000 MMBtu/d; Tax Gas: ~320,000 MMBtu/d

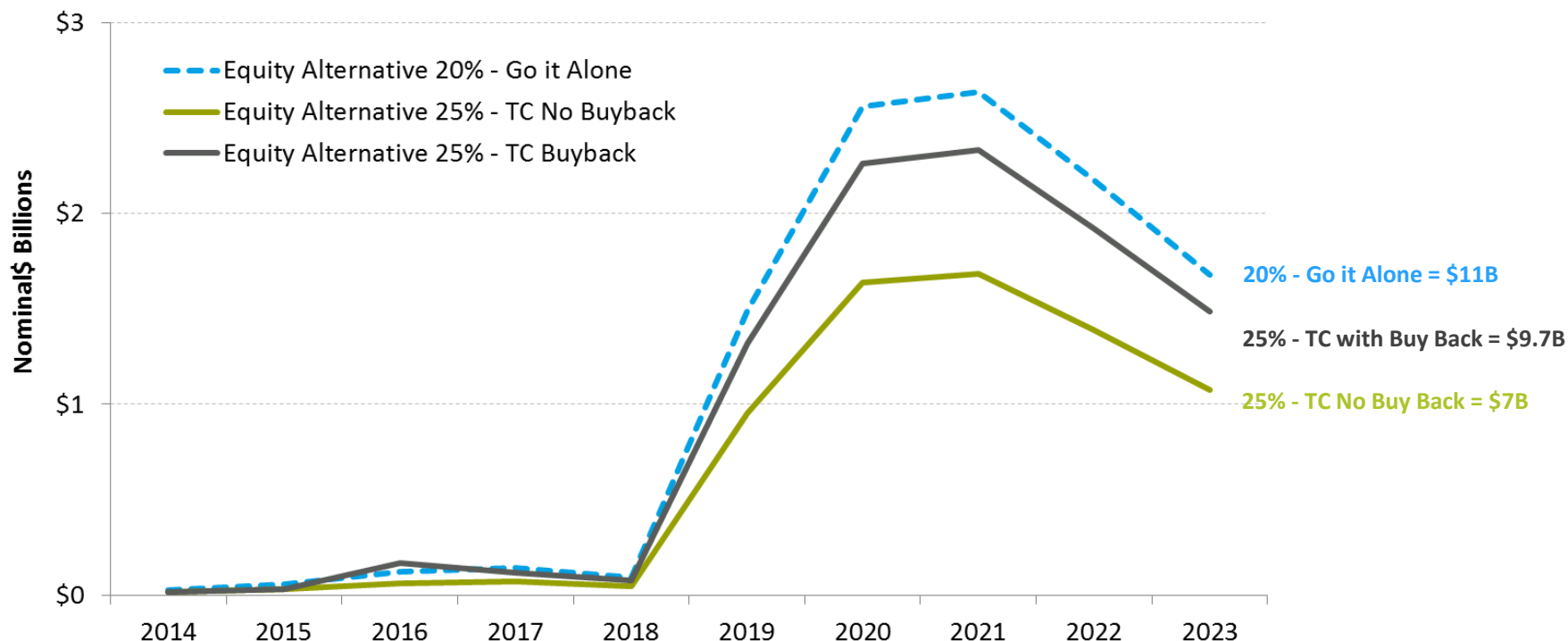


- Assumes debt of 70-75% and equity of 25-30% with a 12% return on equity and 5% cost of debt for GTP and Pipeline. Assumes 100% equity and 15% return on equity for LNG Plant.
- Estimated tariffs rounded to nearest \$0.50/MMBtu for illustration purposes.

SOA INVESTMENT FOR A 25% OWNERSHIP WITH TC IS EXPECTED TO BE \$1.3-\$4B LOWER THAN FOR A 20% OWNERSHIP GOING ALONE



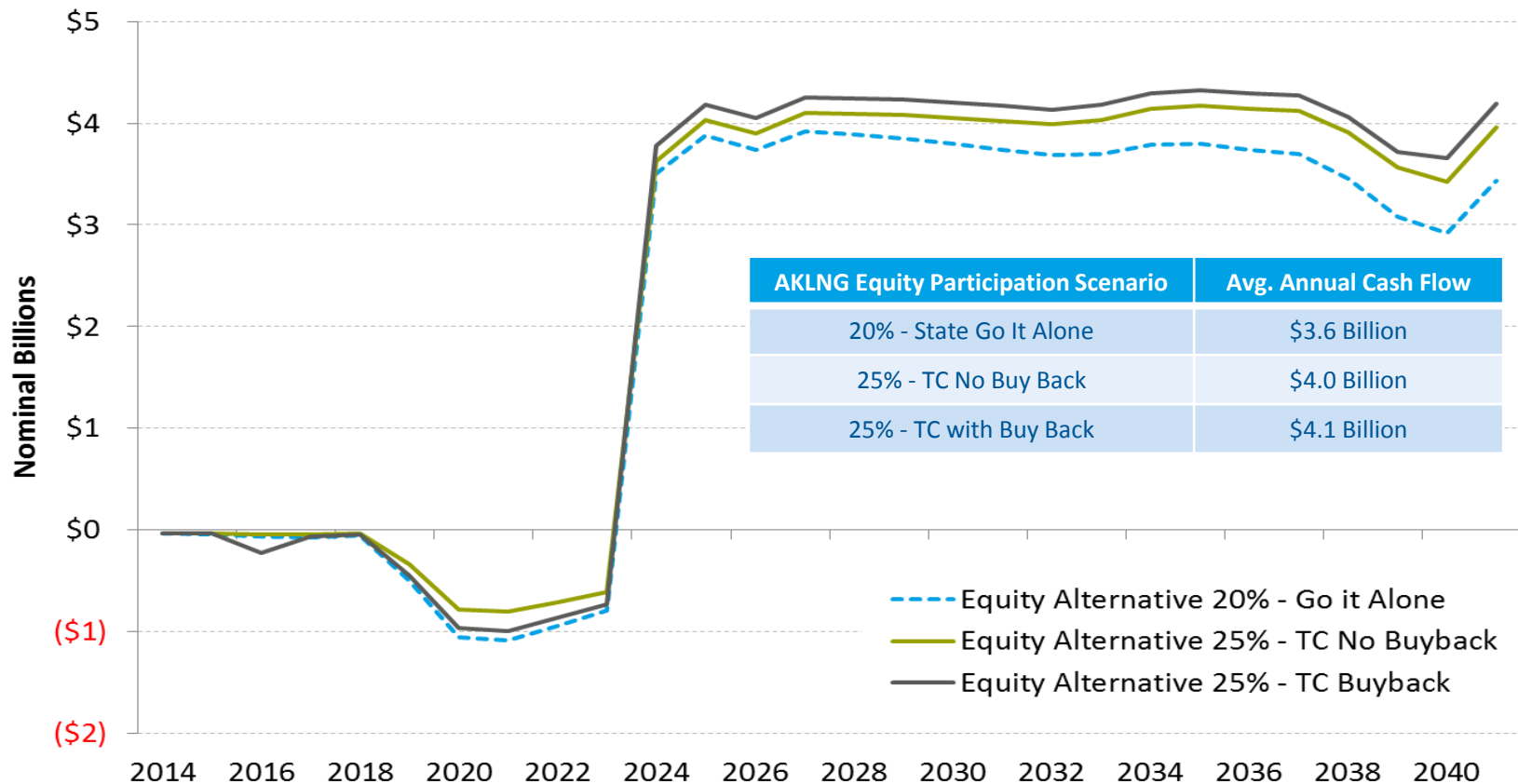
State of Alaska Investment Requirement (Unlevered)



SOA REVENUES FOR A 25% OWNERSHIP WITH TC ARE EXPECTED TO BE \$0.4-\$0.5B PER YEAR HIGHER THAN FOR A 20% OWNERSHIP GOING ALONE



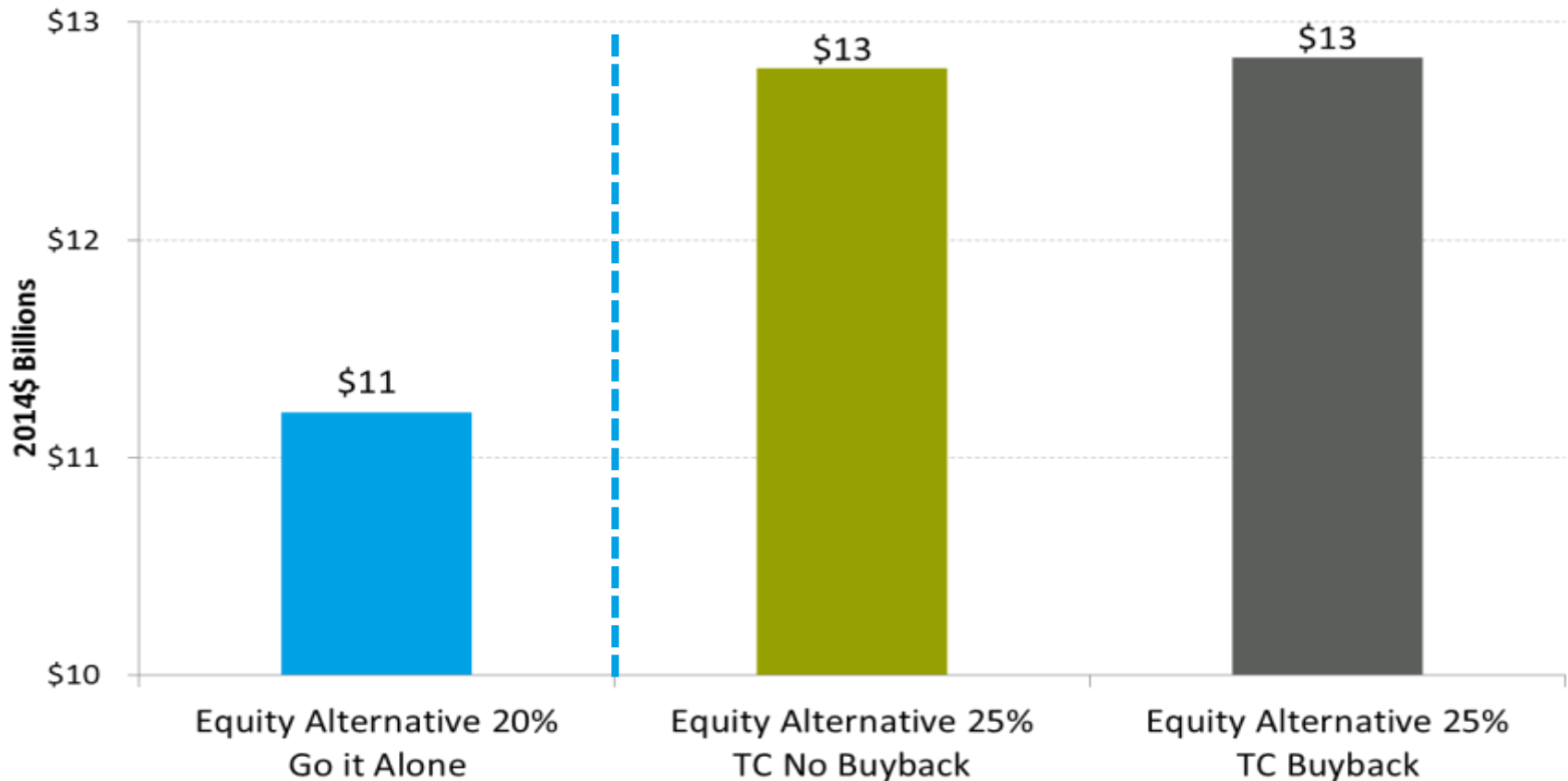
State of Alaska Gasline Impact Cash Calls & Revenues Forecast



25% OWNERSHIP WITH TC INCREASES STATE OF ALASKA NPV₁₀ BY \$2B COMPARED TO A 20% OWNERSHIP GOING ALONE



State of Alaska NPV₁₀ Forecast



* NPV calculated over initial 25-year anticipated term of service agreement with TransCanada