3/17/04

ALASKA GASLINE PORT AUTHORITY

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ALASKA GASLINE PORT AUTHORITY

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Board Members:
Mayor Bert Cottle, *City of Valdez,* Chairman
Dennis Roper Vice-Chairman
Dave Cobb, Secretary
Barbara Schuhmann, Esq., Treasurer
Mayor Jim Whitaker, *Fairbanks North Star Borough,*
Mayor George Ahmaogak, Sr. *North Slope Borough*
Charlie Cole, Esq.
Richard Glenn
John Kelsey
Dave Dengel, Interim Executive Director

February 27, 2004

Governor Frank Murkowski
3rd Floor State Capitol
Juneau, AK 99811

Commissioner William A. Corbus
Department of Revenue
11th Floor State Office Bldg.
Juneau, AK 99811

Re: AGPA Application under Alaska Stranded Gas Development Act

Dear Governor Murkowski & Commissioner Corbus:

The Alaska Gasline Port Authority voted at its December 12, 2003 annual meeting to submit an application under the Stranded Gas Development Act for determination by the Commissioner of Revenue that the Port Authority is a qualified sponsor and that the project qualifies under AS 43.82.100.

While the Stranded Gas Act was authorized to allow the fiscal terms relative to royalty and taxes be tailored to the particular economic conditions of the project, the Port Authority structure requires no such concession on the part of the State. In fact, as is demonstrated in the application, the Port Authority project is, without such concessions, the most favorable gasline project to the State and the gas producers in terms of well head value. Further the "Y-line" concept of the project, with the additional line to Southcentral Alaska, provides for maximum market exposure and maximum in-state distribution of Alaska's natural gas resources.

Pursuant to AS 43.82.200 it is the intent of the Port Authority, to negotiate with the Commissioner, a contract for payment of impact funds to affected municipalities prior to and during construction. This will provide Alaskan communities with the means to mitigate the strain on local infrastructure during construction, as well as share the benefit of development of Alaska's natural resources with <u>all</u> municipalities throughout the term of the project.

As evidenced in this application, the Port Authority structure, with the "Y-line" concept, allows for the maximum development of Alaska's natural gas resources to the maximum benefit of its people.

In accordance with its formative mandate, the Alaska Gasline Port Authority intends to provide for the maximum commercialization of Alaska's North Slope natural gas resources by securing North Slope gas supplies, and financing and contracting for the construction and operation of a gas pipeline project.

The Port Authority looks forward to continuing its work with other project applicants in the exploration of ways to make the Port Authority structure available to maximize the benefit of a natural gas pipeline.

ALASKA GASLINE PORT AUTHORITY

By: ______________________

Bert Cottle, Chairman
Mayor, City of Valdez

Enc.
cc: Commissioner Tom Irwin, Department of Natural Resources
Attorney General Gregg D. Renkes
Jim Clark, Chief of Staff

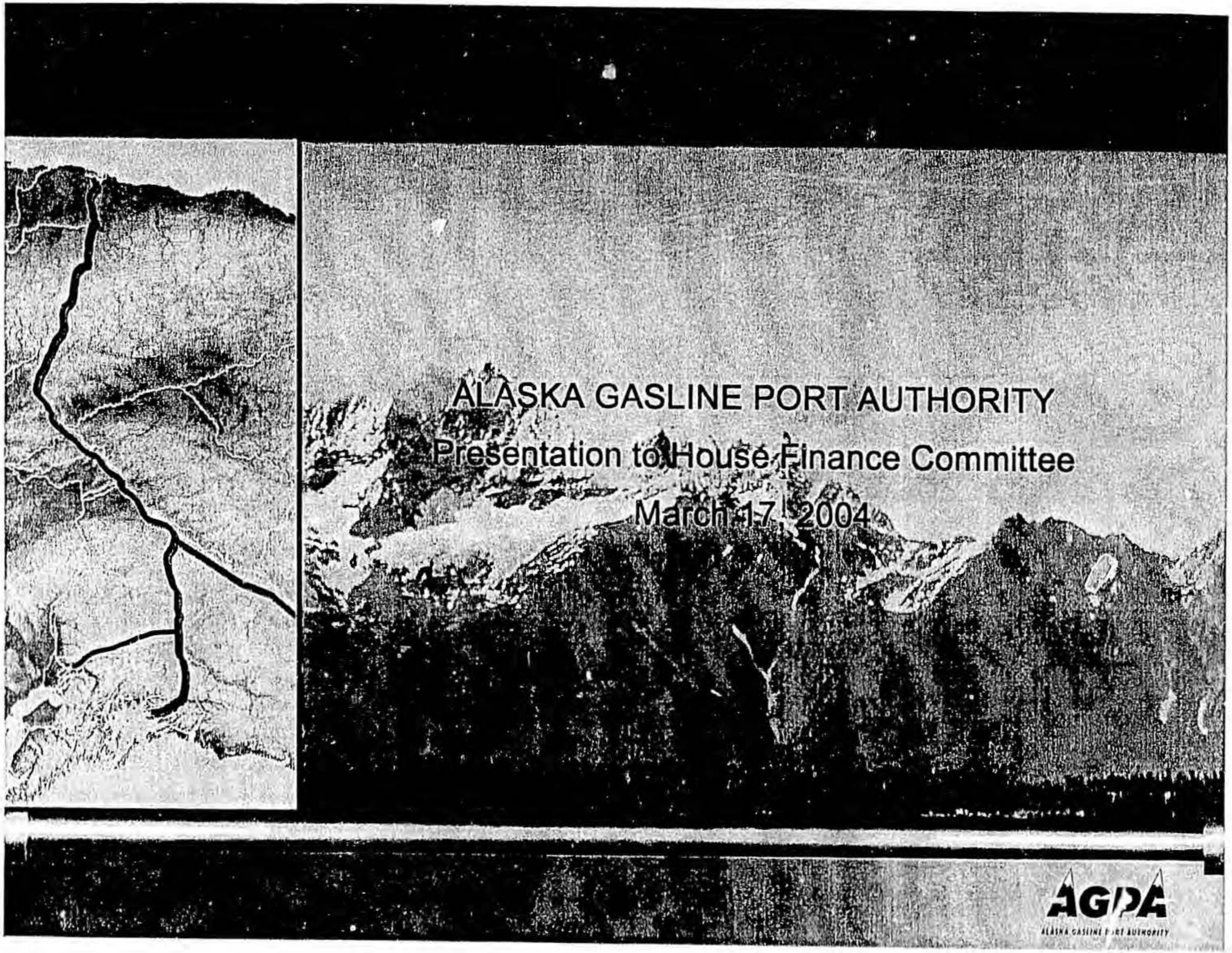
Alaska State Legislature
HOUSE OF REPRESENTATIVES
House Finance Committee
AGENDA

March 17, 2004 - Wednesday

Overview:
Alaska Gasline Port Authority/Stranded Gas Application

Bills previously heard/scheduled.

HJR 9-CONST AM: APPROPRIATION/SPENDING LIMIT


ALASKA GASLINE PORT AUTHORITY
Presentation to House Finance Committee
March 17, 2004
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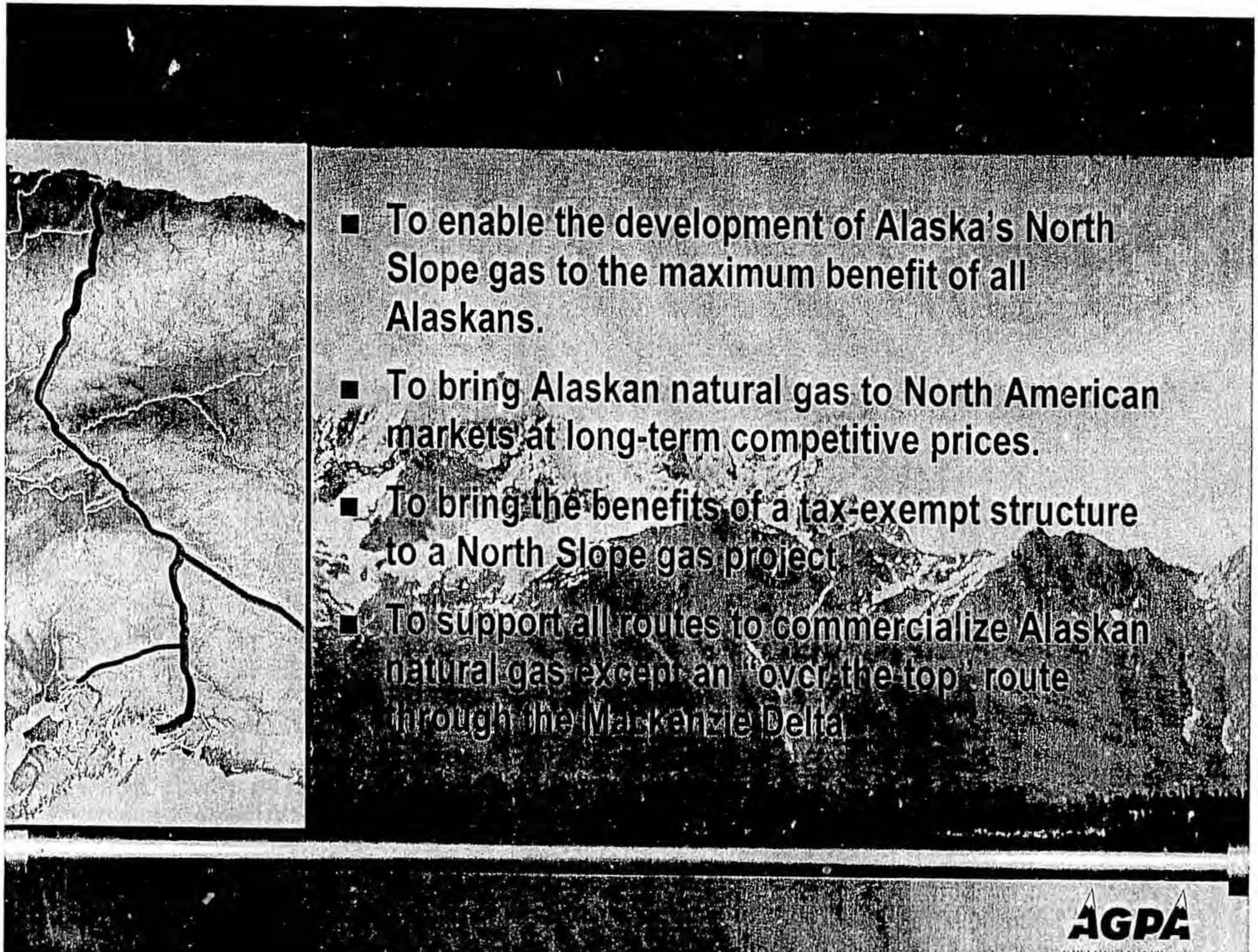
ALASKA GASLINE PORT AUTHORITY


■ To enable the development of Alaska's North Slope gas to the maximum benefit of all Alaskans.
■ To bring Alaskan natural gas to North American markets at long-term competitive prices.
■ To bring the benefits of a tax-exempt structure to a North Slope gas project.
■ To support all routes to commercialize Alaskan natural gas except an "over the top" route through the Mackenzie Delta
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- Alaska Gasline Port Authority
- Bechtel Corporation – technical and development support
- Taylor DeJongh – financial analysis and formation
- O'Melveny and Myers – development counsel
- Walker and Levesque, LLC – general counsel

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- IRS granting of federal income tax exemption
- Completed project development plan; engineering, procurement and construction plan; project cost estimate and alternatives analyses
- Completed economic and financial models
- MOU with Crystal Energy (California)
- MOU negotiations with US West Coast and Alaska gas purchasers
- Submittal of Application under the Stranded Gas Development Act

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ALASKA GASLINE PORT AUTHORITY

Alaska Gas Development Project

Application under AS 43.82

Alaska Stranded Gas Development Act

ALASKA GASLINE PORT AUTHORITY

Executive Summary

Project Description:

Three component gas distribution system which includes:

- *a pipeline from Prudhoe Bay to Valdez for West Coast LNG,*
- *a line from Delta Junction to the Canada Border*
- *and a line from Glennallen to existing Southcentral gas grid.*

Executive Summary

Cost Estimate:

Gas Conditioning Plant:	*$4.3 Billion*
Pipelines:	*$10.15 Billion*
LNG Plant and Port Facilities:	*$3.7 Billion*
LPG Extraction Facility:	*$.5 Billion*
Soft Costs:	*$7.4 Billion*
Total Project Cost:	*$26.05 Billion*

Executive Summary

Annual Revenue Benefits Resulting From Tax Exempt Structure of the Port Authority:

Producers -	***$4.255 Billion***
State of Alaska -	***$1.356 Billion***
Municipalities -	***$299 Million***

Executive Summary

Unique Benefits of Port Authority Project Structure:

- *Exemption from federal income tax that provides additional benefits to project stakeholders including: State of Alaska, municipalities, in-state off-take purchasers producers and pipeline operators*
- *Competitive access to pipeline capacity*
- *Guarantee gas supply for in-state use*
- *Maximum market diversification*

Tax Revisions Needed for Project Economics

- *Municipal:* *None*
- *State:* *None*
- *Federal:* *None*

Legislation Needed to Improve Project Economics

- *Municipal:* *None*
- *State:* *None*
- *Federal:* *None*

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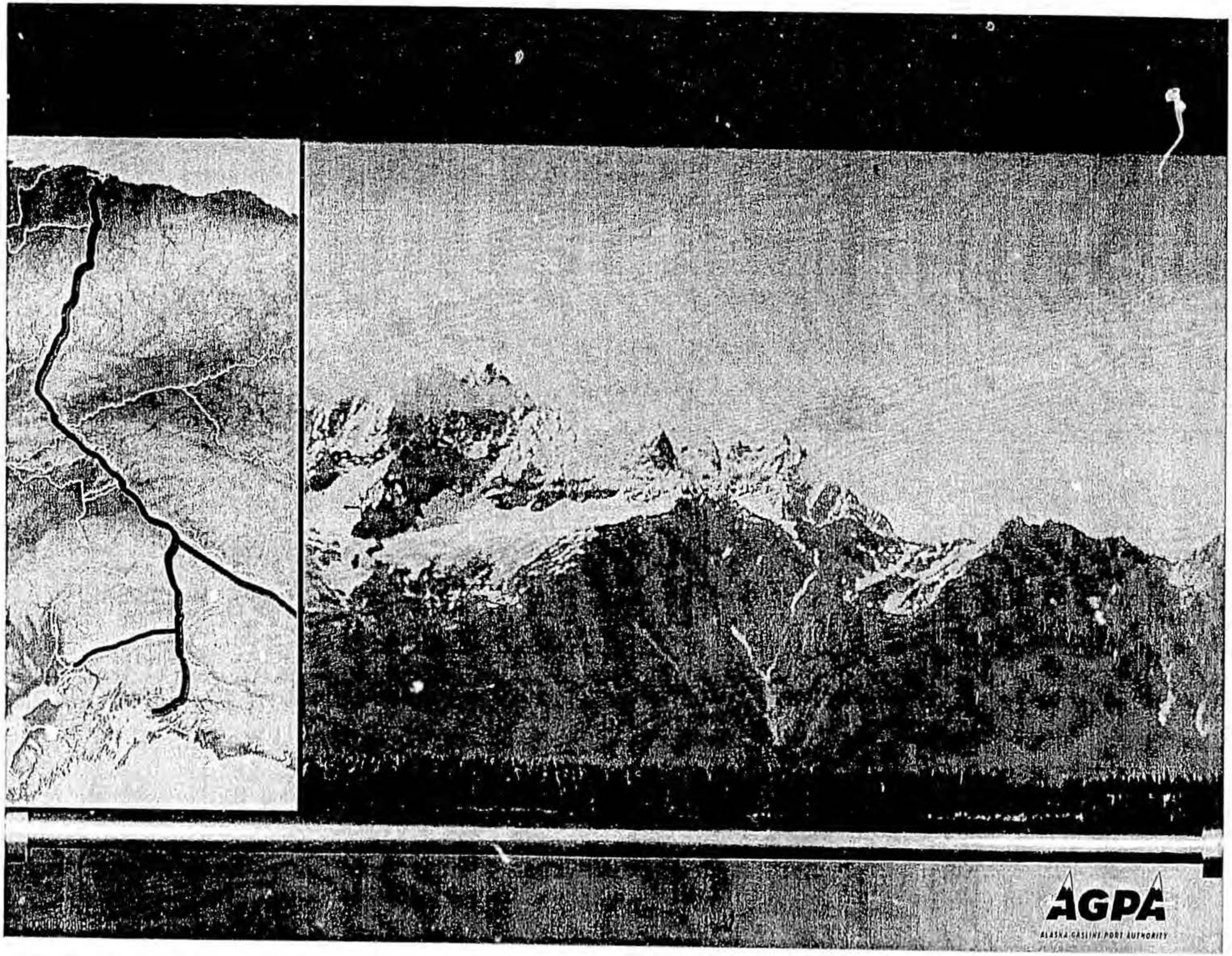
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ALASKA GASLINE PORT AUTHORITY

APPLICATION OF
THE ALASKA GASLINE PORT AUTHORITY TO
THE STATE OF ALASKA,
FOR APPROVAL UNDER A.S. 43.82
THE ALASKA STRANDED GAS DEVELOPMENT ACT

February 27, 2004

AGPA

ALASKA GASLINE PORT AUTHORITY

Table of Contents

List of Exhibits

Application of the Alaska Gasline Port Authority to the State of Alaska, Department of Revenue Under the Alaska Stranded Gas Development Act

The Alaska Gasline Port Authority (Port Authority) submits this application pursuant to the Alaska Stranded Gas Development Act, AS 43.82.010. By submitting this application, the Port Authority expresses its intent to secure Alaska North Slope natural gas supplies, enter into contracts with natural gas, LNG and LPG purchasers both intrastate and for export, obtain financing for and contract to construct and operate a gas pipeline for the transportation of North Slope natural gas to market.

This pipeline will consist of an overland gas pipeline from Prudhoe Bay, Alaska to tidewater at Valdez that will run parallel to the existing Trans-Alaska Oil Pipeline, with a line from Delta Junction to the Canada Border near Beaver Creek, Yukon Territory. Additionally, a line will be built from Glennallen, Alaska into the Matanuska-Susitna Valley, (approximately 125 miles) to connect with the existing South Central natural gas grid to provide gas to the Matanuska-Susitna Valley, Anchorage and the Kenai Peninsula (Project). [1]

As required under AS 43.82.130, the Port Authority submits for consideration and approval to the Department of Revenue, along with this application, the required project plan. The Port Authority requests a determination by the Commissioner of the Department of Revenue that the proposed project plan is a qualified project plan within the requirements of AS 43.82.130.

[1] Exhibit 1 - AGPA Project Presentation Book

I. Introduction

The Alaska Gasline Port Authority is a municipal port authority established on October 5, 1999, in accordance with the Alaska Municipal Port Authority Act (AS 29.35.600), et. seq. (Port Authority).[2] The Port Authority was formed by the municipalities of the North Slope Borough, Fairbanks North Star Borough and the City of Valdez.[3] An election was held in each of those municipalities and the percentage of voter approval for the formation of Port Authority averaged approximately 80%. Shortly following its formation, the Port Authority submitted to the IRS an application for a private letter ruling establishing that all income to the Port Authority would be tax exempt. On January 24, 2000, the IRS issued the requested private letter declaring that income to the Port Authority would be exempt from federal income taxes.[4] According to petroleum economist and consultant Dr. Pedro Van Meurs, this IRS ruling provides $10-20 billion in additional benefits to the Port Authority Project,[5] Therefore, the Port Authority Project requires no dependence upon Federal legislation to provide tax incentives or price floors. Further, the amount of this benefit exceeds any State and Municipal tax breaks that could conscionably be negotiated to improve the economics of an otherwise taxable gas pipeline project. The Port Authority will request an additional IRS ruling prior to the beginning of the construction of the Project, as is typically required, to reflect modifications in the Project since its original submittal to the IRS in 1999.

[2] Exhibit 2 – Alaska Municipal Port Authority Act
[3] Exhibit 3 – Establishing Ordinances
[4] Exhibit 4 – IRS Ruling
[5] Exhibit 5 – Pedro Van Meurs Letter

Project Cost Estimate

The Port Authority engaged the services of Bechtel Corporation to provide a comprehensive hard-dollar, not-to-exceed price for the Project. The initial Project consisted of a gas pipeline from Prudhoe Bay to run parallel to the Trans-Alaska oil pipeline, to an LNG liquefaction terminal in Valdez, utilizing existing permits. The Project has since been modified to include the addition of a line through Canada, which greatly increased the debt service coverage ratio as will be explained further in this application. Further, the Project includes a line from Glennallen to approximately Sutton to connect with the existing Southcentral natural gas grid in an addendum to the project cost estimate.[6]

Economic Model

In conjunction with work done by Bechtel Corporation, the Port Authority engaged the services of Taylor-DeJongh to develop an economic model incorporating the work performed by Bechtel Corporation. Taylor-DeJongh is an organization of internationally acclaimed energy financial advisors headquartered in Washington, D.C., with offices worldwide, and has, in some capacity, been involved in most of the international LNG projects financed around the world over the past 10 years.[7] See www.taylor-dejongh.com.

[6] Exhibit 1, pg. 6-10 - Bechtel Project Cost Estimate
[7] Exhibit 1, pg. 5 - Taylor DeJongh Economic Model

Financing

Financing for the Port Authority gas pipeline would be similar to other municipally financed projects in that it would be 100% project financed with no private ownership or equity interest. This is a key element to the Port Authority Project as any private investment would nullify the Port Authority's extremely valuable IRS tax exempt status. Upon examination and advice by Merrill Lynch, in order to finance and obtain 100% debt financing, the Port Authority Project would need to have a minimum of 1.7 debt service coverage ratio (DSCR). As the initial model developed by Taylor-DeJongh in 2000 did not result in the required 1.7 minimum DSCR, the Port Authority explored options to increase the debt service coverage ratio. As will be fully developed in this application, the addition of a line to Canada greatly increased the DSCR. The shared cost of 550 miles of pipeline (Prudhoe Bay to Delta Junction) and the shared cost of the very expensive gas conditioning plant (GCP) on the North Slope greatly improved the economics of the Project. The Port Authority Project has also been designed to transport propane and butane down the line. The transport and sale of these liquids improves project economics by approximately $1.75 billion per year.

As a result of the over 55,000 work hours by Bechtel developing a hard-dollar, not-to-exceed price for the Project, which includes substantial contingencies and Taylor-DeJongh's economic models, the Port Authority is confident that the Y-line concept with a line to the Canada border from Delta Junction and a line into the existing Southcentral Alaska natural gas grid, is the most financially beneficial project to Alaska.[8] As is set forth in more detail in the exhibits of this application, the Y-line concept, with approximately 2.6 billion cubic feet of gas per day (2.6 Bcfd) to Valdez and 3.1 Bcfd from Delta Junction to the Canada border, generates a potential well head price of $1.48 (generating over $4.255 billion annually for the producers), and potential revenues to the State of Alaska and Alaska municipalities of $1.5 billion annually; assuming a natural gas price in Chicago of $3.75/MMBtu and an LNG price of $2.75/MMBtu at Valdez.[9] The Port Authority Project scenario also sets in place the basic infrastructure for <u>optimization of in-state distribution of gas</u>, allowing not only lower cost, clean burning energy, but the potential for continued and expanded petrochemical industry throughout Alaska.

In addition to obtaining a ruling of federal income tax exempt status from the IRS, a hard-dollar / turn-key price from Bechtel Corporation and an economic model from Taylor-DeJongh that confirms the Project financing feasibility, the Port Authority has entered into its first MOU with a company that has applied for permits to construct and operate an LNG receiving terminal off the coast of California. The Port Authority's Project infrastructure, the Y-line and the inclusion of propane and butane, returns the greatest well-head price for the gas and the greatest financial benefit to all Alaskans from Alaska's natural gas reserves.

A basic element of the Port Authority Project is the inclusion of a Project <u>revenue distribution to all municipalities in Alaska</u> providing a stable community

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[8] Exhibit 6 – Alaska State Constitution Article VIII, sec. 1&2

[9] It important to note that these benefits will be available from a project that is not being financed or guaranteed by the producers or the State of Alaska.

dividend that may be used for funding of capital projects, basic services and improved quality of life.

Allowing for maximum competition in the development of Alaska North Slope natural gas is in the best interest of Alaska. The Port Authority is committed to assuring no undue restrictions of access to gas pipeline capacity for producers of ANS gas.

The Port Authority welcomes an opport'mity to fully discuss this application with the Commissioner of the Department of Revenue or appointed designees.

Additional information about this application and inquiries about the Alaska Gasline Port Authority should be directed to:

William M. Walker
Walker & Levesque, LLC
731 N Street
Anchorage, AK 99501
278-7000
bill-wwa@ak.net
www.alaskagaslineportauthority.com

Alaska Stranded Gas Development Act

Legislative Intent

It is the intent of the legislature that

(1) in awarding contracts under the Alaska Stranded Gas Development Act, a qualified sponsor or qualified sponsor group and contractors of the qualified sponsor group may develop and enter into project labor agreements with appropriate collective bargaining organizations for each project for which a contract is entered into; and

(2) each contract for payments in lieu of taxes and for royalty adjustments entered into under the Alaska Stranded Gas Development Act contain a provision by which the contract may be reopened by any party to the contract; the subject matter of the reopening may be dealt with through the use of arbitration proceedings agreed on by the parties.

In accordance with the legislative intent as stated in the amended reauthorization of the Alaska Stranded Gas Development Act, the Port Authority recognizes the benefit of negotiated project labor agreements in its goal to maximize Alaskan participation in a stranded gas pipeline project.

In further accordance with legislative intent and to the extent permitted by its financing documents, the Port Authority commits to include a provision by which the contract may be reopened by any party to the contract.

ALASKA STRANDED GAS DEVELOMENT ACT
AS 43.82.010 – Purpose

(1) ***encourage new investment to develop the state's stranded gas resources by authorizing establishment of fiscal terms related to that new investment without significantly altering tax and royalty methodologies and rates on existing oil and gas infrastructure and production;***

As a subdivision of government, the Alaska Gasline Port Authority Project will be exempt from taxation. Therefore, the Port Authority does not seek any changes in the current tax and royalty methodologies and rates. However, the Port Authority recognizes the significant economic impact to Alaskan communities relative to the gas pipeline project and will negotiate in good faith with the Commissioner of the Department of Revenue a contract for payment in lieu of taxes (PILT). In addition to a negotiated PILT, the Port Authority project provides for gas pipeline revenue sharing to include all Alaska municipalities.

(2) ***allow the fiscal terms applicable to a qualified sponsor or the members of a qualified sponsor group, with respect to a qualified project, to be tailored to the particular economic conditions of the project and to establish those fiscal terms in advance with as much certainty as the Constitution of the State of Alaska allows;***

As exhibited within this application, the very favorable economic benefits enjoyed through the tax exempt status and project specifics of the Port Authority gas pipeline project require no tailoring of the fiscal terms with regard to the State tax and royalty rates and methodologies. Currently these rates are set out in Alaska Statute and will not be subject to uncertainty relative to this Project.

(3) maximize the benefit to the people of the state of the development of the state's stranded gas resources.

In every aspect of the development of this Project, the Alaska Gasline P[illegible] Authority has held as its singular objective to maximize the bene[illegible] of the commercialization of Alaska North Slope natural gas to not only the residents of the member communities but to all Alaskans.

II. AS 43.82.100 – Qualified Project

AS 43.82.100 sets forth specific requirements for consideration as a qualified project. The Port Authority responds to that criteria as follows:

1. ***AS 43.82.100 (1) requires that in order to be a qualified project, the project principally involves***

   (A) the transportation of a natural gas pipeline to one or more markets, together with any associated processing or treatment;

The Port Authority Project, which is more fully described in Exhibit 1 of this application, intends to transport natural gas from Alaska's North Slope via pipeline to potential markets in North America through Canada along the Alcan highway.

(B) the export of liquefied natural gas from the state to one or more other states or countries; or

The Port Authority Project provides for a 2.6 Bcfd LNG and LPG project from Valdez to markets along the West Coast of the United States and Pacific Rim Countries.

(C) any other technology that commercializes the shipment of natural gas within the state or from the state to one or more other states or countries.

The Port Authority project also provides for a gas pipeline from Glennallen to connect with the Southcentral gas grid, providing infrastructure for new and continuing in-state distribution of gas.

2. ***AS 43.82.100 (2) would produce at least 500,000,000,000 cubic feet of stranded gas within 20 years from the commencement of commercial operations***

While the Port Authority's Project model produces potentially six different volume scenarios ranging from a single 2.6 Bcfd line to Valdez to multiple 6 Bcfd Y-line scenarios with lines to Canada and the Matanuska-Susitna Valley, its minimum sized Project would consist of approximately 2.6 Bcfd throughput. With this projected minimum throughput, the Project would cause the production of well over 500 bcf of stranded gas within the 20-year requirement set forth in AS 43.82.100(2).

3. ***AS 43.82.100 (3); is capable, subject to applicable commercial regulations and technical and economic considerations, of making gas available to meet the reasonably foreseeable demand in this state for gas within the economic proximity of the project.***

The Port Authority's mission is to commercialize Alaska North Slope gas to the maximum benefit of all Alaska. In compliance with that mission, the Port Authority's project includes making gas available at commercially reasonable rates to communities along the route from Prudhoe Bay to Valdez and a line from Glennallen into the Matanuska-Susitna Valley to connect with the Southcentral natural gas grid, thereby making gas available to the residents and business of the Matanuska-Susitna Valley, Anchorage and the Kenai Peninsula.

III. AS 43.82.110 – Qualified Sponsor or Qualified Sponsor Group

The commissioner may determine that a person or group is a qualified sponsor or qualified sponsor group if the person or a member of the group:

(1) ***intends to own an equity interest in a qualified project, intends to commit gas that it owns to a qualified project, or holds the permits that the department determines are essential to construct and operate a qualified project;***

The Port Authority will own a 100% equity interest in the Project as is required in order to maintain the Port Authority's tax exempt status.

(2) meets one or more of the following criteria:

(A) ***owns a working interest in at least 10 percent of the stranded gas proposed to be developed by a qualified project;***
(B) ***has the right to purchase at least 10 percent of the stranded gas proposed to be developed by a qualified project;***
(C) ***has the right to acquire, control, or market at least 10 percent of the stranded gas proposed to be developed by a qualified project;***
(D) ***has a net worth equal to at least 33 percent of the estimated cost of constructing a qualified project;***
(E) ***has an unused line of credit equal to at least 25 percent of the estimated cost of constructing a qualified project.***

Pursuant to AS 38.05.183, the Port Authority intends to make application to the State of Alaska for the State of Alaska's twelve and one-half percent (12.5%) of royalty gas. The Port Authority intends such an application to be part and parcel of this application which exceeds the threshold requirement of 10 percent set forth above.

(C) ***has the right to acquire, control, or market at least 10 percent of the stranded gas proposed to be developed by a qualified project***

Because the Port Authority intends to acquire 12.5 percent of the stranded gas on the North Slope under AS 38.05.183, the royalty share of the State of Alaska's gas on the North Slope, it also intends to market that same gas as the owner of the gas and has entered into an MOU for the sale of that gas into the California market.[10] The Port Authority also intends to acquire additional gas supply through commercial negotiations with the producers, and if required will utilize its authority allowed under AS 29.35.620.

[10] Exhibit 7 - Crystal Energy MOU

IV. AS 43.82.130 – Qualified Project Plan

The Port Authority's Project plan provides for a 56-inch line from Prudhoe Bay to Delta Junction (approximately 550 miles) with a 46-inch line from Delta Junction to Valdez (approximately 256 miles) and a 46-inch line to the Canada border (approximately 185 miles). Additionally, the Port Authority Project includes a line from Glennallen into the Matanuska-Susitna Valley (approximately 125 miles) to connect with the existing Southcentral Alaska gas grid.

Under the Port Authority's base case, the line would transport approximately 3.1 Bcfd of gas to the Canada border with approximately 2.6 Bcfd of gas to Valdez.

The Port Authority's cost assumptions are extremely conservative, assuming no benefit from existing equipment and facilities present on the North Slope.

Gas conditioning plant (8.7 Bcfd capacity) *(assumes no benefits from equipment at existing plant on North Slope)*	$4.3 billion
Pipeline: ➢ 6 Bscfd from Prudhoe Bay to Delta Junction ➢ 2.678 Bscfd delivered to Valdez from Delta Junction ➢ 3.161 Bscfd delivered to Canada border from Delta Junction	$9.9 billion
LNG Plant and Port Facilities: ➢ Three trains – 15 million tons LNG per year ➢ Train 1 completed in 49 months ➢ Trains 2 & 3 completed in 6-months intervals	$3.7 billion
LPG Extraction Facility:	$0.5 billion
Total EPC Cost:	$18.4 billion

The Port Authority has also taken into consideration and included all possible contingencies and soft-costs associated with this Project. Because the

Port Authority cannot consider a cost over-run scenario, the direction to Bechtel Corporation was to provide a hard dollar cost estimate to include <u>all</u> contingencies. While the Port Authority recognizes that this creates a cost estimate which is substantially higher than some cost estimates performed by other entities, the Port Authority also believes these cost estimates can be further refined. At this point however, EPC and the soft-costs of the Project consist of the following:

EPC	\$18.4 billion
Owner's Contingency	\$0.9 billion
Insurance	\$0.2 billion
Development Costs	\$0.1 billion
Working Capital	\$0.5 billion
Owner Costs, Line Pack	\$0.1 billion
Interest During Construction	\$4.4 billion
Financing and Underwriting Fees	\$0.2 billion
Debt Service Reserves Fund	\$1.0 billion
Total Project Cost	**\$25.8 billion**

By combining a gasline to the Lower 48 with a gasline to an LNG project, the cost estimate of the gas transportation down each branch of the line will be lowered by approximately 30%. The total shared cost savings, consisting of the construction cost savings plus the soft cost savings is approximately \$3 billion for each branch of the line for a total of \$6 billion for the LNG and gas pipeline portions of the Project.

In further support of the conservative nature of the Port Authority's Project cost estimate, the calculations included an 8-10% escalation built into the components of the EPC costs, \$1.8 billion in contractors contingency, and a \$928 million owner contingency for cost overruns not covered by the EPC contractor.

The Port Authority model also includes a $1 billion debt service reserve to support 6 months of debt service if necessary.

V. NATURE AND SOURCES OF FINANCING

The financing structure consists of zero private equity and would be on a project financed basis. The base case assumes a 100% senior debt financing although there is a potential for several forms of equity-like participation in the form of subordinated debt; off-taker pre-purchase financing, subordinated payment for gas and payment for permits, etc. However, in all debt finance scenarios, the Project must maintain a very healthy debt service coverage ratio (DSCRs). Based on current market conditions, the financing will consist of approximately 24% tax exempt bonds, 45% taxable bonds, and 15% from export banks and 16% from commercial banks.

VI. Purchase Price of Gas

While typically a project of this nature does not come with a well-head guarantee of price for gas, the Port Authority's economic model provides for a guaranteed minimum payment of 30 cents per MMBtu base price for purchased feed gas. Payment above that 30 cents would come from the net back each year beyond the operating cost and debt service requirement. In the Port Authority's base case, the total purchase price for gas is 30 cents per MMBtu (base price) plus an additional $1.18 per MMBtu (additional net back) for a total of $1.48 at the well head.

VII. Base Case Assumptions and Results

The Port Authority's base case, including all assumptions are set forth in detail in Exhibit 1, pages 15-18.

VIII. Benefits of Port Authority Financing and Tax-Exempt Status

The exemption from federal income tax frees up cash - $113 million per year in the early years, increasing to over $1 billion in later years – which may be used to increase producer netback, pay debt, be distributed to Project participants, and/or be distributed to other stakeholders. The Port Authority has the ability to issue tax-exempt bonds for a portion of the debt which lowers debt service payments by approximately $280 million per year. In its economic model, the Port Authority assumes only a portion of the port facilities would qualify for tax exempt financing. While the Alaska Railroad bonds may be available for 100% tax exempt financing, until an IRS Ruling on that issue is received, the Port Authority remained consistent with its conservative approach and did not include that benefit in the model.

IX. Additional Benefits of the Y-Line

Additional benefit of the shared costs of the Y-line Project is set forth in detail in Exhibit 1, pages 24 and 39 through 45.

The Port Authority summary of the AGPA model sensitivity case results, sets forth the 6 cases consisting of:

1) A single 2.6 line to Valdez;
2) 4 Bcfd single line through to the Canada border;
3) 4.5 Bcfd line to the Canada border;
4) 3.1 Bcfd line to the Canada border;
5) 6 Bcfd Y-split Y-line to Canada (approximately 3 to Canada and 3 to Valdez;
6) 2+4 Y-split with 2 Bcfd to Valdez and 4 Bcfd to Canada

This summary, found in Exhibit 1, page 25 compares in detail all economics of the six scenarios.

X. Timeframe for Project Completion

The Port Authority vision in the completion of this Project, following the entering into MOU's to supply LNG into the California market is, in the 2010 range. A specific construction time table set forth in Exhibit 8.

XI. Sources of Supply

Proven 35 trillion cubic feet (tcf) of natural gas in Alaska's north slope. Additional estimates from the various government sources increase that by an additional 150 tcf. These estimates are more than necessary to provide the required gas for this project.

Dated this 27th day of February, 2004.

ALASKA GASLINE PORT AUTHORITY

BY: ______________________

Bert Cottle, Chairman

Exhibit

1

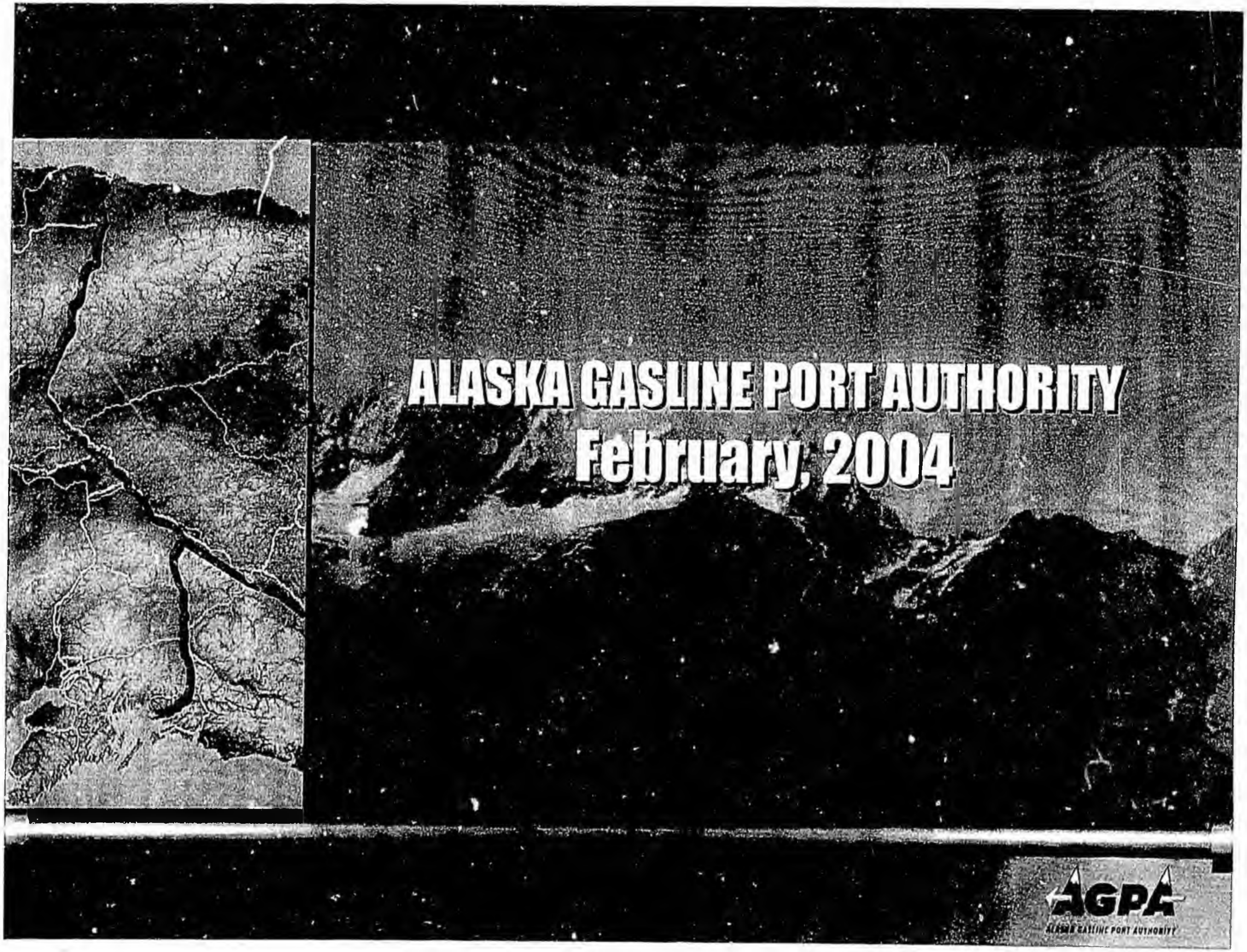

Exhibit 1
Page 1 of 45

Alaska Gasline Port Authority

Board of Directors

City of Valdez

Mayor Bert Cottle, Chairman

Dave Cobb, Secretary

John Kelsey

North Slope Borough

Mayor George Ahmaogak

Dennis Roper

Richard Glenn

Fairbanks North Star Borough

Mayor Jim Whitaker

Charlie Cole

Barbara Schuhmann, Treasurer

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ALASKA GASLINE PORT AUTHORITY

Mission

- To enable the development of Alaska's North Slope gas to the maximum benefit of all Alaskans.
- To bring Alaskan natural gas to the Far East and North American markets at long-term competitive prices.
- To support all routes to commercialize Alaskan natural gas except an "over-the-top" route through the Mackenzie Delta.

AGPA

Evolution of the Project

- Preparation of the project development plan; engineering, procurement and construction plan; project cost estimate and alternatives analyses
- Preparation of economic and financial models
- IRS granting of federal income tax exemption

The Project Team

- Alaska Gasline Port Authority
- Bechtel Corporation – technical and development support
- Taylor DeJongh – financial analysis and formation
- O'Melveny and Myers – development counsel
- Walker and Levesque, LLC – general counsel

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Alaska Gas Development Project

Engineering, Procurement, and Construction Study

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ALASKA GASLINE PORT AUTHORITY

EPC Study Program

- Determine engineering basis
- Develop overall execution plan
- Develop EPC schedule
- Provide preliminary assessment of environmental issues and project risks
- Prepare +/- 20% cost estimate
- Obtain two to three quotes for all major material and equipment
- The study is the result of over 55,000 jobhours

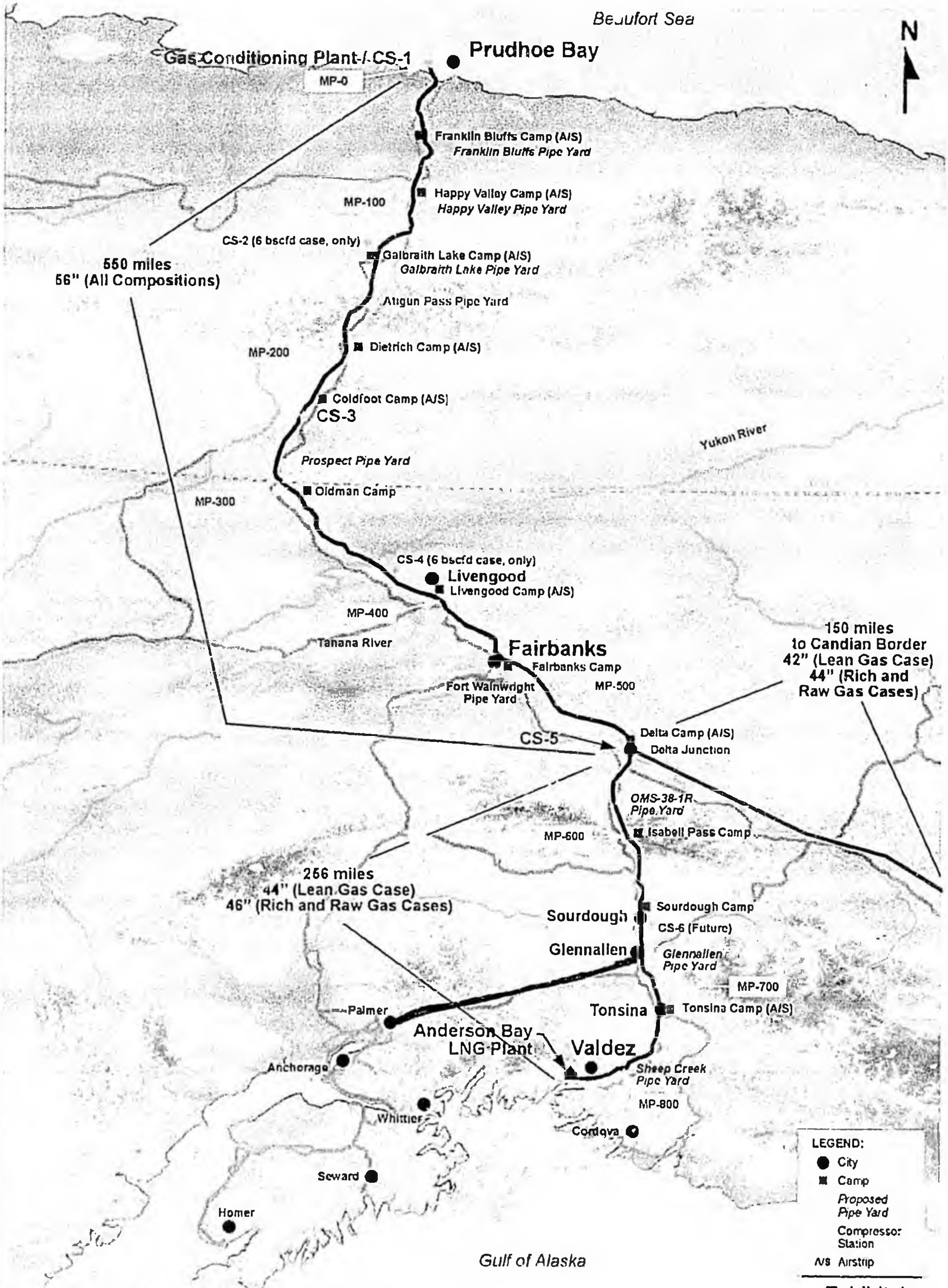

Exhibit 1
Page 8 of 45

EPC Cost Assumptions

- Gas Conditioning Plant (8.7 Bscfd capacity): $ 4.3 billion
  (assumes no benefits from equipment at existing plant on North Slope)

- Pipeline: $ 9.9 billion
  - 6 Bscfd from Prudhoe Bay to Delta Junction
  - 2.678 Bscfd delivered to Valdez from Delta Junction
  - 3.161 Bscfd delivered to Canadian border from Delta Junction

- LNG Plant and Port Facilities: $ 3.7 billion
  - Three trains – 15 million tons LNG per year
  - Train 1 completed in 49 months
  - Trains 2 & 3 completed in 6-month intervals

- LPG Extraction Facility: $ 0.5 billion

- Total EPC Cost: $18.4 billion

Project Costs (cont'd)

EPC	$ 18.4 billion
Owner's Contingency	$ 0.9 billion
Insurance	$ 0.2 billion
Development Costs	$ 0.1 billion
Working Capital	$ 0.5 billion
Owner Costs, Line Pack	$ 0.1 billion
Interest During Construction	$ 4.4 billion
Financing and Underwriting Fees	$ 0.2 billion
Debt Service Reserve Fund	$ 1.0 billion
Total Project Cost	**$ 25.8 billion**

Note: Detailed summary sheets of assumptions and results are provided at the end of this presentation.

Advantage of Combining Two Projects into a Y-Line

Combining a gasline to the Lower-48 with a gasline to an LNG project will lower the cost of gas transportation down each branch of the line by approximately 30%.

Construction Cost:

- a single line to carry 3 Bscfd = $7.0 billion
- a Y-line to deliver 3.161 Bscfd to Canadian border and 2.678 Bscfd to an LNG facility = $9.7 billion
- approximate cost for each pipeline project: = $4.9 billion
- construction cost savings for each project: = $2.1 billion

Construction cost savings plus financing and soft cost savings for each project approximately: = $3.0 billion

Savings for both projects: = $6.0 billion

AGPA

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Project Costs (cont'd)

Very conservative in estimating project costs. Cost estimates include:

- 8-10% of escalation built into components of the EPC cost
- $1.8 billion of contractor's contingency, built into the EPC cost
- $920 million of owner's contingency, for cost overrun risks not covered by the EPC contractor
- $1.0 billion of debt service reserve fund
- Assumed no benefits from existing infrastructure at Gas Conditioning Plant or TAPS line

Nature and Sources of Financing

- Financing concept predicated on a zero private equity scenario
- Base Case assumes 100% senior debt financing, although there is a potential for several forms of equity-like participations in the form of subordinated debt: offtaker pre-purchase financing, subordinated payment for gas, value of permits, etc.
- In an all-debt financed scenario, the project must maintain very healthy debt service cover ratios (DSCRs)

Purchase Price of Gas

- Minimum $ 0.30 per MMBtu base price of purchased feedgas
- Additional subordinated payment for feedgas depending upon the net-back from ultimate market price.
- In the base case the total price is $0.30 per MMBtu (base price) plus $1.18 per MMBtu (additional net-back) which equals $1.48 at the wellhead.

Base Case Assumptions and Results

- 6.000 Bscfd at 1,160 Btu/scf gas to pipeline entrance
- 2.678 Bscfd at 1,160 Btu/scf gas to LNG plant in Valdez *
- 3.161 Bscfd at 1,160 Btu/scf gas to Canada *

- 81,000 bbl/d of NGLs extracted on North Slope (for the benefit of the Producers)
- 154,000 bbl/d of LPGs extracted at Valdez
- 182,000 bbl/d of LPGs extracted from gas to Canada
- 15 MMTA LNG production

** Net of fuel consumption; includes LPG content*

Base Case Assumptions and Results (cont'd)

- $2.75/MMBtu LNG Price (FOB Valdez);
  - Implied $3.35 landed price in Japan, assuming $0.60 transportation charge
- $3.75/MMBtu Chicago price
  - Assumed tariff of $1.20/MMBtu Alaska border–Alberta–Chicago
- LPG price: $15.00/bbl NGL price: $16.50/bbl *

** Sales price of $20.00/bbl less $3.50/bbl TAPS tariff*

Base Case Assumptions and Results (cont'd)

Benefits to Producers:

- Sale of gas for LNG and Lower 48:

$ 771 million/yr	from gas sale at base payment of $0.30/MMBtu
$ 3,020 million/yr	from subordinated gas payment of $0.85/MMBtu
$3,791 million/yr	total gas sale revenues
$ 1.48/MMBtu	total sales price of gas

- Plus an additional NGL revenue stream:

$ 463 million/yr	from NGLs extracted by the project at Prudhoe Bay
$4,255 million/yr	total revenues

- Potential for accelerating Prudhoe Bay oil production: an additional 8.7 Bscfd of gas can be processed. We have not attempted to quantify the benefit of such accelerated oil production, or any reduction in oil production in the out years.
- 2 Bscfd of CO_2-rich stream returned for reinjection.
- Gas composition will change over time. While we have not attempted to quantify such change at this time, our capital cost estimates include the equipment necessary to handle CO_2 over time.

Base Case Assumptions and Results (cont'd)

- $1,504 million/yr to State and Municipalities from royalty, severance and corporate income taxes including $370 million/yr in subordinated payments from the project.

Sensitivities:

- An increase in sales prices of LNG and gas to Canada of $0.10/MMBtu increases the amount available for distribution to stakeholders by approximately $185 million/yr.
- A decrease in interest rates of 50 bp increases the amount available for distribution to stakeholders by approximately $100 million/yr.
- A reduction in EPC cost of $1 billion (or 5.5%) increases the amount available for distribution to stakeholders by $120 million/yr.

The Advantages of the Project Structure

- The Structure offers tools to permit Producers to:
  - Maximize after tax income
  - Minimize balance sheet implications of a pipeline investment
  - Retain significant control of pipeline capacity
  - Potentially increase certainty and stability of Alaskan contracts and relationships

Minimization of Balance Sheet Implications

- Producers will be able to utilize a $15-$20 billion asset without any investment

- Pipeline can be financed with 1[illegible]% Debt, non-recourse to Producers

- Only Producers Obligations:
  - Sell gas on a long-term commitment
  - Subordinate part of the net back to debt payments
  - Additional obligations if Producers wish to:
    - Have construction management
    - Operate pipeline
    - Market output if gas is not tolled

Retain Control of Pipeline and Contract Stability

- FERC exemption
- AGPA will allocate capacity and pricing to Producers by long-term contract
- Potentially offers more stability, regulatory expediency and a quicker contract path
  - Long-term contracts
  - Contracts cannot be changed once bonds are sold
  - AGPA will be a faster decision making body

Benefits from Transporting LPG in the Pipeline

- Gasline is designed to transport Propane & Butane (Liquid Petroleum Gas – LPG) in addition to natural gas.

- The Gasline can also transport ethane. The project has not included this potential revenue stream in the project because the Producers have stated they require the ethane to mix with the CO_2 for injection into the oil field reservoir.

- The value of LPG alone – $1.75 billion per year – will pay for the Pipeline and the Gas Conditioning Plant.

AGPA

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Benefits of AGPA Financing and Tax-Exempt Status

- Exemption from federal income tax frees up cash – $113 million per year in the early years, increasing to over $1 billion in later years – to increase producer netback, to pay debt, to be distributed to project participants, and/or to be distributed to other stakeholders.

- Ability to issue tax-exempt bonds for a portion of the debt lowers debt service payments by approximately $280 million per year.

- AGPA is not constrained by a private company's typical hurdle rate on capital invested. The annual retention of $370 million in subordinated payments from the project does not generate adequate return on equity for a private project.

- These benefits create additional revenue for the producers on average in excess of $1 billion/yr.

Additional Benefits of Y-Line

Diversity/Security from different characteristics of 4 revenue streams:

- LNG: under proposed pricing strategy can obtain long-term fixed floor price, resulting in great revenue stability;
- LPG: tracks oil to some degree, less volatile than gas;
- NGL: tracks oil, also less volatile than gas;
- Gas: Very volatile. Has ranged from $2.50/MMBtu to over $10.00/MMBtu in some markets. Cannot obtain long-term contracts. At maximum – hedging available for 3 to 5 years.

- The relative stability of LNG, and to a lesser degree, LPG and NGL, will permit this project to withstand downturns of gas prices in the Lower 48 – over extended periods of time down to $2.00/MMBtu and even as low as $1.40/MMBtu for 6-12 months period of time.

SUMMARY OF AGPA MODEL SENSITIVITY CASE RESULTS (based on Bechtel cases 1-6)

Taylor-DeJongh

15-Feb-04

Case		Chicago Price	LNG Price (CIF E. Asia)	EPC Cost	Total Cost	Min DSCR	Ave DSCR	Wellhead Gas Price	Prudhoe $	State $
		$/MMBtu	$/MMBtu	$ billions	$ billions	ratio	ratio	$/MMBtu	$ millions	$ millions
1.	Valdez 2.6 Bscfd (15MMTA)	n/a	3.35	13.8	19.3	1.70 x	1.95 x	0.73	1,099	661
1.a	Valdez 2.6 Bscfd (15MMTA); $3.75 CIF	n/a	3.75	13.8	19.4	1.93 x	2.22 x	1.01	1,437	752
1.b	Valdez 2.6 Bscfd (15MMTA); breakeven LNG price	n/a	2.12	13.8	19.3	1.00 x	1.16 x	0.30	577	192
2.	4.0 Bscfd Canada	3.75	n/a	10.5	14.9	3.19 x	3.43 x	1.40	2,833	1,125
2.a	4.0 Bscfd Canada; breakeven price	1.75	n/a	10.5	14.7	1.00 x	1.06 x	0.30	849	284
2.c	4.0 Bscfd Canada; $2.60 Chicago Price	2.60	n/a	10.5	14.8	1.94 x	2.08 x	0.60	1,395	755
3.	4.5 Bscfd Canada	3.75	n/a	11.4	16.1	3.30 x	3.56 x	1.45	3,291	1,247
3.a	4.5 Bscfd Canada; breakeven price	1.72	n/a	11.4	15.8	1.00 x	1.06 x	0.30	956	319
3.b	4.5 Bscfd Canada; $2.60 Chicago Price	2.60	n/a	11.4	15.9	2.01 x	2.15 x	0.65	1,674	823
3.c	4.5 Bscfd Canada; 20 mill PILT	3.75	n/a	11.4	16.1	3.30 x	3.56 x	1.40	3,177	1,217
4.	3.0 Bscfd Canada	3.75	n/a	9.2	12.9	2.55 x	2.76 x	1.18	1,573	788
4.a	3.0 Bscfd Canada; breakeven price	1.97	n/a	9.2	12.8	1.00 x	1.07 x	0.30	559	185
4.b	3.0 Bscfd Canada; $2.60 Chicago Price	2.60	n/a	9.2	12.8	1.55 x	1.67 x	0.32	584	560
5.	6.0 Bscfd Y-split	3.75	3.35	18.4	25.8	2.80 x	3.51 x	1.48	4,255	1,504
5.a	6.0 Bscfd Y-split; breakeven Chicago price	0.51	3.35	18.4	25.8	1.00 x	1.28 x	0.30	1,235	410
5.b	6.0 Bscfd Y-split; $2.60 Chicago Price	2.60	3.35	18.4	25.7	2.20 x	2.76 x	1.02	3,073	1,137
5.c	6.0 Bscfd Y-split; 20 mill PILT	3.75	3.35	18.4	25.8	2.80 x	3.51 x	1.38	4,001	1,436
6.	2+4 Y-split (10 MMTA)	3.75	3.35	17.4	23.8	2.96 x	3.61 x	1.50	4,319	1,521
6.a	2+4 Y-split (10 MMTA); breakeven Chicago price	0.97	3.35	17.4	23.7	1.00 x	1.24 x	0.30	1,235	410
6.b	2+4 Y-split (10 MMTA); $2.60 Chicago Price	2.60	3.35	17.4	23.7	2.13 x	2.62 x	0.94	2,872	1,133

Summary of Key Assumptions and Results

Case: 1. ***Valdez 2.6 Bscfd (15MMTA)***

Last Calculated:	16-Feb-04	*Error Checks:*	OK
	1:09 AM	*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	18,062
Equity	-
Total Financing	**18,062**
Senior Debt	
JBIC	1,531
Comm Bank 1	1,225
Comm Bank 2	306
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	193
Project Cash Income	1,093

Project Costs ($ MM)	
EPC	13,800
Owner's Contingency	690
Insurance	145
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	11
Working Capital	208
Loan IDC	702
Bond IDC	2,757
Upfront Fee	31
Commitment Fee	24
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	745
Total Project Cost	**19,349**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	3,046
HHV (Btu/scf)	1,152
LNG Production	
Flowrate (MM scfd)	2,264
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	-
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,221
Liquids Revenue	801
Canada Gas Revenue	-
Total Operating Revenue	**3,022**
Base Gas Purchase	365
Fixed O&M Expense	158
NGL Royalty and Severance	-
Total Operating Expenses	**523**
Income Taxes	-
Senior Debt Service	**1,490**
Average DSCR	1.95 x
Minimum DSCR	1.70 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	522
Cash to AK and State / Dividend	**370**

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.43
Effective Gas Purchase Price[3]	**0.73**

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**2.43**

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		171
Royalty & Sev. on NGLs and Oil		37
State CIT Revenues		84
Total State Tax Revenues		**291**
Project Cash to State		222
Total State Revenues		**513**
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		**661**
Total AK State & Muni NPV @	7.3%	6,266

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	522
Benefit per MMBtu[2]	0.43
Allocated to Increasing Netback	522
Total Available for Other Stakeholders	(0)

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	365
Revenues from Sub Payment	522
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**1,099**

Present Value of Producer Revenues		
Producer NPV @	12.0%	5,096
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,690
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Taylor-DeJongh

Summary of Key Assumptions and Results

Case: 1.a *Valdez 2.6 Bscfd (15MMTA); $3.75 CIF*

Last Calculated: 16-Feb-04 1:38 AM

Error Checks: OK
Sufficient Cash Flow: OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	17,912
Equity	-
Total Financing	17,912
Senior Debt	
JBIC	1,456
Comm Bank 1	1,165
Comm Bank 2	291
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	194
Project Cash Income	1,256

Project Costs ($ MM)	
EPC	13,800
Owner's Contingency	690
Insurance	145
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	11
Working Capital	235
Loan IDC	701
Bond IDC	2,757
Upfront Fee	29
Commitment Fee	21
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	737
Total Project Cost	**19,362**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	3,046
HHV (Btu/scf)	1,152
LNG Production	
Flowrate (MM scfd)	2,264
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	-
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,545
Liquids Revenue	801
Canada Gas Revenue	-
Total Operating Revenue	3,346
Base Gas Purchase	365
Fixed O&M Expense	158
NGL Royalty and Severance	-
Total Operating Expenses	523
Income Taxes	-
Senior Debt Service	1,475
Average DSCR	2.22 x
Minimum DSCR	1.93 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	860
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	3.15
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.75

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.71
Effective Gas Purchase Price[3]	1.01

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.10
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation[5]	0.12
Gas Value at Canadian Border	1.78

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		235
Royalty & Sev. on NGLs and Oil		37
State CIT Revenues		109
Total State Tax Revenues		382
Project Cash to State		222
Total State Revenues		604
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		752
Total AK State & Muni NPV @	7.3%	7,160

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	860
Benefit per MMBtu[2]	0.71
Allocated to Increasing Netback	860
Total Available for Other Stakeholders	(0)

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	365
Revenues from Sub Payment	860
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	1,437

Present Value of Producer Revenues		
Producer NPV @	12.0%	6,898
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,690
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Case: 1.b *Valdez 2.6 Bscfd (15MMTA); breakeven LNG price*

Last Calculated: 16-Feb-04 1:57 AM

Error Checks:
Sufficient Cash Flow:

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	18,524
Equity	-
Total Financing	**18,524**
Senior Debt	
JBIC	1,762
Comm Bank 1	1,410
Comm Bank 2	352
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	188
Project Cash Income	596

Project Costs ($ MM)	
EPC	13,800
Owner's Contingency	690
Insurance	145
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	11
Working Capital	125
Loan IDC	704
Bond IDC	2,757
Upfront Fee	35
Commitment Fee	36
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	768
Total Project Cost	**19,308**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	3,046
HHV (Btu/scf)	1,152
LNG Production	
Flowrate (MM scfd)	2,264
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	-
HHV (Btu/scf)	-
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-

Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	1,228
Liquids Revenue	801
Canada Gas Revenue	-
Total Operating Revenue	**2,029**
Base Gas Purchase	365
Fixed O&M Expense	158
NGL Royalty and Severance	-
Total Operating Expenses	**523**
Income Taxes	-
Senior Debt Service	**1,537**
Average DSCR	**1.16 x**
Minimum DSCR	**1.00 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	-
PILT	-
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	-

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**1.52**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	2.12

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	**0.30**

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**2.43**

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		**115**
Royalty & Sev. on NGLs and Oil		**37**
State CIT Revenues		40
Total State Tax Revenues		**192**
Project Cash to State		
Total State Revenues		**192**
PILT		-
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		**192**
Total AK State & Muni NPV @	7.3%	

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	365
Revenues from Sub Payment	-
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**577**

Present Value of Producer Revenues		
Producer NPV @	12.0%	2,895
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(270)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumotion.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Taylor-DeJongh

Summary of Key Assumptions and Results

Case: 2. *4.0 Bscfd Canada*

Last Calculated:	16-Feb-04	*Error Checks:*	OK
	1:29 AM	*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	14,413
Equity	-
Total Financing	**14,413**
Senior Debt	
JBIC	206
Comm Bank 1	165
Comm Bank 2	41
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	14,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	474
Project Cash Income	-

Project Costs ($ MM)	
EPC	10,500
Owner's Contingency	525
Insurance	110
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	47
Working Capital	301
Loan IDC	0
Bond IDC	2,593
Upfront Fee	4
Commitment Fee	8
Exposure Fee	-
Underwriting Fee	49
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	569
Total Project Cost	**14,887**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	5,830
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,343
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,487
HHV (Btu/scf)	1,158
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,893
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,563
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	221,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	3,066
Total Operating Revenue	4,231
Base Gas Purchase	541
Fixed O&M Expense	75
NGL Royalty and Severance	-
Total Operating Expenses	**616**
Income Taxes	-
Senior Debt Service	**1,138**
Average DSCR	3.43 x
Minimum DSCR	**3.19 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	1,983
Cash to AK and State / Dividend	**370**

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.10
Effective Gas Purchase Price[3]	**1.40**

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**2.43**

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		485
Royalty & Sev. on NGLs and Oil		54
State CIT Revenues		216
Total State Tax Revenues		755
Project Cash to State		222
Total State Revenues		977
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		**1,125**
Total AK State & Muni NPV @	7.3%	10,601

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	1,983
Benefit per MMBtu[2]	1.10
Allocated to Increasing Netback	1,983
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	541
Revenues from Sub Payment	1,983
Revenues from NGLs	309
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**2,833**

Present Value of Producer Revenues		
Producer NPV @	12.0%	14,659
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		n/a
Equity NPV[7] @	12.0%	1,904
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 2. **4.0 Bscfd Canada; breakeven price**

Last Calculated: 16-Feb-04 1:33 AM

Error Checks:
Sufficient Cash Flow:

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	14,183
Equity	-
Total Financing	**14,183**
Senior Debt	
JBIC	92
Comm Bank 1	73
Comm Bank 2	18
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	14,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	475
Project Cash Income	-

Project Costs ($ MM)	
EPC	10,500
Owner's Contingency	525
Insurance	110
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	47
Working Capital	91
Loan IDC	0
Bond IDC	2,593
Upfront Fee	2
Commitment Fee	4
Exposure Fee	-
Underwriting Fee	49
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	557
Total Project Cost	**14,658**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	5,830
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,343
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,487
HHV (Btu/scf)	1,158
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,893
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,563
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	224,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	542
Total Operating Revenue	**1,708**
Base Gas Purchase	541
Fixed O&M Expense	75
NGL Royalty and Severance	-
Total Operating Expenses	**616**
Income Taxes	-
Senior Debt Service	**1,115**
Average DSCR	1.06 x
Minimum DSCR	**1.00 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	-
PILT	-
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	0.30

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	1.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**0.43**

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		171
Royalty & Sev. on NGLs and Oil		54
State CIT Revenues		59
Total State Tax Revenues		**284**
Project Cash to State		
Total State Revenues		**284**
PILT		-
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		**284**
Total AK State & Muni NPV @	7.3%	

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	541
Revenues from Sub Payment	-
Revenues from NGLs	309
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**849**

Present Value of Producer Revenues		
Producer NPV @	12.0%	4,465
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(484)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 2. ***4.0 Bscfd Canada; $2.60 Chicago Price***

Last Calculated:	16-Feb-04		*Error Checks:*	OK
	1:35 AM		*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	14,281
Equity	-
Total Financing	**14,281**
Senior Debt	
JBIC	140
Comm Bank 1	112
Comm Bank 2	28
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	14,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	475
Project Cash Income	-

Project Costs ($ MM)	
EPC	10,500
Owner's Contingency	525
Insurance	110
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	47
Working Capital	180
Loan IDC	(0)
Bond IDC	2,593
Upfront Fee	3
Commitment Fee	6
Exposure Fee	-
Underwriting Fee	49
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	562
Total Project Cost	**14,755**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	5,830
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,343
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,487
HHV (Btu/scf)	1,158
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,893
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,563
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	224,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM) [1]	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	1,615
Total Operating Revenue	**2,780**
Base Gas Purchase	541
Fixed O&M Expense	75
NGL Royalty and Severance	-
Total Operating Expenses	**616**
Income Taxes	-
Senior Debt Service	**1,125**
Average DSCR	2.08 x
Minimum DSCR	**1.94 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	545
Cash to AK and State / Dividend	**370**

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.30
Effective Gas Purchase Price[3]	0.60

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**1.28**

Benefits to State ($ MM) [4]		
Royalty & Severance on Gas		227
Royalty & Sev. on NGLs and Oil		54
State CIT Revenues		105
Total State Tax Revenues		**385**
Project Cash to State		222
Total State Revenues		**607**
PILT		**114**
Benefits to Communities		
Project Cash to Munis		**148**
Total to AK State & Communities		**755**
Total AK State & Muni NPV @	7.3%	**7,493**

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	545
Benefit per MMBtu[2]	0.30
Allocated to Increasing Netback	545
Total Available for Other Stakeholders	(0)

Benefits to Producers ($ MM) [4]	
Revenues from Base Gas Sale	541
Revenues from Sub Payment	545
Revenues from NGLs	309
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**1,395**

Present Value of Producer Revenues		
Producer NPV @	12.0%	7,257
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,893
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas puchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Case: 3. *4.5 Bscfd Canada*

Last Calculated:	16-Feb-04 1:43 AM	*Error Checks:*	OK
		Sufficient Cash Flow:	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,615
Equity	-
Total Financing	15,615
Senior Debt	
JBIC	307
Comm Bank 1	246
Comm Bank 2	61
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	464
Project Cash Income	-

Project Costs ($ MM)	
EPC	11,400
Owner's Contingency	570
Insurance	120
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	53
Working Capital	339
Loan IDC	9
Bond IDC	2,718
Upfront Fee	6
Commitment Fee	12
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	620
Total Project Cost	**16,078**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	6,559
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,511
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,959
HHV (Btu/scf)	1,179
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w. liquids content)	
Flowrate (MM scfd)	4,379
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	4,008
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	252,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	3,449
Total Operating Revenue	4,760
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
Total Operating Expenses	693
Income Taxes	-
Senior Debt Service	1,239
Average DSCR	3.56 x
Minimum DSCR	3.30 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	2,336
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.15
Effective Gas Purchase Price[3]	1.45

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	2.43

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		566
Royalty & Sev. on NGLs and Oil		61
State CIT Revenues		250
Total State Tax Revenues		877
Project Cash to State		222
Total State Revenues		1,099
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		**1,247**
Total AK State & Muni NPV @	7.3%	11,656

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	2,336
Benefit per MMBtu[2]	1.15
Allocated to Increasing Netback	2,336
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	2,336
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	3,291

Present Value of Producer Revenues		
Producer NPV @	12.0%	17,016
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		n/a
Equity NPV[7] @	12.0%	1,920
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Taylor-DeJongh

Summary of Key Assumptions and Results

Last Calculated:	*16-Feb-04*	*Error Checks:*	
	1:46 AM	*Sufficient Cash Flow:*	

Case: 3.a ***4.5 Bscfd Canada; breakeven price***

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,352
Equity	-
Total Financing	**15,352**
Senior Debt	
JBIC	176
Comm Bank 1	141
Comm Bank 2	35
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	464
Project Cash Income	-

Project Costs ($ MM)	
EPC	11,400
Owner's Contingency	570
Insurance	120
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	53
Working Capital	99
Loan IDC	8
Bond IDC	2,718
Upfront Fee	4
Commitment Fee	6
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	606
Total Project Cost	**15,816**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	6,559
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,511
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,959
HHV (Btu/scf)	1,179
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	4,379
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	4,008
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	252,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	568
Total Operating Revenue	1,878
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
Total Operating Expenses	693
Income Taxes	-
Senior Debt Service	1,212
Average DSCR	1.06 x
Minimum DSCR	1.00 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	-
PILT	-
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	0.30

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	1.72
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	0.40

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		192
Royalty & Sev. on NGLs and Oil		61
State CIT Revenues		66
Total State Tax Revenues		319
Project Cash to State		
Total State Revenues		319
PILT		-
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		319
Total AK State & Muni NPV @	7.3%	

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	-
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	956

Present Value of Producer Revenues		
Producer NPV @	12.0%	5,025
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(488)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 3.b	***4.5 Bscfd Canada; $2.60 Chicago Price***		
Last Calculated:	*16-Feb-04 1:48 AM*	*Error Checks:*	OK
		Sufficient Cash Flow:	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,466
Equity	-
Total Financing	**15,466**
Senior Debt	
JBIC	233
Comm Bank 1	186
Comm Bank 2	47
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	464
Project Cash Income	-

Project Costs ($ MM)	
EPC	11,400
Owner's Contingency	570
Insurance	120
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	53
Working Capital	203
Loan IDC	9
Bond IDC	2,718
Upfront Fee	5
Commitment Fee	9
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	612
Total Project Cost	**15,930**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	6,559
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,511
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,959
HHV (Btu/scf)	1,179
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	4,379
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	4,008
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	252,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	1,817
Total Operating Revenue	**3,127**
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
Total Operating Expenses	**693**
Income Taxes	-
Senior Debt Service	**1,224**
Average DSCR	2.15 x
Minimum DSCR	**2.01 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	718
Cash to AK and State / Dividend	**370**

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	**3.35**

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.35
Effective Gas Purchase Price[3]	**0.65**

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation[5]	0.12
Gas Value at Canadian Border	**1.28**

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		266
Royalty & Sev. on NGLs and Oil		61
State CIT Revenues		127
Total State Tax Revenues		**453**
Project Cash to State		222
Total State Revenues		**675**
PILT		**114**
Benefits to Communities		
Project Cash to Munis		**148**
Total to AK State & Communities		**823**
Total AK State & Muni NPV @	7.3%	8,084

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	718
Benefit per MMBtu[2]	0.35
Allocated to Increasing Netback	718
Total Available for Other Stakeholders	(0)

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	718
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**1,674**

Present Value of Producer Revenues		
Producer NPV @	12.0%	8,710
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,893
Valuation Date		Sep-04

Notes:

1. The numbers presented are annual figures for the fully ramped-up project.
2. Total benefit per MMBtu of gas into GCP less CO2 stream.
3. Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.
4. Producer benefits are expressed as pre-tax revenues.
5. Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
6. Based on a sales price of $20/bbl and $3.50 TAPS tariff
7. AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.

Summary of Key Assumptions and Results

Case: 3.c — *4.5 Bscfd Canada; 20 mill PILT*

Last Calculated:	*16-Feb-04*	*Error Checks:*	OK
	1:57 AM	*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,615
Equity	-
Total Financing	**15,615**
Senior Debt	
JBIC	307
Comm Bank 1	246
Comm Bank 2	61
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	464
Project Cash Income	-

Project Costs ($ MM)	
EPC	11,400
Owner's Contingency	570
Insurance	120
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	53
Working Capital	339
Loan IDC	9
Bond IDC	2,718
Upfront Fee	6
Commitment Fee	12
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	620
Total Project Cost	**16,078**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	6,559
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	1,511
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	4,959
HHV (Btu/scf)	1,179
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	4,379
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	4,008
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	252,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	3,449
Total Operating Revenue	4,760
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
Total Operating Expenses	693
Income Taxes	-
Senior Debt Service	1,239
Average DSCR	3.56 x
Minimum DSCR	3.30 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	228
Subordinated Pmt / Other Use	2,221
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.10
Effective Gas Purchase Price[3]	1.40

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	2.43

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		544
Royalty & Sev. on NGLs and Oil		61
State CIT Revenues		242
Total State Tax Revenues		847
Project Cash to State		222
Total State Revenues		1,069
PILT		228
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		**1,217**
Total AK State & Muni NPV @	7.3%	12,377

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	2,221
Benefit per MMBtu[2]	1.10
Allocated to Increasing Netback	2,221
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	2,221
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	3,177

Present Value of Producer Revenues		
Producer NPV @	12.0%	16,447
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		n/a
Equity NPV[7] @	12.0%	1,908
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Case: 4. *3.0 Bscfd Canada*

Last Calculated:	16-Feb-04 2:02 AM	*Error Checks:*	OK
		Sufficient Cash Flow:	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	12,524
Equity	-
Total Financing	**12,524**
Senior Debt	
JBIC	262
Comm Bank 1	210
Comm Bank 2	52
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	12,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	394
Project Cash Income	-

Project Costs ($ MM)	
EPC	9,200
Owner's Contingency	460
Insurance	97
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	32
Working Capital	208
Loan IDC	0
Bond IDC	2,190
Upfront Fee	5
Commitment Fee	10
Exposure Fee	-
Underwriting Fee	42
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	493
Total Project Cost	**12,917**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	2,992
HHV (Btu/scf)	1,116
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	2,678
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,451
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	801
Canada Gas Revenue	2,109
Total Operating Revenue	**2,910**
Base Gas Purchase	347
Fixed O&M Expense	67
NGL Royalty and Severance	-
Total Operating Expenses	**414**
Income Taxes	-
Senior Debt Service	986
Average DSCR	2.76 x
Minimum DSCR	2.55 x
In Year	2008
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	1,014
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.88
Effective Gas Purchase Price[3]	1.18

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	2.43

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		262
Royalty & Sev. on NGLs and Oil		37
State CIT Revenues		120
Total State Tax Revenues		**418**
Project Cash to State		222
Total State Revenues		**640**
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		**788**
Total AK State & Muni NPV @	7.3%	7,741

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	1,014
Benefit per MMBtu[2]	0.88
Allocated to Increasing Netback	1,014
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	347
Revenues from Sub Payment	1,014
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**1,573**

Present Value of Producer Revenues		
Producer NPV @	12.0%	8,161
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		n/a
Equity NPV[7] @	12.0%	1,893
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 4.a **3.0 Bscfd Canada; breakeven price**

Last Calculated: *16-Feb-04* *2:05 AM*

Error Checks:
Sufficient Cash Flow:

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	12,383
Equity	-
Total Financing	12,383
Senior Debt	
JBIC	192
Comm Bank 1	153
Comm Bank 2	38
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	12,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	394
Project Cash Income	-

Project Costs ($ MM)	
EPC	9,200
Owner's Contingency	460
Insurance	97
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	32
Working Capital	79
Loan IDC	0
Bond IDC	2,190
Upfront Fee	4
Commitment Fee	8
Exposure Fee	-
Underwriting Fee	42
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	486
Total Project Cost	**12,777**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	2,992
HHV (Btu/scf)	1,116
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	2,678
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,451
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	801
Canada Gas Revenue	564
Total Operating Revenue	1,365
Base Gas Purchase	347
Fixed O&M Expense	67
NGL Royalty and Severance	-
Total Operating Expenses	414
Income Taxes	-
Senior Debt Service	972
Average DSCR	1.07 x
Minimum DSCR	1.00 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	-
PILT	-
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	-

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	0.30

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	1.97
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	0.65

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		110
Royalty & Sev. on NGLs and Oil		37
State CIT Revenues		39
Total State Tax Revenues		185
Project Cash to State		
Total State Revenues		185
PILT		-
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		185
Total AK State & Muni NPV @	7.3%	1,017

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	347
Revenues from Sub Payment	-
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	559

Present Value of Producer Revenues		
Producer NPV @	12.0%	2,942
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(485)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Exhibit 1
Page 37 of 45

Taylor-DeJongh

Summary of Key Assumptions and Results

Case: 4.b *3.0 Bscfd Canada; $2.60 Chicago Price*

Last Calculated:	16-Feb-04	2:06 AM	*Error Checks:*	OK	
			Sufficient Cash Flow:	OK	

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	12,433
Equity	-
Total Financing	12,433
Senior Debt	
JBIC	217
Comm Bank 1	173
Comm Bank 2	43
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	12,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	394
Project Cash Income	-

Project Costs ($ MM)	
EPC	9,200
Owner's Contingency	460
Insurance	97
Land	-
Development Costs	100
Owner Costs DC	80
Line Pack	32
Working Capital	125
Loan IDC	(0)
Bond IDC	2,190
Upfront Fee	4
Commitment Fee	9
Exposure Fee	-
Underwriting Fee	42
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	488
Total Project Cost	**12,827**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
CO2 Returned	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	2,992
HHV (Btu/scf)	1,116
LNG Production	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	2,678
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,451
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	154,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	-
Liquids Revenue	801
Canada Gas Revenue	1,111
Total Operating Revenue	1,912
Base Gas Purchase	347
Fixed O&M Expense	67
NGL Royalty and Severance	-
Total Operating Expenses	414
Income Taxes	-
Senior Debt Service	977
Average DSCR	1.67 x
Minimum DSCR	1.55 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	25
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.02
Effective Gas Purchase Price[3]	0.32

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	1.28

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		112
Royalty & Sev. on NGLs and Oil		37
State CIT Revenues		41
Total State Tax Revenues		190
Project Cash to State		222
Total State Revenues		412
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		560
Total AK State & Muni NPV @	7.3%	5,687

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	25
Benefit per MMBtu[2]	0.02
Allocated to Increasing Netback	25
Total Available for Other Stakeholders	(0)

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	347
Revenues from Sub Payment	25
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	584

Present Value of Producer Revenues		
Producer NPV @	12.0%	3,186
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,762
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream*
3. *Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Case: 5. *6.0 Bscfd Y-split*

Last Calculated:	*16-Feb-04*	*Error Checks:*	OK
	2:12 AM	*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	22,679
Equity	-
Total Financing	22,679
Senior Debt	
JBIC	3,840
Comm Bank 1	3,072
Comm Bank 2	768
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	98
Project Cash Income	3,016

Project Costs ($ MM)	
EPC	18,400
Owner's Contingency	920
Insurance	193
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	49
Working Capital	455
Loan IDC	1,659
Bond IDC	2,757
Upfront Fee	77
Commitment Fee	69
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	979
Total Project Cost	**25,794**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	2,256
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,161
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,893
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,214
Liquids Revenue	1,748
Canada Gas Revenue	2,489
Total Operating Revenue	6,450
Base Gas Purchase	771
Fixed O&M Expense	222
NGL Royalty and Severance	-
Total Operating Expenses	993
Income Taxes	-
Senior Debt Service	1,958
Average DSCR	3.51 x
Minimum DSCR	2.80 x
In Year	2009
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	3,020
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.18
Effective Gas Purchase Price[3]	1.48

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	2.43

Benefits to State ($ MM)[1]		
Royalty & Severance on Gas		729
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		324
Total State Tax Revenues		1,134
Project Cash to State		222
Total State Revenues		1,356
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		1,504
Total AK State & Muni NPV @	7.3%	13,455

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	3,020
Benefit per MMBtu[2]	1.18
Allocated to Increasing Netback	3,020
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	3,020
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	4,255

Present Value of Producer Revenues		
Producer NPV @	12.0%	20,497
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,900
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 5.a	6.0 Bscfd Y-split; breakeven Chicago price	Last Calculated:	16-Feb-04	Error Checks:	
			2:15 AM	Sufficient Cash Flow:	

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	24,928
Equity	-
Total Financing	24,928
Senior Debt	
JBIC	4,964
Comm Bank 1	3,971
Comm Bank 2	993
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	97
Project Cash Income	730

Project Costs ($ MM)	
EPC	18,400
Owner's Contingency	920
Insurance	193
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	49
Working Capital	178
Loan IDC	1,707
Bond IDC	2,757
Upfront Fee	99
Commitment Fee	121
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	1,093
Total Project Cost	25,755

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	2,256
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,161
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,893
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-

Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,214
Liquids Revenue	1,748
Canada Gas Revenue	(830)
Total Operating Revenue	3,132
Base Gas Purchase	771
Fixed O&M Expense	222
NGL Royalty and Severance	-
Total Operating Expenses	993
Income Taxes	-
Senior Debt Service	2,146
Average DSCR	1.28 x
Minimum DSCR	1.00 x
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	1
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	0.30

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	0.51
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	(0.81)

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		244
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		86
Total State Tax Revenues		410
Project Cash to State		
Total State Revenues		410
PILT		1
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		410
Total AK State & Muni NPV @	7.3%	

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	-
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	1,235

Present Value of Producer Revenues		
Producer NPV @	12.0%	6,622
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(136)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Last Calculated:	16-Feb-04	*Error Checks:*	OK
	2:18 AM	*Sufficient Cash Flow:*	OK

Case: 5.b — ***6.0 Bscfd Y-split; $2.60 Chicago Price***

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	22,715
Equity	-
Total Financing	22,715
Senior Debt	
JBIC	3,857
Comm Bank 1	3,086
Comm Bank 2	771
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	98
Project Cash Income	2,880

Project Costs ($ MM)	
EPC	18,400
Owner's Contingency	920
Insurance	193
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	49
Working Capital	357
Loan IDC	1,652
Bond IDC	2,757
Upfront Fee	77
Commitment Fee	70
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	981
Total Project Cost	**25,693**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	2,256
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,161
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,893
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,214
Liquids Revenue	1,748
Canada Gas Revenue	1,311
Total Operating Revenue	5,272
Base Gas Purchase	771
Fixed O&M Expense	222
NGL Royalty and Severance	-
Total Operating Expenses	993
Income Taxes	-
Senior Debt Service	1,962
Average DSCR	2.76 x
Minimum DSCR	2.20 x
In Year	2009
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	1,839
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.72
Effective Gas Purchase Price[3]	1.02

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	1.28

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		502
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		234
Total State Tax Revenues		817
Project Cash to State		222
Total State Revenues		1,039
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		1,187
Total AK State & Muni NPV @	7.3%	11,016

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	1,839
Benefit per MMBtu[2]	0.72
Allocated to Increasing Netback	1,839
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	1,839
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	3,073

Present Value of Producer Revenues		
Producer NPV @	12.0%	15,139
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,690
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Case: 5.c *6.0 Bscfd Y-split; 20 mill PILT*

Last Calculated:	16-Feb-04		*Error Checks:*	OK
	2:19 AM		*Sufficient Cash Flow:*	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	22,679
Equity	-
Total Financing	22,679
Senior Debt	
JBIC	3,840
Comm Bank 1	3,072
Comm Bank 2	768
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	98
Project Cash Income	3,016

Project Costs ($ MM)	
EPC	18,400
Owner's Contingency	920
Insurance	193
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	49
Working Capital	455
Loan IDC	1,659
Bond IDC	2,757
Unfront Fee	77
Commitment Fee	69
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	979
Total Project Cost	**25,794**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	2,256
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,161
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	2,893
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	2,214
Liquids Revenue	1,748
Canada Gas Revenue	2,489
Total Operating Revenue	6,450
Base Gas Purchase	771
Fixed O&M Expense	222
NGL Royalty and Severance	-
Total Operating Expenses	993
Income Taxes	-
Senior Debt Service	1,958
Average DSCR	3.51 x
Minimum DSCR	2.80 x
In Year	2009
Subordinated Debt Service	-
Permits Amortization	30
PILT	368
Subordinated Pmt / Other Use	2,766
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.08
Effective Gas Purchase Price[3]	1.38

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	2.43

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		680
Royalty & Sov. on NGLs and Oil		81
State CIT Revenues		305
Total State Tax Revenues		1,066
Project Cash to State		222
Total State Revenues		1,288
PILT		368
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		1,436
Total AK State & Muni NPV @	7.3%	15,232

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	2,766
Benefit per MMBtu[2]	1.08
Allocated to Increasing Netback	2,766
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	2,766
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	4,001

Present Value of Producer Revenues		
Producer NPV @	12.0%	19,373
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,900
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Summary of Key Assumptions and Results

Last Calculated: 16-Feb-04 2:23 AM

Error Checks: OK
Sufficient Cash Flow: OK

Case: 6. *2+4 Y-split (10 MMTA)*

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	21,785
Equity	-
Total Financing	**21,785**
Senior Debt	
JBIC	3,392
Comm Bank 1	2,714
Comm Bank 2	678
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	110
Project Cash Income	1,942

Project Costs ($ MM)	
EPC	17,400
Owner's Contingency	870
Insurance	183
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	58
Working Capital	455
Loan IDC	1,302
Bond IDC	2,278
Upfront Fee	68
Commitment Fee	56
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	930
Total Project Cost	**23,836**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-May-09
Operating Period (years)	30.5
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	1,658
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,892
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,562
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	1,627
Liquids Revenue	1,748
Canada Gas Revenue	3,065
Total Operating Revenue	**6,440**
Base Gas Purchase	771
Fixed O&M Expense	204
NGL Royalty and Severance	-
Total Operating Expenses	**975**
Income Taxes	-
Senior Debt Service	1,860
Average DSCR	3.61 x
Minimum DSCR	**2.96 x**
In Year	2022
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	3,124
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	**2.75**
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.20
Effective Gas Purchase Price[3]	**1.50**

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	**2.43**

Benefits to State ($ MM)[4]		
Royalty & Severance on Gas		741
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		329
Total State Tax Revenues		**1,151**
Project Cash to State		222
Total State Revenues		**1,373**
PILT		**114**
Benefits to Communities		
Project Cash to Munis		**148**
Total to AK State & Communities		**1,521**
Total AK State & Muni NPV @	7.3%	13,689

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	**3,124**
Benefit per MMBtu[2]	1.22
Allocated to Increasing Netback	3,084
Total Available for Other Stakeholders	**40**

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	3,084
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	**4,319**

Present Value of Producer Revenues		
Producer NPV @	12.0%	21,354
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		n/a
Equity NPV[7] @	12.0%	1,900
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3 50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 6.a — *2+4 Y-split (10 MMTA); breakeven Chicago price*

Last Calculated: 16-Feb-04 2:28 AM

Error Checks:

Sufficient Cash Flow:

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	23,100
Equity	-
Total Financing	23,100
Senior Debt	
JBIC	4,050
Comm Bank 1	3,240
Comm Bank 2	810
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	109
Project Cash Income	449

Project Costs ($ MM)	
EPC	17,400
Owner's Contingency	870
Insurance	183
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	58
Working Capital	163
Loan IDC	1,307
Bond IDC	2,278
Upfront Fee	81
Commitment Fee	85
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	997
Total Project Cost	**23,658**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-May-09
Operating Period (years)	30.5
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	1,658
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,892
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,562
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM)[1]	
LNG Revenue	1,627
Liquids Revenue	1,748
Canada Gas Revenue	(441)
Total Operating Revenue	2,933
Base Gas Purchase	771
Fixed O&M Expense	204
NGL Royalty and Severance	-
Total Operating Expenses	975
Income Taxes	-
Senior Debt Service	1,993
Average DSCR	1.24 x
Minimum DSCR	1.00 x
In Year	2009
Subordinated Debt Service	-
Permits Amortization	1
PILT	-
Subordinated Pmt / Other Use	-
Cash to AK and State / Dividend	

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price[3]	0.30

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	0.97
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation[5]	0.12
Gas Value at Canadian Border	(0.35)

Benefits to State ($ MM)[2]		
Royalty & Severance on Gas		244
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		86
Total State Tax Revenues		410
Project Cash to State		
Total State Revenues		410
PILT		-
Benefits to Communities		
Project Cash to Munis		
Total to AK State & Communities		410
Total AK State & Muni NPV @	7.3%	1,215

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	-
Benefit per MMBtu[2]	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers ($ MM)[4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	-
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	1,235

Present Value of Producer Revenues		
Producer NPV @	12.0%	6,617
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		-
Equity IRR		0.0%
Equity NPV[7] @	12.0%	(124)
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project.*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream.*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

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Summary of Key Assumptions and Results

Case: 6.b *2+4 Y-split (10 MMTA); $2.60 Chicago Price*

Last Calculated: 16-Feb-04 2:29 AM

Error Checks:	OK
Sufficient Cash Flow:	OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	22,154
Equity	-
Total Financing	22,154
Senior Debt	
JBIC	3,577
Comm Bank 1	2,862
Comm Bank 2	715
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
Equity	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
Internally Generated Cash	
Bond Account Income	109
Project Cash Income	1,481

Project Costs ($ MM)	
EPC	17,400
Owner's Contingency	870
Insurance	183
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	58
Working Capital	335
Loan IDC	1,300
Bond IDC	2,278
Upfront Fee	72
Commitment Fee	64
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	949
Total Project Cost	**23,745**

Timing Assumptions	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-May-09
Operating Period (years)	30.5
Operating Assumptions	
GCP Inlet	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
CO2 Returned	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
Gas Purchased	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
LNG Production	
Flowrate (MM scfd)	1,658
HHV (Btu/scf)	1,029
Gas to Canada (w/ liquids content)	
Flowrate (MM scfd)	3,892
HHV (Btu/scf)	1,160
Gas to Canada (liquids stripped)	
Flowrate (MM scfd)	3,562
HHV (Btu/scf)	1,021
Liquids Sold by Project (bbl/d)	
LPG	336,000
NGL	-
Liquids from Tolled Gas (bbl / d)	
LPG	-
NGL	-

Prices of Liquids ($ / bbl)	
LPG	15.00
NGL[6]	16.50

Cash Flow Results ($ MM) [1]	
LNG Revenue	1,627
Liquids Revenue	1,748
Canada Gas Revenue	1,614
Total Operating Revenue	4,989
Base Gas Purchase	771
Fixed O&M Expense	204
NGL Royalty and Severance	-
Total Operating Expenses	975
Income Taxes	-
Senior Debt Service	1,897
Average DSCR	2.62 x
Minimum DSCR	2.13 x
In Year	2009
Subordinated Debt Service	-
Permits Amortization	30
PILT	114
Subordinated Pmt / Other Use	1,637
Cash to AK and State / Dividend	370

LNG Project Prices ($ / MM Btu)	
LNG Price FOB Valdez	2.75
Assumed Shipping Cost	0.60
Implied LNG Price CIF Japan	3.35

Feedgas Purchase Price($ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.64
Effective Gas Purchase Price[3]	0.94

Gas to Canada Price ($ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractination[5]	0.12
Gas Value at Canadian Border	1.28

Benefits to State ($ MM) [2]		
Royalty & Severance on Gas		463
Royalty & Sev. on NGLs and Oil		81
State CIT Revenues		219
Total State Tax Revenues		763
Project Cash to State		222
Total State Revenues		985
PILT		114
Benefits to Communities		
Project Cash to Munis		148
Total to AK State & Communities		1,133
Total AK State & Muni NPV @	7.3%	10,916

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	1,637
Benefit per MMBtu[2]	0.64
Allocated to Increasing Netback	1,637
Total Available for Other Stakeholders	0

Benefits to Producers ($ MM) [4]	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	1,637
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	2,872

Present Value of Producer Revenues		
Producer NPV @	12.0%	14,627
Valuation Date		Sep-04

Project Returns		
Owner Distribution ($MM/yr)		370
Equity IRR		0.0%
Equity NPV[7] @	12.0%	1,900
Valuation Date		Sep-04

Notes:

1. *The numbers presented are annual figures for the fully ramped-up project*
2. *Total benefit per MMBtu of gas into GCP less CO2 stream*
3. *Netback and feedgas pruchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.*
4. *Producer benefits are expressed as pre-tax revenues.*
5. *Based on 2.7% pipeline fuel consumption and a $4[illegible] MM cost of fractionation plant, amortized over 15 yrs at 12% equity return*
6. *Based on a sales price of $20/bbl and $3.50 TAPS tariff*
7. *AGPA Cases: Represents the NPV of $370 million per year retained by AGPA for distribution to the State, munis, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.*

Exhibit

2

Alaska Statute

Municipal Port Authority Act

Sec. 29.35.600. Purpose of authorities.

The purpose of a port authority is to provide for the development of a port or ports for transportation related commerce within the territory of the authority.

Sec. 29.35.605. Establishment of port authorities.

(a) A port authority may be created by one of the following means:

(1) the governing body of a municipality may create by ordinance a port authority as a public corporation of the municipality;

(2) the governing bodies of two or more municipalities may create by parallel ordinances adopted by each of the governing bodies a port authority as a public corporation of the municipalities.

(b) One or more municipalities may join an authority established under (a)(1) or (2) of this section upon the adoption of parallel ordinances by the governing bodies of each affected municipality.

(c) A port authority created under this section is a body corporate and politic and an instrumentality of the municipality or municipalities creating it but having a separate and independent legal existence.

(d) Creation of a port authority under AS 29.35.600 - 29.35.730 is an exercise of a municipality's transportation system powers.

(e) The enabling ordinance by which a port authority is established must specify the powers, boundaries, and limitations of the port authority.

(f) An ordinance creating a port authority shall require approval by the voters of the municipality or municipalities participating in the authority in order for the authority to be established.

(g) Nothing in AS 29.35.600 - 29.35.725 prevents a municipality or municipalities from creating or participating in a public corporation, including a port authority, in any form or manner not prohibited by law. However, the provisions of AS 29.35.600 - 29.35.725 only apply to and may only be utilized by a port authority created under this section.

Sec. 29.35.610. Dissolution of a port authority.

(a) The enabling ordinance by which a port authority is created must provide for the manner by which a port authority may be dissolved.

(b) If an authority ceases to exist, its assets shall be distributed to the municipalities that participated in the authority in proportion to the difference between their contributions to the authority and any outstanding debt or obligation of that municipality to the authority, provided that any obligation to bondholders then outstanding shall first be satisfied in full.

Sec. 29.35.615. Municipal property.

(a) A municipality may transfer and otherwise convey or lease real property, and any improvements to it, to an authority for use by the authority for the purposes set out in the ordinance adopted under AS 29.35.605.

(b) A municipality may transfer and otherwise assign or lease personal property to an authority for use by the authority for the purposes set out in the ordinance adopted under AS 29.35.605 .

Sec. 29.35.620. Powers.

If provided in the enabling ordinance, an authority may

(1) sue and be sued;

(2) have a seal and alter it at pleasure;

(3) acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;

(4) lease to others a project acquired by it and upon the terms and conditions the authority may consider advisable, including, without limitation, provisions for purchase or renewal;

(5) sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the authority, the action is in furtherance of the authority's purposes;

(6) accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;

(7) deposit or invest its funds, subject to agreements with bondholders;

(8) purchase or insure loans to finance the costs of projects;

(9) provide for security within the boundaries of the authority;

(10) enter into loan agreements with respect to one or more projects upon the terms and conditions the authority considers advisable;

(11) acquire, manage, and operate projects as the authority considers necessary or appropriate to serve the authority's purposes;

(12) assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

(13) charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

(14) exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;

(15) regulate land use within the boundaries of the authority;

(16) defend and indemnify a current or former member of the board, employee, or agent of the authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the authority if the person acted in good faith on behalf of the authority and within the scope of the person's official duties and powers;

(17) purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

(18) protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the authority

or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to authority operations and activities.

Sec. 29.35.625. Bonds of a port authority; superior court jurisdiction.

(a) If authorized by the enabling ordinance, an authority may borrow money and may issue bonds on which the principal and interest are payable

(1) exclusively from the income and receipts of, or other money derived from, the project financed with the proceeds of the bonds;

(2) exclusively from the income and receipts of, or other money derived from, designated projects or other sources whether or not they are financed, insured, or guaranteed in whole or in part with the proceeds of the bonds; or

(3) from its income and receipts generally or a designated part or parts of them.

(b) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times that the authority may determine.

(c) Before issuing bonds, an authority shall provide for consideration at least sufficient, in the judgment of the authority, to pay the principal and interest on the bonds as they become due and to create and maintain the reserves for the payment that the authority considers necessary or desirable and meet all obligations in connection with the lease or agreement and all costs necessary to service the bonds, unless the lease or agreement provides that the obligations are to be met or costs are to be paid by a party other than the authority.

(d) Bonds shall be authorized by resolution of the authority, be dated, and shall mature as the resolution may provide, except that a bond may not mature more than 40 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption that the resolution or a subsequent resolution may provide.

(e) All bonds issued under this section, regardless of form or character, are negotiable instruments for all of the purposes of AS 45.01 - AS 45.08, AS 45.12, AS 45.14, and AS 45.29 (Uniform Commercial Code).

(f) The superior court has jurisdiction to hear and determine suits, actions, or proceedings relating to an authority, including suits, actions, or proceedings brought to foreclose or otherwise enforce a mortgage, pledge, assignment, or security interest brought by or for the benefit or security of a holder of the authority's bonds or by a trustee for or other representative of the holders.

Sec. 29.35.630. Bonds eligible for investment.

Bonds issued under AS 29.35.625 are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banks, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The bonds may be deposited with a state or municipal officer of an agency or political subdivision of the state for any purpose that the deposit of bonds of the state is authorized by law.

Sec. 29.35.635. Validity of pledge.

The pledge of revenue of an authority to the payment of the principal or interest on bonds or notes of the authority is valid and binding from the time the pledge is made, and the revenue is immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims of any kind against the authority irrespective of whether those parties have notice of the lien of the pledge.

Sec. 29.35.640. Credit of state or a municipality not pledged.

(a) The state and municipalities participating in an authority are not liable for the debts of that authority. Bonds issued under AS 29.35.625 are payable solely from the revenue of the authority and do not constitute a

(1) debt, liability, or obligation of the state or a municipality; or

(2) pledge of the faith and credit of the state or a municipality.

(b) An authority may not pledge the credit or the taxing power of the state or its municipalities. A bond issued under AS 29.35.625 must contain on its face a statement that

(1) the authority is not obligated to pay it or the interest on it except from the revenue pledged for it; and

(2) the faith and credit of the taxing power of the state or of a political subdivision of the state is not pledged to the payment of it.

Sec. 29.35.645. Pledges of the state and municipalities.

The state and municipalities participating in the authority pledge to and agree with the holders of bonds issued under AS 29.35.625 and with the federal agency, if any, that loans or contributes funds in respect to a project of the authority, that the state and the municipalities participating in the authority will not limit or alter the rights and powers vested in the authority by its enabling ordinance or other law so that it is unable to fulfill the terms of a contract made by the authority with those holders or that federal agency, or in any way impair the rights and remedies of those holders or that federal agency until the bonds, together with the interest on them and interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of those holders or that federal agency, are fully met and discharged. An authority is authorized to include this pledge and agreement of the state and the municipalities participating in the authority, insofar as it refers to holders of bonds of the authority, in a contract with those holders, and insofar as it relates to a federal agency, in a contract with that federal agency.

Sec. 29.35.650. Limitation of liability.

A liability incurred by an authority shall be satisfied exclusively from the assets or revenue of the authority. A creditor or other person does not have a right of action against the state or a municipality participating in an authority because of a debt, obligation, or liability of an authority.

Sec. 29.35.655. Limitation on personal liability.

A board member or employee of an authority is not subject to personal liability or accountability because of the execution or issuance of bonds.

Sec. 29.35.660. Fidelity bond.

An authority shall obtain a fidelity bond in an amount determined by the board for board members and each executive officer responsible for accounts and finances of that authority. A fidelity bond must be in effect during the entire tenure in office of the bonded person.

Sec. 29.35.665. No taxing authority.

An authority may not levy an income or other tax.

Sec. 29.35.670. Exemption from taxation.

(a) An authority exercising the powers granted by the enabling ordinance under AS 29.35.600 - 29.35.730 is in all respects for the benefit of the people of the municipalities participating in the authority and the people of the state in general, for their well-being and prosperity, and for the improvement of their social and economic condition. The real and personal property of an authority and its assets, income, and receipts are exempt from all taxes and special assessments of the state or a political subdivision of the state.

(b) Bonds issued by the authority under AS 29.35.625 are issued for an essential public and governmental purpose; therefore, the bonds, interest and income from them, and all fees, charges, funds, revenue, income, and other money pledged or available to pay or secure the payment of the bonds or interest on them are exempt from taxation except for inheritance, transfer, and estate taxes.

(c) Notwithstanding the provisions of (a) of this section, an authority and the municipalities participating in the authority may enter into agreements under which the authority agrees to pay the participating municipalities' payments in lieu of taxes and special assessments on real and personal property of the authority that is within the taxing jurisdiction of the municipality.

(d) Nothing in this section creates a tax exemption with respect to the interests of a business enterprise or other person, other than the authority, in property, assets, income, or receipts, whether or not financed under AS 29.35.600 - 29.35.730.

Sec. 29.35.675. Development plan.

In the enabling ordinance establishing the authority under AS 29.35.605 the authority shall be

(1) required to submit a development plan to the governing body of the municipality or municipalities participating in the authority; and

(2) prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the authority.

Sec. 29.35.680. Administration of port authorities; board.

(a) An authority shall be governed by a board of directors, which shall exercise the powers of the authority. The enabling ordinance establishing the authority under AS 29.35.605 must specify the number, qualifications, manner of appointment or election, and terms of members of the board.

(b) The board shall appoint a chief executive officer of the authority who serves at the pleasure of the board. The board shall fix the compensation of the chief executive officer.

Sec. 29.35.685. Continuation of collective bargaining agreements; application of AS 23.40.070 - 23.40.260.

(a) A collective bargaining agreement for employees of the state or its political subdivisions who are transferred to an authority under AS 29.35.600 - 29.35.730 shall remain in effect for the term of the agreement or for a period of one year, whichever is longer, and shall be binding on the authority unless the parties agree to the contrary before the expiration of the agreement. A labor-management negotiation impasse declared after a transfer of employees under this subsection but before the negotiation of a new collective bargaining agreement shall be resolved as provided in the collective bargaining agreement, except that if the collective bargaining agreement does not provide for a resolution, then as provided in AS 23.40.070 - 23.40.260.

(b) Employees of the state or a political subdivision of the state transferred to an authority shall retain, for a period of one year following the date of transfer or for the duration of a collective bargaining agreement transferred under (a) of this section, whichever is greater, all rights of participation in fringe benefit programs available to the employees on the day before the transfer, or in programs substantially equivalent.

(c) AS 23.40.070 - 23.40.260 apply to employees of an authority established under AS 29.35.600 - 29.35.730 unless all municipalities participating in the authority are exempt under sec. 4, ch. 113, SLA 1972.

Sec. 29.35.690. Bylaws and regulations.

(a) A board shall adopt bylaws and appropriate regulations consistent with the enabling ordinance to carry out its functions and purposes.

(b) A board shall adopt bylaws as soon after the establishment of the authority as possible and may from time to time, amend those bylaws. The bylaws may contain any provision not in conflict with law for the management of the business of the authority and for the conduct of the affairs of the authority, including

(1) the time, place, and manner of calling, conducting, and giving notice of meetings of the board and committees of the board, if any;

(2) the compensation of directors, if any;

(3) the appointment and authority of committees of the board, if any;

(4) the appointment, duties, compensation, and tenure of officers, directors, chief executive officer, and other employees, if any;

(5) procedures for adopting regulations;

(6) procedures for adopting bylaws;

(7) procedures for making annual reports and financial statements; and

(8) other matters for the conduct of business by the board.

Sec. 29.35.695. Authority subject to public records and open meetings laws.

An authority established under AS 29.35.605 is subject to AS 40.25.110 - 40.25.220 and to AS 44.62.310 - 44.62.312.

Sec. 29.35.700. Annual report.

Within 90 days following the end of the fiscal year of an authority, the board shall distribute to the mayor and governing body of each municipality participating in the authority a report describing the operations and financial condition of the authority during the preceding fiscal year. The report may include suggestions for legislation relating to the structure, powers, or duties of the authority or operation of facilities of the authority. The report must itemize the cost of providing each category of service offered by the authority and the income generated by each category.

Sec. 29.35.705. Audits.

(a) The board shall have the financial records of an authority audited annually by an independent certified public accountant.

(b) An authority shall make all of its financial records available to an auditor appointed by a municipality participating in the authority for examination.

Sec. 29.35.710. Remedies.

A holder of bonds or notes or coupons attached to the bonds issued by an authority under AS 29.35.625 , and a trustee under a trust agreement or resolution authorizing the issuance of the bonds, except as restricted by a trust agreement or resolution, either at law or in equity, may

(1) enforce all rights granted under AS 29.35.600 - 29.35.730, the trust agreement or resolution, or another contract executed by the authority; and

(2) compel the performance of all duties of the authority required by AS 29.35.600 - 29.35.730 or the trust agreement or resolution.

Sec. 29.35.715. Claims.

For the purpose of judicial and regulatory proceedings by and against an authority, an authority and its board members and employees enjoy the same rights, privileges, and immunities as a municipality and municipal officers.

Sec. 29.35.720. Conflicting laws inapplicable.

If provisions of AS 29.35.600 - 29.35.730 conflict with other provisions of this title, the provisions of AS 29.35.600 - 29.35.730 prevail.

Sec. 29.35.722. Ownership or operation of certain state facilities prohibited.

The state may not, without the approval of the legislature,

(1) convey or transfer the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state asset, except undeveloped state land as provided in AS 38.05.810 or surplused property, to an authority; or

(2) enter into an agreement with an authority under which the authority would operate the Alaska marine highway system, the Anchorage or Fairbanks international airports, or any other state facility, system, or function that employs one or more employees.

Sec. 29.35.725. Definitions.

In AS 29.35.600 - 29.35.730, unless the context otherwise requires,

(1) "authority" means a port authority established under AS 29.35.605;

(2) "board" means the board of directors of an authority;

(3) "bonds" includes bonds, bond anticipation notes, notes, refunding bonds, or other forms of indebtedness of the authority;

(4) "bylaws" or "bylaws of the authority" means the guidelines adopted by and amended by the board from time to time in accordance with AS 29.35.600 - 29.35.730;

(5) "port" means a facility of transportation related commerce located within the state;

(6) "project" means a port, dock, and administrative facilities, including property necessary in connection with the operation of a port;

(7) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by an authority to be necessary to finance the construction or acquisition of a project, including without limitation to the cost of acquiring real property, the cost of constructing buildings and improvements, the cost of financing the project, including, without limitation, interest charges before, during, or after construction or acquisition of the project, costs related to the determination of the feasibility, planning, design, or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation or rehabilitation of a port, and all other costs, charges, fees, and expenses that may be determined by the authority to be necessary to finance the construction or acquisition;

(8) "real property" or "land" means any interest in real property, including tidal and submerged land, and any right appurtenant to the interest, and without limitation, interests less than full title such as easements, uses, leases, and licenses;

(9) "regulation" means a standard of general application or the amendment, supplement, revision, or repeal of a standard adopted by an authority to implement,

interpret, or make specific the law enforced or administered by it or to govern its procedure.

Sec. 29.35.730. Short title.

AS 29.35.600 - 29.35.730 may be referred to as the Municipal Port Authority Act.

Exhibit

3

NORTH SLOPE BOROUGH
ORDINANCE SERIAL NO. 99-06

ORDINANCE OF THE NORTH SLOPE BOROUGH PROVIDING FOR THE CREATION OF THE ALASKA GASLINE PORT AUTHORITY PURSUANT TO THE MUNICIPAL PORT AUTHORITY ACT AS AUTHORIZED IN A.S. 29.35.600, ET SEQ.

WHEREAS, Article VIII, Section I, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens.

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline.

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax.

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis.

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The port authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ENACTED:

Section 1. Classification. This ordinance is of a general and permanent nature and shall become part of the Borough Code.

Section 2. Severability. If any provision of this ordinance or any application thereof to any person or circumstances is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Effectiveness. This ordinance shall become effective upon adoption by the Assembly and approval by the voters.

Section 4. Adoption. New Code Sections 4.01.010 through 4.01.220 are adopted as annexed hereto as part of this ordinance and Title 4 of the Code of Ordinances of the North Slope Borough.

INTRODUCED: July 6, 1999

ADOPTED: August 3, 1999

President
Date: 8/9/99

ATTEST:

Clerk
Date: 8-9-99

Karen Burnell
Acting Mayor
Date: 8-5-99

TITLE 4: ALASKA GASLINE PORT AUTHORITY

Chapter

Section

§4.01.010 Definitions

Unless the context otherwise requires, the terms defined in this §4.01.010 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and §4.01.080 of this Ordinance.

Original Municipality - The term "Original Municipality" shall have the meaning given such term in §4.01.050 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Project" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor - The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, the North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

§4.01.020 Purpose and Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

§4.01.030 Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Participating Municipalities.

§4.01.040 **Term.**

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

§4.01.050 **Participation of Municipalities.**

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

§4.01.060. **Power; Restriction upon Exercise.**

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;

2. have a seal and alter it at pleasure;

3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;

4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;

5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;

6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;

7. deposit or invest its funds, subject to agreements with bondholders;

8. purchase or insure loans to finance the costs of projects;

9. provide for security within the boundaries of the Authority;

10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;

11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;

12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the

projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;

15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;

16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover

potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

§4.01.070. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the Original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an Original Municipality may be terminated at any time by a majority vote of the governing body of such Original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

§4.01.080. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

§4.01.090. Meetings of the Board

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

§4.01.100. Officers; Duties.

or municipalities participating in the Authority.

§4.01.160. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in §4.01.040 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

§4.01.170. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

(a) Sixty percent (60%) shall be distributed to the State of Alaska;

(b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with each municipality receiving a minimum payment of Fifty Thousand Dollars ($50,000).

(ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.

(c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

§4.01.180. Severability.

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

§4.01.190. Amendment of Ordinance.

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

§4.01.200. Section Headings.

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

§4.01.210. Amendment of Law.

All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

§4.01.220. Election.

The appropriate officers, employees, representatives and agents of the North Slope Borough are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

By:	Hank Hove, Mayor Mike Young
Introduced:	07/22/99
Advanced:	07/22/99
Adopted:	08/12/99

ORDINANCE NO. 99-059

ORDINANCE OF THE FAIRBANKS NORTH STAR BOROUGH PROVIDING FOR THE CREATION OF THE ALASKA GASLINE PORT AUTHORITY PURSUANT TO THE MUNICIPAL PORT AUTHORITY ACT AS AUTHORIZED IN AS 29.35.600 ET SEQ.

WHEREAS, Article VIII, Section I, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest; and

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens; and

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline; and

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax; and

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis; and

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The Port Authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ORDAINED by the Fairbanks North Star Borough Assembly as follows:

Section 1. Definitions.

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and Section 8 of this Ordinance.

Original Municipality: The term "Original Municipality" shall have the meaning given such term in Section 5 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Projects" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

Section 2. Purpose; Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

Section 3. Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Participating Municipalities.

Section 4. Term.

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

Section 5. Participation of Municipalities.

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

Section 6. Power; Restriction Upon Exercise.

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;

2. have a seal and alter it at pleasure;
3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;

4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;

5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;

6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;

7. deposit or invest its funds, subject to agreements with bondholders;

8. purchase or insure loans to finance the costs of projects;

9. provide for security within the boundaries of the Authority;

10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;

11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;

12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;

15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;

16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

Section 7. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an original Municipality may be terminated at any time by a majority vote of the governing body of such original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

Section 8. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

Section 9. Meetings of the Board.

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

Section 10. Officers; Duties.

The Board shall appoint such officers as shall be set forth in the Bylaws, including, but not limited to, a chief executive officer as provided in the Act.

Section 11. Bonds; Indebtedness.

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Ordinance and to enter into appropriate agreements or leases to secure said Bonds.

The Authority shall also have the power to issue any other form of indebtedness authorized by the Act in accordance with the provisions of the Act for such purposes.

Section 12. Operation of the Project.

The Authority shall provide for the operation and maintenance of the Project.

Section 13. Contributions and Advances; Payment of Costs.

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Participating Municipalities for any of the purposes of this Ordinance. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment and in such case shall be repaid in the manner agreed upon by the respective Participating Municipality and the Authority at the time of making such advance

Section 14. Accounts and Reports.

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any resolution of the Authority securing Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Participating Municipality and their respective representatives. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year.

Section 15. Development Plan.

Prior to commencement of the Project, the Authority shall deliver to each Participating Municipality a development plan with respect to the acquisition, construction and installation of the Project. The Authority shall be prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the Authority.

Section 16. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in Section 4 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

Section 17. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

(a) Sixty percent (60%) shall be distributed to the State of Alaska;

(b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with each municipality receiving a minimum payment of Fifty Thousand Dollars ($50,000).

(ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.

(c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

Section 18. <u>Severability.</u>

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

Section 19. <u>Amendment of Ordinance.</u>

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

Section 20. <u>Section Headings.</u>

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

Section 21. Amendment of Law.

All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

Section 22. Election.

The appropriate officers, employees, representatives and agents of the Fairbanks North Star Borough are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

Section 23. This ordinance shall take effect immediately upon passage and approval.

PASSED AND APPROVED THIS 12TH DAY AUGUST, 1999.

Guy Sattley

Guy Sattley, Deputy
Presiding Officer

ATTEST:

Mona Lisa Drexler

Mona Lisa Drexler, CMC/AAE
Municipal Borough Clerk

Ayes: Veazey, Parr, Webb, Young, Prax, Beck, Cummings, Sonafrank, Sattley
Noes: None

CITY OF VALDEZ, ALASKA

ORDINANCE NO. 99-11

ORDINANCE OF THE CITY OF VALDEZ PROVIDING FOR THE CREATION OF THE ALASKA GASLINE PORT AUTHORITY PURSUANT TO THE MUNICIPAL PORT AUTHORITY ACT AS AUTHORIZED IN AS 29.35.600 ET SEQ.

WHEREAS, Article VIII, Section I, Constitution of the State of Alaska, provides that it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest; and

WHEREAS, development of Alaska's natural gas reserves is of critical importance to the financial well-being of the State of Alaska and of its citizens; and

WHEREAS, development of Alaska's natural gas reserves has been delayed for many years because of, among other things, the lack of a pipeline or other economically viable method for transporting natural gas to market. Private interests have been unable to finance or construct such a pipeline; and

WHEREAS, public ownership of a natural gas pipeline offers some advantages over private ownership. Income from pipeline operations would be exempt from federal income tax. Interest on bonds issued to finance pipeline construction would, to some extent, be exempt from federal income tax; and

WHEREAS, the seller of the gas must be an entity that can credibly deliver gas to the purchasers. No such entity currently exists. Private entities alone cannot finance or construct the pipeline on an economically viable basis; and

WHEREAS, Alaska law permits one or more municipalities to create a Port Authority that could credibly deliver natural gas to purchasers. The Port Authority would have the power to finance and construct the pipeline and related facilities, and to purchase and sell natural gas.

NOW, THEREFORE, BE IT ORDAINED by the People of the City of Valdez, Alaska, as follows:

Section 1. **Definitions.**

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of this Ordinance have the meanings herein specified.

Act - The term "Act" shall mean the Municipal Port Authority Act, Alaska Statutes Section 29.35.600 et seq.

Authority - The term "Authority" shall mean the Alaska Gasline Port Authority created by this Ordinance.

Board - The term "Board" shall mean the governing board of the Authority.

Bonds - The term "Bonds" shall mean bonds or other obligations of the Authority authorized and issued pursuant to the Act, including each and all series of bonds, and shall also include, except where the context shall require otherwise, any other form of indebtedness of the Authority authorized, issued or incurred pursuant to the Act.

Bylaws - The term "Bylaws" means the bylaws of the Authority as adopted by the Board pursuant to the Act and Section 8 of this Ordinance.

Original Municipality - The term "Original Municipality" shall have the meaning given such term in Section 5 of this Ordinance.

Participating Municipality - The term "Participating Municipality" shall mean each Original Municipality and each municipality which joins and participates in the Authority as provided in the Act.

Project - The term "Project" shall mean the acquisition, construction, financing, installation and improvement of a port facility in the Port of Valdez, including associated and related facilities for the conditioning, transportation, liquefaction, storage and shipping of natural gas and other commodities to, at and from such facility. "Project" shall include conditioning plants, compression stations, pipelines, spur lines, and liquefied natural gas facilities, and shall also include the acquisition and purchase of natural gas and related commodities (or rights thereto) and all permits, licenses and related rights necessary or convenient for the operation of any of the facilities described above.

Sponsor - The term "Sponsor" shall mean each of the City of Valdez, the Fairbanks North Star Borough, North Slope Borough and the Municipality of Anchorage upon adoption by such municipality of this Ordinance or an ordinance parallel to this Ordinance, as appropriate.

State - The term "State" means the State of Alaska.

Section 2. Purpose: Boundaries.

This Ordinance is adopted pursuant to the Act to provide for the creation of the Authority as a port authority and public corporation of the Participating Municipalities.

The boundaries of the Authority shall be coterminous with the boundaries of the Participating Municipalities.

Section 3. Creation of Authority.

Upon approval of the voters of one or more of the Sponsors, there shall be created pursuant to the Act and this Ordinance a port authority to be known as the "Alaska Gasline Port Authority." As provided in the Act, the Authority shall be a public corporation separate and apart from the Participating Municipalities. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the Participating Municipalities.

Section 4. Term.

The Authority shall be established and come into existence upon the approval of the voters of any one or more of the Sponsors and shall continue in existence and effect until the later of (i) such time as the Bonds and the interest thereon shall have been paid in full, and (ii) dissolution of the Authority upon the vote of the Board.

Section 5. Participation of Municipalities.

Each Sponsor shall join and participate in the Authority upon (1) adoption of this Ordinance or an ordinance parallel to this Ordinance, as appropriate, and (2) either (a) approval of such ordinance by the voters of such municipality or (b) otherwise satisfying prior to December 31, 1999, the requirements set forth in the Act relating to joining a port authority. Only sponsors who join the Authority by December 31, 1999, shall be considered Original Municipalities.

Section 6. Power; Restriction Upon Exercise.

The Authority shall have the power to acquire, by purchase, lease, contribution, condemnation or otherwise, real property and personal property for the Project, and to construct and improve, or cause to be constructed and improved, and to maintain and operate all or part of the Project; subject, however to the conditions and restrictions heretofore and hereinafter in this Ordinance contained.

The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of said power for said purposes, including but not limited to, any of the following:

1. sue and be sued;

2. have a seal and alter it at pleasure;

3. acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift, or lease;

4. lease to others a project acquired by it and upon the terms and conditions the Authority may consider advisable, including, without limitation, provisions for purchase or renewal;

5. sell, by installment sale or otherwise, exchange, donate, convey, or encumber in any manner by mortgage or by creation of another security interest, real or personal property owned by it, or in which it has an interest, including a project, when, in the judgment of the Authority, the action is in furtherance of the Authority's purposes;

6. accept gifts, grants, or loans, under the terms and conditions imposed under the gift, grant, or loan, and enter into contracts, conveyances or other transactions with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other person;

7. deposit or invest its funds, subject to agreements with bondholders;

8. purchase or insure loans to finance the costs of projects;

9. provide for security within the boundaries of the Authority;

10. enter into loan agreements with respect to one or more projects upon the terms and conditions the Authority considers advisable;

11. acquire, manage, and operate projects as the Authority considers necessary or appropriate to serve the authority's purposes;

12. assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

13. charge fees or other forms of remuneration for the use or possession of projects in accordance with the agreements described in this section, other agreements relating to the projects, covenants, or representations made in bond documents relating to the projects, or regulations of the authority relating to the projects;

14. exercise the powers of eminent domain and declaration of taking within its physical boundaries under AS 29.35.030 to acquire land or materials for authority purposes;

15. defend and indemnify a current or former member of the board, employee, or agent of the Authority against all costs, expenses, judgments, and liabilities, including attorney fees, incurred by or imposed upon that person in connection with civil or criminal action in which the person is involved as a result of the person's affiliation with the Authority if the person acted in good faith on behalf of the Authority and within the scope of the person's official duties and powers;

16. purchase insurance to protect and hold harmless its employees, agents, and board members from an action, claim, or proceeding arising out of the performance, purported performance, or failure to perform in good faith, of duties for, or employment with the Authority and to hold them harmless from expenses connected with the defense, settlement, or monetary judgments from that action, claim, or proceeding; the purchase of insurance is subject to the discretion of the board; insurance purchased under this paragraph may not be considered compensation to the insured person; and

17. protect its assets, services, and employees by purchasing insurance or providing for certain self-insurance retentions; an authority may also maintain casualty, property, business interruption, marine, boiler and machinery, pollution liability, and other insurance in amounts reasonably calculated to cover potential claims against the Authority or a municipality for bodily injury, death or disability, and property damage that may arise from or be related to Authority operations and activities.

Such powers shall be exercised subject only to such restrictions upon the manner of exercising such powers as are imposed under this Ordinance and the Act. The Authority shall have such additional powers as may be necessary or convenient to effect the purposes of this Ordinance or as may be provided in the Act, as it may hereafter be amended and supplemented.

Section 7. Governing Board.

Each Original Municipality shall appoint three (3) members to the Board, each serving in his or her individual capacity as a member of the Board. Each member of the Board shall serve for a term of four (4) years. Any appointment to fill an unexpired term shall be for the remainder of such unexpired term. The terms of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided.

Each member of the Board shall be a registered voter, reside within the State of Alaska, and serve at the pleasure of the governing body of the original Municipality by whom such member was appointed. The term of office of any member of the Board appointed by an original Municipality may be terminated at any time by a majority vote of the governing body of such original Municipality which appointed such member.

Members of the Board shall be entitled to receive reimbursement for any expenses actually incurred in connection with serving as a member of the Board, if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purposes.

Section 8. Bylaws.

The Board shall adopt appropriate bylaws necessary or convenient for the conduct of its function and purposes.

Section 9. Meetings of the Board.

The manner, time and conduct of meetings of the Board shall be as set forth in the Bylaws.

Section 10. Officers; Duties.

The Board shall appoint such officers as shall be set forth in the Bylaws, including, but not limited to, a chief executive officer as provided in the Act.

Section 11. Bonds; Indebtedness.

The Authority shall have power to issue Bonds in accordance with the provisions of the Act for the purpose of raising funds necessary to carry out its powers under this Ordinance and to enter into appropriate agreements or leases to secure said Bonds.

The Authority shall also have the power to issue any other form of indebtedness authorized by the Act in accordance with the provisions of the Act for such purposes.

Section 12. Operation of the Project.

The Authority shall provide for the operation and maintenance of the Project.

Section 13. Contributions and Advances; Payment of Costs.

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the Participating Municipalities for any of the purposes of this Ordinance. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment and in such case shall be repaid in the manner agreed upon by the respective Participating Municipality and the Authority at the time of making such advance.

Section 14. Accounts and Reports.

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any resolution of the Authority securing Bonds. The books and records of the Authority shall be open to inspection at all reasonable times by each Participating Municipality and their respective representatives. Within ninety (90) days following the end of each fiscal year of the Authority, the Board shall distribute to the mayor and governing body of each Participating Municipality a report describing the operations and financial condition of the Authority during the preceding fiscal year.

Section 15. Development Plan.

Prior to commencement of the Project, the Authority shall deliver to each Participating Municipality a development plan with respect to the acquisition, construction and installation of the Project. The Authority shall be prohibited from undertaking the construction or acquisition of a project unless the project appears in a development plan submitted to and approved by the governing body of the municipality or municipalities participating in the Authority.

Section 16. Dissolution.

The Authority shall cease to exist and be dissolved upon the termination thereof as provided in Section 4 of this Ordinance. Upon dissolution of the Authority, the assets of the Authority shall be distributed to all the Participating Municipalities as provided in Section 29.35.610 of the Act.

Section 17. Sharing of Net Revenues.

All net revenues derived by the Authority from the Project, after payment of maintenance and operation costs, capital expenditures, debt service and other costs and expenses related to the operation of the Project or of the Authority and after establishment and funding of such reserves as the Authority shall deem necessary or appropriate, shall be shared with the State and all municipalities, regardless of membership in the Authority, in accordance with the following formula:

(1) Municipalities that have real or personal property located within their taxing jurisdiction that is exempt from taxation because it is owned by the Authority, shall receive annually a Payment In Lieu of Tax (PILT) equal to two percent (2%) of the original cost of construction or acquisition of that property within their taxing boundaries. The value each year of the property qualifying for the PILT shall be its original cost plus subsequent capital costs added to those facilities in each municipality. This does not include the costs incurred for maintenance.

(2) The balance of the net revenues following the PILT payments described above shall be distributed as follows:

(a) Sixty percent (60%) shall be distributed o the State of Alaska;

(b) Thirty percent (30%) shall be distributed to municipalities as follows:

(i) each municipality shall receive an annual pro rata payment based upon their population, as established by the Alaska Taxable for that year, with each municipality receiving a minimum payment of Fifty Thousand Dollars ($50,000).

(ii) each municipality within a borough shall receive a pro rata payment based upon the percentage that their prior year's general fund operating budget is to the general fund operating budget of the borough. The balance remaining shall be paid to the borough. The minimum annual payment shall also apply to municipalities within a borough.

(c) Ten percent (10%) shall be divided equally among the Original Municipalities of the Authority who became members prior to December 31, 1999.

Section 18. Severability.

Should any part, term or provision of this Ordinance be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions shall not be affected thereby.

Section 19. Amendment of Ordinance.

This Ordinance may be amended by the governing board of each Original Municipality then participating in the Authority, but only with the prior approval of the Board.

Section 20. Section Headings.

All Section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Ordinance.

Section 21. Amendment of Law.

All references in this Ordinance to specific statutes shall be construed to refer to those statutes as may be amended or recodified from time to time.

Section 22. Election.

The appropriate officers, employees, representatives and agents of the City of Valdez are hereby authorized and directed to do everything necessary or desirable to the calling and holding of the election and to otherwise carry out the provisions of this Ordinance. This election shall be held on October 5, 1999.

Section 23. This ordinance shall take effect immediately upon passage and approval.

PASSED AND APPROVED BY THE COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 19th day of July, 1999.

CITY OF VALDEZ, ALASKA

By: David C. Cobb

David C. Cobb, Mayor

ATTEST:

Sheri Caples-Pierce, CMC, City Clerk

APPROVED AS TO FORM:

WALKER WALKER
WENDLANDT & OSOWSKI, LLC
Attorneys for the City of Valdez

By: ______________________
William M. Walker

1st Reading: July 6, 1999
2nd Reading: July 19, 1999
Adoption: July 19, 1999
Ayes: 4
Noes: 0
Not Voting: 0
Absent: 3 (Moore, Shirrell, Nielsen)

SEAL OF THE CITY OF VALDEZ, ALASKA INC 1901

Exhibit

4

Internal Revenue Service

Index Number: 103.02-01

Travis C. Gibbs
c/o O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071-2899

Department of the Treasury

Washington, DC 20224

Person to Contact:
David E. White I.D. #50-07793
Telephone Number:
(202)622-3980
Refer Reply To:
CC:DOM:FI&P:5/PLR-118656-99
Date: JAN 24 2000

LEGEND:

Authority	=	Alaska Gasline Port Authority
State	=	Alaska
Date 1	=	October 5, 1999
A	=	Fairbanks North Star Burough
B	=	North Slope Burough
C	=	City of Valdez
Port	=	Port of Valdez, Alaska
Location	=	North Slope of Alaska

Dear Mr. Gibbs:

This letter is in response to your request for a ruling that based on the definition of the term "political subdivision" in § 1.103-1(b) of the Income Tax Regulations, the Authority qualifies as a political subdivision of the State.

Facts and Representations

You make the following factual representations. The Authority was created on Date 1 pursuant to State law by the local governmental units A, B, and C. The Authority was created to provide for the development of ports in the State for transportation-related commerce. In accordance with this purpose, the Authority will undertake v‹ us improvements and additions to certain existing port facilities located, and will cons ‿ct new port facilities to be located, at the Port, and will acquire and develop the facilities necessary for the transportation, in state use, and sale of natural gas that is currently stranded at the Location (the "Project").

As a result of the availability of natural gas through the Project, the cost of electricity to the State's residents will be substantially reduced. Excess gas not used in-state will be available for other uses.

The Authority is governed by a board of directors appointed by its member governmental units A, B, and C. The Authority has the power to acquire, by purchase, lease, contribution, condemnation, or otherwise, real and personal property for the Project. State law provides that the Authority has the same power of eminent domain as that possessed by A, B, and C. Specifically, the Authority may commence eminent domain actions, in its own name, in the appropriate court of the State to acquire land or materials within its physical boundaries for Authority purposes, and may take possession of the property upon commencement of the proceedings.

The Authority's revenues will be derived primarily from the sale of natural gas to municipalities within the State and to other purchasers, which are expected to include governmental and private entities. These revenues will be used first generally to pay operating expenses and debt service and to fund necessary reserves for operation of the Project. Any net income will be shared with the State and all of its municipalities for use in their respective governmental purposes. Upon dissolution of the Authority, its assets will be distributed to its member governmental units.

In addition to contributions from the participating governmental units, the Authority is authorized to issue bonds or any other form of indebtedness to raise funds to finance the Project.

Law and Analysis

Section 103(a) of the Internal Revenue Code provides, in part, that except as provided in subsection (b), gross income does not include interest on any state or local bond. Section 103(c)(1) provides that the term "state or local bond" means an obligation of a state or political subdivision thereof.

Section 1.103-1(b) provides that the term "political subdivision" denotes any division of any state or local governmental unit that is a municipal corporation or that has been delegated the right to exercise part of the sovereign power of the unit. As thus defined, a political subdivision of any state or local governmental unit may or may not, for purposes of this section, include special assessment districts so created, such as road, water, sewer, gas, light, reclamation, drainage, irrigation, levee, school, harbor, port improvement, and similar districts and divisions of these units. Rev. Rul. 78-276, 1978-2 C.B. 256, states that the term "political subdivision" has been defined consistently for all federal tax purposes as denoting either (1) a division of a state or local government that is a municipal corporation, or (2) a division of such state or local government that has been delegated the right to exercise sovereign power.

In determining whether an entity is a division of a state or local governmental unit, important considerations are the extent the entity is (1) controlled by the state or local government unit, and (2) motivated by a wholly public purpose. Revenue Ruling 83-131, 1983-2 C.B. 184.

The three generally acknowledged sovereign powers are the power to tax, the power of eminent domain, and the police power. See *Commissioner v. Estate of Alexander J. Shamberg,* 3 T.C. 131, (1944) *acq.*, 1945 C.B. 6, *aff'd* 144 F.2d 998 (2d Cir. 1944), *cert. denied*, 323 U.S. 792 (1945). It is not necessary that all three powers enumerated in Shamberg be delegated. Rev. Rul. 77-164, 1977-1 C.B. 20; Rev. Rul. 77-165, 1977-1 C.B. 21. However, possession of only an insubstantial amount of any or all sovereign powers is not suffficient. All of the facts and circumstances must be taken into consideration including the public purposes of the entity and its control by a government.

Indicia that the Authority is governmentally controlled are: (1) the Authority is governed by a board of directors appointed by its member governmental units A, B, and C; (2) the Authority's net revenues inure to the benefit of the State and its municipalities; and (3) the Authority's assets will be distributed to its member governmental units upon dissolution. The Authority is motivated by a wholly public purpose.

Under State law the Authority is granted broad powers of eminent domain within its physical boundaries. The Authority is authorized to commence actions in the appropriate court of the State to enforce this right and will be able to take possession of property upon commencement of the condemnation proceedings rather than after judgment. These exercises of the power of eminent domain are commensurate with a substantial exercise of that power.

Conclusion

Based solely on the representations made and the definition of the term "political subdivision" in § 1.103-1(b), we conclude that the Authority is a political subdivision. Accordingly, the Authority is not required to file federal income tax returns or pay federal income tax on its income.

Except as specifically stated above, no opinion is expressed regarding the consequences of this transaction under any provision of the Code or regulations thereunder.

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By: Timothy L. Jones
Timothy L. Jones
Assistant to the Chief, Branch 5

Enclosure:

Copy of § 611C purposes

cc: District Director, Pacific - Northwest District (Seattle)
Attn: Chief, Examination Division

Employee Plans & Exempt Organizations
Field Compliance Division
Attn: Joseph P. Grabowski, CP:E:EO:T:4
Room 6236

Exhibit

5

AIDE MEMOIRE
MEETING WITH ALASKA GASLINE PORT AUTHORITY

March 30, 2000

Dr. Pedro van Meurs

INTRODUCTION

The consultant met on March 17 and 18 with Mr. Bill Walker of the Alaska Gasline Port Authority and their legal counsel of O'Melveny & Myers.

A document (Index Number 103.02-01) was provided to the consultant containing an opinion of the Internal Revenue Service indicating that the Authority would not be required to file federal income tax returns or pay federal income tax on its income.

It was explained to the consultant that this opinion would typically also mean that there would be no State corporate income tax as well.

The Alaska Gasline Port Authority is contemplating being the owner of the LNG project from the lease boundary on the North Slope to the loading point FOB Valdez. This means that the tax exemption would apply to the conditioning of the gas, the pipe line transportation and the liquefaction and loading of the LNG on tankers.

The Alaska Gasline Port Authority indicated that they would not be involved in the production of the gas or the shipping by LNG tankers.

The consultant was asked to provide his views on the impact on the economics of the project based on these conditions.

VIEWS OF THE CONSULTANT

An exemption from federal and state corporate income tax would have a very beneficial impact on the rate of return of the Alaska LNG project, assuming a project structure can be realized in which the exemption would indeed apply.

The consultant carried out previously analysis for the State of Alaska on an Alaska LNG project involving a capacity of 14.5 million tons, a 30 year cashflow, a CIF price in the Far East of $ 3.50 per MMBtu and 3% escalation of costs and prices. Total project investments were estimated between $ 12 and $ 15 billion.

The previous conclusion was that the project costs need to be reduced considerably in order for the project to be economically viable. Assuming costs can be reduced, fiscal restructuring would enhance the possibilities of the project.

Based on the above total project configuration, the net benefit of the tax exemptions may range in the order of magnitude of $ 10 to $ 20 billion on an undiscounted current dollar basis.

The net tax benefit on a total project basis will depend very much on how the benefit is distributed between the producers, consumers, the Alaska Gasline Port Authority and other parties. For instance, the tax benefit would be at the lower end of the above mentioned range if this benefit would be used:

- to lower the "toll" between the lease boundary and the FOB export point and to increase in the lease boundary price, or

- to lower the CIF price to consumers in Asia in order to make the introduction of a large volume of gas feasible in the near future.

The tax exemption could strengthen the economics of the project considerably, provided the Alaska Gasline Port Authority:

1. finds a way to lower the overall costs of the project,
2. is able to create with other parties a financial and organizational configuration in which the project can proceed, and
3. is able to create conditions under which this exemption can be effectively used to the benefit of the total project.

Exhibit

6

Constitution of the State of Alaska

Section 8.1 - Statement of Policy.

It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

Section 8.2 - General Authority.

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

Exhibit

7

Memorandum of Understanding

This Memorandum of Understanding ("MOU") is entered into as of January 14, 2004 by and among the Alaska Gasline Port Authority (AGPA) and Crystal Energy LLC (Crystal).

RECITALS:

Whereas, the North Slope of Alaska has proven reserves of 33 TCF of natural gas which cannot currently be marketed outside the North Slope because there is no pipeline to transport it;

Whereas, the AGPA was formed by Valdez, the North Slope Borough and the Fairbanks North Star Borough pursuant to the laws of the State of Alaska to enable the development of Alaska's North Slope gas by constructing or causing to be constructed a natural gas pipeline from the North Slope to Valdez where the natural gas will be liquefied and transported to North American and Asian markets;

Whereas, the AGPA has the intention to construct, own and or have access to and use of, and maintain and operate and/or cause to be maintained and operated, facilities in the State of Alaska including, without limitation, production and natural gas processing facilities, gas pipeline, natural gas liquefaction plant facilities, storage tanks, utilities, jetty, berthing and loading facilities and all ancillary facilities (as all such facilities may be constructed, modified, or expanded from time to time), (the "Alaska LNG Project") for the purpose of selling liquefied natural gas ("LNG");

Whereas, Crystal and/or its designated affiliates, intends to construct and operate an LNG regasification receiving terminal located off-shore of Ventura, California which is currently expected to be constructed with a nominal capacity of one billion cubic feet per day (1.0 Bcf/d) and include, without limitation, regasification facilities, gas conditioning, utilities, berthing and unloading facilities, and all ancillary facilities and associated pipeline infrastructure necessary to deliver regasified LNG to market (the "Crystal LNG Project");

Whereas, Crystal is undertaking discussions with interested parties, including the AGPA to develop a portfolio of short term and long term LNG supply from multiple LNG supply projects for delivery to the Crystal LNG Project commencing 2007; and.

Whereas, the AGPA and Crystal wish to jointly evaluate the feasibility of the Parties entering into a definitative LNG purchase and supply agreements for long term supply of LNG from the Alaska LNG Project to the Crystal LNG Project in California.

Now, therefore, based on the foregoing, the Parties agree as follows:

1861 Knoll Drive Ventura, CA 93003 | Tel: (805) 830-6312 | Fax: (805) 830-6343 | www.crystalenergyllc.com

1. <u>Sales and Purchase Agreement</u>

Crystal and the AGPA desire to negotiate one or more sales and purchase agreements (SPA) for the sale by the AGPA and purchase by Crystal of the LNG equivalent of between One Hundred Million cubic feet per day (100,000 mcf/d) and Eight Hundred Million cubic feet per day (800,000 mcf/d) of natural gas on a ratable basis for a period of no less than fifteen years (the "LNG Volume") commencing from the date of commencement of commercial operation of the Alaska LNG Project, but in no event later than January 1, 2012.

2. <u>Exclusi[illegible] [illegible]ement – AGPA</u>

During th[illegible] [illegible] this MOU, AGPA shall [illegible] directly or indirectly, solicit, initiate or entertain i[illegible]es or proposals from any oth[illegible] person or entity which, if concluded, could reas[illegible]y be expected to result in its inability to sell and deliver the LNG Volume to Crystal with delivery commencing from the date of commencement of commercial operations of the Alaska LNG Project, provided Crystal is able to successfully advance development of the Crystal LNG Project to support commencement of operations by January 1, 2012.

3. <u>Exclusive Arrangement – Crystal</u>

During the term of this MOU, Crystal shall not directly or indirectly, solicit, initiate or entertain inquiries or proposals from any other person or entity which, if concluded, could reasonably be expected to result in its inability to purchase and receive the LNG Volume, from the AGPA provided that;

(a) the AGPA is able to successfully advance development of the Alaska LNG Project to support commencement of operations by January 1, 2012, and
(b) Crystal and Alaska LNG are successful in working together to conclude purchase and sale contracts for the Crystal LNG Project's LNG requirements for the period prior to commercial operation of the Alaska LNG Project (Interim Supply).

4. <u>Co-Operation</u>

The Parties will cooperate with each other and work in good faith in connection with the transactions contemplated by this MOU in order to ensure that all facilities and arrangements contemplated by the SPA and conditions precedent to the respective obligations of the Parties set forth in the SPA, including without limitation any governmental licenses, approvals, authorizations, and permits, are accomplished and satisfied on or before the respective dates set forth therein. During the term of the MOU, the Parties will in a spirit of mutual co-operation and good faith:

a. Evaluate the development schedules of the respective projects to determine the feasibility of entering into definitive agreements;
b. Evaluate the technical feasibility of their respective projects with the intent of developing a mutually beneficial delivery schedule for LNG;

c. Provide reasonably technical and market support to each other to enable the Parties to evaluate the proposed transaction,
d. Government to Government support and cooperation in meetings with the CA State government and
e. Exchange financial information, plans and/or concepts that may provide mutually beneficial financing options for the projects.

5. Letter of Intent

The Parties will negotiate and execute a detailed Letter of Intent ("LOI") prior to December 31, 2004, outlining the key terms and conditions, including conditions precedent, of a sale and purchase agreement ("SPA") for the Proposed Transaction which will detail interalia:

a. Dates for first LNG deliveries and Interim Supply plans;
b. Acceptable credit support requirements for the transaction;
c. LNG volume pricing and term provisions;
d. The delivery basis of the transaction (CIF and/or FOB basis);
e. The Parties rights to discharge LNG at alternative ports;
f. Quantity of natural gas to be supplied during the term of the SPA;
g. The Parties take or pay and deliver or pay obligations;
h. LNG/Gas specifications (must meet California requirements); and
i. Taxes and charges.

6. Interim Supply

The AGPA will support Crystal in its endeavors to secure an interim sale and purchase agreement covering the purchase and sale of a volume of LNG during any period subsequent to the commencement of commercial operation of the Crystal LNG Project but prior to commencement of commercial operation of the Alaska LNG Project ("Interim Supply").

7. Termination of MOU

This MOU shall remain in effect until the earlier of (a) its termination by mutual agreement of the Parties or (b) the failure of the Parties to have executed and delivered the LOI on or before December 31, 2004. Upon termination, none of the Parties shall have any further rights or obligations under this MOU to any other Party, except in respect of any right or obligation under this MOU which is expressed to apply after the termination of this MOU and any rights or obligations which have accrued in respect of any breach of any of the provisions of this MOU to any Party prior to such termination.

8. Public statements and releases and Confidentiality

The Parties shall not make or permit or authorize the making of any press release or other public statement or disclosure concerning this MOU or its contents without the prior written consent of the other Parties, other than as required by law or an order of a court of competent jurisdiction or the requirements of a regulatory or governmental body, wherever situated. In the event of any such required disclosure, the disclosing Party shall give the other Parties as much advanced notice of such disclosure as possible. Except as provided above, the Parties shall not disclose the terms and conditions of this MOU or the transactions contemplated hereby to any third party (other than the employees, lenders, counsel and accountants of such Party and its parent and affiliate companies who have a need to know the information contained herein). The parties agree they will execute a more comprehensive confidentiality agreement no later than February 15, 2004 to cover confidential information to be disclosed to each other in the process of implementing this MOU.

9. Expenses

Each Party will bear its own costs and expenses incurred in connection with the negotiation of this MOU and the Definitive Documents.

10. Non-binding Nature of MOU

This MOU is intended to advance discussions among the Parties and is not to be construed to create any legally binding obligations or commitments on any Party, except as otherwise provided in Sections 2, 3 and 8 above.

11. Execution in counterparts.

This MOU may be executed in one or more counterparts each of which shall be deemed an original and all of which shall be deemed one and the same MOU.

IN WITNESS WHEREOF, the Parties have executed this MOU as of the date first above written.

Crystal Energy LLC	Alaska Gasline Port Authority
By: William F. Perkins	By:
Name: William Perkins III	Name: Bert Cottle
Title: President	Title: Chairman

NY1:1484237.1

Exhibit

8

Project EPC Schedule