

**ALASKA LEGISLATURE**

**2458**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

Dated this 27<sup>th</sup> day of February, 2004.

ALASKA GASLINE PORT AUTHORITY

BY:

  
\_\_\_\_\_  
Bert Cottle, Chairman

Exhibit

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**ALASKA GASLINE PORT AUTHORITY**  
**February, 2004**



# 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



# 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.

# 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 DeJonght – financial analysis and formation
- O'Melveny and Myers – development counsel
- Walker and Levesque, LLC – general counsel



# Alaska Gas Development Project

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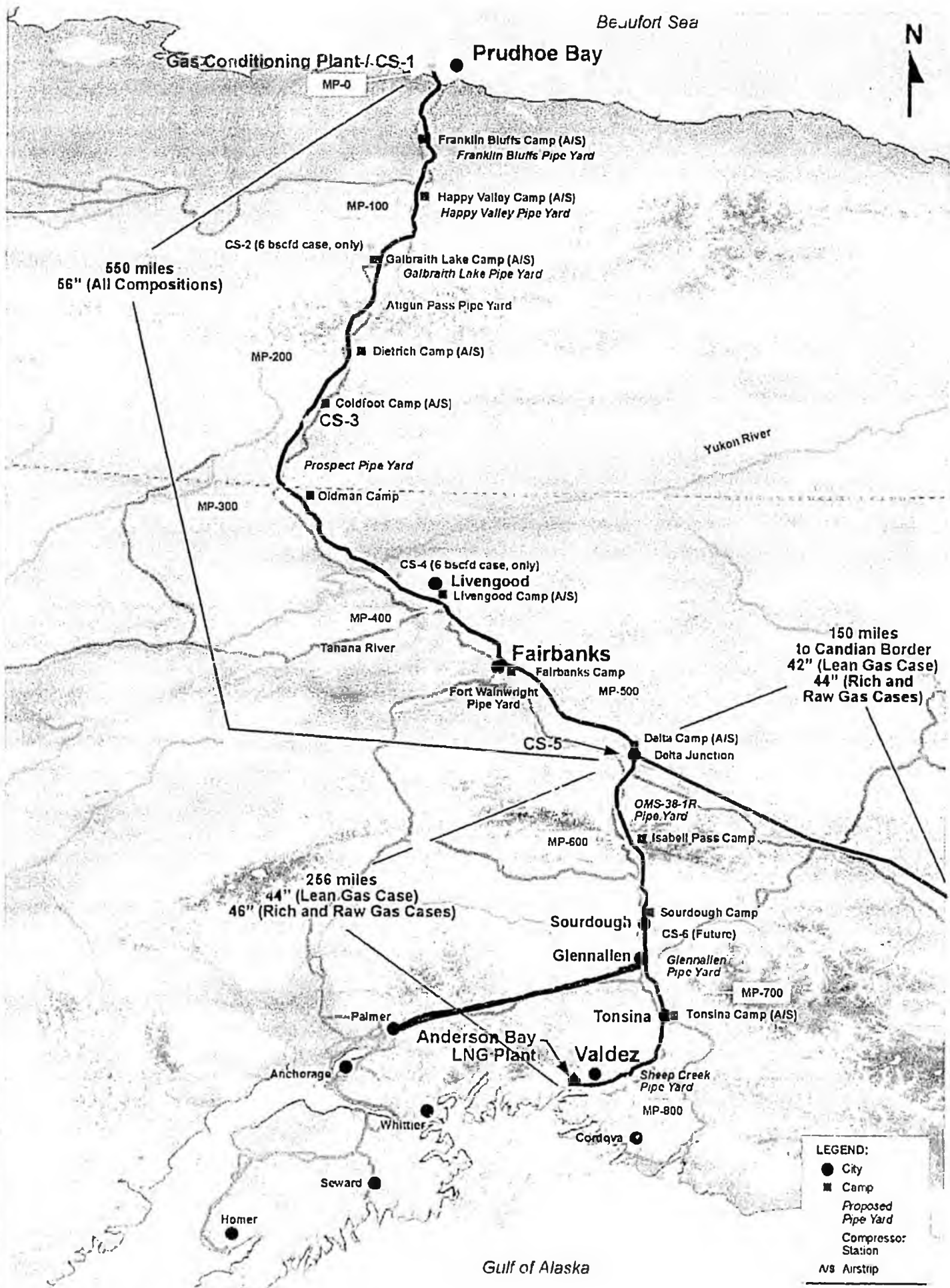
## Engineering, Procurement, and Construction Study



## EPC Study Program

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- ▼ 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



**LEGEND:**

- City
- Camp
- ▬ Proposed Pipe Yard
- Compressor Station
- ▬ Airstrip

## EPC Cost Assumptions

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- 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
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Total Project Cost	<b>\$ 25.8 billion</b>

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



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## Advantage of Combining Two Projects into a Y-Line

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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

## Project Costs

(cont'd)

Very conservative in estimating project costs. Cost estimates include:

- ▶ 8-10% of calculation 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



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## Nature and Sources of Financing

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- ▶ 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

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- 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

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- 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



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## 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



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## 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
<u>\$ 3,020 million/yr</u>	from subordinated gas payment of \$0.85/MMBtu
<b>\$3,791 million/yr</b>	total gas sale revenues
<b>\$ 1.48/MMBtu</b>	total sales price of gas

➤ Plus an additional NGL revenue stream:

<u>\$ 463 million/yr</u>	from NGLs extracted by the project at Prudhoe Bay
<b>\$4,255 million/yr</b>	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<sub>2</sub>-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<sub>2</sub> 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.



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## The Advantages of the Project Structure

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- 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

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- Producers will be able to utilize a \$15-\$20 billion asset without any investment
  
- Pipeline can be financed with 100% 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

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- ▶ 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

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- 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<sub>2</sub> 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.

## Benefits of AGPA Financing and Tax-Exempt Status

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- 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

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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.



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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	23.7	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

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Sufficient Cash Flow:

OK

<b>Capital Structure</b>	
Debt / Equity	100 / 0
Senior Debt	18,062
Equity	-
Total Financing	18,062

<b>Senior Debt</b>	
JBIC	1,531
Comm Bank 1	1,225
Comm Bank 2	306
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000

<b>Equity</b>	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-

<b>Internally Generated Cash</b>	
Bond Account Income	193
Project Cash Income	1,093

<b>Project Costs (\$ MM)</b>	
EPC	13,800
Owner's Contingency	600
Insurance	145
Land	-
Development Costs	100
Owner Costs DC	84
Line Pack	11
Working Capital	208
Loan IDC	702
Bond IDC	2,757
Upfront Fees	31
Commitment Fee	24
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	745
<b>Total Project Cost</b>	<b>19,349</b>

<b>Timing Assumptions</b>	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-09
Operating Period (years)	31.0

<b>Operating Assumptions</b>	
<b>GCP Inlet</b>	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
<b>CO2 Returned</b>	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676

<b>Gas Purchased</b>	
Flowrate (MM scfd)	3,046
HHV (Btu/scf)	1,152

<b>LNG Production</b>	
Flowrate (MM scfd)	2,264
HHV (Btu/scf)	1,029

<b>Gas to Canada (w/ liquids content)</b>	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,160

<b>Gas to Canada (liquids stripped)</b>	
Flowrate (MM scfd)	-
HHV (Btu/scf)	-

<b>Liquids Sold by Project (bbl/d)</b>	
LPG	154,000
NGL	-

<b>Liquids from Tolloed Gas (bbl / d)</b>	
LPG	-
NGL	-

<b>Prices of Liquids (\$ / bbl)</b>	
LPG	15.00
NGL <sup>6</sup>	16.50

<b>Cash Flow Results (\$ MM)</b>	
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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.43
Effective Gas Purchase Price <sup>3</sup>	0.73

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

<b>Benefits to State (\$ MM)<sup>4</sup></b>	
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

<b>Benefits to Communities</b>	
Project Cash to Munis	148

Total to AK State & Communities	661
Total AK State & Muni NPV @ 7.3%	6,266

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	522
Benefit per MMBtu <sup>2</sup>	0.43
Allocated to Increasing Netback	522
Total Available for Other Stakeholders	(0)

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
Revenues from Base Gas Sale	365
Revenues from Sub Payment	522
Revenues from NGLs	212
Canada Tolling Netback	-
Valdoz Tolling Netback	-
Total Producer Revenues	1,099

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	370
Equity IRR	0.0%
Equity NPV' @ 12.0%	1,690
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff

- 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.a

Valdez 2.6 Bscfd (15MMTA); \$3.75 CIF

Last Calculated:

16-Feb-04

Error Checks:

OK

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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 Tolloed Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>6</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	2,545
Liquids Revenue	801
Canada Gas Revenue	-
Total Operating Revenue	3,346
Base Gas Purchase	
Fixed O&M Expense	365
NGL Royalty and Severance	158
Total Operating Expenses	-
Income Taxes	523
Senior Debt Service	-
Average DSCR	1,475
Minimum DSCR	2.22 x
In Year	1.93 x
	2022
Subordinated Debt Service	
Permits Amortization	-
PILT	30
Subordinated Pmt / Other Use	114
Cash to AK and State / Dividend	860
	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 <sup>3</sup>	1.01

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	3.10
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fracturation <sup>2</sup>	0.12
Gas Value at Canadian Border	1.78

Benefits to State (\$ MM) <sup>4</sup>	
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 <sup>2</sup>	0.71
Allocated to Increasing Netback	860
Total Available for Other Stakeholders	(0)

Benefits to Producers (\$ MM) <sup>1</sup>	
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 <sup>1</sup> @ 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

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Error Checks:

Sufficient Cash Flow:


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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>19,308</b>

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

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price <sup>3</sup>	0.30

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	2.43

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

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	-
Benefit per MMBtu <sup>2</sup>	-
<b>Allocated to Increasing Netback</b>	
Total Available for Other Stakeholders	-

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
Revenues from Base Gas Sale	365
Revenues from Sub Payment	-
Revenues from NGLs	212
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	577

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

<b>Project Returns</b>		
Owner Distribution (\$MM/yr)	-	
Equity IRR	0.0%	
Equity NPV' @ 12.0%	(270)	
Valuation Date	Sep-04	

**Notes:**

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- AGPA Casus: 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: 2.

4.0 Bscfd Canada

Last Calculated:

16-Feb-04

1:29 AM

Error Checks:

OK

Sufficient Cash Flow:

OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	14,413
Equity	-
<b>Total Financing</b>	<b>14,413</b>
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
<b>Total Project Cost</b>	<b>14,887</b>

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 Tolloed Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>b</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	3,066
<b>Total Operating Revenue</b>	<b>4,231</b>
Base Gas Purchase	541
Fixed O&M Expense	75
NGL Royalty and Severance	-
<b>Total Operating Expenses</b>	<b>616</b>
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
<b>Cash to AK and State / Dividend</b>	<b>370</b>

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
<b>Effective Gas Purchase Price<sup>3</sup></b>	<b>1.40</b>

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>2</sup>	0.12
<b>Gas Value at Canadian Border</b>	<b>2.43</b>

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

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	1,983
Benefit per MMBtu <sup>2</sup>	1.10
Allocated to Increasing Netback	1,983
<b>Total Available for Other Stakeholders</b>	<b>0</b>

Benefits to Producers (\$ MM) <sup>4</sup>	
Revenues from Base Gas Sale	541
Revenues from Sub Payment	1,983
Revenues from NGLs	309
Canada Tolling Netback	-
Valdez Tolling Netback	-
<b>Total Producer Revenues</b>	<b>2,833</b>

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 <sup>1</sup> @	12.0% 1,904
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- 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; breakeven price

Last Calculated:

16-Feb-04

Error Checks:

1:33 AM

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
3ond 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 Talled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>b</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	542
Total Operating Revenue	1,708
Operating Expenses	
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	
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 <sup>3</sup>	0.30

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	1.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	0.43

Benefits to State (\$ MM) <sup>4</sup>	
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 <sup>2</sup>	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers (\$ MM) <sup>4</sup>	
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 <sup>1</sup> @ 12.0%	(484)
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff

- 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; \$2.60 Chicago Price

Last Calculated:

16-Feb-04

Error Checks:

OK

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Sufficient Cash Flow:

OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	14,281
Equity	-
<b>Total Financing</b>	<b>14,281</b>
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
<b>Total Project Cost</b>	<b>14,755</b>

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 Trolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>2</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	1,165
Canada Gas Revenue	1,615
<b>Total Operating Revenue</b>	<b>2,780</b>
Base Gas Purchase	541
Fixed O&M Expense	75
NGL Royalty and Severance	-
<b>Total Operating Expenses</b>	<b>616</b>
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
<b>Cash to AK and State / Dividend</b>	<b>370</b>

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

Feedgas Purchase Price (\$ / MM Btu)	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.30
<b>Effective Gas Purchase Price<sup>3</sup></b>	<b>0.60</b>

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
<b>Gas Value at Canadian Border</b>	<b>1.28</b>

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

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	545
Benefit per MMBtu <sup>2</sup>	0.30
Allocated to Increasing Netback	545
<b>Total Available for Other Stakeholders</b>	<b>(0)</b>

Benefits to Producers (\$ MM) <sup>4</sup>	
Revenues from Base Gas Sale	541
Revenues from Sub Payment	545
Revenues from NGLs	309
Canada Tolling Netback	-
Valdez Tolling Netback	-
<b>Total Producer Revenues</b>	<b>1,395</b>

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 <sup>1</sup> @	12.0%
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- 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:

Sufficient Cash Flow:

OK
OK

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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>16,078</b>

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

<b>Cash Flow Results (\$ MM)<sup>1</sup></b>	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	3,449
<b>Total Operating Revenue</b>	<b>4,760</b>
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
<b>Total Operating Expenses</b>	<b>693</b>
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

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

<b>Feedgas Purchase Price(\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.15
Effective Gas Purchase Price <sup>3</sup>	1.45

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>2</sup>	0.12
<b>Gas Value at Canadian Border</b>	<b>2.43</b>

<b>Benefits to State (\$ MM)<sup>7</sup></b>	
Royalty & Severance on Gas	566
Royalty & Sev. on NGLs and Oil	61
State CIT Revenues	250
<b>Total State Tax Revenues</b>	<b>877</b>
Project Cash to State	222
<b>Total State Revenues</b>	<b>1,099</b>
PILT	114
<b>Benefits to Communities</b>	
Project Cash to Munis	148
<b>Total to AK State &amp; Communities</b>	<b>1,247</b>
<b>Total AK State &amp; Muni NPV @ 7.3%</b>	<b>11,656</b>

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	2,336
Benefit per MMBtu <sup>2</sup>	1.15
Allocated to Increasing Netback	2,336
<b>Total Available for Other Stakeholders</b>	<b>0</b>

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	2,336
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
<b>Total Producer Revenues</b>	<b>3,291</b>

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

<b>Project Returns</b>		
Owner Distribution (\$MM/yr)	370	
Equity IRR	n/a	
Equity NPV <sup>5</sup> @ 12.0%	1,920	
Valuation Date	Sep-04	

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into OCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionalation plant, amortized over 15 yrs at 12% equity return
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff

- 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: 3.a

4.5 Bscfd Canada; breakeven price

Last Calculated:

16-Feb-04

Error Checks:

1:46 AM

Sufficient Cash Flow:


<b>Capital Structure</b>	
Dobl / Equity	100 / 0
Senior Debt	15,352
Equity	-
Total Financing	15,352
<b>Senior Debt</b>	
JBIC	178
Comm Bank 1	141
Comm Bank 2	35
Loan 4	-
Loan 5	-
Loan 6	-
Bonds	15,000
<b>Equity</b>	
Sub Debt	-
High-Yield Bonds	-
Share Capital	-
Sub Bond Account Income	-
<b>Internally Generated Cash</b>	
Bond Account Income	464
Project Cash Income	-

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>15,816</b>

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

<b>Cash Flow Results (\$ MM)<sup>1</sup></b>	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	568
Total Operating Revenue	1,878
<b>Operating Expenses</b>	
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	-

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price <sup>3</sup>	0.30

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	1.72
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	0.40

<b>Benefits to State (\$ MM)<sup>2</sup></b>	
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	-
<b>Benefits to Communities</b>	
Project Cash to Munis	-
Total to AK State & Communities	319
Total AK State & Muni NPV @ 7.3%	-

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	-
Benefit per MMBtu <sup>2</sup>	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
Revenues from Base Gas Sale	608
Revenues from Sub Payment	-
Revenues from NGLs	348
Canada Tolling Netback	-
Valdez Tolling Netback	-
Total Producer Revenues	956

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

<b>Project Returns</b>		
Owner Distribution (\$MM/yr)	-	
Equity IRR	0.0%	
Equity NPV <sup>1</sup> @ 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 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.

Taylor-DeJongh

## 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:

Sufficient Cash Flow:

OK

OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,468
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
<b>Total Project Cost</b>	<b>15,930</b>

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 Topped Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>2</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	1,817
Total Operating Revenue	3,127
Operating Expenses	
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Sovereance	-
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 <sup>4</sup>	0.65

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

Benefits to State (\$ MM) <sup>4</sup>	
Royalty & Sovereance on Gas	266
Royalty & Sov. 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 <sup>7</sup>	0.35
Allocated to Increasing Netback	718
Total Available for Other Stakeholders	(0)

Benefits to Producers (\$ MM) <sup>6</sup>	
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 <sup>7</sup> @ 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

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Error Checks:

Sufficient Cash Flow:

OK
OK

Capital Structure	
Debt / Equity	100 / 0
Senior Debt	15,015
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 Tolloed Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / hbl)	
LPG	15.00
NGL <sup>a</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	1,311
Canada Gas Revenue	3,449
Total Operating Revenue	4,760
Operating Expenses	
Base Gas Purchase	608
Fixed O&M Expense	85
NGL Royalty and Severance	-
Total Operating Expenses	693
Income Taxes	-
Senior Debt Service	1,239
DSCR	
Average DSCR	3.56 x
Minimum DSCR	3.30 x
In Year	2022
Subordinated Debt Service	
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 <sup>3</sup>	1.40

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	2.43

Benefits to State (\$ MM) <sup>4</sup>	
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	
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	
Total to AK State & Communities	1,217
Total AK State & Muni NPV @ 7.3%	
Total AK State & Muni NPV @ 7.3%	12,377

Subordinated Payment / Benefit Distribution	
Total Benefit Generated	2,221
Benefit per MMBtu <sup>4</sup>	1.10
Allocated to Increasing Netback	
Allocated to Increasing Netback	2,221
Total Available for Other Stakeholders	-

Benefits to Producers (\$ MM) <sup>4</sup>	
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' @ 12.0%	
Equity NPV' @ 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 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: 4.

3.0 Bscfd Canada

Last Calculated:

16-Feb-04

Error Checks:

OK

2:02 AM

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

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

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 Topped Gas (bbl/d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>b</sup>	16.50

Cash Flow Results (\$ MM) <sup>3</sup>	
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 <sup>3</sup>	1.18

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	2.43

Benefits to State (\$ MM) <sup>4</sup>	
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 <sup>2</sup>	0.88
Allocated to Increasing Netback	1,014
Total Available for Other Stakeholders	0

Benefits to Producers (\$ MM) <sup>4</sup>	
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' @ 12.0%	1,893
Valuation Date	Sep-04

- 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.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
<b>Total Project Cost</b>	<b>12,777</b>

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 Trolled Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>b</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	-
Liquids Revenue	801
Canada Gas Revenue	564
Total Operating Revenue	1,365
Operating Expenses	
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 <sup>3</sup>	0.30

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	1.97
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	0.65

Benefits to State (\$ MM) <sup>4</sup>	
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 <sup>2</sup>	-
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

Benefits to Producers (\$ MM) <sup>4</sup>	
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' @ 12.0%	(485)
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- AGPA Cases: Represents the NPV of \$370 million per year retained by AGPA for distribution to the State, munis, etc. Private Case: Represents the leveraged NPV of the private dividend distribution.

## 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:

Sufficient Cash Flow:

OK

OK

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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>12,827</b>

<b>Timing Assumptions</b>	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-Nov-08
Operating Period (years)	30.0
<b>Operating Assumptions</b>	
<b>GCP Inlet</b>	
Flowrate (MM scfd)	3,970
HHV (Btu/scf)	1,041
<b>CO2 Returned</b>	
Flowrate (MM scfd)	924
HHV (Btu/scf)	676
<b>Gas Purchased</b>	
Flowrate (MM scfd)	2,992
HHV (Btu/scf)	1,116
<b>LNG Production</b>	
Flowrate (MM scfd)	-
HHV (Btu/scf)	1,029
<b>Gas to Canada (w/ liquids content)</b>	
Flowrate (MM scfd)	2,678
HHV (Btu/scf)	1,160
<b>Gas to Canada (liquids stripped)</b>	
Flowrate (MM scfd)	2,451
HHV (Btu/scf)	1,021
<b>Liquids Sold by Project (bbl/d)</b>	
LPG	154,000
NGL	-
<b>Liquids from Topped Gas (bbl / d)</b>	
LPG	-
NGL	-
<b>Prices of Liquids (\$ / bbl)</b>	
LPG	15.00
NGL <sup>5</sup>	16.50

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.02
Effective Gas Purchase Price <sup>3</sup>	0.32

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	1.28

<b>Benefits to State (\$ MM)<sup>4</sup></b>	
Royalty & Severance on Gas	112
Royalty & Sev. on NGLs and Oil	37
State CIT Revenues	41
Total State Tax Revenues	190
<b>Project Cash to State</b>	
Project Cash to State	222
Total State Revenues	412
PILT	114
<b>Benefits to Communities</b>	
Project Cash to Munis	148
<b>Total to AK State &amp; Communities</b>	
Total to AK State & Communities	560
Total AK State & Muni NPV @ 7.3%	5,687

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generate 1	25
Benefit per MMBtu <sup>2</sup>	0.02
<b>Allocated to Increasing Netback</b>	
Allocated to Increasing Netback	25
Total Available for Other Stakeholders	(0)

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
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

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

<b>Project Returns</b>		
Owner Distribution (\$MM/yr)		370
Equity IRR		0.0%
Equity NPV' @	12.0%	1,762
Valuation Date		Sep-04

**Notes:**

- The numbers presented are annual figures for the fully ramped-up project
- Total benefit per MMBtu of gas into GCP less CO2 stream
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff

- 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

2:12 AM

Error Checks:

Sufficient Cash Flow:

OK
OK

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

<b>Project Costs (\$ MM)</b>	
EPC	18,400
Owner's Contingency	920
Insurance	193
Land	-
Development Costs	100
Owner Costs DC	84
Line Pacf	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
<b>Total Project Cost</b>	<b>25,794</b>

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

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.18
Effective Gas Purchase Price <sup>3</sup>	1.48

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	2.43

<b>Benefits to State (\$ MM)<sup>2</sup></b>	
Royalty & Severance on Gas	729
Royalty & Sov. on NGLs and Oil	81
State CIT Revenues	324
Total State Tax Revenues	1,134
<b>Project Cash to State</b>	
Project Cash to State	222
Total State Revenues	1,356
<b>PILT</b>	
PILT	114
<b>Benefits to Communities</b>	
Project Cash to Munis	148
<b>Total to AK State &amp; Communities</b>	
Total to AK State & Communities	1,504
Total AK State & Muni NPV @ 7.3%	13,455

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	3,020
Benefit per MMBtu <sup>2</sup>	1.18
<b>Allocated to Increasing Netback</b>	
Allocated to Increasing Netback	3,020
Total Available for Other Stakeholders	0

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
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

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	370
Equity IRR	0.0%
Equity NPV' @ 12.0%	1,900
Valuation Date	Sep-04

- Notes:
- The numbers presented are annual figures for the fully ramped-up project.
  - Total benefit per MMBtu of gas into GCP less CO2 stream.
  - Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.
  - Producer benefits are expressed as pre-tax revenues.
  - Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
  - Based on a sales price of \$20/bbl and \$3.50 TAPS tariff
  - 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: 5.a

6.0 Bscfd Y-split; breakeven Chicago price

Last Calculated:

16-Feb-04

Error Checks:

2:15 AM

Sufficient Cash Flow:


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

<b>Project Costs (\$ MM)</b>	
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 Fne	121
Exposure Fee	-
Underwriting Fee	53
Sub Debt IDC	-
Sub Debt Fees	-
Debt Service Reserve	1,093
Total Project Cost	25,755

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

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price <sup>3</sup>	0.30

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	0.51
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	(0.81)

<b>Benefits to State (\$ MM)<sup>4</sup></b>	
Royalty & Severance on Gas	244
Royalty & Sev. on NGLs and Oil	81
State CIT Revenues	86
Total State Tax Revenues	410
<b>Project Cash to State</b>	
Project Cash to State	-
Total State Revenues	410
<b>PILT</b>	
PILT	1
<b>Benefits to Communities</b>	
Project Cash to Munis	-
<b>Total to AK State &amp; Communities</b>	
Total to AK State & Communities	410
Total AK State & Muni NPV @	7.3%

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	-
Benefit per MMBtu <sup>2</sup>	-
<b>Allocated to Increasing Netback</b>	
Allocated to Increasing Netback	-
Total Available for Other Stakeholders	-

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
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

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

<b>Project Returns</b>		
Owner Distribution (\$MM/yr)		-
Equity IRR		0.0%
Equity NPV <sup>1</sup> @	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.

## Summary of Key Assumptions and Results

Case: 5.b

6.0 Bscfd Y-split; \$2.60 Chicago Price

Last Calculated:

16-Feb-04

Error Checks:

OK

2:18 AM

Sufficient Cash Flow:

OK

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 Bcnds	-
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 Tolloed Gas (bbl / d)	
LPG	-
NGL	-
Prices of Liquids (\$ / bbl)	
LPG	15.00
NGL <sup>a</sup>	16.50

Cash Flow Results (\$ MM) <sup>1</sup>	
LNG Revenue	2,214
Liquids Revenue	1,748
Canada Gas Revenue	1,311
Total Operating Revenue	5,272
Base Gas Purchase	
Fixed O&M Expense	771
NGL Royalty and Severance	222
Total Operating Expenses	-
Income Taxes	993
Senior Debt Service	-
Average DSCR	1,962
Minimum DSCR	2.76 x
In Year	2.20 x
Subordinated Debt Service	
Permits Amortization	276
PILT	30
Subordinated Pmt / Other Use	114
Cash to AK and State / Dividend	1,839
	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 <sup>1</sup>	1.02

Gas to Canada Price (\$ / MM Btu)	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fracturation <sup>5</sup>	0.12
Gas Value at Canadian Border	1.28

Bonofits to State (\$ MM) <sup>2</sup>	
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 <sup>2</sup>	0.72
Allocated to Increasing Netback	1,839
Total Available for Other Stakeholders	0

Benefits to Producers (\$ MM) <sup>4</sup>	
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' @ 12.0%	1,690
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff

- AGPA Cases: Represents the NPV of \$370 million per year retained by AGPA for distribution to the State, municipalities, 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

2:19 AM

Error Checks:

OK

Sufficient Cash Flow:

OK

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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>25,794</b>

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

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.08
Effective Gas Purchase Price <sup>4</sup>	1.38

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	3.75
Tariff Alaska-Alberta-Chicago	1.20
Charge for F-1 / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	2.43

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

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	2,766
Benefit per MMBtu <sup>2</sup>	1.08
Allocated to Increasing Netback	2,766
Total Available for Other Stakeholders	0

<b>Benefits to Producers (\$ MM)</b>	
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

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	370
Equity IRR	0.0%
Equity NPV' @ 12.0%	1,900
Valuation Date	Sep-04

**Notes:**

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.
- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- AGPA Cases: Represents the NPV of \$370 million per year retained by AGPA for distribution to the State, munits, etc. Private Cases: Represents the leveraged NPV of the private dividend distribution.

# Summary of Key Assumptions and Results

Case: 6.

2+4 Y-split (10 MMTA)

Last Calculated:

16-Feb-04

2:23 AM

Error Checks:

Sufficient Cash Flow:

OK
OK

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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>23,836</b>

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

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

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

<b>Feedgas Purchase Price(\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	1.20
Effective Gas Purchase Price <sup>d</sup>	1.50

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	3.75
Tarif Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>e</sup>	0.12
Gas Value at Canadian Border	2.43

<b>Benefits to State (\$ MM)<sup>2</sup></b>	
Royalty & Severance on Gas	741
Royalty & Sev. on NGLs and Oil	81
State CIT Revenues	329
Total State Tax Revenues	1,151
<b>Project Cash to State</b>	
Project Cash to State	222
Total State Revenues	1,373
PILT	114
<b>Benefits to Communities</b>	
Project Cash to Munis	148
<b>Total to AK State &amp; Communities</b>	
Total to AK State & Communities	1,521
Total AK State & Muni NPV @ 7.3%	13,689

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	3,124
Benefit per MMBtu <sup>2</sup>	1.22
<b>Allocated to Increasing Netback</b>	
Allocated to Increasing Netback	3,084
Total Available for Other Stakeholders	40

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
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

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	370
Equity IRR	n/a
Equity NPV' @ 12.0%	1,900
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.
- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- 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: 6.a

2+4 Y-split (10 MMTA); breakeven Chicago price

Last Calculated:

16-Feb-04

Error Checks:

2:28 AM

Sufficient Cash Flow:


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

<b>Project Costs (\$ MM)</b>	
EPC	17,400
Owner's Contingency	870
Insurance	183
Land	-
Development Costs	100
Owner Costs DC	84
Lino 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
<b>Total Project Cost</b>	<b>23,658</b>

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

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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	-
Effective Gas Purchase Price <sup>3</sup>	0.30

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

<b>Benefits to Stato (\$ MM)<sup>2</sup></b>	
Royalty & Severance on Gas	244
Royalty & Sev. on NGLs and Oil	81
State CIT Revenues	86
<b>Total State Tax Revenues</b>	<b>410</b>
<b>Project Cash to State</b>	
Project Cash to State	-
<b>Total State Revenues</b>	<b>410</b>
<b>PILT</b>	
PILT	-
<b>Benefits to Communities</b>	
Project Cash to Munis	-
<b>Total to AK State &amp; Communities</b>	<b>410</b>
<b>Total AK State &amp; Muni NPV @ 7.3%</b>	<b>1,215</b>

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	-
Benefit per MMBtu <sup>4</sup>	-
<b>Allocated to Increasing Netback</b>	
Allocated to Increasing Netback	-
<b>Total Available for Other Stakeholders</b>	<b>-</b>

<b>Benefits to Producers (\$ MM)<sup>7</sup></b>	
Revenues from Base Gas Sale	771
Revenues from Sub Payment	-
Revenues from NGLs	463
Canada Tolling Netback	-
Valdez Tolling Netback	-
<b>Total Producer Revenues</b>	<b>1,235</b>

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	-
Equity IRR	0.0%
Equity NPV' @ 12.0%	(124)
Valuation Date	Sep-04

**Notes:**

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.

- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$450 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.

- 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: 6.b

2+4 Y-split (10 MMTA); \$2.60 Chicago Price

Last Calculated:

16-Feb-04

2:29 AM

Error Checks:

Sufficient Cash Flow:

OK
OK

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

<b>Project Costs (\$ MM)</b>	
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
<b>Total Project Cost</b>	<b>23,745</b>

<b>Timing Assumptions</b>	
Construction Begins	1-Oct-04
Operations Begin	1-Nov-08
Fully Ramped-Up	1-May-09
Operating Period (years)	30.5
<b>Operating Assumptions</b>	
<b>GCP Inlet</b>	
Flowrate (MM scfd)	8,745
HHV (Btu/scf)	1,047
<b>CO2 Returned</b>	
Flowrate (MM scfd)	2,015
HHV (Btu/scf)	676
<b>Gas Purchased</b>	
Flowrate (MM scfd)	6,638
HHV (Btu/scf)	1,117
<b>LNG Production</b>	
Flowrate (MM scfd)	1,658
HHV (Btu/scf)	1,029
<b>Gas to Canada (w/ liquids content)</b>	
Flowrate (MM scfd)	3,892
HHV (Btu/scf)	1,160
<b>Gas to Canada (liquids stripped)</b>	
Flowrate (MM scfd)	3,562
HHV (Btu/scf)	1,021
<b>Liquids Sold by Project (bbl/d)</b>	
LPG	336,000
NGL	-
<b>Liquids from Totted Gas (bbl / d)</b>	
LPG	-
NGL	-
<b>Prices of Liquids (\$ / bbl)</b>	
LPG	15.00
NGL <sup>6</sup>	18.50

<b>Cash Flow Results (\$ MM)<sup>1</sup></b>	
LNG Revenue	1,627
Liquids Revenue	1,748
Canada Gas Revenue	1,614
Total Operating Revenue	4,989
<b>Operating Expenses</b>	
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

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

<b>Feedgas Purchase Price (\$ / MM Btu)</b>	
Feed Gas Base Price	0.30
Sub Payment per MM Btu	0.64
Effective Gas Purchase Price <sup>3</sup>	0.94

<b>Gas to Canada Price (\$ / MM Btu)</b>	
Assumed Chicago Price	2.60
Tariff Alaska-Alberta-Chicago	1.20
Charge for Fuel / Fractionation <sup>5</sup>	0.12
Gas Value at Canadian Border	1.28

<b>Benefits to State (\$ MM)<sup>2</sup></b>	
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
<b>Benefits to Communities</b>	
Project Cash to Munis	148
Total to AK State & Communities	1,133
Total AK State & Muni NPV @ 7.3%	10,916

<b>Subordinated Payment / Benefit Distribution</b>	
Total Benefit Generated	1,637
Benefit per MMBtu <sup>2</sup>	6.64
Allocated to Increasing Netback	1,637
Total Available for Other Stakeholders	0

<b>Benefits to Producers (\$ MM)<sup>4</sup></b>	
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

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

<b>Project Returns</b>	
Owner Distribution (\$MM/yr)	370
Equity IRR	0.0%
Equity NPV' @ 12.0%	1,900
Valuation Date	Sep-04

Notes:

- The numbers presented are annual figures for the fully ramped-up project.
- Total benefit per MMBtu of gas into GCP less CO2 stream.
- Netback and feedgas purchase prices are calculated based on total gas flow into the GCP, including CO2 stream and gas for fuel consumption.
- Producer benefits are expressed as pre-tax revenues.
- Based on 2.7% pipeline fuel consumption and a \$400 MM cost of fractionation plant, amortized over 15 yrs at 12% equity return.
- Based on a sales price of \$20/bbl and \$3.50 TAPS tariff.
- 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

J. Sullivan  
Date: 8/9/99 President

ATTEST:

B. H. Paving  
Clerk  
Date: 8-9-99

Karen Bunnell  
Acting Mayor  
Date: 8-5-99

TITLE 4: ALASKA GASLINE PORT AUTHORITY

Chapter

Section

4.01.010	DEFINITIONS
4.01.020	PURPOSE; BOUNDARIES
4.01.030	CREATION OF AUTHORITY
4.01.040	TERM
4.01.050	PARTICIPATION OF MUNICIPALITIES
4.01.060	POWER; RESTRICTION UPON EXERCISE
4.01.070	GOVERNING BOARD
4.01.080	BYLAWS
4.01.090	MEETINGS OF THE BOARD
4.01.100	OFFICERS; DUTIES
4.01.110	BONDS; INDEBTEDNESS
4.01.120	OPERATION OF THE PROJECT
4.01.130	CONTRIBUTIONS AND ADVANCES; PAYMENT OF COSTS
4.01.140	ACCOUNTS AND REPORTS
4.01.150	DEVELOPMENT PLAN
4.01.160	DISSOLUTION
4.01.170	SHARING OF NET REVENUES
4.01.180	SEVERABILITY
4.01.190	AMENDMENT OF ORDINANCE
4.01.200	SECTION HEADINGS
4.01.210	AMENDMENT OF LAW
4.01.220	ELECTION

**§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