

The Road Not Taken

Presentation to the House Open Caucus

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by
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The Road Not Taken

Alaska Natural Gas Pipeline



The Road Not Taken

Two worlds

Corporate

Gated Decision-making

Negotiations

Government

Sovereign

Legislative Process



The Road Not Taken

Two processes

Corporate

AS 43.90.100(b) Nothing in this chapter precludes a person from pursuing a gas pipeline independently from this chapter.

Government

Alaska Gasline Inducement Act



The Road Not Taken

Sovereign Responsibility

Stable fiscal environment

Fiscal Stability

Short-term

Balanced Budget

Long-term

Long-term Fiscal Plan



The Road Not Taken

Sovereign Responsibility

Stable fiscal environment

Fiscal Stability

Project Specific Stability

Term

Gas Tax

Royalty



The Road Not Taken

Sovereign Responsibility

Term

Level of Certainty

Duration of Certainty



The Road Not Taken

Sovereign Responsibility

Term (Level of Certainty)

Statute

Contract

Constitution



The Road Not Taken

Sovereign Responsibility

Term (Duration of Certainty)

Statute – 10 years

Governor – 10 to 15 years

ConocoPhillips – 20 to 25 years

SGDA contract – 35 years

SGDA public reference – 45 years



The Road Not Taken

Sovereign Responsibility

Term (Duration of Certainty)

35 years

Statute – 10 years

Governor – 10 to 15 years

ConocoPhillips – 20 to 25 years

SGDA contract – 35 years

SGDA public reference – 45 years



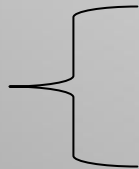
The Road Not Taken

Sovereign Responsibility

Term (Duration of Certainty)

Statute – 10 years

5 years



Governor – 10 to 15 years

ConocoPhillips – 20 to 25 years

SGDA contract – 35 years

SGDA public reference – 45 years



The Road Not Taken

Sovereign Responsibility

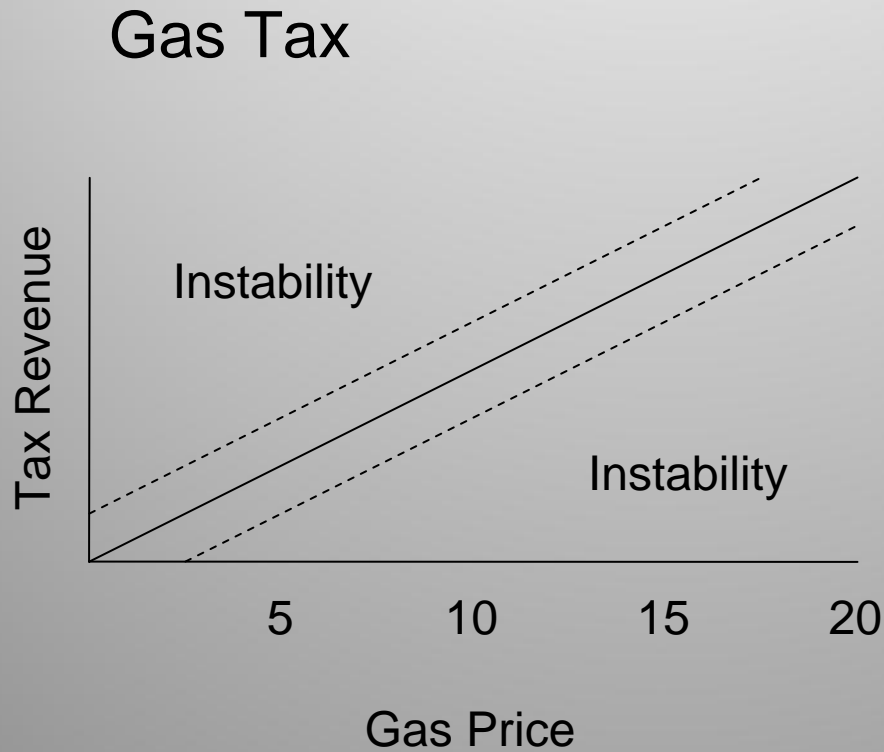
Gas Tax

Fair



The Road Not Taken

Sovereign Responsibility



The Road Not Taken

Sovereign Responsibility

Royalty

RIK/RIV

“Higher of” value



Alaska Gasline Inducement Act

Process

Bid

Legislative

License



The Road Not Taken

Summary

Term

Level

Duration

Gas Tax

Fair

Royalty

RIK/RIV

“Higher of” Value



The Road Not Taken

TransCanada Economics

Rate of Return on Equity

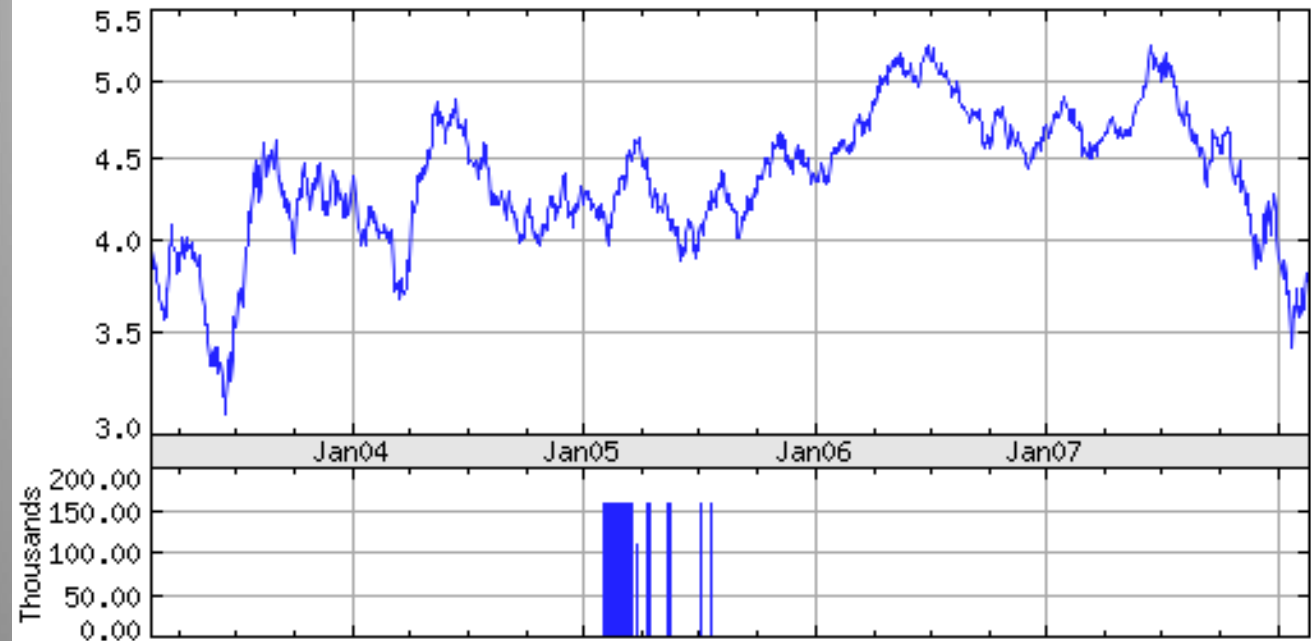
965 basis points above the rate for U.S. 10-year Treasury Notes
In effect at the beginning of that Year.

Up to 2% reduction on variance
Between Actual Capital Cost and
Base Capital Cost for 5 years



The Road Not Taken

CBOE 10-YEAR YIELD
as of 15-Feb-2008



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TransCanada Economics

Debt/Equity Ratios

70/30 construction phase

75/25 operations phase

60/40 expansions



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Definition of Project

AS 43.90.900(19) “project” means a natural gas pipeline authorized under a license issued under this chapter.



The Road Not Taken

Debt/Equity Commitment

AS 43.90.130(10) commit to propose and support rates for the proposed project and for any North Slope gas treatment plant that an applicant may own, in whole or in part, that are based on a capital structure for rate-making that consists of not less than 70 percent debt.

