Alaska Gas Pipeline
Building a Pipeline Tariff

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Tony Palmer

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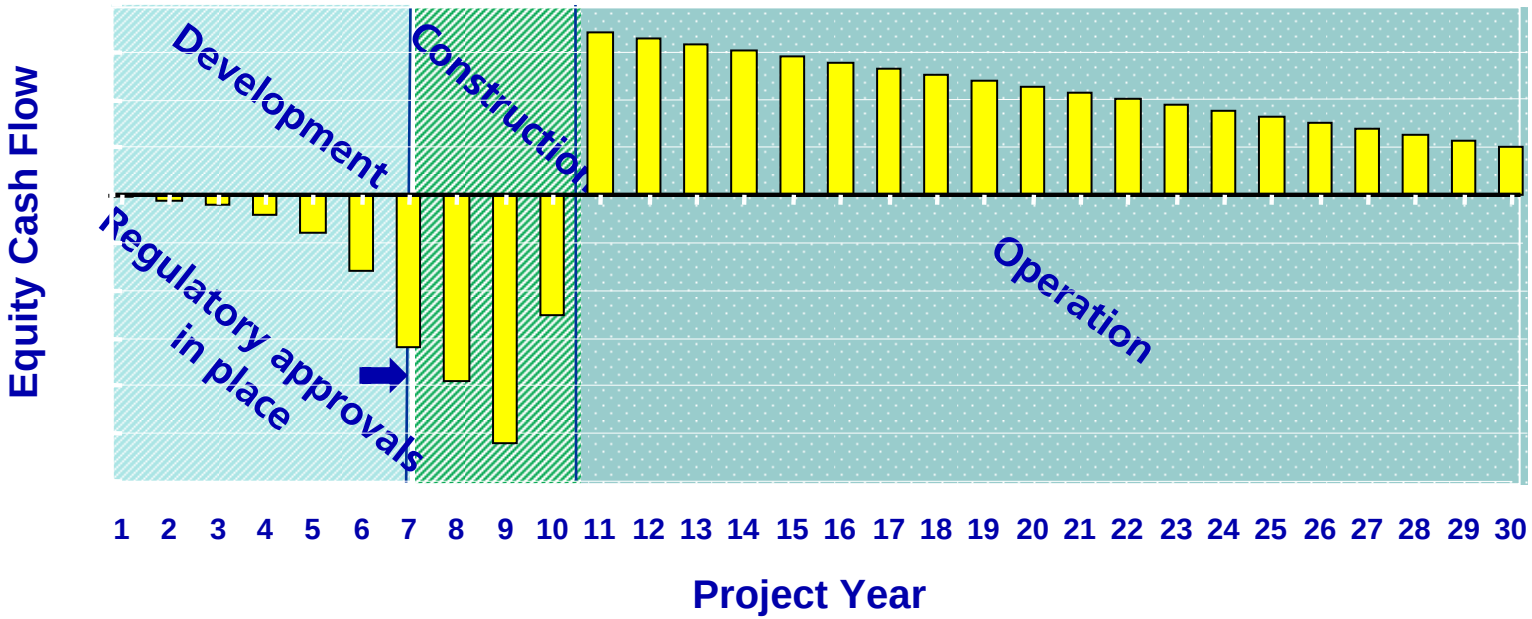
Illustration of Equity Cashflow



- **Development expenditure (DevEx) will be funded by 100% equity**
- **DevEx represents one-third of total equity invested and is highly at risk**
- **Significant cashflow outlay during development & construction period**

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Cost-of-Service Model

Major components of Cost of Service Model:

- Allowed rate base
- Cost of debt and equity
- Allowed debt/equity ratio
- Depreciation rate
- Operating cost
- Income taxes
- Property taxes

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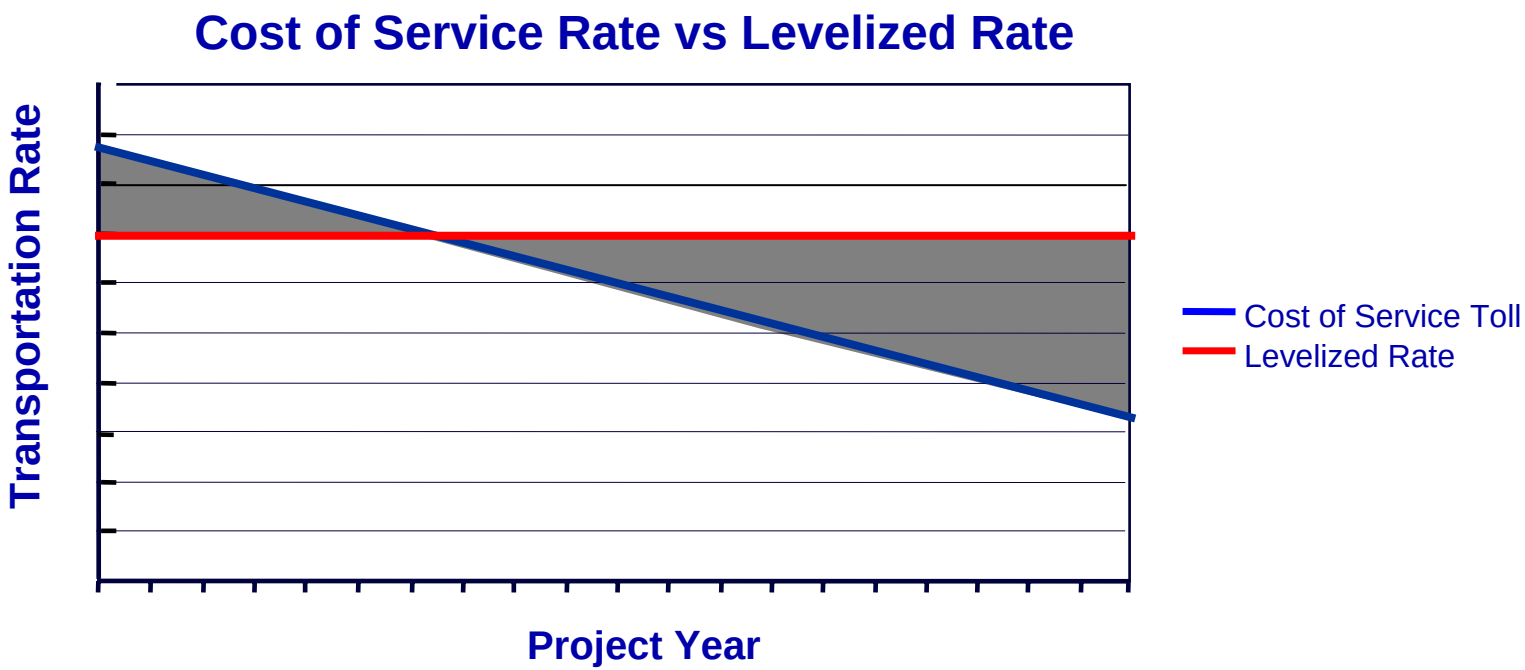
Levelized Rate



- Lower return of capital in early years compensated by higher return of capital in later years
- Longer payback period and higher equity risk

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