

Stranded Gas Hearings

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Impact on State and Municipal Economies from Delay in Gas Pipeline's In-Service Date

Jeffrey Leitzinger, Ph.D., President, Econ One Research, Inc.

Barry Pulliam, Senior Economist, Econ One Research, Inc.

Rick Harper, Consultant, Econ One Research, Inc.

Anthony Finizza, Ph.D., Consultant, Econ One Research, Inc., August 31, 2005

DR. FINIZZA continued Econ One's presentation by addressing the impact on state and municipal revenue from a delay in the gas pipeline's in-service date. He highlighted that the chart on page 8-3 merely reviews the revenues to the state in undiscounted terms for the four price scenarios. If the pipeline didn't start until the end of 2018, the state would've lost \$9.8 billion of revenue over that time. However, he noted that loss could be recouped later in life. He then turned to the chart on page 8-4, which illustrates that a delay in the project to 2018 would cause a reduction in the NPV at the 10 percent discount rate in the amount of \$2.7 billion. In response to Chair Therriault, Dr. Finizza confirmed that the aforementioned would bring the [project] to today's NPV. He then suggested that it may be appropriate to think of the state impact in terms of a smaller discount rate, and therefore the same calculation is illustrated with a NPV at a 5 percent discount rate as illustrated in the chart on page 8-6. He clarified that [these charts] are related only to the state's take.

REPRESENTATIVE GARA directed attention to the charts on page 8-5 and posed a scenario in which it's a 30-year project with \$35 billion in gas revenue. Therefore, he questioned how \$.7 billion out of \$35 billion a loss of 26 percent.

DR. FINIZZA clarified that the NPV for the state's revenue isn't \$30 billion, rather it's \$2.7 billion divided by \$26.6 billion and thus is about [\$10 billion].

CHAIR THERRIAULT reiterated that it's just the state's take.

DR. FINIZZA interjected that the undiscounted cash revenue to the state is more than \$30 billion.