

Arctic Gas Projects Cost of Natural Gas Pipeline in Alaska

WASHINGTON, D.C. — Plans to build a 2,600-mile large-diameter pipeline to tap prolific new sources of natural gas in Northern Alaska and Canada moved forward today when Alaskan Arctic Gas Pipeline Company filed with the Federal power Commission data on capital costs, financing and transportation costs of the Alaskan segment of the pipeline.

Total cost of constructing the 200-mile U.S. portion of the line from Prudhoe Bay, Alaska, to the Canadian border in the Yukon is estimated at about \$590 million, based on 1974 costs.

The 2,400-mile Canadian portion will cost about \$5 billion at initial capacity of 3.25 billion cubic feet per day based on 1974 costs as shown in the Nov. 15 filing of Canadian Arctic Gas Pipeline Limited with the National Energy Board.

This brings the cost of the complete 2,600-mile line to the U.S. border to about \$5.6 billion.

The financing exhibit filed expresses confidence that sufficient funds will be available in the capital market under reasonable normal market conditions to finance the huge U.S.-Can-

dian construction project, with a capital structure of 25% equity and 75% debt.

The Alaskan line would transport two billion cubic feet of natural gas per day at the outset, rising to 2.25 billion after two years of operation.

The Canadian section of the line, carrying both Alaskan and Mackenzie Delta gas, is based upon an initial capacity of 3.25 billion cubic feet per day, moving to its design capacity of 4.5 billion cubic feet per day within two years.

Transportation charges for carrying the gas from Prudhoe Bay to the border are estimated to approximate \$1.00-\$1.05 per thousand cubic feet during the initial operating stages, declining thereafter.

Of this amount, the transportation charges on the Alaskan portion are estimated at about 20 cents per thousand cubic feet in the early stages, with subsequent reductions.

These estimates of charges are based upon the actual costs of services plus an illustrative 15 per cent return on the equity investment.

Construction of the Alaskan pipeline will be coordinated with

the building of the Canadian line through the Mackenzie River Valley. The exhibits filed for the Alaskan portion are based upon preconstruction activity in 1977, laying of pipe starting in November, 1979, and operations beginning in mid-1980.

All of the Alaskan gas carried in the 2,600-mile line would be delivered to U.S. customers as well as any Mackenzie Delta gas found to be surplus to potential Canadian requirements.

The line would link the Prudhoe Bay proved natural gas reserves of 26 trillion cubic feet, or more than 10% of the total U.S. proved reserves, directly with gas-short markets of the lower 48 states through connecting systems.

The gas transported by the Arctic Gas pipeline will be picked up at the border and delivered to all parts of the United States by companion pipeline projects of Western, Midwestern, and Eastern gas pipeline and distribution companies.

Applications for approval to construct the line were filed last March 21 with government agencies in Washington and Ottawa, following more than five years of intensive technical, engineer-

ing and environmental studies which to date have cost more than \$70 million.