

Chugach Electric Association

Natural Gas Supply



Senate Oil and Gas Tax Credit Working Group
October 1, 2015

Chugach's Gas Supply Update

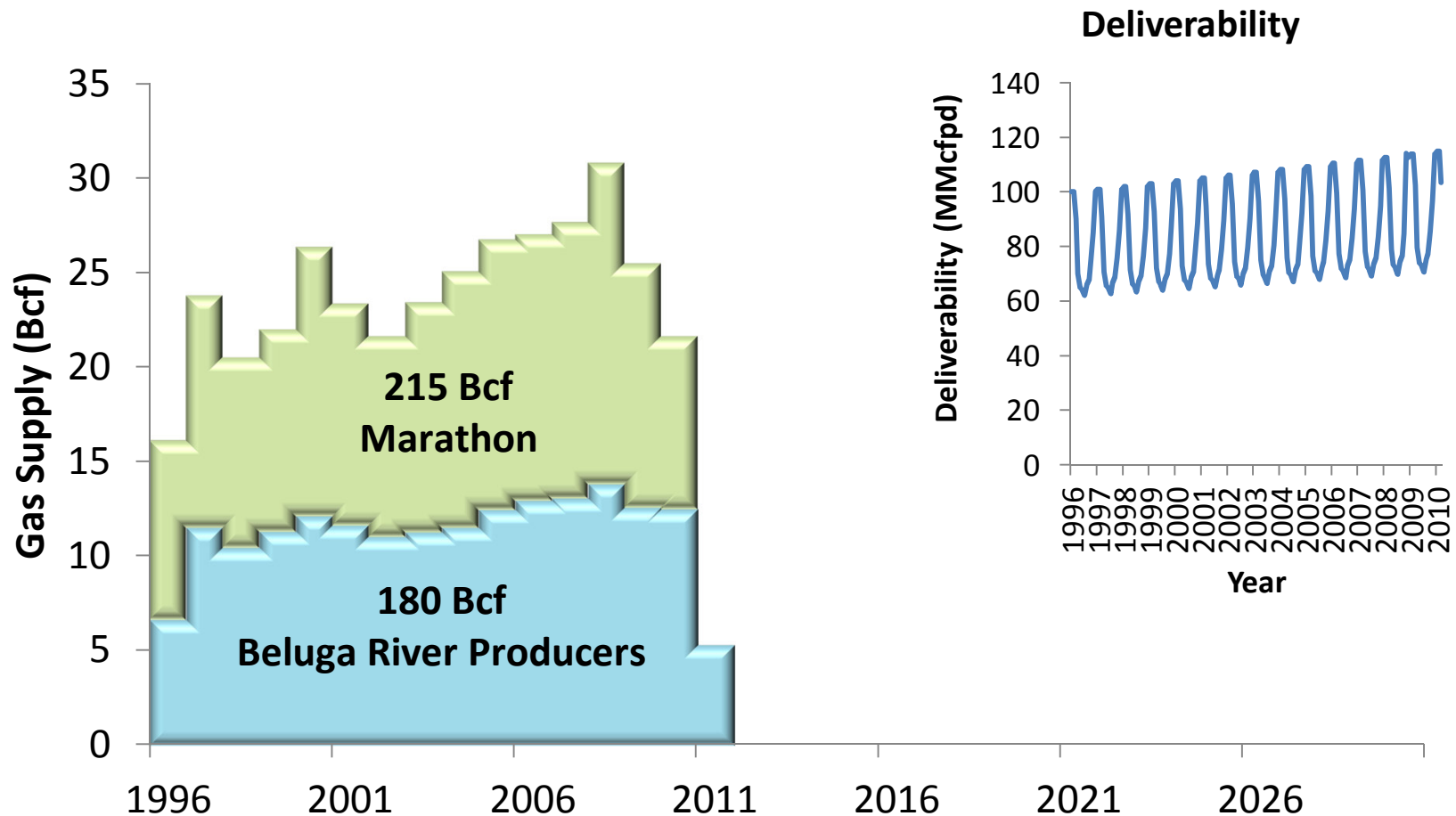
- Chugach purchases about one-tenth of Cook Inlet gas production
- Gas supply costs Chugach about \$60 million/year
- Chugach's role in Cook Inlet gas system
 - Supply
 - Transport
 - Storage

Chugach Gas Supply

Cook Inlet Gas Supply - Fundamentally Changes

- FROM 20-year gas volume contracts
 - Gas producer provide ~200 Bcf supply contracts
 - Gas producer transports gas
 - Gas producer meet 100% of demand
- TO 5-year “just in time” gas deliverability contracts
 - Gas producers prefer “flat” gas
 - Utilities transport gas
 - Utilities manage gas storage and peaking gas

Chugach Gas Supply – Major Contracts Ended in 2010

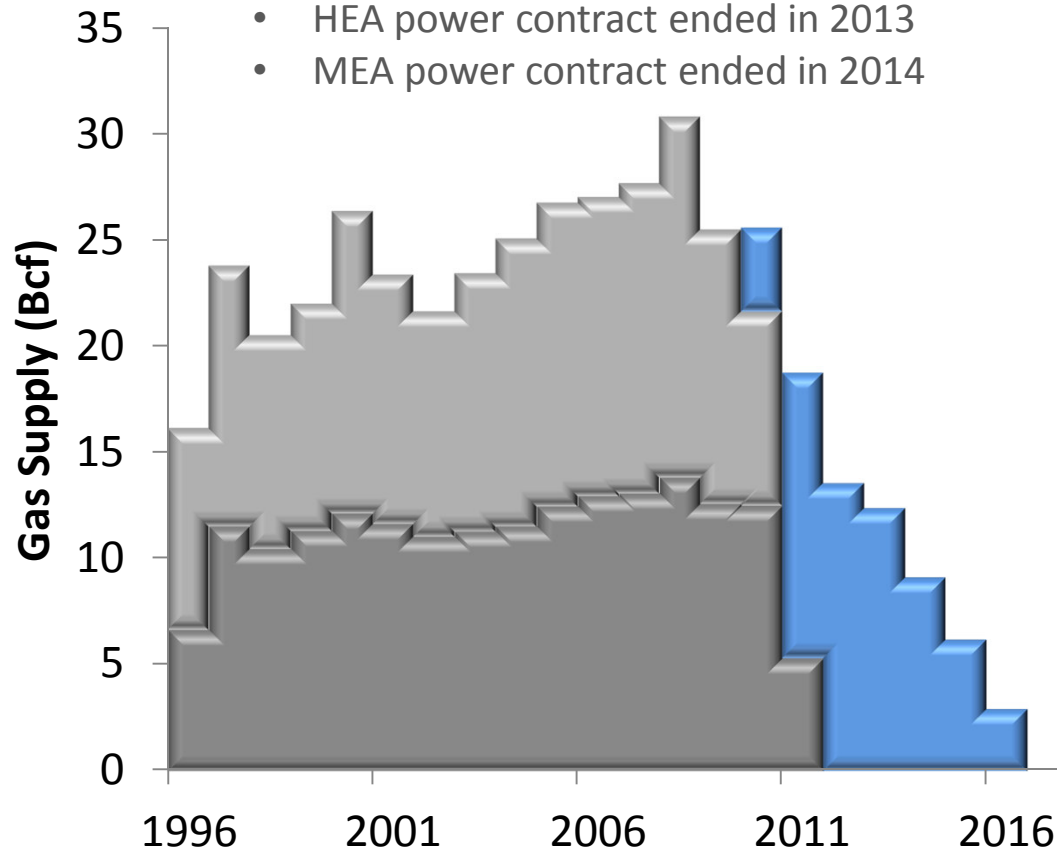


- Producer met all base and peaking gas demand
- Producer transported gas from gas field to power plant

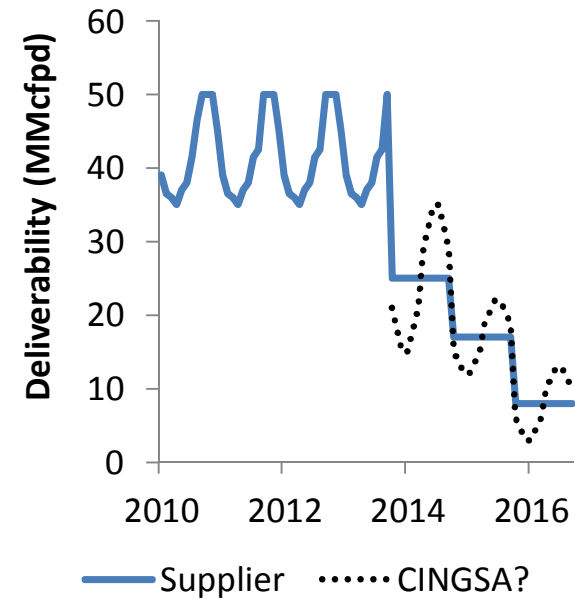
1st New Gas Contract – Conoco Phillips

Chugach gas demand changes

- Southcentral Power Project 2013
- HEA power contract ended in 2013
- MEA power contract ended in 2014

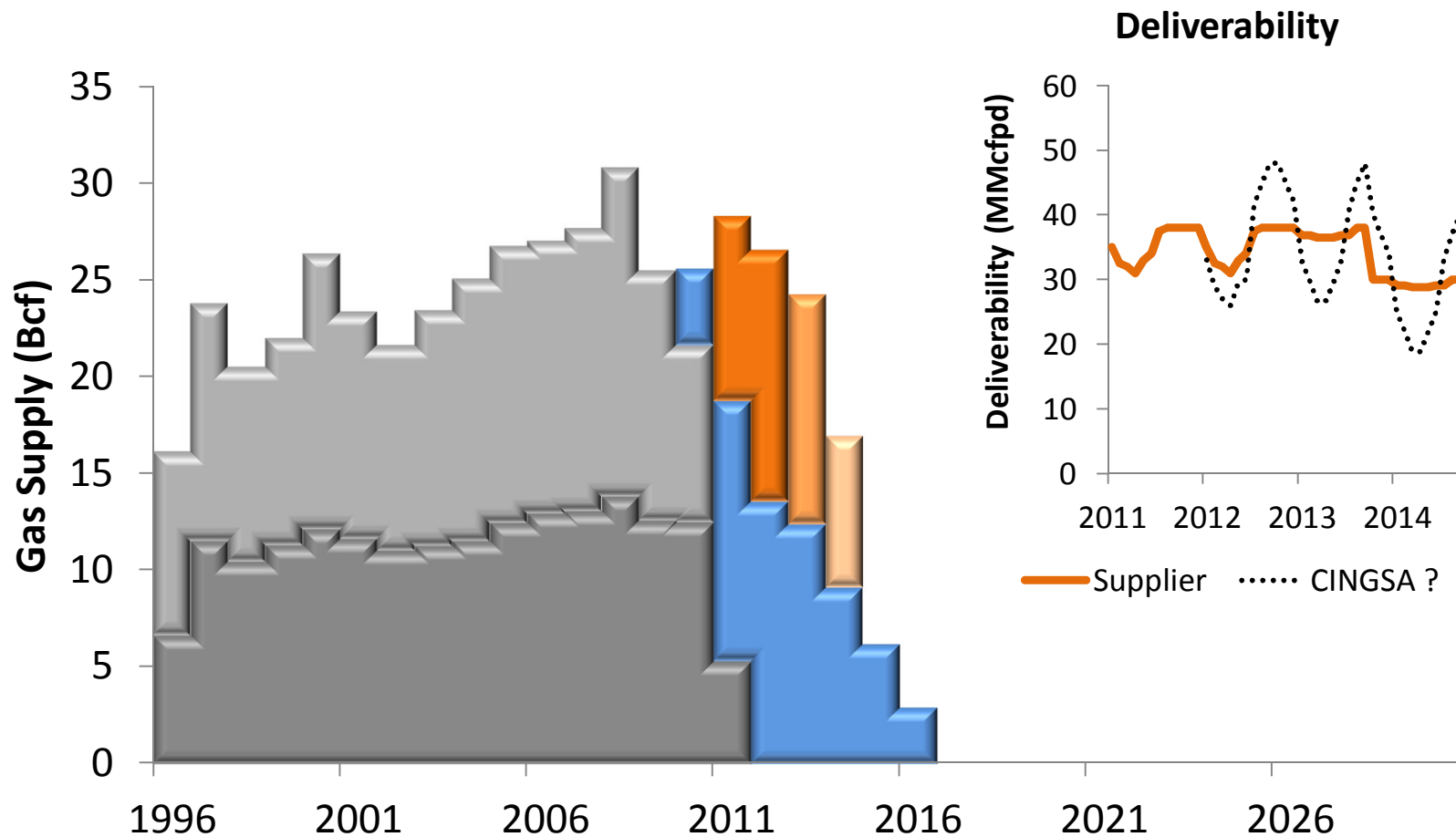


Deliverability



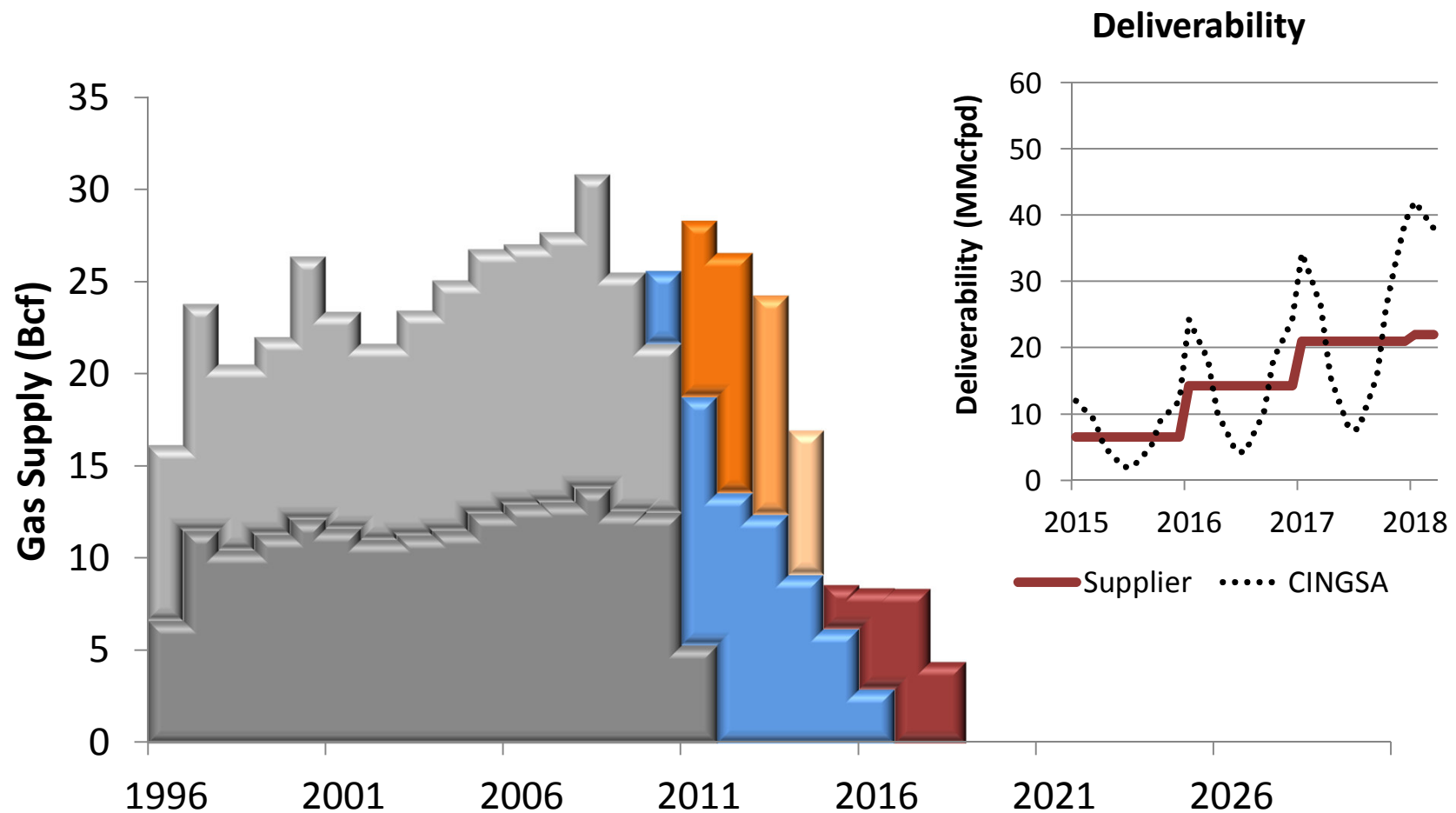
- 4 years of peaking gas, then only “flat” gas
- Chugach to transport gas from gas field to power plant
- Chugach to provide peaking gas last 3 years

2nd New Gas Contract – Marathon



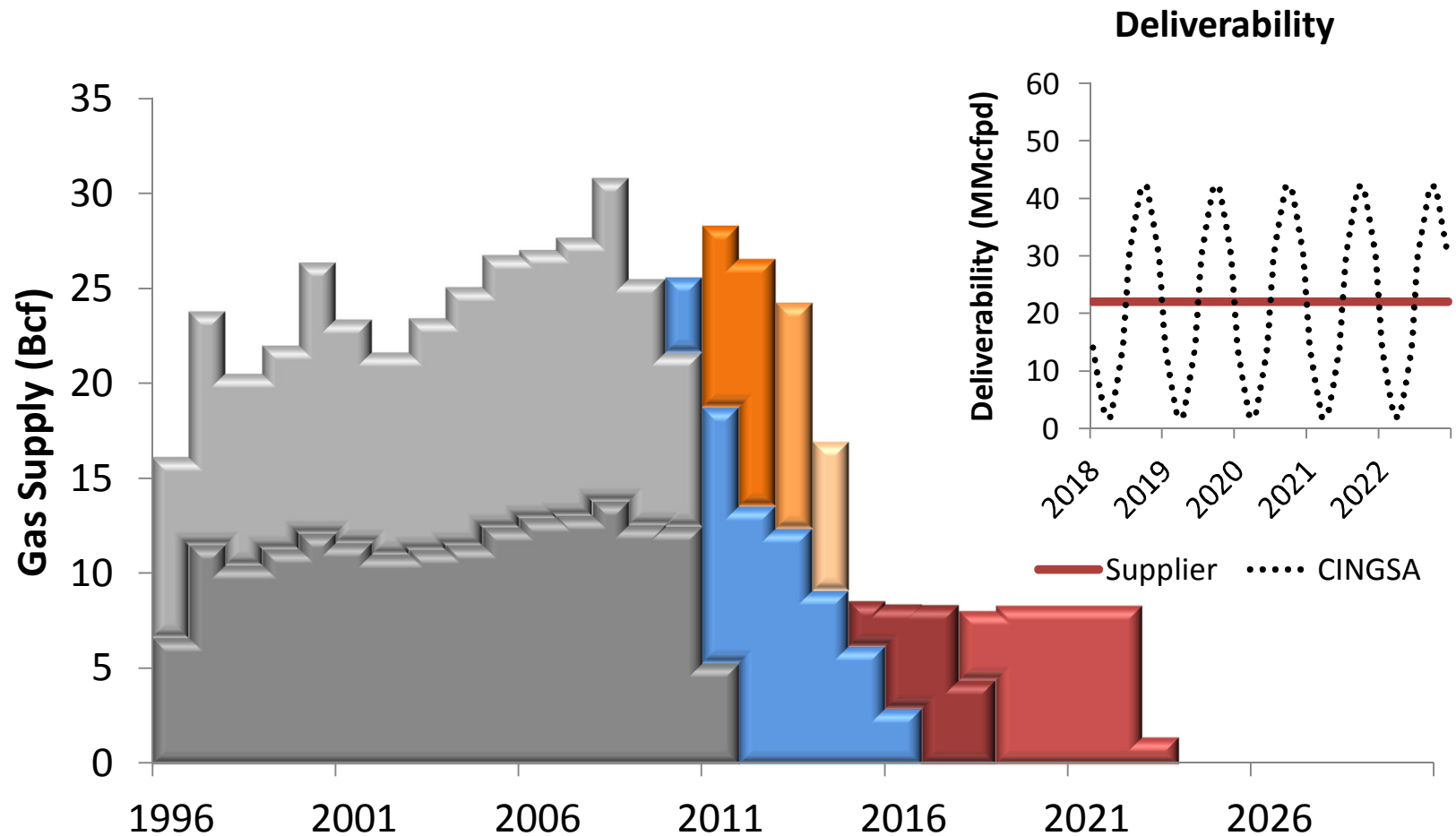
- 2 years of limited peaking gas, then essentially “flat” gas
- 2 option years, if gas producer has the gas
- Chugach provided gas transport and peaking

3rd New Gas Contract – Hilcorp (Consent Decree)



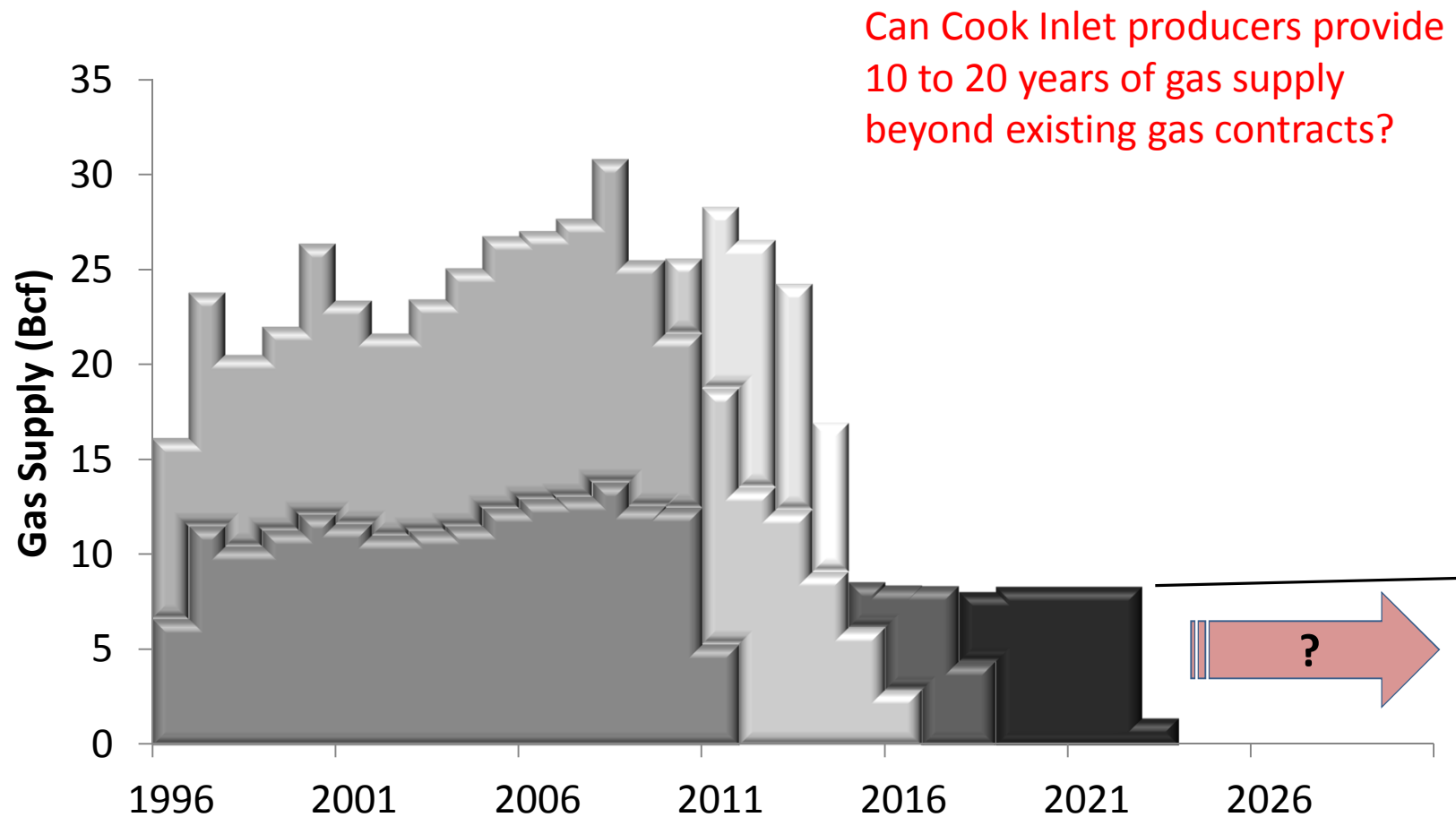
- “Flat” gas
- Chugach provides gas transport and peaking gas

Additional Gas Supply – Hilcorp-Chugach



- Hilcorp provides “flat” gas
- Chugach provides gas transport and peaking gas

Future Gas Supply



Cook Inlet Gas Transportation

Gas Transport

- Chugach is a major gas shipper
- Hilcorp has significantly improved Cook Inlet gas transportation system



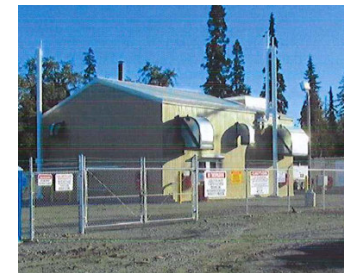
2010 – Chugach begins gas transport

2011 – Chugach leads transport infrastructure improvements

2012-2013 – *critical infrastructure used to meet gas demand*

2014 – Hilcorp consolidates 4 separate gas lines

2015 – Hilcorp expands critical infrastructure, significantly improving gas delivery



Cook Inlet Natural Gas Storage Alaska (CINGSA)

Gas Storage

- Chugach uses CINGSA to provide peaking gas
- CINGSA has significantly improved gas deliverability in Cook Inlet



2009 – ENSTAR leads develop of \$160 million gas storage facility

2012 – CINGSA begins restricted operations

2014 – CINGSA achieves 100% of contracted firm service

2015 – Will CINGSA need to expand to meet Cook Inlet's gas deliverability?

Cook Inlet Gas System's Future

Critical Issue – Can Cook Inlet gas producers provide gas for next 20 years?

**How can we ensure a
long-term gas supply?**



- Chugach has made long-term investment in new gas-fired generation
- Chugach appreciates the Cook Inlet Recovery Act
- Hilcorp, Furie and BlueCrest are investing in major gas production
- Furie and BlueCrest development in progress
- State continues to have an important role in long-term gas supply