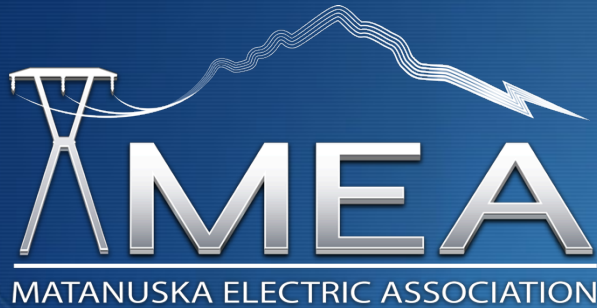


# Natural Gas Supply

Senate Oil and Gas Tax Credit Working Group

October 1, 2015



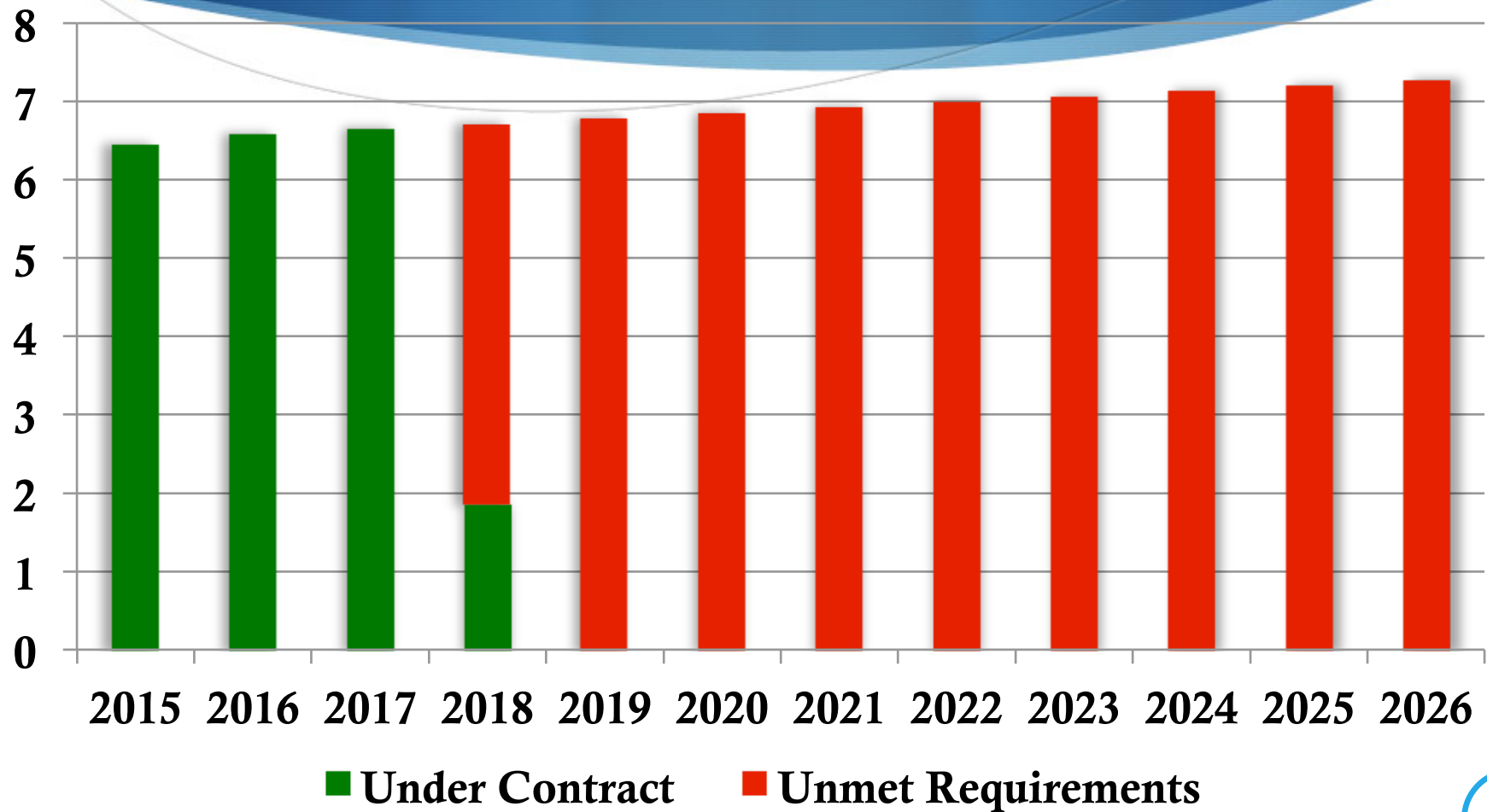
# Cooperative Profile

- 61,100 meters, 50,500 members
- Over 4,200 miles of power lines & 22 substations
- Service area the size of West Virginia
- Generation portfolio: 90% natural gas, 10% hydro
- 2015 natural gas demand: 6.5 Bcf
  - 6.5 Bcf = 6,500 MMcf = 6,500,000 Mcf
- 2015 natural gas cost: \$46,345,000
  - Not including peaking services or transportation

# Today's Questions

- What is MEA's gas supply forecast?
- What has changed in Cook Inlet gas supply over the past 5 years?
- How have tax credit programs in Cook Inlet affected gas supply?
- What are MEA's contingencies?

# MEA Gas Supply forecast - (Bcf)



# What has changed in the last 5 years?

- 5 Years ago gas supply was available in small quantities and short terms (2 years).
- Most significant positive change is Hilcorp investment in existing Cook Inlet assets.
- Multiple new players investing significant capital.
- What has not changed?
  - USGS assessment of up to 19 Tcf remains to be found in Cook Inlet.
  - Additional reserves are not yet commercially available.

# Impact of tax credit programs on gas supply

- **Good News:**
  - Multiple new Cook Inlet investors available for gas supply discussions
  - Some additional proven reserves
  - Temporary energy security
- **Bad News:**
  - reserves are not “behind pipe”, which requires significant current and future investment
  - Temporary energy security



# Contingencies

## How can I be more efficient?

As consumers, each of us should use energy wisely. Snug, well-insulated structures will retain heat and reduce the amount of gas needed to fuel furnaces and boilers. If you are buying a major new appliance like a refrigerator, look for one that has earned an ENERGY STAR rating. Gas and electric utilities can provide information to help you better understand your energy bill and how to take steps to control it through conservation and energy efficiency. The U.S. Department of Energy, the Alaska Housing Finance Corporation and the website [www.akenergyefficiency.org](http://www.akenergyefficiency.org) are other great resources for information.

## How can I help in an emergency?

If the gas delivery system is going to come under extra stress, it is likely going to be during a prolonged cold snap. In addition to the steps you're already taking to use energy wisely, you may be asked to further reduce your use of natural gas and electricity to help take pressure off the gas delivery system. Relatively small steps can make a big difference in the amount of gas that's needed during a few critical hours.

## How will I know if you need my help?

If it's necessary to call for customer action, an announcement will be made through the media by local government officials. Announcements will outline the situation, spell out specific actions customers are being asked to take, and provide some idea of the length of the problem.

## How will outages be handled ... and will I lose gas service?

Electric utilities can do something that gas utilities generally can't: interrupt service to selected customers for short periods of time and then restore it. Therefore, no scheduled service outages are planned for ENSTAR customers. Planned power outages would be a last resort, necessary only if the combination of system operations and customer actions fails to solve the problem. If it

*In the event of gas system problems, emergency managers might use a chart like this to advise customers*

CONDITION	MEANING	Customer Action
Green	System Stable	<ul style="list-style-type: none"> <li>• Use energy wisely</li> <li>• Be conservation minded</li> <li>• Your utilities can provide energy-saving tips</li> </ul>
Yellow	Caution	<ul style="list-style-type: none"> <li>• Set thermostat to 65 degrees in living areas, and 40 degrees in the garage</li> <li>• Lower water heater setting to "warm" or "vacation"</li> <li>• Minimize usage of natural gas range</li> <li>• Postpone doing laundry and dishes</li> <li>• Turn off unnecessary lights and electronics</li> </ul>
Red	Alert	<ul style="list-style-type: none"> <li>• Set thermostat at 60 degrees in living areas (55 if away)</li> <li>• Turn water heater gas valve to "pilot"</li> <li>• Do not use natural gas fireplaces, decorative heaters or gas grills</li> <li>• Consolidate household activities into as few rooms as possible</li> <li>• Use the microwave for cooking</li> </ul>

becomes necessary to interrupt service to electric customers, outages are planned to be 20-30 minutes long and rotated among customers, with consideration for critical facilities.

## How can I learn more?

Check the websites of your municipal or borough government, electric utility or ENSTAR for additional information.



Rev. October 10, 2011

## GAS CONTINGENCY PLANNING

*Railbelt electric and gas utilities harmonize efforts with local governments*

Organizations throughout the Railbelt are ready to deal with a potential natural gas shortfall this winter. While it's not considered likely, all agree that it is important to be prepared. Nobody wants to be caught unprepared on a cold, dark winter evening. That's why ENSTAR, the electric utilities in the Railbelt, the Municipality of Anchorage, and the Kenai Peninsula and Mat-Su boroughs have been working together on a collective approach to the situation.

WINTER 2011-2012

# Summary

- Uncertainty is the enemy of energy security
- Exploration & production risks are not typical core competencies of regulated utilities
- Bringing new gas reserves to the point they can be prudently purchased by a regulated utility requires \$100's of millions.