

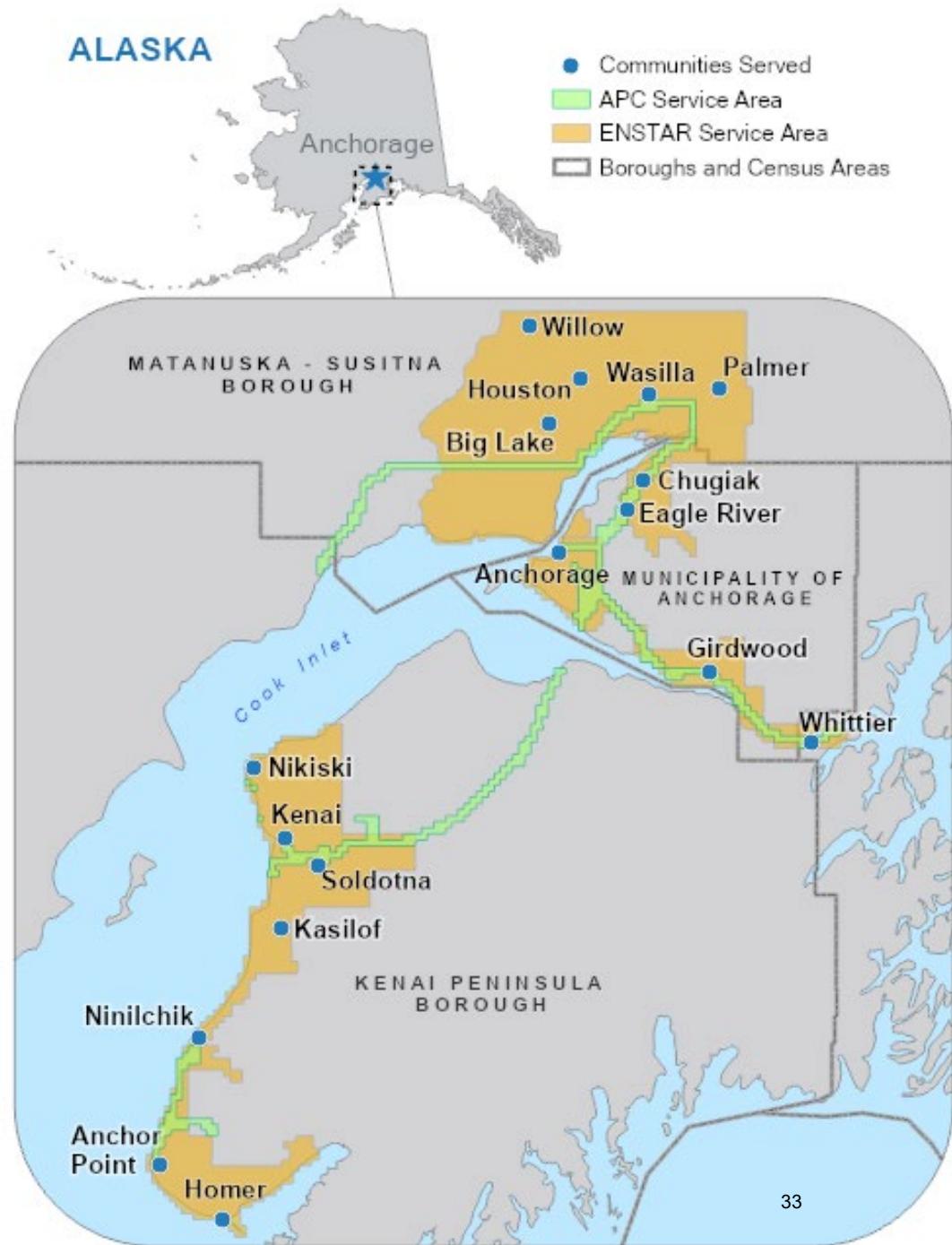
# Cook Inlet Update

February 7, 2024



# About ENSTAR

- Established in 1959
- 230 employees
- 152,000 customers
- 25 communities served
- 3,560 miles of pipeline



# About CINGSA

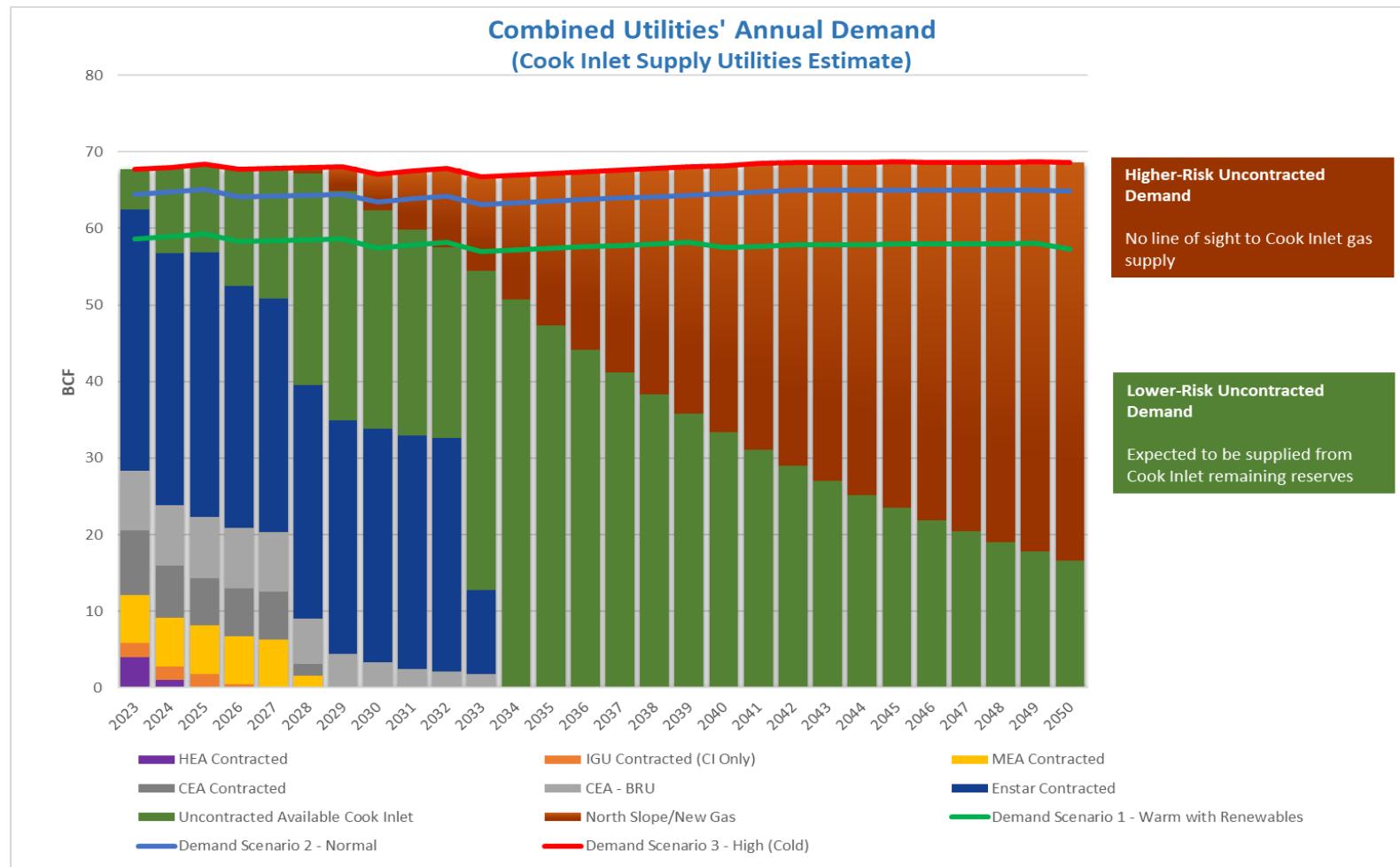
- Constructed in 2012 in response to significant concerns about Cook Inlet gas supply
- 11 Bcf storage capacity
- 150 Mmcf max injection/withdrawal
- 3 Firm Customers
- 3 Interruptible Customers
- Provides deliverability for more than 40% of ENSTAR demand on a cold day.



# Utility Working Group

- Hilcorp/Utilities Annual Update meeting
  - April 12, 2022
  - Stated they would not extend existing contracts
- Creation of the Utility Working Group
  - April 15, 2022
    - ENSTAR, Chugach, MEA, GVEA, HEA, IGU
      - Later included AEA, DNR
  - Hired Berkeley Research Group (BRG) – November 10, 2022

# Utilities' Market View Fall '22



# Gas Supply Opportunities – Phase I Assessment

	Option	Timeline	CAPEX	Throughput	Gas	Midstream	Cost of Supply
		Years	\$ mm	Bcf/year	\$/Mcf	\$/Mcf	\$/Mcf
1	Cook Inlet Gas	3 - 4	Up to \$1500 - \$2000	Up to ~ 23	\$9.3 - \$25.5	Included	\$9.3 - \$25.5
2 (a)	In-State Pipeline (Private)	6 - 7	~ \$8,790	Up to 105	\$1.3 - \$2.6	\$26.9 - \$34.4	\$28.2 - \$37.0
2 (b)	In-State Pipeline (Subsidized 80%)	6 - 7	~ \$8,790	Up to 105	\$1.3 - \$2.6	\$7.8 - \$10.0	\$9.2 - \$12.6
2 (c)	In-State Pipeline (State Owned)	6 - 7	~ \$8,790	Up to 105	\$1.3 - \$2.6	\$6.0 - 7.4	\$7.3 - \$10.0
3	Kenai LNG	4 - 5	\$768	Up to 55	\$8.6 - \$8.9	\$3.4 - \$4.7	\$12.0 - \$13.6
4	Greenfield Port and Regas	6 - 7	\$876	Up to 55	\$8.6 - \$8.9	\$4.0 - \$5.3	\$12.6 - \$14.2
4 (b)	Greenfield Port and Regas (Subsidized 80%)	6 - 7	\$876	Up to 55	\$8.6 - \$8.9	\$2.3 - \$3.3	\$10.9 - \$12.2
4 (c)	Greenfield Port and Regas (State Owned)	6 - 7	\$876	Up to 55	\$8.6 - \$8.9	\$2.2 - \$3.1	\$10.8 - \$12.0
5	FSRU - Own/Lease	4 - 6	\$607 / \$201	Up to 55	\$8.6 - \$8.9	\$3.6 - \$5.0	\$12.2 - \$13.9
6	Barge / Small LNG Carrier	4 - 5	\$563	Up to 25	\$8.6 - \$8.9	\$13 - \$14	\$21.6 - \$23.0
7	Alaska LNG	7 - 8	~ \$43,000	Up to 183	\$1.3 - \$2.6	\$3.1	\$4.4 - \$5.8
8	LNG Truck and/or Rail	3 - 4	\$321	~ 9	\$2.50	\$22.5 - \$29.5	\$25 - \$32
9	RNG	Unknown	N/A	~ 1	~ \$25	Included	~ \$25
10	Hydrogen (green)	2035 +	Unknown	N/A	N/A	N/A	\$ > 40

# Phase II Project Team



## *Integrated Project Team Roles*

### ENSTAR and Utility Group

Strategic direction  
Commercial, legal, regulatory leadership  
Pipeline system, storage, existing supply integration  
Public communications strategy and oversight

### BRG

Project strategy advisor, local coordination  
Planning of deliverables and Phase 2 project management  
Gas supply project development and execution planning  
LNG supply expertise and market interface  
Financial and economic analysis  
Project interface with Enstar, utilities, and public forums as directed by client

### Cornerstone

Engineering and project cost estimates  
Permitting plan  
Project option technical viability and risk assessment

### Additional Resources Engaged

Exp. (Alaska)



Coffman Engineers (Alaska)



Axiom Environmental (Alaska)



Cashman Preload

LNG tank experts, Alaska experience



Lloyd Engineering

Marine engineering, Alaska experience



Precision LNG

Worldwide LNG shipping expertise

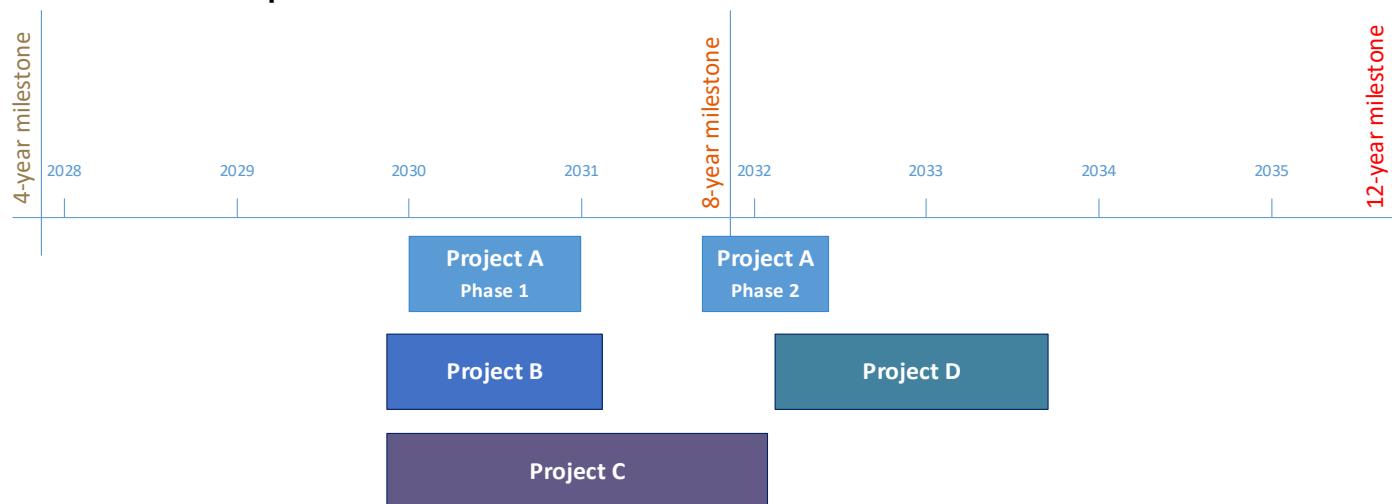
Hunton Andrews Kurth LLP

Regulatory / Permitting legal experts



# Summary Findings for Schedules – Phase II

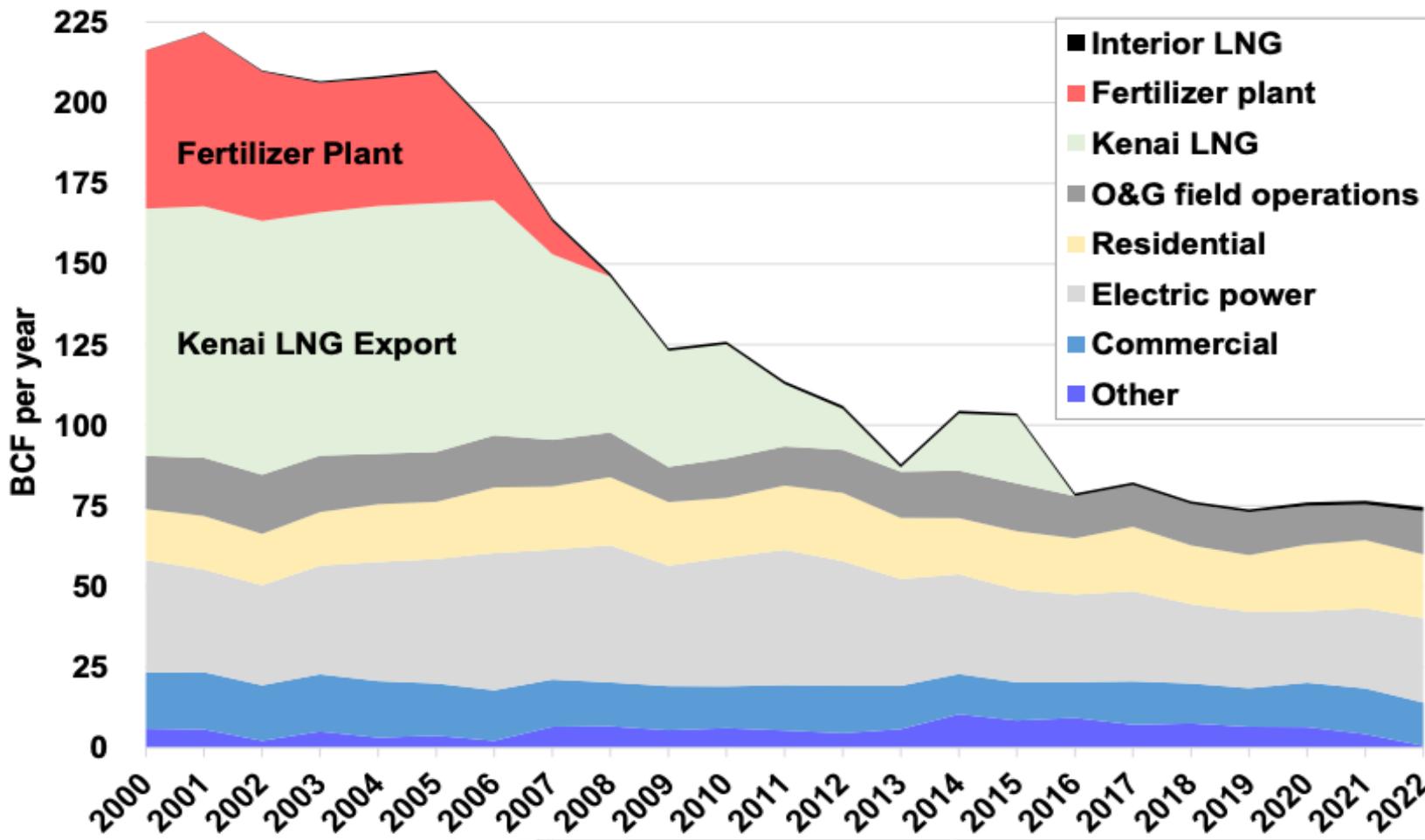
- None of the Options meet the LNG demands for the 4-year milestone (first gas 4Q2027)
- Greatest time unknowns are related to FERC and US Corp of Engineers permitting durations, time to modify or construct in-water piers
- Risks are high for FSRU Options due to tides and winter effects at Cook Inlet
- Long-lead procurement items must be started and commercial agreements concluded before permits are issued



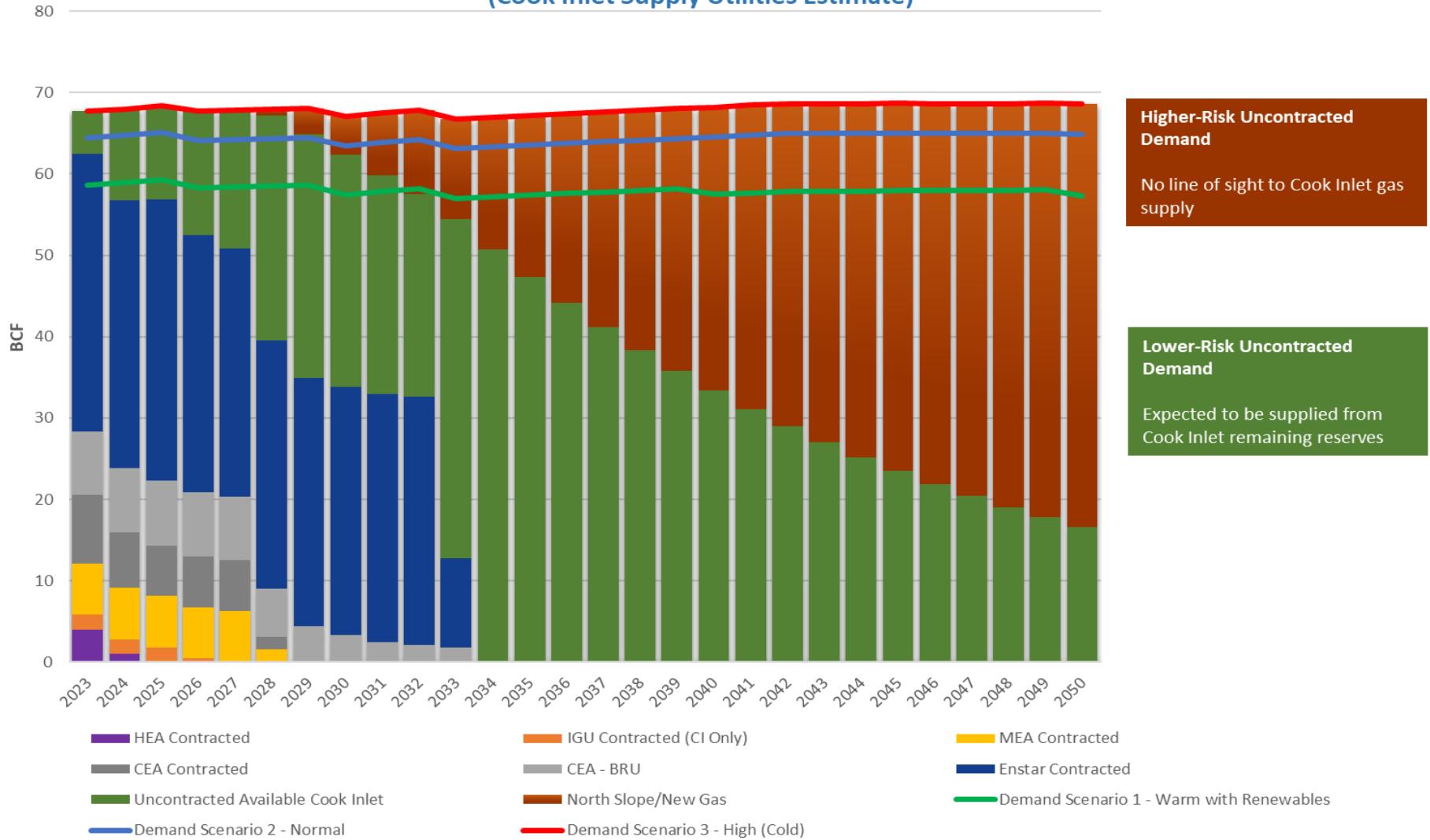
# 2010 vs. 2024

- In 2010, Cook Inlet utilities faced similar concerns under different circumstances.
- CINGSA is proof that legislative support for energy security matters.
- Today, quick, bold action is required to serve this region in the short and long-term.
- Additional storage is required under any scenario and should be regulated for price transparency.

# Cook Inlet Demand (Source: DNR 2024)



## Combined Utilities' Annual Demand (Cook Inlet Supply Utilities Estimate)



# Gas Supply Contract Terms

Contract Terms	All Requirements	Firm	Interruptible	Spot
Meets 100% deliverability?	✓	✗	✗	✗
Provided under contract?	✓	✓	✓	✗
Penalty for non-delivery? (Cover)	✓	✓	✗	✗
Allows for multi-year gas supply planning?	✓	✓	✗	✗
Set price?	✓	✓	✗	✗
Set quantity?	✓	✓	✗	✗
Set terms?	✓	✓	✗	✗
Not subject to changing market or operating conditions?	✓	✓	✗	✗

# Utility Duty to Serve

- This duty is not shared by producers, IPPs, or anyone else in this state. It is our obligation alone.

## Sec. 42.05.291. Standards of service and facilities.

(a) Each public utility shall furnish and maintain adequate, efficient, and safe service and facilities. This service shall be reasonably continuous and without unreasonable interruption or delay.

# What now?

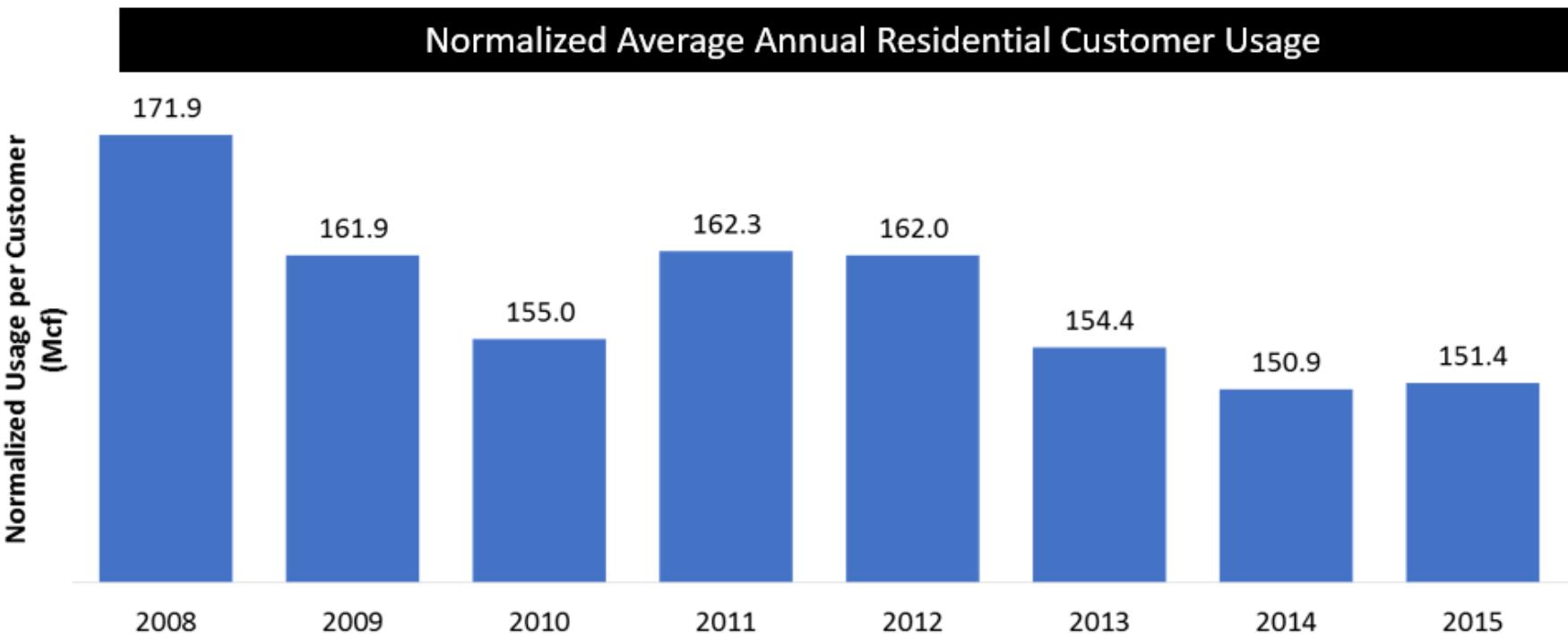
- Timely actions is required to avoid a gap in supply.
  - Short-term: Need strong support for Cook Inlet exploration and production activities.
  - Long-term: Decisive action on a large natural gas supply project.
- Ultimately, customers - Alaska residents and businesses - are on the hook for cost impacts.
- Working to minimize impact, but longer we wait, the fewer options available and at higher rates.

# “What can the State do?”

# Additional storage is key

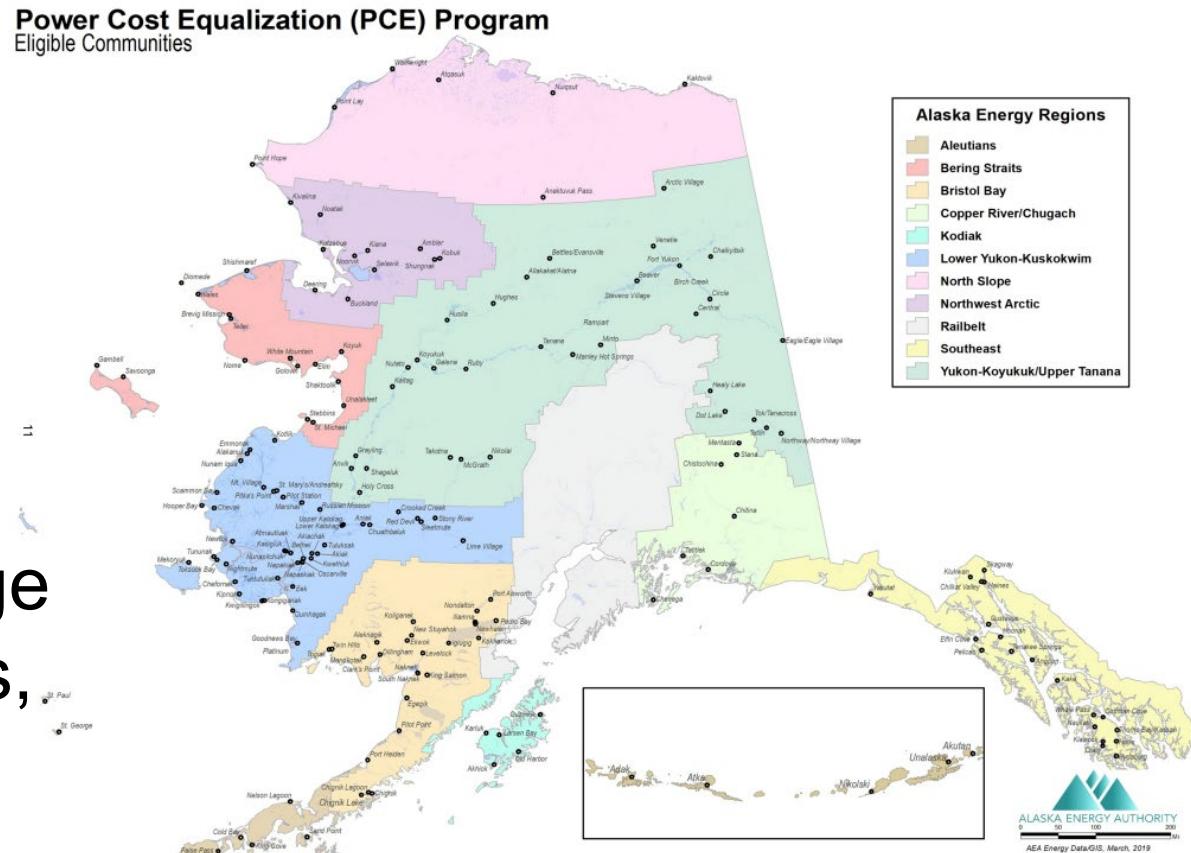
- Under every scenario, additional natural gas storage is required:
  - Added Cook Inlet deliverability
  - Support new projects coming online
- In November, CINGSA filed with the RCA to expand its facility to provide additional service

# Home Energy Rebate Program



# Cook Inlet Energy: An Alaska issue

- Energy costs in Rural Alaska.
- Local businesses support communities beyond Anchorage with cargo, goods, and services.



# Key Considerations

- There is no unsubsidized energy solution that will reduce the cost of power or space heating in the next 10 years.
- Any incentive or tax relief must be linked to firm contracts for Cook Inlet utilities.
- The second worst thing for Alaska is to import LNG. The worst thing is to do nothing.



## Questions