



Presentation to the Alaska State
Legislature Oil and Gas Tax
Credit Working Group

October 1, 2015

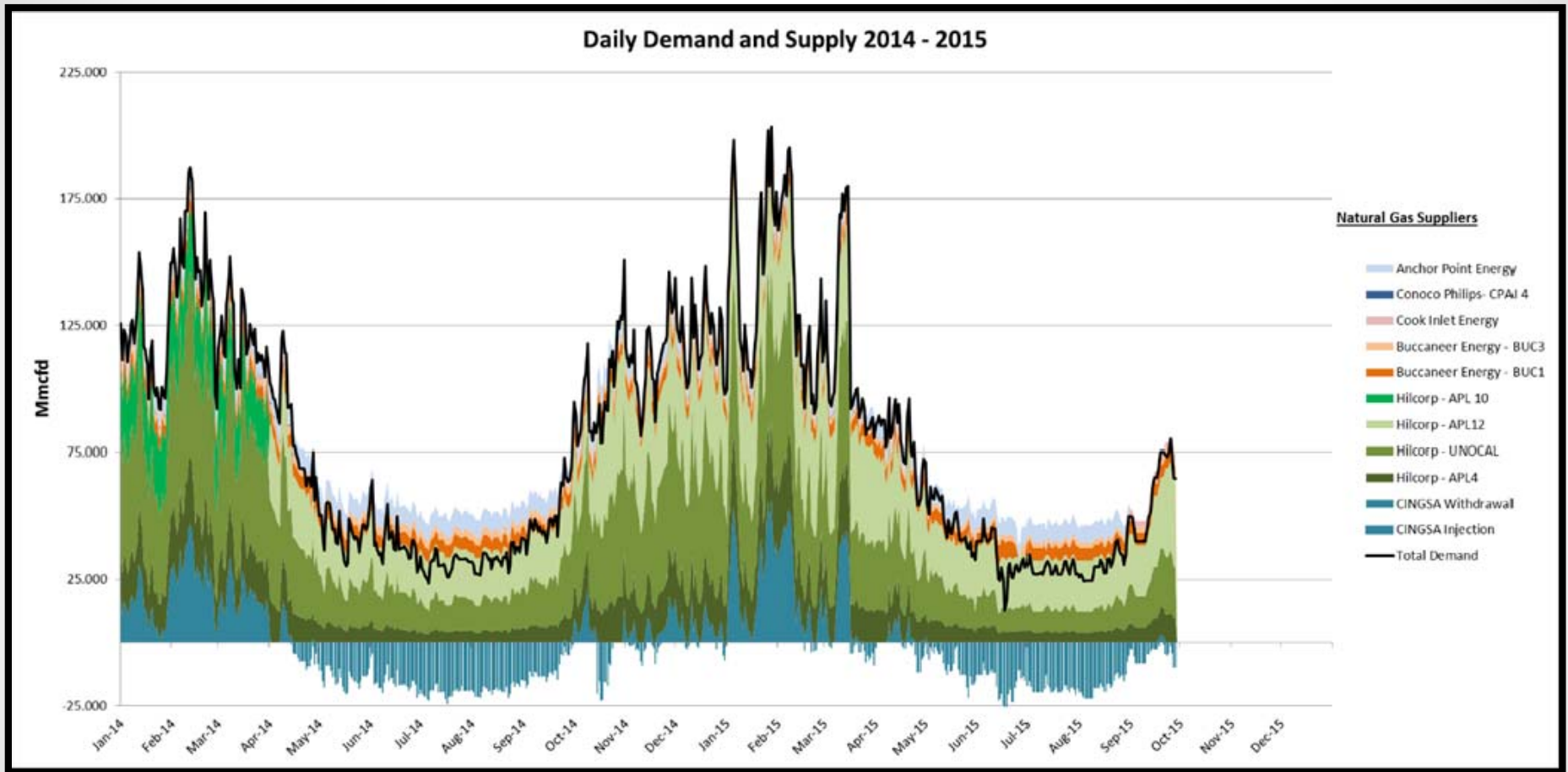
Introduction

- Mission
- Primer on ENSTAR Gas Demand
- History
- Final Thoughts

Primer on ENSTAR Demand

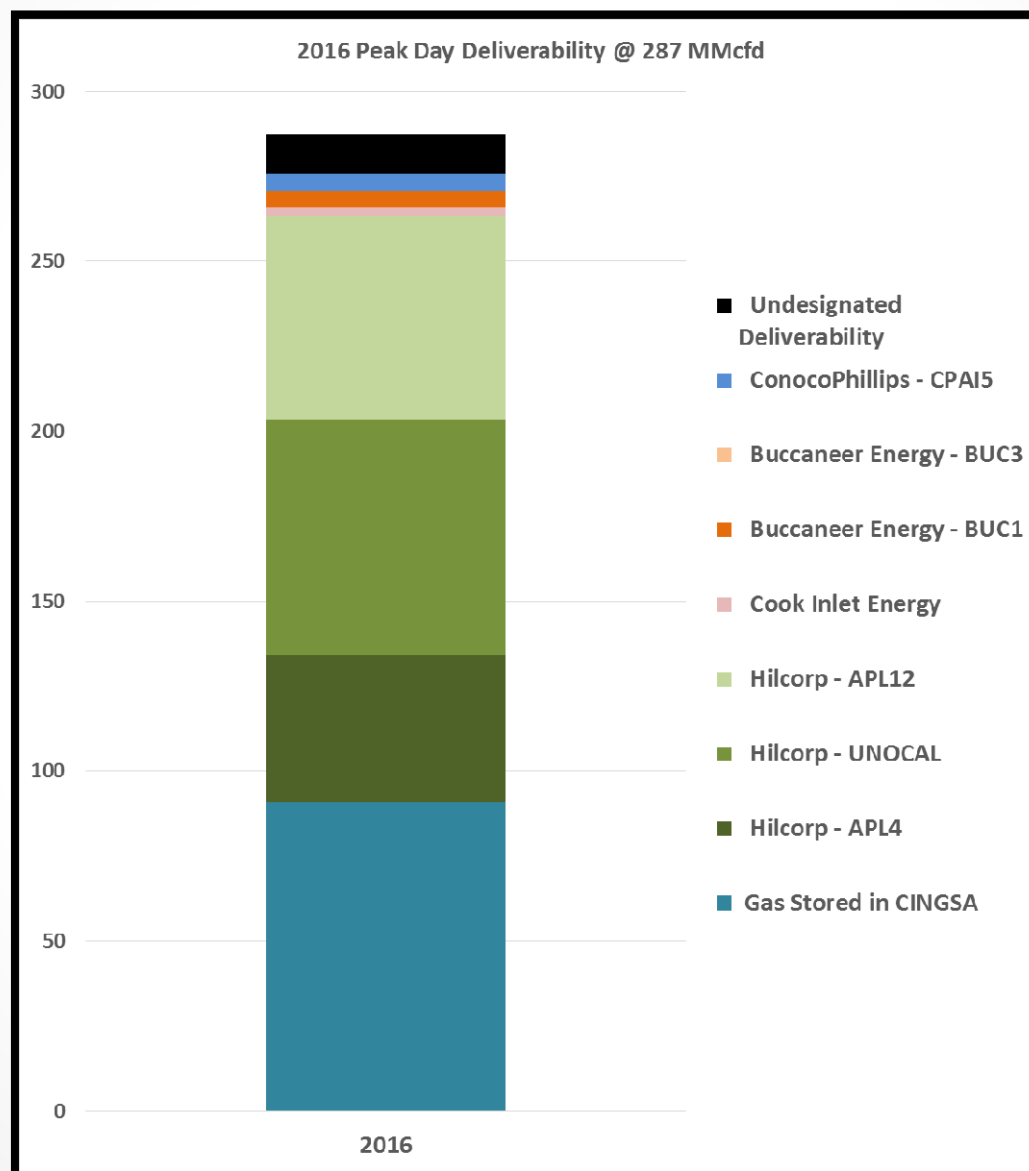
- ENSTAR Transmission: transporting other people's gas
- ENSTAR Distribution: flowing gas to Southcentral homes and businesses
- ENSTAR Annual Demand = ~ 33 Bcf
- Daily Demand: highly variable

Primer on ENSTAR Demand



Note, 2014 and 2015 have been abnormally warm years.

Primer on ENSTAR Demand



History

- Legacy Contracts:
 - Load following contracts at lower prices
 - Utility consumption byproduct of larger supply
- Tide changes in mid-1990's
- Unocal contract in 2001
- Followed by dismal decade

Cook Inlet Natural Gas Supply and Demand History

7.6 tcf cumulative production to date

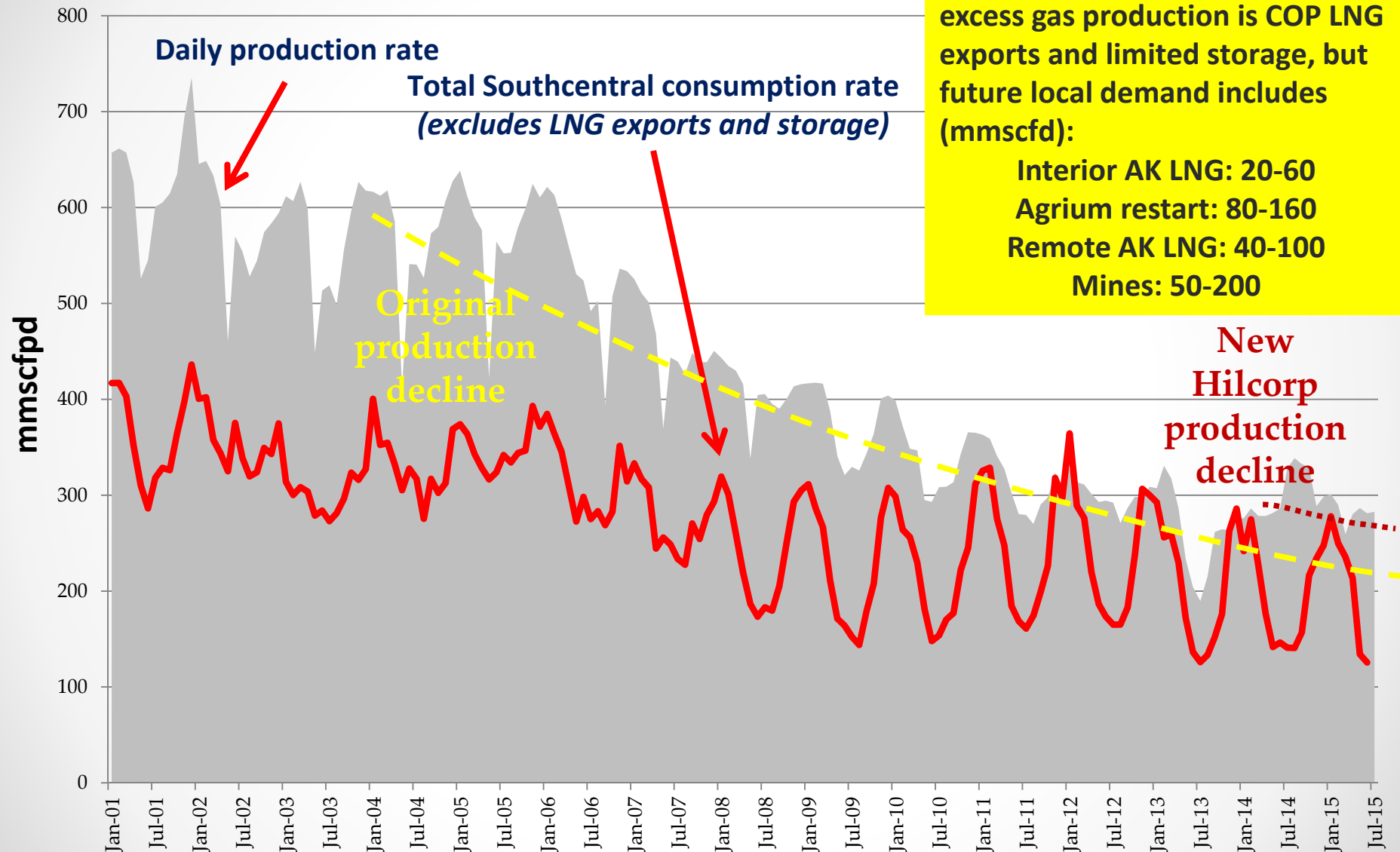
The only current market for excess gas production is COP LNG exports and limited storage, but future local demand includes (mmscfd):

Interior AK LNG: 20-60

Agrium restart: 80-160

Remote AK LNG: 40-100

Mines: 50-200



Source: State of Alaska Department of Natural Resources and US Energy Information Administration.



BlueCrest, 2015

History

Cook Inlet Gas Study - 2012 Update

prepared for



October, 2012

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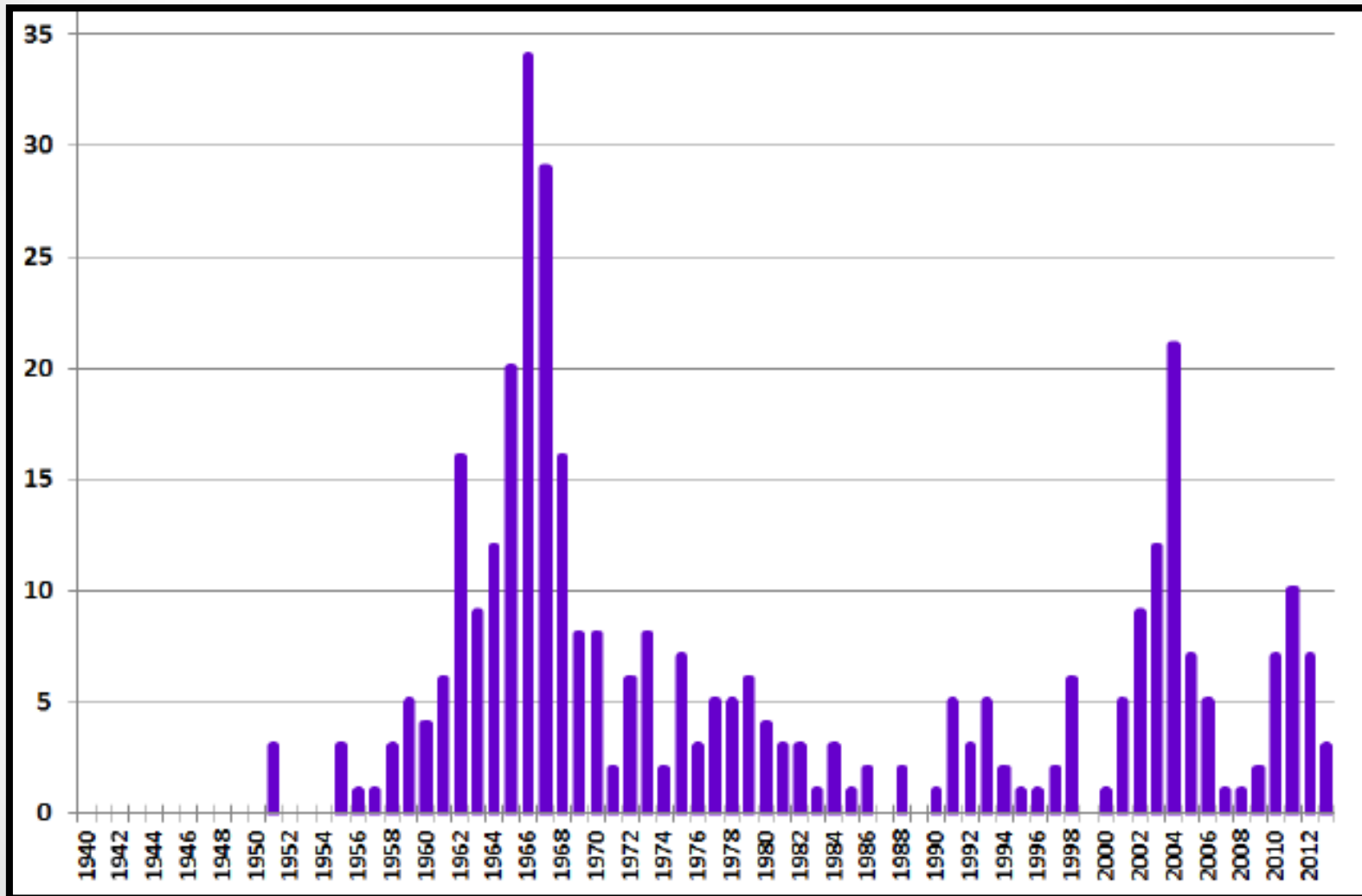


Due to the uncertainties of drilling and producing activities of operating and exploration companies and Alaska state agencies in influencing drilling activities, this study should be considered a best estimate at present with the current data available. It was prepared using generally accepted engineering predictive methods. As such, Petrotechnical Resources of Alaska can make no warranty as to the actual future performance of the Cook Inlet gas production.

Based on the PRA report, predicted gas supply decline curve drops below the anticipated demand level in 2014-15, with the supply shortfall increasing year-on-year after that.

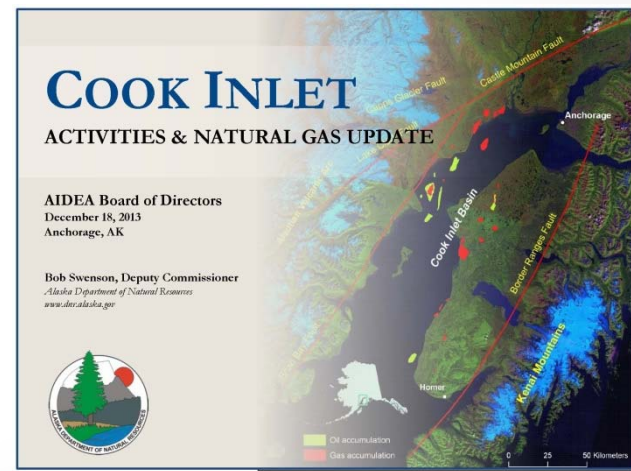
History

Cook Inlet Exploration Wells Per Year (Excluding OCS)



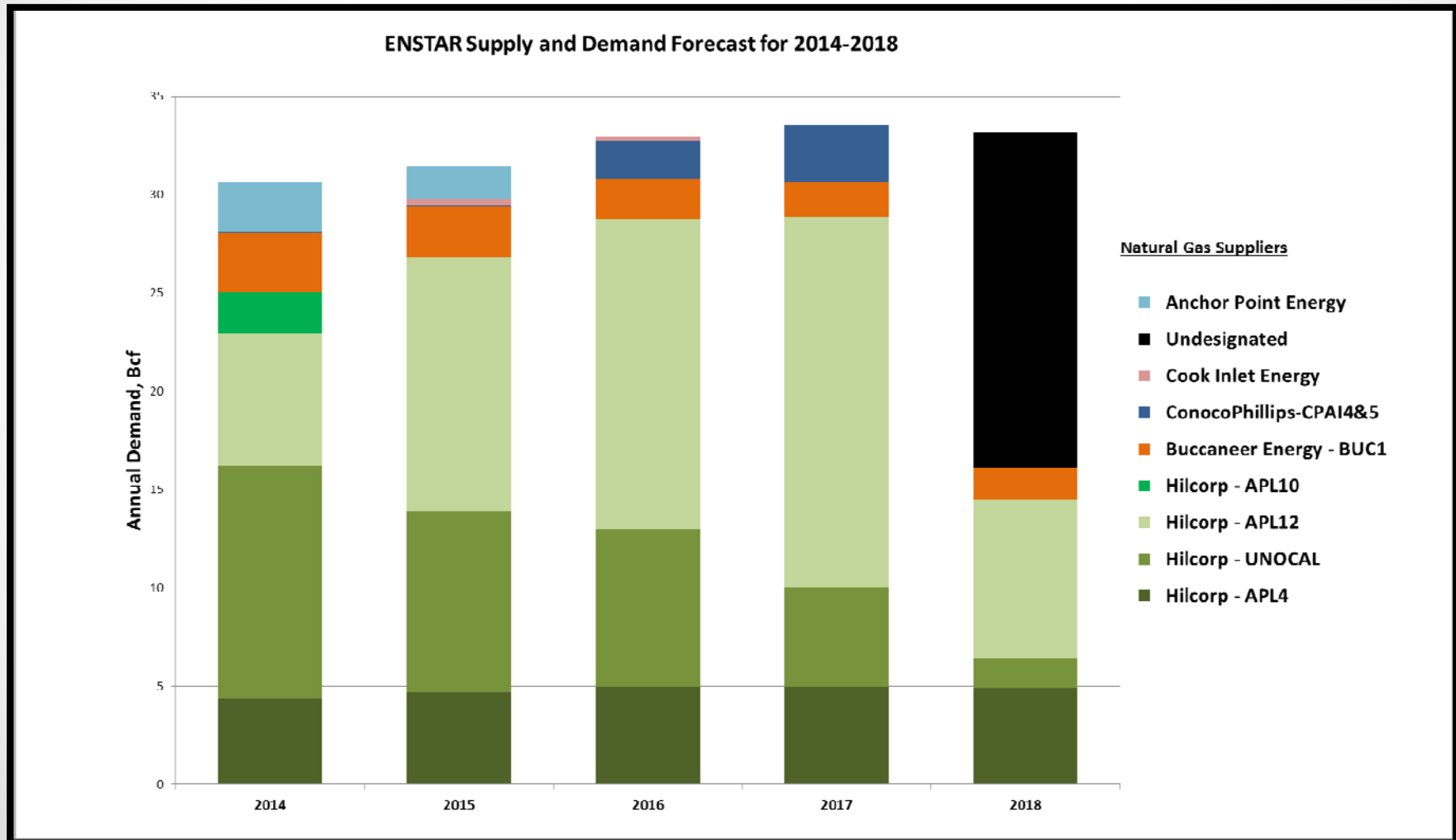
Cook Inlet Estimates

- Resource availability:
 - U.S. Geological Survey: ~ 19 Tcf of “undiscovered but technically recoverable” gas
 - DNR, Division of Oil & Gas: ~ 1.1 Tcf of estimated remaining producible reserves in 28 fields



2014-2018:

a period of short-term stability



Final Thoughts

- ENSTAR's mission is safe, reliable and affordable service to its customers:
 - This is a long-term mission which we must deliver for many decades to come
 - To serve customers, there must be secure, reliable natural gas to meet Alaska's peak winter needs
 - The supply situation is better now than it has been in a long time, however, it is a long ways from what it was in the 1980's

Final Thoughts

- ENSTAR is not “pro” or “anti” tax credits
- ENSTAR *is* pro stability. We have just, in the last few years, achieved a level of relative stability
- Any change or modification to tax credits should be done with great care, and should not be hasty