

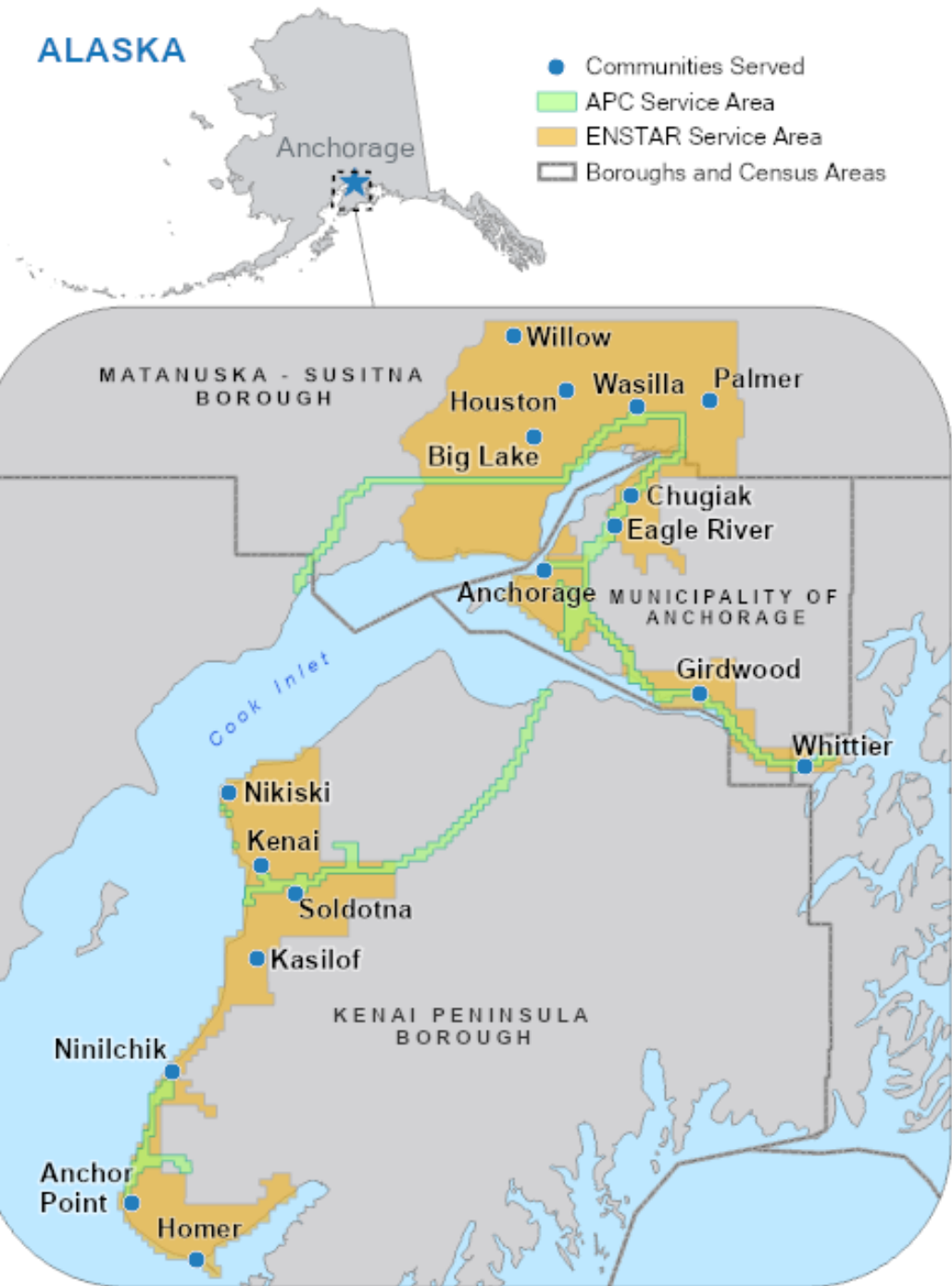
ENSTAR Cook Inlet Update

December 9, 2024



About ENSTAR

- Established in 1959
- 230 employees
- 153,000 customers
- 25 communities served
- Average annual gas consumption 35 BCF

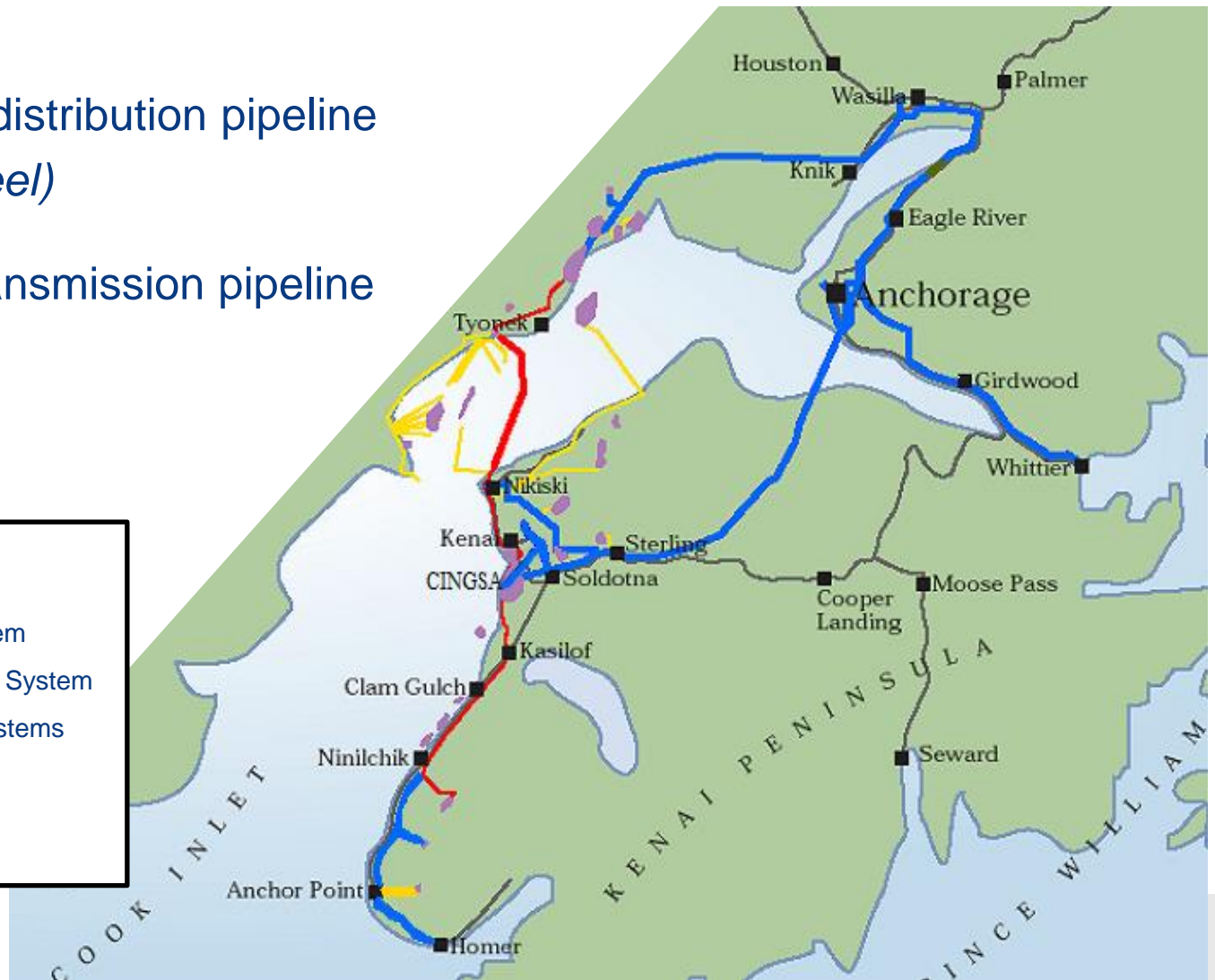


ENSTAR System Overview

- 3,249 miles of distribution pipeline (*HDPE and Steel*)
- 442 miles of transmission pipeline (*Steel*)
- CINGSA

MAP KEY

- Alaska Highway System
- ENSTAR Natural Gas System
- Other Natural Gas Systems
- Natural Gas Systems Owned by Producers
- Gas Fields



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.

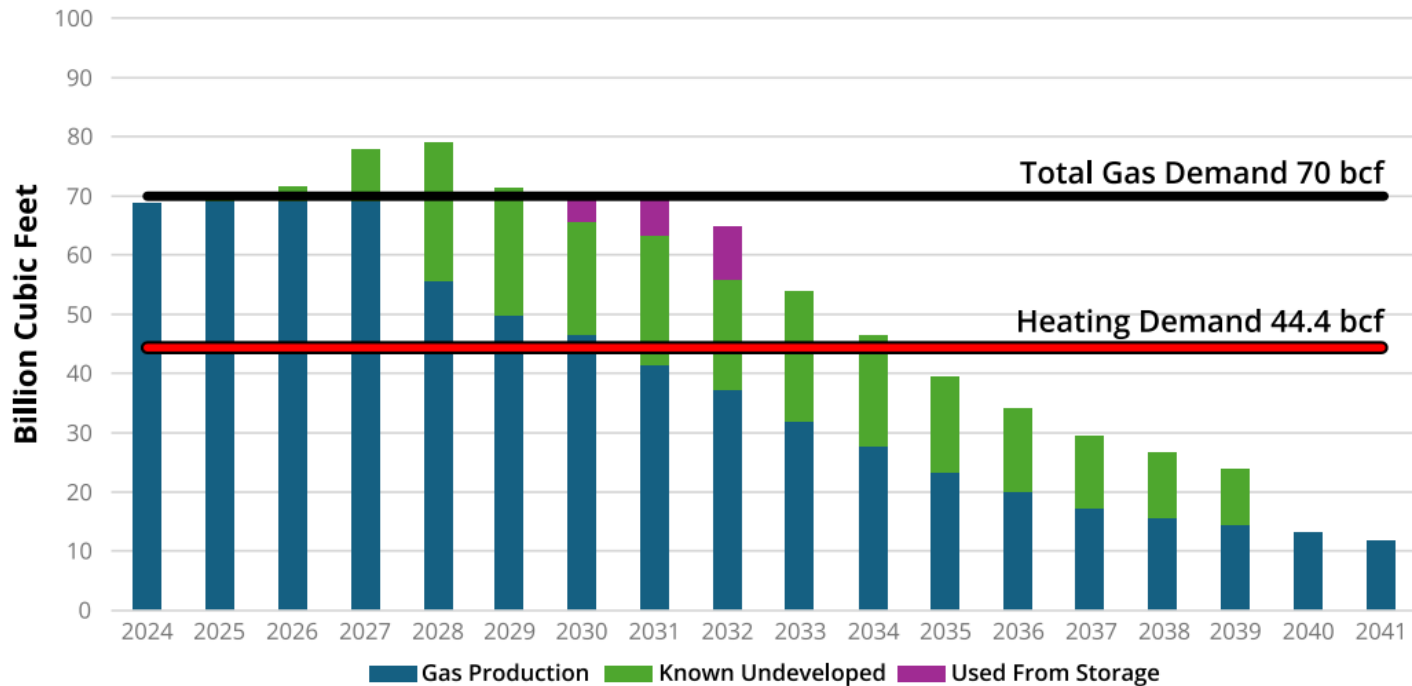
(a) Each public utility shall furnish and maintain adequate, efficient, and safe service and facilities. This service shall be reasonably continuous and without unreasonable interruption or delay.

DNR (Cont.)

"RUNWAY" OF COOK INLET GAS



Cook Inlet Gas Production



Gas Production: Proved developed and proved undeveloped gas
Total Gas Demand: Gas used on the Railbelt for electricity and heating

DNR House Resources Presentation



COST OF GAS SUPPLY

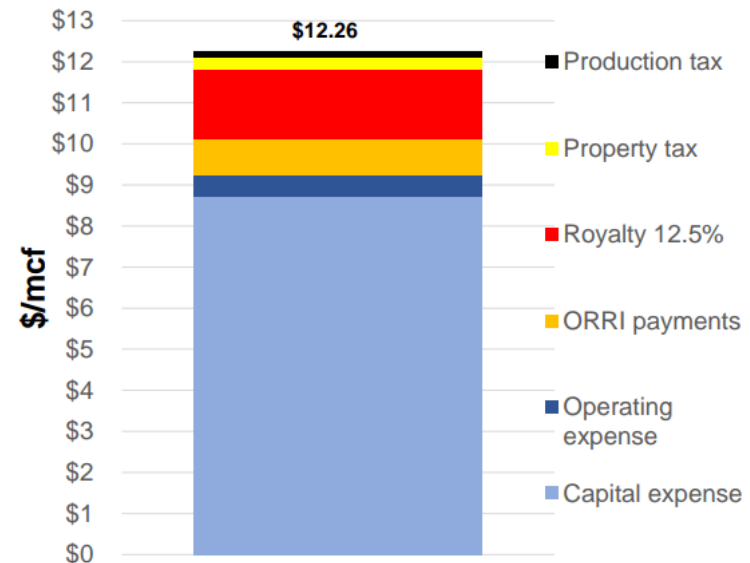
Hypothetical model for a new gas development project

	Scenario
Investment	\$350 million
Development time	3 years
Cumulative production	250 bcf
Operating expenditures	\$0.5/mcf

1. The cost of gas supply is the minimum price that investors would require to fund this investment
2. This assumes investors require
 - a payback time of 4 years
 - a minimum annual real return of 15%

ORRI = Overriding royalty interest
 mcf = thousand cubic feet of gas
 bcf = billion cubic feet of gas

Proportional cost based on a hypothetical sales price of \$12.26 per mcf



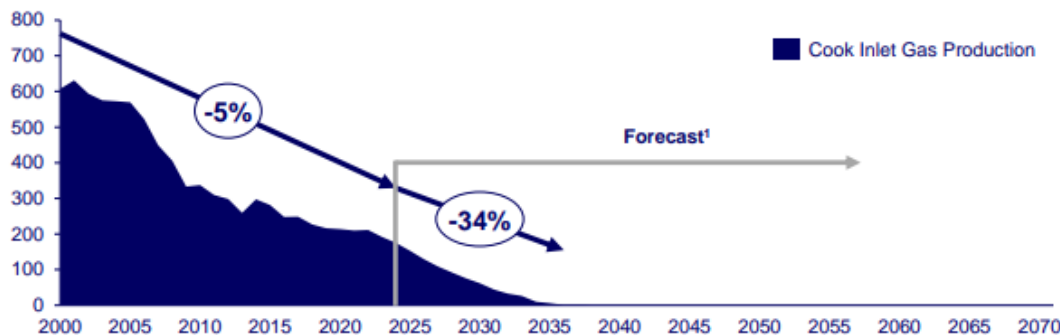
Wood Mac Presentation – House Resources

Southcentral and Interior Alaska market overview



Gas supply has been dwindling, and despite exploration efforts by operators, no new volumes have been discovered in Cook Inlet to replenish the reserves

Cook Inlet gas production
mmcf/d

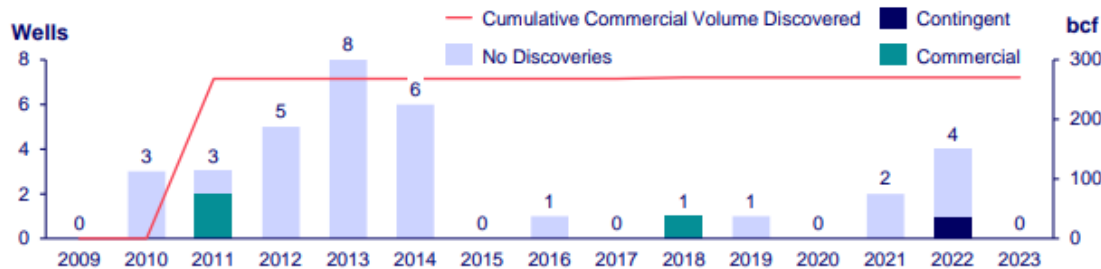


- Cook Inlet production is expected to be depleted by the mid-2030s

▪ Exploration success in the Cook inlet has been limited:

- 34 exploration wells drilled in the last 15 years
- 9% success rate with only three commercial discoveries
- 270 bcf of reserves discovered in the last 15 years

Exploration activity in the Cook Inlet basin



Source: Wood Mackenzie

1. Compounded Annual Decline Rate is 34% driven by production reaching 0 in 2037.



Gaffney Cline Presentation

Considerations for Cook Inlet

An array of downside risks will face any oil / gas investor

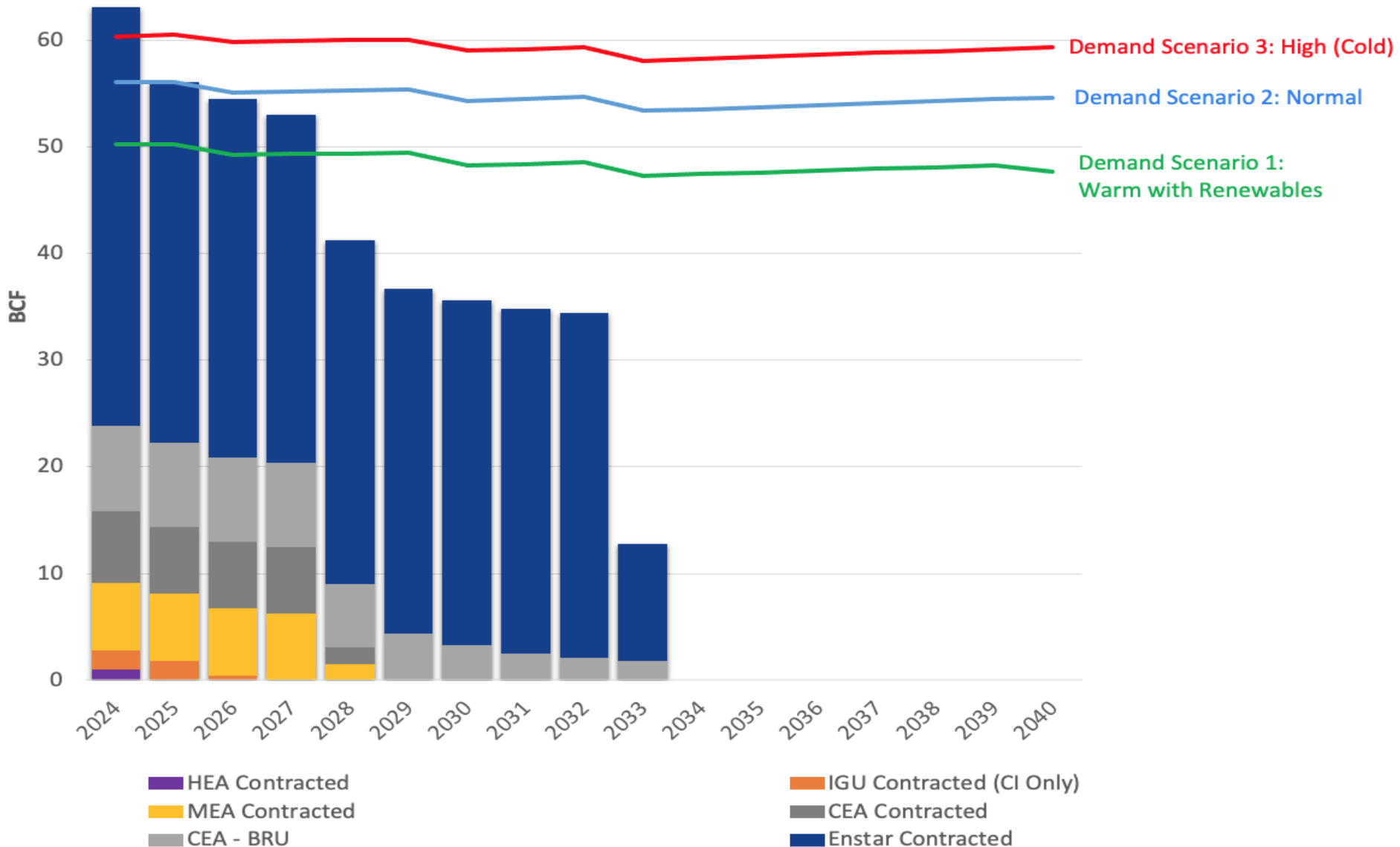
- **Supply Risk:**

- Cost pressures
- Aged infrastructure
- Lack of access for services
- Challenging climate and operational environment
- Environmental considerations
- Decommissioning liabilities

- **Market Risk:**

- Lack of access to liquid wholesale market
- Gas buyers are actively seeking diversification
 - Renewable generation
 - LNG
- Potential for competing gas from North Slope

Combined Utilities' Annual Demand



Top Options to Diversify Future Gas Supply

A. Cook Inlet Gas Supply

- Remains a preferred option but is not sufficient to meet long-term demand forecast
- Continue to negotiate options to fill near-term supply gaps

B. Floating Storage and Regasification Unit (FSRU)

- Existing terminals
- New FSRU mooring system

C. Land-Based Regasification Terminal

- Multiple options / configurations exist

D. North Slope Pipeline

- Long distance pipeline only viable with state participation / investment when considering utility demand exclusively
- Provides broad and long-term benefits across the state

Final Thoughts

- Storage is a key component of any project
- Legislature's role:
 - What is the energy future of Alaska?
 - Who will pay?
 - Risk mitigation?
- Utilities' role:
 - Develop a near-term solution
 - Make prudent investments
 - Firm supply
 - Reasonable price for customers



Questions

