

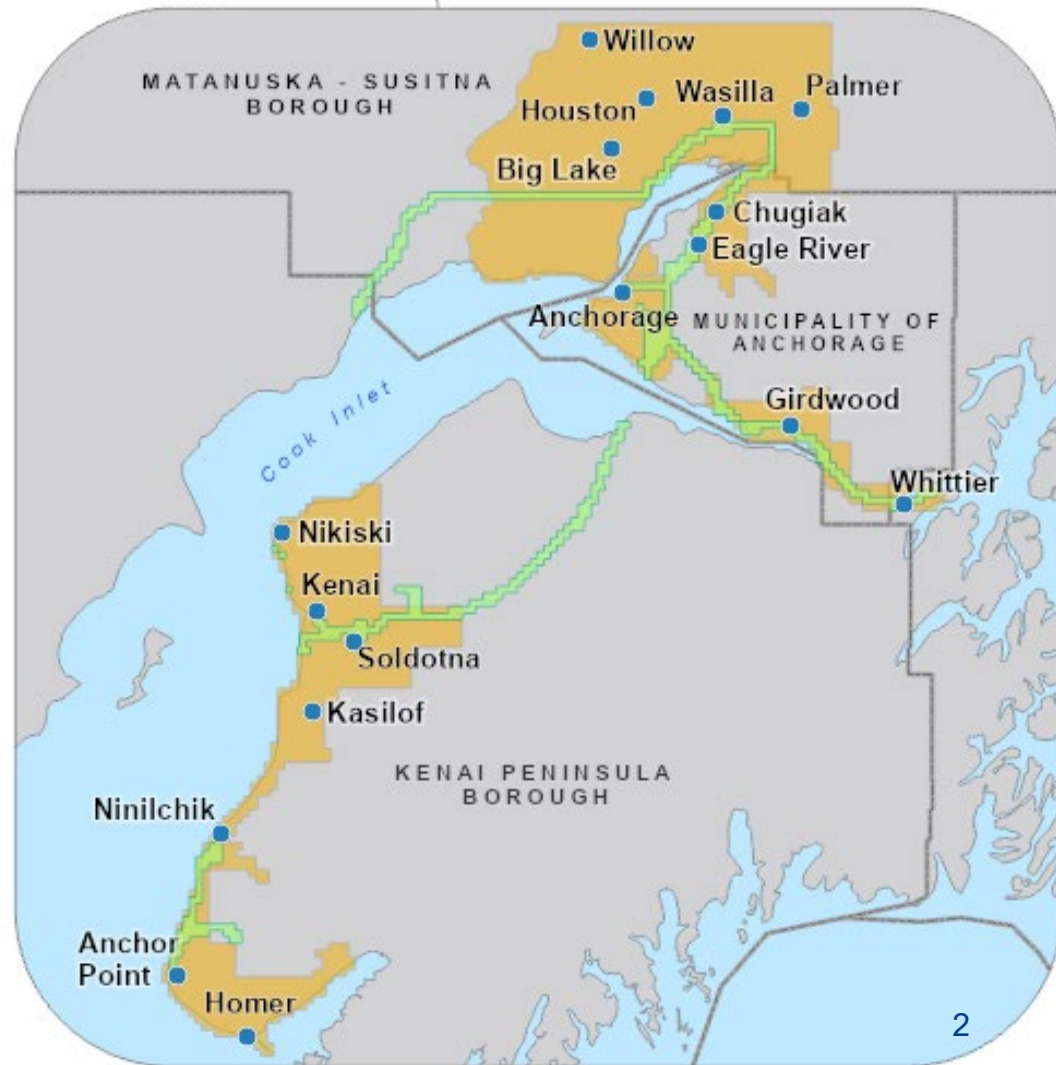
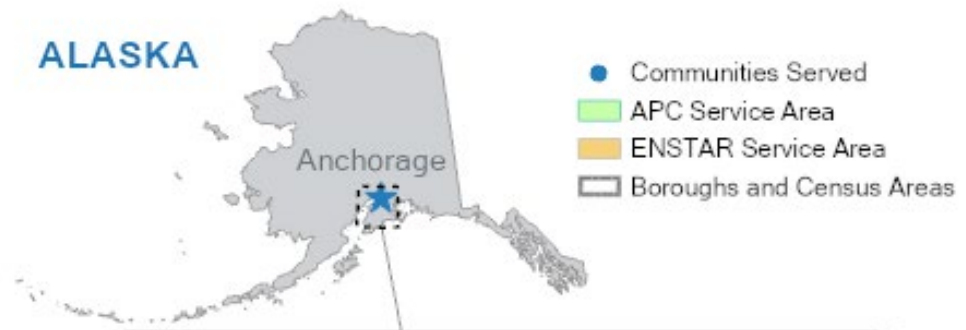
# Cook Inlet Gas Supply: An Alaska Issue

February 21, 2024



# About ENSTAR

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



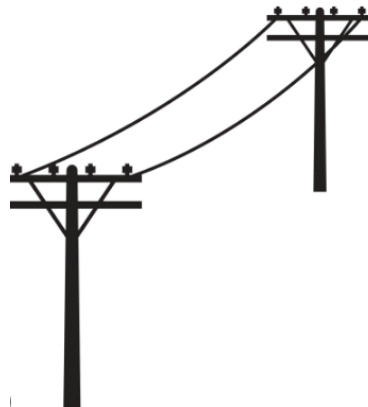
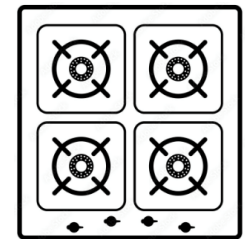
# History of Cook Inlet Natural Gas

- Swanson River – 1957
  - Launchpad for Statehood
  - Spurred economic development.
- ENSTAR's first gas delivery – 1961
- All gas used by ENSTAR customers and electricians in Mat-Su, Anchorage, and Kenai Peninsula has been sourced from the Cook Inlet Basin.



# Natural Gas 101

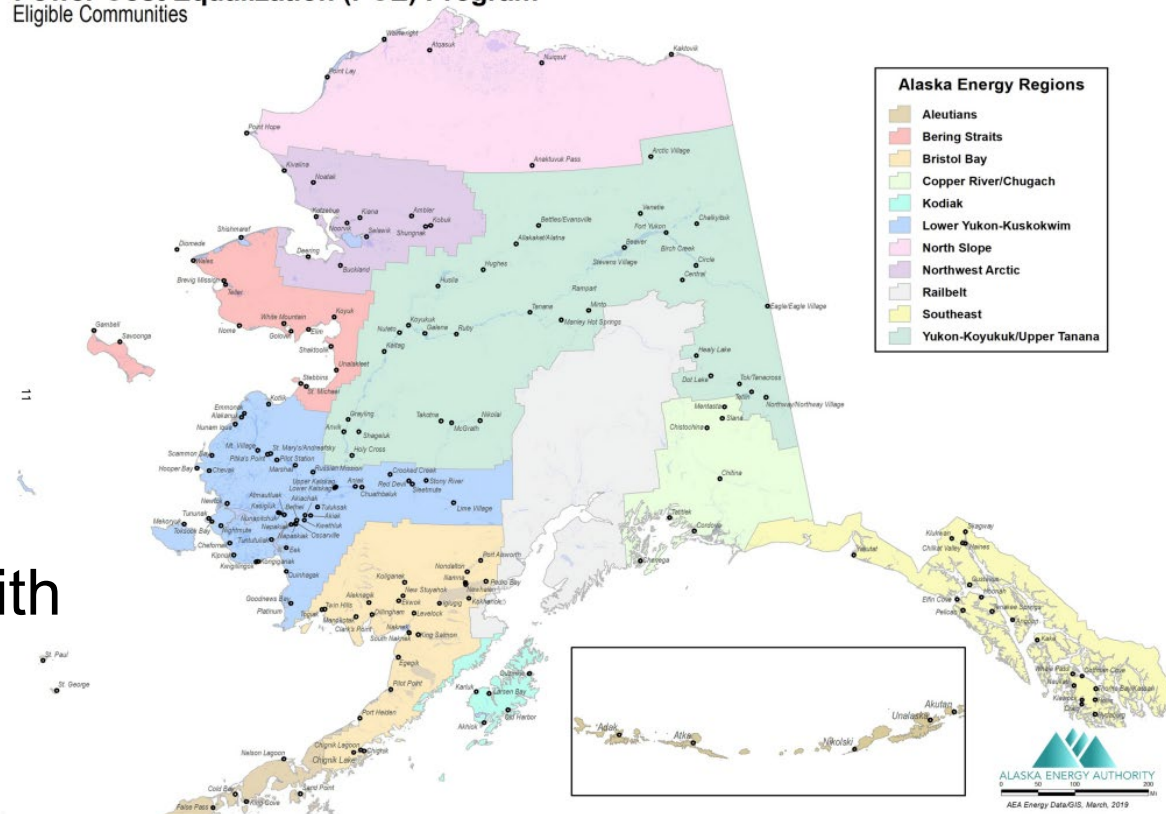
- Home heating for more than half of the state's population.
- Other common gas appliances: hot water heaters, stoves, clothes dryers.
- Efficient energy source: cleaner burning and more affordable compared to alternatives.
- Used to generate more than 80% of regional power.



# Cook Inlet's Ripple Effect

- Southcentral:  
Anchorage, Mat-Su,  
Kenai Peninsula.
- Energy costs in Rural  
Alaska.
- Local businesses  
support communities  
beyond Anchorage with  
cargo, goods, and  
services.

Power Cost Equalization (PCE) Program  
Eligible Communities



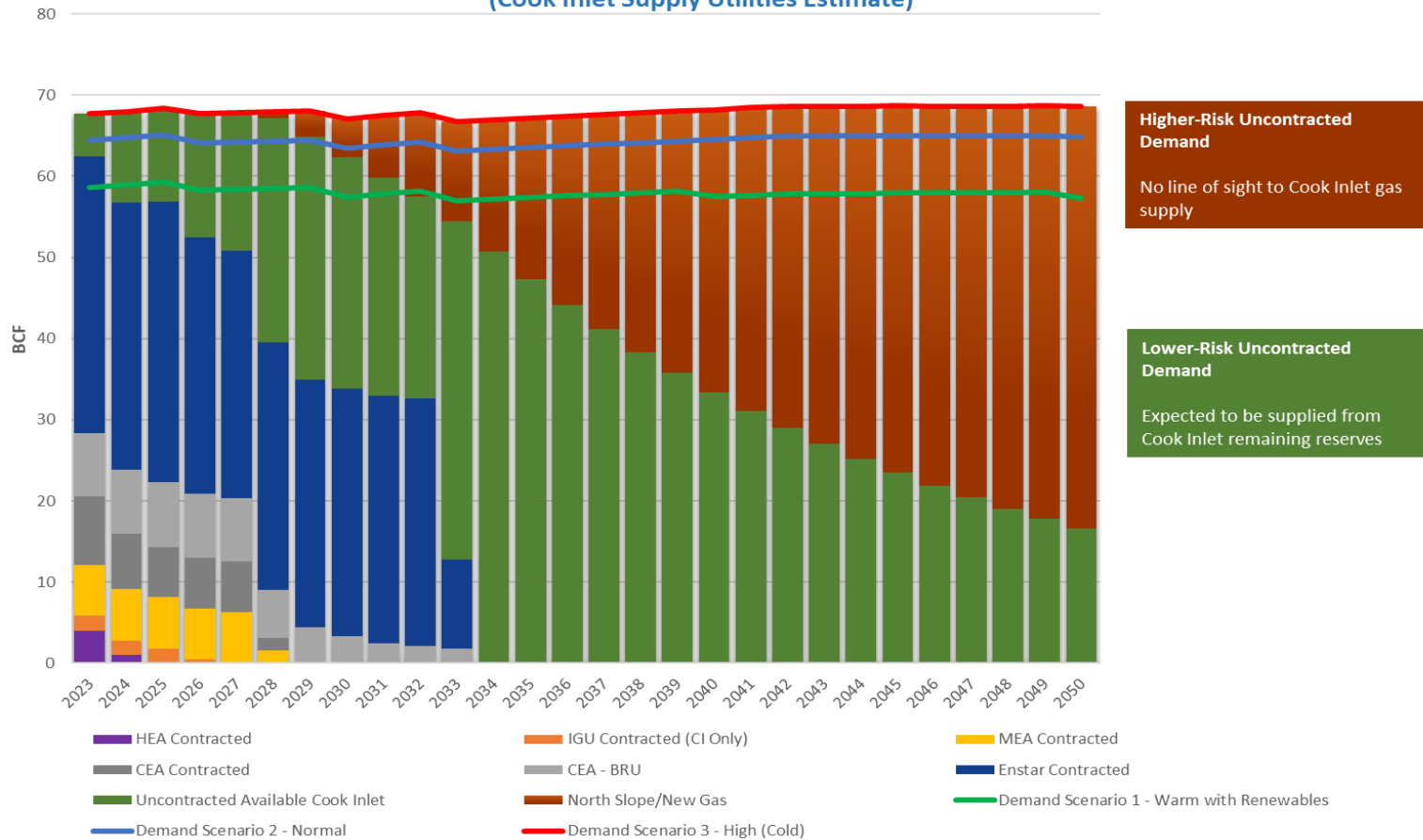


# Utility Working Group

- 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

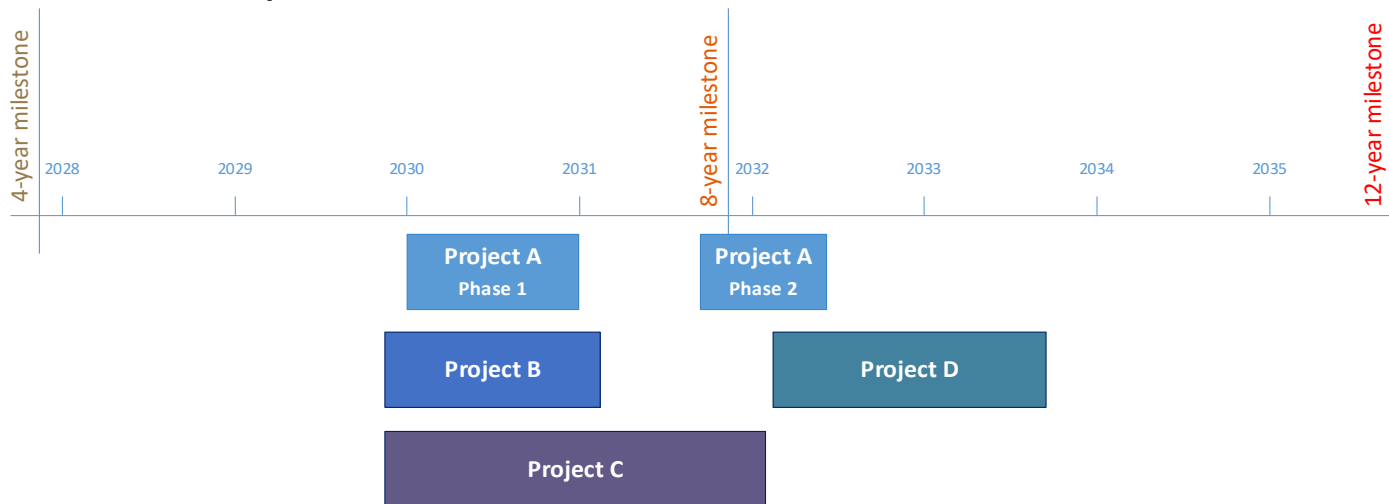
# Utilities' Market View Fall '22

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



# 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.
- Today, quick, bold action is required to serve this region in the short and long-term.
- Similar to 2010, we know natural gas storage is required under any scenario and should be regulated for price transparency.

# Early Impacts: 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?	✓	✓	✗	✗

# What now?

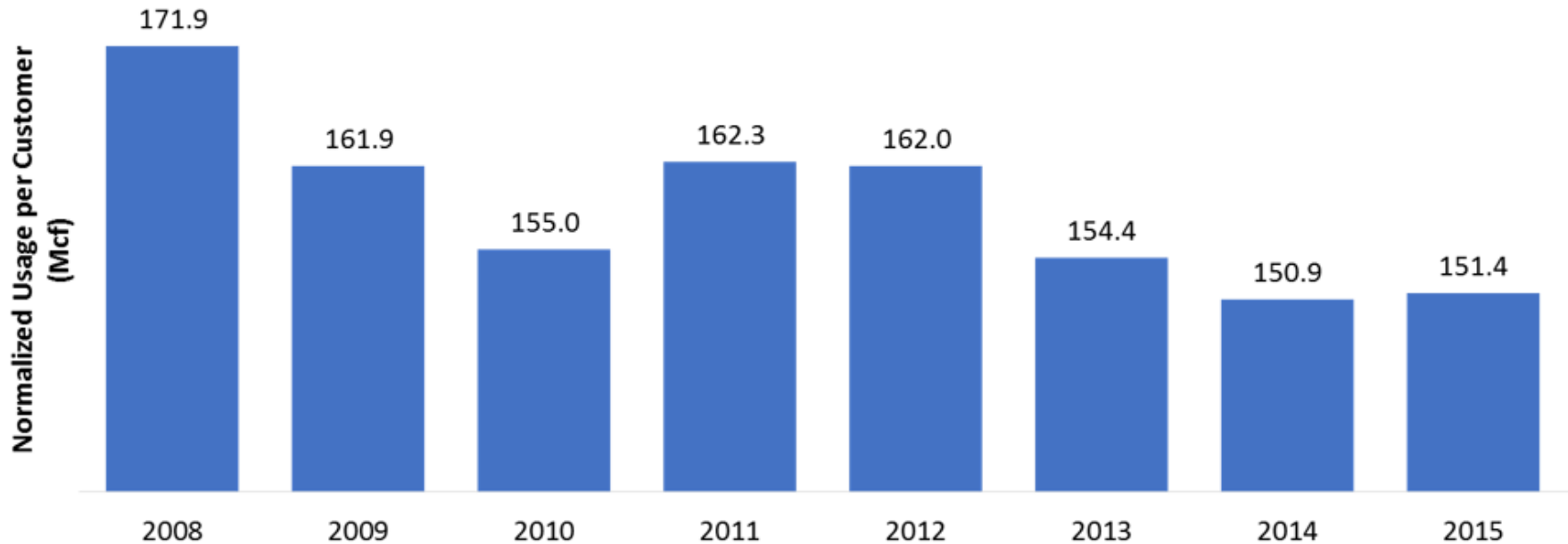
- Timely actions is required to avoid a gap in supply.
  - Short-term: Need strong support for Cook Inlet exploration and production activities.
  - Long-term: Decisive action on a large natural gas supply project.
- Ultimately, Alaska residents and businesses are on the hook for cost impacts.
- Working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

# What about communities outside the Railbelt?

- Power Cost Equalization program
  - More than 80% Southcentral electric generation = natural gas, increasing energy parity with PCE communities.
- Economic impacts
  - Higher energy costs in Anchorage = higher cost of goods and services originating from the region.
- Stay informed, talk with legislators, help residents and businesses prepare for impacts.

# Home Energy Rebate Program

Normalized Average Annual Residential Customer Usage



# Key Considerations

- There is no unsubsidized energy solution that will reduce the cost of power or space heating in the next 10 years.
- The second worst thing for Alaska is to import LNG. The worst thing is to do nothing.



# Rolling up our sleeves

- We have some time to prepare, plan, and work toward a solution.
- Resourcefulness and ingenuity are the backbone of this State, threaded through each community, especially rural Alaska.
- We will learn from each other, work together, and find the best solution for Alaska's unique needs.



# Questions

