



NATURAL GAS
PIPELINE AUTHORITY

presentation to

STATE OF ALASKA
LEGISLATIVE BUDGET & AUDIT
COMMITTEE

September 1, 2004

Introduction to the Authority

Bryan Hassler – *Executive Director*

Carla Hubbard – *Administrator*

Gregg Detweiller – *Technical Analyst*

Colby Drechsel – *Technical Analyst*



Board Members:

Mark Doelger - Chairman

Marc Randal Strahn - Vice Chairman

Tom Swanson - Board Member

Jim Nielson - Board Member

Jim Peck - Board Member

Authority's Goals & Mission

Goals:

- > Reduce the price differential for all Wyoming-produced gas to historic levels of \$0.50 or less.
- > Increase the market for and market access to Wyoming-produced gas by 2 Bcf/d in the next four years. (Currently produces 4.2 Bcf/d of which 4.0 Bcf/d is exported.)

Mission:

- > Advance and facilitate all industry sponsored and supported projects.
- > Proactively promote infrastructure development within the state and Rocky Mountain region.
- > Promote efficient utilization of existing infrastructure in a cost effective manner.
- > Promote development of Wyoming's mineral resource base in a systematic, streamlined and environmentally responsible manner.
- > Utilize \$1 billion bonding authority to build or cause to be built infrastructure projects that will enhance state netbacks.
- > Promote development of an energy resource base that is in the nation's best interests.

Authority's Background

The Wyoming Natural Gas Pipeline Authority (WPA)

- > Listed in the 2004 Wyoming Statutes under Title 37 "Public Utilities": Chapter 5.
- > Established July 1, 1979.
- > The stated purpose is to plan, finance, construct, develop, acquire, maintain and operate pipeline infrastructure within & without the state.

Major Attributes

- Bonding authority of \$1 billion.
- Use of bond proceeds immediately after the sale of the bonds rather than after completion of project construction.
- Permits the Authority to sell or lease capacity.
- Statutes allow the Authority to lend the bond proceeds to other parties.

Authority's Background

Major Attributes - continued

- Authority can charge fees for the use of Authority's facilities including pipeline capacity.
- Authority can conduct hearings to obtain data, identify markets for Wyoming natural gas and be an advocate before FERC.
- Statues allow the Authority to acquire natural gas supplies to fulfill its capacity commitments.

Revisions Enacted in 2004 Legislative Session

- ▶ Provides the Authority access to pipeline capacity for its own purposes.
- ▶ Permits the Authority to have an undivided interest in pipeline assets.
- ▶ Allows conduit financings by the Authority.
- ▶ Clarifies the purchase of the Authority's bonds by the State treasurer.

ANGDA / WPA Comparison

Similarities:

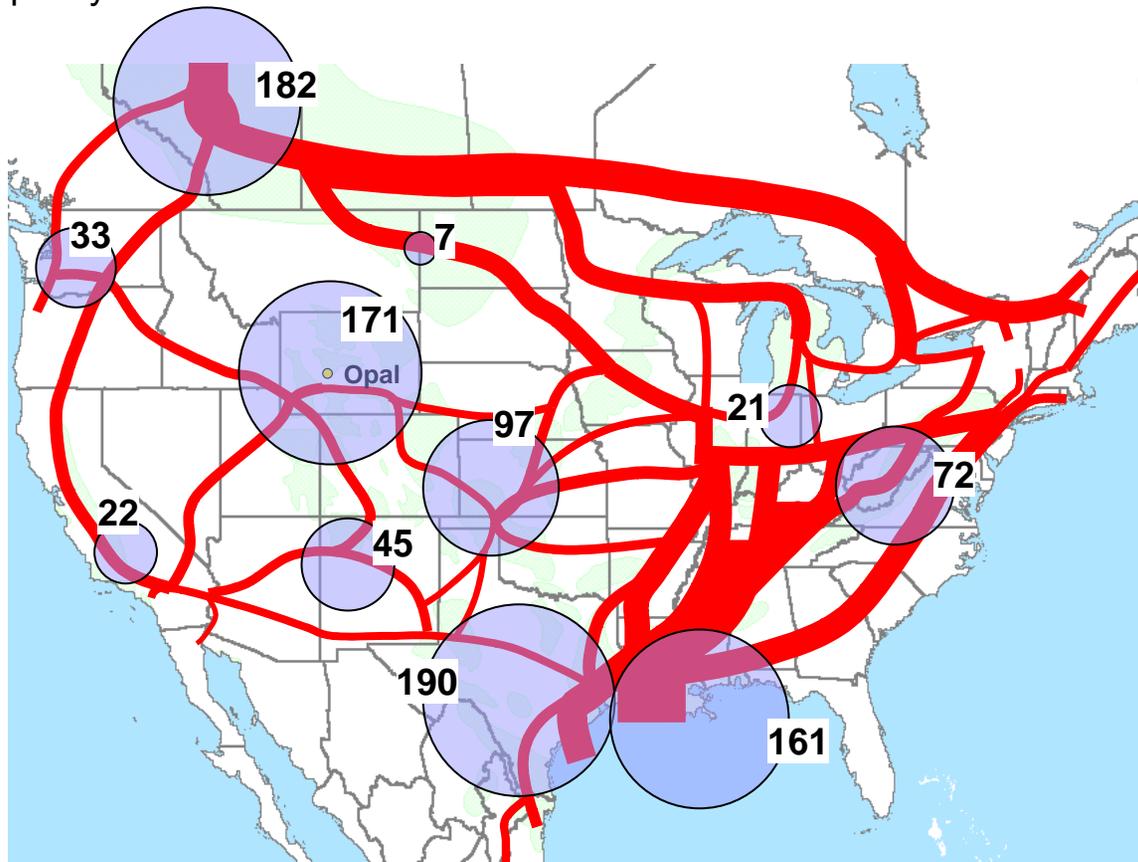
- 1) Both the ANGDA and WPA were established to promote the development of their respective State's natural resources.
- 2) Each was designed to be self supporting.
- 3) The Authorities can take an ownership interest in a project.
- 4) Each Authority can issue both tax-exempt and taxable bonds.

Differences:

- 1) WPA does not need legislative approval to issue bonds.
- 2) WPA is limited to \$1 Billion of bond authorization.
- 3) WPA can not provide a moral obligation pledge.
- 4) WPA operations are funded by a state loan.

Natural Gas Pipelines & Volume of Remaining Supply (Tcf)

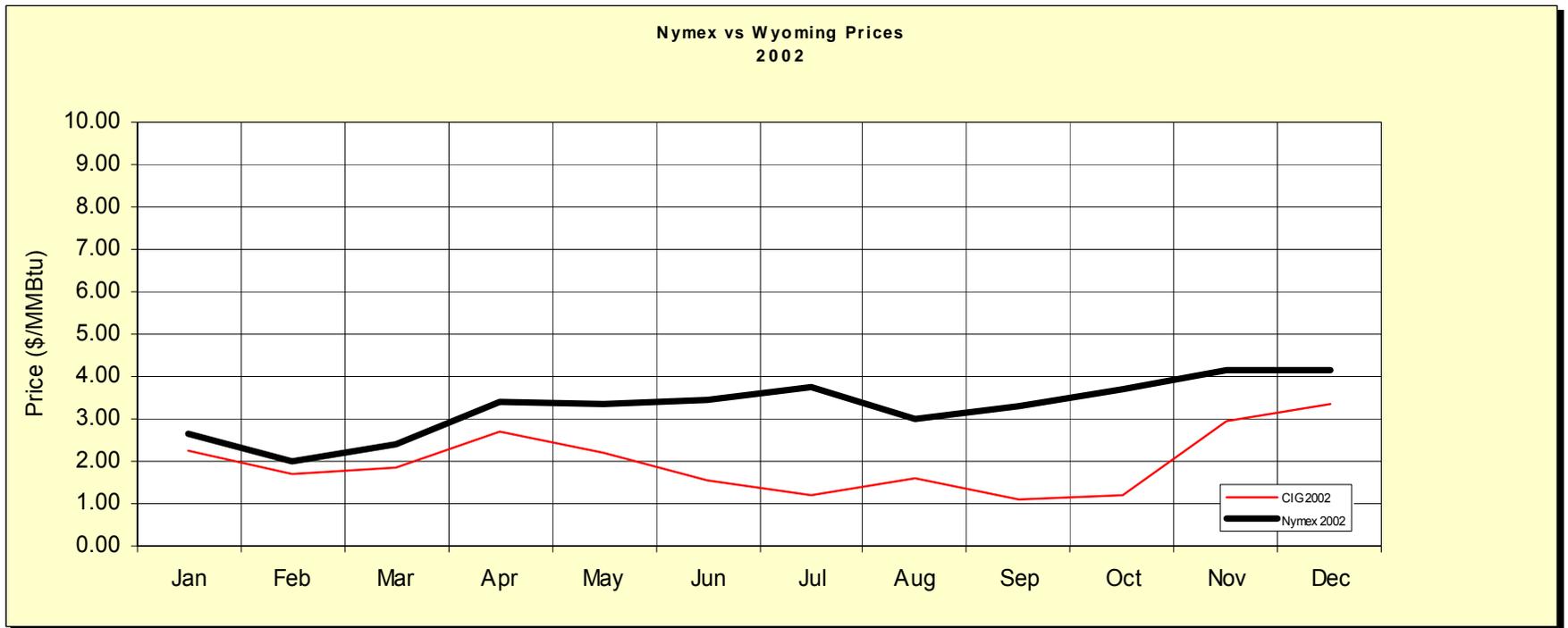
The pipeline system is underbuilt in relation to the natural gas resource in the Central Rocky Mountains. This gas supply is underutilized and undervalued as a consequence of lack of pipeline capacity.



Why Establish an Authority?



Nymex vs. Wyoming Prices - 2002



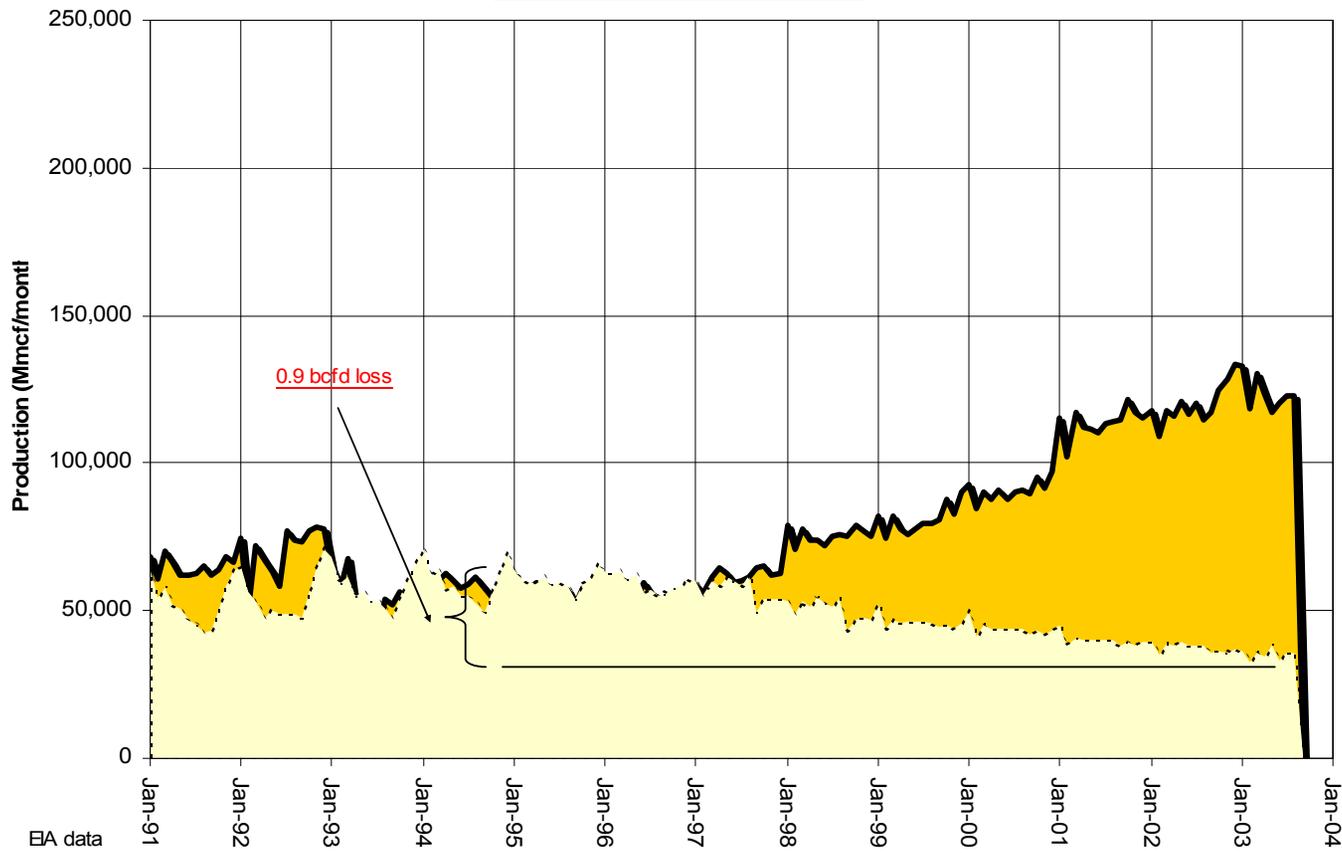
Cost of Limited Infrastructure to Wyoming

- 130 + million in Federal/State royalties and severance taxes – 2002.
- \$1 million per day in March 2003.
- Stalled investment in development of mineral resources.
- Limited ability to predict revenues with certainty.

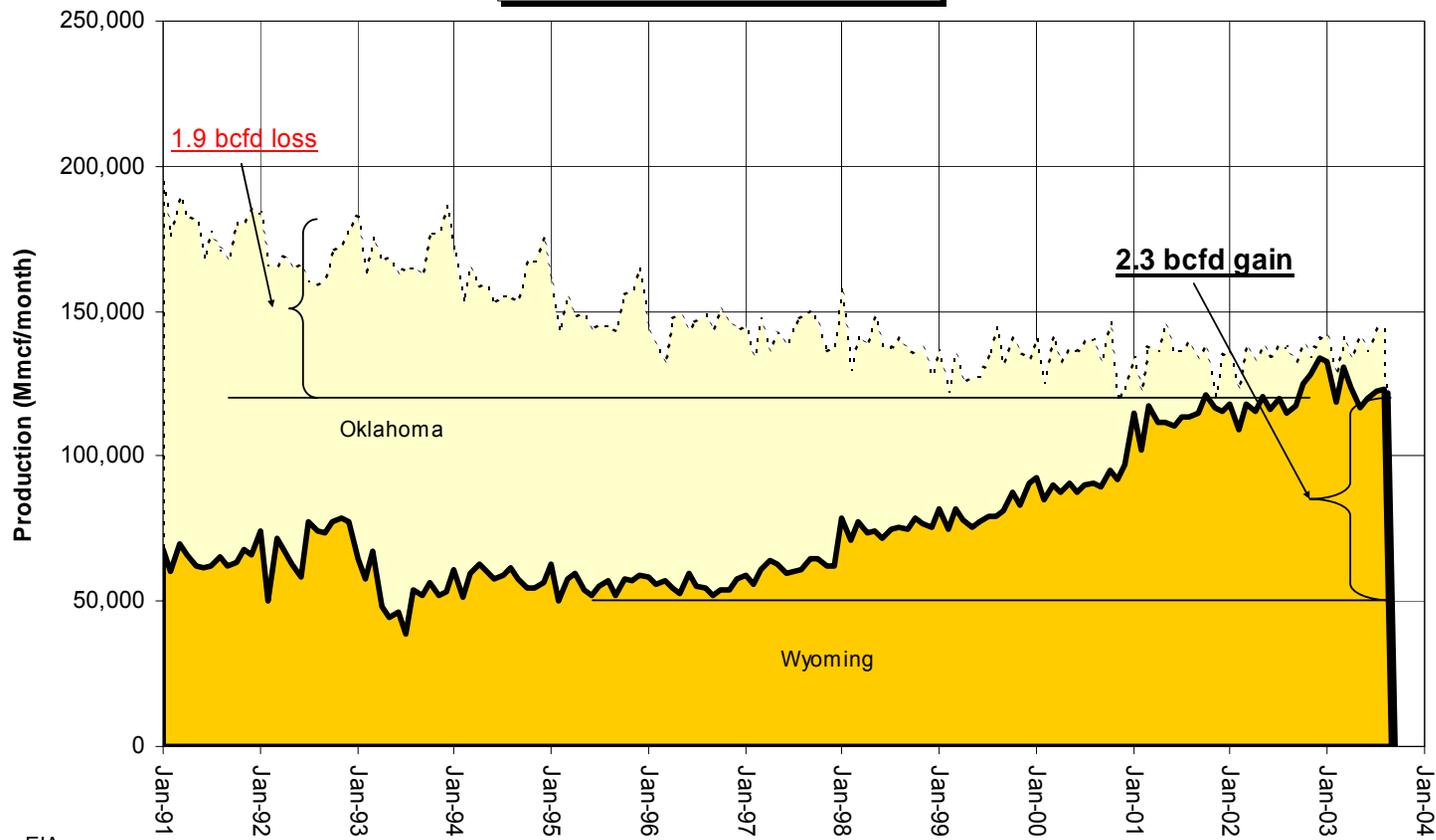
Growing Supplies in Wyoming

Declining supplies everywhere else!!!

Wyoming vs Kansas



Wyoming vs Oklahoma



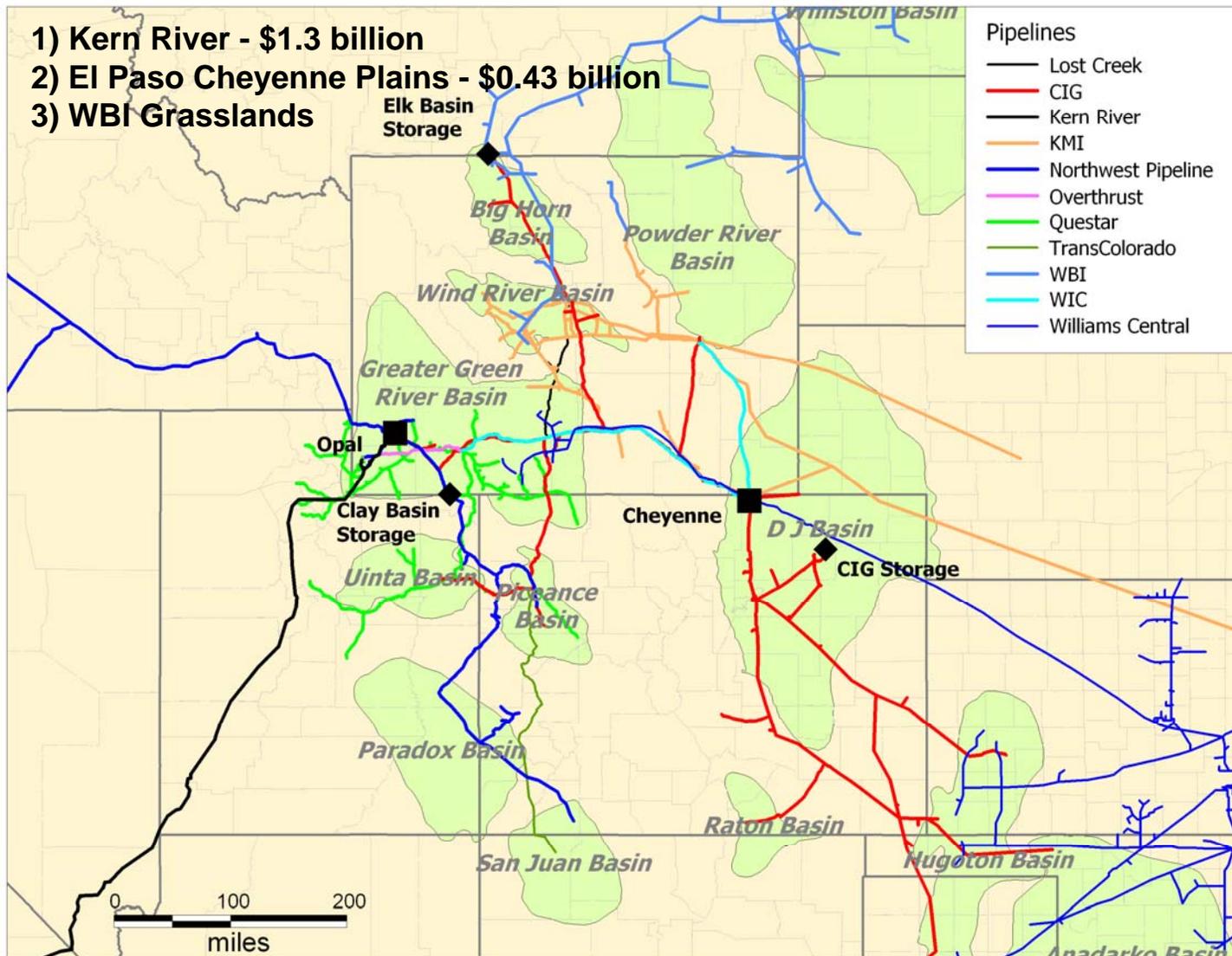
EIA



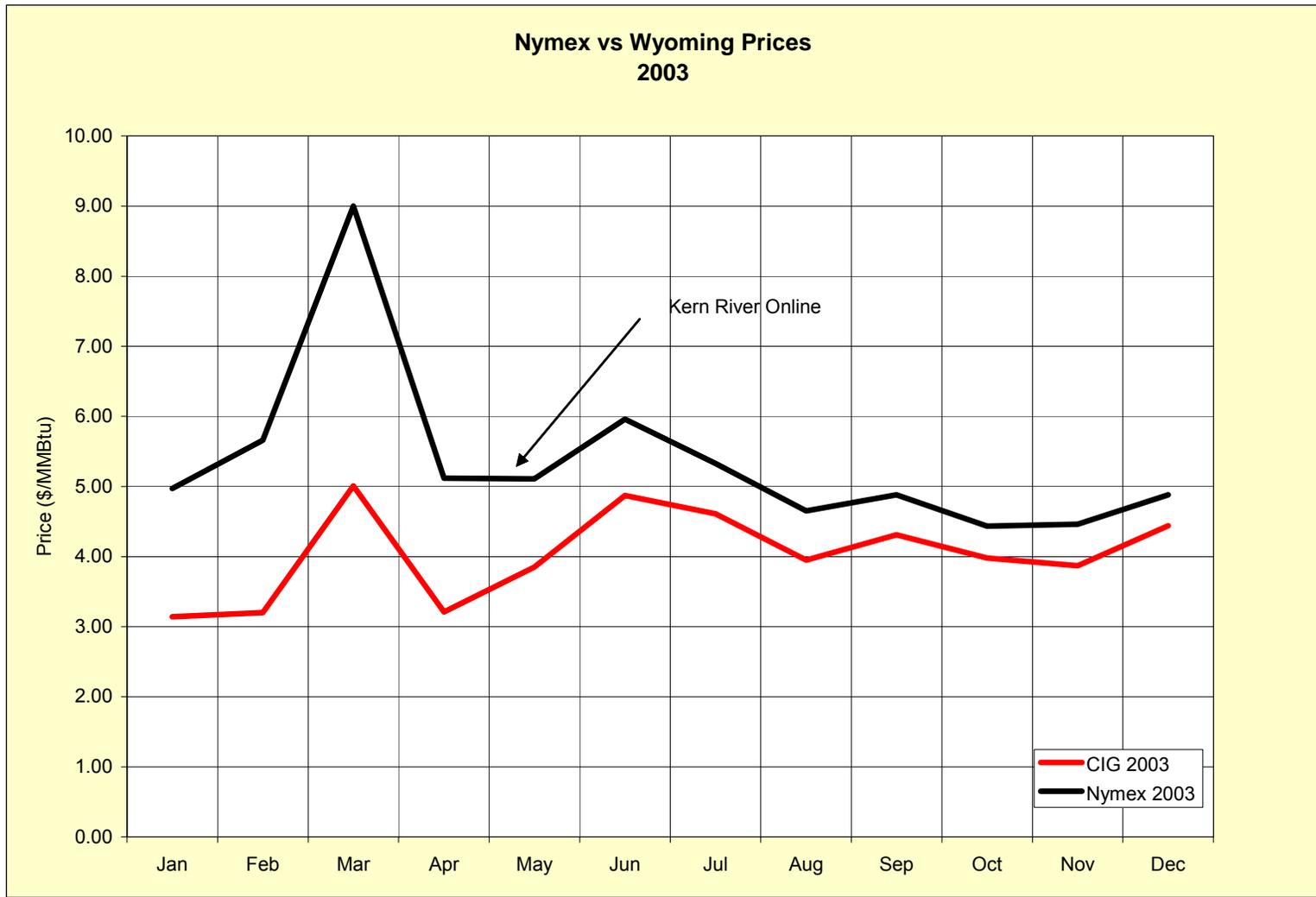
Critical Success Factors For Resource Development

- Access to Lands in a Timely Manner
- Price
- Timing of Regulatory Approvals
- Gathering System Capacities and Pressures
- Transportation Export Capacity
- Capital Efficiency
- Public Acceptance

New Pipeline Investment Committed to Move Wyoming Production



Nymex vs Wyoming Prices - 2003



Revenue Facts.....

- Wyoming receives 50% of Federal Royalties = approximately 6.25% of production off Federal lands. Assume 100% of production comes from Federal lands.
- Wyoming receives approximately 7% of the value received from all production in the State from severance tax assessment.
- Wyoming's current saleable production is approximately 4.2 bcf/d.
- Wyoming's revenue share of production is approximately 4.2 bcf/d X $(.0625+0.07) = 556,500$ Mcfd.
- At gas prices of \$2 per Mcf, Wyoming could expect to receive \$1,113,000 per day in natural gas revenue. At \$4 per Mcf, Wyoming could expect to receive \$2,226,000 per day.

Highlighted Projects

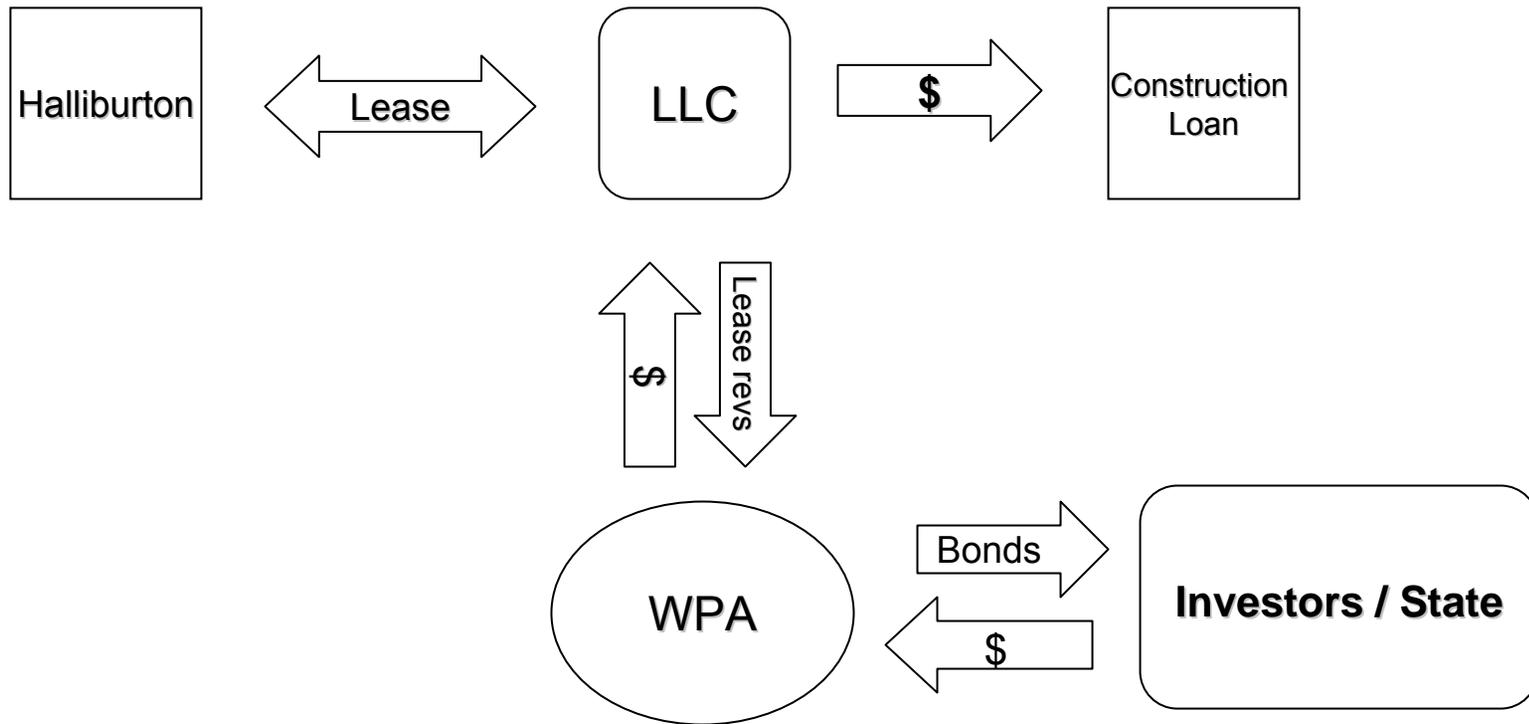
- **Colorado Interstate Gas (El Paso) – Cheyenne Plains Project**
 - From Cheyenne, Wyoming to Greensburg, Kansas (380 miles)
 - Estimated Cost: \$430 million
 - 36-Inch Pipe with a Capacity for 560 mDth/d expanded to 1.7 bcf/d
 - Projected to be In-Service in January 2005
- **Lower Valley Energy – Jackson Hole Project**
 - From Pinedale, Wyoming to Jackson, Wyoming (52 miles)
 - Estimated Cost: \$20 million
 - 8-Inch Pipe with a Capacity for 11.7 mmcf/d
 - Projected to be In-Service in the Fall 2006
- **Halliburton – Rock Springs Project**
 - Multi-building “complex” includes an ad-mix building, chemical terminal, etc...
 - Estimated Cost: \$35 million
 - Will be used to service Natural Gas Extraction Efforts
 - Projected to be In-Service in September 2005

Halliburton Rock Springs Project Overview

- Taxable Lease Revenue Financing
- Public Private Partnership
- Supports Pipeline Project Development
- Creation of Jobs & Tax Base
- State Support for Project

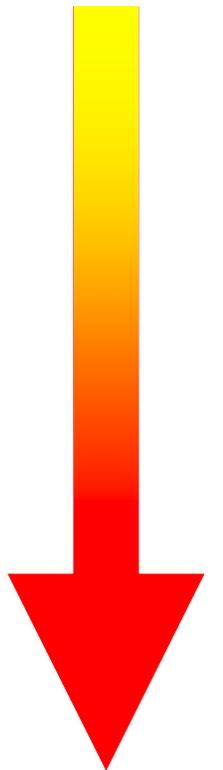


Halliburton Rock Springs Project Overview



State Bonding to Build Pipelines

State Financing Tools



Higher Risk

- ❑ Conduit Financing
- ❑ Purchase of Senior Debt
- ❑ Purchase of Subordinated Debt
- ❑ Provide a Stand-By Bond Purchase Agreement
- ❑ Use of Authority's Revenues for a Debt Service Reserve Fund (DSRF)
- ❑ State Appropriations for a DSRF
- ❑ Use of In-Kind State/Federal Gas
- ❑ Moral Obligation Pledge
- ❑ State Ownership

Buying Pipeline Capacity

State Considerations:

1. Manager – RIK Gas

- ▣ Finance a Portion of the Pipeline
- ▣ Ship RIK Gas to Distribute / Local Furnisher
- ▣ Aggregate Small Producers / Shippers

2. Budgetary – RIK Gas

- ▣ Royalty Revenue Constraints
- ▣ Opportunity Costs
- ▣ Economic / Infrastructure Growth

The Wyoming Pipeline Authority Will

- Promote all industry sponsored and supported projects.
- Proactively promote infrastructure development within the state and the Rocky Mountain Region.
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- Utilize its bonding authority to build or cause to be built infrastructure projects that will enhance state netbacks and promote development of a resource base that is in the nation's best interests.

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