



Special Session

Fairbanks, Alaska









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Business Development & Revenue Forecasting

Who We Are – ENSTAR Facts

-  Established 1961
-  Number of Meters – 128,000+
-  Number of Alaskans Served* - 345,600
-  Miles of Distribution Mains and Transmission Mains – 3,100
-  Direct Impact on Alaska's Economy - \$306 mil
-  Number of ENSTAR Employees – 174
-  Rank among Alaskan energy Utilities – 1
-  New Customers in 2007 – 2,376

* 128,000 Meters x 2.7 Alaskan Consumers per Meter

ENSTAR

(Alaska Pipeline Company)



Engineering/Construction



45 Years of Experience in Alaska



Constructed and is operating 450 miles of Transmission Mains and 2700 miles of Distribution Mains

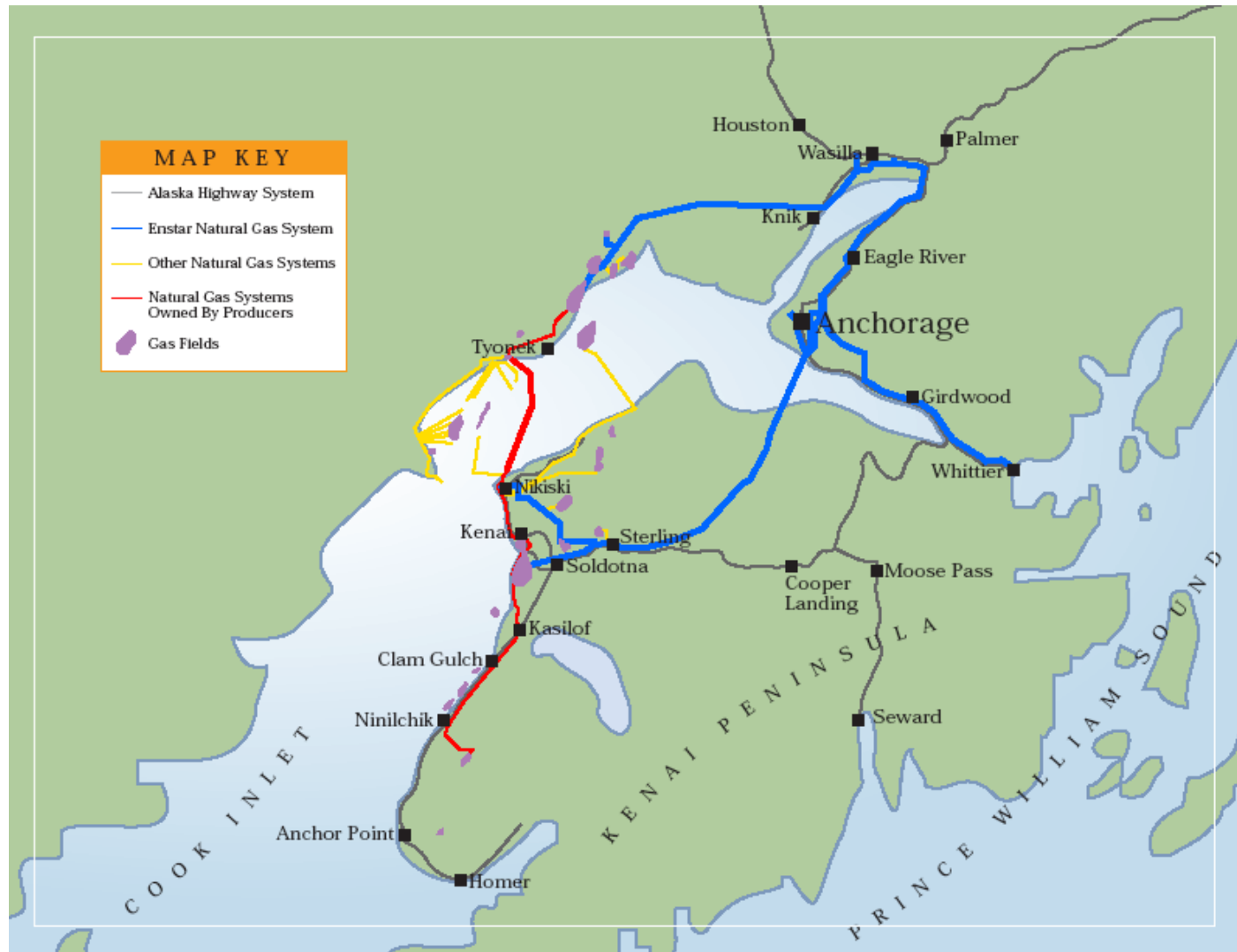
- Represents 75% of all gas transmission pipelines in Alaska
- Represents 100% of distribution mains in South-Central Alaska



Expertise

- Compression Plant Engineering & Construction
- Pipeline Engineering
- Environmental/Permitting
- Construction Management

South Central Gas Distribution

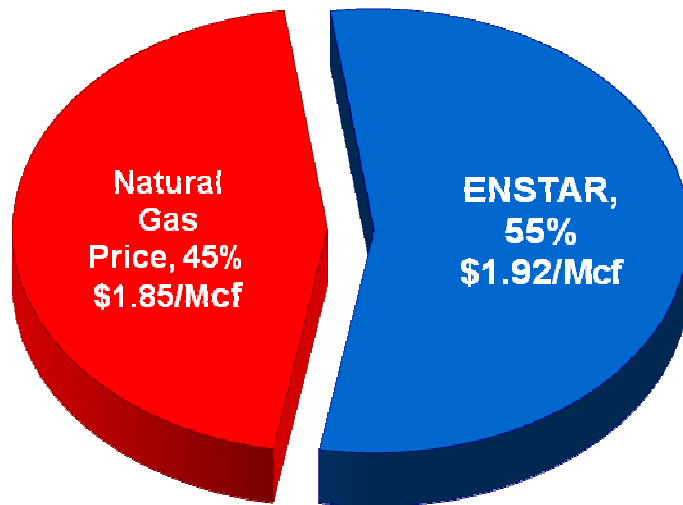


Cost Comparison

Percentage of Annual Bill

Cost Comparisons 1998

Average Bill = \$3.77/Mcf

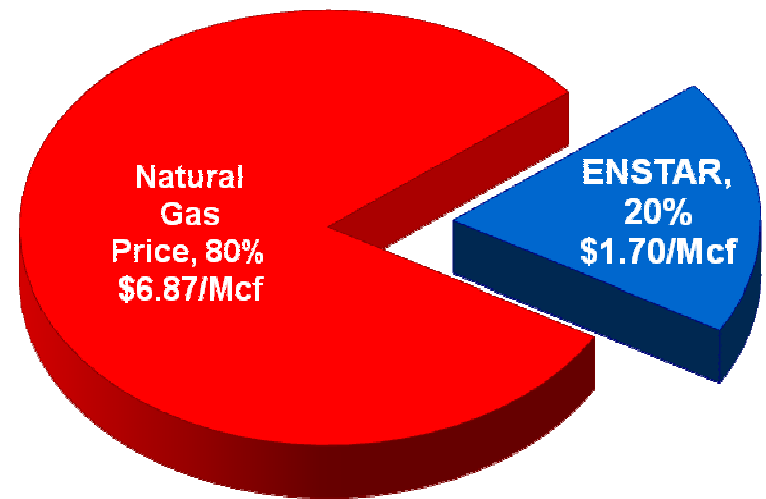


*Average Consumption per household in 1998 = 179 Mcf

*Average Annual Bill = \$675.00 (\$56.25/month)

Cost Comparisons 2008

Average Bill = \$8.57/Mcf



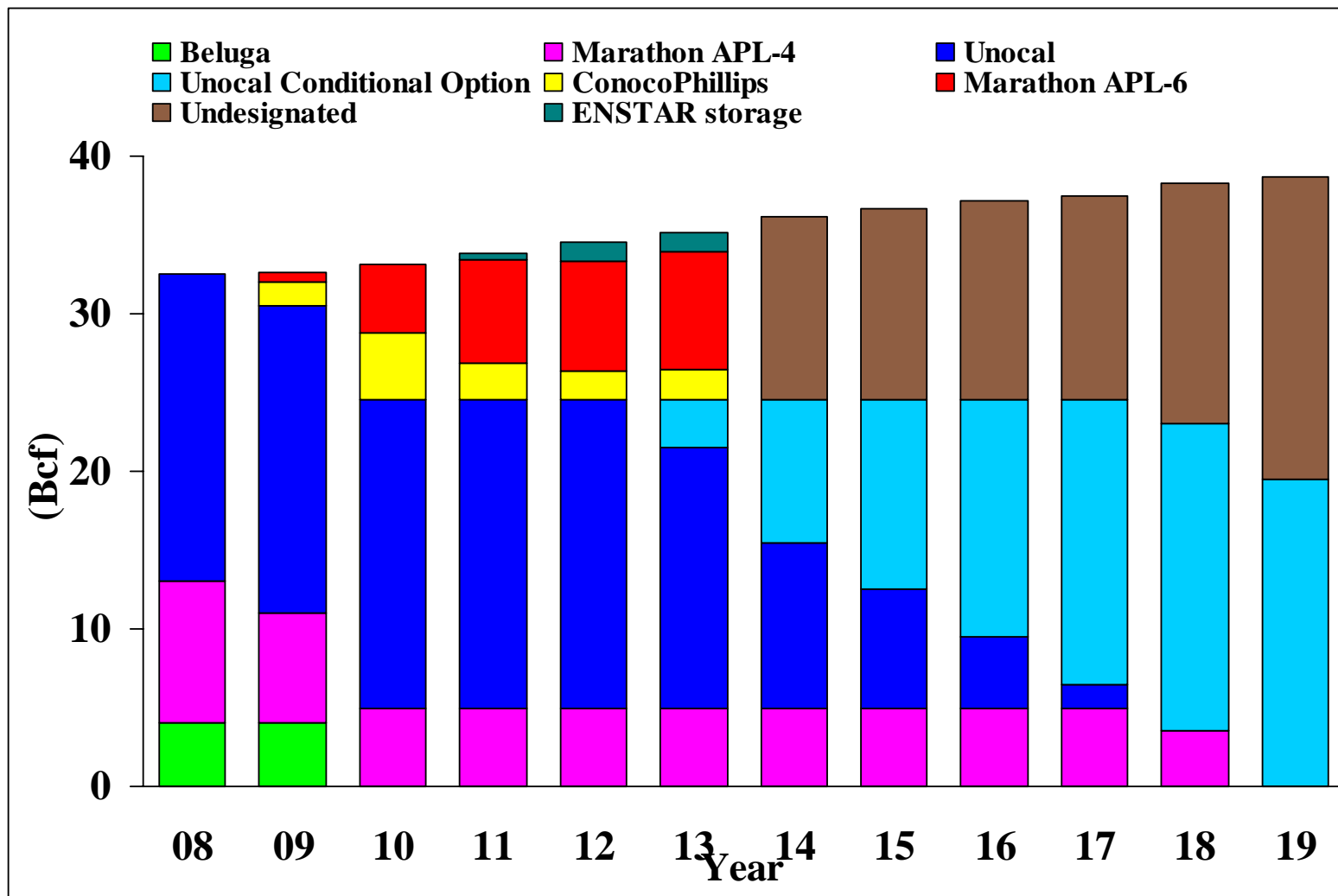
*Average Consumption per household in 2007 = 173 Mcf

*Average Annual Bill = \$1483.00 (\$124.00/month)



Three Driving Principles:

1. *Assure a safe reliable supply of natural gas for our customers.*
2. *Achieve the lowest available price possible for our customers.*
3. *Encourage exploration, thereby increasing available natural gas reserves.*

Gas Supply – April 2008 Outlook



Gas Supply Contract Timeline

-  February 2007: ENSTAR solicited gas through RFP
-  March 2007: ConocoPhillips & Marathon respond
-  March 2007-April 2008: Negotiations (supply & gas storage)
-  December 2007: Term sheets signed with both suppliers
-  April 11, 2008: Regulatory approval process: Contracts submitted to the RCA
-  July 28, 2008 Public hearings begin in Anchorage
-  January 1, 2009 2.1 Bcf shortfall if contracts not approved

Gas Supply Contracts

-  Supply Commitment subject to U.S. DOE approval of LNG export authorization – **Granted June 3, 2008**
-  ENSTAR to develop gas storage 2011
-  Tiered Pricing
 - Base Load Volumes
 - Seasonal Volumes
 - Peak Needle Volumes
-  Gas delivered will be based on supplier share of the forecasted market
-  ENSTAR target approval: **October 31, 2008**




Marathon Contract

-  Term: 2009 – 2013
-  Total Volume Commitment: 25.6 Bcf
-  Energy Price is the Composite Index of 3 pricing points:
 - Chicago City Gate
 - PG&E City Gate
 - SoCal Gas

ConocoPhillips Contract

-  Term: 2009 – 2013
-  Total Volume Commitment = 12.0 Bcf
-  Energy price is the Cook Inlet Composite Index comprised of 5 pricing points:
 - TCPL Alberta, AECO
 - Northwest Canadian border – Sumas
 - PG&E Malin
 - PG&E City Gate
 - SoCal Gas

Gas Storage Options

-  Develop and acquire reservoir storage
-  Continued export of LNG from existing Kenai plant and add peak shaving for ENSTAR
-  Use existing Kenai LNG plant if LNG export ceases (operated by either ConocoPhillips or ENSTAR)

Higher GCA Does Not Benefit ENSTAR

 We have moved from a market of excess deliverability to an environment where deliverability does not meet demand

- Cost of natural gas reflects market prices
- More supply contracts needed; smaller volumes
- Pipeline system more complex to operate

 Higher energy costs are not good for Utilities

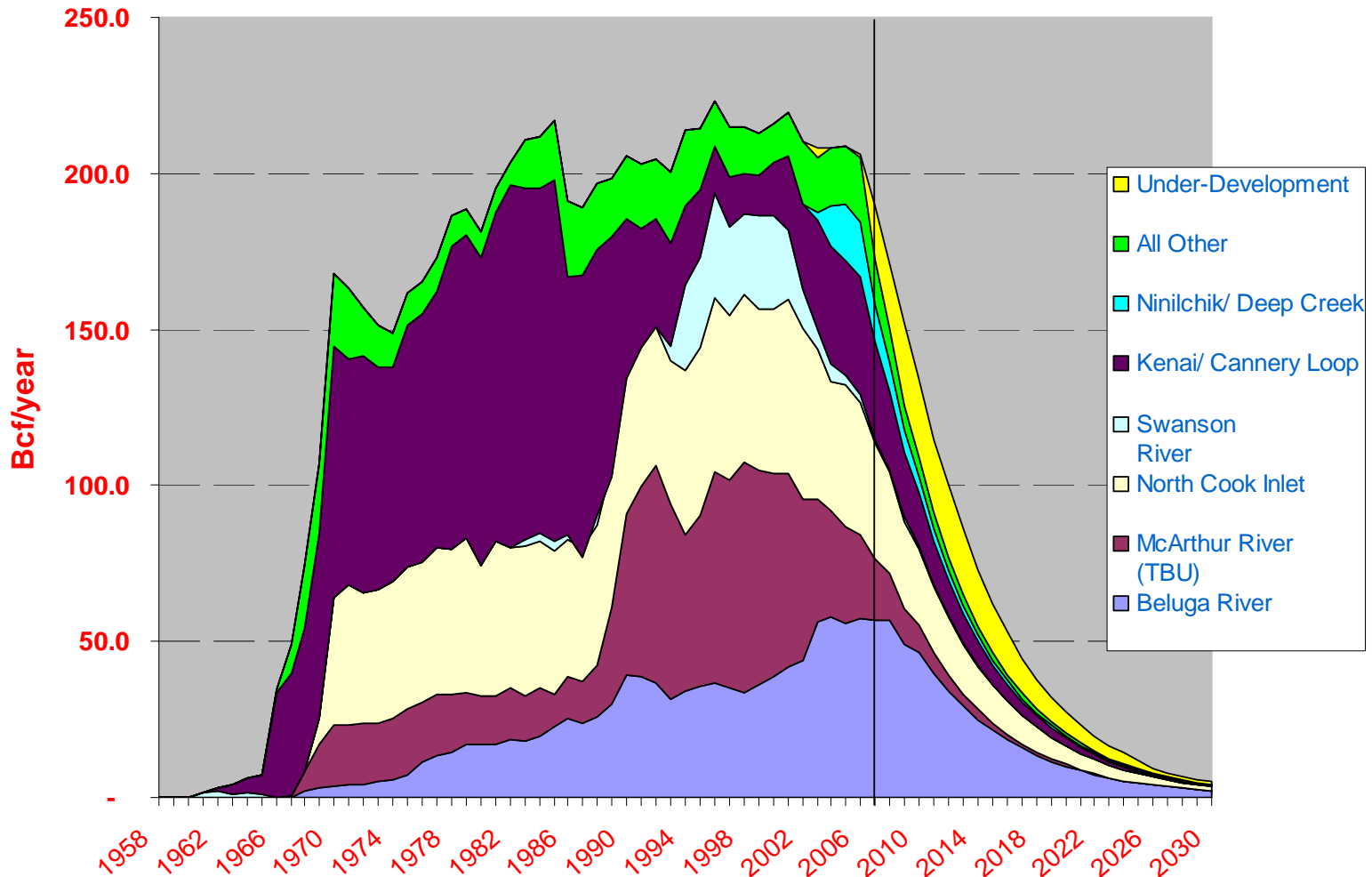
- Commodity costs are a pass-through with no additional profit for the Utility
- Consumers use less
- Slower payments and higher bad debt
- Consumer satisfaction decreases
- New Rate designs are needed that will allow a utility to encourage conservation



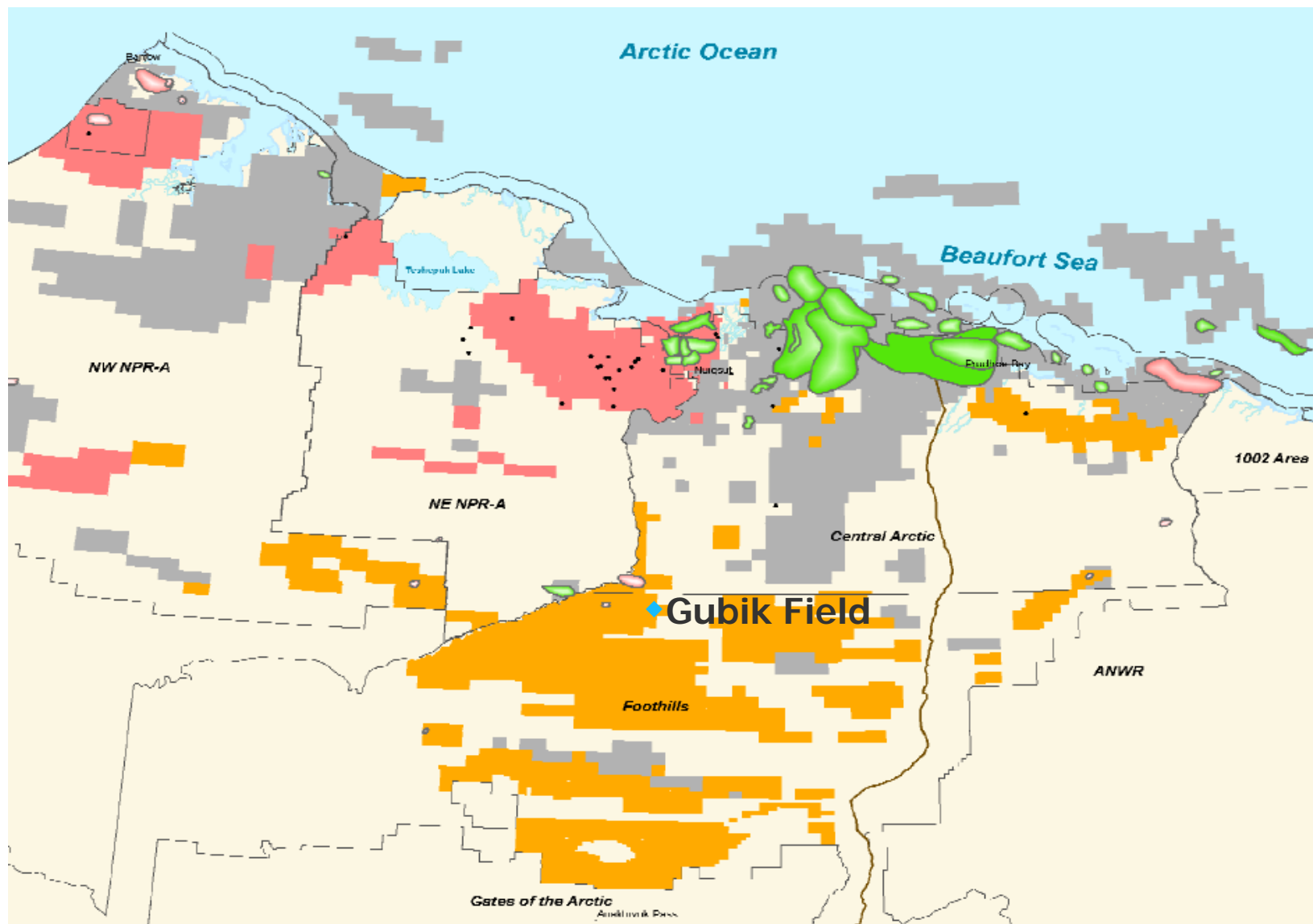
ENSTAR In-State Pipeline Phase One

Historic & Projected Natural Gas Production (Bcf/Year)

Source: Division of Oil & Gas Report 2006

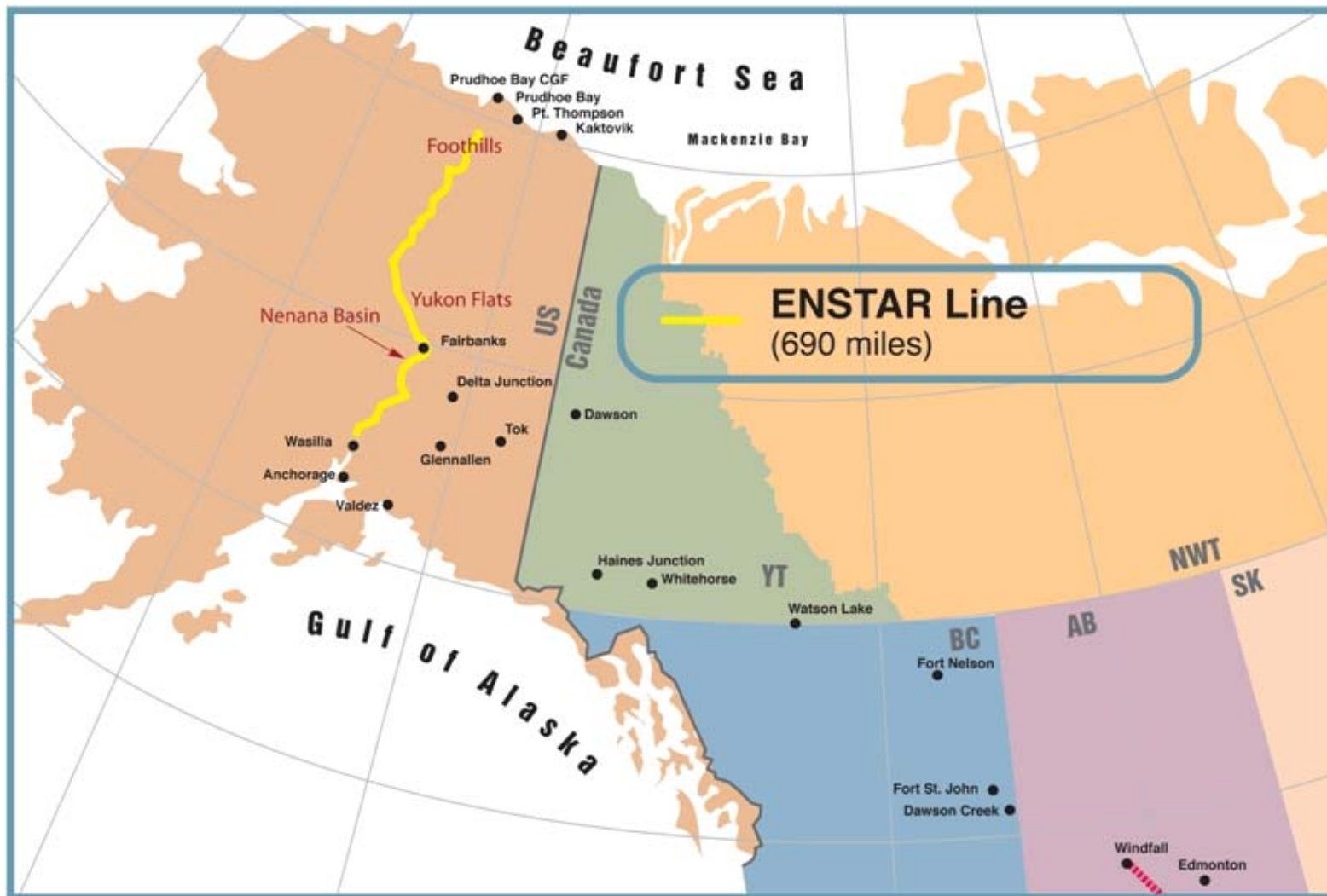


Foothills Unit Area Map



ENSTAR Line

Natural Gas for South Central Alaska



Pipeline Route & Cost



Cook Inlet to Fairbanks

- Approximately 320 Miles
- Parks Highway Route

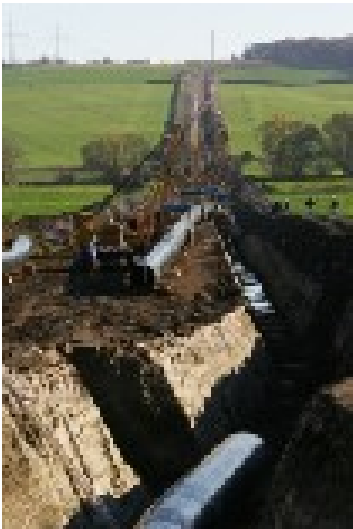
Cost \$970 million



Fairbanks to the Foothills

- Approximately 370 miles
- Dalton Highway Route

Cost \$2.3 Billion



Total Project Cost - \$3.3 Billion for 20" Diameter

Project Timeline – 5-6 Years

2-3 Years of Permitting, Design & Procurement

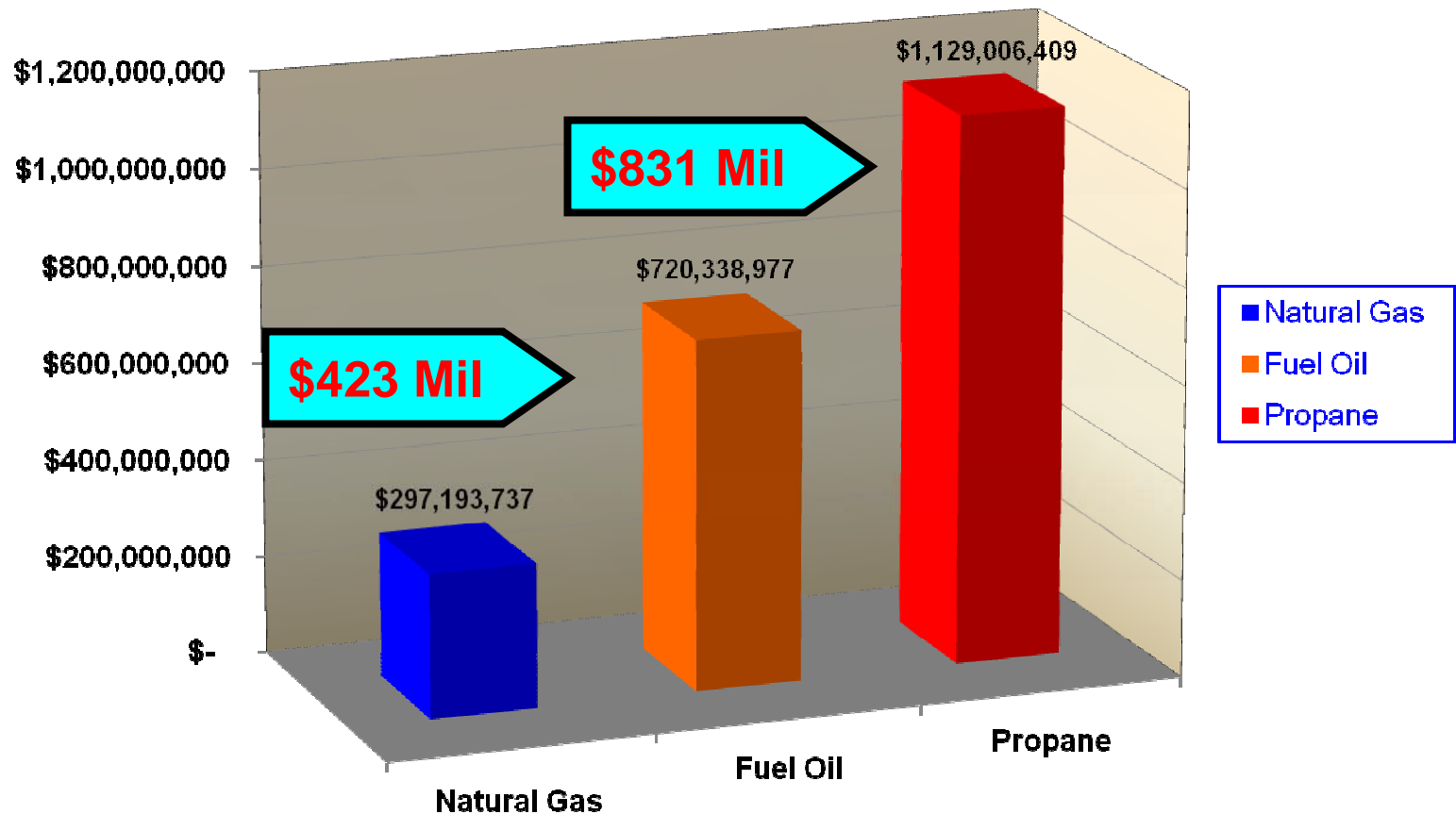
3 Years of Pipeline Construction

Advantages of the ENSTAR Line

-  Timing (First gas 2014)
-  Alaska controls her own destiny
-  Long-term supply solution for the Railbelt communities
-  Not mutually exclusive with pipeline to Lower 48
-  Compliments AGIA and the DENALI project
-  Could revive Agrium plant
-  Could extend life of Kenai LNG plant
-  Creates opportunities for natural gas-based industrial growth in South Central Alaska
-  In-state markets qualify for lower tax burdens under Alaska's ACES
-  Achieves reasonable end user pricing for Alaskans
-  Ensures sufficient wellhead prices for exploration & development

Cost to Consumer

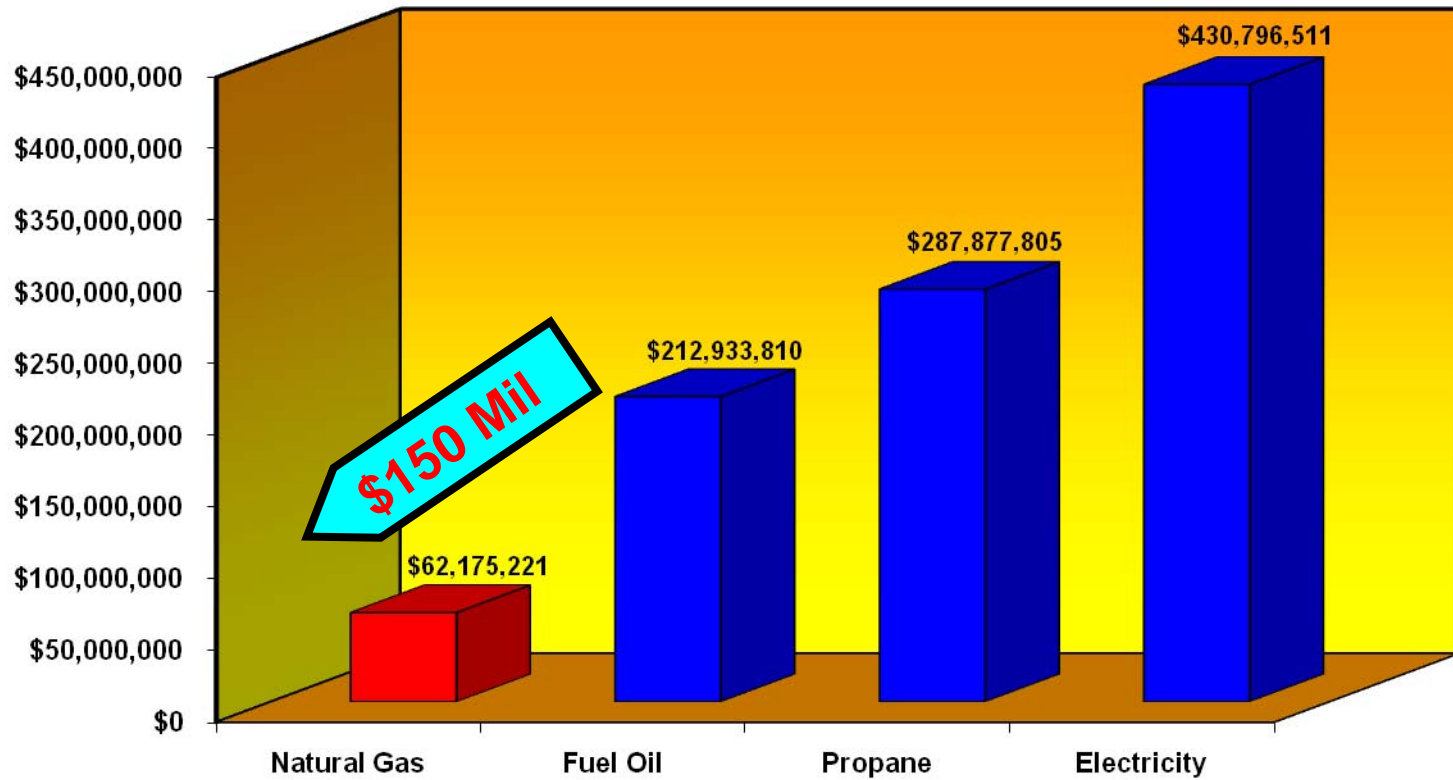
Switching to Alternative Fuels in South Central Alaska
(2007 costs)



Comparative Fuels in Fairbanks

Potential Economic Boom

(Natural Gas @ \$8.57/Mcf - ENSTAR price)



Accessible In-State Market



ENSTAR



LNG Export



Agrium



South-Central Electric Companies



Fairbanks Natural Gas



Military Bases

- Elmendorf AFB & Fort Richardson
- Eielson AFB & Fort Wainwright



Flint Hills Refinery



Fairbanks Power (Fuel Switching)

ENSTAR Pipeline Study

Throughput and Load Estimates

Scenario A - Agrium and LNG Exportation

<u>Load Profile Bcf Per Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Agrium, Inc.	48.000	48.000	48.000	48.000	48.000	48.000
Chugach Electric	20.805	16.863	16.863	16.863	16.863	16.863
LNG	49.000	49.000	49.000	49.000	49.000	49.000
ML&P	-	0.365	1.095	1.825	2.190	2.555
ENSTAR	34.203	34.717	35.237	35.766	36.302	36.847
Additional Commercial	4.745	4.745	5.110	5.110	5.110	5.110
Tesoro Refinery	4.015	4.015	4.015	4.015	4.015	4.015
MEA/HEA	-	-	-	-	-	-
Golden Valley Electric	3.200	3.200	3.200	3.200	6.400	6.400
Flint Hills Refinery	5.000	5.000	5.000	5.000	5.000	5.000
Fairbanks NG	2.190	3.650	6.570	7.300	7.665	8.030
Total	171.158	169.555	174.090	176.079	180.545	181.820

ENSTAR Pipeline Study

Throughput and Load Estimates

Scenario A - Agrium and LNG Exportation

<u>Load Profile MMcfd</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Agrium, Inc.	131.51	131.51	131.51	131.51	131.51	131.51
Chugach Electric	57.00	46.20	46.20	46.20	46.20	46.20
LNG	134.25	134.25	134.25	134.25	134.25	134.25
ML&P	-	1.00	3.00	5.00	6.00	7.00
ENSTAR	93.71	95.11	96.54	97.99	99.46	100.95
Additional Commercial	13.00	13.00	14.00	14.00	14.00	14.00
Tesoro Refinery	11.00	11.00	11.00	11.00	11.00	11.00
MEA/HEA	-	-	-	-	-	-
Golden Valley Electric	8.77	8.77	8.77	8.77	17.53	17.53
Flint Hills Refinery	13.70	13.70	13.70	13.70	13.70	13.70
Fairbanks NG	6.00	10.00	18.00	20.00	21.00	22.00
Total	468.93	464.53	476.96	482.41	494.64	498.14

ENSTAR Pipeline Study

Gas Supply Basins

-  Foothills
-  Cook Inlet
-  Nenana Basin
-  Yukon Flats
-  Peak Storage
 -  In field
 -  LNG

Assumptions

- 🔥 Project based on utility grade gas
- 🔥 20" diameter high grade steel pipeline
- 🔥 Operating pressure ~2500 psi
- 🔥 Operating pressure & design allow for additional hydrocarbon spiking



Project Development Plan Overview

Phase One: Goals & Tasks









- Alignment
- Constructability & Design Basis
- Field Work
- Cost Estimate
- Geotechnical Review
- Regulatory & Environmental

 Development Cost Total \$5 to \$6 million

 Phase One Complete: Spring 2009



Where Are We Today?

-  Contracted engineering, environmental, and construction companies to assist with the project
-  Field work began June 10
-  Update meetings scheduled with Anadarko in Alaska July 15th
-  Aerial photography and LIDAR flights underway on ENSTAR's proposed completed route
-  Preliminary permitting and ROW use meetings with Army Corps of Engineers, BLM, JPO, SPCO, National Parks, DNR, and ADOTPF, along with a number of non-governmental agencies
-  Development of Environmental Evaluation Document
-  Development of GIS database and alignment sheets
-  Continued coordination with DENALI Pipeline

Development Plan Priorities

-  Continue regulatory permit acquisition
-  Prepare economic & financial models
-  Address environmental work
-  Public outreach & public involvement
 - Alaska Support Alliance, Fairbanks Economic Development Corporation, Rotary Clubs, South Central Chambers, ASRC, CIRI, Doyon, KTUU, KTVA, Anchorage Daily News, Fairbanks Daily News Miner, Peninsula Clarion, Talk Radio Programs, Platts Gas Daily
 - Continued updates planned
-  State ROW application submittal
-  **June 2009: Management Decision on Plan Moving Forward**

ENSTAR Pipeline Development Team



ENSTAR Natural Gas Company



Michael Baker Jr., Inc.



ASRC Energy Services



Aerometric, Inc

Questions and Comments