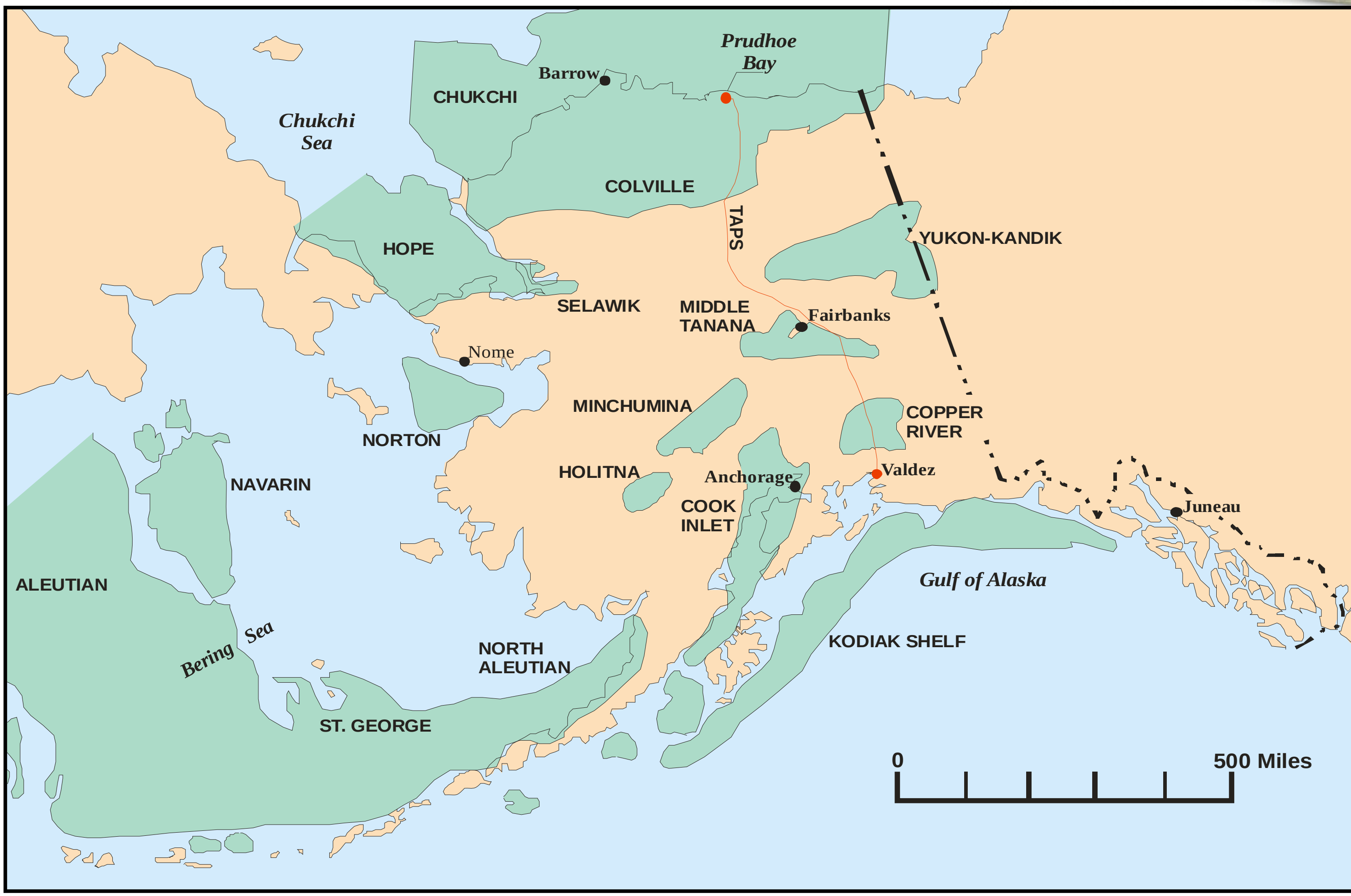
NATURAL GAS
Alaska's Economic & Energy Future

Gas Pipeline Advisors:
Chuck Logsdon
Mary Ann Pease

Alaska’s Oil and Gas Basins

Bringing Jobs, Energy and Economic Security to Alaska

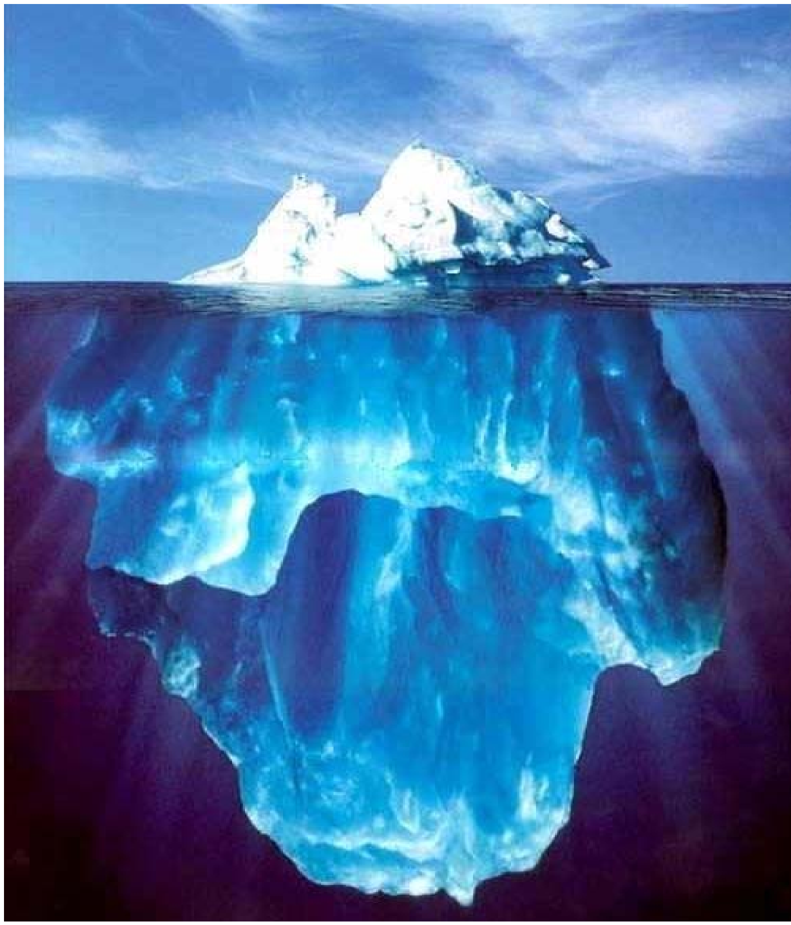
THE ALASKA GAS PIPELINE



Alaska's North Slope (On & Offshore) a Massive Natural Gas Resource Base

Bringing Jobs, Energy and Economic Security to Alaska

THE ALASKA GAS PIPELINE



Proved: 35 Tcf (Prudoe Bay & Pt. Thompson

Technical Resource Base: 235 Tcf* + 529 Tcf of gas hydrates

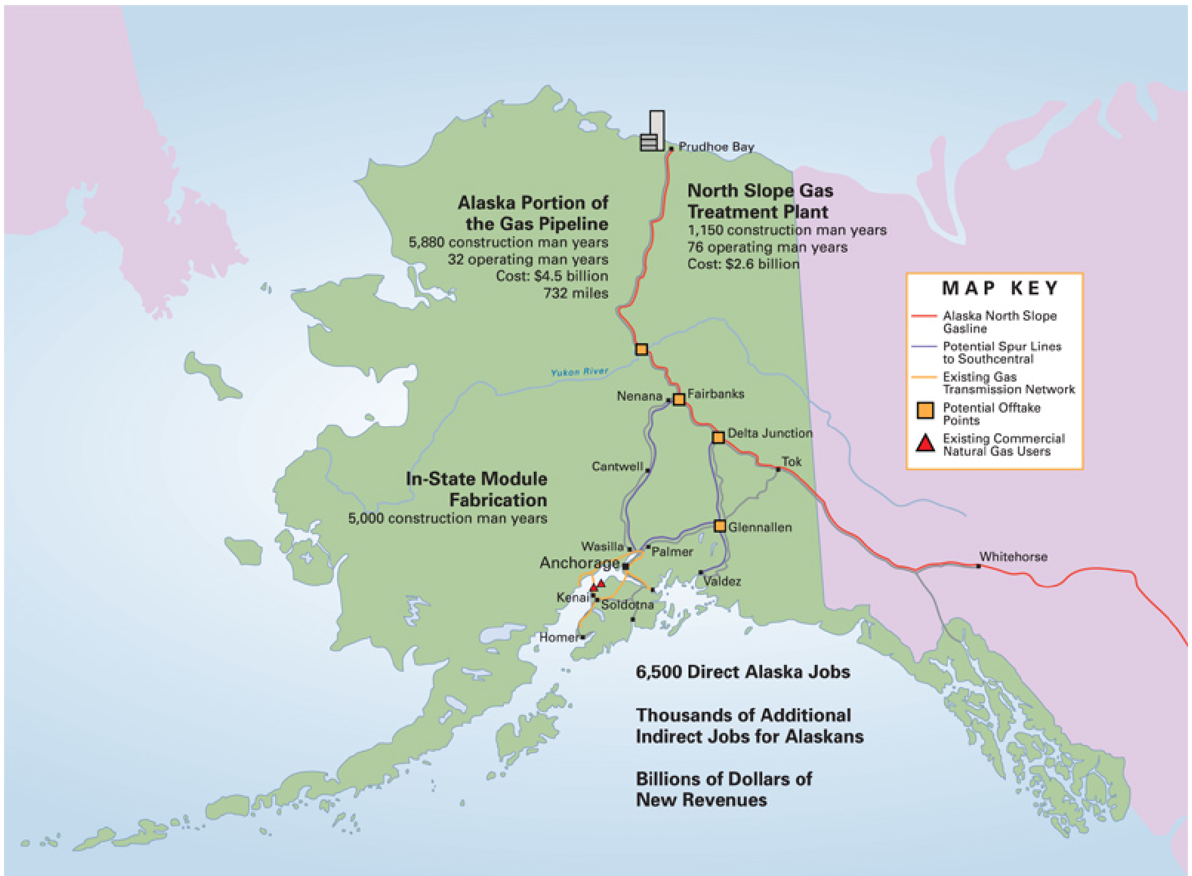
*** DNR Estimates**

Current U.S. Consumption = 22 Tcf per year

Natural Gas Resource Base--Other Alaska Basins

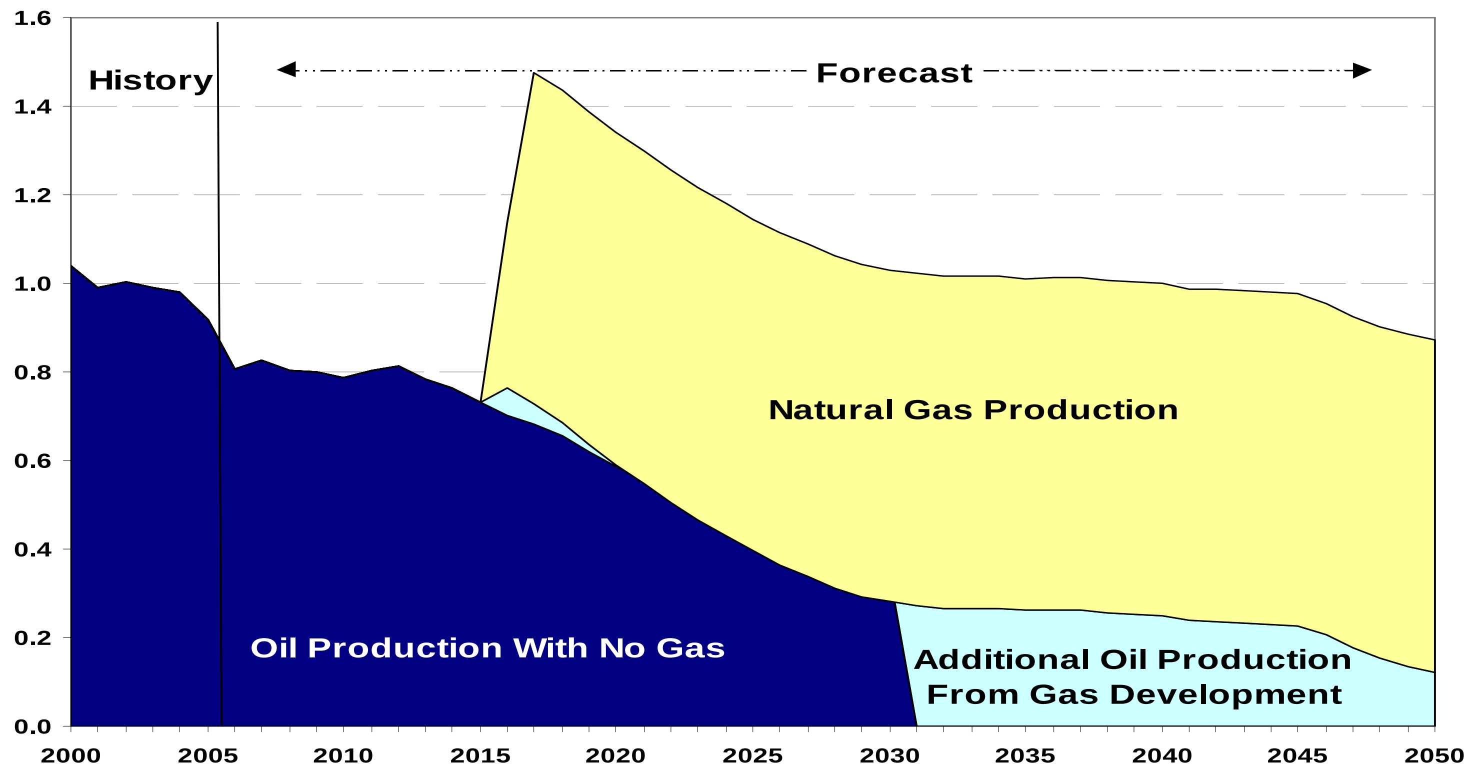
- Cook Inlet--1.6 tcf proven
- Bristol Bay and Alaska Peninsula--23.0 tcf
- Chukchi Sea--60 tcf
- Other Non-Conventional Gas (Hydrates, Coal Bed Methane, Shallow Gas, Tight Gas)--?

The Pipelines to Alaska's Future



Historical and Projected Crude Oil and Natural Gas Production

In Millions of Barrels of Oil Equivalent



Benefits of Gas Pipeline

- State revenues
- Growth and sustainability in the oil and gas industry
- Private investment growth and opportunities
- Job opportunities
- Economic stability and GROWTH!

Total State Gas Income

Nominal dollars: over 30 years at various gas prices

Gas Prices	State Income
$2.50	$26.5 billion
$3.50	$43.6 billion
$4.50	$60.7 billion
$5.50	$77.8 billion
$6.50	$94.8 billion
$7.50	$111.9 billion
$8.50	$129.0 billion

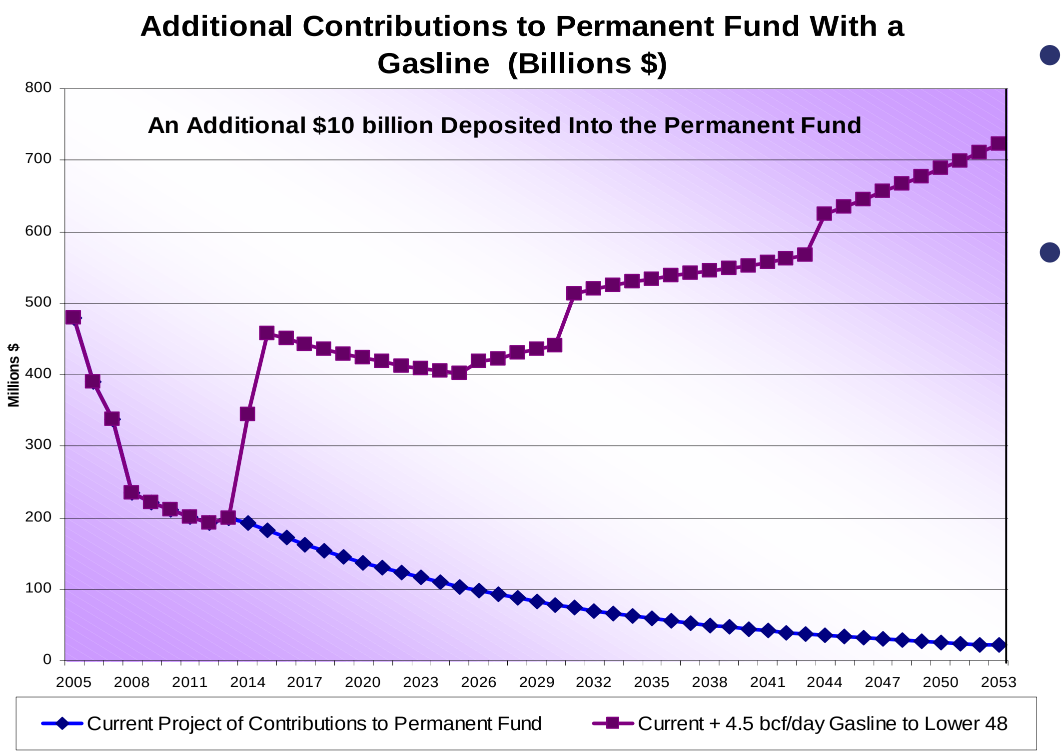
State Revenue -- for Decades

- New gas revenue of **$2-3 billion per year for 30 years**
- By comparison, FY06 total GF budget was $3.1 billion
- Balance between oil and gas taxes and new investment

State Revenue -- for Public Policy

- Quality Education- Pre-K through University
- Economic Development in Communities
- Revenues for Communities
- Safe communities, well maintained roads, infrastructure development, quality health care

Grow the Permanent Fund



- More money to the Permanent Fund
- Additional **$10 billion** deposited

Jobs for Alaskans

- Estimated 9,300 direct and indirect jobs during construction
- Alaskans deserve pipeline jobs and Alaska businesses deserve pipeline contracts. We learned from TAPS….
- Job training $$ already being spent

Gas For Alaskans

- Alaskans guaranteed the opportunity to access gas
- Contract provides for in-state use - the state has identified four offtake points:
  - Fairbanks: lower home and business heating bills
  - Delta and Yukon River: for rural Alaska
  - Offtake point for gas to Southcentral: to heat homes, power industry
- Contract requires an in-state use study to be paid for by producers

Pipeline Expandability

- Pipeline expansion is both a regulatory process and a physical and technical process
- Expansions that make economic sense will happen
- State has the ability -- *through its ownership in the pipeline* -- to advocate for expansion
- This project relies on future exploration success for about 1/3 of the gas shipped during the first 35 years of operation

How is access guaranteed?

FERC Open Season Process

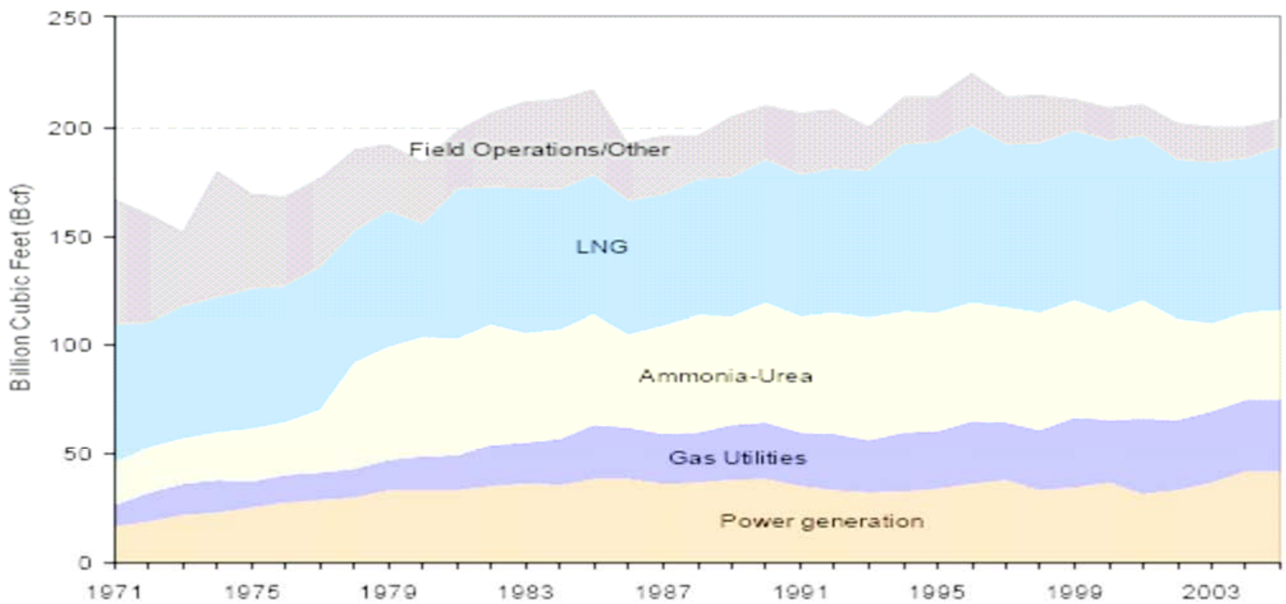
- Open seasons are commercial opportunities for potential customers to compete for and acquire capacity in a proposed pipeline.
- FERC has established rules for the Alaska gas pipeline open season process that promote competition and provide opportunities for future expansion. FERC can mandate expansions.
- The initial open season would be conducted one and half to two years into the construction planning process.

FERC Open Season Process

- Under the FERC rules for the Alaska project, prospective instate tariffs would have to be established by project sponsors for open season
- Instate tariffs will be mileage and cost based so that there will be a separate tariff for each intermediate destination. There will not be a single postage stamp tariff.

ANS Gas and Southcentral Energy Issues

Cook Inlet (Billion Cubic Feet per Year)



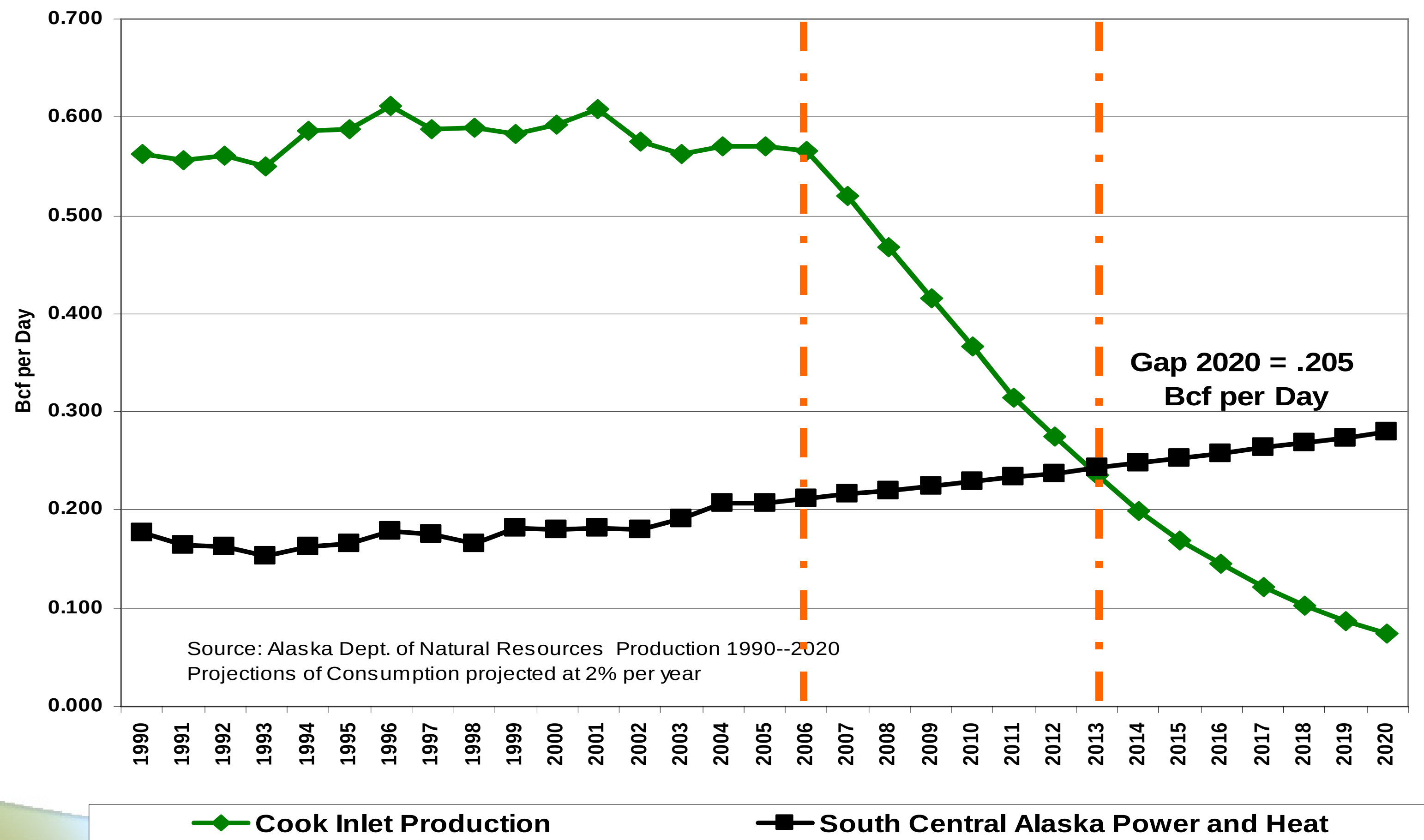
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average 1990-96	Average 1997-00	Average 2001-05
Power generation	38.9	35.3	33.5	32.0	33.0	34.0	36.1	37.7	33.4	34.6	36.8	31.6	33.7	36.6	42.1	41.8	34.5	35.7	37.2
Gas Utilities	25.9	24.7	25.9	24.2	26.6	26.7	29.0	26.6	27.4	32.0	29.1	34.9	32.0	33.0	33.1	33.3	26.7	28.9	33.3
LNG	65.1	65.4	66.2	67.3	76.7	78.1	81.4	75.4	78.1	78.0	78.5	75.2	73.0	74.0	71.1	74.9	69.8	78.3	73.6
Ammonia-Urea	54.8	52.6	55.0	56.2	55.4	54.0	54.0	52.3	53.6	53.9	49.0	53.9	46.3	40.2	39.5	40.4	54.7	52.6	44.1
Field Ops and Other	25.8	28.6	27.6	20.7	22.3	21.6	24.8	22.4	22.5	14.9	15.5	15.2	17.2	16.6	14.5	13.5	24.4	20.0	15.4
	210.4	208.6	208.2	200.5	214.0	214.5	225.4	214.5	215.0	213.4	208.9	210.8	202.2	200.4	200.2	203.9	209.0	215.4	203.5

Alaska Gas Consumers

- Nearly 475,000 electricity consumers from Homer to Fairbanks
  - 67% gas generated
  - 15% hydropower
  - 13% fuel oil
  - 5% coal
- 330,000 natural gas consumers

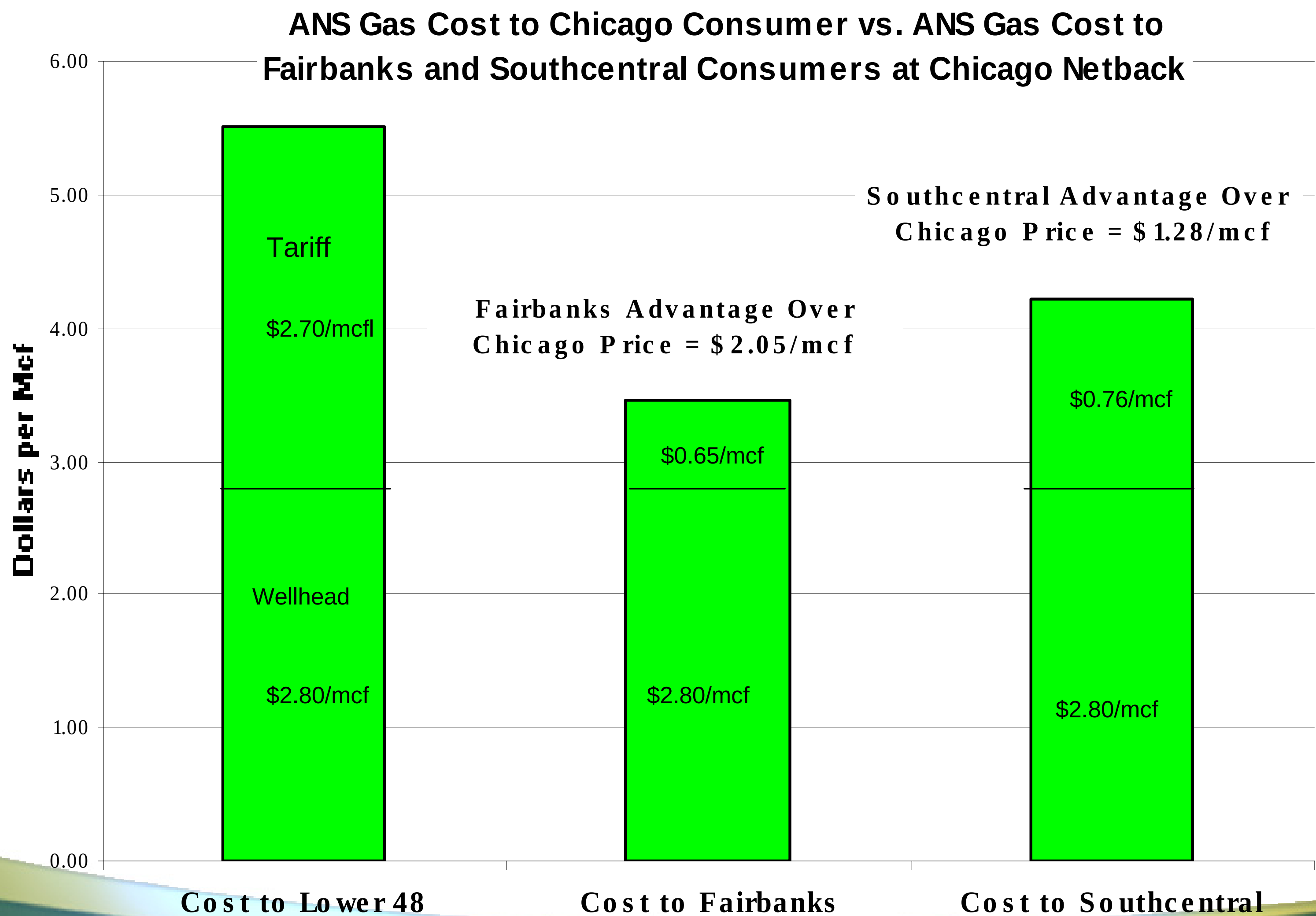
Source: Enstar Natural Gas Company, September 2005

Cook Inlet Production Compared to South Central Alaska Consumption for Power Gen. and Heating (Bcf per Day)



Bringing Jobs, Energy and Economic Security to Alaska

THE ALASKA GAS PIPELINE



Summary

- We need a gas pipeline to commercialize North Slope Gas and a spurline to Southcentral Alaska
- The State Revenue and Economic boost from this Project will benefit Alaskans for generations
- The timing is such that the Project will not come in time to prevent a gap in natural gas availability.
- This may include wind generation, new coal generation, and maybe even LNG imports. Coal gasification has also been mentioned particularly as feedstock for the urea plant.
- A serious and comprehensive SOLUTION to this dilemma must begin now.