

# **Alaska Natural Gas Development Authority**



## **Agrium Task Force Meeting**

**Kenai, Alaska**

**March 18, 2005**

# **Presentation Elements**

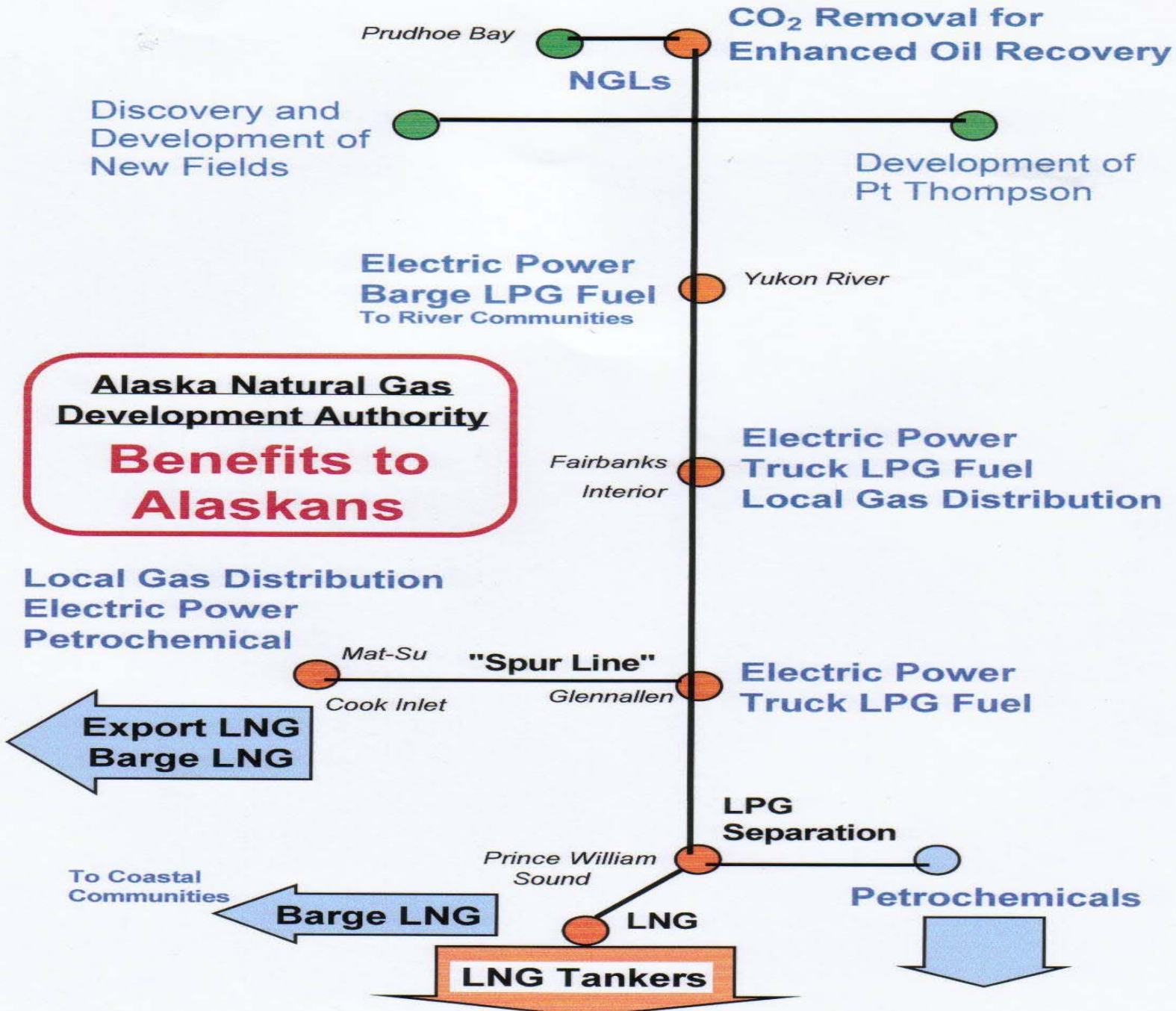
- **ANGDA's History & Role**
- **Status of Alaska Gas Issues**
- **Cook Inlet Gas Shortage**
- **Alternative Solutions**
- **ANGDA's Spur Line Work**
- **Decisions & Timing**

# Alaska Natural Gas Development Authority

- **Public Corporation of the State** created by Ballot Measure 3 in November 2002
- **Board Appointed in May 2003**  
Andy Warwick      Scott Heyworth      Bob Stinson  
Dan Sullivan      David Cuddy      John Kelsey      Bob Favretto
- **Attributes of both agency of the State and business corporation**

# **ANGDA Business Model**

- **Achieve lowest cost of service for NS gas transportation using unique bonding, tax, utility, & non-profit status**
- **Think & borrow commercially to avoid State funding mistake**
- **Work cooperatively & supportively with other public or commercial entities to commercialize Alaska gas**
- **Contract to develop “how to” solutions**
- **Maximize benefits to all Alaskans**

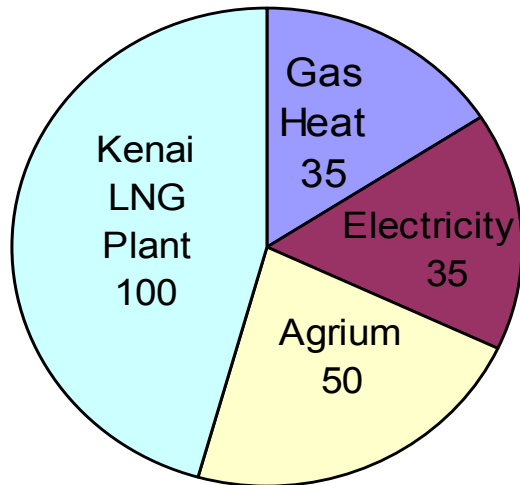


# Alaska Gas -- The Last Six-Months

- **ANGDA's "Report to the People"**
- **National gas pipeline legislation**
- **Stranded gas act negotiations between producers and the state**
- **Draft decision on Trans-Canada's right of way application in Alaska**
- **Sempra joins with Alaska Gasline Port Authority on Valdez LNG project**
- **FERC issues "open season rules"**

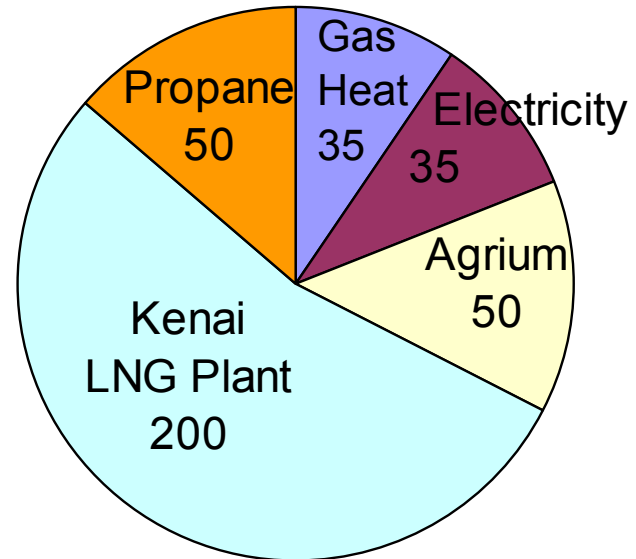
# Cook Inlet Gas Uses

## Present Demand in 2005



**220 BCF / year**

## Demand with Cook Inlet Spur-Line



**370 BCF / year**

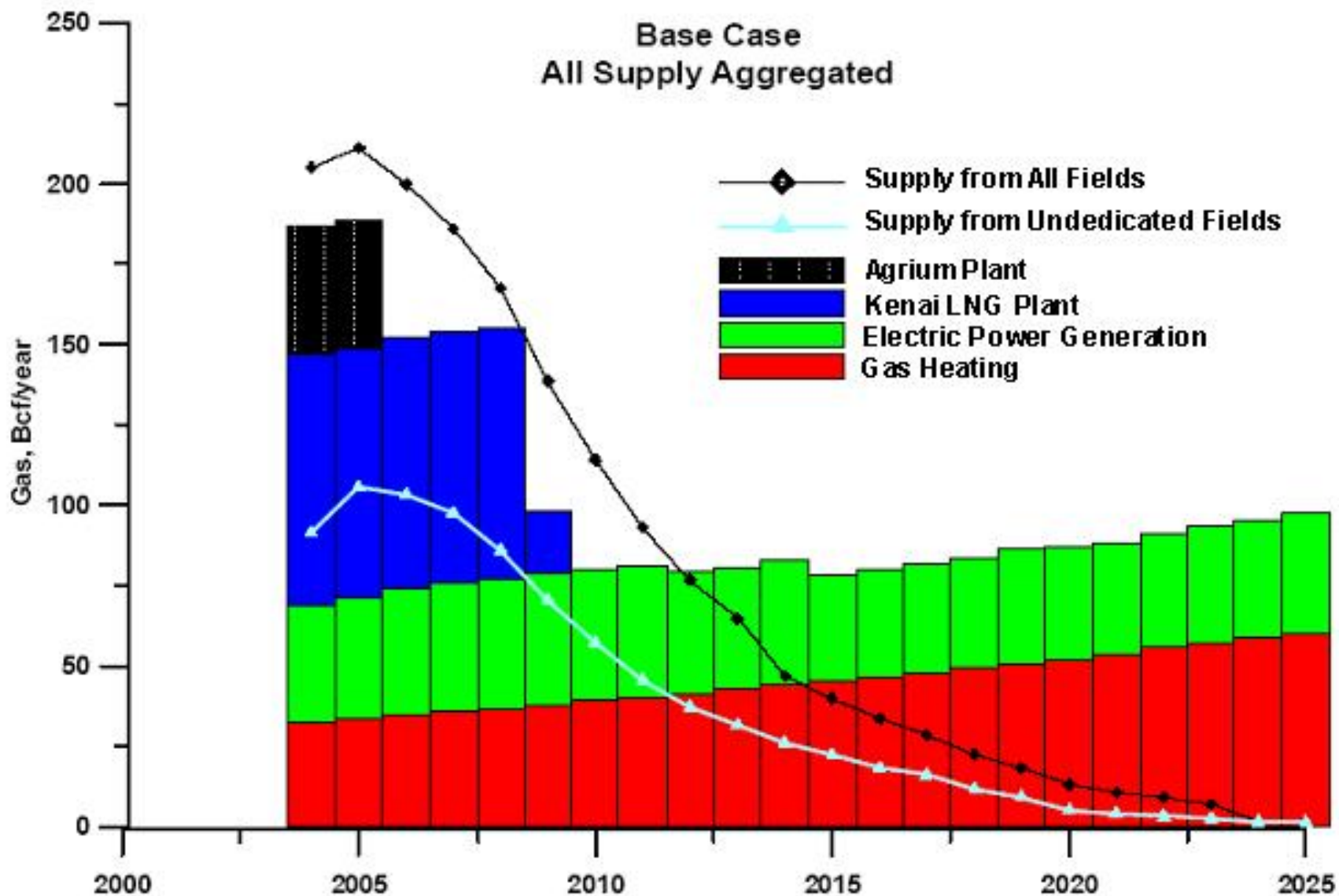


Figure 4.8. Base Case total aggregated supply and demand.

# Spur Line to Cook Inlet Area

- **High-pressure (2,500 psi) buried gasline (24-inch diam) from Glennallen to Palmer (140 miles) can supply today's 0.5 bcfpd of gas use and would cost \$300 million**
- **ANGDA building the gas spur line as a State gas transmission utility with low-interest-rate debt-financing can reduce the cost of service to \$0.15 / mmbtu (RCA regulated)**
- **Connection point and final routing dependent on other's decisions on larger North Slope gas projects (going to Delta doubles cost)**

# Current Spur Line Work

- **ANGDA preparing a State ROW lease application for filing April 1, 2005**
- **Current study shows co-transport of large propane volume is feasible & attractive in dense phase spur line**
- **Contractor studying barging propane to Alaska coastal & river communities**
- **“Bullet line” fall-back project will be evaluated as best solution to Cook Inlet gas shortage**

# Alternative Solutions to Cook Inlet Gas Shortage

	Spur Line for NS Gas	Inlet Exploration & Extension	Importing LNG (Indonesia)	Coal-Bed Methane	Coal-Fired Electric Plants	Susitna Hydro-Dam	Renewable Sources (wind, solar, etc.)
<b>Cost to Customer</b>	Discount from world price	High to attract \$'s	Highest gas price			Low k.w. price	
<b>Size of Investment</b>					Large capital commitment		
<b>Environmental Impacts</b>				Many wells & water ponds		Major watershed impacts	
<b>Socio-Economic Benefits</b>				Cost / benefits?			
<b>“Do-Ability”</b>		No big fields?	Long-term security?		Air permits?		

# Future Cook Inlet Gas Price

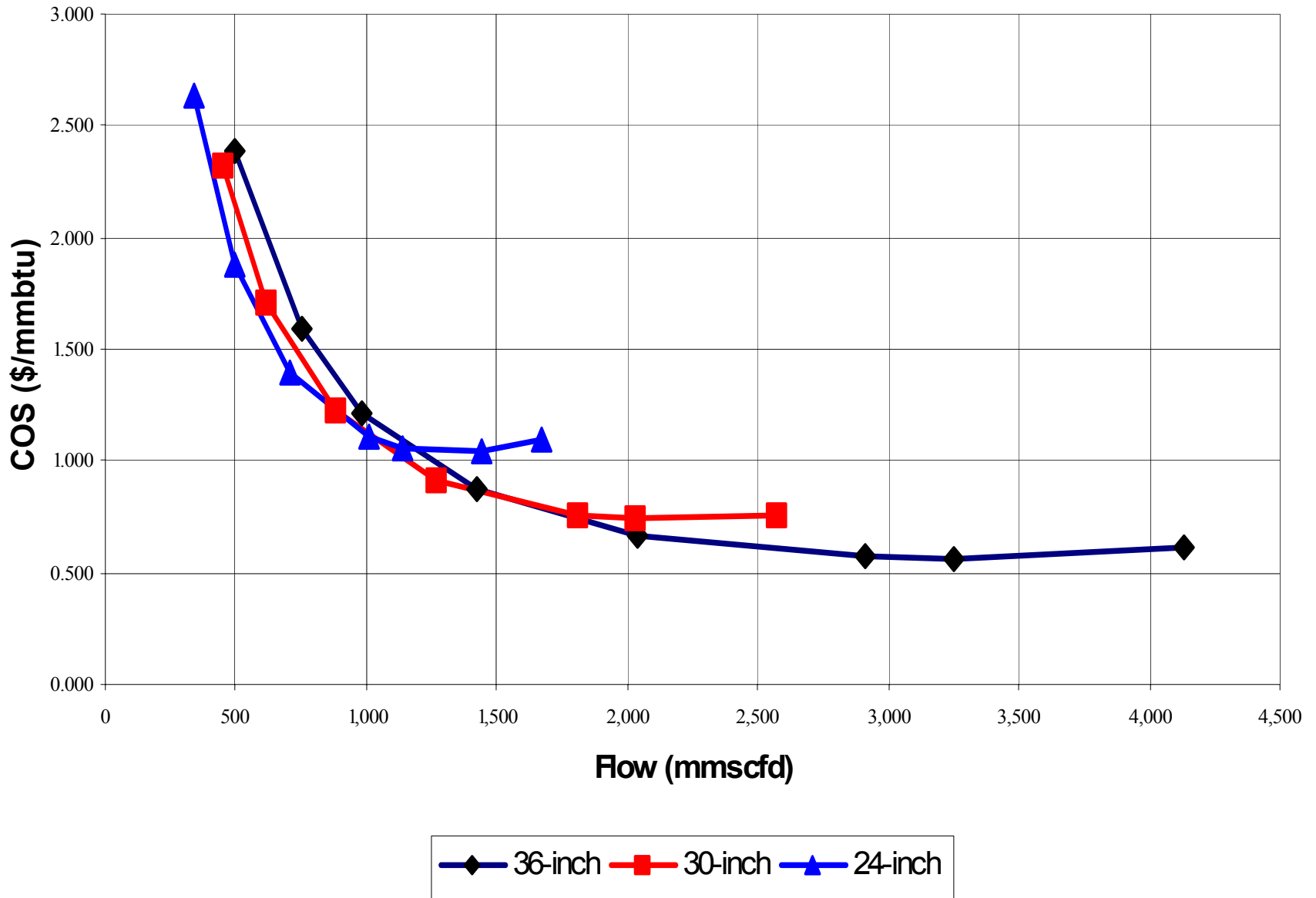
## North Slope Gas Delivered via Spur Line



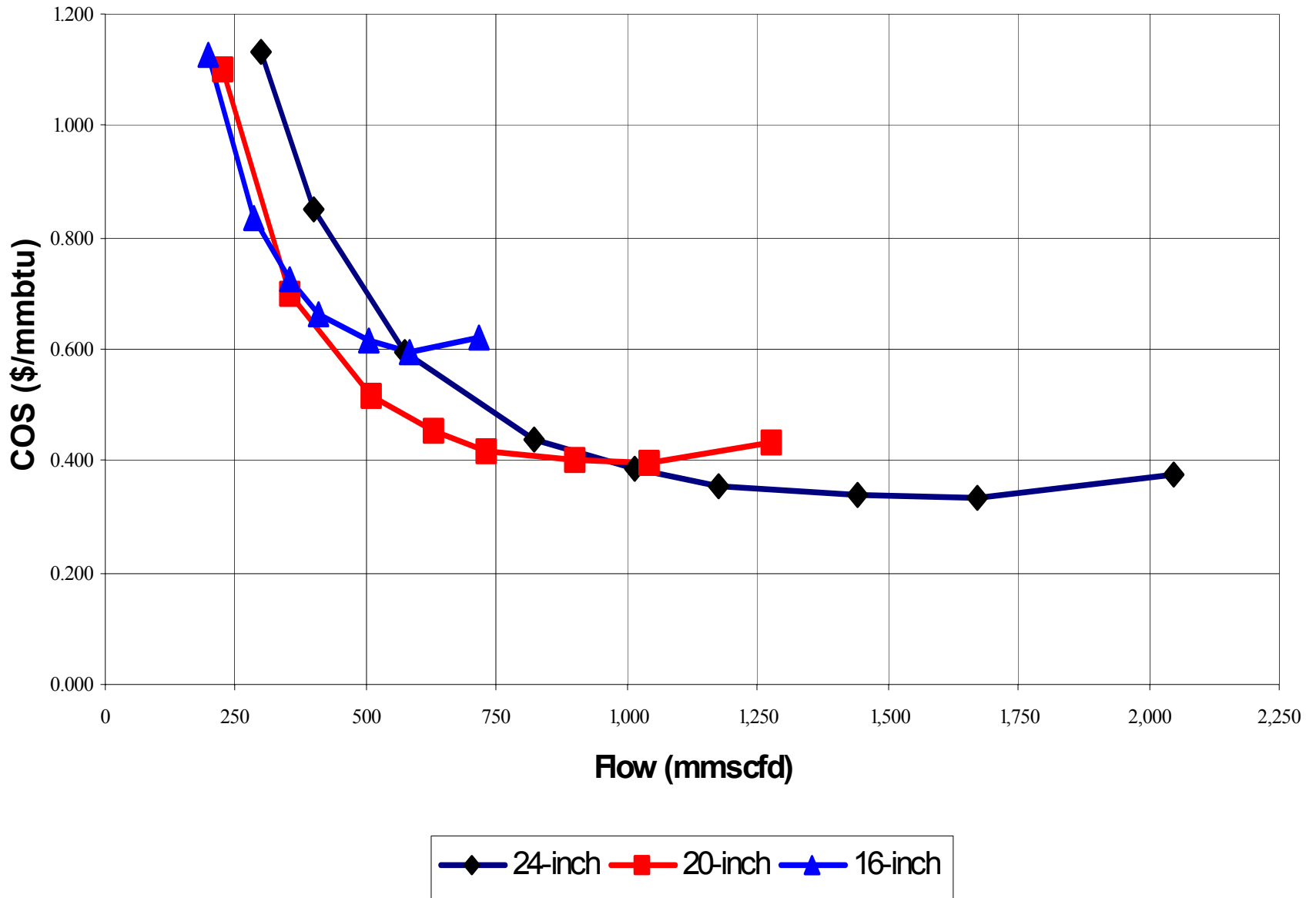
Gas Price in Chicago	<b>\$4.00 / Mbtu</b>
Tariff from North Slope	-\$2.50 -----
Net-Back Gas Price on North Slope	\$1.50
Tariff to Cook Inlet	+\$1.00 -----
<b>Gas Price in Cook Inlet</b>	<b>\$2.50 / Mbtu</b>

Map from 3/26/04 Draft DOE Study of Cook Inlet Gas Supply

# Transportation Cost in 800-mile Alaska Gas Pipeline



# Transportation Cost in 300-mile Gas Spurline



# ANGDA Activities in Ongoing Alaska Gas Timelines

TIME LINE	2005	2006	2007
<p><b>STRANDED GAS ACT</b></p>	<p><b>JUNE 05 Earliest Agreement</b></p> <div data-bbox="550 554 730 644" style="border: 1px solid black; padding: 2px; width: fit-content;">Provide Legislature with Information</div> <div data-bbox="757 554 937 644" style="border: 1px solid black; padding: 2px; width: fit-content;">Design NGL Straddle Plant</div>	<p><b>? FOCB</b></p>	
<p><b>COOK INLET GAS SHORTAGE</b></p>	<p><b>Gas Prices Up</b></p> <p><b>OCT 05 Agrium Shutdown</b></p> <div data-bbox="550 929 730 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">APRIL 05 File Spur Line ROW Application</div> <div data-bbox="738 929 917 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">SEPT 05 Get State ROW</div> <div data-bbox="884 929 1064 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">Get Spur Line Ready to Build</div>	<p><b>? Brownouts</b></p> <div data-bbox="1045 929 1224 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">Pre Construction Activites</div> <div data-bbox="1271 929 1450 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">Winter Season Build</div>	<p><b>Kenai LNGPlant Close or Expand?</b></p> <div data-bbox="1470 929 1649 1019" style="border: 1px solid black; padding: 2px; width: fit-content;">Summer Season Build</div>
<p><b>FEDERAL</b></p>	<p><b>MAY 05 Open Season Rules final</b></p> <div data-bbox="550 1229 730 1305" style="border: 1px solid black; padding: 2px; width: fit-content;">In-State Gas Use Study</div> <div data-bbox="550 1310 832 1372" style="border: 1px solid black; padding: 2px; width: fit-content;">How to Play in Open Season</div>	<p><b>APRIL 06 Federalize Project</b></p> <div data-bbox="937 1272 1213 1333" style="border: 1px solid black; padding: 2px; width: fit-content;">If No Applications, Propose Bullet Line</div>	

# **Alaska Natural Gas** **Development Authority**

[www.allalaskaing.com](http://www.allalaskaing.com)

[www.angda.state.ak.us](http://www.angda.state.ak.us)

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# ANGDA

## Chief Executive Officer



*Photo by Seanna O'Sullivan published ADN 3/17/05*

**HAROLD HEINZE**, is the CEO of the State of Alaska's Natural Gas Development Authority (ANGDA). Considered an "engineer's engineer", Mr. Heinze left retirement in 2003 to lead ANGDA in the planning, engineering, and development of Alaska's gas pipeline.

With 35 years in Oil & Gas, the Past President of ARCO Alaska enjoys living in the north and values the "Alaska experience".

Graduating with high honors from Colorado School of Mines with a Petroleum Engineering degree and serving as an Officer in the U.S. Army was just the beginning for Heinze. He arrived on the shores of Prudhoe Bay six months after the 1968 announcement of its discovery and began working as a field reservoir engineer. Mr. Heinze went on to numerous ARCO management positions in the engineering, planning, and transportation of petroleum. He retired from ARCO in 1990, but retirement wasn't long-lasting since Alaska Governor Walter Hickel appointed Harold Heinze as Commissioner of Natural Resources that same year. As Commissioner, Heinze finalized the land selection of 100 million acres granted to Alaska at statehood.

Mr. Heinze is well respected for his community involvement, creativity, open management style, and sense of humor.

He is married to Cheryll Heinze, a successful artist, retail shop owner, and former Alaska Legislator.