

Alaska Natural Gas Development Authority



Agrium Task Force Meeting

Kenai, Alaska

March 18, 2005

Presentation Elements

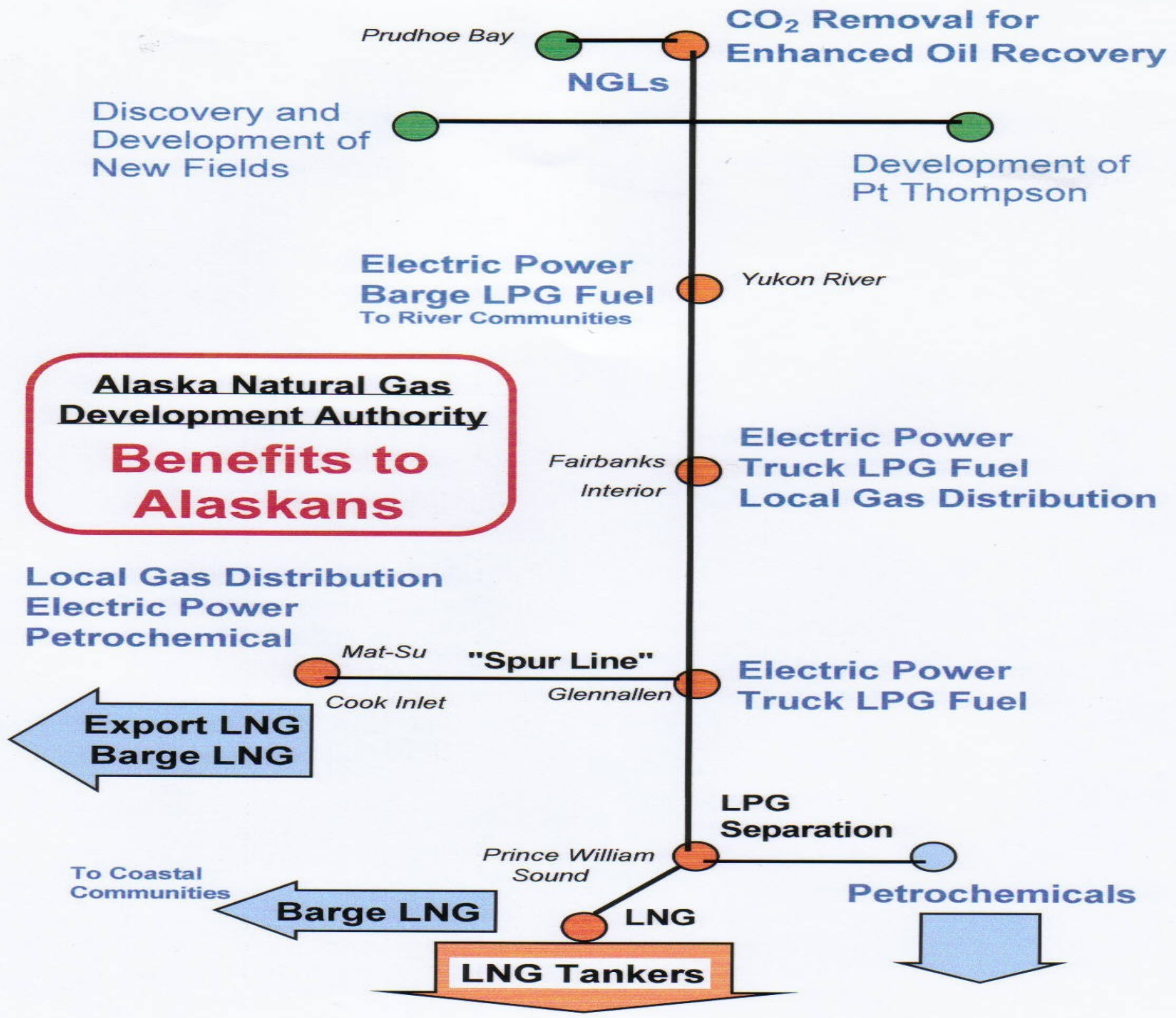
- **ANGDA's History & Role**
- **Status of Alaska Gas Issues**
- **Cook Inlet Gas Shortage**
- **Alternative Solutions**
- **ANGDA's Spur Line Work**
- **Decisions & Timing**

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**

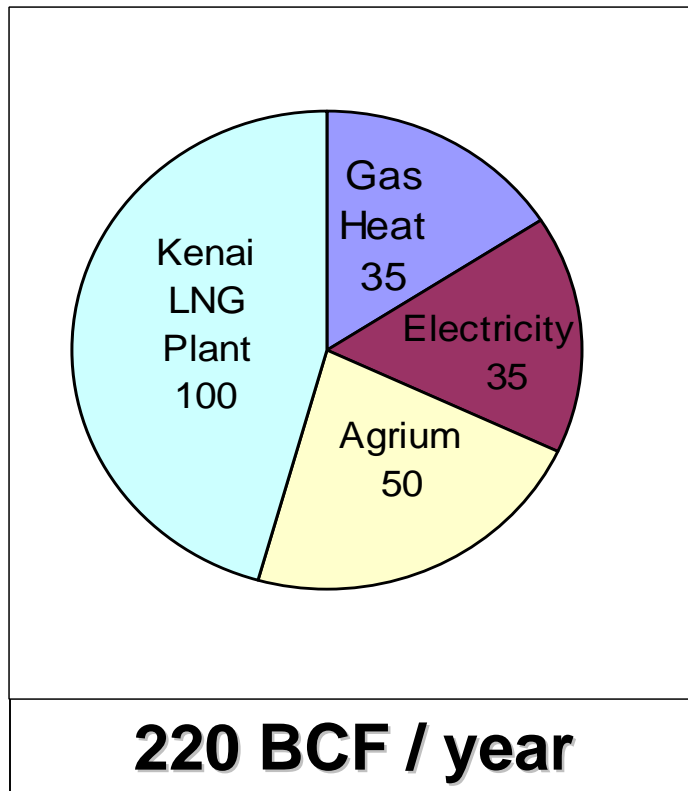


Alaska Gas -- The Last Six-Months

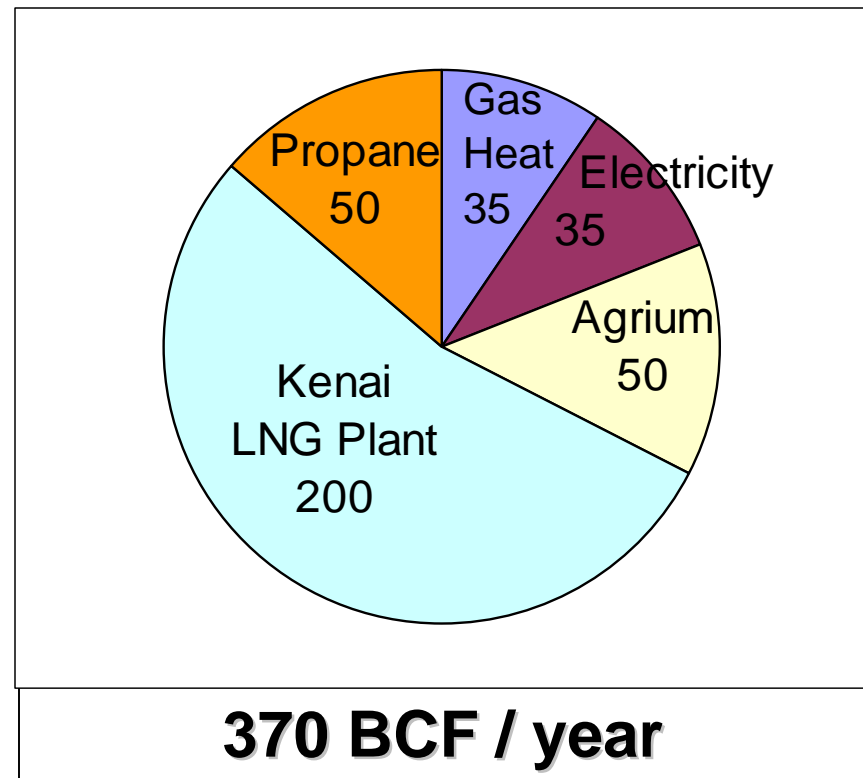
- **ANGDA's "Report to the People"**
- **National gas pipeline legislation**
- **Stranded gas act negotiations between producers and the state**
- **Draft decision on Trans-Canada's right of way application in Alaska**
- **Sempra joins with Alaska Gasline Port Authority on Valdez LNG project**
- **FERC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

Cook Inlet Gas Uses

Present Demand in 2005



Demand with Cook Inlet Spur-Line



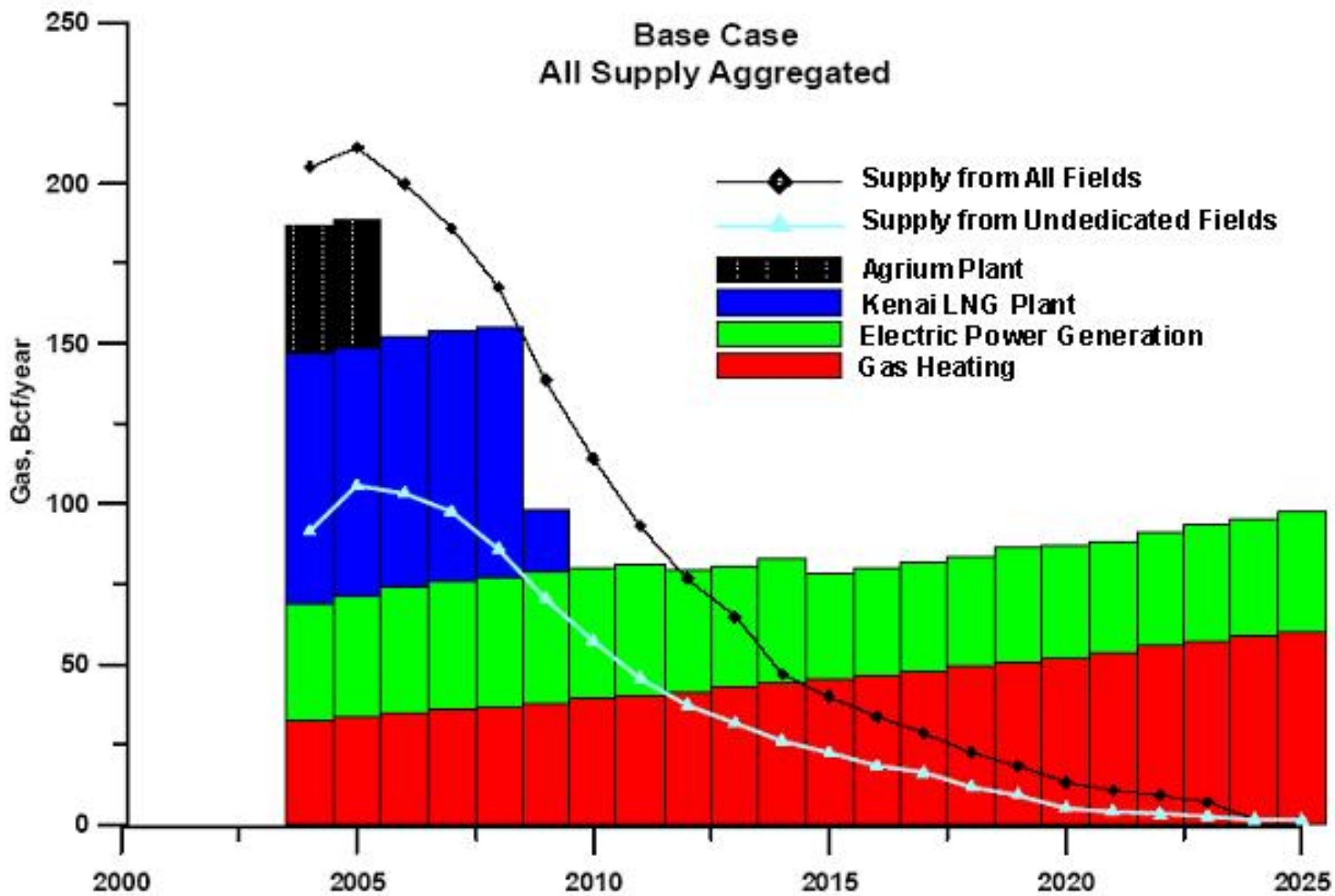


Figure 4.8. Base Case total aggregated supply and demand.

US DOE "South Central Alaska Gas Study" June 2004

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.)
Cost to Customer	Discount from world price	High to attract \$'s	Highest gas price			Low k.w. price	
Size of Investment					Large capital commitment		
Environmental Impacts				Many wells & water ponds		Major watershed impacts	
Socio-Economic Benefits				Cost / benefits?			
“Do-Ability”		No big fields?	Long-term security?		Air permits?		

Future Cook Inlet Gas Price

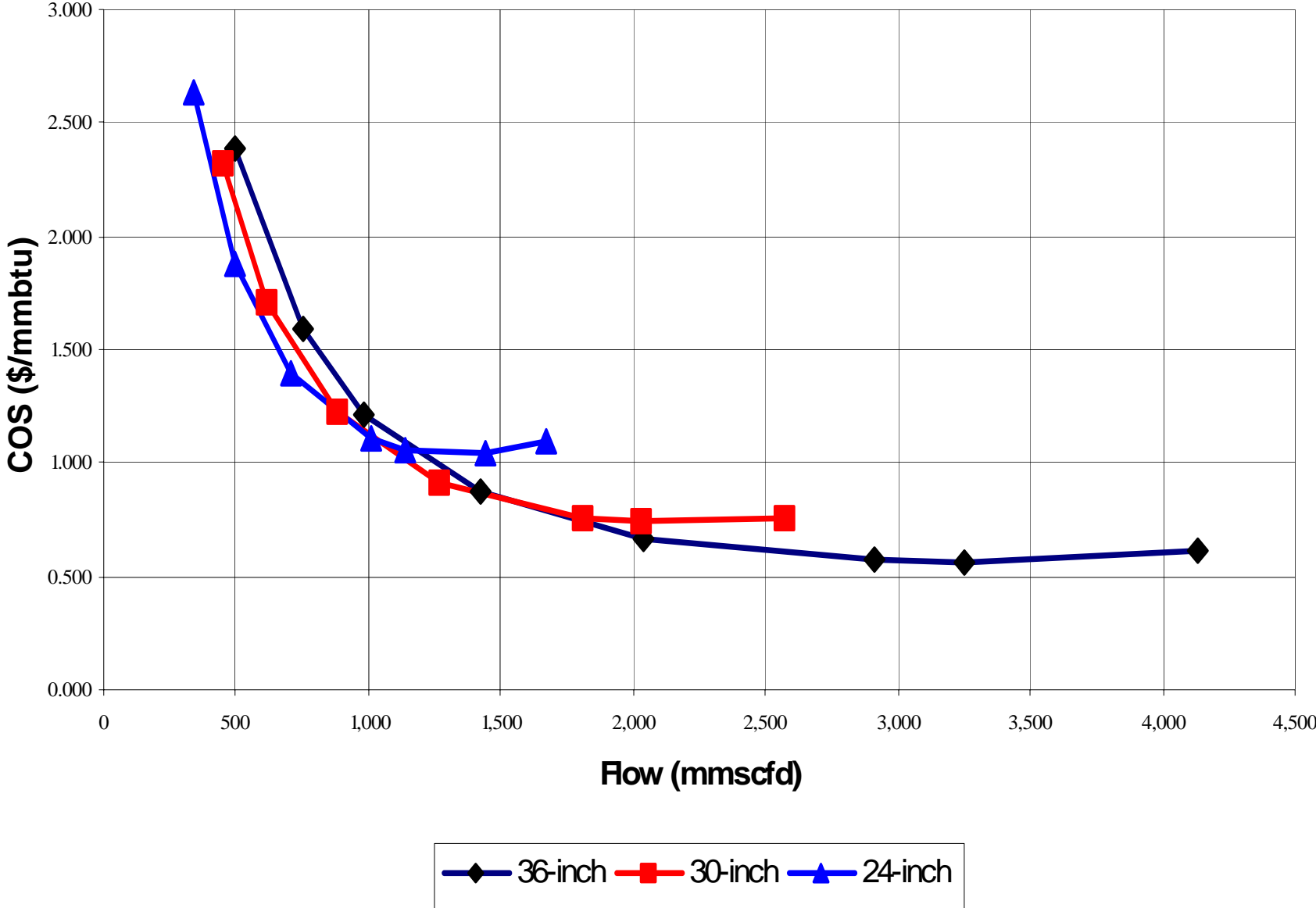
North Slope Gas Delivered via Spur Line



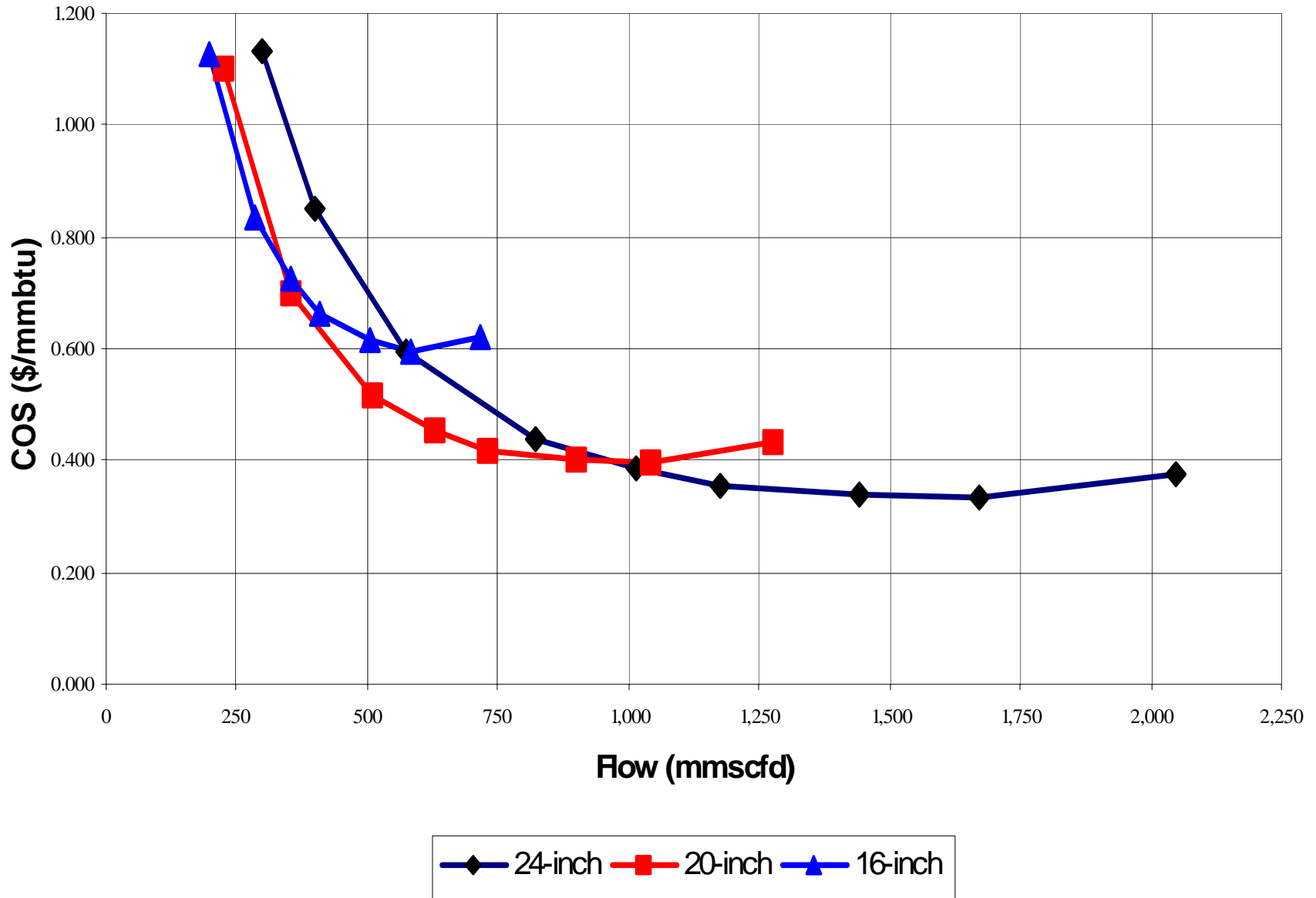
Gas Price in Chicago	\$4.00 / Mbtu
Tariff from North Slope	-\$2.50 -----
Net-Back Gas Price on North Slope	\$1.50
Tariff to Cook Inlet	+\$1.00 -----
Gas Price in Cook Inlet	\$2.50 / Mbtu

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
STRANDED GAS ACT	<p>JUNE 05 Earliest Agreement</p> <p>Provide Legislature with Information</p> <p>Design NGL Straddle Plant</p>	? FOCB	
COOK INLET GAS SHORTAGE	<p>Gas Prices Up</p> <p>OCT 05 Agrium Shutdown</p> <p>APRIL 05 File Spur Line ROW Application</p> <p>SEPT 05 Get State ROW</p> <p>Get Spur Line Ready to Build</p>	<p>? Brownouts</p> <p>Pre Construction Activites</p> <p>Winter Season Build</p>	<p>Kenai LNGPlant Close or Expand?</p> <p>Summer Season Build</p>
FEDERAL	<p>MAY 05 Open Season Rules final</p> <p>In-State Gas Use Study</p> <p>How to Play in Open Season</p>	<p>APRIL 06 Federalize Project</p> <p>If No Applications, Propose Bullet Line</p>	

Alaska Natural Gas **Development Authority**

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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.