

Future focus: Prospects for power in Cook Inlet

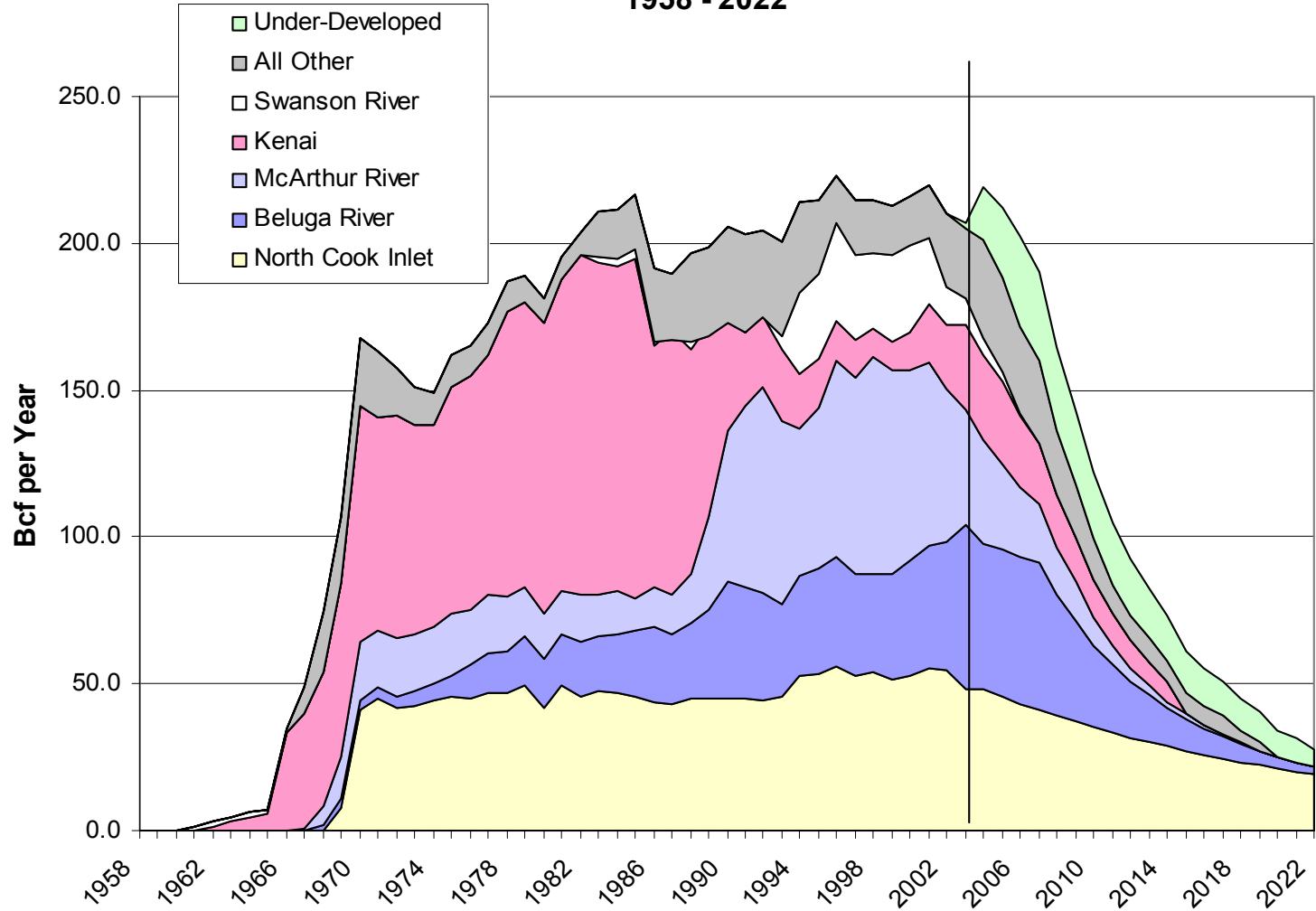
**Jim Posey, General Manager
Municipal Light & Power**



What we know

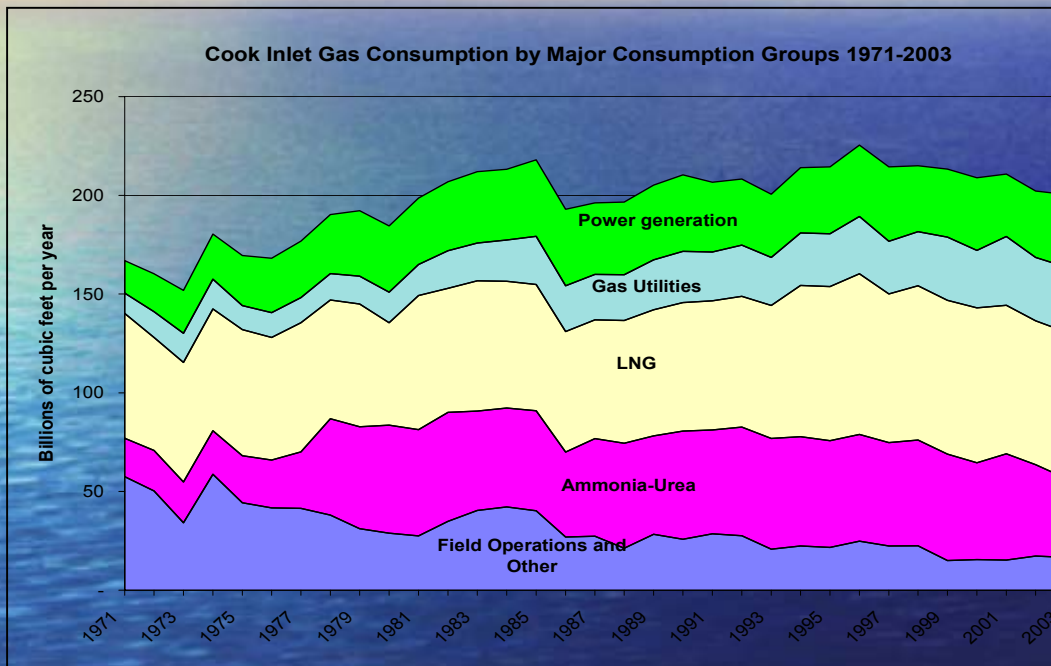
- Cook Inlet reserves in decline
- Days of cheap gas are history
- Economy growth impossible without reliable power

Cook Inlet Historic and Projected Natural Gas Production 1958 - 2022



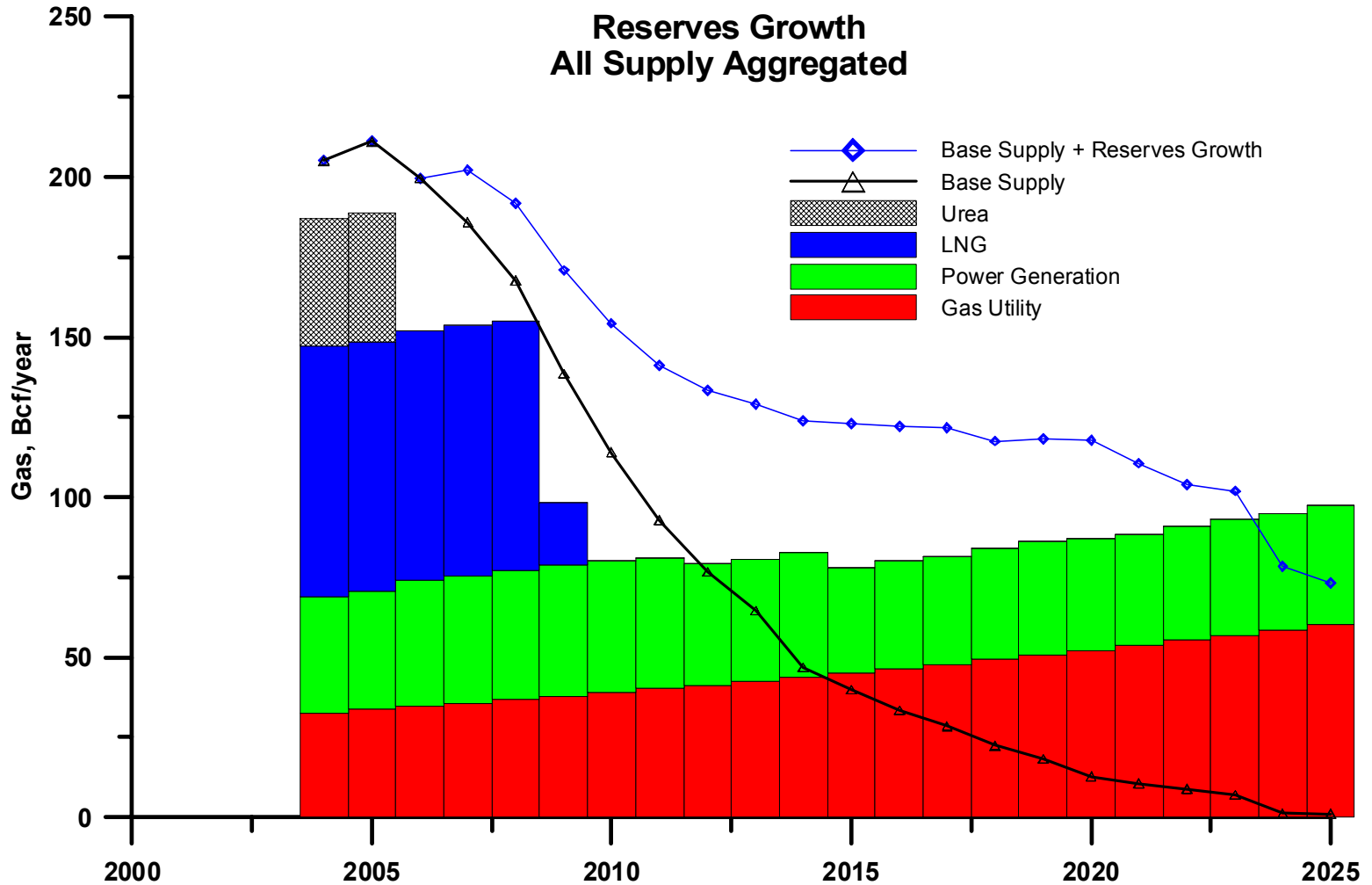
Division of Oil and Gas, 2003 Annual Report

Consumers of Cook Inlet Natural Gas



| | Average 1999- 2003 (Bcf) | Average 1999- 2003 (%) |
|---|---|---|
| Power Generation | 34.7 | 16.8% |
| Gas Utilities | 32.2 | 15.6% |
| LNG | 75.7 | 36.6% |
| Ammonia- Urea | 48.7 | 24.4% |
| Field Operations and Other | 15.9 | 7.7% |
| Average Total | 212.50 | |

Reserves Growth Supply & Demand



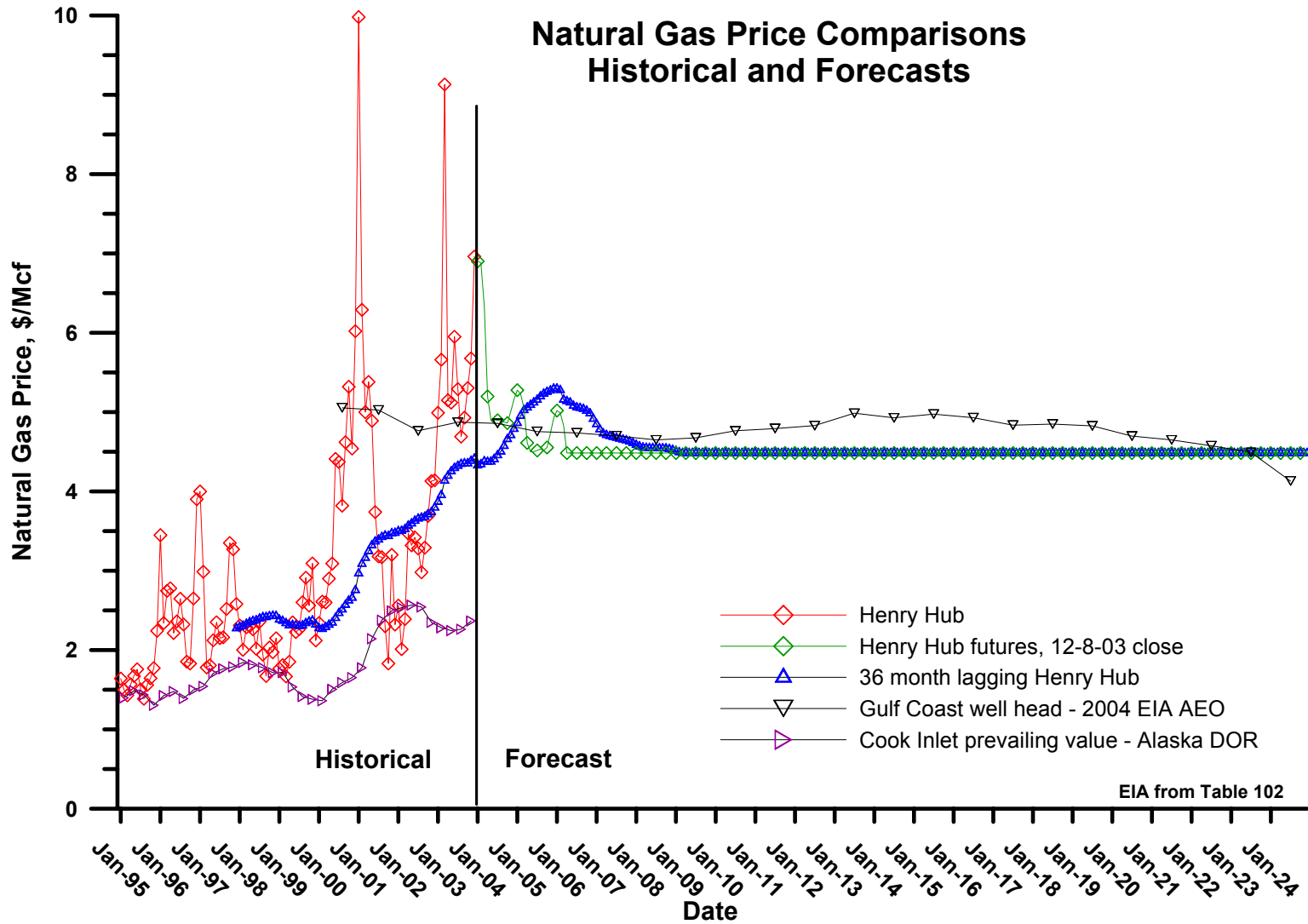
Our options

- o Reduce demand for natural gas
- o Look to alternative fuels
- o Increase natural gas supply

Realization of Potential in Cook Inlet

- Land access
- Application of 3-D seismic & long-reach drilling
- Major capital investment

Price History and Forecast



North Slope gasline spur

- 24" line – 330 MMcf/day
- \$500 million to build spur
- Possible price advantage over lower 48
- Requires new industry in place

Conclusions

- **Known reserves enough for commercial and residential until 2012, if industrial use curtailed**
- **2009 critical, if industry use**
- **To maintain current levels, E&P must succeed**
- **Additional supply from exploration and/or reserves growth**
- **Assumed reserves growth (1.4 Tcf) sufficient for commercial and residential; perhaps one industrial user through 2025**

Study Recommendations

- Detailed study of pipeline spur
- Study near-term need for gas storage
- Analyze economics of new industry
- Analyze optimum mix of supply and demand options

What now?

- **ML&P, Chugach Electric, ENSTAR working together to promote action**
- **Must have state fiscal plan; lack of one is barrier to new investment**
- **Organize task force to develop strategies:**
 - ✓ **More E&D in Cook Inlet**
 - ✓ **Movement on North Slope gas pipeline**