# Cook Inlet Oil & Gas in Transition

Presentation by:

ENSTAR Natural Gas Company

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RDC Annual Conference

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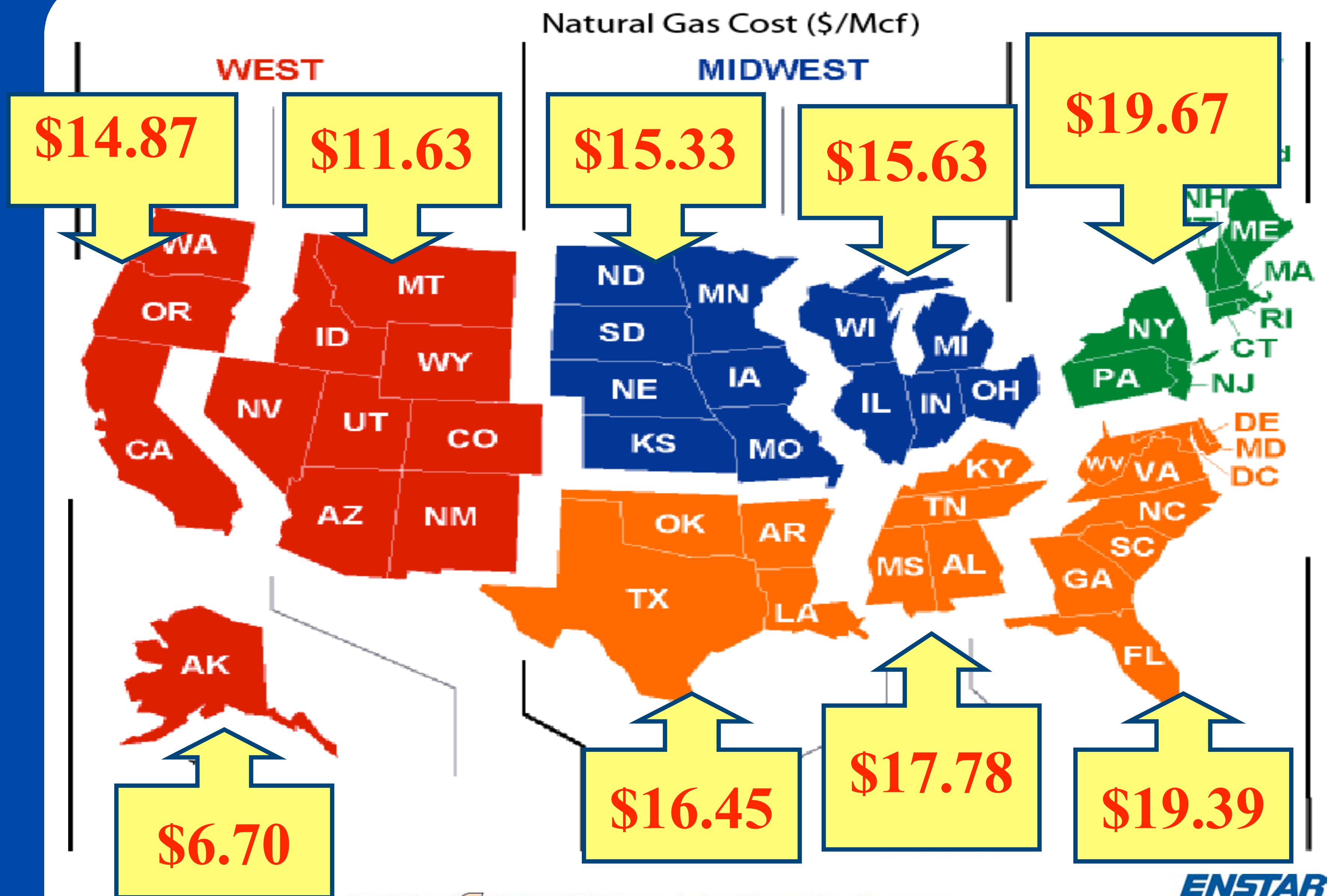
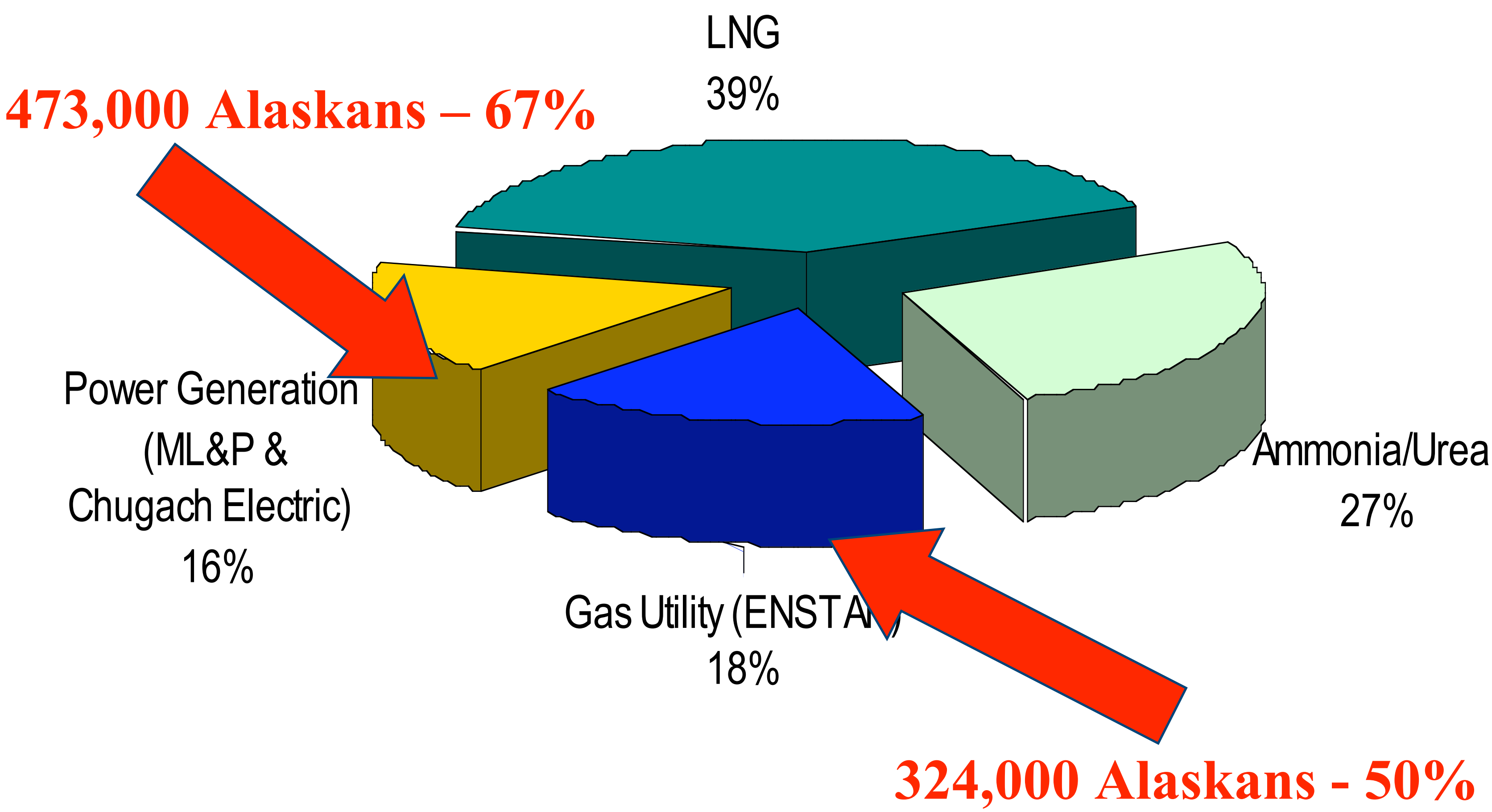
ENSTAR Natural Gas Company

# Residential Costs-By Regior



# Cook Inlet Natural Gas Usage by %

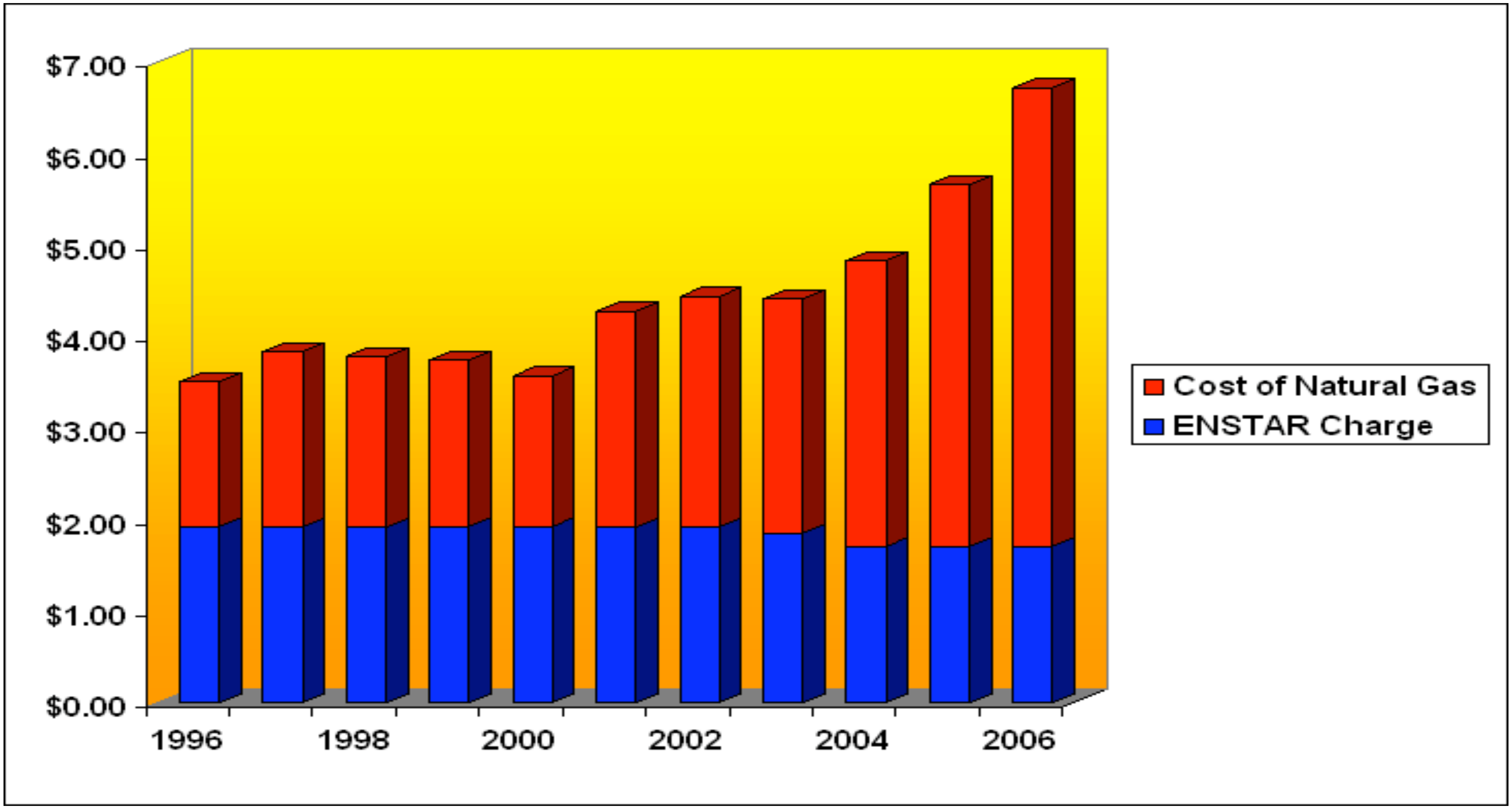



South Central Alaska Natural Gas Study, Prepared for US Dept of Energy, June 2004

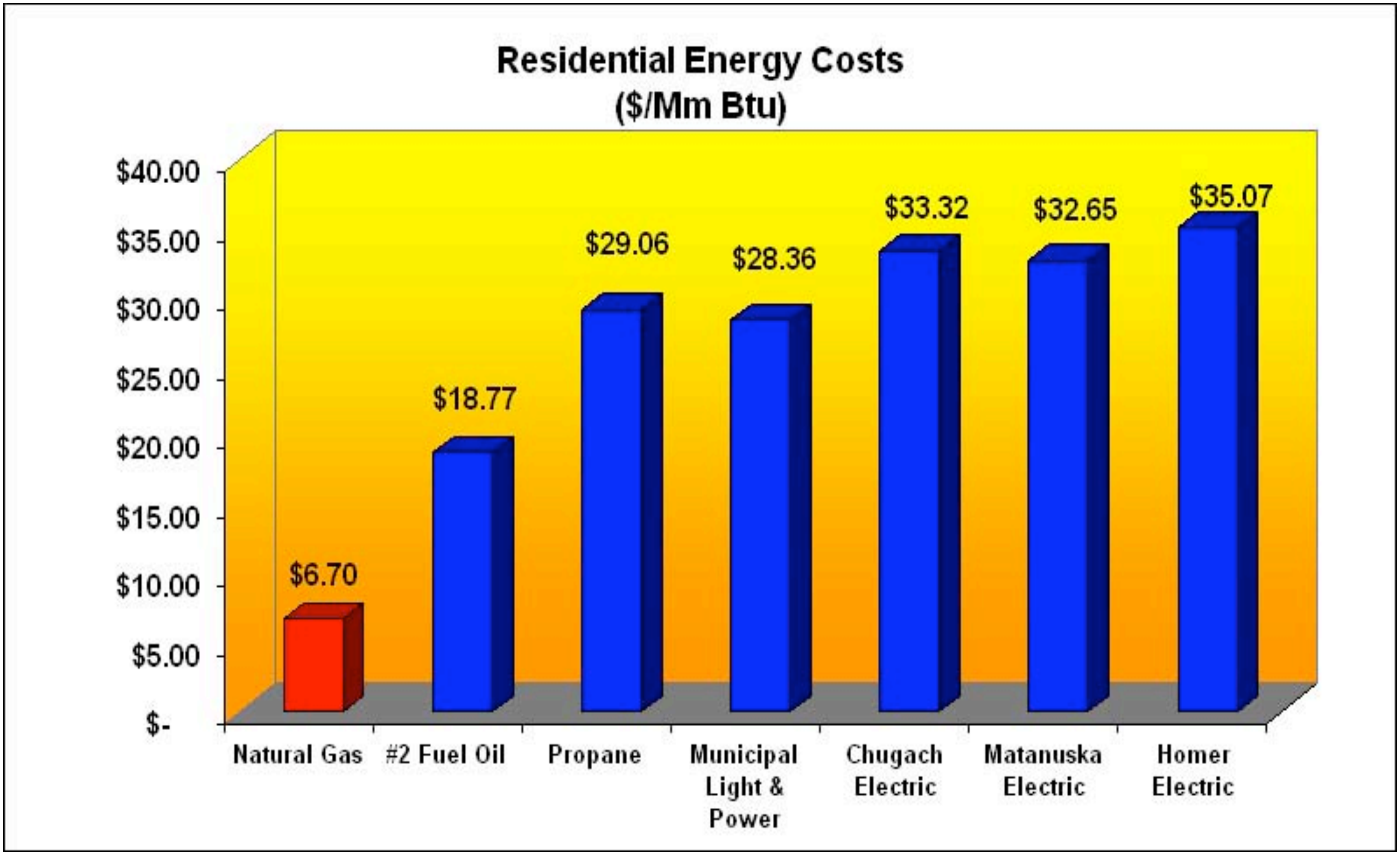
All Our Energy Goes Into Our Customers

ENSTAR Natural Gas Company

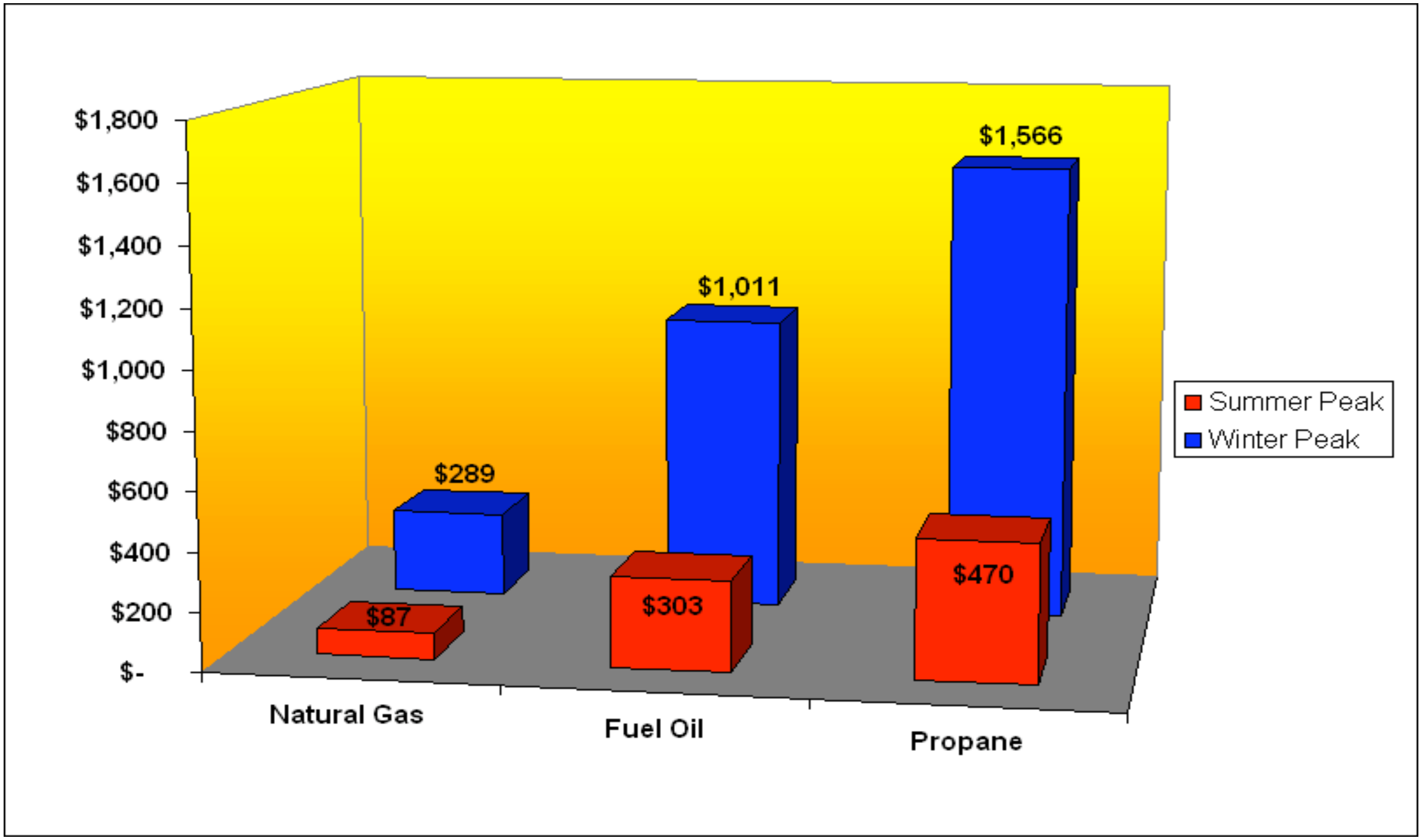
# Natural Gas Cost vs. Residential Transportation Charges



# Comparative Fuel Costs
## 2006 South Central Alaska

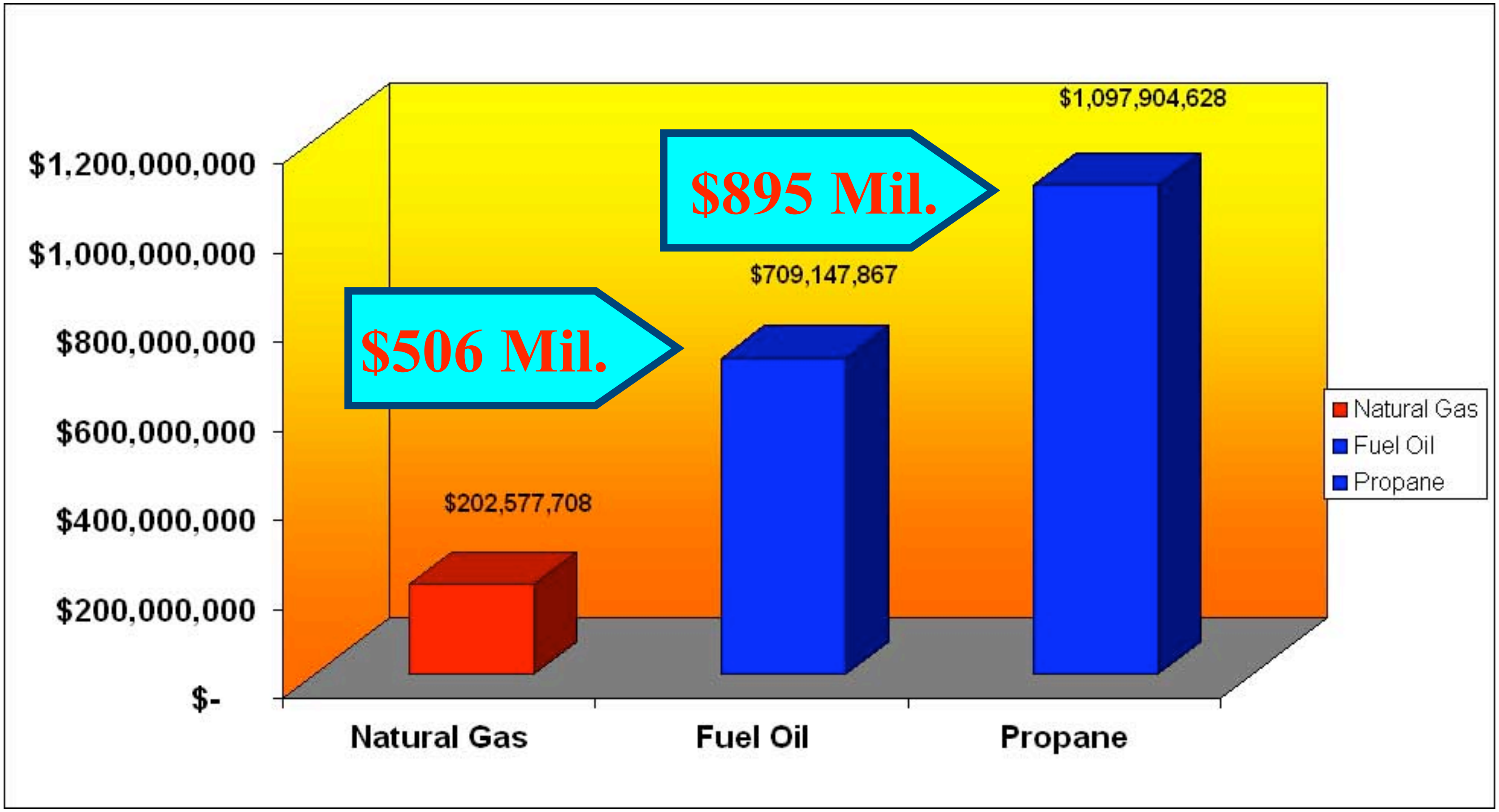


# Fuel Substitution – Summer & Winter
## Peak Cost to Consumer

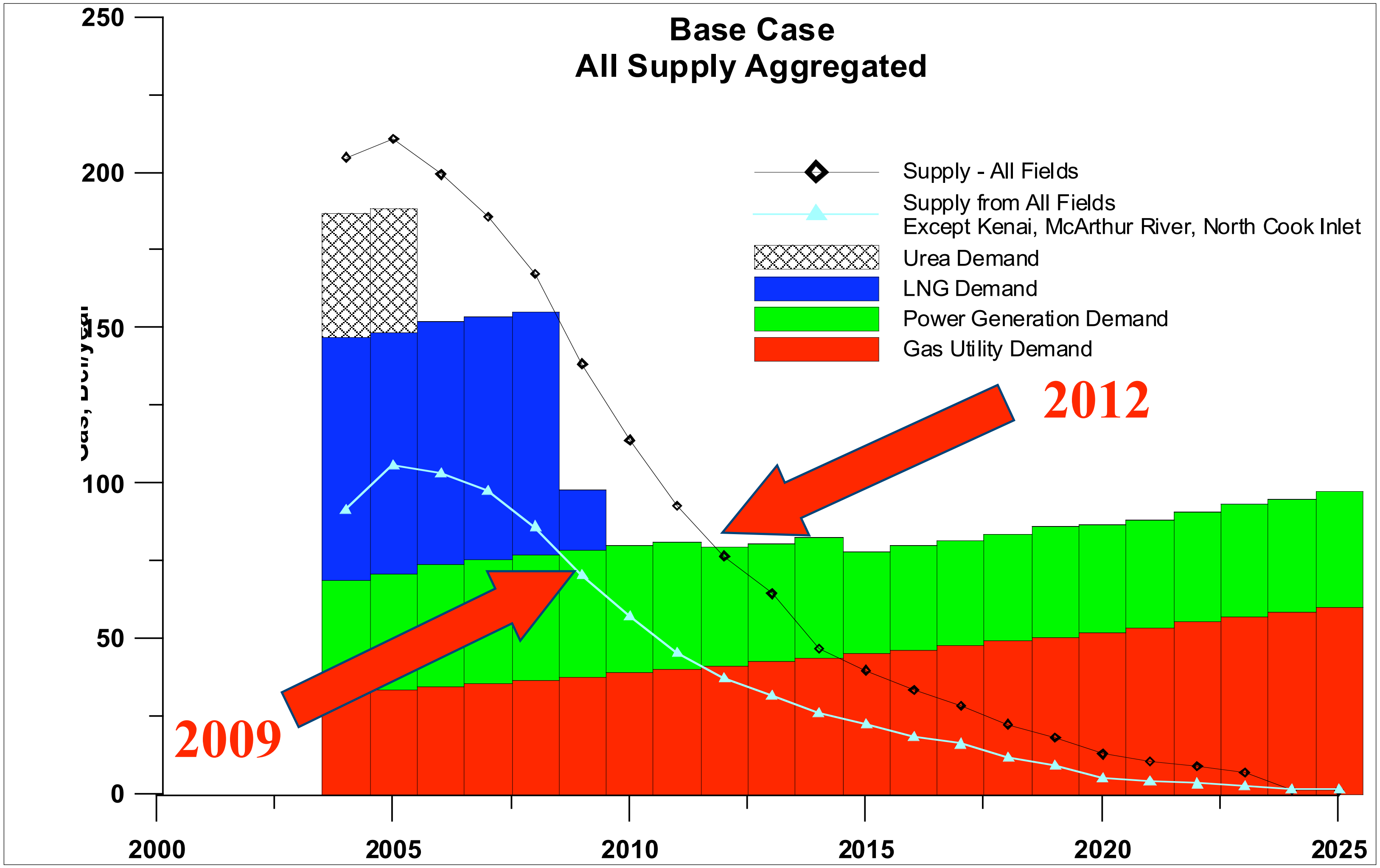


# Cost to Consumers

### Switching to Alternative Fuels in South Central Alaska



# Base Supply & Demand




Department of Energy, June 2004

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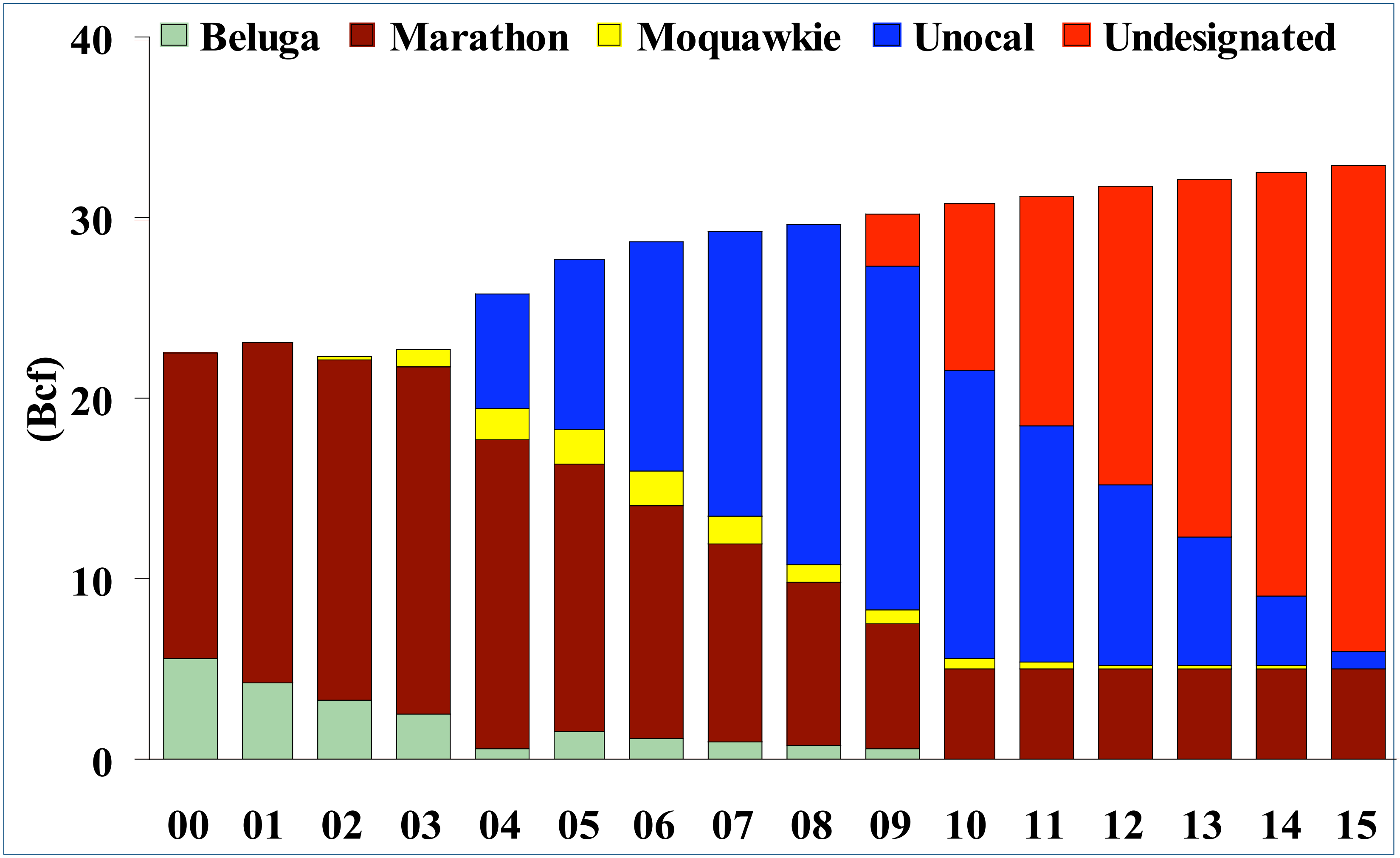
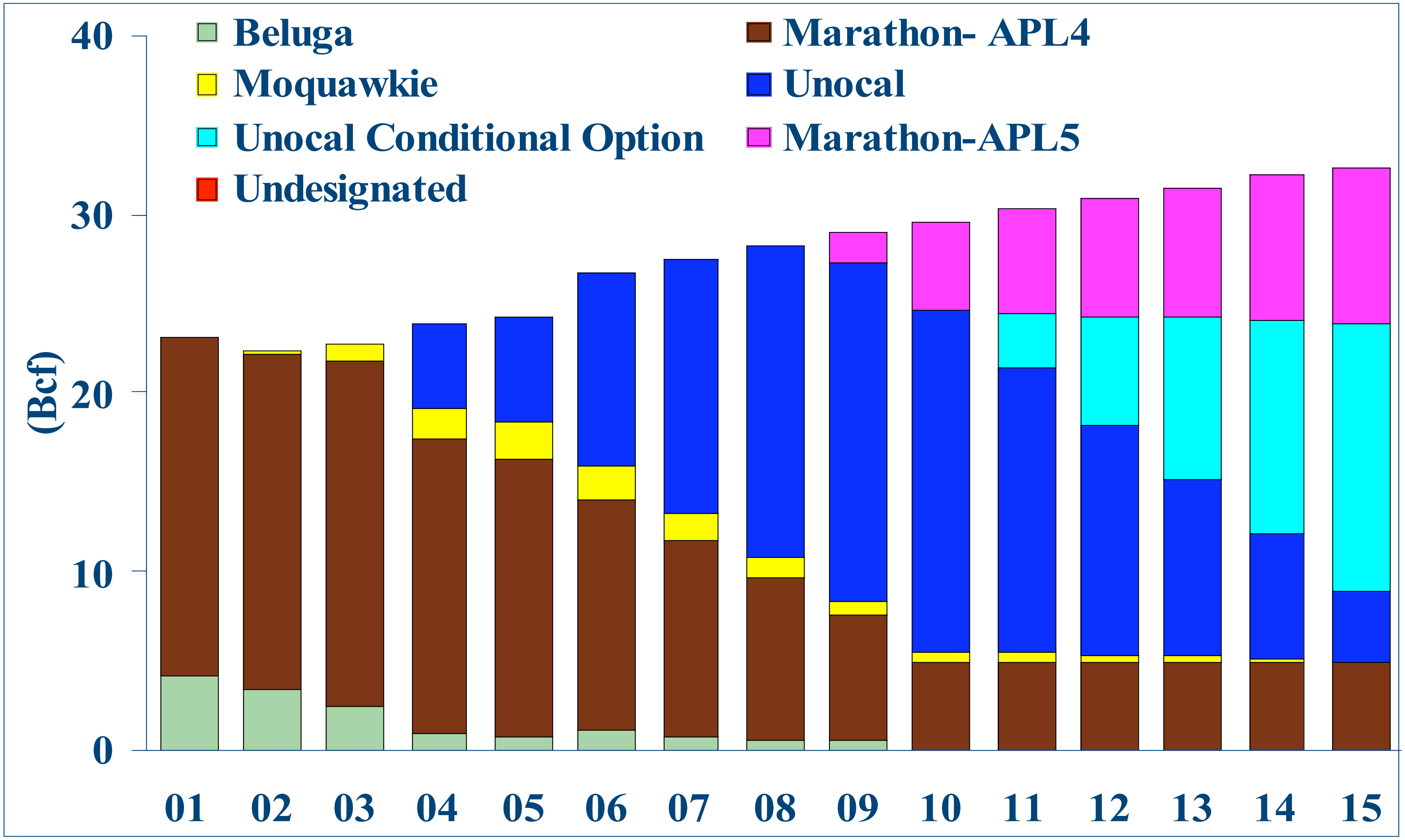
# Gas Supply October 2005



# ENSTAR Proposed Gas Supply

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# Future of Supply

- We have moved from an "Excess Supply" market to a "Supply & Demand" market
  - Cost of Natural Gas will go up
  - More supply contracts are needed and will likely be for smaller volumes
  - Supply contracts will likely be more complicated
  - Pipeline system will be more complicated to operate
- We are working to identify and evaluate options to meet future demand
  - LNG Imports may be economic at some point
  - Storage options are being explored for peaking purposes
  - We have achieved Federal support for an in-depth DOE study of In-State demand and for conceptual engineering of a spur pipeline to Nenana Basin / Fairbanks

# Future of Supply

- New Rate Designs are needed that will allow a Utility to encourage conservation
  - A Rate Structure that encourages conservation is good public policy
  - Current rate structures reward Utilities based on volumes used and are a disincentive for promoting conservation
- 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
  - Higher call volumes
  - Increased theft of service

# Questions?