



Figure 1 – Cook Inlet Supply & Demand

PRA used a decline curve analysis to review the same underlying data analyzed in the 2009 DNR reserves study and reached a similar conclusion regarding when the supply of gas from existing wells will not meet demand². The PRA study took the next step, estimating the cost of bringing the undeveloped gas resources to market³. PRA determined that if significant efforts are undertaken to develop gas from the resources identified by DNR and if the current trends in drilling success rates continue, gas might be available through 2020. However, even if an aggressive development effort were undertaken immediately, that effort may fail to bring new gas to market quickly enough to provide needed gas when demand is projected to exceed supply as soon as 2013. Utilities need to plan for an alternative supply to meet their customers' needs. Having undeveloped gas resources in the ground will not enable Cook Inlet Utilities to provide heat and power to their customers. The gas resources will only be developed and brought to market at prices that incentivize the producers to justify their investment. Contracts with these higher prices will require RCA approval.

Cook Inlet Utilities need a viable option if additional Cook Inlet development does not materialize. To provide a stable gas supply, non-Cook Inlet sources such as gas delivered from the North Slope or LNG imports, are alternatives that must be pursued. The "easy" gas has been found in the challenging geology of Cook Inlet. The future costs of developing additional reserves will be substantial. As the cost of continued Cook Inlet gas production increases, alternative gas supply sources may become more economically attractive. Regulatory uncertainty has also discouraged Cook Inlet producers from exploring for and developing Cook

² PRA's study estimates remaining reserves of 729 Bcf from existing wells, compared with DNR's forecast of 863 Bcf of Proven Developed Producing reserves.

³ The DNR study did not address the cost of bringing undeveloped resources to the market. (see DNR Study Figure 14 Description)