



Picacho Peak Gas Storage, LLC Winter Preparedness Meeting – Nov 1, 2011



Multifuels LP - Developer



- Privately held Energy Asset Developer located in Houston, Texas
- Experienced in developing pipelines, natural gas storage, refined product terminals and other midstream assets
- Recent Natural Gas Storage Experience
 - Developed Freebird Gas Storage in Lamar County, Alabama
 - Freebird capacity equal to 7.7 BCF Working Gas
 - In service June 2006 (injections) and January 2007 (withdrawals)
- Current Storage Projects
 - Arizona: Picacho Peak Gas Storage LLC (4.5 BCF - on hold)
 - West Virginia: Bens Run Gas Storage LLC (20-25 BCF - active)
- Other Projects
 - CO2 Enhanced Oil Recovery Project – Gulf Coast area
 - 500,000 ton per year Wood Pellet Mill (Biomass) – Franklin, Virginia

Executive Summary

Picacho Peak Gas Storage



- Multifuels has committed over 4 years of effort to develop Picacho Peak Gas Storage and over \$5MM of pre-development capital
- MultiFuels LP is prepared to develop 5-8 Bcf of natural gas storage in Pinal County, Arizona.
- There is no storage in Arizona and the closest storage is greater than 500 miles from the Phoenix/Tucson market area.
- The facility will be developed in the Picacho Basin bedded salt geological formation within 30 miles of Phoenix and 50 miles of Tucson.
- The project is being developed for the Arizona Utilities, IPP's, Municipalities and LDC's.
- Precedent Agreements need to be executed committing the members of the Arizona Natural Gas Storage Coalition on terms sufficient to provide financing.
- Expandable to meet future market requirements.

- 5-8 Bcf of Working Gas Capacity – Bedded Salt Storage Facility
- Salt thickness – estimated at 600 feet
- Ability to develop 3 or more caverns each capable of holding 2.5-4Bcf of working gas
- 225 mmcf/d injection and 450 mmcf/d of withdrawal capacity, 12 turn service.
- Approx. 10 mile header system to TW and El Paso
- Interconnects:
 - Transwestern Phoenix Lateral
 - El Paso Natural Gas Pipeline
 - Direct connects with local Power Plants in Coolidge/Eloy area
- Approx. 14,000 hp compression
- Project requires approx. 6 disposal wells
- **Total Project Cost: \$200-\$300MM depending on desired capacity**

Milestones Completed

- Land Secured
 - 160 acres under option to acquire
 - 640 acres of mineral interests leased
- Geological Review Completed
 - 20 miles of seismic shot
 - Completed review of every well drilled in the basin
 - Located optimal salt thickness in basin and disposal zone targets
- Completed 3rd Party Preliminary Engineering Study providing project cost estimates
- Positioned to Secure 10,000 acre feet of water
 - Executed In Lieu Water Contract and Wheeling Contract
 - Executed Water Storage Contract and Facility Consent Contract
 - Executed Excess Water contract with CAP
- Secured Local Community Support
 - City of Eloy – Letter of Support and preferred brine disposal plan
 - Pinal County Partnership letter of support

Milestones Completed

- Attractive ROW options available
- Held Open Season – February 2010
- Established criteria for APP Approval with ADEQ
 - ADEQ lobbied on behalf of Multifuels Proposed HB 2352 (Brine Disposal)
 - Former Director Grumbles provided letter of support for project
- Developed good working relationship with EPA – Region 9
 - Test well program introduced to EPA – identified numerous injection test options
 - EPA required to approve UIC Application for Class I Well Permit
- Selected FERC Counsel for filing FERC 7 (c) application – Baker Botts
 - Baker Botts represented Multifuels during Freebird FERC Filing

Public Support (2007 – 2010)

- ACC (previous commissioners including: Gleason, Mundell, Mayes, Hatch-Miller)
- Former Chairman of Arizona Essential Services Task Force
- Pinal County Board of Supervisors
- Mayor of City of Eloy
- Former City Manager of Eloy
- Mayor of Casa Grande
- City of Mesa
- Greater Phoenix Chamber of Commerce
- Arizona Investment Council
- Insight Land Management
- Arizona Natural Gas Storage Consumers Coalition Group

Current Project Timeline

- Execute Precedent Agreements - 2nd Qtr 2012
- Test Wells – 3rd Qtr. 2012
- Open Season – 3rd Qtr. 2012
- FERC 7C Filing – 2nd Qtr. 2013
- Certificate of Public Convenience & Necessity – 1st Qtr 2014
- Financial Close -- 1st Qtr 2014
- Commence Construction – Immediately upon Financial Close
- Commercial Operation – 1st Qtr. 2016

Remaining Key Issues

- **Execute Precedent Agreements with Arizona Coalition**
- Drill Test Wells to confirm thickness of sand formations and rate of brine disposal
- APP Permit from ADEQ for Brine Injection
- File UIC Permit with EPA – Class I Brine Injection Permit
- File FERC 7(c) Permit

Summary

Picacho Peak Gas Storage Facility has the following attributes which make it the most compelling candidate for providing the benefits of Natural Gas Storage to Arizona ratepayers:

Quickest to In Service - Four years invested in geotechnical work, developing engineering and design, and building relationships with all stakeholders.

Best Location – Almost equidistant from the two largest load centers in the state and within proximity to up to 5 operating or planned Natural Gas fired Power Plants

Most Economical- Will utilize underground brine disposal which would save the project between 15 -30% CAPEX compared to aboveground evaporation ponds.

Most Environmentally Acceptable – Underground Brine Injection is the preferred method by natural gas storage projects across the United States and preferred by the local stakeholders in Pinal County.

Contact Information

- Dick Robinson – Vice President
 - (832) 251-4279
 - drobinson@multifuels.com
- Randy Gibbs – President
 - (832) 251- 8753
 - rgibbs@multifuels.com
- Gil Muhl – Vice President
 - (832) 252- 2251
 - gmuhl@multifuels.com
- Jim Homco – Vice President
 - (832) 251- 8761
 - jhomco@multifuels.com

Corporate Office
6363 Woodway, Ste 415
Houston, Tx 77057

Main: (832) 251 8750
Fax: (713) 266 4192