

Interior Energy Project ditches partner

PROJECT

By Matt Buxton

MBUXTON@NEWSMINER.COM

The Interior Energy Project has for the second time in its existence ended a partnership with a private project developer because of cost concerns, but the state says this time won't be a full restart.

The Alaska Industrial Development and Export Authority's board of directors voted at its late-October meeting to end a working relationship with Salix Inc. to build and operate a liquefied natural gas processing facility in Cook Inlet.

Gene Therriault, the lead manager on the Interior Energy Project, said in an interview Friday the involvement of a private company introduced additional costs — such as taxes and higher profit expectations — that made the already challenged project more difficult.

“With the current low price of oil that was probably

PROJECT » A3

Continued from A1

going to impact the rate of conversion, we continued to look for costs to squeeze out,” he said. “The two utilities (Fairbanks Natural Gas and the Interior Gas Utility) independently came to the conclusion that there were some costs associated with Salix's participation and if there were a way to avoid them, that would be best.”

The goal of the Interior Energy Project is to deliver natural gas at heating- equivalency price comparable to \$2 per gallon of heating oil, or about \$15 per thousand cubic feet of natural gas. Meeting that goal has become increasingly important as the price of heating oil has plummeted to near that \$2 per gallon mark.

Costs were the drivers in the Interior Energy Project's last breakup with a private project developer on a North Slope-based plant in 2015, but this time Therriault said the move is not a complete reboot.

Instead, Therriault said the AIDEA bought the engineering work Salix has completed on the plant for \$250,000. He said a consolidated utility — already in negotiations between Fairbanks Natural Gas and the Interior Gas Utility — likely would take up the construction and operation of the plant expansion.

“It gives us the option of a utility-driven project,” he said. “It's a continuation of structure that we already have.”

Gary Wilken, an AIDEA board member and former Fairbanks state senator, said the split with Salix, a subsidiary of the Washington-based utility company Avista, was amicable.

“They saw exactly what we saw, for \$3 million a year they really didn't bring much to the project other than load up some of the extra costs that prevents us from getting to \$15,” he said.

A Salix spokesperson told the Journal of Commerce, which originally reported the split, that the move was mutual.

North Pole Mayor Bryce Ward, a recent critic of the direction of the project, said he's disappointed to see the loss of a private partner but that he'll support the new approach if it can deliver. He said he favored the

involvement of private partner because it can help contain risk.

“At this point it’s basically all government-run,” he said. “Incorporating that model into the entire process is probably the most appropriate, so I don’t really have an issue with it. In the end, the bottom dollar is I want gas and I want it as soon as possible. If they can do it so it brings a low-cost and lowrisk model to the community, then I’m in favor of it.”

Therriault said the project is still making progress and that the next steps to bringing gas to the Interior will be the formal consolidation of Fairbanks Natural Gas and the Interior Gas Utility into a single entity and a contract for additional natural gas supply in the Cook Inlet.

Contact staff writer Matt Buxton at 459-754 4. Follow him on Twitter: @FDNMpolitics.