

CURRENT STATUS

May 2017

Natural Gas Supply: Ongoing Commercial Discussions with Cook Inlet Producers

LNG Capacity/ Alternatives: Optimizing commercial structure to create lowest cost for customers.

Transportation: Working with private industry and AK Railroad to generate cost estimates for raiiling LNG. Purchase of 13,000 gallon LNG trailers.

Distribution: Work continues to integrate FNG and IGU and restart LNG storage efforts.

PROJECT DESCRIPTION

The Interior Energy Project (IEP) provides the financial tools needed to bring natural gas to Interior Alaskans. Senate Bill 23 and House Bill 105 passed the Alaska Legislature in 2013 and 2015 respectively, and authorize the Alaska Industrial Development and Export Authority (AIDEA) to provide the financing package to build infrastructure required to supply a natural gas distribution system in Fairbanks and North Pole.

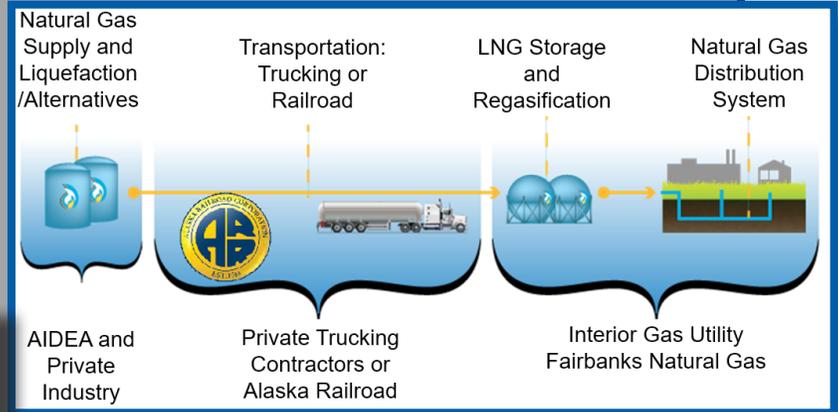
Clean-burning natural gas will help substantially improve Fairbanks and North Pole air quality by providing a competitive substitute to wood and oil burning heating systems. This is designed to help the region meet federal Environmental Protection Agency (EPA) standards.

The project consists of three major components:

- Financing expanded LNG capacity
- Transporting energy to Interior Alaska markets
- Expanding Interior natural gas distribution and storage system

New LNG Capacity

The IEP team continues to advance development of the LNG plant as a utility owned asset by utilizing work product purchased from Salix. Utility ownership of the LNG plant is expected to drive down project costs.



Transportation

LNG may be trucked or railed to Fairbanks. At full production, the initial LNG plant is anticipated to require up to 13 truck deliveries per day. This part of the project is anticipated to be met by the private sector or the Alaska Railroad Corporation.

Natural Gas Distribution System

A critical element for the project is the build-out of a natural gas distribution system, and connecting customers to this new energy source. AIDEA has financed the expansion of FNG’s distribution system and construction of IGU’s new distribution system. AIDEA expects these two utility systems to integrate with joint operations. LNG storage capacity will be developed to serve the expanded distribution system.

BUDGET/FINANCE

The IEP includes a financial package to act as a catalyst for AIDEA to finance and develop the supply and delivery of natural gas to Interior Alaska. The financing package includes a \$57.5 million appropriation to serve as the State’s equity stake in the project, up to \$125 million in low-interest SETS loans, coupled with \$150 million in State-backed AIDEA bonds. The project also leverages previous legislation that provides up to \$15 million in natural gas storage credits for each qualifying LNG storage tank.

PROJECT/ ECONOMIC BENEFITS

Regarding long-term impacts, each year over the [Project] period the Project would support on average 520 local jobs and \$14.2 million in income. Of these, approximately 480 jobs and \$9.2 million in income are indirectly supported at other FNSB businesses. (Interior Energy Project Economic Impact Analysis Cardno Entrix April 4, 2014).

PARTNERS

*Natural gas supply (DCCED): RFI for private partners LNG capacity/alternatives: RFP for private partners Trucking: Private Sector
Distribution: Interior Gas Utilities, Fairbanks Natural Gas*