

July 2013

Legislative Briefing



Introduction

The Interior Energy Project (IEP) was introduced by Governor Sean Parnell during the 28th legislative session to provide financing for an affordable energy project specific to the Interior of Alaska. The Legislature advanced the project with the passage of SB 23. The IEP proposes to produce liquefied natural gas (LNG) on the North Slope and transport it initially to a natural gas distribution system in the Fairbanks North Star Borough (FNSB). This briefing is intended to provide an update on project progress.

Technical

Technical progress, including due diligence studies and engineering achieved includes:

- » Demand Study completed, including accounting for winter peaks and other natural gas demand potential
- » Expandable 9 Bcf LNG plant size selected
- » Feasibility Report completed and shows the project is:
 - technically and commercially feasible
 - projected to provide gas at the “burner tip” at \$14.09 - \$17.09 per Mcf (thousand cubic feet), which is the equivalent of \$1.88 - \$2.28 per gallon fuel oil
- » AEA Progress on Distribution System
 - Conducting independent geographic information system (GIS) analysis
 - Layout of distribution system to verify total miles of pipe
 - Engaging with distribution stakeholders
 - Verifying cost per foot and cost per mile for independent gas line construction
 - Ongoing review of storage requirements to ensure reliable storage of LNG

Financial

Financial progress achieved includes:

- » SB 23 passed by the Legislature in April 2013 and signed by Governor Parnell in May, provided financing package of: \$57.5 million in Sustainable Energy Transmission Supply and Development funds (SETS), \$125 million in low-interest SETS loans, and \$150 million in AIDEA bonds
- » \$15 million to \$30 million natural gas storage credit (created through previous legislative action)
- » The remainder of project financing (\$20 to \$50 million in equity) will be provided by the private sector.
- » Private partner RFP issued June 27th; 4 responses received on July 19th

Public Outreach

The IEP website (www.interiorenergyproject.com) was launched in May 2013 and a Public Outreach Plan was completed in July 2013. Past and upcoming public outreach activities include:

Events

JULY						
s	m	t	w	t	f	s
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- July 3:** *White Paper on Economic Regulation published on-line*
- July 10:** *Presentation, K&L Gates Oil and Gas Conference*
- July 17:** *FAQs published on-line*
- July 23:** *Presentation, Fairbanks North Star Borough Economic Development Commission*
- July 25:** *Presentation of the Feasibility Report, AIDEA Board Meeting*
- July 30:** *RCA Public Hearing, Fairbanks North Star Borough Assembly Chambers, 4 – 10 PM*

Indicates an event Indicates a holiday

InteriorEnergyProject.com

July 2013

Legislative Briefing *Continued...*



Next Steps

In the next month, AIDEA will focus on the following key tasks:

- » Develop Business Structure / Select Partners
- » Conduct Partner Due Diligence
- » Develop Finance Plan
- » Initiate Department of Natural Resources (DNR) Pipeline and Pad Right-of-Way Application
- » Complete field work and Permitting for pad construction Spring 2014
- » Monitor Regulatory Commission of Alaska (RCA)'s Service Area Proceeding
- » Meet with Interior Utilities on estimated miles of pipe needed to serve high and medium density areas of FNSB
- » Meet with Interior Utilities to discuss optimization of LNG storage

AIDEA Interior Energy Project - Schedule

