Frequently Asked Questions

Bringing North Slope Natural Gas to Alaskans

Interior Energy Project

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1. What is LNG?

Liquefied natural gas (LNG) is principally methane that has been cooled through a refrigeration process down to approximately -260 degrees Fahrenheit. LNG is clear, odorless and non-flammable. One cubic foot of LNG equates to approximately 600 cubic feet of natural gas which makes LNG an efficient means of transporting natural gas. Additional LNG facts are available online at lngfacts.org/about-lng/faq/.

2. Who is AIDEA?

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation created in 1967 by the State of Alaska to promote, develop and advance the general prosperity and economic welfare of all the people of the state. AIDEA is authorized to provide financing in conjunction with the private sector for project planning and execution. More information on AIDEA is available online at: aidea.org.

3. Who is AEA?

The Alaska Energy Authority (AEA) is a public corporation of the state created in 1976. AEA's mission is to reduce the cost of energy in Alaska. AEA coordinates rural energy program development with oversight from AIDEA to foster business oriented finance and development. More information on AEA's projects and role in Alaska's energy is available online at: akenergyauthority.org

4. What is the current estimate for the distribution system build out?

The Interior Gas Utility (IGU) estimates the construction of their proposed natural gas distribution system infrastructure will take six (6) years (2014 through 2019) at an estimated capital cost of $156,000,000. It is estimated the build-out to remaining areas of the existing Fairbanks Natural Gas (FNG) service area will also take six (6) years at an estimated capital cost of $31,000,000.

5. Will this project be needed if an in-state gas pipeline is built?

Yes. The IEP is being developed to work both with and without a future alternative source of natural gas. The IEP will supply initial gas and construct distribution systems in the FNSB. If an alternative natural gas supply becomes available, the constructed distribution systems would provide an immediate demand for that supply.

6. What are the target beginning and end dates for the project?

Early project feasibility studies, letters of interest from private sector companies, and due diligence studies were completed in 2013. The project goal is to provide first gas to Interior Alaska customers by the third quarter of 2016.

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7. **Will propane be available to rural residents outside of the LNG distribution area?** The source of feed gas to the IEP will be the determinant on if propane is potentially available to other areas of interior Alaska. Natural gas from the Cook Inlet region is considered a "clean gas" and has no propane byproducts. If the North Slope is ultimately the source of natural gas for the IEP, commercial grade propane will be a byproduct and may be available to Interior locations outside the area's serviced by the proposed piped natural gas system.

8. **Will there be enough LNG to handle a cold snap?**
Yes. The LNG production and storage capacities will be large enough to accommodate cold snaps, LNG production disruptions and inclement weather (and other factors) which delay LNG transportation along the Dalton Highway.

9. **Is LNG safe?**
Yes. Transporting LNG is a well-established practice with a strong safety and reliability record in both Alaska and Canada. LNG is non-flammable and not stored at high-pressure during transportation. The vapor of LNG is flammable when mixed with air (which makes it useful), it does not explode except under very abnormal conditions. A short video demonstrating the physical properties of LNG as it relates to safety can be found at: bit.ly/1bpzkQv

   Over 90 million gallons of LNG has been transported between Pt. MacKenzie and Fairbanks (over 10,000 round trips) since 1998. Additionally, bulk diesel fuel is hauled daily on the Dalton Highway with no apparent safety issue.

10. **How soon will gas be delivered to FNSB homes? What areas will get service first?**
Based on an aggressive schedule, the first North Slope natural gas can be delivered to Fairbanks by the third quarter of 2016. The projected schedule is based on a number of critical items, including prompt development of business entities; gas supply and LNG purchase contracts, permitting and efficient engineering, procurement and construction. FNG currently holds a Certificate of Public Convenience and Necessity (CPCN) for the core Fairbanks area, and, in December 2013, the Regulatory Commission of Alaska (RCA) granted IGU a CPCN to distribute natural gas in the area for which they applied (see Figure 1).

11. **How big are the LNG storage tanks that would be needed in Fairbanks?**
LNG storage tanks can be constructed in variety of sizes ranging from 10,000 gallon bullet type vacuum jacketed tanks to flat-bottomed insulated tanks in excess of 40 million gallons. Tanks are manufactured to meet stringent industrial standards which include but are not limited to American Society Mechanical Engineers (ASME) and American Petroleum Institute (API). Storage tank(s) capable of ensuring a reliable supply of natural gas into the Fairbanks distribution systems will be constructed in conjunction with the distribution system build-out. The total number of gallons of LNG storage to be constructed in Fairbanks is still under development but is expected to be in the range of 5 to 10 million gallons.

12. **Why is confidentiality necessary?**
As a public corporation, AIDEA believes in operating in an open and transparent manner. AIDEA's mission is to promote economic growth and diversification through affordable, long-term financing. In accordance with its mission, AIDEA works predominately with the private sector, and as such may be required to maintain certain aspects of a private entity's submissions as confidential (AS 44.88.215). AIDEA understands that during the early stages a proposal may include proprietary information about a project, the market, the competition, as well as other factors that if made public would potentially jeopardize the viability of a project.

   The IEP is a being developed in partnership with private entities; therefore confidentiality is important to maintain the advantages of competitive business and ensure that information shared is accurate. Confidentiality is important for securing the appropriate entities most qualified to manage various aspects of the project, such as determining

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gas price sales, private partnership financing and establishing trucking contracts. Parts of the project will remain confidential until some or all of the components listed above are decided throughout the development of the IEP. AIDEA is committed to sharing information as soon as possible, once project risks have been minimized and all parties are in agreement.

Figure 1: Distribution Map