

AMENDMENT #3

Offered in: House Finance

By: Rep. Wilson, at the

To: HOUSE CS FOR CS FOR SENATE BILL 160 (FIN)

Request of Rep. Thompson

**Insert new project
on Page 85, after line 25**

Golden Valley Electrical Association – Liquefied Natural Gas Facility - Engineering and Design 3,750,000

Fund Source: General Funds (1004)

Explanation:

This general fund appropriation will help support Golden Valley Electric Association's (GVEA) engineering costs for a liquefied natural gas (LNG) facility. Flint Hills Resources (FHR) will be matching this dollar amount for a total of \$15 million. The LNG facility engineering will be done by Chicago Bridge and Iron, a world class LNG facility engineering firm. The LNG facility will be located on the North Slope and be capable of producing up to 9 Bcf of LNG per year. The facility location has a guarantee for future expandability. This LNG facility will provide the Interior with a bridge until a pipeline is constructed. Estimated completion time for the construction of the LNG facility is late 2014/early 2015.

The Interior's two largest energy users, GVEA and FHR, have a memorandum of agreement on this project. The LNG facility would provide the Interior with more affordable power generation and advance the goal of bringing a reliable, abundant supply of natural gas to the Fairbanks-North Pole area for the purpose of space heating. Currently, residents of Fairbanks and North Pole are paying upwards of 0.23/kWh for their electrical costs, and rely on expensive fuel oil for space heating. By eliminating GVEA's reliance on oil, cost savings would be seen in the electric bills of GVEA customers.

Furthermore, the EPA has set a date of 2014 to reach PM 2.5 attainment; availability of gas is necessary to meet this deadline. The initial 9 Bcf of LNG will be available for operation of GVEA's North Pole LM-6000 turbine, space heating, and the Flint Hills refinery. Additionally, propane will be generated from the LNG facility and could be used to benefit those residents who live outside of the natural gas distribution system.

The refinery in North Pole owned by FHR will also benefit from the access to affordable natural gas. Recently, FHR announced they will be closing their second of three refinery

towers. With only one tower remaining on line, over 40 people will lose their jobs. FHR cited high energy costs for the tower shutdown. Not only is this a setback to the Interior community, it jeopardizes the Trans-Alaska Pipeline System (TAPS), because the refinery returns heat to TAPS as oil is transported to Valdez. With the availability of affordable natural gas, FHR would likely be able to operate at full capacity, ensuring the flow of oil through TAPS.

If GVEA decides to abandon their efforts of building an LNG facility, all engineering designs will become the property of the State of Alaska and may be used by another entity that is willing and able to construct an LNG facility on the North Slope.

In conclusion, we respectfully request that \$7.5 million of general funds be added to the FY13 capital budget to support GVEA's engineering costs for the proposed North Slope LNG facility. With the construction of this new LNG facility, more affordable, clean energy will be available for Interior residents. This will create a fundamental change in the availability and delivery of energy in Interior Alaska.