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## Work on natural gas storage project for Fairbanks under way

By Amanda Bohman, abohman@newsminer.com Dec 29, 2017

FAIRBANKS—Site preparation has begun for a 5.25-million gallon liquefied natural gas storage tank at the south end of Peger Road as the Interior Energy Project moves forward.

Directors of the Interior Gas Utility earlier this month approved the \$48.7 million storage facility, a crucial part of a larger \$300 million project to someday pipe natural gas to more homes and businesses across Fairbanks and North Pole.

The storage facility's cost came in about \$6 million higher than a previous estimate, according to officials with the utility, which will own the storage facility.

Mike Meeks, chairman of the utility's board of directors, said he is not worried about the higher cost.

"When this happens, you either have to reduce scope, find a different way of doing it or come up with the money," Meeks said. "When you are dealing with large-scale construction projects, you put a contingency in. We have a contingency. I don't want to tell you how much it is. If everyone knew what your contingency was, they would try to bid it up as high as they can."

Officials cited three reasons for the storage facility's higher cost. One was inflation. The second reason is they upgraded from a single-wall to a double-wall tank. The third reason for the higher estimate is that the labor will be more expensive.

The original estimate assumed the project would be carried out by a private company, Fairbanks Natural Gas. But that company is now owned by the state government, which is selling it to the Interior Gas Utility, which is a largely independent government unit of the Fairbanks North Star Borough.

Because the storage facility is now a public project, the Interior Gas Utility must pay a prevailing rate of wages as set by the Alaska Department of Labor and Workforce Development.

Meeks said the higher estimate "did not surprise us as much as you might have thought."

"Most of those costs were done four years ago," he said.

Meeks said the double-wall storage tank will save the utility money in the long run.

"You'll save on the operational side," he said.

Fairbanks Natural Gas President Dan Britton said land clearing for the tank has begun.

"We have executed the major contract with the tank constructor and we are going forward," he said.

The new tank will be built near an existing natural gas storage facility.

Britton described the double-wall tank as a safety enhancement.

"If there was ever a fault of the inner tank, the outer tank would fully contain the product," he said.

The Interior Gas Utility agreed to buy Fairbanks Natural Gas and other holdings on Dec. 6 using a combination of state grants, low-interest loans and bonds.

The utility's board of directors meets next on Jan. 16.

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