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Fairbanks North Star Borough to pursue money for gas distribution network

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FAIRBANKS — The Fairbanks North Star Borough hopes to pursue state funding for a local natural gas distribution network in the months ahead, part of a push for infrastructure that officials view as a key step toward lowering energy costs in the Interior.

Ammunition for the lobbying effort could come from a state-funded \$430,000 study on the feasibility of such a system. A preliminary draft of the report is due by the end of January, providing ample time for the borough to pursue funding during the legislative session.

Jim Dodson, executive director of the Fairbanks Economic Development Corp., said it's crucial to learn more about how natural gas could be distributed to Fairbanks homes.

State and local officials have spent years working to develop a plan to pipe or truck stranded natural gas from the North Slope oil fields. But even if a gas line materialized in the borough tomorrow, Dodson said, the community couldn't take advantage of the resource.

"Fairbanks today is simply not in a position to utilize natural gas if we were to get it," said Dodson, who is chairman of a committee formed by FEDC to administer the state grant.

The borough signed a contract on Dec. 28 with Northern Economics to conduct the gas distribution feasibility study. A preliminary report is expected within a few weeks, with a final version expected by June.

Rough cost estimates for building a gas distribution system in the Fairbanks area likely will be \$30 million or more, Dodson said, and he said help potentially could come from the state in the form of grants or low-interest loans.

Dodson said Fairbanks is one of the few communities in the state that doesn't get a state subsidy to help lower energy costs. Anchorage and other parts of Southcentral get help from the state for parts of their gas distribution network. Most rural areas, meanwhile, are eligible for the state's Power Cost Equalization program, which reduces electric rates.

Steve Haagenon, a committee member and the former director of the Alaska Energy Authority, said the study should be viewed as "a business planning tool" in an area where economic growth has been stifled by high energy costs.

"The time to sit and pontificate about options is coming to an end," he said.

Borough Mayor Luke Hopkins said progress toward a gas delivery system could buy Fairbanks time as it struggles with a looming federal mandate to improve air quality. The borough needs to get Environmental Protection Agency approval for a clean air plan by December, and Hopkins said the EPA likely would accept progress toward more natural gas use as a sign of improvement.

The study will look at how a system could be expanded, including to parts of the borough that wouldn't be part of an urban gas grid. It also will consider whether it would be most feasible to fund a distribution system with money from public sources, private industry or a combination of both.

The immediate demand for gas in Fairbanks is about 8 billion cubic feet per year, divided between Golden Valley Electric Association, the Flint Hills Resources oil refinery and about 1,100 businesses and homes supplied by Fairbanks Natural Gas.

Dodson said the appetite for gas would need to grow considerably to make most delivery options viable.

“What this gives us is an opportunity to look at the options,” he said.

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