



AIDEA Potential Purchase of Pentex Alaska Natural Gas Company, LLC

Fact Sheet

February 3, 2015

Purpose of The Letter of Intent: One step in lowering cost of gas in Interior Alaska

- On January 26, 2015, AIDEA and Pentex signed a non-binding Letter of Intent for AIDEA to purchase Pentex Alaska Natural Gas Company, LLC for \$52.5 million.
- Pentex is the holding company for several gas related subsidiaries, including the heating utility Fairbanks Natural Gas (FNG) and Titan Alaska that owns an LNG plant at Point MacKenzie.
- The Letter of Intent is a framework to evaluate the proposed purchase of Pentex as part of a solution to accomplish the goals established for the Interior Energy Project under Senate Bill (SB) 23.
- AIDEA is examining the purchase of Pentex as a way to reduce the cost of distributing natural gas in Interior Alaska.
- It is recognized that lowering cost of distribution is just one of the steps needed to meet the goals of the IEP and that finding a source of lower cost gas than is currently available is critical to the IEP.
- Purchase of Pentex also opens up the possibility for AIDEA to seek additional liquefaction capacity to serve the Interior Alaska market.
- AIDEA has already made low cost loans to both FNG and IGU for the build out of their respective gas distribution systems in Fairbanks

Purpose of the Investment: Expansion and Rationalization of Gas Distribution in Fairbanks

- The potential purchase of Pentex by AIDEA is a strategic investment that can play a significant role in helping achieve long-term success for the Interior Energy Project.
- AIDEA's acquisition of Pentex would promote an integrated gas distribution system that can be built and operated in a more efficient manner for the benefit of all Interior residents and businesses. It avoids duplication between competing utilities.
- Under AIDEA's ownership of Pentex, FNG will be in a position to work closely with the IGU to integrate the construction and operation of a natural gas distribution system. Integrating the natural gas distribution systems will reduce Interior customers' price of delivered natural gas in an expanded system. The ultimate goal of this transition will be a single utility serving the Interior.
- The current return to Pentex's owners is substantially higher than AIDEA's cost of capital. AIDEA expects to be able to immediately lower the price of natural gas to existing FNG customers and provide energy relief by the winter of 2016.

Purpose of the Investment: Filling a Critical Capital Gap for Liquefaction and Storage

- Pentex and FNG had planned to finance needed LNG storage, but recently decided against making this critical investment.
- AIDEA plans to develop LNG storage in consultation and cooperation with the IGU and GVEA. Expanded storage is a key component in creating an integrated and efficient gas distribution system for Fairbanks.
- AIDEA will continue ongoing plans to expand service to more customers by building out the distribution system, and plans to work with IGU and GVEA to acquire agreements to purchase additional LNG volumes at a price that will meet the goals of IEP.
- Either through direct expansion of the plant or partnering with Hilcorp (or other private partners) the possibility exists to add LNG capacity to meet the needs of community.

Impact on the Pending Sale of the Titan LNG Plant

- In the proposed purchase of Pentex, AIDEA will acquire Pentex as an entity, inclusive of Pentex's interest in the contract to sell the Titan Alaska LNG facility at Point MacKenzie to Harvest Alaska, LLC along with the trucking assets owned by another subsidiary.
- AIDEA would acquire Pentex subject to all pre-existing contractual obligations that it has or that Pentex's subsidiary entities have. AIDEA's acquisition of Pentex would not displace any pre-existing contractual obligations.
- Pentex, under AIDEA's ownership, may potentially explore with Harvest Alaska, LLC, expanding the capacity for gas liquefaction at the existing Titan Alaska LNG plant as one means of lowering the cost of LNG being supplied to Interior Alaska.
- Additionally, the due diligence effort will cover the concurrent LNG supply agreement between Harvest Alaska, LLC and FNG. This supply agreement is pending regulatory approval before the RCA. The RCA gas supply approval process is entirely independent of AIDEA.
- The existing Titan Alaska LNG plant can only provide less than 20% of the Interior's total needs. AIDEA will continue its efforts to develop additional LNG supply at the lowest possible costs to meet the goals of the IEP.

AIDEA's Due Diligence Review of the Transaction

- This contemplated Pentex purchase is subject to AIDEA's full due diligence review, AIDEA's public meeting process, and AIDEA's solicitation of the review and advice of local governing bodies. Once the due diligence review is completed, the proposed transaction will be submitted to the AIDEA Board, which must consider it in a public meeting and vote to approve it in order for the transaction to proceed. AIDEA will confirm whether the Pentex acquisition is a prudent investment by undertaking a thorough technical, financial and legal review of the purchase.
- The proposed acquisition price was negotiated to reflect the company's enterprise value based on disclosed financials provided by Pentex and market comparables assessed by AIDEA. Pentex willingly entered into negotiations and agreed to the terms in the non-binding Letter of Intent.
- Assuming successful due diligence and Board approval, AIDEA would purchase Pentex as an Economic Development Project under authority granted under Alaska State Statute 44.88.172. AIDEA will earn a return on this investment as will be described in the finance plan prepared for the transaction, which is required by Alaska Statute.
- FNG will continue to operate as usual during the due diligence process and will continue as a separate company but under AIDEA ownership of its parent entity, Pentex, if the AIDEA Board approves the purchase. AIDEA has no near term plans to change FNG operations, and FNG employees are not expected to become State of Alaska employees.
- AIDEA will not operate FNG and will explore the use of tax-exempt Senate Bill 23 bonds to build out the extended system at the lowest possible financing costs.