By: John Davies
Diane Hutchison
Introduced: 02/26/2015
Adopted: 02/26/2015

FAIRBANKS NORTH STAR BOROUGH

RESOLUTION NO. 2015 - 08

A RESOLUTION OF APPRECIATION AND SUPPORT FOR THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY'S CONTINUED COMMITMENT TO MEETING THE GOALS OF THE INTERIOR ENERGY PROJECT

WHEREAS, the Fairbanks North Star Borough, the City of North Pole and the City of Fairbanks created the Interior Gas Utility (IGU) to facilitate the availability of natural gas to the most residents, at the earliest date, and for the least cost (about $15/mmbtu) ; and

WHEREAS, in 2013 Governor Sean Parnell and the State legislature approved and significantly funded the Alaska Industrial Development and Export Authority (AIDEA) to form the Interior Energy Project (IEP) which was initially focused on trucking natural gas from a processing plant on the North Slope to utilities in the Interior; and

WHEREAS, in December 2013, the AIDEA board of directors reexamined the focus on the North Slope and considered options available to source the gas from Cook Inlet and decided that none of them could meet the IEP goals at that time; and

WHEREAS, in 2014, AIDEA moved ahead with the plan to build a processing plant on the North Slope, but that plan, proposed by MWH Global, Inc. (MWH), failed to meet the Concession Agreement requirements and the IEP goals and therefore has been abandoned; and

WHEREAS, with the failure of the MWH plan, AIDEA put all options back on the table, reopened the Cook Inlet options, and is pursuing an approach to purchase PENTEX, the parent company of Fairbanks Natural Gas (FNG), as part of the best way to meet the IEP goals of serving the most residents, at the earliest date, and for the least cost (about $15/mmbtu); and

WHEREAS, AIDEA's actions show forward movement and commitment to an Interior energy solution; as does the strong support and commitment from Governor Bill Walker, which is encouraging and appreciated; and

WHEREAS, the proposed acquisition announcement formally opens the possibility of a Cook Inlet approach instead of a North Slope approach with (A) lower cost of construction and operations, (B) reduced cost of capital, both in supply chain and distribution, (C) lower transportation costs and (D) more low cost funding available for storage and distribution, but does not yet resolve the critical issue of the cost and duration of natural gas supply contracts; and

WHEREAS, the letter of intent to purchase PENTEX is non-binding, meaning nothing is final or committed until the due diligence process is complete, and that other options, including North Slope or other Cook Inlet options, are not precluded by the due diligence process; and

WHEREAS, private enterprises have had decades to bring low-cost energy to the Interior, which has made it clear that some form of public participation is necessary to meet the IEP goals; and

WHEREAS, the PENTEX purchase includes an agreement with the private company Hilcorp which is subject to both the due diligence process and regulatory and administrative review; and

WHEREAS, it is too early to know the results of the due diligence work in connection with the purchase of PENTEX, or the impacts of the acquisition on other facets of the IEP;

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks North Star Borough appreciates and supports AIDEA's continued commitment to meeting the goals of the IEP; and

BE IT FURTHER RESOLVED that if the due diligence process shows that the proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that the Fairbanks North Star Borough Assembly supports moving forward with that plan.

BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the Honorable Governor Bill Walker, members of the Alaska State legislature, Interior Gas Utility board, Fairbanks Natural Gas management, Golden Valley Electric Association board and management, AIDEA board and the Regulatory Commission of Alaska.

PASSED AND APPROVED THIS 26TH DAY OF FEBRUARY, 2015.

Karl Kassel
Presiding Officer

ATTEST:

Nanci Ashford-Bingham, MMC
Borough Clerk

Ayes: Sattley, Hutchison, Roberts, Lawrence, Dodge, Quist, Davies, Kassel
Noes: None
Excused: Golub