



Interior Energy Project



April 13, 2015

HB 105 House Finance Committee

IEP: GOALS UNDER SB23



- **Supply natural gas to Interior Alaska:**
 - At the lowest cost possible
 - As many Alaska customers as possible
 - As soon as possible
- **IEP investments compliment eventual sources of gas supply from a natural gas pipe line**
- **Lower PM2.5 in nonattainment areas of Interior**

IEP: OVERVIEW

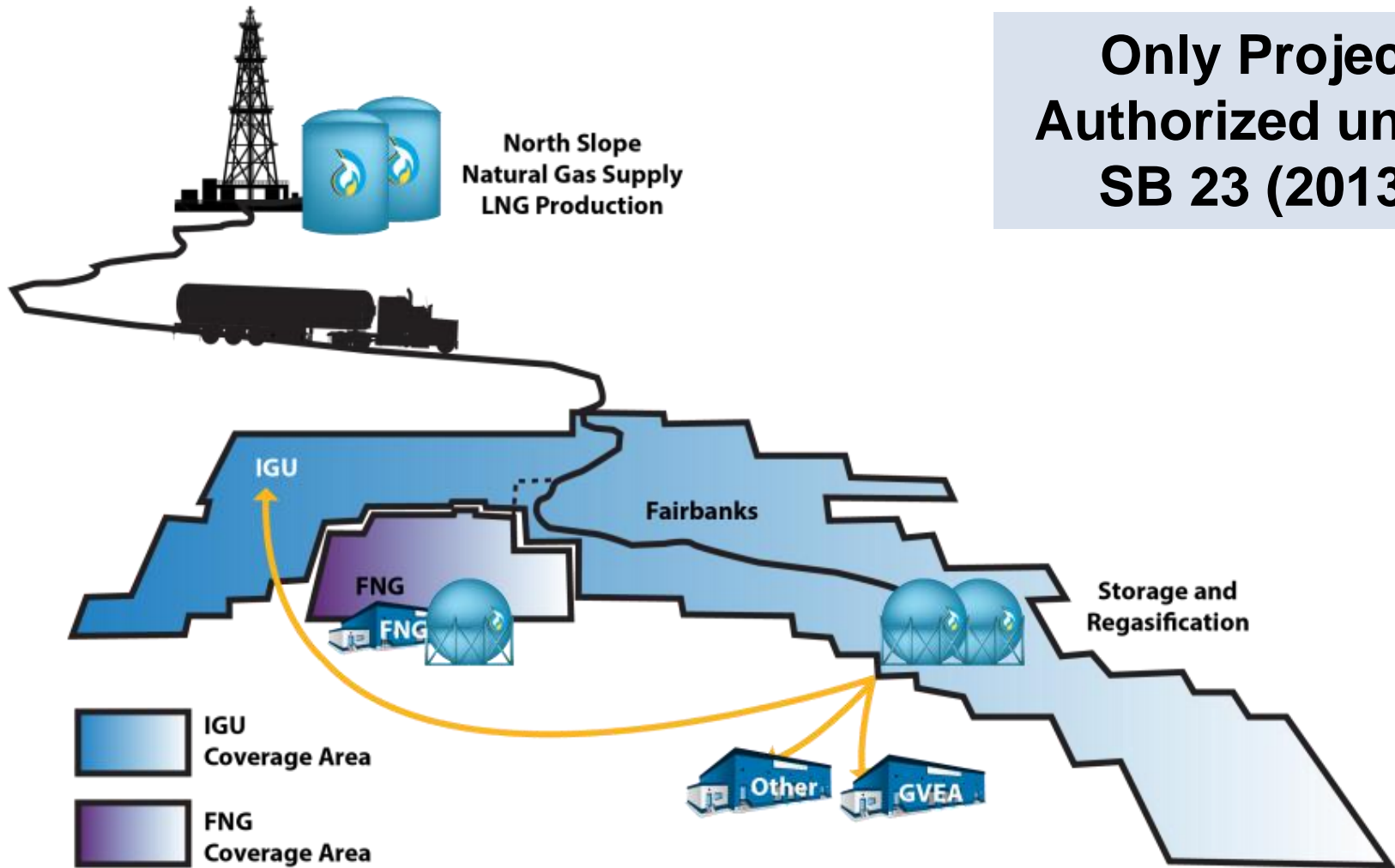


- **Meet the goals set by the legislature to supply affordable energy to Interior Alaska**
- **Project is complex, which is why the legislature took action**
- **Now evaluating infrastructure to deliver natural gas from any source, including Cook Inlet**
- **AIDEA financing the buildout of natural gas distribution in Fairbanks and North Pole**

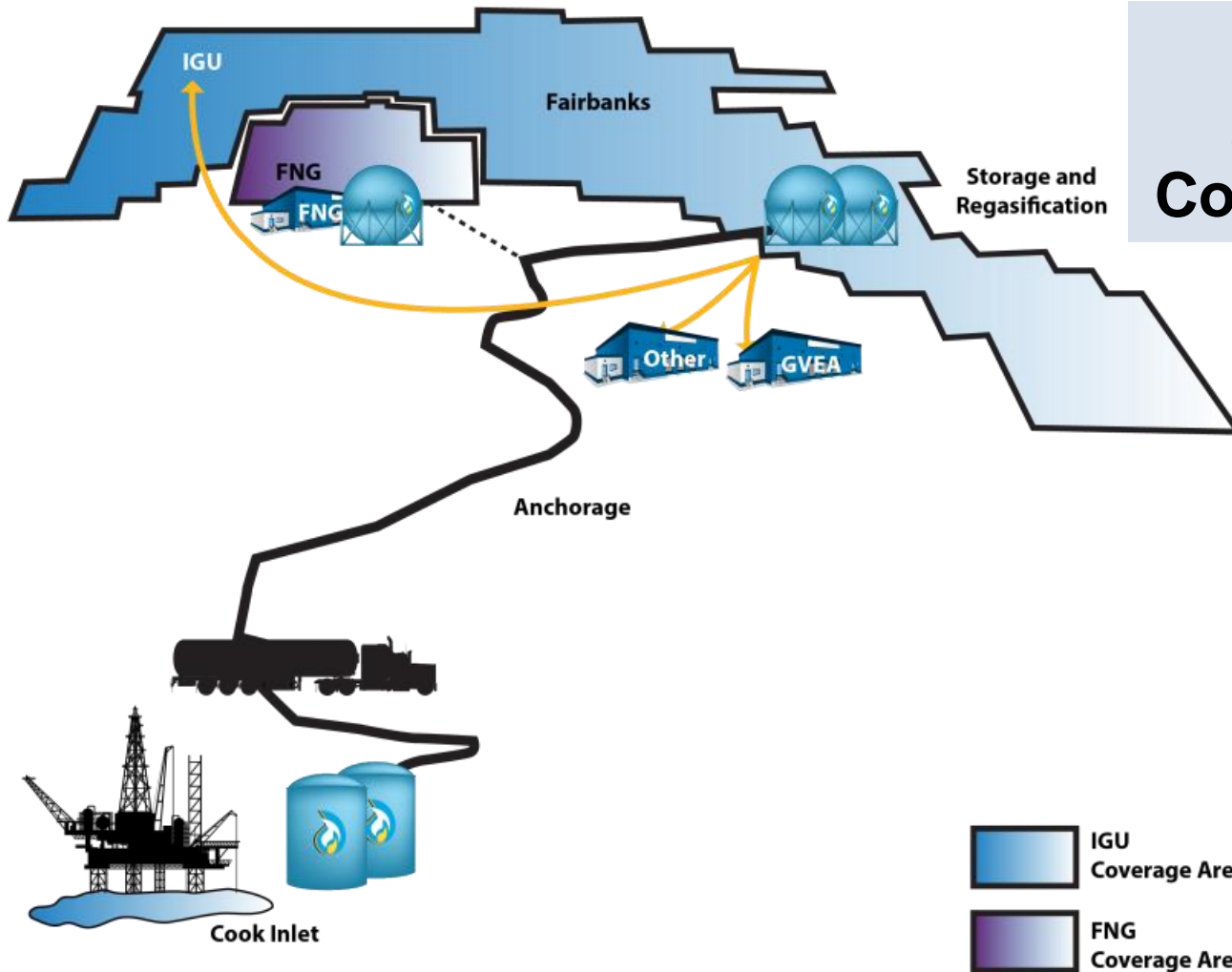
- **HB 105 gives AIDEA flexibility to use SB 23 financing tools with a non-North Slope liquefaction location**
 - **Current version of HB 105 also authorizes financing propane and small diameter pipeline (under 12” diameter) projects to meet the goals of the IEP**

NORTH SLOPE PROJECT MAP

**Only Project
Authorized under
SB 23 (2013)**



COOK INLET PROJECT MAP



**HB 105
Authorizes a
Cook Inlet Project**

COOK INLET, NORTH SLOPE, AND OTHER ALTERNATIVES



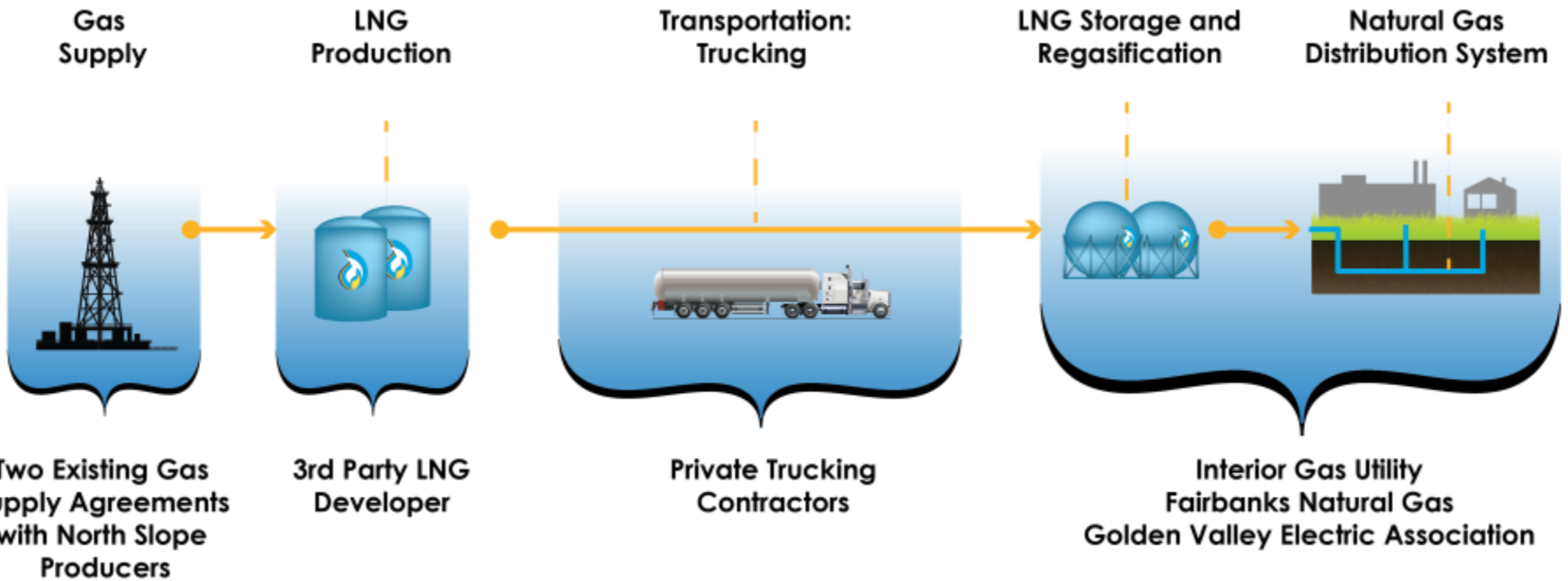
Cook Inlet

North Slope

Other

	Cook Inlet	North Slope	Other
Natural Gas Supply	Supply still uncertain but indications are positive	Abundant supply at low cost, existing contracts in place	Propane: Canada Pipeline: Cook Inlet
LNG Plant Costs	Cheaper to construct and operate, “off the shelf”	Expensive to design and construct for North Slope conditions	Propane: No plant Pipeline: No plant
Trucking/ Rail	Lower trucking costs, large trailer potential, rail option	Trucking is more expensive but feasible	Propane: Marine, rail, trucking Pipeline: None
Storage and distribution	No significant change in design and costs		Propane: Redesign storage and regas Pipeline: Less storage

NORTH SLOPE LNG PROJECT



North Slope LNG Project supply chain well vetted, providing AIDEA and the Interior Utilities with estimated costs

LNG cost for a North Slope project under the Concession Agreement was too high
Alternative North Slope LNG production projects will be considered

COOK INLET LNG ALTERNATIVE

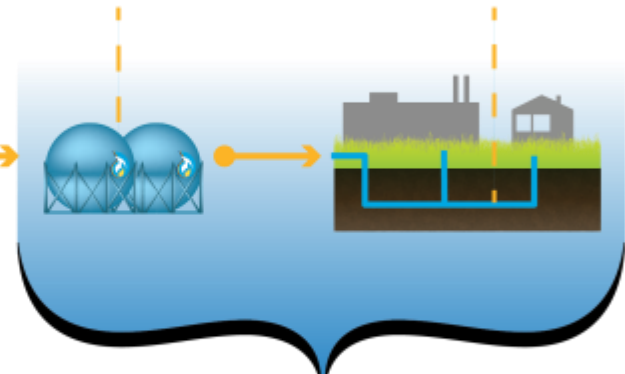
Gas Supply

LNG
Production

Transportation:
Trucking or Railroad

LNG Storage and
Regasification

Natural Gas
Distribution System



Gas Supply
Agreement with
Cook Inlet Producer(s)

3rd Party LNG
Developer

Private Trucking
Contractors or
Alaska Railroad

Interior Gas Utility
Fairbanks Natural Gas
Golden Valley Electric Association

Allowance of this alternative, in addition to the North Slope supply chain authorized in 2013, is the purpose of HB105's IEP changes.

AIDEA is also encouraging and will evaluate all proposals to achieve the goals of the IEP (e.g., small diameter pipelines, full supply chain solutions, etc.)

PROJECT EXECUTION PLAN

- ④ **Natural Gas supply:** Facilitate commercial discussions between producers and utilities
- ④ **Liquefaction:** Competitive solicitation to select private partner to develop LNG capacity
- ④ **Transportation:** Private trucking, Alaska railroad, small diameter pipeline, propane
- ④ **Storage, Regasification, and Distribution:** Buildout of system continues Summer 2015

IEP SUMMARY

- **The goals remain as established by SB23**
- **HB 105 authorizes the tool kit to best achieve goals of IEP**
- **Market driven process**
 - **Accomplishing IEP goals requires adaptation to current market and operating realities**