

1 By: John Davies
2 Diane Hutchison
3 Introduced: 02/26/2015
4 Adopted: 02/26/2015
5

6 FAIRBANKS NORTH STAR BOROUGH

7
8 RESOLUTION NO. 2015 - 08
9

10 A RESOLUTION OF APPRECIATION AND SUPPORT FOR THE ALASKA INDUSTRIAL
11 DEVELOPMENT AND EXPORT AUTHORITY'S CONTINUED COMMITMENT TO
12 MEETING THE GOALS OF THE INTERIOR ENERGY PROJECT
13

14 WHEREAS, the Fairbanks North Star Borough, the City of North Pole and the
15 City of Fairbanks created the Interior Gas Utility (IGU) to facilitate the availability of natural
16 gas to the most residents, at the earliest date, and for the least cost (about \$15/mmbtu) ;
17 and
18

19 WHEREAS, in 2013 Governor Sean Parnell and the State legislature
20 approved and significantly funded the Alaska Industrial Development and Export Authority
21 (AIDEA) to form the Interior Energy Project (IEP) which was initially focused on trucking
22 natural gas from a processing plant on the North Slope to utilities in the Interior; and
23

24 WHEREAS, in December 2013, the AIDEA board of directors reexamined the
25 focus on the North Slope and considered options available to source the gas from Cook
26 Inlet and decided that none of them could meet the IEP goals at that time; and
27

28 WHEREAS, in 2014, AIDEA moved ahead with the plan to build a processing
29 plant on the North Slope, but that plan, proposed by MWH Global, Inc. (MWH), failed to
30 meet the Concession Agreement requirements and the IEP goals and therefore has been
31 abandoned; and
32

33 WHEREAS, with the failure of the MWH plan, AIDEA put all options back on
34 the table, reopened the Cook Inlet options, and is pursuing an approach to purchase
35 PENTEX, the parent company of Fairbanks Natural Gas (FNG), as part of the best way to
36 meet the IEP goals of serving the most residents, at the earliest date, and for the least cost
37 (about \$15/mmbtu); and
38

39 WHEREAS, AIDEA's actions show forward movement and commitment to an
40 Interior energy solution; as does the strong support and commitment from Governor Bill
41 Walker, which is encouraging and appreciated; and
42

43 WHEREAS, the proposed acquisition announcement formally opens the
44 possibility of a Cook Inlet approach instead of a North Slope approach with (A) lower cost of
45 construction and operations, (B) reduced cost of capital, both in supply chain and
46 distribution, (C) lower transportation costs and (D) more low cost funding available for
47 storage and distribution, but does not yet resolve the critical issue of the cost and duration
48 of natural gas supply contracts; and
49

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

54
55 WHEREAS, private enterprises have had decades to bring low-cost energy to
56 the Interior, which has made it clear that some form of public participation is necessary to
57 meet the IEP goals; and

58
59 WHEREAS, the PENTEX purchase includes an agreement with the private
60 company Hilcorp which is subject to both the due diligence process and regulatory and
61 administrative review; and

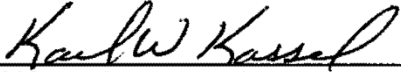
62
63 WHEREAS, it is too early to know the results of the due diligence work in
64 connection with the purchase of PENTEX, or the impacts of the acquisition on other facets
65 of the IEP;

66
67 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks
68 North Star Borough appreciates and supports AIDEA's continued commitment to meeting
69 the goals of the IEP; and

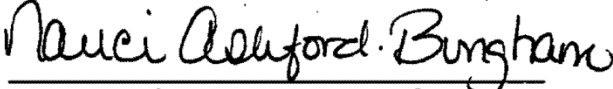
70
71 BE IT FURTHER RESOLVED that if the due diligence process shows that the
72 proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that
73 the Fairbanks North Star Borough Assembly supports moving forward with that plan.

74
75 BE IT FURTHER RESOLVED that copies of this resolution shall be sent to
76 the Honorable Governor Bill Walker, members of the Alaska State legislature, Interior Gas
77 Utility board, Fairbanks Natural Gas management, Golden Valley Electric Association board
78 and management, AIDEA board and the Regulatory Commission of Alaska.

79
80 PASSED AND APPROVED THIS 26TH DAY OF FEBRUARY, 2015.


Karl Kassel
Presiding Officer

ATTEST:


Nanci Ashford-Bingham, MMC
Borough Clerk

81
82 Ayes: Sattley, Hutchison, Roberts, Lawrence, Dodge, Quist, Davies, Kassel
83 Noes: None
84 Excused: Golub