



Governor Bill Walker
STATE OF ALASKA

ADMINISTRATIVE ORDER NO. 272

I, Bill Walker, Governor of the State of Alaska, under the authority of Article III, Sections 1 and 24 of the Constitution of the State of Alaska, direct the Commissioner of the Department of Commerce, Community, and Economic Development to take the lead in facilitating collaboration and coordination among governmental and other entities involved with consumer energy.

Further, I direct the highest levels of my staff, including the Commissioners of the Department of Commerce, Community, and Economic Development and the Department of Revenue in their role as Alaska Industrial Development and Export Authority (AIDEA) board members, to keep the focus of an Interior energy development project on lowering energy costs for consumers and improving air quality for Interior residents. I also direct the Department of Natural Resources to work with AIDEA on assessing potential natural gas supplies for Interior Alaska.

BACKGROUND, PURPOSE, AND DIRECTIVES

Alaska Consumer Energy

Since statehood, Alaskans have struggled with the high cost of energy. These costs hurt Alaska families, Alaska businesses, and our economy. High transportation costs, challenging environmental conditions, logistical problems, and punishingly cold winters all contribute to Alaska's extreme energy costs.

The immediate goal of this order is to improve collaboration and coordination among governmental, private, and nonprofit entities as a way to increase opportunities for reducing energy costs for Alaskans. Long-term goals include increasing Alaska's energy independence and economic opportunities through conservation and energy efficiency; reducing reliance on nonrenewable energy sources; and developing energy-producing and distribution infrastructure.

To begin meeting these goals, I direct the Commissioner of the Department of Commerce, Community, and Economic Development to

- facilitate collaboration and coordination among State agencies, and other governmental, private, and nonprofit entities involved with consumer energy;

- expand government, private, and nonprofit partnerships to develop energy solutions for Alaskans; and
- remove regulatory and administrative barriers impeding conservation, energy efficiency, and energy infrastructure development.

Each State agency involved with consumer energy shall, consistent with legal requirements, cooperate with the Commissioner.

Interior Alaska

Interior Alaska is faced with a slow-motion disaster resulting from high energy costs that hamper economic development, and from the health impacts of wood-smoke pollution as people try to heat their homes affordably. While not meeting the legal definition of an emergency or economic disaster, the economic and health effects call for urgent attention.

In 2013, SB 23 became law (Chapter 26, SLA 13), implementing the Interior Energy Project. The envisioned project consisted of a liquefied natural gas (LNG) plant on the North Slope, LNG trucking to Fairbanks, gas storage and regasification facilities, and a distribution system. The project would be financed through a public-private partnership. The objective was to deliver natural gas to Interior homes and businesses at a rate of \$15 per thousand cubic feet of gas, the energy equivalent of \$2-per-gallon fuel oil.

In 2014, AIDEA entered a public-private partnership for the project, including entering into a North Slope LNG Concession Agreement. In the fall of 2014, the estimated price for gas delivery increased to between \$18 and \$20.50 per thousand cubic feet. Converting home heating systems to use natural gas is an expensive proposition. The higher gas price meant that fewer people would have the incentive to make the conversion and meant less energy cost relief for Interior consumers. On January 5, 2015, for multiple reasons, the concession agreement was terminated.

I am pleased that, since the concession termination, the AIDEA board passed a resolution authorizing AIDEA to evaluate alternative means for supplying energy to Interior Alaska. To assist AIDEA in this evaluation, I am directing the Department of Natural Resources to work with AIDEA on assessing potential natural gas supplies from the North Slope, Cook Inlet or other locations that can be used for an Interior energy development project.

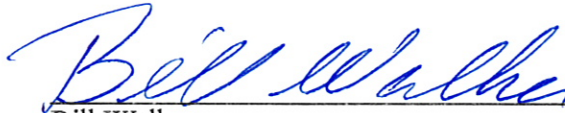
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I encourage the Alaska Industrial Development and Export Authority and its board to expedite the evaluation of alternate means of supplying energy to Interior Alaska to ensure

there is time in the Twenty-Ninth Alaska State Legislature to consider needed legislation to advance an Interior energy development project.

This Order takes effect immediately.

Dated at Fairbanks, Alaska, this 16th day of January, 2015.



Bill Walker
Governor