



IGU UPDATE

Presented to Senate Resources Committee
April 5, 2023

IGU BOARD OF DIRECTORS



Gary Wilken

Chair,
City of Fairbanks
Appointed Seat



Bob Shefchik

Vice Chair,
At-Large Seat B



Bert Bell

At-Large Seat D



Steve Haagenenson

FNSB Appointed Seat



Luke Hopkins

At-Large Seat C



Mike Miller

City of North Pole
Appointed Seat



Jack Wilbur

At-Large Seat A

CONSTRUCTION

2022 Construction Season

- 635 new service lines
- Nearly 500 of those already turned on
- More than 3 miles of main line extensions

2023 Construction Season

- 600 new service lines
- 330 approved for construction
- More than \$1MM in main line extensions (proposed)



COMMUNITY SAVINGS ANALYSIS

	FY22	FY23 at last 12 month average oil prices
Natural gas sales (MM BTUs)	990,000	1,100,000
Heating oil cost/gallon (delivered, avg)	\$3.83	\$4.73
Natural gas cost/ccf	\$2.05	\$ 2.16
Cost if using heating oil	\$28,000,000	\$38,500,000
Cost if using natural gas	\$20,300,000	\$24,000,000
Gross Savings	\$7,700,000	\$14,500,000
IGU Service Charges	\$(400,000)	\$ (600,000)
Net Savings	\$7,300,000	\$13,900,000

Notes:

- Heating oil was calculated at 135,000 BTUs per gallon
- Natural gas was calculated at 100,000 BTUs per ccf
- Natural gas price was calculated as monthly revenues/sales, actual in FY22 and budgeted in FY23
- All amounts were rounded up



CURRENT STATUS

Feed Gas

IGU has a feed gas contract with Hilcorp in the Cook Inlet that could the utility's current customer needs until 2032.

Liquefaction

IGU operates an LNG liquefaction facility (Titan) located in the Cook Inlet that has the capacity to produce 50,000 gallons of LNG per day. The LNG is then transported to Fairbanks and North Pole via truck on the Parks Highway.

FUTURE NEEDS

Liquefaction

In order to support its projected growth and to continue fulfilling its mission, IGU needs additional liquefaction capacity as soon as 2024.

Feed Gas

Hilcorp informed all utilities sourcing natural gas in the Cook Inlet that they should not rely on contractual renewals moving forward.



GAS SUPPLY EXPANSION OPTIONS

Titan 2 or No Action

Expansion of the Titan facility as evaluated in 2019 (improbable) or no action

Pt. McKenzie Incremental Expansion

Installation of a modular, temporary plant next to Titan

Canadian LNG Import

Purchasing LNG from Canadian producers

North Slope LNG supply

Contractual agreement with a third party LNG producer

NORTH SLOPE LNG - PARTIES

Hilcorp provides Harvest with gas supply on IGU's behalf. The two are not contractually-bound for the purpose of this agreement



Hilcorp North Slope, LLC
Gas Producer/Seller



Interior Gas Utility
Customer



Harvest Alaska LNG, LLC
LNG Producer/Seller

Gas Sale and
Purchase Agreement

LNG Manufacturing
Service Agreement


MAJOR TERMS

<div>Contract term</div> <div>20 years: October 2024-June 2045; ability to increase term under both contracts</div>	<div>Capacity</div> <div>150,000 gallons/day, additional LNG production trains as necessary with potential for increased capacity</div>	<div>Commitments</div> <div>IGU to be the priority customer and to exclusively buy LNG from Harvest, unless IGU's needs exceed Harvest capacity</div>
<div>Schedule</div> <div>IGU will not need all the LNG the plant can produce in the earlier years. The plant will shut down in the summer to account for smaller demand</div>	<div>Trucking</div> <div>Potential options: contracts with trucking companies; IGU trucking or Harvest trucking</div>	<div>ROFR</div> <div>IGU has the right of first refusal in the event of an LNG plant sale.</div>



HISTORIC MOMENT

**This will be the first time
natural gas from the
North Slope has been
commercialized outside of
the North Slope.**



FORT WAINWRIGHT EIS

Curent Status

The Combined Heat and Power Plant at Fort Wainwright, completed in 1955, is one of the oldest operational coal-fired power plants in the United States, and is operating approximately 30 years beyond the average design life of similar facilities

Next Steps

- Demolition of the existing power plant
- Installation of distributed natural gas boilers
- Purchase of electricity from the local electric utility
- Targeted completion date: 2026
- Estimated natural gas load: 1.5 BCF



IGU PRIORITIES

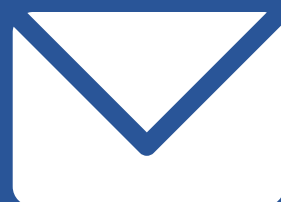
- **Storage tax credits**
- **Capital budget request for the FNSB Oil to Gas Conversion Program**





IGU

Breathe Easy



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