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AIDEA clears path for natural gas

By Kevin Baird, kbaird@newsminer.com Sep 22, 2017

FAIRBANKS — The Alaska Industrial Development and Export Authority board unanimously passed House Bill 105 resolution for the Interior Energy Project on Thursday, clearing a major hurdle in bringing more natural gas to the Interior.

House Bill 105 authorized financing for the Interior Energy Project, but certain requirements had to be met before these tools could be accessed. A recent deal with Hilcorp — a Texas-based natural gas developer with an operation in the Cook Inlet — to supply natural gas to the Interior through March 31, 2021, helped AIDEA meet those requirements. This resolution unlocks those financing tools.

“Not having those finances was holding us up,” said Gene Therriault, the Interior Energy Project’s team lead at AIDEA. “We’ve got a (request for proposal) on the streets right now for the storage tank, and we’re making considerations to expand the liquefaction plant — all of those things can move forward. And that expanded capacity (to deliver natural gas to more customers) cannot move forward until those are built.”

The financing package includes \$57.5 million in state funds, plus \$275 million in financing: \$125 million Sustainable Energy Transmission Supply program (SETS) loans, and an authorization to take out \$150 million in AIDEA bonds to complete the project.

Because of natural gas storage requirements laid down by the Regulatory Commission of Alaska, Fairbanks Natural Gas is at capacity and cannot add more firm customers. The proposed 5.25 million-gallon, \$42 million storage tank would allow the company to hold enough natural gas to expand its firm customer base. It will be built in the south Fairbanks industrial area.

The proposed Titan 2 project would produce as many as 100,000 gallons per day more than Titan LNG, which can produce 50,000 gallons per day. Estimates show the additional plant would cost \$45 million. It would be built where Titan LNG exists in the Cook Inlet.

Liquefied Natural Gas — often called LNG — is the product of cooling natural gas to 260 degrees below Fahrenheit. As a liquid, it is 600 times smaller than as a gas. It is also more stable for transportation. LNG is hauled in semi-trucks from the Titan LNG facility to Fairbanks, where Fairbanks Natural gas has 1,100 customers.

Therriault said adding customers is key to delivering affordable natural gas to the interior. The completion of the storage tank and Titan 2 liquefaction plant make that possible. He said they could be completed in 2019. Groundbreaking for the storage tank could happen as soon as March.

“We know because of the number of businesses that have approached Fairbanks Natural Gas that there is some pent-up interest and demand,” Therriault said.

Pentex

Therriault said passing the resolution also allows the Pentex sale to move forward. AIDEA purchased Pentex — the parent company of Fairbanks Natural Gas, Titan LNG and the truck-hauling operation that brings LNG to Fairbanks — in 2015. AIDEA plans to sell Pentex to the borough-owned Interior Gas Utility to lower gas delivery costs.

Therriault said there is still work to be done before the sale goes through, such as attorneys from both sides hammering out the language in the sale.

Interior Gas Utility General Manager Jomo Stuart has said the acquisition of Pentex would mean less office space, materials, infrastructure, and fewer employees needed to deliver gas. This would help keep gas prices down, a goal of the Interior Energy Project and the Interior Gas Utility.

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