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FEATURED

## 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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## Work on natural gas storage project for Fairbanks under way

By Amanda Bohman, abohman@newsminer.com Dec 29, 2017

FAIRBANKS—Site preparation has begun for a 5.25-million gallon liquefied natural gas storage tank at the south end of Peger Road as the Interior Energy Project moves forward.

Directors of the Interior Gas Utility earlier this month approved the \$48.7 million storage facility, a crucial part of a larger \$300 million project to someday pipe natural gas to more homes and businesses across Fairbanks and North Pole.

The storage facility's cost came in about \$6 million higher than a previous estimate, according to officials with the utility, which will own the storage facility.

Mike Meeks, chairman of the utility's board of directors, said he is not worried about the higher cost.

"When this happens, you either have to reduce scope, find a different way of doing it or come up with the money," Meeks said. "When you are dealing with large-scale construction projects, you put a contingency in. We have a contingency. I don't want to tell you how much it is. If everyone knew what your contingency was, they would try to bid it up as high as they can."

Officials cited three reasons for the storage facility's higher cost. One was inflation. The second reason is they upgraded from a single-wall to a double-wall tank. The third reason for the higher estimate is that the labor will be more expensive.

The original estimate assumed the project would be carried out by a private company, Fairbanks Natural Gas. But that company is now owned by the state government, which is selling it to the Interior Gas Utility, which is a largely independent government unit of the Fairbanks North Star Borough.

Because the storage facility is now a public project, the Interior Gas Utility must pay a prevailing rate of wages as set by the Alaska Department of Labor and Workforce Development.

Meeks said the higher estimate "did not surprise us as much as you might have thought."

"Most of those costs were done four years ago," he said.

Meeks said the double-wall storage tank will save the utility money in the long run.

"You'll save on the operational side," he said.

Fairbanks Natural Gas President Dan Britton said land clearing for the tank has begun.

"We have executed the major contract with the tank constructor and we are going forward," he said.

The new tank will be built near an existing natural gas storage facility.

Britton described the double-wall tank as a safety enhancement.

"If there was ever a fault of the inner tank, the outer tank would fully contain the product," he said.

The Interior Gas Utility agreed to buy Fairbanks Natural Gas and other holdings on Dec. 6 using a combination of state grants, low-interest loans and bonds.

The utility's board of directors meets next on Jan. 16.

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### MORE INFORMATION

Pentex sale gets crucial second approval

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