

Alaska Industrial Development and Export Authority
Alaska Energy Authority

Senate Resources Committee
North Slope LNG to Fairbanks Project

Gene Therriault, AEA Deputy Director for Energy Policy Development

January 25, 2013

Status Report

- Project Goal
- Project Team
- Approach to Project Finance
- Schedule and Milestones

Project Goals

- Provide lowest cost energy to most Interior Alaska consumers as soon as possible
- Get gas first to Interior Alaska while assuring long-term access to gas from liquefaction plant for all Alaskans
- Utilize private sector mechanisms as much as possible

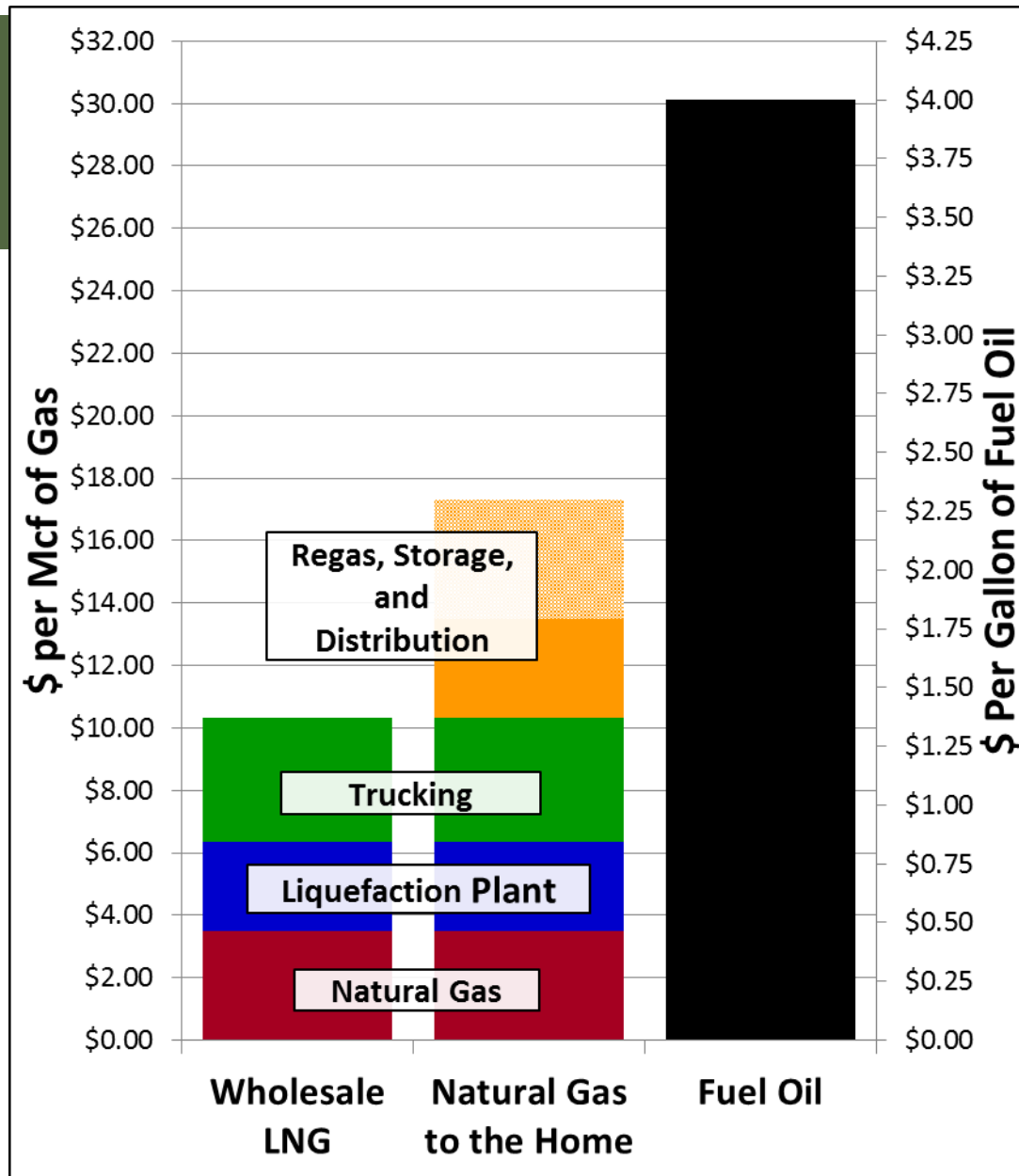
LNG Lowers Energy Costs

Key Assumptions

- 9 Bcf LNG Plant
- LNG plant bifurcated into two sections (industry and utility)
- \$50 million capital cost reduction applied to the 4.5 Bcf utility section
- Regas, storage, & distribution costs are presented as a range

Expected Utility Price per Mcf

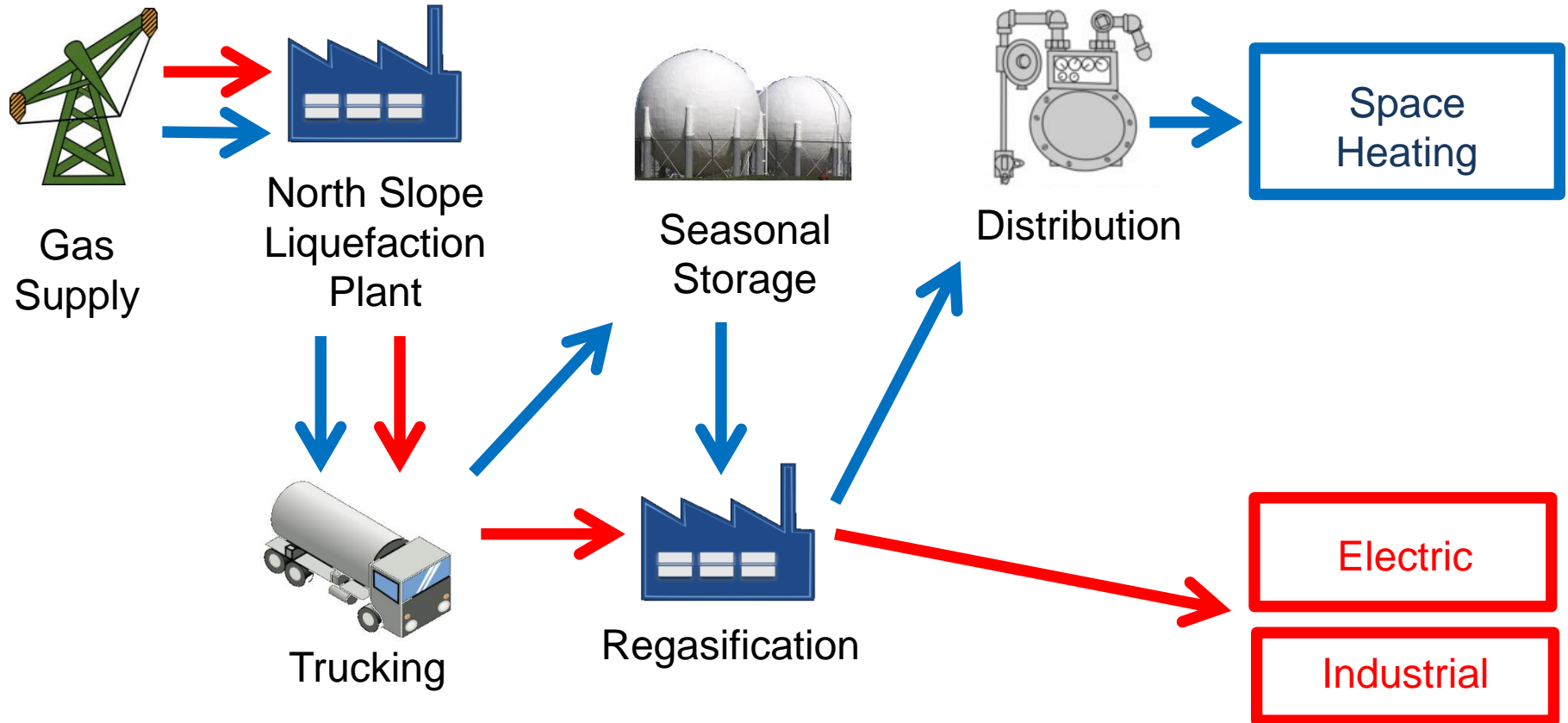
- Wholesale LNG: \$10.33
- Natural Gas to Home: \$13.49-\$17.29



Project Description

- Natural gas will be liquefied on the North Slope and trucked to Interior Alaska
- Primary LNG demand anticipated to be Fairbanks and North Pole
- LNG will be temporarily stored and re-gasified in Interior Alaska
- Natural gas distribution system with storage to supply natural gas for heating

LNG Trucking Value Chain



Project Team

- AEA
 - Gene Therriault: Deputy Director, State Energy Policy Development
 - Kirk Warren: Technical Engineer
 - Nick Szymoniak: Project Economist
- AIDEA
 - Mark Davis: Deputy Director, Infrastructure Development
 - Jim Strandberg: Energy Development Finance Officer

Collaboration Structure

- AEA is leading the policy development of the project
 - Ensure that project goals are defined and consistent with the public interest
 - Engage the public, industry and elected officials
- AIDEA is developing the financing of the project
 - Examine finance options and commercial structure in collaboration with private party participants
 - Utilize available finance tools to meet project goals

Expert Consultation

- Engineering consultant
 - Expect hiring by January 31
 - Provide technical project support
- Project management consultant
 - Anticipate hiring in February
- Financial consultant
 - Mark Gardiner of Western Financial Group
 - Retained in November

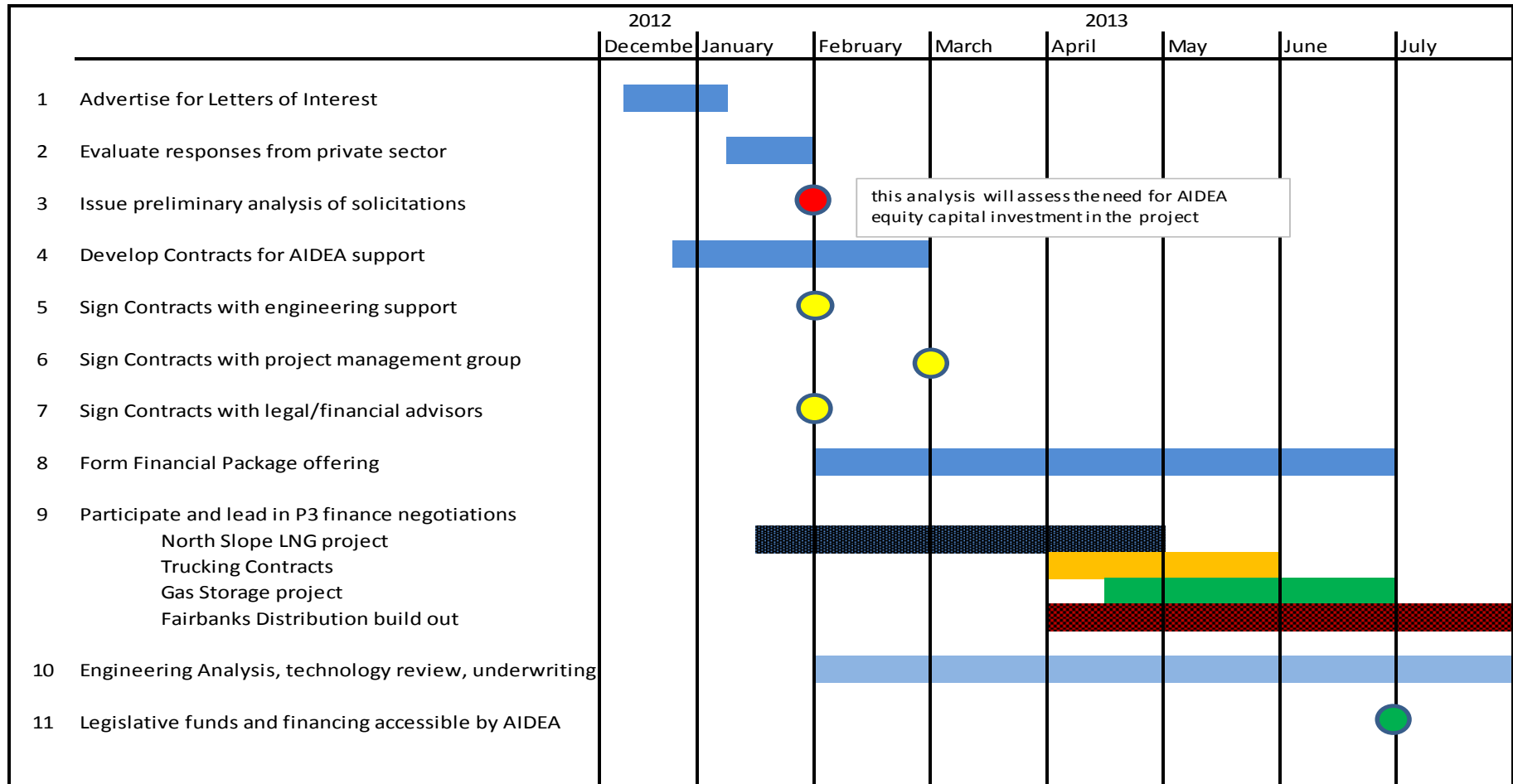
Project Finance Overview

- \$325 million for project in Governor's finance plan
- AIDEA financing can be applied to different parts of the LNG supply chain
- AIDEA will use this finance package to leverage private investment

Governor's Finance Package

- \$50 million General Fund appropriation
 - Directly reduces the cost of LNG
- \$150 million AIDEA bonds
 - 3% interest rate (projected rate based on current market rates)
- \$125 million SETS capitalization
 - 3% interest rate
 - Flexibility to provide optimal commercial structure
- **\$325 million total package**
- \$30 million natural gas storage credit
 - \$15 million tax credit per qualifying storage tank
 - Created through previous legislative action

Schedules and Milestones



AIDEA and AEA

Alaska Industrial Development and Export Authority Alaska Energy Authority

813 West Northern Lights Blvd.

Anchorage, Alaska 99503

(907) 771-3000

(888) 300-8534 (Toll Free in Alaska)

www.aidea.org

www.akenergyauthority.org