



Fueling the Future

House Finance Committee
April 1, 2019



Interior Energy Project PURPOSE AND GOALS

Interior Alaska

“ . . . to bring low-cost energy to as many residents and businesses of Interior Alaska as possible, as quickly as possible ... ”

Stabilize the Economy

Help Improve Air Quality

History

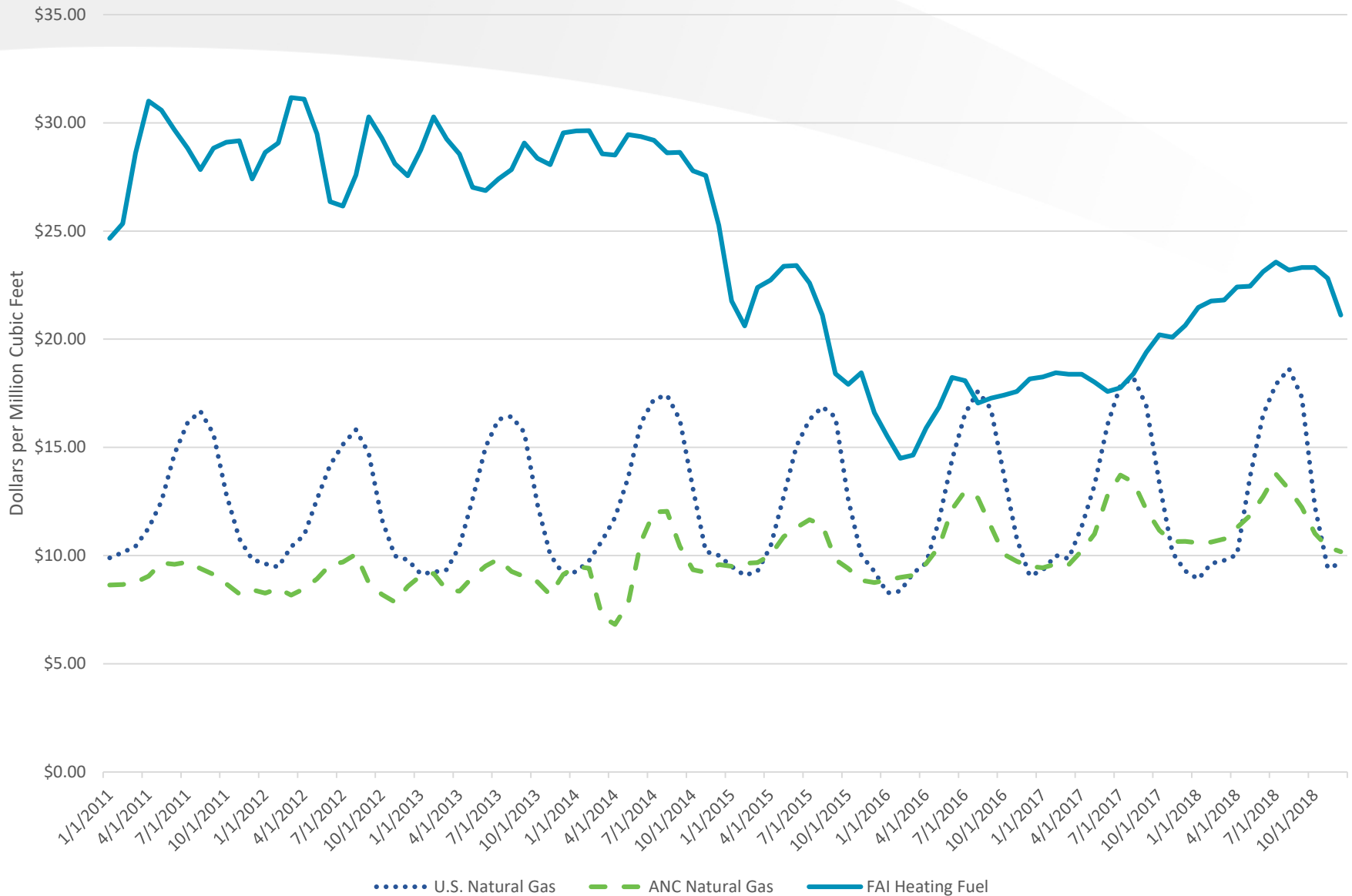
- Fairbanks Natural Gas, LLC(FNG) began operating in Fairbanks in Spring of 1998 giving Interior residents a natural gas heating option. Over 1100 residential and commercial customers are currently able to enjoy the benefits of natural gas.
- In November 2012, the Fairbanks North Star Borough(FNSB) acquired its natural gas utility power via transfers from the City of Fairbanks and the City of North Pole and established the Interior Alaska Natural Gas Utility(IGU).
- May 2018, the IGU consolidated with FNG and now operates as an integrated, not-for-profit public utility.

Energy Costs & Air Quality

- According to the Council for Community and Economic Research, the FNSB typically has the highest utility costs in the nation for the 300-plus urban areas regularly surveyed.
- In September 2006, the EPA lowered the National Ambient Air Quality Standards for fine particulate matter less than 2.5 micrometer in diameter (PM 2.5) a human health hazard.
- In 2009, the EPA designated the more populated portions of the FNSB as a non-attainment area relating to PM2.5. The eastern portion of the non-attainment area (North Pole) has the worst air pollution in the nation, three and a half times the legal limit and almost two times worse than the next worse area in the U.S.
- The FNSB's long-term efforts for clean air are focused on bringing clean, affordable natural gas to the Fairbanks area for space heating.

Heating Cost Comparison

U.S. Natural Gas vs. Anchorage Natural Gas vs. Fairbanks Heating Fuel Equivalent



Heating Cost Comparison

Fairbanks Heating Fuel vs. Fairbanks Natural Gas Equivalent



Fairbanks Large LNG Storage Tank

- 5.25 Million gallon capacity
- Full-Containment, double wall design
- Construction commenced January 2018
- Advancing On-schedule
- Completion date estimated Fall 2019
- Construction Costs \$58.4 Million



9th (Last) Row Welding



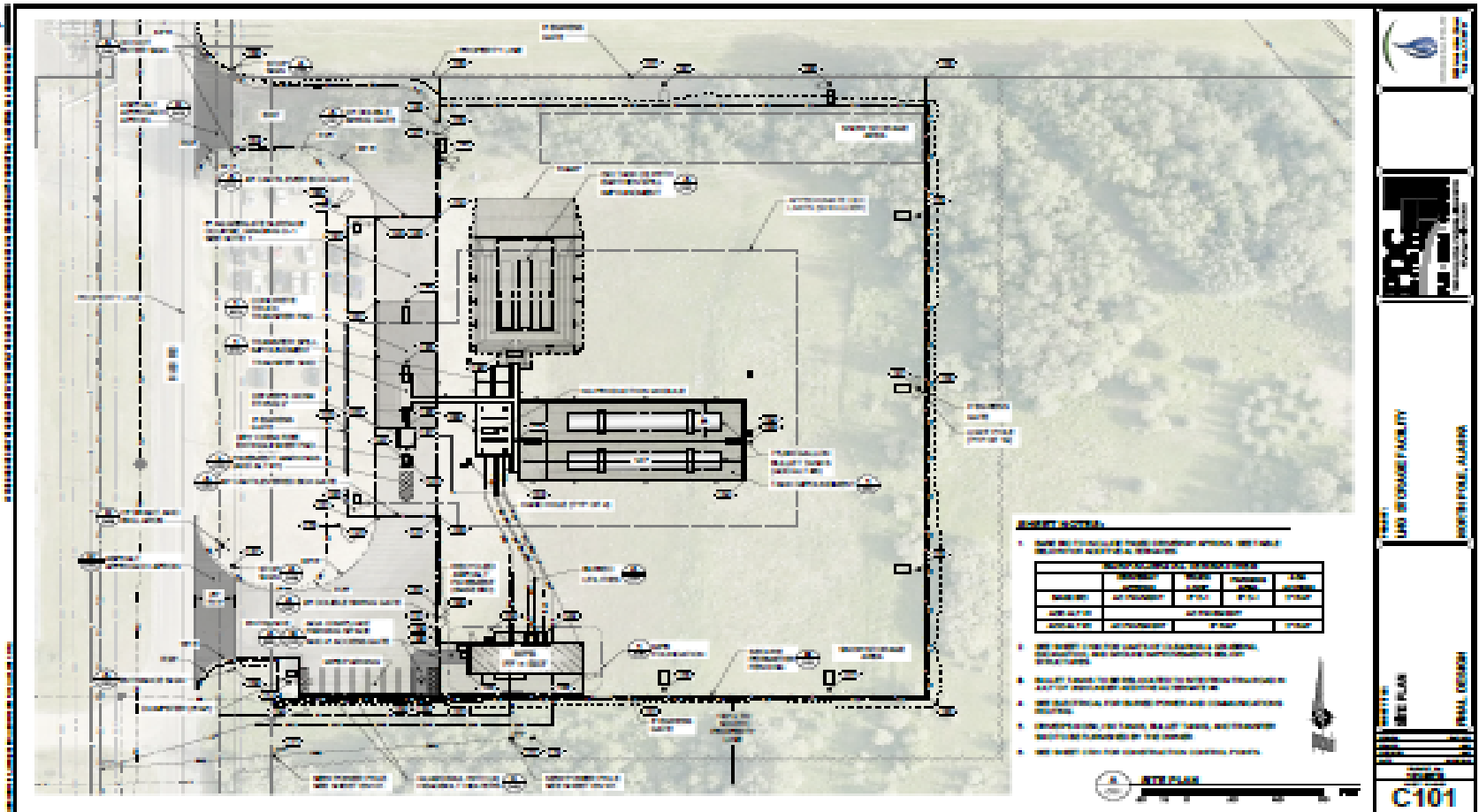
Outer Tank Stairs



North Pole Storage

- Design of the \$12.1 Million LNG storage facility in North Pole is complete and a Request for Proposals was issued February 14, 2019. Proposals are due March 21, 2019.
- The targeted completion of construction is November 15, 2019 with operational startup and commissioning by December 31, 2019.
- The storage facility will have two 75,000 Gallon storage tanks and a multi purpose building, and will be connected to the previously constructed 73 miles of pipe infrastructure in the North Pole area.

North Pole Storage – Site Plan



Benefits of Storage

- The development of expanded LNG storage facilities in the Fairbanks and North Pole areas is a critical component of the IEP as they will increase the security of supply and provide capacity to serve a greater number of new customers.
- These storage facilities, with current liquefaction infrastructure, enable IGU the ability to serve approximately 3000 new residential customers beginning the summer 2020.
- The state's LNG storage tax credits are vital in helping to bring down the cost of providing natural gas to Interior residents.
- All money from tax credits for tanked storage will be under the oversight of the Regulatory Commission of Alaska, the IGU Board and the FNSB Assembly to ensure these savings are passed along to the rate payers.

Estimated Impact on Rates

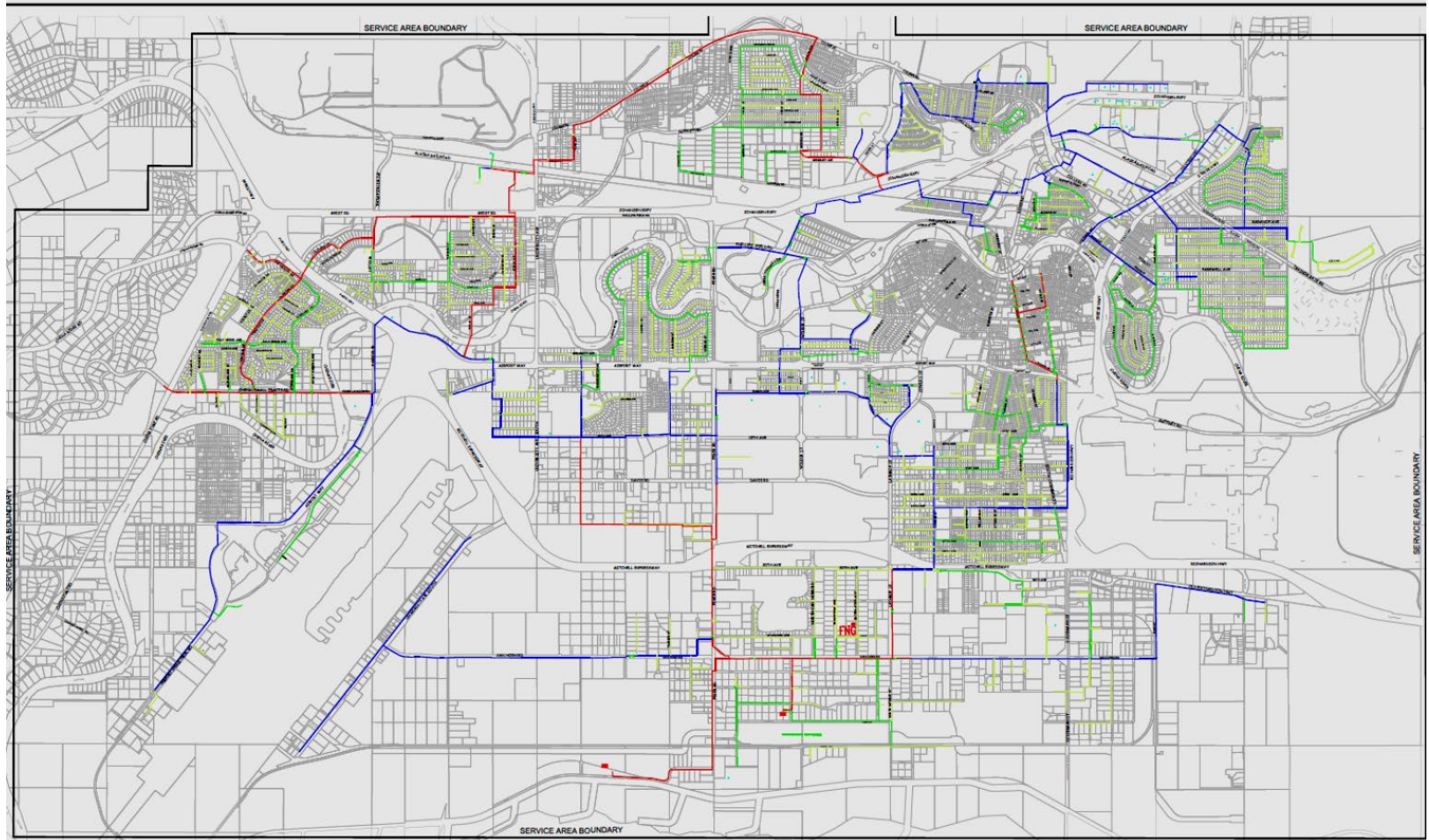
- The storage credit benefit to IGU rates is estimated to be:

Storage Project	Anticipated Storage Credit	Range of Rate Benefit ¹	
		Current Demand	Base Case [2022]
Fairbanks	\$ 15,000,000		
North Pole	\$ 6,016,000		
Total	\$ 21,016,000	\$1.93/MCF	\$0.72/MCF

[1] Rate benefit is estimated using bond debt in lieu of storage credits and Base Case demand

- Without storage credits, IGU will incur \$21 million in additional debt with an estimated rate impact of \$1.93/MCF at existing demand to \$0.72/MCF at Base Case demand (in 2022). Actual rate impact depends on customer conversions and associated demand.

Installed Piping Fairbanks



Installed Piping North Pole

