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Reporting From Alaska-Interior Gas Utility looks to North Slope for expanded 20-year supply of natural gas from Hilcorp

Dermot Cole : 2-2 minutes

The uncertain future of Cook Inlet natural gas supplies has the Interior Gas Utility turning its focus to the North Slope and a proposed 20-year contract with Harvest Midstream, a company owned by Hilcorp. Liquefied natural gas would be shipped to Fairbanks by truck.

In April, Hilcorp told the electric and natural gas utilities along the Railbelt that they should not count on getting contract renewals for Cook Inlet natural gas. IGU has a contract until 2032.

Even if new gas supplies are made available from Cook Inlet, the energy is likely to be at a higher price, IGU says.

- Harvest Midstream is a company providing a wide range of services for oil and natural gas, including gathering, transportation, processing and treatment
- Harvest is ready to build and operate a 150,000 gallons/day LNG plant on the North Slope with a targeted commencement date of October 2024
- Hilcorp and IGU will coordinate gas supply between IGU's current contract and a new, North Slope contract

NORTH SLOPE GAS SUPPLY OPTION **MANAGEMENT**

RECOMMENDS THIS OPTION

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The Interior Gas Utility board is to meet Tuesday at 4 p.m. to consider the proposal.

The complete presentation, information on how to participate in the meeting and background on the proposal can be found here.

PRICE AND RATE IMPACT

Feed stock (Hilcorp)

\$2.50/MCF - Contract Years 1-5 (fixed) 2% annual escallation - Contract Years 6 -20

Liquefaction (Harvest)

Cost/MCF for Base Volumes: \$8.75 Cost/MCF for Excess Volumes: \$4.25

Escalation factor, tied to the Producers Price Index (PPI) based on Base Volume Fee minus \$4.00 and Excess Volume Fee minus \$2.00 multiplied by the escalation factor for the applicable year:

- · for contract years 1 through 5 1%;
- . for contract year 6 and thereafter floor of 0%, ceiling of 2%,

Customer rates

While two of the major cost components have set, negotiated prices, one important element remains variable - trucking.

Preliminary estimates indicate a customer rate range between ~\$21.8/MCF (current pricing) and ~\$26/MCF for the duration of the contract. At the highest estimated cost, natural gas will remain competitive if heating fuel is \$3.51 or more.

IGU will do everything in our power to keep rates low and avoid the projected increases if possible.

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Dermot Cole

January 16, 2023