

**02/13/2014
PRESENTA-
TION:
INTERIOR
ENERGY
PROJECT
UPDATE**

<TARGET><BILL></BILL><SUBJECT>02-13-2014 PRESENTATION
INTERIOR ENERGY PROJECT
UPDATE</SUBJECT><COMM>SFIN28</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

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AGENDA

Thursday, February 13, 2014

Senate Finance Room 532 - 9:00 AM

ALASKA PUBLIC DEBT REPORT

Deven Mitchell, State Investment Officer, Debt Management, Dept. of Revenue

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

AIDEA: Interior Energy Projects and SETS Programs Update

Mark Davis, Deputy Director-Infrastructure Development

Bills previously heard or scheduled



Interior Energy Project



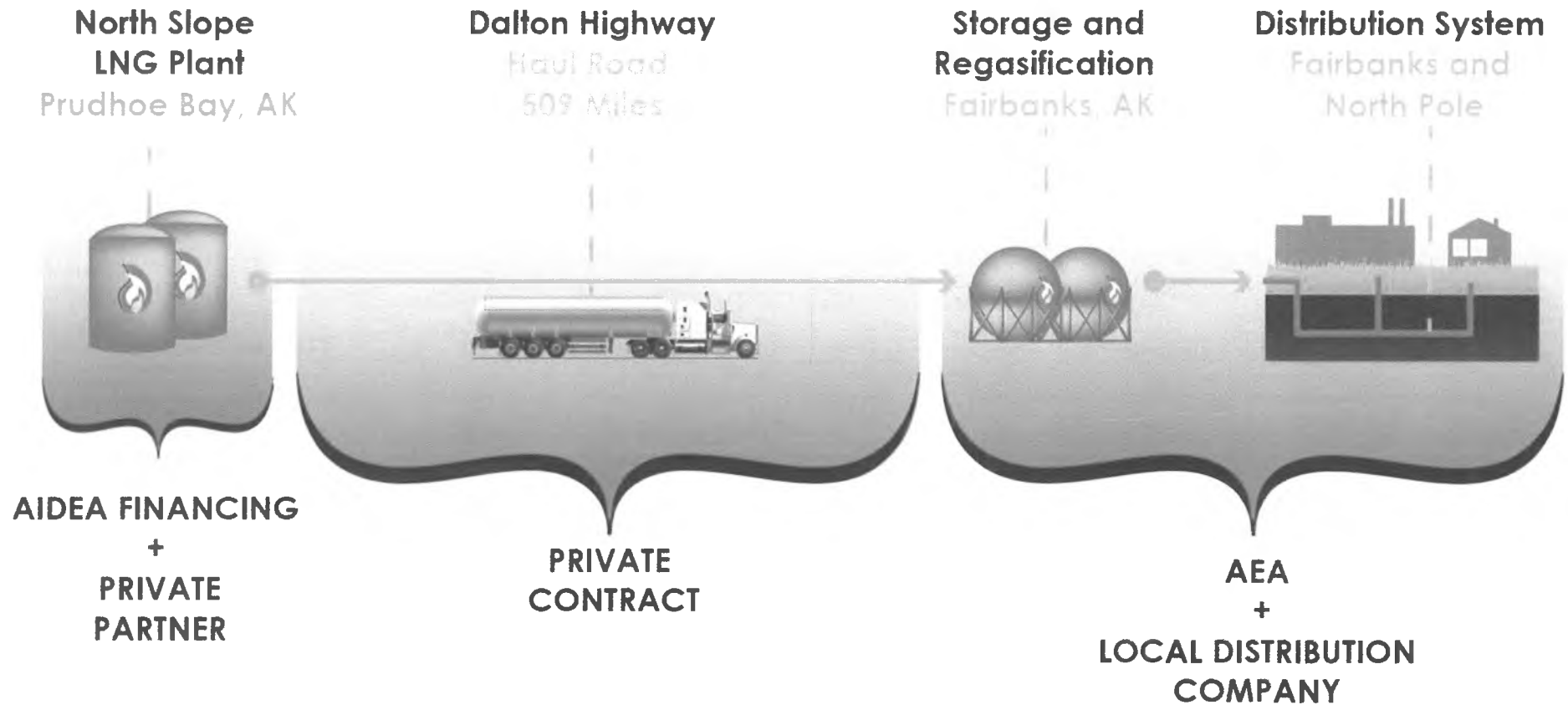
IEP Legislative Update Week of February 10, 2014

Interior Energy Project
Bringing North Slope Natural Gas to
Alaskans

AGENDA

- **IEP Goals, Financing and Project Overview**
- **Project Location**
- **Project Milestones**
- **Schedule & Permitting**
- **Gas Distribution and Demand**

IEP PROJECT OVERVIEW

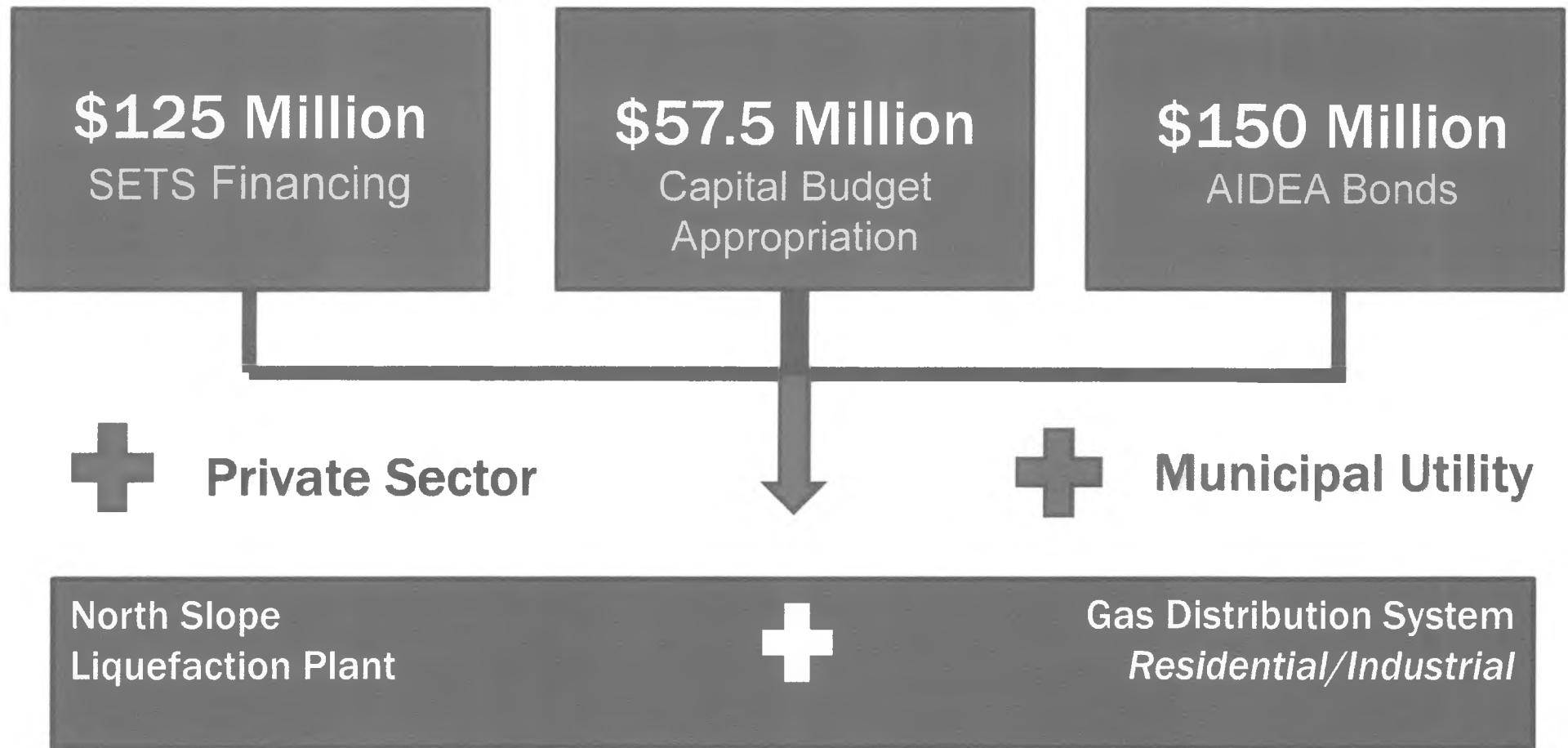


IEP GOALS



- **Supply natural gas to Interior Alaska:**
 - 1. At the lowest cost possible**
 - 2. As many Alaska customers as possible**
 - 3. As soon as possible**
- **Provide propane from the gas stream**
- **IEP investments compliment alternative sources of gas supply**
- **Use private-sector mechanisms**

SB23 FINANCE PACKAGE



LNG AND PROPANE SALE PRIORITIES

1. Residential and commercial space heating
2. Electric utilities
3. Industrial customers
4. Other utilities
5. Open market LNG sales



COMPLETED PROJECT MILESTONES



North Slope Facility

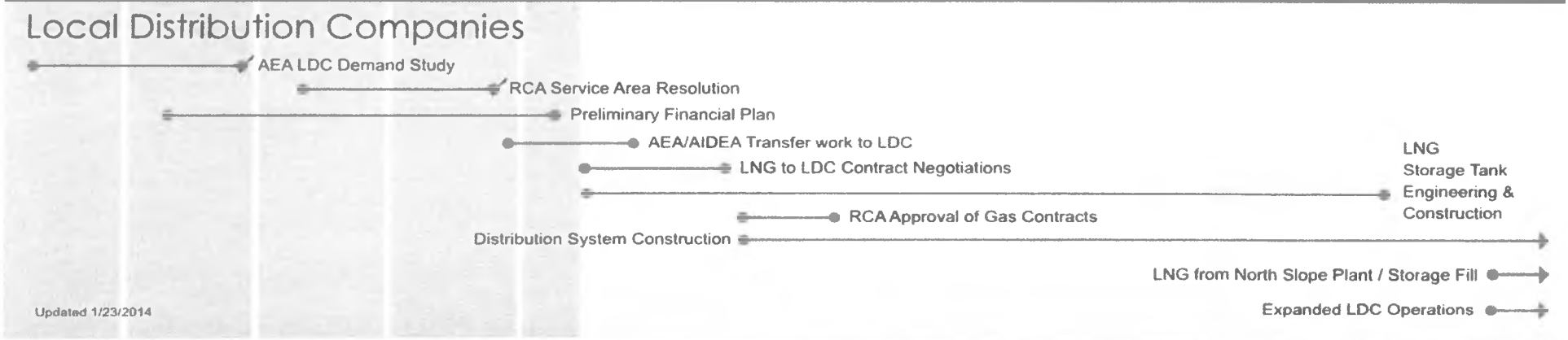
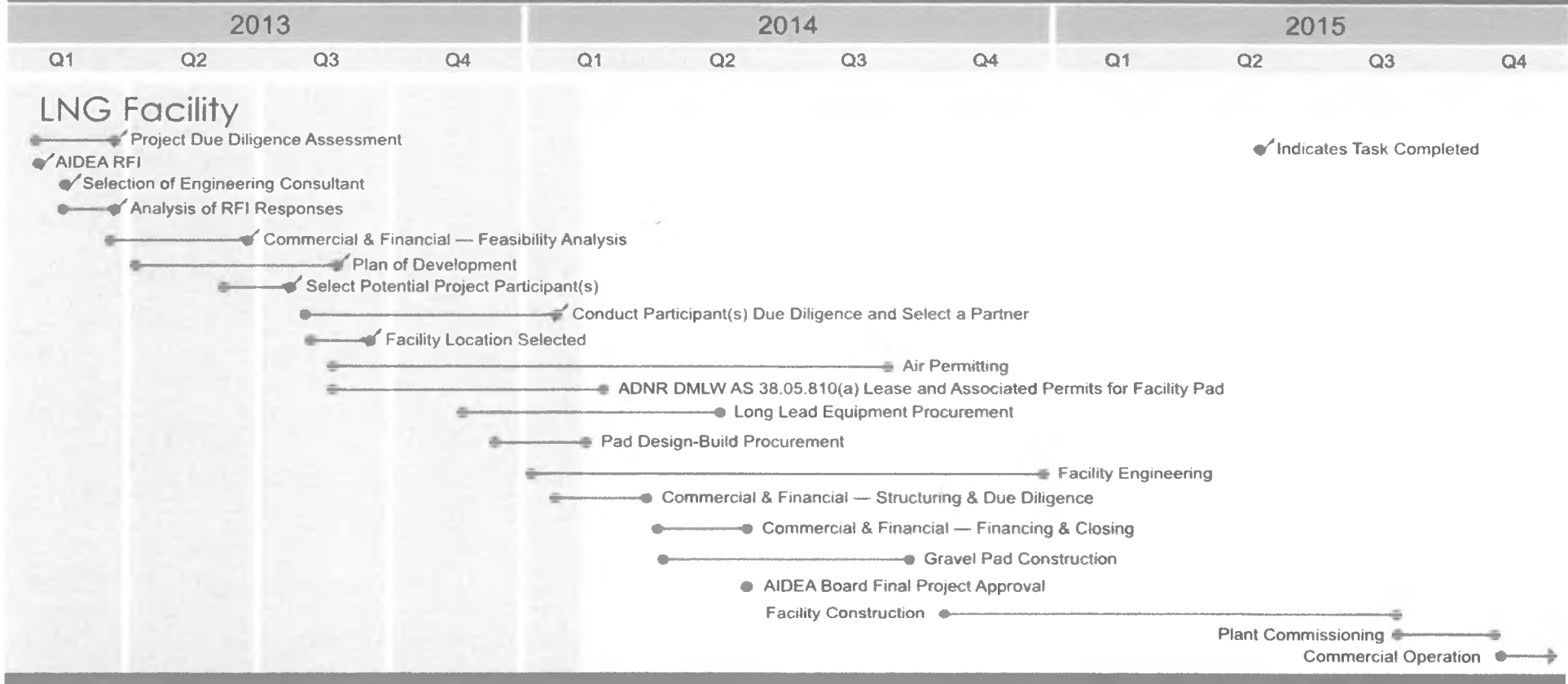
- ✓ Project Pre-Feasibility Analysis
- ✓ North Slope Plant Plan of Development
- ✓ Private Partner Due Diligence and Negotiations
- ✓ Pad Build and Design Procurement
- ✓ Long-lead Equipment Procurement

Distribution System

- ✓ Demand and Conversion Analysis
- ✓ RCA Service Area Resolution
- ✓ Distribution Cost Project Estimate
- ✓ FNG Storage Tank Financing (5.25MM gallon tank)

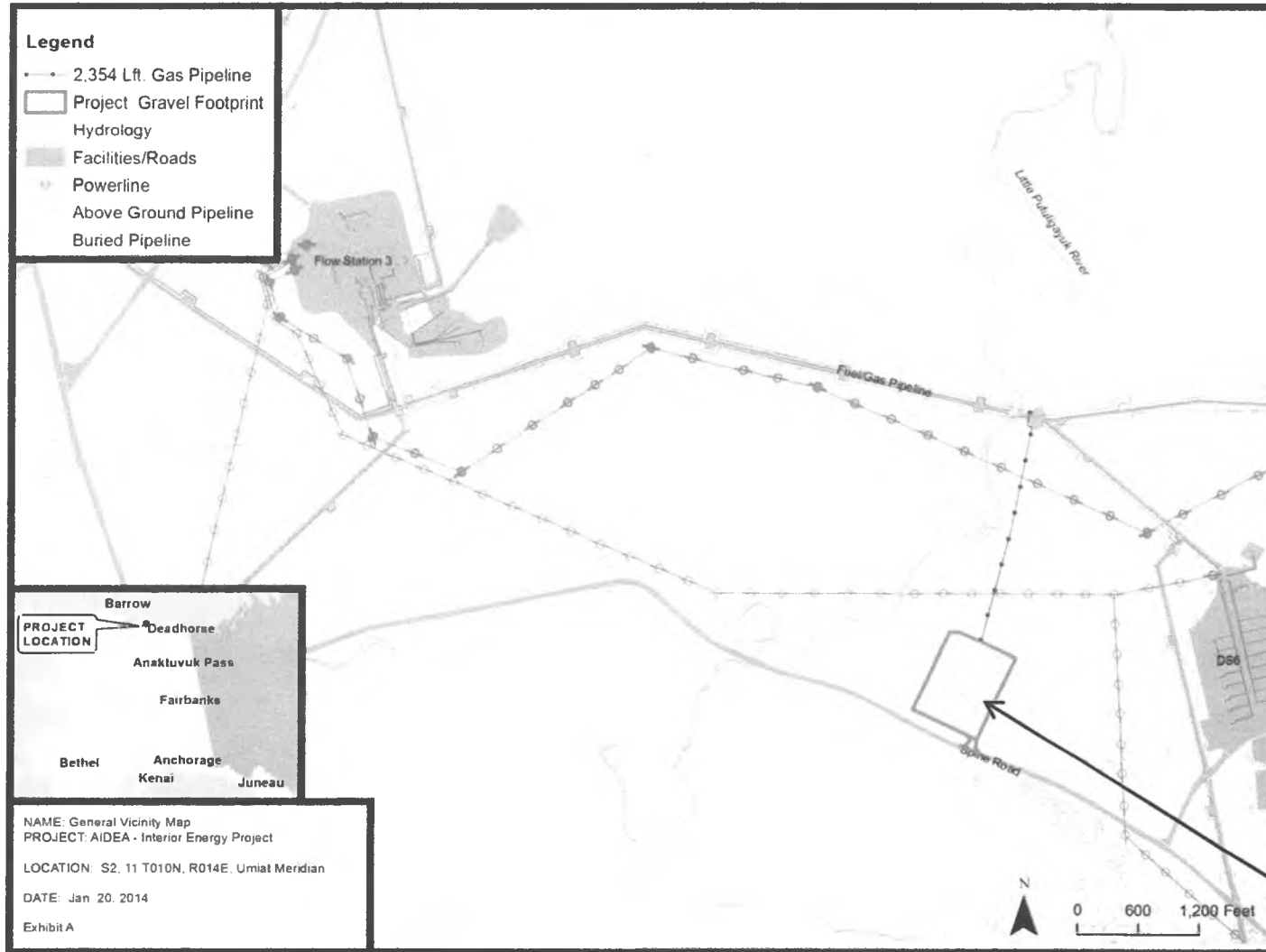
Estimated 6-year Build-Out

AIDEA Interior Energy Project - Schedule



Updated 1/23/2014

PROPOSED PROJECT LOCATION: LNG PLANT



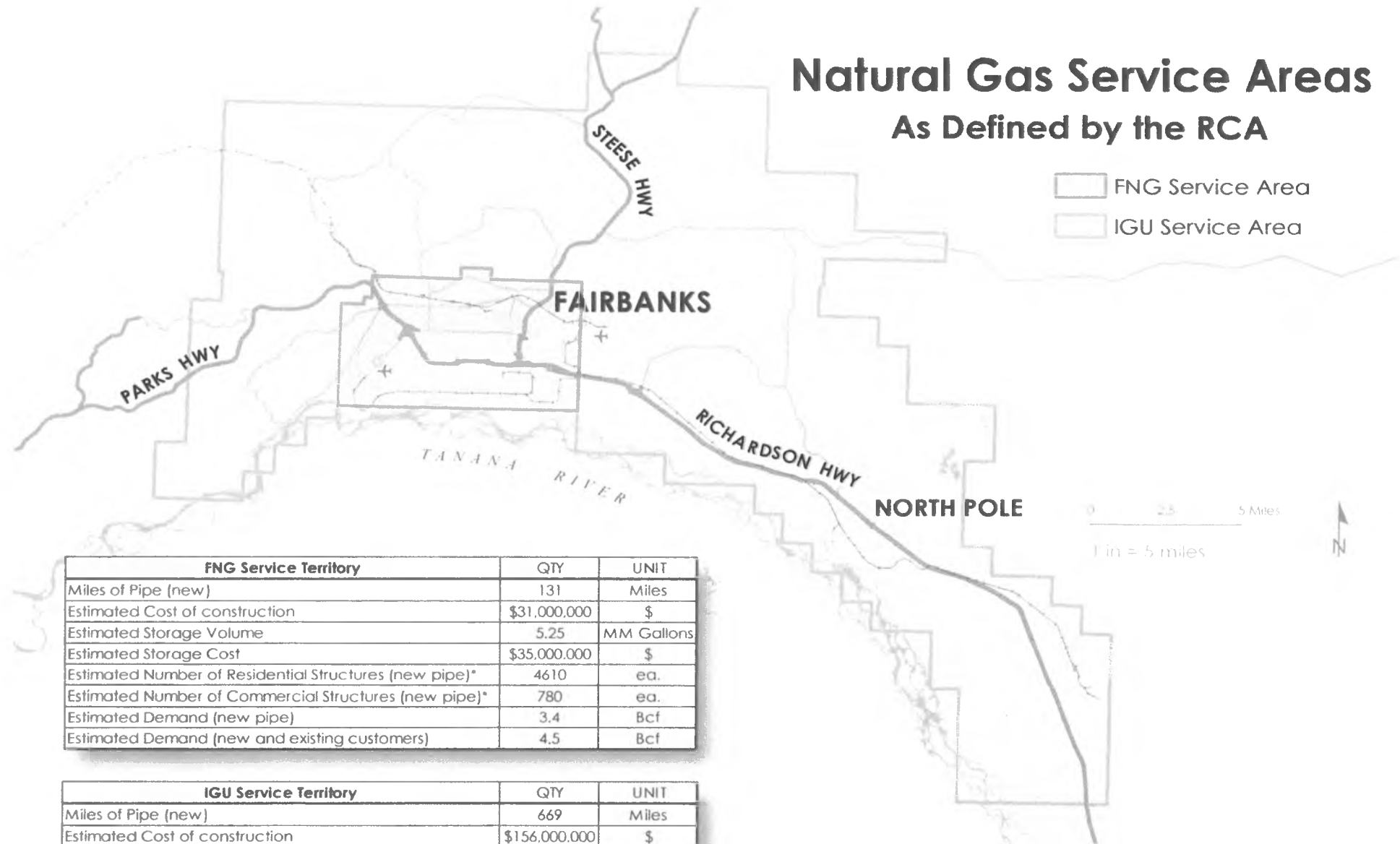
**Proposed
Project
Location**

NORTH SLOPE FACILITY NEXT STEPS



- **Letter of Intent - executed week of February 3, 2014**
 - **Establishes the basic parameters of the North Slope LNG Plant financing between AIDEA and MWH**
- **Project Development Agreement - March 2014**
 - **Negotiate and finalize a detailed Project Development Agreement with MWH (Commercial Structure)**
 - **Secure LNG purchase agreements with potential customers – IGU, FNG and GVEA**

Natural Gas Service Areas As Defined by the RCA



FNG Service Territory	QTY	UNIT
Miles of Pipe (new)	131	Miles
Estimated Cost of construction	\$31,000,000	\$
Estimated Storage Volume	5.25	MM Gallons
Estimated Storage Cost	\$35,000,000	\$
Estimated Number of Residential Structures (new pipe)*	4610	ea.
Estimated Number of Commercial Structures (new pipe)*	780	ea.
Estimated Demand (new pipe)	3.4	Bcf
Estimated Demand (new and existing customers)	4.5	Bcf

IGU Service Territory	QTY	UNIT
Miles of Pipe (new)	669	Miles
Estimated Cost of construction	\$156,000,000	\$
Estimated Storage Volume	7.25	MM Gallons
Estimated Storage Cost**	\$46,000,000	\$
Estimated Number of Residential Structures (new pipe)*	11240	ea.
Estimated Number of Commercial Structures (new pipe)*	420	ea.
Estimated Demand (new pipe)	3	Bcf

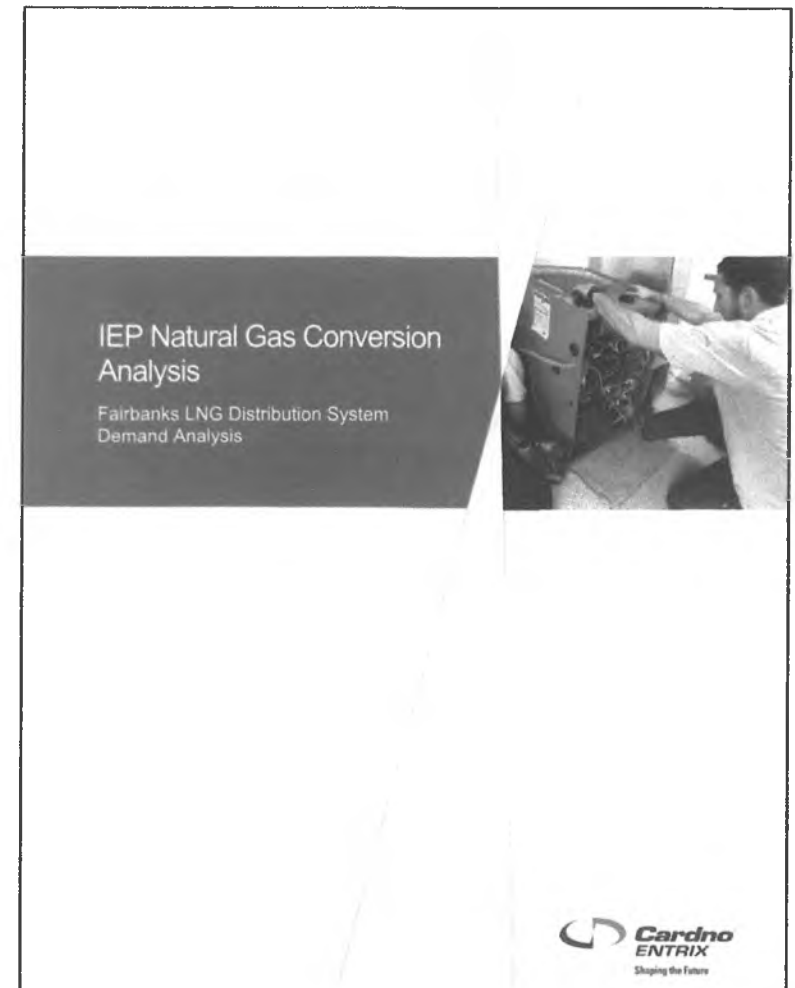
* Structure count are those "willing to convert" based on Cardno Report Tables 5.9 and 5.10

** Prorated 5.25MM gallon tank (assume \$5M is associated facilities)

ASSUMPTION: Phase I (from Tables) is entirely FNG

CONVERSION ANALYSIS STUDY

- **LNG Distribution System Demand Analysis**
- **Report complete January 2014**
- **Demographics, economics, and conversion rate forecasts**
- **Full report posted to IEP website**



NORTH SLOPE PLANT DEMAND BY YEAR (GAS DISTRIBUTION ONLY)



From Table 5.10, pg 5-19
Cardno Report
Natural Gas Demand by
Service Territory (Bcf)

Existing Customers
Newly Served Customers
Total

FNG Territory

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
0.5	2.3	2.8	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4
1.6	3.4	3.9	4.4	4.4	4.4	4.5	4.5	4.5	4.5	4.5	4.5	4.5

IGU Territory

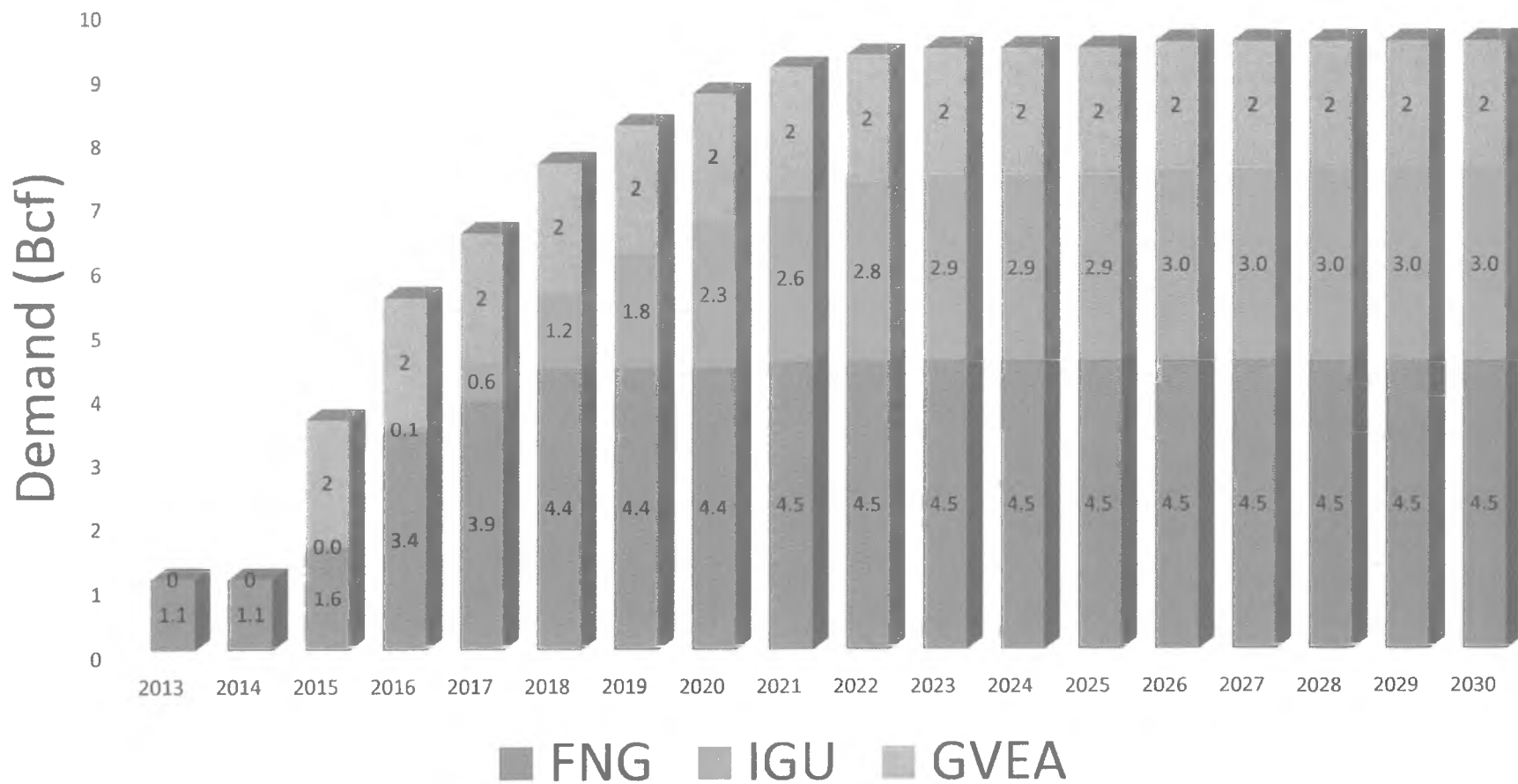
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
0.0	0.1	0.6	1.2	1.8	2.3	2.6	2.8	2.9	2.9	2.9	3.0	3.0

NORTH SLOPE PLANT DEMAND BY YEAR (ADJUST FOR PEAK DAY)



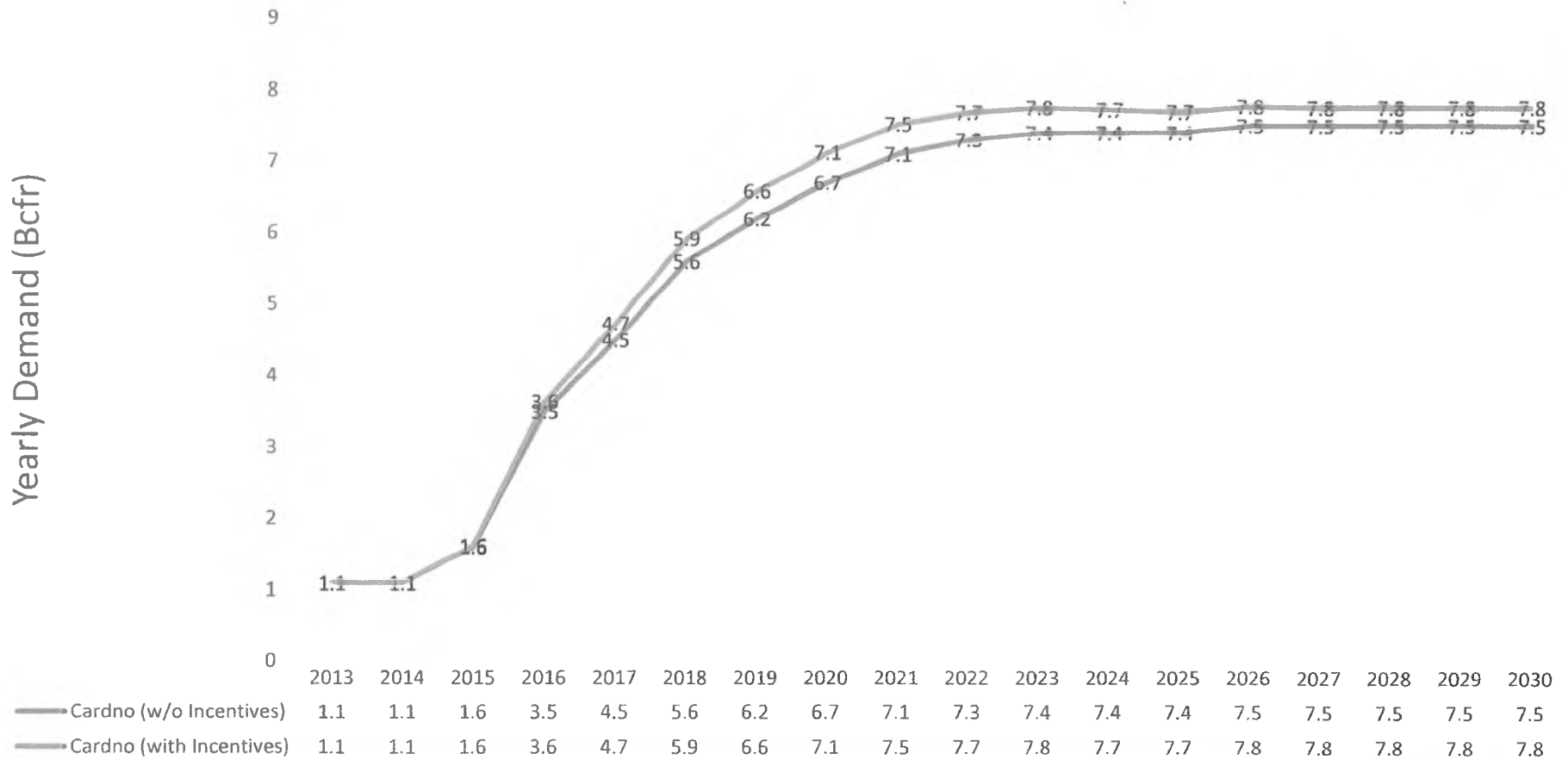
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Plant Demand by Year:	3.50	4.50	5.60	6.20	6.70	7.10	7.30	7.40	7.40	7.40	7.50	7.50
<i>Simplified Capacity Factor of 1.5</i>	5.25	6.75	8.40	9.30	10.05	10.65	10.95	11.10	11.10	11.10	11.25	11.25

PIPELINE GAS DEMAND BY CUSTOMER



INCENTIVE DEMAND COMPARISON

DEMAND COMPARISON (without Industrials)



DISTRIBUTION SYSTEM NEXT STEPS



- **Utility discussions on distribution financing access**
- **Negotiate Take or Pay Contracts**
- **RCA Approval of Contracts**



Interior Energy Project



QUESTIONS

www.interiorenergyproject.com