

**Alaska Industrial Development and Export Authority -
Natural Gas Treatment and Distribution**

**FY2014 Request: \$50,000,000
Reference No: 56693**

AP/AL: Appropriation

Project Type: Energy

Category: Development

Location: Fairbanks Areawide

House District: Fairbanks Areawide (HD 1-5)

Impact House District: Fairbanks Areawide (HD 1-5)

Contact: Ted Leonard

Estimated Project Dates: 07/01/2013 - 06/30/2018 **Contact Phone:** (907)771-3050

Brief Summary and Statement of Need:

This funding will be used in conjunction with other capital from the private sector and the Alaska Industrial Development and Export Authority to directly reduce Alaskans' cost of natural gas sourced from a North Slope natural gas liquefaction plant. This funding will be used to reduce the capital costs of a North Slope plant, provide for project financing costs for the development and construction of the project, as well as financial assistance during the construction/expansion of a distribution system, or a combination of the two.

Funding:	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>Total</u>
Gen Fund	\$50,000,000						\$50,000,000
Total:	\$50,000,000	\$0	\$0	\$0	\$0	\$0	\$50,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Sec1 Ch17 SLA2012 P23 L5 SB 160 \$3,000,000
 Sec1 Ch17 SLA2012 P85 L26 SB 160 \$3,750,000
 Sec1 Ch5 SLA2011 P30 L5 SB 46 \$500,000

Project Description/Justification:

This funding will be used to leverage other sources of funds, including private sector capital, Alaska Industrial Development Export Authority (AIDEA) financing, and tax credits to provide the greatest financial relief to local utility rate payers in Interior Alaska. Funds could potentially be used to reduce the capital costs of a North Slope natural gas liquefaction plant, assist in financing the construction/expansion of a natural gas distribution system, or other opportunities to provide significant rate payer relief as proposals are brought forward.

The liquid natural gas (LNG) output from the plant will be trucked south and used by Fairbanks area utilities to provide natural gas for space heating and fuel for electrical generation at prices significantly less than prevailing costs for heating oil and diesel fuel. The Alaska Energy Authority (AEA) is also investigating the potential of North Slope LNG to assist with short term needs in the Cook Inlet region.

A natural gas liquefaction plant could also produce propane that can be distributed to interior and river system villages.

The primary components of an LNG trucking operation are:

1. securing a long term supply of LNG on the North Slope;
2. construction of a plant to liquefy natural gas and temporarily store the LNG product at a North Slope site prior to loading trucks for transport;
3. securing trucking infrastructure to transport the LNG;
4. construction of LNG receiving and storage facilities in the Interior with re-gas capabilities;
5. construction of local distribution infrastructure to deliver natural gas to end users.

The LNG production facilities and local distribution system are potential targets for state assistance that reduces energy costs for Interior homes and businesses by providing natural gas service quickly and at a much lower cost than they are currently experiencing.