

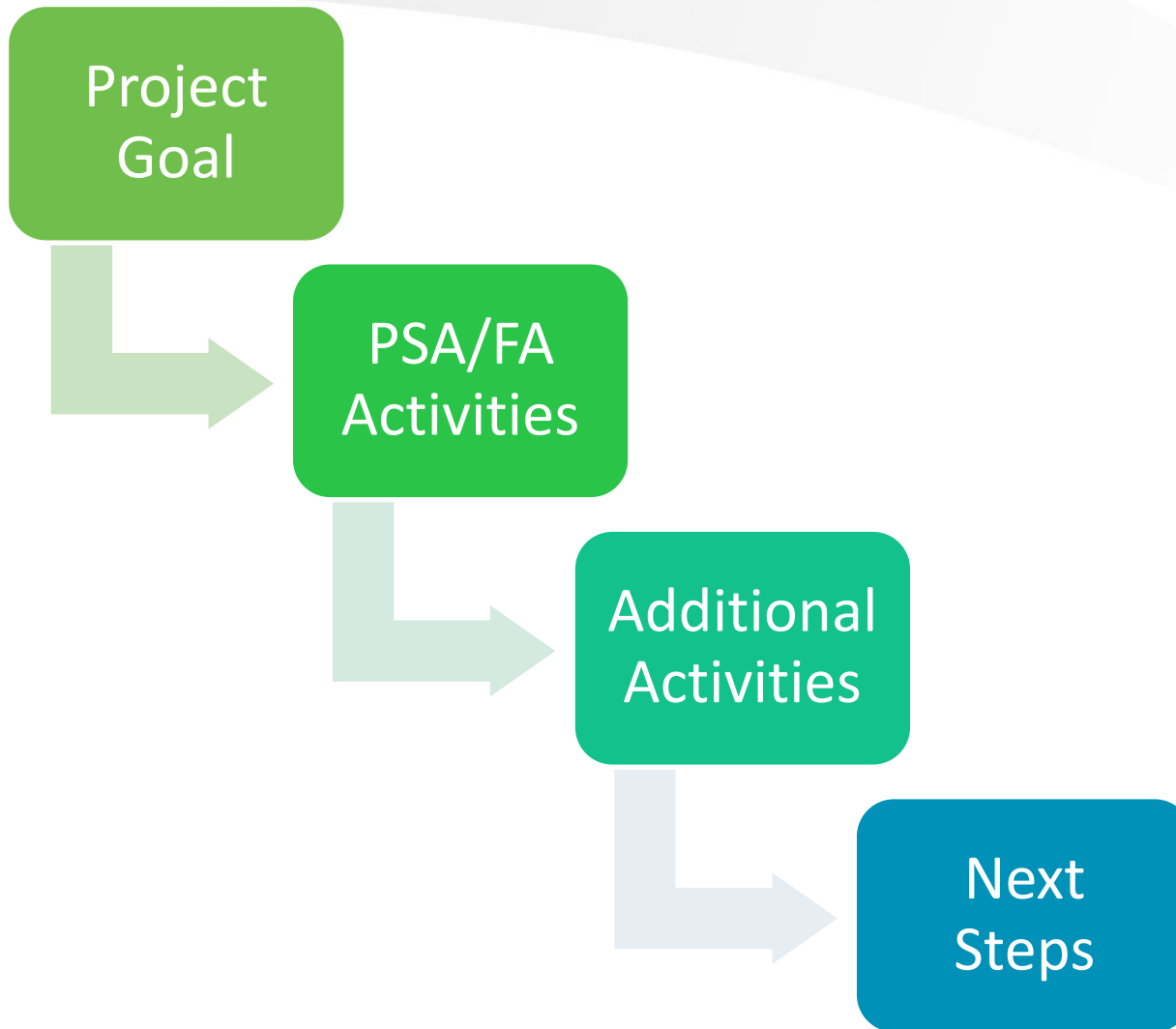


# Interior Energy Project Update: FNSB Assembly Quarterly Update – Q1 2018

March 15, 2018



# Presentation Summary



# Project Goal

# 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

# Current Pentex Purchase & IEP Financing Agreement Activities

# PSA/FA Advancement

- Application for Change of Control of Pentex
  - IGU/AIDEA Joint Application
  - Filed with RCA and advancing
- Change of Control Letter for North Slope Pad
  - Logged with DNR and advancing
- Due Diligence on Disclosure Schedules
  - Commenced immediately upon receipt
  - Ongoing
- Other work to satisfy PSA/FA Conditions Precedent

# RCA Application for Change of Control of Pentex

STATE OF ALASKA

REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chair  
Rebecca L. Pauli  
Robert M. Pickett  
Norman Rokeberg  
Janis W. Wilson

In the Matter of the Application of Interior )  
Alaska Natural Gas Utility and Alaska )  
Industrial Development and Export Authority )  
for Approval of Transfer of Controlling )  
Interest in Fairbanks Natural Gas, LLC, ) U-18-\_\_\_\_  
Holder of Certificate of Public Convenience )  
and Necessity No. 514 )  
\_\_\_\_\_)

**JOINT APPLICATION OF INTERIOR ALASKA NATURAL GAS UTILITY AND  
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY  
FOR APPROVAL OF TRANSFER OF  
CONTROLLING INTEREST IN FAIRBANKS NATURAL GAS, LLC**

Interior Alaska Natural Gas Utility, also known as Interior Gas Utility (“IGU”) and  
Alaska Industrial Development and Export Authority (“AIDEA”), by and through their  
respective counsel, pursuant to AS 42.05.281, 3 AAC 48.640(a)(4), and 3 AAC 48.645,  
hereby apply for approval of the transfer of controlling interest in Fairbanks Natural Gas,  
LLC (“FNG”), from AIDEA to IGU. FNG provides natural gas distribution service in  
Fairbanks, Alaska, under Regulatory Commission of Alaska (“RCA” or “Commission”)  
issued Certificate of Public Convenience and Necessity (“CPCN”) No. 514. IGU and

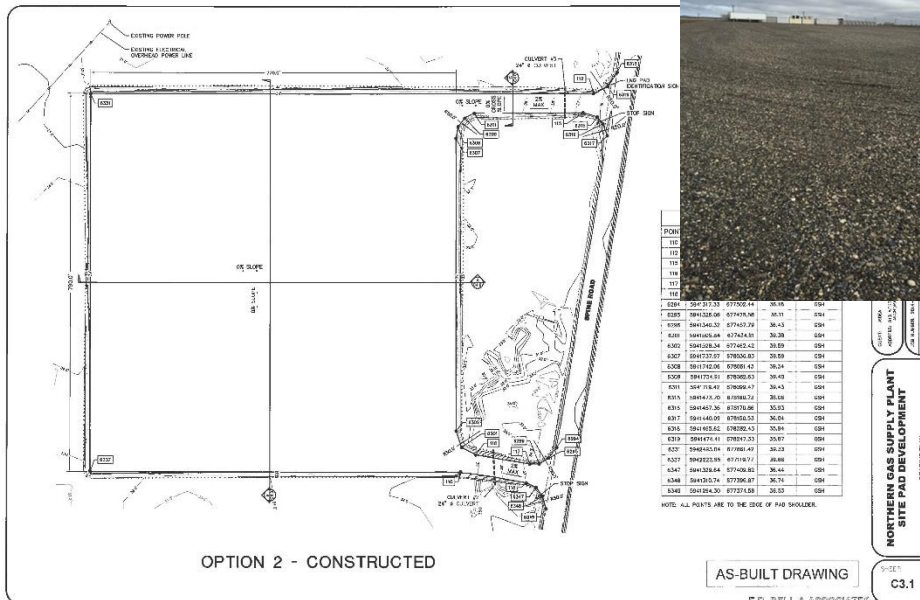
BRENA, BELL &  
CLARKSON, P.C.  
610 N STREET, SUITE 120  
ANCHORAGE, AK 99501  
PHONE: (907) 516 2000  
FAX: (907) 520 2301

JOINT APPLICATION FOR APPROVAL OF TRANSFER  
OF CONTROLLING INTEREST IN FNG

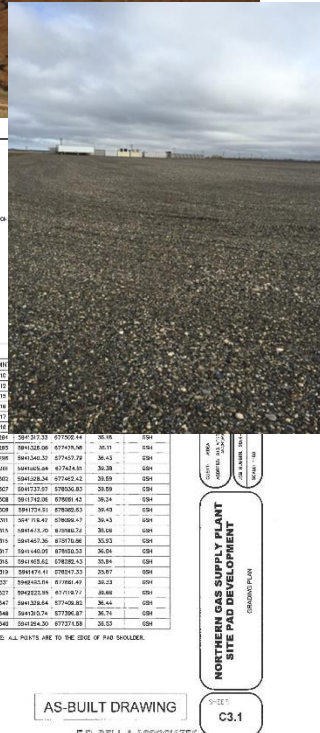
January 5, 2018  
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- **Joint IGU/AIDEA Application**
  - RCA Matter U-18-001
  - Filed January 4, 2018
  - Matter Opened January 5, 2018
  - Request for Change of Control to IGU
  - Request for Expedited Consideration
- **Public Comment Period**
  - Opened January 12, 2018
  - Noticed to be Closed February 9, 2018
  - Comment Accepted until February 12, 2018
- **IGU Response to Public Comment**
  - Recorded February 26, 2018
- **AIDEA Response to Public Comment**
  - Recorded February 27, 2018

# North Slope Pad Lease Acreage



- Acquired and improved by AIDEA in furtherance of North Slope project configuration
- Secured Under Right-of-Way Lease with SOA (DNR)
- Improved using IEP Grant Funds
- Included supplementary agreement for:
  - Materials (gravel) Use
- Well positioned for Access and Commercial Activities
- Stipulated to conveying to IGU under PAS/FA Agreements
  - Request for Change of Control logged with DNR
  - Discussions regarding CoC in process

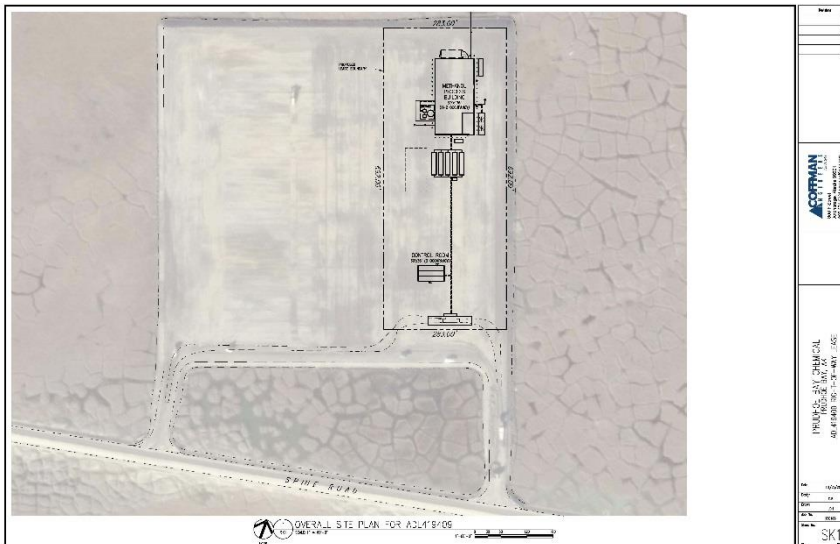




# North Slope Pad Sub-Lease



- Under negotiation between AIDEA and potential sub-lessor
- Sub-lease for 1/3 of Pad acreage
- Additional Agreements:
  - Sub-lessor to provide maintenance for entire Pad (while single tenant)
  - Continued access to and usability of other 2/3 acreage by Primary Lessee or additional sub-lessors
- Benefits of Sub-lease for IGU/IEP
  - Per “use” requirements, secures Lease for entire Pad
  - Payments cover cost of Pad Lease and generates additional revenue
  - Potential for additional sub-leasing or direct use by IGU maintained



# Large LNG Storage Tank Construction – **Commenced!**

- **LNG Storage Tank:**

- 5.2 Million gallon capacity
- Double-walled, double containment design
- Scheduled Completion: Fall 2019

- **FEED funds appropriated and FEED commenced: June 29, 2017**

- \$1.5 Million of IEP Grant Funds
- AIDEA Resolution G17-09

- **Competitive RFP Process: August – October 2017**

- “EPC” Solicitation: Engineering, Procurement and Construction
- Limited to companies with direct previous experience designing and constructing cryogenic LNG storage tanks

- **Negotiations and Contractor Selection: November – December 2017**

- **AIDEA Authorization and IGU Board Concurrence**

- **EPC Contractor: Preload Cryogenics**

# Large LNG Storage Tank Construction

## Pentex Team

- Dan Britton, Pentex President & CEO, Principal
- CHI Engineering, Owner's Engineer
- Design Alaska, DOWL and Alaska Test Lab
- David Prusak, Stantec Consulting Services, Project Manager

## Preload Cryogenics Sub-contractors:

- Great Northwest – All site preparation, including clearing, excavation, construction of pad and tank foundation preparation
- Anchorage Sand & Gravel – Manufacture of Outer Tank Pre-Cast Panels
- Golder & Associates – Geotechnical Design
- Arctic Foundations – Thermo-syphons design, manufacture and installation
- Rady Concrete – Tank Foundation
- Fullford Electric – Site Power
- Diamond Fence – Construction Fencing
- Precision &/or Alaska Crane
- Mappa Testing or similar local lab
- Alaska X-Ray or similar local testing company

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# Large LNG Storage Tank Construction –



# Large LNG Storage Tank Construction –



# Large LNG Storage Tank Construction –

## Current Status

- Excavation completed for tank and Balance of Plant
- Flat-Loop Evaporators (Thermosyphons) installed and pressure tested
- Backfill continuing
- Insulation layer installed
- Foundation Instrumentation installed
- Finalizing Design of outer wall in preparation for fabrication in Anchorage
- Numerous Balance of Plant long lead items out for solicitation
- Preparing for temporary power install
- Alaska State Fire Marshal foundation certificate received
- Preparing to form and place rebar for concrete pad
- Continue dome roof design
- Continue inner tank design

# Additional Current Activities



# Utility Integration and Conversion Assistance



## IGU/PENTEX TRANSITION PLAN

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WORKING DRAFT

PREPARED BY:  
INTERIOR GAS UTILITY  
100 Cushman Street, Suite 501  
Fairbanks, Alaska 99701

MARCH 2018

IGU BOARD MEETING MARCH 6, 2018

## IGU Conversions Program

2017 Program Update



Prepared for:  
Jomo Stewart  
IGU General Manager

Prepared by:  
Monique Garbowicz  
Conversions Lead

November 1, 2017

# Conversion Assistance Program Update – OBR

## On-Bill Repayment (OBR) Overview:

- A *customer service* mechanism to mitigate the high initial cost of installation of energy efficiency natural gas burning boilers and furnaces.
- Customers seek loan via consumer lending process from private lender (not the utility).
- Lender(s) issues funds upon project completion and serves as loan administrator.
- Utility collects loan payments via utility billing process, and makes payments to lender(s) on behalf of customer.

# Conversion Assistance Program Update

IGU Conversions Program

2017 Program Update



Prepared for:  
Jomo Stewart  
IGU General Manager

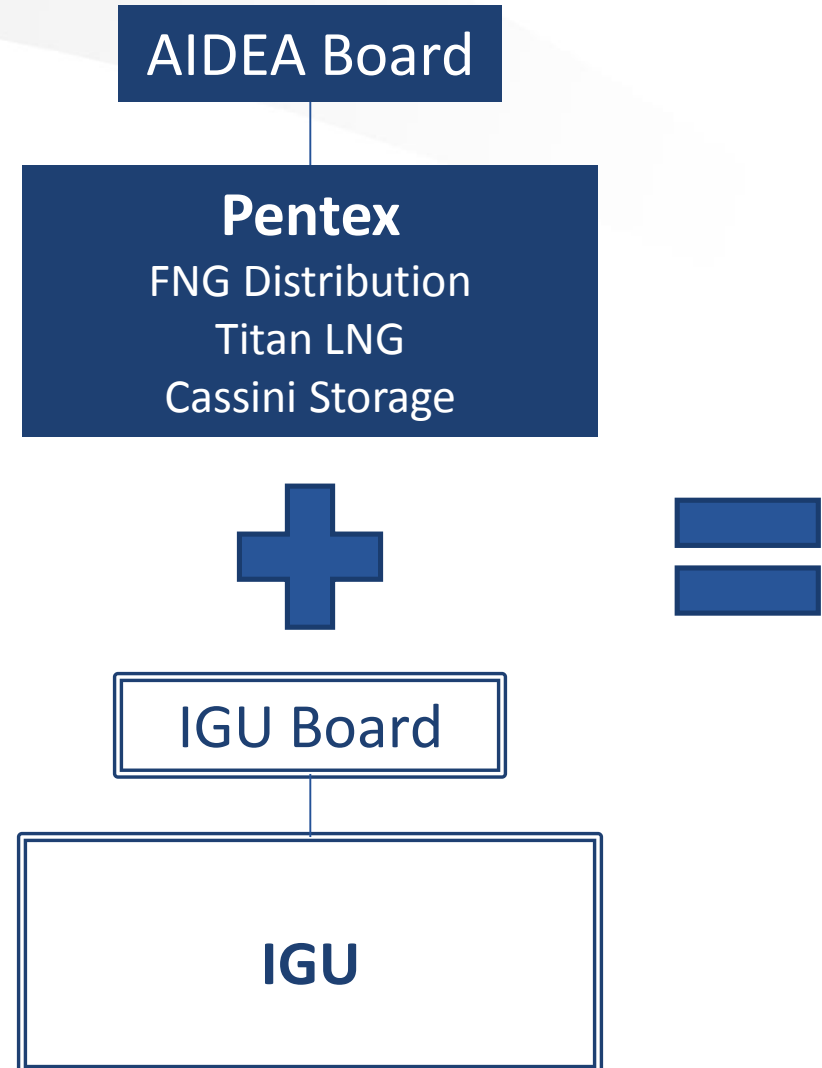
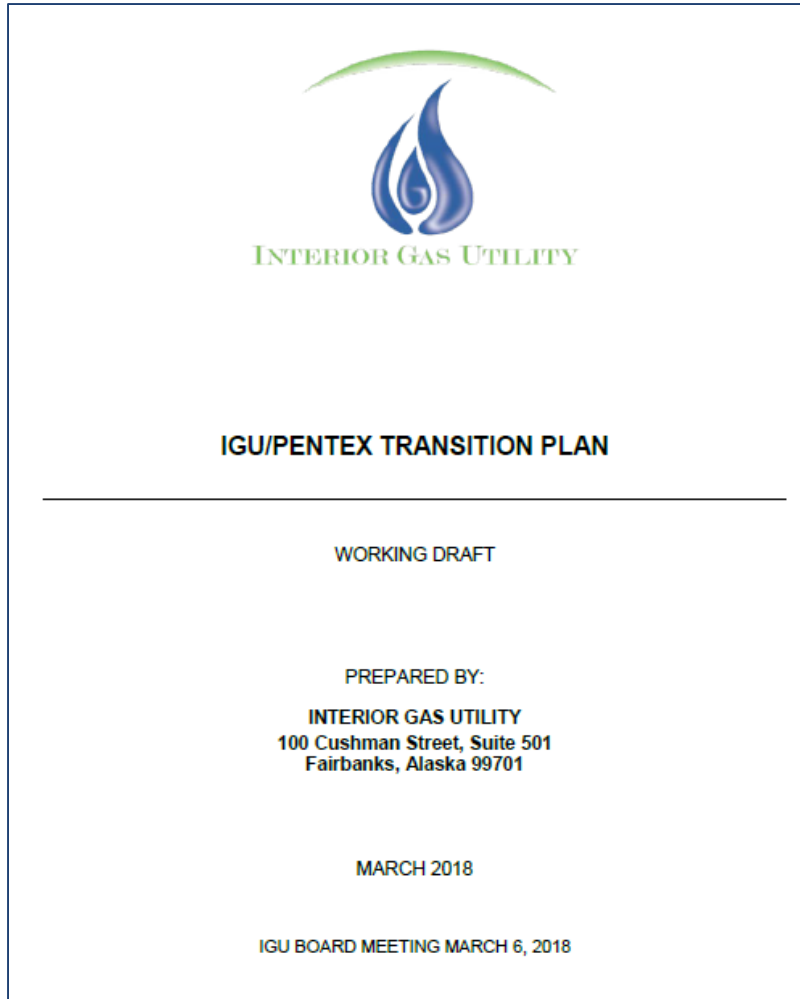
Prepared by:  
Monique Garbowicz  
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November 1, 2017

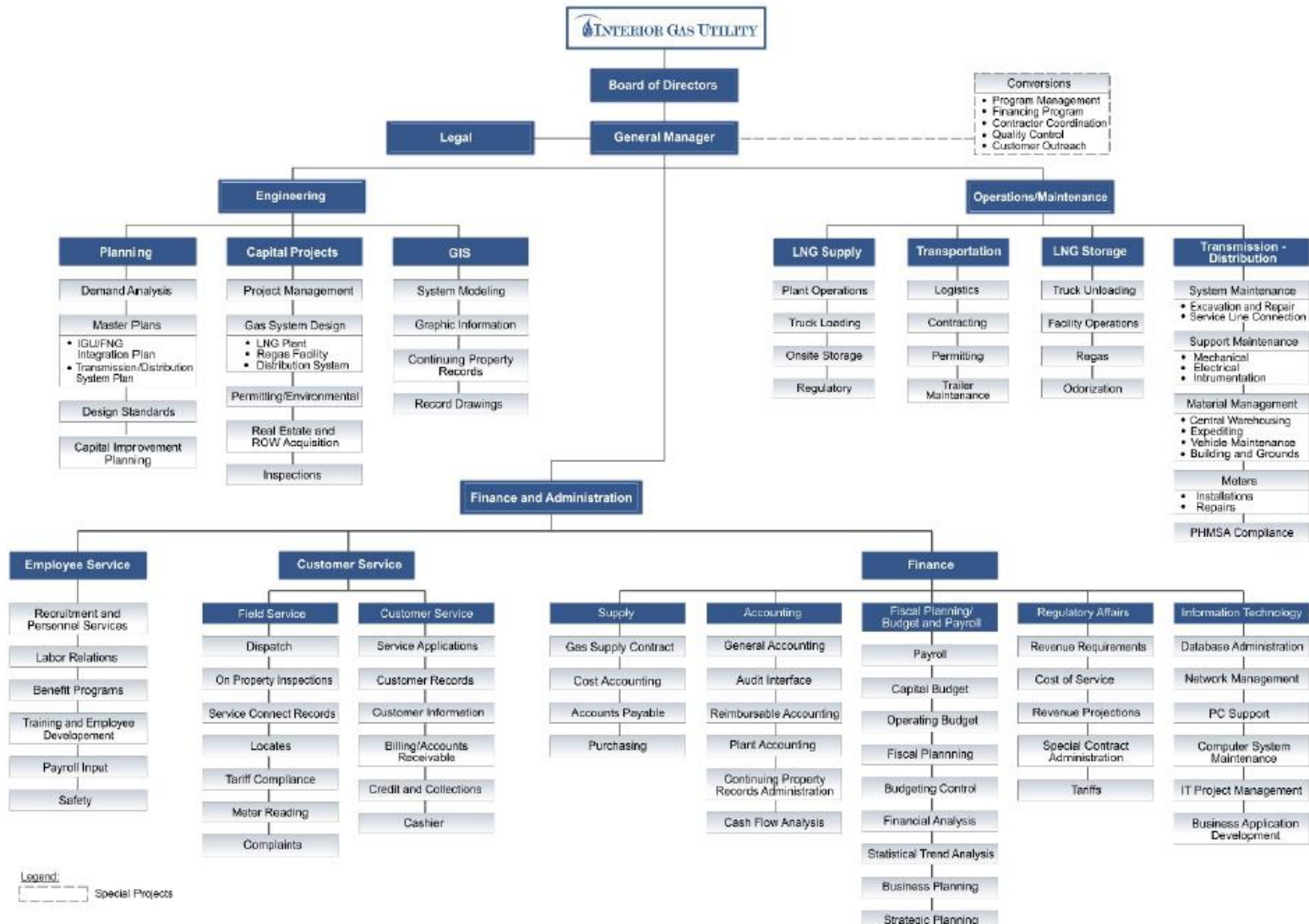
## 2017 Focus Area: On-Bill Repayment

- On-bill Financing v. Repayment
- Legal Authorization for On-Bill Program
- Review of Existing Programs:
  - Review characteristics of other programs
    - Programs in 20 states reviewed
- Review of Existing On-bill Repayment Bills and Laws:
  - Authorizations
  - Funding sources
  - Protections

# Utility Transition and Integration – From Two



# Utility Transition and Integration – To One



# Active Legislation

## AIDEA IEP Bonding Authority Extension: HB261 & SB125

- Ensures \$150M of State supported Bonds remain available for use on the project
- Simple 5-year extension to June 30, 2023
- SB 125 (Sen. Kelly) has moved all the way thru the Senate and is awaiting hearing in House L&C
- HB 261 (Rep. Thompson) has received a hearing in House L&C and is also awaiting further action

## Statutory Authorization for On-Bill Financing or Repayment of Natural Gas Conversions: HB 374

- HB 374 (Rep. Wool) moved from the House Energy Committee March 9<sup>th</sup> and is scheduled for hearing in House Labor & Commerce Friday, March 16<sup>th</sup>

# Next Steps

# Next Steps: Immediate Term

- PSA/FA Financial Close
- Natural Gas Conversion Program Advancement\*
- Utility Integration Plan and Implementation\*
- Additional IGU Policies
- North Pole LNG Storage Facility Site Control, Design, Engineering, Construction\*
- LNG Facility Design, Engineering and Construction\*

\* Discussions and analyses toward system optimization (improving upon “Plan A”) are ongoing and will continue



# Helpful Links

- **Interior Gas Utility**  
[www.interiorgas.com](http://www.interiorgas.com)
- **AIDEA**  
[www.aidea.org](http://www.aidea.org)
- **Fairbanks Natural Gas**  
[www.fngas.com](http://www.fngas.com)
- **Alaska State Legislature**  
[www.akleg.gov](http://www.akleg.gov)

# 811- Call BEFORE You Dig



One easy call gets your utility lines marked and helps protect you from injury and expense.

**Safe Digging Is No Accident: Always Call 811 Before You Dig**

Visit [call811.com](http://call811.com) for more information.



Know what's below.  
Call before you dig.

## Planning to:

Put in a fence?

Install a mailbox?

Build a patio or deck?

Plant trees or shrubbery?

Excavate a new garden area?

Install or maintain a septic system?

Install a well?



Know what's below.  
**Call before you dig.**

Call the Alaska Digline at **811** at least **72 hours (3 Days)** prior to digging and get your underground utility lines located and marked for **free**.

# QUESTIONS



INTERIOR GAS UTILITY