



The Interior Gas Utility (IGU) and Alaska Industrial Development & Export Authority (AIDEA) have negotiated Purchase & Sale and Financing Agreements to finance unification of our community’s natural gas utilities and construction of necessary Interior Energy Project (IEP) natural gas liquefaction, transportation, storage, regasification and distribution infrastructure.

The goal of the IEP, as established by the community and adopted by the IGU as its Mission, is to “bring low-cost energy to as many residents and businesses of Interior Alaska as possible, as quickly as possible” and thereby, by making cheaper, cleaner-burning natural gas more available, stabilize our local energy economy and help improve Air Quality within the EPA PM 2.5 Non-Attainment Area.

Funds to make these transactions and developments possible were appropriated by the State of Alaska in 2013, in the form of a blended-financial package of grants, low-interest loans and bonds totaling \$332.5 million dollars. Additional funding, in the form of an LNG Storage Reimbursement (up to \$15 million dollars per facility), has also been authorized in statute.

Therefore, the Purchase & Sale Agreement (PSA) and Financing Agreement (FA) define, at high level, the scope, schedule and budget for the IEP moving forward and are the contracts which will command deployment and repayment of the State appropriated funds as they are spent to a) purchase Pentex Alaska, LLC (the parent company of Fairbanks Natural Gas) from AIDEA and unify Fairbanks and North Pole’s natural gas utilities under local control and b) develop the expanded natural gas liquefaction, transportation, storage, regasification and distribution infrastructure needed to bring more gas to more residents and businesses across our community.

High-Level PSA/FA Scope, Schedule and Budget:

IEP Capital Program	Already Invested	Stage 1 & 2 - Consolidated Utility - Immediate	Stage 3 - Demand Dependent	Total
SOURCES OF FUNDS				
Capital Appropriation	\$ 15,060,000	\$ 42,440,000	\$ -	\$ 57,500,000
SETS Loans	42,400,000	82,600,000	-	125,000,000
Bond Financing - Capital	-	19,451,400	121,092,600	140,544,000
Storage Tax Credits	-	18,500,000	-	18,500,000
Commercial Financing	-	1,825,000	2,920,000	4,745,000
Utility Revenues	-	-	-	-
Total - Sources of Funds	\$ 57,460,000	\$ 164,816,400	\$ 124,012,600	\$ 346,289,000
USES OF FUNDS				
Pentex Acquisition	\$ -	\$ 59,575,000	\$ -	\$ 59,575,000
Liquefaction Development	-	46,200,000	25,000,000	71,200,000
Transportation	-	1,825,000	2,920,000	4,745,000
Storage & Regasification	-	52,000,000	-	52,000,000
Distribution	42,400,000	5,216,400	96,092,600	143,709,000
Other Project Costs (NS, etc.)	15,060,000	-	-	15,060,000
Total - Uses of Funds	\$ 57,460,000	\$ 164,816,400	\$ 124,012,600	\$ 346,289,000

Though the specific repayment terms for any bonds sold for the project will be determined by the market, the PSA and FA define the repayment terms for the \$125 million dollars of State of Alaska SETS loans in the funding package. The basic repayment terms for the SETS loan calls for a 15 year deferral (no interest or principal payments, no interest accruing) followed by a 35 year payment period at an interest rate of .25%:

IEP SETS Loan Terms

Item	Deferment	Repayment Term	Total Loan Term	Interest Rate	Annual Debt Service
SETS Loan Terms	15 yrs	35 yrs	50 yrs	0.25%	\$3.73 m

Under the contract terms, and with today’s cost of feed-gas, estimated pricing for natural gas delivered to the meter of a home or business is projected to decrease from today’s pricing to roughly \$17.50mcf (equivalent to ~\$2.36gal fuel oil) by 2021. Estimated air quality improvement under the defined project scope (calculated by FNSB AQ consultant, Sierra Research, using a 50% residential conversion rate) is forecast to be nearly 10% in Fairbanks and 26% in North Pole.