

Agency: Commerce, Community and Economic Development**Grants to Municipalities (AS 37.05.315)****Grant Recipient: Fairbanks North Star Borough****Federal Tax ID: 920030612****Project Title:****Project Type: Planning and Research**

Fairbanks North Star Borough - Natural Gas Distribution Study

State Funding Requested: \$500,000**House District: Fairbanks Areawide (7-11)**

One-Time Need

Brief Project Description:

Fuel costs continue to have a negative economic impact on our community. This funding request would allow for two projects: 1) a cost and design study for a natural gas distribution system for the Fairbanks North Star Borough, helping to understand the issues and work towards lower energy costs and 2) a feasibility and pre-due diligence study of a proposal to bring LNG gas to the Fairbanks region.

Funding Plan:

Total Project Cost:	\$500,000
Funding Already Secured:	(\$0)
FY2012 State Funding Request:	<u>(\$500,000)</u>
Project Deficit:	\$0

*Funding Details:**Funds are not secured for this project.***Detailed Project Description and Justification:**

The cost and design study would include but not be limited to preparing a conceptual design of the required distribution system size and configuration, preparing a conceptual rate schedule, preparing conceptual construction cost estimates, preparing cost/revenue comparisons between the various scenarios, recommending a most feasible/practical conceptual design, and recommending construction phasing.

The feasibility and pre-due diligence study would determine the costs to provide natural gas service to currently unserved portions of the FNSB and to contract with a suitable entity or entities to conduct a feasibility and due diligence study of a proposal to bring LNG gas to the Fairbanks region. The entity would use the funds to examine the business case for bringing LNG gas from the North Slope for distribution to Fairbanks commercial, industrial and residential users and financing that development with a loan of state funds.

The City of Fairbanks is currently served natural gas by Fairbanks Natural Gas (FNG), a commercial energy provider. Electric service is provided to the FNSB by Golden Valley Electric Association. Natural gas service is not available outside the FNG service area. The City of Fairbanks and the FNG service area are not included in the study area. The portion of the FNSB area to be considered for gas service has a population of about 47,500. Home heating is provided by a variety of energy sources including electricity, propane, fuel oil, wood, and coal. Consumer costs for these energy sources are comparably high. Local air quality is adversely affected by the usage of low quality fuel oil by the large commercial sites and

the military bases, and by the abundant usage of wood and coal for home heating in the area.

In 2008, the Environmental Protection Agency listed portions of the FNSB as a non-attainment area for PM2.5 emissions.

As a result of the EPA listing portions of the FNSB as being in non-attainment for PM2.5 emissions, the State of Alaska, the Borough, and the EPA are collaborating to reduce sources of PM2.5 emissions and ensure attainment. Wood stoves and boilers, as well as oil fired furnaces are the significant sources of PM2.5 emissions. Natural gas service supplying affordable fuels to homes in businesses within the non-attainment area would solve the pollution problem.

The benefit of increasing the availability of natural gas service to the area is to ultimately reduce residential home heating costs to the approximately 17,000 households within the proposed target area. A secondary benefit of gas availability would be to improve local air quality by reducing the usage of the high emission fuels currently in use within the FNSB.

Project Timeline:

The FNSB will begin the study in late 2011 and will complete it within a year.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

FNSB

Grant Recipient Contact Information:

Name: Luke T. Hopkins
 Title: Mayor
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Has this project been through a public review process at the local level and is it a community priority? Yes No

The Fairbanks North Star Borough proposes to complete a study to determine the costs and alternatives to provide natural gas service to currently unserved portions of the FNSB.

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The feasibility study would include but not be limited to preparing a conceptual design of the required distribution system size and configuration, preparing a conceptual rate schedule, preparing conceptual construction cost estimates, preparing cost/revenue comparisons between the various scenarios, recommending a most feasible/practical conceptual design, and recommending construction phasing. Further the study would provide information necessary to apply for service, when an "Open Season" is issued by one of the proposed pipelines. The Open Season application establishes capacity and service commitments from the pipeline.

Currently there is no local supply for natural gas. However several gas pipelines are proposed to pass through the area. In order to provide service to its customers, FNG transports liquified natural gas by truck from Cook Inlet and Prudhoe Bay, respectively 350 to 500 miles away. The goal of the immediate project is to determine the feasibility of providing natural gas service to the target area, by performing a feasibility study as previously described. If the study shows that the project is feasible, the results would be used as the basis for a final design, when the construction of a transmission gas line through the area becomes eminent.

The results of the study would provide information required for service off of the Enstar, ANGDA, or other new transmission line. As part of most transmission line projects, the associated pipeline company would generally issue an "Open Season" notice to determine interest in obtaining capacity from the new line. The usage and capacity requirements determined by the study would provide the data required for the FNSB to be able to quickly respond any such notice.