

Attachment 4
Letter from Alaska Gasline Development
Corporation President to
Fairbanks Northstar Borough Mayor



September 19, 2014

Mayor Luke Hopkins
Fairbanks North Star Borough
P.O. Box 71267
Fairbanks, AK 99707-1267

Dear Mayor Hopkins:

I received your July 24th letter regarding the terminus of the Fairbanks lateral line of the Alaska Stand Alone Pipeline (ASAP) and your request to extend the line an additional 30 miles southeast to North Pole. Thank you for your continued interest in the ASAP project. I appreciate an opportunity to respond.

The Alaska Gasline Development Corporation (AGDC) has a clear, statutory mandate to deliver gas to Alaskans at the lowest possible cost. While AS 31.25.005 directs AGDC to advance an in-state pipeline capable of delivering natural gas to Fairbanks, it further directs us to accomplish this goal in a safe, efficient and economic manner. Getting gas to Fairbanks will significantly reduce power and heating costs, and improve the air quality issues currently plaguing the area. To meet these objectives, we must balance the desire to maximize public benefit, with economic feasibility, cost effectiveness, and environmental impacts.

The ASAP project has gone through a number of revisions since project planning began in 2009. The optimized "lean gas" design finalized in 2012 was in part, developed to lower Fairbanks tariffs and to improve the feasibility and economics of accessing gas along the alignment. These savings were achieved by eliminating most of the processing facilities needed to treat enriched gas, lowering the operating pressure and moving to an industry-standard pipe diameter.

With regard to the Fairbanks lateral, we believe the current project design meets our statutory obligation to deliver gas to Fairbanks and leverages the existing local distribution system. The lateral is a 28.9 mile, 12 inch diameter line which ties into the main pipe two miles south of Chatanika River, traverses east generally along Murphy Dome Road and then extends southeast to the Fairbanks City Gate near the intersection of Sheep Creek Road Extension and West Tanana Drive. In analyzing routing alternatives, we looked for a design that optimized demand, minimized length, reduced engineering constraints and environmental impacts, and improved overall constructability. This alignment is part of a series of changes currently the subject of the U.S. Army Corps of Engineer's Supplemental Environmental Impact Statement (SEIS) which was initiated on August 1st.

Since the ASAP project was conceived, we've seen a heightened level of planning and increased public investment to build local demand and to expand the distribution infrastructure in the Fairbanks area. Perhaps the most significant is the Interior Energy Project (IEP) which is working to truck liquefied natural gas from the North Slope to Fairbanks as an interim solution until a pipeline is completed. IEP is a complex initiative that requires the participation and cooperation of a diverse group of partners. I commend the Alaska Energy Authority (AEA) and the Alaska Industrial Development and Export Authority (AIDEA) for their leadership and their focus on leveraging public and private sector financing to advance this effort. The Concession Agreement between AIDEA and MWH Global to finance construction of the North Slope LNG plant, is an important project milestone. MWH is also working with local utilities on a trucking and storage consortium to examine storage, delivery points, and capacity issues in an effort to optimize Fairbanks' entire gas distribution and power generation network.

In addition, the borough, Fairbanks Natural Gas (FNG), Interior Gas Utility (IGU), GVEA, mechanical contractors and others, are discussing ways to simplify and incentivize the conversion process for both residential and commercial customers. I know you have played an active role in jumpstarting these important discussions.

All of this work is critically important to the planning process and to identifying the most cost effective way of delivering gas to customers within the borough. Consequently, we believe it is premature to make changes to our project design while these fundamental local distribution decisions are still being resolved. Containing costs is an ASAP project imperative. Any increase, will necessarily be reflected in the price paid by consumers. We will continue to follow the planning activities underway in Fairbanks and will welcome any additional information that could improve our overall design.

I can assure you and your constituents that improving their quality of life and reducing their energy costs remains one of our highest priorities. We are focused on delivering a long-term, affordable, clean burning energy supply to the Interior.

Thank you again for your letter and for allowing me to respond. If I can provide any additional information, please don't hesitate to call.

Very respectfully,



Dan Fauske
President

cc:

Tim Navarre, Chairman, ASAP Community Advisory Council