



Cover Letter

June 5, 2015

To: Interested Parties

Request for Information -- Interior Energy Project Gas Natural Gas Supply

The goal of the Interior Energy Project (IEP) is to provide energy relief and improve air quality through supply of low-cost natural gas to Interior Alaska. It is AIDEA's intent to finance and facilitate a project that meets the goals of the IEP, including supplying the lowest cost gas to as many Alaskans in the Interior as quickly as possible.

To advance the goals of the IEP, Governor Bill Walker in Administrative Order 272 instructed the Department of Commerce, Community and Economic Development (DCCED), with assistance from the Department of Revenue (DOR) and the Department of Natural Resources (DNR), to collaborate at the highest levels of the administration to advance the Interior Energy Project. Pursuant to that direction, DCCED hereby directs the Alaska Industrial Development and Export Authority (AIDEA) to seek information on the price and availability of Cook Inlet natural gas on a long-term contractual basis for the benefit of Interior utility customers.

With that direction, AIDEA is issuing the attached Request for Information (RFI) for Cook Inlet natural gas supply as part of the IEP.

Concurrent with this solicitation for Cook Inlet natural gas, AIDEA is also issuing a solicitation to develop a facility in Cook Inlet capable of producing 200,000 gallons of LNG per day initially, with expansion capacity up to 400,000 gallons of LNG per day. Through that solicitation AIDEA also encourages and will entertain alternate proposals. Alternate proposals include, but are not limited to, propane, liquefaction capacity combined with gas supply, liquefaction capacity combined with gas supply and transportation, North Slope liquefaction capacity, or a small diameter pipeline.

AIDEA will evaluate proposals in an open and competitive process as specifically stated in HB105, while applying the commercial confidentiality terms contained within AIDEA's applicable procurement statutes.

Deputy Commissioner Fred Parady
Department of Commerce Community and Economic Development

NOTICES

1. The Authority is an equal opportunity employer.
2. The Authority shall not be liable for any cost incurred by a Respondent in response to this RFI.
3. The Authority expressly reserves the right to waive minor informalities, negotiate changes or reject any and all information, if in its best interest. "Minor Informalities" means matters of form rather than substance which are evident from the submittal, or are insignificant matters that have a negligible effect on price, quantity, quality, delivery, or contractual conditions and can be waived or corrected without prejudice to other Respondents.
4. Respondents should mark proprietary information in the Information if such information should not be disclosed to the public. Proprietary information will be confidential if expressly requested and agreed to by the Authority.
5. Questions regarding this RFI should be sent to the Project Manager, in writing within the first 15 days of the public notice period; Questions should be sent by email to Nick Szymoniak at nszymoniak@aidea.org.

Timely submission of questions will help the Authority determine if there is a need to provide clarifications or to conduct a Pre-Respondents Conference.

Purpose

Under direction from Governor Bill Walker (see Administrative Order 272 (AO272)), the Department of Commerce, Community and Economic Development (DCCED), the Department of Revenue (DOR) and the Department of Natural Resources (DNR), in conjunction with the Alaska Industrial Development and Export Authority (AIDEA) are seeking information regarding your willingness and ability to sell natural gas on a long-term (minimum five-year) contractual basis for the benefit of Interior utility customers. Pursuant to AO272 and the direction of DCCED, this Request for Information (RFI) is being issued by AIDEA for purposes of the Interior Energy Project (IEP).

The results of this RFI are expected to lead to direct negotiations for gas supply agreements (GSAs) to meet the demand for natural gas in the Interior. Such a negotiated contract will be finalized by the Interior utilities or a developer of LNG capacity for shipment to Interior Alaska as a primary anchor market. The intent of this process is to develop a commercial structure that best meets the goals of the IEP. The goals of the IEP are to provide energy relief to Interior homes and business:

- At \$15 per Mcf (or equivalent)
- To as many as possible
- As quickly as possible
- Improve air quality by reducing PM 2.5

Concurrent with this solicitation process, DCCED and AIDEA will facilitate a Memorandum of Understanding (MOU) with Golden Valley Electric Association, Fairbanks Natural Gas, and the Interior Gas Utility. In this way, the role of DCCED and AIDEA will be limited after the GSAs are signed between the suppliers and their buyers.

Responses should be marked confidential and submitted to AIDEA by July 16, 2015.

Please address responses to:

Tom Erickson
Chief Procurement Officer
813 West Northern Lights Blvd.
Anchorage AK, 99503
907-771-3951

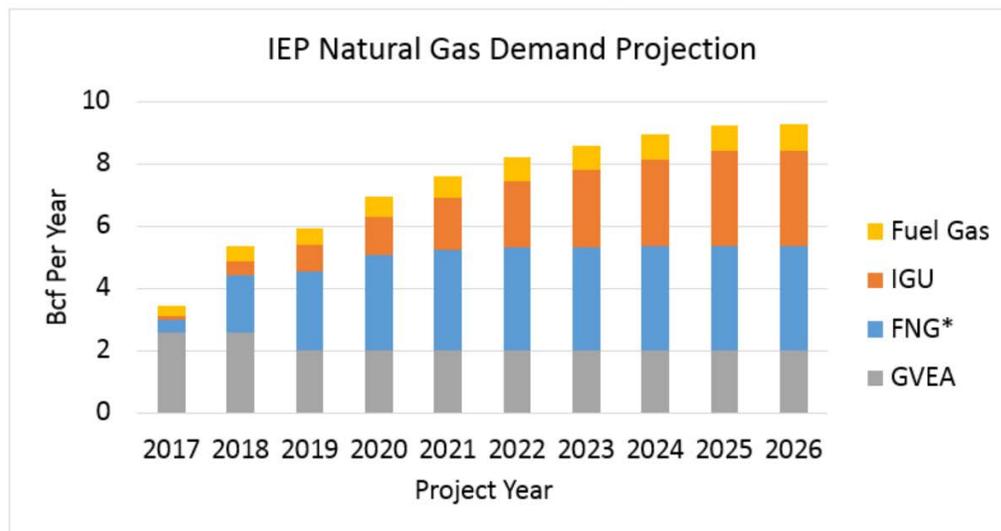
Information provided will not be interpreted as binding but should be an accurate representation of expected commercial terms. AIDEA has the ability to keep certain business information confidential under AS 44.88.215. Recognizing the need to preserve confidentiality to encourage as many respondents to the RFI as possible, AIDEA's executive director has made the determination that any information submitted that pertains to natural gas price, marketing strategy, reserves, business plan or financial information is **confidential and not subject to**

public records request. If a Respondent wishes to submit other information as confidential it should be marked as such for review by AIDEA’s executive director.

Projected Interior Gas Volume Requirements

Demand projections have been estimated by the AIDEA/AEA project team utilizing work done by Cardno ENTRIX in 2014. The actual demand will vary from the projections as market conversion rates become known. Natural gas supply agreements will need to be structured so that the volumes delivered can be adjusted over time as demand grows. The figures below are projections for planning purposes.

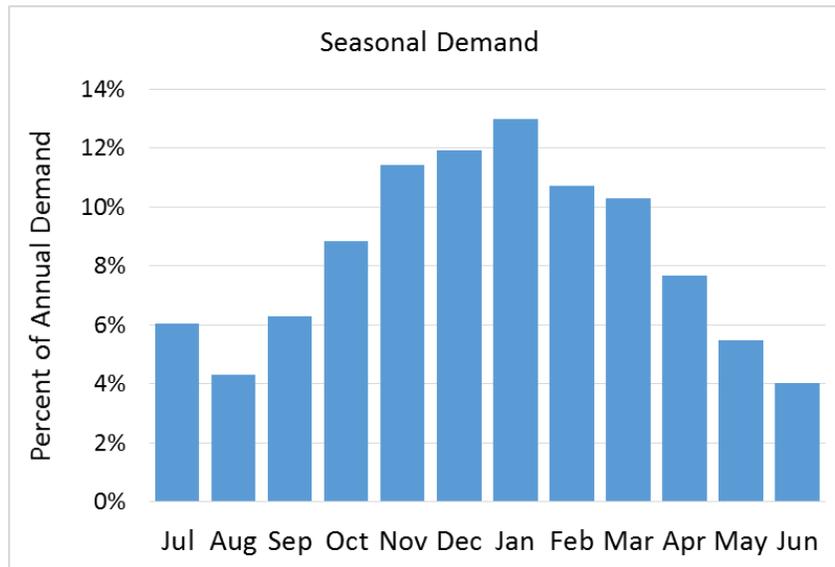
	Natural Gas Demand by Year (Bcf)									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
FNG*	0.41	1.81	2.54	3.06	3.25	3.32	3.33	3.34	3.34	3.34
IGU	0.12	0.46	0.85	1.24	1.65	2.13	2.45	2.78	3.05	3.07
GVEA	2.60	2.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fuel Gas	0.31	0.49	0.54	0.63	0.69	0.74	0.78	0.81	0.84	0.84
Total	3.44	5.35	5.93	6.93	7.59	8.19	8.56	8.93	9.23	9.25



**FNG demand does not include existing 0.95 Bcf provided under existing agreements*

In addition to the Interior natural gas demand, an LNG plant may require approximately 10% of its total output as fuel gas. These volumes are also sought as part of this RFI.

The Interior utility market for natural gas has significant seasonal variability. Unlike Cook Inlet, the Interior market will be supplied with natural gas processed into LNG, transported to Interior and stored until needed. The additional steps in the supply chain eliminate the need for natural gas supply to directly track daily Interior natural gas needs somewhat smoothing day to day gas supply requirements. The actual amount of seasonal swing for the IEP is not yet determined and will result from modeling the optimal combination of plant capacity and LNG storage. Responses should indicate the supplier’s ability to seasonally vary natural gas supply.



The seasonal demand figure identifies expected seasonal demand of the Interior Utilities by month. The average demand during the winter months of the year are about three times as high as the average demand during the summer months.

Information Requested

When responding to the RFI, Respondents should provide information that is sufficient to evaluate the credibility of their gas supply responses based on the surety of supply commitments and price.

1. Term

The IEP is seeking a contract term of at least five years with a preference for longer term contracts. The IEP will entertain responses that include provisions for contract extensions beyond a fixed initial contract term. Respondents should include what provisions should apply to trigger such contract extensions.

2. Commencement of Deliveries

Indicate when Respondent can commence gas deliveries under the GSA.

3. Volume

Given the “Projected Interior Gas Volume Requirements” listed above, the Respondent should indicate what annual base load quantity of gas it can commit. In addition to this annual quantity amount, the Respondent may also include a high and low amount with an explanation and provide any circumstances or provisions that might trigger an amount different than the annual quantity.

Base load and swing quantities should be indicated as daily rates (MMcf/day) by month for the initial term of the GSA.

Respondent may provide their own estimate of seasonal variability of Interior gas demand and indicate their commitment to provide “swing” volumes and their capability to meet this variability.

Respondent shall describe any priority commitments that might affect the deliveries of gas volumes offered in this RFI.

The Respondent should indicate if they are willing and able to increase gas supply volumes as the Interior demand for gas grows in the future.

4. Gas Balancing Arrangements

Describe any potential provisions Respondent may want to include in a GSA to manage gas balancing volumes. This should include how the supplier and buyers are to coordinate and correct for shortages, surpluses, routine volume adjustments, or market outs (e.g., the buyer loses a major customer).

5. Source of Gas Supply

Respondent must provide information about the source of their gas, which unit or field, and their ownership or control of the gas supply. The Respondent must provide estimates of their proven or risked probable reserves that will support the volumes to be committed to the GSAs arising from this RFI.

The Respondent must provide the status of their development plans for expanded or new production if required to meet the volumes that are subject to this RFI and the level of commitment to execute these plans (e.g., AFEs or FID). The Respondent should provide a discussion of their financial capabilities that will be required to supply gas.

6. Delivery Point

Indicate delivery points into the Cook Inlet natural gas pipeline system. A description of how gas is delivered to this point should be included.

7. Gas price

Gas prices should be indicated for base load, swing, and other proposed supplies as a per-Mcf amount for each year of the contract term. Prices should apply to the delivery points described above. Respondents should indicate how the gas price would be impacted by other contract terms, such as volume commitments and seasonal supply.

8. Credit quality

Respondent should provide both qualitative and quantitative information regarding their credit worthiness and balance sheet.

9. Natural Gas Storage

Respondent should indicate whether they have access or plan to access natural gas storage in Cook Inlet to meet the Interior's seasonal demand profile.