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Press Release

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Golden Valley Electric Association (GVEA) and Flint Hills Resources Alaska (Flint Hills) have commenced engineering on a natural gas liquefaction facility on Alaska's North Slope. The two companies have signed a Memorandum of Understanding to exclusively negotiate agreements for the construction and operation of a facility that would enable liquefied natural gas (LNG) to be trucked to the Interior by first quarter 2014.

GVEA would use the gas to power its newest turbine at the North Pole Power Plant. Flint Hills would use the gas as a supply fuel for the refining process at its North Pole refinery.

The deal would deliver gas "at cost" to each company. Lower costs mean lower rates to GVEA members. Flint Hills would become more competitive and efficient by burning LNG instead of refined crude oil in its refinery.

"We are excited about this bridging project," said Brian Newton, President and CEO of GVEA. "GVEA and Flint Hills are customers of each other and this is a continuation of our ongoing relationship. Flint Hills brings the expertise and financial strength to work with us to make this project a reality," Newton said. "While GVEA supports a gas pipeline to Fairbanks, trucking LNG would lessen our dependence on high-priced oil thereby bringing energy cost relief sooner than other proposed projects."

"We work closely and well with GVEA," said Mike Brose, Flint Hill's Vice President and Plant Manager. "This project would partially eliminate the competitive disadvantage for our refinery due to high energy costs, and provide an environmental benefit to Fairbanks and Interior Alaska. We are also excited about additional opportunities such as propane production and LNG diesel production to provide more competitive clean fuel for Alaska's trucking and transportation industry."

Engineering for the project is underway. The objective is to have LNG available in North Pole by the first quarter of 2014. LNG could also be made available to other users and distributors of LNG in Fairbanks and Interior Alaska.

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Golden Valley Electric Association is a member-owned cooperative which owns and operates five power plants that provide power to nearly 100,000 Interior residents. GVEA is planning to construct the largest wind farm in the Railbelt. Its Eva Creek Wind project is anticipated to be online September 2012. At 24-megawatts, Eva Creek will meet the board's renewable energy pledge of having 20 percent of the system's peak load generated by renewable resources by 2014. www.gvea.com

Flint Hills Resources, LLC, through its subsidiaries, is a leading refining and chemicals company. It markets products such as gasoline, diesel, jet fuel, ethanol, olefins, polymers and intermediate chemicals as well as base oils and asphalt. The company, based in Wichita, Kan., has expanded its operations through capital projects and acquisitions worth more than \$5.3 billion since 2002. With about 3,600 employees, Flint Hills Resources strives to create value for customers and society. www.fhr.com

Responses to Frequently Asked Questions:

Why this project?

- **What's in this project for GVEA?** Lower electric bills for its members. LNG will replace oil as the fuel source at GVEA's North Pole Expansion Plant. Natural gas is less expensive than oil, so GVEA can pass these savings on to its members in the form of lower electric bills.
- **What's in this project for Flint Hills?** Flint Hills would save in fuel costs and thus be able to operate at a lower cost.
- **Why are GVEA and Flint Hills doing this together?** As two of the largest users of liquid fuels in the Interior, GVEA and Flint Hills are natural "anchor tenants" for any natural gas project. As AIDEA pointed out in a 2009 study on LNG, the two largest users (GVEA and Flint Hills) must be willing to commit to make such a project viable.
- **If this is such a good idea, why doesn't GVEA go it alone?** With a project of this magnitude, it makes sense to share the cost with another entity, especially one whose interests (lower fuel costs) are closely aligned with those of the co-op.
- **Why aren't we waiting on a gas pipe line?** Our members need relief sooner rather than later. The soonest the legislature could approve a gas line is 2012, and the most optimistic estimates put a bullet line at least eight years away. Our members can't wait that long for price relief.
- **With LNG do we still need the Eva Creek Wind Project and the Healy Clean Coal Project?** Absolutely. All three projects must move forward if GVEA is to kick its oil habit.

Costs to GVEA members

- **How would trucking LNG affect my electric bill?** It would lower it. At today's oil prices, switching to natural gas would save GVEA a little more than \$1 million a month in fuel costs. That means the average GVEA member would see a five percent savings on a monthly bill (based on a \$100 barrel of oil). If oil prices continue to rise, the savings would be greater.
- **Would this project put GVEA members at financial risk?** No. The project saves much more money than it costs. The total cost of purchasing natural gas, financing, operation, maintenance, and trucking of LNG to North Pole would be less than the current cost of burning oil. When a gas line eventually comes, the natural gas infrastructure GVEA builds would still be usable.
- **If a pipeline comes, can GVEA stop trucking gas immediately?** As we negotiate our contract, this is something we'll be looking at. As with any project, amortization of costs over time is the key to financial viability.

Facilities

- **What facilities would be built?** A conditioning/liquefaction plant would be built on the North Slope and a regasification plant would be built in North Pole. The liquefaction plant super cools the gas, turning it into a liquid. Regasification converts the liquefied fuel back into a gas.

- **Why do we need a gas conditioning plant on the slope?** Gas conditioning is part of the liquefaction process. Liquids and other gases (propane, butane, etc.) must be removed before trucking the gas to North Pole.
- **Why does the gas need to be liquefied?** Natural gas comes out of the ground in a gaseous state. Liquefied, it shrinks to 1/600th of its natural volume. Therefore, a truck can carry six hundred times more energy when the gas is liquefied first.
- **How much would the North Slope and North Pole facilities cost?** Engineering studies are underway. The final capital cost is not expected until mid-Summer 2012.
- **Where would the liquefaction plant be located?** We are currently evaluating several pads to lease on the North Slope.
- **Where would the regasification plant be located?** GVEA and Flint Hills are co-located on a site southeast of North Pole. The plant would be located near this joint facility.
- **How long would it take to get the necessary permits for this project?** We expect it would take up to a year to get the permits necessary to build the plants on the North Slope and in North Pole.
- **How much gas would the liquefaction facility supply?** Together, GVEA and Flint Hills are projected to use approximately 7 bcf/year (3.5 bcf each). (bcf = billion cubic feet)
- **Is there enough natural gas on the North Slope to supply this project?** Yes. Currently more than 9 bcf of natural gas is produced per day on the North Slope. GVEA and Flint Hills would use just 7 bcf per year.
- **Do you have a gas supplier lined up?** Yes. GVEA has signed a contract for natural gas with one of the North Slope producers. The name is being withheld pending a formal announcement.

Trucking/jobs

- **How many trucks would it take to transport the LNG?** Depending upon the size of each tanker, 40 to 50 trucks. At any given time, about 20 laden trucks would be headed south, and 20 empty trucks would be headed north.
- **Would the Dalton Highway be able to handle these additional trucks?** Yes. According to Alaska Department of Transportation, adding 20 to 25 additional trucks per day would not exceed the highway's capacity. (In 2009, the Elliott Highway north of Fox recorded between 1,000 and 1,100 vehicles per day. This operation would result in a traffic increase of approximately 2.5%).
- **Who would truck the LNG?** Local transportation companies would be invited to bid on the contract to supply this service.
- **When would the first truck of LNG arrive in North Pole?** It's estimated the first shipment would arrive in the first quarter of 2014.
- **How many jobs would this project create?** We estimate that nearly 100 construction jobs, 40 to 50 truckers, and 5 to 8 permanent production jobs would result from this project.

Additional questions

- **Why are we working with Flint Hills and not Fairbanks Natural Gas?** Several years ago, GVEA announced that the co-op was considering a deal with FNG. However, we ultimately decided to pursue a partnership with Flint Hills because it delivers gas “at cost.” The expense of liquefying, trucking, and re-gasification operations would be shared and neither party would profit directly from these activities. That means lower costs for our members.
- **Will I be able to purchase LNG to heat my home from GVEA or Flint Hills?** Not directly. Neither GVEA nor Flint Hills has the “Certificate of Public Convenience and Need” to sell gas to residential consumers. However, GVEA is planning to hold an “open season” to determine if other parties in the Interior want to purchase commercial quantities of gas from the project. These third parties may choose to sell gas to the public.
- **Does GVEA still support piped gas to Fairbanks?** Absolutely. Trucking gas is simply a bridge project until a natural gas pipeline can be built.
- **Does FHRA support a gas pipeline to Fairbanks?** If the economics support a pipeline to transport natural gas, Flint Hills would support that project.
- **How much would the trucked gas cost delivered to North Pole?** That is still being determined at this time.
- **Would LNG improve air quality?** Yes. Clean burning natural gas would help the FNSB meet the Environmental Protection Agency’s PM 2.5 air quality standard.
- **Who would operate the North Slope and North Pole facilities?** That has yet to be determined, but both GVEA and Flint Hills are capable in operating the facilities.