



January 17, 2013

The Honorable Kurt Olson  
Chair, House Labor & Commerce Committee  
Alaska State Legislature  
State Capitol Room 124  
Juneau, Alaska 99801

RE: HB74, "An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends of the Alaska Industrial Development and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

Dear Representative Olson:

HB74 (Companion Bill SB23) authorizes the Alaska Industrial Development and Export Authority (AIDEA) to provide direct loans or loan guarantees for development projects. Under existing law, AIDEA is required to "own and operate" all of, or at least a percentage of, any development project that it finances out of the economic development account, AS 44.88.172. This bill will permit AIDEA to finance development projects through the economic development account without taking any ownership interest in such projects.

There are situations in which AIDEA would rather lend money to a project rather than own it. For example, natural resource projects which are beneficial to the economic development of the State but have environmental risk which AIDEA would not want to assume. In most cases, an owner or part owner of a project can be held liable for tort damages, but a lender is not. Therefore, making a loan to a development project can pose significantly less liability risk even though the economics of the project are sound and repayment is likely. Therefore, the bill provides that AIDEA can provide project financing for all or a portion of the cost of a development project which the authority does not intend to own or operate.

The bill also makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The statutory change will replace the term "net assets" with "net position" (or the equivalent under generally accepted accounting principles). GASB 63 will change terminology used in the Authority's audited financial statements and referenced in statute in the calculation of AIDEA's dividend to the state. The intent of the amendment is to ensure that the dividend calculation is performed using numbers generated from the applicable audited financial statements.

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Furthermore, the bill makes changes to clarify the payment of the AIDEA dividend from the new Sustainable Energy Transmission and Supply (SETS) Fund for qualified energy development established in AS 44.88.660. The amendments to AS 44.88.088(a) are aimed at separating the SETS Fund from the pre-existing Revolving Fund for the purposes of paying dividends to the State of Alaska. The legislation creating the new SETS Fund did not address the dividend, and these sections are proposed so that separate dividends will be paid from the SETS and Revolving Funds.

Finally, HB74 authorizes AIDEA to provide financing for a North Slope gas liquefaction plant and distribution system within the Fairbanks North Star Borough. It authorizes AIDEA, through the SETS Fund, to issue up to \$150,000,000 of bonds and provide up to \$125,000,000 in direct financing from the SETS Fund. This financing could be in the form of loans, guarantees, or any other finance mechanism permitted under SETS.

We respectfully request you to schedule HB74 for a hearing in your committee and we urge favorable action on this bill. A copy of HB74 and sectional analysis are attached. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,



Ted Leonard, CMA, SPHR  
Executive Director

Attachments (2)