

ALASKA STATE LEGISLATURE

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SPONSOR STATEMENT FOR SENATE BILL 25: A.S.S.E.T.S Alaska's Sustainable Strategy for Energy Transmission and Supply

“An Act relating to participation by the Alaska Industrial Development and Export Authority in energy projects.”

Alaskans once again find themselves confronting the familiar paradox of high oil prices, which deliver windfall revenues to the treasury while burdening Alaskan communities with increased energy costs. Recognizing this, the Legislature made energy policy a priority issue and focused state resources on finding solutions. To date, we have invested millions in making our schools, homes, and public facilities more energy efficient. We have started work on an in-state gas pipeline and reinvigorated activity in Cook Inlet with targeted tax incentives and regulatory changes. We have begun developing the Susitna hydroelectric project, encouraged exploration for geothermal energy, and opened the door for emerging technologies like biomass, wind, and even small nuclear facilities.

Although each of these energy initiatives contributes to a more sustainable future for Alaska, the recent declining throughput in the trans-Alaska pipeline reminds us of how precarious our present condition is. Declining oil production and increasing demands on the treasury challenge us as policymakers to craft new strategies that to do more with less and to find sustainable ways to use Alaska's resources to grow our local economy. That is why I have introduced Senate Bill 25, *Alaska's Sustainable Strategy for Energy Transmission and Supply* ("ASSETS").

With ASSETS I am proposing that the State recapitalize the Alaska Industrial Development and Export Authority (AIDEA) and expand AIDEA's existing authority to finance, or facilitate the financing of, energy infrastructure projects. AIDEA is already invested in energy projects such as the Snettisham hydroelectric project, which has provided low-cost, renewable power to Juneau for years. With a stronger balance sheet and greater access to credit markets, AIDEA could help finance or facilitate the financing of energy projects in Alaska. Senate bill 25 creates a new fund within AIDEA: the sustainable energy transmission and supply development fund (SETS) and proposes \$250,000,000 be invested in the fund.

Senate Bill 25 also expands the powers of AIDEA to finance, or facilitate the financing of energy projects through the SETS fund by granting the authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.
2. Defer principle payments and capitalize interest.

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3. Offer financing terms of up to 30 years for energy projects or 50 years for transmission and hydroelectric projects.
4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance energy projects.
5. Offer a reduced interest rate for renewable projects, projects in rural areas or projects that promote economic development.

These additional powers will provide flexible terms that can reduce the ultimate cost of energy to consumers and enable projects to move forward toward construction. However, SB 25 also requires legislative approval is required for investments that are more than one-third of a project's capital costs or if a loan guarantee exceeds \$20 million. By subjecting certain investments to legislative approval, SB 25 maintains an appropriate level of due diligence for projects.

By making credit available we empower communities and give utilities an alternative to the traditional grant model that too often underfunds projects and leads to delays. Relying on credit also ensures that project sponsors have some skin in the game and a stake in a project's success or failure. Most importantly, we start to put some of Alaska's assets to work growing the economy within our state. Currently, Alaska's savings accounts are invested in stocks and bonds that drive economic activity outside Alaska. ASSETS suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks to development projects but as loans for energy infrastructure.

With ASSETS, Alaska has the chance to break the colony model and sustainably grow its economy. As each loan is repaid, the capital becomes available to recycle into new loans. The recently completed Railbelt Integrated Resource Plan alone identified more than \$5 billion in infrastructure that will need to be financed. Without ASSETS, debt interest payments made by Alaskan utilities will continue to leave the state. With ASSETS, on the other hand, Alaska will actually make money. AIDEA currently pays a dividend to the treasury of between \$20 and \$30 million per year. A larger balance sheet would increase AIDEA's earnings and thus its annual dividend to the state.

Together, the Legislature's commitment to fiscal prudence and its focus on energy issues lay the foundation for a bright future for our state. By putting more of our assets to work locally, we can create opportunities, develop our resources and create a sustainable economy for generations to come.

February 7, 2012