

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: SB 125
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB125-DCCED-AIDEA-01-19-18
Title: EXTEND BOND AUTH FOR INTERIOR ENERGY
PROJ
Sponsor: KELLY
Requester: (S) Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Agency: Division of Administrative Services, DCCED
Phone: (907)771-3000
Date: 01/19/2018
Date: 01/19/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. SB125

Analysis

The Alaska Industrial Development and Export Authority (AIDEA) does not anticipate fiscal impact from this legislation.

Legislation passed in 2013 under SB23 and amended in 2015 by HB105 authorizes AIDEA to provide financing for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas (LNG) production plant and system and affiliated infrastructure in the state that will provide natural gas to Interior Alaska as a primary market and natural gas delivery and distribution systems and affiliated infrastructure that will provide natural gas to Interior Alaska.

As part of this financing package the Authority was authorized to issue bonds under AS 44.88.090 that are secured by a capital reserve fund (AS 44.88.105). Notwithstanding AS 44.88.105, in establishing a capital reserve fund for the bonds, the Authority is not required to determine that the capital reserve fund is necessary to enhance the marketability of the bonds. The Authority shall manage the capital reserve fund as provided in AS 44.88.105. The principal amount of the bonds authorized may not exceed \$150,000,000 plus the cost of capitalized interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow costs, and other bond issuance costs that the authority considers reasonable and appropriate. The bonding authorization provided with SB 23, as amended by HB105, expires on June 30, 2018.

Progress on a HB 105 compliant project plan to advance the Interior Energy Project (IEP) was delayed due to the length of time it took to acquire a natural gas supply. When gas supply was secured, the AIDEA Board approved a project plan on September 21, 2017. Adoption of the project plan allowed negotiations to proceed for consolidation of existing Fairbanks Natural Gas supply, storage and distribution infrastructure with the Interior Gas Utility. Documents to perform this consolidation were finalized, approved and signed in December 2017. On January 16, 2018 final regulatory authorization was granted to start construction of a large-scale LNG storage and regas facility in Fairbanks. Although expenditures to date have not required the issuance of bonds under the existing AIDEA authorization, a decision to expand LNG production capacity to serve anticipated customer demand is expected in 2018. This LNG plant expansion and longer term distribution buildout will require access to bond financing.

An extension of the bonding authorization to June 30, 2023 would preserve an important component of the previously approved financing package for the Interior Energy Project. Without enacting this proposed legislation, the capability for AIDEA to assist the IEP would be curtailed. An extension of the bonding authorization would ensure the financing made available for the Interior Energy Project would continue to be an available tool for this important project.

Passage of SB 125 will not change the amount, or restricted use, of the existing bond authorization for the IEP, but would simply allow more time for the bonds to be used.