

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 261
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB261-DCCED-AIDEA-02-23-18
Title: EXTEND BOND AUTH FOR INTERIOR ENERGY
PROJ
Sponsor: THOMPSON
Requester: (H) Labor & Commerce

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If yes, by what date are the regulations to be adopted, amended or repealed?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: 02/23/2018
Date: 02/23/18

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. HB 261

Analysis

This bill provides a five-year extension of bonding authorization initially granted by the legislature in 2013, with a revised expiration date of June 30, 2023. The Department of Commerce, Community, and Economic Development does not anticipate fiscal impact from this legislation.

Legislation passed in 2013 under SB 23 and amended in 2015 by HB 105 authorizes the Alaska Industrial Development and Export Authority (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. This will provide natural gas delivery and distribution systems and affiliated infrastructure that will provide natural gas to Interior Alaska as a primary market.

As part of this financing package AIDEA 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, AIDEA is not required to determine that the capital reserve fund is necessary to enhance the marketability of the bonds. AIDEA 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 HB 105, 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 IEP. 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 IEP would continue to be an available tool for this important project.

Passage of HB 261 will not change the amount, or restricted use, of the existing bond authorization for the IEP, but will simply allow more time for the bonds to be used.