



March 28, 2013

Representative Alan Austerman
Co-Chair of House Finance Committee

Representative Bill Stoltze
Co-Chair of House Finance Committee

Re: SWAMC Support for HB74 – AIDEA: LNG Project; Dividends; Financing

Representatives Austerman and Stoltze,

The Southwest Alaska Municipal Conference (SWAMC) would like to provide support for HB 74, "An Act relating to development project financing by the Alaska Industrial Development and Export Authority (AIDEA); relating to the dividends from AIDEA; authorizing AIDEA to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system."

This letter of support speaks specifically to the lending portion of the bill. AIDEA is currently required to take an ownership position when financing a project, such as the Ketchikan Shipyard and Skagway Ore Terminal. HB 74 will allow AIDEA to directly finance projects and become a lender instead of an equity partner. This does not mean that AIDEA will compete with the state's lending institutions because of the scope and size of these projects, and the bill so far has received support from financial institutions.

There are several reasons why providing AIDEA the ability to use project financing without ownership is useful, including:

- It more closely matches AIDEA's financing tools with the nature of the projects being financed, and is more consistent with public policy supporting economic development finance programs
- It reduces complexity, cost and time involved in structuring financings
- It provides AIDEA (and the state) more protection from possible risk and liabilities associated with projects being financed
- It can improve overall economics of financings by more closely aligning ownership with potential tax benefits.

As a regional economic development agency, SWAMC is always looking for innovative, effective and sensible tools to create more investment and economic activity in Alaska. Giving AIDEA greater flexibility with financing options should create a more effective firewall against environmental and liability risks and lower transaction costs, while also resulting in faster and timelier transactions. We support this bill.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Varner", with a long, sweeping horizontal line extending to the right.

Andy Varner
Executive Director