

FISCAL NOTE

STATE OF ALASKA
2013 LEGISLATIVE SESSION

Bill Version SB 23
Fiscal Note Number 1
(S) Publish Date 1/16/13

Identifier (file name) 0738-DCCED-AIDEA-01-14-13
Title Direct Project Financing and Liquefied Natural Gas
Production and Distribution System
Sponsor Rules by request of the Governor
Requester Governor
Dept. Affected DCCED
Appropriation AIDEA
Allocation AIDEA
OMB Component Number 1234

Expenditures/Revenues

(Thousands of Dollars)

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

	FY14 Appropriation Requested	Included in Governor's FY14 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY14	FY14	FY15	FY16	FY17	FY18	FY19
Personal Services							
Travel							
Services	950.0	0.0	650.0	450.0	350.0	150.0	150.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	950.0	0.0	650.0	450.0	350.0	150.0	150.0

FUND SOURCE

(Thousands of Dollars)

1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1102	AIDEA Rcpt (Other)	950.0	0.0	650.0	450.0	350.0	150.0
TOTAL		950.0	0.0	650.0	450.0	350.0	150.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	1,775.0	0.0	1,775.0	1,729.0	1,701.0	1,676.0	1,652.0
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Estimated SUPPLEMENTAL (FY13) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY14) costs _____ (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? Yes
If yes, by what date are the regulations to be adopted, amended, or repealed? 12/1/2013 Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Mark Davis, Deputy Director-Infrastructure Development
Division Alaska Industrial Development and Export Authority
Approved by JoEllen Hanrahan, Director of Administrative Services
Commerce, Community, and Economic Development

Phone 907-771-3000
Date/Time 1/14/13 12:30 PM
Date 1/14/2013

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

This bill allows the Alaska Industrial Development and Export Authority (AIDEA) the ability to 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, 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, and authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope as well as providing for financing of a liquid natural gas (LNG) distribution system within the Fairbanks North Star Borough.

This bill also authorizes AIDEA to provide financing for natural gas facilities through the sustainable energy transmission and supply fund (SETS) established under legislation passed last session. The bill permits AIDEA to issue up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund with the moral obligation of the state to restore the capital reserve fund to its reserve fund requirement in order to ensure payment of the bonds. This bill further authorizes AIDEA to provide another \$125 million in direct financing out of the money held in the SETS fund. This financing could be in the form of loans or guarantees or any other finance mechanism permitted under the SETS program. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for its financing.

At present, AIDEA is permitted to own or operate all or part of a project, but cannot make a direct loan on a project or guarantee a loan for a project. This bill would permit the authority to engage in project financing by loaning money to a project or guaranteeing a loan for a project rather than owing an interest in the project. The funds sought include a one-time cost to assist in the preparation of new regulations necessary to implement a direct financing program and provide funds to hire consultants and counsel to assist in underwriting loans and guarantees under this program.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. Additional funds needed in FY 2014 include a one-time cost of 50.0 for consultants to assist in the preparation of new regulations necessary to implement a direct financing program and an on-going cost of 150.0 to hire consultants and counsel to assist in underwriting loans and guarantees under this program.

AIDEA projects that the LNG production and distribution system will also require 500.0 in FY 2015, 300.0 in FY 2016, 200.0 in FY 2017 for project construction management and oversight of the distribution system. The LNG production and distribution system expenses are expected to decrease as the project comes online.

This bill includes bonding authority to AIDEA in the amount of \$150 million and loan authority of \$125 million for the LNG project. AIDEA estimates the annual income stream generated from the LNG project financing will be 375.0 in the first year with that number decreasing in subsequent years to approximately 252.0 five years out. This calculation is based on an amortization schedule of fifteen years at a .25% nominal annual rate.

The revenues projected to be earned from direct loan and guarantee finance packages are approximately 1.4 million. The direct loan and guarantee program will generate earnings on financing of development projects. The amount that AIDEA can charge for each direct financing is limited, but the overall anticipated returns are projected to be substantial due to the large dollar amounts involved with the type of projects that will be financed through the Direct Finance Program.

The increased operating costs due to the direct project development financing program will be offset by underwriting fees assessed on the loans and guarantees funded under the direct project development financing program. The increased revenues will be collected as AIDEA Receipts.