

# Alaska Industrial Development and Export Authority

---



## AIDEA Overview

February 09, 2015

House Labor & Commerce Committee

# Mission

---

**To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.**

AIDEA fulfills its mission by providing access to affordable, long-term, asset financing



# Tools That AIDEA Has Available

---

**Provides financing for Alaskan Businesses, Alaskan Projects, and Infrastructure necessary to support Alaska's economic development.**



Participate in loan participations and provide direct loans or loan/bond guarantees for development projects.

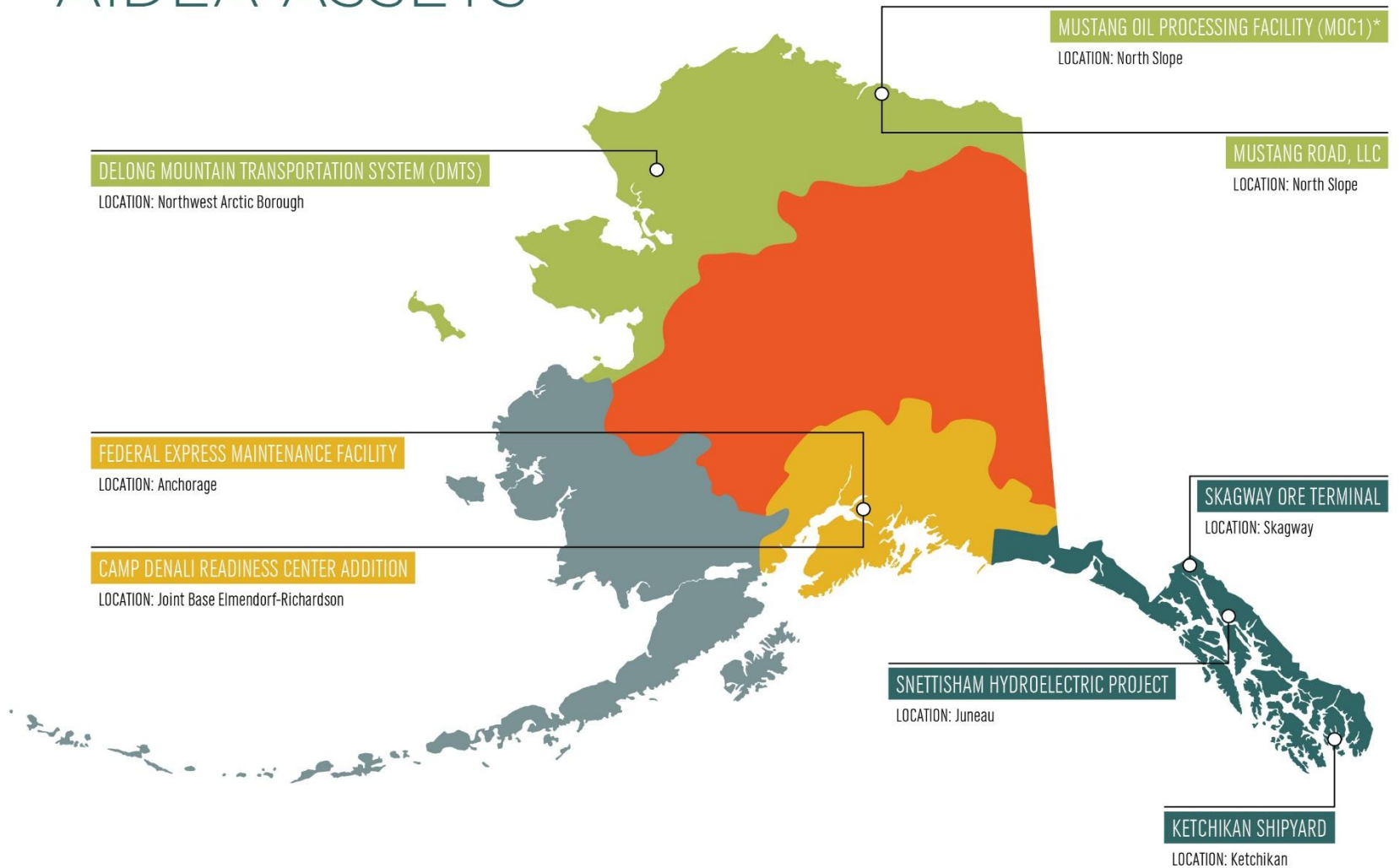


Provide financing where AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds.



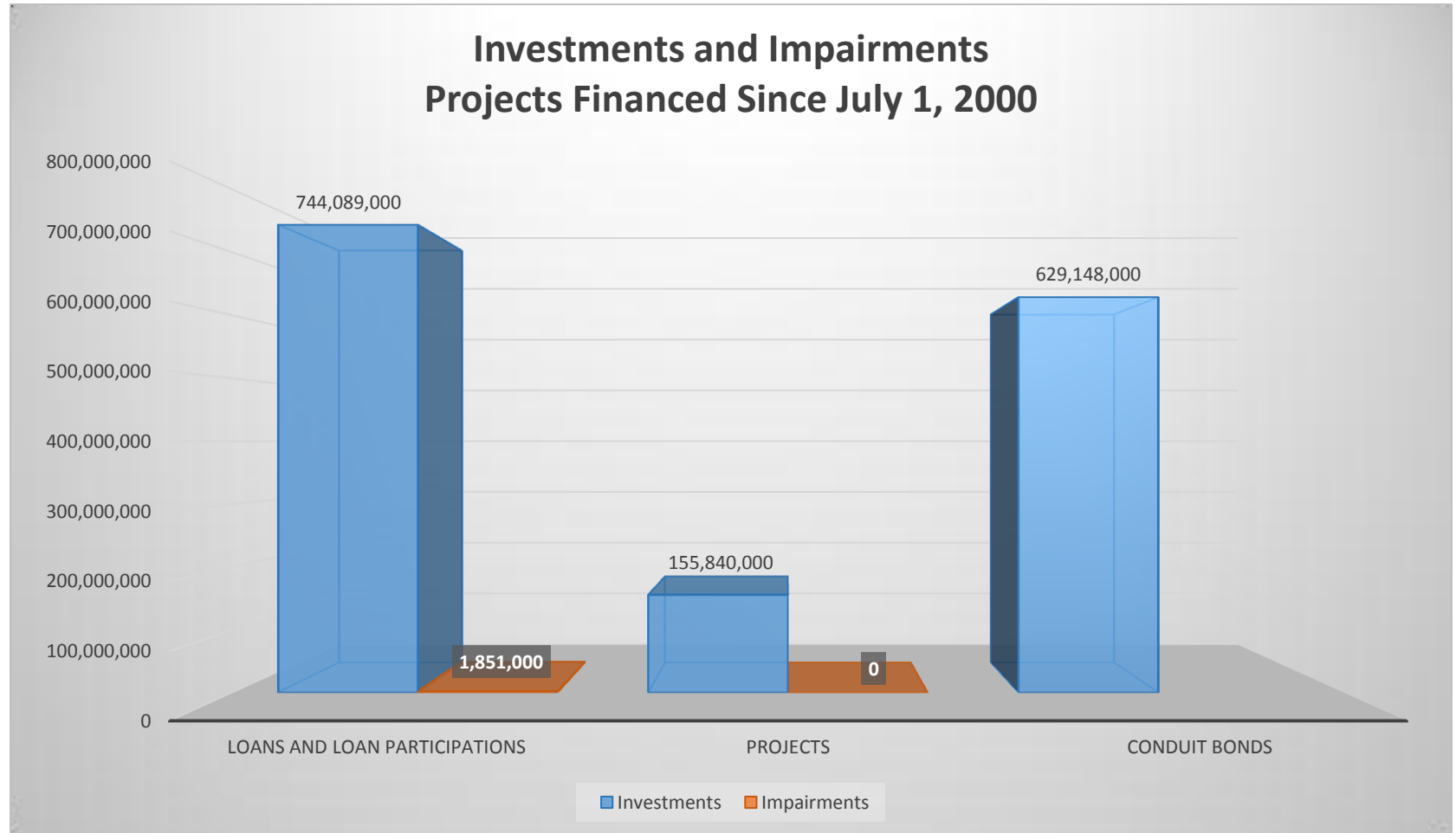
Own all or a part of an economic development or infrastructure project either through direct ownership or by investing in a Corporation or LLC that owns the project or infrastructure.

# AIDEA ASSETS



\*NEW PROJECT

# Breakdown of AIDEA's Investments Since FY 2001



# 2014 Activity Overview

---

- Completed construction of the National Guard Armory expansion for Coast Guard - \$15 million
- Completed construction of the Mustang Road and Pad - \$20 million
- Committed \$50 million in funding for the Mustang Operations Center
- Completed construction of a steel fabrication facility at Ketchikan Ship Yard - \$10 million
- Approved and committed \$43.126 million for loan participations
- Issued \$51 million in conduit revenue bonds to expand Fairbank's Hospital
- Issued \$23.1 million in loans to build out distribution system in Fairbanks under the Interior Energy Project

# 2014 Activity Overview Cont.

---

- 1,046 Permanent jobs projected to be created or retained
- 1,462 Construction jobs projected to be created
- \$149.4 million in AIDEA investments funded and committed
- \$835.49 million in total project costs
- \$686.1 million in private dollars leveraged
- \$20.745 million dividend paid to State of Alaska



# 2015 Activity Overview

---

- Approved and committed \$33.6 million in loan participations
- Approved loan to Interior Gas Utility for \$28.68 million to build out distribution system in North Pole area and for continued engineering of other areas in Greater Fairbank and continue to work on the Interior Energy Project
- Issued \$8.1 million in conduit revenue bonds for a Juneau Business expansion
- Construction of Mustang Operations Center 1 – estimated completion 1<sup>st</sup> quarter of 2016
- Ketchikan Shipyard awarded contract to build Alaska Class Ferries. Projected increase in employment of 60-80 employees per year for 4 years
- Feasibility analysis of direct project financing to BlueCrest Energy for Onshore Oil Rig (potential investment \$30 to \$40 million) in progress
- Feasibility analysis of project investment with Furie, LLC. for gas infrastructure (potential investment up to \$50 million) – in progress
- Feasibility analysis in conjunction with Resource Energy, Inc. for a LNG Export Facility – in progress
- Working with Municipality of Skagway on expanding Ore Terminal
- Working with the Municipality of Seward to develop a sustainable business plan and funding strategy for a Seward Marine Industrial Center

# Mustang Operations Center 1, LLC

15,000 BPD Production Facility to process crude from the Mustang Field development and export pipeline grade crude oil through the Alpine Field transit line (common carrier) to TAPS and then on to market – 1Q 2016

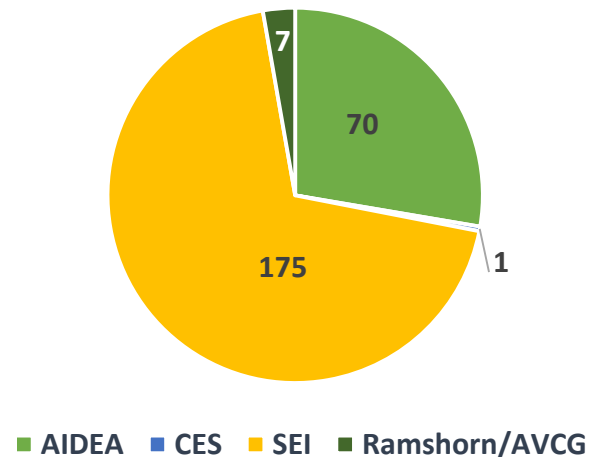
- Estimated project cost \$200-225 million (including Road and Pad) - \$70 million
- Total AIDEA investment

## Benefits

- 250 construction jobs
- 20-25 permanent jobs
- Up to 200 indirect jobs

AIDEA's investment is expected to leverage more than \$540 million in additional private investment in the Mustang Field's development

MOC 1 Financing Structure  
\$ millions



# BlueCrest Energy – Onshore Oil Rig (In Feasibility Analysis)

---

- AIDEA's Potential investment between \$30 & \$40 million
- In excess of 90 million barrels - proved and probable reserves of oil
- In excess of 250 BCF - proved and probable reserves of gas
- Development of Cook Inlet oil reserves
- Expansion of local and State tax base
- 50 construction jobs
- 150 new jobs created



# Furie – Gas Production (In Feasibility Analysis)

---

- AIDEA's Potential investment up to \$50 million
- Production modules for mono-pod rig, pipeline and onshore production facility
- Infrastructure for up to 100 million cubic feet per day (mmCF/d) of natural gas production
- Development of Cook Inlet gas reserves
- Expansion of local and State tax base
- 200 construction jobs
- 50 new jobs created
- Projected up to 100 indirect Long-term jobs



# Interior Energy Project Current Status

---

- Pursued development of a North Slope supply of LNG with a private partner through a concession agreement format
- AIDEA and AEA are now leading an effort to evaluate alternative sources natural gas
- AIDEA is financing the buildout of natural gas distribution in Fairbanks and Greater Fairbanks Area
- AIDEA and AEA is working with parties to optimize each aspect of supply chain

# Focus on Full Supply Chain

---

- Natural Gas Supply
  - Existing North Slope natural gas supply agreements
  - Exploring concepts to purchase low price Cook Inlet natural gas
- LNG Plant
  - Exploring costs of new LNG capacity in Cook Inlet
- Transportation
  - Working with private trucking contractors and AK. Railroad on costs and logistics for a Cook Inlet solution
- Storage
  - AIDEA will work to build FNG's cancelled storage project
- Distribution
  - Ongoing AIDEA financing of build out
  - Integrating the Interior utilities to lower costs
- Conversions
  - Existing natural gas conversion working group

# Pentex Acquisition Overview

---

- AIDEA signed a Letter of Intent to purchase Pentex Alaska Natural Gas Company, LLC
  - Signed January 26, 2015
  - Non-binding
  - \$52.5 million price includes all Pentex assets
- Letter of Intent provides framework for evaluating the proposed purchase through a public process
- Subject to AIDEA due diligence, AIDEA Board vote, and regulatory approval
- Intended to reduce distribution costs by creating an integrated system which will accelerate expansion and reduce operating cost
- Opens up options for new LNG supply

# Pentex Acquisition: Key Points

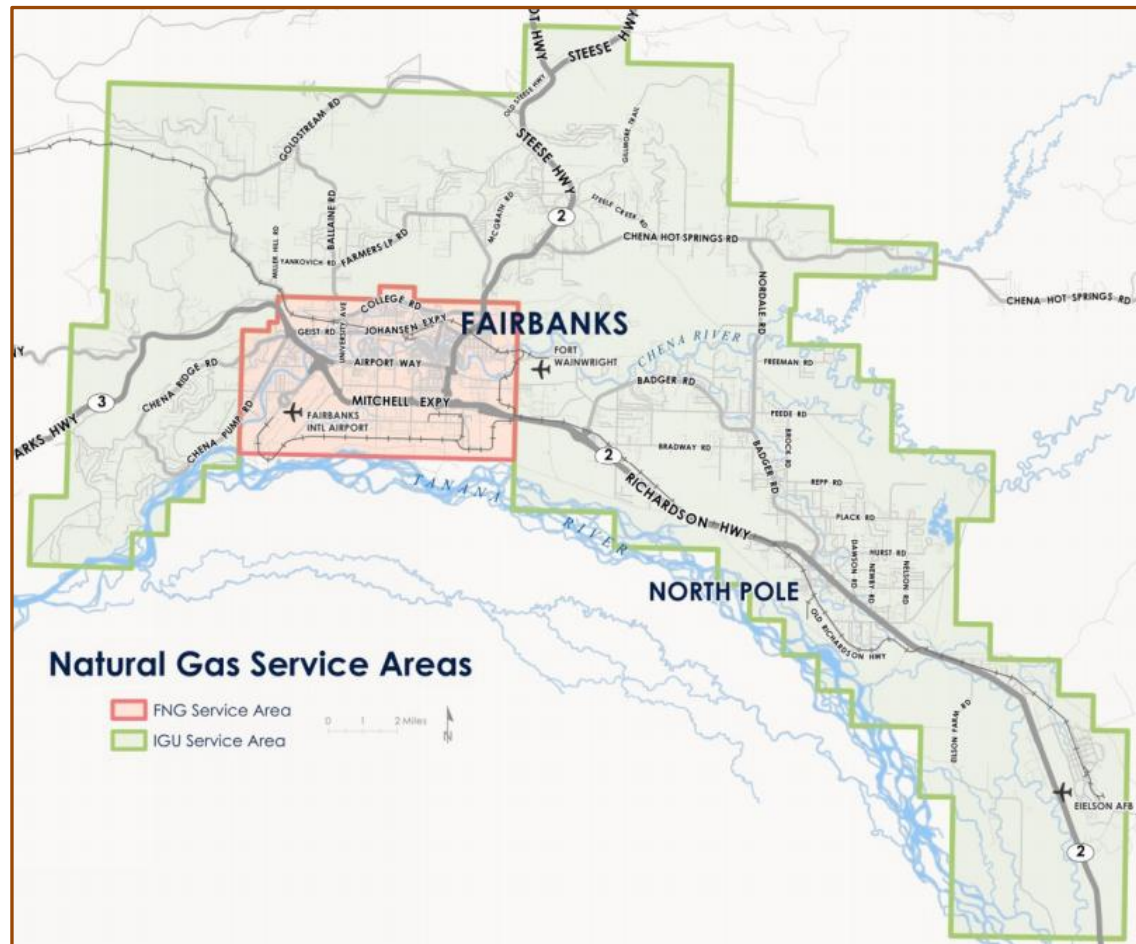
---

- Strategic investment that can play a critical role in achieving the long-term success of the IEP
- Expecting to integrate distribution systems by ensuring coordination between utilities, avoiding duplication
- Investment is expected to provide immediately price relief to existing FNG customers due AIDEA's cost of capital being substantially lower than that of FNG
- Investment will allow AIDEA to restart construction of LNG storage in Fairbanks. Expanded storage is key in creating an integrated and efficient distribution system for Fairbanks
- Investment would be of short duration with the goal of working with community to transition to a single utility serving the Interior
- AIDEA would not directly operate the utility



# Benefits of Utility Coordination & Integrated Distribution System

- Reduce construction cost
- Reduce O&M and overhead costs
- Restart FNG's efforts to build storage
- Unified effort to purchase LNG
- Faster expansion of service to customers through coordinated build out of system



# Impact on the Pending Sale of the Titan LNG Facility

---

- AIDEA will acquire Pentex as an entity, inclusive of Pentex's interest to sell the LNG facility and trucking assets to a Hilcorp subsidiary
  - AIDEA's acquisition of Pentex would not displace any pre-existing contractual obligations for asset sale and LNG supply agreements
  - AIDEA will carefully review these agreements as part of its due diligence
  - LNG supply agreement under consideration by RCA
  - Existing LNG supply agreement provides less than 20% of Interior needs
- Pentex, under AIDEA ownership, may explore with Hilcorp expanding the Titan LNG plant
  - Acquisition of Pentex may provide an opportunity to quickly bring more LNG to the Interior

# AIDEA Due Diligence

---

- Full due diligence will be completed before the deal is approved
  - Full financial, technical, and legal review
  - Ensure proposed purchase price reflective of fair market value
  - Examine the existing agreements with Hilcorp
  - Complete finance plan that shows AIDEA will recover its investment with rate of return under AS: 44.88.172
  - Ensure purchase will advances the Interior Energy Project goals and promotes economic development
  - Solicit review and advice of local governments

# Alaska Industrial Development and Export Authority

---



## Questions?