



MEMORANDUM

TO: Board Members
Alaska Industrial Development and Export Authority

FROM: Ted Leonard
Executive Director

DATE: January 14, 2015

SUBJECT: Resolution No. G15-02 Authorizing expenditures from the Sustainable Energy Transmission and Supply Development (SETS) Fund

With the passage of Senate Bill 23, the Alaska Industrial Development and Export Authority (AIDEA) received legislative authorization to undertake the feasibility and due diligence review of a project involving trucking Liquefied Natural Gas (LNG) from a plant on the North Slope to the Fairbanks area. This LNG would then be re-gassed and used to supply the Interior with natural gas for heating purposes, as well as other uses, including possible electrical generation.

Since January of 2014, the Authority has pursued the development of an LNG plant on the North Slope by working with MWH and its investor, Northleaf Capital to develop the project as a public-private partnership that would provide financing using both SB 23 funds and private capital. As part of that process, AIDEA, with Board approval, entered into the North Slope LNG Concession Agreement dated of September 19, 2014 (the “Concession Agreement”);

On January 5, 2015, the Concession Agreement was terminated, in part, because a financial close did not occur. With that termination, the Staff of Authority is proposing that the Authority reposition the Interior Energy Project by evaluating several potential sources of natural gas combined with utilization of methods to finance the infrastructure needed to supply energy to the Interior. These alternatives may include, but are not necessarily limited to, obtaining natural gas from the North Slope, Cook Inlet or other locations.

Supplying energy to Interior Alaska comes within the definition of a “qualified energy development” under the Authority’s governing statutes so that the cost of evaluating such alternatives are eligible for funding through the Authority’s sustainable energy transmission and supply development (“SETS”) program. A process driven evaluation of alternative means of supplying energy to Interior Alaska will be in furtherance of the Authority’s statutory purpose of promoting the general prosperity and economic welfare of the people of Alaska.

The Authority proposes undertaking this evaluation using its staff and the services of professional advisors selected by the Executive Director. The proposed Resolution requests authorization to expend up to \$500,000 from the SETS Fund for this purpose. Additionally, the Resolution requests the Board to approve the use up to \$200,000 of the funds from the Economic Development Account to pay for the cost of the Authority's own personnel and facilities in conducting the evaluation needed to examine how to supply energy to Interior Alaska that meets the needs of the community.

AIDEA management recommends approval of Resolution No. G15-02.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G15-02

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING EXPENDITURES TO EVALUATE ALTERNATIVES TO THE NORTH SLOPE LNG CONCESSION AGREEMENT

WHEREAS, in April 2013, the Alaska State Legislature approved HCS CSSB 23 (“SB 23”), which authorized the Alaska Industrial Development and Export Authority (“the Authority”) 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 on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska;

WHEREAS, the Authority has pursued the development of an LNG plant on the North Slope by various means, including through the North Slope LNG Concession Agreement the Authority made with Northern Lights Energy, LLC, dated as of September 19, 2014 (the “Concession Agreement”);

WHEREAS, the Concession Agreement was terminated because the conditions to a financial close did not occur;

WHEREAS, the Staff of Authority is proposing that the Authority evaluate alternative sources of natural gas, together with a number of methods of financing the infrastructure needed to supply energy to the Interior, which alternatives may include, but are not necessarily limited to, obtaining natural gas from the North Slope, Cook Inlet, or other locations,

WHEREAS, means of supplying energy to Interior Alaska comes within the definition of a “qualified energy development” under the Authority’s governing statutes so that the cost of evaluating such alternatives are eligible for funding through the Authority’s sustainable energy transmission and supply development (“SETS”) program;

WHEREAS, developing a means of supplying energy to Interior Alaska would constitute a “development project” under the Authority’s statutes (AS 44.88.900(6) & (13)(F)) that the Authority would either own or provide financing for so that it will be eligible for financing out of the Economic Development Account under AS 44.88.172; and

WHEREAS, evaluating alternative means of supplying energy to Interior Alaska will be in furtherance of the Authority's statutory purpose of promoting the general prosperity and economic welfare of the people of Alaska.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority is authorized and directed to evaluate alternative means of supplying energy to Interior Alaska. The alternative means to be evaluated may include, but are not necessarily limited to, pursuing sources of natural gas from the North Slope, Cook Inlet, or other locations as well as the use of energy sources other than natural gas.

Section 2. The Authority may use of the services of professional advisors selected by the Executive Director to assist in evaluating means of supplying energy to Interior Alaska, and the Authority may expend up to \$500,000 from the SETS Fund for this purpose. The payment of the professional advisors from the balance of the SETS Fund may occur regardless of whether the services of the professional advisors were provided before or after the date of this Resolution.

Section 3. The Authority may utilize up to \$200,000 of the funds from the Economic Development Account to pay for the cost of the Authority's own personnel and facilities in evaluating means of supplying energy to Interior Alaska.

Section 4. The Executive Director shall report periodically to the Board on the Authority's progress and results in evaluating alternative means of supplying energy to Interior Alaska.

DATED at Anchorage, Alaska this 14th day of January, 2015.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

SEAL
ATTEST:

Chair

Secretary

AIDEA
Sources and Uses of Statutory Funds for IEP
As of 01/05/2015

Statutory Approved Amount - \$332.5 Million

	Capital Appropriation \$57.5 Million (from Original SB 25 Capitalization (1))					SB 23 Sets Appropriation \$125 Million		Bond Authorization \$150 Million
	<u>Budget</u>	<u>Expended</u>	<u>Encumbered</u>	<u>Total Expended and Encumbered</u>	<u>Unallocated</u>	<u>Total Expended and Committed</u>	<u>Unallocated</u>	<u>Unallocated</u>
	<u>Budget a</u>	<u>Expended b</u>	<u>Encumbered c</u>	<u>Total d(b+c)</u>	<u>Budget Variance e(a-d)</u>	<u>a</u>	<u>\$125,000,000-a</u>	
LNG Facility:								
Direct Expenditures	\$ 249,928	\$ 249,488	\$ -	\$ 249,488	\$ 440	\$ -	\$ -	\$ -
Predevelopment and Owner's Engineer	1,665,317	1,512,924	90,788	1,603,712	61,605	-	-	-
PreFeed Engineering, Long Lead								
Procurement, & Early Works	5,745,045	1,779,082	3,965,963	5,745,045	-	-	-	-
Permitting	1,085,324	913,585	142,817	1,056,402	28,922	-	-	-
Site Acquisition/Site Development	4,819,118	4,397,477	421,641	4,819,118	-	-	-	-
Financial, Legal & Other	1,320,268	1,084,978	146,483	1,231,461	88,807	-	-	-
	14,885,000	9,937,534	4,767,692	14,705,226	179,774	-	-	-
Distribution & Storage:								
AIDEA/AEA Distribuiton, Storage & Conversion Asst.	605,000	323,765	283,733	607,498	(2,498)	-	-	-
Distribution Loans	-	-	-	-	-	8,100,000	-	-
	605,000	323,765	283,733	607,498	(2,498)	8,100,000	-	-
Unallocated	42,010,000				42,010,000			
Total	\$ 57,500,000	\$ 10,261,299	\$ 5,051,425	\$ 15,312,724	\$ 42,187,276	\$ 8,100,000	\$ 116,900,000	\$ 150,000,000

(1) Original Sets Fund Balance:

FY13 Capitalization	125,000,000.00
FY 13 re-appropriation To IEP Project	57,500,000.00
Other FY13 fund activity (net)	216,000.00
Net position-6/30/13	67,284,000.00
FY14 Reappropriation	50,000,000.00
Other FY14 fund activity (net)	582,000.00
FNG Distribution Loan	15,000,000.00
Unallocated SB 25 Sets Fund Balance	1,702,000.00