

Alaska State Legislature

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SENATE PRESIDENT PETE KELLY

Sponsor Statement

Senate Bill 125 version U

“An Act extending the expiration date of the authorization to finance and issue bonds through the Alaska Industrial Development and Export Authority for a liquefied natural gas production system and natural gas distribution system for an Interior energy project; and providing for an effective date”

SB 125 extends the allowable time for the Alaska Industrial Development and Energy Authority (AIDEA) to issue bonds for the Interior Energy Project (IEP) to June 30, 2023.

The legislature passed SB 23 (Ch. 26 SLA 13) in 2013 in response to the high cost of energy and air quality issues facing Interior Alaska residents. The legislation created the IEP to expand access to clean and affordable natural gas for Interior residents and businesses. SB 23 contained a financing package to be administered by AIDEA that included up to \$150 million in bonds, the authority for which expires June 30, 2018.

The IEP is a joint project with AIDEA and the Interior Gas Utility (IGU), and it includes the liquefaction, transport, storage, regasification, and distribution of natural gas in the Interior. To date, the AIDEA team diligently deployed the original financing package in SB 23 as contractual agreements were negotiated to achieve the project goals. As a result of these negotiations, a contractual purchase and sale agreement and a financing agreement were signed on December 13, 2017 to advance the project. Completion of these agreements took longer than anticipated and AIDEA requires additional time to issue the authorized bonds beyond the standard 5-year sunset. The bonding is critical for the continued success of the project to help finance increased LNG production capacity and long-term distribution expansion in the Interior. Under 2015 amendments to the financing package, the funds can only be used for a qualified plan for the IEP, which AIDEA approved in September 2017.

Among the notable accomplishments of the IEP:

- The 2014 and 2015 build-out of a natural gas distribution system covering nearly all of Fairbanks and core-North Pole to prepare for expanded natural gas usage;
- Facilitating the consolidation of Fairbanks Natural Gas and the Interior Gas Utility into a single utility entity to achieve economy of scale;
- Passage of PACE legislation to assist in commercial conversions to natural gas; and
- Start of construction to expand LNG storage capacity in the Interior by 5.2 million gallons.

Passage of the bill provides additional time for the consolidated natural gas system to establish itself as a viable utility grade enterprise. SB 125 will ensure the IEP continues to progress and the vision of expanded access to affordable natural gas in the Interior will finally be realized. I urge your support.