



Alaska Industrial Development and Export Authority

Investing in Alaskans

A Presentation to the House Labor and Commerce Committee
HCR 19

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HCR 19 – Fuel Storage Business Case

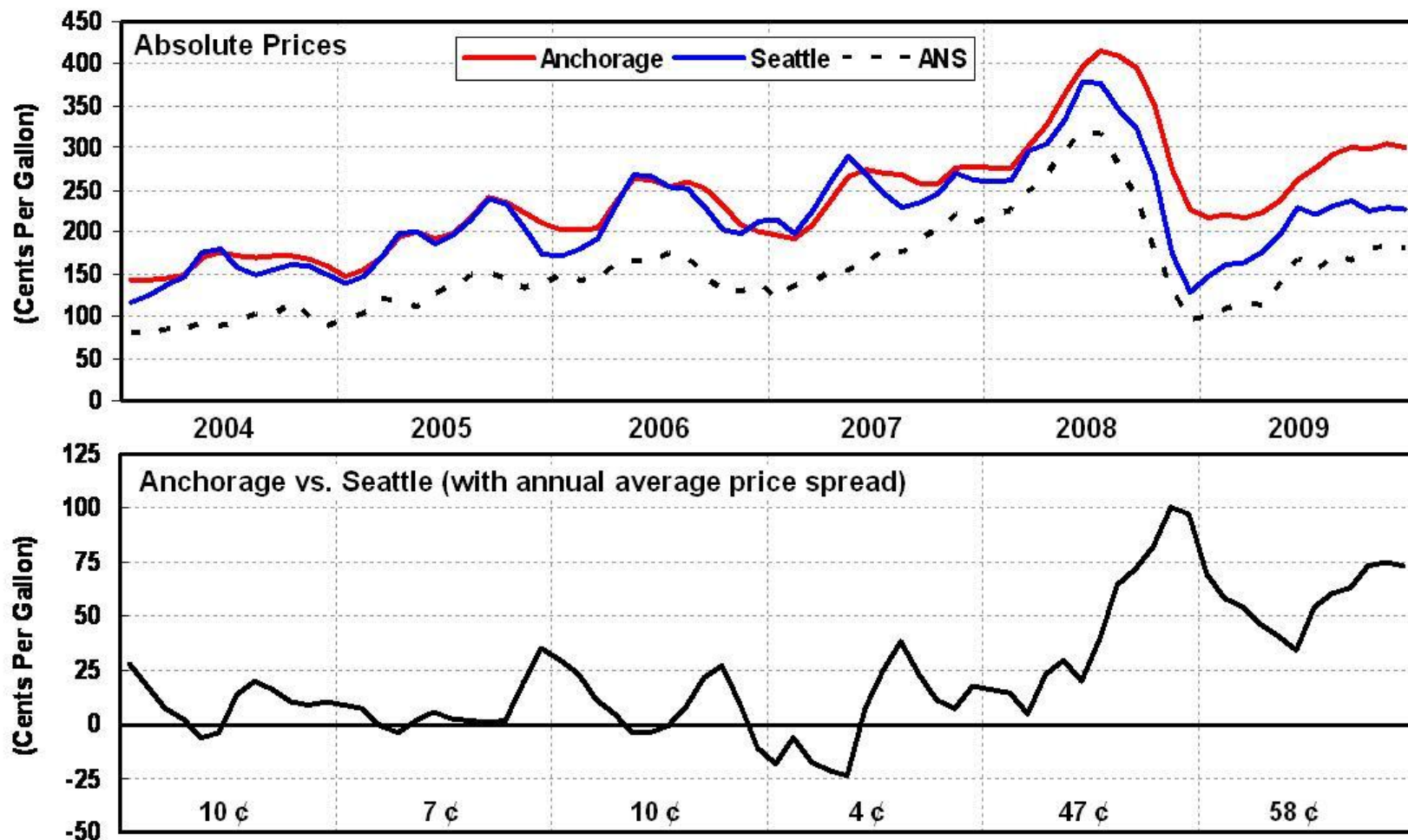
- Examine the problem/opportunity
- Planned way forward
- How AIDEA can participate in the solution



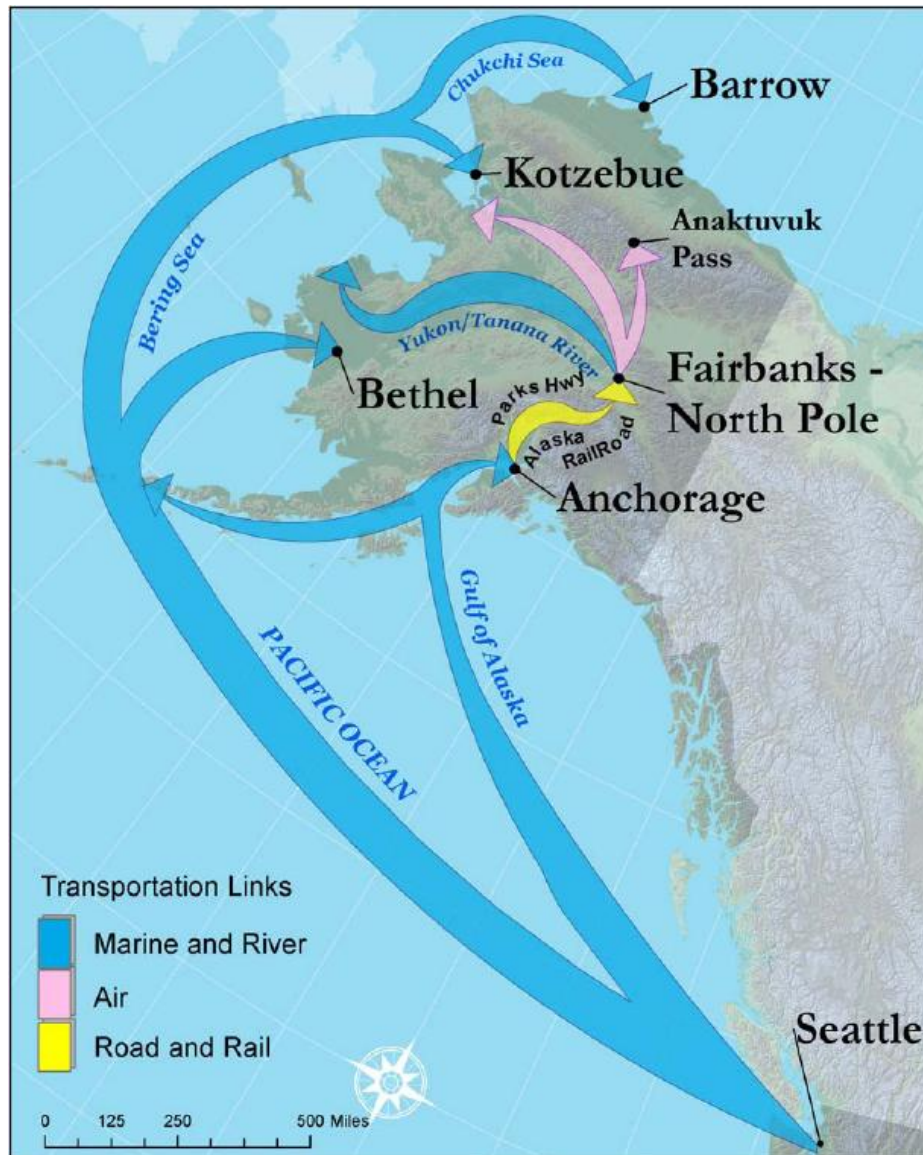
Regular Grade Retail Gasoline Prices (Before Taxes)

Anchorage and Seattle

2004 - 2009



Source: AAA; Energy Information Administration; OPIS.



HCR 19

- High fuel costs
- Fuel security
- There is an infrastructure need
- AIDEA through its Development Finance Program has ability to own and operate a physical asset
- Is there a business case?



AIDEA Business Case

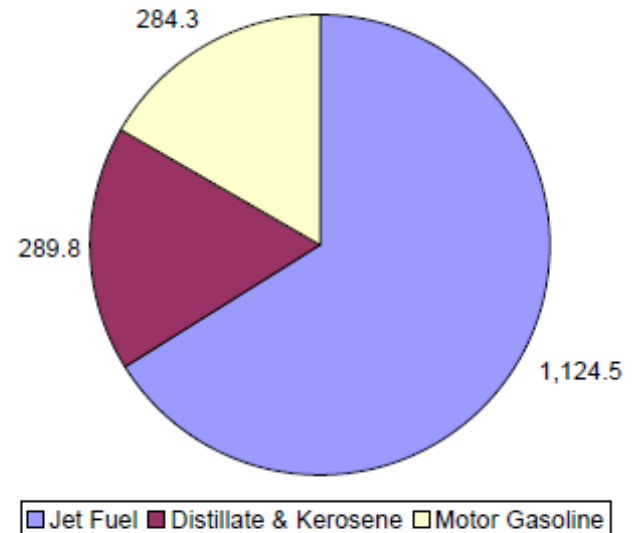
- Open access
- AIDEA owned – contracted operator
- Generate revenue
- Market and market risk
- Competition
- Economic development
 - Job creation/diversification
- Open Season



Product Storage

- Jet Fuel
 - Commercial
 - Military
 - Fuel supply reliability
- Gasoline
 - Three grades
 - Processing capacity
- Distillate
 - Ultra low sulfur
 - #2 Fuel oil
 - Western Alaska

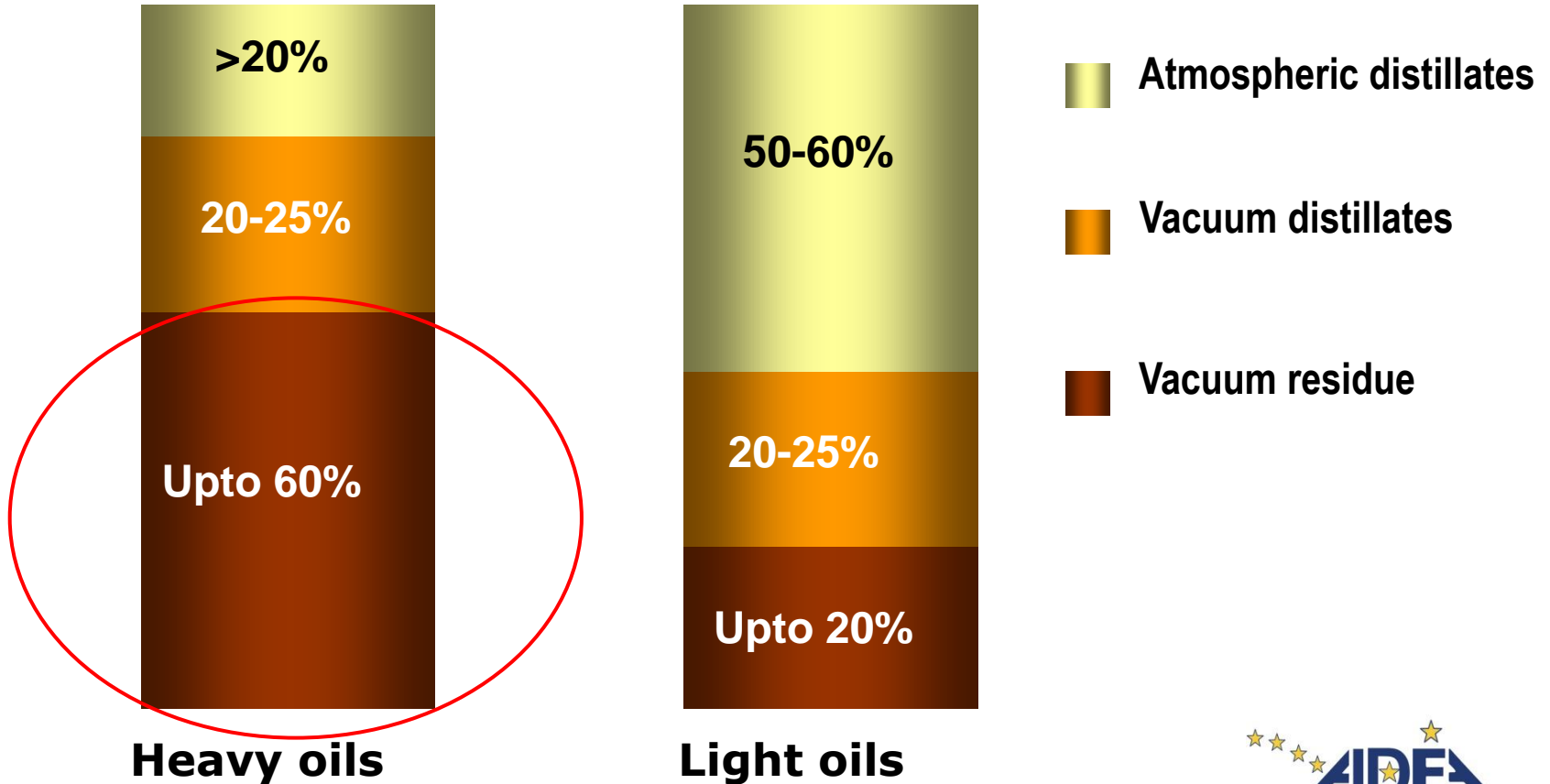
Figure 6. Annual Sales of Petroleum Products in Alaska, 2006
(Millions of Gallons)

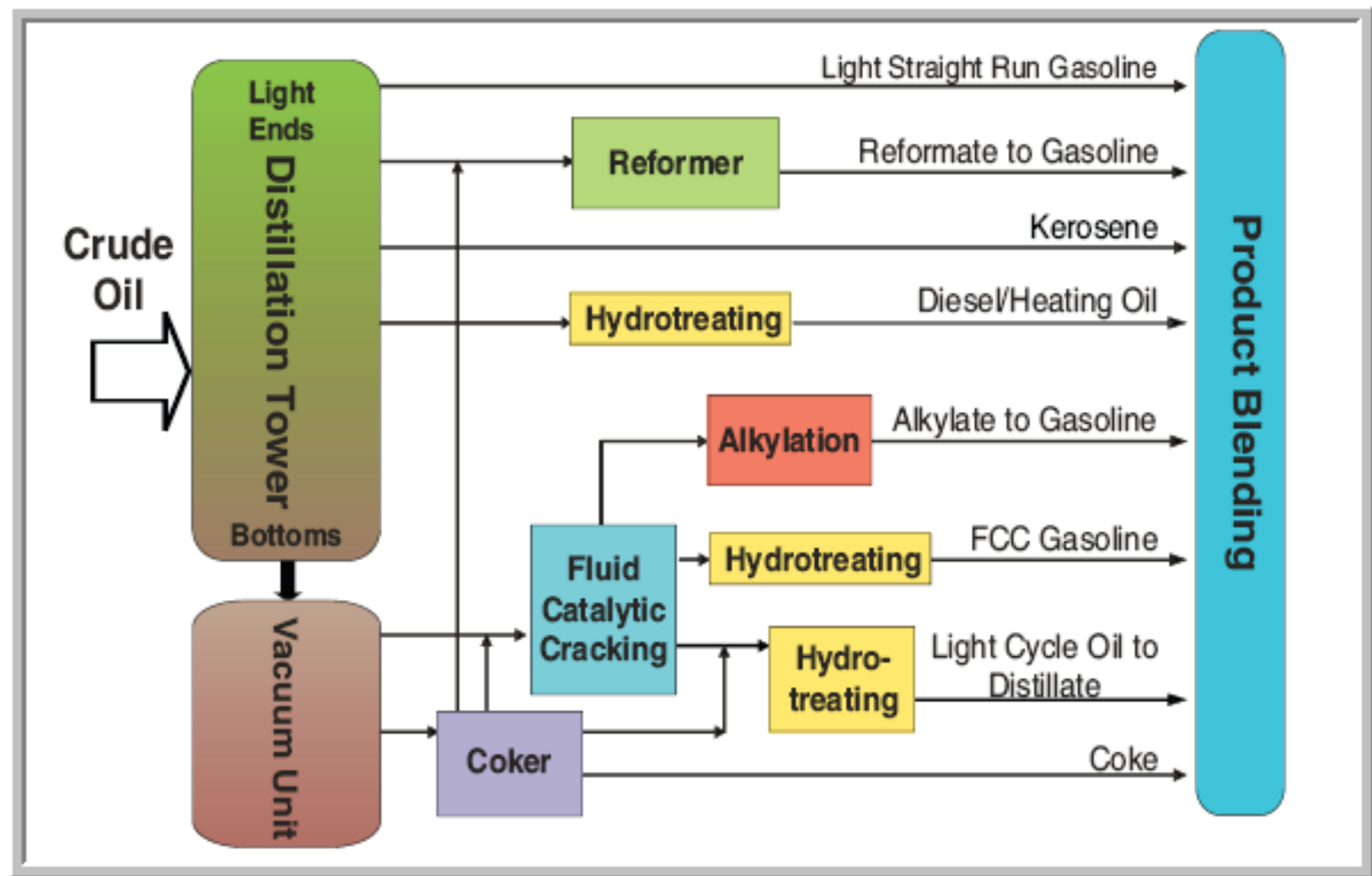


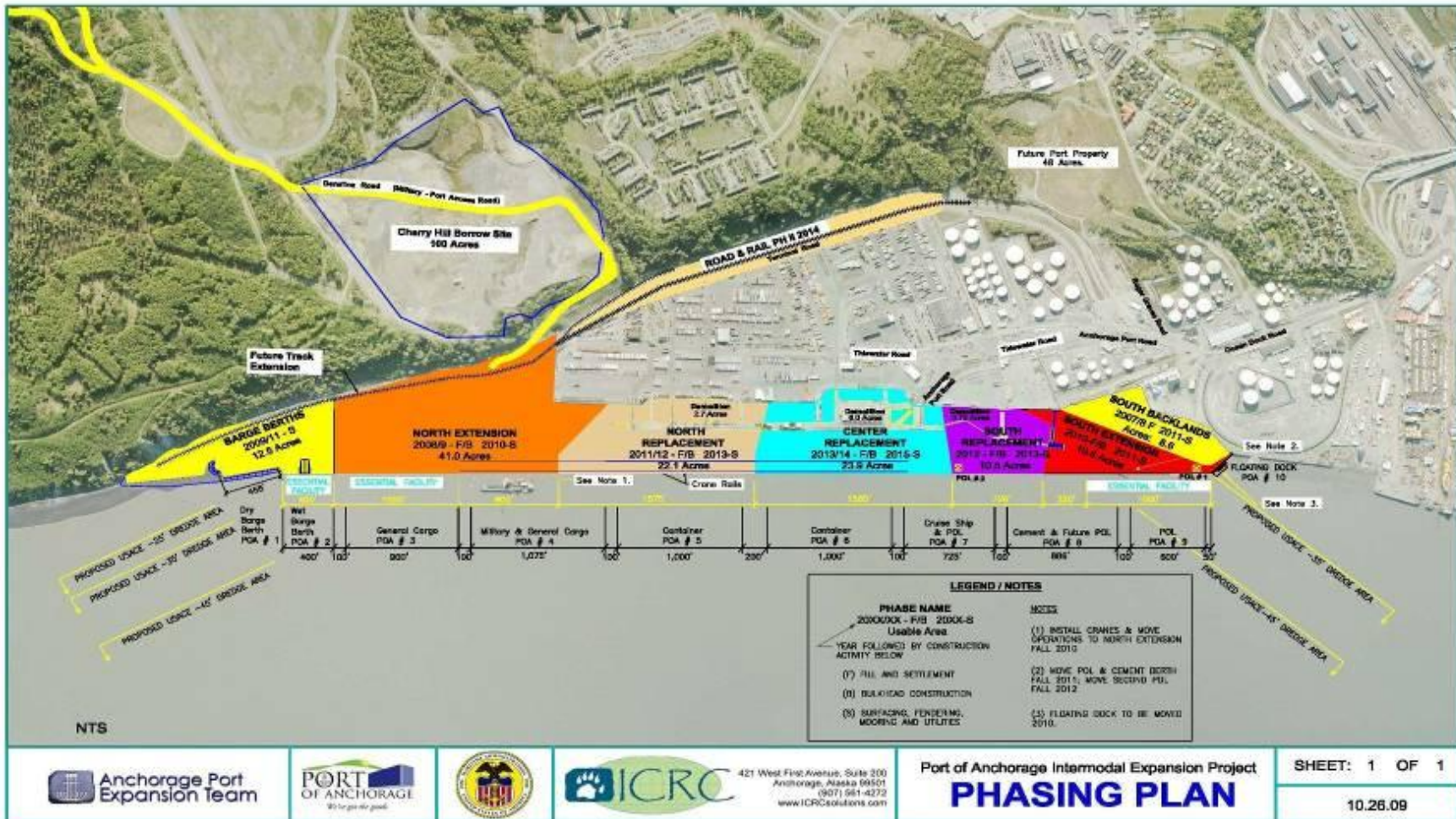
Source: EIA, 2007a. *Prime Supplier Sales Volumes*. Accessed at http://tonto.eia.doe.gov/dnav/pet/pet_cons_prim_dcu_SAK_a.htm on October 24 2007.



Typical crude oil yields







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Port of Anchorage Intermodal Expansion Project
PHASING PLAN

SHEET: 1 OF 1

10.26.09



Action Plan

- Market Analysis
 - Continuation of last years efforts by EconOne
 - Military
 - Long term Air Cargo
 - Fuel supply reliability
- Engineering Layout and Cost Estimate
 - Space constraints
 - Multiple tanks, vapor recovery, additives, labs
 - Schedule
- Establish Basic Business Case Model
 - Competition
 - Market risks
 - Economic impact



Moving Forward

The mission of the Alaska Industrial Development and Export Authority is to promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment



AIDEA's Purpose

“... it is the policy of the state to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, export, small business, and business enterprises by creating the Alaska Industrial Development and Export Authority (AS 44.88.10)

“ ... is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by owning and operating enterprises and other facilities ...” (AS 44.88.070)



AIDEA's History

- AIDEA was created in 1967 and funded in the early 1980s with a \$166 million loan portfolio and \$23 million cash, which provided initial funding for what is now known as the Loan Participation Program
- In the mid-1980s, to assist in the development of the Red Dog Mine, the Development Finance Program was created and AIDEA received a loan portfolio and cash totaling \$143.5 million to finance the DeLong Mountain Transportation System
- AIDEA has issued over \$1.1 billion in conduit revenue bonds and over \$800 million in loans since its inception



AIDEA assists in financing

- Large and small Alaskan projects
- Urban and rural projects
- All major industry sectors, including retail, tourism, natural resource extraction and processing, air cargo and services



AIDEA does not...



- **Compete with the private sector**
- **Provide grants**
- **Finance only large projects**



Key AIDEA Programs

- **Loan Participation**
- **Conduit Revenue Bond**
- **Development Finance**
- Loan Guaranty and Export Assistance
- Rural Development Initiative Fund
- Small Business Economic Development Loan Fund



Loan Participation Program

- **Objective:** To provide long-term financing to Alaska businesses.
- **To qualify:** Participation may total up to 90% of a loan originated by an eligible lending organization (for example, a commercial bank), with total participation not to exceed \$20 million.
- **Terms:** up to 15 years for personal property or 25 years for real property; 75% loan-to-value; fixed or variable interest rate
- As of June 30, 2009, AIDEA's outstanding revolving fund loan portfolio consisted of **253 loans** with an outstanding principal balance of approximately **\$368.2 million**



Conduit Revenue Bond Program

- **Objective:** To provide financing where AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds.
- Neither the assets nor credit of AIDEA or the state of Alaska are at risk; the creditworthiness of the project and credit enhancements offered by the applicant are essential to underwriting and placement of bonds.
- AIDEA has issued revenue bonds for 310 projects. Total bonds issued since the inception of the program in 1978 is over \$1.1 billion.



Development Finance Program

- **Objective:** To finance Alaskan economic development projects.
- AIDEA owns the project and is repaid through user fees, lease payments and other revenue sources.
- AIDEA-owned projects provide over 735 direct jobs to the communities in which the projects are located.



Development Finance Program

Has the ability to acquire:

- An interest in a project as necessary or appropriate to provide financing for the project
- Manage and operate projects as the authority considers necessary or appropriate to serve a public purpose
- Equip, operate, maintain, construct, or install facilities that will enhance the competitiveness of the international airports (AS 44.88.080)



Development Finance Program

- A development project has the meaning ...
- A plant or facility used or intended for used in connection with making , processing, preparing, transporting, or producing in any manner, goods, products, or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling, or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature;
- A plant or facility demonstrating technological advances of new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion and use of energy resources;
- Infrastructure for a new tourism destination facility or for the expansion of a tourism destination facility which does not include a hotel or other overnight lodging facility;
- and a plant or facility, other than a plant or facility described above, for the generation, transmission, development, transportation , conversion or use of energy resources (AS44.88.900 9(A) and (D) – (F))



Development Finance Program

- Under AS 44.88, the project must be **endorsed** by the local government
- The project and its development must be **economically advantageous to the state** and to the general public welfare and will contribute to the economic growth of the state;
- The project applicant is **financially responsible**
- The project is economically and financially feasible and able to **produce revenue** adequate to repay the bonds or loans with which it is financed.



Development Projects



- DeLong Mt. Transportation System
- FedEx Maintenance Facility
- Snettisham Hydroelectric Project
- Ketchikan Shipyard
- Skagway Ore Terminal
- Healy Clean Coal Project



DeLong Mt. Transportation System

- Original \$180 million investment
- \$85 million expansion
- Current Investment Value – \$242.7 million
- Over 500 jobs, with over 56% of jobs held by NANA shareholders
- These jobs represent over 30% of the private sector jobs in the NANA region
- Potential deep port expansion - \$300 million



FedEx Maintenance Facility

- Created 20 permanent, highly-skilled jobs
- Strengthens Alaska's role as an international air crossroads
- \$28 million bond issue (1992)
- Current Investment Value – \$15.4 million



Ketchikan Shipyard

- Transferred to AIDEA in 1997
- \$77 million expansion funded by US DOT
- Current Investment Value - \$29.5 million
- M/V Sustitna

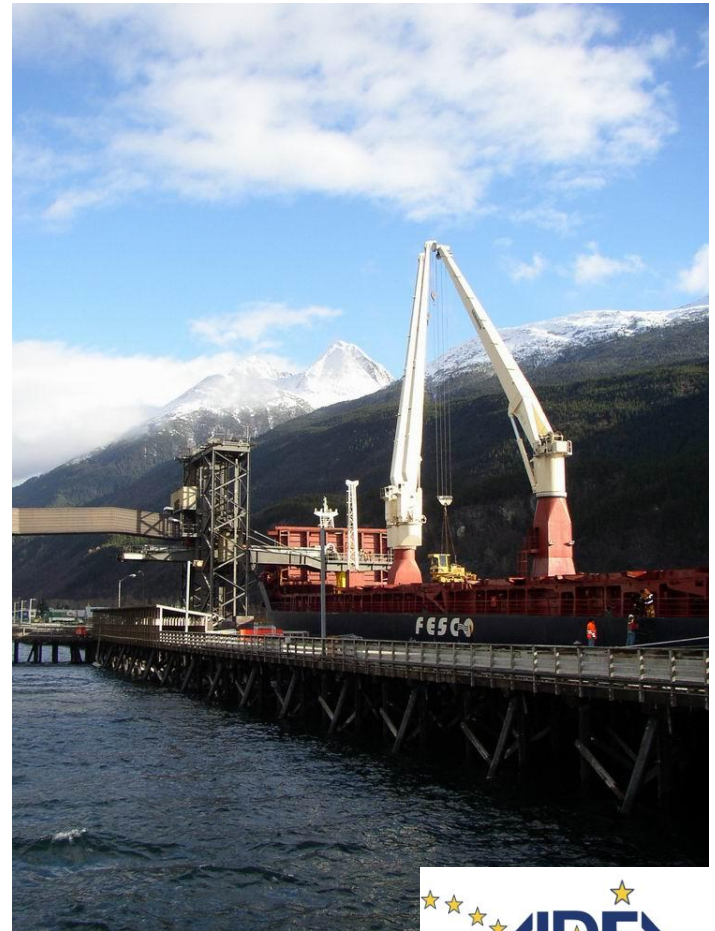
Operator

- Alaska Ship and Drydock
- Created over 120 permanent jobs in area
- \$34 million economic impact in 2008



Skagway Ore Terminal

- \$25 million tax exempt bonds in 1990
- \$11 million rehabilitation – 7 year agreement
- Capstone (Sherwood Copper) is using 40 percent (40,000SF) of the available storage capacity (100,000SF)
- \$3 million expansion
- Working with Municipality of Skagway on Federal TIGER grant and port expansion



Port of Anchorage Fuel Terminal

- 500,000 to 1,000,000 barrels of fuel storage capacity
- Open access
- Product transferred by pipeline, barge, truck and railcar
- Enhance the statewide fuel system
- AIDEA contract with operator
- Open season for storage commitment
- Estimated cost \$75 – 100 million





*Our **Mission** is to promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment*

*With the **vision** to be an active partner with Alaskans and a dynamic resource in Statewide economic development*

AIDEA

Alaska Industrial Development and
Export Authority

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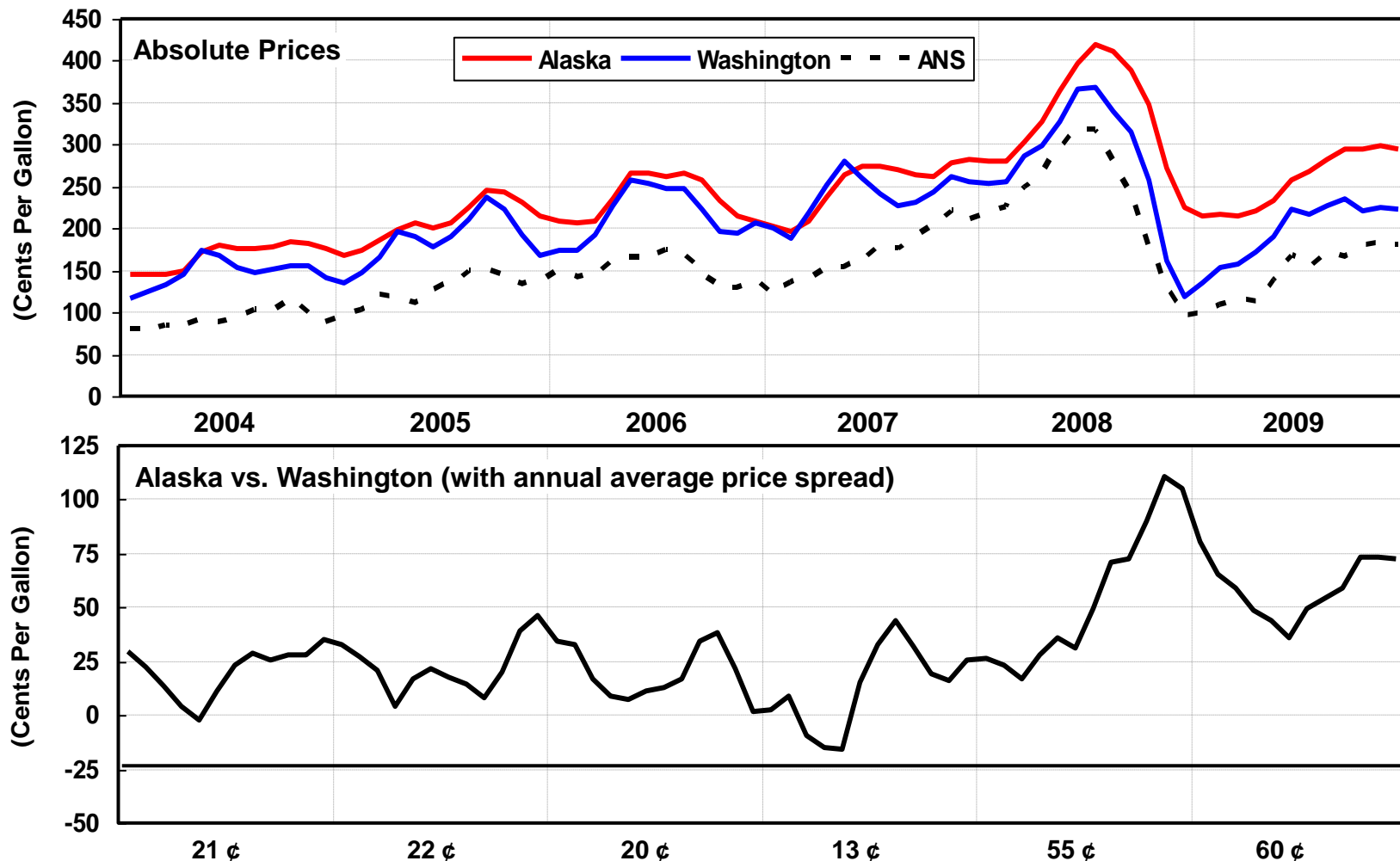
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1-888-300-8534 (toll free in Alaska)

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Regular Grade Retail Gasoline Prices (Before Taxes) Alaska and Washington 2004 – 2009



Source: Energy Information Administration. December 2009 data are preliminary.