



Alaska Industrial Development and Export Authority

Energy Project Overview

Ted Leonard, Executive Director

Mark Davis, Deputy Director-Infrastructure Development

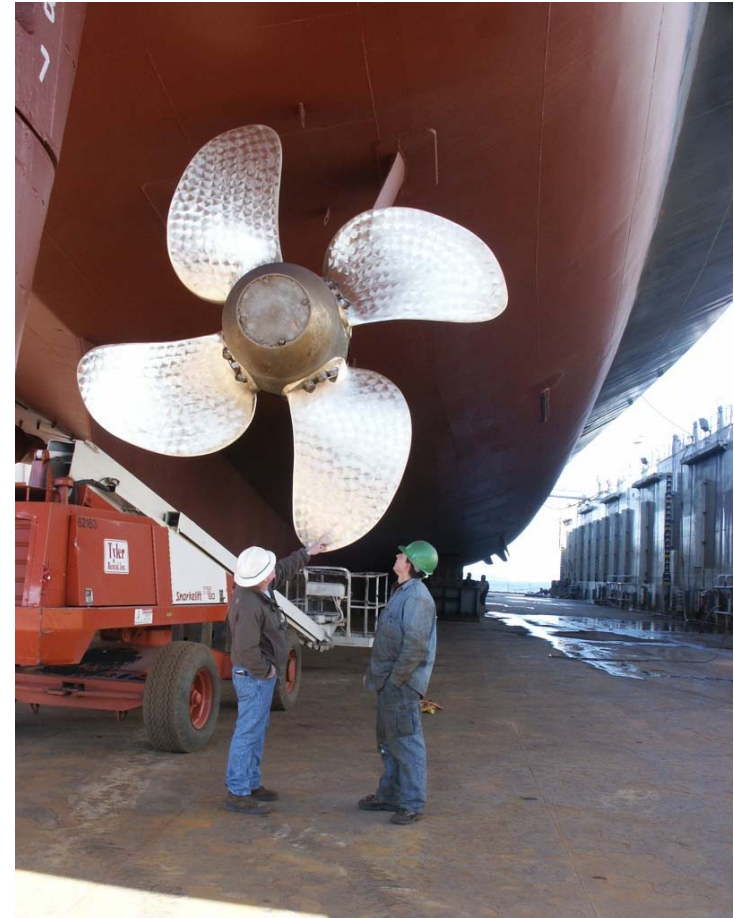
February 2013



AIDEA's 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 Alaska businesses, projects and infrastructure with access to long-term commercial and development financing at a reasonable cost through its strong balance sheet and credit rating (S&P = AA+)



AIDEA's Energy Finance Tool Box

- Own all or a part of an energy project (Development Finance Program).
- Co-Invest in a Corporation or LLC that owns an energy project (Development Finance Program).
- Purchase up to 90% of a loan from a qualified financial institution up to \$20 million for a qualified energy project or transmission system (Loan Participation Program).
- Provide direct financing or guarantees on financing for 1/3 of the capital cost of a qualified energy project (SETS Development Program).
- Issue Revenue Bonds for financing of a qualified energy project (Conduit Bond Program).

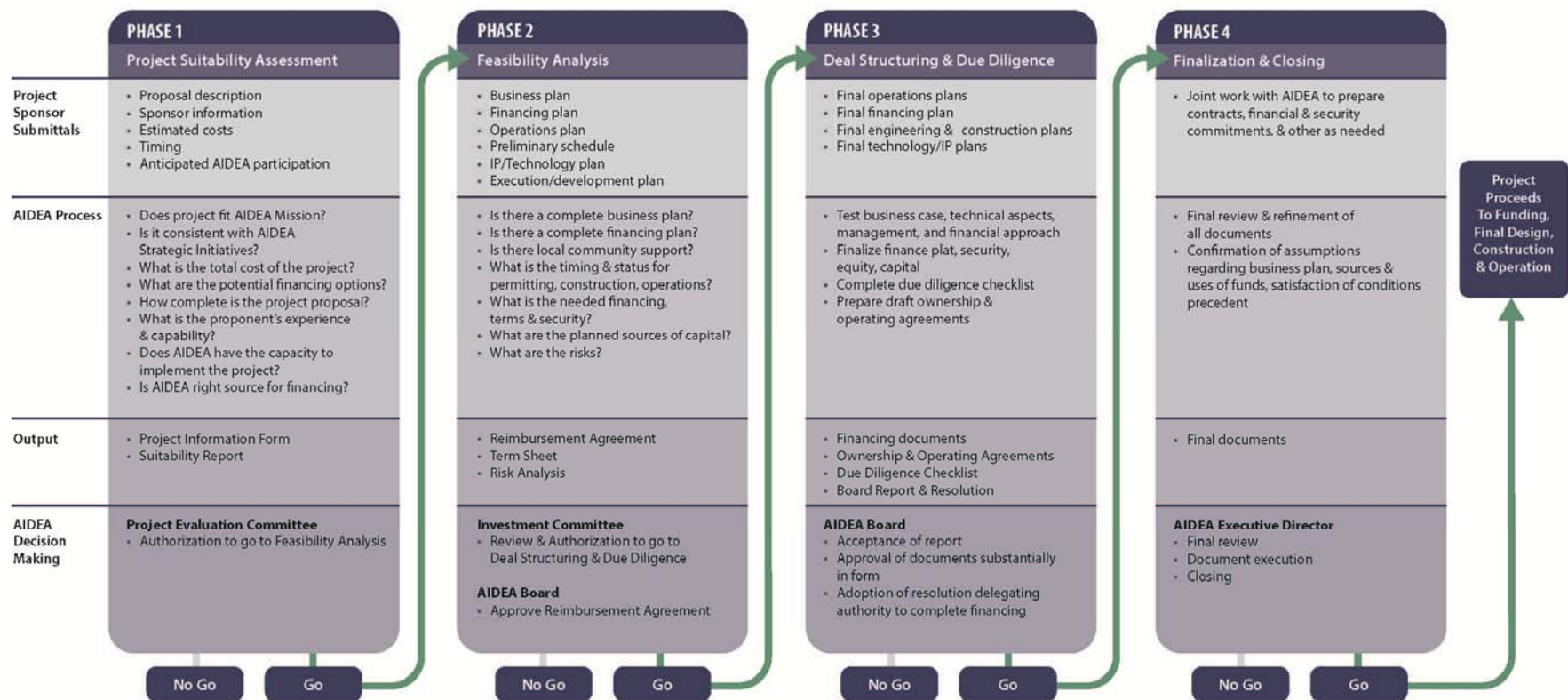
Qualified Energy Project

Qualified energy project means a project in the state that involves:

- A. transmission, generation, conservation, storage or distribution of heat or electricity;
- B. liquefaction, regasification, distribution, storage or uses of natural gas;
- C. Distribution or storage of refined petroleum products.

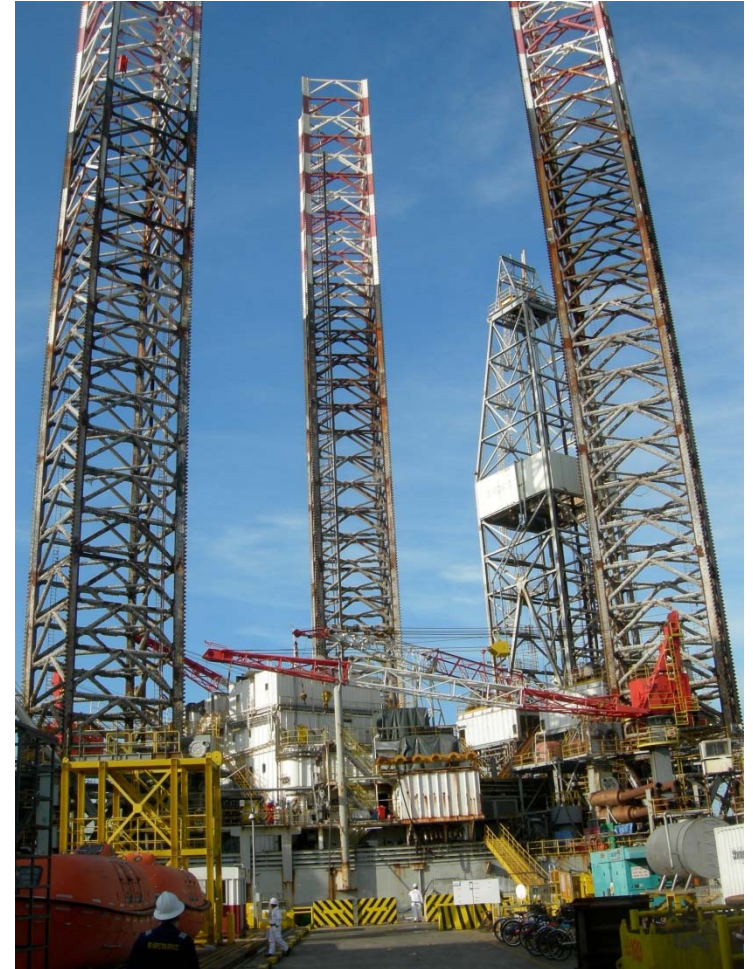
Project Analysis & Decision Making

AIDEA Development Project Analysis & Decision-making Process



Endeavour – Spirit of Independence

- Strategic Investment in a oil and gas jack up rig for Cook Inlet exploration.
- AIDEA investment is \$23.6 million with an ROI of 8.0% over a 5 year period through a preferred ownership interest.
- The total project cost (including refurbishment) is \$120 million.
- AIDEA's investment leveraged an additional \$96.4 million in private investment.
- Current Status – Refurbishment is being completed in Homer. The Endeavour is expected to mobilize to the Cosmopolitan Lease site in mid March. It is projected that three exploratory wells will be drilled in Calendar Year 2013.



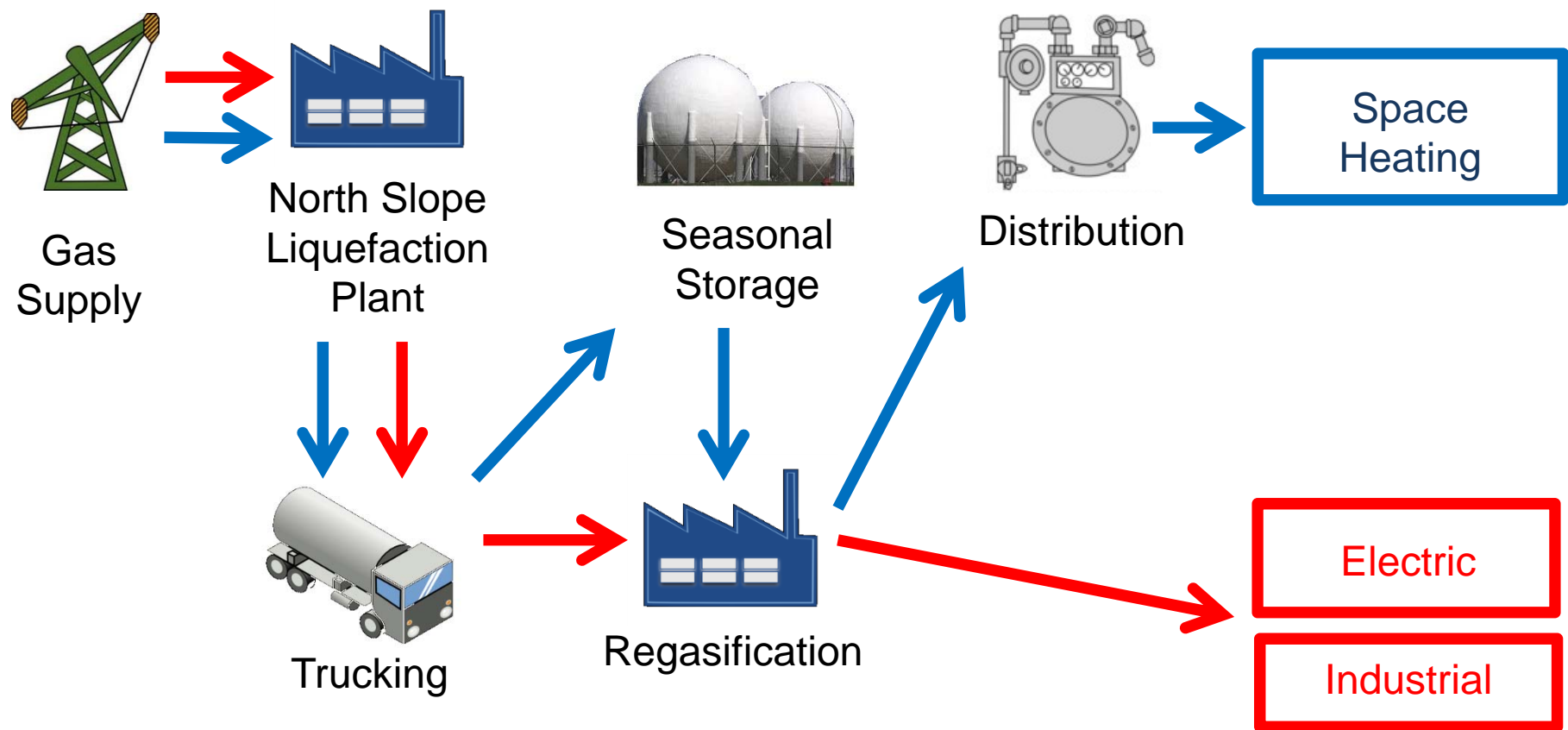
Fairbanks Gas Project

- Provide lowest cost energy to most Interior Alaska consumers as soon as possible
- Get gas first to Interior Alaska while assuring long-term access to gas from liquefaction plant for all Alaskans
- Utilize private sector mechanisms as much as possible

Project Description

- Natural gas will be liquefied on the North Slope and trucked to Interior Alaska
- Primary LNG demand anticipated to be Fairbanks and North Pole
- LNG will be temporarily stored and re-gasified in Interior Alaska
- Natural gas distribution system with storage to supply natural gas for heating

LNG Trucking Value Chain



Collaboration Structure

- AEA is leading the policy development of the project
 - Ensure that project goals are defined and consistent with the public interest
 - Engage the public, industry and elected officials
- AIDEA is developing the financing of the project
 - Examine finance options and commercial structure in collaboration with private party participants
 - Utilize available finance tools to meet project goals

Project Finance Overview

- \$355 million for project in Governor's finance plan
- AIDEA financing can be applied to different parts of the LNG supply chain
- AIDEA will use this finance package to leverage private investment

Governor's Finance Package

- \$50 million General Fund appropriation
 - Directly reduces the cost of LNG
- \$150 million AIDEA bonds
 - 3% interest rate (projected rate based on current market rates)
- \$125 million SETS capitalization
 - 3% interest rate
 - Flexibility to provide optimal commercial structure
- **\$325 million in Financing**
- **\$30 million natural gas storage credit**
 - \$15 million tax credit per qualifying storage tank
 - Created through previous legislative action

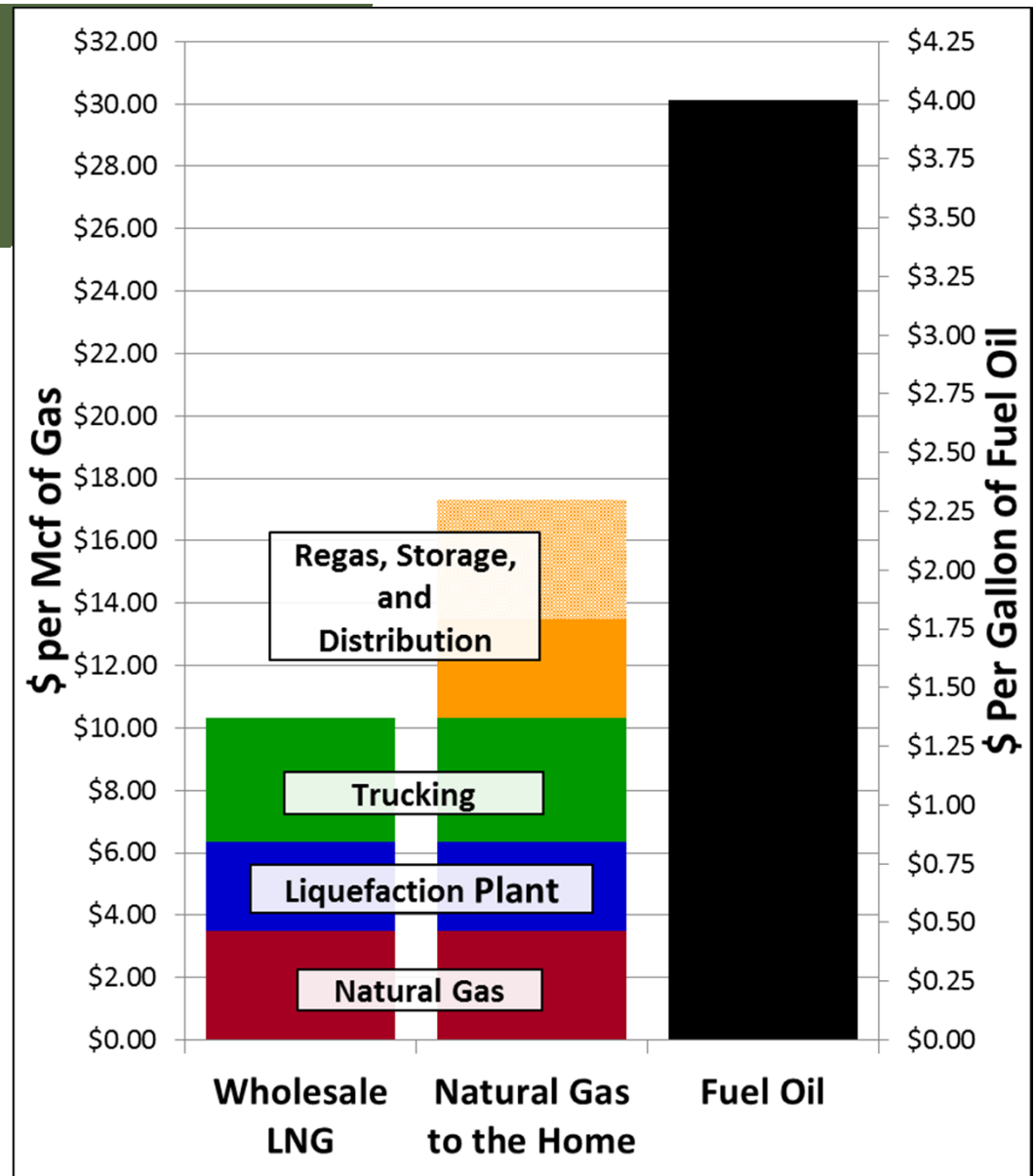
LNG Lowers Energy Costs

Key Assumptions

- 9 Bcf LNG Plant
- LNG plant bifurcated into two sections (industry and utility)
- \$50 million capital cost reduction applied to the 4.5 Bcf utility section
- Regas, storage, & distribution costs are presented as a range

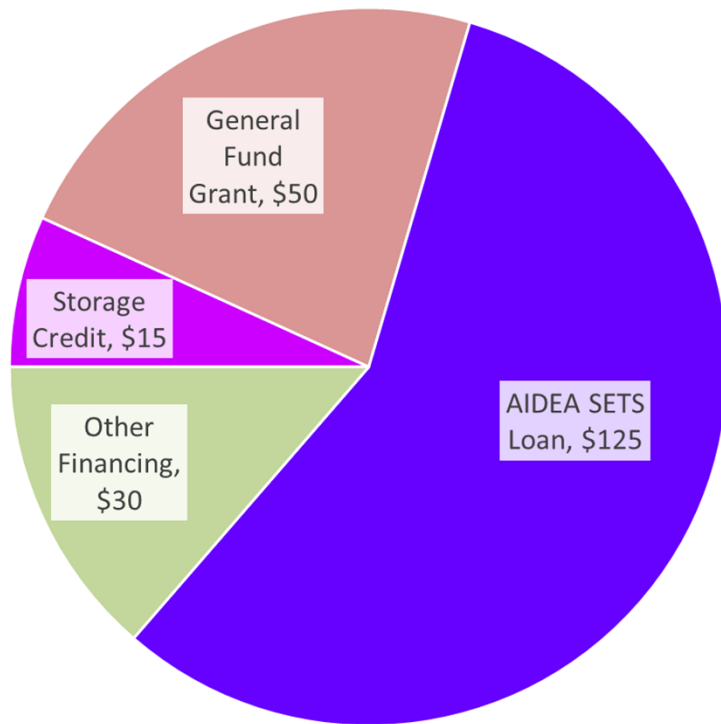
Expected Utility Price per Mcf

- Wholesale LNG: \$10.33
- Natural Gas to Home: \$13.49-\$17.29



Financing Options for North Slope LNG Plant

Plant Finance Sources
(\$millions)



- The North Slope LNG Plant may be funded from multiple sources, the example used here is just one possibility
- This analysis investigates the impact of an AIDEA SETS Loan interest rate on the final price
- The AIDEA SETS Loan is currently expected to be 3% and is compared with lower rates
- The finance payback period could be between 15 and 30 years

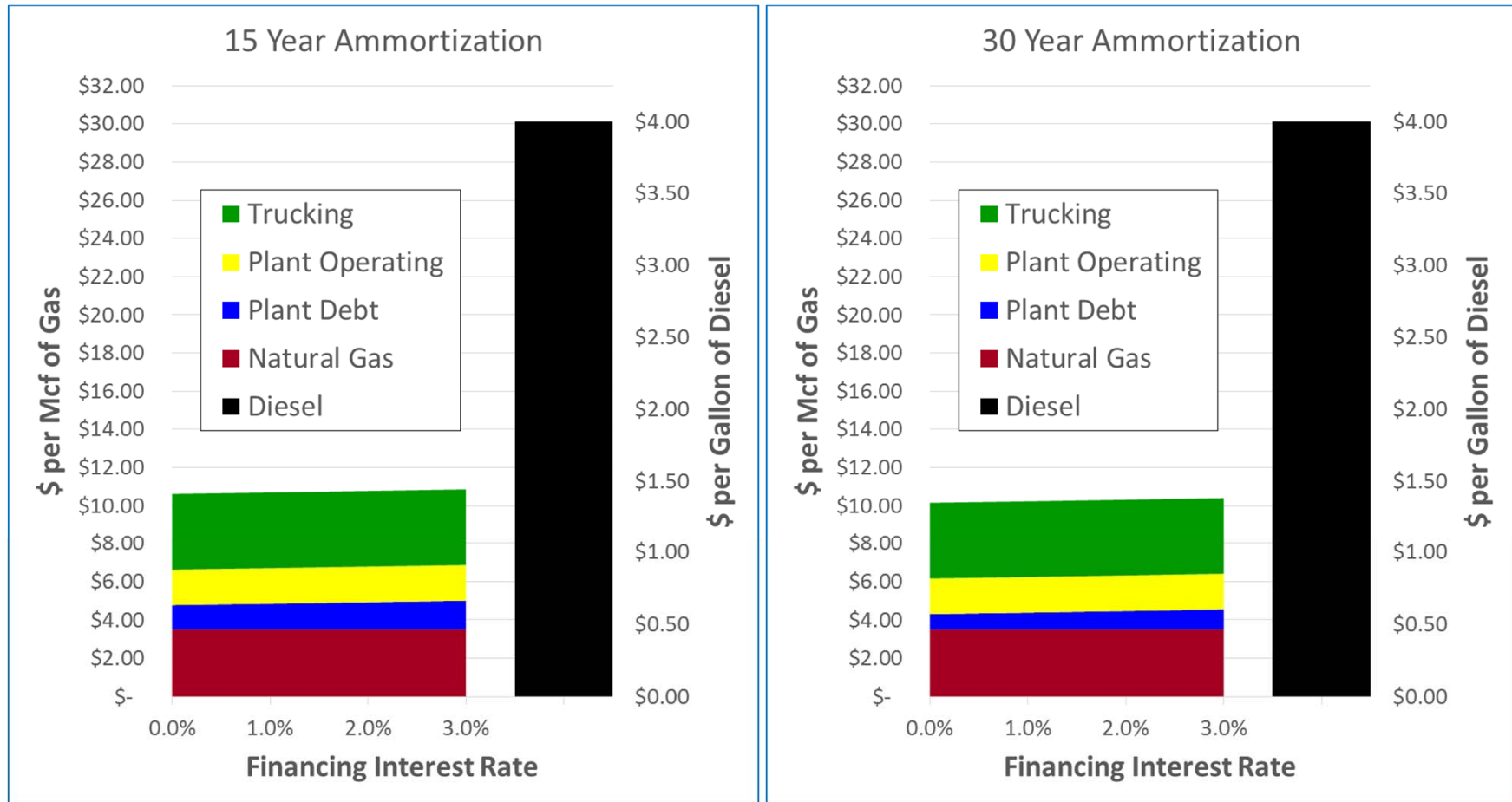
Financing Sources (\$mill)

Storage Credit	\$15
General Fund Grant	\$50
AIDEA SETS Loan	\$125
Other Financing	\$30
Plant Total	\$220

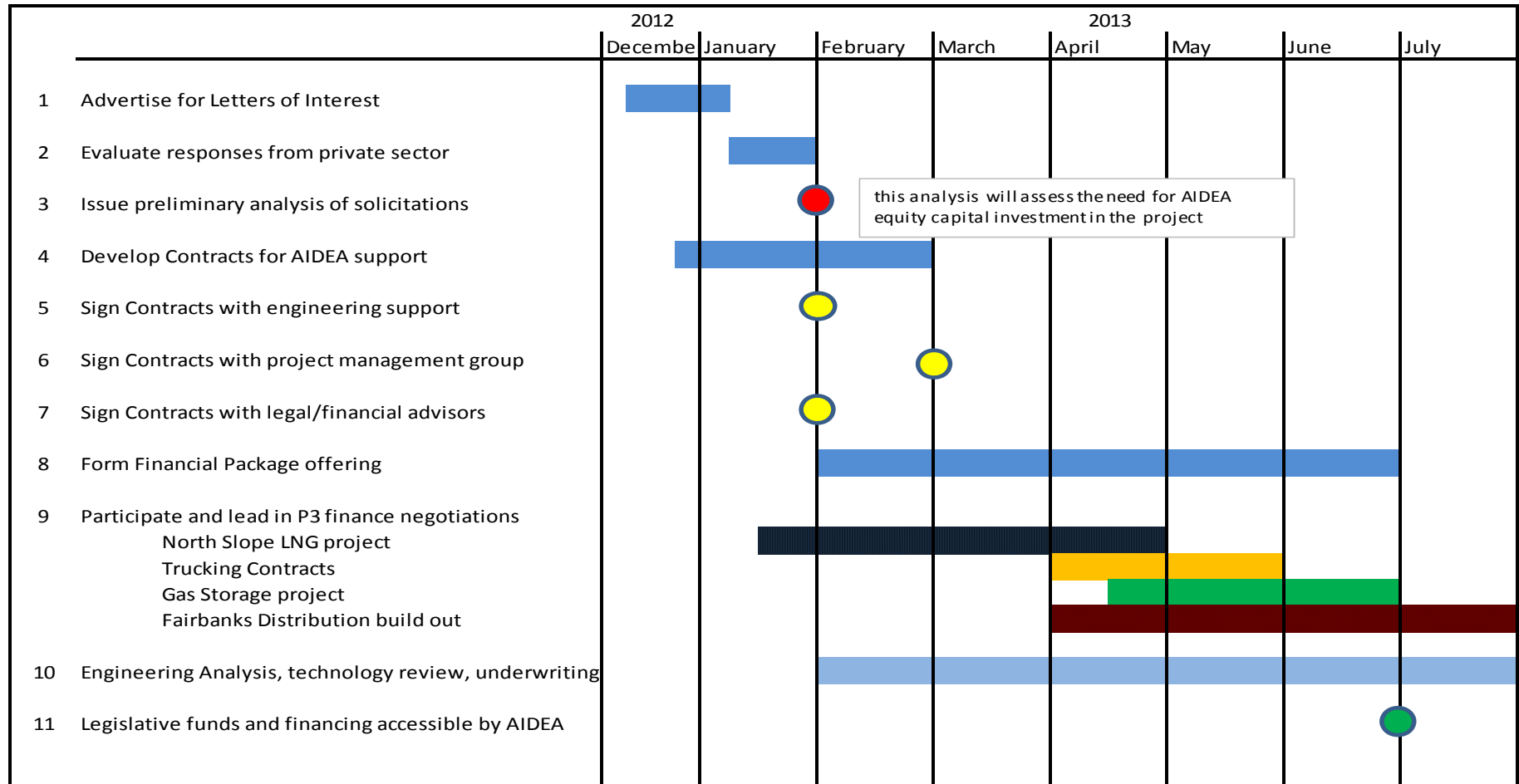
Finance Impact on Price

Amort- ization Period	Annual Payment (\$mill)	Cost, \$ per Mcf
15	\$14	\$1.51
30	\$9	\$0.95

Plant Financing



Schedules and Milestones



Other Potential Energy Projects

Other energy projects in feasibility analysis stage:

- Propane-air distribution system for small Alaskan Community
- LNG tank for Alaskan natural gas distribution company
- Petroleum storage facility for rural distribution
- Energy Efficiency improvement for Alaskan Educational Institution

AIDEA

Alaska Industrial Development and Export Authority

813 West Northern Lights Blvd.

Anchorage, Alaska 99503

(907) 771-3000

(888) 300-8534 (Toll Free in Alaska)

www.aidea.org