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January 15, 2013

The Honorable Charlie Huggins
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to authorizing the Alaska Industrial Development and Export Authority (AIDEA) to provide financing and issue bonds for a liquefied natural gas production system and a natural gas distribution system; and for development project financing by AIDEA.

The bill is part of a comprehensive financial package relating to the Interior Energy Plan, a strategy that includes low interest loans, gas storage tax credits, and general fund dollars for a moveable liquefaction plant and distribution system. This legislation implements the low interest loans part of the strategy. The second prong of the strategy, gas storage tax credits, has already been enacted into law, while the general fund dollars requested will be considered during budget deliberations.

The bill will authorize AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure within the Fairbanks North Star Borough. These facilities will make it feasible to truck liquefied natural gas from the North Slope to the Interior and will allow for a wider distribution of gas and propane elsewhere in the state. The distribution system will then be in place for a large diameter gasline.

The bill authorizes AIDEA to provide financing for natural gas facilities through the Sustainable Energy Transmission and Supply (SETS) fund established under legislation passed last session. The bill permits AIDEA to issue up to \$150 million in bonds for the project. The bonds will be secured by a capital reserve fund with the moral obligation of the State to restore the capital reserve fund to its reserve fund requirement in order to ensure payment of the bonds. The bill will further authorize AIDEA to provide another \$125 million in direct financing out of the money held in the SETS fund. This financing could be in the form of loans or guarantees or any other finance mechanism permitted under SETS. To help ensure lower energy rates for Alaskans, the bill will limit the interest rates that AIDEA can charge for its financing.

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The bill will enable AIDEA to participate in direct development project financing in addition to its existing ownership-based financing for development projects. Having the authority to engage in direct financing will give AIDEA an important new tool to encourage economic development projects that do not usually lend themselves to AIDEA financing.

For example, there may be natural resource development projects that are beneficial to the economic prosperity of the State, but they may have certain risks AIDEA would not want to assume. A project owner assumes these risks, but a lender does not. This bill allows AIDEA to provide direct financing assistance for development projects, including loans and loan guarantees, even where AIDEA is not going to acquire an ownership interest in the project.

This bill will help raise the number and quality of economic development projects in the state. Those economic development projects should increase the number of jobs that are available to Alaskans.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Sean Parnell". The signature is fluid and cursive, with the first name "Sean" and last name "Parnell" clearly legible.

Sean Parnell

Governor

Enclosure