

Proposed CS House Bill 105 H/FIN version N
AIDEA: Bonds; Programs; Loans; LNG Project
Sectional Analysis

Section 1: adds intent language to clarify that the financial tools discussed in Section 9 are only for the benefit of the Interior Energy Project described in Section 9.

Section 2: requires any utility that provides natural gas to Interior Alaska and receives financing from the Sustainable Energy Transmission and Supply fund be rate regulated by the RCA unless it is owned and operated by a political subdivision of the state whose governing body has elected, by resolution, to be exempt.

Section 3: increases the limit under AS 44.88.095(c) from \$6 million to \$10 million. AS 44.88.095(c) requires AIDEA to receive a certified copy of a resolution of the municipality or from the Regional Resource Advisory Council (in the Unorganized Borough) consenting to the location of a project if AIDEA is to issue bonds exceeding \$6,000,000. AIDEA recommends that this cap be increased to \$10,000,000 to better reflect the true costs of projects in 2015.

Section 4: increases the limit under AS 44.88.095(g) from \$10 million to \$25 million. AS 44.88.095(g) requires that AIDEA receive legislative approval to issue bonds in amounts over \$10 million to finance a development project. The current bond limitations have lessened AIDEA's ability to utilize bonding as a tool in funding small to mid-size projects due to the time it takes to get authorization from the Legislature and to go through the community authorization process. Additionally, AIDEA is recommending the dollar amount of bond limitations be the same as the dollar amount limit on loan participations AS 44.88.155(d)(1) since loan participations may be funded through bond issuances.

Section 5: changes the loan participation limit under AS 44.88.155(d)(1) to \$25 million (current limit - \$20 million), and \$25 million (current limit - \$20 million) for a loan participation for a qualified energy project without the necessity of obtaining prior legislative approval. Increasing the limits would allow AIDEA to provide more of the financing for a large commercial project and a qualified energy project and provide better financing terms for those projects.

Section 6: adds an exception to AIDEA's ability to enter into projects that involve a lease.

Section 7: requires legislative approval before AIDEA may enter into a gas supply contract with a natural gas producer in order to supply natural gas to Interior utilities unless the gas contract is for a natural gas liquefaction plant or distribution system that is owned by the Authority or a subsidiary of the Authority.

Section 8: prohibits AIDEA from using the SETS fund to purchase natural gas reserves or a gas lease or a working interest owner of a natural gas lease.

Section 9: amends the definition of "qualified energy development" that qualifies for SETS financing to include consideration of propane and possible delivery of natural gas to Interior Alaska via pipeline no larger than 12 inches in diameter.

Section 10: refreshes a previous AIDEA bond authorization for a bulk commodity handling facility in Cook Inlet. The language requires the facility to be located at Point MacKenzie.

Section 11: changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Section 5 deletes the phrase "on the North Slope" and changes it to "in the state that will

provide natural gas to Interior Alaska” so that natural gas can be sourced anywhere in the state. The section also clarifies that existing IEP financing can be used to support more than one natural gas distribution system in Interior Alaska. Requires the AIDEA Board to approve a project plan that includes the following items before SETS financing tools can continue to be used for the IEP.

1. An identified source of natural gas or propane
2. An estimated cost of the project
3. An estimated price for the resource delivered to Interior Alaska utilities

Sections 12: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000.

Section 13: repeals legislative bond authorizations (1994 through 2006) under 44.88.095(g) for potential projects that were determined not to be feasible or did not move forward for other reasons. The repeal of these authorizations would be beneficial to AIDEA’s bond rating as AIDEA moves forward to utilize its bonding capacity for future projects. Authorizations to be repealed include:

1. \$50,000,000 for construction of processing facility for seafood (ASI) - 1993 authorization.
2. \$20,000,000 to assist in construction of Kodiak launch complex facilities 1995 authorization.
3. \$80,000,000 to fund expansion at Red Dog port – 1998 authorization.
4. \$30,000,000 to finance improvement at Nome port facility – 1998 authorization.
5. \$25,000,000 to finance development at Hatcher Pass located in Matanuska-Susitna Borough – amended 2006 authorization.
6. \$20,000,000 to finance construction of port facilities on Lynn Canal – 2004 authorization

Section 14: authorizes AIDEA to issue bonds to finance infrastructure and construction cost of the Sweetheart Lake hydroelectric project not to exceed \$120,000,000 if a project financing application is submitted that meets the Authorities due diligence standards and investment criteria.

Section 15: authorizes the Alaska Energy Authority to enter into a loan from the Power Project Fund for up to \$3,000,000 for the King Cove Waterfall Creek hydroelectric project if a project financing application is submitted that meets AEA’s due diligence standards and investment criteria.

Section 16: requires AIDEA to submit a quarterly report on the status of the Interior Energy Project. There is no end date on this obligation. Also instructs AIDEA to provide briefings to the Legislative Budget and Audit Committee when requested.

Section 17: provides a five year sunset for the project financing authorized by Section 14 and 15 of this legislation. (Sweetheart Lake and Waterfall Creek)

Section 18: provides and immediate effective date for the legislation.