AIDEA PROJECTS, INVESTMENTS AND CASH FLOW UPDATE

SENATE FINANCE COMMITTEE
February 25, 2021

Alan Weitzner, Executive Director

www.aidea.org
AIDEA’S MISSION

To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

AIDEA OVERVIEW

- Investing in Alaskans since 1967
- Alaska’s Development Finance Authority
- Financially Self-Sustaining Public Corporation (no GF by statute AS 44.88.190(b))
- $439.7 million in Dividends to Alaska since 1997
- Directed over $3 billion into economic development in Alaska
AIDEA AS 44.88

WITHIN AS 44.88.010(a)(10)

It is in the public interest to promote the prosperity and general welfare of all citizens of the state by:

(A) stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(B) encouraging the production of raw materials and goods for export, the expansion of exports and raw materials and goods...;

(C) creating the Alaska Industrial Development and Export Authority with the powers necessary to accomplish the objectives stated in this paragraph, including the power to issue taxable and tax-exempt bonds, to acquire ownership interests in projects, and to provide development project financing...
PROGRAMS + PROJECTS

- Conduit Revenue Bond Program
- Loan Participation Program
- Development Project Finance
- Sustainable Energy Transmission and Supply (SETS)
- Arctic Infrastructure Development Fund (AIDF)
- Small Business Economic Development Revolving Loan Fund
- Rural Development Initiative Loan Fund
- Business Export Assistance Program

Development Project Finance:
- Delong Mountain Transportation System
- Skagway Ore Terminal
- FedEx Aircraft MRO Hangar
- Snettisham Hydroelectric Facility
- Alaska Ship & Drydock, Ketchikan
- Camp Denali Readiness Center (JBER)
- Mustang Holdings LLC
- Interior Energy Project
- BlueCrest Energy Drilling Rig Loan
- AK SHIP – Vessel Repair Finance Program
- Duck Point Development II (Icy Strait Point)
- HEX Cook Inlet, LLC
- Ambler Access Project
- West Susitna Access Road Project
- Section 1002 Area Leases
PROJECT INVESTMENTS

Facilitate Investment in Alaska’s Industrial Sectors

Partnership with Public + Private Capital

Patient, Long-Term Capital

Direct Investment as Owner/Partner/Lender

Feasible Economic Structures, No Subsidies

* Total amount invested or committed in development projects held by AIDEA as of FYE 2020, includes only AIDEA funds and AIDEA proceeds from bonds issued.
F INANCIAL SUMMARY FY2020

STATEMENT OF NET POSITION ($000S)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Balance (incl. Restricted)</td>
<td>$90,516</td>
</tr>
<tr>
<td>Programs:</td>
<td></td>
</tr>
<tr>
<td>COVID-19 Emergency Programs</td>
<td>168,910</td>
</tr>
<tr>
<td>Enterprise Development Account</td>
<td>456,889</td>
</tr>
<tr>
<td>Development Project Finance:</td>
<td></td>
</tr>
<tr>
<td>Revolving Fund - Projects</td>
<td>194,223</td>
</tr>
<tr>
<td>Revolving Fund - Capital Assets</td>
<td>141,531</td>
</tr>
<tr>
<td>SETS</td>
<td>143,760</td>
</tr>
<tr>
<td>AIDF</td>
<td>35,000</td>
</tr>
<tr>
<td>Other Assets</td>
<td>16,399</td>
</tr>
<tr>
<td>Capital Reserves – Securities</td>
<td>398,895</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,646,123</td>
</tr>
<tr>
<td>Less: Liabilities &amp; Deferred</td>
<td>($226,650)</td>
</tr>
<tr>
<td>Net Position</td>
<td>$1,419,473</td>
</tr>
</tbody>
</table>

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION ($000S)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2020</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues*</td>
<td>$81,784</td>
<td>$80,432</td>
<td>$64,333</td>
</tr>
<tr>
<td>Operating Expenses*</td>
<td>(31,318)</td>
<td>(32,876)</td>
<td>(39,223)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>50,428</td>
<td>47,556</td>
<td>25,110</td>
</tr>
<tr>
<td>Non-Operating Revenue (Expenses), Net and Other</td>
<td>(5,858)</td>
<td>(1,298)</td>
<td>(11,703)</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$44,570</td>
<td>$46,258</td>
<td>$13,407</td>
</tr>
<tr>
<td>Statutory Net Income</td>
<td>34,610</td>
<td>28,953</td>
<td>33,489</td>
</tr>
<tr>
<td>Declared Dividend to State GF</td>
<td>17,305</td>
<td>14,475</td>
<td>10,285</td>
</tr>
<tr>
<td>(current year payable in FY2022)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Net of emergency programs for purposes of comparison to prior years
BONDING CAPACITY

- AIDEA's bonding capacity is subject to determination by external credit rating agencies and their evaluation of AIDEA's credit standing.
- Prior to 2019, AIDEA held long-term credit ratings of AA+ by S&P and Aa3 by Moody's, based in large part to AIDEA's capital reserves in place and the state's statutory dividend program.
- In 2019, Moody's downgraded AIDEA's Revolving Fund bonds to A2 referencing “the Revolving Fund bonds' exposure to actions the state may take as it seeks to adopt a revenue model less dependent on North Slope oil production.”
- AIDEA's capacity to provide financing opportunities is directly related to the asset base available to support those investments.

The legislature expressed its intent in enacting the statutory dividend program that “the financial integrity of the [Authority] remain secure so that the Authority can continue to fulfill its vital economic development mission for the state” (see sec. 1, ch. 11 SLA 1996).
RESPONSIBLE RESOURCE DEVELOPMENT

ACCESS TO ALASKA’S ABUNDANT NATURAL RESOURCES
FOR ECONOMIC DEVELOPMENT
1002 AREA LEASE SALE

PROJECT OVERVIEW

- Section 1002 Area designated for future development of its resource potential under ANILCA
- AIDEA Resolution G20-31 authorizing up to $20 million in the first year under BLM’s Section 1002 Area Oil & Gas Lease Sale
- Bids submitted on 11 tracts ($19,236,345 in 1st Year)
- AIDEA highest bidder in 9 of 11 tracts bid
- Leases signed on 7 of the 9 tracts for an initial 10 year rights of use subject to lease stipulations
- Potential to add 1.4 million barrels per day to Alaska’s oil production through TAPS

TIMELINE

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 22, 2017</td>
<td>President Trump signs the Tax Cuts and Jobs Act, which includes authorization for responsible development in 1002 Area of ANWR.</td>
</tr>
<tr>
<td>Aug. 17, 2020</td>
<td>Record of Decision (ROD) reached.</td>
</tr>
<tr>
<td>Dec. 31, 2020</td>
<td>Deadline to submit qualified bids on leases.</td>
</tr>
<tr>
<td>Jan. 6, 2021</td>
<td>Bureau of Land Management opens submitted sealed bids; AIDEA is the successful bidder of 9 of 11 tracts.</td>
</tr>
<tr>
<td>Jan. 19, 2021</td>
<td>Bureau of Land Management announces official leaseholders; AIDEA holds 7 tracts.</td>
</tr>
<tr>
<td>Jan. 20, 2021</td>
<td>President Biden announces moratorium on all oil and gas leasing activities in ANWR.</td>
</tr>
<tr>
<td>Aug. 17, 2020</td>
<td>Record of Decision (ROD) reached.</td>
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1002 AREA LEASE SALE

ECONOMIC DEVELOPMENT POTENTIAL

HOW MUCH OIL IS ESTIMATED TO BE IN THE 1002 AREA?
- The U.S. Geological Survey estimates this area contains 10.4 billion barrels of technically recoverable oil.

ECONOMIC BENEFITS FOR STATE OF ALASKA
- Public funding from taxes contributing to economic security within the local communities on the North Slope, providing revenue to fund local services, schools, health clinics, housing, emergency response, water and wastewater, heat and electric utilities, and countless essential services.
- Fixed royalty of 16.67% established, half of which goes to the State.
- Half of all proceeds earned through the Section 1002 Area Oil & Gas Lease Sale are shared with the State of Alaska.

ESTIMATED JOB CREATION FROM DEVELOPMENT OF THE 1002 AREA
- 55,000 – 130,000 jobs are expected to be created, according to the House Committee on Natural Resources.

ESTIMATED REVENUE GENERATED BY DEVELOPMENT OF THE 1002 AREA
- Estimated up to $50 billion in future royalties, according to the nonpartisan Congressional Budget Office.
AMBLER ACCESS PROJECT

PROJECT BACKGROUND

- Access to Ambler Mining District defined within ANILCA.
- FY20 final EIS / FY21 Joint ROD from BLM/NPS.
- $35M for AIDEA’s Arctic Infrastructure Development Fund, matched by Ambler Metals LLC for Final Feasibility.
- Development Agreement with Ambler Metals coordinating the timeline between the Arctic Mine feasibility and Ambler Access Road feasibility by latest December 2024.
KEY ELEMENTS + ISSUES IN FINAL FEASIBILITY

- 200+ mile new road in remote Alaska
- Design components
  - 29 bridge crossings
  - Predominant permafrost across corridor
  - Materials site with 12 million cubic yards of fill
  - At least 40 fish passage sites
  - Subsistence concern considerations
- Crossing Approval from five landowners
- ANILCA and NEPA requirements
- 26 permits and authorizations
- Federal laws: CWA, NHPA, MSFCMA, ESA, MBTA, BGEPA, WSRA, RHA
- Multiple mines in exploration
- Coordinating with stakeholders (many hundreds of miles apart from each other)
PROJECT BACKGROUND

WEST SUSITNA ACCESS ROAD PROJECT

- 2014 Roads to Resources Program DOT&PF Study
- Pre-development feasibility stage of planning for a multi-use public access road leading to resource development opportunities that will diversify the state and borough economy and lead to job creation.
- Partnership between AIDEA, the Matanuska-Susitna Borough (MSB) and industry partners.

The proposed route is approx. 100 miles long, from the west end of Ayrshire Road to near the confluence of the Talachulitna and Skwentna Rivers. Near the Happy River crossing, the route would diverge away from the Donlin Gold gas pipeline route and continue west to a point of tie-in with existing mineral exploration roads.
We have concluded Phase 2, which included two objectives:

1. Advance preliminary engineering enough that preliminary opinions of probable capital costs can be developed for economic decision making.

2. Conduct wetland mapping and fieldwork to position the project for developing a Clean Water Act Section 404 permit application, if the project moves forward.

- **2020**
  - **JUNE**: MSB Assembly approved participation in Memorandum of Understanding
  - **AIDEA Board approved resolution**

- **2021**
  - **AUGUST**: Executed funding, Notice to Proceed issued, project begins
  - **SEPTEMBER**: Wetland mapping and fieldwork completed
  - **MARCH**: Phase 2 study completed
POTENTIAL NEXT STEPS FOR PHASE 3

2021

- Q1 2021
  Phase 3 discussion and scope development

- Q2 2021
  Phase 3 approvals from MSB Assembly and AIDEA Board

- Q3 2021
  Phase 3 execution

- Q4 2021
  Phase 3 completion

2022

- Conduct baseline environmental studies:
  - Cultural and historical resources, fish, wildlife, etc.
  - Perform additional field work as required
  - Identify mitigation and avoidance opportunities

- Advance engineering to the 10% – 15% design level
- Identify and explore alternative routes
- Conduct Port MacKenzie feasibility analysis and potential future development plans
DISCUSSION

Thank you

Alan Weitzner, AIDEA Executive Director