

Representative Grier Hopkins



ALASKA STATE HOUSE OF REPRESENTATIVES

House Bill 307

Extend Bond Authorization for Interior Energy Project

Sponsor Statement

In 2009, the U.S. Environmental Protection Agency (EPA) designated the more populated portions of the Fairbanks North Star Borough (FNSB) as a nonattainment area for air quality related to PM_{2.5}. Since that time, the communities of Fairbanks and North Pole, State of Alaska, and Interior Gas Utility (IGU) have been actively engaged in expanding the availability and use of natural gas through the implementation of the Interior Energy Project (IEP), a project designed to bring lower-cost energy to as many Interior residents and businesses as possible, as quickly as possible.

A key to reducing PM_{2.5} air pollution in the long term is expanding the availability of affordable, clean burning natural gas. A critical component of the IEP is financing for the development of a unified public gas utility with competitive rates. SB 23 (chapter 26 SLA 13) was passed by the 28th Alaska Legislature in 2013 giving the Alaska Industrial Development Authority (AIDEA) the ability to provide financing tools for the development of the IEP.

Among the financial tools granted to AIDEA for the IEP was the ability to issue up to \$150 million in conduit revenue bonds to help develop an integrated natural gas supply chain, including expansion of natural gas liquefaction facilities in the Matanuska-Susitna Borough and expansion of natural gas mains and service lines in the FNSB. Authorization under SB 23 for issuing these bonds was originally scheduled to expire June 30, 2018. Through the passage of HB 119 (chapter 64 SLA 18) in 2018, the Alaska Legislature extended access to AIDEA bonding an additional five years to June 30, 2023.

Given market conditions and turmoil related to the COVID-19 pandemic, IGU has paused the final investment decision on its Titan liquid natural gas (LNG) plant expansion project located in the Mat-Su Borough, which will necessitate access to AIDEA bonds. Bonds of \$136 million of the original \$150 million authorized may be issued to provide up to the \$275 million financing cap authorized under SB23.

HB 307 extends the authorization for AIDEA to issue IEP-related bonds for an additional five years to June 30, 2028.

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