

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

March 15, 2010

3:35 p.m.

**MEMBERS PRESENT**

Senator Lesil McGuire, Co-Chair  
Senator Bill Wielechowski, Co-Chair  
Senator Charlie Huggins, Vice Chair  
Senator Hollis French  
Senator Bert Stedman  
Senator Gary Stevens  
Senator Thomas Wagoner

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Linda Menard

**COMMITTEE CALENDAR**

SENATE BILL NO. 301

"An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

- HEARD AND HELD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 44(FIN) AM

"An Act relating to investments applicable to energy; clarifying the purpose of the Alaska Natural Gas Development Authority; relating to definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; and authorizing certain public corporations to issue bonds for energy projects."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 301

SHORT TITLE: POWER PROJECT FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/26/10 (S) READ THE FIRST TIME - REFERRALS  
02/26/10 (S) RES, FIN  
03/15/10 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 44

SHORT TITLE: ENERGY BONDS/INVESTMENTS/ANGDA

SPONSOR(s): CHENAULT, P.WILSON

01/20/09 (H) PREFILE RELEASED 1/9/09  
01/20/09 (H) READ THE FIRST TIME - REFERRALS  
01/20/09 (H) ENE, FIN  
02/17/09 (H) ENE AT 3:00 PM BARNES 124  
02/17/09 (H) Moved CSHB 44(ENE) Out of Committee  
02/17/09 (H) MINUTE(ENE)  
02/18/09 (H) ENE RPT CS(ENE) 2DP 1DNP 4NR  
02/18/09 (H) DP: TUCK, JOHANSEN  
02/18/09 (H) DNP: RAMRAS  
02/18/09 (H) NR: DAHLSTROM, PETERSEN, MILLETT,  
EDGMON  
03/12/09 (H) FIN AT 8:30 AM HOUSE FINANCE 519  
03/12/09 (H) Heard & Held  
03/12/09 (H) MINUTE(FIN)  
04/09/09 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/11/09 (H) FIN RPT CS(FIN) 3DP 6NR  
04/11/09 (H) DP: GARA, CRAWFORD, AUSTERMAN  
04/11/09 (H) NR: THOMAS, FAIRCLOUGH, SALMON, JOULE,  
HAWKER, STOLTZE  
04/11/09 (H) FIN AT 9:00 AM HOUSE FINANCE 519  
04/11/09 (H) Moved CSHB 44(FIN) Out of Committee  
04/11/09 (H) MINUTE(FIN)  
04/14/09 (H) RETURNED TO RLS COMMITTEE  
04/15/09 (H) BEFORE HOUSE IN 2ND READING W/AM 4  
PENDING  
04/15/09 (H) TRANSMITTED TO (S)  
04/15/09 (H) VERSION: CSHB 44(FIN) AM  
04/16/09 (S) READ THE FIRST TIME - REFERRALS  
04/16/09 (S) RES, FIN  
03/15/10 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

SARAH FISCHER-GOAD, Deputy Director  
Operations  
Alaska Energy Authority (AEA) and the Alaska Industrial  
Development and Export Authority (AIDEA)  
**POSITION STATEMENT:** Commented on SB 301.

BRUCE CHERTKOW  
No stated affiliation  
**POSITION STATEMENT:** Available to answer questions on SB 301.

REPRESENTATIVE CHENAULT  
Alaska State Legislature  
Juneau, AK  
**POSITION STATEMENT:** Sponsor of HB 44.

TOM WRIGHT  
Staff to Representative Chenault  
Alaska State Legislature  
Juneau, AK  
**POSITION STATEMENT:** Commented on HB 44 for the sponsor.

HAROLD HEINZE, CEO  
Alaskan Natural Gas Development Authority (ANGDA)  
Anchorage, AK  
**POSITION STATEMENT:** Strongly supported HB 44.

#### **ACTION NARRATIVE**

[3:35:25 PM](#)

**CO-CHAIR LESIL MCGUIRE** called the Senate Resources Standing Committee meeting to order at 3:12 p.m. Present at the call to order were Senators Stedman, French, Wielechowski, and McGuire.

#### **SB 301-POWER PROJECT FUND**

[3:36:02 PM](#)

**CO-CHAIR MCGUIRE** announced SB 301 to be up for consideration.

[3:36:09 PM](#)

**SARAH FISCHER-GOAD**, Deputy Director, Operations, Alaska Energy Authority (AEA), and the Alaska Industrial Development and Export Authority (AIDEA), thanked them for scheduling SB 301.

[3:37:06 PM](#)

**SENATOR STEVENS** joined the committee.

MS. GOAD explained that the bill does two things relating to the Power Project Fund. It will allow AEA to charge and collect fees for loans for the Power Project Fund, which they currently do not do. Also it will allow AEA to sell loans from the Power Project Fund to AIDEA. This will provide about \$20.6 million of additional loans for AEA to issue through the Power Project Fund. She noted the committee has copies of the MOU that was executed between AEA and AIDEA that outline the terms of the sale.

The one issue that they made sure to include in the sale process is that AEA will retain the risk by repurchasing the loans that are sold to AIDEA if they default. Right now AEA has the risk if any of these loans go bad. It allows them to have a discount closer to the par amount of the loans that would be sold.

CO-CHAIR MCGUIRE said that she liked the bill and had touted it in different speeches she had given on energy.

[3:38:40 PM](#)

BRUCE CHERTKOW, no stated affiliation, said he was available to answer questions.

[3:39:13 PM](#)

CO-CHAIR MCGUIRE noted that Senator Linda Menard was in attendance.

[3:39:25 PM](#)

CO-CHAIR WIELECHOWSKI asked Ms. Goad to describe what types of projects are funded under this program.

MS. GOAD replied a variety of energy projects, lately renewable energy projects. Loans that would be sold to AIDEA are for wind and hydro electric projects.

CO-CHAIR WIELECHOWSKI asked the repayment rate.

MS. GOAD answered the repayment rate is based upon the average weekly yield of muni bonds for the 12 months preceding period, currently at 5.32 percent. The rate has varied and they can go down to zero percent if a project warrants a lower interest rate.

CO-CHAIR WIELECHOWSKI asked if they had any loan defaults.

MS. GOAD answered none currently, but one when the Power Project Fund was inherited from the Division of Energy. About five or six years ago, appropriations have been made to turn loans into grants.

CO-CHAIR WIELECHOWSKI asked if this is essentially a revolving loan fund and if it has had any delinquencies in the last few years.

MS. GOAD answered that the program had been very successful and has a very low delinquency and default rate.

CO-CHAIR WIELECHOWSKI asked how they decide where to loan these funds.

MS. GOAD answered that it is really a first come first serve basis for qualifying projects for which the agency goes through a due diligence analysis for providing a loan. Sometimes the agency requires loan guarantees or collateral from the applicants.

[3:42:54 PM](#)

SENATOR FRENCH asked the basic advantage in shifting these from AEA over to AIDEA.

MS. GOAD answered that the Power Project Fund is running out of cash. In February it had a cash balance of slightly above \$5 million. There is an expectation that as they do more renewable energy funds that this is a source for matching dollar amounts. So cash is needed in the fund. AIDEA is purchasing the loans as an investment.

SENATOR FRENCH asked if AIDEA would give cash money to AEA; AEA transfers the loans to AIDEA; and then AEA uses the cash it gets from AIDEA to begin the process anew by loaning money out.

MS. GOAD said that was correct.

[3:44:59 PM](#)

CO-CHAIR MCGUIRE said SB 301 would be held over.

**HB 44-ENERGY BONDS/INVESTMENTS/ANGDA**

[3:45:06 PM](#)

CO-CHAIR MCGUIRE announced HB 44 to be up for consideration [before the committee was CSHB 44(FIN)am].

[3:45:51 PM](#)

REPRESENTATIVE CHENAULT, sponsor of HB 44, explained that it preauthorizes Alaska Housing Finance Corporation (AHFC) and the Alaska Natural Gas Development Authority (ANGDA) to issue bonds for energy related programs and projects. It also expands ANGDA's authority to provide natural gas from sources anywhere within the state to markets within Alaska allowing the Authority to broadly Alaskans and Alaskan markets. The language expanding ANGDA's authority was originally found in HB 163 and has been incorporated in this legislation.

[3:46:33 PM](#)

SENATOR HUGGINS joined the committee.

REPRESENTATIVE CHENAULT continued that the bill was introduced in an effort to address the state's energy needs especially for weatherization and energy efficiency programs, and to provide an impetus for an instate gas line. Although the legislature has authorized a number of these projects through the AHFC and has made appropriations to the ANGDA, he believed it is now time to proceed to a higher level.

He said the Fairbanks, Matsu, and Cook Inlet areas will all require gas and affordable energy within the next five years. Processing of liquids from our natural gas supply will also help rural areas by relieving them from the high cost of diesel fuel. He would prefer that private industry would build this project, and this legislation may provide the impetus for any private corporation to work with ANGDA in constructing an instate gas line.

[3:47:24 PM](#)

CO-CHAIR WIELECHOWSKI asked how this interplays with the various bills to turn over construction of the line to the Alaska Railroad.

REPRESENTATIVE CHENAULT answered that they looked at this as an opportunity to fund any project in the state of Alaska; it is just an option, but it would play well in the overall picture of financing instate gas.

[3:49:11 PM](#)

SENATOR HUGGINS said it looks like the mentality behind this bill is to push a project forward, but then a number of people say the economics don't work. As this bill is portrayed, it will push the instate gas project forward, so they will know if the economics can be met or any other challenges.

REPRESENTATIVE CHENAULT replied that they need to know what the cost of a pipeline is before going ahead with a final decision. If the state doesn't make that determination, they will never know.

[3:52:04 PM](#)

SENATOR HUGGINS said the way his bill is portrayed it assumes a robust petrochemical gas-to-liquids industry that essentially puts Alaskans to work as part of the project.

REPRESENTATIVE CHENAULT said that is a big part of this bill. He represents Nikiski where a facility was shut down that provided \$385,000/year jobs to Alaskans. The current LNG facility employs about 100 people. His fear is that those jobs will be lost as well the way things are going in Cook Inlet today. This is the only way to move Alaska forward.

CO-CHAIR MCGUIRE asked if the Railroad concept moves forward and it issues bonds, what the value of expanding the bonding authority to \$250 million would be. Did he see a conflicts between the role that ANGDA would have in potentially using some of its bonding authority in AGIA should the instate line go forward.

REPRESENTATIVE CHENAULT said he didn't see a conflict between AGIA and this piece of legislation, and the attorneys had not contacted him about it.

[3:59:11 PM](#)

SENATOR FRENCH said he shared Representative Chenault's desire for action. He said he saw \$100 million in it for AHFC; it looks like this is building on the weatherization program the state did a couple of years ago. He asked how he selected \$250 million as a figure for the ANGDA bonds.

REPRESENTATIVE CHENAULT replied that he didn't think the legislature would go for \$1 billion. There is no particular reason other than \$250 million is enough skin in the game so other players feel comfortable.

SENATOR FRENCH asked if he felt this would be the state's equity position in a bullet line under the push this bill provides.

REPRESENTATIVE CHENAULT answered yes.

SENATOR STEDMAN asked why they would want AHFC to issue \$100 million in bonds instead of just using cash.

REPRESENTATIVE CHENAULT said he wanted his staff to answer that.

[4:01:35 PM](#)

TOM WRIGHT, staff to Representative Chenault, answered that they discussed it with AHFC at one point and they didn't think they needed this. If the legislature ever decides to expand the program, they could do so and they wanted to give AHFC this option. AHFC was accepting of that.

[4:02:20 PM](#)

SENATOR HUGGINS said the state gave the Canadians \$500 million and he thought the instate line was worth at least half of that.

REPRESENTATIVE CHENAULT agreed.

CO-CHAIR WIELECHOWSKI said the way ANGDA is currently structured it doesn't have any limit on the amount of bonds it can issue and asked why they would want to limit it.

REPRESENTATIVE CHENAULT answered that it is the committee's prerogative. The CEO of ANGDA said this number would actually allow them to bond for any projects they see on the horizon.

[4:04:03 PM](#)

CO-CHAIR WIELECHOWSKI said his staff just pointed out that AS 41.41.320 does place a limitation on the issuance of bonds by ANGDA. It says the authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature.

CO-CHAIR MCGUIRE stated there is an equity ratio when you look at the \$4.5-5 billion it would cost to build an instate line.

REPRESENTATIVE CHENAULT said he had no problems going with a higher amount. A number of projects could be funded and this gives them more options to do that.

SENATOR HUGGINS said he supports the big gas line, but is concerned about the economics of it. But \$8-10 billion would build the gas treatment plant. Here they are spending half of that to get to gas to ourselves. Gas storage is part of any scenario as well as a petrochemical industry. But equally important is looking for infrastructure and transportation to start solving some of the rural and big projects - Donlin Creek,

as an example. He asked Representative Chenault if he saw anything in particular as a scenario of things to build upon.

REPRESENTATIVE CHENAULT answered that with a reasonable cost gas supply the options are endless. He believed that Alaska has to move forward and soon Alaska will have to import LNG, and while it might be the cheapest, how do they explain that to Alaskans?

[4:10:37 PM](#)

CO-CHAIR MCGUIRE thanked him for the bill and said they are all part of an instate gas caucus where everyone has brought ideas to the table. His points were right on. The use of natural gas has shifted from what they might have thought a pure export to value added uses in-state. She said she didn't see a future for Alaska without access to natural gas saying "It's the feedstock that can grow the economy."

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REPRESENTATIVE CHENAULT said it is not his intention to derail the AGIA process; it'll come to its own conclusion. He said "We have to be ready and we have to be ready now to make a decision - and I want to be able to make that decision based on good information and not what some of us may think is good information."

[4:13:30 PM](#)

HAROLD HEINZE, CEO, Alaskan Natural Gas Development Authority (ANGDA), strongly supported HB 44. He highlighted that from ANGDA's point of view the bill has two parts: clarifying the statutory authority and paying back the revenue bonding for the projects. He emphasized that it is not about general obligation bonding. There is no way ANGDA is authorized to pledge the full faith and credit of the state, he said. Rather, as an entity, ANGDA has an advantage in terms of the credit aspects because the state seal provides reassurance to the bankers.

He said the clarifying language is basically driven by advice they have received from a number of financial advisors over the years. It simply says once you start dealing in bonds that are denominated in lots of millions of dollars, bankers want statutory language to be perfect. That is what this does; it makes it clear that ANGDA can work on instate gas supply and instate demand.

The second thing it does is pre-approves the \$250 million. ANGDA was given the authority to issue bonds with one proviso: that the limit of the bonds would be determined by a vote of the

legislature. This sum was chosen as something that is the largest non-trivial number that the legislature could appropriately pre-approve at this time. There is no reason to ask for a lot more. If they need more, he would ask for it.

[4:18:34 PM](#)

Basically, he said, a list of things that are currently being worked on that might be covered by this kind of bonding authority include: gas purchase, ownership of cushion gas in a storage field, partnering in the Kenai LNG plant and expanding its operational capabilities, open season commitment in the big pipe, open season commitment in a spur line, and development of a North Slope wholesale propane facility. The list wouldn't have been the same last year.

[4:19:25 PM](#)

SENATOR THOMAS WAGONER joined the committee.

MR. HEINZE said they believed this authority would be granted, so in the interim they formed the Natural Gas Supply Company, a cooperative formed under the general cooperative statutes of the State of Alaska. Its membership is populated by the electric utilities in Alaska, and he explained they chose that group to work with because ANGDA is committed to doing things that facilitate and advance projects - the spur line, any of the pipeline projects, and other types of physical facilities in that area. But they are also committed to doing financing to the benefit of consumers under the concepts of a public/private partnership. What they have to offer in working with the electrical co-ops is aggregation of volume for discounts (compared to several smaller transactions) and the ability to pay low interest through their bonding authority while at the same time getting a high rate of return that could flow through to the customer. They are working with electric utilities because they are either co-ops or municipally owned - so every dollar they save immediately passes through to the consumer.

[4:22:10 PM](#)

MR. HEINZE said they could reach a point where they can make a deal if they know what the financial terms are. The back stopping of any bonds they issue will be consumers through the electric utilities and their monthly cash flow. Everyone is required to pay their bills; and from a banker's point of view, that is a bankable monthly cash flow. The pledge of that over time is sufficient to pay off the bonds; the bonds at a low interest rate allow one to conduct a transaction with people that have a higher value on their money. It also in this case

inherently helps the electric utilities all of whom in essence are credit-strapped to use their credit that they have for generating facilities, transmission facilities and local distribution needs. It saves them from having to use up their credit to procure longer term discounted stable gas supplies, in this case. Almost all of these are focused on the gas issue and the co-op was set up as a gas supply co-op. The reason AHFC is in it is to provide balance, because as they know, the cheapest energy around is conservation.

[4:23:56 PM](#)

SENATOR STEDMAN said Alaska statute has numerous authorities to issue bonds and they have tried to repeal some to clean the books up and asked how long he anticipated wanting authority for the \$250 million.

MR. HEINZE replied that for what they are trying, five years. The hurdles are considerable, but the opportunities that are defined have a high level of urgency to them and won't be around long.

CO-CHAIR WIELECHOWSKI said the more he hears about this bill the more he likes it. AS 41.40.400 specifically says the credit of the state is not pledged. He was wondering if that provides enough teeth. Do they need to put the full faith and credit of the state behind it, because it would help to get lower bond ratings?

MR. HEINZE replied that going to full faith and credit of the State of Alaska is a responsibility he wasn't sure he wanted to shoulder. It's driven by the fact that the state, in its long history, at times has made some "less than perfect" choices. He wanted to be able to have the strength of testing the commercial market. If a banker loans them money to do something, he felt they had done their job to assure that the project is good, that it will be a good use of the consumer's money; and they will be the ultimate payer in the monthly check that they write.

On the other hand, he said, this is modeled after the successful financing of the Bradley Lake Hydro Electric project that used "moral obligation," which means the state stood next to the electric utilities and smiled as the bonding was signed. It is a term of art, but the financial people he has talked to are very comfortable that that moral obligation coupled with the basic strength of a banker looking at the credit of an electric utility is very strong and will achieve the lowest interest rates. The other part is that depending on the circumstances,

one could get an even lower interest rate if the bonds were tax exempt. But that is not a given in this case; they are looking at the quality of the credit just driving the interest rate down.

4:28:01 PM

SENATOR HUGGINS asked where his term "the moment of truth" fits into this scenario.

MR. HEINZE described the first item on the list as an example. If the state strikes a bargain with a Cook Inlet producer who currently has gas available and agrees to pay them \$25 million cash for a seven-year supply of gas at a certain volume, that would require the utilities to take an interest in how much of that gas they want and make firm contractual commitments to pay for it; then ANGDA would go out and issue bonds. The moment of truth is when that commitment is made amongst all of the players and bankers say they will take the deal.

SENATOR HUGGINS asked if he is saying the source of the gas is Cook Inlet, necessarily.

MR. HEINZE said the items on the list are numerous and deal with both Cook Inlet and North Slope gas. The list is driven largely by the members of the electric utility co-op. Their two highest priorities are the acquisition of gas along with the concept of buying multi-years supply, and buying it at a discount for both time value and volume is something ANGDA "would add to the party." Significant concern over the future of the LNG plant has also been voiced, and it is fair to reflect to them that the electric utilities are very sensitive to the fact that if the export license of that plant is not renewed, in less than one year from now that facility could "start to warm up." The subsequent summer of 2011 would find them shutting in wells in Cook Inlet where they already have a deliverability problem. The following winter of 2011/12 those wells would have lost productivity and deliverability. At that point they might be in a very dangerous position. The next summer the position would deteriorate even further.

He explained that the electric utilities believe that working as a co-op with ANGDA as a partner in it, they can strike an arrangement with ConocoPhillips and Marathon who are the owners of the plant, and that provides them a basis to continue operating the plant and at the same time provides an opportunity for that plant to be more valuable in servicing the local needs through truck and barge and providing some re-gas capability

operating a "peak shaver" where on some of the really bad days not only do they not take gas, they actually regasify some of the gas that is in the LNG storage tanks. Those two opportunities are on the top of their list and both of them have a level of urgency that is very high.

SENATOR HUGGINS asked him to address an element on page 2, line 29, that talks about acquisition of natural gas on the North Slope and other regions of the state including the Outer Continental Shelf.

MR. HEINZE answered that language hadn't been interpreted by the Attorney General (AG). The Attorney General was asked to look at five specific contracts to see whether they met the statutory definition of their authorities. Broadly the AG responded that as long as they could make some linkage to the North Slope, even if it was not immediate and overpowering, that it was within ANGDA's authorities to do. They can be in business activities within the state, but not outside.

[4:34:08 PM](#)

In the past, Mr. Heinze said, they have looked at keeping the Nikiski plant around and operational until North Slope gas can be brought to the area. It is one of key anchor tenants. So their activities related to that plant could be construed as contributing towards the more ultimate goal of bringing North Slope gas into the Cook Inlet area. The other part of the benefits of the bill is that it clarifies that language.

[4:34:53 PM](#)

SENATOR HUGGINS followed up asked if having the LNG export permit on the Kenai or any place is hugely valuable going forward because it is precedent setting. "Is that certificate valuable or just nice to have?"

MR. HEINZE responded that he believes the opportunity represented by that facility and the ability legally to export, which expires at the end of the first quarter next year, is very valuable. Having it available for a "brown field" project is an expanded use. In the short term, having the ability to keep the Cook Inlet wells going in the summer is extremely important; nothing else can perform that function in the next few years. In terms of their due diligence on this issue, he included a letter they recently sent to the two owners of the plant at the behest of the natural gas supply company basically offering to meet and negotiate in a very open sort of way whatever it took to get that plant to stay open.

[4:37:30 PM](#)

CO-CHAIR MCGUIRE said that is one of the topics she wanted to discuss with him since they would be talking to Senator Murkowski about taking a leadership role in her Energy Committee on the export license. It is an important part of any industrial anchor. She understood that ConocoPhillips has a public relations challenge that every time they go out to reapply for the certificate there is a perception by some that why are we looking at exporting our gas when we have shortages. ANGDA could be that voice that a member of the public would listen to without the skepticism that they might have in listening to a for-profit energy company. Can ANGDA play any role in filing amicus curie, a friend of the court brief?

MR. HEINZE thanked her for the kind words about ANGDA, but in this case the real power folks are the electric utilities - for two reasons: one, they mail out monthly statements and can explain to people why the continuity of that plant plays such a key role in their system. One of the reasons they have raised the issue of partnering the way they did with the two commercial companies is that the combination of the electric utilities through the co-op structure, with ANGDA also as a member of the co-op and able to provide financing and contractual arrangements under the co-op, has a good will factor that has to be incredible going before the FERC and asking for renewal of the license.

[4:41:48 PM](#)

CO-CHAIR MCGUIRE asked if he saw a gas-to-liquids facility in Cook Inlet or the North Slope that could use Fischer Tropsch technology to create synthetic crude to extend the life of TAPS.

MR. HEINZE answered the concepts of gas-to-liquids, a methane based manufacturing process, and petrochemical, an ethane based manufacturing process, are both very important. The problem with those, ultimately, is how to marry up a pipeline situation that requires long term firm commitments with an investment in a plant that only makes sense if you have a long term supply and market.

The Wyoming Gas Pipeline Authority was borne of a similar dilemma and actually "tastes" like ANGDA. In Wyoming the dilemma was that people wouldn't drill and explore because there was no pipeline space and the pipeline wouldn't build because there was no new gas to put in their pipeline. So the Authority found a way in a credit sense to stand between the two and say you

drill, you build and we will back you up. And they provided a \$3 million line of credit. The good news is that nobody ever drew a nickel out of the fund and the State of Wyoming woke up a couple of years later and was making a half billion dollars more on their royalty gas.

MR. HEINZE said it is important to get the people who are knowledgeable about value-added to come here and have those discussions and find out what kind of position the state has to stand in to touch some folks and bring them into contact. That may be a very valid role for the state and for ANGDA.

CO-CHAIR MCGUIRE wanted to know to if they needed to address that point within the scope of ANGDA's authority.

[4:46:32 PM](#)

CO-CHAIR WIELECHOWSKI said on the issue of extension of the LNG plant, he wanted to remind everyone that the last time the RCA and a number of the local utilities pretty harshly criticized the administration for getting out in front so early because it took away a lot of leverage from the utilities in negotiating contracts with the producers. So, they should tread carefully on that issue.

MR. HEINZE said his guidance was duly noted and that two signatures were on the letter, Tony Izzo and himself. Both he and Mr. Izzo are very comfortable with carrying the burden and believe there is a "win-win bargain" to be struck here.

[4:47:54 PM](#)

SENATOR FRENCH said AHFC has had bonding authority for some time and asked if ANGDA has had bonding authority up until now.

MR. HEINZE answered that the initial Proposition 3 that passed in 2002 had the exact language as today, and it was intended that ANGDA would always have some of the authorities that attributed to political subdivisions of the state, in particular to two: bonding and the right of eminent domain. ANGDA was not given taxing or police powers.

SENATOR FRENCH asked if they have issued bonds ever.

MR. HEINZE answered no.

[4:49:07 PM](#)

SENATOR FRENCH asked what the first application of this authority would be if this bill passed.

MR. HEINZE replied that he thought a couple of these opportunities would mature very rapidly: the Kenai LNG plant and the Golden Valley Energy Authority (GVEA), because every pipeline goes through Fairbanks right next to their power plant and they desperately need gas. A propane project is pretty ripe from a number of points of view, but he didn't know how the bonding would fit into that. They are talking to more than one Cook Inlet gas supplier about purchasing gas and that could come together pretty fast.

SENATOR HUGGINS remarked that he has read how "the Chinese are coming to town" between now and June 1, and he asked what role they might have in the scenarios he has described or other realistic scenarios.

MR. HEINZE answered that the materials they developed for the visit to China focused on petrochemicals. China has the world's largest demand for plastics for the next 50 years. Petrochemicals are driven by ethane and it is not a commodity that is easily available all over the world. The North Slope has a "huge supply" and that linkage is key to the Chinese interests here. They could partner nicely with a domestic company.

Secondly, he said, they focused on LNG. A company came forth during the AGIA process represented by a very modest sized company. The parent company is one of the largest international companies in the world. He may personally have a chance to visit with them and he thought they had a sincere interest in long term LNG from Alaska. China has a huge market and more money than we do. They would be a good partner.

[4:54:42 PM](#)

CO-CHAIR MCGUIRE thanked him for his comments and, finding no further business to come before the committee, she adjourned the meeting at 4:54 p.m.