

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HCS CSSB 23(L&C)
Fiscal Note Number: 4
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Identifier: HCSCSSB23(L&C)-DCCED-AIDEA-03-18-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Labor & Commerce

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services	750.0		500.0	300.0	200.0		
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	750.0	0.0	500.0	300.0	200.0	0.0	0.0

Fund Source (Operating Only)

1102 AIDEA Rcpt	750.0		500.0	300.0	200.0		
Total	750.0	0.0	500.0	300.0	200.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	0.0		0.0	(375.0)	(250.0)	881.3	1,942.3
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This version updates operating expenditure amounts, fund source amounts, and the revenues to the State from AIDEA's dividend based on House CS removing the Direct Financing language from SB 23 CS(L&C).

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Division:	Alaska Industrial Development and Export Authority	Date:	03/18/2013 11:15 AM
Approved By:	JoEllen Hanrahan, Director	Date:	03/18/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB 23(L&C)

Analysis

House CS for CS Senate Bill No. 23 (L&C) has two distinct purposes related to AIDEA programs:

AIDEA TECHNICAL CHANGE

This bill makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The calculation method for AIDEA's dividend will not change and no fiscal impact is expected.

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. AIDEA projects that the administrative expenses for project construction management oversight for the LNG production and distribution system will require 500.0 in FY 2015, 300.0 in FY 2016, and 200.0 in FY 2017.

The project management expenses forecasted will be offset by AIDEA's income stream allowed under Sec. 10 (c) of SB23 and by the interest revenue earned off the sets loan both which will start in FY 2016. AIDEA estimates the annual income stream from the 25 basis point allowance and interest revenue will generate approximately \$2,063.0 in FY 2016, \$4,084.5 in FY 2017, \$4,001.5 in FY 2018, and \$3,917.0 in FY 2019 with that revenue decreasing in subsequent years based on payments made on the principal of the financing over the estimated life of the financing.

The Change in Revenues reflects General Fund revenues to the state generated from AIDEA dividends. AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 net revenues. The dividends earned to the state will be negative in FY 16 and FY 17 due to the fact that there will be no revenues generated from the project to offset cost in FY 2014 and FY 2015. Starting in FY 2018, revenues will more than offset project expenses and will remain that way for the life of the financing.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)								
Direct Financing (Not related to Interior Energy Plan)								
		FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA								
AIDEA Receipts		-	-	-	-	-	-	
Preparation of regulations								
Underwriting (includes 200.0 operating request)								
SETS Fund		-	-	-	-	-	-	
GF Cost		-	-	-	-	-	-	
Revenue to AIDEA			-	-	-	-	-	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)				-	-	-	-	
Gas Plant and Storage								
		FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA		750	500	300	200	-	-	
Coordination and evaluation		750	-	-	-	-	-	
Construction management			500	300	200	-	-	
GF Cost		175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake		50,000						
Capitalize SETS Fund		125,000						
Revenue to AIDEA		-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)			-	1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)				(375)	(250)	788	1,755	
Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)								
		FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA		-	-	-	-	-	-	
AIDEA Receipts				-	-	-	-	
SETS Fund		-	-	-	-	-	-	
GF Cost		-	-	-	-	-	-	
Revenue to AIDEA		-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)		-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)		-	-	-	-	94	187	
Private Investment (\$70m for 9BCF plant-expansion will be fully funded by additional private investment)								
		FY14	FY15	FY16	FY17	FY18	FY19	
		70,000	-	-	-	-	-	
Summary								
		FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
GF Cost		175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)		125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)		50,000	-	-	-	-	-	50,000
AIDEA Cost		750	500	300	200	-	-	1,750
Project Evaluation and Management Cost (AIDEA Note)		750	500	300	200	-	-	1,750
AIDEA Revenue (AIDEA Note-analysis only)		-	-	2,063	4,085	4,002	3,917	14,065
AIDEA Receipts		-	-	188	374	371	369	1,301
SETS Fund		-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)		-	-	(375)	(250)	881	1,942	2,199
Fiscal Notes								
		FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
AIDEA								
Project Evaluation and Management (AIDEA Receipts)		750.0	500.0	300.0	200.0	-	-	1,750.0
GF Revenue-Dividends to State (GF)		-	-	(375.0)	(250.0)	881.3	1,942.3	2,198.5
Capitalize SETS Fund (GF)		125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)		50,000.0	-	-	-	-	-	50,000.0
Total Costs		175,750.0	500.0	300.0	200.0	-	-	176,750.0
Total GF Revenue Impact		-	-	(375.0)	(250.0)	881.3	1,942.3	2,198.5