

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 11, 2013

3:25 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Mike Chenault  
Representative Bob Herron  
Representative Dan Saddler  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Lora Reinbold, Vice Chair  
Representative Charisse Millett

**COMMITTEE CALENDAR**

HOUSE BILL NO. 74

"An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 74

SHORT TITLE: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	L&C, FIN
02/08/13	(H)	L&C AT 3:15 PM BARNES 124
02/08/13	(H)	Heard & Held
02/08/13	(H)	MINUTE(L&C)
03/04/13	(H)	L&C AT 3:15 PM CAPITOL 106
03/04/13	(H)	** Meeting will Recess and Reconvene at
03/05/13	(H)	L&C AT 8:00 AM BARNES 124
03/05/13	(H)	-- Meeting Continued from 3/4/13 --
03/11/13	(H)	L&C AT 3:15 PM BARNES 124

## **WITNESS REGISTER**

SARA FISHER-GOAD, Executive Director  
Alaska Energy Authority (AEA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified during the discussion of HB 74.

MARK DAVIS, Deputy Director  
Alaska Industrial Development and Export Authority (AIDEA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified during the discussion of HB 74.

## **ACTION NARRATIVE**

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**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:25 p.m. Representatives Saddler, Josephson, Chenault, Herron, and Olson were present at the call to order.

### **HB 74-AIDEA: LNG PROJECT; DIVIDENDS; FINANCING**

[3:25:55 PM](#)

CHAIR OLSON announced that the only order of business would be HOUSE BILL NO. 74, "An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

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SARA FISHER-GOAD, Executive Director, Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development (DCCED), stated the fiscal note from Alaska Industrial Development and Export Authority (AIDEA) was developed in conjunction with AEA during extensive discussions on the companion bill with the Division of Legislative Finance. Several things were changed from the original fiscal note, she stated. The fiscal note prepared by AIDEA originally described

revenues to AIDEA and AIDEA was asked to reflect potential revenues to the state through the AIDEA's dividend program rather than to show revenues direct to AIDEA. She pointed out that this fiscal note also reflects revenues to AIDEA in FY 2014 since the dividend calculation for AIDEA is calculated from the "base year" and has a two-year lag. Thus the revenue earned in FY 2014 is reflected in FY 2016, she said. She highlighted this was the primary adjustment made to the original fiscal note. Additionally, the fiscal note has an attachment that shows a comprehensive evaluation of the fiscal note with respect to the Interior Energy Plan and the direct financing program incorporated into HB 74. Further, AIDEA has provided another fiscal note that reflects that the Sustainable Energy Transmission and Supply Development (SETS) program is capitalized by \$125 million in Governor's FY 14 budget request. Specifically, this fiscal note was added to reflect a comprehensive view with respect to the different parts of the financing package related to the Interior Energy Plan. Both fiscal notes also reflect the proposed FY 14 capital appropriation of \$50 million to AIDEA. Even though she believed she previously addressed all of this in her earlier PowerPoint presentation to the committee, with respect to the program and the bill, she wanted to explicitly explain this in the fiscal notes, as well.

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REPRESENTATIVE CHENAULT asked whether this bill would expand AIDEA's authority beyond the trucking [of LNG to Fairbanks]. He clarified that he is interested in whether this bill would allow, for instance, the state to finance Brooks Range Petroleum's [North Slope] project without any additional authorization from [the legislature]. He further asked whether HB 74 would allow AIDEA to participate in ownership of a processing facility or to finance any other project AIDEA does not currently have authority to do.

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MARK DAVIS, Deputy Director, Alaska Industrial Development and Export Authority (AIDEA), Department of Commerce, Community & Economic Development (DCCED), responded that [Section 1] of HB 74 provides the direct financing capability for AIDEA. He assumed the question was directed at the direct financing provisions, which would allow AIDEA to use funds from AIDEA's Revolving Fund, but AIDEA currently has this authority. He explained that AIDEA can own or operate a project - to provide

project financing from [the Revolving Fund] for a project - without having to have an equity ownership in the project. However, the same definitions of project that currently apply to AS 44.88.172 (a) would still apply so it doesn't really broaden AIDEA's authority for the types of projects it would fund; instead [the bill] would only change the funding mechanism.

[3:35:04 PM](#)

REPRESENTATIVE CHENAULT understood that AIDEA can currently fund these projects without any new authority.

MR. DAVIS answered that currently if a project comes within a definition of a project under AIDEA's statutes that meets its statutory test, AIDEA is authorized by the board to provide funds from AIDEA's Revolving Fund to own or operate those projects or a portion of these projects. For example, Buccaneer Energy's jack-up rig, Endeavor, project was [financed] by using AIDEA's Revolving Fund as the funding source without going back to the legislature, he said.

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REPRESENTATIVE CHENAULT asked whether AIDEA owns part of the Endeavor project. He further asked whether this [bill] would allow AIDEA to own or control any part of a project.

MR. DAVIS answered that HB 74 would allow AIDEA to provide financing without having to own the project and to avoid certain liabilities, but it would not eliminate AIDEA's control over the project. He clarified that the project financing portion represents a form of control to achieve the goals of the agency, which is to alleviate unemployment or assist in natural resource development. Thus AIDEA would maintain control, he concluded.

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REPRESENTATIVE CHENAULT asked whether [AIDEA assumes] any liability for the Endeavor project.

MR. DAVIS answered that an equity owner always has potential liability for tortious conduct created by the chattel - the hard assets - but AIDEA is a passive investor. He offered his belief that this exposure is limited; however, it does exist. He said that engaging in project financing can eliminate these types of risks.

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REPRESENTATIVE SADDLER asked whether the direct financing is a significant expansion of [AIDEA's] authority. He further asked whether this authority would be limited specifically to the Interior Energy Plan.

MR. DAVIS answered yes; that Section 10 is an uncodified amendment just for this project and it does not change the codified structure of AIDEA's statutes. He stated that the direct financing portion of the bill is a change to the codified statutes, which would apply to any project that AIDEA could currently finance under AIDEA's Revolving Fund in AS 44.88.172 (a).

REPRESENTATIVE SADDLER understood this would be an expansion of AIDEA's Revolving Fund.

MR. DAVIS answered no; the bill does not expand what the fund can be used for since the definitions of what AIDEA can invest in are the same; however, it will change the mechanism for financing. Thus AIDEA has not broadened the types of projects at all - they are the same projects, he said.

[HB 74 was held over.]

[3:39:24 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:39 p.m.