

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON ENERGY

March 10, 2015

3:33 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Peter Micciche, Co-Chair
Senator Bert Stedman
Senator Dennis Egan

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

SENATE BILL NO. 50

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 50

SHORT TITLE: AIDEA: BONDS; PROGRAMS; LOANS; LNG PROJECT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/11/15	(S)	READ THE FIRST TIME - REFERRALS
02/11/15	(S)	NRG, RES, FIN
03/10/15	(S)	NRG AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

FRED PARADY, Acting Commissioner
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Introduced SB 50.

EUGENE THERRIAULT, Director
Energy Policy and Outreach
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Provided a sectional analysis of SB 50.

TED LEONARD, Executive Director
Alaska Industrial Development and Export Authority
Anchorage, Alaska

POSITION STATEMENT: Addressed bonding and loan authorizations for SB 50.

ACTION NARRATIVE

[3:33:58 PM](#)

CO-CHAIR PETER MICCICHE called the Senate Special Committee on Energy meeting to order at 3:33 p.m. Present at the call to order were Senators Egan, Stedman, Co-Chair Bishop, and Co-Chair Micciche.

SB 50-AIDEA: BONDS; PROGRAMS; LOANS; LNG PROJECT

[3:34:36 PM](#)

CO-CHAIR MICCICHE announced the consideration of SB 50.

[3:35:26 PM](#)

FRED PARADY, Acting Commissioner, Department of Commerce, Community and Economic Development, Juneau, Alaska, explained that Governor Walker issued Administrative Order 272 (AO 272) in late January that directed the Commissioner of the Department of Commerce, Community, and Economic Development to collaborate and facilitate at the highest levels of the Administration in pursuit of two topics: one is consumer energy across the state of Alaska, but the other was to keep the focus on an Interior Energy Development Project to lower the cost of energy for consumers and improve air quality for Interior residents in Fairbanks. He said AO 272, in addition to HB 105, seeks to essentially switch the evaluation of the gas supply for the Interior Energy Project from the north to the south.

[3:36:30 PM](#)

EUGENE THERRIAULT, Director, Energy Policy and Outreach, Alaska Energy Authority (AEA), Anchorage, Alaska, stated that he would provide the committee with a sectional analysis of SB 50.

Section 1 is a portion that suggests the Alaska Industrial Development and Export Authority's (AIDEA) limits be adjusted to compensate for the erosion of purchasing power due to inflation. He detailed that the suggestion is to increase the limit from \$6 million to \$10 million for projects that AIDEA participates in that require the consent of the local government for siting the project. He noted that the language for the \$6 million limit was originally put into the statutes in 1990 and has not been adjusted since.

Section 2 of the bill is a further adjustment in bond financing authorization for AIDEA for project development. He noted that the current limitation of \$10 million is suggested to be increased to \$25 million. He pointed out that the \$10 million limit was also put into statute in 1990 with no adjustment.

[3:38:14 PM](#)

Section 3 proposes two separate adjustments from \$20 million to \$25 million with AIDEA requesting that the two dollar amounts to be the same.

Section 4 is the proposed change to the Interior Energy Project (IEP) financing. He detailed that IEP's original financing package was limited to the "North Slope" via an LNG project. He said due to the LNG Project's infrastructure price coming in higher than expected, consideration was given to whether a source of natural gas can be identified in the Cook Inlet. [Section 4 deletes the phrase "on the North Slope" and changes it to "in the state."] He noted that there was concern amongst members of the Interior Delegation on the House side that a modification be made to make sure the focus on Interior Alaska as the anchor-demand to justify the infrastructure would be retained. He noted that the suggested language is available for the committee to consider.

[3:40:38 PM](#)

Section 5 is the proposed repeal of a portion of a previous bond authorization used to build the FedEx facilities at the Anchorage Airport that was never utilized. He explained that AIDEA's bond-counsel suggested that its old surplus bond authorizations be removed. He noted that active authorizations are taken into account when AIDEA goes to the bond market.

Section 6 suggests removal of old bond authorizations that did not move forward. He noted that the authorizations are all at an age that the AIDEA board of directors would not utilize them.

Section 7 calls for an immediate effective date.

[3:42:23 PM](#)

SENATOR STEDMAN stated that he appreciated seeing language in the bill that reins in loose bond authority. He asked if the bill removes all of the bond authority that is older than 2004. He inquired if a substantial amount of old bond authority still remains on the books to build a gas-line.

[3:43:33 PM](#)

TED LEONARD, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), Anchorage, Alaska, replied that AIDEA does not have any bond authorizations that deal with the gas-line. He stated that the changes in the bill takes care of any unused AIDEA bond authorizations. He revealed that new bond authorizations will have five year sunset provisions.

SENATOR STEDMAN recalled that the Alaska Railroad has a number of unused bond authorizations. He suggested that the committee look to clean up addition bond authorizations. He remarked that he likes the idea of a five year authorization window and noted that the concept is good business.

CO-CHAIR BISHOP concurred with Senator Stedman that cleaning up authorizations going back to 1994 is good business.

CO-CHAIR MICCICHE addressed Section 1 and noted that the increase from \$6 million to \$10 million was roughly a 64 percent increase. He asked if the proposed increase is based on inflation numbers or right-sizing the limit.

[3:45:23 PM](#)

MR. LEONARD answered that the Consumer Price Index (CPI) was used from 1990 to 2015 and the end result was a multiple of: 1.79. He detailed that the proposed increase was calculated to \$10.7 million and AIDEA rounded the amount to \$10 million.

He noted that even though the proposed limit changes, under AS 44.88.172, AIDEA does not have to go back and get approval for anything under \$10 million. He asserted that AIDEA still has an obligation to confer with any governmental bodies involved within any project's area.

CO-CHAIR MICCICHE asked if "government bodies" included the Legislature.

MR. LEONARD answered that the Legislature is not specified under that statute. He detailed that "government bodies" meant local governing local in the area where a project is going to reside in.

[3:47:33 PM](#)

CO-CHAIR MICCICHE asked Mr. Therriault to address the proposed adjustments made for inflation. He noted that one adjustment goes from \$6 million to \$10 million, roughly a 64 percent increase. He pointed out that the other proposed inflation-adjustment in Section 2 due to inflation goes from \$10 million to \$25 million.

MR. THERRIAULT answered that the proposed adjustments were a combination of inflation and purchasing power.

CO-CHAIR MICCICHE noted that Mr. Therriault used the same logic in Sections 1 and 2.

MR. THERRIAULT replied that the numbers were thought to be reasonable adjustments and round numbers.

CO-CHAIR MICCICHE asked if there was another reason for the difference between a 64 percent increase and a 250 percent increase.

[3:48:42 PM](#)

MR. LEONARD answered that Co-Chair Micciche was correct and the actual amount would be around \$18 million for just purchasing power. He noted that the adjustment also takes into account the types of financing needed. He explained that intent was to align bonding and loan participation funding. He said AIDEA believes that \$25 million was a reasonable number.

[3:50:21 PM](#)

CO-CHAIR MICCICHE asked Mr. Leonard to repeat why the limit is being set at \$25 million rather than \$18 million.

MR. LEONARD specified as follows:

To bring parity between the tools that we can finance through bonding between our different programs, we would be able to bond for a loan participation up to \$25 million. So we are trying to bring parity in our development finance program to say it have the same bonding capability for that tool in our toolbox under the development finance program.

CO-CHAIR MICCICHE noted that he intended to offer an amendment during the previous legislative session to remove the "on the Slope" language under his own suspicions that the project was inadequately funded. He remarked that he agrees with the House on bringing lower cost and reliable energy to the Interior. He noted that he is concerned about the "in the state" language and remarked that the committee should address that language later on. He asked for AIDEA to address the eight bond authorizations noted in the Governor's letter that the bill would repeal. He asked if the noted projects have been completed and that there was no additional use for any of the authorizations.

[3:52:34 PM](#)

MR. LEONARD replied that AIDEA has no projects that would be utilizing the noted bond authorizations. He asserted that AIDEA would feel obligated to come back to the Legislature if consideration was given to do a project under any of the noted authorizations.

CO-CHAIR MICCICHE remarked that committee staff-time will go into looking at other "stale" authorizations.

[3:53:50 PM](#)

CO-CHAIR BISHOP noted Co-Chair Micciche's comments on previous legislation that limited the state to just the "North Slope." He remarked that the new language in Section 4 has benefit for not only the Interior Energy Project, but maybe for other communities yet to be identified. He pointed out that he appreciates Mr. Shefchik, [Interior Gas Utility], reaching out and meeting with folks from Glennallen regarding gas.

[3:54:50 PM](#)

SENATOR STEDMAN noted that it is rare for Senators who have been around for a while to ever listen to a freshman Senator, even when the Senator is right.

CO-CHAIR MICCICHE summarized that he believes that everyone is particularly focused on a reliable source of energy for Interior Alaska, something that he thinks is about time. He asserted that he is focused on all options, but is concerned about a mirage. He said he is very focused on some real solutions and noted the inclusion of language into the bill that may help with more economically feasible long-term options as well. He summarized that it is imperative the state moves beyond the emergency management stage of energy to the Interior.

[SB 50 was held in committee.]

3:56:33 PM

There being no further business to come before the committee, Co-Chair Micciche adjourned the Senate Special Energy Committee hearing at 3:56 p.m.