

HB

236

HFIN

FILE



SEAGA Gas Project

**BRINGING UTILITY GAS SERVICE
TO SOUTHEAST AND GULF OF
ALASKA COMMUNITIES**

**BASED ON THE PRODUCTION,
TRANSPORTATION AND STORAGE
OF LIQUID NATURAL GAS (LNG),
LIQUID PETROLEUM GAS (LPG), AND
MANUFACTURED GASES**

Alaska Infrastructure Gas Company

Major Business Interests

**APUC APPROVED GAS UTILITY FOR
17 ALASKAN COMMUNITIES
GAS UTILITY MARKETING AND
SERVICES
LONG TERM OPERATION AND
MAINTENANCE OF LOCAL GAS
DISTRIBUTION SYSTEMS
CONTRACT FOR GAS SUPPLIES AND
MARINE TRANSPORTATION TO
COMMUNITIES**

Alaska Infrastructure Gas Company

Service Area Communities

Gulf of Alaska – 4

- Cordova, Kodiak, Valdez, Yakutat

Southeast Alaska – 13

- Angoon, Craig, Malinos, Juneau, Kake, Ketchikan, Klawock, Klukwan, Motiakatla, Petersburg, Sitka, Skagway, Wrangell

Expansion Communities – 5

- Gustavus, Hoonah, Hydaburg, Peatman, Thorne Bay

Alaska Infrastructure Gas Company

Community Development Potential

LARGE COMMUNITIES

- JUNEAU (30,000 pop.)
- KETCHIKAN (14,000 pop.)
- SITKA (9,000 pop.)
- KODIAK (12,000 pop.)

**5 YR PROJECTED RESIDENTIAL
LOAD OF 5 BCF
3.7+ BCF INDUSTRIAL LOAD**

Alaska Industrial Gas Company

Community Development Potential

MEDIUM COMMUNITIES

- CORDOVA
- CRAIG
- KLAWOCK
- PETERSBURG
- VALDEZ
- WRANGELL

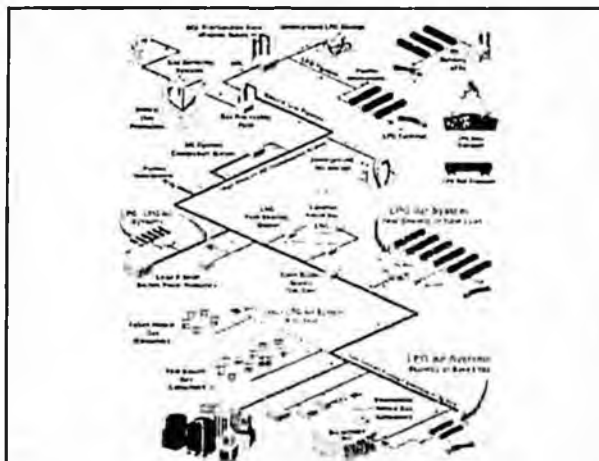
**5 YR PROJECTED
LOAD OF 3'BCF**

SMALL COMMUNITIES

- ANCHORAGE
- HAINES
- KAKE
- KLUKWAN
- METLAKATLA
- SKAGWAY
- YAKUTAT

**5 YR PROJECTED
LOAD OF 1.2 BCF**

Alaska Industrial Gas Company



Major Project Components

Acquisition of gas supplies

Transportation of gas to tidewater

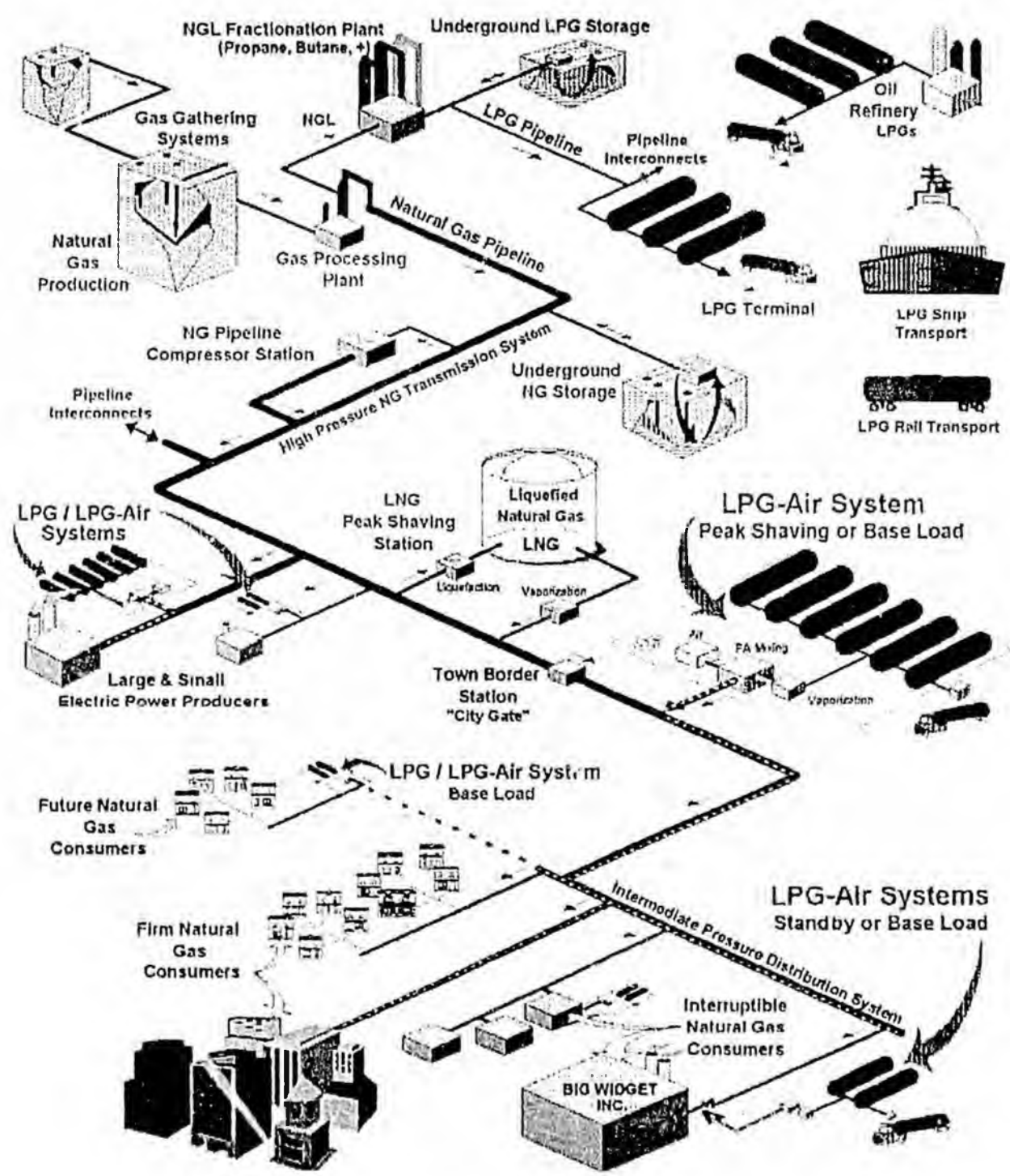
- Pipeline
- Railcar

Marine transportation of gas to communities

- Bulk barge
- Aquatrain

Storage and vaporization of gas in communities

Distribution and sale of gas in communities



Canadian Infrastructure



Marine Transportation

LNG/LPG BARGE

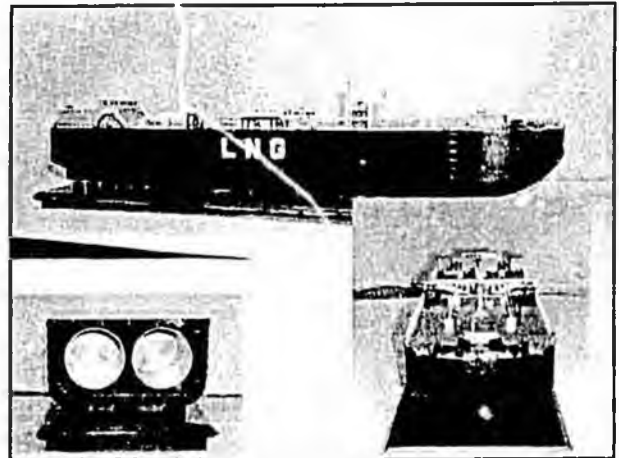
- 300' x 63' x 19'
- 11' DRAFT
- PUSH-TUG CONFIGURATION
- PRESSURIZED STORAGE TANKS
- NOMINAL CAPACITY 1,000,000 GALLONS

RAILCAR AQUATRAIN BARGE

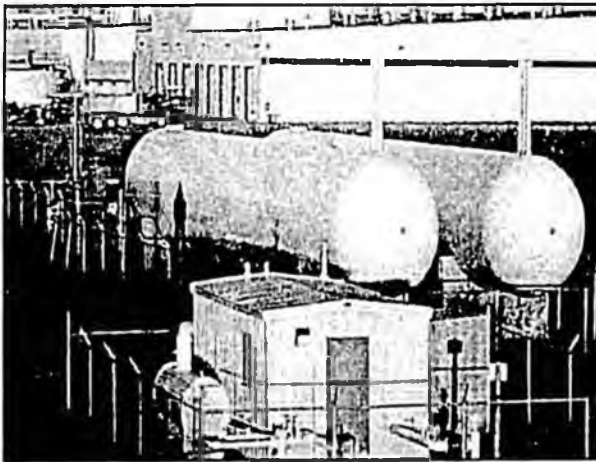
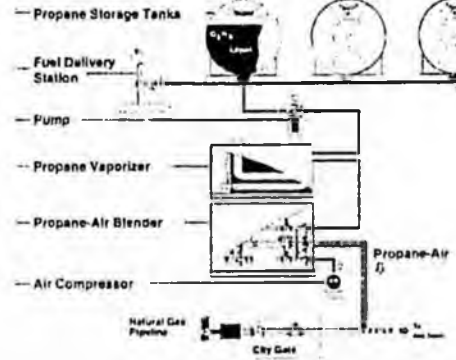
- EXISTING 180,000 GALLON BARGE
- NEW AQUATRAIN BARGE >500,000 GALLONS

SMALL BULK GAS CARRIER

- 500,000 TO 2,000,000 GALLON CAPACITY



SMALL BULK GAS CARRIERS



Sendout Piping Configuration



55,000 Gallon Storage Tank and Sendout Facility



Small Gas Sendout System



Cost Of Service

Residential

- \$7.25/MCF cost of gas
- \$7.05/mo service charge

Small commercial

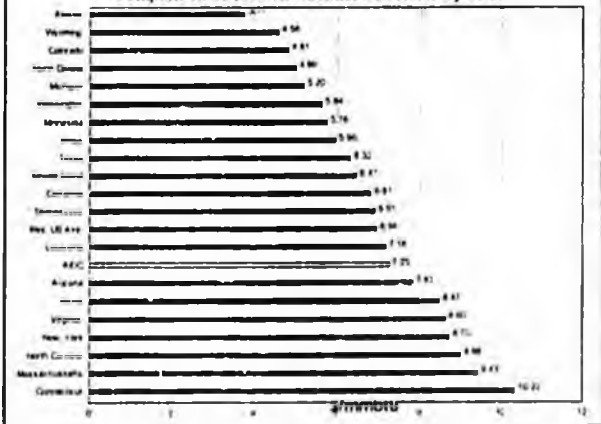
- \$6.89/MCF cost of gas
- \$9.95/mo service charge

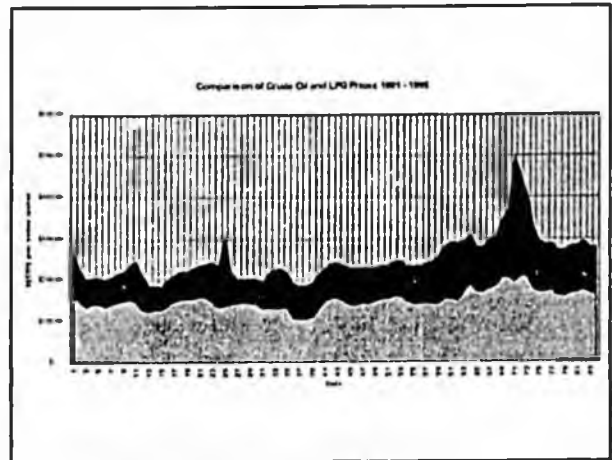
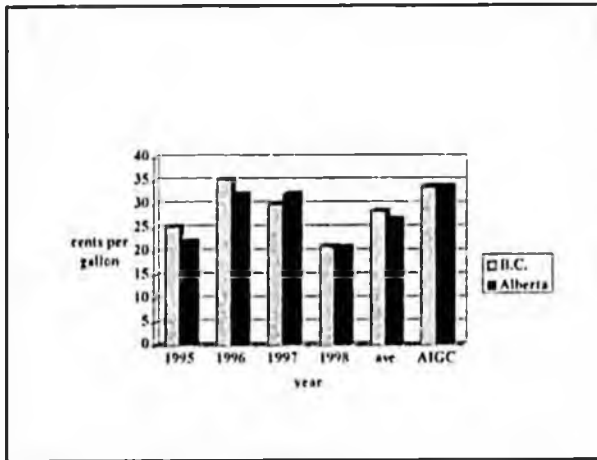
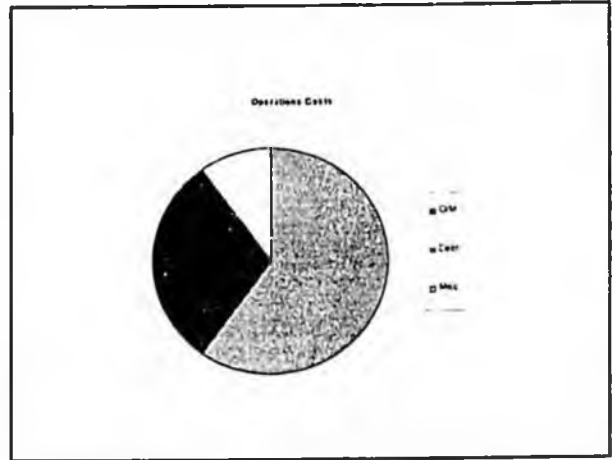
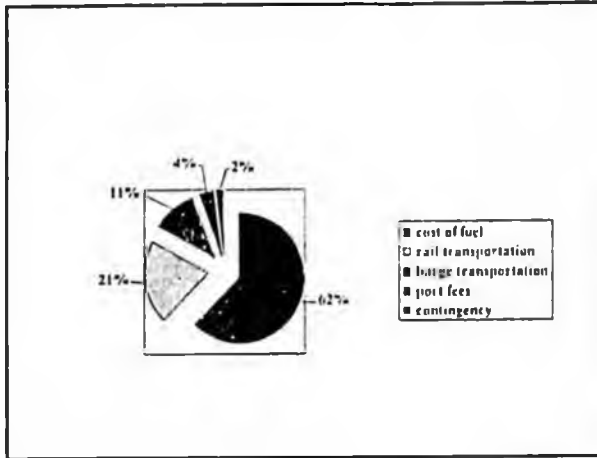
Large commercial

- \$6.63/MCF cost of gas
- \$40.00/mo service charge

Alaska Interstate Gas Company

Comparison of 1999 Residential Gas Rates by State



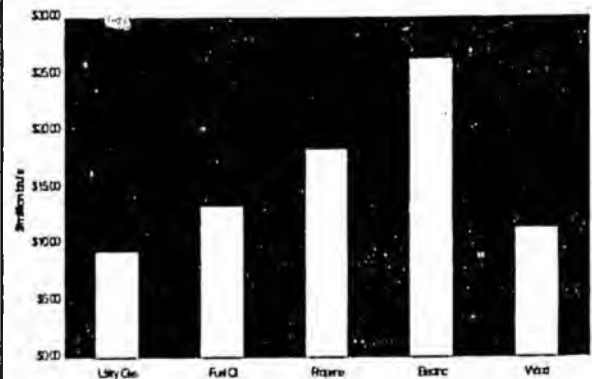


Community Energy Survey Results

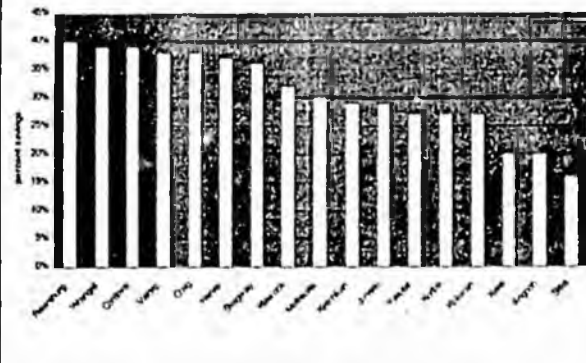
Angoon, Craig, Hoonah, Hydaburg, Kake, Klawock, Yakutat
Average annual energy consumption is 165 mmbtu
Average fuel oil cost in 1999 was \$1.74 per gallon
Average annual cost for fuel oil was \$2,685

Alaska Electric Power Corporation

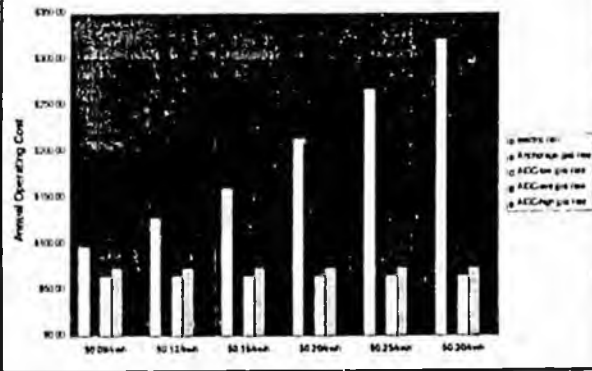
Comparative Costs of Fuels within Our Service Area - Low Cost Scenario

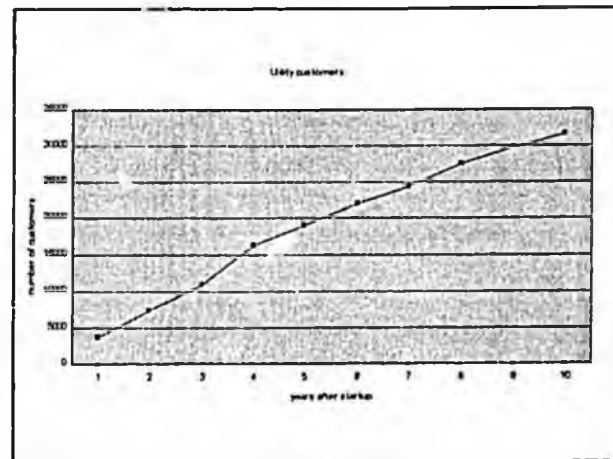
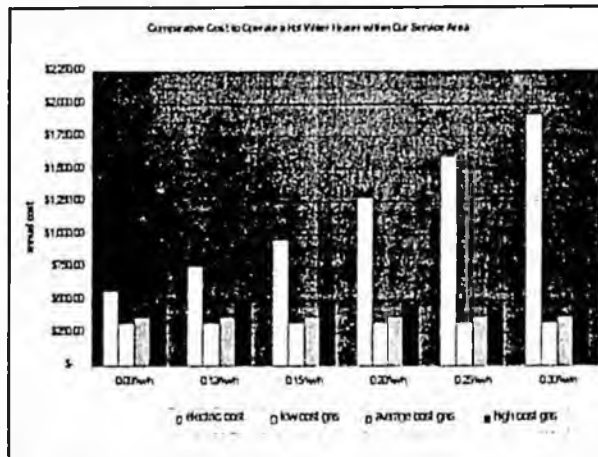


Percent Savings with Utility Gas Compared to Fuel Oil for Home Heating



Cost to Operate a Gas Clothes Dryer in Anchorage and Our Service Area Compared with an Electric Clothes Dryer at Representative Electric Rates in Our Service Area





Marketing Incentives

- Hookup fee waiver
- Appliance rebates and bonuses
- Financing/refinancing assistance
- Grant/loan assistance
- Credit card financing assistance
- Leasing/maintenance contracts
- Special purchase discounts
- Vendor promotions
- Installation/conversion discounts

Altek • International Gas Company

Service Schedule

Service	Frequency	Time	Notes
GENERAL MAINTENANCE	Quarterly	8:00 AM - 5:00 PM	Includes safety checks and equipment inspection.
PLUMBING	As needed	24/7	Emergency service available.
ELECTRICAL	As needed	24/7	Emergency service available.
ENGINEERING	As needed	9:00 AM - 5:00 PM	Design and technical support.
CONSTRUCTION	As needed	8:00 AM - 5:00 PM	Installation and repair work.
PERMITTING	As needed	9:00 AM - 5:00 PM	Regulatory compliance and documentation.

EMPLOYMENT POTENTIAL

200+ construction jobs
15+ permanent full-time employees
in Juneau
35+ permanent full-time employees
in AIGC
50+ permanent and part-time
secondary jobs related to gas utility
service

Alaska Infrastructure Trust Company

PHASE I SEAGA PROJECT FUNDING

Existing equity	\$ 3,000,000
Equity investment	\$ 11,500,000
Term loan principal	\$ 45,500,000
Gas sales revenues	\$ 13,000,000
Total funding	\$ 70,000,000

Alaska Infrastructure Trust Company

PHASE I PROJECT COST SUMMARY

Utility Plant	\$ 45,500,000
AFUDC debt	\$ 7,800,000
Interim Service	\$ 1,000,000
Financing costs	\$ 3,400,000
Contingency	\$ 3,300,000
Working Capital	\$ 2,500,000
Operating Reserves	\$ 8,500,000
Total uses of funds	\$ 70,000,000

Alaska Infrastructure Trust Company

HOUSE BILL 239

Provides legislative approval for a utility project over \$10,000,000 in cost as required by AS 44.88.095(g)
Consider SEAGA Gas Project under AIDEA's Development Finance Program
Places a bond limit of \$76,000,000 on the Project
Provides a sunset date of July 1, 2006 for issuance of bonds

Alaska Infrastructure Trust Company

AIDEA
Development Finance Program

**Focuses on development, ownership,
and operation of facilities such as
roads, ports and utilities**

**Essential to economic well-being of an
area**

Financially feasible

Supported by local communities

Alaska Infrastructure Gas Company

SEAGA Gas Project

**Project Team in Place to begin
Building out the Project**

**Pending legislation to authorize
participation of AIDEA in the Project**

***Due Diligence and economic
Feasibility Review by AIDEA***

***Initiate Community Work in Fall or
Winter 2001***

***Final Tariff Approval by RCA 6
Months before startup of Service***

Alaska Infrastructure Gas Company

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 236
 () Publish Date: _____

Revision Date/Time (Note if correction): 04/18/2001 9:30a.m. Dept. Affected: DCED
 Title: AIDEA Bonds For Gas Public Utilities BRU: AIDEA
 Component: AIDEA

Sponsor: House Finance
 Requester: House Finance Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 RSS						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill provides \$78 million in bonding authorization to finance the acquisition, design, construction, inventory and operation of a natural gas, propane air, or manufactured gas public utility in Southeast Alaska and several Gulf of Alaska communities. Prior to issuing bonds, AIDEA will be required to conduct a feasibility, market and risk analysis of the project as outlined in AS 44.88.005(c). Bonds sold to finance the project will have no fiscal impact on the General Fund.

Prepared by: Robert G. Poe, Jr., Executive Director Phone 907-269-3000
 Division: AIDEA Date/Time 04/18/2001 9:30a.m.
 Approved by: Commissioner Deborah B. Sedwick Date 4/18/2001
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

(907) 747-1812 • Fax: (907) 747-7403

April 17, 2001

The Honorable Representative Bill Williams, Finance Co-Chair
Alaska State Legislature
House Finance Committee
State Capitol Room 511
Juneau, Alaska 99801-1182

Dear Representative Williams:

On behalf of the City and Borough of Sitka, I extend my support for House Bill 236. House Bill 236 will authorize the Alaska Industrial Development and Export Authority to issue bonds for gas public utilities.

The City and Borough of Sitka is excited about the prospect of the introduction of gas utility service to the community in the near future. It would have numerous economic, environmental and social benefits to the residents of Sitka.

I sincerely request your support for Senate Bill 236, and urge passage of the bill in this legislative session.

Sincerely,

Gary L. Paxton
Administrator

Alaska State Legislature

Co-Chair
House Finance Committee
Subcommittee Chair
Environmental Conservation
Courts



During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
50 Front Street, Suite 203
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-7157

Representative William K. Williams

Sponsor Statement for House Bill 236 AIDEA Bonds for Gas Public Utilities

HB 236 expresses the legislature's approval for AIDEA to proceed to evaluate the Southeast and Gulf of Alaska (SEAGA) gas project for bond funding under the AIDEA Development Finance Program. AS 44.88.095(g) prohibits AIDEA from issuing bonds for projects over the amount of \$10,000,000 without the legislature's prior approval. The SEAGA gas project would continue to be evaluated by AIDEA for compliance with all other requirements under the law before bonds would be issued.

SEAGA will bring the benefits of gas utility service to the people and communities of Southeast Alaska and the Gulf of Alaska. On December 31, 1998 Alaska Intrastate Gas Company was granted Certificates of Public Convenience and Necessity by the Regulatory Commission of Alaska. The Certificates allow Alaska Intrastate Gas Company to provide gas utility service to homes and businesses in the following communities: the unified municipalities of Juneau and Sitka; the boroughs of Haines, Ketchikan, Kodiak, and Yakutat; the cities of Angoon, Cordova, Craig, Kake, Klawock, Petersburg, Skagway, Valdez, and Wrangell; and the communities of Klukwan and Metlakatla.

Gas utility service to these boroughs, cities and communities will be initiated in 2002 and completed by 2009. In the first two years gas utility service will be initiated in Juneau, Ketchikan and Sitka, and then expanded rapidly to cover the remaining communities. The overall cost to bring gas utility service to these 17 communities will exceed \$100,000,000. The project will result in over 200 jobs during construction, and more than 35 permanent full time jobs within the region.

The project is based on the bulk movement of liquefied natural and petroleum gases by barge and/or ship throughout the service area. The utility gas is stored in each community as a liquid until needed. It is then re-gasified and distributed via buried pipeline to utility customers on demand. Gas supplies will initially be obtained from Canadian sources and shipped from the Port of Prince Rupert, BC, Canada. However, after initiation of gas utility service in the first three communities, utility service will transition to both Canadian and Alaskan gas resources as additional communities are brought on line.

The utility will primarily provide gas utility service to residential, small commercial, large commercial and industrial customers in the 17-community service area. Annual gas sales are expected to exceed 12 billion cubic feet within 10 years. Consumers will see immediate economic benefits from the availability of clean, efficient, and environmentally

friendly utility gas service that can satisfy their space heating and hot water requirements. Replacing fuel oil with gas utility service is expected to generate energy cost savings of 15 - 40% for residents and businesses within the service area.

The AIDEA Development Finance Program focuses on the development, ownership, and operation of facilities within Alaska such as roads, ports and utilities which are essential to the economic well-being of an area; are financially feasible; and are supported by the communities in which they are located.

If AIDEA moves forward with project financing, which would depend upon the project meeting all requirements in the law, HB 236 places a limit of \$76,000,000 on the amount of bonding provided to the project. Finally, HB 236 provides a sunset date for issuing bonds for this project of July 1, 2006.



CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

OFFICE OF THE MAYOR

Telephone: (907) 586-5240; Facsimile: (907) 586-5385

Sally_Smith@ci.juneau.ak.us

April 5, 2001

Francis Avezac, Chairman of the Board
Alaska Intrastate Gas Company
615 82nd Avenue, Suite 206
Anchorage, Alaska 99518

Dear Mr. Avezac:

The City and Borough of Juneau Assembly supports the concept of bringing natural gas to Juneau. The Assembly encourages the Legislature of the State of Alaska to adopt legislation to authorize the Alaska Industrial Development Authority to investigate proposals and encourage the development of natural gas in Southeast Alaska.

Sincerely,

Sally Smith, Mayor
City and Borough of Juneau

cc: CBJ Assembly

(e) Before issuing bonds, the authority shall provide for consideration at least sufficient, in the judgment of the authority, to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves for the payments that the authority considers necessary or desirable, and to meet all obligations in connection with the lease or agreement and all costs necessary to service the bonds, unless the lease or agreement provides that the obligations are to be met or costs are to be paid by a party other than the authority. If the bonds are being issued to finance a project or projects under AS 44.88.155 — 44.88.159, then the consideration shall be provided by lease or other agreement regarding the project or projects. If the bonds are being issued to finance a development project or development projects under AS 44.88.172 — 44.88.177, then the consideration shall be provided by lease or other agreement regarding the development project or development projects.

(f) The superior court shall have jurisdiction to hear and determine suits, actions, or proceedings relating to the authority, including suits, actions, or proceedings brought to foreclose or otherwise enforce a mortgage, pledge, assignment, or security interest or brought by or for the benefit or security of a holder of its bonds or by a trustee for or other representative of the holders.

(g) *[Repealed, § 23 ch 123 SLA 1990.]*

(h) The authority may combine, for the purposes of a single offering, bonds financing more than one project or development project under AS 44.88.155 — 44.88.159 or 44.88.172 — 44.88.177.

(i) *[Repealed, § 23 ch 123 SLA 1990.]* (§ 1 ch 64 SLA 1967; am §§ 60, 61 ch 106 SLA 1980; am § 35 ch 115 SLA 1981; am §§ 13 — 16 ch 42 SLA 1987; am § 1 ch 162 SLA 1988; am §§ 7, 23 ch 123 SLA 1990; am §§ 1, 2 ch 109 SLA 1998)

Delayed amendment. — Until July 1, 2001, the reference to "AS 45.01 — AS 45.08, AS 45.12, AS 45.14, and AS 45.29" in subsection (c) reads "AS 45.01 — AS 45.09, AS 45.12, and AS 45.14".

Revisor's notes. — Formerly AS 44.61.090. Renumbered in 1980. In 1993 under § 13, ch. 34, SLA 1993 and § 128, ch. 35, SLA 1993 the citation to the Uniform Commercial Code was revised.

In 2000, "AS 45.01 — AS 45.08, AS 45.12, AS 45.14, and AS 45.29" was substituted for "AS 45.01 — AS 45.09, AS 45.12, and AS 45.14" in accordance with § 35, ch. 113, SLA 2000.

Effect of amendments. — The 1990 amendment,

effective June 15, 1990, deleted "Subject to (g) of this section" at the beginning of subsection (a) and repealed subsections (g) and (i).

The 1998 amendment, effective July 1, 1998, in subsection (e) deleted the former last sentence, which read: "If the bonds are being issued to provide money to finance, guarantee, or insure an exporting transaction under AS 44.88.300 - 44.88.390, then the consideration shall be provided by agreement with the exporter"; and in subsection (h) deleted ", and bonds issued to provide money to finance, guarantee, or insure an exporting transaction under AS 44.88.300 - 44.88.390" from the end.

Sec. 44.88.095. Bonding limitations. (a) The authority may not issue bonds in a 12-month period in an amount that exceeds \$400,000,000.

(b) *[Repealed, § 24 ch 123 SLA 1990.]*

(c) Before entering into a lease or other agreement under AS 44.88.090(e) regarding a project for which the authority agrees to issue bonds in an amount in excess of \$6,000,000, there must be filed with the authority a certified copy of a resolution of the governing body of the political subdivision of the state, if any, in which the project is to be located, consenting to the location of the project. The consent need only refer to the general nature of the project ultimately to be acquired, as set out in a request of the proposed project applicant. Before entering into a lease or other agreement under AS 44.88.090(e) regarding a project, the authority shall find, on the basis of all information reasonably available to it, that

(1) the project and its development under this chapter will be economically advantageous to the state and the general public welfare and will contribute to the economic growth of the state;

(2) the project applicant is financially responsible;

(3) provision to meet increased demand upon public facilities that might result from the project is reasonably assured; and

(4) the project will provide, or retain, employment reasonably related to the amount of the financing by the authority, considering the amount of investment per employee for comparable facilities and other relevant factors.

(d) Before adopting a resolution approving a project to be financed under AS 44.88.172 for which bonds must be issued, the authority shall, on the basis of all information reasonably available to it, make findings, with respect to the project, as described in (c)(1) — (4) of this section, and also find that

(1) the project is economically and financially feasible and able to produce revenue adequate to repay the bonds or loans with which it is financed;

(2) the project complies with applicable law; and

(3) issuance of the bonds is not expected to adversely affect the ability of the state or any political subdivision of the state to market other bonds.

(e) Before entering into an agreement to finance or to develop a proposed project financed under AS 44.88.172 for which bonds must be issued, the authority shall obtain the approval of each Regional Resource Advisory Council appointed under AS 44.88.174 or municipality in the area in which the proposed project is to be located. Approval under this subsection must be evidenced by a certified copy of a resolution of the council or of the governing body of the municipality. Before considering a resolution regarding the approval or rejection of the development or financing of a proposed project under this subsection, a Regional Resource Advisory Council shall conduct a public hearing in the region. If a proposed project is located in a municipality, the governing body of the municipality shall conduct a hearing on the proposed project.

(f) Before entering into an agreement to finance or to develop a proposed project financed under AS 44.88.172 for which bonds must be issued, the authority shall compile and make available to the public a document that summarizes the projected economic, social, and environmental effects of the project; and, in conjunction with the Department of Fish and Game, the Department of Natural Resources, the Department of Environmental Conservation, and the Department of Labor and Workforce Development, the authority shall conduct a public hearing on the projected effects of the project.

(g) Before July 1, 2003, the authority may issue bonds in an amount greater than \$10,000,000 to assist in the financing of a development project under AS 44.88.172 — 44.88.177 only with legislative approval. Beginning July 1, 2003, and thereafter, without prior legislative approval, the authority may not issue bonds, except refunding and conduit revenue bonds. (§§ 8, 9, 24 ch 123 SLA 1990; am §§ 3, 4 ch 51 SLA 1992; am § 4 ch 111 SLA 1996; am § 3 ch 109 SLA 1998; am § 8 ch 117 SLA 2000)

Revisor's notes. — In 1999, in (f) of this section, "Department of Labor" was changed to "Department of Labor and Workforce Development" in accordance with § 90, ch. 58, SLA 1999.

Effect of amendments. — The 1996 amendment, effective June 28, 1996, in subsection (g), added the first sentence and, at the beginning of the second sentence, added "Beginning July 1, 1998, and there-

after," and made a related stylistic change.

The 1998 amendment, effective July 1, 1998, substituted "July 1, 2000" for "July 1, 1998" in two places in subsection (g).

The 2000 amendment, effective June 30, 2000, in subsection (g) substituted "July 1, 2003" for "July 1, 2000" in two places and inserted "and conduit revenue."

Sec. 44.88.100. Trust indentures and trust agreements. In the discretion of the authority, an issue of bonds may be secured by a trust indenture or trust agreement between the authority and a corporate trustee (which may be a trust company, bank, or national banking association, with corporate trust powers, located inside or outside the state) or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee (hereinafter in this section referred to as "trust agreement") by means of which the authority may

(1) make and enter into any and all the covenants and agreements with the trustee or the holders of the bonds which the authority may determine to be necessary or desirable, including, without limitation, covenants, provisions, limitations, and agreements as to