

SB

255

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 255
(S) Publish Date: 2/15/08

Identifier (file name): SB255-CED-AIDEA-02-05-08 Dept. Affected: DCCED
Title Snettisham Refunding Bonds RDU AIDEA (125)
Component AIDEA
Sponsor Elton
Requester Senate Finance Component Number 1234

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
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	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Under AS 44.88.095(g) AIDEA has the authority to issue refunding bonds; however the statute does not provide sufficient clarity required by the bond markets to enable proceeds from the refunding bonds to be used to pay more than the outstanding balance of the existing bonds. The bill, if enacted, will enable the Authority to issue refunding bonds, the proceeds from which can be used to pay both the outstanding balance of the existing bonds and the costs of refinancing, funding reserves and other costs related to issuing the Snettisham refunding bonds.

Prepared by: Sara Fishergood, Acting Executive Director
Division: Alaska Industrial Development and Export Authority
Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone: 907.771.3012
Date/Time: 2/5/08 6:50 PM
Date: 2/5/2008



SENATOR KIM ELTON

SB 255 – Snettisham Refunding Bonds

Sponsor Statement

SB 255 authorizes the Alaska Industrial Development & Export Authority (AIDEA) to refund bonds for the Snettisham hydroelectric project in Southeast Alaska. If bond markets are favorable and the bonds meet both market and AIDEA financial tests, this refinancing will save money for ratepayers whose electricity comes from the Snettisham dam at no cost to the state.

In 1998, AIDEA bonded \$100 million to buy the Snettisham hydro project from a federal energy authority and construct project capital improvements. A private utility pays the debt service on those bonds and operates the project.

Recent trends in the financial markets suggest the debt can be refunded at significantly lower interest rates than the current debt. The utility operating the Snettisham project asked AIDEA to look into refinancing the debt by refunding the remaining bonds, which have an outstanding balance slightly over \$82 million. AIDEA's legal counsel advises that in order to roll the costs of issuing new bonds, along with premiums paid to retire the old bonds early, into the new bond issue, AIDEA must receive legislative authorization.

SB 255 provides an explicit statement of authority to refund the bonds. The bill provides a direct benefit to ratepayers in the form of lower electric bills in homes and businesses buying kilowatt hours generated at Snettisham.

I respectfully ask for your support.

ALASKA SENATE

STATE CAPITOL • JUNEAU, ALASKA 99801-4182 • (907) 465-4947 • FAX (907) 465-2108

SENATOR_KIM_ELTON@LEGIS.STATE.AK.US



February 1, 2008

The Honorable Kim Ellon
Alaska State Senate
State Capitol, Rm 506
Juneau, Alaska 99801-1182

Dear Senator Elton:

Thank you for introducing SB 255, an Act relating to refunding of certain outstanding bonds issued by the Alaska Industrial Development and Export Authority (AIDEA) concerning the Sneltisham hydroelectric project and related assets; and providing for an effective date.

SB 255 would authorize AIDEA to refund bonds for the Sneltisham hydroelectric project in Southeast Alaska, providing, at no cost to the state, additional savings to ratepayers whose electricity comes from the Sneltisham project.

In 1998, AIDEA issued \$100 million of revenue bonds to finance the acquisition of the Sneltisham hydroelectric project from the Alaska Power Administration, a federal agency, and the costs of construction and installation of capital improvements to the project. Alaska Electric Light and Power (AEL&P) operates the Sneltisham project and pays the debt service on the bonds. If interest rates are favorable, we anticipate that AEL&P will request AIDEA to refund the bonds as early as this fall. Although AIDEA statutes allow AIDEA to issue refunding bonds, counsel has advised that bond markets will require this legislative authorization to provide clarification that we may issue bonds above the par amount of the refunded bonds.

AIDEA's Deputy Director-Finance Valorie Walker is serving as primary agency contact for SB 255. Valorie may be reached at 907-771-3011. Thank you for introducing this legislation.

Sincerely,

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Sara Fisher-Goad
Acting Executive Director

SFG/bjm

H:\AIDEA and ALA\LEGISLATION\BUDGET FOLD\RS2008\Legislation and Budget\2008\Statewide\SB\SB255_Sneltisham_Bldg_Supp\02-01-2008.doc



ALASKA ELECTRIC LIGHT AND POWER COMPANY

(907) 780-2222 FAX (907) 463-3304
5601 Tongsgard Court, Juneau, AK 99801-7201

February 1, 2008

The Honorable Kim Elton
Alaska State Senate
State Capitol, Rm 506
Juneau, Alaska 99801-1182

Dear Senator Elton:

Thank you for introducing SB 255, relating to refunding of bonds issued by the Alaska Industrial Development and Export Authority (AIDEA) for the Snettisham hydroelectric project.

Alaska Electric Light and Power Company (AELP) supports this bill.

AELP operates the Snettisham project and pays the debt service on the bonds. If interest rates are favorable, we anticipate that AEL&P may request AIDEA to refund the bonds as early as this fall.

Debt service for the Snettisham project represents a significant portion of the cost to produce power for AELP's customers. SB 255 will provide the opportunity, at no cost to the state, for additional savings to AELP's ratepayers.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Tim McLeod', is written in dark ink. The signature is fluid and somewhat stylized, with a long, sweeping tail on the final letter.

Tim McLeod
President
Alaska Electric Light and Power Company