

**HB**

**357**

<TARGET><BILL>HB 357</BILL><SUBJECT>HB  
357</SUBJECT><COMM>HENE27</COMM></TARGET>

# Alaska State Legislature

*Session:*  
State Capitol Rm. 421  
Juneau, AK 99801  
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## Representative Lance Pruitt

Co-Chair, House Energy Committee

### Sponsor Statement

#### HB 357

#### AIDEA Sustainable Energy Program

Alaskans once again find themselves confronting the familiar paradox of high oil prices, which deliver windfall revenues to the treasury while burdening Alaskan communities with increased energy costs. Recognizing this, the Legislature made energy policy a priority issue and focused state resources on finding solutions. To date, we have invested millions in making our schools, homes, and public facilities more energy efficient. We have started work on an in-state gas pipeline and reinvigorated activity in Cook Inlet with targeted tax incentives and regulatory changes. We have begun developing the Susitna hydroelectric project, encouraged exploration for geothermal energy, and opened the door for emerging technologies like biomass, wind, and even small nuclear facilities.

Although each of these energy initiatives contributes to a more sustainable future for Alaska, the recent declining throughput in the trans-Alaska pipeline reminds us of how precarious our present condition is. Declining oil production and increasing demands on the treasury challenge us as policymakers to craft new strategies that to do more with less and to find sustainable ways to use Alaska's resources to grow our local economy.

ASSETS is proposing that the State recapitalize the Alaska Industrial Development and Export Authority (AIDEA) and expand AIDEA's existing authority to finance, or facilitate the financing of, energy infrastructure projects. AIDEA is already invested in energy projects such as the Snettisham hydroelectric project, which has provided low-cost, renewable power to Juneau for years. With a stronger balance sheet and greater access to credit markets, AIDEA could help finance or facilitate the financing of energy projects in Alaska. House Bill 357 creates a new fund within AIDEA: the sustainable energy transmission and supply development fund (SETS) and proposes \$250,000,000 be invested in the fund.

House Bill 357 also expands the powers of AIDEA to finance, or facilitate the financing of energy projects through the SETS fund by granting the authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.

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2. Defer principle payments and capitalize interest.
3. Offer financing terms of up to 30 years for energy projects or 50 years for transmission and hydroelectric projects.
4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance energy projects.
5. Offer a reduced interest rate for renewable projects, projects in rural areas or projects that promote economic development.

These additional powers will provide flexible terms that can reduce the ultimate cost of energy to consumers and enable projects to move forward toward construction. However, HB 357 also requires legislative approval for investments that are more than one-third of a project's capital costs or if a loan guarantee exceeds \$20 million. By subjecting certain investments to legislative approval, HB 357 maintains an appropriate level of due diligence for projects.

By making credit available we empower communities and give utilities an alternative to the traditional grant model that too often underfunds projects and leads to delays. Relying on credit also ensures that project sponsors have some skin in the game and a stake in a project's success or failure. Most importantly, we start to put some of Alaska's assets to work growing the economy within our state. Currently, Alaska's savings accounts are invested in stocks and bonds that drive economic activity outside Alaska. ASSETS suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks to development projects but as loans for energy infrastructure.

With ASSETS, Alaska has the chance to break the colonial model and sustainably grow its economy. As each loan is repaid, the capital becomes available to recycle into new loans. The recently completed Railbelt Integrated Resource Plan alone identified more than \$5 billion in infrastructure that will need to be financed. Without ASSETS, debt interest payments made by Alaskan utilities will continue to leave the state. With ASSETS, Alaska will actually make money. AIDEA currently pays a dividend to the treasury of between \$20 and \$30 million per year. A larger balance sheet would increase AIDEA's earnings and thus its annual dividend to the state.

Together, the Legislature's commitment to fiscal prudence and its focus on energy issues lay the foundation for a bright future for our state. By putting more of our assets to work locally, we can create opportunities, develop our resources and create a sustainable economy for generations to come.

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### Changes to CS HB 357 (27-LS1402\M) in CS HB 357 (27-LS1402\B)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following references are to the B version of CS HB 357

**Description:** The proposed CS makes three broad changes to the M version of CS HB 357. The changes described below were made to clarify the treatment of “energy projects” financed under the proposed SETS program (AS 44.88.700-740) from the definition of “project” in existing AIDEA statutes by renaming “energy projects” “*qualified energy developments*.” The definition of “*qualified energy development*” was refined and section 5, authorizing a moral obligation of the state was removed.

**Title** The following changes were made to the Title of the bill:

1. No changes.

**Section 1** The following changes were made to section 1:

1. No changes.

**Section 2** The following changes were made to section 2:

1. No changes.

**Section 3** The following changes were made to section 3:

1. No changes.

**Section 4** The following changes were made to Section 4:

1. No changes.

**Deletion** Section 5 (page 4 lines 1-15 of the M version) was removed from the bill:

1. The subsequent sections were renumbered accordingly.

**Section 5** The language in section 5 retains the language found in section 6 of the M version with the following changes:

1. Replaced “energy project” with “qualified energy development” on page 4, line 6 and page 5, line 1.

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- Section 6** The language in section 6 retains the language found in section 7 of the M version with the following change:
1. Replaced “energy project” with “qualified energy development” on page 5, line 29.
- Section 7** The language in section 7 retains the language found in section 8 of the M version with no changes.
- Section 8** The language in section 8 retains the language found in section 9 of the M version with no changes.
- Section 9** The language in section 9 retains the language found in section 10 of the M version with the following change:
1. Deleted the word “energy” preceding “loan” on page 6, line 26.
- Section 10** The language in section 10 retains the language found in section 11 of the M version with the following changes:
1. Deleted the word “energy” preceding “loan” on page 6, line 28.
  2. Deleted the word “energy” preceding “loan” on page 7, line 6.
  3. Deleted the word “energy” preceding “loan” on page 7, line 11.
- Section 11** The language in section 11 retains the language found in section 12 of the M version with the following change:
1. Deleted the word “energy” preceding “loan” on page 7, line 20.
- Section 12** The language in section 12 retains the language found in section 13 of the M version with no changes.
- Section 13** The language in section 13 retains the language found in section 14 of the M version with the following changes:
1. Replaced “energy projects” with “qualified energy development” on page 8, line 18-19.
  2. Replaced “energy projects” with “qualified energy development” on page 9, line 11.
  3. Replaced “energy projects” with “qualified energy development” on page 9, line 12.

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### Section 13 (continued)

4. Replaced "energy projects" with "qualified energy development" on page 9, line 13-14.
5. Replaced "energy projects" with "qualified energy development" on page 9, line 22-23.
6. Replaced "energy projects" with "qualified energy development" on page 9, line 26.
7. Replaced "energy projects" with "qualified energy development" on page 10, line 5.
8. Replaced "energy projects" with "qualified energy development" on page 10, line 12-13.
9. Replaced "energy projects" with "qualified energy development" on page 10, line 15-16.
10. Replaced "energy project" with "qualified energy development" on page 10, line 18-19.

### Section 14

Section 14 retains the language previously found in section 15 of the M version with the following changes:

1. Replaced "energy project" with "qualified energy development" on page 10 line 23.
2. Inserted "conservation" preceding "storage" on page 10, line 25.
3. Removed "conversion of natural gas, coal, or biomass to liquids" and replaced with new language on page 10, lines 29-30: "the chemical, catalytic, or biological upgrade or conversion of natural gas, coal, or biomass to hydrocarbon liquids."
4. Inserted new language on page 11, line 3: "gasification of coal or biomass into synthesis gas;"
5. Inserted new language on page 11, line 4-5: "the chemical, catalytic, or biological upgrade of synthesis gas into methane; or"
6. Inserted new language on page 11, line 6-7: "the manufacture of hydrogen from any feedstock, excluding the mechanical separation from air."

### Section 15

Section 15 retains the language previously found in section 16 of the M version with the following change:

1. Changed the reference on page 11, line 11 from 14 to 13 to reflect the renumbering of sections.

27-LS1402\B  
Kirsch  
4/2/12

**CS FOR HOUSE BILL NO. 357(ENE)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES PRUITT, Foster, Costello, Olson, Thompson, Petersen, Peggy Wilson,  
Tammie Wilson

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing the sustainable energy transmission and supply development  
2 program in the Alaska Industrial Development and Export Authority; and relating to  
3 the interest rates of the Alaska Industrial Development and Export Authority."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
6 to read:

7 SHORT TITLE. This Act may be known as the Alaska Sustainable Strategy for  
8 Energy Transmission and Supply (ASSETS) Act.

9 \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 LEGISLATIVE INTENT. The legislature intends to appropriate, during fiscal years  
12 2013 and 2014, amounts that total \$250,000,000 to carry out the purposes of this Act.

13 \* **Sec. 3.** AS 44.88.010(a) is amended to read:

14 (a) The legislature finds, determines, and declares that

1 (1) there exist areas of the state in which seasonal and nonseasonal  
2 unemployment exist;

3 (2) this unemployment is a serious menace to the health, safety, and  
4 general welfare, not only to the people in those areas, but also to the people of the  
5 entire state;

6 (3) the state lacks the basic manufacturing, industrial, energy, export,  
7 small business, and business enterprises and the other facilities referred to in this  
8 subsection necessary to permit adequate development of its natural resources and the  
9 balanced growth of its economy;

10 (4) the establishment and expansion of industrial, manufacturing,  
11 energy, export, small business, and business enterprises in the state [ALASKA] and  
12 the other facilities referred to in this subsection are essential to the development of the  
13 natural resources and the long-term economic growth of the state, and will directly and  
14 indirectly alleviate unemployment in the state;

15 (5) the expansion of export trade is vital to the health and growth of the  
16 state's economy;

17 (6) many state [ALASKA] businesses could benefit from additional  
18 financial and technical assistance with respect to the exportation of their products and  
19 services;

20 (7) the [UNITED STATES] Export-Import Bank of the United States  
21 has been mandated by the Export-Import Bank Act Amendments of 1983 to provide  
22 technical assistance and export financing support to small businesses in cooperation  
23 with state export finance agencies;

24 (8) Alaska-based exporters can be effectively assisted through the  
25 establishment, as part of the Alaska Industrial Development and Export Authority, of  
26 an export financing program designed to work with the [U.S.] Export-Import Bank of  
27 the United States and other federal, state, and private institutions;

28 (9) the achievement of the goal of full employment, and of  
29 establishment and continuing operation and development of industrial, manufacturing,  
30 energy, export, small business, and business enterprises in the state will be accelerated  
31 and facilitated by the creation of an instrumentality of the state with powers to incur

1 debt, to own and operate facilities, to make and insure loans to finance and to assist  
2 private lenders to make loans to finance the establishment, operation, and development  
3 of industrial, manufacturing, energy, export, small business, and business enterprises;

4 (10) it is in the public interest to promote the prosperity and general  
5 welfare of all citizens of the state by

6 (A) stimulating commercial and industrial growth and  
7 expansion by encouraging an increase of private investment by banks,  
8 investment houses, insurance companies, and other financial institutions,  
9 including pension and retirement funds, to help satisfy the need for economic  
10 expansion;

11 (B) encouraging the production of raw materials and goods for  
12 export, the expansion of exports and raw materials and goods, and the  
13 rendering of services abroad by residents of the state through the establishment  
14 of a program that provides financial assistance in cooperation with federal,  
15 state, and private institutions for these purposes in the form provided in this  
16 chapter;

17 (C) creating the Alaska Industrial Development and Export  
18 Authority with the powers necessary to accomplish the objectives stated in this  
19 paragraph, including the power to issue taxable and tax-exempt bonds and to  
20 acquire ownership interests in projects as provided in this chapter;

21 (11) it is in the state's interest to import private capital to create new  
22 economic activity which would not otherwise take place in the state.

23 \* **Sec. 4.** AS 44.88.010(b) is amended to read:

24 (b) It is declared to be the policy of the state, in the interests of promoting the  
25 health, security, and general welfare of all the people of the state, and a public  
26 purpose, to increase job opportunities and otherwise to encourage the economic  
27 growth of the state, including the development of its natural resources, through the  
28 establishment and expansion of manufacturing, industrial, energy, export, small  
29 business, and business enterprises and the other facilities referred to in (a) of this  
30 section by creating the Alaska Industrial Development and Export Authority with the  
31 powers, duties, and functions as provided in this chapter.

1 \* **Sec. 5.** AS 44.88.155(d) is amended to read:

2 (d) A loan participation purchased by the authority with assets of the  
3 enterprise development account or with proceeds of bonds secured by assets of the  
4 enterprise development account

5 (1) may not exceed \$20,000,000; however, in the case of a loan  
6 participation for qualified energy development [A POWER TRANSMISSION  
7 INTERTIE], the loan participation may exceed \$20,000,000 with legislative approval;

8 (2) may not be purchased unless

9 (A) the project applicant is not, or, if the applicant is not a  
10 single proprietorship, all members of the business enterprise or enterprises  
11 constituting the project applicant are not, in default on another loan made by  
12 the state or by a public corporation of the state; and

13 (B) at least 10 percent of the principal amount of the loan is  
14 retained by the loan originator, or the loan is for financing improvements in  
15 energy efficiency;

16 (3) may not be purchased if the loan to be purchased exceeds 75  
17 percent of the appraised value of the collateral offered as security for the loan unless  
18 the amount of the loan in excess of this limit is federally insured or guaranteed or is  
19 insured by a qualified mortgage insurance company, except that the loan to be  
20 purchased under this paragraph may not exceed the total of loan proceeds used to  
21 refinance an existing debt plus the cost of new construction, expansion, or acquisition  
22 unless the proceeds from the additional amounts of the loan to be purchased are  
23 restricted to uses approved by the authority to finance commercial activity in the state  
24 by a business enterprise;

25 (4) may not be purchased if the participation in the loan to be  
26 purchased is for a term longer than the following, except that a loan under (A) or (C)  
27 of this paragraph may not have a term longer than three-quarters of the authority's  
28 estimate of the life of the collateral offered as security for the loan:

29 (A) 40 years from the date the loan is made in the case of a  
30 loan participation for a project described in AS 44.88.900(9)(E);

31 (B) 50 years from the date the loan is made in the case of a loan

1 participation for qualified energy development [A POWER  
2 TRANSMISSION INTERTIE];

3 (C) 25 years from the date the loan is made in the case of a loan  
4 participation for other projects;

5 (5) may be made only if the participation in the loan to be purchased  
6 contains amortization provisions; the amortization provisions

7 (A) must be complete and satisfactory to the authority and  
8 require periodic payments by the borrower;

9 (B) may allow the loan originator to amortize the portion of the  
10 loan retained by the loan originator using a shorter amortization schedule than  
11 the amortization schedule for the portion of the loan held by the authority if

12 (i) in the authority's opinion, the project financed can  
13 support the increased debt service; and

14 (ii) the accelerated amortization schedule is required to  
15 induce the originator to make the loan;

16 (6) may be made only if the participation in the loan to be purchased is  
17 in the form and contains the terms and provisions with respect to insurance, repairs,  
18 alterations, payment of taxes and assessments, default reserves, delinquency charges,  
19 default remedies, acceleration of maturity, secondary liens, and other matters the  
20 authority prescribes; and

21 (7) may be made only if the participation in the loan to be purchased is  
22 secured as to repayment by a mortgage or other security instrument in the manner the  
23 authority determines is feasible to assure timely repayment under the loan documents  
24 entered into with the borrower.

25 \* **Sec. 6.** AS 44.88.155(g) is amended to read:

26 (g) Notwithstanding any other provision of this section, the authority may  
27 waive or modify the requirements of this section as it considers appropriate and  
28 prudent in order to finance a project if the authority intends to own the project or in  
29 order to finance qualified energy development [A POWER TRANSMISSION  
30 INTERTIE PROJECT].

31 \* **Sec. 7.** AS 44.88.159(a) is amended to read:

1 (a) The interest rate on a loan purchased from the proceeds of tax-exempt  
2 bonds secured by the sustainable energy transmission and supply development  
3 fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or a loan participation  
4 purchased from the proceeds of tax-exempt bonds or expected by the authority to be  
5 purchased from the proceeds of tax-exempt bonds under AS 44.88.155 shall be  
6 determined under the regulations adopted by the authority under  
7 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In  
8 this subsection, "cost of funds" means the true interest cost expressed as a rate on tax-  
9 exempt bonds of the authority plus an additional percentage as determined by the  
10 authority to represent the allocable expenses of operation, costs of issuance, and loan  
11 servicing costs.

12 \* **Sec. 8.** AS 44.88.159(b) is amended to read:

13 (b) The interest rate on a loan purchased from the proceeds of taxable  
14 bonds secured by the sustainable energy transmission and supply development  
15 fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or a loan participation  
16 purchased from the proceeds of taxable bonds under AS 44.88.155 or expected by the  
17 authority to be purchased from the proceeds of taxable bonds under AS 44.88.155  
18 shall be determined under the regulations adopted by the authority under  
19 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In  
20 this subsection, "cost of funds" means the true interest cost expressed as a rate on  
21 taxable bonds, plus an additional percentage as determined by the authority to  
22 represent the allocable expenses of operation, costs of issuance, and loan servicing  
23 costs.

24 \* **Sec. 9.** AS 44.88.159(d) is amended to read:

25 (d) The provisions of this section apply only to a loan participation purchased  
26 under AS 44.88.155 - 44.88.159 or to a loan made under AS 44.88.700 - 44.88.740.

27 \* **Sec. 10.** AS 44.88.159(e) is amended to read:

28 (e) The interest rate on a loan made under AS 44.88.700 - 44.88.740 or a  
29 loan participation purchased directly from the assets of the authority shall be  
30 determined under the regulations adopted by the authority under  
31 AS 44.88.085(g)(2)(C) and shall be not less than the total of a percentage as

1 determined by the authority to represent the allocable expenses of operation and costs  
2 of loan origination and servicing, plus the cost of funds. In this subsection,

3 (1) "comparable financial security" means a type or category of  
4 financial security the authority identifies in the regulations adopted by the authority  
5 under AS 44.88.085(g)(2)(C) that has a term and financial conditions comparable to  
6 the term and financial conditions of a loan participation or a loan made under  
7 AS 44.88.700 - 44.88.740 and for which a regularly published, nationally recognized  
8 market index is available;

9 (2) "cost of funds" means the earnings, expressed as an annual interest  
10 rate, the authority would receive on a comparable financial security, and, for a loan  
11 participation or a loan made under AS 44.88.700 - 44.88.740 with a fixed interest  
12 rate, the cost of funds must equal or exceed the minimum interest rate;

13 (3) "minimum interest rate" means the five-year return on investment  
14 funds of the authority, expressed as an annual interest rate, achieved by all internal and  
15 external investment managers of the authority combined.

16 \* **Sec. 11.** AS 44.88.159(f) is amended to read:

17 (f) In determining an interest rate under the regulations adopted by the  
18 authority under AS 44.88.085(g)(2)(C), the authority may determine to disregard the  
19 minimum interest rate required under (a), (b), or (e) of this section for a loan  
20 participation purchased by the authority or a loan made under AS 44.88.700 -  
21 44.88.740 to resolve lending limits or reserve restrictions imposed on the financial  
22 institution and may instead determine to retain the interest rate existing at the time the  
23 authority makes the loan or purchases the authority's loan participation [A  
24 PORTION OF THE LOAN].

25 \* **Sec. 12.** AS 44.88.159(g) is amended to read:

26 (g) The authority may, in the regulations adopted by the authority under  
27 AS 44.88.085(g)(2)(C), establish a program to pay to borrowers of loan participations  
28 determined by the authority to meet sufficient job creation, rural development,  
29 renewable energy development, or other economic development criteria incentive  
30 rate rebates of not more than one percent of the interest rate charged on the authority's  
31 portion of a loan participation. The following standards apply to the program:

1 (1) the payment of an incentive rate rebate may reduce the interest rate  
2 to a rate that is less than the minimum interest rate required under (a), (b), or (e) of this  
3 section;

4 (2) the authority may not commit to pay an incentive rate rebate for a  
5 proposed loan participation if the total of the amount of the proposed loan  
6 participation plus the combined outstanding balance of all loan participations for  
7 which the authority has committed to pay incentive rate rebates would exceed five  
8 percent of the total of the amount of the proposed loan participation plus the combined  
9 outstanding balance of all loan participations of the authority;

10 (3) an incentive rate rebate may not accrue for more than five years  
11 after the date the loan participation is purchased;

12 (4) the authority may establish a separate account for the incentive rate  
13 rebate program.

14 \* **Sec. 13.** AS 44.88 is amended by adding new sections to read:

15 **Article 7A. Sustainable Energy Transmission and Supply.**

16 **Sec. 44.88.700. Sustainable energy transmission and supply development**  
17 **program.** The sustainable energy transmission and supply development program is  
18 created in the authority to promote and provide financing for qualified energy  
19 development in the state to alleviate unemployment and contribute to the state's  
20 economic welfare, economic diversity, and economic development.

21 **Sec. 44.88.710. Alaska Industrial Development and Export Authority**  
22 **sustainable energy transmission and supply development fund.** The Alaska  
23 Industrial Development and Export Authority sustainable energy transmission and  
24 supply development fund is established in the authority. The development fund  
25 consists of appropriations made to the development fund by the legislature, money or  
26 other assets transferred to the development fund by the authority, and unrestricted loan  
27 repayments, interest, or other income earned on loans, investments, or assets of the  
28 development fund. The development fund is not an account in the revolving loan fund  
29 established in AS 44.88.060, and the authority shall account for the development fund  
30 separately from the revolving fund. The authority may create additional accounts in  
31 the development fund. Subject to agreements made with the holders of the authority's

1 bonds or with other persons, the authority may transfer amounts in an account in the  
2 development fund to another account in the development fund. Amounts deposited in  
3 the development fund may be pledged to the payment of bonds of the authority or  
4 expended for the purposes of AS 44.88.700 - 44.88.740. The authority has the powers  
5 and responsibilities established in AS 37.10.071 with respect to the investment of  
6 amounts held in the development fund.

7 **Sec. 44.88.720. Use of fund balance.** Subject to the requirements of  
8 AS 44.88.710 - 44.88.740, the authority may use money in the Alaska Industrial  
9 Development and Export Authority sustainable energy transmission and supply  
10 development fund to assist in the construction, improvement, rehabilitation, and  
11 expansion of qualified energy development.

12 **Sec. 44.88.730. Qualified energy development; powers and duties of the**  
13 **authority.** (a) Subject to the limitations of AS 44.88.740, for qualified energy  
14 development the authority may

15 (1) use the Alaska Industrial Development and Export Authority  
16 sustainable energy transmission and supply development fund to finance qualified  
17 energy development, insure project obligations, guarantee loans or bonds, and  
18 establish reserves;

19 (2) acquire real or personal property by purchase, transfer, or  
20 foreclosure when the acquisition is necessary to protect the authority's interest in  
21 financing;

22 (3) defer principal payments or capitalize interest on qualified energy  
23 development financing;

24 (4) subject to AS 36.30.085(e), enter into lease agreements, sales-  
25 lease-back agreements, build-operate-transfer, and operate-transfer agreements, or any  
26 similar project financing agreement for a qualified energy development;

27 (5) enter into agreements with government entities for the transfer and  
28 control of infrastructure, facilities, rights-of-way, and studies;

29 (6) contract for services with a professional advisor, including an  
30 attorney, bond counsel, engineer, or other technical expert necessary to fulfill the  
31 purposes of the program; and

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(7) subject to AS 44.88.090, borrow money and issue bonds.

(b) The authority shall adopt regulations to implement AS 44.88.700 - 44.88.740, including

- (1) an application process for acquiring financing under this section;
- (2) qualifications for qualified energy development projects applying for financing under this section; and
- (3) fiscal controls and accounting procedures for the development fund.

**Sec. 44.88.740. Limitations on financing.** (a) Unless the authority has obtained legislative approval by law, the authority may not finance or participate in financing of

- (1) more than one-third of the capital cost of qualified energy development; or
- (2) a loan guarantee that exceeds \$20,000,000.

(b) Financing under AS 44.88.730 is limited to the life of qualified energy development, which may not be more than

- (1) 30 years; or
- (2) 50 years for a transmission line or hydroelectric qualified energy development.

\* **Sec. 14.** AS 44.88.900 is amended by adding new paragraphs to read:

(15) "development fund" means the sustainable energy transmission and supply development fund created in AS 44.88.710;

(16) "qualified energy development" means a project in the state that involves

- (A) transmission, generation, conservation, storage, or distribution of heat or electricity;
- (B) liquefaction, regasification, distribution, storage, or use of natural gas;
- (C) the chemical, catalytic, or biological upgrade or conversion of natural gas, coal, or biomass to hydrocarbon liquids;
- (D) processing, refining, or upgrading of oil;

- 1 (E) distribution or storage of refined petroleum products;
- 2 (F) enhanced oil recovery or carbon sequestration;
- 3 (G) gasification of coal or biomass into synthesis gas;
- 4 (H) the chemical, catalytic, or biological upgrade of synthesis
- 5 gas into methane; or
- 6 (I) the manufacture of hydrogen from any feedstock, excluding
- 7 the mechanical separation from air.

8 \* **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to  
9 read:

10 REVISOR'S INSTRUCTION. References to "this chapter" in AS 44.88 apply to sec. 13 of  
11 this Act and so should not be changed.

27-LS1402M  
Kirsch  
3/12/12

**CS FOR HOUSE BILL NO. 357( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES PRUITT, Foster, Costello, Olson, Thompson, Petersen, Peggy Wilson

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing the sustainable energy transmission and supply development  
2 program in the Alaska Industrial Development and Export Authority; and relating to  
3 the interest rates of the Alaska Industrial Development and Export Authority."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
6 to read:

7 SHORT TITLE. This Act may be known as the Alaska Sustainable Strategy for  
8 Energy Transmission and Supply (ASSETS) Act.

9 \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 LEGISLATIVE INTENT. The legislature intends to appropriate, during fiscal years  
12 2013 and 2014, amounts that total \$250,000,000 to carry out the purposes of this Act.

13 \* **Sec. 3.** AS 44.88.010(a) is amended to read:

14 (a) The legislature finds, determines, and declares that

1 (1) there exist areas of the state in which seasonal and nonseasonal  
2 unemployment exist;

3 (2) this unemployment is a serious menace to the health, safety, and  
4 general welfare, not only to the people in those areas, but also to the people of the  
5 entire state;

6 (3) the state lacks the basic manufacturing, industrial, energy, export,  
7 small business, and business enterprises and the other facilities referred to in this  
8 subsection necessary to permit adequate development of its natural resources and the  
9 balanced growth of its economy;

10 (4) the establishment and expansion of industrial, manufacturing,  
11 energy, export, small business, and business enterprises in the state [ALASKA] and  
12 the other facilities referred to in this subsection are essential to the development of the  
13 natural resources and the long-term economic growth of the state, and will directly and  
14 indirectly alleviate unemployment in the state;

15 (5) the expansion of export trade is vital to the health and growth of the  
16 state's economy;

17 (6) many state [ALASKA] businesses could benefit from additional  
18 financial and technical assistance with respect to the exportation of their products and  
19 services;

20 (7) the [UNITED STATES] Export-Import Bank of the United States  
21 has been mandated by the Export-Import Bank Act Amendments of 1983 to provide  
22 technical assistance and export financing support to small businesses in cooperation  
23 with state export finance agencies;

24 (8) Alaska-based exporters can be effectively assisted through the  
25 establishment, as part of the Alaska Industrial Development and Export Authority, of  
26 an export financing program designed to work with the [U.S.] Export-Import Bank of  
27 the United States and other federal, state, and private institutions;

28 (9) the achievement of the goal of full employment, and of  
29 establishment and continuing operation and development of industrial, manufacturing,  
30 energy, export, small business, and business enterprises in the state will be accelerated  
31 and facilitated by the creation of an instrumentality of the state with powers to incur

1 debt, to own and operate facilities, to make and insure loans to finance and to assist  
2 private lenders to make loans to finance the establishment, operation, and development  
3 of industrial, manufacturing, energy, export, small business, and business enterprises;

4 (10) it is in the public interest to promote the prosperity and general  
5 welfare of all citizens of the state by

6 (A) stimulating commercial and industrial growth and  
7 expansion by encouraging an increase of private investment by banks,  
8 investment houses, insurance companies, and other financial institutions,  
9 including pension and retirement funds, to help satisfy the need for economic  
10 expansion;

11 (B) encouraging the production of raw materials and goods for  
12 export, the expansion of exports and raw materials and goods, and the  
13 rendering of services abroad by residents of the state through the establishment  
14 of a program that provides financial assistance in cooperation with federal,  
15 state, and private institutions for these purposes in the form provided in this  
16 chapter;

17 (C) creating the Alaska Industrial Development and Export  
18 Authority with the powers necessary to accomplish the objectives stated in this  
19 paragraph, including the power to issue taxable and tax-exempt bonds and to  
20 acquire ownership interests in projects as provided in this chapter;

21 (11) it is in the state's interest to import private capital to create new  
22 economic activity which would not otherwise take place in the state.

23 \* **Sec. 4.** AS 44.88.010(b) is amended to read:

24 (b) It is declared to be the policy of the state, in the interests of promoting the  
25 health, security, and general welfare of all the people of the state, and a public  
26 purpose, to increase job opportunities and otherwise to encourage the economic  
27 growth of the state, including the development of its natural resources, through the  
28 establishment and expansion of manufacturing, industrial, energy, export, small  
29 business, and business enterprises and the other facilities referred to in (a) of this  
30 section by creating the Alaska Industrial Development and Export Authority with the  
31 powers, duties, and functions as provided in this chapter.

1 \* **Sec. 5.** AS 44.88.105(d) is amended to read:

2 (d) The **chair** [CHAIRMAN] of the authority shall annually, **not** [NO] later  
3 than January 2, certify in writing to the governor and the legislature the amount, if  
4 any, required to restore a capital reserve fund to the capital reserve fund requirement.  
5 The legislature may appropriate to the authority the amount certified by the **chair**  
6 [CHAIRMAN] of the authority. The authority shall deposit the amounts appropriated  
7 under this subsection during a fiscal year in the proper capital reserve fund. Nothing in  
8 this section creates a debt or liability of the state. In this subsection, "capital reserve  
9 fund" means a capital reserve fund that

10 (1) is created under this section on or before January 1, 1989;

11 (2) secures refunding bonds if the refunding bonds are issued to refund  
12 bonds that are secured by a capital reserve fund created under this section on or before  
13 January 1, 1989; or

14 (3) secures bonds issued on or after August 11, 1993, for **an energy**  
15 **project** [A POWER TRANSMISSION INTERTIE].

16 \* **Sec. 6.** AS 44.88.155(d) is amended to read:

17 (d) A loan participation purchased by the authority with assets of the  
18 enterprise development account or with proceeds of bonds secured by assets of the  
19 enterprise development account

20 (1) may not exceed \$20,000,000; however, in the case of a loan  
21 participation for **an energy project** [A POWER TRANSMISSION INTERTIE], the  
22 loan participation may exceed \$20,000,000 with legislative approval;

23 (2) may not be purchased unless

24 (A) the project applicant is not, or, if the applicant is not a  
25 single proprietorship, all members of the business enterprise or enterprises  
26 constituting the project applicant are not, in default on another loan made by  
27 the state or by a public corporation of the state; and

28 (B) at least 10 percent of the principal amount of the loan is  
29 retained by the loan originator, **or the loan is for financing improvements in**  
30 **energy efficiency**;

31 (3) may not be purchased if the loan to be purchased exceeds 75

1 percent of the appraised value of the collateral offered as security for the loan unless  
2 the amount of the loan in excess of this limit is federally insured or guaranteed or is  
3 insured by a qualified mortgage insurance company, except that the loan to be  
4 purchased under this paragraph may not exceed the total of loan proceeds used to  
5 refinance an existing debt plus the cost of new construction, expansion, or acquisition  
6 unless the proceeds from the additional amounts of the loan to be purchased are  
7 restricted to uses approved by the authority to finance commercial activity in the state  
8 by a business enterprise;

9 (4) may not be purchased if the participation in the loan to be  
10 purchased is for a term longer than the following, except that a loan under (A) or (C)  
11 of this paragraph may not have a term longer than three-quarters of the authority's  
12 estimate of the life of the collateral offered as security for the loan:

13 (A) 40 years from the date the loan is made in the case of a  
14 loan participation for a project described in AS 44.88.900(9)(E);

15 (B) 50 years from the date the loan is made in the case of a loan  
16 participation for an energy project [A POWER TRANSMISSION  
17 INTERTIE];

18 (C) 25 years from the date the loan is made in the case of a loan  
19 participation for other projects;

20 (5) may be made only if the participation in the loan to be purchased  
21 contains amortization provisions; the amortization provisions

22 (A) must be complete and satisfactory to the authority and  
23 require periodic payments by the borrower;

24 (B) may allow the loan originator to amortize the portion of the  
25 loan retained by the loan originator using a shorter amortization schedule than  
26 the amortization schedule for the portion of the loan held by the authority if

27 (i) in the authority's opinion, the project financed can  
28 support the increased debt service; and

29 (ii) the accelerated amortization schedule is required to  
30 induce the originator to make the loan;

31 (6) may be made only if the participation in the loan to be purchased is

1 in the form and contains the terms and provisions with respect to insurance, repairs,  
2 alterations, payment of taxes and assessments, default reserves, delinquency charges,  
3 default remedies, acceleration of maturity, secondary liens, and other matters the  
4 authority prescribes; and

5 (7) may be made only if the participation in the loan to be purchased is  
6 secured as to repayment by a mortgage or other security instrument in the manner the  
7 authority determines is feasible to assure timely repayment under the loan documents  
8 entered into with the borrower.

9 \* **Sec. 7.** AS 44.88.155(g) is amended to read:

10 (g) Notwithstanding any other provision of this section, the authority may  
11 waive or modify the requirements of this section as it considers appropriate and  
12 prudent in order to finance a project if the authority intends to own the project or in  
13 order to finance **an energy** [A POWER TRANSMISSION INTERTIE] project.

14 \* **Sec. 8.** AS 44.88.159(a) is amended to read:

15 (a) The interest rate on **a loan purchased from the proceeds of tax-exempt**  
16 **bonds secured by the sustainable energy transmission and supply development**  
17 **fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or** a loan participation  
18 purchased from the proceeds of tax-exempt bonds or expected by the authority to be  
19 purchased from the proceeds of tax-exempt bonds **under AS 44.88.155** shall be  
20 determined under the regulations adopted by the authority under  
21 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In  
22 this subsection, "cost of funds" means the true interest cost expressed as a rate on tax-  
23 exempt bonds of the authority plus an additional percentage as determined by the  
24 authority to represent the allocable expenses of operation, costs of issuance, and loan  
25 servicing costs.

26 \* **Sec. 9.** AS 44.88.159(b) is amended to read:

27 (b) The interest rate on **a loan purchased from the proceeds of taxable**  
28 **bonds secured by the sustainable energy transmission and supply development**  
29 **fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or** a loan participation  
30 purchased from the proceeds of taxable bonds **under AS 44.88.155** or expected by the  
31 authority to be purchased from the proceeds of taxable bonds **under AS 44.88.155**

1 shall be determined under the regulations adopted by the authority under  
2 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In  
3 this subsection, "cost of funds" means the true interest cost expressed as a rate on  
4 taxable bonds, plus an additional percentage as determined by the authority to  
5 represent the allocable expenses of operation, costs of issuance, and loan servicing  
6 costs.

7 \* **Sec. 10.** AS 44.88.159(d) is amended to read:

8 (d) The provisions of this section apply only to a loan participation purchased  
9 under AS 44.88.155 - 44.88.159 or to an energy loan made under AS 44.88.700 -  
10 44.88.740.

11 \* **Sec. 11.** AS 44.88.159(e) is amended to read:

12 (e) The interest rate on an energy loan made under AS 44.88.700 -  
13 44.88.740 or a loan participation purchased directly from the assets of the authority  
14 shall be determined under the regulations adopted by the authority under  
15 AS 44.88.085(g)(2)(C) and shall be not less than the total of a percentage as  
16 determined by the authority to represent the allocable expenses of operation and costs  
17 of loan origination and servicing, plus the cost of funds. In this subsection,

18 (1) "comparable financial security" means a type or category of  
19 financial security the authority identifies in the regulations adopted by the authority  
20 under AS 44.88.085(g)(2)(C) that has a term and financial conditions comparable to  
21 the term and financial conditions of a loan participation or an energy loan made  
22 under AS 44.88.700 - 44.88.740 and for which a regularly published, nationally  
23 recognized market index is available;

24 (2) "cost of funds" means the earnings, expressed as an annual interest  
25 rate, the authority would receive on a comparable financial security, and, for a loan  
26 participation or an energy loan made under AS 44.88.700 - 44.88.740 with a fixed  
27 interest rate, the cost of funds must equal or exceed the minimum interest rate;

28 (3) "minimum interest rate" means the five-year return on investment  
29 funds of the authority, expressed as an annual interest rate, achieved by all internal and  
30 external investment managers of the authority combined.

31 \* **Sec. 12.** AS 44.88.159(f) is amended to read:

1 (f) In determining an interest rate under the regulations adopted by the  
2 authority under AS 44.88.085(g)(2)(C), the authority may determine to disregard the  
3 minimum interest rate required under (a), (b), or (e) of this section for a loan  
4 participation purchased by the authority or an energy loan made under  
5 AS 44.88.700 - 44.88.740 to resolve lending limits or reserve restrictions imposed on  
6 the financial institution and may instead determine to retain the interest rate existing at  
7 the time the authority makes the loan or purchases the authority's loan  
8 participation [A PORTION OF THE LOAN].

9 \* **Sec. 13.** AS 44.88.159(g) is amended to read:

10 (g) The authority may, in the regulations adopted by the authority under  
11 AS 44.88.085(g)(2)(C), establish a program to pay to borrowers of loan participations  
12 determined by the authority to meet sufficient job creation, rural development,  
13 renewable energy development, or other economic development criteria incentive  
14 rate rebates of not more than one percent of the interest rate charged on the authority's  
15 portion of a loan participation. The following standards apply to the program:

16 (1) the payment of an incentive rate rebate may reduce the interest rate  
17 to a rate that is less than the minimum interest rate required under (a), (b), or (e) of this  
18 section;

19 (2) the authority may not commit to pay an incentive rate rebate for a  
20 proposed loan participation if the total of the amount of the proposed loan  
21 participation plus the combined outstanding balance of all loan participations for  
22 which the authority has committed to pay incentive rate rebates would exceed five  
23 percent of the total of the amount of the proposed loan participation plus the combined  
24 outstanding balance of all loan participations of the authority;

25 (3) an incentive rate rebate may not accrue for more than five years  
26 after the date the loan participation is purchased;

27 (4) the authority may establish a separate account for the incentive rate  
28 rebate program.

29 \* **Sec. 14.** AS 44.88 is amended by adding new sections to read:

30 **Article 7A. Sustainable Energy Transmission and Supply.**

31 **Sec. 44.88.700. Sustainable energy transmission and supply development**

1 **program.** The sustainable energy transmission and supply development program is  
2 created in the authority to promote and provide financing for energy projects in the  
3 state to alleviate unemployment and contribute to the state's economic welfare,  
4 economic diversity, and economic development.

5 **Sec. 44.88.710. Alaska Industrial Development and Export Authority**  
6 **sustainable energy transmission and supply development fund.** The Alaska  
7 Industrial Development and Export Authority sustainable energy transmission and  
8 supply development fund is established in the authority. The development fund  
9 consists of appropriations made to the development fund by the legislature, money or  
10 other assets transferred to the development fund by the authority, and unrestricted loan  
11 repayments, interest, or other income earned on loans, investments, or assets of the  
12 development fund. The development fund is not an account in the revolving loan fund  
13 established in AS 44.88.060, and the authority shall account for the development fund  
14 separately from the revolving fund. The authority may create additional accounts in  
15 the development fund. Subject to agreements made with the holders of the authority's  
16 bonds or with other persons, the authority may transfer amounts in an account in the  
17 development fund to another account in the development fund. Amounts deposited in  
18 the development fund may be pledged to the payment of bonds of the authority or  
19 expended for the purposes of AS 44.88.700 - 44.88.740. The authority has the powers  
20 and responsibilities established in AS 37.10.071 with respect to the investment of  
21 amounts held in the development fund.

22 **Sec. 44.88.720. Use of fund balance.** Subject to the requirements of  
23 AS 44.88.710 - 44.88.740, the authority may use money in the Alaska Industrial  
24 Development and Export Authority sustainable energy transmission and supply  
25 development fund to assist in the construction, improvement, rehabilitation, and  
26 expansion of energy projects.

27 **Sec. 44.88.730. Energy projects; powers and duties of the authority.** (a)  
28 Subject to the limitations of AS 44.88.740, for energy projects the authority may

29 (1) use the Alaska Industrial Development and Export Authority  
30 sustainable energy transmission and supply development fund to finance qualified  
31 projects, insure project obligations, guarantee loans or bonds, and establish reserves;

1 (2) acquire real or personal property by purchase, transfer, or  
2 foreclosure when the acquisition is necessary to protect the authority's interest in  
3 financing;

4 (3) defer principal payments or capitalize interest on energy project  
5 financing;

6 (4) subject to AS 36.30.085(e), enter into lease agreements, sales-  
7 lease-back agreements, build-operate-transfer, and operate-transfer agreements, or any  
8 similar project financing agreement for a qualified energy project;

9 (5) enter into agreements with government entities for the transfer and  
10 control of infrastructure, facilities, rights-of-way, and studies;

11 (6) contract for services with a professional advisor, including an  
12 attorney, bond counsel, engineer, or other technical expert necessary to fulfill the  
13 purposes of the program; and

14 (7) subject to AS 44.88.090, borrow money and issue bonds.

15 (b) The authority shall adopt regulations to implement AS 44.88.700 -  
16 44.88.740, including

17 (1) an application process for acquiring financing under this section;

18 (2) qualifications for an energy project applying for financing under  
19 this section; and

20 (3) fiscal controls and accounting procedures for the development  
21 fund.

22 **Sec. 44.88.740. Limitations on financing.** (a) Unless the authority has  
23 obtained legislative approval by law, the authority may not finance or participate in  
24 financing of

25 (1) more than one-third of the capital cost of an energy project; or

26 (2) a loan guarantee that exceeds \$20,000,000.

27 (b) Financing under AS 44.88.730 is limited to the life of an energy project,  
28 which may not be more than

29 (1) 30 years; or

30 (2) 50 years for a transmission line or hydroelectric energy project.

31 \* **Sec. 15.** AS 44.88.900 is amended by adding new paragraphs to read:

1 (15) "development fund" means the sustainable energy transmission  
2 and supply development fund created in AS 44.88.710;

3 (16) "energy project" means a project in the state that involves

4 (A) transmission, generation, storage, or distribution of heat or  
5 electricity;

6 (B) liquefaction, regasification, distribution, storage, or use of  
7 natural gas;

8 (C) conversion of natural gas, coal, or biomass to liquids;

9 (D) processing, refining, or upgrading of oil;

10 (E) distribution or storage of refined petroleum products; or

11 (F) enhanced oil recovery or carbon sequestration.

12 \* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 REVISOR'S INSTRUCTION. References to "this chapter" in AS 44.88 apply to sec.  
15 14 of this Act and so should not be changed.

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version HB 357  
 Fiscal Note Number \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB357-DCCED-AIDEA-03-02-12 Dept. Affected \_\_\_\_\_ Fund Transfer \_\_\_\_\_  
 Title AIDEA Participation in Energy Projects Appropriation Op Sys DGF  
 Allocation Financing of Energy Projects  
 Sponsor RepresentativePruitt  
 Requester House Energy Committee OMB Component Number 1234

**Expenditures/Revenues** (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

<b>FUND SOURCE</b>		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
<b>TOTAL</b>		<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

<b>POSITIONS</b>							
Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>							
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Initial Version

Prepared by Mark Davis, Deputy Director Investments, Finance, and Analysis Phone 907-771-3080  
 Division Alaska Development & Export Authority Date/Time 3/3/12 10:00 AM  
 Approved by JoEllen Hanrahan, Director Administrative Services Date 3/3/2012  
Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 357

**Analysis**

HB 357 adds legislative intent language to re-capitalize AIDEA with \$250 million that would be used to fund the new loan and loan guarantee program for financing energy projects.

The bill accomplishes these goals by: (1) an appropriation of \$250,000,000 for FY13 and FY14 to carry out the agency's statutory purposes; (2) setting up a new loan fund in AIDEA; (3) making changes to AIDEA's general powers to add energy projects as a development goal; (4) amending AIDEA's powers so that it can make direct loans or offer loan or bond guarantees for qualified energy projects; and (5) amending the definitional section of the agency's statutes to add and define the term "energy project".

The fiscal impact of this legislation cannot be accurately determined at this time. The bill states that "The legislature intends to appropriate, during the years 2013 and 2014 amounts that total 250,000,000 to carry out the purposes of this Act". However it is not known at this time how the amount will be allocated between the two years.

# FISCAL NOTE

**STATE OF ALASKA**  
**2012 LEGISLATIVE SESSION**

Bill Version HB 357  
 Fiscal Note Number \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB357-DCCED-AIDEA-03-02-12 Dept. Affected DCCED  
 Title AIDEA Participation in Energy Projects Appropriation Alaska Industrial Development & Export Authority  
 Allocation Alaska Industrial Development & Export Authority  
 Sponsor Representative Lance Pruitt  
 Requester House Energy Committee OMB Component Number 1234

**Expenditures/Revenues** (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by Mark Davis, Deputy Director Investments, Finance, and Analysis  
 Division Alaska Development & Export Authority  
 Approved by JoEllen Hanrahan, Director Administrative Services  
Commerce, Community, and Economic Development

Phone 907-771-3080  
 Date/Time 3/2/2012  
 Date 3/3/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 357

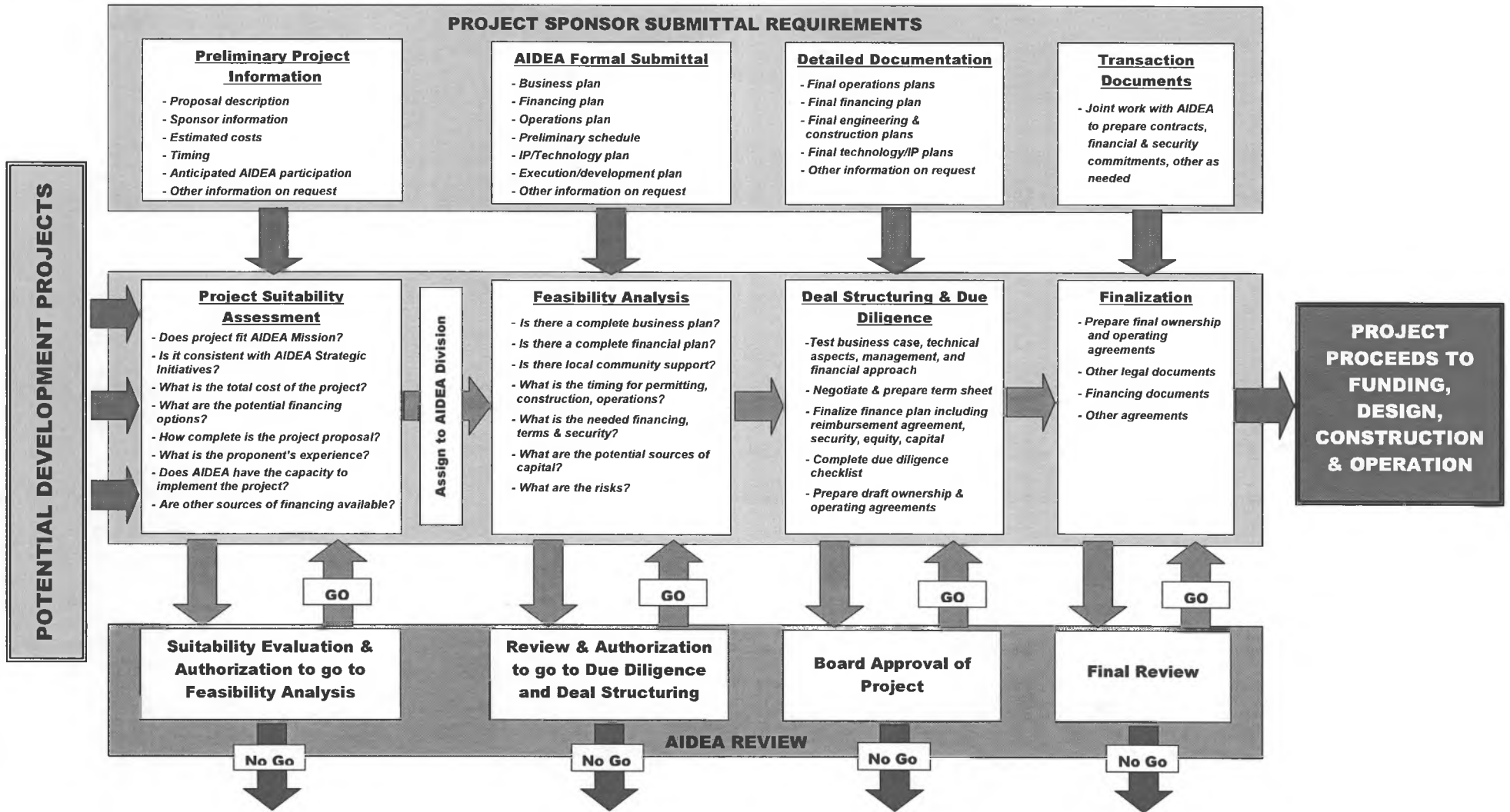
**Analysis**

HB 357 adds legislative intent language to re-capitalize AIDEA with \$250 million for FY 13 and FY14 that would be used to fund a new loan and loan guarantee program to finance energy projects.

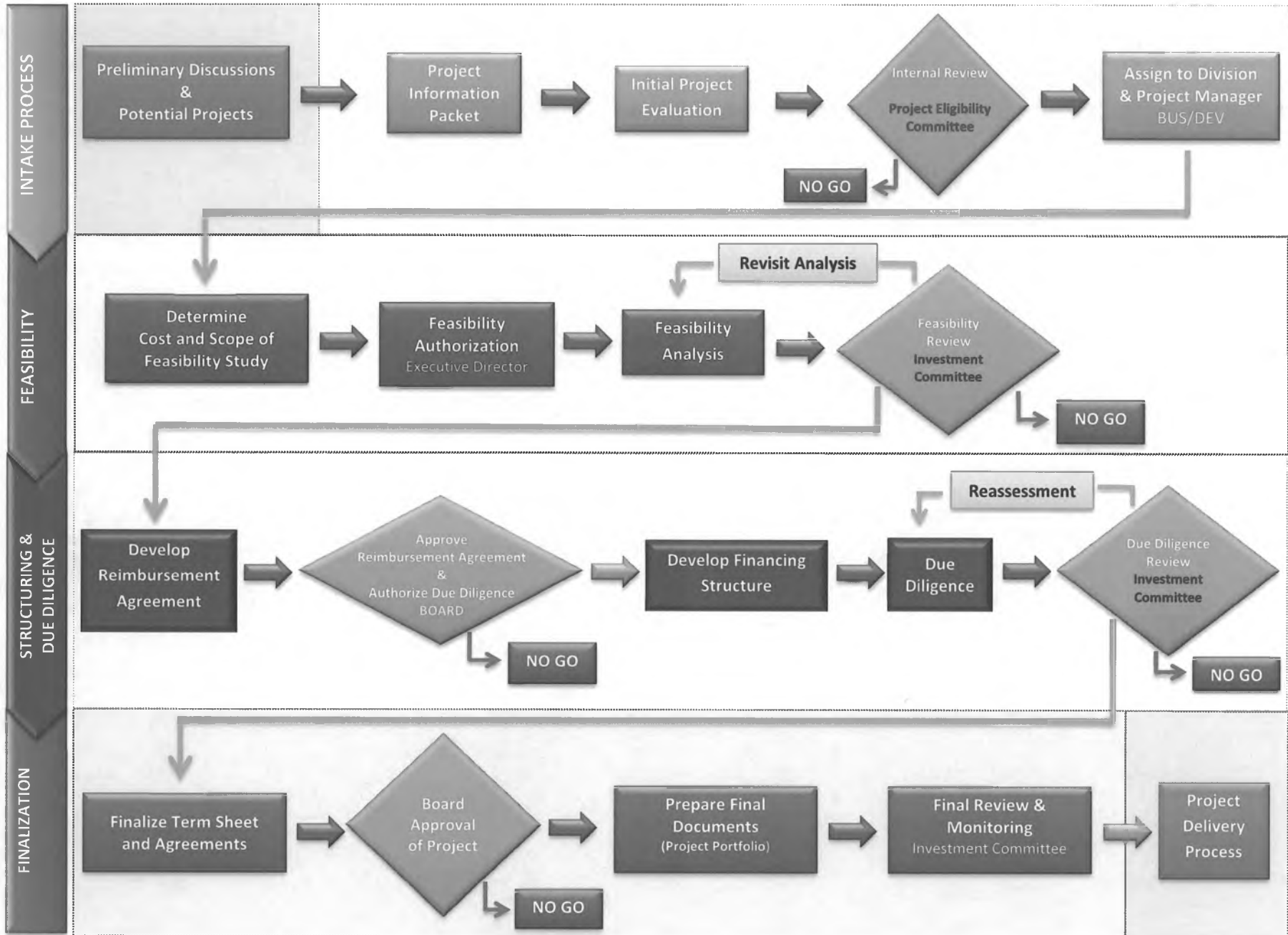
The bill accomplishes these goals by: (1) an appropriation of \$250,000,000 for FY13 and FY14 to carry out the agency's statutory purposes; (2) setting up a new loan fund in AIDEA; (3) making changes to AIDEA's general powers to add energy projects as a development goal; (4) amending AIDEA's powers so that it can make direct loans or offer loan or bond guarantees for qualified energy projects; and (5) amending the definitional section of the agency's statutes to add and define the term "energy project".

This fiscal note represents the zero operating expenses required to administer this fund.

# AIDEA DEVELOPMENT RELATED PROJECT INTAKE, ANALYSIS & DECISION MAKING PROCESS



## AIDEA - Development Project Flow Chart



# Alaska Industrial Development and Export Authority



**Credit Update**

# Credit Update Summary

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## Revolving Fund Security

- AIDEA's principal fund for core business activities: development projects, substantial investment portfolio and loan program
- Each segment produces substantial cash flow
- Full faith and credit pledge of entire Revolving Fund

## Continued Financial Strength

- FY 2010 Debt Service Coverage 9.00x
- 30-Jun-2010 Cash and Investments to Debt Ratio is 4.23x
- Continued strong performance of loan portfolio, with 99.3% current (less than 90 days past due) as of 30-Jun-2010

## Update Since January 2010

- Project updates
- FY2010 financial statements and debt service coverage

# Summary of Bond Security

## Development Projects

- 30-Jun-2010 Total Net Book Value: \$326.1 million
- Cash Receipts FY ending 30-Jun-2010
  - Red Dog \$26.2 million
  - Fed Ex \$3.0 million
  - Skagway \$2.6 million

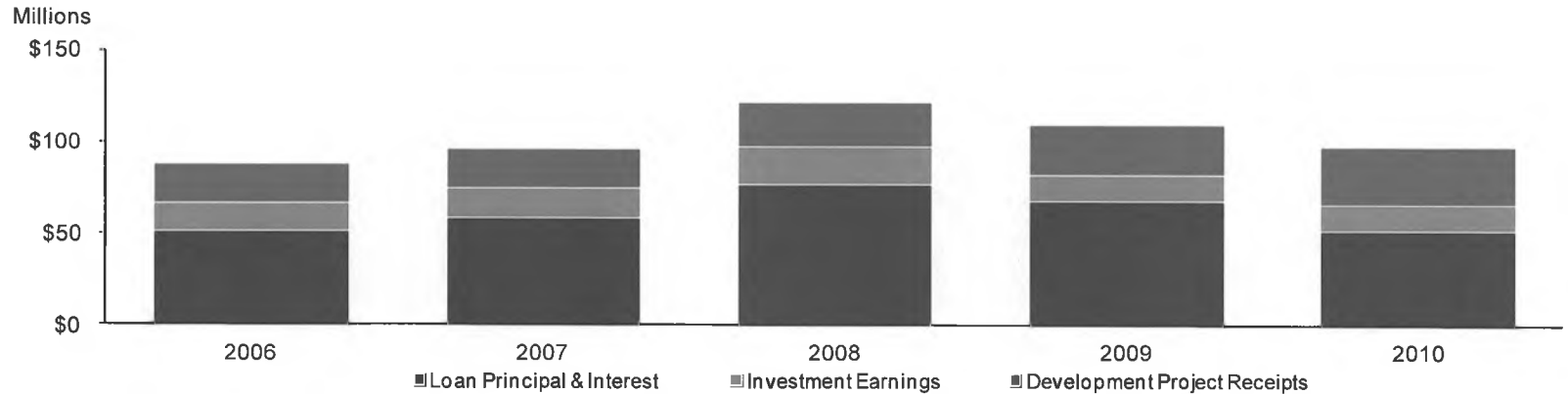
## Investment Portfolio

- 30-Jun-2010 Cash and Investment Securities: \$402.7 million
- Conservative investment policy in place
- Portfolio focus on quality and liquidity

## Loan Program

- 30-Jun-2010 Loans Outstanding: \$377.7 million
- Conservative credit criteria
- Portfolio quality is a key focus
- 99.3% of loans are current (less than 90 days past due)

## Historical Coverage Components (FYE 30-Jun)



# Current AIDEA Development Projects

(\$ in thousands)

Figures for Fiscal Year Ending 30-Jun-2010				
Project	Net Investment 30-Jun-2010	Allocable Revolving Fund Debt Outstanding	Minimum Annual Receipts	Type of Business
DeLong Mountain Transportation System	\$223,858 <sup>1</sup>	\$87,105	\$17,670 <sup>2</sup>	Public Port and Road
Healy Clean Coal Project	\$45,765	–	N/A <sup>3</sup>	Electric Power Plant
Fed Ex Facility	\$11,475 <sup>4</sup>	\$8,110	\$2,999	Hangar & Maintenance Facility
Ketchikan Shipyard	\$35,607	–	N/A	Marine Vessel Construction and Dry-dock Facility
Skagway Ore Terminal	\$9,440	–	\$3,050	Mineral Concentrate Load- Out Facility
<b>Total</b>	<b>\$326,145</b>	<b>\$95,215</b>	<b>\$23,719</b>	

<sup>1</sup> Net investment in DeLong Mountain Transportation System (DMTS) associated with the Red Dog Mine.

<sup>2</sup> Minimum Annual Assessment from DMTS. Does not include projection for future tonnage sensitive payments and zinc price escalator.

<sup>3</sup> Currently maintaining Healy Project in custodial status: In 2009, AIDEA agreed to sell the Healy Project to Tri-VEC, a wholly-owned subsidiary of GVEA, with plans to restart the Project.

<sup>4</sup> Net Investment in Fed Ex Project.

# **AIDEA's Cash & Investment Portfolio**

## **Carefully and Professionally Managed**

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### **Overview**

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- Total FYE 2010 Cash & Investment Portfolio: \$402.7 million
- Fund management balance between external and internal
- External goals: Safety and return
- Internal goals: Safety and liquidity

### **Investment Policy – Internal Funds**

---

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities and Government-sponsored enterprises (GSEs)
- Money market funds and repurchase agreements collateralized by U.S. Treasury and agency securities
- Other investments specifically approved by the Board of Directors

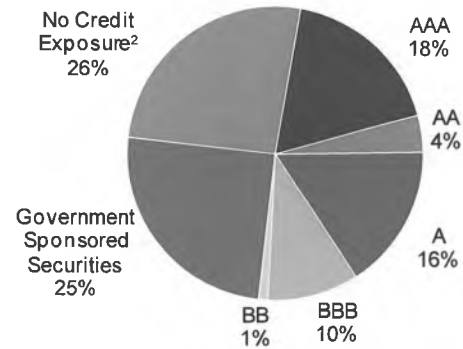
### **Investment Policy - External Funds**

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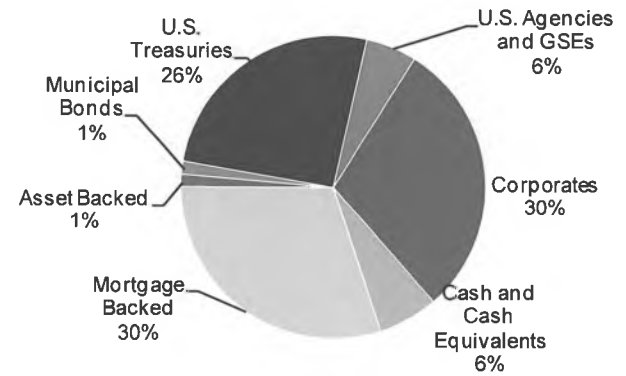
- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities and GSEs
- Dollar-denominated debt instruments that have been issued by domestic and nondomestic entities
- Mortgage-backed securities issued or guaranteed by Federal agencies or GSEs
- Asset-backed securities, including collateralized mortgage backed securities and collateralized mortgage obligations (CMOs). CMOs are limited to the more stable classes; prohibited CMO classes include those where principal and interest components are separated or where leverage is employed
- Certificates of deposit and term deposits of United States domestic financial institutions provided the institutions meet guidelines set forth in the Resolution
- Other money market instruments described in the Investment Policy Resolution

# Cash & Investment Portfolio on 30-Jun-2010: \$402.7 mm<sup>1</sup>

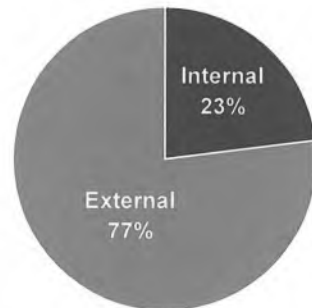
**Credit Quality**



**Instruments**



**Management**



**Duration in Years**

	Internal	External
Money Market	0.06	0.08
U.S. Treasuries	0.33	5.64
U.S. Agencies & GSEs	1.16	3.88
Corporates	-	5.65
Mortgage Backed	-	1.90
Asset Backed	-	0.60
Municipal Bonds	-	11.12

<sup>1</sup> Excludes \$8.8 million related to the Snettisham Hydroelectric Project

<sup>2</sup> U.S. Treasury securities and securities of agencies of corporations explicitly guaranteed by the U.S. government are not considered to have credit risk.

# Loan Portfolio on 30-Jun-2010: \$377.7 mm

**AIDEA's Revolving Fund Loan Portfolio is Comprised of Three Elements: Loan Participation Program; OREO<sup>1</sup> Financing and Other Loans; Loans Appropriated<sup>2</sup> to AIDEA by the State**

■ **Portfolio Statistics:**

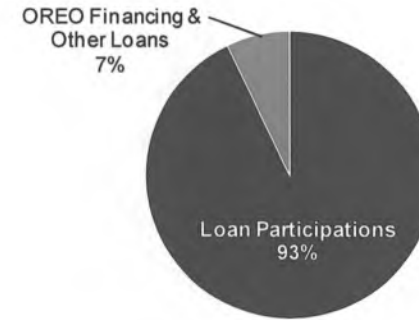
- Average loan balance on 30-Jun-2010: \$1.5mm
- Pending loan commitments on 30-Jun-2010: \$8.5mm

■ **Loans current (less than 90 days past due)**

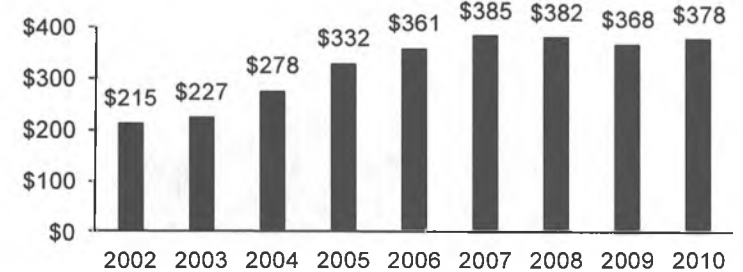
- FYE 2010: 99.3%
- Average since 2002: 99.1%
- Average for Alaska Commercial Banks: 96.39%

■ **AIDEA's loan history and pricing produce adequate margins for both borrowing and bad debt allowance**

- Annual net charge-offs averaged 0.06% of fiscal year-end loan balance for all loans during FY 2006-10
- Loan pricing is computed as the underlying cost of funds, plus an adjustment for the cost of providing loans
  - Cost of providing loans includes salaries, allowance for loan losses and other out of pocket costs



**FYE Loans Outstanding (\$ in mm)**



<sup>1</sup> OREO refers to Other Real Estate Owned, as in the case of AIDEA, this term refers to certain assets that AIDEA has acquired through foreclosure or other means and are now for sale to the general public. These properties are either owned jointly with a financial institution or owned 100% by AIDEA. AIDEA does not possess any OREO properties at this time.

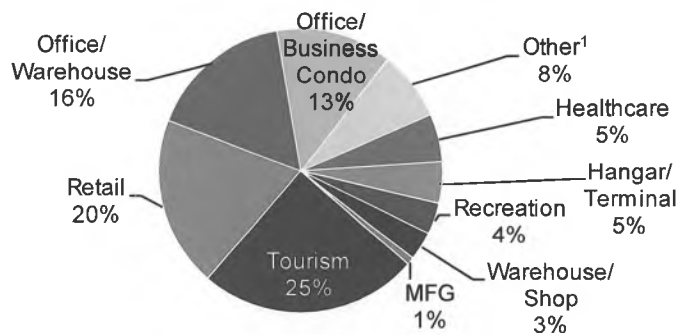
<sup>2</sup> Appropriated Loans are less than 1% of AIDEA's Loan Portfolio, in the amount of \$48,000.

# Loan Portfolio Analysis

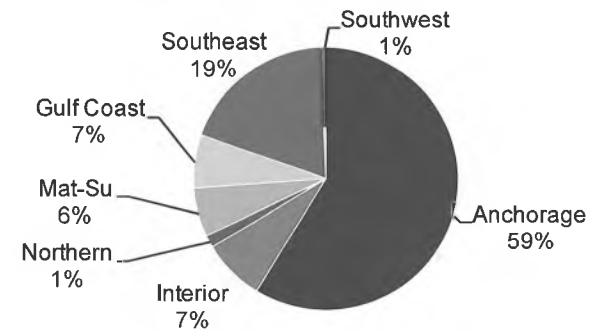
## As of 30-Jun-2010

AIDEA's loan portfolio is diverse in terms of sector, geography and exposure to banks and borrowers

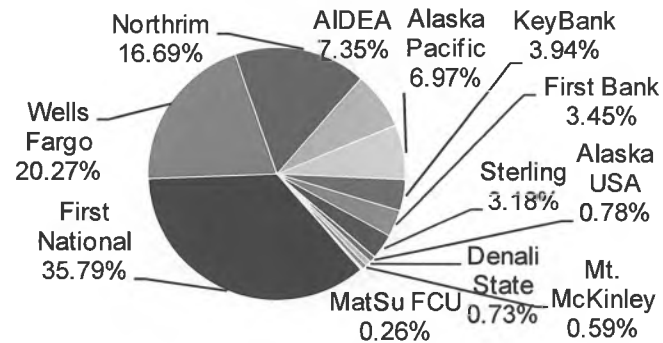
**Loans by Industrial Sector (\$ value)**



**Geographic Distribution of Loans (\$ value)**



**Participating Bank Exposures**



<sup>1</sup> Includes Single Family Dwelling, Equipment, Laundromats, and Unimproved Property.

# AIDEA Revolving Fund Balance Sheet

As of 30-Jun-2010

(\$ in thousands)

30-Jun-2010

## Assets

Cash and Cash Equivalents	\$20,827
Investment Securities	362,951
Loans (Net)	369,343
Development Projects	81,372
Net Investment in Direct Financing Leases	244,773
Accrued Interest Receivable	5,435
Other Assets	8,188

## Restricted Assets

Cash and Cash Equivalents	\$4,915
Investment Securities	14,031
Snettisham (Including Cash)	87,333
<b>Total Assets</b>	<b>\$1,199,168</b>

## Liabilities and Net Assets

### Debt

Fixed Rate	\$95,215
Other Liabilities	17,871
Snettisham Liabilities	87,333
<b>Net Assets</b>	<b>998,749</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,199,168</b>

- Substantial investment portfolio in largely high quality investments
  - Cash and investments to debt ratio 4.23x (includes restricted)
- Large and diversified loan portfolio generates substantial income
- Fixed development project assets produce substantial revenue
- Effectively a pass through

# Historical Debt Service Coverage for Revolving Fund Bonds

(\$ in thousands)

Historical cash coverage has been consistent and strong

	Year Ended 30-Jun				
	2006	2007	2008	2009	2010
Loan Principal and Interest Payments	\$50,894	\$58,283	\$76,851	\$67,243	\$51,092
Investment Earnings <sup>1</sup>	15,526	16,340	19,558	13,806	14,107
Development Project Receipts <sup>2</sup>	20,650	20,650	24,862	27,599	31,833
Other Revenues	5,455	4,801	4,290	5,496	6,294
<b>Total Receipts</b>	<b>\$92,525</b>	<b>\$100,074</b>	<b>\$125,561</b>	<b>\$114,144</b>	<b>\$103,326</b>
Operating & Maintenance Expenses	10,342	10,147	12,111	12,641	13,140
<b>Net Income Available for Debt Service</b>	<b>\$82,183</b>	<b>\$89,927</b>	<b>\$113,450</b>	<b>\$101,503</b>	<b>\$90,186</b>
Annual Debt Service <sup>3</sup>	20,565	20,869	18,732	10,911	10,022
<b>Debt Service Coverage</b>	<b>4.00x</b>	<b>4.31x</b>	<b>6.06x</b>	<b>9.30x</b>	<b>9.00x</b>

Note: Excludes income, expenses and debt service related to the Snettisham Hydroelectric Project.

<sup>1</sup> Excludes a level amortization of the net book value of Unrestricted Investment Securities that the Revolving Fund Bond Resolution includes for projected future debt service coverage.

<sup>2</sup> Receipts for the DMTS and FedEx projects include the scheduled payments due each year. Actual date of July 1 payment receipts may have been the preceding June.

<sup>3</sup> Excludes optional redemption of general obligation debt and payment on bonds issued to finance the Snettisham Hydroelectric Project.

# Pro Forma Debt Service Coverage

Projected coverage averages 24.14x during the life of the bonds

Year End 30-Jun	Revenues From Loans <sup>1</sup>	Revenues From Projects <sup>2</sup>	Investments @ 4.0% <sup>3</sup>	Investment Amortization <sup>4</sup>	Operating Expenses <sup>5</sup>	Net Revenues	Debt Service Requirement <sup>6</sup>	Cash Debt Service Coverage	Covenant Debt Service Coverage
2011	39,634	30,189	14,143	15,047	(5,057)	93,956	(12,768)	6.18	7.36
2012	38,919	25,326	15,613	15,047	(5,209)	89,696	(13,719)	5.44	6.54
2013	39,490	24,505	17,236	15,047	(5,365)	90,913	(14,240)	5.33	6.38
2014	39,465	24,464	18,970	15,047	(5,526)	92,420	(14,369)	5.38	6.43
2015	39,536	22,287	20,762	15,047	(5,692)	91,940	(12,228)	6.29	7.52
2016	59,741	19,163	22,645	15,047	(5,862)	110,734	(12,400)	7.72	8.93
2017	37,877	17,955	25,277	15,047	(6,038)	90,118	(12,558)	5.98	7.18
2018	37,349	17,955	27,079	15,047	(6,219)	91,211	(5,453)	13.97	16.73
2019	35,447	17,955	29,206	15,047	(6,406)	91,249	(5,515)	13.82	16.55
2020	34,568	18,502	31,332	15,047	(6,598)	92,851	(5,577)	13.95	16.65
2021	33,773	17,887	33,518	15,047	(6,796)	93,429	(5,639)	13.90	16.57
2022	32,303	15,542	35,725	15,047	(7,000)	91,617	(5,707)	13.42	16.05
2023	30,994	15,542	37,858	15,047	(7,210)	92,231	(5,786)	13.34	15.94
2024	27,668	15,542	40,014	15,047	(7,426)	90,845	(5,870)	12.91	15.48
2025	24,741	15,667	42,111	15,047	(7,649)	89,917	(5,948)	12.59	15.12
2026	22,280	15,414	44,135	15,047	(7,879)	88,997	(6,031)	12.26	14.76
2027	21,482	15,129	45,876	15,047	(8,115)	89,419	(6,135)	12.12	14.58
2028	18,099	15,129	47,627	15,047	(8,358)	87,544	(1,245)	58.23	70.32
2029	14,922	15,129	49,492	15,047	(8,609)	85,981	(1,246)	56.93	69.01
2030	11,548	15,187	51,284	15,047	(8,867)	84,199	(1,245)	55.54	67.63
2031	8,046	9,210	52,990	15,047	(9,134)	76,159	(1,246)	49.05	61.12
2032	4,272	3,234	54,360	15,047	(9,408)	67,505	(1,244)	42.17	54.26

<sup>1</sup> Revenues from loan participations are net of all fees and expenses and exclude revenues from loans delinquent more than 90 days. Includes loan payments for wastewater treatment facility equal to projected debt service payments.

<sup>2</sup> Revenues from existing Authority development projects. Assumes minimum annual assessment from the DMTS continues uninterrupted even though revenue stream is subject to force majeure events. Includes projection for future DMTS tonnage sensitive payments and zinc price escalator. Includes \$3 million estimated annual cost of maintaining Healy Project in mothball status and no revenues from the Healy Project.

<sup>3</sup> Revenues from investments computed at an assumed rate of 4% compounded annually; includes income from certain restricted investments.

<sup>4</sup> The Revolving Fund Bond Resolution directs the Authority to calculate a level amortization of the net book value of Unrestricted Investment Securities and to add such amortization amounts to net revenues to arrive at covenant coverage.

<sup>5</sup> Expenses include operating costs estimated at the Authority's fiscal year 2011 budget level as a base, with a 3% increase each year thereafter.

<sup>6</sup> Includes existing debt service and projected Series 2010B debt service

# Credit Summary Review

## Solid Economic, Legal and Financial Foundation

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### Strong Underlying Economics

- AIDEA maintains an active role in economic development across the State
- State economy strong

### Balanced Credit Strength

- Security arising from diverse sources – Projects, Loans and Investments
- Strong balance sheet

### Strong Security Provisions in Resolution

- Restrictive financial covenants
- Statutory non-impairment covenant of State
- Conservative Additional Bonds Test

### Conservative Assumptions, Robust Results

- Strong cash flows and liquidity
  - Strong historical and projected debt service coverage
-

## Alaska Industrial Development and Export Authority; State Revolving Funds/Pools

**Primary Credit Analyst:**

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### Table Of Contents

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Rationale

Outlook

Loan Participation Program

Economic Development Account

Investment Portfolio

Related Criteria And Research

# Alaska Industrial Development and Export Authority; State Revolving Funds/Pool

## Credit Profile

US\$14.47 mil revol fd bnds (Private Activity - Non-Amt) ser 2010B dtd 12/22/2010 due 04/01/2031

Long Term Rating

AA-/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating to the Alaska Industrial Development and Export Authority's revolving fund bonds, series 2010B and affirmed its 'AA-' rating on the authority's revolving fund bonds outstanding.

The ratings reflect our opinion of:

- A pledged portfolio of private activity economic development loans;
- A currently low loan delinquency rate;
- Projected cash flows and debt service coverage that meet Standard & Poor's requirements for the 'AA' category for state revolving fund programs;
- Strong legal covenants, including an additional bonds test requiring either in excess of 1.50x annual debt service, or the maintenance of unrestricted surplus equal to \$200 million or principal outstanding and never less than \$100 million; and
- Covenants to maintain what we view as good liquidity in the authority's unrestricted cash equivalents balance.

The bonds are a general obligation (GO) of the authority for which the full faith and credit of the authority's revolving fund are pledged. The authority intends to issue the series 2010B bonds to fund a loan for the construction of a wastewater facility that will serve a state prison near Wasilla.

The authority has a number of programs through which it carries out its economic development activities. It conducts the majority of its business through its revolving fund, the net income and assets of which serve as the source of repayment on the bonds. As of June 30, 2010, the revolving fund had total assets of \$1.2 billion, of which \$1.09 billion were available to contribute toward satisfying obligations on revolving fund bonds outstanding. Total available assets included \$383.8 million of unrestricted cash and investments. Other assets consist of \$377.7 million in loans that had been purchased by the authority through a loan participation program, and \$326.1 million of projects owned directly by the authority under its development finance program, including \$224 million for an ore transportation system and \$45.8 million for a clean coal generating project, which has suspended operations.

Overall financial trends for the authority have been positive, with historical annual debt service cash basis coverage in the last five years ranging from 4.00x in fiscal 2006 to 9.0x in fiscal 2010, including \$31.8 million of revenue from three directly owned development projects. Coverage by loan repayments alone was more than 5.0x in 2010. At fiscal year-end June 30, 2010, less than 1% of revolving fund loans were delinquent. The authority projects debt service coverage of 7.36x in fiscal 2011 by all revenues, and 3.10x by loan revenues alone. It currently projects debt service to peak in 2014 at \$14.4 million and to be covered by authority-projected revenues 6.43x, and 2.74x by loan revenues alone, commensurate with our 'AA' category rating level after being stress tested using Monte Carlo

modeling techniques.

We anticipate debt service coverage to remain strong based on the authority's currently limited additional debt plans. The authority has \$330 million in existing bond authorization for various specific projects around the state. It has indicated no immediate plans to bond for additional revolving fund loans or projects.

Legal provisions provide operational and asset-based protection to existing debt by limiting the issuance of additional parity debt unless certain provisions are met. Operationally, annual net income must produce 1.5x annual debt service in any year in which the authority has debt outstanding. Alternatively, the authority may maintain an unrestricted surplus equivalent to the lesser of \$200 million or principal outstanding of bonded indebtedness. Regardless of which of the above tests apply to authority debt, the authority further pledges that at no time will it maintain a balance of the lesser of \$50 million in unrestricted cash equivalents or 25% of the amount outstanding of revolving fund bonds. Allowed short-term investments were previously expanded to include 'AAA' rated money market investment funds and 'A-1' or higher rated commercial paper in addition to cash and U.S. Treasuries. All cash and cash equivalent investments must have maturity schedules of one year or less.

## Outlook

The stable outlook reflects Standard & Poor's expectation of adequate debt service coverage and active program management. The outlook is also supported by the strong performance in the authority's underlying loan pool. We could lower the rating if the state's significant economic development projects fail to produce adequate revenue or experience significantly high loan delinquencies, or if there was a significant change in the reserves maintained by the authority.

## Loan Participation Program

Through the enterprise development program, the authority purchases participations in loans made by financial institutions to their customers. Currently, the authority's loan portfolio consists of 283 loans with principal outstanding of \$401.8 million. Revenues from loan repayments represent approximately 40% of total annual cash flows available for debt service. Loan performance is in our view strong, with a very low delinquency rate of less than 1.0%. The loan portfolio has good borrower diversity with 25% of borrowers in the tourism sector, 20% in retail, 16% in office or warehousing, and 13% in office or business condos. The 10 largest borrowers comprised 30% of loans, with the largest loan to the Anchorage Community Development LLC at \$22.9 million for an office/warehouse. Geographically, the portfolio is more concentrated, with 59% of loans to borrowers in the Anchorage area. This does not include the revolving fund's \$224 million direct investment and ownership in the DeLong Mountain Transportation System in support of lead/zinc mining activities in northwestern Alaska. Loan parameters and policies are good and include the following provisions:

- Participation is not to exceed 90% of the loan amount or \$20 million, whichever is lesser.
- Total loan to value is not to exceed 75%.
- The term on the authority's portion of the loan may be up to 25 years when the loan is secured by real property, and up to 15 years when secured by personal property, but in either case, not more than 75% of the remaining economic life of the collateral.

## **Economic Development Account**

Through the economic development program, the authority has the ability to own and operate facilities for economic development purposes in the state. These projects represented \$326.1 million of net book value at June 30, 2010, and generated \$31.8 million of net annual cash flow in fiscal 2010, or 31% of total cash flows available for debt service. Some of the major projects conducted under this program are the following:

- DeLong Mountain Transportation System (DMTS) is a 52-mile industrial haul road and shallow draft port to transport ore. The DMTS is operated by Teck Alaska Incorporated and guaranteed by Teck Resources Ltd. ('BBB' issuer credit rating) and serves the mining district that includes the Red Dog Mine, the world's largest zinc/lead producer. The authority's revolving fund interest in DMTS consists of direct ownership valued at \$223.9 million as of June 30, 2010, which the authority projects will bring in a minimum of \$17.7 million of net revenues per year.
- Federal Express Aircraft Maintenance Facility is a wide-body aircraft hanger at the Ted Stevens Anchorage International Airport. The authority owns the hanger and leases the space to the FedEx Corporation for \$2.99 million per year. The authority's current net investment for the revolving fund in the hanger was valued at \$11.5 million as of June 30, 2010. FedEx's current lease expires in March 2015.
- Ownership of the Ketchikan Shipyard, which was originally developed by the state Department of Transportation and Public Facilities, was transferred to the authority in 1997. The authority subsequently entered an operating agreement with the Alaska Ship and Drydock. The value of the shipyard stood at \$35.6 million at June 30, 2010. Payments from the shipyard are uncertain and are determined on a percentage of revenues basis, with revenues first applied to reimbursing the authority for administrative costs, then to a repairs and replacements fund, and then to the authority and to other contributing local governments.
- The authority reports its Skagway Ore Terminal is substantially complete with a direct investment of \$9.4 million, although completion may require further investment. The authority projects annual revenues of \$3.1 million from this project.

## **Investment Portfolio**

Interest earnings and amortized principal from the revolving fund's \$383.8 million (June 30, 2010) unrestricted investment portfolio are also pledged to bond repayment and bolster coverage considerably, albeit with significant variance. In some years, investment earnings represent as much as 34% of annual cash flows, although in 2010 earnings were a lower 13.7% of pledged income. An additional \$18.9 million of revolving fund investments were restricted and not available for bond debt service. Asset management is conducted both internally (23% of assets) and externally (77%) and is governed by the authority's investment policy as well as restrictions in state statute. The authority reports that as of June 30, 2010, 42% of its investment portfolio consisted of either U.S. Treasuries or U.S. guaranteed agencies or securities rated 'AAA', while an additional 25% was in government-sponsored securities, 4% was rated 'AA', 16% 'A', 10% 'BBB', and 1% 'BB'. At June 30, 2010, 26% was invested in U.S. Treasuries, 6% in U.S. agencies and government-supported entities, and 6% in cash. In addition, 30% was invested in corporate securities, 30% in mortgage-backed securities, 1% in asset-backed securities, and 1% in municipal bonds. The authority's internal investment policy objective is safety and liquidity, and limits investments to those of investment-grade credit quality ('BBB-' and higher) and precludes investment of more than five percent of the portfolio in unrated securities. Duration is limited to two years for internally managed portfolios. For externally

managed assets, the authority's goal is safety and return.

## Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

<b>Ratings Detail</b> (As Of December 13, 2010)		
Alaska Indl Dev & Export Auth state revolv fd		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
<b>Alaska Indl Dev &amp; Export Auth revolv fd rfdg bnds dtd 06/20/2002 due 04/01/2007-2014</b>		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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