

SB

23

<TARGET><BILL>SB 23</BILL><SUBJECT>SB
23</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 23
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB023CS(FIN)-DCCED-AIDEA-04-05-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Finance

Department: Fund Capitalization
Appropriation: Fund Capitalization
Allocation: AIDEA Sustainable Energy Transmission and
Supply Development Fund
OMB Component Number: 3036

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous		125,000.0						
Total Operating	0.0	125,000.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1213 AHCC		125,000.0						
Total	0.0	125,000.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This fiscal note is updated to reflect the changes made by House Finance to version R to include both the Interior Energy Plan and Direct Financing.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division	Alaska Industrial Development and Export Authority	Date:	04/05/2013 06:30 PM
Approved By:	JoEllen Hanrahan, Director	Date:	04/05/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

The entire \$355 million financing plan for the Interior Energy plan includes: \$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 23
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB023CS(FIN)-DCCED-AIDEA-04-05-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation	Governor's					
	Requested	FY2014					
	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES							
Personal Services		-					
Travel							
Services	950.0		650.0	450.0	350.0	150.0	150.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	950.0	0.0	650.0	450.0	350.0	150.0	150.0

Fund Source (Operating Only)

1102 AIDEA Rcpt	950.0		650.0	450.0	350.0	150.0	150.0
Total	950.0	0.0	650.0	450.0	350.0	150.0	150.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	0.0		0.0	225.0	375.0	1,506.3	2,567.3
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This fiscal note is updated to reflect the changes made by House Finance to version R to include both the Interior Energy Plan and Direct Financing.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division	Alaska Industrial Development and Export Authority	Date:	04/05/2013 06:45 PM
Approved By:	JoEllen Hanrahan, Director	Date:	04/05/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

SB 23 has three distinct purposes related to AIDEA programs:

DIRECT FINANCING

This bill allows the Alaska Industrial Development and Export Authority (AIDEA) the ability to provide project financing for all or a portion of the cost of a development project which the authority does not intend to own or operate. At present, AIDEA is permitted to own or operate all or part of a project, but cannot make a direct loan on a project or guarantee a loan for a project. This bill would permit the authority to engage in project financing by loaning money to a project or guaranteeing a loan for a project rather than owning an interest in the project.

Funding for FY 2014 includes a one-time cost of 50.0 for consultants to assist in the preparation of new regulations necessary to implement a direct financing program and 150.0 to hire consultants and counsel to assist in underwriting loans and guarantees under this program. It is projected that this 150.0 in underwriting expenditures will be on-going.

The revenues projected to be earned from direct loan and guarantee finance packages are approximately 1.4 million. The direct loan and guarantee program will generate earnings on financing of development projects. The amount that AIDEA can charge for each direct financing is limited, but the overall anticipated returns are projected to be substantial due to the large dollar amounts involved with the type of projects that will be financed through the Direct Finance Program.

AIDEA TECHNICAL CHANGE

This bill makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The calculation method for AIDEA's dividend will not change and no fiscal impact is expected.

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. AIDEA projects that the administrative expenses for project construction management oversight for the LNG production and distribution system will require an additional 500.0 in FY 2015, 300.0 in FY 2016, and 200.0 in FY 2017.

(Continued on page 3)

Analysis Continued

The administrative expense of project construction management will be offset by AIDEA's income stream allowed under Sec. 10 (c) of SB23. AIDEA estimates the annual income stream from the 25 basis point allowance will generate 375.0 in the first year with that number decreasing in subsequent years to approximately 252.0 five years out.

The Change in Revenues reflect General Fund revenues to the state generated from AIDEA dividends. AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 revenues.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Attached is a spreadsheet that provides a comprehensive summary of the fiscal impact of SB 23.

Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)							
Direct Financing (Not related to Interior Energy Plan)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA							
AIDEA Receipts	200	150	150	150	150	150	
Preparation of regulations	50	-	-	-	-	-	
Underwriting (includes 200.0 operating request)	150	150	150	150	150	150	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			600	625	625	625	
Gas Plant and Storage							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	750	500	300	200	-	-	
Coordination and evaluation	750	-	-	-	-	-	
Construction management	-	500	300	200	-	-	
GF Cost	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000						
Capitalize SETS Fund	125,000						
Revenue to AIDEA	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)			1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			(375)	(250)	788	1,755	
Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	-	-	-	-	-	-	
AIDEA Receipts	-	-	-	-	-	-	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)	-	-	-	-	94	187	
Private Investment (\$70m for 9BCF plant--expansion will be fully funded by additional private investment)							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
Summary							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
GF Cost	175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
AIDEA Cost	950	650	450	350	150	150	2,700
Direct Financing (AIDEA Note)	950	650	450	350	150	150	2,700
AIDEA Revenue (AIDEA Note-analysis only)	1,400	1,400	3,463	5,485	5,402	5,317	22,465
AIDEA Receipts	1,400	1,400	1,588	1,774	1,771	1,769	9,701
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)	-	-	225	375	1,506	2,567	4,674
Fiscal Notes							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
AIDEA							
Direct Financing (AIDEA Receipts)	950.0	650.0	450.0	350.0	150.0	150.0	2,700.0
GF Revenue-Dividends to State (GF)	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5
Capitalize SETS Fund (GF)	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
Total Costs	175,950.0	650.0	450.0	350.0	150.0	150.0	177,700.0
Total GF Revenue Impact	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5

HOUSE CS FOR CS FOR SENATE BILL NO. 23(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to development project financing by the Alaska Industrial**
2 **Development and Export Authority; relating to the dividends from the Alaska**
3 **Industrial Development and Export Authority; relating to the meaning of 'net income'**
4 **and 'unrestricted net income' for purposes of the Alaska Industrial Development and**
5 **Export Authority; authorizing the Alaska Industrial Development and Export Authority**
6 **to provide financing and issue bonds for a liquefied natural gas production system and**
7 **natural gas distribution system; and providing for an effective date."**

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

9 *** Section 1.** AS 44.88.010(a) is amended to read:

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

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

13 (2) this unemployment is a serious menace to the health, safety, and

1 general welfare, not only to the people in those areas, but also to the people of the
2 entire state;

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

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

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

14 (6) many state businesses could benefit from additional financial and
15 technical assistance with respect to the exportation of their products and services;

16 (7) the Export-Import Bank of the United States has been mandated by
17 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and
18 export financing support to small businesses in cooperation with state export finance
19 agencies;

20 (8) Alaska-based exporters can be effectively assisted through the
21 establishment, as part of the Alaska Industrial Development and Export Authority, of
22 an export financing program designed to work with the Export-Import Bank of the
23 United States and other federal, state, and private institutions;

24 (9) the achievement of the goal of full employment [,] and of
25 establishment and continuing operation and development of industrial, manufacturing,
26 energy, export, small business, and business enterprises in the state will be accelerated
27 and facilitated by the creation of an instrumentality of the state with powers to incur
28 debt, to own and operate facilities, and to make and insure loans to finance and to
29 assist private lenders to make loans to finance the establishment, operation, and
30 development of industrial, manufacturing, energy, export, small business, and business
31 enterprises;

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

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

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

14 (C) creating the Alaska Industrial Development and Export
15 Authority with the powers necessary to accomplish the objectives stated in this
16 paragraph, including the power to issue taxable and tax-exempt bonds, [AND]
17 to acquire ownership interests in projects, and to provide development
18 project financing as provided in this chapter;

19 (11) it is in the state's interest to import private capital to create new
20 economic activity that [WHICH] would not otherwise take place in the state.

21 * **Sec. 2.** AS 44.88.070 is amended to read:

22 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to
23 promote, develop, and advance the general prosperity and economic welfare of the
24 people of the state [ALASKA], to relieve problems of unemployment, and to create
25 additional employment by

26 (1) providing various means of financing and means of facilitating the
27 financing, in cooperation with federal, state, and private institutions, of industrial,
28 manufacturing, export, small business, and business enterprises and the other facilities
29 referred to in AS 44.88.010(a) in the state;

30 (2) owning and operating or providing development project
31 financing for the enterprises and other facilities described in AS 44.88.172;

1 (3) fostering the expansion of exports of [ALASKA] goods, services,
2 and raw materials of the state;

3 (4) cooperating and acting in conjunction with other organizations,
4 public and private, the objects of which are the promotion and advancement of export
5 trade activities in the state;

6 (5) establishing a source of funding credit guarantees and insurance,
7 not otherwise available, to support export development;

8 (6) providing and cooperating or participating with federal, state, and
9 private institutions to provide actual and potential state [ALASKA] exporters,
10 particularly small- and medium-sized exporters, with financial assistance in support of
11 export transactions.

12 * **Sec. 3.** AS 44.88.080 is amended to read:

13 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate
14 purposes, the authority has the following powers in addition to its other powers:

15 (1) to sue and be sued;

16 (2) to have a seal and alter it at pleasure;

17 (3) to make and alter bylaws for its organization and internal
18 management;

19 (4) to adopt regulations governing the exercise of its corporate powers;

20 (5) to acquire an interest in a project as necessary or appropriate to
21 provide financing for the project, whether by purchase, gift, or lease;

22 (6) to lease to others a project acquired by it for the rentals and upon
23 the terms and conditions the authority may consider advisable, including, without
24 limitation, provisions for options to purchase or renew;

25 (7) to issue bonds and otherwise to incur indebtedness, in accordance
26 with AS 44.88.090, in order to pay the cost of a project or development projects or in
27 order to provide money for the authority's purposes under this chapter; the authority
28 may also secure payment of the bonds or other indebtedness as provided in this
29 chapter;

30 (8) to sell, by installment sale or otherwise, exchange, donate, convey,
31 or encumber, in any manner by mortgage or by creation of any other security interest,

1 real or personal property owned by it, or in which it has an interest, including a
 2 project, when, in the judgment of the authority, the action is in furtherance of its
 3 corporate purposes;

4 (9) to accept gifts, grants, or loans from, and enter into contracts or
 5 other transactions regarding them [,] with, a federal agency, [OR] an agency or
 6 instrumentality of the state, a municipality, a private organization, or other source;

7 (10) to deposit or invest its funds, subject to agreements with
 8 bondholders;

9 (11) to enter into contracts or agreements with respect to the exercise
 10 of any of its powers, and do all things necessary or convenient to carry out its
 11 corporate purposes and exercise the powers granted in this chapter;

12 (12) to purchase or insure loans to finance the costs of manufacturing,
 13 industrial, and business enterprise projects;

14 (13) to enter into loan agreements with respect to one or more projects
 15 upon the terms and conditions the authority considers advisable;

16 (14) to acquire, manage, and operate projects as the authority considers
 17 necessary or appropriate to serve a public purpose;

18 (15) to assist private lenders to make loans to finance the costs of
 19 projects through loan commitments, short-term financing, or otherwise;

20 (16) to accept gifts, grants, or loans from a federal agency, from an
 21 agency or instrumentality of the state or of a municipality, or from any other source;

22 (17) to enter into contracts or other transactions with a federal agency,
 23 with an agency or instrumentality of the state or of a municipality, or with a private
 24 organization or other entity consistent with the exercise of any power under this
 25 chapter;

26 (18) to facilitate the expansion of a secondary market for the resale of
 27 federally or commercially insured loans made to finance the costs of projects in the
 28 state [ALASKA] held by federal and state chartered financial institutions or by the
 29 Alaska Commercial Fishing and Agriculture Bank;

30 (19) to charge fees or other forms of remuneration for the use or
 31 possession of the projects described in (14) of this section in accordance with the

1 agreements described in (11) and (17) of this section, other agreements pertaining to
2 the projects, covenants, or representations made in bond documents pertaining to the
3 projects, or regulations of the authority pertaining to the projects;

4 (20) to participate with government or private industry in programs for
5 technical assistance, loans, technology, transfer, or other programs related to the
6 exportation of [ALASKA] goods, services, or raw materials of the state with respect
7 to its financing activities;

8 (21) to provide export finance training for office staff and other
9 individuals involved in export finance assistance, including the training sessions that
10 may be provided by the United States Export-Import Bank or other organizations;

11 (22) to coordinate to the maximum extent possible its efforts to
12 promote the export of [ALASKA] goods, services, and raw materials of the state with
13 programs and goals of the United States Export-Import Bank, the International Trade
14 Administration of the United States Department of Commerce, the Foreign Credit
15 Insurance Association, and other private and public programs designed to provide
16 export assistance and export-related financing;

17 (23) to guarantee loans related to qualified export transactions under
18 regulations adopted by the authority;

19 (24) to provide financing assistance, in cooperation with federal, state,
20 and private institutions, as provided in this chapter for small business enterprises;

21 (25) to make cooperative agreements with the Department of
22 Transportation and Public Facilities, acting on behalf of the international airports
23 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,
24 construct, or install facilities that will enhance the competitiveness of the international
25 airports, including a cooperative agreement to lend amounts from the international
26 airports [AIRPORT] revenue fund to finance the development or improvement of
27 utilities serving the airports;

28 (26) to screen potential applicants for a new business incentive grant
29 and recommend the award of the grants under AS 45.81.020;

30 (27) to oversee the administration of outstanding grants awarded by the
31 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

1 (28) to oversee the administration of outstanding BIDCO assistance
2 grants and loans made by the Alaska Science and Technology Foundation under
3 former AS 37.17.200 - 37.17.390;

4 (29) to guarantee loans made to the Alaska Insurance Guaranty
5 Association (AS 21.80.040), with these guarantees limited to loans necessary to make
6 the association financially able to meet cash flow needs up to a maximum outstanding
7 principal balance at any time of \$30,000,000;

8 (30) with legislative approval and notwithstanding AS 44.88.060, to
9 purchase from the Alaska Energy Authority as an investment of the revolving fund,
10 loans of the power project fund established under AS 42.45.010;

11 (31) to consider, when exercising the powers listed in this section, the
12 interests of local governments **affected** [IMPACTED] by the authority's activities to
13 share in the benefits of these activities, with appropriate consideration of the
14 authority's ability to meet debt obligations, issue new debt, and fulfill the authority's
15 purposes;

16 **(32) to provide development project financing for all or a portion**
17 **of the cost of a development project as provided in AS 44.88.172.**

18 * Sec. 4. AS 44.88.088(a) is amended to read:

19 (a) The authority shall adopt a policy for payment of a dividend **from the**
20 **revolving fund and a dividend from the Alaska Industrial Development and**
21 **Export Authority sustainable energy transmission and supply development fund**
22 **(AS 44.88.660)** to the state each fiscal year [. THE AMOUNT OF THE DIVIDEND
23 FOR A FISCAL YEAR MAY NOT BE LESS THAN 25 PERCENT NOR MORE
24 THAN 50 PERCENT OF THE NET INCOME OF THE AUTHORITY FOR THE
25 BASE FISCAL YEAR. IN NO EVENT, HOWEVER, SHALL THE DIVIDEND FOR
26 A FISCAL YEAR EXCEED THE TOTAL UNRESTRICTED NET INCOME OF
27 THE AUTHORITY FOR THE BASE FISCAL YEAR]. The **dividends** [DIVIDEND]
28 for a fiscal year shall be made available by the authority before the end of that fiscal
29 year. The authority shall notify the commissioner of revenue when the **dividends**
30 [DIVIDEND] for a fiscal year **are** [IS] available for appropriation. **The amount of the**
31 **dividend payable from the**

1 **(1) revolving fund for a fiscal year may not be less than 25 percent**
 2 **nor more than 50 percent of the net income of the revolving fund for the base**
 3 **fiscal year; however, in no event, may the dividend payable from the revolving**
 4 **fund for a fiscal year exceed the total unrestricted net income of the revolving**
 5 **fund for the base year;**

6 **(2) Alaska Industrial Development and Export Authority**
 7 **sustainable energy transmission and supply development fund (AS 44.88.660) for**
 8 **a fiscal year may not be less than 25 percent nor more than 50 percent of the net**
 9 **income of the Alaska Industrial Development and Export Authority sustainable**
 10 **energy transmission and supply development fund for the base fiscal year;**
 11 **however, in no event, shall the dividend payable from the Alaska Industrial**
 12 **Development and Export Authority sustainable energy transmission and supply**
 13 **development fund for a fiscal year exceed the total unrestricted net income of the**
 14 **Alaska Industrial Development and Export Authority sustainable energy**
 15 **transmission and supply development fund for the base year.**

16 * **Sec. 5.** AS 44.88.088(b)(2) is amended to read:

17 (2) "net income" means the [AUTHORITY'S] change in net **position,**
 18 **or the equivalent term under generally accepted accounting principles, of the**
 19 **revolving fund or the change in net position of the Alaska Industrial**
 20 **Development and Export Authority sustainable energy transmission and supply**
 21 **development fund (AS 44.88.660)** [ASSETS] as set out in the audited financial
 22 statements of the authority for the base fiscal year, excluding amounts attributable to
 23 intergovernmental transfers, capital contributions, grants, or impairment losses on
 24 development projects financed under AS 44.88.172;

25 * **Sec. 6.** AS 44.88.088(b)(3) is amended to read:

26 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted
 27 change in net **position, or the equivalent term under generally accepted**
 28 **accounting principles, of the revolving fund or the Alaska Industrial**
 29 **Development and Export Authority sustainable energy transmission and supply**
 30 **development fund (AS 44.88.660)** [ASSETS] as set out in the audited financial
 31 statements of the authority for the base fiscal year, excluding amounts attributable to

1 intergovernmental transfers, capital contributions, grants, or impairment losses on
2 development projects financed under AS 44.88.172.

3 * **Sec. 7.** AS 44.88.105(d) is amended to read:

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

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

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

16 (3) secures bonds issued on or after August 11, 1993, for a power
17 transmission intertie; or

18 (4) secures bonds issued on or after July 1, 2013, for a qualified
19 energy development project financed under AS 44.88.650 - 44.88.690.

20 * **Sec. 8.** AS 44.88.172(a) is amended to read:

21 (a) The economic development account is established in the revolving fund.
22 The economic development account consists of money or assets appropriated, loaned,
23 or transferred to the authority for deposit in the account and other money or assets
24 deposited in the account by the authority. While money is on deposit in the economic
25 development account, the money may be used [ONLY] to finance, acquire, manage,
26 and operate development projects that the authority intends to own and operate or to
27 provide development project financing for development projects the authority
28 does not intend to own and operate. In this subsection,

29 (1) "operate" includes operation directly by the authority, by an agent
30 of the authority, or by a person as determined under an agreement between the
31 authority and other owners of the development project;

1 (2) "own" includes ownership by the authority of all or a percentage of
 2 a development project or all or a percentage of the shares of a corporation or
 3 membership in a limited liability company for which the development project is the
 4 sole asset of the corporation or limited liability company.

5 * **Sec. 9.** AS 44.88.172 is amended by adding a new subsection to read:

6 (d) The authority shall adopt regulations to implement this section. The
 7 regulations may include provisions for the application process, application fees,
 8 interest rates, other charges and fees, terms, conditions, security, and other
 9 requirements for development projects the authority undertakes or development
 10 project financing the authority provides.

11 * **Sec. 10.** AS 44.88.900 is amended by adding a new paragraph to read:

12 (17) "development project financing" means money loaned by the
 13 authority or a guarantee of a loan, note, debt, or other financial obligation issued by
 14 the authority to fund or assist in funding a development project the authority does not
 15 intend to own and operate.

16 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
 17 read:

18 **LEGISLATIVE APPROVAL; FINANCING OF LIQUEFIED NATURAL GAS**
 19 **PRODUCTION AND DISTRIBUTION FACILITIES.** (a) The Alaska Industrial
 20 Development and Export Authority, through the Alaska Industrial Development and Export
 21 Authority sustainable energy transmission and supply development fund (AS 44.88.660), may
 22 provide financing up to a principal amount of \$275,000,000 for the development,
 23 construction, and installation of, and the start-up costs of operation and maintenance for, a
 24 liquefied natural gas production plant and system and affiliated infrastructure on the North
 25 Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska.

26 (b) As a part of the financing authorized under (a) of this section, the Alaska
 27 Industrial Development and Export Authority may issue bonds under AS 44.88.090 that are
 28 secured by a capital reserve fund (AS 44.88.105). Notwithstanding AS 44.88.105, in
 29 establishing a capital reserve fund for the bonds, the authority is not required to determine that
 30 the capital reserve fund is necessary to enhance the marketability of the bonds. The authority
 31 shall manage the capital reserve fund as provided in AS 44.88.105. The principal amount of

1 the bonds authorized in this section may not exceed \$150,000,000 plus the cost of capitalized
2 interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow costs, and
3 other bond issuance costs that the authority considers reasonable and appropriate.

4 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate
5 the authority may charge for financing authorized under (a) of this section provided from the
6 Alaska Industrial Development and Export Authority sustainable energy transmission and
7 supply development fund (AS 44.88.660) may not exceed three percent or the current market
8 rate for commercial loans at the time the bonds are issued, whichever is less. Notwithstanding
9 the interest rate requirements of AS 44.88.159, the interest rate for financing authorized under
10 (a) of this section provided from the proceeds of bonds authorized under this section may not
11 exceed the interest rate to be paid on the bonds, plus an allowance that the authority
12 establishes for its administrative expenses; however, the allowance for administrative
13 expenses may not exceed 25 basis points. Notwithstanding any contrary provision of law, the
14 interest rate limitations of this subsection supersede and replace any other requirements of law
15 regarding the interest rates that the authority may charge for the financing authorized under
16 (a) of this section.

17 (d) The authorization under (a) of this section constitutes legislative approval for the
18 authority to exceed the limitations of AS 44.88.690 in providing the financing approved under
19 (a) of this section. In providing the financing authorized under (a) of this section, the authority
20 may waive any limitations or requirements of its regulations that are otherwise applicable to
21 the Alaska Industrial Development and Export Authority sustainable energy transmission and
22 supply development fund (AS 44.88.660).

23 (e) The bonds authorized by this section may not be considered in calculating the
24 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

25 (f) The authorization to issue bonds this section grants expires on June 30, 2018, if the
26 authority does not issue bonds before that date. Expiration of the authorization to issue bonds
27 does not affect bonds that the authority issues under this section before July 1, 2018.

28 (g) In this section,

29 (1) "authority" means the Alaska Industrial Development and Export
30 Authority;

31 (2) "financing" means any method or combination of methods of providing

1 funds for a qualified energy development project under AS 44.88.650 - 44.88.690.

2 * **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

*Adopted
as amended
4/6/13*

28-GS1738R
Bailey
4/4/13

**HOUSE CS FOR CS FOR SENATE BILL NO. 23(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - FIRST SESSION**

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to development project financing by the Alaska Industrial
2 Development and Export Authority; relating to the dividends from the Alaska
3 Industrial Development and Export Authority; relating to the meaning of 'net income'
4 and 'unrestricted net income' for purposes of the Alaska Industrial Development and
5 Export Authority; authorizing the Alaska Industrial Development and Export Authority
6 to provide financing and issue bonds for a liquefied natural gas production system and
7 natural gas distribution system; and providing for an effective date."

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

9 * **Section 1.** AS 44.88.010(a) is amended to read:

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

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

13 (2) this unemployment is a serious menace to the health, safety, and

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1 general welfare, not only to the people in those areas, but also to the people of the
2 entire state;

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

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

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

14 (6) many state businesses could benefit from additional financial and
15 technical assistance with respect to the exportation of their products and services;

16 (7) the Export-Import Bank of the United States has been mandated by
17 the Export-Import Bank Act Amendments of 1983 to provide technical assistance and
18 export financing support to small businesses in cooperation with state export finance
19 agencies;

20 (8) Alaska-based exporters can be effectively assisted through the
21 establishment, as part of the Alaska Industrial Development and Export Authority, of
22 an export financing program designed to work with the Export-Import Bank of the
23 United States and other federal, state, and private institutions;

24 (9) the achievement of the goal of full employment [,] and of
25 establishment and continuing operation and development of industrial, manufacturing,
26 energy, export, small business, and business enterprises in the state will be accelerated
27 and facilitated by the creation of an instrumentality of the state with powers to incur
28 debt, to own and operate facilities, and to make and insure loans to finance and to
29 assist private lenders to make loans to finance the establishment, operation, and
30 development of industrial, manufacturing, energy, export, small business, and business
31 enterprises;

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

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

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

14 (C) creating the Alaska Industrial Development and Export
15 Authority with the powers necessary to accomplish the objectives stated in this
16 paragraph, including the power to issue taxable and tax-exempt bonds, [AND]
17 to acquire ownership interests in projects, and to provide development
18 project financing as provided in this chapter;

19 (11) it is in the state's interest to import private capital to create new
20 economic activity that [WHICH] would not otherwise take place in the state.

21 * **Sec. 2.** AS 44.88.070 is amended to read:

22 **Sec. 44.88.070. Purpose of the authority.** The purpose of the authority is to
23 promote, develop, and advance the general prosperity and economic welfare of the
24 people of the state [ALASKA], to relieve problems of unemployment, and to create
25 additional employment by

26 (1) providing various means of financing and means of facilitating the
27 financing, in cooperation with federal, state, and private institutions, of industrial,
28 manufacturing, export, small business, and business enterprises and the other facilities
29 referred to in AS 44.88.010(a) in the state;

30 (2) owning and operating or providing development project
31 financing for the enterprises and other facilities described in AS 44.88.172;

1 (3) fostering the expansion of exports of [ALASKA] goods, services,
2 and raw materials of the state;

3 (4) cooperating and acting in conjunction with other organizations,
4 public and private, the objects of which are the promotion and advancement of export
5 trade activities in the state;

6 (5) establishing a source of funding credit guarantees and insurance,
7 not otherwise available, to support export development;

8 (6) providing and cooperating or participating with federal, state, and
9 private institutions to provide actual and potential state [ALASKA] exporters,
10 particularly small- and medium-sized exporters, with financial assistance in support of
11 export transactions.

12 * **Sec. 3.** AS 44.88.080 is amended to read:

13 **Sec. 44.88.080. Powers of the authority.** In furtherance of its corporate
14 purposes, the authority has the following powers in addition to its other powers:

15 (1) to sue and be sued;

16 (2) to have a seal and alter it at pleasure;

17 (3) to make and alter bylaws for its organization and internal
18 management;

19 (4) to adopt regulations governing the exercise of its corporate powers;

20 (5) to acquire an interest in a project as necessary or appropriate to
21 provide financing for the project, whether by purchase, gift, or lease;

22 (6) to lease to others a project acquired by it for the rentals and upon
23 the terms and conditions the authority may consider advisable, including, without
24 limitation, provisions for options to purchase or renew;

25 (7) to issue bonds and otherwise to incur indebtedness, in accordance
26 with AS 44.88.090, in order to pay the cost of a project or development projects or in
27 order to provide money for the authority's purposes under this chapter; the authority
28 may also secure payment of the bonds or other indebtedness as provided in this
29 chapter;

30 (8) to sell, by installment sale or otherwise, exchange, donate, convey,
31 or encumber, in any manner by mortgage or by creation of any other security interest,

1 real or personal property owned by it, or in which it has an interest, including a
2 project, when, in the judgment of the authority, the action is in furtherance of its
3 corporate purposes;

4 (9) to accept gifts, grants, or loans from, and enter into contracts or
5 other transactions regarding them [,] with, a federal agency, [OR] an agency or
6 instrumentality of the state, a municipality, a private organization, or other source;

7 (10) to deposit or invest its funds, subject to agreements with
8 bondholders;

9 (11) to enter into contracts or agreements with respect to the exercise
10 of any of its powers, and do all things necessary or convenient to carry out its
11 corporate purposes and exercise the powers granted in this chapter;

12 (12) to purchase or insure loans to finance the costs of manufacturing,
13 industrial, and business enterprise projects;

14 (13) to enter into loan agreements with respect to one or more projects
15 upon the terms and conditions the authority considers advisable;

16 (14) to acquire, manage, and operate projects as the authority considers
17 necessary or appropriate to serve a public purpose;

18 (15) to assist private lenders to make loans to finance the costs of
19 projects through loan commitments, short-term financing, or otherwise;

20 (16) to accept gifts, grants, or loans from a federal agency, from an
21 agency or instrumentality of the state or of a municipality, or from any other source;

22 (17) to enter into contracts or other transactions with a federal agency,
23 with an agency or instrumentality of the state or of a municipality, or with a private
24 organization or other entity consistent with the exercise of any power under this
25 chapter;

26 (18) to facilitate the expansion of a secondary market for the resale of
27 federally or commercially insured loans made to finance the costs of projects in the
28 state [ALASKA] held by federal and state chartered financial institutions or by the
29 Alaska Commercial Fishing and Agriculture Bank;

30 (19) to charge fees or other forms of remuneration for the use or
31 possession of the projects described in (14) of this section in accordance with the

1 agreements described in (11) and (17) of this section, other agreements pertaining to
2 the projects, covenants, or representations made in bond documents pertaining to the
3 projects, or regulations of the authority pertaining to the projects;

4 (20) to participate with government or private industry in programs for
5 technical assistance, loans, technology, transfer, or other programs related to the
6 exportation of [ALASKA] goods, services, or raw materials of the state with respect
7 to its financing activities;

8 (21) to provide export finance training for office staff and other
9 individuals involved in export finance assistance, including the training sessions that
10 may be provided by the United States Export-Import Bank or other organizations;

11 (22) to coordinate to the maximum extent possible its efforts to
12 promote the export of [ALASKA] goods, services, and raw materials of the state with
13 programs and goals of the United States Export-Import Bank, the International Trade
14 Administration of the United States Department of Commerce, the Foreign Credit
15 Insurance Association, and other private and public programs designed to provide
16 export assistance and export-related financing;

17 (23) to guarantee loans related to qualified export transactions under
18 regulations adopted by the authority;

19 (24) to provide financing assistance, in cooperation with federal, state,
20 and private institutions, as provided in this chapter for small business enterprises;

21 (25) to make cooperative agreements with the Department of
22 Transportation and Public Facilities, acting on behalf of the international airports
23 revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain,
24 construct, or install facilities that will enhance the competitiveness of the international
25 airports, including a cooperative agreement to lend amounts from the international
26 airports [AIRPORT] revenue fund to finance the development or improvement of
27 utilities serving the airports;

28 (26) to screen potential applicants for a new business incentive grant
29 and recommend the award of the grants under AS 45.81.020;

30 (27) to oversee the administration of outstanding grants awarded by the
31 Alaska Science and Technology Foundation under former AS 37.17.010 - 37.17.110;

1 (28) to oversee the administration of outstanding BIDCO assistance
2 grants and loans made by the Alaska Science and Technology Foundation under
3 former AS 37.17.200 - 37.17.390;

4 (29) to guarantee loans made to the Alaska Insurance Guaranty
5 Association (AS 21.80.040), with these guarantees limited to loans necessary to make
6 the association financially able to meet cash flow needs up to a maximum outstanding
7 principal balance at any time of \$30,000,000;

8 (30) with legislative approval and notwithstanding AS 44.88.060, to
9 purchase from the Alaska Energy Authority as an investment of the revolving fund,
10 loans of the power project fund established under AS 42.45.010;

11 (31) to consider, when exercising the powers listed in this section, the
12 interests of local governments affected [IMPACTED] by the authority's activities to
13 share in the benefits of these activities, with appropriate consideration of the
14 authority's ability to meet debt obligations, issue new debt, and fulfill the authority's
15 purposes;

16 (32) to provide development project financing for all or a portion
17 of the cost of a development project as provided in AS 44.88.172.

18 * Sec. 4. AS 44.88.088(a) is amended to read:

19 (a) The authority shall adopt a policy for payment of a dividend from the
20 revolving fund and a dividend from the Alaska Industrial Development and
21 Export Authority sustainable energy transmission and supply development fund
22 (AS 44.88.660) to the state each fiscal year [. THE AMOUNT OF THE DIVIDEND
23 FOR A FISCAL YEAR MAY NOT BE LESS THAN 25 PERCENT NOR MORE
24 THAN 50 PERCENT OF THE NET INCOME OF THE AUTHORITY FOR THE
25 BASE FISCAL YEAR. IN NO EVENT, HOWEVER, SHALL THE DIVIDEND FOR
26 A FISCAL YEAR EXCEED THE TOTAL UNRESTRICTED NET INCOME OF
27 THE AUTHORITY FOR THE BASE FISCAL YEAR]. The dividends [DIVIDEND]
28 for a fiscal year shall be made available by the authority before the end of that fiscal
29 year. The authority shall notify the commissioner of revenue when the dividends
30 [DIVIDEND] for a fiscal year are [IS] available for appropriation. The amount of the
31 dividend payable from the

1 (1) revolving fund for a fiscal year may not be less than 25 percent
2 nor more than 50 percent of the net income of the revolving fund for the base
3 fiscal year; however, in no event, may the dividend payable from the revolving
4 fund for a fiscal year exceed the total unrestricted net income of the revolving
5 fund for the base year;

6 (2) Alaska Industrial Development and Export Authority
7 sustainable energy transmission and supply development fund (AS 44.88.660) for
8 a fiscal year may not be less than 25 percent nor more than 50 percent of the net
9 income of the Alaska Industrial Development and Export Authority sustainable
10 energy transmission and supply development fund for the base fiscal year;
11 however, in no event, shall the dividend payable from the Alaska Industrial
12 Development and Export Authority sustainable energy transmission and supply
13 development fund for a fiscal year exceed the total unrestricted net income of the
14 Alaska Industrial Development and Export Authority sustainable energy
15 transmission and supply development fund for the base year.

16 * Sec. 5. AS 44.88.088(b)(2) is amended to read:

17 (2) "net income" means the [AUTHORITY'S] change in net position,
18 or the equivalent term under generally accepted accounting principles, of the
19 revolving fund or the change in net position of the Alaska Industrial
20 Development and Export Authority sustainable energy transmission and supply
21 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial
22 statements of the authority for the base fiscal year, excluding amounts attributable to
23 intergovernmental transfers, capital contributions, grants, or impairment losses on
24 development projects financed under AS 44.88.172;

25 * Sec. 6. AS 44.88.088(b)(3) is amended to read:

26 (3) "unrestricted net income" means the [AUTHORITY'S] unrestricted
27 change in net position, or the equivalent term under generally accepted
28 accounting principles, of the revolving fund or the Alaska Industrial
29 Development and Export Authority sustainable energy transmission and supply
30 development fund (AS 44.88.660) [ASSETS] as set out in the audited financial
31 statements of the authority for the base fiscal year, excluding amounts attributable to

1 intergovernmental transfers, capital contributions, grants, or impairment losses on
2 development projects financed under AS 44.88.172.

3 * **Sec. 7.** AS 44.88.105(d) is amended to read:

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

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

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

16 (3) secures bonds issued on or after August 11, 1993, for a power
17 transmission intertie; **or**

18 **(4) secures bonds issued on or after July 1, 2013, for a qualified**
19 **energy development project financed under AS 44.88.650 - 44.88.690.**

20 * **Sec. 8.** AS 44.88.172(a) is amended to read:

21 (a) The economic development account is established in the revolving fund.
22 The economic development account consists of money or assets appropriated, loaned,
23 or transferred to the authority for deposit in the account and other money or assets
24 deposited in the account by the authority. While money is on deposit in the economic
25 development account, the money may be used [ONLY] to finance, acquire, manage,
26 and operate development projects that the authority intends to own and operate **or to**
27 **provide development project financing for development projects the authority**
28 **does not intend to own and operate.** In this subsection,

29 (1) "operate" includes operation directly by the authority, by an agent
30 of the authority, or by a person as determined under an agreement between the
31 authority and other owners of the development project;

1 (2) "own" includes ownership by the authority of all or a percentage of
2 a development project or all or a percentage of the shares of a corporation or
3 membership in a limited liability company for which the development project is the
4 sole asset of the corporation or limited liability company.

5 * **Sec. 9.** AS 44.88.172 is amended by adding a new subsection to read:

6 (d) The authority shall adopt regulations to implement this section. The
7 regulations may include provisions for the application process, application fees,
8 interest rates, other charges and fees, terms, conditions, security, and other
9 requirements for development projects the authority undertakes or development
10 project financing the authority provides.

11 * **Sec. 10.** AS 44.88.900 is amended by adding a new paragraph to read:

12 (17) "development project financing" means money loaned by the
13 authority or a guarantee of a loan, note, debt, or other financial obligation issued by
14 the authority to fund or assist in funding a development project the authority does not
15 intend to own and operate.

16 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 LEGISLATIVE APPROVAL; FINANCING OF LIQUEFIED NATURAL GAS
19 PRODUCTION AND DISTRIBUTION FACILITIES. (a) The Alaska Industrial
20 Development and Export Authority, through the Alaska Industrial Development and Export
21 Authority sustainable energy transmission and supply development fund (AS 44.88.660), may
22 provide financing up to a principal amount of \$275,000,000 for the development,
23 construction, and installation of, and the start-up costs of operation and maintenance for, a
24 liquefied natural gas production plant and system and affiliated infrastructure on the North
25 Slope and a natural gas distribution system and affiliated infrastructure in interior Alaska.

26 (b) As a part of the financing authorized under (a) of this section, the Alaska
27 Industrial Development and Export Authority may issue bonds under AS 44.88.090 that are
28 secured by a capital reserve fund (AS 44.88.105). Notwithstanding AS 44.88.105, in
29 establishing a capital reserve fund for the bonds, the authority is not required to determine that
30 the capital reserve fund is necessary to enhance the marketability of the bonds. The authority
31 shall manage the capital reserve fund as provided in AS 44.88.105. The principal amount of

1 the bonds authorized in this section may not exceed \$150,000,000 plus the cost of capitalized
2 interest, bond counsel fees, trustee fees, rating fees, financial advisor fees, escrow costs, and
3 other bond issuance costs that the authority considers reasonable and appropriate.

4 (c) Notwithstanding the interest rate requirements of AS 44.88.159, the interest rate
5 the authority may charge for financing authorized under (a) of this section provided from the
6 Alaska Industrial Development and Export Authority sustainable energy transmission and
7 supply development fund (AS 44.88.660) may not exceed three percent or the current market
8 rate for commercial loans at the time the bonds are issued, whichever is less. Notwithstanding
9 the interest rate requirements of AS 44.88.159, the interest rate for financing authorized under
10 (a) of this section provided from the proceeds of bonds authorized under this section may not
11 exceed the interest rate to be paid on the bonds, plus an allowance that the authority
12 establishes for its administrative expenses; however, the allowance for administrative
13 expenses may not exceed 25 basis points. Notwithstanding any contrary provision of law, the
14 interest rate limitations of this subsection supersede and replace any other requirements of law
15 regarding the interest rates that the authority may charge for the financing authorized under
16 (a) of this section.

17 (d) The authorization under (a) of this section constitutes legislative approval for the
18 authority to exceed the limitations of AS 44.88.690 in providing the financing approved under
19 (a) of this section. In providing the financing authorized under (a) of this section, the authority
20 may waive any limitations or requirements of its regulations that are otherwise applicable to
21 the Alaska Industrial Development and Export Authority sustainable energy transmission and
22 supply development fund (AS 44.88.660).

23 (e) The bonds authorized by this section may not be considered in calculating the
24 authority's bonding limitation for a 12-month period under AS 44.88.095(a).

25 (f) The authorization to issue bonds this section grants expires on June 30, 2018, if the
26 authority does not issue bonds before that date. Expiration of the authorization to issue bonds
27 does not affect bonds that the authority issues under this section before July 1, 2018.

28 (g) In this section,

29 (1) "authority" means the Alaska Industrial Development and Export
30 Authority;

31 (2) "financing" means any method or combination of methods of providing

1 funds for a qualified energy development project under AS 44.88.650 - 44.88.690.

2 * **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: CSSB 23(FIN)
Fiscal Note Number: 3
(S) Publish Date: 3/6/13

Identifier: SB023CS(L&C)-DCCED-AIDEA-03-05-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Senate Finance

Department: Fund Capitalization
Appropriation: Fund Capitalization
Allocation: AIDEA Sustainable Energy Transmission and Supply Development Fund
OMB Component Number: 3036

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous		125,000.0						
Total Operating	0.0	125,000.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1213 AHCC		125,000.0						
Total	0.0	125,000.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This fiscal note separates the fund capitalization and capital appropriation needed as part of the proposed AIDEA LNG financing package from the operating impacts on AIDEA. The Governor's FY14 budget requests a transfer of \$125 million from the Alaska Housing Capital Corporation fund to capitalize the Sustainable Energy Transmission and Supply Development Fund. The Governor's FY14 capital budget also includes a \$50 million request as part of the financing package.

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division:	Alaska Industrial Development and Export Authority	Date:	03/05/2013 07:30 PM
Approved By:	JoEllen Hanrahan, Director	Date:	03/05/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS #3

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. CSSB 23(FIN)

Analysis

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Attached is a spreadsheet that provides a comprehensive summary of the fiscal impact of SB 23.

Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)							
Direct Financing (Not related to Interior Energy Plan)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA							
AIDEA Receipts	200	150	150	150	150	150	
Preparation of regulations	50	-	-	-	-	-	
Underwriting (includes 200.0 operating request)	150	150	150	150	150	150	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			600	625	625	625	
Gas Plant and Storage							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	750	500	300	200	-	-	
Coordination and evaluation	750	-	-	-	-	-	
Construction management	-	500	300	200	-	-	
GF Cost	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000						
Capitalize SETS Fund	125,000						
Revenue to AIDEA	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)			1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			(375)	(250)	788	1,755	
Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	-	-	-	-	-	-	
AIDEA Receipts	-	-	-	-	-	-	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)	-	-	-	-	94	187	
Private Investment (\$70m for 9BCF plant-expansion will be fully funded by additional private investment)							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
Summary							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
GF Cost	175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
AIDEA Cost							
Direct Financing (AIDEA Note)	950	650	450	350	150	150	2,700
AIDEA Revenue (AIDEA Note-analysis only)	1,400	1,400	3,463	5,485	5,402	5,317	22,465
AIDEA Receipts	1,400	1,400	1,588	1,774	1,771	1,769	9,701
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)	-	-	225	375	1,506	2,567	4,674
Fiscal Notes							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
AIDEA							
Direct Financing (AIDEA Receipts)	950.0	650.0	450.0	350.0	150.0	150.0	2,700.0
GF Revenue-Dividends to State (GF)	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5
Capitalize SETS Fund (GF)	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
Total Costs	175,950.0	650.0	450.0	350.0	150.0	150.0	177,700.0
Total GF Revenue impact	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HCS CSSB 23(L&C)
Fiscal Note Number: 4
(H) Publish Date: 3/20/13

Identifier: HCSCSSB23(L&C)-DCCED-AIDEA-03-18-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House Labor & Commerce

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
OPERATING EXPENDITURES	FY 2014	FY 2014						
Personal Services								
Travel								
Services	750.0		500.0	300.0	200.0			
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	750.0	0.0	500.0	300.0	200.0	0.0	0.0	0.0

Fund Source (Operating Only)

1102 AIDEA Rcpt	750.0		500.0	300.0	200.0			
Total	750.0	0.0	500.0	300.0	200.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues	0.0		0.0	(375.0)	(250.0)	881.3	1,942.3	
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This version updates operating expenditure amounts, fund source amounts, and the revenues to the State from AIDEA's dividend based on House CS removing the Direct Financing language from SB 23 CS(L&C).

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3000
Division:	Alaska Industrial Development and Export Authority	Date:	03/18/2013 11:15 AM
Approved By:	JoEllen Hanrahan, Director	Date:	03/18/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HCS CSSB 23(L&C)

Analysis

House CS for CS Senate Bill No. 23 (L&C) has two distinct purposes related to AIDEA programs:

AIDEA TECHNICAL CHANGE

This bill makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The calculation method for AIDEA's dividend will not change and no fiscal impact is expected.

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct financing of \$125 million out of the money provided through the amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. AIDEA projects that the administrative expenses for project construction management oversight for the LNG production and distribution system will require 500.0 in FY 2015, 300.0 in FY 2016, and 200.0 in FY 2017.

The project management expenses forecasted will be offset by AIDEA's income stream allowed under Sec. 10 (c) of SB23 and by the interest revenue earned off the sets loan both which will start in FY 2016. AIDEA estimates the annual income stream from the 25 basis point allowance and interest revenue will generate approximately \$2,063.0 in FY 2016, \$4,084.5 in FY 2017, \$4,001.5 in FY 2018, and \$3,917.0 in FY 2019 with that revenue decreasing in subsequent years based on payments made on the principal of the financing over the estimated life of the financing.

The Change in Revenues reflects General Fund revenues to the state generated from AIDEA dividends. AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 net revenues. The dividends earned to the state will be negative in FY 16 and FY 17 due to the fact that there will be no revenues generated from the project to offset cost in FY 2014 and FY 2015. Starting in FY 2018, revenues will more than offset project expenses and will remain that way for the life of the financing.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the amended operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)

Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)							
Direct Financing (Not related to Interior Energy Plan)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA							
AIDEA Receipts	-	-	-	-	-	-	
Preparation of regulations							
Underwriting (includes 200.0 operating request)							
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA		-	-	-	-	-	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			-	-	-	-	
Gas Plant and Storage							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	750	500	300	200	-	-	
Coordination and evaluation	750	-	-	-	-	-	
Construction management		500	300	200	-	-	
GF Cost	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000						
Capitalize SETS Fund	125,000						
Revenue to AIDEA	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)		-	1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			(375)	(250)	788	1,755	
Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	-	-	-	-	-	-	
AIDEA Receipts							
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenue)	-	-	-	-	94	187	
Private Investment (\$70m for 9BCF plant—expansion will be fully funded by additional private investment)							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
Summary							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
GF Cost	175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
AIDEA Cost							
Project Evaluation and Management Cost (AIDEA Note)	750	500	300	200	-	-	1,750
AIDEA Revenue (AIDEA Note-analysis only)	-	-	2,063	4,085	4,002	3,917	14,065
AIDEA Receipts	-	-	188	374	371	369	1,301
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)	-	-	(375)	(250)	881	1,942	2,199
Fiscal Notes							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
AIDEA							
Project Evaluation and Management (AIDEA Receipts)	750.0	500.0	300.0	200.0	-	-	1,750.0
GF Revenue-Dividends to State (GF)	-	-	(375.0)	(250.0)	881.3	1,942.3	2,198.5
Capitalize SETS Fund (GF)	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
Total Costs	175,750.0	500.0	300.0	200.0	-	-	176,750.0
Total GF Revenue Impact	-	-	(375.0)	(250.0)	881.3	1,942.3	2,198.5



April 4, 2013

The Honorable Alan Austerman
Co-Chair, House Finance Committee
State Capitol, Room 505
Juneau, AK 99801-3100

The Honorable Bill Stoltze
Co-Chair, House Finance Committee
State Capitol, Room 515
Juneau, AK 99801-3100

RE: SB 23 AIDEA and AEA Follow-up

Dear Representatives Austerman and Stoltze:

This letter is in follow-up to today's House Finance discussion on SB 23 and questions relating to propane production.

The proposed North Slope LNG plant will be capable of producing a small amount of propane as a by-product of the liquefaction process. Early estimates indicated that up to five percent of the plant output will be propane, totaling 10,000 gallons per day. This volume is enough propane to potentially serve up to 1,800 homes. As part of the LNG trucking project, AIDEA and AEA have identified this propane stream as an opportunity to further serve Interior and Rural Alaska energy needs.

The actual amount of propane produced will depend on the point at which the raw gas is extracted from the Prudhoe Bay fuel gas system and the how the LNG plant is configured. The propane produced will actually be a LPG (liquid petroleum gas) that contains small amounts of other hydrocarbons, such as butane. This combination will help to increase the amount of propane that is produced and result in a fuel that is better suited for arctic conditions.

While the propane production has the potential to assist with in-state energy needs, it is important to stress that the primary focus of SB 23 is on the production of liquefied methane (LNG) since this particular molecule makes up approximately 80 percent of the raw gas feed. As a result, the economic viability of the project depends on LNG distribution to Interior Alaska.

It is likely that the use of propane from this project will expand in stages. In the first stage, most of the propane would likely be used within the Fairbanks/North Pole area by customers who are not served by a natural gas distribution network. In the second stage, more propane will be available for rural use as the natural gas distribution system expands in the Fairbanks/North Pole area. Expansion of the piped distribution system will require a larger volume of LNG. As the amount of LNG produced on the North Slope increases, the volume of propane that is produced will also increase.


The AIDEA and AEA team is currently evaluating the economics of propane for Interior and Rural Alaska use. In this process, the team is first reviewing previous work on rural propane distribution and reaching out to potential partners and stakeholders. The team is also gathering information to develop a cost model for small scale and remote propane and LNG systems. This model will compare delivery by road, river, tidewater with seasonal ice restrictions, and tidewater with no ice restrictions by evaluating different parameters (product availability, transportation cost, community size, end uses, delivery type, delivery frequency, etc.).

As part of the due diligence process, the AIDEA and AEA team is assessing the potential customers base that could benefit from the propane associated with this project. Segments of the Fairbanks North Star Borough not served by a piped natural gas distribution system would be able to access propane. In addition, smaller rural communities along the state highway system may quickly develop the infrastructure to receive and utilize propane. Communities reliant on river or tidewater deliveries may take longer to develop infrastructure necessary to receive and store propane. AEA's rural energy program team is helping to develop cost estimates of needed rural community infrastructure.

In addition to determining the potential to utilize LNG and propane beyond Interior Alaska, we wanted to address the expected rates for potential customers of the LNG plant. It is the intent of the state to ensure that as much of the benefit from the Interior Energy Plan as possible will flow through to Alaska consumers through the rate regulation process overseen by the Regulatory Commission of Alaska. Customers served outside of this rate control mechanism can anticipate prices based on the full unit cost of production plus a reasonable rate of return for private sector investment in the production facilities.

Sincerely,

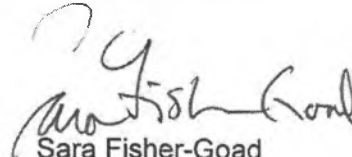
ALASKA INDUSTRIAL DEVELOPMENT AND
EXPORT AUTHORITY



Ted Leonard
Executive Director

Sincerely,

ALASKA ENERGY AUTHORITY



Sara Fisher-Goad
Executive Director



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE

State Capitol, Room 519

Rep. Alan Austerman, Co-Chair

Rep. Bill Stoltze, Co-Chair

Thursday, March 21, 2013

1:30 PM

Agenda:

**SB 23-AIDEA: LNG PROJECT; DIVIDENDS; FINANCING -
Rules-Governor**

In person:

Emily Ford- AEA

Ted Leonard, Executive director of AIDEA

Teleconference - AEA- AIDEA

Sara Sarah Fisher-Goad, Executive, Alaska Energy Authority, Department
of Commerce, Community and Economic Development

Nick Szymoniak, Project Economist with AEA

Other possible testimony:

- Diane Hutchison, FNSB presiding officer, support for SB 23
- Jerry Cleworth, Mayor, City of Fairbanks
- Bryce Ward, Mayor, City of North Pole
- Jomo Stewart or Jim Dotson, Fairbanks Economic Development Corporation (FEDCO)
- Golden Valley Electric Association {GVEA}
- Lisa Hebert FNSB Chamber of Commerce

Introduced By: Mayor Cleworth
Introduced: February 25, 2013

RESOLUTION NO. 4566

**A RESOLUTION IN SUPPORT OF FUNDING FOR THE CONSTRUCTION OF
A NATURAL GAS PRODUCTION, TRUCKING AND DISTRIBUTION
SYSTEM, INCLUDING LEGISLATION TO AUTHORIZE THE ALASKA
INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) TO
PROVIDE LOW INTEREST LOANS AND ISSUE BONDS**

WHEREAS, many Interior and rural Alaskan communities are suffering from extremely high energy costs; and

WHEREAS, the development of in-state gas processing facilities on the North Slope so that liquefied natural gas ("LNG") can be trucked to market for distribution would provide a near term "bridge" solution for Northern Alaska pending the construction of a pipeline; and

WHEREAS, because known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska, the delivery of LNG by truck may alleviate the shortage; and

WHEREAS, in addition to at least \$50 million in state funding, House Bill 74 and Senate Bill 23 will incentivize the construction by providing funds for a natural gas liquefaction facility on the North Slope, trucking LNG to markets, propane for rural communities, and distribution systems; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, that the City Council supports legislative efforts in HB 74 and SB 23 that authorize AIDEA to provide low interest loans and issue bonds for a liquefied natural gas production, transportation and distribution system in addition to state grant funding. In addition, the City Council urges the legislature to provide at least \$50 million in funding for the project.

PASSED and APPROVED this 25th of February 2013.



JERRY CLEWORTH, MAYOR

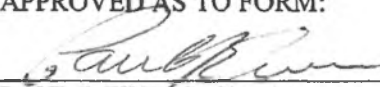
AYES: Gatewood, Staley, Hilling, Matherly, Walley
NAYS: None
ABSENT: Eberhart
APPROVED: February 25, 2013

ATTEST:

for 

JANEY HOVENDEN, CMC, City Clerk

APPROVED AS TO FORM:



PAUL J. EWERS, City Attorney

CITY OF NORTH POLE

RESOLUTION 13-01

**A RESOLUTION SUPPORTING LEGISLATIVE EFFORTS TO CONSTRUCT A
NATURAL GAS PIPELINE FROM THE NORTH SLOPE TO SOUTH CENTRAL
ALASKA.**

WHEREAS, the development of an in-state gas pipeline would provide stable and affordable gas for Alaskans for many years; and

WHEREAS, known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska in the future; and

WHEREAS, many Interior and Rural Alaskan communities are suffering from extremely high energy cost; and

WHEREAS, development of vibrant local and statewide economies are dependent on affordable energy; and

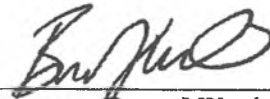
WHEREAS, Alaskans wish to leave a legacy of prosperity through development of our natural resources to the maximum benefit for the most Alaskans; and

WHEREAS, Alaska Gasline Development Corporation (AGDC) has created the Alaska Stand Alone Gas Pipeline (ASAP) and is seeking monies to bring a instate gas-line to open season; and ultimately to fruition; and

WHEREAS, House Bill 4 includes the necessary provisions to advance a successful Alaska natural gas pipeline project.

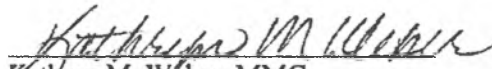
NOW, THEREFORE, BE IT RESOLVED that the North Pole City Council supports legislative efforts to fund AGDC as they move forward in developing and advancing a project to construct a natural gas pipeline from the North Slope to South Central Alaska.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this 4th day of February, 2013



Bryce J Ward, Mayor

ATTEST:


Kathryn M. Weber, MMC
North Pole City Clerk

PASSED

Yes: Nelson, McGhee, Holm, Smith, Sikma, Ward

No: 0

Absent: Hunter



STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



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Anchorage, AK 99501
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Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 15, 2013

The Honorable Charlie Huggins
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Huggins,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to authorizing the Alaska Industrial Development and Export Authority (AIDEA) to provide financing and issue bonds for a liquefied natural gas production system and a natural gas distribution system; and for development project financing by AIDEA.

The bill is part of a comprehensive financial package relating to the Interior Energy Plan, a strategy that includes low interest loans, gas storage tax credits, and general fund dollars for a moveable liquefaction plant and distribution system. This legislation implements the low interest loans part of the strategy. The second prong of the strategy, gas storage tax credits, has already been enacted into law, while the general fund dollars requested will be considered during budget deliberations.

The bill will authorize AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure within the Fairbanks North Star Borough. These facilities will make it feasible to truck liquefied natural gas from the North Slope to the Interior and will allow for a wider distribution of gas and propane elsewhere in the state. The distribution system will then be in place for a large diameter gasline.

The bill authorizes AIDEA to provide financing for natural gas facilities through the Sustainable Energy Transmission and Supply (SETS) fund established under legislation passed last session. The bill permits AIDEA to issue up to \$150 million in bonds for the project. The bonds will be secured by a capital reserve fund with the moral obligation of the State to restore the capital reserve fund to its reserve fund requirement in order to ensure payment of the bonds. The bill will further authorize AIDEA to provide another \$125 million in direct financing out of the money held in the SETS fund. This financing could be in the form of loans or guarantees or any other finance mechanism permitted under SETS. To help ensure lower energy rates for Alaskans, the bill will limit the interest rates that AIDEA can charge for its financing.

COMMITTEE COPY

SENATE BILL NO. 23

The bill will enable AIDEA to participate in direct development project financing in addition to its existing ownership-based financing for development projects. Having the authority to engage in direct financing will give AIDEA an important new tool to encourage economic development projects that do not usually lend themselves to AIDEA financing.

For example, there may be natural resource development projects that are beneficial to the economic prosperity of the State, but they may have certain risks AIDEA would not want to assume. A project owner assumes these risks, but a lender does not. This bill allows AIDEA to provide direct financing assistance for development projects, including loans and loan guarantees, even where AIDEA is not going to acquire an ownership interest in the project.

This bill will help raise the number and quality of economic development projects in the state. Those economic development projects should increase the number of jobs that are available to Alaskans.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive, flowing style with a large initial "S".

Sean Parnell
Governor

Enclosure



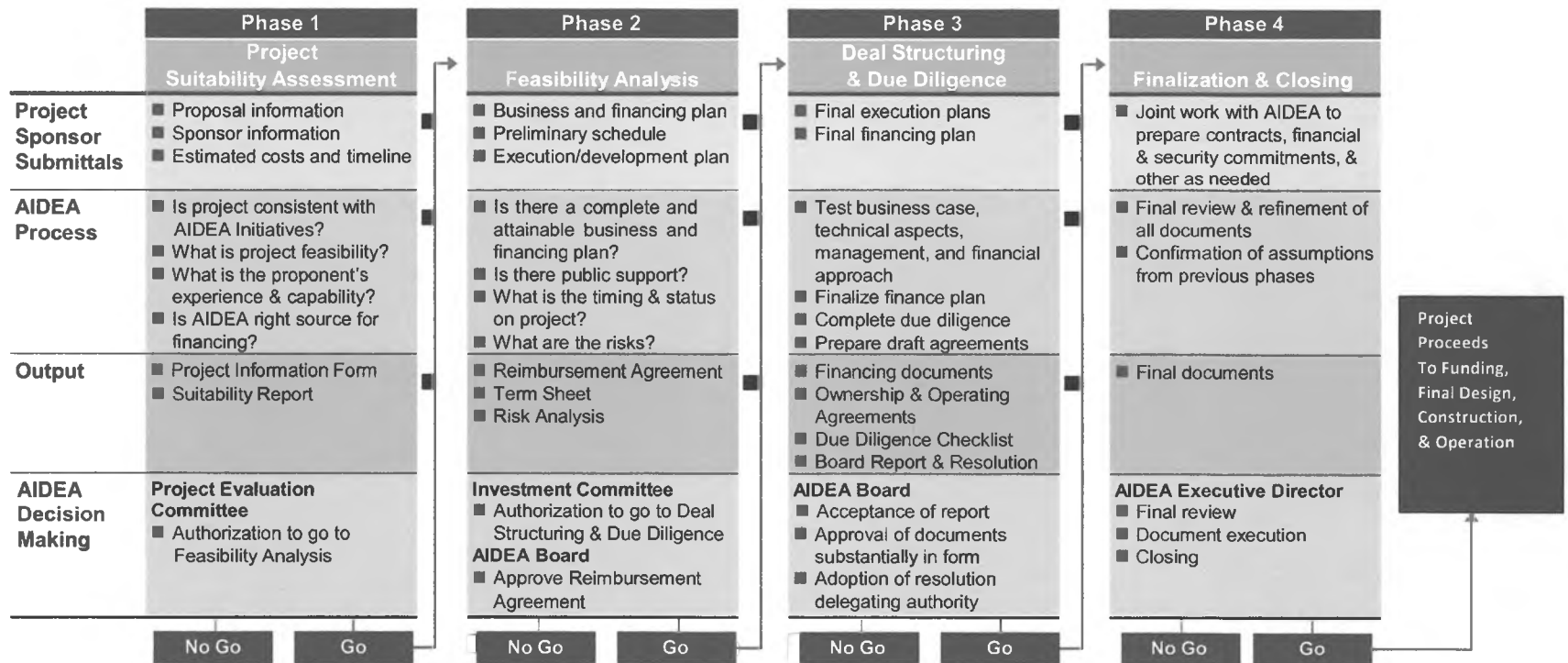
Sectional Analysis HCS CS SB 23 (L&C)

“An Act relating to relating to the dividends of the Alaska Industrial Development and Export Authority; relating to the meaning of “net income” and “unrestricted net income” for purposes of the Alaska Industrial Development and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date.”

Section	Analysis
1	AS 44.88.088(a) is amended to allow AIDEA to calculate the dividends from the revolving loan fund and from the SETS fund and amends the way that dividend is calculated.
2	AS 44.88.088(b)(2) is amended to expand the definition of “net income” to accommodate changes required by the Governmental Accounting Standards Board (GASB) to AIDEA’s audited financial statements.
3	AS 44.88.088(b)(3) is amended to expand the definition of “unrestricted net income” to accommodate changes required by the Governmental Accounting Standards Board (GASB) to AIDEA’s audited financial statements.
4	As 44.88.105(d) is amended by technical changes by replacing the term “chairman” with the word “chair” and to change the word “no” in line 12 to “not” and AS 44.88.105(d)(4) is amended to allow AIDEA to secure bonds on or after July 1, 2013 for a qualified energy development they may finance under SETS.
5	AS 44.88.172(a) is amended by removing the word “only” from line two at page 4.
6	<p>The uncodified law is amended by adding a new section.</p> <ul style="list-style-type: none"> • Subsection (a) allows AIDEA to provide financing of up to \$275 million for the development, construction, and installation of a LNG plant, system and affiliated infrastructure on the North Slope and a gas distribution system and affiliated infrastructure. The H L&C version deletes the phrase “in Interior Alaska” that was in CS SB23 (FIN). • Subsection (b) allows AIDEA to issue bonds up to \$150 million in principal and related financing costs. • Subsection (c) provides for a SETS loan and establishes a maximum interest rate as the lesser of 3% or the current market rate for a commercial loan at the time bonds in subsection (b) are issued. • Subsection (d) waives the 1/3 AIDEA guarantee or lending limitation in the SETS program. • Subsection (e) states that the bonds authorized in SB 23 are not subject to the AIDEA 12-month bonding limitation under 44.88.095(a) • Subsection (f) provides for the expiration of the authorization to issue bonds by June 30, 2018, but bonds issued prior to July 1, 2018 are not affected. • Subsection (g) defines AIDEA as the “authority” and “financing” as methods or combination of methods of providing funds to a qualified energy project in the SETS program.
7	Immediate effective date

Prepared by AIDEA March 19, 2013

AIDEA has a Rigorous Project Analysis Process



ALASKA

INTERIOR ENERGY PLAN



AL STATE BUREAU

Investing in Alaskans

Alaska Industrial Development and Export Authority

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PREAMBLE

The Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA) provide this initial report on the effort to bring affordable energy to Alaska's Interior under Governor Parnell's Interior Energy Plan. AIDEA and AEA seek to collaborate with the private sector, utilities, local governments, and economic development entities to implement the Governor's plan. In December 2012, AIDEA requested letters from private sector companies interested in partnering with the Authority on a project to liquefy natural gas, deliver it to market via trucking, and distribute it to consumers through an expanded piped distribution system with a target of first gas by the autumn of 2015. This report sets out progress to date, based on the responses AIDEA received.

1.0 Executive Summary

AIDEA is pleased to have received 16 responses to its Request for Letters of Interest for the development of an LNG facility to implement the Governor's Interior Energy Plan. We are encouraged by the depth and extent of these private sector responses. We find there is significant interest combined with the needed technical and financial capability to timely implement this plan and bring affordable natural gas to Interior Alaska and other parts of the state. The initial focus will be to provide natural gas for heating to the high and medium density areas of the Fairbanks North Star Borough.

Based on a careful, initial review of the responses, AIDEA believes that Governor Parnell's Interior Energy Plan could bring natural gas to consumers at rates that will significantly lower energy costs in the Interior. A reasonable target is to achieve a 40-50 percent reduction in the cost of energy, compared to \$3.90/gallon heating fuel, and first gas by the end of 2015. Both AIDEA and AEA see the propane by-product that will be separated during the

natural gas liquefaction process as an additional valuable energy commodity for the Interior. This propane could be used to lower energy costs for residents who cannot be economically served by a piped natural gas distribution network.

Most of the proposals that accompanied the expressions of interest make use of the financing package proposed by Governor Parnell in SB 23 and HB 74. Under this package, AIDEA would invest \$50 million and make a \$125 million loan for the LNG plant under the new SETS' fund. The bills also authorize AIDEA to issue up to \$150 million in SETS bonds for the project. These bonds could be used to assist in the financing of the initial expansion of the gas distribution system that would bring natural gas to homes and businesses in the Interior. The financing package in both bills is dependent on, and designed to work with, private sector investment in, and operation of, the project. It is envisioned that a private company, in which AIDEA is a partner, will own the LNG plant, and that one or more utilities may be involved with the storage and distribution of natural gas in the Fairbanks area and beyond.

Two of the proposals are essentially turnkey offers:

- Pentex Alaska Natural Gas Co., which is the parent company of Fairbanks Natural Gas (FNG), LLC, provided a response for developing the infrastructure to deliver affordable natural gas. Pentex has stated that it has land for an LNG plant and necessary permits.

¹ SETS stands for the Sustainable Energy Transmission & Supply Development Fund that was established last year under SB 25. This new fund within AIDEA authorizes the agency to provide loans for energy development, including the "liquefaction, regasification, distribution, storage, or use of natural gas except a natural gas pipeline project for transporting natural gas from the North Slope or Cook Inlet to market." AS 44.88.900(13)(B).

- Golden Valley Electric Association (GVEA) provided a detailed proposal to build and own an LNG facility, and to build LNG storage at its North Pole Facility. This proposal has several strengths, including engineering plans, and a statement that GVEA has a signed gas supply agreement. GVEA also indicated they have identified a proposed site for the LNG plant. GVEA indicated it is seeking permits and a source of financing.

Both turnkey proposals, however, lack critical elements of a financeable business package. Essentially, since no one proposal of the 16 received can be used as presented, AIDEA will work with respondents to develop a viable private sector business and finance plan that makes use of the SB 23 and HB 74 financing tools, so the project can quickly move ahead. This suggests that a likely partnership with AIDEA will not be with just one of the 16 responding entities, but rather a compendium of several of them working in conjunction with the financing package in the Interior Energy Plan.

Another critical step needed will be to determine the aggregate demand from various potential gas users, including residential, utility, and industrial customers both in the Interior and in other areas that might be served by LNG gas. This is necessary to underpin the financing for the LNG plant.

2.0 Introduction

The Governor's Interior Energy Plan seeks to provide a reliable natural gas energy supply to Interior Alaska, which is presently suffering under extremely high energy prices. AIDEA issued a Request for Letters of Interest to develop an LNG plant. AIDEA

sought expressions of interest from single full-service entities or an organized team of entities to participate in the development of this project. AIDEA received 16 responses from private sector entities.

Governor Parnell has introduced two bills to the Legislature to provide financial support for this development. SB 23 and HB 74 are identical bills which authorize AIDEA to provide financing in conjunction with the private sector for a project to transport gas to Interior Alaska to lower energy costs. The bills provide for partial financing of the LNG plant by AIDEA, and the use of bonds to assist in financing the expansion of the existing gas distribution system to bring gas to homes and businesses in the high and medium density areas of the Fairbanks North Star Borough.

The premise of the project:

- Designed to bring relief to Interior Alaska, which sees heating fuel costs and electric prices at record high levels.
- Natural gas is abundant, readily available, and at reasonable cost.
- The project is targeted to bring a natural gas supply into Interior Alaska in three years.
- The gas would be for use in home heating, power generation and possible industrial use.
- Energy from the project could also benefit residents in other parts of the state.

INTERIOR ENERGY PLAN

The project entails:

- Developing a gas conditioning and liquefaction plant.
- Establishing truck-based hauling contracts to move LNG to the Interior.
- Constructing LNG storage and re-gassing facilities in the Fairbanks North Star Borough (FNSB).
- Assisting in financing the expansion of the piped natural gas distribution system into the high and medium density areas of the Fairbanks North Star Borough, and making affordable energy supplies available for rural areas.
- Providing necessary connecting piping into GVEA base load power generation facilities at North Pole.

The \$355 million project financing in the Governor's bills includes:

- \$150 million AIDEA bonds, 3% interest rate (projected rate based on current market rates).
- \$125 million SETS capitalization, 3% interest rate, with flexibility to support optimal commercial structure. Waiver of the statutory one-third project participation limitation in SETS for this project.
- \$50 million general fund appropriation for an AIDEA equity position to directly reduce the cost of LNG.
- \$30 million natural gas storage credits.

- AIDEA will use this loan and bond finance package to attract private investment.

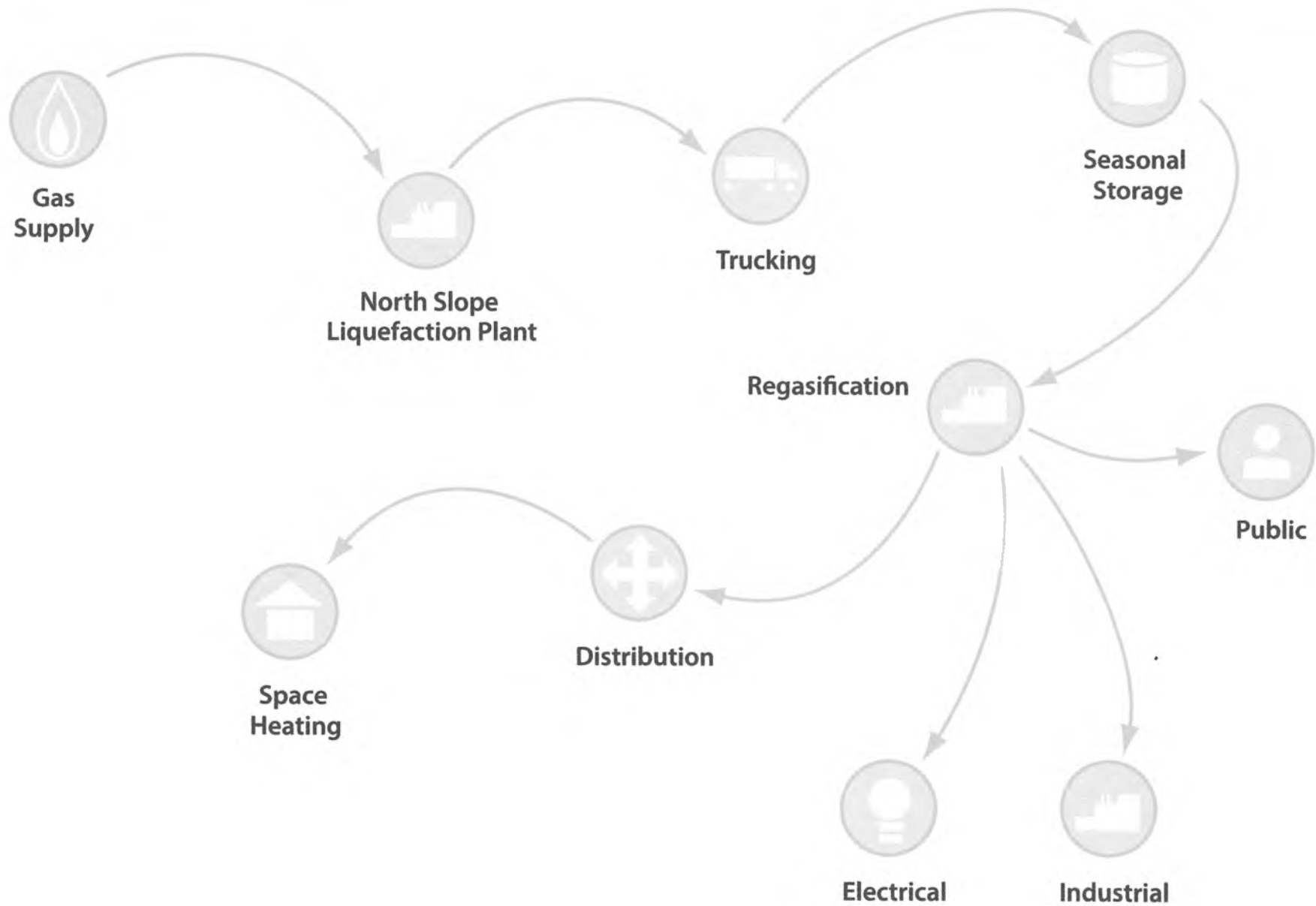
3.0 Description of Responses

3.1 Overview Discussion

AIDEA categorized the 16 responses received as follows:

1. Turnkey Entity—A private sector team that can develop and operate all aspects of the supply chain of the project, from purchase of gas (from producers) to distribution of vaporized utility grade natural gas to heating customers and to electrical power generators. Figure 1 shows this supply chain for the project.
2. Engineer-Procure-Construction (EPC)—A private sector entity or team of companies that can design the plant, procure the equipment, construct the plant, and commission it.
3. Financing Entities—A private sector entity that can provide, procure, or participate in the financing of the project, making use of AIDEA financing.
4. Other—The entity did not indicate interest in being a turnkey or component part of the development.

Figure 1: LNG Trucking Value Chain



INTERIOR ENERGY PLAN

Turnkey proposals—Two were provided:

- Pentex Alaska Natural Gas, LLC—Parent company to Polar LNG, LLC and Fairbanks Natural Gas, LLC
- Golden Valley Electric Association (GVEA)—Cooperative electric public utility with a service area extending throughout and beyond the FNSB

Engineering, Procurement, and Construction (EPC) responses— A total of six responses were received:

- Chicago Bridge & Iron (CB&I) Services, Inc.—Experienced in LNG development
- CH2MHILL—Full service LNG development contractor with significant Alaska operations
- HDR—Extensive permitting and national LNG development experience
- PND Engineers, Inc.—Specializes in Arctic civil design, environmental permitting, and construction administration
- Black & Veatch—Full service EPC and consulting company with extensive LNG project development experience and a proprietary PRICO natural gas liquefaction process
- Arctic Slope Regional Corporation (ASRC) Energy Services—Alaskan-owned oil and gas services provider with significant experience

Financing—Three responses received:

- Northrim Bank—Alaska bank interested in providing financing under the SETS fund
- Guggenheim Partners, LLC—Firm interested in developing financial solutions
- KeyBanc Capital Markets—Full-service corporate and investment bank with resources devoted to the energy sector

Other Responses—Five responses that did not indicate interest in being a turnkey or component part of the development were received:

- Alaska Gas Line Port Authority (AGPA)—Provided an email asking AIDEA to broaden its evaluation beyond LNG trucking.
- Interior Alaska Natural Gas Utility (IGU)—Provided a letter offering their capabilities to AIDEA in a supporting role, emphasizing the need for a rapid build-out of natural gas distribution infrastructure.
- Alaska Power and Telephone (AP&T)—Indicated by letter an interest in making use of the LNG commodity made accessible in the Interior, in rural areas of Alaska.
- Arctic Slope Regional Corporation (ASRC)—Indicated by letter that it welcomes continued discussions as the idea develops.

- Spectrum LNG, LLC—Provided a response requesting to be registered as an interested party for the development of an LNG plant in Prudhoe Bay.

Each EPC firm has its own unique and slightly different strengths. All have relevant experience and expertise. Some indicated interest in operating the facility. The primary EPC contractors with extensive LNG experience are Black & Veatch, CB&I, and CH2MHILL. In addition, both PND Engineers, Inc. and ASRC Energy Services offer experience in providing services and would be able to assist in EPC activities, but not to undertake the entire task on their own.

Consistent with a recent trend in infrastructure contracting, several of the EPC companies expressed their capability and interest to design, build, operate, and maintain the LNG plant. None of these EPC proposals includes specific offers to finance the project.

Finally, three of the offers come from financial entities interested in providing a source of private funding for the project. All of these are premised on making use of the financing offered from AIDEA (SB 23 and HB 74), but would supplement these funds with sources of private capital.

4.0 Analysis

The Governor's Interior Energy Plan aims to provide natural gas to Fairbanks and the Interior at a price significantly lower than the predominant energy source, fuel oil. AEA modeling shows that a 40-50 percent reduction in heating cost should be achievable. The Plan's other goal is to deliver natural gas in 30-36 months because the Interior needs lower-cost energy in the near

term, and to improve air quality in the region. Finally, the project must be consistent with and complementary to other gas delivery proposals that offer a long-term energy solution for the Interior, such as the ASAP pipeline or the large diameter export pipeline that would terminate at tidewater.

We have evaluated all of the material submitted with the expressions of interest, and in particular the GVEA and Pentex turnkey responses, with the following considerations:

- Availability of natural gas feed stock
- Ability to finance
- Ability to accomplish EPC and commission
- Timing and availability of permits
- Arrangements for trucking
- Ability for natural gas distribution build-out
- Speed of completion—delivery of first gas by third quarter 2015

Both GVEA and Pentex have made good-faith efforts to respond as turnkey project developers. GVEA has indicated its preference for a \$200 million grant to construct and own the plant, although it has indicated that it is prepared to work with the AIDEA finance package proposed in SB 23 and HB 74 with conditions. GVEA also offered to construct, own, and operate LNG storage on a site adjacent to its North Pole generation facility. GVEA did not indicate whether this storage would satisfy the needs of area wide retail gas consumers. As a result, additional LNG storage may be necessary to satisfy heating customer demand during the winter.

GVEA indicates it will make use of the LNG project's natural gas product in its power plants. While it is likely GVEA will burn this gas in its combined cycle gas turbine generating unit at North Pole, it has also commenced operation of the Eva Creek Wind

INTERIOR ENERGY PLAN

Farm (24.6MW installed capacity), and is planning on re-start of the Healy Clean Coal Project (55 MW) as well. GVEA also recently signed a power supply agreement with Chugach Electric Association to bring up to 75 MW of power north through the Alaska Intertie into GVEA's system. The actual availability of power from these other sources will affect how much natural gas GVEA will consume for power generation. GVEA currently estimates it will need up to 2.5 Bcf/yr. in 2015.

Other than the GVEA and the Pentex proposals, responses are generally not specific proposals to provide services, or proposals to participate in the building of the project. Rather, they are largely statements of qualifications that will be helpful in project team building, should that be necessary. In particular, the EPC and financial respondents present a variety of capabilities that could benefit the project. AIDEA believes there is significant industry-based expertise and capacity to support the project.

Both GVEA and Pentex provide for the separation of a 2% propane stream within the LNG plant. This commodity stream can be easily hauled in separate tankers to the Interior. As a by-product, AIDEA sees the possibility of an Alaska-sourced propane supply in the Interior, which could be a part of the project development plan. This could be used either in the Fairbanks North Star Borough, or in other Interior rural communities. The propane made available by an initial 9bcf/yr. plant would provide heating for approximately 2,200 average residences on a yearly basis.

Based on its review of responses, AIDEA sees three main alternatives to move this project ahead (AIDEA recognizes there may be other arrangements or approaches as well):

Option 1—Proceed with GVEA as the plant developer and operator. Encourage GVEA to use AIDEA SB 23 and HB 74 financing. Approach Pentex/FNG to enter into gas purchase contracts with GVEA, and provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

Option 2 —Proceed with the Pentex proposal and encourage GVEA to enter into contracts for natural gas supplied by Pentex or its subsidiary Fairbanks Natural Gas. Since GVEA as a utility is sensitive regarding security of its fuel supply, we may need to suggest a CINGSA²-type company that would operate gas storage in the Fairbanks area, with a governance structure and technical competence that is satisfactory to GVEA. Provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

Option 3—Develop a new composite turnkey team from the list of responders to develop the LNG plant and storage and re-gas facility in the Fairbanks area. (AIDEA sees this as a necessary option to have available but seeks to work with Pentex/GVEA as a financier to quickly focus the development and begin construction.) Provide AIDEA financing to Pentex/FNG for a distribution system build-out. Extend the offer of distribution financing to the newly formed municipal utility (Interior Alaska Natural Gas Utility – IGU).

² CINGSA stands for Cook Inlet Natural Gas Storage Alaska, and it operates a gas storage facility on the Kenai Peninsula that is available for use by several utilities, such as Enstar and Chugach Electric Association.

AIDEA will thus initially work with Pentex and GVEA, and thoroughly explore options to develop a fully financed project that can move into construction. If a financed project cannot be assembled with either or both Pentex and GVEA, AIDEA will then move forward with Option 3.

Regulatory Considerations

The natural gas supply chain from the gas supply to the retail customer's burner tip could involve, in part, private for-profit utility entities. Thus, ensuring there is economic and quality-of-service protection for Interior consumers is critical. As a result of this real concern, AIDEA, as a financier for the project, will work cooperatively with the Regulatory Commission of Alaska (RCA) to ensure that benefits from this finance package will flow to Alaska residents appropriately. AIDEA will coordinate its investment, lending and bonding with the actions of the RCA.

5.0 Recommendations for Moving Forward

After consideration of the responses received, AIDEA believes there are significant capabilities in the private sector to work with to finance and develop the LNG plant, as well as storage and distribution infrastructure needed to bring natural gas to Alaskans, as envisioned in the Governor's Interior Energy Plan. AIDEA sees promise in the turnkey proposals provided by GVEA and Pentex.

Further, with the Governor's SB 23 and HB 74 legislative initiative, AIDEA can effectively function as a financing entity for this development with the private sector and can be effective as an equity partner in the formation of the consolidated finance plan. This equity position would provide the Authority with significant input regarding certain aspects of the project in order to achieve the goals of the Interior Energy Plan.

Specific actions AIDEA is taking:

1. **Prior to the passage of SB 23 and HB 74, AIDEA will:**
 - a. As an AIDEA project, undertake a comprehensive LNG and natural gas demand analysis for all potential demand in the Fairbanks North Star Borough and in surrounding Interior areas. This effort will build upon and add to existing demand analyses and include discussions with entities such as IGU, Flint Hills, GVEA, Pentex, and other potential natural gas and LNG customers. This will include the possibility of LNG being provided to other Railbelt communities for use in future, piped delivery systems.

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- b. Begin a cooperative process with GVEA and Pentex to perform cooperative design reviews of both projects (AIDEA has retained an experienced engineering firm to assist in this process.) This is to include the plans and assumptions for LNG and propane trucking, storage and distribution.
 - c. Working jointly with AEA, expand on the possibility of using propane in the Interior, and means of developing it as a second commodity stream that the LNG plant produces.
 - d. Working with GVEA and Pentex, make site visits as soon as possible to view and assess the adequacy of the proposed liquefaction projects.
 - e. Work with respondents to form the legal and financial structure of a finance package for the project, with the goal of having AIDEA retain appropriate influence over the project in a public-private-partnership. Reach out to financial responders to identify and firm up possible sources of capital for the project.
 - f. Develop in the Fairbanks area a potential business and regulatory structure for a regulated gas storage company (similar to CINGSA) that could supply natural gas to several utilities.
2. **With the passage of SB 23 and HB 74, AIDEA should take the following steps:**
 - a. Review applicable AIDEA regulations to determine if changes are needed to accommodate the new injection of funds.
 - b. Confirm the business and legal structure for the plant and storage/re-gas company, and begin the underwriting process for a SETS loan.
 - c. Begin the process of bonding for the initial expansion of the Fairbanks gas distribution system.

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From: Chuck Wiegiers <CWiegiers@aaroofing.biz>
Date: Sunday, February 17, 2013 1:04 PM
To: Sen.Mike.Dunleavy@akleg.gov
Cc: Sen.Peter.Micciche@akleg.gov; Sen.Donald.Olson@akleg.gov;
Sen.Bert.Stedman@akleg.gov; Sen.Johnny.Ellis@akleg.gov; Brakes, Heather K (GOV)
Subject: Governor's Energy Relief Package

Chairman Dunleavy;

I am writing in support of the Governor's bill (SB 23) to facilitate the trucking of LNG to the Interior.

I am a long time Fairbanksan (30+ years) and my wife and children were all born in Fairbanks. My company has served the interior and the State of Alaska since 1965, employing an average of 30 workers during the construction season. It has always been a bit more challenging to live and work in Fairbanks, but in the last several years the high cost of energy has made it much more than challenging, many have found it impossible and have packed up and left. With electricity and heating costs higher than mortgages, people are left with little or no discretionary income. This puts a strain on businesses as well as families, a strain that is felt all the way to Anchorage, where all of the goods pass through and many of the Fairbanks businesses have a home base.

We have all hoped for a large diameter gas line and are willing to settle for a small diameter in state gas line, but with each passing legislature hope and opportunity fade. For such an energy rich state to leave its citizens starving for affordable energy is hard to fathom. I know that the answers are not easy, but the Governor's bill provides an opportunity for stakeholders to pursue a short term solution to get gas and propane from the North Slope to the Interior and beyond. And with each market opened up, more opportunities will emerge. As you know this is not a handout; the loan will be repaid to the State. It is a start down the road of getting Natural Gas from the North Slope to the citizens of the State and eventually to markets abroad.

I urge you to support the Governor's bill.

Respectfully
Chuck Wiegiers
A & A Roofing Co. Inc.
Fairbanks, Alaska

Cc
Vice-Chair Micciche
Senator Olson
Senator Stedman
Heather Brakes

CITY OF NORTH POLE

RESOLUTION 13-01

**A RESOLUTION SUPPORTING LEGISLATIVE EFFORTS TO CONSTRUCT A
NATURAL GAS PIPELINE FROM THE NORTH SLOPE TO SOUTH CENTRAL
ALASKA.**

WHEREAS, the development of an in-state gas pipeline would provide stable and affordable gas for Alaskans for many years; and

WHEREAS, known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska in the future; and

WHEREAS, many Interior and Rural Alaskan communities are suffering from extremely high energy cost; and

WHEREAS, development of vibrant local and statewide economies are dependent on affordable energy; and

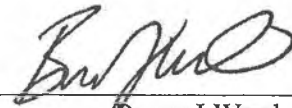
WHEREAS, Alaskans wish to leave a legacy of prosperity through development of our natural resources to the maximum benefit for the most Alaskans; and

WHEREAS, Alaska Gasline Development Corporation (AGDC) has created the Alaska Stand Alone Gas Pipeline (ASAP) and is seeking monies to bring a instate gas-line to open season; and ultimately to fruition; and

WHEREAS, House Bill 4 includes the necessary provisions to advance a successful Alaska natural gas pipeline project.

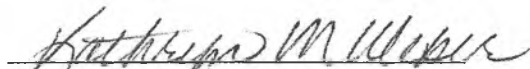
NOW, THEREFORE, BE IT RESOLVED that the North Pole City Council supports legislative efforts to fund AGDC as they move forward in developing and advancing a project to construct a natural gas pipeline from the North Slope to South Central Alaska.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this 4th day of February, 2013



Bryce J Ward, Mayor

ATTEST:


Kathryn M. Weber, MMC
North Pole City Clerk

PASSED

Yes: Nelson, McGhee, Holm, Smith, Sikma, Ward

No: 0

Absent: Hunter



CITY OF NORTH POLE

RESOLUTION 13-02

A RESOLUTION SUPPORTING LEGISLATIVE ACTION WHICH WOULD ALLOW DEVELOPMENT OF PROJECT FINANCING BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA); AUTHORIZING AIDEA TO PROVIDE FINANCING AND ISSUE BONDS FOR A LIQUIFIED NATURAL GAS PRODUCTION SYSTEM ON THE NORTH SLOPE AND NATURAL GAS DISTRIBUTION SYSTEM IN INTERIOR ALASKA.

WHEREAS, many Interior and Rural Alaskan communities are suffering from extremely high energy cost; and

WHEREAS, the development of in-state gas processing facilities on the North Slope would provide a supply of gas for the developing gas market of Northern Alaska; and

WHEREAS, known reserves in the Cook Inlet Basin are insufficient to supply the demand for natural gas in South Central Alaska in the future; and

WHEREAS, LNG from the North Slope could potentially be a backup gas supply for Cook Inlet and

WHEREAS, an interior gas distribution network would need to be constructed to distribute the North Slope Gas to residents and businesses; and

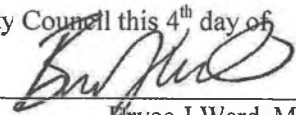
WHEREAS, trucking LNG from the North Slope would be necessary to bring the product to market; and

WHEREAS, development of vibrant local and statewide economies are dependent on affordable and accessible energy; and

WHEREAS, House Bill 74 and Senate Bill 23 include the necessary provisions to incentivize the construction of a natural gas liquefaction facility on the North Slope, trucking LNG to market and a distribution network in the Interior.

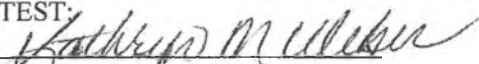
NOW, THEREFORE, BE IT RESOLVED that the North Pole City Council supports legislative efforts to allow development of project financing relating to the dividends from AIDEA; authorizing AIDEA to provide financing and issue bonds for a liquefied natural gas production system on the North Slope and natural gas distribution system in Interior Alaska.

PASSED AND APPROVED by a duly constituted quorum of the North Pole City Council this 4th day of February, 2013



Bryce J Ward, Mayor

ATTEST:


Kathryn M. Weber, MMC
North Pole City Clerk

PASSED

Yes: Nelson, McGhee, Holm, Smith, Sikma, Ward

No: 0

Absent: Hunter





Interior Alaska – The “Place” To Do Business

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ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

February 15, 2013

Honorable Sean Parnell
Governor of the State of Alaska
Alaska State Capitol Building
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

The Greater Fairbanks Chamber of Commerce (GFCC) thanks you for your leadership in introducing a comprehensive financial package that addresses the high cost of energy in Interior and Rural Alaska. Specifically, the GFCC is supportive of HB 74 and SB 23, bills that authorize the Alaska Industrial Development and Export Authority (AIDEA) to provide low interest loans and issue bonds for a liquefied natural gas production and distribution system. The Chamber supports advancement and passage of HB74 and SB 23 and will actively take a role in communicating that message.

We believe your three-pronged approach of providing 1) low interest, long term loans; 2) gas storage tax credits that passed last session; and 3) state general fund dollars are the right financial tools to build out and supply a natural gas infrastructure for Interior and Rural Alaska.

The GFCC agrees with your stated goals of natural gas at \$15/MMBTU to the greatest number of Interior residents and businesses as rapidly as possible. We do have concern that the level of state general fund money in the current version of the capital budget is not sufficient to make the project economical while also reaching the pricing and availability goals. The official GFCC position remains an appropriation of at least \$150 million in state general funds to underpin the economics of this project. As the 2013 legislative session progresses, and both the AIDEA financing bill and capital budget advance, we pledge to work with your administration and the legislature to ensure the amount and type of funds dedicated to this project are sufficient to meet the stated goals.

Lastly, and this cannot be stressed enough, the GFCC and the over 700 member businesses and organizations throughout the Interior we represent, believe it is absolutely necessary that both measures pass THIS legislative session. The Chamber’s mission is to advocate a healthy economic environment by building partnerships that promote the greater Fairbanks area as an attractive place for business and community. As an economic hub for the rest of the Interior, we are also invested in solutions to the high cost of energy facing Rural Alaska. Our work is focused on creating a pro-business environment that encourages private sector investment and job creation. We believe the Interior remains the “Place to do

INVESTORS

DIAMOND

- BP Exploration
- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital & Denali Center
- Flint Hills Resources Alaska
- Mt. McKinley Bank
- Santina’s Flowers & Gifts

PLATINUM

- Alyeska Pipeline Service Co. Doyon, Limited
- Fred Meyer Stores
- Golden Heart Utilities
- Wells Fargo Bank Alaska

GOLD

- Alaska Railroad
- Birchwood Homes
- Carlson Center
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- Kinross Fort Knox Mine
- Lynden
- MAC Federal Credit Union
- Northrim Bank
- Sumitomo Metal Mining Pogo LLC
- Usibelli Coal Mine

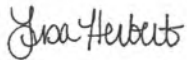
SILVER

- ACS
- Alaska Airlines
- Alaska USA
- Dr. Christopher Henry – Henry Orthodontics
- Everts Air Cargo, Everts Air AK
- Exclusive Paving/Univ. Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- GCI
- General Teamsters Local 959
- GVEA
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- Personnel Plus
- Sam’s Club
- Shell Exploration & Production Co.
- Spirit of Alaska FCU
- Tanana Valley Clinic
- TDL Staffing
- Totem Ocean Trailer Express, Inc.
- Tower Hill Mines-Livengood Gold Project
- University of Alaska Fairbanks
- Verizon Wireless
- WAL-MART Stores, Inc.
- Yukon Title Company


Business", but our mission is made more difficult every year that goes by without action towards a mid-to-long term energy solution that addresses the high cost of energy for our businesses and residents.

We thank you for your leadership on this critical issue facing our community. The Chamber looks forward to being your partner in this "persistent, unrelenting effort" to bring low cost energy to the Interior and Rural Alaska.

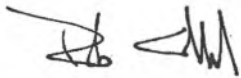
Sincerely,



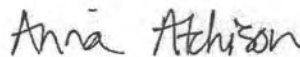
Lisa Herbert
Executive Director



Terri Froese
Board of Directors, Chair



Bob Shefchik
Energy Committee, Chair



Anna Atchison
Government Relations Committee, Chair

cc: Lt. Gov. Mead Treadwell
Governor's Chief of Staff, Mike Nizich
U.S. Senator Lisa Murkowski
U.S. Senator Mark Begich
U.S. Representative Don Young
Bryan Butcher, Commissioner of Revenue
Dan Sullivan, Commissioner of Natural Resources
Joe Balash, Deputy Commissioner of Natural Resources
Gene Therriault, Deputy Director Statewide Energy Policy Development (AEA)
Mark Davis, Deputy Director Infrastructure Development (AIDEA)
Jim Strandberg, Energy Development Finance Officer (AIDEA)
Interior Delegation
Alaska State Legislature
Alaska Chambers of Commerce
Associated General Contractors
National Federation of Independent Businesses
Fairbanks Daily News-Miner
Membership of the Greater Fairbanks Chamber of Commerce



**GENERAL
TEAMSTERS
LOCAL 959
STATE OF ALASKA**

Affiliated with the International Brotherhood of Teamsters
Rick Boyles, Secretary-Treasurer
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503
Phone (907) 751-8501 • Fax (907) 751-8599

February 19, 2013

The Honorable Mike Dunleavy
Alaska Senator
Chair, Labor & Commerce
Capitol Room 510
Juneau, AK 99801

Re: SB 23 LNG Project Fairbanks

Dear Senator Dunleavy:

On behalf of the Teamster members that we represent not only in the Fairbanks and outer area, but statewide, I ask that you and your committee members support and move forward SB 23, which authorizes AIDEA to provide financing and bonds for a much needed natural gas production and distribution system, within the Fairbanks North Star Borough. I personally have lived in Fairbanks for over twenty years and prior to that in Anchorage, so I am very familiar with the differences in cost and availability of gas or heating sources for interior Alaska.

I also am a member of the Fairbanks Chamber of Commerce and know well the challenged economic growth we continue to experience due in large part to the high cost of energy. I am also aware of the impact energy costs are having on our military bases in the interior. We represent members that could find themselves without employment as a direct result of the energy cost.

In addition to the above, the passage of SB 23 will create a much needed infrastructure and we believe, hundreds of jobs, directly and indirectly by bringing LNG to the Fairbanks community. While it may be only a temporary fix, it is a fix that is much needed for the second largest community in our state.

Help us help our community and the state by supporting and passing SB 23 from your committee.

Your time and effort regarding this very important matter is greatly appreciated.

Sincerely,

TEAMSTERS LOCAL 959

Rick Boyles
Secretary-Treasurer

RB:mk 021913 to Sen Dunleavy SB 23 LNG Project Fairbanks



Copper Valley Development Association, Inc.

P.O. Box 9, Glennallen, AK 99588 * 907-822-5001 phone * 888-256-5569 fax
www.coppervalley.org * info@coppervalley.org

February 19, 2013

Senator Mike Dunleavy, Chair
Senate Labor and Commerce Committee
State Capitol, Room 510
Juneau, Alaska 99801

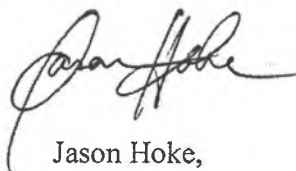
RE: SB 23 Support

Senator Dunleavy,

I would like to offer support from Copper Valley Development Association, the regional ARDOR with Department of Commerce, Community and Economic Development for Senate Bill 23. This bill that authorizes the Alaska Industrial Development and Export Authority (AIDEA) to provide financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure within the Fairbanks North Star Borough. These facilities will make it feasible to truck liquefied natural gas from the North Slope to the Interior, and will allow for a wider distribution of gas and propane elsewhere in the state. The distribution system will then be in place for a large diameter gas line. Senate Bill 23 will help reduce the high cost of energy, bring gas to the interior by 2015, raise the number and quality of economic development projects in the state, and increase the number of jobs available to Alaskans. The establishment of this is the first step in a series of incremental steps necessary to alleviate the high cost of energy in rural Alaska, and broaden the possibilities for this region. In order for our great state to move forward, we need measures such as SB 23 to occur.

Thank you very much for your attention to this Senator, and please feel free to contact me for additional information.

Sincerely,



Jason Hoke,
Executive Director



ALASKA PARTNERSHIP
FOR ECONOMIC DEVELOPMENT

Growing, sustaining,
and diversifying
Alaska's economy.

February 25, 2013

**A RESOLUTION OF THE ALASKA PARTNERSHIP FOR ECONOMIC
DEVELOPMENT BOARD OF DIRECTORS SUPPORTING SENATE BILL 23:
Authorizing the Alaska Industrial Development and Export Authority to provide
financing and issue bonds for a liquefied natural gas production system and
natural gas distribution system; and providing for an effective date.**

Resolution #13-1

Whereas; the Alaska Regional Development Organizations (ARDOR) was established by the Alaska Legislature in 1988; and

Whereas; the ARDOR's statutory mandate is to encourage the formation of regions development organizations to prepare and implement regional development strategies; and

Whereas; the ARDOR's represent a diverse network of public, private and economic development groups that drive local initiatives and advance economic diversification through partnerships with state and local governments; and

Whereas; the ARDOR's established the Alaska Partnership for Economic Development, (APED), in 2009, to advance economic development and address initiatives affecting development and to help develop a state-wide comprehensive strategic plan; and

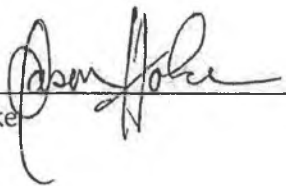
Whereas; the ARDOR/APED programs have established partnerships with more than 300 local, regional, private, municipal and public organizations to pool resources, decrease duplication and foster new businesses; and

Whereas; the APED now comes in support of the following legislation being considered by the Alaska State Legislature:

NOW THEREFORE BE IT RESOLVED; the Alaska Partnership for Economic Development supports **SENATE BILL 23; : "An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."**

APPROVED THIS 25th OF February 2013

Jason Hoke
President

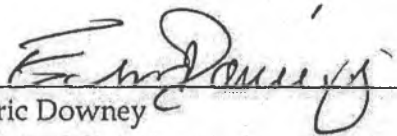


Date

2-25-13

ATTEST:

Eric Downey
Secretary



Date

2/25/2013

From: Jeff Alling <jeffa@alcanbuilders.com>
Sent: Wednesday, February 13, 2013 3:42 PM
To: Sen.Mike.Dunleavy@akleg.gov
Cc: Sen.Peter.Micciche@akleg.gov; Sen.Donald.Olson@akleg.gov;
Sen.Bert.Stedman@akleg.gov; Sen.Johnny.Ellis@akleg.gov; Brakes, Heather K (GOV)
Subject: SB 23 Letter of Support

Chairman Dunleavy;

I am writing in support of the Governor's bill (SB 23) to facilitate the trucking of LNG to the Interior.

I have lived, worked and raised my family in Fairbanks over the last 32 years. I have been the owner of a large Commercial General Contracting Company that employees between 10 and 50 people each year.

The high cost of energy is inhibiting economic growth in this fine community for the following reasons.

- 1) What little discretionary income people used to have is currently being paid to heat or provide electricity for their homes. Because of this Interior businesses are feeling the crunch.
- 2) Many people are considering or are in fact moving to the Lower 48 to escape the extremely high energy costs.
- 3) Eielson AFB is potentially on the chopping block due to the high cost of energy. If this move is approved it could affect about 20% of our local economy to say nothing of what it will due to the North Pole community.
- 4) Some large stores who were looking to expand to Fairbanks have unofficially signaled that they will not come to this town until LNG becomes a solid reliable option as a fuel source.

We in the Fairbanks business community recognize the trucking option as a temporary fix to a serious problem. We need the trucking option implemented now. We cannot afford to wait one more year as the pipeline option continues to get kicked down the road.

Please support SB 23

Thank you,
Jeff Alling
President, Alcan Builders Inc

Vice-Chair Micciche
Senator Olson
Senator Stedman
Heather Brakes

//

Get gas solution now

Lisa Herbert | Posted: Saturday, February 16, 2013 12:00 am

FAIRBANKS — Last week, more than 20 Fairbanks members, directors and staff advocated for the Greater Fairbanks Chamber of Commerce's top priorities in the halls of Juneau and around the capital city during the annual legislative fly-in. The goal — to ensure that Interior and rural Alaska's high cost of energy remains at the forefront of our state legislators' conversations this session.

This past fall, the chamber's board deemed "reducing the high cost of energy" to be its top critical legislative priority for 2013. It's no secret in our community — rising energy costs are crippling the Interior's economic development opportunities and are driving away businesses and residents across the state. Disposable income continues to dwindle more and more each year, as residents struggle to pay staggering prices for space heating and electric needs.

While in Juneau, our group was well-received in just about every legislative office when we talked about the Interior's energy situation. We met with more than 50 legislators and three commissioners.

The conversations were different this year. It was clear to me that gas to Fairbanks is something that is being talked about in all of the offices and halls in Juneau, because, as Fairbanks continues to suffer, the negative impacts are felt statewide.

What can you do about it? Support the governor's energy package and encourage the Legislature to take action this legislative session. The consensus for a near-term, immediate solution has become trucking liquefied natural gas from the North Slope as a bridge to the long-term solution of piped natural gas. Gov. Parnell's proposed energy package will provide relief to Alaska residents and businesses. The bills, House Bill 74 and Senate Bill 23, are a great start to providing gas to the Interior, and the trucking of natural gas from the North Slope is broader than just Fairbanks. As the governor said Tuesday in his presentation to the chamber membership, this energy package would leverage natural gas for smaller communities and other regions of the state, it would create a backbone for economic expansion, it would fit in with a gas pipeline plan and it would be a catalyst for private-sector participation.

How can do we get there? We must continue to have discussions with our elected officials and we must not lose sight of the goal to get the lowest cost gas to as many Fairbanks and Interior residents and businesses as soon as possible — most importantly, this legislative session. The governor stressed during his presentation Tuesday that getting gas to Fairbanks is going to require "persistent, unrelenting effort and community support." Let's make sure we provide that support

by sending letters, testifying before the Legislature and encouraging our friends, families, neighbors, customers and co-workers to be a part of the process.

Other talking points to consider when communicating with our elected officials include:

- Diesel fuel for heating homes and businesses, at \$4 per gallon, equates to approximately \$30 per million Btu.

The target of \$15 per MMBtu for delivered natural gas will effectively, after conversion, cut space heating bills in half — freeing up approximately an additional \$200 million annually to circulate throughout our economy.

- Support for a solution does not require support for a specific entity or contractor to do the work. Support for and insistence on a solution that meets the economic objectives — \$15 per MMBtu gas, available widely throughout the community as quickly as possible and achieved this session — is more important.

- A North Slope project will also generate propane that can be used as part of a solution to the rural energy crisis.

No matter what line of work we are in — whether we are laborers or school teachers, accountants or lawyers, students or stay-at-home moms or dads — we are all feeling the effects of the high energy costs. I encourage and implore the members of our community to get involved and help make a difference. Contact the members of our Interior delegation and make sure that they know they have your support for bringing home energy relief before this session concludes.

While I am the executive director of the Fairbanks chamber, I'm also a mother to three beautiful children. I desire for them to have the opportunity to live the life that many of us had been afforded before staggering energy costs began to cripple our community. I'm not an energy expert, but I know that something has to happen this legislative session, and I am committed to remaining engaged in the discussions.

Lisa Herbert is the executive director of the Greater Fairbanks Chamber of Commerce and was recently named 2013 "Top Forty Under 40" by the Alaska Journal of Commerce. Letters of support for HBI 74 and SB 23 were sent to the governor's office by the chamber's board and energy and government relations committees. They can be viewed online at fairbankschamber.org/boardpositions.



City of Emmonak

P.O. Box 9, Emmonak, Alaska 99581
(907) 949-1227 • (907) 949-1249 • Fax (907) 949-1926
email: emkcity@GMail.Com

February 22, 2013

The Honorable Bill Stoltze, Co-Chair
The Honorable Alan Austerman, Co-Chair
Members of the HFIN Committee
Alaska State Capitol
Juneau, AK 99801-1182

RE: HB74 – LNG Production & Transportation & Port of Emmonak Project

Greetings and Best Regards:

On behalf of the City of Emmonak, I wish to express support for your efforts to address the extreme cost of energy for Alaskan residents. HB74 offers an exciting opportunity to provide abundant natural gas reserves on the North Slope to Interior and rural Alaskans.

Especially of interest to residents in our region is the possibility that transported energy product could be routed by barge down the Yukon River to non-road connected river communities and Bering Sea coastal communities. We very much want to be included in this discussion and offer the following suggestion as you review HB74 and capital budgets this session.

To accommodate the steadily increasing vessel traffic at the Yukon River Delta region, a safe and efficient transshipment port facility is essential. The City of Emmonak has completed design & engineering studies for such a port. ***The project is permitted and job ready!***

In 2012 (2nd Session of the 27th Legislature), Governor Parnell included \$10,000,000 for Phase I of the Port of Emmonak project in the original version of the general obligation transportation bill (HB286 - page 2, line 20). The project was designed such that it could be built in phases: Total Project = \$16,000,000 -- Phase 1 - \$10,000,000, Phase II \$6,000,000. The final version of the general obligation bond legislation *did* include the Emmonak Project, unfortunately for \$3,000,000 (Chapter 18, SLA 12, page 2, line 20) leaving the community short \$7,000,000 to complete Phase I.

As the legislature considers energy legislation such as HB74 to provide LNG to Interior Alaska, and coupled with Senate Finance Co-Chairman Meyers suggestion that the legislature consider 'completing projects already undertaken', we respectfully urge members to consider funding this particular port project thereby accomplishing fiscal control, energy distribution through enhanced transportation infrastructure and focusing limited funding on 'job-ready' projects.

Page 2 of 2 – Emmonak Port

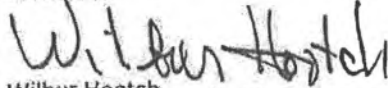
Emmonak is the hub for the Lower Yukon region and is the home for the major salmon buying operations on the river. Port improvements are needed for the fishing industry. Fishing is the mainstay for our regional economy. Improvements to port facilities would greatly assist the industry by streamlining operations thereby reducing risk, cost and directly benefiting the local fishing fleet.

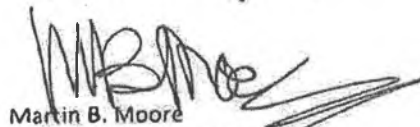
Building and civil contractors operating in the Lower Yukon delta region require safe port facilities for material, petroleum and gravel transfers. The current port is woefully inadequate yet this is all we have to offer them. Inefficient and inadequate facilities add risk and risk adds cost to projects.

Funding Phase I results in a win-win for urban and rural Alaska. If LNG and propane products are available along the Dalton Corridor, it's logical to extend that opportunity to downriver and coastal communities. In order to accomplish this vision, a safe and efficient port infrastructure will be essential at the mouth of the river. The Emmonak Port Project fits intricately into that mosaic and Alaskans win! We stand ready to work with you and appreciate all your public service.

Thank you most kindly and please call upon our offices for any additional information.

Sincerely,


Wilbur Hootch
Mayor of Emmonak *RMB*


Martin B. Moore
Emmonak City Manager

cc: **Governor Parnell**
Commissioner Pat Kemp, AK DOT
Mike Chenault, Speaker of the House, Alaska Legislature
Thomas Ostebo, Commander 17th District, USCG
Luke Hopkins, Mayor North Star Borough
Lisa Herbert, Fairbanks Chamber of Commerce
Michael Foster, Design Engineer
Lisa Murkowski, US Senate
Mark Begich, US Senate
Don Young, US House of Representatives



Alaska Industrial Development and Export Authority Alaska Energy Authority

SB 23 AIDEA Development Project Financing for a Liquefied Natural Gas Production and Distribution System

**AIDEA/AEA Policy Presentation on SB 23
House Finance Committee**

March 21, 2013 – Juneau, AK

Interior Energy Plan

- Opportunity to provide Alaskans with low-cost North Slope natural gas and propane
- Governor's finance package acts as a catalyst, bringing together LNG and propane customers with the private entities that will construct and operate the system
- AIDEA is investigating project feasibility and will only utilize their authorized finance tools if the project makes economic sense
- AIDEA will take an equity stake in project but will not outright build or operate the LNG plant or distribution system
- Governor's finance package is targeted at funding the initial capacity with future expansion funded by private/community investment

Project Goals

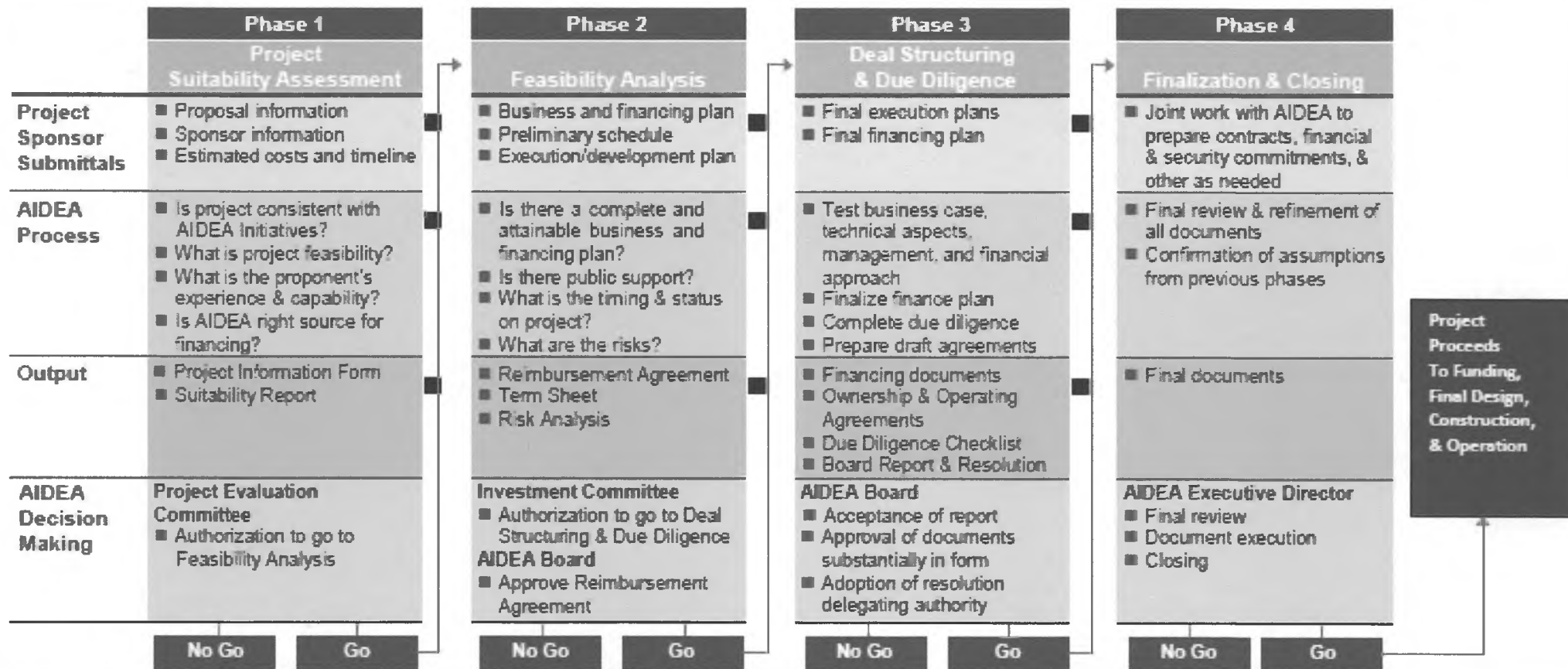
- Provide lowest-cost energy to Interior Alaska consumers as soon as possible
- Get gas first to the Interior while assuring long-term access to gas and propane from liquefaction plant for all Alaskans
- Utilize private sector mechanisms as much as possible

Project Description

- Natural gas will be liquefied on the North Slope and trucked to Interior Alaska
- Propane will be produced and delivered to Interior and Rural Alaskans
- Primary LNG demand anticipated to be Fairbanks and North Pole
- LNG will be temporarily stored and re-gasified in Interior Alaska
- Natural gas distribution system with storage to supply natural gas for heating

AIDEA Project Analysis Process: Due Diligence

This project will not proceed without passing AIDEA's due diligence process and approval of AIDEA's Board of Directors



Governor's Finance Package

\$150 Million
AIDEA Bonds

\$50 Million
General Fund

\$125 Million
SETS Capitalization

+ Private Sector

+ Municipal Utility

**9 Bcf North Slope
Liquefaction Plant**



Gas Distribution System
Residential/Industrial

\$50 Million General Fund Appropriation

- **Purpose**

- Give AIDEA the needed equity ownership share in the North Slope LNG plant to ensure project is executed
- Directly reduce the price of natural gas to utility customers

- **How it Works**

- AIDEA owns \$50 million share of the plant. This ownership stake will be an AIDEA asset
- AIDEA will not charge a return on its owned share from LNG sales to utility customers
- AIDEA can earn a return from LNG sales to non-utility customers or a sale of the asset

\$150 Million AIDEA Bond Authorization

- **Purpose**

- Provide low cost capital for the build out of the natural gas distribution system
- Make sure the utility demand for LNG is created in order to ensure the North Slope plant is fully utilized

- **How it Works**

- AIDEA floats \$150 million in bonds as the distribution system is built out
- The bond payments are incorporated in the natural gas utility's rates
- The State of Alaska's moral obligation and the capital reserve fund reduces the bond's interest rate, directly lowering the utility price of natural gas
- 3% to 4.5% interest rate (depending on tax-exempt status of component financed and market rates)

\$125 Million SETS Capitalization

- **Purpose**

- Provide flexible, low cost financing for the North Slope LNG plant and/or the natural gas distribution system
- The SETS fund provides flexible repayment terms, allowing AIDEA to pursue the best business structure for utility customers

- **How it Works**

- The existing SETS fund is capitalized with an additional \$125 million
- The non-AIDEA owner(s) of the infrastructure are directly loaned the funds with an agreed upon payment plan
- The cost of repaying the SETS loan is included in the price of the LNG
- 3% interest rate (set by SB23)

\$30 Million Storage Credit

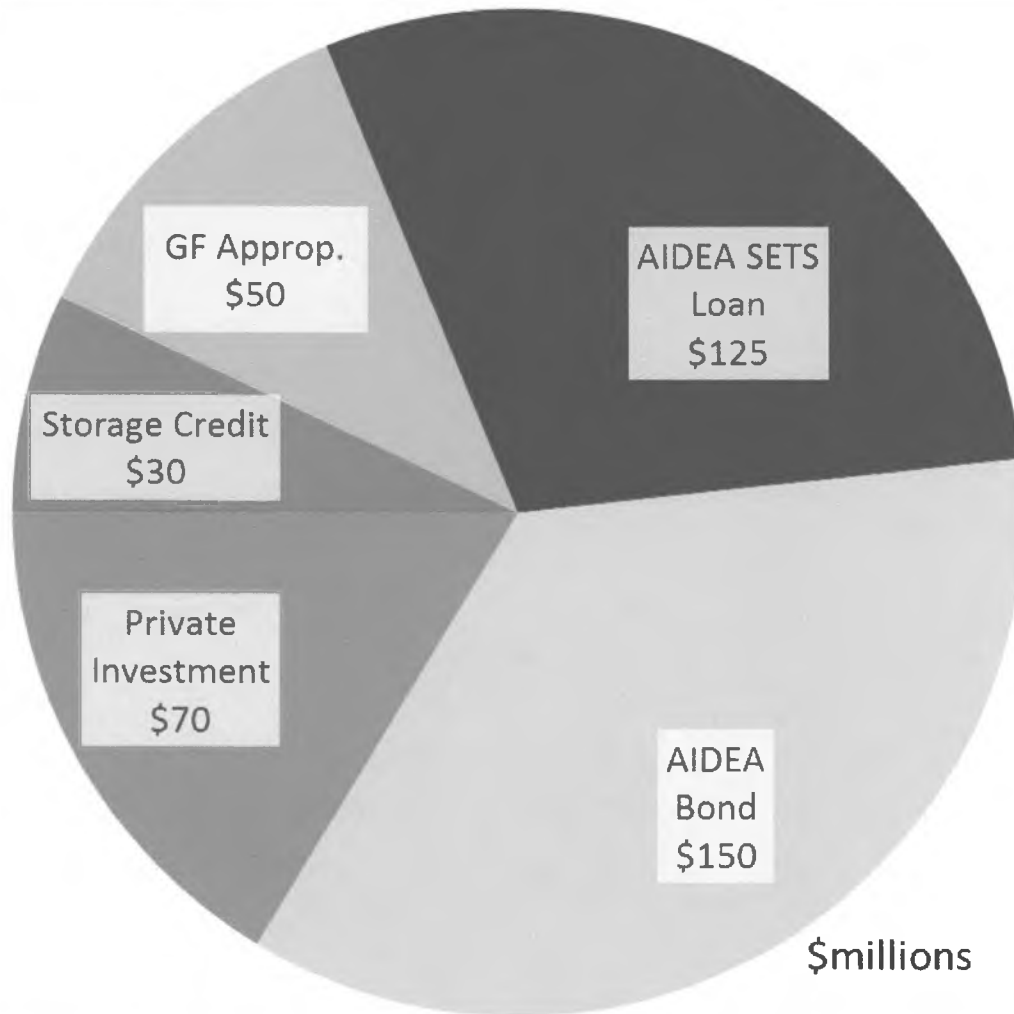
- **Purpose**

- Reduce the cost to build natural gas/LNG storage
- Directly reduce the price utility customers pay for natural gas

- **How it Works**

- \$15 million tax credit for each qualifying storage tank
- The project is expected to have two qualifying tanks totaling \$30 million
- The storage credit was created through previous legislative action

Potential Finance Options for Initial Buildout



- The initial buildout will be funded from multiple sources, the example used here is just one possibility
- Projected 30 years payback period
- Private/community investment will fund future expansion
- Authorization to use State funds will not be used if AIDEA determines the project is not feasible

	LNG Plant	Regas, Storage & Distribution	Total
State Storage Credit	\$15	\$15	\$30
General Fund Approp.	\$50	\$0	\$50
AIDEA SETS Loan	\$125	\$0	\$125
AIDEA Bond	\$0	\$150	\$150
Private Investment	\$30	\$40	\$70
Total Capital	\$220	\$205	\$425

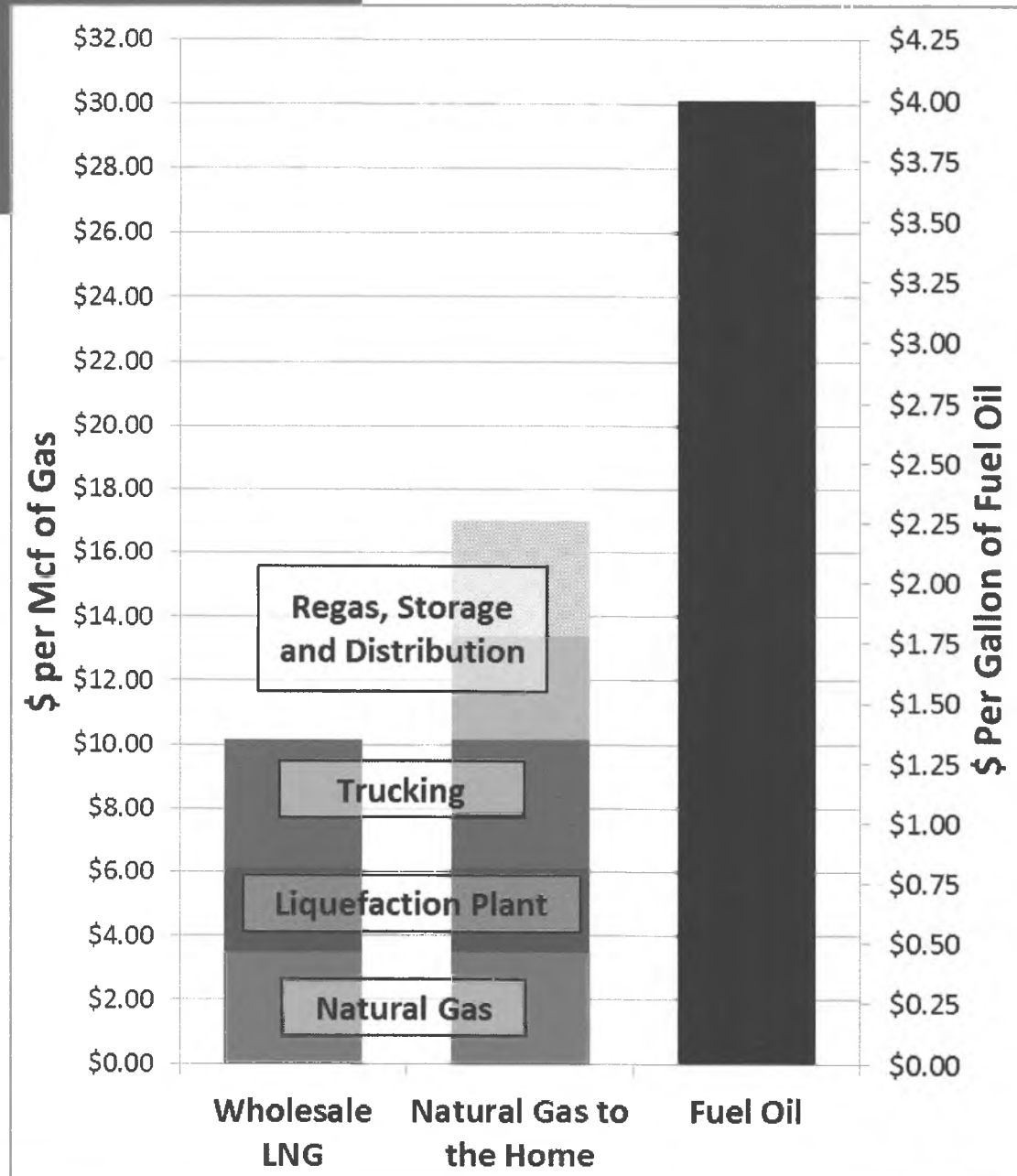
LNG Lowers Energy Costs

Expected Utility Price per Mcf

- Wholesale LNG: \$10.15
- Natural Gas to home: \$13.42-\$17.00 per Mcf
- Delivered price is equal to \$1.79 - \$2.27 per gallon of fuel oil

Key Assumptions

- Initial costs associated with a 9 Bcf plant at start up
- Snapshot in time, costs change with expansion
- LNG plant bifurcated into two sections (industry and utility)
- \$50 million capital cost reduction applied to 6.5 Bcf utility section



Heating Energy Supply Comparison

Trucked LNG is the lowest-cost option for Interior Alaska heating

- Electricity would need to be \$0.04 - \$0.06 per kWh to compete with trucked LNG
- Electricity would need to be much cheaper to compete with fuel oil

\$ per MMbtu	\$ per kWh	\$ per Gallon Fuel Oil	Energy Source
\$65	\$0.22		Fairbanks Electricity \$0.22 per kWh
\$60		\$8.00	
\$55	\$0.20		
	\$0.18	\$7.00	
\$50			
	\$0.16	\$6.00	
\$45			
	\$0.14		Anchorage Electricity \$0.13-\$0.14 per kWh
\$40		\$5.00	
	\$0.12		
\$35			
	\$0.10	\$4.00	Fairbanks Fuel Oil \$4.00 per Gallon
\$30			
	\$0.08	\$3.00	
\$25			
	\$0.06		Truck LNG to Interior \$13.42-\$17.00 per MMBtu
\$20			
	\$0.04		
\$15		\$2.00	
	\$0.02		Cook Inlet Natural Gas \$9.45 per MMBtu
\$10		\$1.00	
	\$0.02		
\$5			
	\$0.00	\$0.00	

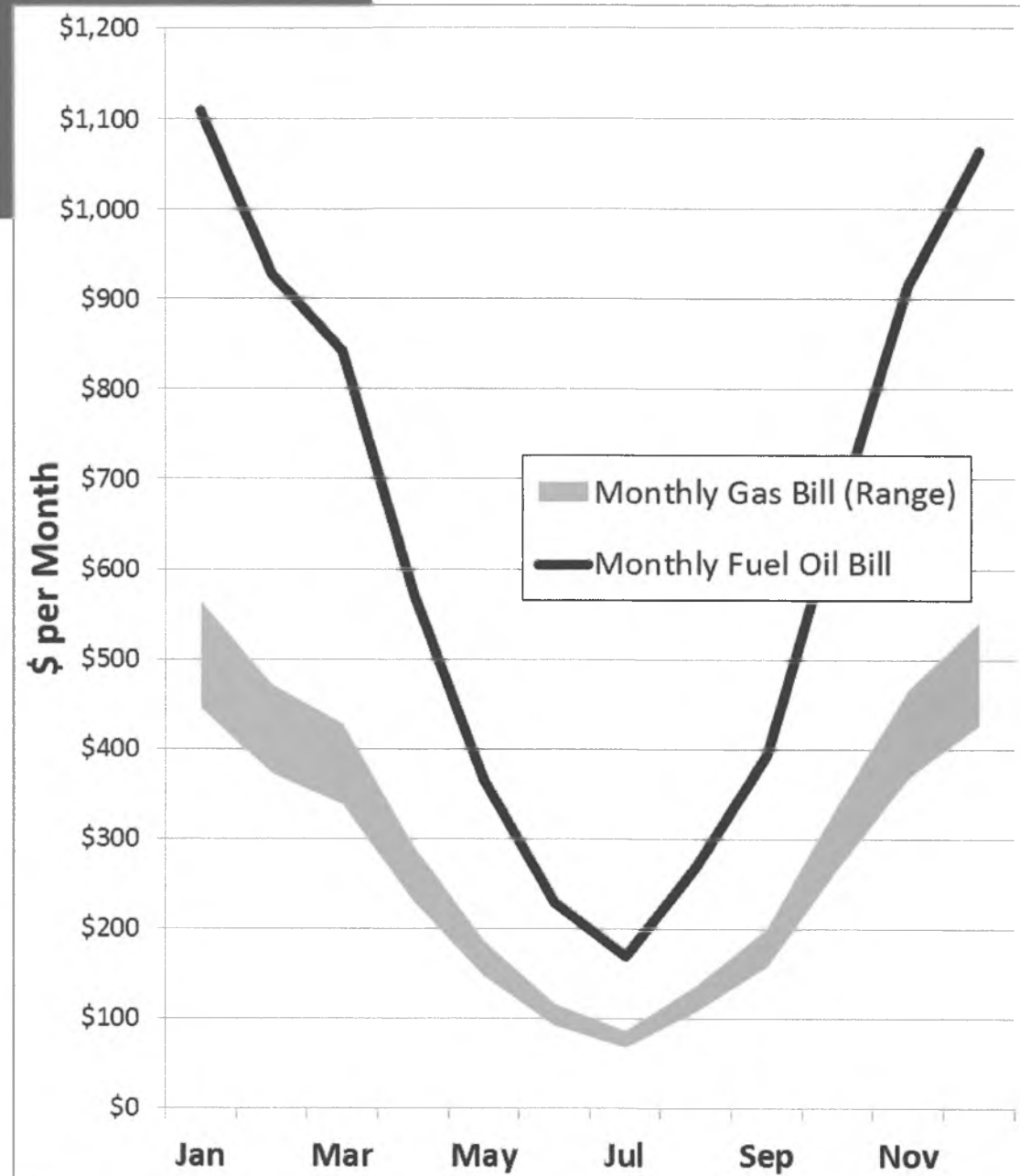
Household Heating Savings

Typical Home Heating Savings

- \$2,900 - \$3,750 annually
- 43% - 55% reduction in cost

Key Assumptions

- Typical Interior Alaska household will use 225 Mcf of gas per year (equivalent to 1,700 gallons of fuel oil)
- Does not account for expected improvement in heating efficiency with natural gas



Air Quality

Conversion to natural gas should reduce air pollutant emissions in Fairbanks and North Pole

- Will reduce overall emissions of PM 2.5
- Fairbanks is presently a non-attainment area for PM 2.5
- Potential public health benefits of natural gas is substantial

Impact on Federal funding and economic development

- The non-attainment area risks losing Department of Transportation and Public Facilities funding if State fails to submit an attainment plan to EPA
- Federal projects in the area face funding hurdles while area is non-attainment
- Cleaner, healthier air in Fairbanks will promote economic development



The screenshot shows the top portion of a Los Angeles Times article. The masthead reads "Los Angeles Times" in a large, serif font, with "NATION" to its right. Below the masthead is a navigation bar with categories: LOCAL, U.S., WORLD, BUSINESS, SPORTS, ENTERTAINMENT, HEALTH, and LIVING. Underneath this is another row of categories: POLITICS, NATION NOW, POLITICS NOW, TOP OF THE TICKET, SCIENCE, and SCIENCE. A "TRENDING NOW" section follows, listing "MIDWEST STORM", "OSCAR PISTORIUS", "TB OUTBREAK", "JERRY BUSS", and "LAS V". The main headline of the article is "Fairbanks area, trying to stay warm, chokes on wood stove pollution". Below the headline is the first sentence of the article: "Wood-burning stoves give the Fairbanks, Alaska, area some of the worst winter air pollution in the country."

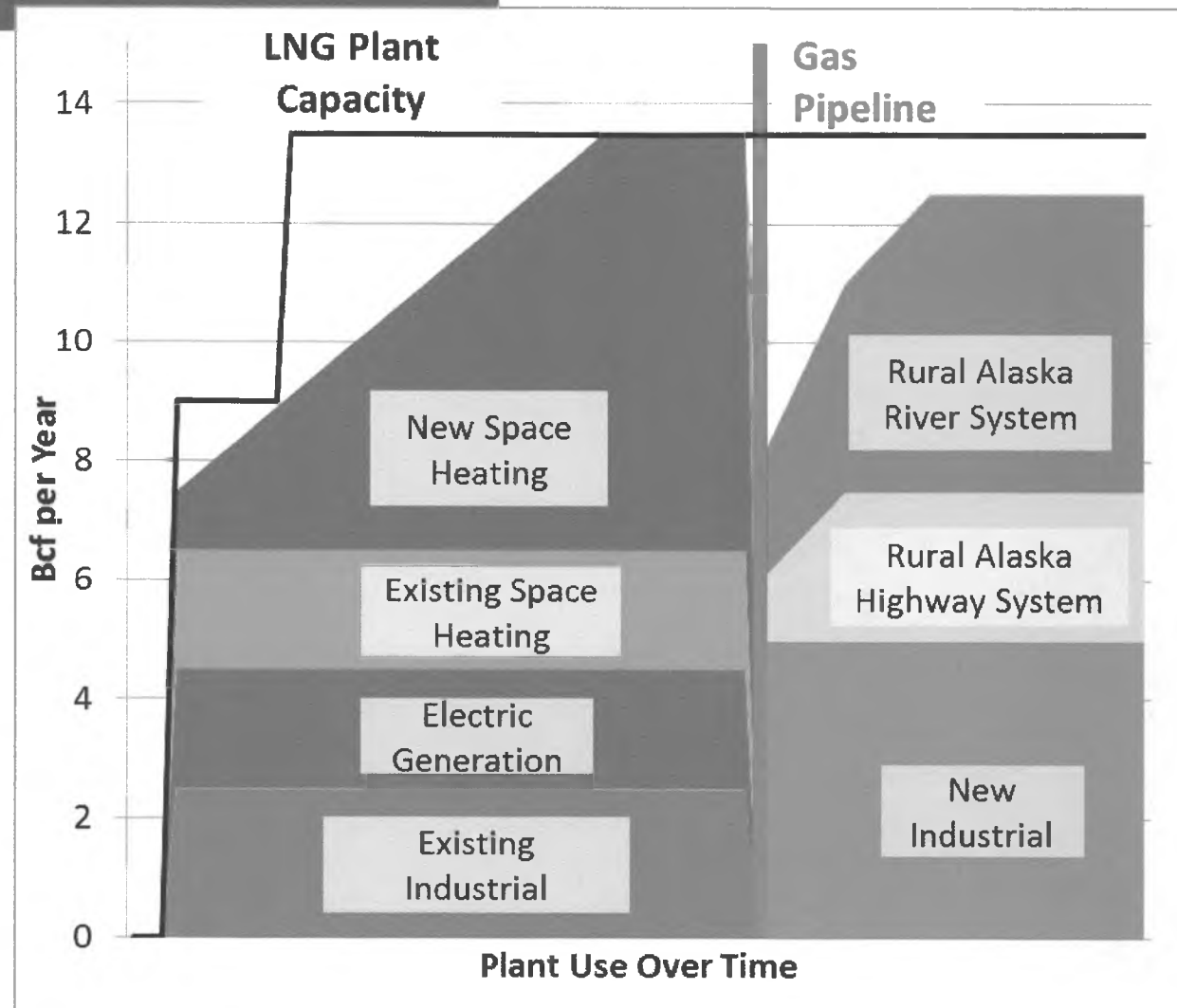
Savings for Public Buildings

- **Fairbanks North Star Borough School District expects immediate and significant school heating cost savings**
 - Expect schools to pay back cost of converting in less than two years
 - 8 schools will have immediate access to natural gas, with more switching as the distribution system builds out
 - The first 8 schools will immediately save \$25-\$60 thousand dollars a year in heating costs
- **Other State and municipal buildings should experience similar heating cost reductions**

Long Term Use of LNG Plant

LNG Plant will be used after gas pipeline

- Plant can serve Rural Alaska before gas pipeline is constructed
- Expect opportunity to sell LNG to new industrial users both before and after pipeline
- Information in chart is for demonstration only



AIDEA and AEA

Alaska Industrial Development and Export Authority Alaska Energy Authority

813 West Northern Lights Blvd.

Anchorage, Alaska 99503

(907) 771-3000

(888) 300-8534 (Toll Free in Alaska)

Aidea.org Akenergyauthority.org



**GENERAL
TEAMSTERS
LOCAL 959
STATE OF ALASKA**

Affiliated with the International Brotherhood of Teamsters
Rick Boyles, Secretary-Treasurer
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503
Phone (907) 751-8501 • Fax (907) 751-8599

March 21, 2013

The Honorable Allen Austerman
The Honorable Bill Stoltze
Co-Chairs House Finance
Capitol Room(s) 515 / 505
Juneau, Alaska 99801

Re: SB 23 LNG Project Fairbanks

Dear Representative(s) Austerman and Stoltze:

On behalf of the Teamster members that we represent not only in Fairbanks and the interior, but statewide, I ask that you and your committee members support and move forward SB 23, which authorizes AIDEA to provide financing and bonds for a much needed natural gas production and distribution system within the Fairbanks North Star Borough. I personally have lived in Alaska for 38 years so I am familiar with the high cost and the limited availability of gas in interior Alaska.

I also am a member of the Fairbanks Chamber of Commerce and know well the challenged economic growth we continue to experience due in large part to the high cost of energy. I am also aware of the impact the energy costs are having on our military bases in the interior. We represent members that could find themselves without employment as a direct result of the energy cost.

In addition to the above, the passage of SB 23 will create a much needed infrastructure and we believe work opportunities for our members, directly and indirectly by bringing LNG to the Fairbanks community. While it may be only a temporary solution, it is a solution that is much needed for the second largest community in our state.

Help us help our community and the state by supporting and passing SB 23 from your committee.

Your time and effort regarding this very important matter is greatly appreciated.

Sincerely,

TEAMSTERS LOCAL 959

Rick Boyles
Secretary-Treasurer

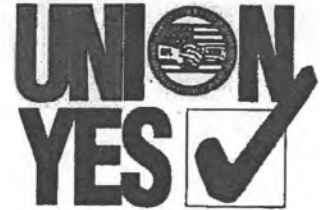
c: Representatives Costello , Edgmon, Holmes, Munoz, Thompson, T. Wilson, Gara,
Guttenberg



SCOTT EICKHOLT
President

**LABORERS' INTERNATIONAL UNION
of NORTH AMERICA
LOCAL 942**

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KEVIN POMEROY
Business Manager
Secretary-Treasurer

March 25, 2013

Mr. Chairman

My name is Kevin Pomeroy, I'm the Business Manager of Laborers Local 942, and I thank you for the opportunity to express my opinions on Senate Bill 23.

I am a 45 year resident of Fairbanks, a home owner, married and have raised my children here in the interior. Even as the owner of a 5* plus energy efficient home, I have watched the cost of energy- in terms of electricity and space heat- escalate to a point that has me wondering how do young folks afford to be a homeowner in Fairbanks. Cost of energy, has forced many residents to reconsider living in Fairbanks and even Alaska. Extremely high energy costs have continued to leave many families with little to no discretionary income. It goes without saying, how this also affects local businesses with respect to goods and services sold.

SB 23 would authorize the Alaska Industrial Development and Export Authority to provide financing for construction of a natural gas liquefaction facility on the North Slope, allowing trucking of liquefied natural gas, and the build-out of needed infrastructure. This would ease some suffering, with reduced energy cost for interior rural residents; with affordable natural gas and propane.

For several election cycles, many campaign promises spoke of a large diameter line... a small diameter line...a line to tide water...a line into Canada; yet here we are with optimism and opportunity fading. Senate Bill 23 would be a stepping stone toward actually delivering affordable energy to the Interior, until collective heads can finally come together on a pipeline project, size and route.

In closing, as the conversations continue on SB 23, I hope that they would include resident or local hire provisions. Interior residents could benefit from construction opportunities, until such time, that affordable natural gas begins to alleviate their financial burden. We have all been on the airplanes with rows of out of state workers, either coming or going to the slope. It's been said, "You know when local hire is working, because your friends and neighbors are working". Mr. Chairman, too many of my friends and neighbors are not

working. Enforceable resident hire provisions, would help keep the badly needed wages circulating through Alaska; not the lower 48.

I support SB 23 and thank you for your time.

Regards,


Kevin Pomeroy
Business Manager
Laborers Local 942