

HB

105

<TARGET><BILL>HB 105</BILL><SUBJECT>HB
105</SUBJECT><COMM>HF IN29</COMM></TARGET>

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	HB 105
Fiscal Note Number:	1
(H) Publish Date:	2/11/2015

Identifier: L0019-DCCED-AIDEA-02-10-15
 Title: AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Rules By the Request of the Governor

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)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES	FY 2016	FY 2016					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	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 (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

initial version

Prepared By:	Ted Leonard, Executive Director	Phone:	(907)771-3050
Division:	Alaska Industrial Development and Export Authority	Date:	02/10/2015 07:00 PM
Approved By:	Catherine Reardon, Director	Date:	02/10/15
Agency:	Division of Administrative Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

This bill would increase the dollar amount limitations on bond and loan participation and amend provisions of AIDEA's authority in advancing a liquified natural gas production plant and natural gas energy projects and distribution systems. Finally, this bill repeals unused bond authorities that are not used and are not intended to be used.

This bill does not have a fiscal impact.

CS FOR HOUSE BILL NO. 105(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the programs and bonds of the Alaska Industrial Development and
2 Export Authority; relating to the Alaska Industrial Development and Export Authority
3 sustainable energy transmission and supply development fund; requiring the Alaska
4 Industrial Development and Export Authority to deliver to the legislature reports
5 relating to the Interior energy project; relating to the financing authorization through
6 the Alaska Industrial Development and Export Authority of a liquefied natural gas
7 production plant and natural gas energy projects and distribution systems in the state;
8 amending and repealing bond authorizations granted to the Alaska Industrial
9 Development and Export Authority; authorizing the Alaska Industrial Development and
10 Export Authority to issue bonds to finance the infrastructure and construction costs of
11 the Sweetheart Lake hydroelectric project; authorizing the Alaska Industrial
12 Development and Export Authority to issue bonds to finance the infrastructure and

1 construction costs of rebuilding transmission between the Hope substation and Portage,
 2 rebuilding transmission between Powerline Pass to Indian, and the Eklutna
 3 hydroelectric transmission system upgrade project; relating to legislative approval for
 4 loans from the power project fund to the City of King Cove; and providing for an
 5 effective date."

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

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

9 LEGISLATIVE INTENT. It is the intent of the legislature that the financing
 10 authorized in sec. 10 of this Act be used only for the Interior energy project described in sec.
 11 10 of this Act.

12 * **Sec. 2.** AS 44.88.095(c) is amended to read:

13 (c) Before entering into a lease or other agreement under AS 44.88.090(e)
 14 regarding a project for which the authority agrees to issue bonds in an amount in
 15 excess of \$10,000,000 [\$6,000,000], there must be filed with the authority a certified
 16 copy of a resolution of the governing body of the political subdivision of the state, if
 17 any, in which the project is to be located, consenting to the location of the project. The
 18 consent need only refer to the general nature of the project ultimately to be acquired or
 19 financed, as set out in a request of the proposed project applicant. Before entering into
 20 a lease or other agreement under AS 44.88.090(e) regarding a project, the authority
 21 shall find, on the basis of all information reasonably available to it, that

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

25 (2) the project applicant is financially responsible;

26 (3) provision to meet increased demand on [UPON] public facilities
 27 that might result from the project is reasonably assured; and

28 (4) the project will provide, or retain, employment reasonably related
 29 to the amount of the financing by the authority, considering the amount of investment

1 **for each** [PER] employee for comparable facilities and other relevant factors.

2 * **Sec. 3.** AS 44.88.095(g) is amended to read:

3 (g) The authority may issue bonds in an amount greater than **\$25,000,000**
4 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
5 44.88.177 only if approved by **the legislature** [LAW], excluding refunding bonds.
6 Refunding bonds may be issued without further approval by **the legislature** [LAW] in
7 a principal amount sufficient to provide funds for the payment of all bonds to be
8 refunded by them and, in addition, for the payment of all other amounts that the
9 authority considers appropriate in connection with the refunding, including expenses
10 incident to the redeeming, calling, retiring, or paying of the outstanding bonds, the
11 funding of reserves, and the issuance of the refunding bonds.

12 * **Sec. 4.** AS 44.88.155(d) is amended to read:

13 (d) A loan participation purchased by the authority with assets of the
14 enterprise development account or with proceeds of bonds secured by assets of the
15 enterprise development account

16 (1) may not exceed **\$25,000,000** [\$20,000,000]; however, in the case
17 of a loan participation for qualified energy development, the loan participation may
18 exceed **\$25,000,000** [\$20,000,000] with legislative approval;

19 (2) may not be purchased unless

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

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

27 (3) may not be purchased if the loan to be purchased exceeds 75
28 percent of the appraised value of the collateral offered as security for the loan unless
29 the amount of the loan in excess of this limit is federally insured or guaranteed or is
30 insured by a qualified mortgage insurance company, except that the loan to be
31 purchased under this paragraph may not exceed the total of loan proceeds used to

1 refinance an existing debt plus the cost of new construction, expansion, or acquisition
2 unless the proceeds from the additional amounts of the loan to be purchased are
3 restricted to uses approved by the authority to finance commercial activity in the state
4 by a business enterprise;

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

9 (A) 40 years from the date the loan is made in the case of a
10 loan participation for a project described in AS 44.88.900(11)(E);

11 (B) 50 years from the date the loan is made in the case of a loan
12 participation for qualified energy development;

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

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

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

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

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

24 (ii) the accelerated amortization schedule is required to
25 induce the originator to make the loan;

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

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

1 secured as to repayment by a mortgage or other security instrument in the manner the
 2 authority determines is feasible to assure timely repayment under the loan documents
 3 entered into with the borrower.

4 * **Sec. 5.** AS 44.88.170(a) is amended to read:

5 (a) **Except as provided in (c) of this section, nothing** [NOTHING] in this
 6 chapter prevents the inclusion in a lease or other agreement relating to a project of a
 7 provision granting the right to purchase the project, or to renew or extend the lease or
 8 agreement, upon the terms and conditions **that** [WHICH] may be provided for in the
 9 lease or agreement.

10 * **Sec. 6.** AS 44.88.170 is amended by adding a new subsection to read:

11 (c) The authority, without first obtaining legislative approval, may not enter
 12 into a gas supply contract with a natural gas producer to provide natural gas to Interior
 13 Alaska as a primary market unless the contract is for the benefit of a natural gas
 14 liquefaction or distribution utility that is owned by the authority or a subsidiary of the
 15 authority and the contract is for the natural gas producer to provide the utility, and
 16 only the utility, with a natural gas supply that the utility uses to serve customers in
 17 Interior Alaska.

18 * **Sec. 7.** AS 44.88.690(a) is amended to read:

19 (a) Unless the authority has obtained legislative approval by law, the authority
 20 may not use the Alaska Industrial Development and Export Authority sustainable
 21 energy transmission and supply development fund established in AS 44.88.660 to
 22 [MAKE]

23 (1) **make** a loan for more than one-third of the capital cost of qualified
 24 energy development; [OR]

25 (2) **make** a loan guarantee if the amount of the guarantee exceeds
 26 \$20,000,000; **or**

27 (3) **purchase or acquire gas reserves or a gas lease or become a**
 28 **working interest owner of a natural gas lease.**

29 * **Sec. 8.** AS 44.88.900(16) is amended to read:

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

1 (A) transmission, generation, conservation, storage, or
2 distribution of heat or electricity;

3 (B) liquefaction, regasification, distribution, storage, or use of
4 natural gas, propane, or propane and air mixture; in this subparagraph,
5 "distribution" does not include [EXCEPT] a natural gas pipeline project for
6 transporting natural gas from the North Slope or Cook Inlet to market unless
7 the pipeline has a diameter of 12 inches or less and transports the natural
8 gas to Interior Alaska;

9 (C) distribution or storage of refined petroleum products;

10 * **Sec. 9.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, is
11 amended to read:

12 (a) The Alaska Industrial Development and Export Authority may issue bonds
13 to finance the acquisition, design, and construction of a port facility and [RELATED
14 LOADING AND CONVEYOR] equipment related to the development and operation
15 of a bulk commodity loading and shipping terminal, to be located at Point
16 MacKenzie [THE TERMINAL MAY BE LOCATED ANYWHERE WITHIN
17 COOK INLET]. The facility will be owned by the authority. The principal amount of
18 the bonds may not exceed \$50,000,000.

19 * **Sec. 10.** The uncodified law of the State of Alaska enacted by sec. 11(a), ch. 26, SLA
20 2013, is amended to read:

21 (a) The Alaska Industrial Development and Export Authority, through the
22 Alaska Industrial Development and Export Authority sustainable energy transmission
23 and supply development fund (AS 44.88.660), may provide financing up to a principal
24 amount of \$275,000,000 for the development, construction, and installation of, and the
25 start-up costs of operation and maintenance for, a liquefied natural gas production
26 plant and system and affiliated infrastructure in the state that will provide natural
27 gas to Interior Alaska as a primary market [ON THE NORTH SLOPE] and [A]
28 natural gas delivery and distribution systems [SYSTEM] and affiliated infrastructure
29 that will provide natural gas to [IN] Interior Alaska, if the members of the Alaska
30 Industrial Development and Export Authority approve by resolution a project
31 plan. The project plan must

1 (1) identify the source of the natural gas or propane;

2 (2) include the estimated cost of the project; and

3 (3) include the estimated price of natural gas supplied to natural
 4 gas utilities in Interior Alaska before distribution to consumers.

5 * **Sec. 11.** The uncodified law of the State of Alaska enacted by sec. 25, ch. 123, SLA 1990,
 6 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

7 Sec. 25. The Alaska Industrial Development and Export Authority may issue
 8 bonds to finance the acquisition, design, and construction of aircraft maintenance air
 9 cargo/air transport support facilities located at Anchorage International Airport, to be
 10 owned by the Authority. The principal amount of the bonds may not exceed \$28,000,000
 11 [\$85,000,000]. This section grants the legislative approval required by AS 44.88.095.

12 * **Sec. 12.** Section 3, ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA
 13 1996; secs. 24(a) and 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended
 14 by sec. 1, ch. 93, SLA 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

15 * **Sec. 13.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, and
 16 sec. 9 of this Act is repealed June 30, 2019.

17 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
 18 read:

19 LEGISLATIVE APPROVAL; SWEETHEART LAKE HYDROELECTRIC
 20 PROJECT. (a) The Alaska Industrial Development and Export Authority may issue bonds to
 21 finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project.
 22 The Sweetheart Lake hydroelectric facility shall be owned and operated by the authority or
 23 financed under AS 44.88.172. The principal amount of the bonds provided by the authority
 24 for the Sweetheart Lake hydroelectric project may not exceed \$120,000,000 and may include
 25 the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial
 26 Development and Export Authority.

27 (b) This section constitutes legislative approval required by AS 44.88.095(g).

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

30 LEGISLATIVE APPROVAL; ALASKA RAILBELT COOPERATIVE
 31 TRANSMISSION AND ELECTRIC COMPANY. (a) The Alaska Industrial Development

1 and Export Authority may issue bonds to finance the infrastructure and construction costs for

2 (1) rebuilding transmission between the Hope substation and Portage by the
3 Alaska Railbelt Cooperative Transmission and Electric Company;

4 (2) rebuilding transmission between Powerline Pass to Indian by the Alaska
5 Railbelt Cooperative Transmission and Electric Company; and

6 (3) the Eklutna hydroelectric transmission system upgrade project by the
7 Alaska Railbelt Cooperative Transmission and Electric Company.

8 (b) The projects listed in (a) of this section shall be owned and operated by the
9 authority or financed under AS 44.88.172.

10 (c) The principal amount of the bonds provided by the authority for the projects in
11 (a)(1) and (2) of this section may not exceed a combined total of \$107,100,000, and may
12 include the costs of issuing bonds considered reasonable and appropriate by the Alaska
13 Industrial Development and Export Authority.

14 (d) The principal amount of the bonds provided by the authority for the project in
15 (a)(3) of this section may not exceed \$20,400,000 and may include the costs of issuing bonds
16 considered reasonable and appropriate by the Alaska Industrial Development and Export
17 Authority.

18 (e) This section constitutes legislative approval required by AS 44.88.095(g).

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

21 **LEGISLATIVE APPROVAL OF LOAN FROM THE POWER PROJECT FUND.** If
22 the Alaska Energy Authority approves a loan to the City of King Cove for the Waterfall Creek
23 hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an
24 amount not to exceed \$3,000,000 from the power project fund (AS 42.45.010) to the City of
25 King Cove for the Waterfall Creek hydroelectric project. This section constitutes legislative
26 approval under AS 42.45.010(j) for a loan from the fund for a project in which the cumulative
27 state involvement exceeds \$5,000,000.

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

30 **REPORT.** (a) The Alaska Industrial Development and Export Authority shall submit
31 quarterly to the legislature a written report on the Interior energy project. The authority shall

1 deliver the report to the senate secretary and the chief clerk of the house of representatives
2 and notify the legislature that the report is available. The report must include

3 (1) a description of project progress on all components;
4 (2) an update on the status of local distribution infrastructure buildout;
5 (3) to-date and anticipated conversions; and
6 (4) a financial accounting of funds expended and funds anticipated to be spent,
7 including loans, grants, and bonds.

8 (b) If requested, the Alaska Industrial Development and Export Authority shall
9 provide a project briefing on the Interior energy project to the Legislative Budget and Audit
10 Committee.

11 * **Sec. 18.** Sections 14 - 16 of this Act are repealed June 30, 2019.

12 * **Sec. 19.** Section 17 of this Act is repealed June 30, 2020.

13 * **Sec. 20.** This Act takes effect immediately under AS 01.10.070(c).

*Adopted
4/13/15*

29-GH1019\N
Shutts
4/12/15

CS FOR HOUSE BILL NO. 105(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the programs and bonds of the Alaska Industrial Development and**
2 **Export Authority; relating to the Alaska Industrial Development and Export Authority**
3 **sustainable energy transmission and supply development fund; requiring the Alaska**
4 **Industrial Development and Export Authority to deliver to the legislature reports**
5 **relating to the Interior energy project; relating to the financing authorization through**
6 **the Alaska Industrial Development and Export Authority of a liquefied natural gas**
7 **production plant and natural gas energy projects and distribution systems in the state;**
8 **amending and repealing bond authorizations granted to the Alaska Industrial**
9 **Development and Export Authority; authorizing the Alaska Industrial Development and**
10 **Export Authority to issue bonds to finance the infrastructure and construction costs of**
11 **the Sweetheart Lake hydroelectric project; relating to legislative approval for loans**
12 **from the power project fund to the City of King Cove; and providing for an effective**

1 date."

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

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

5 LEGISLATIVE INTENT. It is the intent of the legislature that the financing
6 authorized in sec. 9 of this Act be used only for the Interior energy project described in sec. 9
7 of this Act.

8 * **Sec. 2.** AS 42.05.711(b) is amended to read:

9 (b) Except as otherwise provided in this subsection and in (o) of this section,
10 public utilities owned and operated by a political subdivision of the state, or electric
11 operating entities established as the instrumentality of two or more public utilities
12 owned and operated by political subdivisions of the state, are exempt from this
13 chapter, other than AS 42.05.221 - 42.05.281 and 42.05.385. However,

14 (1) the governing body of a political subdivision may elect to be
15 subject to this chapter; [AND]

16 (2) a utility or electric operating entity that is owned and operated by a
17 political subdivision and that directly competes with another utility or electric
18 operating entity is subject to this chapter and any other utility or electric operating
19 entity owned and operated by the political subdivision is also subject to this chapter;
20 this paragraph does not apply to a utility or electric operating entity owned and
21 operated by a political subdivision that competes with a telecommunications utility;

22 **and**

23 **(3) a utility that operates a natural gas distribution system and**
24 **affiliated infrastructure providing natural gas to Interior Alaska and that**
25 **receives financing through the Alaska Industrial Development and Export**
26 **Authority sustainable energy transmission and supply development fund**
27 **(AS 44.88.660) is subject to this chapter unless the utility is owned and operated**
28 **by a political subdivision of the state and the governing body of the political**
29 **subdivision exempts the utility from this chapter by resolution.**

30 * **Sec. 3.** AS 44.88.095(c) is amended to read:

1 (c) Before entering into a lease or other agreement under AS 44.88.090(e)
2 regarding a project for which the authority agrees to issue bonds in an amount in
3 excess of \$10,000,000 [\$6,000,000], there must be filed with the authority a certified
4 copy of a resolution of the governing body of the political subdivision of the state, if
5 any, in which the project is to be located, consenting to the location of the project. The
6 consent need only refer to the general nature of the project ultimately to be acquired **or**
7 **financed**, as set out in a request of the proposed project applicant. Before entering into
8 a lease or other agreement under AS 44.88.090(e) regarding a project, the authority
9 shall find, on the basis of all information reasonably available to it, that

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

13 (2) the project applicant is financially responsible;

14 (3) provision to meet increased demand **on** [UPON] public facilities
15 that might result from the project is reasonably assured; and

16 (4) the project will provide, or retain, employment reasonably related
17 to the amount of the financing by the authority, considering the amount of investment
18 **for each** [PER] employee for comparable facilities and other relevant factors.

19 * **Sec. 4.** AS 44.88.095(g) is amended to read:

20 (g) The authority may issue bonds in an amount greater than \$25,000,000
21 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
22 44.88.177 only if approved by **the legislature** [LAW], excluding refunding bonds.
23 Refunding bonds may be issued without further approval by law in a principal amount
24 sufficient to provide funds for the payment of all bonds to be refunded by them and, in
25 addition, for the payment of all other amounts that the authority considers appropriate
26 in connection with the refunding, including expenses incident to the redeeming,
27 calling, retiring, or paying of the outstanding bonds, the funding of reserves, and the
28 issuance of the refunding bonds.

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

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

1 enterprise development account

2 (1) may not exceed \$25,000,000 [\$20,000,000]; however, in the case
3 of a loan participation for qualified energy development, the loan participation may
4 exceed \$25,000,000 [\$20,000,000] with legislative approval;

5 (2) may not be purchased unless

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

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

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

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

26 (A) 40 years from the date the loan is made in the case of a
27 loan participation for a project described in AS 44.88.900(11)(E);

28 (B) 50 years from the date the loan is made in the case of a loan
29 participation for qualified energy development;

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

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

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

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

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

10 (ii) the accelerated amortization schedule is required to
11 induce the originator to make the loan;

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

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

21 * **Sec. 6.** AS 44.88.170(a) is amended to read:

22 (a) **Except as provided in (c) of this section, nothing** [NOTHING] in this
23 chapter prevents the inclusion in a lease or other agreement relating to a project of a
24 provision granting the right to purchase the project, or to renew or extend the lease or
25 agreement, upon the terms and conditions **that** [WHICH] may be provided for in the
26 lease or agreement.

27 * **Sec. 7.** AS 44.88.170 is amended by adding a new subsection to read:

28 (c) The authority, without first obtaining legislative approval, may not enter
29 into a gas supply contract with a natural gas producer to provide natural gas to Interior
30 Alaska as a primary market unless the contract is for the benefit of a natural gas
31 liquefaction or distribution utility that is owned by the authority or a subsidiary of the

1 authority and the contract is for the natural gas producer to provide the utility, and
2 only the utility, with a natural gas supply that the utility uses to serve customers in
3 Interior Alaska.

4 * **Sec. 8.** AS 44.88.690(a) is amended to read:

5 (a) Unless the authority has obtained legislative approval by law, the authority
6 may not use the Alaska Industrial Development and Export Authority sustainable
7 energy transmission and supply development fund established in AS 44.88.660 to
8 [MAKE]

9 (1) **make** a loan for more than one-third of the capital cost of qualified
10 energy development; [OR]

11 (2) **make** a loan guarantee if the amount of the guarantee exceeds
12 \$20,000,000; **or**

13 (3) **purchase or acquire gas reserves or a gas lease or become a**
14 **working interest owner of a natural gas lease.**

15 * **Sec. 9.** AS 44.88.900(16) is amended to read:

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

18 (A) transmission, generation, conservation, storage, or
19 distribution of heat or electricity;

20 (B) liquefaction, regasification, distribution, storage, or use of
21 natural gas, **propane, or propane and air mixture; in this subparagraph,**
22 **"distribution" does not include** [EXCEPT] a natural gas pipeline project for
23 transporting natural gas from the North Slope or Cook Inlet to market **unless**
24 **the pipeline has a diameter of 12 inches or less and transports the natural**
25 **gas to Interior Alaska;**

26 (C) distribution or storage of refined petroleum products;

27 * **Sec. 10.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, is
28 amended to read:

29 (a) The Alaska Industrial Development and Export Authority may issue bonds
30 to finance the acquisition, design, and construction of a port facility and [RELATED
31 LOADING AND CONVEYOR] equipment related to the development and operation

1 of a bulk commodity loading and shipping terminal, to be located at Point
2 MacKenzie [. THE TERMINAL MAY BE LOCATED ANYWHERE WITHIN
3 COOK INLET]. The facility will be owned by the authority. The principal amount of
4 the bonds may not exceed \$50,000,000.

5 * **Sec. 11.** The uncodified law of the State of Alaska enacted by sec. 11(a), ch. 26, SLA
6 2013, is amended to read:

7 (a) The Alaska Industrial Development and Export Authority, through the
8 Alaska Industrial Development and Export Authority sustainable energy transmission
9 and supply development fund (AS 44.88.660), may provide financing up to a principal
10 amount of \$275,000,000 for the development, construction, and installation of, and the
11 start-up costs of operation and maintenance for, a liquefied natural gas production
12 plant and system and affiliated infrastructure in the state that will provide natural
13 gas to Interior Alaska as a primary market [ON THE NORTH SLOPE] and [A]
14 natural gas delivery and distribution systems [SYSTEM] and affiliated infrastructure
15 that will provide natural gas to [IN] Interior Alaska, if the Alaska Industrial
16 Development and Export Authority approves a project plan. The project plan
17 must

18 (1) identify the source of the natural gas or propane;

19 (2) include the estimated cost of the project; and

20 (3) include the estimated price of natural gas supplied to natural
21 gas utilities in Interior Alaska before distribution to consumers.

22 * **Sec. 12.** The uncodified law of the State of Alaska enacted by sec. 25, ch. 123, SLA 1990,
23 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

24 Sec. 25. The Alaska Industrial Development and Export Authority may issue
25 bonds to finance the acquisition, design, and construction of aircraft maintenance air
26 cargo/air transport support facilities located at Anchorage International Airport, to be
27 owned by the Authority. The principal amount of the bonds may not exceed \$28,000,000
28 [\$85,000,000]. This section grants the legislative approval required by AS 44.88.095.

29 * **Sec. 13.** Section 3, ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA
30 1996; secs. 24(a) and 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended
31 by sec. 1, ch. 93, SLA 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

1 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 LEGISLATIVE APPROVAL; SWEETHEART LAKE HYDROELECTRIC
4 PROJECT. (a) The Alaska Industrial Development and Export Authority may issue bonds to
5 finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project.
6 The Sweetheart Lake hydroelectric facility shall be owned and operated by the authority or
7 financed under AS 44.88.172. The principal amount of the bonds provided by the authority
8 for the Sweetheart Lake hydroelectric project may not exceed \$120,000,000 and may include
9 the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial
10 Development and Export Authority.

11 (b) This section constitutes legislative approval required by AS 44.88.095(g).

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

14 LEGISLATIVE APPROVAL OF LOAN FROM THE POWER PROJECT FUND. If
15 the Alaska Energy Authority approves a loan to the City of King Cove for the Waterfall Creek
16 hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an
17 amount not to exceed \$3,000,000 from the power project fund (AS 42.45.010) to the City of
18 King Cove for the Waterfall Creek hydroelectric project. This section constitutes legislative
19 approval under AS 42.45.010(j) for a loan from the fund for a project in which the cumulative
20 state involvement exceeds \$5,000,000.

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

23 REPORT. (a) The Alaska Industrial Development and Export Authority shall submit
24 quarterly to the legislature a written report on the Interior energy project. The authority shall
25 deliver the report to the senate secretary and the chief clerk of the house of representatives
26 and notify the legislature that the report is available. The report must include

27 (1) a description of project progress on all components;

28 (2) an update on the status of local distribution infrastructure buildout;

29 (3) to-date and anticipated conversions; and

30 (4) a financial accounting of funds expended and funds anticipated to be spent,

31 including loans, grants, and bonds.

1 (b) If requested, the Alaska Industrial Development and Export Authority shall
2 provide a project briefing on the Interior energy project to the Legislative Budget and Audit
3 Committee.

4 * **Sec. 17.** Sections 14 and 15 of this Act are repealed June 30, 2019.

5 * **Sec. 18.** This Act takes effect immediately under AS 01.10.070(c).

AMENDMENT # 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 2, line 6:
- 2 Delete "sec. 9" in both places
- 3 Insert "sec. 8" in both places
- 4
- 5 Page 2, lines 8 - 29:
- 6 Delete all material.
- 7
- 8 Renumber the following bill sections accordingly.
- 9
- 10 Page 9, line 4:
- 11 Delete "Sections 14 and 15"
- 12 Insert "Sections 13 and 14"

Passed

AMENDMENT #2

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 105(FIN), Draft Version "N"

Passed

- 1 Page 7, line 15, following "the":
- 2 Insert "members of the"
- 3
- 4 Page 7, line 16:
- 5 Delete "approves"
- 6 Insert "approve by resolution"

AMENDMENT

#3

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 9, following line 4:
- 2 Insert a new bill section to read:
- 3 "* **Sec. 18.** Section 16 of this Act is repealed June 30, 2020."
- 4
- 5 Renumber the following bill section accordingly.

PASSED

AMENDMENT #4

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 3, line 23:
- 2 Delete "law"
- 3 Insert "the legislature [LAW]"

Passed

AMENDMENT #5 BY Rep. Thompson

OFFERED IN THE HOUSE

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 2, line 27:
- 2 Delete "**and operated**"

WITHDRAWN

AMENDMENT #6

by Rep. Thompson

Passed

OFFERED IN THE HOUSE

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 7, following line 31:
- 2 Insert a new bill section to read:
- 3 "* **Sec. 14.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, and
- 4 sec. 10 of this Act is repealed June 30, 2019."
- 5
- 6 Renumber the following bill sections accordingly.
- 7
- 8 Page 9, line 4:
- 9 Delete "Sections 14 and 15"
- 10 Insert "Sections 15 and 16"

AMENDMENT #7

OFFERED IN THE HOUSE

BY REPRESENTATIVE SADDLER

TO: CSHB 105(FIN), Draft Version "N"

1 Page 1, line 11, following "project;":

2 Insert "**authorizing the Alaska Industrial Development and Export Authority to**
3 **issue bonds to finance the infrastructure and construction costs of rebuilding**
4 **transmission between the Hope substation and Portage, rebuilding transmission between**
5 **Powerline Pass to Indian, and the Eklutna hydroelectric transmission system upgrade**
6 **project;**"

7

8 Page 2, line 6:

9 Delete "sec. 9" in both places

10 Insert "sec. 11" in both places

11

12 Page 8, following line 11:

13 Insert a new bill section to read:

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

16 LEGISLATIVE APPROVAL; ALASKA RAILBELT COOPERATIVE
17 TRANSMISSION AND ELECTRIC COMPANY. (a) The Alaska Industrial Development
18 and Export Authority may issue bonds to finance the infrastructure and construction costs for

19 (1) rebuilding transmission between the Hope substation and Portage by the
20 Alaska Railbelt Cooperative Transmission and Electric Company;

21 (2) rebuilding transmission between Powerline Pass to Indian by the Alaska
22 Railbelt Cooperative Transmission and Electric Company; and

23 (3) the Eklutna hydroelectric transmission system upgrade project by the

Passed

1 Alaska Railbelt Cooperative Transmission and Electric Company.

2 (b) The projects listed in (a) of this section shall be owned and operated by the
3 authority or financed under AS 44.88.172.

4 (c) The principal amount of the bonds provided by the authority for the projects in
5 (a)(1) and (2) of this section may not exceed a combined total of \$107,100,000, and may
6 include the costs of issuing bonds considered reasonable and appropriate by the Alaska
7 Industrial Development and Export Authority.

8 (d) The principal amount of the bonds provided by the authority for the project in
9 (a)(3) of this section may not exceed \$20,400,000 and may include the costs of issuing bonds
10 considered reasonable and appropriate by the Alaska Industrial Development and Export
11 Authority.

12 (e) This section constitutes legislative approval required by AS 44.88.095(g)."
13

14 Renumber the following bill sections accordingly.
15

16 Page 9, line 4:

17 Delete "Sections 14 and 15"

18 Insert "Sections 14 - 16"

AMENDMENT

#8

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 105(FIN), Draft Version "N"

- 1 Page 2, line 6:
- 2 Delete "sec. 9" in both places
- 3 Insert "sec. 11" in both places

Passed



April 13, 2015

HB 105
House Finance Committee

IEP: GOALS UNDER SB23



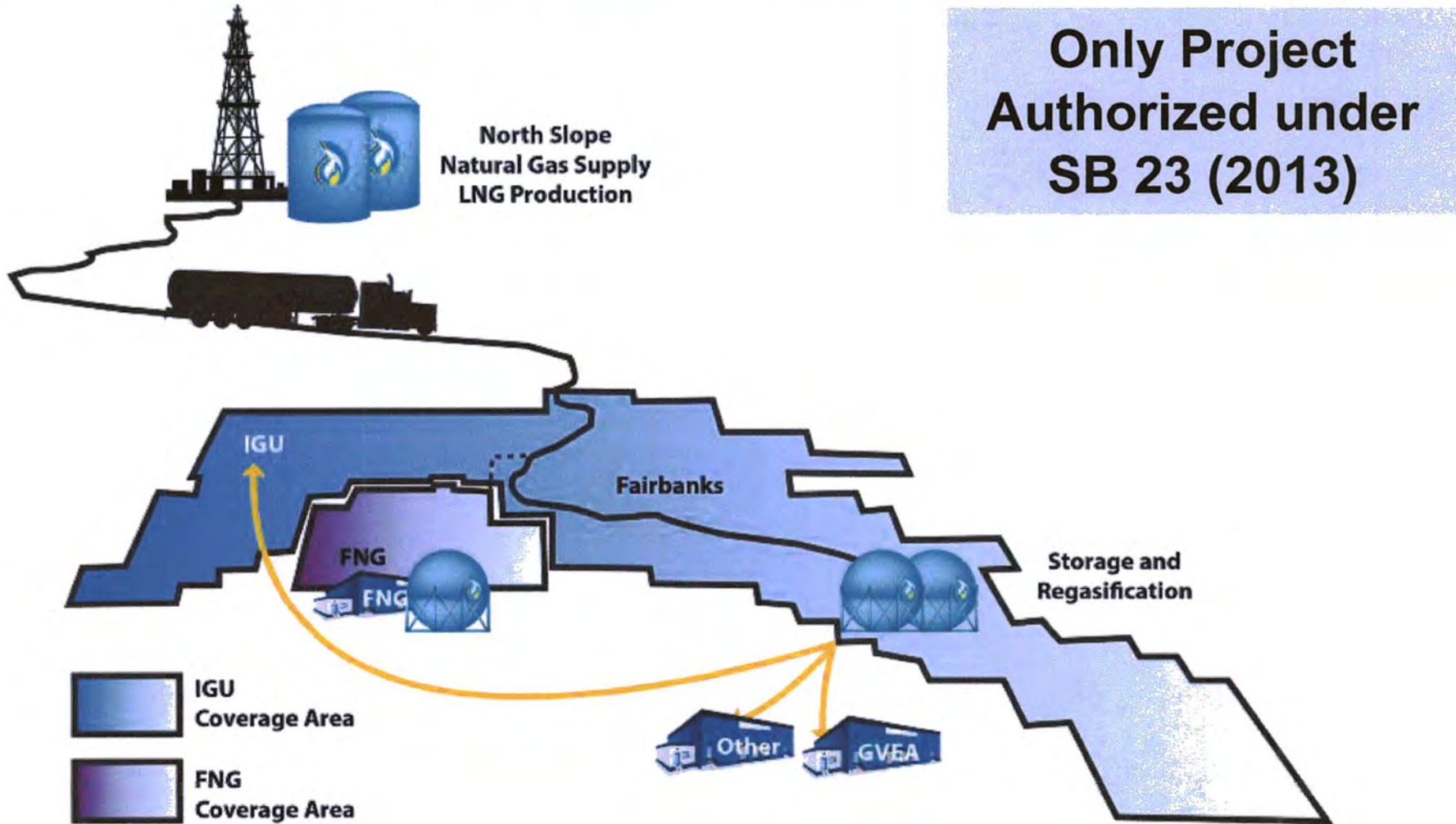
- **Supply natural gas to Interior Alaska:**
 - **At the lowest cost possible**
 - **As many Alaska customers as possible**
 - **As soon as possible**
- **IEP investments compliment eventual sources of gas supply from a natural gas pipe line**
- **Lower PM2.5 in nonattainment areas of Interior**

IEP: OVERVIEW

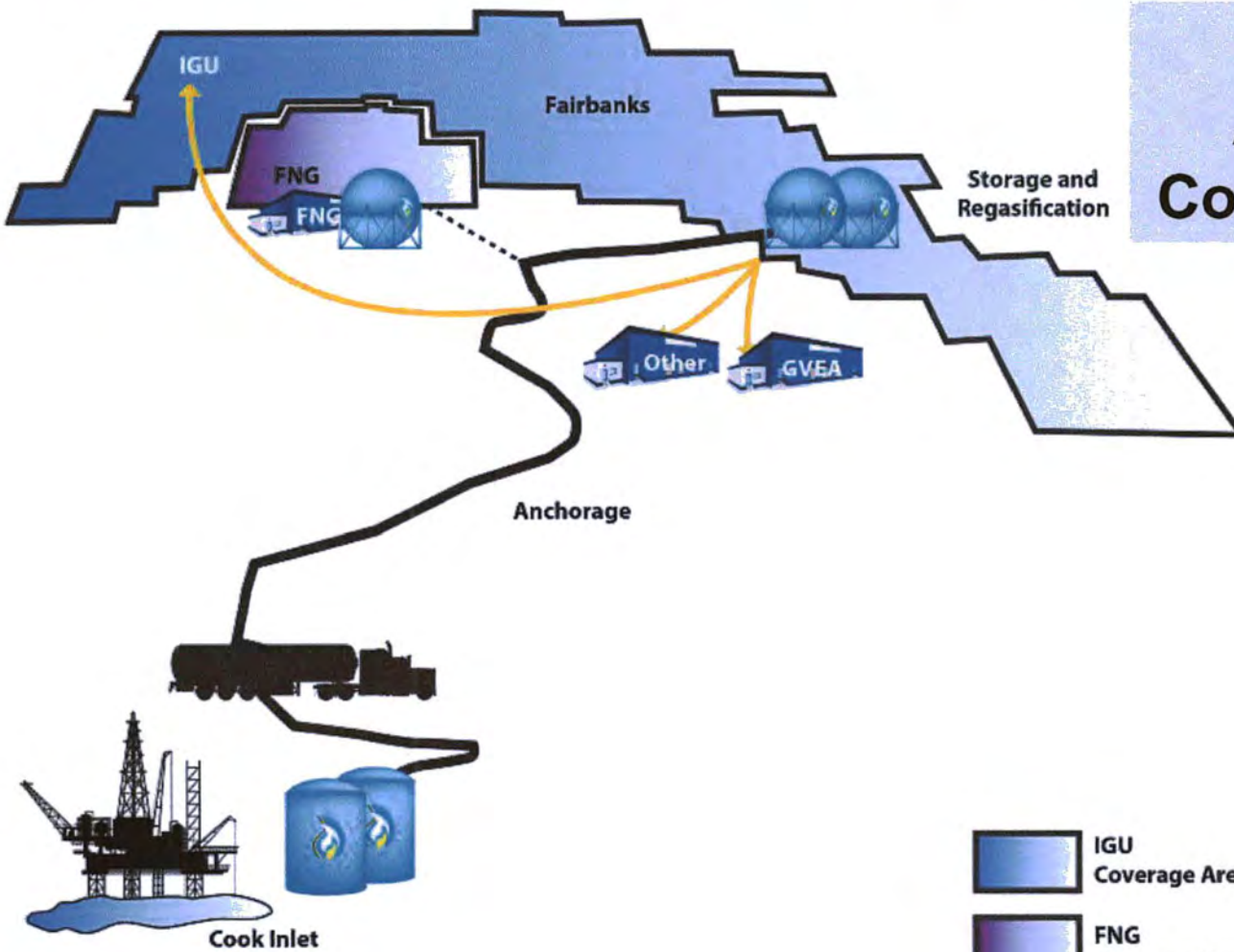
- **Meet the goals set by the legislature to supply affordable energy to Interior Alaska**
- **Project is complex, which is why the legislature took action**
- **Now evaluating infrastructure to deliver natural gas from any source, including Cook Inlet**
- **AIDEA financing the buildout of natural gas distribution in Fairbanks and North Pole**

- **HB 105 gives AIDEA flexibility to use SB 23 financing tools with a non-North Slope liquefaction location**
 - **Current version of HB 105 also authorizes financing propane and small diameter pipeline (under 12" diameter) projects to meet the goals of the IEP**

NORTH SLOPE PROJECT MAP



COOK INLET PROJECT MAP



**HB 105
Authorizes a
Cook Inlet Project**

 IGU Coverage Area

 FNG Coverage Area

COOK INLET, NORTH SLOPE, AND OTHER ALTERNATIVES



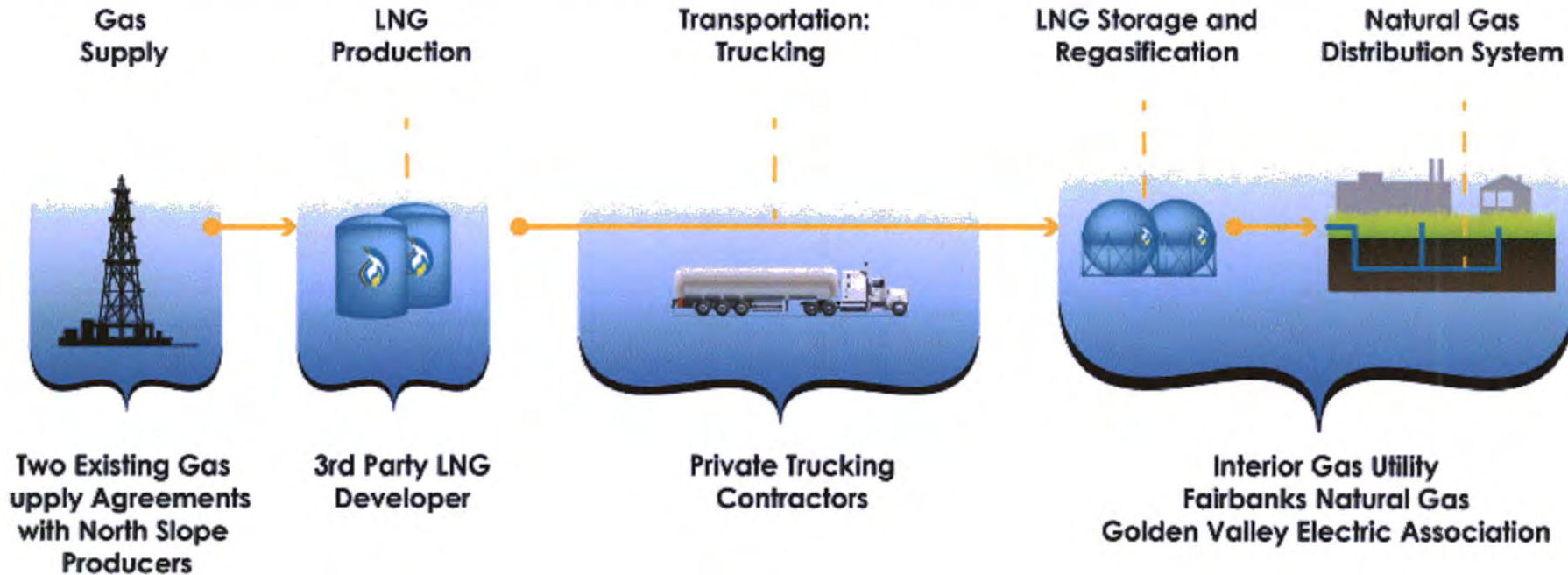
Cook Inlet

North Slope

Other

	Cook Inlet	North Slope	Other
Natural Gas Supply	Supply still uncertain but indications are positive	Abundant supply at low cost, existing contracts in place	Propane: Canada Pipeline: Cook Inlet
LNG Plant Costs	Cheaper to construct and operate, "off the shelf"	Expensive to design and construct for North Slope conditions	Propane: No plant Pipeline: No plant
Trucking/Rail	Lower trucking costs, large trailer potential, rail option	Trucking is more expensive but feasible	Propane: Marine, rail, trucking Pipeline: None
Storage and distribution	No significant change in design and costs		Propane: Redesign storage and regas Pipeline: Less storage

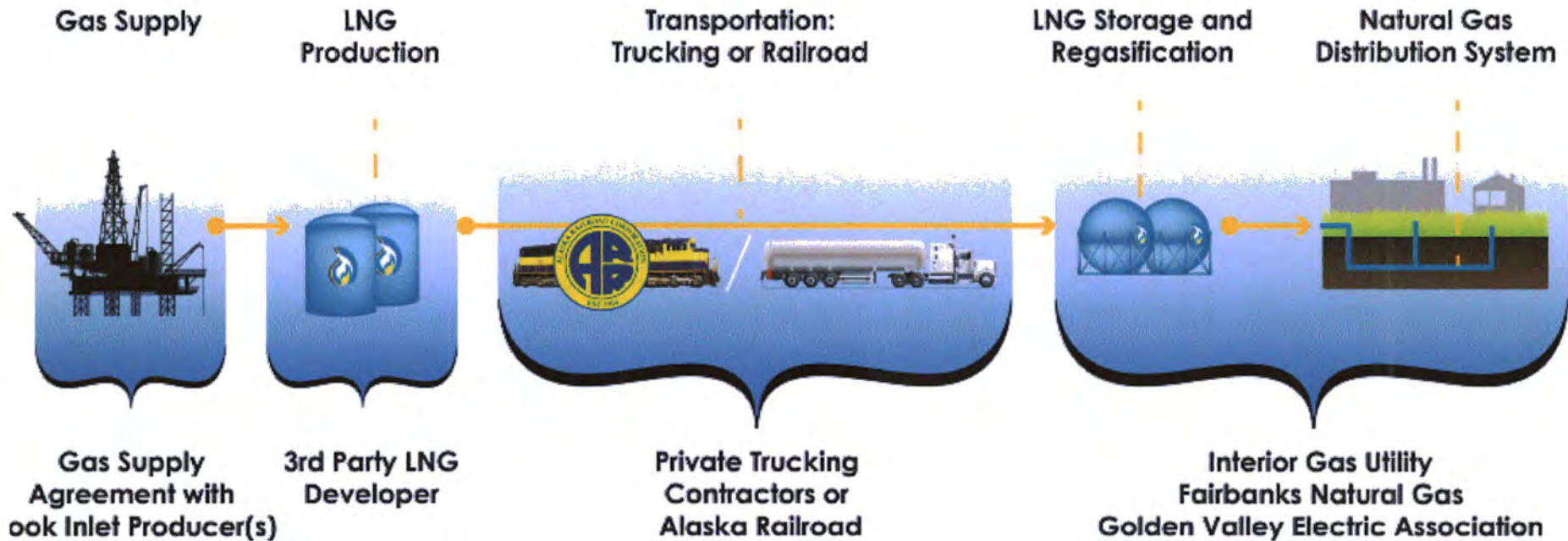
NORTH SLOPE LNG PROJECT



North Slope LNG Project supply chain well vetted, providing AIDEA and the Interior Utilities with estimated costs

LNG cost for a North Slope project under the Concession Agreement was too high
Alternative North Slope LNG production projects will be considered

COOK INLET LNG ALTERNATIVE



Allowance of this alternative, in addition to the North Slope supply chain authorized in 2013, is the purpose of HB105's IEP changes.

AIDEA is also encouraging and will evaluate all proposals to achieve the goals of the IEP (e.g., small diameter pipelines, full supply chain solutions, etc.)

PROJECT EXECUTION PLAN



- **Natural Gas supply:** Facilitate commercial discussions between producers and utilities
- **Liquefaction:** Competitive solicitation to select private partner to develop LNG capacity
- **Transportation:** Private trucking, Alaska railroad, small diameter pipeline, propane
- **Storage, Regasification, and Distribution:** Buildout of system continues Summer 2015

IEP SUMMARY

- **The goals remain as established by SB23**
- **HB 105 authorizes the tool kit to best achieve goals of IEP**
- **Market driven process**
 - **Accomplishing IEP goals requires adaptation to current market and operating realities**

Proposed CS House Bill 105 H/FIN version N
AIDEA: Bonds; Programs; Loans; LNG Project
Sectional Analysis

Section 1: adds intent language to clarify that the financial tools discussed in Section 9 are only for the benefit of the Interior Energy Project described in Section 9.

Section 2: requires any utility that provides natural gas to Interior Alaska and receives financing from the Sustainable Energy Transmission and Supply fund be rate regulated by the RCA unless it is owned and operated by a political subdivision of the state whose governing body has elected, by resolution, to be exempt.

Section 3: increases the limit under AS 44.88.095(c) from \$6 million to \$10 million. AS 44.88.095(c) requires AIDEA to receive a certified copy of a resolution of the municipality or from the Regional Resource Advisory Council (in the Unorganized Borough) consenting to the location of a project if AIDEA is to issue bonds exceeding \$6,000,000. AIDEA recommends that this cap be increased to \$10,000,000 to better reflect the true costs of projects in 2015.

Section 4: increases the limit under AS 44.88.095(g) from \$10 million to \$25 million. AS 44.88.095(g) requires that AIDEA receive legislative approval to issue bonds in amounts over \$10 million to finance a development project. The current bond limitations have lessened AIDEA's ability to utilize bonding as a tool in funding small to mid-size projects due to the time it takes to get authorization from the Legislature and to go through the community authorization process. Additionally, AIDEA is recommending the dollar amount of bond limitations be the same as the dollar amount limit on loan participations AS 44.88.155(d)(1) since loan participations may be funded through bond issuances.

Section 5: changes the loan participation limit under AS 44.88.155(d)(1) to \$25 million (current limit - \$20 million), and \$25 million (current limit - \$20 million) for a loan participation for a qualified energy project without the necessity of obtaining prior legislative approval. Increasing the limits would allow AIDEA to provide more of the financing for a large commercial project and a qualified energy project and provide better financing terms for those projects.

Section 6: adds an exception to AIDEA's ability to enter into projects that involve a lease.

Section 7: requires legislative approval before AIDEA may enter into a gas supply contract with a natural gas producer in order to supply natural gas to Interior utilities unless the gas contract is for a natural gas liquefaction plant or distribution system that is owned by the Authority or a subsidiary of the Authority.

Section 8: prohibits AIDEA from using the SETS fund to purchase natural gas reserves or a gas lease or a working interest owner of a natural gas lease.

Section 9: amends the definition of "qualified energy development" that qualifies for SETS financing to include consideration of propane and possible delivery of natural gas to Interior Alaska via pipeline no larger than 12 inches in diameter.

Section 10: refreshes a previous AIDEA bond authorization for a bulk commodity handling facility in Cook Inlet. The language requires the facility to be located at Point MacKenzie.

Section 11: changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Section 11 deletes the phrase "on the North Slope" and changes it to "in the state that

will provide natural gas to Interior Alaska” so that natural gas can be sourced anywhere in the state. The section also clarifies that existing IEP financing can be used to support more than one natural gas distribution system in Interior Alaska. Requires the AIDEA Board to approve a project plan that includes the following items before SETS financing tools can continue to be used for the IEP.

1. An identified source of natural gas or propane
2. An estimated cost of the project
3. An estimated price for the resource delivered to Interior Alaska utilities

Sections 12: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000.

Section 13: repeals legislative bond authorizations (1994 through 2006) under 44.88.095(g) for potential projects that were determined not to be feasible or did not move forward for other reasons. The repeal of these authorizations would be beneficial to AIDEA’s bond rating as AIDEA moves forward to utilize its bonding capacity for future projects. Authorizations to be repealed include:

1. \$50,000,000 for construction of processing facility for seafood (ASI) - 1993 authorization.
2. \$20,000,000 to assist in construction of Kodiak launch complex facilities 1995 authorization.
3. \$80,000,000 to fund expansion at Red Dog port – 1998 authorization.
4. \$30,000,000 to finance improvement at Nome port facility – 1998 authorization.
5. \$25,000,000 to finance development at Hatcher Pass located in Matanuska-Susitna Borough – amended 2006 authorization.
6. \$20,000,000 to finance construction of port facilities on Lynn Canal – 2004 authorization

Section 14: authorizes AIDEA to issue bonds to finance infrastructure and construction cost of the Sweetheart Lake hydroelectric project not to exceed \$120,000,000 if a project financing application is submitted that meets the Authorities due diligence standards and investment criteria.

Section 15: authorizes the Alaska Energy Authority to enter into a loan from the Power Project Fund for up to \$3,000,000 for the King Cove Waterfall Creek hydroelectric project if a project financing application is submitted that meets AEA’s due diligence standards and investment criteria.

Section 16: requires AIDEA to submit a quarterly report on the status of the Interior Energy Project. There is no end date on this obligation. Also instructs AIDEA to provide briefings to the Legislative Budget and Audit Committee when requested.

Section 17: provides a five year sunset for the project financing authorized by Section 14 and 15 of this legislation. (Sweetheart Lake and Waterfall Creek)

Section 18: provides and immediate effective date for the legislation.

March 30, 2015

The Features and Benefits of Sweetheart Lake Hydroelectric Facility for the State of Alaska and Juneau, Alaska.

1. Energy Security.

- Provides Juneau with 19.8 Megawatts (MW) of new Nameplate Capacity and will provide new electrical generation that will average of 116,000 Megawatt hours (116,000,000 kilowatt hours) annually. The new additional capacity and new generation will add about 20% additional power to Juneau. To put this amount of power in perspective- The Coeur Alaska Kensington Mine and the Hecla Greens Creek Mine each use about 70,000 Megawatts annually.
- Immune to the Snettisham Avalanche area. The Sweetheart Lake Hydroelectric Facility will interconnect with the AIDEA Snettisham power line at a point that is beyond the traditional avalanche chute. Should there be another avalanche in the same area causing a Juneau power outage, the Sweetheart Lake Hydroelectric Facility will be able to provide back-up power on an emergency basis.
- Displacement of more expensive diesel generation. It is unlikely for the foreseeable future that AEL&P will need to run back up diesel generation in low water years. The additional capacity to provide a cushion of capacity and generation provides safeguards for ratepayers against future fuel surcharges.
- Fossil fuel costs are volatile. They go up and they go down. However, the prices for fossil fuels has been trending upwards. Hydropower costs do not increase with time and rates are generally stable. Hydropower projects can last over 100 years and therefore the project provides Juneau both short term and long term energy security for the Capital City.

2. Local Economics

- 2016 Construction would generate an estimated 87 family wage construction and construction supporting service jobs for two construction seasons. An additional 35 indirect jobs will likely be created providing a boost to Juneau's private sector employment. Juneau Hydropower plans to hire local labor to build the project and related transmission segments.
- The project would generate revenue for the Alaska Department of Natural Resources for the tidelands lease required for the Project. These leases would generate income for the ADNR for the life of the facility.
- Displacement of higher cost fuels. Currently the Coeur Alaska Kensington Mine self-generates it's electrical needs by on-site diesel generation that is considerable higher cost than hydropower. Additionally, the Hecla Greens Creek Mine is on interruptible power and

their energy costs increase significantly when the local utility cannot provide electricity. Lower operating costs intuitively make mining operations more profitable and can extend the lives of mines by allowing mine operators to explore and mine lower grade ore bodies that require lower costs. Lower operating costs also assist mining operations reduce risk to lower ore prices by allowing a mine to operate at lower costs. Energy costs for mine operators are significant. Each of Juneau's mines uses more electricity than the communities of Haines and Skagway combined (Source Alaska Power & Telephone- utility for Haines and Skagway).

- Mines and industrial operations pay significant property taxes and contribute high family wages to the Juneau community (average of \$87,000 annually). Lower energy costs help preserve and intuitively extend local mining lives of operation.
- Provides the capacity and power to electrify the Juneau cruise ship port. Currently there is not enough local energy capacity or generation to take advantage of electrifying visiting cruise vessels during the April through October Southeast Alaska cruise season. Approximately 40% of the Vancouver to Skagway (Source Vancouver Port) ships are able to take shore power electricity while in port. Cruise ship purchases of local Alaskan produced hydropower electricity provides additional revenue to the utility, but also reduces port emissions while saving the cruise industry energy costs by displacing more expensive diesel generation while in port.
- Increased electricity sales generates additional sales tax revenue for the City and Borough of Juneau.

3. Recreational and Fishery enhancements

- Enhancing the personal use sockeye fishery with a partnership with the Juneau DIPAC hatchery.
- Building a natural appearing tailrace that will provide allow wildlife to traverse, but also provide increased fishing area for personal use sockeye fishers.
- Emplacing mooring buoys so boaters can have a safe visit and not worry about anchors slipping on the soft bottom at Gilbert Bay.
- Improving and rocking trails to reduce soil erosion and to make the area safer.
- Providing signage for recreational visitors in coordination with US Forest Service and Alaska Dept. of Fish and Game.
- Seasonal, non-commercial use of Gilbert Bay dock for emergencies as well as to dock zodiacs and tender punts for recreational visitors.
- Emergency phone service availability and likely cell phone coverage.
- Weather cam so Juneau boaters can see the weather before making a trip to the area.



EXPLANATION OF CHANGES

House Bill 105

AIDEA Programs and Bonds Authorizations / LNG Financing *Version E to Version N*

- Sec 1: No change
- Sec 2: Inserts new language into allowing an Interior Alaska utility that is owned and operated by a political subdivision of the state and receives financing from the sustainable energy transmission and supply development fund to exempt the utility from rate regulation, under AS 44.88.660, by resolution.
- Sec 3: No change
- Sec 4: No change
- Sec 5: No change
- Sec 6: No change
- Sec 7: Removes subsection (1) regarding the AIDEA acquisition of gas reserves (discussion moved to section 8). Language in subsection (2) is incorporated into (c) and modified. The words "negotiate or" are removed. Language "to provide natural gas to the Interior Alaska as a primary market" are added on page 6, lines 29-30. The words "uses to serve customers in Interior Alaska" are added on page 7, lines 2-3.
- Sec 8: Inserts new Section 8, amending AS 44.88.690(a), regarding the AIDEA sustainable energy transmission and supply development fund, to require AIDEA to obtain legislative approval before using the fund to purchase or acquire gas reserves or a gas lease or become a working interest owner of a natural gas lease.
- Sec 9: Version E Section 8 renumbered as Section 9 in Version N.
- Sec 10: New Section 10 inserted, providing AIDEA bonding authorization up to \$50,000,000 to finance the acquisition, design, and construction of a port facility and equipment related to the development and operation of a bulk commodity loading and shipping terminal, to be located at Point MacKenzie.
- Sec 11: Version E Section 9 renumbered as Section 11 in Version N and "prepares a project plan and receives legislative approval of the plan" is replaced with "approves a project plan" on page 7, line 16.
- Sec 12: Version E Section 10 renumbered as Section 12 in Version N.

- Sec 13: Version E Section 11 renumbered as Section 13 in Version N is modified to remove the repeal of "Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111" pertaining to the Point MacKenzie bonding authorization.
- Sec 14: Inserts a new Section 14 providing legislative authority for AIDEA to issue up to \$120,000,000 of bonds to finance the infrastructure and construction costs of Sweetheart Lake hydroelectric project.
- Sec 15: Inserts a new Section 15 providing legislative authority for the Alaska Energy Authority to loan an amount up to \$3,000,000 from the power project fund to the City of King Cove for the Waterfall Creek hydroelectric project.
- Sec 16: Version E Section 12 renumbered as Section 16 in Version N.
- Sec 17: Inserts new Section 17 repealing Sections 14 and 15 of this act June 30, 2019.
- Sec 18: Version E Section 13 renumbered as Section 18 in Version N.



EXPLANATION OF CHANGES

House Bill 105

AIDEA Programs and Bonds Authorizations / LNG Financing *Version H to Version E*

- Sec 1: Inserts new Section 1 providing legislative intent language restricting AIDEA's use of the financing authorization in Section 9 for the Interior Energy Project.
- Sec 2: Inserts new Section 2 amending AS 42.05.771(b), regarding Regulatory Commission of Alaska rate regulation, that requires any natural gas distribution system in Interior Alaska that receives financing through AIDEA's sustainable energy transmission and supply development fund to be subject to rate regulation.
- Sec 3: Version H Section 1 renumbered as Section 3 in Version E.
- Sec 4: Version H Section 2 renumbered as Section 4 in Version E with language changing bond approval by "law" to "legislature" on page 3, line 14.
- Sec 5: Version H Section 3 renumbered as Section 5 in Version E.
- Sec 6: Inserts new Section 6, amending AS 44.88.170(a) creating a reference to a new Section 7.
- Sec 7: Inserts new Section 7, amending AS 44.88.170 by adding a new subsection (c). Subsection (c) requires AIDEA to obtain legislative approval before (1) purchasing gas reserves or a gas lease or becoming a working interest owner of a natural gas lease and (2) negotiating or entering into a gas supply contract for natural gas unless it is for a distribution utility owned by the authority.
- Sec 8: Inserts new Section 8 amending AS 44.88.900(16), regarding the AIDEA sustainable energy transmission and supply development fund, to broaden the definition of "qualified energy development" to propane, propane and air mixture, and a natural gas pipeline to Interior Alaska with a diameter of 12 inches or less.
- Sec 9: Version H Section 5 renumbered as Section 9 in Version E and inserts new language requiring AIDEA to obtain legislative approval of a project plan before using the financing tools contained in Section 9. The project plan is to (1) identify the source of the natural gas or propane, (2) include the estimated cost of the project, and (3) include the estimated price of natural gas under the project for natural gas utilities in Fairbanks before distribution to customers.
- Sec 10: Version H Section 6 renumbered as Section 10 in Version E.

- Sec 11: Version H Section 7 renumbered as Section 11 in Version E and the wording is renumbered to reflect changes in the new version. Repeal of "Section 2, ch 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996" is removed.
- Sec 12: Inserts new Section 12 adding a new section to the uncodified law requiring AIDEA to provide quarterly written reports on the Interior Energy Project to the legislature. If requested, AIDEA shall provide a project briefing to the Legislative Budget and Audit Committee.
- Sec 13: Version H Section 7 renumbered as Section 13 in Version E.



Waterfall Creek Hydroelectric Project

March 2015

Waterfall Creek will be the second run-of-the-river hydroelectric facility owned and operated by the City of King Cove. This project will consist of a concrete diversion/intake structure, 4,500' HDPE penstock pipeline, 16"x40" metal powerhouse on a concrete slab, Pelton impulse turbine and induction generator, remote-automatic control system, and 5,000' access road. This facility is expected to produce 1 megawatt (MW) of annual energy.

The project is fully designed, permitted, and construction bid ready. The City anticipates project construction this year (2015) with the facility being fully operation by the end of the year. Waterfall Creek, along with our existing Delta Creek hydro facility (constructed in 1994), will produce more than 75% of the City's annual power demand of 5MW.

King Cove's renewable energy status is indeed unique, almost anywhere throughout Alaska. The City's accomplishments will significantly contribute to the State's overall goal of being 50% renewable energy by 2020.

The total project cost estimate is \$6.6million. This is based on a detailed independent cost estimate using the 100% completed engineering design plans. The City's final funding plan for Waterfall Creek is detailed below. Combined State grant (\$4.3 million) and debt funding (\$1.7 million) of \$6.0 million is anticipated for the project.

State – Grant Funding	
AEA – Renewable Energy Fund #5	\$ 200,000
AEA – Renewable Energy Fund #6	\$2,600,000
AEA – Renewable Energy Fund #8 ^a	<u>\$1,500,000</u>
	\$4,300,000
 State – Debt Funding	
Power Project Fund ^b	\$1,200,000
Alaska Municipal Bond Bank ^c	<u>\$500,000</u>
	\$1,700,000
 Local – Cash Funding^d	 <u>\$600,000</u>
 Total Project Funding	 \$6,600,000

^a Anticipated FY16 budget

^b Anticipated approval – summer 2015

^c Approved/disbursed – summer 2014

^d Approved combination of cash from City & Aleutians East Borough