

HB

105

<TARGET><BILL>HB 105</BILL><SUBJECT>HB
105</SUBJECT><COMM>HRES29</COMM></TARGET>

**CS FOR HOUSE BILL NO. 105(ENE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION**

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Offered: 2/25/15

Referred: Resources, Labor and Commerce, Finance

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; related to the financing authorization through the Alaska Industrial**
3 **Development and Export Authority of a liquefied natural gas production plant and**
4 **natural gas energy projects and distribution systems in the state; amending and**
5 **repealing bond authorizations granted to the Alaska Industrial Development and Export**
6 **Authority; and providing for an effective date."**

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

8 *** Section 1. AS 44.88.095(c) is amended to read:**

9 (c) Before entering into a lease or other agreement under AS 44.88.090(e)
10 regarding a project for which the authority agrees to issue bonds in an amount in
11 excess of \$10,000,000 [\$6,000,000], there must be filed with the authority a certified
12 copy of a resolution of the governing body of the political subdivision of the state, if
13 any, in which the project is to be located, consenting to the location of the project. The

1 consent need only refer to the general nature of the project ultimately to be acquired or
 2 financed, as set out in a request of the proposed project applicant. Before entering into
 3 a lease or other agreement under AS 44.88.090(e) regarding a project, the authority
 4 shall find, on the basis of all information reasonably available to it, that

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

8 (2) the project applicant is financially responsible;

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

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

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

15 (g) The authority may issue bonds in an amount greater than \$25,000,000
 16 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
 17 44.88.177 only if approved by law, excluding refunding bonds. Refunding bonds may
 18 be issued without further approval by law in a principal amount sufficient to provide
 19 funds for the payment of all bonds to be refunded by them and, in addition, for the
 20 payment of all other amounts that the authority considers appropriate in connection
 21 with the refunding, including expenses incident to the redeeming, calling, retiring, or
 22 paying of the outstanding bonds, the funding of reserves, and the issuance of the
 23 refunding bonds.

24 * Sec. 3. AS 44.88.155(d) is amended to read:

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

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

31 (2) may not be purchased unless

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

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

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

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

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

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

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

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

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

31 (B) may allow the loan originator to amortize the portion of the

1 loan retained by the loan originator using a shorter amortization schedule than
2 the amortization schedule for the portion of the loan held by the authority if

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

5 (ii) the accelerated amortization schedule is required to
6 induce the originator to make the loan;

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

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

16 * Sec. 4. Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, is
17 amended to read:

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

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

27 (a) The Alaska Industrial Development and Export Authority, through the
28 Alaska Industrial Development and Export Authority sustainable energy transmission
29 and supply development fund (AS 44.88.660), may provide financing up to a principal
30 amount of \$275,000,000 for the development, construction, and installation of, and the
31 start-up costs of operation and maintenance for, a liquefied natural gas production

1 plant and system and affiliated infrastructure in the state that will provide natural
2 gas to Interior Alaska [ON THE NORTH SLOPE] and [A] natural gas distribution
3 systems [SYSTEM] and affiliated infrastructure that will provide natural gas to [IN]
4 Interior Alaska.

5 * Sec. 6. The uncodified law of the State of Alaska enacted in 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. 7. 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. 8. This Act takes effect immediately under AS 01.10.070(c).

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February 10, 2015

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the programs of the Alaska Industrial Development and Export Authority (AIDEA). The bill would increase the dollar amount limitations imposed on AIDEA in bond and loan participation programs. The bill also would amend provisions relating to the authority of AIDEA to advance a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state. Additionally, the bill would repeal eight bond authorizations for AIDEA that it has not used and does not intend to use.

AIDEA is subject to dollar limits that it cannot exceed without obtaining approvals from the Legislature or local governmental bodies. The dollar amount limitations restrict the bonds that AIDEA may issue under its loan participation program or under its development finance program, and they limit the loan participations AIDEA can purchase from its own funds that are not derived from bond proceeds.

The bill would amend AS 44.88.155 to authorize AIDEA to issue up to \$25,000,000 in bonds for loan participations without the necessity of obtaining prior legislative approval. The amendment to AS 44.88.155 also would allow AIDEA to purchase loan participations up to \$25,000,000 out of AIDEA's enterprise development account without the use of bond proceeds. The \$25,000,000 limit established in the bill's amendment is a \$5,000,000 increase over the existing limit now in effect.

The bill also would amend AS 44.88.095(g) to authorize AIDEA to issue up to \$25,000,000 in bonds for development finance projects without the necessity of obtaining prior legislative approval. The \$25,000,000 amount set in this section of the bill is a \$15,000,000 increase over the existing limit now in the statute.

In addition, the bill revises AIDEA's dollar limit on issuing bonds for a project without obtaining a certified resolution from the local governing body or the Regional Resource Advisory Council consenting to the location of the project. The \$10,000,000 limit in the bill is an increase over the present \$6,000,000 limit in AS 44.88.095(c).

The dollar limits on AIDEA's bonding authority and loan participation purchases were established years ago and have not been adjusted for inflation. AIDEA needs to have its limits increased to keep pace with inflation and to better reflect the current finance market environment. Also, increasing the limits on AIDEA's bonding authority and on its loan participations will allow AIDEA to finance larger projects and thereby better fulfill its mission of promoting economic development in the state. The existing bonding limits imposed on AIDEA have lessened its ability to utilize bonding as a financing tool due to the time it takes to get authorization from the Legislature and to go through the local government approval process.

The bill would amend AIDEA's authorization with respect to financing a liquefied natural gas production facility and affiliated infrastructure. The original enactment (Chap. 26, SLA 2013) authorized AIDEA to provide up to \$275,000,000 in financing under the sustainable energy transmission and supply development (SETS) program for a liquefied natural gas production plant on the North Slope and for a natural gas distribution system in Interior Alaska. The bill would expand the authority to allow for the development, construction, and installation of, and the startup costs of operation and maintenance for, a liquefied natural gas production plant and affiliated infrastructure and natural gas energy projects and distribution systems and affiliated infrastructure in the state. This broadening of AIDEA's authorization would allow AIDEA the flexibility to finance projects designed to address energy needs in the state.

In addition, the bill would repeal eight prior bond authorizations that AIDEA has not used or, in one case, only partially used. These bond authorizations were for projects that did not proceed or that went forward without using bond financing or the full amount of bond financing authorized. The eight bond authorizations the bill would repeal are:

- (1) 1992 authorization to issue \$85,000,000 in bonds for aircraft maintenance facilities at the Anchorage International Airport; AIDEA issued \$28,000,000 in bonds to finance the FedEx maintenance hangar at the airport, but never issued the remaining \$57,000,000 in authorized bonds, and the \$28,000,000 in bonds AIDEA actually issued have now been fully repaid;
- (2) 1993 authorization, amended in 1996, to issue \$50,000,000 in bonds for bulk commodity port facilities located within Cook Inlet;
- (3) 1993 authorization to issue \$50,000,000 in bonds for a seafood processing facility in Anchorage;
- (4) 1995 authorization to issue \$20,000,000 in bonds to finance the Kodiak rocket launch complex and tracking station;
- (5) 1998 authorization to issue \$80,000,000 in bonds to expand and modify AIDEA's existing port facilities connected to the DeLong Mountain transportation system and

The Honorable Mike Chenault
AIDEA Bill Transmittal
February 10, 2015
Page 3

- (6) to add new facilities to DeLong Mountain transportation system, which serve the Red Dog Mine in the Northwest Arctic Borough;
1998 authorization to issue \$30,000,000 in bonds to finance improvements to the Nome port facilities;
- (7) 1998 authorization, amended in 2006, to issue \$25,000,000 in bonds to finance the development of Hatcher Pass in the Matanuska-Susitna Borough; and
- (8) 2004 authorization to issue \$20,000,000 in bonds to finance the development of a port and related facilities at Slate Creek and Cascade Point on Lynn Canal in Southeast Alaska.

Repealing these "stale" authorizations would allow AIDEA to remove them from AIDEA's financial statements and disclosure statements, which would strengthen AIDEA's creditworthiness and its position with the bond-rating agencies and put AIDEA in a better position to proceed with providing financing for a liquefied natural gas production and distribution system and natural gas energy projects and distribution systems in the state.

I urge your prompt and favorable action on this measure.

Sincerely,



Bill Walker
Governor

Enclosure

House Bill 105
AIDEA: Bonds; Programs; Loans; LNG Project
Sectional Analysis

Sections 1 and 2: proposes related changes to AS 44.88.095(c) and (g) which places limitations in regards to the amounts of bonds issued for financing projects. AIDEA is recommending bond limitation increases with regards to two bond limitation statutes: AS 44.88.095(c); AS 44.88.095(g). Section 1 will increase 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 2 would increase 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 amount 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, it is recommending the dollar amount of bond limitations be in parity with the dollar amount limit on loan participations AS 44.88.155(d)(1) since loan participations may be funded through bond issuances.

Section 3: would change 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 4: is a change to the uncodified law [11(a), ch. 26, SA 2013] that deals with the Interior Energy Project (IEP). Section 4 deletes the phrase "On the North Slope" and changes it to "in the state" and broadens the scope of the project to include natural gas energy projects in the state so that natural gas can be sourced anywhere in the state. AIDEA has determined that in order to better meet the goals of the Interior Energy project, AIDEA needs the flexibility to look at and consider multiples sources of natural gas rather than being limited to the North Slope.

Sections 5 and 6: repeal Legislative Bond Authorizations (1994 through 2004) 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 would include authorizations for:

1. \$55,000,000 for acquisition of transport support facilities at Ted Stevens Airport.
2. \$50,000,000 for a bulk commodity terminal in Cook Inlet.
3. \$50,000,000 for construction of processing facility for seafood (ASI).
4. \$20,000,000 to assist in construction of Kodiak launch complex facilities.
5. \$80,000,000 to fund expansion at Red Dog port.
6. \$30,000,000 to finance improvement at Nome port facility.
7. \$25,000,000 to finance development at Hatcher Pass located in Matanuska-Susitna Borough.
8. \$20,000,000 to finance construction of port facilities on Lin Canal.



EXPLANATION OF CHANGES
House Bill 105
AIDEA Programs and Bonds Authorizations / LNG Financing
Version A to Version H

- Sec 1: Page 2, line 9 – drafting style revision changing the word “upon” to “on”
- Sec 2: No change
- Sec 3: No change
- Sec 4: Insert a new section which renews approval of a previous AIDEA bond authorization for a bulk commodity loading and shipping terminal and redefines the location for the facility to be Point MacKenzie. The dollar amount of the prior approval is unchanged.
- Sec 5: Restructures and renumbers the wording from Sec. 4 of version A dealing with financing of a LNG plant to supply Interior energy needs. Version A repealed the existing requirement that the LNG plant be on the North Slope and the affiliated natural gas distribution system be in Interior Alaska. Version H inserts language to ensure the LNG plant and the associated natural gas distribution infrastructure remains focused on Interior Alaska energy needs. Version H also acknowledges the current Interior plan for natural gas distribution involves two “systems” in order to reflect the RCA decision to grant a certificate of public convenience and necessity to the Interior Gas Utility for the area outside the service territory currently served by Fairbanks Natural Gas.
- Sec 6: Renumbers wording that appeared as Sec. 5 in version A. The content of the section is unchanged.
- Sec 7: Renumbers wording that appeared as Sec 6 in version A. The AIDEA bond authorization that is renewed and amended in Sec 4 of version H is removed from the list of items to be repealed. With this one exception, the remaining wording for the section is unchanged.
- Sec 8: Renumbers wording that appears as Sec 7 in version A. No change in content.



CS for House Bill 105 H/ENE AIDEA: Bonds; Programs; Loans; LNG Project Sectional Analysis

Section 1: 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 2: 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 3: 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 4: 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 5: changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Section 5 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. AIDEA has determined that the goals of the IEP will be better served if AIDEA has the flexibility to look at and consider multiples sources of natural gas rather than being limited to the North Slope.

Sections 6: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000.

Section 7: 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.

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 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| 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 | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

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 | | |

COMMITTEE COPY

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.

HB 105 Fact Sheet

AIDEA: Bonds; Programs; Loans; LNG Project

Structural Changes

1. Updates the dollar limitations that have been in several AIDEA statutes for 10 to 25 years. The proposed increases reflect adjusting the limits for inflation.
2. Amends provisions relating to AIDEA's authority to advance a liquefied natural gas production system and natural gas energy projects which would allow AIDEA the flexibility to look at and consider multiples sources of natural gas rather than being limited to the North Slope in order to meet the goals of the Interior Energy Project.
3. Provides a clean-up of AIDEA's statutes by repealing eight outdated bond authorizations for which there is no longer any use, thereby eliminating an unnecessary issue for AIDEA in the credit markets.

Changes to Dollar Limitations of Bonding for Development Finance Projects

AIDEA supports economic development through several programs, one of which is providing project development financing for Alaska projects. AIDEA statutes limit the amounts it can finance through the issuance of bonds for a project. The current statutes require the agency to seek legislative approval for bond financing of a project if it plans to issue bonds in the amount greater than \$10 million. The limitations in the current statutes were established 25 years ago in 1990 and have not been changed. As a result, due to inflation and rising construction costs, the size of projects that AIDEA can finance is much lower now than it was when these limitations were put in place 25 years ago.

HB 105 would amend AS 44.88.095(g) to authorize AIDEA to issue up to \$25 million in bonds for development finance projects without seeking prior legislative approval. A comparable increase is sought in AIDEA's requirement to seek approval for issuing bonds from a local governing body or Regional Resource Advisory Council - from the current limit of \$6 million to \$10 million. Increasing the Bonding limits under 44.88.095(c) and 44.88.095(g), would allow AIDEA the ability utilize bonds as a finance tool in funding small to midsize development projects. These limits have not been adjusted since 1990 and 25 years later should be adjusted for inflation and the cost of doing business in this state. Currently, based on the time it takes to go to the Legislature and obtain community approval for a bond authorization, utilizing bonds as financing tool for funding a small to midsize development project under these bonding limits is not feasible. Giving AIDEA the flexibility to utilize bonds as a tool in financing these development projects would allow AIDEA to better manage its overall financial capacity and would allow projects to obtain a lower overall cost of capital.

Change to Loan Participation Limit

AIDEA is subject to dollar limits that it cannot exceed without obtaining approval from the legislature or local governmental bodies. One of these limitations affects AIDEA's loan participation program under which it makes loans in conjunction with commercial financial institutions, such as banks and credit unions for commercial projects and qualified energy projects. The current limitation restricts the size of the loan participation to \$20 million for a commercial project and \$20

million of loan participation for a qualified energy project without the necessity of obtaining prior legislative approval. This limit has been in place since 2005 and has not been adjusted for inflation. The dollar amount would be approximately \$24.4 million adjusted for inflation.

HB 105 would amend AS 44.88.155 to authorize AIDEA to issue up to \$25 million for a commercial loan participation and \$25 million for a qualified energy loan participation without the necessity of obtaining prior legislative approval. AIDEA's management and staff believe that increasing the limit on participation loans would allow AIDEA to provide more of the financing for a large commercial projects and qualified energy projects and provide better financing terms for those projects.

Providing More Flexibility in Meeting Goals of the Interior Energy Project

Previous legislation provides a funding mechanism for the Interior Energy Project. The goals of the IEP are to supply natural gas to Interior Alaska at the lowest cost possible; to as many Alaska customers as possible; and as soon as possible. Under the legislation, AIDEA funding for the development of a Liquefied Natural Gas (LNG) plant for the IEP was restricted to the North Slope. AIDEA has determined that in order to better meet the goals of the Interior Energy project, AIDEA needs the flexibility to look at and consider multiples sources of natural gas rather than being limited to the North Slope.

Proposed HB 105 would amend AIDEA's authorization with respect to financing a liquefied natural gas production facility and affiliated infrastructure. It would remove the North Slope limitation and allow AIDEA to pursue the construction of an LNG plant (or plants) and Natural Gas Projects anywhere in the state using any gas source that is economically feasible to support the IEP.

Repeal of Outdated Bond Authorizations

AIDEA's statutes currently include several authorizations to issue bonds for projects that AIDEA long ago determined not to be feasible or did not move forward for other reasons. Also, in one case, the project did not need the full amount authorized. These outdated authorizations on its books range from 1994 through 2004 and remain valid until repealed by the Legislature.

The presence of these outdated bond authorizations continues to be a topic of discussion with credit rating agencies when AIDEA presents potential bond issues to the credit markets. To eliminate any uncertainty, the bill proposes the repeal of these eight prior bond authorizations.

AIDEA's staff and financial advisors believe that it could be beneficial to our bond rating to repeal these authorizations as AIDEA moves forward to utilize its bonding capacity for future projects.

AMENDMENT # 1

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE HAWKER

1 Page 1, line 2:

2 Delete "related"

3 Insert "requiring the Alaska Industrial Development and Export Authority to
4 deliver to the legislature reports relating to the Interior energy project; relating"

5

6 Page 5, following line 14:

7 Insert a new bill section to read:

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

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

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

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

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

17 (4) a financial accounting of funds expended and funds anticipated to be spent,
18 including loans, grants, and bonds.

19 (b) If requested, the Alaska Industrial Development and Export Authority shall
20 provide a project briefing on the Interior energy project to the Legislative Budget and Audit
21 Committee."

22

23 Renumber the following bill section accordingly.

AMENDMENT #2

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE TALERICO

1 Page 1, following line 7:

2 Insert a new bill section to read:

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. 6 of this Act be used only for the Interior energy project described in sec. 6**
7 **of this Act."**

8

9 Page 1, line 8:

10 Delete "Section 1"

11 Insert "Sec. 2"

12

13 Renumber the following bill sections accordingly.

AMENDMENT # 3

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE HAWKER

1 Page 1, following line 7:

2 Insert a new bill section to read:

3 **"* Section 1. AS 42.05.711(b) is amended to read:**

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

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

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

18 (3) a natural gas distribution system and affiliated infrastructure
19 that provides natural gas to Interior Alaska and receives financing through the
20 Alaska Industrial Development and Export Authority sustainable energy
21 transmission and supply development fund (AS 44.88.660) is subject to this
22 chapter."

23

AMENDMENT # 4

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

1 Page 2, line 17:

2 Delete "law"

3 Insert "the legislature [LAW]"

4

5 Page 4, lines 16 - 24:

6 Delete all material and insert:

7 "** Sec. 4. AS 44.88.900(16) is amended to read:

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

10 (A) transmission, generation, conservation, storage, or
11 distribution of heat or electricity;

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

18 (C) distribution or storage of refined petroleum products;"

19

20 Page 5, line 2:

21 Following "Alaska":

22 Insert "as a primary market"

23 Following "gas":

1 **Insert "delivery and"**

2

3 **Page 5, line 12, following "Section":**

4 **Insert "2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996; sec."**

AMENDMENT #5

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE HAWKER

1 Page 4, following line 15:

2 Insert new bill sections to read:

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

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

9 *** Sec. 5. AS 44.88.170 is amended by adding a new subsection to read:**

10 (c) Unless the authority has obtained legislative approval, the authority may
11 not purchase or acquire gas reserves or a gas lease or become a working interest owner
12 of a natural gas lease."
13

14 **Renumber the following bill sections accordingly.**

AMENDMENT # 6

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE HAWKER

1 Page 5, line 4, following "Alaska":

2 Insert "if the Alaska Industrial Development and Export Authority prepares a
3 project plan and receives legislative approval of the plan. The project plan must

4 (1) identify the source of the natural gas;

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

6 (3) include the estimated price of natural gas under the project for
7 natural gas utilities in Fairbanks before distribution to consumers"

AMENDMENT

7

OFFERED IN THE HOUSE
TO: CSHB 105(ENE)

BY REPRESENTATIVE HAWKER

1 Page 4, following line 15:

2 Insert new bill sections to read:

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

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

9 * Sec. 5. AS 44.88.170 is amended by adding a new subsection to read:

10 (c) The authority may not negotiate or enter into a gas supply contract with a
11 natural gas producer unless

12 (1) the contract is between a natural gas producer and natural gas distribution
13 utility that is owned by the authority or a subsidiary corporation of the authority and
14 the contract is for the natural gas producer to provide the utility, and only the utility,
15 with a natural gas supply for distribution to customers of the utility; or

16 (2) the authority obtains legislative approval."
17

18 Renumber the following bill sections accordingly.

1 By: John Davies
2 Diane Hutchison
3 Introduced: 02/26/2015
4 Adopted: 02/26/2015
5

6 FAIRBANKS NORTH STAR BOROUGH

7
8 RESOLUTION NO. 2015 - 08
9

10 A RESOLUTION OF APPRECIATION AND SUPPORT FOR THE ALASKA INDUSTRIAL
11 DEVELOPMENT AND EXPORT AUTHORITY'S CONTINUED COMMITMENT TO
12 MEETING THE GOALS OF THE INTERIOR ENERGY PROJECT
13

14 WHEREAS, the Fairbanks North Star Borough, the City of North Pole and the
15 City of Fairbanks created the Interior Gas Utility (IGU) to facilitate the availability of natural
16 gas to the most residents, at the earliest date, and for the least cost (about \$15/mmbtu) ;
17 and
18

19 WHEREAS, in 2013 Governor Sean Parnell and the State legislature
20 approved and significantly funded the Alaska Industrial Development and Export Authority
21 (AIDEA) to form the Interior Energy Project (IEP) which was initially focused on trucking
22 natural gas from a processing plant on the North Slope to utilities in the Interior; and
23

24 WHEREAS, in December 2013, the AIDEA board of directors reexamined the
25 focus on the North Slope and considered options available to source the gas from Cook
26 Inlet and decided that none of them could meet the IEP goals at that time; and
27

28 WHEREAS, in 2014, AIDEA moved ahead with the plan to build a processing
29 plant on the North Slope, but that plan, proposed by MWH Global, Inc. (MWH), failed to
30 meet the Concession Agreement requirements and the IEP goals and therefore has been
31 abandoned; and
32

33 WHEREAS, with the failure of the MWH plan, AIDEA put all options back on
34 the table, reopened the Cook Inlet options, and is pursuing an approach to purchase
35 PENTEX, the parent company of Fairbanks Natural Gas (FNG), as part of the best way to
36 meet the IEP goals of serving the most residents, at the earliest date, and for the least cost
37 (about \$15/mmbtu); and
38

39 WHEREAS, AIDEA's actions show forward movement and commitment to an
40 Interior energy solution; as does the strong support and commitment from Governor Bill
41 Walker, which is encouraging and appreciated; and
42

43 WHEREAS, the proposed acquisition announcement formally opens the
44 possibility of a Cook Inlet approach instead of a North Slope approach with (A) lower cost of
45 construction and operations, (B) reduced cost of capital, both in supply chain and
46 distribution, (C) lower transportation costs and (D) more low cost funding available for
47 storage and distribution, but does not yet resolve the critical issue of the cost and duration
48 of natural gas supply contracts; and
49

50 WHEREAS, the letter of intent to purchase PENTEX is non-binding, meaning
51 nothing is final or committed until the due diligence process is complete, and that other
52 options, including North Slope or other Cook Inlet options, are not precluded by the due
53 diligence process; and

54
55 WHEREAS, private enterprises have had decades to bring low-cost energy to
56 the Interior, which has made it clear that some form of public participation is necessary to
57 meet the IEP goals; and

58
59 WHEREAS, the PENTEX purchase includes an agreement with the private
60 company Hilcorp which is subject to both the due diligence process and regulatory and
61 administrative review; and

62
63 WHEREAS, it is too early to know the results of the due diligence work in
64 connection with the purchase of PENTEX, or the impacts of the acquisition on other facets
65 of the IEP;

66
67 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks
68 North Star Borough appreciates and supports AIDEA's continued commitment to meeting
69 the goals of the IEP; and

70
71 BE IT FURTHER RESOLVED that if the due diligence process shows that the
72 proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that
73 the Fairbanks North Star Borough Assembly supports moving forward with that plan.

74
75 BE IT FURTHER RESOLVED that copies of this resolution shall be sent to
76 the Honorable Governor Bill Walker, members of the Alaska State legislature, Interior Gas
77 Utility board, Fairbanks Natural Gas management, Golden Valley Electric Association board
78 and management, AIDEA board and the Regulatory Commission of Alaska.

79
80 PASSED AND APPROVED THIS 26TH DAY OF FEBRUARY, 2015.


Karl Kassel
Presiding Officer

ATTEST:


Nanci Ashford-Bingham, MMC
Borough Clerk

81
82 Ayes: Sattley, Hutchison, Roberts, Lawrence, Dodge, Quist, Davies, Kassel
83 Noes: None
84 Excused: Golub

INTERIOR & ALASKA

Hilcorp president not worried about Pentex purchase

By Matt Buxton
MBUXTON@NEWSMINER.COM

JUNEAU — The state's plan to buy Fairbanks Natural Gas drew criticism from lawmakers for interfering with private industry, but the head of a private company affected by the deal said he's not losing sleep over the plan.

In a presentation to lawmakers this week, the president of Hilcorp, the company that signed a deal to buy an affiliated gas processing facility in

// Do I really lose any sleep over who owns what in a chain as long as I'm producing more natural gas? No, not overly."

Hilcorp president Greg Lalicker on the state's plan to buy Pentex

Point Company, said Hilcorp still would like to buy the plant, but he's not worried if the state wants to take it in a different direction.

"Is the governor interfering in this? My honest answer is I don't think so," Greg Lalicker said. "Do I really lose any sleep over who owns what in a chain as long as I'm producing

more natural gas? No, not overly."

The state's plan to buy Fairbanks Natural Gas' parent company Pentex would include the Point MacKenzie plant, which is owned by Pentex subsidiary Titan.

Months before the purchase was announced, Pentex had entered into an agreement with Hilcorp to

explore the purchase and sign a long-term deal to buy gas from Hilcorp. That agreement came under the scrutiny of the state Attorney General amid anti-trust concerns and is currently under review to ensure the rates on the plant are fair, a process that's expected to conclude this summer.

In updates issued since

the project announcement, state officials have said the main goal of the purchase is to acquire Fairbanks Natural Gas in a bid to unify and drive down the cost of distribution in the Fairbanks area.

As for the potential sale of Titan and the Point MacKenzie plant to Hilcorp, they said the existing contracts will still be in

place.

Lalicker said Hilcorp is still interested in the purchase, but said ultimately his goal is to continue to produce more gas out of the Cook Inlet.

"I still want to find more gas, produce more gas in the Cook Inlet and if someone else wants to own the bit in the middle, then we've just got to figure out how to make that work," he said.

Contact staff writer Matt Buxton at 459-7544. Follow him on Twitter: @FDNPolitics.

March 23, 2015



Honorable Benjamin Nageak
Honorable David Talerico
House Resources Committee Co-Chairs
Alaska State House of Representatives

RE: Support for HB 105

Dear Representatives,

The approval of SB 23 provided an opportunity for the Fairbanks community to move forth on a promise to deliver affordable natural gas to as many people possible, as soon as possible. It was the grease to move the wheels that had been churning under the pressure of high energy costs, toxic air pollution, and a crippling economy.

In late 2014, the IEP was faced with making some tough decisions. In light of a year of extensive effort by all parties the plan did not meet price goals set by the IEP through SB 23, and the decision was made to sever the concession agreement for development of a North Slope Liquefaction Plant that would produce the supply for our customers. This decision was not made lightly, as the deadline for delivering energy relief looms, leaving our community at risk to continue to face high costs of heating and poor air quality conditions.

As Alaskans, we don't give up the fight when one solution doesn't work the way we think it ought to. Instead, we change direction and look for another way. HB 105 presents an opportunity to leverage the hard work and financial investment of SB 23 to consider alternative solutions to solving this issue. This not only benefits Interior Alaska, but opens the door to secondary markets and alternative solutions needed to deliver the most affordable natural gas, to the most amount of people, as soon as possible. If the price is right, we will be here, anxiously waiting to fill the pipeline, advance this project, and serve our area. Interior Alaska is counting on all of us. Please advance HB 105 in its current form from your committee and support this legislation with a "yes" vote to keep the IEP on track to deliver this critical energy solution.

Thank you,

A handwritten signature in blue ink, appearing to read "SH", is written over a horizontal blue line.

Steven Haagenson, General Manager

PO Box 70200
Fairbanks, AK 99707

907 374 4474
interiorgas.com

March 23, 2015



PO Box 70200
Fairbanks, AK 99707

907 374 4474
interiorgas.com



Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

March 9, 2015

Honorable Representatives Nageak & Talerico
Co-Chairs, Resources Committee
Honorable Senators Bishop & Micciche
Co-Chairs, Special Committee on Energy
Alaska State Legislature

RE: Letter of Support for House Bill 105 & Senate Bill 50 – AIDEA: Bonds; Programs; Loans; LNG Project

Dear Representatives Nageak and Talerico and Senators Bishop and Micciche,

The Greater Fairbanks Chamber of Commerce supports HB 105 & SB 50, an Act that will allow the Alaska Industrial Development and Export Authority (AIDEA) the necessary flexibility to finance and advance a natural gas energy project to address the high cost of energy in Interior and Rural Alaska. This bill builds on legislation passed during the 28th Legislature referred to as the Interior Energy Project (IEP) which allowed AIDEA the ability to provide project financing to a natural gas energy project specifically on the North Slope. HB 105 expands AIDEA’s authority to allow AIDEA the flexibility to finance projects not just on the North Slope, but elsewhere in the state and that are designed to address energy needs in the state.

Our Chamber’s #1 critical priority is reducing the high cost of energy. We remain steadfast in our support of the IEP’s stated goals of bringing affordable natural gas to the greatest number of Interior residents and businesses as rapidly as possible. While a significant investment from the State was made during the 28th Legislature on the IEP, continued progress must be made to achieve affordable energy for Alaska’s residents and businesses.

The Chamber is the premier business advocacy organization in the Interior whose mission is to advocate for a healthy economic environment by building partnerships that promote the greater Fairbanks area as an attractive place for business and community. We believe the Interior remains the “Place to do 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.

Sincerely,

GREATER FAIRBANKS CHAMBER OF COMMERCE

Lisa Herbert
Executive Director

Jennifer Imus
Board of Directors, Chair

INVESTORS

DIAMOND

- Alaska Airlines
- BP Exploration
- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital &

- Denali Center
- Flint Hills Resources Alaska
- Mt. McKinley Bank

PLATINUM

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

GOLD

- Carlson Center
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- GCI
- Kinross Fort Knox Mine
- Lynden
- Northrim Bank
- Sumitomo Metal Mining Pogo LLC
- Usibelli Coal Mine
- WAL-MART Stores, Inc.

SILVER

- Agency 49
- Alaska Communications
- Alaska Railroad
- Alaska USA
- Dr. Christopher Henry
- Henry Orthodontics
- Everts Air Cargo, Everts Air AK
- Exclusive Paving & University
- Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- General Teamsters Local 959
- Gene’s Chrysler, Jeep & Dodge
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- MAC Federal Credit Union
- Personnel Plus
- Sam’s Club
- Seekins Ford Lincoln
- Shell Exploration & Production Co.
- Spirit of Alaska FCU
- State Farm Insurance
- Tammy Randolph, Agent
- Ed Randolph, Agent
- Tanana Valley Clinic
- TDL Staffing
- Totem Ocean Trailer Express
- Tower Hill Mines-Livengood
- Gold Project
- University of Alaska Fairbanks
- Verizon Wireless
- Viviamore Companies
- Yukon Title Company

March 5, 2015

Representatives Nageak & Talerico
Co-Chairs, Resource Committee
Alaska State House of Representatives

Re: House Bill 105, an Act Relating to AIDEA and in Support of the Interior Energy Project

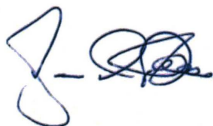
Dear Sirs,

As President and CEO of the Fairbanks Economic Development Corporation (FEDC), and on behalf of the FEDC Board of Directors, I write to express FEDC's support for House Bill 105, an Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority and advancing the Interior Energy Project (IEP).

Timely completion of the Interior Energy Project is critical to the success of the Interior region and, as the IEP serves as a model for State participation in bringing the benefits of affordable energy to regions beyond South Central, is critical to the future health of Alaska as a whole.

FEDC supports HB 105 in its current form. Therefore, I ask that you expeditiously move it from committee with a recommendation of "do pass" and, thereafter, support HB 105 through the remainder of the legislative process with votes of approval.

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation



March 30, 2015

Chairman Dana Pruhs
Alaska Industrial Development & Export Authority
813 West Northern Lights Blvd.
Anchorage, Alaska 99503

RE: Proposed AIDEA Purchase of Pentex

Chairman Pruhs and members of the AIDEA Board of Directors,

The Greater Fairbanks Chamber of Commerce's #1 priority continues to be reducing the high cost of energy for Interior Alaska. Reasonably priced energy is critical to our people, our businesses and our way of life. To that end, we supported and continue to support the stated goals of the Interior Energy Project (IEP) through the existing AIDEA IEP financing tools. The Chamber also supports HB 105 and SB 50 that currently seek legislative approval this session.

The Fairbanks Chamber very much appreciates the efforts of the Governor, the Legislature and the Alaska Industrial Development & Export Authority (AIDEA) and their willingness to look at all potential options to lower the Interior's energy costs, including potentially sourcing gas from Cook Inlet and other gas sources. We believe that this flexibility is appropriate as long as the project selected will provide the best long-term, low-cost energy to the Interior.

AIDEA's proposal to purchase Pentex Alaska Natural Gas Company, LLC, the parent company of Fairbanks Natural Gas (FNG) could assist the Interior in achieving our community's stated energy goals—of \$10 per million cubic feet (mcf) natural gas to the Fairbanks city gate and \$15/mcf to the burner tip.

If structured to maximize benefits to the Interior, we would expect that these benefits would be demonstrated through the due diligence process, to include:

- Lower costs for construction and operation of the liquefaction facility as compared to the North Slope Project
- Lower costs for transporting LNG from the liquefaction facility to Fairbanks also compared to the North Slope Project
- More AIDEA IEP funding available for storage and distribution

To assure these goals are accomplished and benefits maximized, we support a thorough and transparent review of the proposal, not only by AIDEA but also by community stakeholders such as the Fairbanks Chamber.

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

EXECUTIVE PARTNERS

DIAMOND

Alaska Airlines
BP Exploration
ConocoPhillips
ExxonMobil
Fairbanks Daily News-Miner
Fairbanks Memorial Hospital & Denali Center
Flint Hills Resources Alaska
Mt. McKinley Bank
RAVN Alaska

PLATINUM

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

GOLD

Carlson Center
Denali State Bank
Design Alaska
Doyon Utilities LLC
First National Bank Alaska
GCI
Kinross Fort Knox Mine
Lynden
Northrim Bank
Sumitomo Metal Mining Pogo LLC
Usibelli Coal Mine
WAL-MART Stores, Inc.

SILVER

Agency 49
Alaska Communications
Alaska Railroad
Alaska USA
Dr. Christopher Henry
Henry Orthodontics
Everts Air Cargo, Everts Air AK
Exclusive Paving & University Redi-Mix
Fairbanks Natural Gas
Flowline Alaska
General Teamsters Local 959
Gene's Chrysler, Jeep & Dodge
Hale & Associates, Inc.
JL Properties, Inc.
Key Bank
MAC Federal Credit Union
Personnel Plus
Sam's Club
Seekins Ford Lincoln
Shell Exploration & Production Co.
Sourdough Fuel/PetroStar
Spirit of Alaska FCU
State Farm Insurance
Tammy Randolph, Agent
Ed Randolph, Agent
Tanana Valley Clinic
TDL Staffing
Totem Ocean Trailer Express
Tower Hill Mines-Livengood Gold Project
University of Alaska Fairbanks
Verizon Wireless
Vivamore Companies
Yukon Title Company

Finally, the proposed Pentex acquisition does not resolve the critical issue of the cost and duration of natural gas supply contracts. The success of the IEP depends on LNG delivered to Fairbanks at a stable price point that is lower than the conceptual North Slope Project.

The Chamber believes that if the benefits of the Pentex purchase can demonstrate and support a successful IEP, it is an appropriate way for the State of Alaska to leverage its capital and resources to create a solution to Interior Alaska's high cost of energy.

Sincerely,

GREATER FAIRBANKS CHAMBER OF COMMERCE



Lisa Herbert
Executive Director



Jennifer Imus
Board of Directors, Chair

Cc: Honorable Governor Bill Walker, State of Alaska
Members of the Alaska State Legislature



The Honorable Representative Nageak,
The Honorable Speaker of the House Chenault
House Resources Committee, Majority and Minority Leaders
29th Alaska State Legislature
Juneau, Alaska

**Subject: Letter of Support for House Bill 105
Relating to AIDEA Bonds, Programs, Loans, LNG Project**

Dear Distinguished Representatives,

Furie Operating Alaska, LLC (“Furie”) is a new Cook Inlet oil and gas exploration and development company. In 2011, we brought the first jack-up drilling rig to the Cook Inlet in two decades. This spring and summer, we will be installing the first offshore production platform in the Cook Inlet since the Osprey in 2000. Furie is forecasting our first natural gas production in October 2015.

Furie’s successful exploration program, natural gas discovery, and upcoming production infrastructure can be accredited in part by the forward-thinking legislative actions that established the Cook Inlet exploration and development tax credit programs. This extremely successful program is evidenced by new oil and gas E&P companies coming to Alaska to do business, the resurgence of new businesses and economic development across the Kenai Peninsula, increased natural gas reserves and production, the restarted LNG shipments to Japan, the hopeful reopening of the Agrium Fertilizer plant, and all of the direct and indirect jobs that have been created for Alaskans.

In recent years, the Cook Inlet region has went for an pending energy crisis and talk of the south-central residents “freezing in the dark” to a position of excess natural gas reserves and deliverability. It is clear that the benefits of the oil and gas tax credit programs are now realized by the residents living between Homer and Talkeetna. However, the resources of the Cook Inlet do not just belong to these residents, they belong to all of the people in Alaska. It is time to share these resources, and the benefits derived from them, with the rest of Alaska communities.

I remember growing up in Anchorage, before natural gas was abundantly supplied to our homes and businesses. I remember watching the roads being torn up while I was learning to drive, so the natural gas distribution lines could be brought to our homes. And I remember converting our furnace from diesel to natural gas and listening to my parents praise for the lower heating and electrical costs. Now as an adult and father, I fully understand the importance natural gas has made to my life and the lives of my children. Wouldn’t it be great if other families across the state could realize the life-changing benefits of lower energy costs?

During the Last administration, Governor Parnell put into motion and Interior Energy Project (“IEP”) that focused on supplying interior and other rural communities with affordable energy. This project was supported and approved by the 28th Alaska Legislature. Now under the new administration, Led by Governor Walker, we have the second step being put into motion through House Bill 105 and Senate Bill 50. Again, it is time for the forward-thinking Legislative body to consider the benefits of these Bills and how they could positively impact our fellow Alaskans families, businesses and lives. I trust the 29th Legislature will follow in the 28th Legislature’s footprints.

Growing up in Alaska, I had listened year after year about a bridge to Pt. MacKenzie, a train to Nome, moving the Capital and making it more accessible to Alaskans, and of course... the natural gas pipeline from the North Slope. After decades of these talks, studies, and failed proposals – these feel more like dreams than potential realities. By increasing AIDEA’s bonding and loan programs, and approving it’s ability to take part in an in-state LNG project, we will have the tools in our hands to make the IEP a reality next year, and not in our grandchildren’s lifetime. Your approval of HB 105 and SB 50 could bear immediate fruit, and allow the resources of the Cook Inlet to be shared with those communities not fortunate enough to have them in their back yard. Maybe a pipeline from the North Slope can be built before the natural gas reserves really run out in the Cook Inlet. But until then, let’s move forward with something that is in our grasps today.

Like most Alaskan’s, I remember the formation of AIDEA, and the small successes it had during it’s infancy. Of course, like most organizations, there were some projects that did not go as planned. We tend too often to focus on the negative and the past failures. Instead, we should be focusing on the hugely successful projects and benefits that AIDE has provided Alaska and its businesses and families... Ketchikan Shipyard, Red Dog Mine, FedEx Hanger, Hydroelectric projects, even the Endeavor Jack-Up Drilling Rig... to name just a few. The current management at AIDEA if committed to doing things right and making a profit for Alaska, while at the same time, increasing economic development and enhancing the lives of Alaskans. AIDEA is the perfect conduit for making the IEP a reality.

The approval of HB 105 and SB 50 will increase economic development and supply the private sector with increased activity, new jobs, and create new business opportunities. Having this program administered by the State of Alaska through AIDEA will insure the projects success and implementation sooner than it would through the management by competing interests in the private sector. The goal is to provide affordable energy to our less fortunate fellow Alaskans; the trickle-down effect will result in positive impacts and increased revenue throughout the private business sector.

In closing, I would also like to point out that this project will open new natural gas markets to the Cook Inlet producers. This will allow such producers to diversify their natural gas delivery portfolios. It will also increase competition and should lower local Cook Inlet energy prices. Because of this, Furie supports your approval of HB 105 and SB 50 during this Legislative Session.

As a life-long Alaskan, I also personally support the efforts of these two Bills, and urge your continued support of the IEP and approval of these Bills.

Should you have any questions, please do not hesitate in contacting me.

Respectfully Yours,



Bruce Webb
Senior Vice President

Cook Inlet Energy, LLC
601 West 5th Avenue, Suite 310
Anchorage, Alaska 99516

March 30, 2015

Honorable Representatives Nageak & Talerico
Co-Chairs, Resources Committee
Honorable Senators Bishop & Micciche
Co-Chairs, Special Committee on Energy

RE: Letter of Support for Senate Bill 50 and House Bill 105

Dear Senators & Representatives,

Cook Inlet Energy, LLC (CIE) supports SB 50 and HB 105. As an independent producer of oil and gas in Cook Inlet and on the North Slope of Alaska, CIE considers the potential for increasing in-state natural gas markets as a critical component to our continued growth.

The proposed legislation will allow the Alaska Industrial and Export Authority (AIDEA) the flexibility to use existing financing tools to support the development of a larger natural gas market throughout Alaska. Since 2013, AIDEA has been tasked with increasing the availability and use of natural gas in the Interior of the state under the Interior Energy Project (IEP). Unfortunately, the IEP was limited to evaluating natural gas from the North Slope as the only source for reducing high energy costs in interior Alaska.

SB 50 and HB 105 remove the North Slope limitation and allows AIDEA to consider sources of gas from Cook Inlet. This change is significant to CIE due to the opportunity to compete for new markets for its natural gas. A healthy, competitive, and growing in-state natural gas market is needed for CIE and other Cook Inlet producers. Allowing AIDEA to utilize existing enabling funding on either the financing of new infrastructure or purchasing existing facilities, will facilitate the IEP in reaching its goal of providing lower cost energy to our fellow Alaskans. Facilities that are developed or expanded in South Central can be utilized to lower energy costs throughout the state. The proposed legislation, if passed will result in lower cost and cleaner energy to communities throughout Alaska.

Thank you for considering these public comments.

Respectfully,


David Hall
CEO

-----Original Message-----

From: tparagi@alaska.net [mailto:tparagi@alaska.net]

Sent: Monday, April 06, 2015 11:12 PM

To: Rep. Benjamin Nageak; Rep. Geran Tarr; Rep. Bob Herron; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Andy Josephson; Rep. Mike Hawker

Subject: please support HB 105

Members of the House Resources Committee:

I ask your support for HB 105 to allow more options for bringing cleaner fuel to the Interior and rural communities of northern and western Alaska for both space heating and electricity production.

In my community of Fairbanks, burning of coal is the primary means for generating electric power, but it produces mercury and other toxic emissions. Residents also burn cord wood in stoves and outdoor boilers as primary or supplemental space heating, contributing substantially to poor air quality events that have been correlated to local hospital admissions for respiratory and pulmonary illness in the last decade. The high cost of energy and local air pollution are plausibly contributing factors to recent declines in the Fairbanks population, although military deployments from Fort Wainwright and Eielson make such an inference complicated.

It is highly unlikely that presently low consumer prices for heating oil will persist, so we need a long-term solution to replacing dirty fuels. Alaska has a wealth of natural gas, but economical distribution to northern and western Alaska is a challenge.

I also ask that you explore imported propane as a good "bridge" fuel until other Alaska options for natural gas distribution are developed. Currently there is a propane glut in the Lower 48, making it cost effective in the short term. A bonus of propane is that it could be barged to villages (along major rivers or via ocean barge to coastal communities) yet does not pose the risk of spill contamination like oil in aging fuel tank farms. A professor of oil and energy economics at the University of Alaska Fairbanks recently wrote a community perspective article on propane in the Fairbanks Daily News-Miner:

http://www.newsminer.com/opinion/community_perspectives/interior-alaska-energy-why-not-propane/article_d9c5ee82-d2c2-11e4-a1ad-afe19b73508c.html

We need to consider as many options as possible to find the optimal solution.
HB 105 is a step in the right direction.

Tom Paragi
1271 Lowbush Lane
Fairbanks, AK 99709



Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

March 9, 2015

Honorable Representatives Nageak & Talerico
Co-Chairs, Resources Committee
Honorable Senators Bishop & Micciche
Co-Chairs, Special Committee on Energy
Alaska State Legislature

RE: Letter of Support for House Bill 105 & Senate Bill 50 – AIDEA: Bonds; Programs; Loans; LNG Project

Dear Representatives Nageak and Talerico and Senators Bishop and Micciche,

The Greater Fairbanks Chamber of Commerce supports HB 105 & SB 50, an Act that will allow the Alaska Industrial Development and Export Authority (AIDEA) the necessary flexibility to finance and advance a natural gas energy project to address the high cost of energy in Interior and Rural Alaska. This bill builds on legislation passed during the 28th Legislature referred to as the Interior Energy Project (IEP) which allowed AIDEA the ability to provide project financing to a natural gas energy project specifically on the North Slope. HB 105 expands AIDEA’s authority to allow AIDEA the flexibility to finance projects not just on the North Slope, but elsewhere in the state and that are designed to address energy needs in the state.

Our Chamber’s #1 critical priority is reducing the high cost of energy. We remain steadfast in our support of the IEP’s stated goals of bringing affordable natural gas to the greatest number of Interior residents and businesses as rapidly as possible. While a significant investment from the State was made during the 28th Legislature on the IEP, continued progress must be made to achieve affordable energy for Alaska’s residents and businesses.

The Chamber is the premier business advocacy organization in the Interior whose mission is to advocate for a healthy economic environment by building partnerships that promote the greater Fairbanks area as an attractive place for business and community. We believe the Interior remains the “Place to do 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.

Sincerely,

GREATER FAIRBANKS CHAMBER OF COMMERCE

Lisa Herbert
Executive Director

Jennifer Imus
Board of Directors, Chair

INVESTORS

DIAMOND

- Alaska Airlines
- BP Exploration
- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital &

Denali Center

- Flint Hills Resources Alaska
- Mt. McKinley Bank

PLATINUM

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

GOLD

- Carlson Center
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- GCI
- Kinross Fort Knox Mine
- Lynden
- Northrim Bank
- Sumitomo Metal Mining Pogo LLC
- Usibelli Coal Mine
- WAL-MART Stores, Inc.

SILVER

- Agency 49
- Alaska Communications
- Alaska Railroad
- Alaska USA
- Dr. Christopher Henry
Henry Orthodontics
- Everts Air Cargo, Everts Air AK
- Exclusive Paving & University
Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- General Teamsters Local 959
- Gene’s Chrysler, Jeep & Dodge
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- MAC Federal Credit Union
- Personnel Plus
- Sam’s Club
- Seekins Ford Lincoln
- Shell Exploration & Production Co.
- Spirit of Alaska FCU
- State Farm Insurance
- Tammy Randolph, Agent
- Ed Randolph, Agent
- Tanana Valley Clinic
- TDL Staffing
- Totem Ocean Trailer Express
- Tower Hill Mines-Livengood
Gold Project
- University of Alaska Fairbanks
- Verizon Wireless
- Vivamore Companies
- Yukon Title Company

March 5, 2015

Representatives Nageak & Talerico
Co-Chairs, Resource Committee
Alaska State House of Representatives

Re: House Bill 105, an Act Relating to AIDEA and in Support of the Interior Energy Project

Dear Sirs,

As President and CEO of the Fairbanks Economic Development Corporation (FEDC), and on behalf of the FEDC Board of Directors, I write to express FEDC's support for House Bill 105, an Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority and advancing the Interior Energy Project (IEP).

Timely completion of the Interior Energy Project is critical to the success of the Interior region and, as the IEP serves as a model for State participation in bringing the benefits of affordable energy to regions beyond South Central, is critical to the future health of Alaska as a whole.

FEDC supports HB 105 in its current form. Therefore, I ask that you expeditiously move it from committee with a recommendation of "do pass" and, thereafter, support HB 105 through the remainder of the legislative process with votes of approval.

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation

From: Lisa Harbo [mailto:lisa_harbo@yahoo.com]

Sent: Sunday, April 05, 2015 11:08 AM

To: Rep. Benjamin Nageak; Rep. David Talerico; Rep. Mike Hawker; Rep. Bob Herron; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Andy Josephson; Rep. Geran Tarr; bill.walker@alaska.gov; byron.mallott@alaska.gov

Subject: Please Work to Speed HB 105 to Passage this Session - We Desperately Need Much Cleaner Air in Fairbanks and North Pole

Dear Representatives Nageak, Talerico, Hawker, Herron, Johnson, Olson, Seaton, Josephson, and Tarr,

Please do everything you can to help speed HB 105 AIDEA:

BONDS;PROGRAMS;LOANS;LNG PROJECT through your committee and do all you can to help get it passed this session. We need all the help we can get to get the dangerously polluted air here cleaned up. If we can't get the air cleaned up in Fairbanks and North Pole soon, many more people will have to give up on this area in order to save what is left of their health. The health and monetary impacts of the air pollution in this area are staggering and completely unfair. Personally, I have developed permanent respiratory impairments due to the amount of smoke we have been subjected to here since 2008, and I don't wish these impairments on any other people who can be spared from developing them, which is an achievable dream IF we get REAL LEADERSHIP from our elected officials and NEEDED RELIEF from being exposed to dangerously polluted, toxic air. With the recent data released by the EPA, it looks the Fairbanks/North Pole area has now moved into the most polluted spot in the nation for short term particulate air pollution. This terrible problem can be fixed, and you can all help to fix it. Please help Governor Walker to help people who are suffering here so that we can correct this dangerous situation and prevent more people, including developing babies and young children, from being needlessly, irreparably, and permanently harmed.

Sincerely,

Lisa Harbo - lifelong Alaskan and Interior Alaska resident for over 50 years -



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, February 25, 2015
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on February 25, 2015 at 10:52 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Russell Dick (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Wilson Hughes (Public Member); Crystal Nygard (Public Member); Fred Parady (Acting Commissioner, Department of Commerce, Community, and Economic Development); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: Chris Anderson (Director-Commercial Finance); Mark Davis (Chief Infrastructure Development Officer); Sara Fisher-Goad (AEA Executive Director); Jim Hemsath (Director-Project Development & Asset (PDAM)); Michael Lamb (Chief Financial Officer); Gene Therriault (AEA Energy Policy and Outreach Director); Tom Erickson (Chief Procurement Officer); Leona Hakala (Loan Officer); Jennifer Haldane (Human Resources Director); Matt Narus (PDAM Project Manager); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Development Finance Officer); John Springsteen (Infrastructure Development Officer); Nick Szymoniak (Energy Infrastructure Development Officer); Kirk Warren (AEA Project Manager); Catherine Bliss (Administrative Assistant); and Krin Kempainen (Administrative Assistant).

Public: Rick Adcock and Chris Brown (MWH); Alan Bailey (Petroleum News); Kathy Black (Birch Horton Bittner & Cherot); Elwood Brehmer (AK Journal of Commerce); Tim Gallagher (HDR); Mark Gardiner (Western Financial Group); Jerry Juday (Department of Law); James McConnell (McConnell and Associates); Sunny Morrison (Accu-Type Depositions); Jay Page (First National Bank Alaska (FNBA)); Bob Shefchik (Interior Energy Project); and Mark Slaughter (Cook Inlet Energy).

Public participating via teleconference: Kelly Helmbrecht (Brena, Bell & Clarkson); and John Parrott (Ted Stevens Anchorage International Airport (TSAIA)).

4. AGENDA APPROVAL

Chair Pruhs requested moving item 7D. Executive Session to follow item 9. Board Comments.

The agenda was approved as modified.

5. PUBLIC COMMENTS

John Parrott from the Ted Steven Anchorage International Airport (TSAIA) stated his working experience with AIDEA on the FedEx lease renewal has been very pleasant. FedEx is a very important anchor tenant for the airport and he looks forward to finalizing the lease renewal.

6. PRIOR MINUTES - December 16, 2014, January 14, 2015, and February 5, 2015

MOTION: Vice-Chair Dick moved to approve the minutes of December 16, 2014, January 14, 2015, and February 5, 2015. Motion seconded by Mr. Wilken.

Mr. Wilken requested the December 16, 2014 minutes be corrected on page 7 where it states, "Mr. Wilken noted for the record he received a confidential answer that it costs operators on the Slope \$2.00 a Bcf to handle the 8 Bcf a day." Mr. Wilken corrected this passage noting he did not receive a confidential answer and his source of information was his memory in regard to Alaska Gasline Inducement Act (AGIA) legislation in 2006.

Mr. Wilken requested clarifying for the readers on page 10 of the December 16, 2014 minutes that MOC1 is the Mustang Operations Center #1.

The minutes were approved as amended.

7. NEW BUSINESS

7A. Loan Resolution No. L15-02 Robert C. and Novella S. Larson, Robert C. Larson Revocable Trust of 2000

Michael Lamb, Acting Executive Director, invited Chris Anderson and Jay Page of FNBA to present Loan Resolution No. L15-02. Ms. Anderson said this resolution is a request for a 90% loan participation in a \$3,885,000 loan in the amount of \$3,496,500 for a fixed 25-year term. FNBA would be at a variable rate for 12.5 years. The loan is to refinance an existing multi-tenanted office building at 341 West Tudor. Approximately six new Alaskan jobs will be created. The property will be managed by Curt Nading, a long-time realtor and property manager. AIDEA would take a first lien position on the property, which was appraised as is for \$6,946,000 and at a stabilized value of \$7,100,000.

Ms. Anderson stated this loan resolution would give a 56% loan to value and is well within guidelines. The debt service coverage is acceptable at 1.81 to one, and by actual rents, at 1.42 to one. The leases are to be subordinate to the deed of trust. The payoff would include 30 days interest plus associated fees and costs. AIDEA has had prior debt relations with this entity over the last 10 years. The entity has three related loans with a cumulative balance of \$4,829,000. All loans have been paid as agreed. The proceeds would refinance the existing loan and provide

funds to pay off a construction loan for another property on Abbot. The total AIDEA exposure would be \$6,873,213.

Ms. Anderson noted the basic financial information was provided to the Board in a separate credit presentation. There are no known environmental issues with this property. The strengths include the low loan to value, the acceptable debt service coverage, and the excellent credit, repayment history, and character quality of the borrower. The weaknesses include a potential downturn in the market because of the oil prices, which would have a much wider impact than this specific request. Ms. Anderson believes the commercial real estate market in the Anchorage area is currently very stable.

Ms. Anderson said AIDEA's statewide portfolio, as of year-end, has 19.84% in the office industry and would increase to 20.62% with this loan request. Within the Anchorage region, AIDEA has 29.36% within the office industry and would increase to 30.64%. The primary focus in AIDEA's portfolio diversification is retail, tourism, and office industry. AIDEA has funding capacity for this loan request. Staff recommends Loan Resolution L15-02 for approval.

Acting Commissioner Parady requested an explanation of the nature of the six jobs that will be created by this loan. Ms. Anderson stated the job certification was provided to FNBA and is related to the tenants. Mr. Page indicated there are 15 tenants and one vacancy. The size of the vacant unit would likely result in approximately six employees.

Acting Commissioner Parady asked for more information on how refinancing an existing construction loan fits into AIDEA's mission. Mr. Page stated the construction loan was made after an AIDEA commitment was issued on the property on Abbot. The commitment required the property be 100% leased. The Larson's paid a 1% extension fee every month for over two years waiting for a tenant to lease the top unit. Mr. Page explained as the Larson's equity increased in the AIDEA loan at 341 West Tudor, it made sense to vacate the original amendment and incorporate the debt into the existing loan.

Chair Pruhs asked if staff could provide the Board a survey of the economy around the state on a quarterly basis. Ms. Anderson noted staff has access to market information from leasing and marketing agents. She believes one of the challenges to obtaining specific market sector information from real estate agents is it is not lucrative for the agent to obtain this information, unless they are working on a particular project. Twice in the past, AIDEA has commissioned an appraiser who specializes in market research.

Mr. Lamb said different reports on the state's economy are released and staff can provide the Board with these to determine which ones meet the Board's needs. Chair Pruhs requested an overview of the economy within the state and how individual regions are trending, including identifiers and indicators for potential economical downturns.

MOTION: Vice-Chair Dick moved to approve Loan Resolution No. L15-02 Robert C. and Novella S. Larson, Robert C. Larson Revocable Trust of 2000. Motion seconded by Deputy Commissioner Burnett.

The motion was approved with members Pruhs, Dick, Burnett, Hughes, Nygard, Parady, and Wilken voting yea.

7B. Resolution No. G15-05 Approval of Federal Express Maintenance Hangar Lease

MOTION: Mr. Wilken moved to approve Resolution No. G15-05 Approval of Federal Express Maintenance Hangar Lease. Motion seconded by Vice-Chair Dick.

Mr. Lamb invited Jim Hemsath, to report on Resolution No. G15-05. Mr. Hemsath provided the Board with a summary sheet of the new triple net lease with Federal Express (FedEx), beginning on April 15, 2015. He also presented copies of the previously provided FedEx "SWOT" (strengths, weaknesses, opportunities and threats) analysis. Mr. Hemsath said this resolution authorizes AIDEA to both execute a new lease with FedEx for a requested term of eight years, with a 10-year extension, and to execute early the extension of the ground lease at the airport in 2015.

Mr. Hemsath noted the project is a fair market value lease of the facility. AIDEA has owned the project since its inception in 1992. The term for the lease was 20 years. The fees-in revenues equal \$59.4 million dollars to the end of January 2015. A detailed evaluation of the property's fair market value was conducted by an appraiser and evaluated at \$22.2 million. It is recommended the fair market value of the lease be \$138,142 per month or \$1.66 million per year for an eight-year term. This is a decrease from the current lease amount of \$238,000 per month. The current lease amount was based on FedEx paying for the cost of the project, plus 7.5% interest. As part of the new lease, AIDEA will need to refurbish some of the major systems in the building, including the boiler, heaters, hangar door, and upgrades to the fire suppression system, totaling an estimated \$3.2 million and not to exceed \$4 million.

Mr. Hemsath said FedEx brings a fair amount of business with this operation. FedEx is an anchor tenant at TSAIA for the cargo industry, ranking number five in the world in tonnage for cargo landings. Additionally, FedEx pays in excess of \$4 million a year in landing fees and approximately \$800,000 a year to the airport in ground leases. FedEx also purchases \$1.5 million of fuel a year. There are approximately 500 FedEx employees in Alaska, with about 58 workers in the hangar.

Mr. Hemsath stated it was difficult to find any true risks with the facility and FedEx. There are no indications the cargo industry will decline. Alaska is strategically located relating to the cargo industry. FedEx and the airline consortium has constructed new tankage for larger loads of jet fuel in order to stabilize the fuel costs. He noted the 20-year old building poses the future risk of major refurbishments in excess of the agreed \$4 million. AIDEA would be responsible for any building repairs to be amortized over the life of the repair at 6.5% interest and to be added to the lease cost.

Chair Pruhs asked the size of the facility. Mr. Hemsath said the building is 78,938 square feet, with an appraised value of \$1.75 per square foot of leased space.

Mr. Hemsath said public notice was given in 2013 advising the negotiations with FedEx. No comments were received. Staff recommends Resolution No. G15-05 for approval.

Acting Commissioner Parady inquired about the value AIDEA is receiving in return for allowing FedEx to have a lower cost lease and to synchronize their leases, thus yielding that leverage. Mr. Hemsath explained multiple discussions occurred with the airport regarding FedEx aligning their leases and the potential of FedEx leaving at one time. The airport is comfortable with that potential because of the business and the good location. If the new lease, based on fair market value, is extended 10 years, the price adjustment will be based on the fair market value at the time.

Acting Commissioner Parady requested more information as to why the new fair market value lease amount is lower than the existing lease amount. Mr. Hemsath explained the original lease amount FedEx has been paying was not based upon fair market value. FedEx paid for the actual cost of the project plus 7.5% interest. The capital cost has been paid for and AIDEA completely owns the facility. Moving ahead, fair market value will be charged for the lease. Mr. Hemsath stated it is not appropriate to compare what had been paid for the lease over the past 20 years versus what the lease will pay going forward.

Acting Commissioner Parady asked for the risks associated with not synchronizing the building lease term with FedEx and the land lease term with TSAIA. He noted that gap could cause a problem. Mr. Hemsath noted that the risks are minimal because he believes there is a very small probability there will not be a tenant in the building post 2023.

Chair Pruhs commented there is a formula in statute for lease renewals that considers the amount of dollars reinvested in the facility relating to a longer term lease extension. Every dollar spent in reinvestment is equivalent to a certain time extension on the lease, up to 55 years. Acting Commissioner Parady asked if the \$4 million in refurbishment should have led to a longer-term ground lease, rather than the proposed shorter-term lease. Chair Pruhs suggested the ground lease be up to a term of 50 years. Mr. Hemsath stated staff will investigate that option.

Acting Commissioner Parady requested additional information regarding the extensions solely exercised by FedEx without a reopener provision to the new lease. Mr. Hemsath stated the reopener is in Section 2D when the lease amount will be re-evaluated in eight years for the 10-year extension.

Mr. Hughes asked if there were any property taxes. Mr. Hemsath stated there are no property taxes. The state does not pay property taxes. The city does not charge property tax. This is state property and the owner of the facility is a state entity that is not liable for taxes. To date, no property tax has been assessed. Per the triple net lease agreement, if the city decided to charge property taxes, FedEx would be responsible for paying all taxes going forward.

Mr. Hughes said he remembers the city gave FedEx an initial tax holiday as an incentive because Anchorage was competing with Portland. Mr. Hemsath said he will investigate the status of the property taxes and will provide an overview.

Chair Pruhs asked if the municipality had to offer support in the form of an assembly resolution for this lease renewal. Mr. Hemsath said there was not a resolution. Per the statute, AIDEA sent the city a letter advising of the lease and the City Manager replied there were no questions or concerns. Chair Pruhs inquired if there are any other facilities owned by AIDEA that are leased out to private industry who are paying local taxes. Mr. Hemsath stated Capstone pays property tax for the Skagway Ore Terminal based on the improvement of the facility. He noted the facility in Ketchikan is under a 30-year tax holiday.

Mr. Wilken asked if the issues brought forward today rise to the level to table this resolution for additional review and to be brought back in front of the Board at the next meeting. Mr. Parady is satisfied with the answers to his concerns and believes this resolution can go forward today.

The motion was approved with members Pruhs, Dick, Burnett, Hughes, Nygard, Parady, and Wilken voting yea.

7C. Interior Energy Project Update

Mr. Lamb introduced Bob Shefchik and Mark Gardiner, who provided an overview of the Interior Energy Project. Mr. Shefchik listed the core team members and explained their specific roles. He stated the concession agreement project had a low-cost, long-term gas supply and a supply-chain design that was too expensive to bring it all the way to close. The termination of that concession agreement in January led to the ability to explore options. The main option is the Southcentral approach, which would provide a supply chain that can deliver at a lower cost for liquefaction, transportation, operations cost, and with a gas supply that is a bigger challenge in terms of cost volatility and duration.

Mr. Shefchik noted the team has been tasked to put together a supply chain that matches the community and the Interior Energy Project ("IEP") goals, and to consider all supply options while focusing on the entirety of the supply chain and on the delivered cost. The tasks of the team efforts have been broken down based on the components of the supply chain, including the supply costs, liquefaction, transportation, storage and regas, and distribution. Each area has a team lead and these are the parts of the complete cost model to ensure the most effective use of the capital stack and AIDEA tools.

Mr. Shefchik said the process of narrowing the solicitations to two or three proposals will occur in the next month focusing on liquefied natural gas (LNG). Nonconforming alternatives will be considered at the same time. He stated the goal is a singly operated utility that takes advantage of both operational and capital efficiencies. This is the main driver behind the Pentex acquisition and the ability to combine the shared costs.

Mr. Shefchik stated the cross components include the legislative issues of House Bill 105 and Senate Bill 50. The energy efficiency legislation currently before the Legislature addresses the commercial side of conversion, but does not address the residential conversion program.

Mr. Gardiner explained there are many parallel parts going forward in the due diligence process, including moving from a letter of intent to an actual acquisition of Pentex. Negotiations are

ongoing for detailed agreements and are expected to conclude next week. Detailed legal, financial, and environmental due diligence is occurring regarding the Pentex acquisition. The financing plan, due diligence materials, valuation report, and definitive agreements are being developed and are expected to be brought before the Board at the April meeting.

Ms. Nygard expressed her appreciation to Mr. Shefchik for going to Juneau and presenting in front of the Legislature, the opportunity the state has. She asked if any legislative feedback was received, if any follow-up information has been provided to the Legislature, and what level of transparency has been given to private sector partners. Mr. Shefchik stated he had 11 individual meetings and one two-hour hearing all in the same day in Juneau. The questions and concerns he heard regarded the political fallout from the dissatisfaction with the rollout of the process and how people were informed. Mr. Shefchik assured that tenor and approach would change and he provided a follow-up email with his phone number to each of the 11 individuals he met with. The initial high level of frustration that was heard has decreased. The substantial questions now relate to how the Pentex acquisition fits into the overall IEP. There are still questions regarding gas supply, the reserves available, and possibilities.

Mr. Shefchik said the goal is for AIDEA to facilitate the IEP. The solicitation process will be looking for private partners to provide liquefaction, transportation, and possibly a full supply chain. The goal is to use AIDEA tools to finance the infrastructure portion so the capital costs are lower and the savings flow through to the end meter.

Mr. Wilken asked Mr. Gardiner if there was a tripwire date at the end of February for the MOU regarding due diligence. Mr. Gardiner stated there was a goal to have the due diligence and the definitive agreements completed by February 28, 2015. That expectation date has changed and it will be known in early March if the definitive financial business terms have been agreed upon. Mr. Wilken asked if he is correct in viewing AIDEA as being in a Kickstarter role. Mr. Shefchik stated he believes that is part of what AIDEA is doing. The underlying challenge to this project is the low demand in the early years. The Kickstarter role AIDEA is playing is to help build the demand so the IEP loan financing can be paid back. AIDEA is also helping with the pricing pressure through financing of infrastructure.

Mr. Wilken asked if there is anything AIDEA can do to help Mr. Shefchik and staff be more productive in Juneau during their next round of seven committee visits and two floor sessions. Mr. Shefchik stated the Governor's Office provides him with a cubby to sit in. Most of the legislative committee work will be completed by Gene Therriault. Mr. Shefchik noted he will mainly conduct informal lunch-and-learn appointments every two or three weeks to discuss the progression of the project and to answer questions. Mr. Shefchik stated he intends to spend time with Senator Micciche and his staff regarding the FlexSteel.

Ms. Nygard asked how this opportunity is different from what AIDEA has completed in the past. Mr. Shefchik said he believes this ownership opportunity is similar to other AIDEA assets. Mr. Lamb explained AIDEA is fulfilling its mission of being a vehicle for the state to step in and help solve a problem, while being consistent with its role of economic development, job creation,

and stabilization of the economy. Mr. Gardiner stated the other parallel is that AIDEA will not directly operate the gas utility. It will leave the structure in place that is operating now.

Chair Pruhs expressed his appreciation to Mr. Shefchik and Mr. Gardiner. He offered Board level support to both of them.

Mr. Wilken shared in the minutes of January 14, 2015, in the first paragraph of page eight, it states, "Mr. Leonard agreed with Chair Pruhs and noted a complete analysis of the IEP project is being compiled." Mr. Wilken requested Mr. Lamb inform Mr. Leonard that he looks forward to receiving the completed analysis.

Mr. Wilken stated the Board members were supplied a letter from the Alliance a couple of days ago. He does not remember the Alliance ever attending any of the AIDEA meetings over the last 15 months. Mr. Wilken asked if the Alliance has spoken to anyone present in the room requesting knowledge upon which they could write such a letter. There was no answer given in the affirmative. Mr. Wilken expressed his distress the Alliance has written this letter with very little involvement. He gave an open invitation, on the record, requesting the Alliance, Alliance leadership, or Alliance membership to call any one of the Board members to discuss and understand the current IEP status and all the work that has been completed in the effort to help the friends in Fairbanks.

Acting Commissioner Parady suggested Mr. Shefchik could be a speaker at a Resource Development Council (RDC) upcoming event. Mr. Shefchik agreed.

Ms. Nygard expressed her appreciation to Mr. Wilken for his comments. She believes it is probably one of many letters AIDEA will receive from organizations who represent the builders of Alaska and it stems from the transparent accountability the market wants the state to have. Ms. Nygard suggested AIDEA get more involved with the market and the alliances and solicit solutions from them.

8. DIRECTOR COMMENTS

Mr. Lamb noted the loan, dashboard reports, and matrix are included in the Board packet.

Mr. Lamb provided a synopsis for parts of the Callan Investment report. He advised AIDEA's mandates and direction from the Fixed Income Investment Policy Resolution No. G01-14D, or the resolution are more conservative than what its benchmarks are. Last year's returns were good at a 5% plus rate of return on the externally managed portfolio. The portfolio clearly meets the policy's criteria. Mr. Wilken asked who wrote the synopsis. Mr. Lamb said Kelli Veech and staff created the synopsis, with review by Callan.

Chair Pruhs expressed his appreciation for the preparation of the synopsis and believes it is important for the Board to understand what the funds are doing, what they are invested in, while they are not being utilized in the Alaska economy, and the relationship of those investments to AIDEA's mission. Chair Pruhs believes there will be opportunities within the next 24 months. He asked if there is a mechanism to inform the Board of the amount of dollars that must remain

in the revolving funds versus the amount of dollars that can be utilized to spur the economy and provide a return.

Mr. Lamb stated AIDEA currently has a lot of cash due to the sale at Healy, prepayments on loans and the jack-up rig, but that liquidity amount is less than the amount needed for the potential investments projects including Pentex, BlueCrest Energy, Mustang Operations Center #1 (MOC1), and Resource Energy Inc. (REI). He explained the dynamics are not simple. One of his challenges is determining how much external cash is needed in order to show stability to the marketplace.

Chair Pruhs commented it is important for the Board to be apprised at a high level in managing the risk of opportunities. Mr. Lamb said the Board's internal income statement and balance sheet were completed through December 31, and he believed the intent was to provide those to the Board. At that time, AIDEA was on target at 50% of the net budget numbers. Chair Pruhs stated the Board has not yet received those reports.

Chair Pruhs noted the next Board meeting is Thursday, March 26, 2015.

9. BOARD COMMENTS

Chair Pruhs said discussion has occurred requesting an AIDEA Board meeting in Fairbanks and one of the dates suggested is June 25, 2015 at 8:00 am. Hearing no objections, Chair Pruhs requested staff begin the process of scheduling that meeting, with members arriving the night before the meeting. Mr. Wilken recommended making the plane reservations as soon as possible. He suggested getting an early start in the morning and limiting the agenda. The Board could then use four hours in the afternoon to see pipes being put in, to go out to the storage tanks, and other results of the Board's efforts. Chair Pruhs agreed with those suggestions and asked staff to research if it is appropriate to have a reception with any groups the night before the meeting.

7D. Executive Session - Personnel Matters:

MOTION: Acting Commissioner Parady moved to go into Executive Session to discuss confidential personnel matters related to the AIDEA Executive Director. Motion seconded by Vice-Chair Dick. The motion was approved.

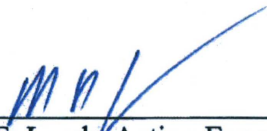
Board members present: Dana Pruhs, Russell Dick, Jerry Burnett, Wilson Hughes, Crystal Nygard, Fred Parady, and Gary Wilken

Invited by the board to attend the executive session to discuss confidential personnel matters: Jennifer Haldane (Human Resources Director), Jim Kubitz (Alaska Rail Road via teleconference), Jim McConnell (McConnell & Associates), and John Springsteen (Infrastructure Development Officer).

The Board entered executive session at 12:34 p.m. The Board reconvened its regular meeting at 3:39 p.m. Chair Pruhs stated no formal action was taken during executive session.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 3:39 pm.



Michael E. Lamb, Acting Executive Director/Secretary
Alaska Industrial Development and Export Authority



PRESS RELEASE

Karsten Rodvik
External Affairs Officer
907.771.3024

FOR IMMEDIATE RELEASE: February 6, 2015

AIDEA Board Approves Interior Gas Utility Loan

Financing Provided to Advance Natural Gas Distribution System

(Anchorage) – The Alaska Industrial Development and Export Authority (AIDEA) Board on Thursday approved a Sustainable Energy Transmission and Supply Development Fund (SETS) loan to advance natural gas distribution system development in Fairbanks and North Pole.

The loan to Interior Alaska Natural Gas Utility (IGU) is for \$29,680,000. In April 2014, AIDEA's Board approved an \$8,100,000 loan to IGU to fund initial work on the development of their distribution system. This new loan enables IGU to move forward on Phases 1, 2 and 3 of their 6-year plan to build out their certificated service area. Phase 1 construction in the North Pole area will begin this summer. IGU expects to put approximately 73 miles of pipe in the ground to more than 140 multi-family/commercial structures and more than 2,100 residential services. With this loan, IGU is also enabled to continue right of way acquisition, purchase equipment and materials, install temporary storage and perform design work for Phases 2 and 3 of their distribution system.

Over the next roughly 18 months, IGU anticipates approximately 165 construction jobs will be created. Contracting for design engineering firms, construction cost estimators, right of way agents, permitting specialists, environmental scientists and survey teams is forecast to employ between 35 to 40 additional professionals. The project is further expected to support 260 local jobs, of which 240 are indirectly supported at other Fairbanks North Star Borough businesses and 20 are permanent jobs once gas operations begin.

This SETS loan is part of the Interior Energy Project. The project was approved by the 28th Legislature in 2013, and includes financial tools that can help develop natural gas distribution in Fairbanks and North Pole. The goal is to bring low cost natural gas to as many Interior Alaskans as possible – as soon as possible.

The Alaska Industrial Development and Export Authority is a public corporation of the state. AIDEA's purpose is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska.

###

-----Original Message-----

From: tparagi@alaska.net [mailto:tparagi@alaska.net]

Sent: Monday, April 06, 2015 11:12 PM

To: Rep. Benjamin Nageak; Rep. Geran Tarr; Rep. Bob Herron; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Andy Josephson; Rep. Mike Hawker

Subject: please support HB 105

Members of the House Resources Committee:

I ask your support for HB 105 to allow more options for bringing cleaner fuel to the Interior and rural communities of northern and western Alaska for both space heating and electricity production.

In my community of Fairbanks, burning of coal is the primary means for generating electric power, but it produces mercury and other toxic emissions. Residents also burn cord wood in stoves and outdoor boilers as primary or supplemental space heating, contributing substantially to poor air quality events that have been correlated to local hospital admissions for respiratory and pulmonary illness in the last decade. The high cost of energy and local air pollution are plausibly contributing factors to recent declines in the Fairbanks population, although military deployments from Fort Wainwright and Eielson make such an inference complicated.

It is highly unlikely that presently low consumer prices for heating oil will persist, so we need a long-term solution to replacing dirty fuels. Alaska has a wealth of natural gas, but economical distribution to northern and western Alaska is a challenge.

I also ask that you explore imported propane as a good "bridge" fuel until other Alaska options for natural gas distribution are developed. Currently there is a propane glut in the Lower 48, making it cost effective in the short term. A bonus of propane is that it could be barged to villages (along major rivers or via ocean barge to coastal communities) yet does not pose the risk of spill contamination like oil in aging fuel tank farms. A professor of oil and energy economics at the University of Alaska Fairbanks recently wrote a community perspective article on propane in the Fairbanks Daily News-Miner:

http://www.newsminer.com/opinion/community_perspectives/interior-alaska-energy-why-not-propane/article_d9c5ee82-d2c2-11e4-a1ad-afe19b73508c.html

We need to consider as many options as possible to find the optimal solution.

HB 105 is a step in the right direction.

Tom Paragi
1271 Lowbush Lane
Fairbanks, AK 99709



House Resources 4/6/15

HB 105 IEP Status Update

IEP GOALS



- **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: CURRENT STATUS

- Pursued development of a North Slope LNG supply through Concession Agreement
- AIDEA/AEA are now evaluating infrastructure to deliver natural gas from Cook Inlet
- AIDEA is financing the buildout of natural gas distribution in Fairbanks and North Pole

CONCESSION AGREEMENT OUTCOME

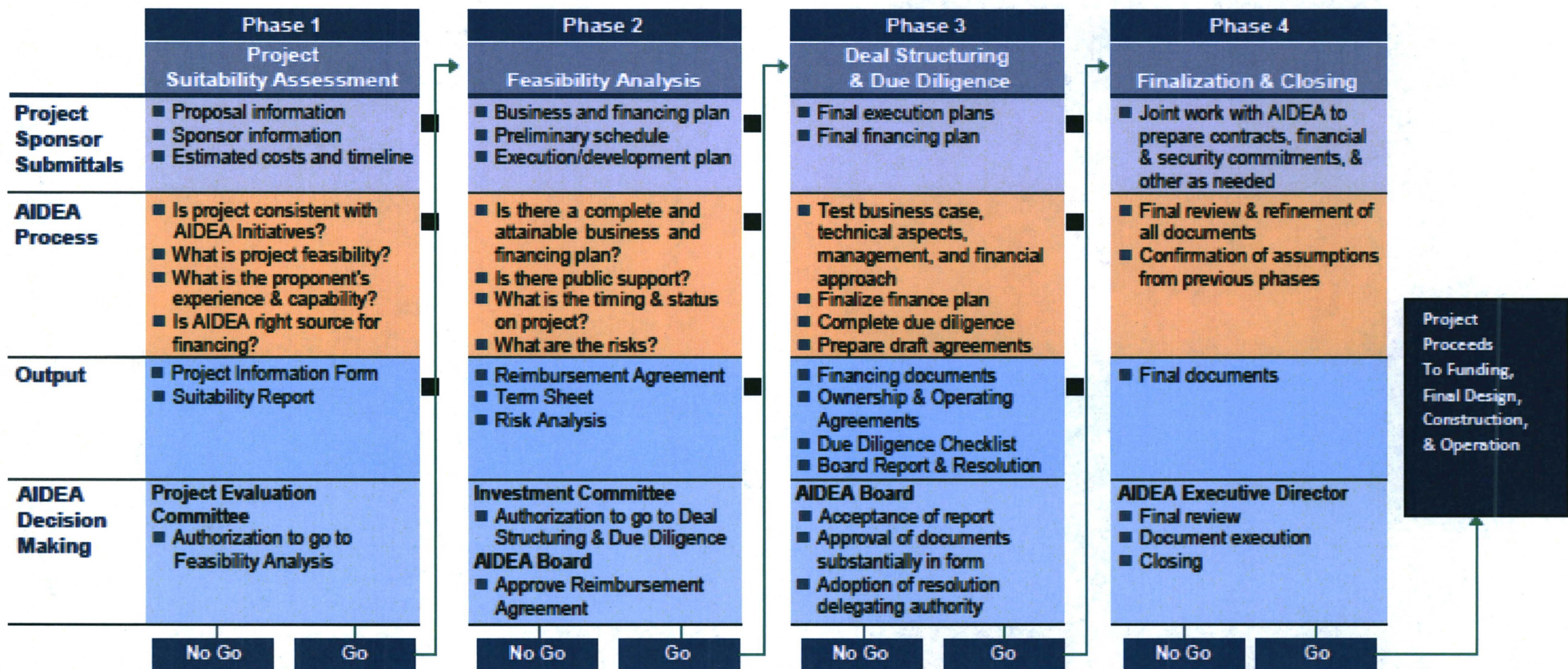


- **Concession Agreement with MWH was a legal framework for a public-private partnership**
 - Northleaf, a Canadian investment firm, was the private partner proposing to finance, construct, and operate LNG facility
 - AIDEA would provide financing and would own LNG facility
- **Concession Agreement set out conditions for financial close**
 - AIDEA had to agree to project costs and commercial terms
 - MWH would provide construction and operating agreements
 - MWH would negotiate and secure LNG sales to utilities
- **Concession Agreement terminated due to inability to complete financial close by December 31, 2014**
 - Higher capital and operating cost than projected
 - LNG supply agreements were unacceptable to utilities and AIDEA
 - Delivered projected price and risk allocation did not meet the IEP's goals and AIDEA's investment requirements

AIDEA'S DUE DILIGENCE PROCESS



The North Slope project under the Concession Agreement did not proceed because it did not pass AIDEA's due diligence process and Board Approval.



SB 23 PROJECTING FUNDING AND DEPLOYMENT TO DATE (\$1,000'S)



IEP Capital Appropriation

| | |
|----------------------------------|-----------------|
| Legislative Funding | \$57,500 |
| Plant Direct, Legal, & Financial | \$1,337 |
| Pad Construction & Permitting | \$5,708 |
| Plant Engineering & Design | \$5,064 |
| Storage, Dist, & Conversion | \$332 |
| Total Expenditures | \$12,441 |
| Remaining Funds | \$45,059 |

SB 23 SETS Loan

| | |
|--------------------------------|-----------------|
| Legislative Funding | \$125,000 |
| FNG Distribution Loan | \$15,000 |
| IGU Distribution Loan | \$37,780 |
| Total Outstanding Loans | \$52,780 |
| Remaining Funds | \$72,220 |

SB 23 SETS Bonds

| | |
|--------------------------------|------------------|
| Legislative Authorization | \$150,000 |
| Remaining Authorization | \$150,000 |

AIDEA has spent \$12.1 million of SB 23 Capital Appropriation developing a North Slope LNG project.

AIDEA has issued \$52.8 million in loans to build out the distribution system in Interior Alaska.

AIDEA IS EXPLORING LNG ALTERNATIVES IN COOK INLET



The Alaska natural gas and LNG markets have changed in the last two years and new information is now available.

Status in 2013

- Cook Inlet utilities were actively developing LNG import plans amid gas supply fears
- Existing proposals for North Slope LNG indicated lower capital costs
- AIDEA had not selected a North Slope developer or project design

Status in 2015

- Concession Agreement work revealed high cost of North Slope LNG
- Cook Inlet “Renaissance” provides opportunity for lower cost natural gas
- Downturn in global LNG market may reduce price for conventional LNG equipment

NORTH SLOPE AND COOK INLET: COMPARING PROJECTS



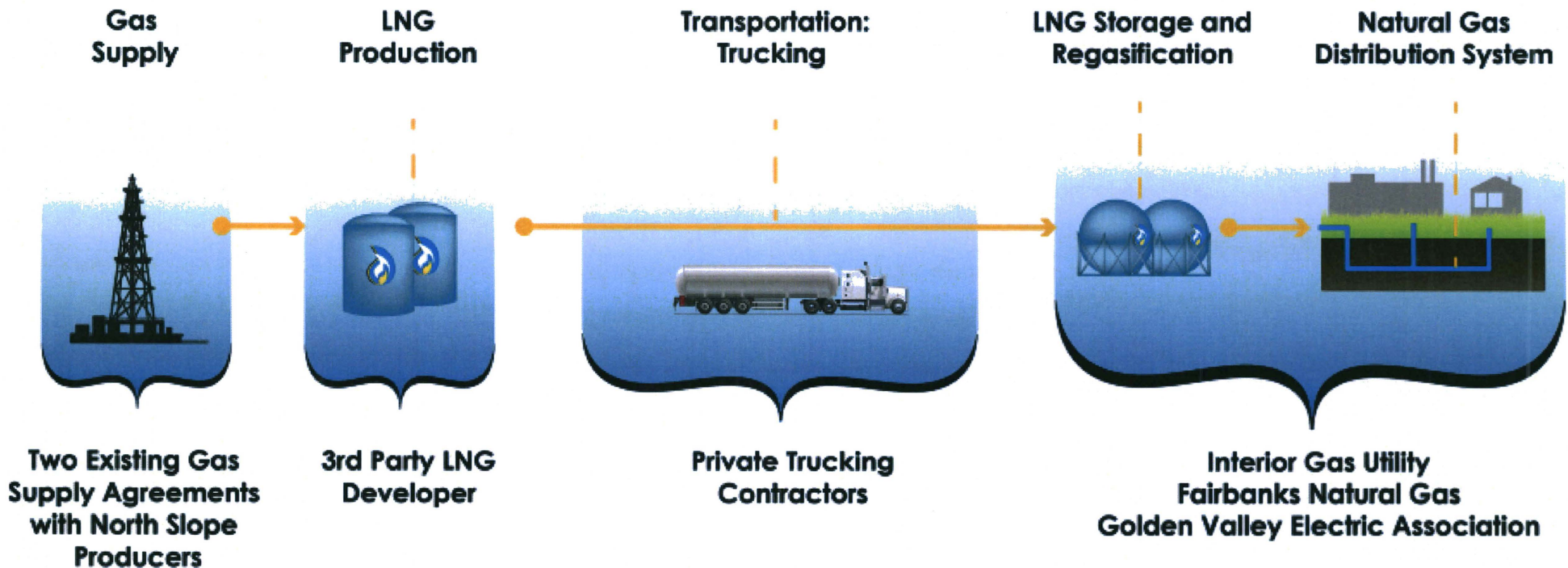
Cook Inlet

North Slope

| | | |
|---------------------------------|--|--|
| Natural Gas Supply | Supply still uncertain but indications are positive | Abundant supply at low cost, existing contracts in place |
| LNG Plant Costs | Cheaper to construct and operate, "off the shelf" | Expensive to design and construct for North Slope conditions |
| Trucking/ Rail | Lower trucking costs, large trailer potential, rail option | Trucking is more expensive but feasible |
| Storage and distribution | No significant change in design and costs | |

Conclusion: If affordable natural gas is available, a Cook Inlet LNG project is favorable

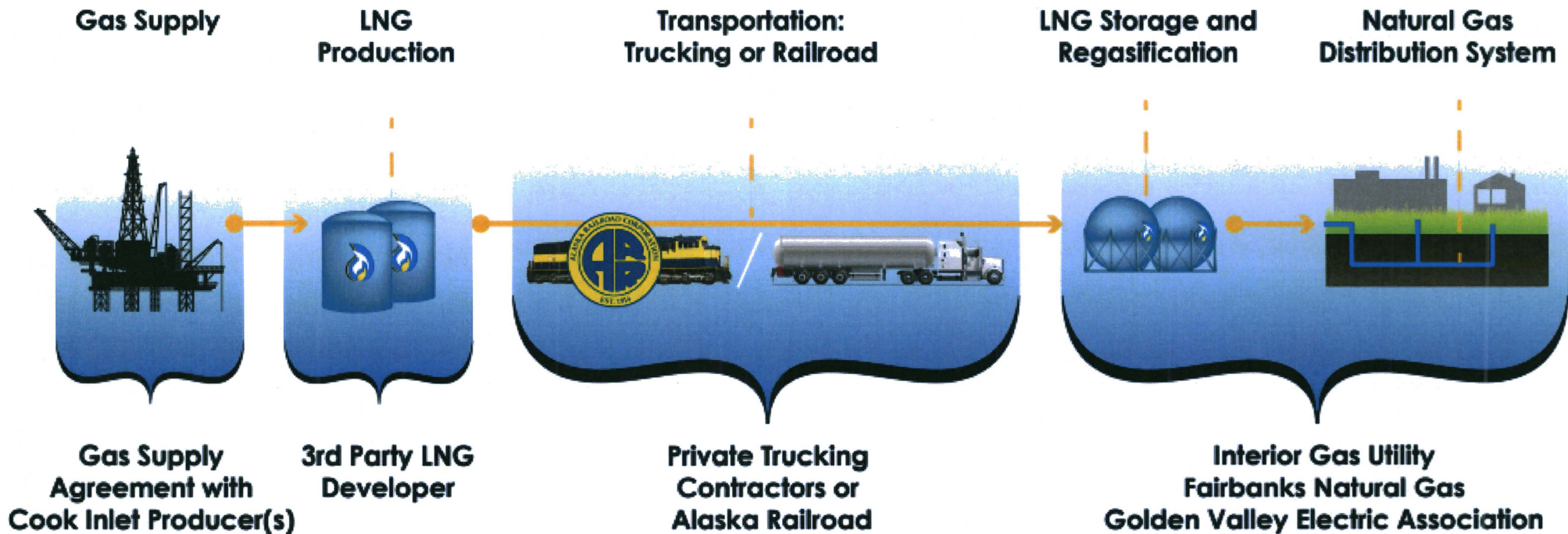
NORTH SLOPE LNG PROJECT



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

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

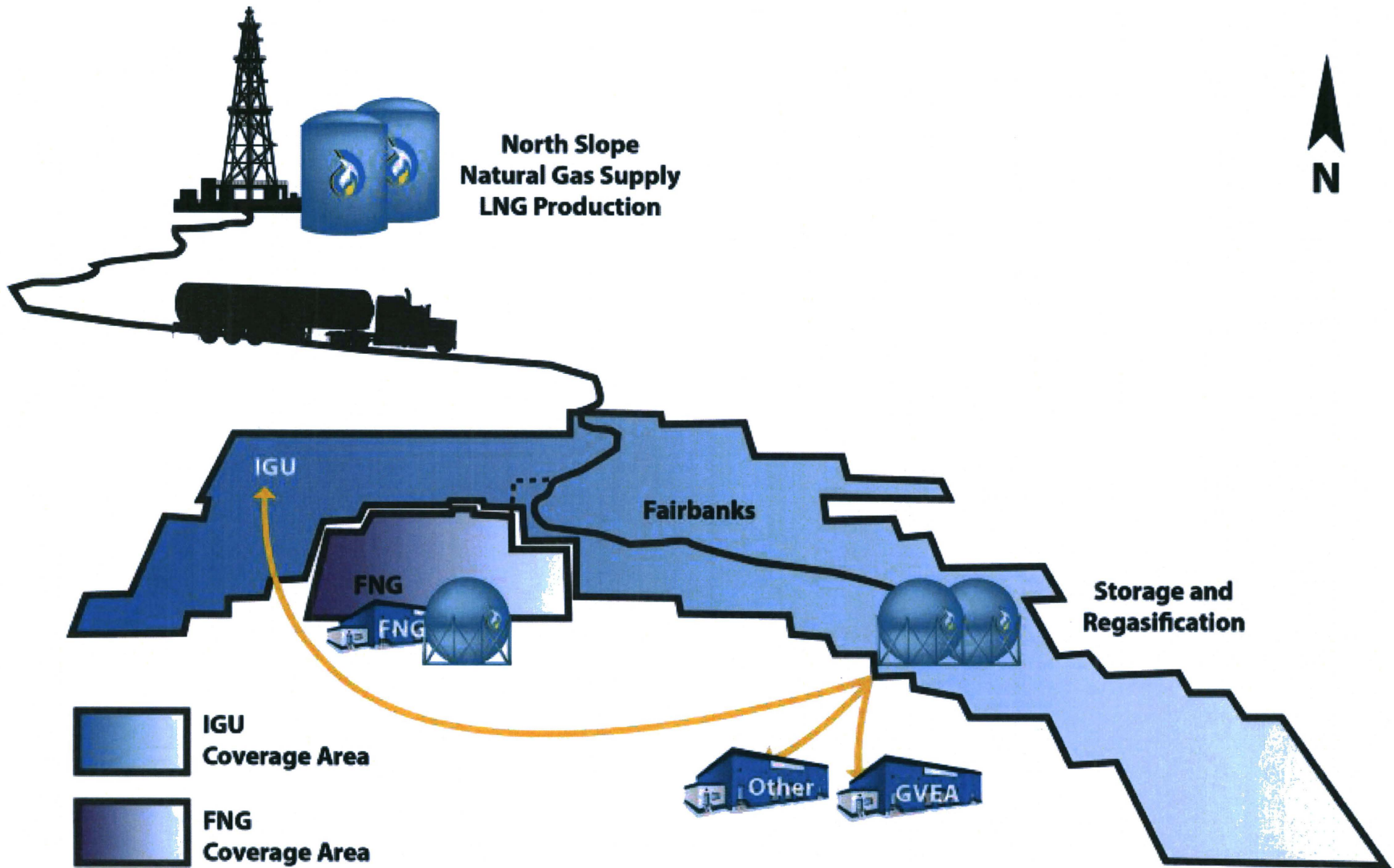
COOK INLET LNG ALTERNATIVE



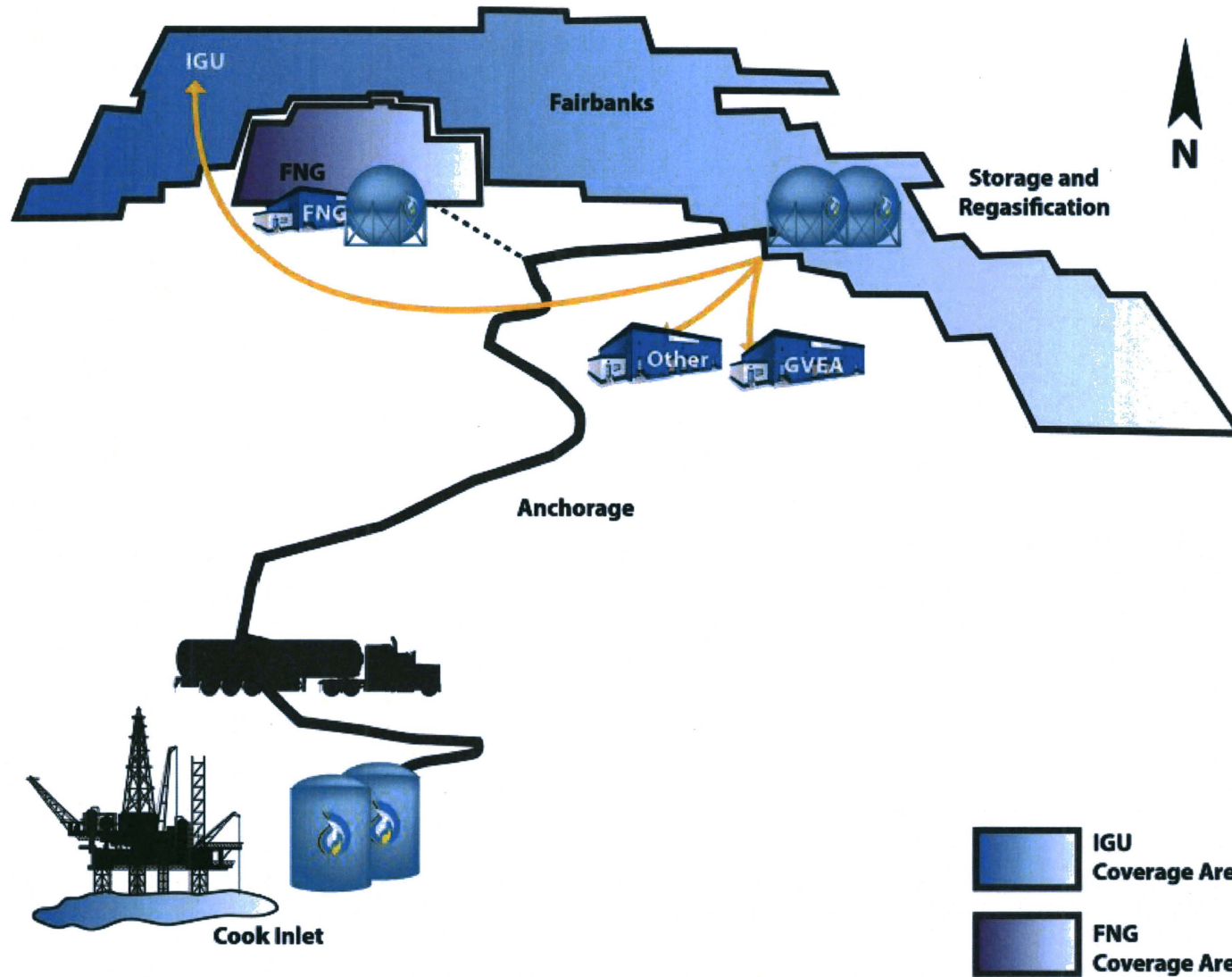
Allowance of this alternative, in addition to the North Slope supply chain authorized in 2013, is the purpose of HB105's IEP changes.

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.)

NORTH SLOPE PROJECT MAP

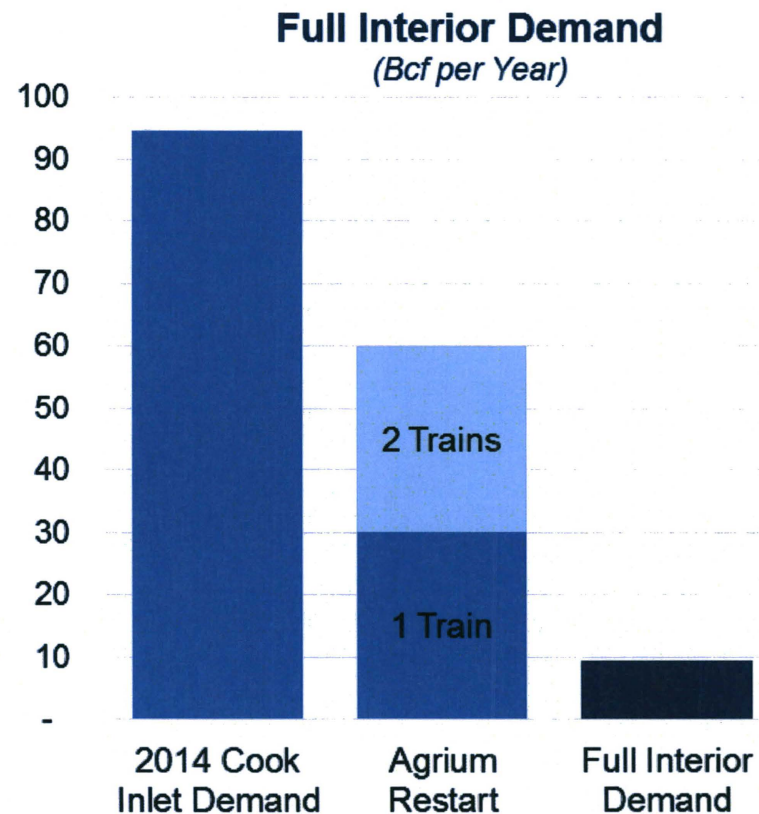
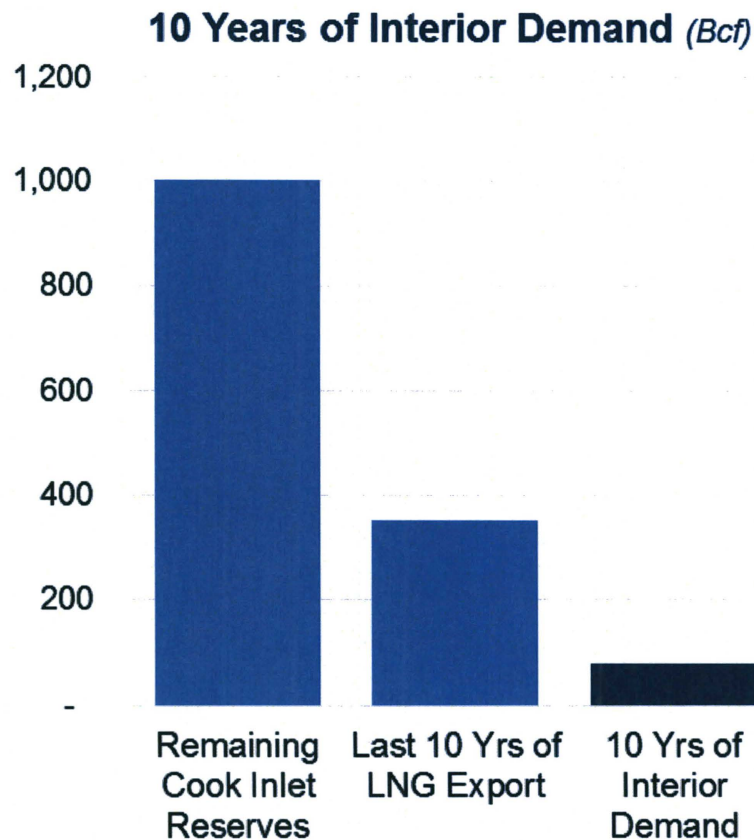


COOK INLET PROJECT MAP



HOW DOES THE INTERIOR DEMAND COMPARE?

- 1st 10 Years Projected Total Demand: **80 Bcf**
- Annual Demand at Full Buildout: **9.5 Bcf**



IMPACT OF HB 105

What HB 105 does

- **HB 105 gives AIDEA flexibility to use SB 23 financing tools with non-North Slope liquefaction location**

What HB 105 does not do

- **Does not increase funding for the IEP**
- **Does not increase AIDEA's investment authority beyond geographic flexibility**
- **Does not alter AIDEA's policy of supporting the private sector**
- **Does not change the intent or goals of the IEP**

AIDEA BOARD RESOLUTION NO. G15-02



- **Approves expenditures to evaluate alternatives to the North Slope Concession Agreement**
 - January 14, 2015
 - \$500k SETS funds (non-SB 23)
 - \$200k AIDEA funds (for personnel and facilities)
- **Resolution and related funding is being utilized for the current RFP process**
 - Direct commercial process, not a “study”
 - Project Execution Plan

AIDEA RESOLUTION G15-02 BUDGET



- **The full \$500k authorization for professional services may not be spent**
- **Spending to date has been on advancing a Cook Inlet project**
 - **Technical analysis and review of private partner proposals**
 - **Commercial and legal to issue RFP and partner with private partners**
- **Full \$200k for AIDEA/AEA staff time not expected to be spent**

AIDEA Resolution G15-02 Budget*, \$500k

| | |
|-------------------------------|------------------|
| Total Budget | \$500,000 |
| Plant Cost Estimate | \$25,500 |
| Liquefaction RFP | \$25,200 |
| Transportation Modeling | \$42,100 |
| Dist & Storage Design | \$25,000 |
| Outreach, Website | \$19,200 |
| Project Management | \$108,000 |
| Legal - DOL | \$25,000 |
| Legal - External | \$25,000 |
| Total Budgeted Expense | \$295,000 |
| Remaining Budget | \$205,000 |

**Draft, subject to modification*

PROJECT EXECUTION PLAN

- **Supply**
- **Liquefaction**
- **Transportation**
- **Storage and Regasification**
- **Distribution and conversion**
- **Plus cross-component tasks of**
 - **Legislative**
 - **Full Supply Chain Cost Modeling**
 - **Alternative Approaches**

GAS SUPPLY AND LNG CAPACITY



- **DCCED leading effort to facilitate Cook Inlet natural gas**
 - Solicitation to all Cook Inlet gas vendors in process
 - IEP team, DNR, DOR on team
 - Determine availability/price and help utilities secure natural gas supply/LNG supply agreements
 - All current and potential suppliers invited to participate in competitive process
- **New LNG capacity**
 - RFP to be issued for LNG capacity – Focus on Cook Inlet; Consideration of North Slope and alternates
 - Will evaluate proposals that include natural gas supply and LNG capacity
 - Competition between private developers to achieve lowest price with IEP tools

• **Storage and Transportation**

- Optimize use of capital to meet IEP goals
- North Slope analysis tools applicable to these components
- For example, is it more economic to invest in LNG plant capacity, trucks or LNG storage?

• **Transportation logistics and cost**

- Trucking vs. rail cost estimates
- Levelized vs seasonal swing

• **LNG storage size driven by supply chain**

- Trucking vs. rail cost estimates
- Size and capital cost of selected plant
- Cost of seasonal swing vs cost of storage

DISTRIBUTION AND CONVERSIONS



- **Interior distribution build-out need is not impacted by LNG from Cook Inlet vs. North Slope**
 - Gas trucking remains a transition to piped gas
 - Distribution build-out required, regardless of source
 - Build-out continues summer 2015
 - Distribution adjustments expected for summer 2016 based on LNG capacity and Pentex outcomes
- **Potential acquisition of Pentex/FNG**
 - Due Diligence continues
 - If acquisition occurs: Fall 2015 savings to current customers; Long-term efficiencies to benefit all residents
 - AIDEA approach to divest ownership and operation structures into integrated FNG and IGU entity
- **Conversions Key Component**
 - Local program leveraging private bank financing for residential conversions
 - PACE legislation to allow local option for commercial conversion
 - Capacity building and coordination with local contractors and suppliers
 - Delivered gas costs low enough to generate conversions

IEP PLANNING: JUNE 30 TARGETS



- **Gas Supply Agreement**
 - Term sheet level with secure supplier
- **Supply Chain Partner(s) identified**
 - Project to AIDEA Board
 - Development agreements
 - Recommended capital stack
- **Potential Pentex Acquisition**
 - Due diligence and Board approval
 - Plan for integrating Pentex and IGU
- **Timeline and component pricing set**
 - Based on selected supply chain partners and natural gas contract

SUMMARY

- **IEP continues to work towards project goals set forth by the Legislature under SB 23**
- **HB 105 increases project flexibility and improves likelihood of project success**
- **The IEP welcomes the chance to work with the Legislature and this committee on HB 105**



House Resources

4/6/15

HB 105
IEP Status Update