

SB

50

<TARGET><BILL>SB 50</BILL><SUBJECT>SB
50</SUBJECT><COMM>SNRG29</COMM></TARGET>

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/11/15

FURTHER: Resources
Finance

Date of 5-Day Notice: 3-5-15
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3-27-15

Senate Special Committee on Energy considered SENATE BILL NO. 50

SB 50-AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

and recommends:


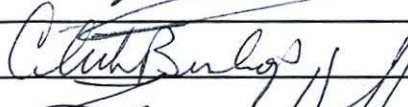
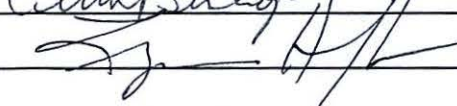

- be replaced with CS SB 50 (NRG) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	No REC	AMEND
	Egan	✓			
	BISHOP	✓			
	HOFFMAN	✓			
CHAIR: 					

CS FOR SENATE BILL NO. 50(NRG)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE SPECIAL COMMITTEE ON ENERGY

Offered:
Referred:

Sponsor(s): SENATE 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 the legislature [LAW], excluding refunding bonds.
 18 Refunding bonds may be issued without further approval by law in a principal amount
 19 sufficient to provide funds for the payment of all bonds to be refunded by them and, in
 20 addition, for the payment of all other amounts that the authority considers appropriate
 21 in connection with the refunding, including expenses incident to the redeeming,
 22 calling, retiring, or paying of the outstanding bonds, the funding of reserves, and the
 23 issuance of the 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.** AS 44.88.900(16) is amended to read:

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

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

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

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

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

29 (a) The Alaska Industrial Development and Export Authority, through the
30 Alaska Industrial Development and Export Authority sustainable energy transmission
31 and supply development fund (AS 44.88.660), may provide financing up to a principal

1 amount of \$275,000,000 for the development, construction, and installation of, and the
 2 start-up costs of operation and maintenance for, a liquefied natural gas production
 3 plant and system and affiliated infrastructure **in the state that will provide natural**
 4 **gas to Interior Alaska as a primary market** [ON THE NORTH SLOPE] and [A]
 5 natural gas **delivery and** distribution **systems** [SYSTEM] and affiliated infrastructure
 6 **that will provide natural gas to** [IN] Interior Alaska.

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

9 Sec. 25. The Alaska Industrial Development and Export Authority may issue
 10 bonds to finance the acquisition, design, and construction of aircraft maintenance air
 11 cargo/air transport support facilities located at Anchorage International Airport, to be
 12 owned by the Authority. The principal amount of the bonds may not exceed **\$28,000,000**
 13 **[\$85,000,000]**. This section grants the legislative approval required by AS 44.88.095.

14 * **Sec. 7.** Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996; sec. 3,
 15 ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA 1996; secs. 24(a) and
 16 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended by sec. 1, ch. 93, SLA
 17 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

18 * **Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800
Juneau, Alaska 99811-0800
Main: 907.465.2500
Fax: 907.465.5442

MEMORANDUM

TO: Senator Peter Micciche

DATE: Thursday, February 12, 2015

FROM: Acting Commissioner Fred Parady

RE: SB 50 Hearing Request

Please accept this request for your consideration to schedule SB 50 – AIDEA: Bonds; Programs; Loans; LNG Project at your earliest convenience.

This bill would amend provisions of AIDEAs authority to advance a liquefied natural gas production plant, and natural gas energy projects and distribution systems in the state. This broadening of authority would allow more flexibility to meet the state's energy needs. It would also increase the dollar amount limits for bonds under the loan participation program and development finance program without obtaining legislative approval, as well as for bonds issued without local governing body or Regional Resource Advisory Council certified resolutions of consent on project location. Finally, the bill would repeal unused and unneeded bonding authority.

If you have any questions regarding this bill, please feel free to contact me or AIDEA Executive Director Ted Leonard at 771-3050.

Enclosures

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Governor Bill Walker
STATE OF ALASKA

February 10, 2015

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

Dear President Meyer:

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 to add new facilities to DeLong Mountain transportation system, which serve the Red Dog Mine in the Northwest Arctic Borough;

The Honorable Kevin Meyer
AIDEA Bill Transmittal
February 10, 2015
Page 3

- (6) 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

Senate Bill 50
AIDEA: Bonds; Programs; Loans; LNG Project
Sectional Analysis

Section 1: adjusts 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: adjusts 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 discussed in section 1. 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: changes the uncodified law [11(a), ch. 26, SLA 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 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 5: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000. Only a portion of the 1992 authorization was used which has been repaid.

Section 6: repeals legislative bond authorizations (1993 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 for future projects. Outdated authorizations to be repealed include:

1. \$50,000,000 for a bulk commodity terminal in Cook Inlet – 1993 authorization,
2. \$50,000,000 for construction of processing facility for seafood (ASI) - 1993 authorization,
3. \$20,000,000 to assist in construction of Kodiak launch complex facilities 1995 authorization.
4. \$80,000,000 to fund expansion at Red Dog port – 1998 authorization,
5. \$30,000,000 to finance improvement at Nome port facility – 1998 authorization,
6. \$25,000,000 to finance development at Hatcher Pass located in Matanuska-Susitna Borough – amended 2006 authorization, and
7. \$20,000,000 to finance construction of port facilities on Lynn Canal – 2004 authorization.

Section 7: immediate effective date.

SB 50 Fact Sheet

AIDEA: Bonds; Programs; Loans; LNG Project

This bill would amend provisions of AIDEA's authority to advance a liquefied natural gas production plant, and natural gas energy projects and distribution systems in the state. This broadening of authority would allow more flexibility to meet the state's energy needs. It would also increase the dollar amount limits for bonds under the loan participation program and development finance program without legislative pre-approval, as well as for bonds issued without local governing body or Regional Resource Advisory Council certified resolutions of consent on project location. Finally, the bill would repeal unused and unneeded bonding authority.

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 to 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's statutes limit the amounts it can finance through the issuance of bonds for a project. The current statutes require the public corporation 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.

SB 50 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 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.

SB 50 would amend AS 44.88.155 to authorize AIDEA to use up to \$25 million for a 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 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 from 2013 provided a funding mechanism for the Interior Energy Project (IEP). 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 financing for the development of a liquefied natural gas (LNG) plant for the IEP was restricted to the North Slope. 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.

Proposed SB 50 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) 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 are not to be feasible or that did not move forward for other reasons. Also, in one case, the project did not need the full amount authorized. These outdated authorizations on AIDEA's 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.

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version:	SB 50
Fiscal Note Number:	1
(S) Publish Date:	2/11/2015

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

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

Expenditures/Revenues

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

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

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version:

initial version

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

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

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

This bill does not have a fiscal impact.

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

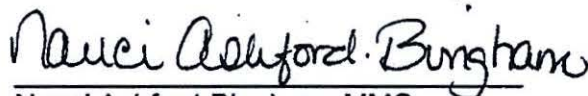
70
71 BE IT FURTHER RESOLVED that if the due diligence process shows that the
72 proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that
73 the Fairbanks North Star Borough Assembly supports moving forward with that plan.

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 – The “Place” To Do Business

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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