

HB

105

<TARGET><BILL>HB 105</BILL><SUBJECT>HB
105</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/15

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 105(FIN)

HB 105 AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund; requiring the Alaska Industrial Development and Export Authority to deliver to the legislature reports relating to the Interior energy project; relating 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; authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project; authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of rebuilding transmission between the Hope substation and Portage, rebuilding transmission between Powerline Pass to Indian, and the Eklutna hydroelectric transmission system upgrade project; relating to legislative approval for loans from the power project fund to the City of King Cove; and providing for an effective date."

and recommends:

be replaced with SCS CS HB 105 (FIN) [] Same Title [] Technical Title Change
[] New Title/SCR No. _____

[] adopt previous SCS _____ (_____) [] Same Title [] Technical Title Change
[] New Title/SCR No. _____

[] attached amendment(s)

[] adopt _____ Letter of Intent

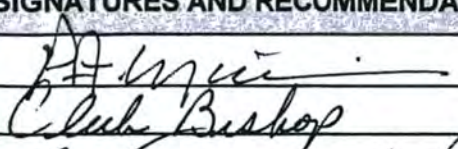
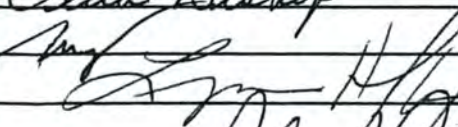
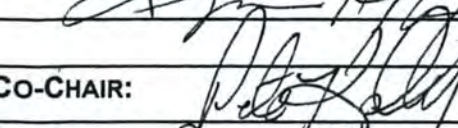
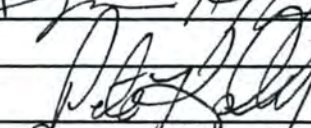
[] further referral to _____ Committee

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

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

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

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	MICHELLE Bishop	✓			
	D. Kelly	✓		✓	
	Hoffman	✓			
CO-CHAIR: 	Kelly	✓			
CO-CHAIR: Anna Mackinnon	Mackinnon	✓			

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Governor Bill Walker
STATE OF ALASKA

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

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

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

Section 1: adds intent language to clarify that the financial tools discussed in Section 10 are only for the benefit of the Interior Energy Project described in Section 10.

Section 2: 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 3: 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 4: 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 5: adds an exception to AIDEA's ability to enter into projects that involve a lease.

Section 6: requires legislative approval before AIDEA may enter into a gas supply contract with a natural gas producer in order to supply natural gas to Interior utilities unless the gas contract is for a natural gas liquefaction plant or distribution system that is owned by the Authority or a subsidiary of the Authority.

Section 7: prohibits AIDEA from using the SETS fund to purchase natural gas reserves or a gas lease or a working interest owner of a natural gas lease.

Section 8: amends the definition of "qualified energy development" that qualifies for SETS financing to include consideration of propane and possible delivery of natural gas to Interior Alaska via pipeline no larger than 12 inches in diameter.

Section 9: 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 10: changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Deletes the phrase "on the North Slope" and changes it to "in the state that will provide natural gas to Interior Alaska" so that natural gas can be sourced anywhere in the state. The section also clarifies that existing IEP financing can be used to support more than one natural gas distribution system in Interior Alaska. Requires the AIDEA Board to approve a project plan by resolution that includes the following items before SETS financing tools can continue to be used for the IEP.

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

Sections 11: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000.

Section 12: repeals legislative bond authorizations (1994 through 2006) under 44.88.095(g) for potential projects that were determined not to be feasible or did not move forward for other reasons. The repeal of these authorizations would be beneficial to AIDEA's bond rating as AIDEA moves forward to utilize its bonding capacity for future projects. Authorizations to be repealed include:

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

Section 13: places a sunset of June 30, 2019 on the bulk commodity handling facility bonding authorization contained in Section 9.

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

Section 15: authorizes AIDEA to issue bonds to finance Railbelt electric transmission upgrades between Hope substation and Portage, between Powerline Pass and Indian and to the Eklutna hydroelectric system. The total bonding authorization for the Hope/Portage and Powerline Pass/Indian improvements may not exceed \$107,100,000. The total authorization for the Eklutna system may not exceed \$20,400,000.

Section 16: authorizes the Alaska Energy Authority to enter into a loan from the Power Project Fund for up to \$3,000,000 for the King Cove Waterfall Creek hydroelectric project if a project financing application is submitted that meets AEA's due diligence standards and investment criteria.

Section 17: requires AIDEA to submit a quarterly report on the status of the Interior Energy Project. Also instructs AIDEA to provide briefings to the Legislative Budget and Audit Committee when requested.

Section 18: places a sunset of June 30, 2019 on the Sweetheart Lake, Railbelt transmission and Waterfall Creek bond authorizations contained in Sections 14, 15 and 16.

Section 19: places a sunset of June 30, 2020 on the reporting requirements contained in Section 17.

Section 20: provides an immediate effective date on the legislation.



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.



EXPLANATION OF CHANGES

House Bill 105

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

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

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



EXPLANATION OF CHANGES

House Bill 105

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

- Sec 1: No change
- Sec 2: Version E Section 2 removed in Version I eliminating additional Regulatory Commission of Alaska rate regulations requirements pertaining only to utilities located in Interior Alaska. Version E Section 3 renumbered Section 2 Version I.
- Sec 3: Version E Section 4 renumbered as Section 3 in Version I and changing "law" to "the legislature" on page 3, line 6 to make the language consistent within the section.
- Sec 4: Version E Section 5 renumbered as Section 4 in Version I.
- Sec 5: Version E Section 6 renumbered as Section 5 in Version I.
- Sec 6: Version E Section 7 renumbered as Section 6 in Version I. Removes subsection (1) restricting the AIDEA acquisition of gas reserves (moved to Section 7). Version E subsection (2) is incorporated into Version I subsection (c). The words "negotiate or" are removed. Language "to provide natural gas to the Interior Alaska as a primary market" are added on page 5, lines 12-13. The words "uses to serve customers in Interior Alaska" are added on page 5, lines 16-17.
- Sec 7: Inserts new Section 7, amending AS 44.88.690(a), regarding the AIDEA sustainable energy transmission and supply development fund, to require AIDEA to obtain legislative approval before using the fund to purchase or acquire gas reserves or a gas lease or become a working interest owner of a natural gas lease.
- Sec 8: No change
- Sec 9: Inserts new Section 9, providing AIDEA bonding authorization up to \$50,000,000 to finance the acquisition, design, and construction of a port facility and equipment related to the development and operation of a bulk commodity loading and shipping terminal, to be located at Point MacKenzie.
- Sec 10: Version E Section 9 renumbered as Section 10 in Version I and "if the Alaska Industrial Development and Export Authority prepares a project plan and receives legislative approval of the plan" is replaced with "if the members of the Alaska Industrial Development Authority approve by resolution a project plan" on page 6, line 29-31.

- Sec 11: Version E Section 10 renumbered as Section 11 in Version I.
- Sec 12: Version E Section 11 renumbered as Section 12 in Version I is modified to remove the repeal of "Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111" pertaining to the Point MacKenzie bonding authorization.
- Sec 13: Inserts new Section 13 repealing on June 30, 2019 "Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111" pertaining to the Point MacKenzie bonding authorization.
- Sec 14: Inserts a new Section 14 providing legislative authority for AIDEA to issue up to \$120,000,000 of bonds to finance the infrastructure and construction costs of Sweetheart Lake hydroelectric project.
- Sec 15: Inserts a new Section 15 providing legislative authority for the Alaska Industrial Development and Export Authority to issue bonds of up to \$107,100,000 and \$20,400,000 for rebuilding and upgrading, respectively, transmission by the Alaska Railbelt Transmission and Electric Company.
- Sec 16: Inserts a new Section 16 providing legislative authority for the Alaska Energy Authority to loan an amount up to \$3,000,000 from the power project fund to the City of King Cove for the Waterfall Creek hydroelectric project.
- Sec 17: Version E Section 12 renumbered as Section 17 in Version N.
- Sec 18: Inserts new Section 17 repealing Sections 14 - 16 of this act June 30, 2019.
- Sec 19: Insert new Section 19 to repeal Section 17 of this Act June 30, 2020.
- Sec 20: Version E Section 13 renumbered as Section 20 in Version I.

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 105
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB105SCSCS(FIN)-DCCED-AIDEA-04-18-15
Title: AIDEA: BONDS;PROGRAMS;LOANS;LNG
PROJECT
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: (S) Finance

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

Expenditures/Revenues

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

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

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

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version:

Amended to reflect Senate version of the bill.

Prepared By:	John Springsteen, Executive Director	Phone:	(907)771-3000
Division:	AIDEA	Date:	04/18/2015 10:00 AM
Approved By:	Catherine Reardon, Director	Date:	04/18/15
Agency:	Division of Administrative Services		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 105

Analysis

This bill amends provisions of AIDEA's authority to advance a liquefied natural gas production plant, evaluate energy proposals and support natural gas distribution systems in Interior Alaska. Limitations are established on how, and when, the financing tools for the Interior Energy Project (IEP) may be used. The amended bill also contains legislative intent that the financing tools be used only for that project based on an open and competitive solicitation process to select private entities to participate in the project. AIDEA will be required to provide a quarterly report to the legislature on the progress of the IEP and be prepared to brief the Legislative Budget and Audit Committee on the status of the project.

The bill also adjusts a number of existing AIDEA bond and loan thresholds that require legislative approval and deletes a number of out of date project authorizations.

Adopted
4/18/15

29-GH1019\F
Shutts
4/17/15

SENATE CS FOR CS FOR HOUSE BILL NO. 105(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the programs and bonds of the Alaska Industrial Development and
2 Export Authority; relating to the Alaska Industrial Development and Export Authority
3 sustainable energy transmission and supply development fund; repealing bond
4 authorizations granted to the Alaska Industrial Development and Export Authority;
5 amending the definition of 'qualified energy development'; relating to the financing
6 authorization through the Alaska Industrial Development and Export Authority of a
7 liquefied natural gas production plant and natural gas energy projects and distribution
8 systems in the state; requiring the Alaska Industrial Development and Export Authority
9 to deliver to the legislature reports relating to the Interior energy project; and providing
10 for an effective date."

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

12 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 LEGISLATIVE INTENT. It is the intent of the legislature that

3 (1) the increased geographic flexibility provided in sec. 9 of this Act solely
4 advance the Interior energy project, a project first authorized by the legislature in ch. 26, SLA
5 2013. The goals of the Interior energy project are to bring affordable natural gas to as many
6 residents of Interior Alaska communities as possible as quickly as possible. This Act does not
7 expand the scope of the project nor authorize any other activity beyond accomplishing those
8 stated goals;

9 (2) the Alaska Industrial Development and Export Authority use an open and
10 competitive solicitation process to select private entities to participate in developing the
11 liquefied natural gas production plant capacity and affiliated infrastructure described in this
12 Act.

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

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

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

26 (2) the project applicant is financially responsible;

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

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

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

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

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

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

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

18 (2) may not be purchased unless

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

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

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

1 unless the proceeds from the additional amounts of the loan to be purchased are
2 restricted to uses approved by the authority to finance commercial activity in the state
3 by a business enterprise;

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

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

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

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

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

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

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

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

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

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

30 (7) may be made only if the participation in the loan to be purchased is
31 secured as to repayment by a mortgage or other security instrument in the manner the

1 authority determines is feasible to assure timely repayment under the loan documents
2 entered into with the borrower.

3 * **Sec. 5.** 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. 6.** AS 44.88.170 is amended by adding a new subsection to read:

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

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

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

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

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

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

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

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

31 (A) transmission, generation, conservation, storage, or

1 distribution of heat or electricity;

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

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

9 * **Sec. 9.** The uncodified law of the State of Alaska enacted in sec. 11(a), ch. 26, SLA 2013,
10 is amended to read:

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

- 22 (1) identify the source of the natural gas; ^{ADD} "or propane"
- 23 (2) include the estimated cost of the project; and ^{ADD} "or propane"
- 24 (3) include the estimated price of natural gas supplied to natural
25 gas utilities in Interior Alaska before distribution to consumers.

26 * **Sec. 10.** The uncodified law of the State of Alaska enacted by sec. 25, ch. 123, SLA 1990,
27 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

28 Sec. 25. The Alaska Industrial Development and Export Authority may issue
29 bonds to finance the acquisition, design, and construction of aircraft maintenance air
30 cargo/air transport support facilities located at Anchorage International Airport, to be
31 owned by the Authority. The principal amount of the bonds may not exceed \$28,000,000

conc.
am
1:39:00
FTR

1 [\$85,000,000]. This section grants the legislative approval required by AS 44.88.095.

2 * **Sec. 11.** Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996; sec. 3,
3 ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA 1996; secs. 24(a) and
4 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended by sec. 1, ch. 93, SLA
5 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

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

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

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

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

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

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

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

20 * **Sec. 13.** Section 12 of this Act is repealed June 30, 2025.

21 * **Sec. 14.** This Act takes effect immediately under AS 01.10.070(c).

Adopted 4/17/15

29-GH1019G
Shutts
4/16/15

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

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending the definition of 'qualified energy development'; relating to the**
2 **financing authorization through the Alaska Industrial Development and Export**
3 **Authority of a liquefied natural gas production plant and natural gas energy projects**
4 **and distribution systems in the state; requiring the Alaska Industrial Development and**
5 **Export Authority to deliver to the legislature reports relating to the Interior energy**
6 **project; and providing for an effective date."**

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

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

10 **LEGISLATIVE INTENT.** It is the intent of the legislature that

11 (1) the increased geographic flexibility provided in sec. 3 of this Act solely
12 advance the Interior energy project, a project first authorized by the legislature in ch. 26, SLA
13 2013. The goals of the Interior energy project are to bring affordable natural gas to as many

1 residents of Interior Alaska communities as possible as quickly as possible. This Act does not
2 expand the scope of the project nor authorize any other activity beyond accomplishing those
3 stated goals;

4 (2) the Alaska Industrial Development and Export Authority use an open and
5 competitive solicitation process to select private entities to participate in developing the
6 liquefied natural gas production plant capacity and affiliated infrastructure described in this
7 Act.

8 * **Sec. 2.** AS 44.88.900(16) is amended to read:

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

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

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

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

19 * **Sec. 3.** The uncodified law of the State of Alaska enacted in sec. 11(a), ch. 26, SLA 2013,
20 is amended to read:

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

30 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

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

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

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

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

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

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

13 * **Sec. 5.** Section 4 of this Act is repealed June 30, 2025.

14 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).



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.

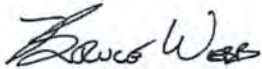
The approval of HB 105 and SB 50 will increase economic development and supply the private sector with increased activity, new jobs, and create new business opportunities. Having this program administered by the State of Alaska through AIDEA will insure the projects success and implementation sooner 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

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 -

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 black ink, appearing to read "S. Haagenson", is written over a horizontal line.

Steven Haagenson, General Manager

PO Box 70200
Fairbanks, AK 99707

907 374 4474
interiorgas.com

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

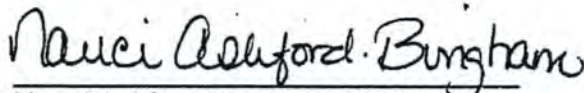
70
71 BE IT FURTHER RESOLVED that if the due diligence process shows that the
72 proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that
73 the Fairbanks North Star Borough Assembly supports moving forward with that plan.

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

-----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

March 30, 2015

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

1. Energy Security.

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

2. Local Economics

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

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

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

3. Recreational and Fishery enhancements

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

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,

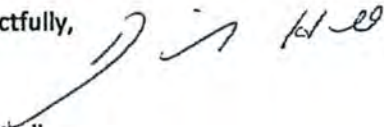
Cook Inlet Energy, LLC (CIE) supports SB 50 and HB 105. As an independent producer of oil and gas in Cook Inlet and on the North Slope of Alaska, CIE considers the potential for increasing in-state natural gas markets as a critical component to our continued growth.

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

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 longterm 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 459-7574. Follow him on Twitter: @FDNMpolitics.

Doniece Gott

From: Erin Shine
Sent: Thursday, April 16, 2015 6:12 PM
To: Doniece Gott
Subject: FW: HB 150/SB 50 stop Christmas treeing

From: Sen. Anna MacKinnon
Sent: Thursday, April 16, 2015 3:42 PM
To: Erin Shine
Subject: FW: HB 150/SB 50 stop Christmas treeing

FYI -

Susan Wallen
Executive Assistant
Office of Senator Anna MacKinnon
(formerly Fairclough)
907-465-3777
Susan.Wallen@akleg.gov
Sen.Anna.MacKinnon@akleg.gov

From: Rokeberg, Norman (RCA) [<mailto:norman.rokeberg@alaska.gov>]
Sent: Thursday, April 16, 2015 11:47 AM
To: Sen. Pete Kelly; Sen. Anna MacKinnon; Sen. Peter Micciche; Sen. Click Bishop; Sen. Mike Dunleavy; Sen. Lyman Hoffman; Sen. Donny Olson
Cc: Rokeberg, Norman (RCA)
Subject: HB 150/SB 50 stop Christmas treeing

My personal recommendation is the removal of all the additional AIDEA project bonds. Without solid legislative hearings mischief happens.

While the two Railbelt projects have merit, the Railbelt system reliability and Eagle River would be better served by investment in the needed Fossil Creek substation rather than an upgrade to MEA's native load north of Eklutna Hydro.

The "Sweetheart Deal" is troubling as it may increase retail rates due to an unneeded capacity increase without any offset in Federal greenhouse gas emissions under the CPP.

These are my opinions, not those of the RCA.

Norman Rokeberg