

SB

50

<TARGET><BILL>SB 50</BILL><SUBJECT>SB
50</SUBJECT><COMM>SFIN29</COMM></TARGET>

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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

CS for Senate Bill 50 Res Sectional Analysis

- Section 1: Adds intent language to the uncodified law of Alaska detailing that the geographic flexibility provided in Section 3 of this act is only to apply to the AIDEA financing tools for the Interior Energy Project previously authorized by ch. 26, SLA 2013 and is not intended to expand the scope of the project.
- Adds intent that AIDEA use an open and competitive process to select private entities to participate in the Interior Energy Project.
- Section 2: 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 3: 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.
- Section 4: Requires AIDEA to provide quarterly reports to the Legislature on the status of the Interior Energy Project that contains:
1. a description of project progress;
 2. an update on distribution system status
 3. information on the conversions to natural gas
 4. an accounting on the use and expected use of funds.
- Requires AIDEA to provide a brief on the Interior Energy Project to the LB&A Committee
- Section 5: Sunsets the reporting and briefing requirements of Sec. 4 on June 30, 2025.
- Section 6: Provides an immediate effective date.

Memorandum

To: Senator Cathy Giessel
Chairman, Senate Resources Committee

From: Gene Therriault
Alaska Energy Authority

Re: Summary of changes SB 50 to CS SB 50(NRG) ver W

Date: March 27, 2015

On March 26, 2015, the Senate Special Committee on Energy reported out a committee substitute for SB 50 that encompasses the following substantive changes:

- New section 4 – This new language modifies the definition of a “qualified energy development” for the Sustainable Energy Transmission and Supply (SETS) fund. Under the modified language, the Alaska Industrial Development and Export Authority (AIDEA) would be allowed to consider the use of SETS funds for a small diameter pipeline (12 inches or less) for the delivery of natural gas to Interior Alaska.
- Modified section 5 – This section appeared as Sec. 4 in the original version of SB 50. The language has been modified to clarify that as AIDEA considers a source of natural gas other than the North Slope for the Interior Energy Project, the primary target market for this resource remains the space heat and electric generation needs of Interior Alaska. The phrase “distribution system” was also changed to “distribution systems” to acknowledge that action of the Regulatory Commission of Alaska has created two separate natural gas distribution entities to serve the greater Fairbanks/North Pole area of the Fairbanks North Star Borough.



ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

SEN. CATHY GIESSEL

Chair
State Capitol, Room 427
Juneau, AK 99801-1182
(907) 465-4843 Fax 465-3871

Sen. Mia Costello, Vice-Chair
Sen. Peter Micciche
Sen. Bert Stedman

Sen. John Coghill
Sen. Bill Stoltze
Sen. Bill Wielechowski

Senate Bill 50

Explanation of Changes from Version W to Version E

1. Sections 1,2,3,6, and 7 from Version W are removed from Version E. Those sections dealt with adjusting various bonding authorizations, and repealing prior bond authorizations.
2. A new Section 1 in Version E is created, inserting legislative intent language, clarifying that any geographic flexibility granted in Senate Bill 50 is solely for the Interior energy project. The Alaska Industrial Development and Export Authority is expected to use an open and competitive solicitation process on the project, and engage the private sector towards advancing the project.
3. A new Section 4 in Version E is created, with an uncodified section of law requiring the Alaska Industrial Development and Export Authority (AIDEA) to submit a quarterly report to the legislature. The report will contain provisions of progress on the Interior energy project, the status of local distribution and build-out, an update on conversions, and an accounting of the expenditure and distribution of funds related to the project. The section also requires AIDEA to be available to brief the Legislative Budget and Audit Committee upon the request of the committee's chair.



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.

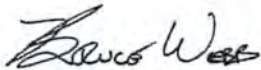
The approval of HB 105 and SB 50 will increase economic development and supply the private sector with increased activity, new jobs, and create new business opportunities. Having this program administered by the State of Alaska through AIDEA will insure the projects success and implementation sooner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

Sent: Thursday, March 26, 2015 3:07 PM

To: Sen. Click Bishop; Jennie Hafele

Subject: SB-50 Testimony New Study finds association between elevated PM 2.5 and stroke

Dear Sen. Bishop, Committee Members:

Re. SB-50

The lack of affordable, clean energy in the Interior has caused many to rely on inexpensive wood heat. Fairbanks and North Pole have dangerously unhealthy air quality as a result of nearly 8,000 wood stoves being used for space heating. During the winter, the atmospheric conditions (little wind, temperature inversions) trap particulates which concentrate to levels that violate air quality standards designed to protect human health.

I know this is an issue that concerns you. These new studies (see attached) published in the British Medical Journal illustrate the importance of why we must deal with the badly polluted air in Fairbanks and North Pole. The evidence of increased morbidity and mortality as a result of exposure to badly polluted air is compelling.

"Conclusion Gaseous and particulate air pollutants have a marked and close temporal association with admissions to hospital for stroke or mortality from stroke. Public and environmental health policies to reduce air pollution could reduce the burden of stroke." British Medical Journal March, 2015.

As you consider SB-50 it is essential that this legislation addresses this significant public health issue. Credible estimates of 50 to 100 premature deaths (over a lifetime) are caused every year due to high pollution levels in Fairbanks and North Pole. To fix this problem 3,000 to 5,000 wood stoves will need to be replaced with propane/natural gas stoves. Funding a conversion program to buy out these wood stoves will be essential to getting the conversions as will the investment in the capex (for infrastructure) for a propane solution- as part of a phased approach to the problem.

Thanks for your consideration,

Merrick Peirce

<http://www.bmj.com/content/350/bmj.h1295>

Abstract

Objective To review the evidence for the short term association between air pollution and stroke.

Design Systematic review and meta-analysis of observational studies

Data sources Medline, Embase, Global Health, Cumulative Index to Nursing and Allied Health Literature (CINAHL), and Web of Science searched to January 2014 with no language restrictions.

Eligibility criteria Studies investigating the short term associations (up to lag of seven days) between daily increases in gaseous pollutants (carbon monoxide, sulphur dioxide, nitrogen dioxide, ozone) and particulate matter (<2.5 μm or <10 μm diameter (PM_{2.5} and PM₁₀)), and admission to hospital for stroke or mortality.

Main outcome measures Admission to hospital and mortality from stroke.

Results From 2748 articles, 238 were reviewed in depth with 103 satisfying our inclusion criteria and 94 contributing to our meta-estimates. This provided a total of 6.2 million events across 28 countries. Admission to hospital for stroke or mortality from stroke was associated with an increase in concentrations of carbon monoxide (relative risk 1.015 per 1 ppm, 95% confidence interval 1.004 to 1.026), sulphur dioxide (1.019 per 10 ppb, 1.011 to 1.027), and nitrogen dioxide (1.014 per 10 ppb, 1.009 to 1.019). Increases in PM_{2.5} and PM₁₀ concentration were also associated with admission and mortality (1.011 per 10 $\mu\text{g}/\text{m}^3$ (1.011 to 1.012) and 1.003 per 10 $\mu\text{g}/\text{m}^3$ (1.002 to 1.004), respectively). The weakest association was seen with ozone (1.001 per 10 ppb, 1.000 to 1.002). Strongest associations were observed on the day of exposure with more persistent effects observed for PM_{2.5}.

Conclusion Gaseous and particulate air pollutants have a marked and close temporal association with admissions to hospital for stroke or mortality from stroke. Public and environmental health policies to reduce air pollution could reduce the burden of stroke.

Systematic review registration PROSPERO-CRD42014009225.

Introduction

Outdoor air pollution is an important risk factor for cardiovascular disease throughout the world, with particulate air pollution alone responsible for over three million deaths each year.^{1 2} Increases in concentrations of daily air pollution are associated with acute myocardial infarction³ and admission to hospital or death from heart failure.⁴ These associations could be mediated through direct and indirect effects of exposure to air pollutants on vascular tone, endothelial function, thrombosis, and myocardial ischaemia.^{5 6 7 8}

Stroke accounts for five million deaths each year and is a major cause of disability.⁹ The incidence of stroke is increasing, particularly in low and middle income countries, where two thirds of all strokes occur.¹⁰ The global burden of stroke related disability is therefore high and continues to rise. This has been primarily attributed to an ageing population in high income

countries and the accumulation of risk factors for stroke, such as smoking, hypertension, and obesity, in low and middle income countries.^{11 12} The impact of environmental factors on morbidity and mortality from stroke, however, might be important and is less certain.^{13 14 15} Given similarities in the pathophysiology of acute coronary syndrome and ischaemic stroke, it is plausible that air pollution is also an important and modifiable risk factor.^{3 4}

To provide global policy makers with the best estimates of the effect of short term exposure to air pollution on risk of stroke, we systematically reviewed studies examining the association between air pollution and admission to hospital for stroke or mortality from stroke.

Here's the second study abstract from the British Medical Journal:

Abstract

Objective To determine whether higher past exposure to particulate air pollution is associated with prevalent high symptoms of anxiety.

Design Observational cohort study.

Setting Nurses' Health Study.

Participants 71 271 women enrolled in the Nurses' Health Study residing throughout the contiguous United States who had valid estimates on exposure to particulate matter for at least one exposure period of interest and data on anxiety symptoms.

Main outcome measures Meaningfully high symptoms of anxiety, defined as a score of 6 points or greater on the phobic anxiety subscale of the Crown-Crisp index, administered in 2004.

Results The 71 271 eligible women were aged between 57 and 85 years (mean 70 years) at the time of assessment of anxiety symptoms, with a prevalence of high anxiety symptoms of 15%. Exposure to particulate matter was characterized using estimated average exposure to particulate matter <2.5 μm in diameter ($\text{PM}_{2.5}$) and 2.5 to 10 μm in diameter ($\text{PM}_{2.5-10}$) in the one month, three months, six months, one year, and 15 years prior to assessment of anxiety symptoms, and residential distance to the nearest major road two years prior to assessment. Significantly increased odds of high anxiety symptoms were observed with higher exposure to $\text{PM}_{2.5}$ for multiple averaging periods (for example, odds ratio per 10 $\mu\text{g}/\text{m}^3$ increase in prior one month average $\text{PM}_{2.5}$: 1.12, 95% confidence interval 1.06 to 1.19; in prior 12 month average $\text{PM}_{2.5}$: 1.15, 1.06 to 1.26). Models including multiple exposure windows suggested short term averaging periods were more relevant than long term averaging periods. There was no association between anxiety and exposure to $\text{PM}_{2.5-10}$. Residential proximity to major roads was not related to anxiety symptoms in a dose dependent manner.

Conclusions Exposure to fine particulate matter (PM_{2.5}) was associated with high symptoms of anxiety, with more recent exposures potentially more relevant than more distant exposures. Research evaluating whether reductions in exposure to ambient PM_{2.5} would reduce the population level burden of clinically relevant symptoms of anxiety is warranted

<http://www.bmj.com/content/350/bmj.h1111>

This is an account of the BMJ research in the popular press:

Air pollution linked to raised stroke risk: Studies reveal smog connected to death, anxiety and hospital admissions

- **Exposure to air pollution increases risk of dying by stroke, researchers say**
- **A new review found a link with short-term exposure to pollution particles**
- **Second study revealed a link between anxiety and those recently exposed**
- **The studies mount pressure on the Government to deal with smog problem**

Exposure to air pollution increases the risk of dying from stroke say British researchers.

A new review found a link with short-term exposure to carbon monoxide, nitrogen dioxide, sulphur dioxide and soot particles.

The review shows a rising risk of hospital admission or death from stroke over the week following exposure, in line with higher concentrations of pollutants.

+2

Strokes, which have been linked to exposure to pollution, are a leading cause of disability and cause more than 40,000 deaths in the UK each year. Pictured is London in 2011 covered in heavy smog

A second study from US researchers shows a possible link with anxiety in people recently exposed to air pollution.

The studies add to mounting pressure on the Government, which faces a Supreme Court hearing next month to explain why it has persistently failed to deal with the problem.

New findings come from a review of data in 100 studies including six million stroke events in 28 countries published in The BMJ.

Air pollution, mostly caused by traffic fumes and factory emissions, is estimated to contribute to the deaths of 29,000 people every year in Britain.

Microscopic particles have been shown to cause lung damage and harmful changes in blood vessels and clotting.

Sixteen cities in Britain - including London, Manchester, Glasgow, Sheffield and Birmingham - have been failing to hit EU air quality targets since 2011.

The European Court of Justice ruled last November that UK was in breach of EU law and should have created plans to tackle air pollution in the 16 cities by January 2015 at the latest.

Under existing plans, some British cities will not meet the pollution limits until 2030.

The UK's Supreme Court now has jurisdiction over the matter and will hear the case on April 16.

Simon Gillespie, chief executive at the British Heart Foundation which funded the study said 'It's deeply concerning that in many areas in the UK, air pollution may not meet the required EU limits until 2020.

'It is absolutely staggering that the Government accepts that some may not meet the limit until 2030, a full 20 years after the EU deadline.

'This puts hundreds of thousands of people across the UK at higher but totally avoidable risk of having a stroke.

'This new research only compounds what we already know, that air pollution is a blight on public health.'

Prof Jon Ayres, Professor of Environmental & Respiratory Medicine at the University of Birmingham, said 'It has long been thought that exposure to air pollution is associated with stroke and this meta analysis confirms the association with a range of pollutants.'

Read more: <http://www.dailymail.co.uk/health/article-3010309/Air-pollution-linked-raised-stroke-risk-Studies-reveal-smog-connected-death-anxiety-hospital-admissions.html#ixzz3VQdWguML>

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

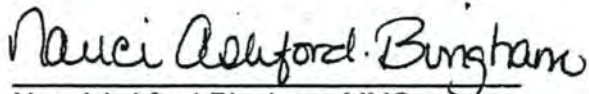
70
71 BE IT FURTHER RESOLVED that if the due diligence process shows that the
72 proposed purchase of PENTEX will significantly assist in meeting the goals of the IEP, that
73 the Fairbanks North Star Borough Assembly supports moving forward with that plan.

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

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,

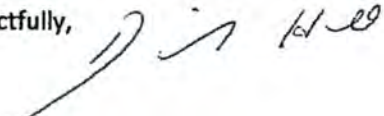
Cook Inlet Energy, LLC (CIE) supports SB 50 and HB 105. As an independent producer of oil and gas in Cook Inlet and on the North Slope of Alaska, CIE considers the potential for increasing in-state natural gas markets as a critical component to our continued growth.

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 – The “Place” To Do Business

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

March 9, 2015

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

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

Dear Representatives Nageak and Talerico and Senators Bishop and Micciche,

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

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

The Chamber is the premier business advocacy organization in the Interior whose mission is to advocate for a healthy economic environment by building partnerships that promote the greater Fairbanks area as an attractive place for business and community. We believe the Interior remains the “Place to do Business”, but our mission is made more difficult every year that goes by without action towards a mid-to-long term energy solution that addresses the high cost of energy for our businesses and residents.

We thank you for your leadership on this critical issue facing our community.

Sincerely,

GREATER FAIRBANKS CHAMBER OF COMMERCE

Lisa Herbert
Executive Director

Jennifer Imus
Board of Directors, Chair

INVESTORS

DIAMOND

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

Denali Center
Flint Hills Resources Alaska
Mt. McKinley Bank

PLATINUM

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

GOLD

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

SILVER

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



March 30, 2015

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

RE: Proposed AIDEA Purchase of Pentex

Chairman Pruhs and members of the AIDEA Board of Directors,

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

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

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

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

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

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

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EXECUTIVE PARTNERS

DIAMOND

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

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SILVER

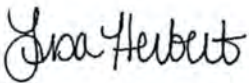
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General Teamsters Local 959
Gene's Chrysler, Jeep & Dodge
Hale & Associates, Inc.
JL Properties, Inc.
Key Bank
MAC Federal Credit Union
Personnel Plus
Sam's Club
Seekins Ford Lincoln
Shell Exploration & Production Co.
Sourdough Fuel/PetroStar
Spirit of Alaska FCU
State Farm Insurance
Tammy Randolph, Agent
Ed Randolph, Agent
Tanana Valley Clinic
TDL Staffing
Totem Ocean Trailer Express
Tower Hill Mines-Livengood Gold Project
University of Alaska Fairbanks
Verizon Wireless
Vivamore Companies
Yukon Title Company

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

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

Sincerely,

GREATER FAIRBANKS CHAMBER OF COMMERCE



Lisa Herbert
Executive Director



Jennifer Imus
Board of Directors, Chair

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



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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

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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

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- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital &

- Denali Center
- Flint Hills Resources Alaska
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- 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
- Viviamo Companies
- Yukon Title Company

March 5, 2015

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

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

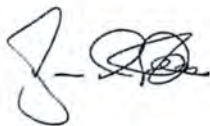
Dear Sirs,

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

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

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

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation



April 16, 2015

HB 105 / SB 50
Senate Finance Committee

IEP: GOALS UNDER SB23

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

IEP: OVERVIEW



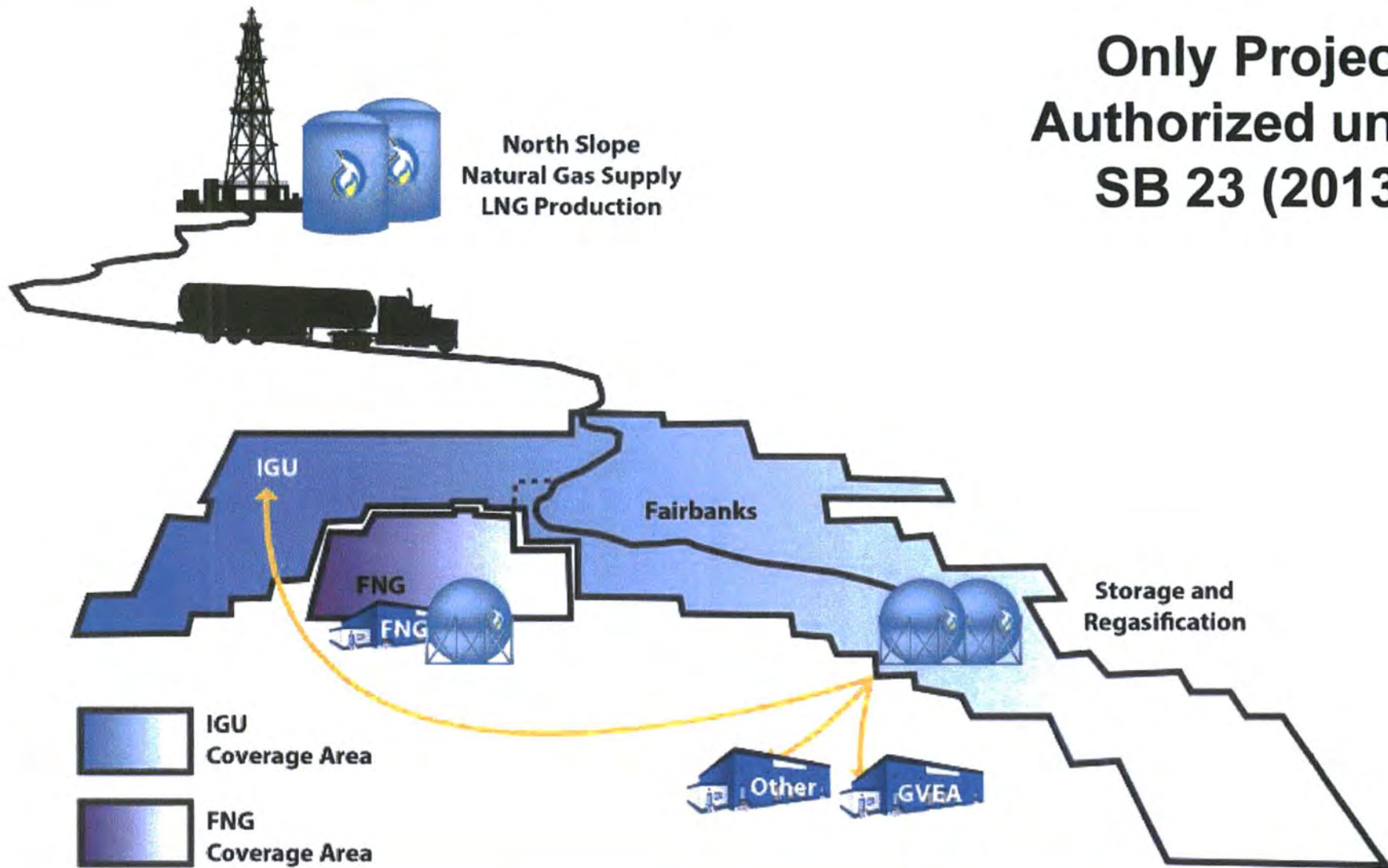
- **Meet the goals set by the legislature to supply affordable energy to Interior Alaska**
- **Project is complex, which is why the legislature took action**
- **Now evaluating infrastructure to deliver natural gas from any source, including Cook Inlet**
- **AIDEA financing the buildout of natural gas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

IEP: HB 105 / SB 50

- **HB 105 / SB 50 gives AIDEA flexibility to use SB 23 financing tools with a non-North Slope liquefaction location**
 - **Current version of HB 105 also authorizes financing propane and small diameter pipeline (under 12” diameter) projects to meet the goals of the IEP**
 - **Current version of SB 50 authorizes financing small diameter pipeline**

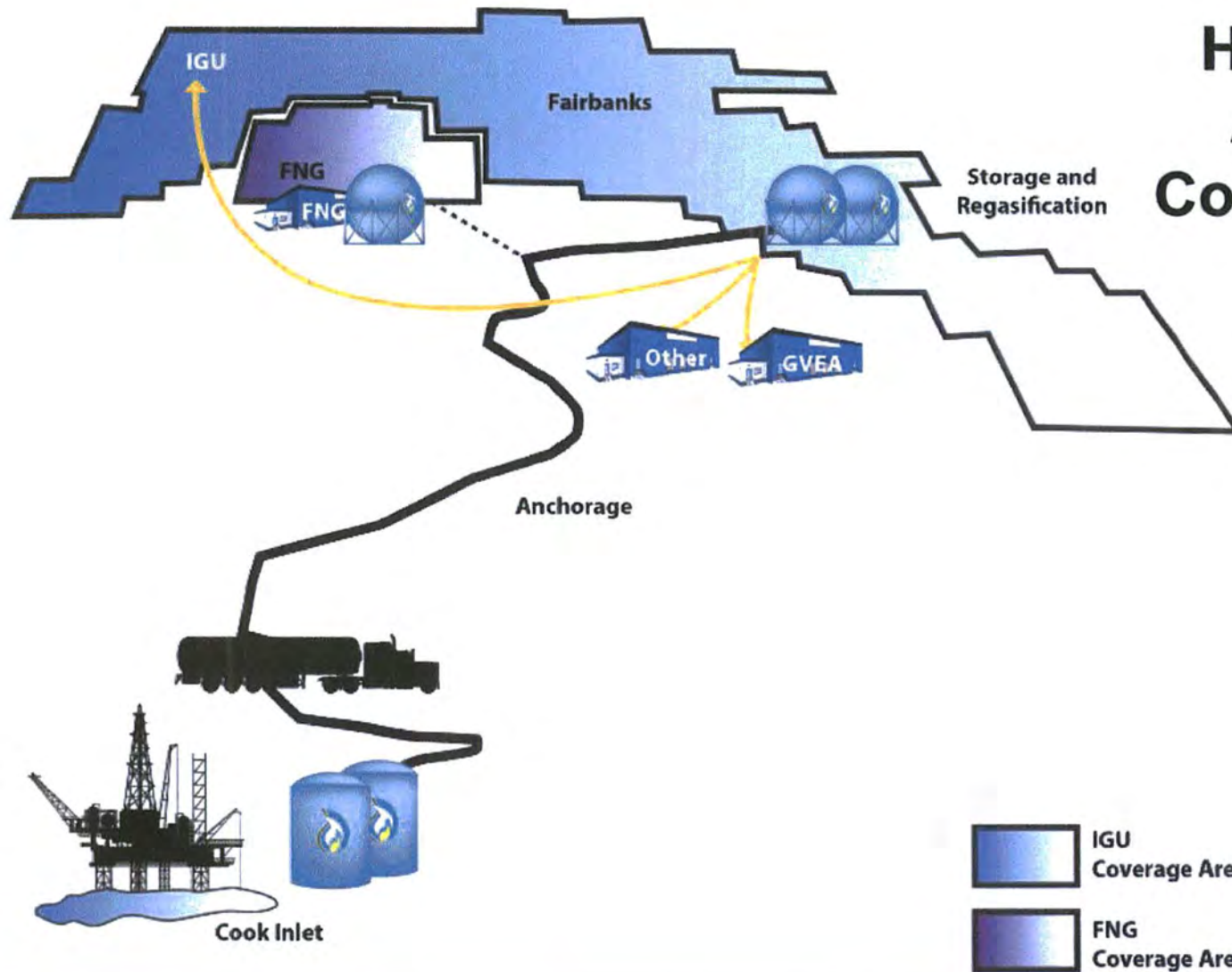
NORTH SLOPE PROJECT MAP

**Only Project
Authorized under
SB 23 (2013)**



COOK INLET PROJECT MAP

HB 105 / SB 50 Authorizes a Cook Inlet Project



COOK INLET, NORTH SLOPE, AND OTHER ALTERNATIVES



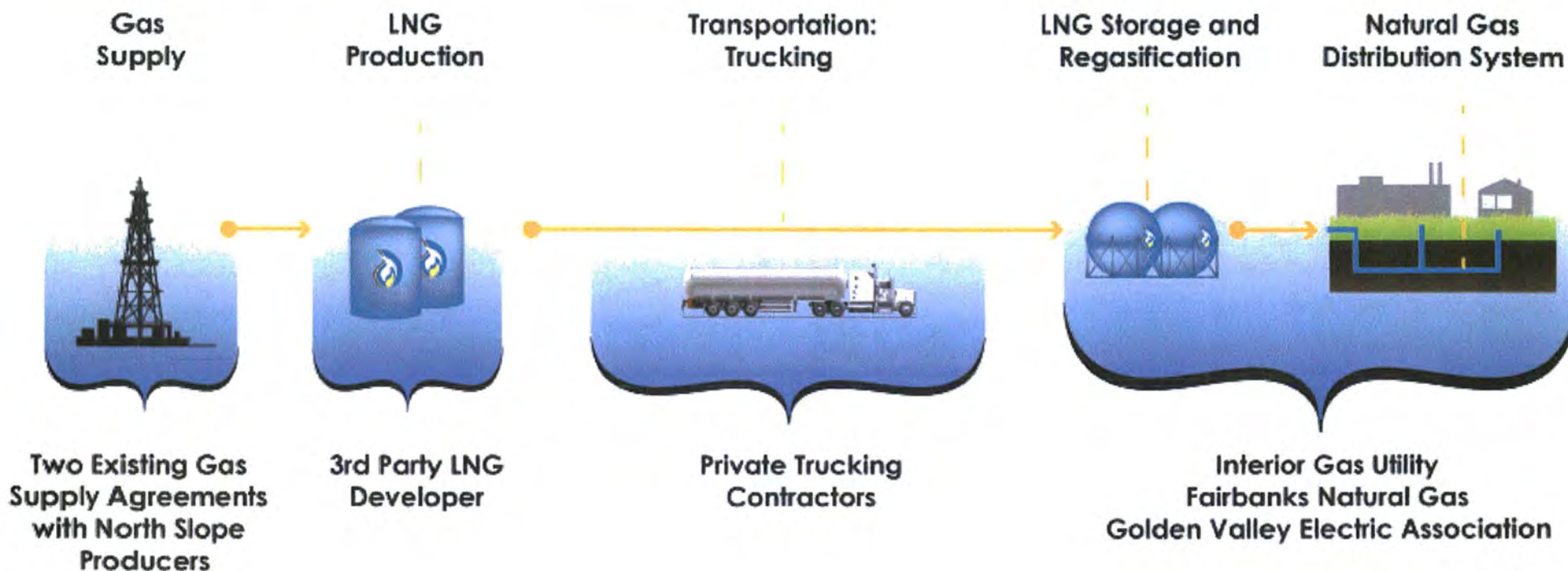
Cook Inlet

North Slope

Other

	Cook Inlet	North Slope	Other
Natural Gas Supply	Supply still uncertain but indications are positive	Abundant supply at low cost, existing contracts in place	Propane: Canada (HB105 only) Pipeline: Cook Inlet
LNG Plant Costs	Cheaper to construct and operate, "off the shelf"	Expensive to design and construct for North Slope conditions	Propane: No plant Pipeline: No plant
Trucking/ Rail	Lower trucking costs, large trailer potential, rail option	Trucking is more expensive but feasible	Propane: Marine, rail, trucking Pipeline: None
Storage and distribution	No significant change in design and costs		Propane: Redesign storage and regas Pipeline: Less storage

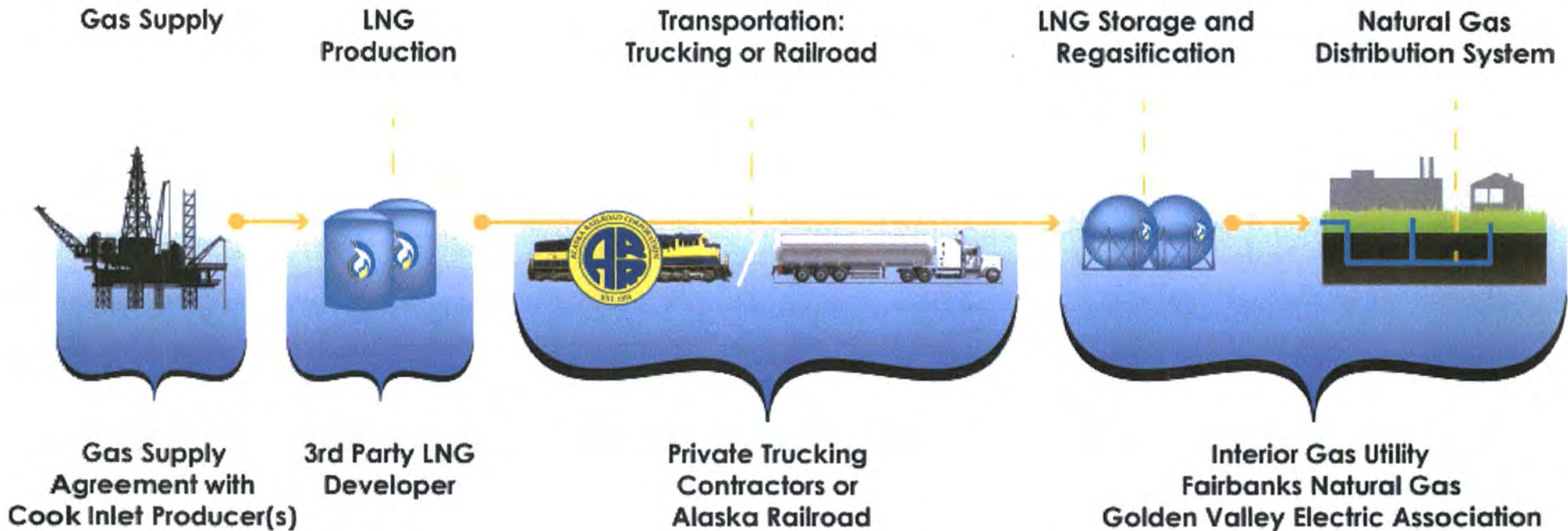
NORTH SLOPE LNG PROJECT



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

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

COOK INLET LNG ALTERNATIVE



Allowance of this alternative, in addition to the North Slope supply chain authorized in 2013, is the purpose of HB105/SB50's IEP changes.

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

PROJECT EXECUTION PLAN

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

IEP SUMMARY

- **The goals remain as established by SB23**
- **HB 105 / SB 50 authorizes the tool kit to best achieve goals of IEP**
- **Market driven process**
 - **Accomplishing IEP goals requires adaptation to current market and operating realities**