

SB

50

<TARGET><BILL>SB 50</BILL><SUBJECT>SB
50</SUBJECT><COMM>SRES29</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 3/27/15

FURTHER: Finance
 DATE TURNED IN TO OFFICE: 4/16/15

Resources Committee considered SENATE BILL NO. 50

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

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

and recommends:

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

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

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

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

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	Costello	✓			
	Caspell	✓			
	Micic	✓			
	Stedman			✓	
	Stoltze			✓	
CHAIR:	Gjesu	✓			

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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;

- (6) 1998 authorization to issue \$30,000,000 in bonds to finance improvements to the Nome port facilities;
- (7) 1998 authorization, amended in 2006, to issue \$25,000,000 in bonds to finance the development of Hatcher Pass in the Matanuska-Susitna Borough; and
- (8) 2004 authorization to issue \$20,000,000 in bonds to finance the development of a port and related facilities at Slate Creek and Cascade Point on Lynn Canal in Southeast Alaska.

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

I urge your prompt and favorable action on this measure.

Sincerely,



Bill Walker
Governor

Enclosure

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

Section 1: adjusts the limit under AS 44.88.095(c) from \$6 million to \$10 million. AS 44.88.095(c) requires AIDEA to receive a certified copy of a resolution of the municipality or from the Regional Resource Advisory Council (in the Unorganized Borough) consenting to the location of a project if AIDEA is to issue bonds exceeding \$6,000,000. AIDEA recommends that this cap be increased to \$10,000,000 to better reflect the true costs of projects in 2015.

Section 2: adjusts the limit under AS 44.88.095(g) from \$10 million to \$25 million. AS 44.88.095(g) requires that AIDEA receive legislative approval to issue bonds in amounts over \$10 million to finance a development project. The current bond limitations have lessened AIDEA's ability to utilize bonding as a tool in funding small to mid-size projects due to the time it takes to get authorization from the Legislature and to go through the community authorization process discussed in section 1. Additionally, AIDEA is recommending the dollar amount of bond limitations be the same as the dollar amount limit on loan participations AS 44.88.155(d)(1) since loan participations may be funded through bond issuances.

Section 3: changes the loan participation limit under AS 44.88.155(d)(1) to \$25 million (current limit - \$20 million), and \$25 million (current limit - \$20 million) for a loan participation for a qualified energy project without the necessity of obtaining prior legislative approval. Increasing the limits would allow AIDEA to provide more of the financing for a large commercial project and a qualified energy project and provide better financing terms for those projects.

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

Sections 5: reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000. Only a portion of the 1992 authorization was used which has been repaid.

Section 6: repeals legislative bond authorizations (1993 through 2006) under 44.88.095(g) for potential projects that were determined not to be feasible or did not move forward for other reasons. The repeal of these authorizations would be beneficial to AIDEA's bond rating for future projects. Outdated authorizations to be repealed include:

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

Section 7: immediate effective date.

SB 50 Fact Sheet

AIDEA: Bonds; Programs; Loans; LNG Project

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

Structural Changes

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

Changes to Dollar Limitations of Bonding for Development Finance Projects

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

SB 50 would amend AS 44.88.095(g) to authorize AIDEA to issue up to \$25 million in bonds for development finance projects without seeking prior legislative approval. A comparable increase is sought in AIDEA's requirement to seek approval for issuing bonds from a local governing body or Regional Resource Advisory Council - from the current limit of \$6 million to \$10 million.

Increasing the bonding limits under 44.88.095(c) and 44.88.095(g) would allow AIDEA the ability utilize bonds as a finance tool in funding small to midsize development projects. These limits have not been adjusted since 1990 and 25 years later should be adjusted for inflation and the cost of doing business in this state. Currently, based on the time it takes to go to the Legislature and obtain community approval for a bond authorization, utilizing bonds as financing tool for funding a small to midsize development project under these bonding limits is not feasible. Giving AIDEA the flexibility to utilize bonds as a tool in financing these development projects would allow AIDEA to

better manage its overall financial capacity and would allow projects to obtain a lower overall cost of capital.

Change to Loan Participation Limit

AIDEA is subject to dollar limits that it cannot exceed without obtaining approval from the Legislature or local governmental bodies. One of these limitations affects AIDEA's loan participation program under which it makes loans in conjunction with commercial financial institutions, such as banks and credit unions, for commercial projects and qualified energy projects. The current limitation restricts the size of the loan participation to \$20 million without the necessity of obtaining prior legislative approval. This limit has been in place since 2005 and has not been adjusted for inflation. The dollar amount would be approximately \$24.4 million adjusted for inflation.

SB 50 would amend AS 44.88.155 to authorize AIDEA to use up to \$25 million for a loan participation without the necessity of obtaining prior legislative approval. AIDEA's management and staff believe that increasing the limit on participation loans would allow AIDEA to provide more of the financing for large commercial projects and qualified energy projects and provide better financing terms for those projects.

Providing More Flexibility in Meeting Goals of the Interior Energy Project

Previous legislation from 2013 provided a funding mechanism for the Interior Energy Project (IEP). The goals of the IEP are to supply natural gas to Interior Alaska at the lowest cost possible; to as many Alaska customers as possible; and as soon as possible. Under the legislation, AIDEA financing for the development of a liquefied natural gas (LNG) plant for the IEP was restricted to the North Slope. AIDEA has determined that the goals of the IEP will be better served if AIDEA has the flexibility to look at and consider multiples sources of natural gas rather than being limited to the North Slope.

Proposed SB 50 would amend AIDEA's authorization with respect to financing a liquefied natural gas production facility and affiliated infrastructure. It would remove the North Slope limitation and allow AIDEA to pursue the construction of an LNG plant (or plants) anywhere in the state using any gas source that is economically feasible to support the IEP.

Repeal of Outdated Bond Authorizations

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

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

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

A M E N D M E N T

OFFERED IN THE SENATE
TO: CSSB 50(NRG)

BY SENATOR COGHILL

1 Page 1, following line 7:

2 Insert a new bill section to read:

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

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

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

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

16

17 Page 1, line 8:

18 Delete "**Section 1**"

19 Insert "**Sec. 2**"

20

21 Renumber the following bill sections accordingly.

22

23 Page 5, following line 17:

1 Insert a new bill section to read:

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

4 REPORTS. The Alaska Industrial Development and Export Authority shall submit
5 bimonthly expenditure and progress reports on the Interior energy project to the Legislative
6 Budget and Audit Committee."

7

8 Renumber the following bill section accordingly.



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.

Fiscal Note

State of Alaska
2015 Legislative Session

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

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

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

Expenditures/Revenues

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

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

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

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

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

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version:

initial version

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

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

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

This bill does not have a fiscal impact.



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.

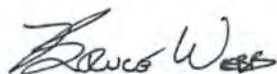
The approval of HB 105 and SB 50 will increase economic development and supply the private sector with increased activity, new jobs, and create new business opportunities. Having this program administered by the State of Alaska through AIDEA will insure the projects success and implementation sooner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

A handwritten signature in black ink that reads "Bruce Webb". The signature is written in a cursive style with a prominent initial "B".

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>



Interior Energy Project



Senate Resource
4/3/15

SB 50
IEP Status Update

IEP GOALS

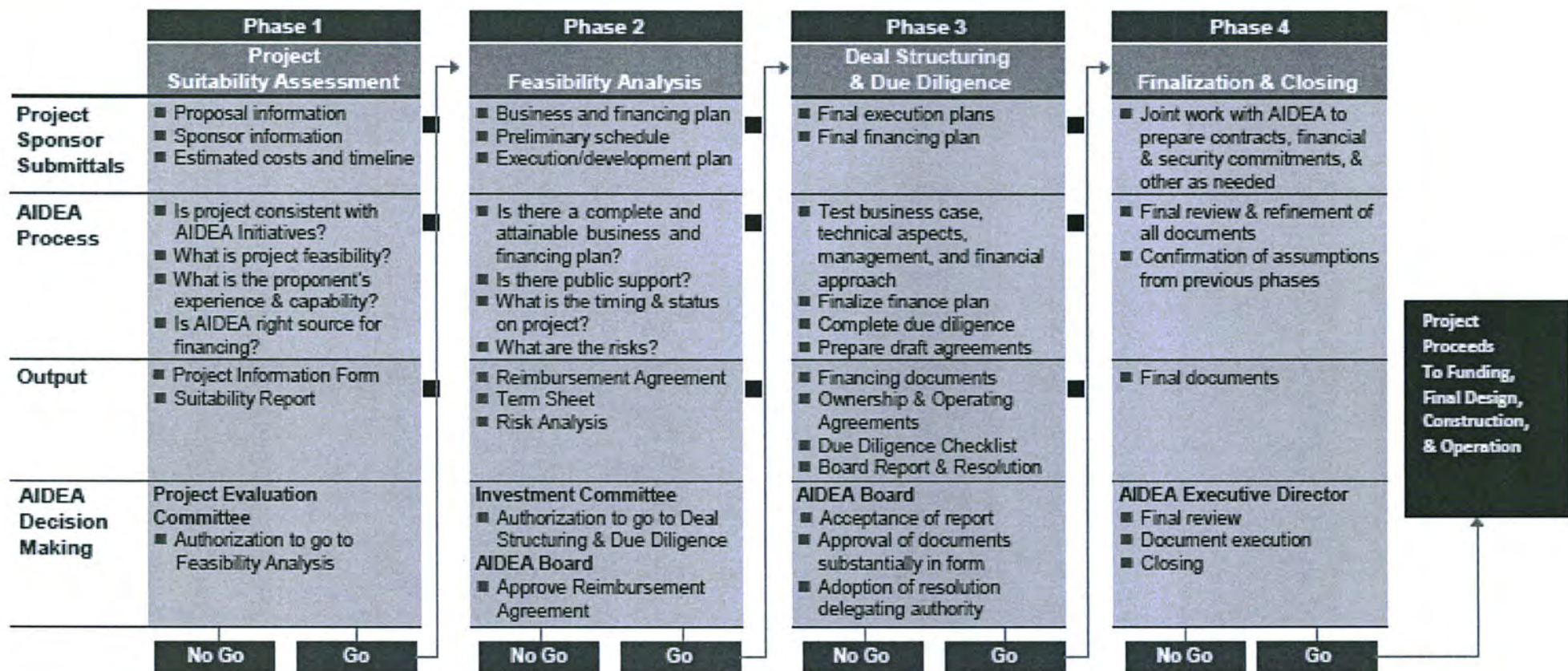
- **Supply natural gas to Interior Alaska:**
 - **At the lowest cost possible**
 - **As many Alaska customers as possible**
 - **As soon as possible**
- **IEP investments compliment eventual sources of gas supply from a natural gas pipe line**
- **Lower PM2.5 in nonattainment areas of Interior**

IEP: CURRENT STATUS

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

AIDEA'S DUE DILIGENCE PROCESS

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



NORTH SLOPE AND COOK INLET: COMPARING PROJECTS



Cook Inlet

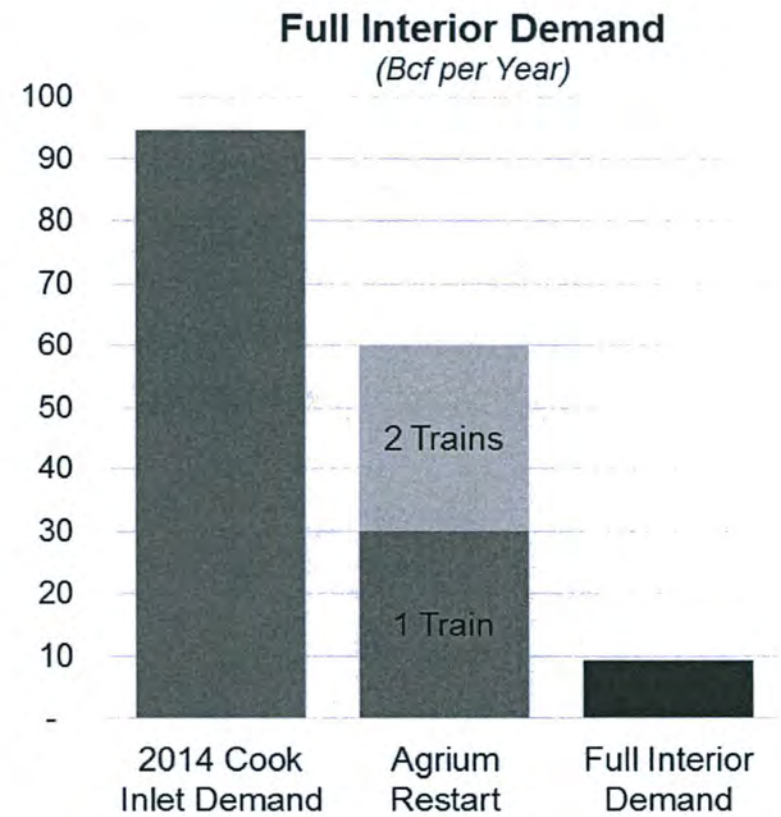
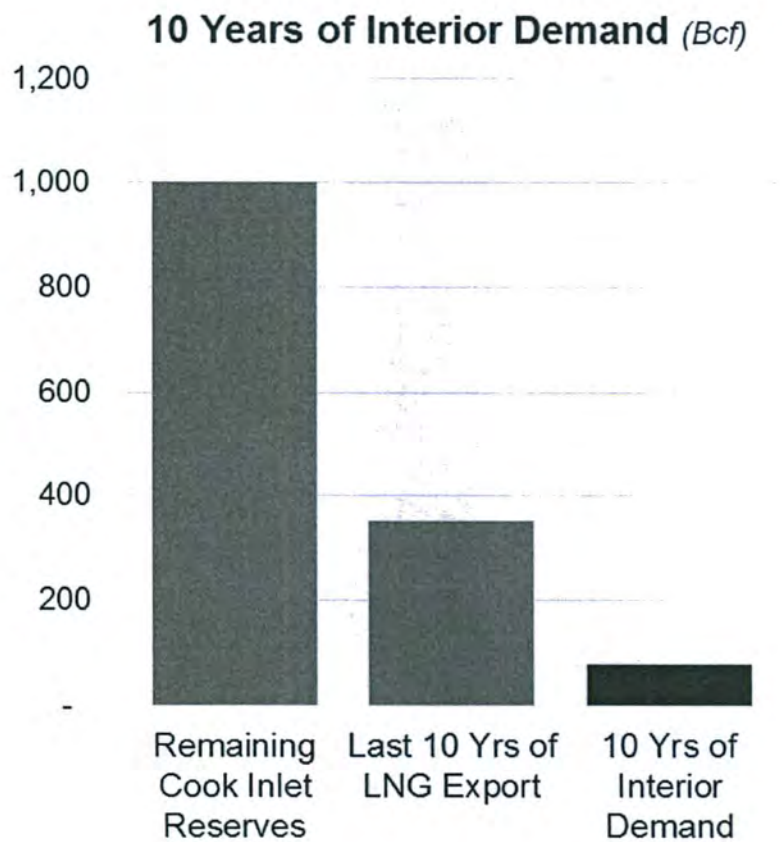
North Slope

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

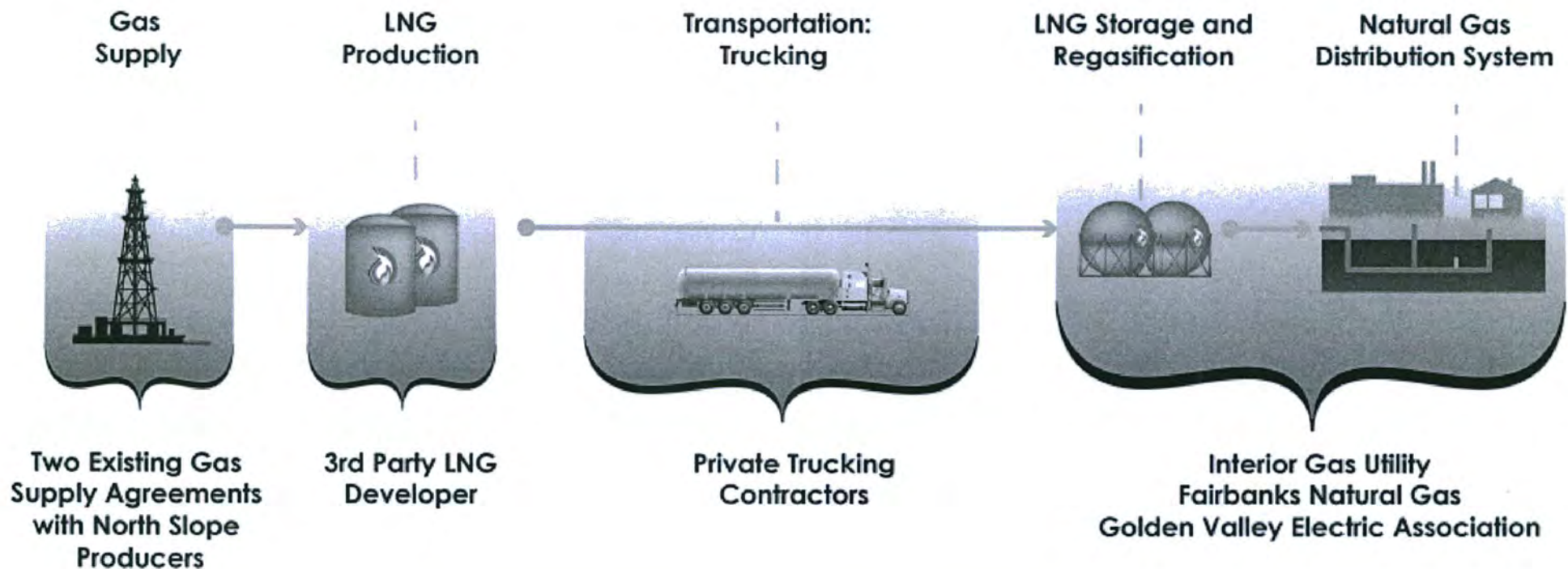
Conclusion: If affordable natural gas is available, a Cook Inlet LNG project is favorable

HOW DOES THE INTERIOR DEMAND COMPARE?

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



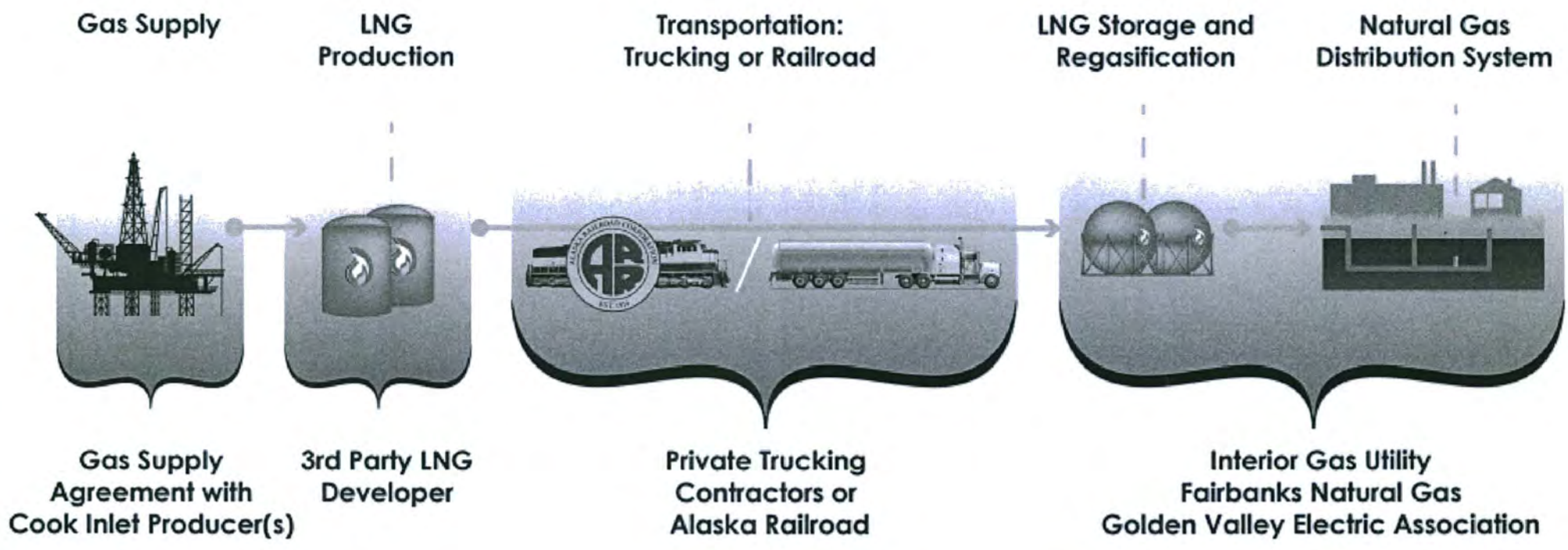
NORTH SLOPE LNG PROJECT



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

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

COOK INLET LNG ALTERNATIVE



Allowance of this alternative, in addition to the North Slope supply chain authorized in 2013, is the purpose of 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.)



Interior Alaska – The “Place” To Do Business

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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

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 L
- Usibelli Coal Mine
- WAL-MART Stores, Inc.

SILVER

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



March 5, 2015

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

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

Dear Sirs,

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

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

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

Respectfully,

Jim Dodson
President & CEO
Fairbanks Economic Development Corporation