

HB

261

<TARGET><BILL>HB 261</BILL><SUBJECT>HB
261</SUBJECT><COMM>HL&C30</COMM></TARGET>

ALASKA STATE LEGISLATURE


Session:
State Capitol Building
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REPRESENTATIVE STEVE THOMPSON

TO: Representative Sam Kito, Chair, House Labor & Commerce Committee

FROM: Representative Steve Thompson 

DATE: January 24, 2018

RE: Hearing Request for HB 261 "An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

Dear Mister Chair:

I humbly request that you hear HB 261 in the House Labor & Commerce Committee at your earliest convenience. Attached is a bill packet that contains the following:

- 1) HB 261 ver A
- 2) HB 261 Sponsor Statement
- 3) HB 261 Supporting Documents

Staff contact in my office for this bill will be Forrest Wolfe, who can be reached at (907) 465-3004 or forrest.wolfe@akleg.gov.

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REPRESENTATIVE STEVE THOMPSON

Sponsor Statement

House Bill 261

"An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

HB 261 extends the allowable time for the Alaska Industrial Development and Energy Authority (AIDEA) to issue bonds for the Interior Energy Project (IEP) to June 30, 2023.

The legislature passed SB 23 (Ch. 26 SLA 13) in 2013 in response to the high cost of energy and air quality issues facing Interior Alaska residents. The legislation created the IEP to expand access to clean and affordable natural gas for Interior residents and businesses. SB 23 contained a financing package to be administered by AIDEA that included up to \$150 million in bonds, the authority for which expires June 30, 2018.

The IEP is a joint project with AIDEA and the Interior Gas Utility (IGU), and it includes the liquefaction, transport, storage, regasification, and distribution of natural gas in the Interior. To date, the AIDEA team diligently deployed the original financing package in SB 23 as contractual agreements were negotiated to achieve the project goals. As a result of these negotiations, a contractual purchase and sale agreement and a financing agreement were signed on December 13, 2017 to advance the project. Completion of these agreements took longer than anticipated and AIDEA requires additional time to issue the authorized bonds beyond the standard 5-year sunset. The bonding is critical for the continued success of the project to help finance increased LNG production capacity and long-term distribution expansion in the Interior. Under 2015 amendments to the financing package, the funds can only be used for a qualified plan for the IEP, which AIDEA approved in September 2017.

Among the notable accomplishments of the IEP:

- The 2014 and 2015 build-out of a natural gas distribution system covering nearly all of Fairbanks and core-North Pole to prepare for expanded natural gas usage;
- Facilitating the consolidation of Fairbanks Natural Gas and the Interior Gas Utility into a single utility entity to achieve economy of scale;
- Passage of PACE legislation to assist in commercial conversions to natural gas; and
- Start of construction to expand LNG storage capacity in the Interior by 5.2 million gallons.

E-Mail: Representative.Steve.Thompson@akleg.gov
Website: www.akrepublicans.org/thompson/

Passage of the bill provides additional time for the consolidated natural gas system to establish itself as a viable utility grade enterprise. HB 261 will ensure the IEP continues to progress and the vision of expanded access to affordable natural gas in the Interior will finally be realized. I urge your support.

E-Mail: Representative.Steve.Thompson@akleg.gov
Website: www.akrepublicans.org/thompson/



January 23, 2018

Representative Steve Thompson
State Capitol Room 500
Juneau, AK 99801


Dear Representative Thompson,

On behalf of the Interior Gas Utility (IGU), please accept this letter expressing support for House Bill 261 and extension of the Alaska Industrial Development and Energy Authority's (AIDEA) authorization for bond issuance in support of the Interior Energy Project (IEP) to June 30, 2023. This extension will ensure the totality of the funding tools authorized by the State in 2013 remain available to support development of critical components of the project (expanded liquefaction and distribution infrastructure) and maintains the viability of other invested and deployed state funds.

Should they remain available, the bonds authorized in 2013 in SB 23 will, in the immediate- to short-term, serve as completion funding for expanded liquefaction capacity in the Cook Inlet region and, in the longer-term, financing for expansion of the local natural gas distribution system beyond core-Fairbanks and North Pole into the more environmentally challenged and economically challenging areas of the community. These investments in increased LNG production and natural gas distribution capacity are critical to achieving an optimized total natural gas system (proper balance between liquefaction capacity, LNG storage & regasification capacity, and gas distribution & delivery capacity) and necessary to securing, for interest-bearing return, the SETS funds used in 2014/15 for the above reference infill and build-out of Fairbanks and North Pole distribution systems, and currently being deployed to construct the 5.2 million gallon LNG storage facility in Fairbanks.

The Interior Gas Utility and Fairbanks community greatly appreciate the past efforts of yourself and your colleagues in support of the Interior Energy Project and this current effort to ensure its previously-authorized funding package remains fully available. Therefore, I hope you will add myself and IGU to the list of individuals and organizations supporting HB 261 and advocating for its speedy passage.

Sincerely & Respectfully,



Jomo Stewart,
General Manager

PO Box 70200
Fairbanks, AK 99707

907 374 4474
interiorgas.com



Fairbanks North Star Borough

Mayor's Office

907 Terminal Street, PO Box 71267, Fairbanks, Alaska 99701 (907)459-1300 FAX (907)459-1102

****TRANSMITTED VIA ELECTRONIC MAIL****

January 22, 2018

The Honorable Steve Thompson
State House of Representatives
Alaska State Capitol
Juneau, Alaska 99801

RE: Support for HB261

Representative Thompson:

I write this letter today in support of House Bill 261, an act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system. Thank you as well for your personal support in moving this important piece of legislation forward.

SB125 will extend the time and authority for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds out to 2023. As you know, our air quality needs significant improvement and Interior residents need access to cheaper and more reliable forms of energy; critical for the health, safety and economic well-being of our community. SB125 will enable the good work of the Interior Energy Project and the Interior Gas Utility to continue build out of natural gas infrastructure and soon, the first natural gas service beyond the city limits of Fairbanks.

Sincerely,

Karl Kassel, Mayor

January 22, 2018

Representative Steve Thompson
State Capitol, Room 500
Juneau, AK 99801-1182

Sir,

I am writing you to express my support of House Bill 0261A. If passed, this bill would extend the allowable time for the Alaska Industrial Development and Energy Authority (AIDEA) to issue bonds for the Interior Energy Project (IEP) to June 30, 2023. The IEP has been a huge undertaking and, because of hard work and a supportive community, has made slow and steady progress.

Gas distribution lines have been extended to the majority of the City of Fairbanks, expanding the number of available users from about 1,000 to 5,000. A significant portion of the North Pole community now also has gas distribution lines, adding 1,500 more customers. Construction has started on a Liquefied Natural Gas (LNG) storage facility in South Fairbanks that, when finished, will allow the existing LNG plant to provide additional gas to a few hundred customers. Recently, an agreement between AIDEA and Fairbanks' Interior Gas Utility (IGU) was signed and IGU is ready to take control of the combined community gas utility starting in the spring of this year.

To continue moving forward, and begin producing the gas to reach those 5,500 available users, IGU will need to sell the AIDEA Interior Energy Bonds. The extension of bonding authority until June of 2023 is critical to the goals of the Interior Energy Project. Bringing affordable natural gas to Interior Alaska and providing a clean burning fuel to help improve Fairbanks' air quality.

We appreciate your support of the IEP and the support of your colleagues in the legislature. Thank you for the opportunity to express our support for this very critical project.

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation



February 9, 2018

Representative Sam Kito
Chair, House Labor and Commerce Committee
State Capitol, Room 403
Juneau, Alaska 99801

Dear Representative Kito:

I am writing to you today to express support for House Bill 261 (HB 261); An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date.”

HB 261 would simply extend the amount of time the Alaska Industrial Development and Export Authority has to issue project bonds in support of the Interior Energy Project. The original authorization was approved by the 28th Alaska Legislature with a standard five-year sunset date. Advancement of the project was delayed prompting Representative Steve Thompson to request the proposed time extension.

Negotiations in 2017 advanced the Interior Energy Project to a point that contractual agreements were signed on December 13, 2017 to consolidate the two existing natural gas utilities into a single entity under local control. The transaction is now on track to close by the end of May, at which time continued access to the bond authorization will be a critical component of the utilities’ future plans to increase access. In addition to access to an increased supply of natural gas in the Interior at an affordable price, we understand increased use of natural gas will assist community leaders in their efforts to comply with requirements of the Clean Air Act.

Gene Therriault is the Interior Energy Project Team Lead for AIDEA and is available to provide further background information you may require. Gene has worked closely with Representative Thomson and his staff on HB 261 and will be available to testify on the legislation.

Kind regards,

A handwritten signature in blue ink, appearing to read "John Springsteen", with a long, sweeping horizontal line extending to the right.

John Springsteen
AIDEA CEO/Executive Director

LNG Storage Tank Construction

Eric Engman Feb 16, 2018 Updated Feb 16, 2018 (0)



Excavation continues as IGU and AIDEA board members tour the construction site of the new Liquefied Natural Gas (LNG) 5 million gallon full containment storage tank being built off of Tria Road Friday afternoon, February 16, 2018. The \$47 million project will be the third LNG storage tank in the state, and is being built almost entirely with Alaska workers.

[Buy Now](#)

Eric Engman



STORAGE TANK CONSTRUCTION

IGU and AIDEA board members tour the construction site of the new Liquefied Natural Gas 5 million-gallon full containment storage tank being built off Tria Road on Friday afternoon.

The \$47 million project will be the third LNG storage tank in the state and is being built almost entirely by Alaska workers.
ERIC ENGMAN/NEWS-MINER



A worker with Arctic Foundations Inc. of Anchorage welds pipes together for the thermosiphon system.