

CS FOR HOUSE BILL NO. 105(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the programs and bonds of the Alaska Industrial Development and**
2 **Export Authority; relating to the Alaska Industrial Development and Export Authority**
3 **sustainable energy transmission and supply development fund; requiring the Alaska**
4 **Industrial Development and Export Authority to deliver to the legislature reports**
5 **relating to the Interior energy project; relating to the financing authorization through**
6 **the Alaska Industrial Development and Export Authority of a liquefied natural gas**
7 **production plant and natural gas energy projects and distribution systems in the state;**
8 **amending and repealing bond authorizations granted to the Alaska Industrial**
9 **Development and Export Authority; authorizing the Alaska Industrial Development and**
10 **Export Authority to issue bonds to finance the infrastructure and construction costs of**
11 **the Sweetheart Lake hydroelectric project; relating to legislative approval for loans**
12 **from the power project fund to the City of King Cove; and providing for an effective**

1 **date."**

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

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 the financing
6 authorized in sec. 9 of this Act be used only for the Interior energy project described in sec. 9
7 of this Act.

8 * **Sec. 2.** AS 42.05.711(b) is amended to read:

9 (b) Except as otherwise provided in this subsection and in (o) of this section,
10 public utilities owned and operated by a political subdivision of the state, or electric
11 operating entities established as the instrumentality of two or more public utilities
12 owned and operated by political subdivisions of the state, are exempt from this
13 chapter, other than AS 42.05.221 - 42.05.281 and 42.05.385. However,

14 (1) the governing body of a political subdivision may elect to be
15 subject to this chapter; [AND]

16 (2) a utility or electric operating entity that is owned and operated by a
17 political subdivision and that directly competes with another utility or electric
18 operating entity is subject to this chapter and any other utility or electric operating
19 entity owned and operated by the political subdivision is also subject to this chapter;
20 this paragraph does not apply to a utility or electric operating entity owned and
21 operated by a political subdivision that competes with a telecommunications utility;
22 **and**

23 **(3) a utility that operates a natural gas distribution system and**
24 **affiliated infrastructure providing natural gas to Interior Alaska and that**
25 **receives financing through the Alaska Industrial Development and Export**
26 **Authority sustainable energy transmission and supply development fund**
27 **(AS 44.88.660) is subject to this chapter unless the utility is owned and operated**
28 **by a political subdivision of the state and the governing body of the political**
29 **subdivision exempts the utility from this chapter by resolution.**

30 * **Sec. 3.** AS 44.88.095(c) is amended to read:

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

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

13 (2) the project applicant is financially responsible;

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

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

19 * **Sec. 4.** AS 44.88.095(g) is amended to read:

20 (g) The authority may issue bonds in an amount greater than \$25,000,000
21 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
22 44.88.177 only if approved by the legislature [LAW], excluding refunding bonds.
23 Refunding bonds may be issued without further approval by law in a principal amount
24 sufficient to provide funds for the payment of all bonds to be refunded by them and, in
25 addition, for the payment of all other amounts that the authority considers appropriate
26 in connection with the refunding, including expenses incident to the redeeming,
27 calling, retiring, or paying of the outstanding bonds, the funding of reserves, and the
28 issuance of the refunding bonds.

29 * **Sec. 5.** AS 44.88.155(d) is amended to read:

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

1 enterprise development account

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

5 (2) may not be purchased unless

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

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

13 (3) may not be purchased if the loan to be purchased exceeds 75
14 percent of the appraised value of the collateral offered as security for the loan unless
15 the amount of the loan in excess of this limit is federally insured or guaranteed or is
16 insured by a qualified mortgage insurance company, except that the loan to be
17 purchased under this paragraph may not exceed the total of loan proceeds used to
18 refinance an existing debt plus the cost of new construction, expansion, or acquisition
19 unless the proceeds from the additional amounts of the loan to be purchased are
20 restricted to uses approved by the authority to finance commercial activity in the state
21 by a business enterprise;

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

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

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

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

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

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

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

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

10 (ii) the accelerated amortization schedule is required to
11 induce the originator to make the loan;

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

17 (7) may be made only if the participation in the loan to be purchased is
18 secured as to repayment by a mortgage or other security instrument in the manner the
19 authority determines is feasible to assure timely repayment under the loan documents
20 entered into with the borrower.

21 * **Sec. 6.** AS 44.88.170(a) is amended to read:

22 (a) **Except as provided in (c) of this section, nothing** [NOTHING] in this
23 chapter prevents the inclusion in a lease or other agreement relating to a project of a
24 provision granting the right to purchase the project, or to renew or extend the lease or
25 agreement, upon the terms and conditions **that** [WHICH] may be provided for in the
26 lease or agreement.

27 * **Sec. 7.** AS 44.88.170 is amended by adding a new subsection to read:

28 (c) The authority, without first obtaining legislative approval, may not enter
29 into a gas supply contract with a natural gas producer to provide natural gas to Interior
30 Alaska as a primary market unless the contract is for the benefit of a natural gas
31 liquefaction or distribution utility that is owned by the authority or a subsidiary of the

1 authority and the contract is for the natural gas producer to provide the utility, and
2 only the utility, with a natural gas supply that the utility uses to serve customers in
3 Interior Alaska.

4 * **Sec. 8.** AS 44.88.690(a) is amended to read:

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

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

11 (2) **make** a loan guarantee if the amount of the guarantee exceeds
12 \$20,000,000; **or**

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

15 * **Sec. 9.** AS 44.88.900(16) is amended to read:

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

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

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

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

27 * **Sec. 10.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, is
28 amended to read:

29 (a) The Alaska Industrial Development and Export Authority may issue bonds
30 to finance the acquisition, design, and construction of a port facility and [RELATED
31 LOADING AND CONVEYOR] equipment related to the development and operation

1 of a bulk commodity loading and shipping terminal, to be located at Point
2 MacKenzie [. THE TERMINAL MAY BE LOCATED ANYWHERE WITHIN
3 COOK INLET]. The facility will be owned by the authority. The principal amount of
4 the bonds may not exceed \$50,000,000.

5 * **Sec. 11.** The uncodified law of the State of Alaska enacted by sec. 11(a), ch. 26, SLA
6 2013, is amended to read:

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

18 (1) identify the source of the natural gas or propane;

19 (2) include the estimated cost of the project; and

20 (3) include the estimated price of natural gas supplied to natural
21 gas utilities in Interior Alaska before distribution to consumers.

22 * **Sec. 12.** The uncodified law of the State of Alaska enacted by sec. 25, ch. 123, SLA 1990,
23 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

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

29 * **Sec. 13.** Section 3, ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA
30 1996; secs. 24(a) and 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended
31 by sec. 1, ch. 93, SLA 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

1 * **Sec. 14.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 LEGISLATIVE APPROVAL; SWEETHEART LAKE HYDROELECTRIC
4 PROJECT. (a) The Alaska Industrial Development and Export Authority may issue bonds to
5 finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project.
6 The Sweetheart Lake hydroelectric facility shall be owned and operated by the authority or
7 financed under AS 44.88.172. The principal amount of the bonds provided by the authority
8 for the Sweetheart Lake hydroelectric project may not exceed \$120,000,000 and may include
9 the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial
10 Development and Export Authority.

11 (b) This section constitutes legislative approval required by AS 44.88.095(g).

12 * **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to
13 read:

14 LEGISLATIVE APPROVAL OF LOAN FROM THE POWER PROJECT FUND. If
15 the Alaska Energy Authority approves a loan to the City of King Cove for the Waterfall Creek
16 hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an
17 amount not to exceed \$3,000,000 from the power project fund (AS 42.45.010) to the City of
18 King Cove for the Waterfall Creek hydroelectric project. This section constitutes legislative
19 approval under AS 42.45.010(j) for a loan from the fund for a project in which the cumulative
20 state involvement exceeds \$5,000,000.

21 * **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

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

- 27 (1) a description of project progress on all components;
- 28 (2) an update on the status of local distribution infrastructure buildout;
- 29 (3) to-date and anticipated conversions; and
- 30 (4) a financial accounting of funds expended and funds anticipated to be spent,

31 including loans, grants, and bonds.

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

4 * **Sec. 17.** Sections 14 and 15 of this Act are repealed June 30, 2019.

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