

AMENDMENT #H.1

ADOPTED UC

OFFERED IN THE SENATE

BY SENATOR WIELECHOWSKI

TO: SCS CSHB 50(RES), Draft Version "H"

Page 1, line 11, following "**pipelines;**":

Insert "**relating to state loans for oil and gas development projects in the Cook Inlet sedimentary basin; relating to the Alaska Industrial Development and Export Authority; requiring the Alaska Industrial Development and Export Authority to make certain reports to the legislature; relating to the duties of the Regulatory Commission of Alaska, the Department of Revenue, and the Department of Natural Resources;**"

Page 34, following line 31:

Insert a new subsection to read:

"(g) The commission shall, as required under AS 44.88.850(b), determine whether the sale price in a gas sales agreement for gas produced through a project partially or fully funded by a loan under AS 44.88.850 constitutes a just and reasonable immediate delivery price for gas."

Reletter the following subsections accordingly.

Page 35, line 8:

Delete "(g)"

Insert "(h)"

Page 37, following line 29:

Insert new bill sections to read:

"* Sec. 48. AS 44.25.020 is amended to read:

Sec. 44.25.020. Duties of department. The Department of Revenue shall

(1) enforce the tax laws of the state;

(2) collect, account for, have custody of, invest, and manage all state funds and all revenues of the state except revenues incidental to a program of licensing and regulation carried on by another state department, funds managed and invested by the Alaska Retirement Management Board, and as otherwise provided by law;

(3) invest and manage the balance of the power development fund in accordance with AS 44.83.386;

(4) administer the surety bond program for licensure as a fish processor or primary fish buyer;

(5) provide reasonable assistance to the Alaska Industrial Development and Export Authority under AS 44.88.850(c).

* **Sec. 49.** AS 44.37.020 is amended by adding a new subsection to read:

(d) The Department of Natural Resources shall provide reasonable assistance to the Alaska Industrial Development and Export Authority under AS 44.88.850(c).

* **Sec. 50.** AS 44.88 is amended by adding new sections to read:

Article 10A. Cook Inlet Reserve-Based Lending.

Sec. 44.88.850. Cook Inlet reserve-based lending account. (a) The Cook Inlet reserve-based lending account is established in the revolving fund. The account consists of money or assets deposited into the account by the authority and contributions from other sources.

(b) The authority may use money in the account to make one or more reserve-based loans to fund oil and gas development projects the authority considers necessary to increase oil and gas production from the Cook Inlet sedimentary basin. The authority may, as a term of the loan, accept an ownership share in the project funded by the loan. If the authority accepts an ownership share as a term of the loan, the ownership share must be in the form of a carried interest that does not obligate the authority to contribute to the development costs of the project. The authority may make a loan under this section only

(1) to a legal entity in compliance with state and federal laws;

(2) if the loan applicant provides a written waiver permitting the

1 authority to access or obtain copies of the loan applicant's confidential records that are
2 in possession of the Department of Natural Resources or the Department of Revenue;
3 information provided to the authority under this section shall be kept confidential by
4 the authority unless disclosure is authorized by the loan applicant or borrower;

5 (3) if the authority obtains an independent study performed by an
6 experienced, qualified expert that confirms the valuation of the loan security and the
7 capacity of the loan to support the oil and gas development project and to cause or
8 increase the commercial production of oil or gas from the Cook Inlet sedimentary
9 basin;

10 (4) if the Regulatory Commission of Alaska determines, under
11 AS 42.05.141(g), that the sale price in a gas sales agreement for gas produced through
12 a project partially or fully funded by a loan under this section does not exceed a just
13 and reasonable immediate delivery price for gas;

14 (5) if the authority determines that the sales price for oil and gas
15 produced through a project partially or fully funded by a loan under this section is
16 reasonable and in the best interests of residents of the state.

17 (c) The authority may request assistance from the Department of Revenue
18 under AS 44.25.020(a)(5) or the Department of Natural Resources under
19 AS 44.37.020(d) to execute this section.

20 (d) The authority may accept an overriding royalty interest in a lease for
21 which a loan has been extended under (b) of this section if, as a term of the loan, the
22 overriding royalty interest is subject to prior approval by the Department of Natural
23 Resources. The authority may only have the overriding royalty interest transferred to
24 the authority if the borrower defaults.

25 **Sec. 44.88.855. Cook Inlet oil and gas development projects; report.** (a)
26 The authority shall evaluate oil and gas development projects the authority believes
27 have reasonable potential to increase oil and gas production from the Cook Inlet
28 sedimentary basin. Each year, the authority shall prepare a report related to those oil
29 and gas development projects and shall, by the first day of each regular session of the
30 legislature, deliver the report to the senate secretary and the chief clerk of the house of
31 representatives and notify the legislature that the report is available. At the request of a

1 legislative committee, a representative of the authority shall appear in that committee
2 to review the report. For each oil and gas development project, the report must include

- 3 (1) a cost estimate for the project;
- 4 (2) the potential recoverable gas from the project;
- 5 (3) the projected rate of return for the project;
- 6 (4) if the authority recommends a reserve-based loan for the project,
7 the amount of funds necessary for deposit into the Cook Inlet reserve-based lending
8 account to provide a loan for the project and the recommended source of funds for the
9 deposit.

10 (b) Notwithstanding AS 44.88.215, 44.88.850(b)(2), or any other law, a
11 borrower's information shall be subject to the public reporting requirements under this
12 section. Each year, the authority shall prepare a report related to Cook Inlet reserve-
13 based loans made under AS 44.88.850 and shall, by the first day of each regular
14 session of the legislature, deliver the report to the senate secretary and the chief clerk
15 of the house of representatives and notify the legislature that the report is available. At
16 the request of a legislative committee, a representative of the authority shall appear in
17 that committee to review the report. The report must

- 18 (1) identify each entity borrowing funds under AS 44.88.850;
- 19 (2) list the amount borrowed by each borrower and the date each loan
20 was approved;
- 21 (3) include a summary of the terms of the lending agreement with each
22 borrower;
- 23 (4) summarize each project for which a loan was made, including the
24 status of the project and the volume of oil and gas produced and expected to be
25 produced from the project;
- 26 (5) list the status of payments made on the loan, including whether the
27 loan is or ever was in default.

28 * **Sec. 51.** AS 44.88.900 is amended by adding new paragraphs to read:

- 29 (20) "oil and gas development project" means a development project to
30 produce proven oil or gas reserves;
- 31 (21) "reserve-based loan" means a loan made against and fully secured

1 by an oil and gas field, proven undeveloped or developed oil and gas reserves, or other
2 assets of the entity receiving the loan."

3

4 Renumber the following bill sections accordingly.

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6 Page 40, line 19:

7 Delete "Section 51"

8 Insert "Section 55"