

HOUSE BILL NO. 170

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Introduced: 3/31/99

Referred: House Special Committee on Oil and Gas, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Alaska Gas Corporation, a public corporation, and**
2 **providing for its structure, management, responsibilities, and operation."**

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

4 * **Section 1. FINDINGS AND INTENT.** (a) The legislature finds that

5 (1) art. VIII, sec. 1, Constitution of the State of Alaska, provides that it is the
6 policy of the state to encourage the settlement of its land and the development of its resources
7 by making them available for maximum use consistent with the public interest;

8 (2) art. VIII, sec. 2, Constitution of the State of Alaska, requires the legislature
9 to provide for the utilization, development, and conservation of all natural resources belonging
10 to the state, including land and waters, for the maximum benefit of its people;

11 (3) the production of oil and gas from state land is an important source of
12 revenue to the state and job opportunities for all the people of the state;

13 (4) natural gas located on the North Slope is a valuable resource to the state
14 that has not been produced for sale in the market place;

1 (5) the amount of natural gas located on the North Slope is substantial and, if
2 sold, will generate significant revenue to the state and opportunities and benefits to its people
3 for many years into the future;

4 (6) maximum benefit to the people of the State of Alaska by the sale of North
5 Slope natural gas may be realized only through public ownership of a corporate entity that
6 provides the essential government function of use of this natural resource by accruing to the
7 state all net income; and

8 (7) failure to produce and sell the natural gas resource located in the state for
9 the maximum benefit of its people is in direct conflict with the provisions of the Constitution
10 of the State of Alaska.

11 (b) The intent of this Act is to

12 (1) provide the people of the state the maximum benefit possible through
13 extraction of natural resources as required by the Constitution of the State of Alaska;

14 (2) foster and promote the long-term economic growth and development of the
15 state;

16 (3) recognize that the production, ownership, and sale of natural gas is in the
17 long-term and maximum best interest of the citizens of the state;

18 (4) establish a means by which the state can bring North Slope natural gas
19 resources to market;

20 (5) create a public corporation with the powers, duties, and functions necessary
21 to facilitate the acquisition and sale of North Slope natural gas;

22 (6) require the corporation to contract with private sector entities for the
23 following services and functions in order to bring natural gas from the North Slope to market:

24 (A) the acquisition of North Slope natural gas;

25 (B) the conditioning of North Slope natural gas as required for
26 shipment through the Trans Alaska Gas Pipeline System;

27 (C) the design and construction of the Trans Alaska Gas Pipeline
28 System;

29 (D) the operation and maintenance of the Trans Alaska Gas Pipeline
30 System;

31 (E) the design and construction of a tidewater liquefaction facility;

- 1 (F) the operation and maintenance of a tidewater liquefaction facility;
 2 (G) the operation of a sea transportation system; and
 3 (H) the access and acquisition of natural gas market share sufficient to
 4 ensure the long-term feasibility of the project.

5 * **Sec. 2.** AS 41 is amended by adding a new chapter to read:

6 **Chapter 41. Alaska Gas Corporation.**

7 **Article 1. Establishment of the Corporation.**

8 **Sec. 41.41.010. Establishment of the corporation.** (a) There is established
 9 the Alaska Gas Corporation, the purpose of which is to provide one or more of the
 10 following services and functions in order to bring natural gas from the North Slope to
 11 market:

- 12 (1) the acquisition of North Slope natural gas;
 13 (2) the conditioning of North Slope natural gas as required for shipment
 14 through the Trans Alaska Gas Pipeline System;
 15 (3) the design and construction of the Trans Alaska Gas Pipeline
 16 System;
 17 (4) the operation and maintenance of the Trans Alaska Gas Pipeline
 18 System;
 19 (5) the design and construction of a tidewater liquefaction facility for
 20 natural gas;
 21 (6) the operation and maintenance of a tidewater liquefaction facility
 22 for natural gas;
 23 (7) the operation of a sea transportation system for natural gas; and
 24 (8) the access and acquisition of natural gas market share sufficient to
 25 ensure the long-term feasibility of the Trans Alaska Gas Pipeline System project.
 26 (b) The corporation is a public corporation and an instrumentality of the state
 27 within the Department of Revenue.
 28 (c) The corporation has a legal existence independent of and separate from the
 29 state.
 30 (d) The extraction of natural gas from the North Slope by the Alaska Gas
 31 Corporation is an essential government function of the state.

1 (e) The corporation may not be terminated as long as it has bonds, notes, or
2 other obligations outstanding.

3 **Sec. 41.41.020. Corporation governing body.** (a) The corporation shall be
4 governed by a board of directors consisting of the following of six members:

5 (1) the commissioner of natural resources;

6 (2) the commissioner of revenue; and

7 (3) four members appointed by the governor from the public, who may
8 not hold another state or federal office, position, or employment, either elective or
9 appointive, except as a member of the armed forces of either the United States or this
10 state.

11 (b) The four public members of the board must have recognized competence
12 and wide experience in finance, business management, and gas industry-related
13 endeavors.

14 (c) The board shall annually elect a chair, and may elect other officers, from
15 among its members.

16 **Sec. 41.41.030. Term of office.** The public members of the board shall be
17 appointed for terms of four years, and they may be reappointed. The terms of the
18 public members shall be staggered so that no more than one term of a public member
19 expires each year.

20 **Sec. 41.41.040. Removal and vacancies.** (a) The governor may remove a
21 member of the board from office. A removal by the governor must be in writing and
22 must state the reason for the removal. A member who is removed by the governor
23 may not participate in board business and may not be counted for purposes of
24 establishing a quorum after the member receives written notice of removal from the
25 governor. A member who is removed by the governor is not entitled to honoraria, per
26 diem, or travel expenses authorized under AS 44.41.060 for work performed after the
27 member receives the written notice of renewal.

28 (b) The governor shall promptly fill a vacancy on the board by appointment.
29 An appointee to a vacancy shall hold office for the balance of the term for which the
30 appointee's predecessor on the board was appointed.

31 (c) A vacancy on the board does not impair the authority of a quorum of the

1 board to exercise all the powers and perform all the duties of the board.

2 **Sec. 41.41.050. Quorum and voting.** Four members of the board constitute
3 a quorum for the transaction of business and the exercise of the powers and duties of
4 the board. Action may be taken only upon the affirmative vote of a majority of the
5 full membership of the board.

6 **Sec. 41.41.060. Compensation of board members; per diem and travel**
7 **expenses.** (a) Public members of the board receive an honorarium of \$400 for each
8 day spent at a meeting of the board or at a meeting of a subcommittee of the board
9 or at a public meeting as a representative of the board.

10 (b) Members of the board are entitled to per diem and travel expenses
11 authorized for boards and commissions under AS 39.20.180.

12 **Sec. 41.41.070. Corporation staff.** (a) The board may employ and determine
13 the salary of an executive director.

14 (b) The executive director may, with the approval of the board, select and
15 employ additional staff as necessary.

16 (c) An employee of the corporation, including the executive director, may not
17 be a member of the board. The executive director and the other employees of the
18 board are in the exempt service under AS 39.25.110.

19 (d) In addition to its employees, the corporation may contract for and engage
20 the services of bond counsel, consultants, experts, and financial advisors the
21 corporation considers necessary for the purpose of developing information, furnishing
22 advice, or conducting studies, investigations, hearings, or other proceedings.

23 **Sec. 41.41.080. Legal counsel.** The attorney general

24 (1) is the legal counsel for the corporation;

25 (2) shall advise the corporation in legal matters; and

26 (3) shall represent the corporation in legal actions.

27 **Sec. 41.41.090. Conflicts of interest.** (a) Members of the board and the
28 executive director of the corporation are subject to the provisions of AS 39.50.

29 (b) If a member of the board or an employee of the corporation acquires,
30 owns, or controls an interest, direct or indirect, in an entity or project in which assets
31 of the corporation are invested, the member shall immediately disclose the interest to

1 the board. The disclosure is a matter of public record and shall be included in the
2 minutes of the board meeting next following the disclosure.

3 **Sec. 41.41.100. Corporation budget.** (a) The revenue earned by corporate
4 operations must be identified as the source of the operating budget of the corporation
5 in the state's operating budget under AS 37.07 (Executive Budget Act).

6 (b) Earnings of the corporation in excess of future operating needs shall accrue
7 and be transferred to the state general fund once each year, not later than January 15,
8 after the first full year of operation.

9 **Sec. 41.41.110. Audits.** The Legislative Budget and Audit Committee may
10 provide for an annual post audit and annual operational and performance evaluations
11 of the corporation's operations and budget.

12 **Sec. 41.41.120. Reports and publications.** (a) By September 30 of each
13 year, the board shall publish a report of the corporation for distribution to the governor
14 and the public. The board shall notify the legislature that the report is available.

15 (b) The report must include financial statements audited by independent
16 outside auditors and a statement of the amount of money received by the corporation
17 from its operations during the period covered.

18 **Sec. 41.41.130. Tax exemption.** (a) The corporation and its operations and
19 the earnings on them are exempt from all taxes and assessments in the state.

20 (b) All security instruments issued by the corporation, their transfer, and their
21 income are exempt from all taxes and assessments in the state.

22 **Sec. 41.41.140. Political activities.** The resources of the corporation may not
23 be used to finance or influence political activities.

24 **Sec. 41.41.150. Public access to information.** (a) Information in the
25 possession of the corporation is a public record, except that information that discloses
26 the particulars of the business or affairs of a private enterprise or investor is
27 confidential and is not a public record for purposes of AS 09.25.110 - 09.25.140.
28 Confidential information may be disclosed only for the purposes of an official law
29 enforcement investigation or when its production is required in a court proceeding.

30 (b) The restrictions of (a) of this section do not prohibit the publication of
31 statistics presented in a manner that prevents the identification of particular reports,

1 items, persons, or enterprises.

2 **Article 2. Revenue Bonds and Notes.**

3 **Sec. 41.41.200. Bonds and notes of the corporation.** (a) The corporation,
4 by resolution, may issue revenue bonds and bond anticipation notes in order to provide
5 funds to carry out the purposes set out in AS 41.41.010(a).

6 (b) The principal and interest on the revenue bonds or notes authorized and
7 issued under (a) of this section are payable from corporation funds. Bond anticipation
8 notes may be payable from the proceeds of the sale of bonds or from the proceeds of
9 the sale of other bond anticipation notes or, in the event bond or bond anticipation note
10 proceeds are not available, the notes may be paid from other funds or assets of the
11 corporation.

12 (c) Bonds or notes may be additionally secured by a pledge of a grant or
13 contribution from the federal government, or a corporation, association, institution, or
14 person, or a pledge of money, income, or revenues of the corporation from any source.

15 (d) Bonds or bond anticipation notes of the corporation may be issued in one
16 or more series and shall be dated, bear interest at the rate or rates per year or within
17 the maximum rate, be in the denomination, be in the form, either coupon or registered,
18 carry the conversion or registration provisions, have the rank or priority, be executed
19 in the manner and form, be payable at the times, from the sources, and in the medium
20 of payment and place or places within or outside the state, be subject to authentication
21 by a trustee or fiscal agent, and be subject to the terms of redemption with or without
22 premium, as the resolution of the corporation may provide. Bond anticipation notes
23 shall mature at the time or times that are determined by the corporation. Bonds shall
24 mature at a time not exceeding a number of years from their date that is determined
25 by the corporation. Before the preparation of definitive bonds or bond anticipation
26 notes, the corporation may issue interim receipts or temporary bonds or bond
27 anticipation notes, with or without coupons, exchangeable for bonds or bond
28 anticipation notes when these definitive bonds or bond anticipation notes have been
29 executed and are available for delivery.

30 (e) Bonds or bond anticipation notes may be sold in the manner and on the
31 terms the corporation determines.

1 (f) If an officer whose signature or a facsimile of whose signature appears on
 2 a bond, note, or coupon attached to them ceases to be an officer before the delivery
 3 of the bond, note, or coupon, the signature or facsimile is valid the same as if the
 4 officer had remained in office until delivery.

5 **Sec. 41.41.210. Covenants.** (a) In a resolution of the corporation authorizing
 6 or relating to the issuance of bonds or bond anticipation notes, the corporation has
 7 power by provisions in the resolution that will constitute covenants of the corporation
 8 and contracts with the holders of the bonds or bond anticipation notes to

9 (1) pledge to a payment or purpose all or a part of its revenues to
 10 which its right then exists or may thereafter come into existence, and the money
 11 derived from the revenues, and the proceeds of bonds or notes;

12 (2) covenant as to the use and disposition of payments of principal or
 13 interest received by the corporation on loans or other investments held by the
 14 corporation;

15 (3) covenant as to establishment of reserves or sinking funds and the
 16 making of provision for and the regulation and disposition of the reserves or sinking
 17 funds;

18 (4) covenant with respect to or against limitations on a right to sell or
 19 otherwise dispose of property of any kind;

20 (5) covenant as to bonds and notes to be issued, and their limitations,
 21 terms, and conditions, and as to the custody, application, and disposition of the
 22 proceeds of the bonds and notes;

23 (6) covenant as to the issuance of additional bonds or notes, or as to
 24 limitations on the issuance of additional bonds or notes and the incurring of other
 25 debts;

26 (7) covenant as to the payment of the principal of or interest on the
 27 bonds or notes, as to the sources and methods of the payment, as to the rank or
 28 priority of the bonds or notes with respect to a lien or security, or as to the
 29 acceleration of the maturity of the bonds or notes;

30 (8) provide for the replacement of lost, stolen, destroyed, or mutilated
 31 bonds or notes;

1 (9) covenant as to the redemption of bonds or notes and privileges of
2 their exchange for other bonds or notes of the corporation;

3 (10) covenant to create or authorize the creation of special funds of
4 money to be held in pledge or otherwise for operating expenses, payment or
5 redemption of bonds or notes, reserves, or other purposes;

6 (11) establish the procedure, if any, by which the terms of a contract
7 or covenant with or for the benefit of the holders of bonds or notes may be amended
8 or abrogated, the amount of bonds or notes the holders of which must consent to
9 amendment or abrogation, and the manner in which the consent may be given;

10 (12) covenant as to the custody of property or investments, their
11 safekeeping and insurance, and the use and disposition of insurance money;

12 (13) agree with a corporate trustee that may be a trust company or bank
13 having the powers of a trust company within or outside the state as to the pledging or
14 assigning of revenue or funds to which or in which the corporation has rights or an
15 interest; the agreement may further provide for other rights and remedies exercisable
16 by the trustee as may be proper for the protection of the holders of a bond or note of
17 the corporation and not otherwise in violation of law and may provide for the
18 restriction of the rights of an individual holder of bonds or notes of the corporation;

19 (14) appoint and provide for the duties and obligations of a paying
20 agent or paying agents or other fiduciaries as the resolution may provide within or
21 outside the state;

22 (15) limit the rights of the holders of a bond or note to enforce a
23 pledge or covenant securing the bonds or notes;

24 (16) make covenants other than and in addition to the covenants
25 expressly authorized in this section of like or different character, and to make
26 covenants to do or refrain from doing acts and things as may be necessary or
27 convenient and desirable in order to better secure bonds or notes or that, in the
28 absolute discretion of the corporation, will tend to make bonds or notes more
29 marketable, notwithstanding that the covenants, acts, or things may not be enumerated
30 in this section.

31 **Sec. 41.41.220. Limitations of issuance of bonds.** (a) The corporation may

1 not issue bonds in an amount that exceeds the amount of bonds authorized to be issued
2 by the legislature.

3 (b) This section does not apply to the issuance by the corporation of refunding
4 bonds or to the issuance by the corporation of bonds the proceeds of which are
5 intended to be used to refinance the loans held by the corporation.

6 **Sec. 41.41.230. Independent financial advisor.** In negotiating the private sale
7 of bonds or bond anticipation notes to an underwriter, the corporation may retain a
8 financial advisor. A financial advisor retained under this section must be independent
9 from the underwriter.

10 **Sec. 41.41.240. Validity of pledge.** (a) The pledge of assets or revenue of
11 the corporation to the payment of the principal or interest on an obligation of the
12 corporation is valid and binding from the time the pledge is made, and the assets or
13 revenue are immediately subject to the lien of the pledge without physical delivery or
14 further act. The lien of a pledge is valid and binding against all parties having claims
15 in tort, contract, or otherwise against the corporation, irrespective of whether those
16 parties have notice of the lien of the pledge.

17 (b) This section does not prohibit the corporation from selling assets subject
18 to a pledge, except that a sale may be restricted by the trust agreement or resolution
19 providing for the issuance of the obligations.

20 **Sec. 41.41.250. Capital reserve funds.** (a) For the purpose of securing one
21 or more issues of its obligations, the corporation may establish one or more special
22 funds, called "capital reserve funds," and shall pay into those capital reserve funds (1)
23 money appropriated and made available by the state for the purpose of those funds, (2)
24 proceeds of the sale of its obligations, to the extent provided in the resolution or
25 resolutions of the corporation authorizing their issuance, and (3) other money that may
26 be made available to the corporation for the purposes of those funds from another
27 source. All money held in a capital reserve fund, except as provided in this section,
28 shall be used as required solely for the payment of the principal of obligations or of
29 the sinking fund payments with respect to those obligations; the purchase or
30 redemption of obligations; the payment of interest on obligations; or the payment of
31 a redemption premium required to be paid when those obligations are redeemed before

1 maturity. However, money in a fund may not be withdrawn from that fund at any
2 time in an amount that would reduce the amount of that fund to less than the capital
3 reserve requirement set out in (b) of this section, except for the purpose of making,
4 with respect to those obligations, payment, when due, of principal, interest, redemption
5 premiums, and the sinking fund payments for the payment of which other money of
6 the corporation is not available. Income or interest earned by, or increment to, a
7 capital reserve fund due to the investment of the fund or other amounts in it may be
8 transferred by the corporation to other funds or accounts of the corporation to the
9 extent that the transfer does not reduce the amount of the capital reserve fund below
10 the capital reserve fund requirement.

11 (b) If the corporation decides to issue obligations secured by a capital reserve
12 fund, the obligations may not be issued if the amount in the capital reserve fund is less
13 than a percent, not exceeding 10 percent of the principal amount of all of those
14 obligations secured by that capital reserve fund then to be issued and then outstanding
15 in accordance with their terms, as may be established by resolution of the corporation,
16 called the "capital reserve fund requirement," unless the corporation, at the time of
17 issuance of the obligations, deposits in the capital reserve fund from the proceeds of
18 the obligations to be issued or from other sources an amount that, together with the
19 amount then in the fund, will not be less than the capital reserve fund requirement.

20 (c) In computing the amount of a capital reserve fund for the purpose of this
21 section, securities in which all or a portion of the funds are invested shall be valued
22 at par or, if purchased at less than par, at amortized costs as the term is defined by
23 resolution of the corporation authorizing the issue of the obligations or by some other
24 reasonable method established by the corporation by resolution. Valuation on a
25 particular date must include the amount of interest earned or accrued to that date.

26 (d) To assure the continued operation and solvency of the corporation for the
27 carrying out of its corporate purposes, provision is made in (a) of this section for the
28 accumulation in capital reserve funds of an amount equal to their capital reserve fund
29 requirement.

30 (e) The chair of the corporation shall annually, no later than January 2, make
31 and deliver to the governor and chairs of the house and senate finance committees a

1 certificate stating the sum, if any, required to restore a capital reserve fund to the
2 capital reserve fund requirement. The legislature may appropriate that sum, and all
3 sums appropriated during the current fiscal year by the legislature for the restoration
4 shall be deposited by the corporation in the appropriate capital reserve fund.

5 (f) Nothing in this section creates a debt or liability of the state.

6 **Sec. 41.41.260. Remedies.** A holder of obligations or coupons attached to
7 them issued under the provisions of this chapter, and a trustee under a trust agreement
8 or resolution authorizing the issuance of the obligations, except as restricted by a trust
9 agreement or resolution, either at law or in equity, may enforce all rights granted
10 hereunder or under the trust agreement or resolution, or under another contract
11 executed by the corporation under this chapter, and may enforce and compel the
12 performance of all duties required by this chapter or by the trust agreement or
13 resolution to be performed by the corporation or by an officer of it.

14 **Sec. 41.41.270. Negotiable instruments.** All obligations and interest coupons
15 attached to them are negotiable instruments under the laws of this state, subject only
16 to applicable provisions for registration.

17 **Sec. 41.41.280. Obligations eligible for investment.** Obligations issued under
18 the provisions of this chapter are securities in which all public officers and public
19 bodies of the state and its political subdivisions, all insurance companies, trust
20 companies, banking associations, investment companies, executors, administrators,
21 trustees, and other fiduciaries may properly and legally invest funds, including capital
22 in their control or belonging to them. These obligations may be deposited with a state
23 or municipal officer of an agency or political subdivision of the state for a purpose for
24 which the deposit of bonds, notes, or obligations of the state is authorized by law.

25 **Sec. 41.41.290. Refunding bonds.** (a) The corporation may provide for the
26 issuance of refunding bonds for the purpose of refunding an obligation then
27 outstanding that have been issued under the provisions of this chapter, including the
28 payment of redemption premium on them and interest accrued or to accrue to the date
29 of redemption of the obligations. The issuance of the bonds, the maturities and other
30 details of them, the rights of the holders of them, and the rights, duties, and obligations
31 of the corporation in respect of them are governed by the provisions of this chapter

1 that relate to the issuance of obligations insofar as those provisions may be
2 appropriate.

3 (b) Refunding bonds may be sold or exchanged for outstanding bonds issued
4 under this chapter, and, if sold, the proceeds may be applied, in addition to another
5 authorized purpose, to the purchase, redemption, or payment of the outstanding
6 obligations. Pending the application of the proceeds of refunding bonds, with any
7 other available funds, to the payment of the principal, accrued interest, and redemption
8 premium on the obligations being refunded, and, if so provided or permitted in the
9 resolution authorizing the issuance of the refunding bonds or in the trust agreement
10 securing them, to the payment of any interest on the refunding bonds and expenses in
11 connection with the refunding, the proceeds may be invested in direct obligations of,
12 or obligations the principal of and the interest on which are unconditionally guaranteed
13 by, the United States that mature or that will be subject to redemption, at the option
14 of the holders of them, not later than the respective dates when the proceeds, together
15 with the interest accruing on them, will be required for the purposes intended.

16 **Sec. 41.41.300. Credit of state not pledged.** (a) Obligations issued under
17 the provisions of this chapter do not constitute a debt, liability, or obligation of the
18 state or of a political subdivision of the state or a pledge of the faith and credit of the
19 state or of a political subdivision of the state but are payable solely from the revenue
20 or assets of the corporation. Each obligation issued under this chapter must contain
21 on its face a statement that the corporation is not obligated to pay it or the interest on
22 it except from the revenue or assets of the corporation and that neither the faith and
23 credit nor the taxing power of the state or of a political subdivision of the state is
24 pledged to the payment of the principal of or the interest on the obligation.

25 (b) Expenses incurred by the corporation in carrying out the provisions of this
26 chapter are payable from funds provided under this chapter, and liability may not be
27 incurred by the corporation in excess of these funds.

28 **Sec. 41.41.310. Officers not liable.** A member or other officer of the
29 corporation is not subject to personal liability or accountability by reason of having
30 executed or issued an obligation.

31 **Article 3. Property of the Corporation.**

1 **Sec. 41.41.350. Property of the corporation.** The corporation may acquire,
 2 by purchase, lease, or gift, upon terms that it considers proper, land, structures, real
 3 or personal property rights, rights-of-way, franchises, easements, and other interests in
 4 land it considers necessary or convenient for the financing of the project or a part of
 5 the project.

6 **Article 4. General Provisions.**

7 **Sec. 41.41.900. Tax exemption.** (a) The exercise of the powers granted by
 8 this chapter will be in all respects for the benefit of the people of the state, for their
 9 well-being and prosperity, and for the improvement of their social and economic
 10 conditions. The corporation is not required to pay a tax or assessment on property
 11 owned by the corporation under the provisions of this chapter or on the income from
 12 it.

13 (b) All obligations issued under this chapter are declared to be issued by a
 14 body corporate and public of the state and for an essential public and governmental
 15 purpose, and the obligations, and the interest and income on and from the obligations,
 16 and all fees, charges, funds, revenues, income, and other money pledged or available
 17 to pay or secure the payment of the obligations, or interest on the obligations, are
 18 exempt from state taxation except for transfer, inheritance, and estate taxes.

19 **Sec. 41.41.990. Definitions.** In this chapter,

20 (1) "board" means the board of directors of the Alaska Gas
 21 Corporation;

22 (2) "corporation" means the Alaska Gas Corporation;

23 (3) "project" means the gas transmission pipeline, together with all
 24 related property and facilities, to extend from the Prudhoe Bay area on the North Slope
 25 of Alaska to tidewater at a point on Prince William Sound and includes planning,
 26 design, and construction of the pipeline and facilities as described in
 27 AS 41.41.010(a)(1) - (6).

28 * **Sec. 3.** AS 39.25.110(11) is amended by adding a new subparagraph to read:

29 (G) Alaska Gas Corporation;

30 * **Sec. 4.** AS 39.50.200(b) is amended by adding a new paragraph to read:

31 (56) the board of directors and executive director of the Alaska Gas

1 Corporation (AS 41.41.020).

2 * **Sec. 5. DEVELOPMENT OF PROJECT PLAN.** (a) The House Special Committee on
3 Oil and Gas of the Twenty-First Alaska State Legislature shall submit a report to the governor,
4 the speaker of the house, and the president of the senate no later than the first day of the First
5 Regular Session of the Twenty-Second Alaska State Legislature based on conclusions drawn
6 by qualified engineering, consulting, and other entities considered appropriate as to whether
7 the construction and operation of a natural gas transmission pipeline project, as defined in
8 AS 41.41.990, added by sec. 2 of this Act, using a public corporation is feasible.

9 (b) The feasibility study must be a general description of the requirements and current
10 status of the requirements set out in (a) of this section with respect to gas supply, engineering,
11 technical, financial, regulatory, and market access matters relating to the project. In addition,
12 the plan must include the following specific items and findings and recommendations on each
13 item:

14 (1) the proposed methods and procedures by which the project will be
15 financed, including the amounts and times of issuance of bonds by the corporation;

16 (2) the method of securing the bonds;

17 (3) projected debt service requirements of the bonds;

18 (4) projected revenues, for the period of time during which reasonable
19 projections can be made, that will be available to the corporation to meet debt service
20 requirement;

21 (5) documentation that contractors have undertaken

22 (A) to use their best efforts to advertise for, recruit, and employ
23 qualified residents of the state;

24 (B) to subcontract with existing licensed Alaska firms within the state
25 and, in subcontracting with those firms, to encourage the contractors to employ and,
26 when necessary, train existing state residents;

27 (C) to enter into contracts with Alaska-licensed vendors, contractors,
28 and suppliers for the provision of supplies and services; and

29 (D) to conduct quarterly audits of the performance of the contractors
30 under (A) - (C) of this paragraph and to report the results of these audits to the
31 legislature and other interested state officials in a timely manner;

1 (6) the estimated number of Alaska workers who will be employed under the
2 provisions of (5) of this subsection, the estimated total number of workers to be employed on
3 the project during construction, the estimated dollar volume of contracts that will be let to
4 Alaska contractors or firms under the provisions of (5) of this subsection, and the estimated
5 total dollar volume of contracts that will be let for the project during construction; and

6 (7) documentation that the necessary documents and exhibits have been filed
7 before the appropriate federal regulatory agencies.

8 * **Sec. 6.** INITIAL APPOINTMENTS OF MEMBERS OF ALASKA GAS
9 CORPORATION BOARD OF DIRECTORS. Of the public members first appointed under
10 AS 41.41.020(a)(3), enacted by sec. 2 of this Act,

11 (1) one member shall be appointed to a four-year term;

12 (2) one member shall be appointed to a three-year term;

13 (3) one member shall be appointed to a two-year term; and

14 (4) one member shall be appointed to a one-year term.