

SENATE BILL NO. 296

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/13/02

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Railroad; authorizing the Alaska Railroad Corporation**
2 **to provide financing for the acquisition, construction, improvement, maintenance,**
3 **equipping, or operation of facilities for the transportation of natural gas resources**
4 **within and outside the state by others; authorizing the Alaska Railroad Corporation to**
5 **issue bonds to finance such facilities; and providing for an effective date."**

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

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

9 FINDINGS, INTENT, AND PURPOSE. (a) The Alaska State Legislature finds that

10 (1) the Alaska Railroad is uniquely suited to serve essential functions of the
11 state by providing financing for a facility for the transportation of certain natural gas
12 resources located within the state;

13 (2) providing financing for that facility furthers the purposes of both the state

1 and the Alaska Railroad by assuring that the state's natural gas resources will be transported to
 2 their appropriate markets, thus creating revenue for the Alaska Railroad and for the state and
 3 providing employment opportunities for residents of the state;

4 (3) such a facility also will enhance and improve the state's ability to develop
 5 and transport other natural resources of the state, including oil and gas resources located off
 6 the North Slope of this state; and

7 (4) these results are essential purposes of the state and the achievement of
 8 these purposes is critical to the health and welfare of the state.

9 (b) A purpose of this Act is to clarify the statutory functions and powers of the Alaska
 10 Railroad by expressly including the power to provide financing for transportation facilities as
 11 described in this Act.

12 (c) It is the intent of the legislature that

13 (1) this Act be construed broadly to permit the Alaska Railroad Corporation
 14 the greatest flexibility to accomplish the purpose described in (b) of this section within the
 15 limitations set out in this Act; and

16 (2) other provisions of AS 42.40 in existence before the enactment of this Act
 17 be similarly construed to complement the provisions of this Act.

18 * **Sec. 2.** AS 42.40.250 is amended by adding a new paragraph to read:

19 (31) provide financing for the acquisition, construction, improvement,
 20 maintenance, equipping, and operation of facilities for the transportation of natural gas
 21 resources within and outside the state without regard to whether the facilities are or
 22 will be owned in whole or in part by the corporation or located on land owned by the
 23 corporation.

24 * **Sec. 3.** AS 42.40.630 is amended by adding a new subsection to read:

25 (b) Before issuing bonds to provide the financing described in
 26 AS 42.40.250(31) for a facility to be owned in whole or in part by an entity other than
 27 the corporation, the corporation shall enter into a contract, lease, or other form of
 28 agreement that will, in the judgment of the corporation, provide sufficient
 29 consideration to

30 (1) pay the principal of and interest on the bonds as they become due;

31 (2) create and maintain the reserves for the payments that the

1 corporation considers necessary or desirable; and

2 (3) pay all costs necessary to service or additionally secure the bonds,
3 including trustee's fees and bond insurance premiums, unless these costs are to be paid
4 by a party other than the corporation.

5 * **Sec. 4.** AS 42.40 is amended by adding a new section to read:

6 **Sec. 42.40.695. Public purpose of bonds.** Bonds of the corporation issued to
7 finance facilities described in AS 42.40.250(31) are issued by a public corporation and
8 an instrumentality of the state for an essential public and governmental purpose.

9 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **LEGISLATIVE AUTHORIZATION AND APPROVAL.** (a) Subject to the
12 requirements of AS 42.40.630(b), the Alaska Railroad Corporation is authorized to issue
13 bonds under the power granted to it in AS 42.40 to finance the construction of a natural gas
14 pipeline and related facilities for the transportation of natural gas recovered from the North
15 Slope of this state. The maximum principal amount of bonds that the Alaska Railroad
16 Corporation may issue under this section is \$17,000,000,000. The Alaska Railroad
17 Corporation may issue the bonds in a single issuance or in several issuances, without
18 limitation as to number of issuances or timing, and as the Alaska Railroad Corporation
19 determines best furthers the purpose of financing the gas pipeline and related facilities
20 described in this section. The Alaska Railroad Corporation shall negotiate with the producers
21 of the gas or with one or more other entities as the Alaska Railroad Corporation considers
22 appropriate, and shall enter into agreements with those producers or one or more other entities
23 to provide revenue sufficient to accomplish the purposes described in AS 42.40.630. The
24 proceeds of the bonds described in this section shall be used only for facilities that are owned
25 by one or more entities other than the Alaska Railroad Corporation and that include a pipeline
26 that approximately follows the right of way of the Trans Alaska Pipeline System from Pump
27 Station 1 on the North Slope to Delta Junction, and the Alaska Highway from Delta Junction
28 to the Alaska/Yukon Territory border.

29 (b) This section constitutes the approval required by AS 42.40.285 for the issuance of
30 the bonds described in this section.

31 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).