

**HOUSE BILL NO. 410**

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

**BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS**

**Introduced: 2/13/02**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act establishing the Alaska Natural Gas Development Authority, a public**  
2 **corporation, and providing for its structure, management, responsibilities, and**  
3 **operation, and requiring the development of a project plan for the construction and**  
4 **operation of a natural gas transmission pipeline project by the authority."**

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

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

8 FINDINGS AND INTENT. (a) The legislature finds that

9 (1) the Phillips-Marathon gas liquefaction facility at Nikiski has been  
10 supplying Cook Inlet natural gas to Japan and Southcentral Alaska at great profit and without  
11 interruption since 1969;

12 (2) Cook Inlet gas supplies are dwindling rapidly, with shortfalls anticipated  
13 as early as the winter of 2003;

14 (3) Alaska's North Slope contains vast proven reserves of natural gas that have

1 been known for at least 25 years but have never been developed;

2 (4) these natural gas resources have never been offered for sale because there  
3 has been no way to transport them to market;

4 (5) multiple markets in North America and Asia have recently expressed an  
5 interest in receiving a proposal from Alaska for the purchase of Alaska natural gas;

6 (6) if developed, these natural gas resources could represent substantial  
7 economic benefits to Alaskans in jobs, state revenue, and natural gas for Alaska citizens and  
8 businesses;

9 (7) the major North Slope leaseholders have competing natural gas reserves in  
10 other parts of the world vying for the same markets, creating a conflict of interest for them in  
11 advancing the sales of Alaska natural gas;

12 (8) the North Slope Producers agreed in 1991 to strand North Slope natural  
13 gas until at least 2005;

14 (9) given the producers' conflicts of interest and their historic refusal to make  
15 North Slope natural gas available, it may be necessary to take the gas back;

16 (10) the permits necessary for an Alaska natural gas pipeline project have been  
17 pledged to the Alaska Natural Gas Development Authority, operating as a port authority, to  
18 facilitate the development of the project;

19 (11) there is sufficient natural gas for an all-Alaska natural gas pipeline  
20 project;

21 (12) the Alaska Natural Gas Development Authority offers substantial tax  
22 benefits that improve the economics of a natural gas pipeline project;

23 (13) state ownership of the pipeline and associated facilities has the potential  
24 to provide substantial revenues to the state and the Alaska permanent fund;

25 (14) the Constitution of the State of Alaska requires that Alaska's resources be  
26 developed, utilized, and conserved for the maximum benefit of Alaska's people; and

27 (15) an all-Alaska natural gas pipeline maximizes jobs for Alaskans, revenues  
28 for the Alaska treasury, and access to natural gas for Alaskans.

29 (b) It is the intent of this Act to create the Alaska Natural Gas Development Authority  
30 for the purpose of developing, constructing, managing, and operating a natural gas pipeline  
31 from the North Slope of Alaska and a spur line to the Southcentral Alaska natural gas

1 distribution grid.

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

3 **Chapter 41. Alaska Natural Gas Development Authority.**

4 **Article 1. Establishment of the Authority.**

5 **Sec. 41.41.010. Establishment of the authority.** (a) There is established the  
6 Alaska Natural Gas Development Authority, the purpose of which is to provide one or  
7 more of the following services and functions in order to bring natural gas from the  
8 North Slope to market, including:

- 9 (1) the acquisition and conditioning of North Slope natural gas;  
10 (2) the design and construction of the pipeline system;  
11 (3) the operation and maintenance of the pipeline system;  
12 (4) the design, construction, and operation of other facilities necessary  
13 for delivering the gas to market and to Southcentral Alaska; and  
14 (5) the acquisition of natural gas market share sufficient to ensure the  
15 long-term feasibility of the project.

16 (b) The authority is a public corporation and an instrumentality of the state  
17 within the Department of Revenue.

18 (c) The authority has a legal existence independent of and separate from the  
19 state.

20 (d) The acquisition of natural gas from the North Slope and its delivery to  
21 tidewater for shipment to market by the authority is an essential government function  
22 of the state.

23 (e) The authority may not be terminated as long as it has bonds, notes, or other  
24 obligations outstanding.

25 **Sec. 41.41.020. Authority governing body.** (a) The authority shall be  
26 governed by a board of directors consisting of seven members appointed by the  
27 governor from the public.

28 (b) The board shall annually elect a chair, and may elect other officers, from  
29 among its members.

30 **Sec. 41.41.030. Term of office.** The members of the board shall be appointed  
31 for terms of three years, and they may be reappointed. The terms of the members shall

1 be staggered.

2 **Sec. 41.41.040. Removal and vacancies.** (a) The governor may remove a  
3 member of the board from office. A removal by the governor must be in writing and  
4 must state the reason for the removal. A member who is removed by the governor  
5 may not participate in board business and may not be counted for purposes of  
6 establishing a quorum after the member receives written notice of removal from the  
7 governor. A member who is removed by the governor is not entitled to per diem or  
8 travel expenses authorized under AS 41.41.060 for work performed after the member  
9 receives the written notice of removal.

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

13 (c) A vacancy on the board does not impair the authority of a quorum of the  
14 board to exercise all the powers and perform all the duties of the board.

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

19 **Sec. 41.41.060. Per diem and travel expenses.** Members of the board are  
20 entitled to per diem and travel expenses authorized for boards and commissions under  
21 AS 39.20.180.

22 **Sec. 41.41.070. Authority staff.** (a) The board may employ and determine  
23 the salary of a chief executive officer.

24 (b) The chief executive officer may, with the approval of the board, select and  
25 employ additional staff as necessary.

26 (c) An employee of the authority, including the chief executive officer, may  
27 not be a member of the board. The chief executive officer and the other employees of  
28 the board are in the exempt service under AS 39.25.110.

29 (d) In addition to its employees, the authority may contract for and engage the  
30 services of bond counsel, consultants, experts, and financial advisors the authority  
31 considers necessary for the purpose of developing information, furnishing advice, or

1 conducting studies, investigations, hearings, or other proceedings.

2 **Sec. 41.41.080. Legal counsel.** The attorney general is the legal counsel for  
3 the authority and shall

4 (1) advise the authority in legal matters; and

5 (2) represent the authority in legal actions.

6 **Sec. 41.41.090. Conflicts of interest.** (a) Members of the board and the chief  
7 executive officer of the authority are subject to the provisions of AS 39.50.

8 (b) If a member of the board or an employee of the authority acquires, owns,  
9 or controls an interest, direct or indirect, in an entity or project in which assets of the  
10 authority are invested, that person shall immediately disclose the interest to the board.  
11 The disclosure is a matter of public record and shall be included in the minutes of the  
12 first board meeting following the disclosure.

13 **Sec. 41.41.100. Budget.** The revenue earned by operations of the authority  
14 must be identified as the source of the operating budget of the authority in the state's  
15 operating budget under AS 37.07 (Executive Budget Act).

16 **Sec. 41.41.110. Audits.** The Legislative Budget and Audit Committee may  
17 provide for an annual post audit and annual operational and performance evaluations  
18 of the authority's operations and budget.

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

22 (b) The report must include financial statements audited by independent  
23 outside auditors and a statement of the amount of money received by the authority  
24 from its operations during the period covered.

25 **Sec. 41.41.130. Political activities.** The resources of the authority may not be  
26 used to finance or influence political activities.

27 **Sec. 41.41.140. Public access to information.** (a) Information in the  
28 possession of the authority is a public record, except that information that discloses the  
29 particulars of the business or affairs of a private enterprise or investor is confidential  
30 and is not a public record for purposes of AS 40.25.110 - 40.25.140. Confidential  
31 information may be disclosed only for the purposes of an official law enforcement

1 investigation or when its production is required in a court proceeding.

2 (b) The restrictions of (a) of this section do not prohibit the publication of  
3 statistics presented in a manner that prevents the identification of particular reports,  
4 items, persons, or enterprises.

5 **Article 2. Powers of the Authority.**

6 **Sec. 41.41.200. Powers of the authority.** In furtherance of its corporate  
7 purposes, in addition to other powers, the authority may

- 8 (1) sue and be sued;
- 9 (2) adopt a seal;
- 10 (3) adopt, amend, and repeal bylaws and regulations;
- 11 (4) make and execute contracts and other instruments;
- 12 (5) in its own name acquire property, lease, rent, convey, or acquire  
13 real and personal property; a project site or part of a project site may be acquired by  
14 eminent domain;
- 15 (6) issue bonds and otherwise incur indebtedness in accordance with  
16 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
- 17 (7) accept gifts, grants, or loans from and enter into contracts or other  
18 transactions regarding gifts, grants, or loans with a federal agency or an agency or  
19 instrumentality of the state, a municipality, private organization, or other source;
- 20 (8) enter into contracts or agreements with a federal agency, agency or  
21 instrumentality of the state, municipality, or public or private individual or entity, with  
22 respect to the exercise of its powers;
- 23 (9) charge fees or other forms of remuneration for the use of properties  
24 and facilities of the authority;
- 25 (10) defend and indemnify a current or former member of the board or  
26 an employee or agent of the authority against the costs, expenses, judgments, and  
27 liabilities as a result of actions taken in good faith on behalf of the authority;
- 28 (11) purchase insurance to protect its assets, services, and employees  
29 against liabilities that may arise from authority operations and activities; and
- 30 (12) acquire natural gas supplies.

31 **Article 3. Revenue Bonds and Notes.**

1           **Sec. 41.41.300. Bonds and notes of the authority.** (a) The authority, by  
2 resolution, may issue revenue bonds and bond anticipation notes in order to provide  
3 funds to carry out the purposes set out in AS 41.41.010(a).

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

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

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

28           (e) Bonds or bond anticipation notes may be sold in the manner and on the  
29 terms the authority determines.

30           (f) If an officer whose signature or a facsimile of whose signature appears on a  
31 bond, note, or coupon attached to them ceases to be an officer before the delivery of

1 the bond, note, or coupon, the signature or facsimile is valid the same as if the officer  
2 had remained in office until delivery.

3 **Sec. 41.41.310. Covenants.** (a) In a resolution of the authority authorizing or  
4 relating to the issuance of bonds or bond anticipation notes, the authority has power by  
5 provisions in the resolution that will constitute covenants of the authority and  
6 contracts with the holders of the bonds or bond anticipation notes to

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

10 (2) covenant as to the use and disposition of payments of principal or  
11 interest received by the authority on loans or other investments held by the authority;

12 (3) covenant as to establishment of reserves or sinking funds and the  
13 making of provision for and the regulation and disposition of the reserves or sinking  
14 funds;

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

17 (5) covenant as to bonds and notes to be issued, and their limitations,  
18 terms, and conditions, and as to the custody, application, and disposition of the  
19 proceeds of the bonds and notes;

20 (6) covenant as to the issuance of additional bonds or notes, or as to  
21 limitations on the issuance of additional bonds or notes and the incurring of other  
22 debts;

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

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

29 (9) covenant as to the redemption of bonds or notes and privileges of  
30 their exchange for other bonds or notes of the authority;

31 (10) covenant to create or authorize the creation of special funds of

1 money to be held in pledge or otherwise for operating expenses, payment or  
2 redemption of bonds or notes, reserves, or other purposes;

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

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

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

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

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

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

28 **Sec. 41.41.320. Limitations of issuance of bonds.** (a) The authority may not  
29 issue bonds in an amount that exceeds the amount of bonds authorized to be issued by  
30 the legislature.

31 (b) This section does not apply to the issuance by the authority of refunding

1 bonds or to the issuance by the authority of bonds the proceeds of which are intended  
2 to be used to refinance the loans held by the authority.

3 **Sec. 41.41.330. Independent financial advisor.** In negotiating the private  
4 sale of bonds or bond anticipation notes to an underwriter, the authority may retain a  
5 financial advisor. A financial advisor retained under this section must be independent  
6 from the underwriter.

7 **Sec. 41.41.340. Validity of pledge.** (a) The pledge of assets or revenue of the  
8 authority to the payment of the principal or interest on an obligation of the authority is  
9 valid and binding from the time the pledge is made, and the assets or revenue are  
10 immediately subject to the lien of the pledge without physical delivery or further act.  
11 The lien of a pledge is valid and binding against all parties having claims in tort,  
12 contract, or otherwise against the authority, irrespective of whether those parties have  
13 notice of the lien of the pledge.

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

17 **Sec. 41.41.350. Capital reserve funds.** (a) For the purpose of securing one  
18 or more issues of its obligations, the authority may establish one or more special  
19 funds, called "capital reserve funds," and shall pay into those capital reserve funds (1)  
20 money appropriated and made available by the state for the purpose of those funds, (2)  
21 proceeds of the sale of its obligations, to the extent provided in the resolution or  
22 resolutions of the authority authorizing their issuance, and (3) other money that may  
23 be made available to the authority for the purposes of those funds from another source.  
24 All money held in a capital reserve fund, except as provided in this section, shall be  
25 used as required solely for the payment of the principal of obligations or of the sinking  
26 fund payments with respect to those obligations; the purchase or redemption of  
27 obligations; the payment of interest on obligations; or the payment of a redemption  
28 premium required to be paid when those obligations are redeemed before maturity.  
29 However, money in a fund may not be withdrawn from that fund at any time in an  
30 amount that would reduce the amount of that fund to less than the capital reserve  
31 requirement set out in (b) of this section, except for the purpose of making, with

1 respect to those obligations, payment, when due, of principal, interest, redemption  
2 premiums, and the sinking fund payments for the payment of which other money of  
3 the authority is not available. Income or interest earned by, or increment to, a capital  
4 reserve fund due to the investment of the fund or other amounts in it may be  
5 transferred by the authority to other funds or accounts of the authority to the extent  
6 that the transfer does not reduce the amount of the capital reserve fund below the  
7 capital reserve fund requirement.

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

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

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

27 (e) The chair of the authority's board of directors shall annually, no later than  
28 January 2, make and deliver to the governor and chairs of the house and senate finance  
29 committees a certificate stating the sum, if any, required to restore a capital reserve  
30 fund to the capital reserve fund requirement. The legislature may appropriate that  
31 sum, and all sums appropriated during the current fiscal year by the legislature for the

1 restoration shall be deposited by the authority in the appropriate capital reserve fund.

2 (f) This section does not create a debt or liability of the state.

3 **Sec. 41.41.360. Remedies.** A holder of obligations or coupons attached to  
4 them issued under the provisions of this chapter, and a trustee under a trust agreement  
5 or resolution authorizing the issuance of the obligations, except as restricted by a trust  
6 agreement or resolution, either at law or in equity, may enforce all rights granted  
7 hereunder or under the trust agreement or resolution, or under another contract  
8 executed by the authority under this chapter, and may enforce and compel the  
9 performance of all duties required by this chapter or by the trust agreement or  
10 resolution to be performed by the authority or by an officer of it.

11 **Sec. 41.41.370. Negotiable instruments.** All obligations and interest  
12 coupons attached to them are negotiable instruments under the laws of this state,  
13 subject only to applicable provisions for registration.

14 **Sec. 41.41.380. Obligations eligible for investment.** Obligations issued  
15 under the provisions of this chapter are securities in which all public officers and  
16 public bodies of the state and its political subdivisions, all insurance companies, trust  
17 companies, banking associations, investment companies, executors, administrators,  
18 trustees, and other fiduciaries may properly and legally invest funds, including capital  
19 in their control or belonging to them. These obligations may be deposited with a state  
20 or municipal officer of an agency or political subdivision of the state for a purpose for  
21 which the deposit of bonds, notes, or obligations of the state is authorized by law.

22 **Sec. 41.41.390. Refunding bonds.** (a) The authority may provide for the  
23 issuance of refunding bonds for the purpose of refunding an obligation then  
24 outstanding that have been issued under the provisions of this chapter, including the  
25 payment of redemption premium on them and interest accrued or to accrue to the date  
26 of redemption of the obligations. The issuance of the bonds, the maturities and other  
27 details of them, the rights of the holders of them, and the rights, duties, and obligations  
28 of the authority in respect of them are governed by the provisions of this chapter that  
29 relate to the issuance of obligations insofar as those provisions may be appropriate.

30 (b) Refunding bonds may be sold or exchanged for outstanding bonds issued  
31 under this chapter, and, if sold, the proceeds may be applied, in addition to another

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

13 **Sec. 41.41.400. Credit of state not pledged.** (a) Obligations issued under  
 14 the provisions of this chapter do not constitute a debt, liability, or obligation of the  
 15 state or of a political subdivision of the state or a pledge of the faith and credit of the  
 16 state or of a political subdivision of the state but are payable solely from the revenue  
 17 or assets of the authority. Each obligation issued under this chapter must contain on  
 18 its face a statement that the authority is not obligated to pay it or the interest on it  
 19 except from the revenue or assets of the authority and that neither the faith and credit  
 20 nor the taxing power of the state or of a political subdivision of the state is pledged to  
 21 the payment of the principal of or the interest on the obligation.

22 (b) Expenses incurred by the authority in carrying out the provisions of this  
 23 chapter are payable from funds provided under this chapter, and liability may not be  
 24 incurred by the authority in excess of these funds.

25 **Sec. 41.41.410. Officers not liable.** A board member or other officer of the  
 26 authority is not subject to personal liability or accountability by reason of having  
 27 executed or issued an obligation.

#### 28 **Article 4. Property of the Authority.**

29 **Sec. 41.41.450. Property of the authority.** The authority may acquire, by  
 30 purchase, lease, or gift, upon terms that it considers proper, land, structures, real or  
 31 personal property rights, rights-of-way, franchises, easements, and other interests in

1 land it considers necessary or convenient for the financing of the project or a part of  
2 the project.

3 **Article 5. Project Construction.**

4 **Sec. 41.41.500. Contract terms relating to use of Alaska resources. (a)**

5 The authority shall enter into one or more project term agreements with labor  
6 organizations that

7 (1) are entered into before construction of the project begins;

8 (2) contain covenants against employee work stoppages; and

9 (3) secure timely completion of the project and maximum employment  
10 opportunities for state residents.

11 (b) To maximize the economic benefits of the project to Alaska businesses,  
12 the authority shall use Alaska contractors and suppliers to the maximum extent  
13 possible to take advantage of the Alaska experience in arctic engineering and  
14 construction.

15 **Article 6. General Provisions.**

16 **Sec. 41.41.900. Tax exemption. (a)** The exercise of the powers granted by

17 this chapter will be in all respects for the benefit of the people of the state, for their  
18 well-being and prosperity, and for the improvement of their social and economic  
19 conditions. The authority is not required to pay a tax or assessment on property  
20 owned by the authority under the provisions of this chapter or on the income from it.

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

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

28 (1) "authority" means the Alaska Natural Gas Development Authority;

29 (2) "board" means the board of directors of the Alaska Natural Gas  
30 Development Authority;

31 (3) "project" means the gas transmission pipeline, together with all

1 related property and facilities, to extend from the Prudhoe Bay area on the North Slope  
 2 of Alaska to tidewater at a point on Prince William Sound, and a spur line from  
 3 Glennallen to the Southcentral gas distribution grid, and includes planning, design,  
 4 and construction of the pipeline and related facilities as described in AS 41.41.010(a).

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

6 (G) Alaska Natural Gas Development Authority;

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

8 (57) the board of directors and chief executive officer of the Alaska  
 9 Natural Gas Development Authority (AS 41.41.020).

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

12 DEVELOPMENT OF PROJECT PLAN. (a) Not later than one year after the first  
 13 meeting of the board of directors of the Alaska Natural Gas Development Authority, the board  
 14 shall produce a development plan. The development plan must include or address the  
 15 following:

- 16 (1) estimates of construction costs and timelines;
- 17 (2) natural gas procurement prices;
- 18 (3) use of the state's royalty gas;
- 19 (4) estimates of revenue to the general fund and the Alaska permanent fund;
- 20 (5) a revenue-sharing plan with municipal governments;
- 21 (6) a plan for delivery and pricing of natural gas to communities along the  
 22 pipeline route and to Southcentral Alaska through a spur line;
- 23 (7) a plan for delivery and pricing of liquefied natural gas to Yukon River and  
 24 coastal communities;
- 25 (8) a payment schedule to companies providing permits or other valuable  
 26 assets;
- 27 (9) a marketing plan to approach potential buyers;
- 28 (10) a plan to maximize Alaska hire, including project labor agreements; and
- 29 (11) a plan to ensure meeting the highest environmental and safety standards,  
 30 including a citizens advisory council.

31 (b) The Alaska Natural Gas Development Authority shall prepare a development plan

1 with the goal that the Alaska natural gas line will be in full production by 2007.

2 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
3 read:

4 INITIAL APPOINTMENTS OF MEMBERS OF ALASKA NATURAL GAS  
5 DEVELOPMENT AUTHORITY BOARD OF DIRECTORS. Of the members first  
6 appointed under AS 41.41.020(a), enacted by sec. 2 of this Act,

7 (1) three members shall be appointed to three-year terms;

8 (2) two members shall be appointed to two-year terms; and

9 (3) two members shall be appointed to one-year terms.