

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: 4/15/15

Referred: First Supplemental Calendar

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; authorizing the Alaska Industrial**
12 **Development and Export Authority to issue bonds to finance the infrastructure and**

1 **construction costs of rebuilding transmission between the Hope substation and Portage,**
 2 **rebuilding transmission between Powerline Pass to Indian, and the Eklutna**
 3 **hydroelectric transmission system upgrade project; relating to legislative approval for**
 4 **loans from the power project fund to the City of King Cove; and providing for an**
 5 **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 LEGISLATIVE INTENT. It is the intent of the legislature that the financing
 10 authorized in sec. 10 of this Act be used only for the Interior energy project described in sec.
 11 10 of this Act.

12 * **Sec. 2.** AS 44.88.095(c) is amended to read:

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

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

25 (2) the project applicant is financially responsible;

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

28 (4) the project will provide, or retain, employment reasonably related
 29 to the amount of the financing by the authority, considering the amount of investment

1 **for each** [PER] employee for comparable facilities and other relevant factors.

2 * **Sec. 3.** AS 44.88.095(g) is amended to read:

3 (g) The authority may issue bonds in an amount greater than **\$25,000,000**
 4 [\$10,000,000] to assist in the financing of a development project under AS 44.88.172 -
 5 44.88.177 only if approved by **the legislature** [LAW], excluding refunding bonds.
 6 Refunding bonds may be issued without further approval by **the legislature** [LAW] in
 7 a principal amount sufficient to provide funds for the payment of all bonds to be
 8 refunded by them and, in addition, for the payment of all other amounts that the
 9 authority considers appropriate in connection with the refunding, including expenses
 10 incident to the redeeming, calling, retiring, or paying of the outstanding bonds, the
 11 funding of reserves, and the issuance of the refunding bonds.

12 * **Sec. 4.** AS 44.88.155(d) is amended to read:

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

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

19 (2) may not be purchased unless

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

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

27 (3) may not be purchased if the loan to be purchased exceeds 75
 28 percent of the appraised value of the collateral offered as security for the loan unless
 29 the amount of the loan in excess of this limit is federally insured or guaranteed or is
 30 insured by a qualified mortgage insurance company, except that the loan to be
 31 purchased under this paragraph may not exceed the total of loan proceeds used to

1 refinance an existing debt plus the cost of new construction, expansion, or acquisition
 2 unless the proceeds from the additional amounts of the loan to be purchased are
 3 restricted to uses approved by the authority to finance commercial activity in the state
 4 by a business enterprise;

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

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

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

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

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

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

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

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

24 (ii) the accelerated amortization schedule is required to
 25 induce the originator to make the loan;

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

31 (7) may be made only if the participation in the loan to be purchased is

1 secured as to repayment by a mortgage or other security instrument in the manner the
 2 authority determines is feasible to assure timely repayment under the loan documents
 3 entered into with the borrower.

4 * **Sec. 5.** AS 44.88.170(a) is amended to read:

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

10 * **Sec. 6.** AS 44.88.170 is amended by adding a new subsection to read:

11 (c) The authority, without first obtaining legislative approval, may not enter
 12 into a gas supply contract with a natural gas producer to provide natural gas to Interior
 13 Alaska as a primary market unless the contract is for the benefit of a natural gas
 14 liquefaction or distribution utility that is owned by the authority or a subsidiary of the
 15 authority and the contract is for the natural gas producer to provide the utility, and
 16 only the utility, with a natural gas supply that the utility uses to serve customers in
 17 Interior Alaska.

18 * **Sec. 7.** AS 44.88.690(a) is amended to read:

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

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

25 (2) **make** a loan guarantee if the amount of the guarantee exceeds
 26 \$20,000,000; **or**

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

29 * **Sec. 8.** AS 44.88.900(16) is amended to read:

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

1 (A) transmission, generation, conservation, storage, or
2 distribution of heat or electricity;

3 (B) liquefaction, regasification, distribution, storage, or use of
4 natural gas, propane, or propane and air mixture; in this subparagraph,
5 "distribution" does not include [EXCEPT] a natural gas pipeline project for
6 transporting natural gas from the North Slope or Cook Inlet to market unless
7 the pipeline has a diameter of 12 inches or less and transports the natural
8 gas to Interior Alaska;

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

10 * **Sec. 9.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, is
11 amended to read:

12 (a) The Alaska Industrial Development and Export Authority may issue bonds
13 to finance the acquisition, design, and construction of a port facility and [RELATED
14 LOADING AND CONVEYOR] equipment related to the development and operation
15 of a bulk commodity loading and shipping terminal, to be located at Point
16 MacKenzie [. THE TERMINAL MAY BE LOCATED ANYWHERE WITHIN
17 COOK INLET]. The facility will be owned by the authority. The principal amount of
18 the bonds may not exceed \$50,000,000.

19 * **Sec. 10.** The uncodified law of the State of Alaska enacted by sec. 11(a), ch. 26, SLA
20 2013, is amended to read:

21 (a) The Alaska Industrial Development and Export Authority, through the
22 Alaska Industrial Development and Export Authority sustainable energy transmission
23 and supply development fund (AS 44.88.660), may provide financing up to a principal
24 amount of \$275,000,000 for the development, construction, and installation of, and the
25 start-up costs of operation and maintenance for, a liquefied natural gas production
26 plant and system and affiliated infrastructure in the state that will provide natural
27 gas to Interior Alaska as a primary market [ON THE NORTH SLOPE] and [A]
28 natural gas delivery and distribution systems [SYSTEM] and affiliated infrastructure
29 that will provide natural gas to [IN] Interior Alaska, if the members of the Alaska
30 Industrial Development and Export Authority approve by resolution a project
31 plan. The project plan must

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

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

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

5 * **Sec. 11.** The uncodified law of the State of Alaska enacted by sec. 25, ch. 123, SLA 1990,
 6 as repealed and reenacted by sec. 1, ch. 3, FSSLA 1992, is amended to read:

7 Sec. 25. The Alaska Industrial Development and Export Authority may issue
 8 bonds to finance the acquisition, design, and construction of aircraft maintenance air
 9 cargo/air transport support facilities located at Anchorage International Airport, to be
 10 owned by the Authority. The principal amount of the bonds may not exceed **\$28,000,000**
 11 [~~\$85,000,000~~]. This section grants the legislative approval required by AS 44.88.095.

12 * **Sec. 12.** Section 3, ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA
 13 1996; secs. 24(a) and 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended
 14 by sec. 1, ch. 93, SLA 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

15 * **Sec. 13.** Section 2(a), ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996, and
 16 sec. 9 of this Act is repealed June 30, 2019.

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

19 LEGISLATIVE APPROVAL; SWEETHEART LAKE HYDROELECTRIC
 20 PROJECT. (a) The Alaska Industrial Development and Export Authority may issue bonds to
 21 finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project.
 22 The Sweetheart Lake hydroelectric facility shall be owned and operated by the authority or
 23 financed under AS 44.88.172. The principal amount of the bonds provided by the authority
 24 for the Sweetheart Lake hydroelectric project may not exceed \$120,000,000 and may include
 25 the costs of issuing bonds considered reasonable and appropriate by the Alaska Industrial
 26 Development and Export Authority.

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

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

30 LEGISLATIVE APPROVAL; ALASKA RAILBELT COOPERATIVE
 31 TRANSMISSION AND ELECTRIC COMPANY. (a) The Alaska Industrial Development

1 and Export Authority may issue bonds to finance the infrastructure and construction costs for
 2 (1) rebuilding transmission between the Hope substation and Portage by the
 3 Alaska Railbelt Cooperative Transmission and Electric Company;
 4 (2) rebuilding transmission between Powerline Pass to Indian by the Alaska
 5 Railbelt Cooperative Transmission and Electric Company; and
 6 (3) the Eklutna hydroelectric transmission system upgrade project by the
 7 Alaska Railbelt Cooperative Transmission and Electric Company.

8 (b) The projects listed in (a) of this section shall be owned and operated by the
 9 authority or financed under AS 44.88.172.

10 (c) The principal amount of the bonds provided by the authority for the projects in
 11 (a)(1) and (2) of this section may not exceed a combined total of \$107,100,000, and may
 12 include the costs of issuing bonds considered reasonable and appropriate by the Alaska
 13 Industrial Development and Export Authority.

14 (d) The principal amount of the bonds provided by the authority for the project in
 15 (a)(3) of this section may not exceed \$20,400,000 and may include the costs of issuing bonds
 16 considered reasonable and appropriate by the Alaska Industrial Development and Export
 17 Authority.

18 (e) This section constitutes legislative approval required by AS 44.88.095(g).

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

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

28 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
 29 read:

30 **REPORT.** (a) The Alaska Industrial Development and Export Authority shall submit
 31 quarterly to the legislature a written report on the Interior energy project. The authority shall

1 deliver the report to the senate secretary and the chief clerk of the house of representatives
2 and notify the legislature that the report is available. The report must include

- 3 (1) a description of project progress on all components;
- 4 (2) an update on the status of local distribution infrastructure buildout;
- 5 (3) to-date and anticipated conversions; and
- 6 (4) a financial accounting of funds expended and funds anticipated to be spent,
7 including loans, grants, and bonds.

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

11 * **Sec. 18.** Sections 14 - 16 of this Act are repealed June 30, 2019.

12 * **Sec. 19.** Section 17 of this Act is repealed June 30, 2020.

13 * **Sec. 20.** This Act takes effect immediately under AS 01.10.070(c).