

SENATE CS FOR CS FOR HOUSE BILL NO. 105(FIN) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 4/26/15

Offered: 4/18/15

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; repealing bond**
4 **authorizations granted to the Alaska Industrial Development and Export Authority;**
5 **amending the definition of 'qualified energy development'; relating to the financing**
6 **authorization through the Alaska Industrial Development and Export Authority of a**
7 **liquefied natural gas production plant and natural gas energy projects and distribution**
8 **systems in the state; requiring the Alaska Industrial Development and Export Authority**
9 **to deliver to the legislature reports relating to the Interior energy project; and providing**
10 **for an effective date."**

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

12 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section

1 to read:

2 LEGISLATIVE INTENT. It is the intent of the legislature that

3 (1) the increased geographic flexibility provided in sec. 9 of this Act solely
4 advance the Interior energy project, a project first authorized by the legislature in ch. 26, SLA
5 2013. The goals of the Interior energy project are to bring affordable natural gas to as many
6 residents of Interior Alaska communities as possible as quickly as possible. This Act does not
7 expand the scope of the project nor authorize any other activity beyond accomplishing those
8 stated goals;

9 (2) the Alaska Industrial Development and Export Authority use an open and
10 competitive solicitation process to select private entities to participate in developing the
11 liquefied natural gas production plant capacity and affiliated infrastructure described in this
12 Act.

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

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

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

26 (2) the project applicant is financially responsible;

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

29 (4) the project will provide, or retain, employment reasonably related
30 to the amount of the financing by the authority, considering the amount of investment
31 **for each** [PER] employee for comparable facilities and other relevant factors.

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

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

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

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

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

18 (2) may not be purchased unless

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

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

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

1 unless the proceeds from the additional amounts of the loan to be purchased are
 2 restricted to uses approved by the authority to finance commercial activity in the state
 3 by a business enterprise;

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

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

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

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

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

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

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

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

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

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

30 (7) may be made only if the participation in the loan to be purchased is
 31 secured as to repayment by a mortgage or other security instrument in the manner the

authority determines is feasible to assure timely repayment under the loan documents entered into with the borrower.

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

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

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

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

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

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

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

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

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

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

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

(A) transmission, generation, conservation, storage, or

1 distribution of heat or electricity;

2 (B) liquefaction, regasification, distribution, storage, or use of natural gas; in this
3 subparagraph,

4 (i) "distribution" does not include [EXCEPT] a
5 natural gas pipeline project for transporting natural gas from the North
6 Slope or Cook Inlet to market unless the pipeline has a diameter of
7 12 inches or less and transports the natural gas to Interior Alaska;

8 (ii) "natural gas" includes propane or propane and
9 air mixture;

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

11 * **Sec. 9.** The uncoded law of the State of Alaska enacted by sec. 11(a), ch. 26, SLA 2013,
12 is amended to read:

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

24 (1) identify the source of the natural gas;

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

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

28 * **Sec. 10.** The uncoded law of the State of Alaska enacted by sec. 11(g), ch. 26, SLA
29 2013, is amended by adding a new paragraph to read:

30 (3) "natural gas" includes

31 (A) propane; and

(B) propane and air mixture.

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

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

*** Sec. 12.** Section 2, ch. 27, SLA 1993, as amended by sec. 19, ch. 111, SLA 1996; sec. 3, ch. 27, SLA 1993; sec. 7, ch. 76, SLA 1995; sec. 24, ch. 111, SLA 1996; secs. 24(a) and 24(b), ch. 109, SLA 1998; sec. 24(d), ch. 109, SLA 1998, as amended by sec. 1, ch. 93, SLA 2006; and sec. 1, ch. 37, SLA 2004, are repealed.

*** Sec. 13.** The uncoded law of the State of Alaska is amended by adding a new section to read:

REPORT. (a) The Alaska Industrial Development and Export Authority shall submit quarterly to the legislature a written report on the Interior energy project. The authority shall deliver the report to the senate secretary and the chief clerk of the house of representatives and notify the legislature that the report is available. The report must include

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

including loans, grants, and bonds.

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

*** Sec. 14.** Section 13 of this Act is repealed June 30, 2025.

*** Sec. 15.** This Act takes effect immediately under AS 01.10.070(c).