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Referred: Resources,
Judiciary and Finance

1 IN THE HOUSE

BY HUBER

2 HOUSE BILL NO. 725

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Pipeline Commission
7 as a public corporation for certain purposes; and
8 providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 42.06 is amended by adding new sections to read:

11 ARTICLE 4. ALASKA PIPELINE COMMISSION

12 AS A PUBLIC CORPORATION AUTHORITY.

13 Sec. 42.06.650. LEGISLATIVE FINDING AND POLICY. (a) The
14 legislature finds and declares that

15 (1) there exist areas in the state in which seasonal and
16 nonseasonal unemployment exist;

17 (2) this unemployment is a serious menace to the health,
18 safety and general welfare, not only to the people in areas
19 of unemployment, but also to the people of the entire state;

20 (3) the oil and natural gas resources of the state are
21 natural resources which, with proper conservation and transmission
22 techniques, afford an abundant source of supply;

23 (4) the establishment of oil and natural gas transmission
24 facilities for the transmission of oil and natural gas is essential
25 to the development of the natural resources and the long-term
26 economic growth of the state, and will directly or indirectly allevi-
27 ate unemployment in the state;

28 (5) the state lacks the facilities necessary to permit
29 adequate development of its oil and natural gas resources and the

1 balanced growth of its economy;

2 (6) the goals of full employment, and of establishment
3 and continuing operation and development of oil and natural gas
4 production within the state, will be accelerated and facilitated
5 by the creation of an instrumentality of the state with powers to
6 incur debt for the purpose of acquiring and constructing facilities
7 for the transmission of oil and natural gas and with power to lease
8 transmission facilities to the state and the goals will also be
9 served by the guaranty by the state of the principal and interest
10 on the bonds issued to finance the transmission facilities for
11 operation in the public interest;

12 (7) pollution of the lands and waters of the state result-
13 ing from the discharge into the waters and on the lands of oil, natural
14 gas and other waste material would endanger public health and
15 threaten the general welfare; oil and natural gas and other dis-
16 charges in the volumes to be present in the state are of such a threat
17 to the general welfare as to mandate maximum direct state supervision
18 and control over treatment facilities.

19 (b) It is declared to be the policy of the state, and a public
20 purpose, in the interests of promoting the health, security and
21 general welfare of all the people of the state, to increase job
22 opportunities and otherwise encourage the economic growth of the
23 state, through the establishment of facilities for the transmission
24 of oil, natural gas and other related facilities, by the establish-
25 ment of a public corporation with power, duties and functions as
26 provided in secs. 650 - 920 of this chapter. This policy will also
27 be served by provisions allowing for leasing by the state of the
28 transmission facilities from the public corporation for operation
29 in the public interest. It is also declared to be in the public

1 interest for the state to guarantee the principal and interest on
2 bonds issued to finance the facilities. It is further declared to be
3 in the public interest and to be the policy of the state and the
4 purpose of this chapter to grant necessary powers to a single state
5 instrumentality to provide the means for abatement of pollution and
6 to provide for the resulting protection of all lands and waters of
7 the state, public and private. To the end that these vital purposes
8 may be accomplished, this chapter and all rules, regulations and
9 orders promulgated under it shall be liberally construed, in favor of
10 the policy objectives set out in it. In order to achieve the policy
11 objectives of secs. 650 - 920 of this chapter, it is the express
12 policy of the state to mobilize governmental effort and resources at
13 all levels, state, federal and local, and allocate the efforts and
14 resources to accomplish the greatest result for the people of the
15 state.

16 Sec. 42.06.660. AUTHORITY ESTABLISHED. There is established
17 the Alaska Pipeline Commission Authority. The Alaska Pipeline Commis-
18 sion when acting as the authority is a public corporation of the state
19 and a body corporate and politic within the Department of Revenue with
20 separate and independent legal existence from the state.

21 Sec. 42.06.670. GENERAL POWERS. The authority may for the
22 purposes of this chapter

- 23 (1) sue and be sued;
- 24 (2) adopt an official seal and alter it at pleasure;
- 25 (3) adopt and amend bylaws for the management and regulation
26 of its affairs and make, alter and enforce rules and regulations for
27 the conduct of its business and for use of its services and facilities;
- 28 (4) maintain an office or offices at any place or places
29 within the state;

1 (5) acquire, hold, use and dispose of its income, revenues,
2 funds and moneys;

3 (6) acquire, construct, reconstruct, purchase, hold,
4 maintain, repair, operate, lease as lessor or lessee, dispose of and
5 use real or personal property or an interest in the property necessary,
6 convenient or desirable to carry out the purposes of this chapter,
7 including, without limiting the generality of the foregoing, leasing
8 a project or portion of a project acquired by it to the state, and
9 selling, transferring, donating, conveying or encumbering by mortgage
10 or by creation of other security interests property or an interest
11 in property required by it in the exercise of its powers; entering
12 into contracts for those purposes; entering into contracts for the
13 management and operation of the project and designating an agent to
14 acquire, construct, reconstruct, purchase, hold, maintain, repair,
15 operate, lease as lessor or lessee, and regulate the same;
16 designating an agent to enter into contracts for any of those purposes,
17 including contracts for the management and operation of the project;

18 (7) make plans, surveys, and studies necessary, convenient
19 or desirable to the effectuation of the purposes and powers of the
20 authority and to prepare recommendations in that respect;

21 (8) enter upon lands, waters, or premises as in the
22 judgment of the authority may be necessary, convenient or desirable
23 for the purpose of making surveys, soundings, borings and examinations
24 to accomplish a purpose authorized by this chapter;

25 (9) borrow money and issue its negotiable bonds or notes and
26 provide for their payment and the rights of their holders and to
27 purchase, hold and dispose of any of its bonds or notes;

28 (10) fix and revise from time to time and charge and collect
29 rents, fees and charges for the use of the project or of its services.

1 or facilities;

2 (11) apply for and accept gifts or grants of property,
3 funds, money, materials, labor, supplies or services from the United
4 States or from a governmental unit or a person, firm or corporation,
5 and carry out the terms or provisions of or make agreements with respect
6 to any gifts or grants, and to do whatever is necessary, useful,
7 desirable or convenient in connection with procuring, acceptance or
8 disposition of gifts or grants;

9 (12) do anything authorized by this chapter, through its
10 officers, agents or employees or by contract with a person, firm,
11 corporation or the state;

12 (13) enter into and enforce contracts, agreements or
13 leases necessary, convenient or desirable for the purposes of the
14 authority or to the performance of its duties and the execution or
15 carrying out of powers under this chapter;

16 (14) employ consulting engineers, architects, superintend-
17 ents, managers, and other employees and agents as are necessary or
18 desirable in its judgment to carry out its powers or purposes or do
19 anything authorized by this chapter, and designate their responsibi-
20 lities and fix their compensation;

21 (15) invest funds or moneys of the authority in the same
22 manner as permitted for investment of funds belonging to the state or
23 held in the treasury, except as otherwise provided in this chapter and
24 subject to agreements with bondholders;

25 (16) do all things necessary, convenient or desirable to
26 carry out the purposes of this chapter or the powers expressly granted
27 or necessarily implied in this chapter.

28 Sec. 42.06.680. BONDS OR NOTES. The authority may provide by
29 resolution, at one time or from time to time, for the issuance of its

1 bonds or notes for the purpose of paying the cost of a project or for
2 any of its other corporate purposes, including the refunding of bonds
3 or notes. Except as otherwise provided by this chapter or by the
4 authority, every issue of bonds or notes shall be general obligations
5 of the authority payable out of revenues or funds of the authority,
6 subject only to agreements with the holders of particular bonds or
7 notes pledging particular revenues or funds. Bonds or notes may
8 be additionally secured by a pledge of a grant or contributions from
9 the United States or the state or a governmental unit or a person, firm
10 or corporation or a pledge of income or revenues, funds or moneys of
11 the authority from any source.

12 Sec. 42.06.690. FORM OF ISSUANCE. (a) Authority bonds or notes
13 shall be authorized by resolution of the authority and shall be dated
14 and shall mature as the resolution may provide, except that a bond
15 shall not mature more than 40 years from the date of its issue. Bonds
16 or notes shall bear interest at the rate or rates, be in the denomi-
17 nations, be in the form, either coupon or registered, carry the
18 registration privileges, be executed in the manner, be payable in the
19 medium of payment, at the place or places, and be subject to the terms
20 of redemption which the resolution or a subsequent resolution may
21 provide.

22 (b) Bonds or notes, regardless of form or character, shall be
23 negotiable instruments for all the purposes of the Uniform Commercial
24 Code (AS 45.05).

25 (c) Bonds or notes may be sold at public or private sale in the
26 manner, for the prices and at the time the authority may determine.

27 (d) Before the issuance of bonds, the authority shall make
28 provision, by lease or other agreement or by establishing rents, fees
29 and charges in accordance with sec. 750 of this chapter regarding

1 the project being financed by the issue of the bonds, for rentals or
2 other considerations at least sufficient, in the judgment of the
3 authority, to pay the principal of and interest on the bonds as they
4 become due and to establish and maintain the reserves for payment, if
5 any, as the authority considers necessary or desirable and to meet all
6 obligations in connection with the lease or other agreement and all
7 costs necessary to service the bonds, unless the lease or agreement
8 provides that the obligations are to be met or costs are to be paid
9 by a party other than the authority.

10 Sec. 42.06.700. PAYMENT OR REFUNDING OF NOTES. The authority
11 may issue its notes under this chapter and pay and retire or fund or
12 refund the notes from proceeds of bonds or of other notes, or from any
13 other funds or moneys of the authority available for that purpose, in
14 accordance with any contract between the authority and the holders of
15 the notes. Unless provided otherwise in a contract between the
16 authority and the holders of notes, and unless the notes are otherwise
17 paid, funded or refunded, the proceeds of bonds of the authority
18 issued, among other things, to fund outstanding notes, shall be held,
19 used and applied by the authority to the payment and retirement of the
20 principal of the notes and the interest due and payable on the notes.

21 Sec. 42.06.710. BONDS OR NOTES AS LEGAL INVESTMENT. Notwith-
22 standing any other law, the state and public officers, governmental
23 units and agencies of the state, banks, trust companies, savings
24 banks and institutions, building and loan associations, savings and
25 loan associations, investment companies, and other persons carrying
26 on a banking business, insurance companies, insurance associations
27 and other persons carrying on an insurance business, credit unions,
28 and executors, administrators, guardians, trustees and other
29 fiduciaries, may legally invest sinking funds, moneys or other funds

1 belonging to them or within their control in bonds or notes issued under
2 this chapter, and the bonds or notes are authorized security for public
3 deposits.

4 Sec. 42.06.720. TAX EXEMPTION. (a) Property of the authority is
5 public property devoted to an essential public and governmental function
6 and purpose and is exempt from all taxes, franchise fees and special
7 assessments of the state or a municipality of the state. However, the
8 authority shall pay an amount to municipalities, in place of taxes, to
9 be calculated at the same rate and in the same manner as other real
10 property assessed and levied upon in that municipality. In order to
11 receive payment from the authority under this subsection a municipality
12 may not have real property exemptions except as required by state law or
13 authorized under AS 29.53. Bonds or notes issued under this chapter
14 are issued by a body corporate and politic of the state for an
15 essential public and governmental purpose and the bonds and notes, and
16 the interest on them and the income from them, and all activities of the
17 authority and fees, charges, funds, revenues, incomes and other money of
18 the authority whether or not pledged or available to pay or secure the
19 payment of the bonds or notes, or interest on them, are exempt from all
20 taxes, franchise fees or special assessments except for transfer,
21 inheritance and estate taxes.

22 (b) The authority may not be required to make or file reports,
23 statements or information returns required of other bodies corporate
24 except as provided in this chapter.

25 Sec. 42.06.730. TERMS OF AGREEMENT WITH BOND OR NOTEHOLDER. (a)
26 In the discretion of the authority bonds or notes issued under this chap-
27 ter may be secured by a trust agreement by and between the authority and
28 a corporate trustee, which may be a trust company or bank having the pow-
29 ers of a trust company within or outside the state. The authority in a

1 trust agreement or in a resolution of the authority authorizing or relat-
2 ing to the issuance of any bonds or notes, in order to secure the payment
3 of the bonds or notes and in addition to its other powers, may covenant
4 and contract with the holders of the bonds or notes to:

5 (1) pledge to any payment or purpose all or part of its
6 revenues to which its right then exists or may exist, and the money
7 derived from them and the proceeds of any bonds or notes;

8 (2) covenant against pledging all or part of its revenues
9 or against permitting or suffering a lien on its revenues;

10 (3) covenant as to the establishment and provision of funds
11 and accounts considered appropriate including reserves and sinking funds,
12 and the regulation and disposition of them;

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

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

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

21 (7) covenant as to the payment of the principal of or inter-
22 est on the bonds or notes, the sources and methods of payment, the rank
23 or priority of the bonds or notes with respect to a lien or security
24 or the acceleration of the maturity of any bonds or notes;

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

27 (9) covenant against extending the time for the payment of
28 bonds or notes or interest on them;

29 (10) covenant as to the redemption of bonds or notes and

1 privileges of their exchange for other bonds or notes of the authority;

2 (11) covenant as to rates, rents or charges to be established
3 and charged and collected, the amount to be raised each year or other
4 period of time by rates, rents or charges or other revenues and as to the
5 use and disposition to be made of them;

6 (12) covenant to establish or authorize the establishment of
7 special funds or money to be held in pledge or otherwise for operating ex-
8 penses, payment or redemption of bonds or notes, reserves or other purposes,
9 and as to the use and disposition of the money held in the funds;

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

15 (14) covenant as to the custody of any of its properties or
16 investments, their safekeeping, the insurance to be carried on them, and
17 the use and disposition of insurance money;

18 (15) covenant as to the time or manner of enforcement or
19 restraint from enforcement of rights of the authority arising because of
20 or with respect to nonpayment of any rates, rents or charges;

21 (16) provide for the rights and liabilities, powers and duties
22 arising upon the breach of a covenant, condition or obligation and pre-
23 scribe the event of default and the terms and conditions upon which any
24 or all of the bonds, notes or other obligations of the authority shall
25 become or may be declared due and payable before maturity and the terms
26 and conditions upon which the declaration and its consequences may be waived;

27 (17) vest in a trustee or trustees within or outside the state
28 that property, rights, powers and duties in trust as the authority may
29 determine, which may include rights, powers and duties of a trustee

1 appointed by the holders of bonds or notes, and limit or abrogate the
2 right of the holders of bonds or notes of the authority to appoint a
3 trustee under this chapter or limit the rights, powers and duties of
4 the trustee;

5 (18) pay the costs or expenses incident to the enforcement
6 of the bonds or notes or of the resolution or of a covenant or agree-
7 ment of the authority with the holders of its bonds or notes;

8 (19) agree as to the pledging or assigning of revenues or
9 funds to which the authority may have rights or an interest; the
10 agreement may further provide for other rights and remedies exercisable
11 by the trustee as may be proper for the protection of the holders of
12 bonds or notes of the authority and not otherwise in violation of law,
13 and may provide for the restriction of the rights of an individual
14 holder of bonds or notes of the authority;

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

18 (21) limit the rights of the holders of any bonds or notes
19 to enforce a pledge or covenant securing the bonds or notes; and

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

28 (b) If the bonds or notes of the authority are secured
29 by a trust agreement or by the appointment of a trustee under

1 a resolution authorizing the bonds or notes, the bond or noteholders
2 have no authority to appoint a separate trustee to represent them.

3 Sec. 42.06.740. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
4 authority may purchase bonds or notes of the authority out of any of
5 its funds or money available for the bonds. The authority may hold,
6 cancel or resell the bonds or notes subject to and in accordance with
7 agreements with holders of its bonds or notes.

8 Sec. 42.06.750. REVENUES. (a) The authority is authorized to
9 fix, revise, charge, and collect rents, fees and charges for the use of
10 a project or any portion or facility of a project and for the
11 services furnished or to be furnished in connection with a project
12 and to contract with the state or an agency or instrumentality of the
13 state or with any person, partnership, association or corporation, or
14 other body, public or private, in respect to a project. The rents,
15 fees and charges shall be fixed and adjusted in respect of the
16 aggregate of rents, fees and charges from a project so as to provide
17 funds sufficient with other revenues, if any:

18 (1) pay the cost of maintaining, insuring, repairing, and
19 operating a project and each portion of it, to the extent that the
20 authority has not otherwise adequately provided for the maintenance,
21 insurance, repair and operation of the project or for the payment of
22 the costs;

23 (2) pay the principal of and the interest and redemption
24 premium, if any, on outstanding bonds or notes of the authority issued
25 in respect to a project as the payments become due and payable; and

26 (3) create and maintain reserves required or provided for
27 in any resolution authorizing, or trust agreement securing, the bonds,
28 or notes of the authority. The rents, fees and charges may not be
29 subject to supervision or regulation by any department, commission,

1 board, body, bureau or agency of the state other than the authority.

2 (b) A sufficient amount of the revenues derived in respect to
3 a project, except that part of the revenues necessary to pay the
4 cost of maintenance, repair, and operation and to provide reserves and
5 for the renewals, replacements, extensions, enlargements, and
6 improvements as may be provided for in the resolution authorizing the
7 issuance of any bonds or notes of the authority or in the trust
8 agreement securing them, shall be set aside at the regular intervals
9 provided in the resolution or trust agreement in a sinking or other
10 similar fund which is hereby pledged to, and charged with, the payment
11 of the principal of and the interest on bonds or notes as they
12 become due, and the redemption price or the purchase price of bonds
13 or notes retired by call or purchase as provided in the resolution or
14 trust agreement. The pledge is valid and binding from the time when
15 the pledge is made; the rents, fees and charges, and other revenues or
16 other moneys so pledged and thereafter received by the authority are
17 immediately subject to the lien of the pledge without any physical
18 delivery of it or further act, and the lien of a pledge is valid and
19 binding as against all parties having claims of any kind in tort,
20 contract, or otherwise against the authority, irrespective of whether
21 the parties have notice of the lien. Neither the resolution nor any
22 trust agreement by which a pledge is created need be filed or recorded
23 except in the records of the authority. The use and disposition of
24 moneys to the credit of sinking or other similar funds shall be
25 subject to the provisions of the resolution authorizing the issuance of
26 bonds or notes or a trust agreement. Except as otherwise provided
27 in the resolution or trust agreement, the sinking or other similar
28 fund shall be a fund for all the bonds or notes issued to finance
29 a project without distinction or priority of one over another.

1 However, the authority in the resolution or trust agreement may permit
2 and provide for the issuance of bonds or notes having a subordinate
3 lien in respect of the security authorized in this section to other
4 bonds or notes of the authority and, in that case, the authority may
5 create separate sinking or other similar funds in respect to sub-
6 ordinate lien bonds or notes.

7 Sec. 42.06.760. FUNDS AND ACCOUNTS. The authority may establish
8 those reserves or other funds or accounts as may be, in its discretion,
9 necessary, desirable or convenient to further the accomplishment of its
10 purposes or to comply with the provisions of any of its agreements or
11 resolutions. All moneys received by the authority pursuant to this
12 chapter whether as proceeds from the sale of bonds or notes or as
13 revenues, rates, rents, fees or charges are trust funds to be held and
14 applied solely as provided in this chapter. Any officer with whom, or
15 any bank or trust company with which, the moneys are deposited shall
16 act as trustee of the moneys and shall hold and apply them for the
17 purposes of this chapter, subject to such regulations as this chapter
18 and the resolution authorizing any bonds or notes of the authority or
19 the trust agreement securing the bonds or notes of the authority or the
20 trust agreement securing the bonds or notes may provide.

21 Sec. 42.06.770. DEFAULT IN PAYMENT. If the authority defaults in
22 the payment of principal or interest on any of its bonds or notes of
23 any series after they become due, whether at maturity or upon call for
24 redemption, and the default continues for 30 days, or if the authority
25 fails or refuses to comply with this chapter or defaults in any
26 agreement made with the holders of the bonds or notes of the series,
27 the holders of 25 per cent in aggregate principal amount of the out-
28 standing notes or bonds of the series as to which any default is
29 claimed, upon 30 days notice in writing to the authority, by an

1 instrument in writing filed in the office of the Department of Revenue,
2 may, subject to the limitation in sec. 730(b) of this chapter, appoint
3 a trustee to represent the holders of those notes or bonds.

4 Sec. 42.06.780. ACTION ON DEFAULT. (a) A trustee appointed
5 under sec. 220 of this chapter may, and shall in his name, upon written
6 request of the holders of 25 per cent in principal amount of the out-
7 standing notes or bonds of the series as to which a default has
8 occurred:

9 (1) by mandamus or other suit, action or proceeding at law
10 or in equity, enforce all rights of the noteholders or bondholders of
11 the series in default, including the right to require the authority to
12 collect rates, charges and other fees adequate to carry out any agree-
13 ment as to, or pledge of, the rate, charges and other fees and of the
14 interest and amortization payments, and to require the authority to
15 carry out any other agreements with the holders of the notes or bonds
16 of the series in default and to perform its duties under this chapter;

17 (2) bring suit upon the notes or bonds of the series in
18 default;

19 (3) by action or suit, require the authority to account as
20 if it were the trustee of an express trust for the holders of the notes
21 or bonds of the series in default;

22 (4) by action or suit in equity enjoin anything which may be
23 unlawful or in violation of the rights of the holders of the notes or
24 bonds of the series in default;

25 (5) declare, upon 30 days notice in writing to the authority,
26 all the notes or bonds of the series in default due and payable, and if
27 all defaults are made good, then with the consent of the holders of 25
28 per cent of the principal amount of the outstanding notes or bonds of
29 the series in default, annul the declaration and its consequences;

1 (6) have all the additional powers necessary for the
2 exercise of functions specifically set forth in this subsection or
3 incident to the general representation of the bondholders or note-
4 holders of the series in default in the enforcement and protection of
5 their rights.

6 (b) The bondholders or noteholders of a series of outstanding
7 bonds or notes of the authority which are in default may exercise in
8 their own right without the appointment of a trustee any of the powers
9 or rights described in (a) of this section, subject to the limitation
10 of sec. 730(b) of this chapter.

11 Sec. 42.06.790. SERVICES OF GOVERNMENT AGENCIES AND COST OF
12 SERVICES. All officers, departments, boards, agencies, divisions and
13 commissions of the state may render those services to the authority as
14 are within the area of their respective governmental functions and as
15 are requested by the authority. The cost and expense of services
16 requested by the authority shall, at the request of the officer,
17 department, board, agency, division or commission rendering the
18 service, be paid by the authority.

19 Sec. 42.06.800. AGREEMENTS AND LEASES. (a) The authority and
20 the state, with the approval of the governor, may enter into either
21 agreements or leases or both providing for the lease of a project by
22 the authority to the state and the operation and maintenance of it by
23 the state. The agreement and the lease shall be executed on behalf of
24 the state by the governor. The seal of office of the lieutenant
25 governor shall be affixed to the agreement and lease, and the
26 lieutenant governor shall attest to them. The agreement and lease
27 shall be executed on behalf of the authority by its chairman. The
28 seal of the authority shall be affixed to the agreement and lease, and
29 the secretary of the authority shall attest to the agreement and lease.

1 The agreement or lease may provide for the payment to the authority by
2 the state annually or otherwise of such amount of money computed at
3 fixed amounts or in any other manner as the agreement and lease may
4 provide, and the amount payable may include provision for all or any
5 part or share of the amounts necessary:

6 (1) to pay the principal of, interest and redemption
7 premium, if any, on the bonds issued to finance the cost of the project;

8 (2) to pay or provide for the payment of the expenses of
9 operation and maintenance of the project; and

10 (3) to maintain those reserves or sinking funds for the
11 purposes of (1) and (2) of this subsection as may be required by the
12 terms of an agreement with the authority's bondholders or noteholders
13 or as may be considered necessary or desirable by the authority and
14 the governor.

15 (b) An agreement or lease entered into under this section may
16 also contain provisions as to the financing and payment of the cost of
17 the project and may provide for the payment by the state to the
18 authority for application to the cost such sum of money, not in the
19 aggregate exceeding an amount stated or otherwise limited in the
20 agreement or lease plus interest on the amount, as the agreement or
21 lease may provide. The agreement or lease may be made for a specified
22 or unlimited time and on terms and conditions which may be approved by
23 the governor.

24 (c) The officers and employees of the state are hereby authorized
25 and directed to do whatever is necessary, convenient or desirable to
26 carry out and perform every agreement or lease and to provide for the
27 payment or discharge of any obligation under the agreement or lease in
28 the same manner as other obligations of the state.

29 (d) The state may enter into an agreement or sublease or both

1 with any person, firm or corporation for the sublease, management and
2 operation of the project or any part of it and shall apply any moneys
3 received from the agreement or sublease to any payment required to be
4 made under this section. An agreement or sublease shall be executed on
5 behalf of the state by the governor and shall have the seal of office
6 of the lieutenant governor affixed to it and he shall attest to it.
7 An agreement or sublease may be made for a specified or unlimited time
8 and on any terms and conditions which may be approved by the governor.
9 The officers and employees of the state are authorized and directed to
10 do whatever may be necessary, convenient or desirable to carry out and
11 perform an agreement or sublease.

12 Sec. 42.06.810. GUARANTY BY THE STATE. (a) To the extent
13 authorized by the constitution of the state if a bond agreement
14 provides for state guaranty at the time of the issuance of notes or
15 bonds, the punctual payment of the notes or bonds shall be, and hereby
16 is, fully and unconditionally guaranteed by the state, both as to
17 principal and interest, according to their terms, and the guaranty
18 shall be expressed upon its face by the signature or facsimile
19 signature of the governor. If the authority fails to pay when due the
20 principal of or interest on the notes or bonds, the state shall pay the
21 holder of the notes or bonds and then be subrogated to the rights of
22 the noteholders or bondholders paid.

23 (b) The authority has power to issue notes and bonds without the
24 guaranty of the state and may issue such notes or bonds before and
25 after the issuance of guaranteed notes or bonds.

26 (c) When guaranteed notes or guaranteed bonds are outstanding,
27 notes or bonds secured by a mortgage on lands or properties or by a
28 pledge of receipts or revenues having priority over the outstanding
29 guaranteed notes or guaranteed bonds may not be issued, except with the

consent of the governor, and unless the authority shall by resolution first find and determine that, notwithstanding the mortgage or the pledge, the authority will have adequate means to meet its obligations to the holders of the outstanding guaranteed notes or bonds.

(d) When notes or bonds are outstanding, secured by a mortgage of lands or properties or by a pledge of receipts or revenues, guaranteed notes or bonds, either unsecured, or secured by a mortgage of lands or properties or by a pledge of receipts or revenues subordinate to the mortgage or the pledge securing such outstanding notes or bonds, shall not be issued, except with the consent of the governor, and unless the authority shall first find and determine by resolution that, notwithstanding the mortgage or pledge securing the outstanding notes or bonds, the authority will have adequate means to meet its obligations on the guaranteed notes or bonds about to be issued.

(e) The state is liable on notes or bonds guaranteed under this section but is not liable on notes or bonds not guaranteed by the state, which may not be a debt of the state.

Sec. 42.06.820. STATE'S RIGHT TO REQUIRE REDEMPTION OF BONDS. Notwithstanding and in addition to provisions for the redemption of bonds which may be contained in a contract with the holders of the bonds, the state may, upon furnishing sufficient funds for the purpose, require the authority to redeem, prior to maturity, as a whole, any issue of bonds or any interest payment date not less than 10 years after the date of the bonds of such issue at 105 per cent of their face value and accrued interest or at a lower redemption price which may be provided in the bonds in case of their redemption as a whole on the redemption date. Notice of a redemption shall be published in at least two newspapers published and circulating respectively in the cities of Juneau and New York at least twice, the first publication to

1 be at least 30 days before the date of redemption.

2 Sec. 42.06.830. CONDEMNATION. The authority may acquire by
3 purchase or by condemnation, by any mode of procedure the state may
4 itself use to acquire real property including the declaration of
5 taking referred to in AS 19.05.090, title in the name of the authority
6 to real or personal property which it may require in the exercise of
7 the powers granted under this chapter. Property acquired under this
8 section may include real property which may be held for public use,
9 and the authority may devote the property to the same public use for
10 which it was previously held or another public use within the purpose
11 and powers of the authority. Payment for property acquired must be
12 made by the authority.

13 Sec. 42.06.840. ACQUISITION OF PROPERTY AND RIGHTS OF
14 OTHERS. (a) The authority may acquire ownership or control,
15 either directly or by acquiring the stock of a person, of
16 all or part of the property and rights of a person owning
17 or operating or empowered to own or operate an oil or natural gas
18 pipeline in the state, and without limiting the generality of the
19 foregoing, to acquire the same:

20 (1) by purchasing property of other persons owning
21 or operating or empowered to own or operate an oil or natural gas
22 pipeline in the state, and by taking all other necessary steps for
23 acquisition of the property including, and without limiting the
24 generality of the foregoing, by acquiring stock, evidences of indebted-
25 ness or certificates of interest;

26 (2) by acquiring debts of claims due on or after the
27 effective date of this chapter to creditors of the other corporation;

28 (3) by foreclosing liens arising out of indebtedness;

29 (4) by condemnation; and

1 (5) by deed or other instrument of transfer or lease under
2 an agreement made with the owner of the property and others having an
3 interest in it on those terms and conditions, for cash or on credit,
4 or in consideration of the issuance and delivery of notes or bonds of
5 the authority, as the authority may determine.

6 (b) Title to real and personal property acquired by the authority
7 shall be acquired and held in the name of the authority. The authority
8 may possess and use property acquired by it for its use so long as its
9 corporate existence continues.

10 (c) The authority may acquire from another person all leases
11 and agreements made by the person relating to the use of oil or natural
12 gas pipeline facilities and related facilities, and all other contracts
13 relating to or affecting the operation of the oil or natural gas
14 pipeline facilities acquired by the authority. The authority shall pay
15 for those contracts an amount it considers fair and reasonable on those
16 terms and conditions, for cash or on credit, as the authority may
17 determine. If a person has applied for a federal right-of-way permit
18 before the effective date of secs. 650 - 920 of this chapter the
19 purchase price by the authority shall be calculated on the basis of the
20 total value of carrier property as defined by the ICC uniform system of
21 accounts, plus accumulated interest during construction and less
22 depreciation after commencement of operations (when applicable). Interest
23 during construction shall be calculated at an annual rate equivalent to
24 125 per cent of the best interest rate offered during the year by the
25 First National City Bank of New York on 90-day loans to substantial
26 and responsible commercial borrowers.

27 Sec. 42.06.850. CONSTRUCTION CONTRACTS. Construction contracts
28 shall be let to the lowest responsible bidder submitting a sealed bid
29 after advertisement for the receipt of bids published by the authority

1 at least once not less than 30 days before the date fixed for the receipt
2 of bids in no fewer than two newspapers published in each borough (or
3 in one newspaper if there is only one in a borough), in which any part
4 of the work is to be performed. However, if contracts have been
5 entered into before the effective date of secs. 650 - 920 of this
6 chapter the authority may dispense with the requirements of this section
7 if it is determined to be in the best interest of the state.

8 Sec. 42.06.860. COVENANTS OF THE STATE. (a) The state pledges
9 to and agrees with the holders of notes, bonds, or other obligations
10 of the authority that the state will not limit or alter the rights by
11 this chapter vested in the authority to possess and use property
12 acquired by it or for its use so long as its corporate existence
13 continues and to establish and collect tariffs, tolls, rates, and
14 charges as may be convenient or necessary to produce sufficient revenue
15 to meet the expense of maintenance and operation and to fulfill the
16 terms of any agreements made with the holders of notes, bonds, or other
17 obligations of the authority, and further pledges that it will not in
18 any way impair the rights and remedies of the holders until the notes,
19 bonds, and other obligations, together with the interest on them, with
20 interest on unpaid installments of interest, and all costs and expenses
21 in connection with an action or proceedings by or on behalf of the
22 holders, are fully met and discharged.

23 (b) The state covenants that the authority and its corporate
24 existence shall continue so long as it shall have notes, bonds or other
25 obligations outstanding. Upon the termination of the existence of the
26 authority, all its rights and properties shall pass to and be vested
27 in the state.

28 Sec. 42.06.870. ANNUAL REPORT; AUDIT. (a) By the last day of
29 January in each year the authority shall make a report of its activities

1 for the preceding calendar year to the governor and to the legislature.
2 Each report shall set out a complete operating and financial statement
3 covering authority operations during the year and shall contain a full
4 and complete statement of the authority's anticipated budget and
5 operations for the ensuing year. The authority shall have an audit
6 of its books and accounts to be made at least once in each year by
7 certified public accountants, and the cost of the audit shall be con-
8 sidered an expense of the authority. A copy of the audit shall be
9 filed with the commissioner of revenue.

10 (b) The legislative auditor and his duly authorized representatives
11 may at any time examine the accounts and books of the authority includ-
12 ing its receipts, disbursements, contracts, sinking funds, investments
13 and other matters relating to its financial standing.

14 Sec. 42.06.880. PERSONAL LIABILITY. Neither the members of the
15 authority nor a person executing bonds or notes issued under this
16 chapter is liable personally on the bonds or notes.

17 Sec. 42.06.890. JURISDICTION. The superior court shall have
18 jurisdiction to hear and determine suits, actions or proceedings
19 relating to the authority, including suits, actions or proceedings
20 brought to foreclose or otherwise enforce a mortgage, pledge, assign-
21 ment or security interest or brought by or for the benefit or security
22 of a holder of its bonds or notes or by a trustee for or other represen-
23 tative of the holders.

24 Sec. 42.06.900. LAW GOVERNING. In the event of a conflict or
25 inconsistency in the provisions of this chapter and other laws per-
26 taining to matters provided for in this chapter or in any regulations
27 or rules adopted under this chapter or other laws, to the extent of
28 that conflict or inconsistency the provisions of this chapter shall
29 be enforced and the provisions of the other laws, regulations or rules

1 shall be of no effect.

2 Sec. 42.06.910. PRESUMPTION OF VALIDITY. After issuance, all
3 bonds or notes of the authority are conclusively presumed to be fully
4 authorized and issued in conformity with all the laws of the state,
5 and all persons are estopped from questioning their authorization,
6 sale, issuance, execution or delivery by the authority.

7 Sec. 42.06.920. DEFINITIONS. In this chapter, unless the context
8 clearly requires otherwise,

9 (1) "authority" means the Alaska Pipeline Commission
10 Authority established in sec. 660 of this chapter;

11 (2) "bonds" means bonds of the authority issued under this
12 chapter;

13 (3) "cost" as applied to a project or a portion of it
14 financed under this chapter includes the cost of construction and
15 acquisition of all lands, structures, real or personal property or
16 rights or interests in them, rights of way, franchises, and interests
17 acquired by the authority for the project; the cost of demolishing or
18 removing any buildings or structures on land acquired, including the
19 costs of acquiring any lands to which the buildings or structures may
20 be moved; the cost of vehicles, furnishings, fixtures, machinery and
21 equipment; financing charges; charges or premiums for insurance or
22 bonds; interest before and during construction and, if judged advisable
23 by the authority, for a period not exceeding one year after completion
24 of the construction; provisions for working capital; reserves for
25 principal and interest and for extensions, enlargements, additions
26 and improvements; the cost of architectural, engineering, financial
27 and legal services; plans, specifications, landscaping, site prepara-
28 tion, studies, surveys; estimates of cost and of revenues; adminis-
29 trative expenses; and any other expenses necessary or incident to

1 the construction and acquisition of the project, the financing of
2 the construction and acquisition and the placing of the project in
3 operation;

4 (4) "notes" means any notes of the authority issued under
5 this chapter;

6 (5) "project" means a structure or facility designed for
7 use as a pipeline to provide transportation for oil and natural gas,
8 including but not limited to roads, port facilities, airports, docks,
9 wharves, storage facilities and other marine equipment, sewage or
10 waste disposal facilities, facilities for furnishing electric energy,
11 gas, or water, air or water pollution control facilities, parks,
12 playgrounds and other recreational and sports facilities, and other
13 systems, properties or instrumentalities, used or useful in connection
14 with the transportation by the authority of oil and natural gas, and
15 any other laboratory, maintenance, storage or utility facilities or
16 other building or structure necessary or useful for the transportation
17 of oil and natural gas, or any multi-purpose structure designed to
18 combine two or more of the functions served by the types of structures
19 or facilities included in this paragraph; the term also includes all
20 real and personal property and rights or interest in property,
21 improvements, driveways, roads, approaches, pedestrian access roads,
22 rights of way, railroad sidings, utilities, easements, vehicles,
23 furniture, fixtures, machinery and equipment, and similar items
24 necessary or convenient for the operation of any of the structures
25 or facilities listed in this paragraph either on, above or under the
26 ground which are used or usable in connection with the structures or
27 facilities listed in this paragraph.

28 * Sec. 2. The Alaska Pipeline Commission Authority shall promptly initi-
29 ate planning and construction of a natural gas pipeline from Prudhoe Bay

1 within the proposed corridor for the trans-Alaska oil pipeline to the point
2 along that route nearest the existing route of the Alaska Railroad. The
3 authority is authorized to negotiate for and enter into appropriate agreements
4 with other carriers and users of natural gas for connections, interchanges
5 and interconnection of facilities at that point or any point along the line.

6 * Sec. 3. This Act takes effect on the day after its passage and approval
7 or on the day it becomes law without approval.

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