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Referred: Resources and
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1 IN THE HOUSE

2 HOUSE BILL NO. 347

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Oil and Gas Pipeline
7 Authority; directing formation of a profit corporation
8 for oil and gas pipelines; and providing for an effec-
9 tive date."

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

11 * Section 1. AS 44 is amended by adding a new chapter to read:

12 CHAPTER 58. ALASKA OIL AND GAS PIPELINE AUTHORITY.

13 Sec. 44.58.010. AUTHORITY ESTABLISHED. There is established the
14 Alaska Oil and Gas Pipeline Authority. The authority is a public
15 corporation of the state and a body corporate and politic within the
16 Department of Revenue with separate and independent legal existence from
17 the state.

18 Sec. 44.58.020. MEMBERSHIP OF THE AUTHORITY. The members of the
19 authority are the commissioner of revenue, the commissioner of commerce,
20 the commissioner of natural resources, each serving ex officio, and four
21 members appointed by the governor and confirmed by the legislature in
22 joint session. If an ex officio member is unable to attend a meeting of
23 the authority, he may by an instrument in writing filed with the author-
24 ity designate his deputy or assistant commissioner to act in his place
25 as a member at the meeting. For all purposes of this chapter, the
26 designee is a member of the authority at the meeting.

27 Sec. 44.58.025. TERM OF OFFICE. The term of office of each member
28 not serving ex officio is four years. The governor shall designate
29 which of the initial appointees shall serve for a term of one year, two

1 years, three years, and four years. A member, upon expiration of his
2 term, shall continue to hold office until his successor is appointed and
3 qualifies.

4 Sec. 44.58.030. VACANCIES. A vacancy in the authority shall be
5 filled by appointment by the governor and confirmed by the legislature
6 in joint session. An appointee selected to fill a vacancy holds office
7 for the balance of the full term to which he was appointed. A vacancy
8 in the authority does not impair the ability of a quorum of members to
9 exercise all the powers and perform all the duties of the authority.

10 Sec. 44.58.040. CHAIRMAN AND VICE-CHAIRMAN. The commissioner of
11 revenue is chairman of the authority. A vice-chairman may be elected by
12 the authority from among its members for one or more terms of one year
13 each. The vice-chairman shall preside over all meetings in the absence
14 of the chairman and has other duties as the authority may direct.

15 Sec. 44.58.050. MEETINGS, COMPENSATION, OFFICERS AND EMPLOYEES.

16 (a) A majority of the members of the authority constitutes a quorum for
17 the transaction of business or the exercise of a power or function at a
18 meeting of the authority.

19 (b) The members receive no salary for their service on the author-
20 ity but are entitled to per diem and travel expenses authorized by law
21 for boards and commissions. Notwithstanding any other law, an officer
22 or employee of the state does not forfeit his office or employment or
23 any benefits of it by reason of his acceptance of the office of member
24 of the authority.

25 (c) The authority may employ and discharge at its pleasure the
26 officers, agents and employees it may require and may determine their
27 qualifications, term of office, duties, and compensation.

28 Sec. 44.58.060. GENERAL POWERS. The authority may for the pur-
29 poses of this chapter

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(1) sue and be sued;

(2) adopt an official seal and alter it at pleasure;

(3) adopt and amend bylaws for the management and regulation of its affairs and make, alter and enforce regulations for the conduct of its business and for use of its services and facilities;

(4) maintain an office or offices at any place or places within the state;

(5) acquire, hold, use and dispose of its income, revenue, funds and money;

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

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

(8) enter upon lands, waters, or premises as in the judgment

1 of the authority may be necessary, convenient or desirable for the
2 purpose of making surveys, soundings, borings and examinations to
3 accomplish a purpose authorized by this chapter;

4 (9) borrow money and issue its negotiable bonds or notes and
5 provide for their payment and the rights of their holders and to pur-
6 chase, hold and dispose of any of its bonds or notes;

7 (10) fix and revise from time to time and charge and collect
8 rents, fees and charges for the use of a project or of its services or
9 facilities;

10 (11) apply for and accept gifts or grants of property, funds,
11 money, materials, labor, supplies or services from the United States or
12 from a governmental unit or a person, firm or corporation, and carry out
13 the terms or provisions of or make agreements with respect to any gifts
14 or grants, and to do whatever is necessary, useful, desirable or con-
15 venient in connection with procuring, acceptance or disposition of gifts
16 or grants;

17 (12) do anything authorized by this chapter, through its
18 officers, agents or employees or by contract with a person, firm, cor-
19 poration, or the state;

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

24 (14) employ consulting engineers, architects, superintendents,
25 managers, and other employees and agents as are necessary or desirable
26 in its judgment to carry out its powers or purposes or do anything
27 authorized by this chapter, and designate their responsibilities and fix
28 their compensation;

29 (15) invest funds or money of the authority in the same manner

1 as permitted for investment of funds belonging to the state or held in
2 the treasury, except as otherwise provided in this chapter and subject
3 to agreements with bondholders;

4 (16) exercise the powers of eminent domain and declaration of
5 taking in accordance with AS 09.55.250 - 09.55.460;

6 (17) do all acts and things necessary, convenient or desirable
7 to carry out the powers granted or implied in this chapter.

8 Sec. 44.58.070. SOLE AND EXCLUSIVE JURISDICTION. The authority
9 has sole and exclusive managerial control over any pipeline or portion
10 of a pipeline or other transportation facility for the transportation of
11 oil and natural gas produced in the state serving a specific source of
12 production, as defined by the authority, over a route, defined by the
13 authority, once the authority has acquired or built a pipeline or
14 portion of a pipeline or transportation facility to serve that produc-
15 tion area or route. The authority may do whatever is necessary or
16 convenient to carry out its purposes including without limitation the
17 specific powers enumerated in this chapter.

18 Sec. 44.58.080. BONDS OR NOTES. The authority may provide by
19 resolution, at one time or from time to time, for the issuance of its
20 bonds or notes for the purpose of paying the cost of a project or for
21 any of its other corporate purposes, including the refunding of bonds or
22 notes. Except as otherwise provided by this chapter or by the author-
23 ity, every issue of bonds or notes shall be general obligations of the
24 authority payable out of revenue or funds of the authority, subject only
25 to agreements with the holders of particular bonds or notes pledging
26 particular revenue or funds. Bonds or notes may be additionally secured
27 by a pledge of a grant or contributions from the United States or the
28 state or a governmental unit or a person, firm or corporation or a
29 pledge of income or revenue, funds or money of the authority from any

1 source.

2 Sec. 44.58.090. FORM OF ISSUANCE. (a) Authority bonds or notes
3 shall be authorized by resolution of the authority and shall be dated
4 and shall mature as the resolution may provide, except that a bond shall
5 not mature more than 40 years from the date of its issue. Bonds or
6 notes shall bear interest at the rate or rates, be in the denominations,
7 be in the form, either coupon or registered, carry the registration
8 privileges, be executed in the manner, be payable in the medium of pay-
9 ment, at the place or places, and be subject to the terms of redemption
10 which the resolution or a subsequent resolution may provide.

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

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

16 Sec. 44.58.100. PAYMENT OR REFUNDING OF NOTES. The authority may
17 issue its notes under this chapter and pay and retire or fund or refund
18 the notes from proceeds of bonds or of other notes, or from any other
19 funds or money of the authority available for that purpose, in accor-
20 dance with any contract between the authority and the holders of the
21 notes. Unless provided otherwise in a contract between the authority
22 and the holders of notes, and unless the notes are otherwise paid,
23 funded or refunded, the proceeds of bonds of the authority issued, among
24 other things, to fund outstanding notes, shall be held, used and applied
25 by the authority to the payment and retirement of the principal of the
26 notes and the interest due and payable on the notes.

27 Sec. 44.58.110. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
28 issued under the provisions of this chapter are securities in which all
29 public officers and public bodies of the state and its political sub-

1 divisions, all insurance companies, trust companies, banking associa-
2 tions, investment companies, executors, administrators, trustees and
3 other fiduciaries may properly and legally invest funds, including
4 capital in their control or belonging to them. These obligations may be
5 deposited with the state or municipal officer of an agency or political
6 subdivision of the state for any purpose for which the deposit of bonds,
7 notes or obligations of the state is authorized by law.

8 Sec. 44.58.120. TAX EXEMPTION. Property of the authority is
9 public property devoted to an essential public and governmental function
10 and purpose and is exempt from all taxes, franchise fees and special
11 assessments of the state or a political subdivision of the state except
12 taxes on real property which may be levied and collected subject to the
13 limitations contained in AS 29.53.045. Bonds or notes issued under this
14 chapter 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, revenue, income 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 Sec. 44.58.130. TERMS OF AGREEMENT WITH BOND OR NOTEHOLDER. (a)
23 In the discretion of the authority, bonds or notes issued under this
24 chapter may be secured by a trust agreement by and between the authority
25 and a corporate trustee, which may be a trust company or bank having the
26 powers of a trust company in or outside the state. The authority in a
27 trust agreement or in a resolution of the authority authorizing or
28 relating to the issuance of any bonds or notes, in order to secure the
29 payment of the bonds or notes and in addition to its other powers, may

1 covenant and contract with the holders of the bonds or notes to

2 (1) pledge to any payment or purpose all or part of its
3 revenue to which its right then exists or may exist and the money de-
4 rived from it and the proceeds of any bonds or notes, or mortgage all or
5 any part of the property of the authority and the rents, issues, and
6 profits from them;

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

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

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

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

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

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

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

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

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

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

5 (12) covenant to establish or authorize the establishment of
6 special funds or money to be held in pledge or otherwise for operating
7 expenses, payment or redemption of bonds or notes, reserves or other
8 purposes, and as to the use and disposition of the money held in the
9 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
23 prescribe the event of default and the terms and conditions upon which
24 any or all of the bonds, notes or other obligations of the authority
25 shall become or may be declared due and payable before maturity and the
26 terms and conditions upon which the declaration and its consequences may
27 be waived;

28 (17) vest in a trustee or trustees in or outside the state
29 property, rights, powers and duties in trust as the authority may deter-

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

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

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

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

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

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

27 (b) If the bonds or notes of the authority are secured by a trust
28 agreement or by the appointment of a trustee under a resolution author-
29 izing the bonds or notes, the bond or noteholders have no authority to

1 appoint a separate trustee to represent them.

2 (c) Subject to the covenants or contracts with the holders of the
3 bonds or notes, the authority may withdraw from its funds or accounts in
4 its discretion or in accordance with any agreement with the state, as
5 the case may be, and may pay to, or apply to the benefit of, the state,
6 any funds or money of the authority not required by statute, covenant or
7 contract to be held by the authority for operating expenses, payment or
8 redemption of bonds or notes or interest on them, reserves or other
9 purposes.

10 Sec. 44.58.140. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
11 authority may purchase bonds or notes of the authority out of any of its
12 funds or money available for the bonds. The authority may hold, cancel
13 or resell the bonds or notes subject to and in accordance with agreements
14 with holders of its bonds or notes.

15 Sec. 44.58.150. REVENUES. (a) The authority is authorized to
16 fix, revise, charge, and collect rents, fees and charges for the use of
17 a project or any portion or facility of a project and for the services
18 furnished or to be furnished in connection with a project and to con-
19 tract with the state or an agency or instrumentality of the state or
20 with any person, partnership, association or corporation, or other body,
21 public or private, in respect to a project. The rents, fees and charges
22 shall be fixed and adjusted so that the aggregate of rents, fees and
23 charges from the project provide sufficient funds, with other revenue,
24 if any, to

25 (1) pay the cost of maintaining, insuring, repairing, and
26 operating the project and each portion of it, to the extent that the
27 authority has not otherwise adequately provided for the maintenance,
28 insurance, repair and operation of the project or for the payment of the
29 costs;

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

4 (3) create and maintain reserves required or provided for in
5 any resolution authorizing, or trust agreement securing, the bonds or
6 notes of the authority.

7 (b) The rents, fees and charges shall not be subject to super-
8 vision or regulation by a department, commission, board, body, bureau or
9 agency of the state other than the authority.

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

1 recorded except in the records of the authority. The use and disposition
2 of money to the credit of the sinking or other similar fund shall be
3 subject to the provisions of the resolution authorizing the issuance of
4 the bonds or notes or of the trust agreement. Except as otherwise
5 provided in the resolution or trust agreement, the sinking or other
6 similar fund shall be a fund for all the bonds or notes issued to finance
7 a project without distinction or priority of one over another. However,
8 the authority in the resolution or trust agreement may permit and pro-
9 vide for the issuance of bonds or notes having a subordinate lien in
10 respect of the security authorized in this section to other bonds or
11 notes of the authority, and, in that case, the authority may create
12 separate sinking or other similar funds in respect of the subordinate
13 lien bonds or notes.

14 Sec. 44.58.160. FUNDS AND ACCOUNTS. The authority may establish
15 those reserves or other funds or accounts as may be, in its discretion,
16 necessary, desirable or convenient to further the accomplishment of its
17 purposes or to comply with the provisions of any of its agreements or
18 resolutions. All money received by the authority under this chapter,
19 whether as proceeds from the sale of bonds or notes or as revenue,
20 rates, rents, fees or charges, are trust funds to be held and applied
21 solely as provided in this chapter. Any officer with whom, or any bank
22 or trust company with which, the money is deposited shall act as trustee
23 of the money and shall hold and apply it for the purposes of this
24 chapter, subject to such regulations as this chapter and the resolution
25 authorizing any bonds or notes of the authority or the trust agreement
26 securing the bonds or notes may provide.

27 Sec. 44.58.170. DEFAULT IN PAYMENT. If the authority defaults in
28 the payment of principal or interest on any of its bonds or notes of any
29 series after they become due, whether at maturity or upon call for

1 redemption, and the default continues for 30 days, or if the authority
2 fails or refuses to comply with this chapter or defaults in any agreement
3 made with the holders of the bonds or notes of the series, the holders
4 of 25 per cent in aggregate principal amount of the outstanding notes or
5 bonds of the series as to which any default is claimed, upon 30 days
6 notice in writing to the authority, by an instrument in writing filed in
7 the office of the Department of Revenue, may, subject to the limitation
8 in sec. 130(b) of this chapter, appoint a trustee to represent the
9 holders of those notes or bonds.

10 Sec. 44.58.180. ACTION ON DEFAULT. (a) A trustee appointed under
11 sec. 170 of this chapter may, and shall in his name, upon written request
12 of the holders of 25 per cent in principal amount of the outstanding
13 notes or bonds of the series as to which a default has occurred,

14 (1) by mandamus or other suit, action or proceeding at law or
15 in equity, enforce all rights of the noteholders or bondholders of the
16 series in default, including the right to require the authority to col-
17 lect rates, charges and other fees adequate to carry out any agreement
18 as to, or pledge of, the rate, charges and other fees and of the inter-
19 est and amortization payments, and to require the authority to carry out
20 any other agreements with the holders of the notes or bonds of the
21 series in default and to perform its duties under this chapter;

22 (2) bring suit upon the notes or bonds of the series in
23 default;

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

27 (4) by action or suit in equity, enjoin anything which may be
28 unlawful or in violation of the rights of the holders of the notes or
29 bonds of the series in default;

1 (5) declare, upon 30 days notice in writing to the authority,
2 all the notes or bonds of the series in default due and payable and,
3 if all defaults are made good, then with the consent of the holders of
4 25 per cent of the principal amount of the outstanding notes or bonds of
5 the series in default, annul the declaration and its consequences;

6 (6) have all the additional powers necessary for the exercise
7 of functions specifically set out in this subsection or incident to the
8 general representation of the bondholders or noteholders of the series
9 in default in the enforcement and protection of their rights.

10 (b) The bondholders or noteholders of a series of outstanding
11 bonds or notes of the authority which are in default may exercise in
12 their own right without the appointment of a trustee any of the powers
13 or rights described in (a) of this section, subject to the limitation of
14 sec. 130(b) of this chapter.

15 Sec. 44.58.190. SERVICES OF GOVERNMENT AGENCIES AND COST OF SER-
16 VICES. All officers, departments, boards, agencies, divisions and com-
17 missions of the state may render those services to the authority that
18 are within the area of their respective governmental functions and that
19 are requested by the authority. The cost and expense of services
20 requested by the authority shall, at the request of the officer, depart-
21 ment, board, agency, division or commission rendering the service, be
22 paid by the authority.

23 Sec. 44.58.200. AGREEMENTS AND LEASES. (a) The authority and the
24 state, with the approval of the governor, may enter into either agree-
25 ments or leases or both providing for the lease of a project by the
26 authority to the state and the operation and maintenance of it by the
27 state. The agreement and the lease shall be executed on behalf of the
28 state by the governor. The seal of office of the lieutenant governor
29 shall be affixed to the agreement and lease, and the lieutenant governor

1 shall attest to them. The agreement and lease shall be executed on
2 behalf of the authority by its chairman. The seal of the authority
3 shall be affixed to the agreement and lease, and the secretary of the
4 authority shall attest to the agreement and lease. The agreement or
5 lease may provide for the payment to the authority by the state annually
6 or otherwise of such amount of money computed at fixed amounts or in any
7 other manner as the agreement and lease may provide, and the amount
8 payable may include provision for all or any part or share of the
9 amounts necessary to

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

12 (2) pay or provide for the payment of the expenses of opera-
13 tion and maintenance of the project; and

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

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

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

1 the same manner as other obligations of the state.

2 (d) The authority or the state may enter into a lease, agreement,
3 or sublease with any person, firm or corporation for the lease, sub-
4 lease, management and operation of a project or any part of it. A
5 lease, agreement or sublease by the state shall be executed on behalf of
6 the state by the governor and shall have the seal of office of the
7 lieutenant governor affixed to it, and he shall attest to it. A lease,
8 agreement or sublease may be made for a specified or unlimited time and
9 on any terms and conditions which may be approved by the governor,
10 if from the state, or the authority, if from the authority. The officers
11 and employees of the state are authorized and directed to do whatever
12 may be necessary, convenient or desirable to carry out and perform a
13 lease, agreement or sublease.

14 Sec. 44.58.210. GUARANTY BY THE STATE. (a) To the extent author-
15 ized by the state constitution, if a bond resolution or trust agreement
16 provides for state guaranty at the time of the issuance of notes or
17 bonds, the punctual payment of the notes or bonds shall be, and is,
18 fully and unconditionally guaranteed by the state, both as to principal
19 and interest, according to their terms, and the guaranty shall be
20 expressed upon its face by the signature or facsimile signature of the
21 governor. If the authority fails to pay when due the principal of or
22 interest on the notes or bonds, the state shall pay the holder of the
23 notes or bonds and then be subrogated to the rights of the noteholders
24 or bondholders paid.

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

28 (c) When guaranteed notes or guaranteed bonds are outstanding,
29 notes or bonds secured by a mortgage on lands or properties or by a

1 pledge of receipts or revenues having priority over the outstanding
2 guaranteed notes or guaranteed bonds may not be issued, except with the
3 consent of the governor, and unless the authority shall by resolution
4 first find and determine that, notwithstanding the mortgage or the
5 pledge, the authority will have adequate means to meet its obligations
6 to the holders of the outstanding guaranteed notes or bonds.

7 (d) When notes or bonds are outstanding, secured by a mortgage of
8 lands or properties or by a pledge of receipts or revenue, guaranteed
9 notes or bonds either unsecured, or secured by a mortgage of land or
10 properties or by a pledge of receipts or revenue subordinate to the
11 mortgage or the pledge securing such outstanding notes or bonds, shall
12 not be issued, except with the consent of the governor, and unless the
13 authority shall first find and determine by resolution that, notwith-
14 standing the mortgage or pledge securing the outstanding notes or bonds,
15 the authority will have adequate means to meet its obligations on the
16 guaranteed notes or bonds about to be issued.

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

20 (f) To the extent permitted by the state constitution, the author-
21 ity may dedicate or pledge severance taxes or oil royalties or both as
22 additional security for the payment of notes or bonds and interest on
23 them, irrespective of whether such notes or bonds are guaranteed notes
24 or bonds.

25 Sec. 44.58.220. STATE'S RIGHT TO REQUIRE REDEMPTION OF BONDS.
26 Notwithstanding and in addition to provisions for the redemption of
27 bonds which may be contained in a contract with the holders of the
28 bonds, the state may, upon furnishing sufficient funds for the purpose,
29 require the authority to redeem, before maturity, as a whole, any issue

1 of bonds on any interest payment date not less than 10 years after the
2 date of the bonds of such issue at 105 per cent of their face value and
3 accrued interest or at a lower redemption price which may be provided in
4 the bonds in case of their redemption as a whole on the redemption date.
5 Notice of a redemption shall be published in at least two newspapers
6 published and circulating respectively in the cities of Juneau and New
7 York at least twice, the first publication to be at least 30 days before
8 the date of redemption.

9 Sec. 44.58.230. CONDEMNATION. The authority may acquire by pur-
10 chase or by condemnation, by any mode of procedure the state may itself
11 use to acquire real property including the declaration of taking referred
12 to in AS 19.05.090, title in the name of the authority to real or
13 personal property which it may require in the exercise of the powers
14 granted under this chapter. Property acquired under this section may
15 include real property which may be held for public use, and the authority
16 may devote the property to the same public use for which it was previous-
17 ly held or another public use within the purpose and powers of the
18 authority. Payment for property acquired must be made by the authority.

19 Sec. 44.58.240. ACQUISITION OF PROPERTY AND RIGHTS OF PIPELINE
20 CORPORATIONS. (a) The authority may acquire ownership or control,
21 either directly or by acquiring the stock of another corporation, of all
22 or part of the property and rights of another corporation owning or
23 operating or empowered to own or operate an oil or natural gas pipeline
24 in the state, and without limiting the generality of the foregoing, to
25 acquire the same by

26 (1) purchasing property of the other corporation owning or
27 operating or empowered to own or operate an oil or natural gas pipeline
28 in the state, and taking all other necessary steps for acquisition of
29 the property including, and without limiting the generality of the fore-

1 going, acquiring stock, evidences of indebtedness or certificates of
2 interest;

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

5 (3) foreclosing liens arising out of indebtedness;

6 (4) condemnation; and

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

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

16 (c) The authority may acquire from another corporation all leases
17 and agreements made by the corporation relating to the use of oil or
18 natural gas pipeline facilities and related facilities, and all other
19 contracts relating to or affecting the operation of the oil or natural
20 gas pipeline facilities acquired by the authority. The authority shall
21 pay for those contracts an amount it considers fair and reasonable on
22 those terms and conditions, for cash or on credit, as the authority may
23 determine.

24 Sec. 44.58.250. CONSTRUCTION CONTRACTS. Construction contracts
25 shall be let to the lowest responsible bidder submitting a sealed bid
26 after advertisement for the receipt of bids published by the authority
27 at least once not less than 30 days before the date fixed for the re-
28 ceipt of bids in no fewer than two newspapers circulated regularly in
29 each borough (or in one newspaper if there is only one in a borough), in

1 which any part of the work is to be performed. However, by unanimous
2 vote of the members of the authority the requirements of this section
3 may be dispensed with. If a contract for which the requirements of this
4 section were dispensed with exceeds the sum of \$25,000,000, the contract
5 shall not be effective unless the contract is proposed to the legislature
6 during the first 10 days of any regular session and not disapproved of
7 by a resolution concurred in by a majority of the members of each house
8 within 45 days after presentation.

9 Sec. 44.58.260. COVENANTS OF THE STATE. (a) The state pledges to
10 and agrees with the holders of notes, bonds, or other obligations of the
11 authority that the state will not limit or alter the rights by this
12 chapter vested in the authority to possess and use property acquired by
13 it or for its use so long as its corporate existence continues and to
14 establish and collect tariffs, tolls, rates, and charges as may be con-
15 venient or necessary to produce sufficient revenue to meet the expense
16 of maintenance and operation and to fulfill the terms of any agreements
17 made with the holders of notes, bonds, or other obligations of the
18 authority, and further pledges that it will not in any way impair the
19 rights and remedies of the holders until the notes, bonds, and other
20 obligations, together with the interest on them, with interest on unpaid
21 installments of interest, and all costs and expenses in connection with
22 an action or proceedings by or on behalf of the holders, are fully met
23 and discharged.

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

29 Sec. 44.58.270. ANNUAL REPORT; AUDIT. (a) By the last day of

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

11 (b) The legislative auditor and his duly authorized representa-
12 tives may at any time examine the accounts and books of the authority
13 including its receipts, disbursements, contracts, sinking funds, invest-
14 ments and other matters relating to its financial standing.

15 Sec. 44.58.280. PERSONAL LIABILITY. Neither the members of the
16 authority nor a person executing bonds or notes issued under this
17 chapter is liable personally on the bonds or notes.

18 Sec. 44.58.290. PRESUMPTION OF VALIDITY. After issuance, all
19 bonds or notes of the authority are conclusively presumed to be fully
20 authorized and issued in conformity with all the laws of the state, and
21 all persons are estopped from questioning their authorization, sale,
22 issuance, execution or delivery by the authority.

23 Sec. 44.58.300. FORMATION OF PROFIT CORPORATION. Within one year
24 from the effective date of this Act, a for profit corporation shall be
25 established under the laws of the state. The corporation shall not be
26 an agency or instrumentality of the state. The members of the authority
27 shall be the incorporators and shall take whatever steps are necessary
28 to establish the corporation including filing of the articles of incor-
29 poration. The members of the authority shall also be the initial

1 directors of the corporation and shall adopt the initial bylaws.

2 Sec. 44.58.310. PURPOSES. The purposes of the corporation organ-
3 ized under this chapter are to acquire, construct, reconstruct, operate
4 and maintain oil or gas pipelines in or outside the state and such other
5 purposes as shall be set out in its articles of incorporation.

6 Sec. 44.58.320. BOARD OF DIRECTORS. The board of directors shall
7 consist of the number of members, and be selected in the manner, pre-
8 scribed by the articles of incorporation and bylaws in accordance with
9 law except that so long as 51 per cent of the indebtedness of the cor-
10 poration, as determined by the commissioner of revenue, is owed to or
11 guaranteed by the authority or the state, or so long as a lease from the
12 authority or from the state for operation of a project or portion of a
13 project continues in effect, or for so long as bonds or other indebted-
14 ness of the authority issued in relation to assets held or operated by
15 the corporation are outstanding, a majority of the board shall be
16 composed of members of the authority appointed to the board by the
17 authority.

18 Sec. 44.58.330. TRANSFER OF ASSETS FROM AUTHORITY TO CORPORATION.
19 The authority is authorized to sell, lease or otherwise transfer to the
20 corporation formed under this chapter any assets or liabilities of the
21 authority for the consideration agreed upon; however, adequate provision
22 must be made in a transfer for repayment of all obligations the author-
23 ity has incurred relating to an asset transferred. No such transfer is
24 effective unless approved by the legislature by joint resolution.

25 Sec. 44.58.340. ISSUANCE OF STOCK. The corporation is authorized
26 to issue stock subject to law relating to issuance of stock of business
27 corporations except that

28 (1) the only voting stock of the corporation shall be common
29 stock;

1 (2) no preferred stock or other senior security may be con-
2 vertible to common stock;

3 (3) common stock ownership shall be restricted to natural
4 persons who are residents of Alaska or to corporations of which at least
5 51 per cent of all outstanding stock is owned by residents of Alaska or
6 to associations composed wholly of eligible natural persons or eligible
7 corporations, except that a person not otherwise eligible to own common
8 stock in the corporation may own the stock if acquired by inheritance
9 from an eligible person; this restriction on ownership terminates five
10 years after the issuance of particular shares of stock; the restriction
11 on ownership and the date of termination of the restriction shall be
12 stated on the face of the certificate;

13 (4) not more than 10 per cent of the stock of an issue may be
14 initially issued to other than natural persons; stock issued to a
15 natural person may not be transferred to a person other than a natural
16 person within five years of issuance; this restriction and the date of
17 its termination shall be stated on the face of the certificate;

18 (5) before issuance of any stock the corporation shall
19 present to the legislature a program demonstrating financial feasibility
20 of the corporation's operations and a method of sale of stock in such a
21 manner as to insure the widest feasible ownership of the stock by resi-
22 dents of Alaska; upon approval of a plan by the legislature by joint
23 resolution the corporation may, subject to other provisions of law,
24 issue the stock in accordance with the approved program.

25 Sec. 44.58.350. DEFINITIONS. In this chapter unless the context
26 clearly indicates a different meaning

27 (1) "authority" means the Alaska Oil and Gas Pipeline Author-
28 ity established under this chapter;

29 (2) "bonds" means bonds of the authority issued under this

1 chapter;

2 (3) "cost" as applied to a project or a portion of it fi-
3 nanced under this chapter includes the cost of construction and acquisi-
4 tion of all land, structures, real or personal property or rights or
5 interests in them, rights-of-way, franchises, and interests acquired by
6 the authority for the project; the cost of demolishing or removing any
7 buildings or structures on land acquired, including the costs of acquir-
8 ing any land to which the buildings or structures may be moved; the cost
9 of vehicles, furnishings, fixtures, machinery and equipment; financing
10 charges; charges or premiums for insurance or bonds; interest before and
11 during construction and, if judged advisable by the authority, for a
12 period not exceeding one year after completion of the construction; pro-
13 visions for working capital; reserves for principal and interest and for
14 extensions, enlargements, additions and improvements; the cost of
15 architectural, engineering, financial and legal services; plans, speci-
16 fications, landscaping, site preparation, studies, surveys; estimates of
17 cost and of revenue; administrative expenses; and any other expenses
18 necessary or incident to the construction and acquisition of the pro-
19 ject, the financing of the construction and acquisition and the placing
20 of the project in operation;

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

23 (5) "project" means a structure or facility designed for use
24 as a pipeline to provide transportation for oil and natural gas and
25 related facilities, including but not limited to roads, port facilities,
26 airports, docks, wharves, storage facilities and other marine equipment,
27 sewage or waste disposal facilities, facilities for furnishing electric
28 energy, gas, or water, air or water pollution control facilities, parks,
29 playgrounds and other recreational and sports facilities, and other

1 systems, properties or instrumentalities, used or useful in connection
2 with the transportation by the authority of oil and natural gas, and any
3 other laboratory, maintenance, storage or utility facilities or other
4 building or structure necessary or useful for the transportation of oil
5 and natural gas, or any multipurpose structure designed to combine two
6 or more of the functions served by the types of structures or facilities
7 included in this paragraph; the term also includes all real and personal
8 property and rights or interest in property, improvements, driveways,
9 roads, approaches, pedestrian access roads, rights-of-way, railroad
10 sidings, utilities, easements, vehicles, furniture, fixtures, machinery
11 and equipment, and similar items necessary or convenient for the opera-
12 tion of any of the structures or facilities listed in this paragraph
13 either on, above or under the ground which are used or usable in connec-
14 tion with the structures or facilities listed in this paragraph.

15 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-

16 070(c).