

CORRECTION

HOUSE BILL NO. 438

Please discard all copies of HB 438 and retain this corrected copy.

The correction:

The Speaker stated that HB 438 should be changed to show it was introduced by and referred to

Special Gas Pipeline Financing Committee.

Introduced: 4/4/79
Referred: Special Committee
on Gas Pipeline Financing

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE
ON GAS PIPELINE FINANCING

2 HOUSE BILL NO. 438

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to submission of a financial and
7 Alaska impact plan by the Alaska Gas Pipeline Financing
8 Authority; and providing for an effective date."

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

10 * Section 1. FINDINGS. AS 44.55.100 requires the Alaska Gas Pipeline
11 Financing Authority to submit to the legislature a financial and Alaska
12 impact plan. The statute sets out items which must be included in the plan
13 and a requirement for findings and recommendations on each item. A plan was
14 submitted to the legislature under cover letter dated March 15, 1979. For
15 reasons detailed in the plan, the plan did not meet the requirements of the
16 statute. The legislature finds that the reasons given for not meeting the
17 requirements are compelling, but also finds that the plan submitted is not
18 adequate to comply with the statutory requirements and the purported sub-
19 mission must therefore be treated as a nullity. Amending the date of sub-
20 mission now required by the statute will allow submission of a plan meeting
21 the legal requirements and will avoid the procedural problems which would
22 accompany the rejection of the submission of the plan, since rejection as
23 contemplated by the statute assumes a submission which meets legal require-
24 ments. It is not the intent of the legislature that changing the date of
25 submission change any other part of the statute.

26 * Sec. 2. AS 44.55.100 is amended to read:

27 Sec. 44.55.100. SUBMISSION OF FINANCIAL AND ALASKA IMPACT PLAN.
28 With respect to the bonds of the authority and the project, the
29 authority shall submit to the legislature by the 60th day of the Second

1 [FIRST] Session of the Eleventh Legislature a financial and Alaska
2 impact plan for the project. The financial and Alaska impact plan shall
3 be a general description of the status of the project with respect to
4 engineering, technical, financial and regulatory matters relating to the
5 project. In addition, the plan shall include the following specific
6 items as well as findings and recommendations on each item:

7 (1) the proposed methods and procedures by which the project
8 will be financed including the amounts and times of issuance of bonds by
9 the authority;

10 (2) the method of securing the bonds;

11 (3) projected debt service requirements of the bonds; and

12 (4) projected revenues for the period of time during which
13 reasonable projections can be made, which will be available to the
14 authority to meet debt service requirement;

15 (5) the extent to which the state's right to withdraw its
16 royalty share of the natural gas stream as described in section 13(b) of
17 the Alaska Natural Gas Transportation Act (P.L. 94-586) is protected and
18 assured;

19 (6) the amount and type of financial support which the
20 Prudhoe Bay natural gas producers have committed in support of the
21 project;

22 (7) documentation that the project sponsors and contractors
23 have entered into all contracts, including those with the state and
24 appropriate labor organizations, necessary to guarantee that

25 (A) to the extent that qualified workers are available,
26 all workers employed for the construction, operation and mainten-
27 ance of the project will be drawn from the existing and resident
28 Alaska work force;

29 (B) to the extent qualified contractors or firms are

1 available, all vendor, material, labor and professional service
2 contracts and subcontracts related to the project will be awarded
3 to existing resident Alaska contractors or firms;

4 (C) quarterly audits of the performance of the project
5 sponsors under (A) and (B) of this paragraph shall be conducted,
6 and the results of these audits transmitted to the legislature and
7 other interested state officials in a timely manner;

8 (8) the estimated number of Alaska workers who will be
9 employed under the provisions of the contract described in (7)(A) of
10 this section, the estimated total number of workers to be employed on
11 the project during construction, the estimated dollar volume of
12 contracts which will be let to Alaska contractors or firms under the
13 provisions of the contract described in (7)(B) of this section, and the
14 estimated total dollar volume of contracts which will be let for the
15 project during construction;

16 (9) documentation that a minimum capital pool of debt and
17 equity funds equal to at least 150 per cent of the estimated project
18 cost has been committed to the project, in order to provide sufficient
19 capital to insure timely project completion;

20 (10) documentation that the project sponsors have supported
21 and, when appropriate, have filed the necessary documents and exhibits
22 before the appropriate federal or regulatory agencies to provide:

23 (A) an intra-state natural gas tariff based on a zone
24 tariff concept, with as many zones as state officials believe to be
25 in the state's best interest;

26 (B) the minimum average wellhead price for Prudhoe Bay
27 natural gas sales that is the higher of \$1.48 per mcf (or such
28 escalated price as may be provided for by federal law or regula-
29 tion) or the BTU-equivalent price for Prudhoe Bay oil if the higher

1 BTU-equivalent price is permissible under applicable federal laws
2 and regulations;

3 (C) that treatment and conditioning costs shall be added
4 onto, and not included in, the minimum average wellhead price
5 contained in (B) of this paragraph;

6 (D) that the minimum average wellhead price described in
7 (10)(B) of this section shall apply only to Prudhoe Bay natural
8 gas;

9 (E) that rolled-in pricing shall be used with respect to
10 marketing Alaskan natural gas in contiguous United States or
11 Canadian markets;

12 (F) that payment to or reimbursement of the state for
13 items contained in (13) of this section shall be included in the
14 rate base;

15 (11) documentation that the appropriate state agencies have
16 considered the study described in (13)(B) of this section, and a deter-
17 mination by these agencies with respect to the extent, if any, that
18 production of Prudhoe Bay natural gas in volumes sufficient to meet
19 project requirements would be in the state's best interest;

20 (12) the preliminary financial plan for the entire trans-
21 mission system, as prepared for submission to the Federal Energy
22 Regulatory Commission;

23 (13) documentation that the partnership has entered into a
24 contract with the State of Alaska, approved by the appropriate federal
25 regulatory agencies, to pay for or reimburse the state for expenses
26 associated with the following state activities:

27 (A) provision of in-state off-take facilities at
28 locations to be determined by the state;

29 (B) design and development of a computerized three-

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dimensional Prudhoe Bay reservoir simulation model;

(C) study and determination of the state's bond capacity and bond rating, with respect to both the authority bonds and potential state equity-related investment;

(D) provision of state personnel and equipment required to carry out the state's supervisory and regulatory functions with respect to construction and operation of the pipeline project;

(E) provision of local impact information and planning assistance for communities affected by the pipeline project.

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-070(c).