

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

1 IN THE HOUSE

BY THE SPECIAL GAS PIPELINE  
FINANCING COMMITTEE

2 HOUSE BILL NO. 438 am

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 first [60th] day of

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

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

11 (2) the method of securing the bonds;

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

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

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

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

1 dimensional Prudhoe Bay reservoir simulation model;

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

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

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

10 \* Sec. 3. AS 44.55.110 is amended to read:

11 Sec. 44.55.110. LEGISLATIVE APPROVAL. Either house of the legis-  
12 lature may disapprove the financial and Alaska impact plan or an amended  
13 version of the plan, and the sale of refunding bonds by a simple  
14 resolution. If the plan or an amended version of the plan or the sale  
15 of refunding bonds is not approved or conditionally approved by the  
16 legislature [OR DISAPPROVED BY EITHER HOUSE] within 60 [30] days after  
17 presentation to the legislature, it is disapproved [APPROVED]. The  
18 legislature may by concurrent resolution approve the plan or an amended  
19 version of the plan with conditions concerning matters included in the  
20 plan or amended version of the plan, and the conditional approval  
21 becomes effective upon certification to the legislature by the authority  
22 that the authority has accepted the conditions and modified the plan in  
23 accordance. No bonds or notes may be issued or sold until the approval  
24 required by this section has been obtained, and no bonds or notes may  
25 be issued or sold except in accordance with the approved plan. Amend-  
26 ments to the plan may be submitted before the passage by the authority  
27 of the resolution authorizing the sale of bonds and become effective  
28 upon approval by the legislature by concurrent resolution.

29 \* Sec. 4. Section 1(2), ch. 90 SLA 1978 is amended to read:

1 State assistance to the financing of the project may [will]  
2 promote an essential public purpose in assuring timely transportation  
3 to market of Prudhoe Bay natural gas.

4 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-  
5 070(c).

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