

Introduced: 1/16/80  
Referred: Resources and  
Finance

BY PARR, BEIRNE, BETTISWORTH,  
METCALFE AND MOSS

1 IN THE HOUSE

2 HOUSE BILL NO. 543

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financing natural gas development  
7 and production; authorizing the issuance of revenue  
8 bonds to finance construction of a plant to condition  
9 natural gas produced at Prudhoe Bay and the lease and  
10 operation of that plant; and the repeal of the Alaska  
11 Gas Pipeline Financing Authority."

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

13 \* Section 1. AS 37.15 is amended by adding new sections to read:

14 ARTICLE 4. NATURAL GAS CONDITIONING PLANT REVENUE BONDS.

15 Sec. 37.15.610. BOND AUTHORIZATION. The issuance and sale of  
16 revenue bonds of the state in the total principal sum of not more than  
17 \$2,000,000,000 is authorized to provide money to acquire, construct,  
18 equip and install additions and improvements to the gas conditioning  
19 plant authorized in AS 37.15.700. The principal of and interest on  
20 these bonds shall be paid out of and secured by the gross revenues  
21 derived by the state from the ownership, lease, use and operation of the  
22 gas conditioning plant, and of all the facilities associated with it and  
23 out of other revenues or money which the state legislature may provide  
24 (except for a state tax or license).

25 Sec. 37.15.620. CONSTRUCTION FUND. (a) There is a special fund  
26 of the state known as the "gas conditioning plant construction fund"  
27 into which shall be paid the proceeds of the sale of the bonds (except  
28 accrued interest paid on them, which shall be paid into the bond redemp-  
29 tion fund) and other money which is legally provided for the same pur-

1 poses for which the bonds are authorized. The money in the construction  
2 fund shall be used to pay the costs of acquiring, equipping, con-  
3 structing, and installing additions and improvements to the gas con-  
4 ditioning plant and related facilities and for incidental costs, in-  
5 cluding costs of the authorization, issuance and sale of the bonds. To  
6 the extent provided in the bond resolution, money in the construction  
7 fund may also be used for the payment of interest on the bonds during  
8 the period of actual construction, and for a further period, not ex-  
9 ceeding one year after the period of construction, as may be provided in  
10 the bond resolution. Money in the construction fund may also be trans-  
11 ferred to the bond redemption fund, to the extent provided in the bond  
12 resolution, to establish a reserve for the payment of the principal of  
13 and interest on the bonds.

14 (b) The bond resolution may provide for the investment of money in  
15 the construction fund as the committee may determine. The interest  
16 earned on or any profits derived from the sale of these investments  
17 shall be deposited in and become a part of the construction fund.

18 Sec. 37.15.630. REVENUE FUND. (a) There is a special fund of the  
19 state, known as the "gas conditioning plant revenue fund", which shall  
20 be completely segregated and set apart from all other funds of the  
21 state, which is a trust fund for the uses and purposes provided in  
22 AS 37.15.610 - 37.15.760, and into which shall be paid all revenues,  
23 fees, charges and rentals derived by the state from the ownership,  
24 lease, use and operation of the gas conditioning plant and all of the  
25 facilities and improvements used in connection with it. These revenues,  
26 charges, fees and rentals may not include the proceeds of a state tax or  
27 license. The money in the revenue fund shall only be used for the  
28 purpose of

29 (1) paying or securing the payment of the principal of and

1 interest on the bonds and any other revenue bonds issued by authoriza-  
2 tion of the legislature to provide funds to acquire, equip, construct  
3 and install additions and improvements to the gas conditioning plant and  
4 payable out of the revenue fund;

5 (2) paying the costs of renewals, replacements and extra-  
6 ordinary repairs to the gas conditioning plant and its improvements and  
7 facilities;

8 (3) redeeming before their fixed maturities any and all  
9 revenue bonds issued for the purposes of the gas conditioning plant; and

10 (4) providing funds to acquire, construct and install neces-  
11 sary additions and improvements to the gas conditioning plant.

12 (b) The investment of money in the revenue fund may be made as the  
13 committee may determine. The interest earned on or any profits derived  
14 from the sale of these investments shall be deposited in and become a  
15 part of the revenue fund.

16 Sec. 37.15.640. REDEMPTION FUND. There is a special fund of the  
17 state, known as the "gas conditioning plant revenue bond redemption  
18 fund", which is a trust fund for paying and securing the payment of the  
19 principal of and interest and redemption premium, if any, on the bonds  
20 and which shall be at all times completely segregated and set apart from  
21 all other funds of the state. The committee, on behalf of the state,  
22 shall obligate and bind the state to set aside and pay into the bond  
23 redemption fund any part or parts of, or all of, or a fixed proportion  
24 of, or a fixed amount of the money in the revenue fund sufficient to pay  
25 the principal of and interest and redemption premium, if any, on the  
26 bonds as the payments become due and, if it considers it necessary, to  
27 set aside and maintain reserves for this purpose. The bond redemption  
28 fund shall be drawn upon for the purpose of paying the principal of and  
29 interest and redemption premium, if any, on the bonds, and the bonds do

1 not constitute a general obligation of the state.

2       Sec. 37.15.650. BOND TERMS. (a) The bonds shall be sold in the  
3 amounts or series and at the time or times determined by the committee.  
4 Before selling a series of bonds, the committee shall give notice invit-  
5 ing sealed bids in the manner it may prescribe. If satisfactory bids  
6 are received, the bonds offered for sale shall be awarded to the highest  
7 responsible bidder. If the committee determines that the bids received  
8 are not satisfactory as to price or responsibility of the bidders, it  
9 may reject all bids received. The bonds, or each series of them, shall  
10 be sold at such a price that the effective interest rate over the life  
11 of the bonds does not exceed 10 percent a year. Interest shall be  
12 payable annually or semiannually.

13       (b) The bonds shall mature at the time or times fixed by the  
14 committee. The bonds may be subject to redemption before their fixed  
15 maturities as determined by the committee and with the premium or pre-  
16 miums fixed by the committee, but a bond may not be subject to re-  
17 demption before its fixed maturity date unless the right to redeem that  
18 bond is expressly mentioned on the face of the bond. The bonds may be  
19 in denominations determined by the committee; may be issued in coupon  
20 form or in fully registered form, and may be registrable as to principal  
21 or both principal and interest, all under the regulations and conditions  
22 the committee provides. The bonds shall be payable as to principal and  
23 interest at a place or places determined by the committee; shall be  
24 signed on behalf of the state by the governor and shall be attested by  
25 the lieutenant governor. Both of the signatures may be facsimile sig-  
26 natures, and the bonds shall have the seal of the state impressed,  
27 printed or lithographed on them. Each of the interest coupons attached  
28 to the bonds shall be signed by the facsimile signatures of the governor  
29 and lieutenant governor. The bonds shall be issued under and subject to

1 the terms, conditions and covenants providing for payment of the  
2 principal of them and interest on them and other terms, conditions,  
3 covenants and protective features safeguarding the payment that relate  
4 to the maintenance, operation and improvement of the gas conditioning  
5 plant and that are found necessary by the committee. The covenants may  
6 include a provision requiring the setting aside and maintenance of  
7 reserves to secure the payment of principal of and interest on the  
8 bonds.

9 (c) If found reasonably necessary, the committee may select a  
10 trustee or trustees for the holders of the bonds or any series of them,  
11 for the safeguarding and disbursement of money in a fund created by  
12 AS 37.15.620, 37.15.630, and 37.15.640, or for duties relating to  
13 authentication, delivery and registration of the bonds as determined by  
14 the committee. The committee shall fix the powers and duties of the  
15 trustee or trustees.

16 (d) In its determination of matters relating to the issuance and  
17 sale of the bonds and the fixing of the maturities, terms, conditions  
18 and covenants of them as provided in (a), (b) and (c) of this section,  
19 the decisions of the committee shall be those found to be reasonably  
20 necessary for the best interests of the state and its inhabitants, and  
21 those which will accomplish the most advantageous sale of the bonds,  
22 with due regard to necessary or normal costs of renewals and replace-  
23 ments of and repairs to the gas conditioning plant and to improvements  
24 to it, the facilities which are owned, used, operated or leased in  
25 connection with it, and the future growth and expansion of the gas  
26 conditioning plant and all of its facilities. These decisions of the  
27 committee, as expressed in a bond resolution, are final and conclusive  
28 when bonds have been issued in accordance with the bond resolution.

29 (e) A bond resolution may provide that the bonds issued shall

1 contain a recital that they are issued under AS 37.15.610 - 37.15.760,  
2 and bonds containing this recital shall be conclusively considered to be  
3 valid and to have been issued in conformity with AS 37.15.610 - 37.15.-  
4 760.

5 (f) The validity of the authorization and issuance of bonds is not  
6 affected by proceedings for the acquisition or construction of the  
7 improvement of facilities for which the bonds have been issued, or by  
8 any contracts in connection with the acquisition or construction.

9 Sec. 37.15.660. BOND RESOLUTION. The committee shall adopt the  
10 bond resolution and prepare all other documents necessary for the  
11 issuance, sale and delivery of the bonds or any part or series of them.  
12 The bond resolution shall fix the principal amount, denomination, date,  
13 maturities, place or places of payment, rights of redemption, if any,  
14 terms, form, conditions and covenants of the bonds or each series of  
15 them. The committee shall also determine and provide for the date and  
16 manner of sale of the bonds, and shall provide whether the notice of  
17 sale is to be published elsewhere in addition to the publication re-  
18 quired by AS 37.15.650.

19 Sec. 37.15.670. ENFORCEMENT BY HOLDER. The holder of bonds or the  
20 trustee for the holders of the bonds or any series of them may by appro-  
21 priate proceedings in the courts of record of the state, require and  
22 compel the transfer, setting aside and payment of money and the enforce-  
23 ment of all of the terms, conditions and covenants as required and  
24 provided in AS 37.15.610 - 37.15.760 and in the bond resolution.

25 Sec. 37.15.680. AMOUNTS REQUIRED FOR PAYMENTS. The committee  
26 shall, before December 31 of each year, beginning with the year in which  
27 the bonds are issued, certify to the commissioners of revenue and  
28 natural resources the amounts required in the next calendar year by the  
29 bond resolution or resolutions to be paid out of the revenue fund into

1 the bond redemption fund and to be paid into and maintained in any  
2 reserve fund or account or any other fund or account created by the bond  
3 resolution or resolutions, and shall also certify to the commissioners  
4 the last date or dates upon which payments may be made.

5 Sec. 37.15.690. BOND NEGOTIABILITY. The bonds and the coupons  
6 attached to them are fully negotiable instruments under the laws of the  
7 state.

8 Sec. 37.15.700. GAS CONDITIONING PLANT. The state is authorized  
9 to acquire, construct, equip, and install additions and improvements to  
10 the gas conditioning plant and any facilities associated with it. The  
11 commissioner of natural resources, in consultation with the commissioner  
12 of transportation and public facilities, has the responsibility to  
13 design the plant. The commissioner of transportation and public faci-  
14 lities has the responsibility for constructing the plant and improve-  
15 ments to the plant.

16 Sec. 37.15.710. LOCATION OF GAS CONDITIONING PLANT. (a) The  
17 location of the gas conditioning plant shall be determined, after public  
18 hearings, by the Alaska Royalty Oil and Gas Development Advisory Board  
19 (AS 38.06).

20 (b) Bonds may not be authorized or sold under AS 37.15.610 -  
21 37.15.760 until a site determined under (a) of this section has been  
22 approved by the legislature by a concurrent resolution concurred in by a  
23 majority of members of each house.

24 Sec. 37.15.720. LEASE AND OPERATION OF GAS CONDITIONING PLANT.  
25 After the bonds authorized under AS 37.15.610 have been sold, the com-  
26 missioner of natural resources shall lease the gas conditioning plant,  
27 by competitive bid, to a qualified operator. Bids may be on the basis  
28 of a percentage of revenue produced by the plant or a fixed annual  
29 rental payment, as determined by the commissioner of natural resources.

1 The minimum acceptable bid must be sufficient to pay the debt service on  
2 the bonds issued under AS 37.15.610 - 37.15.760 and to provide the state  
3 with a reasonable return on its investment.

4 Sec. 37.15.730. REFUNDING. (a) The bonds or any part of them may  
5 be refunded at or before their maturity by the issuance of refunding  
6 revenue bonds of the state if, in the opinion of the committee, refund-  
7 ing is advantageous to and in the best interests of the state and its  
8 inhabitants.

9 (b) The issuance of refunding bonds need not be authorized by the  
10 legislature, and the committee is authorized and directed to adopt the  
11 resolution or resolutions and prepare all other documents and pro-  
12 ceedings necessary for the issuance, exchange or sale, and delivery of  
13 the bonds. The provisions of AS 37.15.610 - 37.15.760 applicable to  
14 revenue bonds apply to refunding bonds and to the issuance, sale, or  
15 exchange of them, except as otherwise provided in this section.

16 (c) Refunding bonds may be issued in a principal amount sufficient  
17 to provide funds for the payment of all bonds to be refunded by them,  
18 and, in addition, for the payment of all expenses incident to the call-  
19 ing, retiring, or paying of the outstanding bonds, and the issuance of  
20 the refunding bonds. These expenses include the difference in amount  
21 between the par value of the refunding bonds and any amount less than  
22 par for which the refunding bonds are sold, any amount necessary to be  
23 made available for the payment of interest upon the refunding bonds from  
24 the date of sale of them to the date of payment of the bonds to be  
25 refunded or to the date upon which the bonds to be refunded will be paid  
26 pursuant to the call of them or agreement with the holders of them, and  
27 the premium, if any, necessary to be paid in order to call or retire the  
28 outstanding bonds and the interest accruing on them to the date of the  
29 call or retirement.

1           Sec. 37.15.740. BONDS AS LEGAL INVESTMENTS. The bonds are legal  
2 investments for all banks, trust companies, savings banks, savings and  
3 loan associations and other persons carrying on a banking business, all  
4 insurance companies and other persons carrying on an insurance business,  
5 and all executors, administrators, trustees, and other fiduciaries. The  
6 bonds may be accepted as security for deposits of all funds of the state  
7 and its political subdivisions.

8           Sec. 37.15.750. STATUTORY CONSTRUCTION. AS 37.15.610 - 37.15.760  
9 shall be liberally construed to carry out the purposes for which they  
10 were enacted, and all existing laws in conflict with any of these sec-  
11 tions are superseded insofar as necessary to accomplish the purposes of  
12 and carry out the provisions of these sections.

13           Sec. 37.15.760. DEFINITIONS. In AS 37.15.610 - 37.15.760, unless  
14 the context otherwise requires,

15           (1) "bond redemption fund" means the gas conditioning plant  
16 revenue bond redemption fund created by AS 37.15.640, including any  
17 accounts which are created in that fund after the effective date of this  
18 Act;

19           (2) "bond resolution" means the resolution or resolutions  
20 authorizing the issuance of bonds, adopted by the committee under  
21 AS 37.15.660;

22           (3) "bonds" means the gas conditioning plant revenue bonds  
23 authorized by AS 37.15.610 - 37.15.760;

24           (4) "committee" means the state bond committee created by  
25 AS 37.15.110, or any other committee, body, department or officer of the  
26 state which or who succeeds to the rights, powers, duties and obliga-  
27 tions of the state bond committee by Act of the legislature;

28           (5) "construction fund" means the gas conditioning plant  
29 construction fund created by AS 37.15.620;

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

(6) "gas conditioning plant" or "plant" means the facility designed to remove water, carbon dioxide, gas liquids, and other by-products and impurities from the natural gas produced from the Prudhoe Bay oil and gas production unit and other oil and gas production units or wells, if any, in the vicinity of Prudhoe Bay; and

(7) "revenue fund" means the gas conditioning plant revenue fund created by AS 37.15.630.

\* Sec. 2. AS 44.55 is repealed.