

Introduced: 2/19/81
Referred: Special Gas Pipeline
Committee and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 197

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Gas Pipeline Financing
7 Authority; and providing for an effective date."

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

9 * Section 1. AS 44.82.090(a) is amended to read:

10 (a) The authority may borrow money and issue revenue bonds, in
11 one or more series, [THE INTEREST ON WHICH IS EXEMPT FROM FEDERAL IN-
12 COME TAX EXCEPT WHEN HELD BY A SUBSTANTIAL USER OR RELATED PERSON AS
13 DEFINED IN SEC. 103 OF THE INTERNAL REVENUE CODE OF 1954 AS AMENDED,]
14 up to a [THE] principal amount specified by law which will include [OF
15 \$1,000,000,000 INCLUSIVE OF] amounts required for [FUND] reserves,
16 capitalized interest, and costs of issuance of the bonds [OR NOTES] and
17 exclusive of refunding bonds. Bonds of the authority may be issued for
18 the purposes [PURPOSE] of the authority, including (1) financing or re-
19 financing part of the cost of the project, (2) purchasing or otherwise
20 acquiring any obligation issued with respect to the project in any form
21 which is fixed and certain as to terms of repayment, (3) establishing
22 [AND FOR THE ESTABLISHMENT OF] reserves to secure or to pay bonds [OR
23 NOTES] or interest on bonds [OR NOTES], and (4) paying all other costs
24 of the authority incident to and necessary for issuance of bonds [OR
25 NOTES]. The principal of and interest on the bonds of the authority
26 are payable from the income and receipts or other money derived by the
27 authority with respect to the project, except to the extent payable out
28 of money attributable to the proceeds of the sale of the bonds or out
29 of income from the [TEMPORARY] investment of those proceeds.

1 * Sec. 2. AS 44.82.090(c) is amended to read:

2 (c) Bonds shall be authorized by resolution of the authority and
3 shall be dated and mature as the resolution provides. Bonds shall bear
4 interest at the rate or rates, be in the denominations, be in the form,
5 either coupon or registered, carry the registration privileges, be
6 executed in the manner, be payable at the times, in the medium of
7 payment, at the place or places, and be subject to the terms of redemp-
8 tion which the resolution provides.

9 * Sec. 3. AS 44.82.090(f) is amended to read:

10 (f) The authority may enter into financing agreements necessary
11 or desirable to secure the bonds. Before the issuance of bonds, the
12 authority shall make provision by agreement with the owner or user of
13 the project for payment by the owner or user of amounts at least suffi-
14 cient in the judgment of the authority to pay the principal of and in-
15 terest on the bonds as they become due, and to establish or maintain
16 [THE] reserves for payment, if any, as the authority considers neces-
17 sary or desirable.

18 * Sec. 4. AS 44.82.090(g) is amended to read:

19 (g) Refunding bonds [OBLIGATIONS] may be sold or exchanged for
20 outstanding bonds [OBLIGATIONS] issued under this chapter subject to
21 legislative approval as required by this section. If sold, the pro-
22 ceeds may be applied, in addition to other authorized purposes, to the
23 purchase, redemption or payment of the outstanding bonds to be refunded
24 [OBLIGATIONS]. Pending the application of the proceeds of any refund-
25 ing bonds [OBLIGATIONS], with any other available funds, to the payment
26 of the principal, [() accrued interest and any redemption premium on
27 the bonds [OBLIGATIONS] being refunded[,] (and if so provided or per-
28 mitted in the authorization for issuance of the refunding bonds [OBLI-
29 GATIONS], to the payment of any interest on the refunding bonds [OBLI-

1 GATIONS] and any expenses in connection with the refunding), the pro-
2 ceeds may be invested in direct obligations of, or obligations the
3 principal of and the interest on which are unconditionally guaranteed
4 by, the United States of America which mature or which will be subject
5 to redemption, at the option of the holders of them, not later than the
6 respective dates when the proceeds, together with the interest accruing
7 on them, will be required for the purposes intended.

8 * Sec. 5. AS 44.82.090 is amended by adding new subsections to read:

9 (h) The authority may acquire, by purchase, lease, or gift, upon
10 terms that the authority considers proper, land, structures, real or
11 personal property rights, rights-of-way, franchises, easements, and
12 other interests in land it considers necessary or convenient for the
13 financing of the project or any part of the project. The authority may
14 lease, sell, or otherwise convey to a project sponsor part or all of
15 the project, or any interest in the project in connection with the
16 financing of the project, upon terms that the authority considers
17 proper.

18 (i) The authority may make loans to a project sponsor for part or
19 all of the cost of the project or any part of the project or to refund
20 outstanding obligations or advances made by that project sponsor for
21 the cost of the project or any part of the project in accordance with
22 an agreement between the authority and that project sponsor. The
23 authority may accept security for those loans which the authority
24 considers necessary, including but not limited to: guarantees, securi-
25 ty interests in real or personal property or revenues, or any combina-
26 tion of them. The authority may assign its interest in that agreement
27 and in those guarantees and security interests to a trustee.

28 * Sec. 6. AS 44.82.100 is amended to read:

29 Sec. 44.82.100. SUBMISSION OF FINANCIAL AND ALASKA IMPACT PLAN.

1 With respect to the bonds of the authority and the project, the authori-
2 ty shall submit to the legislature [BY THE FIRST DAY OF THE SECOND
3 SESSION OF THE ELEVENTH LEGISLATURE] a financial and Alaska impact plan
4 for the project. The financial and Alaska impact plan shall be a
5 general description of the status of the project with respect to en-
6 gineering, technical, financial and regulatory matters relating to the
7 project. In addition, the plan shall include the following specific
8 items as well as findings and recommendations on each item:

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

12 (2) the method of securing the bonds;

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

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

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

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

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

27 (A) to the extent that qualified workers are available,
28 all workers employed for the construction, operation and main-
29 tenance of the project will be drawn from the existing and resi-

1 dent Alaska work force;

2 (B) to the extent qualified contractors or firms are
3 available, all vendor, material, labor and professional service
4 contracts and subcontracts related to the project will be awarded
5 to existing resident Alaska contractors or firms;

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

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

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

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

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

28 (B) the minimum average wellhead price for Prudhoe Bay
29 natural gas sales that is the higher of \$1.48 per mcf (or such

1 escalated price as may be provided for by federal law or regula-
2 tion) or the BTU-equivalent price for Prudhoe Bay oil if the
3 higher BTU-equivalent price is permissible under applicable fed-
4 eral laws and regulations;

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

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

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

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

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

22 (12) the preliminary financial plan for the entire transmis-
23 sion system, as prepared for submission to the Federal Energy Regula-
24 tory Commission;

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

29 (A) provision of in-state off-take facilities at loca-

1 tions to be determined by the state;

2 (B) design and development of a computerized three-
3 dimensional Prudhoe Bay reservoir simulation model;

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

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

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

12 * Sec. 7. AS 44.82.120(2) is amended to read:

13 (2) pledge, mortgage, or assign money, agreements, leases,
14 rentals, guarantees, liens, security interests, property or other as-
15 sets or interests of the authority either presently in hand or to be
16 received in the future, or both; and

17 * Sec. 8. AS 44.82 is amended by adding new sections to read:

18 Sec. 44.82.125. AGREEMENTS OF THE AUTHORITY. Any bond resolu-
19 tion, trust indenture, or agreement of the authority may contain pro-
20 visions concerning

21 (1) the pledge or assignment of (A) the revenues of the
22 authority with respect to the project, or any part of the project, (B)
23 payments under any loan agreement, or (C) other specified money or
24 revenues of the authority;

25 (2) the rentals, interest, fees, and other amounts to be
26 charged, and the sums to be raised in each year through those means and
27 the use, investment, and disposition of those amounts;

28 (3) reserves or bond redemption funds, and the regulation,
29 investment, and disposition of them;

1 (4) limitations on the purpose to which or the investments
2 in which the proceeds of sale of any issue of bonds may be applied;

3 (5) limitations on the issuance of additional bonds, the
4 terms upon which additional bonds may be issued and secured, the terms
5 upon which additional bonds may rank on a parity with, or be subordi-
6 nate or superior to, other bonds;

7 (6) the refund of outstanding bonds;

8 (7) the procedure, if any, by which the terms of any con-
9 tract with bondholders may be amended or abrogated, and the manner in
10 which that consent may be given;

11 (8) definition of the acts or omissions to act which con-
12 stitute a default in the duties of the authority to holders of its
13 obligations and providing the rights and remedies of those holders if
14 there is a default;

15 (9) the rights, powers, or duties of a trustee, or the funds
16 or property to be vested in the trustee in trust for the benefit of
17 bondholders, including, without limitation, the right to enforce pay-
18 ment, performance, and all other rights of the authority or of the
19 bondholders, under a lease, resolution, contract of sale, mortgage,
20 loan agreement, security agreement, trust agreement, or other agreement
21 with respect to a project by appropriate legal proceedings or by taking
22 possession of, by agent or otherwise, and operating a project and
23 collecting rent or other consideration and applying it in accordance
24 with the trust agreement; and

25 (10) any other matters relating to the bonds which the
26 authority considers appropriate.

27 Sec. 44.82.135. APPLICATION OF AS 37.10.085. AS 37.10.085, pro-
28 hibiting the state or a political subdivision of the state from enter-
29 ing into certain transactions with corporations, does not apply to the

1 authority.

2 * Sec. 9. AS 44.82.140 is amended to read:

3 Sec. 44.82.140. PLEDGE OF THE STATE. The state pledges to [AGREE
4 WITH] the holders of bonds issued under this chapter that the state
5 will not limit or withdraw the power of the authority to issue bonds
6 after an initial series of the bonds has been issued and will not limit
7 or alter the rights and powers vested in the authority by this chapter
8 to fulfill the terms of any contract made by the authority with those
9 holders, or in any way impair the rights and remedies of those holders
10 until the principal amount of the bonds, together with interest on
11 them, with interest on unpaid installments of that interest, and all
12 costs and expenses in connection with any action or proceeding by or on
13 behalf of those holders, are fully met and discharged. The authority
14 may [IS AUTHORIZED TO] include this pledge and agreement of the state
15 in a contract with those holders.

16 * Sec. 10. AS 44.82 is amended by adding new sections to read:

17 Sec. 44.82.145. EARNINGS OF THE AUTHORITY. The earnings of the
18 authority which exceed the amount required for the retirement of in-
19 debtedness or the accomplishment of the purposes stated in this chapter
20 do not inure to the benefit of any person. They inure to the benefit
21 of the state.

22 Sec. 44.82.155. DISPOSITION OF AUTHORITY PROPERTY UPON DISSOLU-
23 TION. Upon dissolution of the authority, title to all property owned
24 by the authority vests in the state.

25 * Sec. 11. AS 44.82.200(2) is amended to read:

26 (2) "bonds" means bonds, notes, or other evidences of indebt-
27 edness of the authority, including bond anticipation notes or other ob-
28 ligations issued to provide interim financing for the project;

29 * Sec. 12. AS 44.82.200(5) is amended to read:

1 (5) "project sponsor" means [ANY PARTNER OF] the Alaskan
2 Northwest Natural Gas Transportation Company, or its partners or [ITS]
3 successors, or any company, individual or association which owns an in-
4 terest in the project or any part of the project;

5 * Sec. 13. AS 44.82.200 is amended by adding a new subsection to read:

6 (9) "cost of the project" means the total of all costs
7 related to the project or any part of the project incurred in carrying
8 out all works and undertakings necessary or incidental to the accom-
9 plishment of the project, including but not limited to: the cost
10 incurred by or on behalf of a project sponsor of all necessary develop-
11 mental, planning, or feasibility studies, surveys, plans and specifica-
12 tions, architectural, engineering, legal, or other special services;
13 the cost of indemnity and surety bonds and premiums on insurance during
14 construction; the cost of acquisition of land and any facilities and
15 improvements on the land, site preparation and development, construc-
16 tion, reconstruction, and equipment acquisition and installation; the
17 reasonable cost of financing incurred by a project sponsor in the
18 course of the development of the project; carrying charges during
19 construction; interest on obligations issued to finance the project;
20 necessary initial working capital; reserves and expenses incurred in
21 connection with the commencement of operation of the project; and the
22 cost of other items which the authority determines are reasonable and
23 necessary.

24 * Sec. 14. Section 4(2), ch. 31, SLA 1979, as amended by sec. 4 of ch.
25 31 SLA 1979, is amended to read:

26 (2) state assistance to the financing of the project will
27 [MAY] promote an essential public purpose in assuring timely transpor-
28 tation to market of Prudhoe Bay natural gas;

29 * Sec. 15. AS 44.82.110 is repealed.

1 * Sec. 16. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).

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