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1 IN THE SENATE

BY PARR

2 SENATE BILL NO. 257

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 natural gas: establishing the
7 Alaska Natural Gas Industrial Development Authority,
8 and authorizing the authority to issue revenue bonds
9 to finance construction of a plan to condition natural
10 gas; and repealing the Alaska Gas Pipeline Financing
11 Authority."

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

13 * Section 1. AS 44.82 is amended by adding a new section to read:

14 Sec. 44.82.011. CREATION OF AUTHORITY. There is created the
15 Alaska Natural Gas Industrial Development Authority. The authority is
16 a public corporation of the state. It is an instrumentality of the
17 state in the Department of Revenue, but has a legal existence indepen-
18 dent of and separate from the state. Exercise by the authority of the
19 powers conferred by this chapter is an essential governmental function
20 of the state.

21 * Sec. 2. AS 44.82.060 is amended to read:

22 Sec. 44.82.060. LEGAL COUNSEL. The attorney general is the legal
23 counsel for the authority [CORPORATION]. He shall advise the authority
24 [CORPORATION] in legal matters and represent it in legal actions.

25 * Sec. 3. AS 44.82 is amended by adding new sections to read:

26 Sec. 44.82.083. BONDS OF THE AUTHORITY. The authority may borrow
27 money and issue revenue bonds, in one or more series, the interest on
28 which is exempt from federal income tax except when held by a substan-
29 tial user or related person as defined in sec. 103 of the Internal

1 Revenue Code of 1954 as amended, up to the principal amount authorized
2 by AS 37.15.600 including amounts required for fund reserves, capi-
3 talized interest, and costs of issuance of the bonds or notes and
4 excluding refunding bonds. Bonds of the authority may be issued for
5 the purpose of purchasing or otherwise acquiring any obligation issued
6 with respect to the project in any form which is fixed and certain as
7 to terms of repayment and for the establishment of reserves to secure
8 or to pay bonds or notes or interest on bonds or notes and all other
9 costs of the authority incident to and necessary for issuance of bonds
10 or notes. The principal and interest on the bonds are payable from the
11 income and receipts or other money derived by the authority with respect
12 to the project, except to the extent payable out of money attributable
13 to the proceeds of the sale of the bonds or out of income from the
14 temporary investment of those proceeds.

15 Sec. 44.82.085. CONSTRUCTION FUND. (a) There is a special fund
16 of the state known as the "gas conditioning plant construction fund"
17 into which shall be paid the proceeds of the sale of the bonds (except
18 accrued interest paid on them, which shall be paid into the bond redemp-
19 tion fund) and other money which is legally provided for the same pur-
20 poses for which the bonds are authorized. The money in the construction
21 fund shall be used to pay the costs of the project and for incidental
22 costs, including costs of the authorization, issuance and sale of the
23 bonds. To the extent provided in the bond resolution, money in the
24 construction fund may also be used for the payment of interest on the
25 bonds during the period of actual construction, and for a further
26 period, not exceeding one year after the period of construction, as may
27 be provided in the bond resolution. Money in the construction fund may
28 also be transferred to the bond redemption fund, to the extent provided
29 in the bond resolution, to establish a reserve for the payment of the

1 principal of and interest on the bonds.

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

6 Sec. 44.82.087. REVENUE FUND. (a) There is a special fund of
7 the state, known as the "gas conditioning plant revenue fund", which
8 shall be completely segregated and set apart from all other funds of
9 the state, which is a trust fund for the uses and purposes provided in
10 this chapter, and into which shall be paid all revenues, fees, charges
11 and rentals derived by the state from the ownership, lease, use, and
12 operation of the gas conditioning plant and all of the facilities and
13 improvements used in connection with it. These revenues, charges,
14 fees, and rentals may not include the proceeds of a state tax or license.
15 The money in the revenue fund shall only be used for the purpose of

16 (1) paying or securing the payment of the principal of and
17 interest on the bonds and any other revenue bonds issued by authoriza-
18 tion of the legislature to provide funds to acquire, equip, construct,
19 and install additions and improvements to the gas conditioning plant
20 and payable out of the revenue fund;

21 (2) paying the costs of renewals, replacements, and extra-
22 ordinary repairs to the gas conditioning plant and its improvements and
23 facilities;

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

27 (4) providing money to acquire, construct, and install
28 necessary additions and improvements to the gas conditioning plant.

29 (b) The investment of money in the revenue fund may be made as

1 the committee may determine. The interest earned on or any profits
2 derived from the sale of these investments shall be deposited in and
3 become a part of the revenue fund.

4 Sec. 44.82.089. REDEMPTION FUND. There is a special fund of the
5 state, known as the "gas conditioning plant revenue bond redemption
6 fund", which is a trust fund for paying and securing the payment of the
7 principal of and interest and redemption premium, if any, on the bonds
8 and which shall be at all times completely segregated and set apart
9 from all other funds of the state. The committee, on behalf of the
10 state, shall obligate and bind the state to set aside and pay into the
11 bond redemption fund any part or parts of, or all of, or a fixed propor-
12 tion of, or a fixed amount of the money in the revenue fund sufficient
13 to pay the principal of and interest and redemption premium, if any, on
14 the bonds as the payments become due and, if it considers it necessary,
15 to set aside and maintain reserves for this purpose. The bond redemp-
16 tion fund shall be drawn upon for the purpose of paying the principal
17 of and interest and redemption premium, if any, on the bonds, and the
18 bonds do not constitute a general obligation of the state.

19 Sec. 44.82.091. BOND TERMS. (a) The bonds shall be sold in the
20 amounts or series and at the time or times determined by the committee.
21 Before selling a series of bonds, the committee shall give notice
22 inviting sealed bids in the manner it may prescribe. If satisfactory
23 bids are received, the bonds offered for sale shall be awarded to the
24 highest responsible bidder. If the committee determines that the bids
25 received are not satisfactory as to price or responsibility of the
26 bidders, it may reject all bids received. The bonds, or each series of
27 them, shall be sold at such a price that the effective interest rate
28 over the life of the bonds does not exceed 10 percent a year. Interest
29 shall be payable annually or semiannually.

1 (b) The bonds shall mature at the time or times fixed by the
2 committee. The bonds may be subject to redemption before their fixed
3 maturities as determined by the committee and with the premium or pre-
4 miums fixed by the committee, but a bond may not be subject to re-
5 demption before its fixed maturity date unless the right to redeem that
6 bond is expressly mentioned on the face of the bond. The bonds may be
7 in denominations determined by the committee; may be issued in coupon
8 form or in fully registered form, and may be registrable as to principal
9 or both principal and interest, all under the regulations and conditions
10 the committee provides. The bonds shall be payable as to principal and
11 interest at a place or places determined by the committee; shall be
12 signed on behalf of the state by the governor; and shall be attested by
13 the lieutenant governor. Both of the signatures may be facsimile sig-
14 natures, and the bonds shall have the seal of the state impressed,
15 printed, or lithographed on them. Each of the interest coupons attached
16 to the bonds shall be signed by the facsimile signatures of the governor
17 and lieutenant governor. The bonds shall be issued under and subject
18 to the terms, conditions, and covenants providing for payment of the
19 principal of them and interest on them and other terms, conditions,
20 covenants, and protective features safeguarding the payment that relate
21 to the maintenance, operation, and improvement of the gas conditioning
22 plant and that are found necessary by the committee. The covenants may
23 include a provision requiring the setting aside and maintenance of
24 reserves to secure the payment of principal of and interest on the
25 bonds.

26 (c) If found reasonably necessary, the committee may select a
27 trustee or trustees for the holders of the bonds or any series of them,
28 for the safeguarding and disbursement of money in a fund created by
29 AS 44.82.085 - 44.82.089, or for duties relating to authentication,

1 delivery, and registration of the bonds as determined by the committee.
2 The committee shall fix the powers and duties of the trustee or trustees.

3 (d) In its determination of matters relating to the issuance and
4 sale of the bonds and the fixing of the maturities, terms, conditions,
5 and covenants of them as provided in (a), (b) and (c) of this section,
6 the decisions of the committee shall be those found to be reasonably
7 necessary for the best interests of the state and its inhabitants, and
8 those which will accomplish the most advantageous sale of the bonds,
9 with due regard to necessary or normal costs of renewals and replace-
10 ments of and repairs to the gas conditioning plant and to improvements
11 to it, the facilities which are owned, used, operated, or leased in
12 connection with it, and the future growth and expansion of the gas
13 conditioning plant and all of its facilities. These decisions of the
14 committee, as expressed in a bond resolution, are final and conclusive
15 when bonds have been issued in accordance with the bond resolution.

16 (e) A bond resolution may provide that the bonds issued shall
17 contain a recital that they are issued under this chapter, and bonds
18 containing this recital shall be conclusively considered to be valid
19 and to have been issued in conformity with this chapter.

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

24 Sec. 44.82.093. BOND RESOLUTION. The committee shall adopt the
25 bond resolution and prepare all other documents necessary for the
26 issuance, sale, and delivery of the bonds or any part or series of
27 them. The bond resolution shall fix the principal amount, denomination,
28 date, maturities, place or places of payment, rights of redemption, if
29 any, terms, form, conditions, and covenants of the bonds or each series

1 of them. The committee shall also determine and provide for the date
2 and manner of sale of the bonds, and shall provide whether the notice
3 of sale is to be published elsewhere in addition to the publication re-
4 quired by AS 44.82.091.

5 Sec. 44.82.095. ENFORCEMENT BY HOLDER. The holder of bonds or
6 the trustee for the holders of the bonds or any series of them may by
7 appropriate proceedings in the courts of record of the state, require
8 and compel the transfer, setting aside, and payment of money and the
9 enforcement of all of the terms, conditions, and covenants as required
10 and provided in this chapter and in the bond resolution.

11 Sec. 44.82.097. AMOUNTS REQUIRED FOR PAYMENTS. The committee
12 shall, before December 31 of each year, beginning with the year in
13 which the bonds are issued, certify to the commissioners of revenue and
14 natural resources the amounts required in the next calendar year by the
15 bond resolution or resolutions to be paid out of the revenue fund into
16 the bond redemption fund and to be paid into and maintained in any
17 reserve fund or account or any other fund or account created by the
18 bond resolution or resolutions, and shall also certify to the commis-
19 sioners the last date or dates upon which payments may be made.

20 Sec. 44.82.099. BOND NEGOTIABILITY. The bonds and the coupons
21 attached to them are fully negotiable instruments under the laws of the
22 state.

23 Sec. 44.82.101. LIMITATION ON ISSUANCE OF BONDS. Bonds may not
24 be authorized or sold under this chapter until a site determined under
25 AS 31.35.010 - 31.35.040 has been approved by the legislature by law.

26 Sec. 44.82.103. REFUNDING. (a) The bonds or any part of them
27 may be refunded at or before their maturity by the issuance of refunding
28 revenue bonds of the state if, in the opinion of the committee, refund-
29 ing is advantageous to and in the best interests of the state and its

1 inhabitants.

2 (b) The issuance of refunding bonds need not be authorized by the
3 legislature, and the committee is authorized and directed to adopt the
4 resolution or resolutions and prepare all other documents and pro-
5 ceedings necessary for the issuance, exchange or sale, and delivery of
6 the bonds. The provisions of this chapter applicable to revenue bonds
7 apply to refunding bonds and to the issuance, sale, or exchange of
8 them, except as otherwise provided in this section.

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

23 * Sec. 4. AS 44.82.160 is repealed and reenacted to read:

24 Sec. 44.82.160. BONDS AS LEGAL INVESTMENTS. The bonds are legal
25 investments for all banks, trust companies, savings banks, savings and
26 loan associations and other persons carrying on a banking business, all
27 insurance companies and other persons carrying on an insurance business,
28 and all executors, administrators, trustees, and other fiduciaries.
29 The bonds may be accepted as security for deposits of all funds of the

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1 state and its political subdivisions.

2 * Sec. 5. AS 44.82 is amended by adding a new section to read:

3 Sec. 44.82.195. STATUTORY CONSTRUCTION. The provisions of this
4 chapter shall be liberally construed to carry out the purposes for
5 which they were enacted, and all existing laws in conflict with any of
6 these sections are superseded insofar as necessary to accomplish the
7 purposes of and carry out the provisions of these sections.

8 * Sec. 6. AS 44.82.200(1) is repealed and reenacted to read:

9 (1) "authority" means the Alaska Natural Gas Industrial
10 Development Authority, established under this chapter;

11 * Sec. 7. AS 44.82.200(2) is repealed and reenacted to read:

12 (2) "bonds" means the gas conditioning plant revenue bonds
13 authorized by this chapter;

14 * Sec. 8. AS 44.82.200(4) is repealed and reenacted to read:

15 (4) "project" means the acquisition, equipping, construction,
16 and installation of additions and improvements to a gas conditioning
17 plant and related facilities;

18 * Sec. 9. AS 44.82.200 is amended by adding new paragraphs to read:

19 (9) "bond redemption fund" means the gas conditioning plant
20 revenue bond redemption fund created by AS 44.82.089, including any
21 accounts which are created in that fund after the effective date of
22 this Act;

23 (10) "bond resolution" means the resolution or resolutions
24 authorizing the issuance of bonds, adopted by the committee under
25 AS 44.82.093;

26 (11) "committee" means the state bond committee created by
27 AS 37.15.110, or any other committee, body, department, or officer of
28 the state which or who succeeds to the rights, powers, duties, and
29 obligations of the state bond committee by Act of the legislature;

1 (12) "construction fund" means the gas conditioning plant
2 construction fund created by AS 44.82.085;

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

8 (14) "revenue fund" means the gas conditioning plant revenue
9 fund created by AS 44.82.087.

10 * Sec. 10. AS 37.15 is amended by adding a new section to read:

11 ARTICLE 4. NATURAL GAS CONDITIONING PLANT REVENUE BONDS.

12 Sec. 37.15.600. BOND AUTHORIZATION. The issuance and sale of
13 revenue bonds of the state in the total principal sum of not more than
14 \$2,000,000,000 are authorized to provide money to acquire, construct,
15 equip, and install additions and improvements to the gas conditioning
16 plant authorized in AS 31.35.010. The principal of and interest on
17 these bonds shall be paid out of and secured by the gross revenues
18 derived by the state from the ownership, lease, use, and operation of
19 the gas conditioning plant, and of all the facilities associated with
20 it and out of other revenues or money which the state legislature may
21 provide (except for a state tax or license).

22 * Sec. 11. AS 31. is amended by adding a new chapter to read:

23 CHAPTER 35. NATURAL GAS CONDITIONING PLANT.

24 Sec. 31.35.010. GAS CONDITIONING PLANT. (a) The state is autho-
25 rized to acquire, construct, equip, and install additions and improve-
26 ments to the gas conditioning plant and any facilities associated with
27 it.

28 (b) The commissioner of transportation and public facilities has the
29 responsibility to design and construct the plant and improvements to it.

1 Sec. 31.35.020. LOCATION OF GAS CONDITIONING PLANT. The location
2 of the gas conditioning plant shall be determined, after public hear-
3 ings, by the Alaska Royalty Oil and Gas Development Advisory Board
4 (AS 38.06).

5 Sec. 31.35.030. LEASE AND OPERATION OF GAS CONDITIONING PLANT.
6 After the bonds authorized under AS 37.15.600 have been sold, the
7 commissioner of natural resources shall lease the gas conditioning
8 plant, by competitive bid, to a qualified operator. Bids may be on the
9 basis of a percentage of revenue produced by the plant or a fixed
10 annual rental payment, as determined by the commissioner of natural
11 resources. The minimum acceptable bid must be sufficient to pay the
12 debt service on the bonds issued under this chapter and to provide the
13 state with a reasonable return on its investment.

14 Sec. 31.35.040. DEFINITION. In this chapter, "gas conditioning
15 plant" or "plant" means the facility designed to remove water, carbon
16 dioxide, gas liquids, and other by-products and impurities from the
17 natural gas produced from the Prudhoe Bay oil and gas production unit
18 and other oil and gas production units or wells, if any, in the vicinity
19 of Prudhoe Bay to be constructed by the Alaska Natural Gas Industrial
20 Development Authority under AS 44.82.

21 * Sec. 12. AS 39.25.110(21) is repealed and reenacted to read:

22 (21) employees of the Alaska Natural Gas Industrial Develop-
23 ment Authority;

24 * Sec. 13. The following laws are repealed: AS 44.82.090, 44.82.100,
25 44.82.110, 44.82.170, 44.82.200(3) and (5) - (8); and sec. 1, ch. 90,
26 SLA 1978.