

**HB**

**44**

# Alaska State Legislature

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## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

### SPONSOR STATEMENT

#### COMMITTEE SUBSTITUTE for HOUSE BILL 44 (FIN ) am

**"An Act relating to investments applicable in energy; clarifying the purpose of the Alaska Natural Gas Development Authority; relating to the definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; and authorizing certain public corporations to issue bonds for energy projects."**

House Bill 44 preauthorizes the Alaska Housing Finance Corporation and the Alaska Natural Gas Development Authority to issue bonds for energy related programs and projects. House Bill 44 also expands ANGDA's authority to provide natural gas from sources anywhere within the state to markets within Alaska allowing the authority to broadly serve Alaskans and Alaskan markets. The language expanding ANGDA's authority was originally found in House Bill 163 and has been incorporated within this legislation.

This bill was introduced as an effort to address the state's energy needs; especially for weatherization and energy efficiency programs and to provide an impetus for an in-state gasline.

Although the Legislature has authorized a number of these projects either through the Alaska Housing Finance Corporation and has made appropriations to the Alaska Natural Gas Development Authority, I believe it is now time to progress these needs to a higher level. In particular, the state's gas needs will not wait until a TransCanada or Denali project is completed around 2020. The Fairbanks, Mat-Su and Cook Inlet areas will all require gas or affordable energy within the next five years. Processing of the liquids from our natural gas supply will also help our rural areas by relieving them from the high cost of diesel. I would prefer that a private entity build a spur line or bullet line. This legislation may provide the impetus for any private corporation to work with ANGDA in constructing an in-state gasline. Approval from the Legislative Budget and Audit Committee must be received before ANGDA can issue any bonds.

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## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

### SECTIONAL ANALYSIS

#### COMMITTEE SUBSTITUTE for HOUSE BILL 44 (FIN ) am

**“An Act relating to investments applicable in energy; clarifying the purpose of the Alaska Natural Gas Development Authority; relating to the definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; and authorizing certain public corporations to issue bonds for energy projects.”**

**Section 1:** Amends AS 18.56.08(c), Compliance with Executive Budget Act; corporation finances; dividend. Adds section 6 of the committee substitute to the subsection that lists previous issuance of bonds. Bond repayments are deducted from dividends that are provided to the state.

**Section 2:** Amends AS 41.41.010(a), Establishment of the authority. Adds language clarifying that ANGDA may bring natural gas from other regions of the state and not just the North slope. Also clarifies that gas may be delivered to markets within the state and may include more than one pipeline project.

**Section 3:** Amends AS 41.41.010(d), Establishment of the authority. Expands the acquisition of natural gas to include other regions of the state to include the Alaska outer continental shelf and may be delivered to markets within the state.

**Section 4:** Amends AS 41.41.990(3), Definitions. Amends the definition of project to include other regions of the state to a market in the state or be available to markets within the state.

**Section 5:** Adds a new paragraph to AS 41.41.990 describing the North Slope to mean that part of the state that lies north of 68 degrees North latitude to include the Brooks Range foothills.

**Section 6:** New section to uncodified law. Gives pre-authorization to the Alaska Housing Finance Corporation to issue up to \$100 million in bonds for energy efficiency and conservation programs for home owners.

**Section 7:** New section to uncodified law. Gives pre-authorization to the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds in order to acquire a gas

supply, develop the Cook Inlet and Fairbanks markets, and plan, permit and design gas transmission systems to mitigate gas shortfalls, the impact on consumers and the economy of high cost energy and ensure energy sufficiency for Alaskans. ANGDA must receive approval from the Legislative Budget and Audit Committee prior to issuing any bonds.

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: \_\_\_\_\_  
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB44-DOR-AHFC-03-10-09  
 Title Energy Bonds/Investments Dept. Affected: Revenue  
 RDU Alaska Housing Finance Corp.  
 Component \_\_\_\_\_  
 Sponsor Representative Chenault  
 Requester \_\_\_\_\_ Component Number 110

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

House Bill 44 would allow the Alaska Housing Finance Corporation the authorization to bond for up to \$100 million for energy efficiency and conservation programs. The Corporation does not anticipate needing to utilize this option in FY10.

If the Corporation were to sell bonds at some point in the future, the estimate of costs would be \$750,000 in closing costs on the bonds and annual debt service with 30 year amortization and a 6.5 percent interest rate of \$7.7 million.

Prepared by: Bryan Butcher, Director, Governmental Relations/Public Affairs Phone 330-8445  
 Division Alaska Housing Finance Corporation Date/Time 3/10/09 12:00 AM  
 Approved by: \_\_\_\_\_ Date \_\_\_\_\_

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: \_\_\_\_\_  
 () Publish Date: \_\_\_\_\_

Identifier (file name): HB44-DOR-GAO-03-11-09 Dept. Affected: Revenue  
 Title Energy Bonds/Investments RDU ANGDA  
 Sponsor Representative Chenault Component Gas Authority Operations  
 Requester \_\_\_\_\_ Component Number 2708

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
-------------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

Costs associated with this bond authorization will be covered by project revenues. At this time it is not possible to estimate interest rates or debt service costs. Bonds may be tax exempt or taxable depending on the project.

Prepared by: Ginger Blaisdell, Director  
 Division Administrative Services Division  
 Approved by: \_\_\_\_\_

Phone 465-2312  
 Date/Time 3/11/09 12:53pm  
 Date \_\_\_\_\_

**Sec. 18.56.089. Compliance with Executive Budget Act; corporation finances; dividend.**

- (a) The provisions of AS 37.07 (Executive Budget Act)
  - (1) apply to
    - (A) the operating budget of the corporation;
    - (B) amounts payable from corporate earnings or assets of the corporation for grants or grant programs authorized by this chapter;
    - (C) interest rate subsidies and building subsidies as determined by the corporation;
    - (D) the amount and source or sources of the total annual appropriation for the corporation's loan programs for which a subsidy is not provided, but the provisions of AS 37.07 are not otherwise applicable to that appropriation;
    - (E) the amount and source or sources of the total annual appropriation for the corporation's multi-family housing loans and the corporation's housing programs and housing projects if a subsidy is provided from the corporation's arbitrage earnings for the loans, programs, or projects, but the provisions of AS 37.07 are not otherwise applicable to that appropriation; and
    - (F) except as otherwise specifically provided in (2) of this subsection, the activities of the corporation under AS 18.55 and the activities of the corporation under this chapter;
  - (2) do not apply to activities of the corporation under AS 18.55 and this chapter that
    - (A) relate to the corporation's borrowing of money as provided in this chapter to make or purchase mortgage loans, including the issuing of its obligations or evidence of that borrowing and the repayment of the debt obligation;
    - (B) relate to the corporation's ability to refinance existing mortgage loans in order to achieve a lower interest rate; or
    - (C) are directly attributable to the servicing of mortgage loans, including real estate acquired by the corporation as a result of foreclosure.
- (b) To further ensure effective budgetary decision making by the legislature, the corporation shall
  - (1) annually review the corporation's assets, including the assets of the Alaska housing finance revolving fund under AS 18.56.082, to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as defined in AS 18.55 and this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without
    - (A) breaching any agreement entered into by the corporation;
    - (B) materially impairing the operations or financial integrity of the corporation; or
    - (C) materially affecting the ability of the corporation to
      - (i) stabilize the market price of and demand for residential housing; and
      - (ii) ensure an adequate long-term supply of residential housing for persons of lower and moderate income;
  - (2) specifically identify in the corporation's assets the amounts that the corporation believes are necessary to meet the requirements of (1)(C) of this subsection; and

(3) present to the legislature by January 10 of each year a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund under AS 18.56.082, and a report of the review and determination made under (1) and (2) of this subsection; the accounting shall be audited by an independent outside auditor and must include a full description of all mortgage loan interest and principal repayments and program receipts, including

(A) mortgage loan commitment fees received by or accrued to the corporation during the preceding fiscal year; and

(B) all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

(c) The corporation shall make a dividend available to the state each fiscal year. The corporation shall pay the dividend for a current fiscal year to the state before the end of that fiscal year. The legislature may appropriate the dividend for capital projects. The corporation shall notify the commissioner of revenue of the amount of each dividend under this subsection for inclusion in the state operating budget and shall also notify the commissioner when each dividend is available for payment to the state. The amount of the dividend for a current fiscal year is calculated as follows:

(1) the lesser of \$103,000,000 or 75 percent of the adjusted change in net assets of the corporation for the base fiscal year;

(2) minus the amount of money from the corporation used during that current fiscal year for bond repayment and other costs related to the bonds issued under

(A) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

(B) sec. 10(b), ch. 130, SLA 2000;

(C) sec. 1, ch. 1, SSSLA 2002;

(D) sec. 4, ch. 120, SLA 2004; and

(3) minus any appropriation of unrestricted unencumbered money of the corporation during the current fiscal year, other than an appropriation for the corporation's operating budget.

(d) In (c) of this section,

(1) "adjusted change in net assets" means the change in net assets from the base fiscal year, adjusted for capital expenditures incurred during the base fiscal year;

(2) "base fiscal year" means the fiscal year ending two years before the end of the current fiscal year in which the dividend is made available to the state;

(3) "dividend" means a payment made to the state under (c) of this section.

History -

(Sec. 20 ch 106 SLA 1980; am Sec. 3 ch 102 SLA 1983; am Sec. 1 ch 12 SLA 1991; am Sec. 89 - 91 ch 4 FSSLA 1992; am Sec. 1 ch 88 SLA 1995; am Sec. 1 ch 76 SLA 2003; am Sec. 2 ch 120 SLA 2004; am Sec. 2, 3, 5 ch 7 SLA 2006)

Revisors Notes -

In (d) of this section, paragraph (1) was enacted as paragraph (4) and renumbered in 2006 to maintain the alphabetical order of the terms defined; at that time, former paragraph (3) was deleted and paragraphs (d)(1) and (2) were renumbered as (d)(2) and (3), respectively.

Cross References -

For transitional provisions that apply to the calculation of the dividend payment for fiscal years 2004 - 2008 inclusive, see Sec. 2, ch. 76, SLA 2003, in the 2003

Temporary and Special Acts, as amended by Sec. 3, ch. 120, SLA 2004, in the 2004 Temporary and Special Acts, and by Sec. 4, ch. 7, SLA 2006 in the 2006 Temporary and Special Acts.

For statement of legislative intent applicable to the 2004 amendment of (c) of this section, see Sec. 1, ch. 120, SLA 2004, in the 2004 Temporary and Special Acts.

Amendment Notes -

The 2003 amendment, effective July 1, 2003, added subsections (c) and (d).

The 2004 amendment, effective June 30, 2004, added paragraph (c)(2)(D).

The 2006 amendment, effective July 1, 2006, substituted "adjusted change in net assets" for "net income" in paragraph (1) of subsection (c), and, in subsection (d), deleted former paragraph (3), which defined "net income" and added paragraph (4) [now (1)].

History Reports -

For governor's transmittal letter for ch. 120, SLA 2004 (SB 279), amending (c) of this section and providing for issuance of Alaska Housing Finance Corporation revenue bonds to finance water and sewer projects, see 2004 Senate Journal 1995 - 1996.

For governor's transmittal letter for ch. 7, SLA 2006 (SB 236), relating to the Alaska Housing Finance Corporation and the determination of its dividend, see 2006 Senate Journal 1900 - 1901.

Sec. 41.41.010. Establishment of the authority.

(a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

- (1) the acquisition and conditioning of North Slope natural gas;
- (2) the design and construction of the pipeline system;
- (3) the operation and maintenance of the pipeline system;
- (4) the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and

(5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

(b) The authority is a public corporation and an instrumentality of the state within the Department of Revenue.

(c) The authority has a legal existence independent of and separate from the state.

(d) The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state.

(e) The authority may not be terminated as long as it has bonds, notes, or other obligations outstanding.

Sec. 41.41.990. Definitions.

In this chapter,

- (1) "authority" means the Alaska Natural Gas Development Authority;
- (2) "board" means the board of directors of the Alaska Natural Gas Development Authority;
- (3) "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska either to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid or to tidewater at a point on Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

# ALASKA STATUTE

## Chapter 41.41. ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

### Article 01. ESTABLISHMENT OF THE AUTHORITY

#### Sec. 41.41.010. Establishment of the authority.

(a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

- (1) the acquisition and conditioning of North Slope natural gas;
- (2) the design and construction of the pipeline system;
- (3) the operation and maintenance of the pipeline system;

(4) the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and

(5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

(b) The authority is a public corporation and an instrumentality of the state within the Department of Revenue.

(c) The authority has a legal existence independent of and separate from the state.

(d) The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state.

(e) The authority may not be terminated as long as it has bonds, notes, or other obligations outstanding.

#### Sec. 41.41.020. Authority governing body.

(a) The authority shall be governed by a board of directors consisting of seven members from the general public appointed by the governor and confirmed by the legislature.

(b) The board shall annually elect a chair, and may elect other officers, from among its members.

Sec. 41.41.030. Term of office.

(a) The members of the board shall be appointed for terms of three years, and they may be reappointed.

(b) The terms of the members shall be staggered.

Sec. 41.41.040. Removal and vacancies.

(a) The governor may remove a member of the board from office. A removal must be in writing and must state the reason for the removal. A member who is removed may not participate in board business and may not be counted for purposes of establishing a quorum after the member receives written notice of removal. A member who is removed is not entitled to honoraria, per diem, or travel expenses authorized under AS 41.41.060 for work performed after the member receives the written notice of removal.

(b) The governor shall promptly fill a vacancy on the board by appointment. An appointee to a vacancy shall hold office for the balance of the term for which the appointee's predecessor on the board was appointed.

(c) A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Sec. 41.41.050. Quorum and voting.

Four members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board. Action may be taken only upon the affirmative vote of a majority of the full membership of the board.

Sec. 41.41.060. Compensation of board members; per diem and travel expenses.

Members of the board are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 41.41.070. Authority staff.

(a) The board may employ and determine the salary of a chief executive officer.

(b) The chief executive officer may, with the approval of the board, select and employ additional staff as necessary.

(c) An employee of the authority, including the chief executive officer, may not be a member of the board. The chief executive officer and the other employees of the board are in the exempt service under AS 39.25.110.

(d) In addition to its employees, the authority may contract for and engage the services of bond counsel, consultants, experts, and financial advisors the authority considers necessary for the purpose of

developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings.

Sec. 41.41.080. Legal counsel.

The attorney general

- (1) is the legal counsel for the authority;
- (2) shall advise the authority in legal matters; and
- (3) shall represent the authority in legal actions.

Sec. 41.41.090. Conflicts of interest.

(a) Members of the board and the chief executive officer of the authority are subject to the provisions of AS 39.50.

(b) If a member of the board or an employee of the authority acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets of the authority are invested, the member shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the first board meeting following the disclosure.

Sec. 41.41.100. Budget.

The revenue earned by operations of the authority must be identified as the source of the operating budget of the authority in the state's operating budget under AS 37.07 (Executive Budget Act).

Sec. 41.41.110. Audits.

The Legislative Budget and Audit Committee may provide for an annual post audit and annual operational and performance evaluations of the authority's operations and budget.

Sec. 41.41.120. Reports and publications.

(a) By September 30 of each year, the board shall publish a report of the authority for distribution to the governor and the public. The board shall notify the legislature that the report is available.

(b) The report must include financial statements audited by independent outside auditors and a statement of the amount of money received by the authority from its operations during the period covered.

Sec. 41.41.130. Tax exemption.

The security instruments issued by the authority, the transfer of the security instruments, and the income on the security instruments are exempt from all taxes and assessments in the state.

Sec. 41.41.140. Political activities.

The resources of the authority may not be used to finance or influence political activities.

Sec. 41.41.150. Public access to information.

(a) Information in the possession of the authority is a public record, except that information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding.

(b) The restrictions of (a) of this section do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Article 02. POWERS OF THE AUTHORITY

Sec. 41.41.200. Powers of the authority.

In furtherance of its corporate purposes, in addition to its other powers, the authority may

- (1) sue and be sued;
- (2) adopt a seal;
- (3) adopt, amend, and repeal bylaws and regulations;
- (4) make and execute contracts and other instruments;
- (5) in its own name acquire property, lease, rent, convey, or acquire real and personal property; a project site or part of a project site may be acquired by eminent domain;
- (6) acquire natural gas supplies;
- (7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
- (8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;
- (9) enter into contracts or agreements with a federal agency, agency or instrumentality of the state, municipality, or public or private individual or entity, with respect to the exercise of its powers;
- (10) charge fees or other forms of remuneration for the use of authority properties and facilities;
- (11) defend and indemnify a current or former member of the board or an employee or agent of the authority against the costs, expenses, judgments, and liabilities as a result of actions taken in good faith on behalf of the authority; and
- (12) purchase insurance to protect its assets, services, and employees against liabilities that may arise from authority operations and activities.

Article 03. REVENUE BONDS AND NOTES

Sec. 41.41.300. Bonds and notes of the authority.

(a) The authority, by resolution, may issue revenue bonds and bond anticipation notes in order to provide funds to carry out the purposes set out in AS 41.41.010 (a).

(b) The principal and interest on the revenue bonds or notes authorized and issued under (a) of this section are payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of the sale of other bond anticipation notes or, in the event bond or bond anticipation note proceeds are not available, the notes may be paid from other funds or assets of the authority.

(c) Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal government, or a corporation, association, institution, or person, or a pledge of money, income, or revenues of the authority from any source.

(d) Bonds or bond anticipation notes of the authority may be issued in one or more series and shall be dated, bear interest at the rate or rates per year or within the maximum rate, be in the denomination, be in the form, either coupon or registered, carry the conversion or registration provisions, have the rank or priority, be executed in the manner and form, be payable at the times, from the sources, and in the medium of payment and place or places within or outside the state, be subject to authentication by a trustee or fiscal agent, and be subject to the terms of redemption with or without premium, as the resolution of the authority may provide. Bond anticipation notes shall mature at the time or times that are determined by the authority. Bonds shall mature at a time not exceeding a number of years from their date that is determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when these definitive bonds or bond anticipation notes have been executed and are available for delivery.

(e) Bonds or bond anticipation notes may be sold in the manner and on the terms the authority determines.

(f) If an officer whose signature or a facsimile of whose signature appears on a bond, note, or coupon attached to them ceases to be an officer before the delivery of the bond, note, or coupon, the signature or facsimile is valid to the same extent as if the officer had remained in office until delivery.

Sec. 41.41.310. Covenants.

In a resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority has power by provisions in the resolution that will constitute covenants of the authority and contracts with the holders of the bonds or bond anticipation notes to

(1) pledge to a payment or purpose all or a part of its revenues to which its right then exists or may thereafter come into existence, and the money derived from the revenues, and the proceeds of bonds or notes;

(2) covenant as to the use and disposition of payments of principal or interest received by the authority on loans or other investments held by the authority;

(3) covenant as to establishment of reserves or sinking funds and the making of provision for and the regulation and disposition of the reserves or sinking funds;

(4) covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;

(5) covenant as to bonds and notes to be issued, and their limitations, terms, and conditions, and as to the custody, application, and disposition of the proceeds of the bonds and notes;

(6) covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of other debts;

(7) covenant as to the payment of the principal of or interest on the bonds or notes, as to the sources and methods of the payment, as to the rank or priority of the bonds or notes with respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;

(8) provide for the replacement of lost, stolen, destroyed, or mutilated bonds or notes;

(9) covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;

(10) covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operating expenses, payment or redemption of bonds or notes, reserves, or other purposes;

(11) establish the procedure, if any, by which the terms of a contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;

(12) covenant as to the custody of property or investments, their safekeeping and insurance, and the use and disposition of insurance money;

(13) agree with a corporate trustee that may be a trust company or bank having the powers of a trust company within or outside the state as to the pledging or assigning of revenue or funds to which or in which the authority has rights or an interest; the agreement may further provide for other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of a bond or note of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;

(14) appoint and provide for the duties and obligations of a paying agent or paying agents or other fiduciaries as the resolution may provide within or outside the state;

(15) limit the rights of the holders of a bond or note to enforce a pledge or covenant securing the bonds or notes;

(16) make covenants other than and in addition to the covenants expressly authorized in this section of like or different character, and to make covenants to do or refrain from doing acts and things as may be necessary or convenient and desirable in order to better secure bonds or notes or that, in the absolute

discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding that the covenants, acts, or things may not be enumerated in this section.

Sec. 41.41.320. Limitations of issuance of bonds.

(a) The authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature.

(b) This section does not apply to the issuance by the authority of refunding bonds or to the issuance by the authority of bonds the proceeds of which are intended to be used to refinance the loans held by the authority.

Sec. 41.41.330. Independent financial advisor.

In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the authority may retain a financial advisor. A financial advisor retained under this section must be independent from the underwriter.

Sec. 41.41.340. Validity of pledge.

(a) The pledge of assets or revenue of the authority to the payment of the principal of or interest on an obligation of the authority is valid and binding from the time the pledge is made, and the assets or revenue become immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims in tort, contract, or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge.

(b) This section does not prohibit the authority from selling assets subject to a pledge, except that a sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations.

Sec. 41.41.350. Capital reserve funds.

(a) For the purpose of securing one or more issues of its obligations, the authority may establish one or more special funds, called "capital reserve funds," and shall pay into those capital reserve funds (1) money appropriated and made available by the state for the purpose of those funds, (2) proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the authority authorizing their issuance, and (3) other money that may be made available to the authority for the purpose of those funds from another source. All money held in a capital reserve fund, except as provided in this section, shall, subject to appropriation, be used as required solely for the payment of the principal of obligations or of the sinking fund payments with respect to those obligations; the purchase or redemption of obligations; the payment of interest on obligations; or the payment of a redemption premium required to be paid when those obligations are redeemed before maturity. However, money in a fund may not be withdrawn from that fund at any time in an amount that would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums, and the sinking fund payments for the payment of which other money of the authority is not available. Income or interest earned by, or increment to, a capital reserve fund due to the investment of the fund or other amounts in it may be transferred by the authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the authority decides to issue obligations secured by a capital reserve fund, the obligations may not be issued if the amount in the capital reserve fund is less than a percent, not exceeding 10 percent, of the principal amount of all of those obligations secured by that capital reserve fund then to be issued and then outstanding in accordance with their terms, as may be established by resolution of the authority, called the "capital reserve fund requirement," unless the authority, at the time of issuance of the obligations, deposits in the capital reserve fund from the proceeds of the obligations to be issued or from other sources an amount that, together with the amount then in the fund, will not be less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the funds are invested shall be valued at par or, if purchased at less than par, at amortized costs as the term is defined by resolution of the authority authorizing the issue of the obligations or by some other reasonable method established by the authority by resolution. Valuation on a particular date must include the amount of interest earned or accrued to that date.

(d) To assure the continued operation and solvency of the authority for the carrying out of its corporate purposes, provision is made in (a) of this section for the accumulation in capital reserve funds of an amount equal to their capital reserve fund requirement.

(e) The chair of the authority shall annually, not later than January 2, make and deliver to the governor and chairs of the house and senate finance committees a certificate stating the sum, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate that sum, and all sums appropriated during the current fiscal year by the legislature for the restoration shall be deposited by the authority in the appropriate capital reserve fund.

(f) This section does not create a debt or liability of the state.

#### Sec. 41.41.360. Remedies.

A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under a trust agreement or resolution authorizing the issuance of the obligations, except as restricted by a trust agreement or resolution, either at law or in equity, may enforce all rights granted hereunder or under the trust agreement or resolution, or under another contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by an officer of it.

#### Sec. 41.41.370. Negotiable instruments.

All obligations and interest coupons attached to them are negotiable instruments under the laws of this state, subject only to applicable provisions for registration.

#### Sec. 41.41.380. Obligations eligible for investment.

Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. These obligations may be deposited with a state or municipal officer of an agency or political subdivision of the state for a purpose for which the deposit of bonds, notes, or obligations of the state is authorized by law.

Sec. 41.41.390. Refunding bonds.

(a) The authority may provide for the issuance of refunding bonds for the purpose of refunding an obligation then outstanding that has been issued under the provisions of this chapter, including the payment of redemption premium on them and interest accrued or to accrue to the date of redemption of the obligations. The issuance of the bonds, the maturities and other details of them, the rights of the holders of them, and the rights, duties, and obligations of the authority in respect of them are governed by the provisions of this chapter that relate to the issuance of obligations insofar as those provisions may be appropriate.

(b) Refunding bonds may be sold or exchanged for outstanding bonds issued under this chapter, and, if sold, the proceeds may be applied, subject to appropriation and in addition to another authorized purpose, to the purchase, redemption, or payment of the outstanding obligations. Pending the application of the proceeds of refunding bonds, with any other available funds, to the payment of the principal of, accrued interest on, and redemption premium on the obligations being refunded, and, if so provided or permitted in the resolution authorizing the issuance of the refunding bonds or in the trust agreement securing them, to the payment of any interest on the refunding bonds and expenses in connection with the refunding, the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States that mature or that will be subject to redemption, at the option of the holders of them, not later than the respective dates when the proceeds, together with the interest accruing on them, will be required for the purposes intended.

Sec. 41.41.400. Credit of state not pledged.

(a) Obligations issued under the provisions of this chapter do not constitute a debt, liability, or obligation of the state or of a political subdivision of the state or a pledge of the faith and credit of the state or of a political subdivision of the state but are payable solely from the revenue or assets of the authority. Each obligation issued under this chapter must contain on its face a statement that the authority is not obligated to pay it or the interest on it except from the revenue or assets of the authority and that neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of the principal of or the interest on the obligation.

(b) Expenses incurred by the authority in carrying out the provisions of this chapter are payable from funds provided under this chapter, and liability may not be incurred by the authority in excess of these funds.

Sec. 41.41.410. Officers not liable.

A member or other officer of the authority is not subject to personal liability or accountability by reason of having executed or issued an obligation.

Article 04. PROPERTY OF THE AUTHORITY

Sec. 41.41.450. Property of the authority.

The authority may acquire, by purchase, lease, or gift, upon terms that it considers proper, land, structures, real or personal property rights, rights-of-way, franchises, easements, and other interests in land it considers necessary or convenient for the financing of the project or a part of the project.

## Article 05. PROJECT CONSTRUCTION

### Sec. 41.41.500. Contract terms relating to use of Alaska resources.

(a) The authority shall enter into one or more prehire project term agreements with labor organizations that

(1) contain no-strike clauses; and

(2) secure timely completion of the project and maximum employment opportunities for state residents.

(b) To maximize the economic benefits of the project to Alaskan businesses, the authority shall use Alaska contractors and suppliers to the maximum extent possible to take advantage of the Alaska experience in Arctic engineering and construction.

## Article 06. GENERAL PROVISIONS

### Sec. 41.41.900. Tax exemption.

All obligations issued under this chapter are declared to be issued by a body corporate and public of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income, and other money pledged or available to pay or secure the payment of the obligations, or interest on the obligations, are exempt from state taxation except for transfer, inheritance, and estate taxes.

### Sec. 41.41.990. Definitions.

In this chapter,

(1) "authority" means the Alaska Natural Gas Development Authority;

(2) "board" means the board of directors of the Alaska Natural Gas Development Authority;

(3) "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska either to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid or to tidewater at a point on Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010 (a)(1) - (5).



# Homer Electric Association, Inc.

Corporate Office  
3977 Lake Street  
Homer, Alaska 99603-7680  
Phone (907) 235-8551  
FAX (907) 235-3313

Central Peninsula Service Center  
280 Airport Way  
Kenai, Alaska 99611-5280  
Phone (907) 283-5531  
FAX (907) 283-7122

February 24, 2010

Senator Gary Stevens  
Alaska State Legislature  
State Capitol Room 111  
Juneau, Alaska 99801

RE: Support for House Bill 44 – Clarify ANGDA's Authority

Honorable Senator Stevens:

Homer Electric Association, Inc. (HEA) would like to offer support for House Bill 44, which will clarify ANGDA's authority to work throughout Alaska on projects linking in-state natural gas supplies and in-state users. This bill pre-approves up to \$250 million of ANGDA project revenue bonds and authorizes AHFC to issue up to \$100 million of energy efficiency bonds. Passage of this bill enables entities such as the Natural Gas Supply Company (NGSC) to purchase a larger tranche of gas at a lower price for in-state use.

Alaska's in-state gas supply is dwindling and the situation must be rectified as soon as possible. The passage of this bill during the current session is a huge step toward creating energy stability for all Alaskans.

If you have any questions, please feel free to contact me at any time.

Sincerely,

Bradley P. Janorschke  
General Manager

cc: Senator Thomas Wagoner  
Representative Mike Chenault  
Representative Kurt Olson  
Representative Paul Seaton  
Mr. Pat Carter  
Mr. Joe Gallagher

## **ANGDA Supports HB 44**

- Advances broadly and simultaneously several aspects of in-state gas issues
- Strongly demonstrates Legislative support for multiple proposed solutions to in-state gas and energy problems
- Delegates specific project funding decision to fiduciary responsible boards of public corporations
- Board decisions are made in full public view after due diligence
- Funding decision based on commercial and market elements, not politics
- Advances Alaska energy infra-structure construction during a low oil price period by using limited general fund cash (separately appropriated) to develop bonding packages for much larger leveraged project investment requirements
- Extends the State's very strong credit position to consumers through lower utility financing costs

## **HB 44 Provides A Flexible Framework To Repeat Past Successes In Financing Energy Projects**

- State Bonding Of Bradley Lake Hydro Electric Project
- Anchorage Municipal Light & Power's Purchase Of A One-Third Interest In The Beluga Gas Field

# Alaska Natural Gas Development Authority

## Statutory Bonding Provisions

### AS 41.41.200 Powers of the Authority

In the furtherance of its corporate purposes, in addition to its other powers, the authority may . . . . .

(7) **issue bonds** and otherwise incur indebtedness in accordance with AS 41.41.300 – 41.41.410 in order to pay the cost of a project;

### AS 41.41.320 Limitations of issuance of bonds

(a) The authority may not issue bonds in an amount that exceeds the amount of bonds **authorized** to be issued **by the legislature**.

### AS 41.41.010 Establishment of the Authority

. . . . the **purpose** of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

- (1) the acquisition and conditioning of North Slope natural gas;
- (2) the design and construction of the pipeline system;
- (3) the operation and maintenance of the pipeline system;
- (4) the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
- (5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

## Potential General Benefits From ANGDA Bonding

- Provide financing from the public side of a public private partnership -- **lower tariff** passed through to the consumer
- Bridge the project financing between the pre-construction / construction phase and the later stabilized operating phase -- **risk reduction** and lower financing costs
- Convert the longer-term pledge of monthly utility(s) consumer payments to a bond cash-equivalent for an up-front commitment or purchase -- long-term **stable discounted price** to consumer

## Specific ANGDA Bonding Opportunities in 2009 & 2010

- Debt portion of any in-state gas pipeline project in support of a private sector pipeline company partner
- Utility shipping commitments during an "open season" developed through the "gas supply co-op"
- Purchase of gas supply "in-ground" on North Slope, Copper River Valley, Interior, or Cook Inlet

## Other Current "In-State" Gas Bonding Opportunities

- Portions of ANGDA's proposed North Slope wholesale propane facility and propane transporters could use AIDEA financing (ie, in-state manufacture and purchase of ISO-container propane tanks)
- Fairbanks Natural Gas proposed LNG facility at Prudhoe Bay and associated trucking & delivery elements could use AIDEA financing
- Pipe and logistical systems (including pipe handling, preparation, and storage) for Alaska pipelines could be financed with Alaska Railroad bonds
- The Alaska Permanent Fund could be one of several subscribers purchasing bonds or debt for any of the Alaska energy projects

## **House Bill 44 will:**

- Clarify ANGDA's authority to work through out Alaska on projects linking in-state natural gas supplies and in-state users; and
- Pre-approves up to \$250 million of ANGDA project revenue bonds

## **Alaska natural gas projects currently being analyzed for bonding include:**

- Purchase of developed gas production for Cook Inlet & Fairbanks electric utilities
- Ownership of "cushion gas" for gas storage fields
- Partnering in Kenai LNG plant and modification for additional operations including in-state LNG supply (truck & barge) and peak shaving by regasification
- "Open season" shipping commitment (for electric utilities) to Fairbanks, Delta Junction, and/or Glennallen on big-inch North Slope gas pipeline
- Shipping commitment (for electric utilities) on "Spur Line" linking big-inch North Slope gas pipeline to SouthCentral
- Development of a North Slope based wholesale propane facility at Prudhoe Bay & distribution system

*Heinze on March 14, 2010*



# Natural Gas Supply Company

411 West 4<sup>th</sup> Avenue, First floor | Anchorage, AK 99501 | (907) 257-1334

March 2, 2010

James J. Mulva  
Chairman and Chief Executive Officer  
ConocoPhillips  
600 N. Dairy Ashford  
Houston, TX 77079

RE: Purchase of Kenai LNG Plant

Dear Mr. Mulva:

The purpose of this letter is to express interest by Natural Gas Supply Company (NGSC) in purchasing some or all of the Kenai LNG Plant assets, including ConocoPhillips' interest in those assets. NGSC has also sent an identical indication of interest to Marathon Oil Corporation.

Subject to the conditions and limitations to be negotiated, NGSC proposes a partnership that could include:

- (i) NGSC investment to facilitate regasification of LNG at the Kenai LNG Plant;
- (ii) NGSC investment in additional capabilities for in-state road & barge delivery and importation of LNG;
- (iii) NGSC would be a majority owner of the regasification, in-state delivery, and import assets;
- (iv) existing Kenai LNG Plant owners would maintain majority ownership in LNG export assets; and
- (v) existing owners would continue operation of Kenai LNG Plant.

As you know, the Kenai LNG Plant has played an important role in Alaska's Cook Inlet region. The future operation of the Kenai LNG Plant could look different, but play just as significant a role in helping to meet regional energy needs.

The Natural Gas Supply Company is a not-for-profit cooperative created under Alaska Statute 10.15. NGSC is working with Alaska Railbelt electric utilities on aggregated gas supply and related services including storage. The Alaska Natural Gas Development

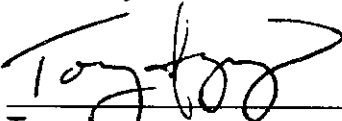
Authority (ANGDA), a public corporation of the State, is also a coop member providing additional financing abilities.

This indication of interest is non-binding and is subject to (i) the negotiation of a definitive agreement among NGSC, Marathon, and ConocoPhillips, (ii) the completion of customary due diligence, (iii) receipt of various corporate, utility, and regulatory approvals for the proposed transaction.

Please contact me so that we can discuss how best to move this transaction forward. NGSC is prepared to move quickly to complete due diligence, to negotiate and execute a definitive purchase agreement, to secure all necessary approvals, and to embark on any necessary regulatory reviews and approval process.

We are confident that a mutually-beneficial transaction can be consummated. I look forward to hearing from you at your earliest convenience.

Sincerely,

  
\_\_\_\_\_  
Tony Izzo  
Director, NGSC

3/2/10  
Date

  
\_\_\_\_\_  
Harold Heinze  
Agent, NGSC  
CEO, Alaska Natural Gas Development Authority

3/2/10  
Date

- cc: Mr. Joe Griffith (MEA)  
Mr. Brad Evans (CEA)  
Mr. Brad Janorschke (HEA)  
Mr. Brian Newton (GVEA)  
Mr. John Foutz (SES)

February 19, 2010

Representative Mike Chennault  
State Capitol Room 208  
Juneau AK, 99801

Dear Speaker Chennault:

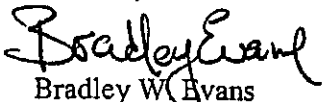
Thank you for making time last week to discuss energy with our Chugach group. It is clear that energy issues are drawing a lot of attention this session.

We appreciated our discussion of the need for natural gas for the Cook Inlet area. Over the past four decades we have built a regional economy that depends upon natural gas, and it is vitally important to the health and safety of Alaskans throughout the region. Every year about 90 percent of the kilowatt-hours sold by Chugach come from burning natural gas, with the rest from hydro projects. The thermal use of gas is equally important to area residents. In a recent survey, 95 percent of Chugach respondents reported they use gas to heat their homes and 90 percent said it heated their hot water.

My senior management team is spending more and more time on natural gas issues these days and Chugach is open to considering all sources of natural gas to meet the needs of the region. We obviously are most familiar with production of gas from Cook Inlet, and have been working closely with producers on contracts to meet our future needs. As I may have mentioned, I also worked with Harry Noah as he studied the idea of a bullet line (an investigation I've supported in testimony over the past few years). LNG imports could provide a near term source of gas, and a Spur Line would be a source in the future if the big pipe is built. With others, we are also striving to secure gas storage by the winter of 2012-2013.

Mr. Speaker, we appreciate the focus you and other legislators are putting on natural gas related issues this year. If you'd ever like to discuss them further, please give me a call.

Sincerely,

  
Bradley W. Evans  
Chief Executive Officer



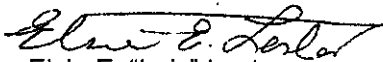
March 1, 2010

The Honorable Lesil McGure, Co-chair  
The Honorable Bill Wielechowski, Co-chair  
Senate Resources Committee  
State Capitol Room 125  
Juneau, AK 99801

Dear Senators McGuire and Wielechowski:

The Board of Directors of Matanuska Electric Association (MEA) supports the passage of CSHB44 to preauthorize bonding authority for Alaska Housing Finance Corporation and Alaska Natural Gas Development Authority, specifically to facilitate acquisition of gas supply at the earliest possible time to mitigate potential shortfalls of gas and gas deliverability in Cook Inlet.

Sincerely,

  
Elsie E. "Lois" Lester  
President

c: Vice Chair Charlie Huggins