

FINANCE - BILLS 1979 - 1980
SB 545 cont. 1383 1383

1 dations with respect to a plan, survey or study;

2 (8) to make investigations with respect to the conditioning,
3 transmission and pricing of Prudhoe Bay natural gas and to have subpoena
4 powers, when authorized by the superior court, in connection with an
5 investigation;

6 (9) to enter upon land, waters, or premises which in the
7 judgment of the authority may be necessary or convenient for the purpose
8 of making surveys, soundings, borings and examinations to accomplish a
9 corporate purpose;

10 (10) to borrow money, to issue negotiable bonds or notes of
11 the authority, to provide for the payment of the bonds and notes, to
12 provide for the rights of bond and note holders, and to purchase, hold
13 and dispose of its bonds or notes;

14 (11) to fix, revise, charge, and collect rents, fees and
15 charges for the use of the project or of its services or facilities;

16 (12) to assist the commissioner of natural resources in the
17 disposition of natural gas liquids, and to receive on behalf of the
18 state revenues derived from the sale or other disposition of natural gas
19 liquids transmitted through ~~the project~~ ^{any project or portion of a project which may be owned by the authority} to assist the commissioner of
20 revenue through the receipt of revenues for other natural gas liquids
21 and for royalty oil revenues as the commissioner of revenue may consider
22 necessary and appropriate;

23 (13) to apply for and accept gifts or grants of property,
24 money, materials, labor, supplies or services from the United States
25 government or other governmental unit, or a person, firm or corporation,
26 and to carry out the terms or provisions of or make agreements with
27 respect to gifts or grants, and to do all things necessary, useful,
28 desirable or convenient in connection with procurement, acceptance or
29 disposition of gifts or grants;

1 (14) to do anything authorized by this chapter, through its
2 officers, agents or employees or by contract with a person, firm, cor-
3 poration or the state;

4 (15) to enter into and enforce contracts, agreements or leases
5 necessary or convenient for the purposes of the authority or to the
6 performance of its duties and the execution of its powers under this
7 chapter, including the operation and management of any portion of ~~the~~ [←]
8 project *which may be owned or leased by the authority.*

9 (16) to employ consulting engineers, architects, superinten-
10 dents, managers, and employees and agents as are necessary or desirable
11 in its judgment to do anything authorized by this chapter, and to desig-
12 nate their responsibilities and fix their compensation;

13 (17) to invest money of the authority in the same manner as
14 permitted for investment of money belonging to the state or held in the
15 treasury, except as otherwise provided by this chapter and subject to
16 agreements with bondholders; and

17 (18) to do all things necessary or convenient to carry out the
18 purposes of this chapter or the powers expressly granted or necessarily
19 implied in this chapter.

20 Sec. 44.55.280. LAND. The authority may acquire land and rights-
21 of-way necessary for the project, including but not limited to acquisi-
22 tion by eminent domain as provided by AS 09.55.240 - 09.55.460.

23 Sec. 44.55.290. BONDS AND NOTES OF THE AUTHORITY. (a) The autho-
24 rity may borrow money and issue bonds and notes, in one or more series.
25 Bonds and notes of the authority may be issued for the purpose of pur-
26 chasing or otherwise acquiring an obligation issued with respect to ~~the~~ ^a
27 project in any form which is fixed and certain as to terms of repayment
28 and for the establishment of reserves to secure or to pay bonds or notes
29 or interest on bonds or notes and all other costs of the authority

1 incident to and necessary for issuance of bonds or notes. The principal
2 and interest on the bonds or notes are payable from the income or other
3 money derived by the authority with respect to the project, ^{for which the bonds or notes are issued} except that
4 the proceeds of the sale of the bonds or notes and the income from the
5 temporary investment of the proceeds of the sale of the bonds or notes
6 may not be used to pay the principal and interest on the bonds or notes.

7 (b) The bonds and notes issued by the authority do not constitute
8 an indebtedness or other liability of the state or of a political sub-
9 division of the state, but are payable solely from the income or other
10 money of the authority. The authority may not pledge the faith or
11 credit of the state or of a political subdivision of the state to the
12 payment of a bond or note, and the issuance of a bond or note by the
13 authority may not directly or indirectly or contingently obligate the
14 state or a political subdivision of the state in any manner, except as
15 specifically provided in this chapter.

16 Sec. 44.55.300. FORM OF ISSUANCE OF BONDS AND NOTES. (a) Bonds
17 and notes shall be authorized by resolution of the authority and shall
18 be dated and mature as the resolution provides, except that a bond may
19 not mature more than 40 years from its date of issue. They shall bear
20 interest at the rate or rates, be in the denominations, be in the form,
21 either coupon or registered, carry the registration privileges, be
22 executed in the manner, be payable in the medium of payment, at the
23 place or places, and be subject to the terms of redemption which the
24 resolution provides.

25 (b) Bonds and notes, regardless of form or character, are ne-
26 gotiable instruments for all the purposes of the Uniform Commercial
27 Code.

28 (c) Bonds and notes of the authority may be sold at public or
29 private sale in the manner, for the price, and at the time or times

1 which the authority determines.

2 (d) The authority may enter into financing agreements necessary or
3 desirable to secure the bonds and notes. Before the issuance of bonds
4 or notes, the authority shall provide by agreement with the owner or
5 user of the project for payment by the owner or user of amounts at least
6 sufficient in the judgment of the authority to pay the principal of and
7 interest on the bonds or notes as they become due, and to establish or
8 maintain the reserves for payment, if any, as the authority considers
9 necessary or desirable.

10 Sec. 44.55.310. REFUNDING OF BONDS AND NOTES. Refunding obliga-
11 tions may be sold or exchanged for outstanding obligations issued under
12 this chapter. If sold, the proceeds of refunding obligations may be
13 applied, in addition to other authorized purposes, to the purchase,
14 redemption or payment of outstanding bonds or notes. Pending the
15 application of the proceeds of refunding obligations, with other avail-
16 able money, to the payment of the principal (accrued interest and any
17 redemption premium on the bonds or notes being refunded, and if so
18 provided or permitted in the authorization for issuance of the refunding
19 obligations, to the payment of interest on the refunding obligations and
20 expenses in connection with the refunding), the proceeds may be invested
21 in direct obligations of, or obligations the principal of and the
22 interest on which are unconditionally guaranteed by, the United States
23 of America which mature or which will be subject to redemption, at the
24 option of the holders of them, not later than the respective dates when
25 the proceeds, together with the interest accruing on them, will be
26 required for the refunding purposes intended.

27 Sec. 44.55.320. LEGAL INVESTMENTS FOR FIDUCIARIES. The bonds and
28 notes of the authority are securities in which all public officers and
29 bodies of the state and all municipalities, all insurance companies and

1 associations and other persons carrying on an insurance business, all
2 banks, bankers, trust companies, savings banks, savings associations,
3 including savings and loan associations and building and loan associa-
4 tions, investment companies, and other persons carrying on a banking
5 business, all administrators, guardians, executors, trustees and other
6 fiduciaries, and all other persons or entities who are authorized to
7 invest in bonds and notes' or other obligations of the state, may
8 properly and legally invest money, including capital in their control or
9 belonging to them. Notwithstanding other provisions of law, the bonds
10 and notes of the authority are also securities which may be deposited
11 with and may be received by all public officers and bodies of the state
12 and all municipalities for any purpose for which the deposit of bonds
13 and notes or other obligations of the state is authorized.

14 Sec. 44.55.330. EXEMPTION FROM TAXATION. (a) Property of the
15 authority is public property devoted to an essential public and govern-
16 mental function and is exempt from all taxes, fees and special assess-
17 ments of the state or a political subdivision of the state, including
18 without limitation all boroughs, cities, and unified municipalities.

19 (b) Bonds and notes of the authority are issued by a public cor-
20 poration and instrumentality of the state and for an essential public
21 and governmental purpose, and the bonds and notes, the interest on them,
22 and the income and receipts pledged to pay or secure the payment of the
23 bonds and notes, or interest on them, are at all times exempt from
24 taxation by or under the authority of the state, except for inheritance
25 and estate taxes on transfers by or in contemplation of death.

26 (c) Nothing in this section creates a tax exemption for the
27 interest of a business enterprise or other person, other than the
28 authority, in property, assets, income, receipts, project, or lease,
29 whether or not financed under this chapter.

1 Sec. 44.55.340. TRUST INDENTURES AND TRUST AGREEMENTS. In the
2 discretion of the authority, an issue of bonds and notes may be secured
3 by a trust indenture or trust agreement between the authority and a
4 corporate trustee, which may be a trust company, bank, or national
5 banking association, with corporate trust powers, located inside or
6 outside the state, by means of which the authority may

7 (1) pledge or assign revenues of the authority, either pre-
8 sently held or to be received in the future, or both, including revenues
9 derived from the sale of natural gas liquids, free of any royalty encum-
10 brance to which the state is entitled;

11 (2) covenant and agree not to pledge any part of its revenues
12 or to permit a lien on those revenues;

13 (3) covenant and agree as to the establishment of funds and
14 accounts which may be appropriate;

15 (4) covenant and agree with respect to the right to sell or
16 otherwise dispose of property of the authority of any kind;

17 (5) covenant and agree as to bonds and notes which may be
18 issued, the limitations, terms and conditions, and custody of those
19 bonds and notes, and the application and disposition of the proceeds of
20 those bonds and notes;

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

24 (7) covenant and agree as to the payment of principal and
25 interest on bonds or notes, the sources and methods of that payment, and
26 the rank or priority of bonds or notes with respect to a lien or securi-
27 ty or acceleration of the maturity of the bonds or notes;

28 (8) covenant and agree to provide for the replacement of
29 lost, stolen, destroyed or mutilated bonds or notes;

1 (9) covenant and agree not to extend the time for payment of
2 bonds or notes or interest on them;

3 (10) covenant and agree as to the redemption of bonds or notes
4 and as to privileges of exchange of bonds or notes for other instruments
5 of the authority;

6 (11) covenant and agree as to rates, rents, or charges to be
7 established and as to the use and disposition of amounts collected from
8 those rates, rents and charges;

9 (12) covenant and agree to the establishment of special funds
10 to be held as a pledge for operating expenses, or for the payment of
11 redemption of bonds or notes, reserves, or other purposes, and as to the
12 use and disposition of the balance of those funds;

13 (13) establish a procedure by which the terms of a contract or
14 covenant may be amended or abrogated and the manner in which consent to
15 the amendment or abrogation may be given by holders of bonds and notes
16 or by those who hold bonds and notes for the benefit of others;

17 (14) covenant and agree to the custody of property and invest-
18 ments of the authority;

19 (15) covenant and agree as to the time and manner of enforce-
20 ment of any right of the authority;

21 (16) provide for the rights and liabilities, powers and duties
22 which arise on the breach of a covenant, condition or obligation, and to
23 prescribe the event of default and the terms and conditions upon which
24 bonds, notes, or other obligations of the authority may be declared due
25 and payable before maturity;

26 (17) vest in a trustee property, rights, powers, and duties in
27 trust, as the authority may determine;

28 (18) pay the costs or expenses incident to the enforcement of
29 the bonds or notes or of the resolution or of a covenant or agreement of

1 the authority with the holders of its bonds or notes;

2 (19) agree to the pledge or assignment of revenues or other
3 money to which the authority has a right or interest;

4 (20) appoint and provide for the duties and obligations of a
5 paying agent and any other fiduciary which the authority may require;

6 (21) limit the rights of the holders of bonds or notes to
7 enforce a pledge or covenant securing bonds or notes; and

8 (2) provide for other matters of like or different character
9 which may in any way affect the security or protection of the bonds.

10 Sec. 44.55.350. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
11 authority may purchase its bonds and notes out of any of its funds. The
12 authority may hold, cancel or resell the bonds or notes which it pur-
13 chases under this section subject to agreements with holders of its
14 bonds or notes.

15 Sec. 44.55.360. REVENUES. (a) The authority is authorized to
16 fix, revise, charge, and collect fees and charges for the use of ~~the~~ a
17 project or a portion of ^{any project owned or leased by it,} and for the services furnished by the pro-
18 ject, and to contract with the state or any of its agencies or instru-
19 mentalities or with a person, partnership, association or corporation.
20 Fees and charges collected under this section shall be fixed and ad-
21 justed so that the aggregate of fees and charges from the project will
22 provide funds sufficient with other revenues, if any,

23 (1) to pay the cost of maintaining, insuring, repairing, and
24 operating ^a the project ^{of the authority} to the extent that the authority has not otherwise
25 adequately provided for the maintenance, insurance, repair and operation
26 of the project or for the payment of these costs;

27 (2) to pay the principal of and the interest and redemption
28 premium, if any, on outstanding bonds or notes of the authority issued
29 with respect to the project, as the bonds and notes become due and pay-

for which the bonds or notes were issued

1 able; and

2 (3) to create and maintain reserves required or provided for
3 in a resolution authorizing, or trust agreement securing, bonds or notes
4 of the authority.

5 ~~(b) Fees and charges fixed under this section are not subject to~~
6 ~~supervision or regulation by a department, commission, board, or agency~~
7 ~~of the state other than the authority.~~

8 (h) ~~(e)~~ Revenues collected by the authority which are not needed for a
9 purpose of the authority, including the payment of bonds and notes and
10 the maintenance of reserves for bonds and notes, and for the operation
11 of the authority, shall be deposited in the general fund of the state.

12 Sec. 44.55.370. FUNDS AND ACCOUNTS. (a) The authority may estab-
13 lish reserves or other funds or accounts which may be, in its discre-
14 tion, necessary or desirable to carry out its purposes or to comply with
15 the provisions of its agreements or resolutions. All money received by
16 the authority under this chapter are trust funds to be held and applied
17 solely as provided in this chapter.

18 (b) An officer with whom, or a bank or trust company with which,
19 the money of the authority is deposited shall act as trustee of the
20 money and shall hold and apply the money for the purposes of this
21 chapter, subject to the provisions of this chapter and the resolution
22 authorizing bonds or notes of the authority or the trust agreement
23 securing the bonds or notes.

24 Sec. 44.55.380. REDEMPTION FUND. (a) There is a special fund of
25 the authority, known as the "redemption fund" which is a trust fund for
26 paying and securing the payment of the principal of and interest and
27 redemption premium, if any, on the bonds and notes of the authority and
28 which shall be at all times completely segregated and set apart from all
29 other funds of the authority. The authority shall set aside and pay

1 into the redemption fund a part or parts of, or all of, or a fixed
2 proportion of, or a fixed amount of the money in the revenue fund suf-
3 ficient to pay the principal of and interest and redemption premium, if
4 any, on the bonds and notes as the payments become due and, if it con-
5 siders it necessary, to set aside and maintain reserves for this pur-
6 pose. The redemption fund shall be drawn upon for the purpose of paying
7 the principal of and interest and redemption premium, if any, on the
8 bonds and notes and the bonds and notes do not constitute a general
9 obligation of the state.

10 (b) The use and disposition of money to the credit of the redemp-
11 tion fund is subject to the provisions of the resolution authorizing the
12 issuance of the bonds or notes or of the trust agreement. Except as
13 otherwise provided in the resolution or trust agreement, the redemption
14 fund shall be a fund for all the bonds or notes issued to finance the
15 project without distinction or priority of one over another. However,
16 in the resolution or trust agreement the authority may permit and pro-
17 vide for the issuance of bonds or notes having a lien subordinate to the
18 other bonds or notes of the authority and, in that case, the authority
19 may create separate redemption funds for the subordinate lien bonds or
20 notes.

21 Sec. 44.55.390. DEFAULT IN PAYMENT. (a) If the authority de-
22 faults in the payment of principal or interest on its bonds or notes of
23 any series after they become due, whether at maturity or upon call for
24 redemption, and the default continues for 30 days, or if the authority
25 fails or refuses to comply with this chapter or defaults in an agreement
26 made with the holders of the bonds or notes of the series, the holders
27 of 25 percent in aggregate principal amount of the outstanding notes or
28 bonds of the series as to which a default is claimed, upon 30 days
29 notice in writing to the authority, by an instrument in writing filed in

1 the office of the recorder and executed and acknowledged in the same
2 manner as a deed of real estate to be recorded, may appoint a trustee to
3 represent the holders of the notes or bonds under this section.

4 (b) A trustee appointed under this chapter may, and shall in his
5 or its name upon written request of the holders of 25 percent in prin-
6 cipal amount of the outstanding notes or bonds of the series as to which
7 a default has occurred,

8 (1) by a civil action, enforce all rights of the noteholders
9 or bondholders of the series in default, including the right to require
10 the authority to collect rates, charges and other fees adequate to carry
11 out any agreement as to, or pledge of, the rate, charges and other fees
12 and of the interest and amortization payments, and to require the autho-
13 rity to carry out any other agreements with the holders of the notes or
14 bonds of the series in default and to perform its duties under this
15 chapter;

16 (2) bring suit upon the notes or bonds of the series in
17 default;

18 (3) by a civil action, require the authority to account as if
19 it were the trustee of an express trust for the holders of the notes or
20 bonds of the series in default;

21 (4) by a civil action, enjoin anything which may be unlawful
22 or in violation of the rights of the holders of the notes or bonds of
23 the series in default; or

24 (5) declare, upon 30 days notice in writing to the authority,
25 all the notes or bonds of the series in default due and payable, and if
26 all defaults are made good, then with the consent of the holders of 25
27 percent of the principal amount of the outstanding notes or bonds of the
28 series in default, annul the declaration and its consequences.

29 (c) The trustee shall, in addition to the powers granted in (b) of

1 this section, have all powers necessary for the exercise of any func-
2 tions specifically set out in this section or incident to the general
3 representation of the bondholders or noteholders of the series in de-
4 fault in the enforcement and protection of their rights.

5 (d) The bondholders or noteholders of a series of outstanding
6 bonds or notes of the authority which are in default may exercise in
7 their own right without the appointment of a trustee any of the powers
8 or rights described in (a) of this section.

9 Sec. 44.55.400. COOPERATION BY GOVERNMENT AGENCIES. Officers,
10 departments, boards, agencies, divisions and commissions of the state
11 shall render services to the authority which may be requested by the
12 authority. The cost and expense of services requested by the authority
13 shall, at the request of the officer, department, board, agency, divi-
14 sion or commission rendering the service, be paid for by the authority.

15 Sec. 44.55.410. ANNUAL REPORT. (a) Before January 31 of each
16 year, the authority shall submit to the governor and the legislature a
17 comprehensive report describing operations, income, and expenditures for
18 the preceding calendar year.

19 (b) The annual report shall contain a complete operating and
20 financial statement covering the operations of the authority during the
21 year and shall contain a complete statement of the authority's antici-
22 pated budget and operations for the next calendar year.

23 Sec. 44.55.420. ANNUAL AUDIT. The authority shall have its finan-
24 cial records audited annually by the legislative auditor or by a certi-
25 fied public accountant approved by the legislative auditor. The legis-
26 lative auditor may prescribe the form and content of the financial
27 records of the authority and is entitled to access to these records at
28 any time.

29 Sec. 44.55.430. NONLIABILITY ON BONDS AND NOTES. The members of

1 the authority and a person executing the bonds or notes are not liable
2 personally on the bonds or notes or subject to personal liability or
3 accountability by reason of the issuance of the bonds or notes.

4 Sec. 44.55.440. DEFINITIONS. In this chapter

5 (1) "authority" means the Alaska Gas Liquids Authority estab-
6 lished under this chapter;

7 (2) "bonds" means bonds of the authority;

8 (3) "cost" means the cost of

9 (A) construction and acquisition of land, structures,
10 real or personal property or rights or interests in real and per-
11 sonal property, rights-of-way, franchises, and interests acquired
12 by the authority for ~~the~~ ^{a specific} project;

13 (B) vehicles, furnishings, fixtures, machinery and
14 equipment;

15 (C) financing charges, charges or premiums for insurance
16 or bonds, interest before and during construction and, working
17 capital;

18 (D) reserves for principal and interest and for exten-
19 sions, enlargements, additions and improvements;

20 (E) the cost of architectural, engineering, financial
21 and legal services;

22 (F) plans, specifications, landscaping, site prepara-
23 tion, studies, surveys;

24 (G) estimates of cost and of revenues;

25 (H) administrative expenses; and

26 (I) other expenses necessary or incident to the con-
27 struction ~~of~~ acquisition of ~~the~~ ^a project, the financing of the
28 construction, and acquisition and the placing of ~~the~~ ^a project in
29 operation;

collected Broadened
↓

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

"notes" means notes of the authority; |

(5) "project" means a facility for the conditioning of gas associated with the Prudhoe Bay oil reservoir to provide marketable gas for delivery to the Alaska natural gas transportation system and natural gas liquids for disposition by the authority; the term includes

(A) facilities for the delivery of pentanes and heavier gas liquids to crude oil producers for shipment in the trans-Alaska pipeline system;

(B) transmission lines;

(C) facilities determined by the authority as necessary or desirable for the fractionating of natural gas liquids; and

(D) real and personal property and rights or interest in property, improvements, pipelines, driveways, roads, approaches, pedestrian access roads, rights-of-way, railroad sidings, utilities, easements, vehicles, furniture, fixtures, machinery and equipment, and other similar items necessary or convenient for the operation of a facility in the manner for which its use is intended;

(6) "Prudhoe Bay natural gas" means gas and related natural gas liquids derived from the Prudhoe Bay reservoir.

* Sec. 3. AS 39.25.110(21) is amended to read:

(21) employees of the Alaska Gas Liquids [PIPELINE FINANCING] Authority.

* Sec. 4. AS 44.55.010 - 44.55.200 are repealed.

* Sec. 5. This Act takes effect July 1, 1980.

Insert
**B*

PROPOSED CS FOR SB 545 "An Act establishing the Alaska Gas Liquids Authority and repealing the Alaska Gas Pipeline Financing Authority; and providing for an effective date"

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

AS 44.55 is amended by adding new sections to read:

CHAPTER 55. ALASKA GAS LIQUIDS (PIPELINE FINANCING) AUTHORITY.

Section 1. AS 44.55.205 FINDINGS AND PURPOSE. The legislature find that

(1) Natural gas is a natural resource which can promote the long-term economic growth of the state, and which can be used to alleviate unemployment in the state;

(2) seasonal and nonseasonal unemployment occurring in areas of the state constitutes a threat to the health, safety and general welfare of the people of these areas and of the entire state;

(3) the state has a royalty interest in natural gas;

(4) it is in the interest of the state to assist where necessary to condition the natural gas in order to provide the state with natural gas liquids for eventual sale or other disposition to petrochemical industries which the state seeks to develop to promote expanded employment opportunities; and

(5) full employment and the development of the state's natural resources will be assisted by the establishment of an instrumentality of the state with powers to incur debt secured solely by the resources and credit of a public corporation for assisting in financing, acquiring or constructing conditioning and fractionation facilities and pipelines for the transmission

of natural gas liquids as may be deemed necessary by the state to assist in the establishment and operation of a petrochemical industry.

Sec. 44.55.210. ESTABLISHMENT OF AUTHORITY. There is established the Alaska Gas Liquids Authority. The authority is a public corporation of the state. It is an instrumentality of the state within the Department of Revenue, but has a legal existence independent of and separate from the state. Exercise by the authority of the powers conferred by this chapter is an essential governmental function of the state.

Sec. 44.55.220. MEMBERSHIP. (a) The membership of the authority consists of

- (1) the president of the Senate;
- (2) the speaker of the House of Representatives;
- (3) the Commissioner of Revenue;
- (4) the Commissioner of Commerce and Economic Development;

and

(5) three public members, one of whom shall be an executive of an Alaskan financial institution, one shall be a licensed general contractor in the state, and one shall be a civil, chemical, or petroleum engineer holding a professional registration status from the state. The public members shall have experience in oil and gas related matters such as production, transportation, marketing, refining or processing. Public members shall be appointed by the Governor for three year staggered terms and shall be confirmed by the legislature. Public members may be removed only for cause.

(b) If a member appointed under (a) (1) - (4) of this section is unable to attend a meeting of the authority, the member may, by a written instrument filed with the authority, designate a person within his department to act in his place at the meeting. The

designee of the president of the Senate or of the speaker of the House shall be a legislator of their respective houses. For all purposes of this chapter, the designee is a member of the authority at the meeting.

Sec. 44.55.230. OFFICERS AND QUORUM. (a) The chairman of the authority shall be a public member elected by all the members. (b) The members of the authority may elect other officers. At least one legislative member and one public member plus any two other members of the authority constitute a quorum. Action may be taken and motions and resolutions may be adopted by the authority at a meeting by affirmative vote of at least four members.

Sec: 44.55.240. COMPENSATION. The public members of the authority shall be paid \$100 a day while meeting plus expenses.

1 Sec. 44.55.250. STAFF. (a) The authority may employ an executive
2 director who may, with the approval of the authority, select and employ
3 additional staff as necessary. Employees of the authority are in the
4 exempt service under AS 39.25.110.

5 (b) In addition to its staff of regular employees, the authority
6 *(in accordance with the State Administrative Manual)* may contract for and engage the services of ^{legal counsel} bond counsel, consultants,
7 experts, and financial advisors the authority considers necessary for
8 the purpose of developing information, furnishing advice, or conducting
9 studies, investigations, hearings, or other proceedings.

10 Sec. 44.55.260. LEGAL COUNSEL. The attorney general is the legal
11 counsel for the corporation. ... shall advise the corporation in legal
12 matters and represent it in legal actions, *unless the authority chooses*
13 *to engage the services of independent legal counsel.*

14 Sec. 44.55.270. GENERAL POWERS. The authority has the following
15 powers for carrying out the purposes of this chapter:

16 (1) to sue and be sued, and to litigate, adjust, compromise
17 or settle all claims and litigation in which it may be involved;

18 (2) to have a seal and alter it at pleasure;

19 (3) to make and alter bylaws for its organization and
20 internal management, and to make and amend rules for the conduct of its
21 business and for the use of its services and facilities;

22 (4) to maintain an office at any place in the state;

23 (5) to acquire, hold, use, and dispose of its income
24 revenues, funds, and money;

25 (6) to acquire, construct, reconstruct, purchase, hold,
26 maintain, repair, operate, lease as lessor or lessee, dispose of and use
27 any real or personal property or any interest in property which is
28 necessary or convenient to carry out a corporate purpose;

29 (7) to make plans, surveys, and studies necessary or con-
venient to exercise the powers of the authority, and to prepare recommen-

1 dations with respect to a plan, survey or study;

2 (8) to make investigations with respect to the conditioning,
3 transmission and pricing of Prudhoe Bay natural gas and to have subpoena
4 powers, when authorized by the superior court, in connection with an
5 investigation;

6 (9) to enter upon land, waters, or premises which in the
7 judgment of the authority may be necessary or convenient for the purpose
8 of making surveys, soundings, borings and examinations to accomplish a
9 corporate purpose;

10 (10) to borrow money, to issue negotiable bonds or notes of
11 the authority, to provide for the payment of the bonds and notes, to
12 provide for the rights of bond and note holders, and to purchase hold
13 and dispose of its bonds or notes;

14 (11) to fix, revise, charge, and collect rents, fees and
15 charges for the use of the project or of its services or facilities;

16 (12) to assist the commissioner of ~~natural resources~~ *conservation natural resources*
17 disposition of natural gas liquids, and to receive on behalf of the
18 state revenues derived from the sale or other disposition of natural gas
19 *any project or portion of a project which may be owned by the authority*
liquids transmitted through ~~the project~~ *and* to assist the commissioner of
20 revenue through the receipt of revenues for other natural gas liquids
21 and for royalty oil revenues as the commissioner of revenue may consider
22 necessary and appropriate;

23 (13) to apply for and accept gifts or grants of property,
24 money, materials, labor, supplies or services from the United States
25 government or other governmental unit, or a person, firm or corporation,
26 and to carry out the terms or provisions of or make agreements with
27 respect to gifts or grants, and to do all things necessary, useful,
28 desirable or convenient in connection with procurement, acceptance or
29 disposition of gifts or grants;

1 (14) to do anything authorized by this chapter, through its
2 officers, agents or employees or by contract with a person, firm, cor-
3 poration or the state;

4 (15) to enter into and enforce contracts, agreements or leases
5 necessary or convenient for the purposes of the authority or to the
6 performance of its duties and the execution of its powers under this
7 chapter, including the operation and management of any portion of ~~the~~ ^a
8 project *which may be owned or leased by the authority.*

9 (16) to employ consulting engineers, architects, superinten-
10 dents, managers, and employees and agents as are necessary or desirable
11 in its judgment to do anything authorized by this chapter, and to desig-
12 nate their responsibilities and fix their compensation;

13 (17) to invest money of the authority in the same manner as
14 permitted for investment of money belonging to the state or held in the
15 treasury, except as otherwise provided by this chapter and subject to
16 agreements with bondholders; and

17 (18) to do all things necessary or convenient to carry out the
18 purposes of this chapter or the powers expressly granted or necessarily
19 implied in this chapter.

20 Sec. 44.55.280. LAND. The authority may acquire land and rights-
21 of-way necessary for the project, including but not limited to acquisi-
22 tion by eminent domain as provided by AS 09.55.240 - 09.55.460.

23 Sec. 44.55.290. BONDS AND NOTES OF THE AUTHORITY. (a) The autho-
24 rity may borrow money and issue bonds and notes, in one or more series.
25 Bonds and notes of the authority may be issued for the purpose of pur-
26 chasing or otherwise acquiring an obligation issued with respect to ~~the~~ ^a
27 project in any form which is fixed and certain as to terms of repayment
28 and for the establishment of reserves to secure or to pay bonds or notes
29 or interest on bonds or notes and all other costs of the authority

1 incident to and necessary for issuance of bonds or notes. The principal
2 and interest on the bonds or notes are payable from the income or other
3 money derived by the authority with respect to the project, ^{for which the bonds or notes are issued} except that
4 the proceeds of the sale of the bonds or notes and the income from the
5 temporary investment of the proceeds of the sale of the bonds or notes
6 may not be used to pay the principal and interest on the bonds or notes.

7 (b) The bonds and notes issued by the authority do not constitute
8 an indebtedness or other liability of the state or of a political sub-
9 division of the state, but are payable solely from the income or other
10 money of the authority. The authority may not pledge the faith or
11 credit of the state or of a political subdivision of the state to the
12 payment of a bond or note, and the issuance of a bond or note by the
13 authority may not directly or indirectly or contingently obligate the
14 state or a political subdivision of the state in any manner, except as
15 specifically provided in this chapter.

16 Sec. 44.55.300. FORM OF ISSUANCE OF BONDS AND NOTES. (a) Bonds
17 and notes shall be authorized by resolution of the authority and shall
18 be dated and mature as the resolution provides, except that a bond may
19 not mature more than 40 years from its date of issue. They shall bear
20 interest at the rate or rates, be in the denominations, be in the form,
21 either coupon or registered, carry the registration privileges, be
22 executed in the manner, be payable in the medium of payment, at the
23 place or places, and be subject to the terms of redemption which the
24 resolution provides.

25 (b) Bonds and notes, regardless of form or character, are ne-
26 gotiable instruments for all the purposes of the Uniform Commercial
27 Code.

28 (c) Bonds and notes of the authority may be sold at public or
29 private sale in the manner, for the price, and at the time or times

1 which the authority determines.

2 (d) The authority may enter into financing agreements necessary or
3 desirable to secure the bonds and notes. Before the issuance of bonds
4 or notes, the authority shall provide by agreement with the owner or
5 user of the project for payment by the owner or user of amounts at least
6 sufficient in the judgment of the authority to pay the principal of and
7 interest on the bonds or notes as they become due, and to establish or
8 maintain the reserves for payment, if any, as the authority considers
9 necessary or desirable.

10 Sec. 44.55.310. REFUNDING OF BONDS AND NOTES. Refunding obliga-
11 tions may be sold or exchanged for outstanding obligations issued under
12 this chapter. If sold, the proceeds of refunding obligations may be
13 applied, in addition to other authorized purposes, to the purchase,
14 redemption or payment of outstanding bonds or notes. Pending the
15 application of the proceeds of refunding obligations, with other avail-
16 able money, to the payment of the principal (accrued interest and any
17 redemption premium on the bonds or notes being refunded, and if so
18 provided or permitted in the authorization for issuance of the refunding
19 obligations, to the payment of interest on the refunding obligations and
20 expenses in connection with the refunding), the proceeds may be invested
21 in direct obligations of, or obligations the principal of and the
22 interest on which are unconditionally guaranteed by, the United States
23 of America which mature or which will be subject to redemption, at the
24 option of the holders of them, not later than the respective dates when
25 the proceeds, together with the interest accruing on them, will be
26 required for the refunding purposes intended.

27 Sec. 44.55.320. LEGAL INVESTMENTS FOR FIDUCIARIES. The bonds and
28 notes of the authority are securities in which all public officers and
29 bodies of the state and all municipalities, all insurance companies and

1 associations and other persons carrying on an insurance business, all
2 banks, bankers, trust companies, savings banks, savings associations,
3 including savings and loan associations and building and loan associa-
4 tions, investment companies, and other persons carrying on a banking
5 business, all administrators, guardians, executors, trustees and other
6 fiduciaries, and all other persons or entities who are authorized to
7 invest in bonds and notes or other obligations of the state, may
8 properly and legally invest money, including capital in their control or
9 belonging to them. Notwithstanding other provisions of law, the bonds
10 and notes of the authority are also securities which may be deposited
11 with and may be received by all public officers and bodies of the state
12 and all municipalities for any purpose for which the deposit of bonds
13 and notes or other obligations of the state is authorized.

14 Sec. 44.55.330. EXEMPTION FROM TAXATION. (a) Property of the
15 authority is public property devoted to an essential public and govern-
16 mental function and is exempt from all taxes, fees and special assess-
17 ments of the state or a political subdivision of the state, including
18 without limitation all boroughs, cities, and unified municipalities.

19 (b) Bonds and notes of the authority are issued by a public cor-
20 poration and instrumentality of the state and for an essential public
21 and governmental purpose, and the bonds and notes, the interest on them,
22 and the income and receipts pledged to pay or secure the payment of the
23 bonds and notes, or interest on them, are at all times exempt from
24 taxation by or under the authority of the state, except for inheritance
25 and estate taxes on transfers by or in contemplation of death.

26 (c) Nothing in this section creates a tax exemption for the
27 interest of a business enterprise or other person, other than the
28 authority, in property, assets, income, receipts, project, or lease,
29 whether or not financed under this chapter.

1 Sec. 44.55.340. TRUST INDENTURES AND TRUST AGREEMENTS. In the
2 discretion of the authority, an issue of bonds and notes may be secured
3 by a trust indenture or trust agreement between the authority and a
4 corporate trustee, which may be a trust company, bank, or national
5 banking association, with corporate trust powers, located inside or
6 outside the state, by means of which the authority may

7 (1) pledge or assign revenues of the authority, either pre-
8 sently held or to be received in the future, or both, including revenues
9 derived from the sale of natural gas liquids, free of any royalty encum-
10 brance to which the state is entitled;

11 (2) covenant and agree not to pledge any part of its revenues
12 or to permit a lien on those revenues;

13 (3) covenant and agree as to the establishment of funds and
14 accounts which may be appropriate;

15 (4) covenant and agree with respect to the right to sell or
16 otherwise dispose of property of the authority of any kind;

17 (5) covenant and agree as to bonds and notes which may be
18 issued, the limitations, terms and conditions, and custody of those
19 bonds and notes, and the application and disposition of the proceeds of
20 those bonds and notes;

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

24 (7) covenant and agree as to the payment of principal and
25 interest on bonds or notes, the sources and methods of that payment, and
26 the rank or priority of bonds or notes with respect to a lien or securi-
27 ty or acceleration of the maturity of the bonds or notes;

28 (8) covenant and agree to provide for the replacement of
29 lost, stolen, destroyed or mutilated bonds or notes;

1 (9) covenant and agree not to extend the time for payment of
2 bonds or notes or interest on them;

3 (10) covenant and agree as to the redemption of bonds or notes
4 and as to privileges of exchange of bonds or notes for other instruments
5 of the authority;

6 (11) covenant and agree as to rates, rents, or charges to be
7 established and as to the use and disposition of amounts collected from
8 those rates, rents and charges;

9 (12) covenant and agree to the establishment of special funds
10 to be held as a pledge for operating expenses, or for the payment of
11 redemption of bonds or notes, reserves, or other purposes, and as to the
12 use and disposition of the balance of those funds;

13 (13) establish a procedure by which the terms of a contract or
14 covenant may be amended or abrogated and the manner in which consent to
15 the amendment or abrogation may be given by holders of bonds and notes
16 or by those who hold bonds and notes for the benefit of others;

17 (14) covenant and agree to the custody of property and invest-
18 ments of the authority;

19 (15) covenant and agree as to the time and manner of enforce-
20 ment of any right of the authority;

21 (16) provide for the rights and liabilities, powers and duties
22 which arise on the breach of a covenant, condition or obligation, and to
23 prescribe the event of default and the terms and conditions upon which
24 bonds, notes, or other obligations of the authority may be declared due
25 and payable before maturity;

26 (17) vest in a trustee property, rights, powers, and duties in
27 trust, as the authority may determine;

28 (18) pay the costs or expenses incident to the enforcement of
29 the bonds or notes or of the resolution or of a covenant or agreement of

1 the authority with the holders of its bonds or notes;

2 (19) agree to the pledge or assignment of revenues or other
3 money to which the authority has a right or interest;

4 (20) appoint and provide for the duties and obligations of a
5 paying agent and any other fiduciary which the authority may require;

6 (21) limit the rights of the holders of bonds or notes to
7 enforce a pledge or covenant securing bonds or notes; and

8 (22) provide for other matters of like or different character
9 which may in any way affect the security or protection of the bonds.

10 Sec. 44.55.350. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
11 authority may purchase its bonds and notes out of any of its funds. The
12 authority may hold, cancel or resell the bonds or notes which it pur-
13 chases under this section subject to agreements with holders of its
14 bonds or notes.

15 Sec. 44.55.360. REVENUES. (a) The authority is authorized to
16 fix, revise, charge, and collect fees and charges for the use of ~~the~~
17 project or a portion of ^{any project owned or leased by it,} and for the services furnished by the pro-
18 ject, and to contract with the state or any of its agencies or instru-
19 mentalities or with a person, partnership, association or corporation.
20 Fees and charges collected under this section shall be fixed and ad-
21 justed so that the aggregate of fees and charges from the project will
22 provide funds sufficient with other revenues, if any,

23 (1) to pay the cost of maintaining, insuring, repairing, and
24 operating ^a ~~the~~ project ^{of the authority} to the extent that the authority has not otherwise
25 adequately provided for the maintenance, insurance, repair and operation
26 of the project or for the payment of these costs;

27 (2) to pay the principal of and the interest and redemption
28 premium, if any, on outstanding bonds or notes of the authority issued
29 with respect to the project, as the bonds and notes become due and pay-

In which the bonds or notes were issued

1 able; and

2 (3) to create and maintain reserves required or provided for
3 in a resolution authorizing, or trust agreement securing, bonds or notes
4 of the authority.

5 ~~(b) fees and charges fixed under this section are not subject to~~
6 ~~supervision or regulation by a department, commission, board, or agency~~
7 ~~of the state other than the authority.~~

8 (h) (a) Revenues collected by the authority which are not needed for a
9 purpose of the authority, including the payment of bonds and notes and
10 the maintenance of reserves for bonds and notes, and for the operation
11 of the authority, shall be deposited in the general fund of the state.

12 Sec. 44.55.370. FUNDS AND ACCOUNTS. (a) The authority may estab-
13 lish reserves or other funds or accounts which may be, in its discre-
14 tion, necessary or desirable to carry out its purposes or to comply with
15 the provisions of its agreements or resolutions. All money received by
16 the authority under this chapter are trust funds to be held and applied
17 solely as provided in this chapter.

18 (b) An officer with whom, or a bank or trust company with which,
19 the money of the authority is deposited shall act as trustee of the
20 money and shall hold and apply the money for the purposes of this
21 chapter, subject to the provisions of this chapter and the resolution
22 authorizing bonds or notes of the authority or the trust agreement
23 securing the bonds or notes.

24 Sec. 44.55.380. REDEMPTION FUND. (a) There is a special fund of
25 the authority, known as the "redemption fund" which is a trust fund for
26 paying and securing the payment of the principal of and interest and
27 redemption premium, if any, on the bonds and notes of the authority and
28 which shall be at all times completely segregated and set apart from all
29 other funds of the authority. The authority shall set aside and pay

1 into the redemption fund a part or parts of, or all of, or a fixed
2 proportion of, or a fixed amount of the money in the revenue fund suf-
3 ficient to pay the principal of and interest and redemption premium, if
4 any, on the bonds and notes as the payments become due and, if it con-
5 siders it necessary, to set aside and maintain reserves for this pur-
6 pose. The redemption fund shall be drawn upon for the purpose of paying
7 the principal of and interest and redemption premium, if any, on the
8 bonds and notes and the bonds and notes do not constitute a general
9 obligation of the state.

10 (b) The use and disposition of money to the credit of the redemp-
11 tion fund is subject to the provisions of the resolution authorizing the
12 issuance of the bonds or notes or of the trust agreement. Except as
13 otherwise provided in the resolution or trust agreement, the redemption
14 fund shall be a fund for all the bonds or notes issued to finance the
15 project without distinction or priority of one over another. However,
16 in the resolution or trust agreement the authority may permit and pro-
17 vide for the issuance of bonds or notes having a lien subordinate to the
18 other bonds or notes of the authority and, in that case, the authority
19 may create separate redemption funds for the subordinate lien bonds or
20 notes.

21 Sec. 44.55.390. DEFAULT IN PAYMENT. (a) If the authority de-
22 faults in the payment of principal or interest on its bonds or notes of
23 any series after they become due, whether at maturity or upon call for
24 redemption, and the default continues for 30 days, or if the authority
25 fails or refuses to comply with this chapter or defaults in an agreement
26 made with the holders of the bonds or notes of the series, the holders
27 of 25 percent in aggregate principal amount of the outstanding notes or
28 bonds of the series as to which a default is claimed, upon 30 days
29 notice in writing to the authority, by an instrument in writing filed in

1 the office of the recorder and executed and acknowledged in the same
2 manner as a deed of real estate to be recorded, may appoint a trustee to
3 represent the holders of the notes or bonds under this section.

4 (b) A trustee appointed under this chapter may, and shall in his
5 or its name upon written request of the holders of 25 percent in prin-
6 cipal amount of the outstanding notes or bonds of the series as to which
7 a default has occurred,

8 (1) by a civil action, enforce all rights of the noteholders
9 or bondholders of the series in default, including the right to require
10 the authority to collect rates, charges and other fees adequate to carry
11 out any agreement as to, or pledge of, the rate, charges and other fees
12 and of the interest and amortization payments, and to require the autho-
13 rity to carry out any other agreements with the holders of the notes or
14 bonds of the series in default and to perform its duties under this
15 chapter;

16 (2) bring suit upon the notes or bonds of the series in
17 default;

18 (3) by a civil action, require the authority to account as if
19 it were the trustee of an express trust for the holders of the notes or
20 bonds of the series in default;

21 (4) by a civil action, enjoin anything which may be unlawful
22 or in violation of the rights of the holders of the notes or bonds of
23 the series in default; or

24 (5) declare, upon 30 days notice in writing to the authority,
25 all the notes or bonds of the series in default due and payable, and if
26 all defaults are made good, then with the consent of the holders of 25
27 percent of the principal amount of the outstanding notes or bonds of the
28 series in default, annul the declaration and its consequences.

29 (c) The trustee shall, in addition to the powers granted in (b) of

1 this section, have all powers necessary for the exercise of any func-
2 tions specifically set out in this section or incident to the general
3 representation of the bondholders or noteholders of the series in de-
4 fault in the enforcement and protection of their rights.

5 (d) The bondholders or noteholders of a series of outstanding
6 bonds or notes of the authority which are in default may exercise in
7 their own right without the appointment of a trustee any of the powers
8 or rights described in (a) of this section.

9 Sec. 44.55.400. COOPERATION BY GOVERNMENT AGENCIES. Officers,
10 departments, boards, agencies, divisions and commissions of the state
11 shall render services to the authority which may be requested by the
12 authority. The cost and expense of services requested by the authority
13 shall, at the request of the officer, department, board, agency, divi-
14 sion or commission rendering the service, be paid for by the authority.

15 Sec. 44.55.410. ANNUAL REPORT. (a) Before January 31 of each
16 year, the authority shall submit to the governor and the legislature a
17 comprehensive report describing operations, income, and expenditures for
18 the preceding calendar year.

19 (b) The annual report shall contain a complete operating and
20 financial statement covering the operations of the authority during the
21 year and shall contain a complete statement of the authority's antici-
22 pated budget and operations for the next calendar year.

23 Sec. 44.55.420. ANNUAL AUDIT. The authority shall have its finan-
24 cial records audited annually by the legislative auditor or by a certi-
25 fied public accountant approved by the legislative auditor. The legis-
26 lative auditor may prescribe the form and content of the financial
27 records of the authority and is entitled to access to these records at
28 any time.

29 Sec. 44.55.430. NONLIABILITY ON BONDS AND NOTES. The members of

1 the authority and a person executing the bonds or notes are not liable
2 personally on the bonds or notes or subject to personal liability or
3 accountability by reason of the issuance of the bonds or notes.

4 Sec. 44.55.440. DEFINITIONS. In this chapter

5 (1) "authority" means the Alaska Gas Liquids Authority estab-
6 lished under this chapter;

7 (2) "bonds" means bonds of the authority;

8 (3) "cost" means the cost of

9 (A) construction and acquisition of land, structures,
10 real or personal property or rights or interests in real and per-
11 sonal property, rights-of-way, franchises, and interests acquired
12 by the authority for ~~the~~ ^{a specific} project;

13 (B) vehicles, furnishings, fixtures, machinery and
14 equipment;

15 (C) financing charges, charges or premiums for insurance
16 or bonds, interest before and during construction and, working
17 capital;

18 (D) reserves for principal and interest and for exten-
19 sions, enlargements, additions and improvements;

20 (E) the cost of architectural, engineering, financial
21 and legal services;

22 (F) plans, specifications, landscaping, site prepara-
23 tion, studies, surveys;

24 (G) estimates of cost and of revenues;

25 (H) administrative expenses; and

26 (I) other expenses necessary or incident to the con-
27 struction ~~of~~ acquisition of ~~the~~ ^a project, the financing of the
28 construction, and acquisition and the placing of ~~the~~ ^a project in
29 operation;

1 (4) "notes" means notes of the authority;

2 (5) "project means any facility or a portion of a facility
3 which may be owned, leased, constructed or financed by the authority
4 for the necessary purpose of assisting the development of an
5 in-state petrochemical industry through participation as may be
6 necessary in the conditioning of natural gas or for delivery of
7 natural gas and natural gas liquids to a petrochemical development;
8 the term may include, as necessary

9 *appropriate* (A) facilities for the delivery of ~~petrol and heavier~~
10 gas liquids to crude oil producers for shipment in the trans-Alaska
11 pipeline system;

12 (B) transmission lines;

13 (C) facilities determined by the authority as necessary
14 or desirable for the fractionating of natural gas liquids; and

15 (D) real and personal property and rights or interest in
16 property, improvements, pipelines, driveways, roads, approaches,
17 pedestrian access roads, rights-of-way, railroad sidings, utili-
18 ties, easements, vehicles, furniture, fixtures, machinery and
19 equipment, and other similar items necessary or convenient for the
20 operation of a facility in the manner for which its use is in-
21 tended;

22 (6) "Prudhoe Bay natural gas" means gas and related natural
23 gas liquids derived from the Prudhoe Bay reservoir.

24 * Sec. 3. AS 39.25.110(21) is amended to read:

25 (21) employees of the Alaska Gas Liquids [PIPELINE FINANCING]
26 Authority.

27 * Sec. 4. AS 44.55.010 - 44.55.200 are repealed.

28 * Sec. 5. This Act takes effect July 1, 1980.



Earth Resources Company of Alaska

1001 NOBLE, FAIRBANKS, ALASKA 99701

907/456-ERCA

What is SB 545, and Why is it Needed?

Basically SB 545, establishing the Natural Gas Liquids Authority, is the amending of the existing Gas Pipeline Financing Authority. The amendments focus on today's problems and needs.

In its January 1980 report to the Legislature, the existing Pipeline Financing Authority declared itself, "moribund" and in need of amendment to redefine and redirect its purpose and function. SB 545 does that. It redirects the focus from pipeline financing, per se, for the benefit of Northwest, to the financing of natural gas conditioning and natural gas delivery system to in-state use and benefit. In addition, SB 545 clearly defines such financing as a public purpose and benefits so as to more closely comply with IRS requirements for tax exempt bond financing.

The Natural Gas Liquids Authority is needed as a tool to enable the Administration to act quickly if a decision is finally made to exercise the State's option to participate financially in the gas conditioning plant.

We feel that such financial participation is more probable than not. At the present time, the State's position in the three-cornered discussions between Producers, Northwest, and the Feds is strictly non-voting until the State decides to participate financially. We believe that the State may discover that its present position is analogous to someone who wants to get into a poker game but who is unwilling to buy any chips.

Even if the State is able to influence the location and process design of the conditioning plant without financial participation, there remains the likelihood that the State will need to provide a system to deliver NGL's to instate users. The proposed NGL Authority contains the financing and operational mechanism for this.

Recently, the Mayor's group for the Governor's appointed Natural Gas Task Force called upon the Governor and the Legislature to adopt a clear policy for in-state petrochemical development. SB 545 is a good place to begin and we urge, a "do-pass" recommendation from the Senate Finance Committee.

GEORGE C. SILIDES, ENGINEERING ASSOCIATES

P. O. BOX 746 — FAIRBANKS, ALASKA 99707

CONSULTING ENGINEERS PLANNERS SURVEYORS

April 10, 1980

Honorable John C. Sackett
Chairman, Senate Finance Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

RE: SB 545, Natural Gas Liquids Authority

Dear Senator Sackett:

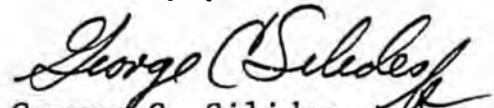
On March 12th, testimony was presented to the Joint Gas Pipeline Financing Committee relative to proposed draft legislation establishing a Natural Gas Liquids Authority. The Committee voted to introduce the legislation simultaneously in both Houses. In the Senate the bill was designated SB 545 and was referred directly to the Finance Committee.

The Financial and Alaska Impact Plan submitted by the existing Natural Gas Pipeline Financing Authority to the Legislature in January states that the Authority is moribund and in need of a revised approach. SB 545 performs that task by clarifying and strengthening the Authority's ability to engage in tax exempt bond financing, and by redirecting its purpose to the State's needs rather than to the needs of Northwest Pipeline.

The establishment of a Natural Gas Liquids Authority through SB 545 provides the necessary vehicle to advance in-state discussions focusing on state financing and ownership of the natural gas conditioning plant, and for natural gas liquids delivery to in-state users. The State's clear authority to quickly undertake necessary action in such financing will add credibility to its involvement in the present Alaska Natural Gas Transportation System negotiations.

Your consideration for an early hearing on SB 545 by the Finance Committee is respectfully urged. We are prepared to appear before the Committee on very short notice.

Sincerely yours,


George C. Silides

cc: Mr. Gary Peska
Administrative Assistant to Senator Sackett

Introduced: 4/3/80
Referred: Finance

BY THE RULES COMMITTEE BY REQUEST
(for the Joint Gas Pipeline
Financing Committee)

1 IN THE SENATE

2 SENATE BILL NO. 545

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Gas Liquids Authority
7 and repealing the Alaska Gas Pipeline Financing Author-
8 ity; and providing for an effective date."

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

10 * Section 1. FINDINGS. The legislature finds that

11 (1) Prudhoe Bay natural gas is a natural resource which will
12 promote the long-term economic growth of the state, and which can be used to
13 alleviate unemployment in the state;

14 (2) seasonal and nonseasonal unemployment occurring in areas of
15 the state constitutes a threat to the health, safety and general welfare of
16 the people of these areas and of the entire state;

17 (3) the state has a royalty interest in Prudhoe Bay natural gas;

18 (4) it is in the interests of the state to condition the Prudhoe
19 Bay natural gas to provide the state with natural gas liquids for eventual
20 sale or other disposition to petrochemical industries which the state seeks
21 to develop to promote expanded employment opportunities; and

22 (5) full employment and the development of the state's natural
23 resources will be assisted by the establishment of an instrumentality of the
24 state with powers to incur debt secured solely by the resources and credit of
25 a public corporation for acquiring and constructing conditioning and frac-
26 tionation facilities and pipelines for the transmission of natural gas
27 liquids.

28 * Sec. 2. AS 44.55 is amended by adding new sections to read:

29 CHAPTER 55. ALASKA GAS LIQUIDS [PIPELINE FINANCING] AUTHORITY.

1 Sec. 44.55.210. ESTABLISHMENT OF AUTHORITY. There is established
2 the Alaska Gas Liquids Authority. The authority is a public corporation
3 of the state. It is an instrumentality of the state within the Depart-
4 ment of Revenue, but has a legal existence independent of and separate
5 from the state. Exercise by the authority of the powers conferred by
6 this chapter is an essential governmental function of the state.

7 Sec. 44.55.220. MEMBERSHIP. (a) The membership of the authority
8 consists of

- 9 (1) the lieutenant governor;
10 (2) the speaker of the house of representatives;
11 (3) the president of the senate;
12 (4) the commissioner of revenue;
13 (5) the commissioner of commerce and economic development;
14 (6) the commissioner of natural resources; and
15 (7) the commissioner of transportation and public facilities.

16 (b) If a member appointed under (a)(4) - (7) of this section is
17 unable to attend a meeting of the authority, the member may, by a
18 written instrument filed with the authority, designate a person within
19 his department to act in his place at the meeting. For all purposes of
20 this chapter, the designee is a member of the authority at the meeting.

21 Sec. 44.55.230. OFFICERS AND QUORUM. (a) The lieutenant governor
22 is chairman of the authority.

23 (b) The members of the authority may elect other officers. Three
24 members of the authority constitute a quorum. Action may be taken and
25 motions and resolutions may be adopted by the authority at a meeting by
26 the affirmative vote of at least three members.

27 Sec. 44.55.240. COMPENSATION. The members of the authority serve
28 without compensation but are entitled to the same travel pay and per
29 diem as provided by law for board members who are state employees.

1 Sec. 44.55.250. STAFF. (a) The authority may employ an executive
2 director who may, with the approval of the authority, select and employ
3 additional staff as necessary. Employees of the authority are in the
4 exempt service under AS 39.25.110.

5 (b) In addition to its staff of regular employees, the authority
6 may contract for and engage the services of bond counsel, consultants,
7 experts, and financial advisors the authority considers necessary for
8 the purpose of developing information, furnishing advice, or conducting
9 studies, investigations, hearings, or other proceedings.

10 Sec. 44.55.260. LEGAL COUNSEL. The attorney general is the legal
11 counsel for the corporation. He shall advise the corporation in legal
12 matters and represent it in legal actions.

13 Sec. 44.55.270. GENERAL POWERS. The authority has the following
14 powers for carrying out the purposes of this chapter:

15 (1) to sue and be sued, and to litigate, adjust, compromise
16 or settle all claims and litigation in which it may be involved;

17 (2) to have a seal and alter it at pleasure;

18 (3) to make and alter bylaws for its organization and
19 internal management, and to make and amend rules for the conduct of its
20 business and for the use of its services and facilities;

21 (4) to maintain an office at any place in the state;

22 (5) to acquire, hold, use, and dispose of its income,
23 revenues, funds, and money;

24 (6) to acquire, construct, reconstruct, purchase, hold,
25 maintain, repair, operate, lease as lessor or lessee, dispose of and use
26 any real or personal property or any interest in property which is
27 necessary or convenient to carry out a corporate purpose;

28 (7) to make plans, surveys, and studies necessary or con-
29 venient to exercise the powers of the authority, and to prepare recommen-

1 dations with respect to a plan, survey or study;

2 (8) to make investigations with respect to the conditioning,
3 transmission and pricing of Prudhoe Bay natural gas and to have subpoena
4 powers, when authorized by the superior court, in connection with an
5 investigation;

6 (9) to enter upon land, waters, or premises which in the
7 judgment of the authority may be necessary or convenient for the purpose
8 of making surveys, soundings, borings and examinations to accomplish a
9 corporate purpose;

10 (10) to borrow money, to issue negotiable bonds or notes of
11 the authority, to provide for the payment of the bonds and notes, to
12 provide for the rights of bond and note holders, and to purchase, hold
13 and dispose of its bonds or notes;

14 (11) to fix, revise, charge, and collect rents, fees and
15 charges for the use of the project or of its services or facilities;

16 (12) to assist the commissioner of natural resources in the
17 disposition of natural gas liquids, and to receive on behalf of the
18 state revenues derived from the sale or other disposition of natural gas
19 liquids transmitted through the project, to assist the commissioner of
20 revenue through the receipt of revenues for other natural gas liquids
21 and for royalty oil revenues as the commissioner of revenue may consider
22 necessary and appropriate;

23 (13) to apply for and accept gifts or grants of property,
24 money, materials, labor, supplies or services from the United States
25 government or other governmental unit, or a person, firm or corporation,
26 and to carry out the terms or provisions of or make agreements with
27 respect to gifts or grants, and to do all things necessary, useful,
28 desirable or convenient in connection with procurement, acceptance or
29 disposition of gifts or grants;

1 (14) to do anything authorized by this chapter, through its
2 officers, agents or employees or by contract with a person, firm, cor-
3 poration or the state;

4 (15) to enter into and enforce contracts, agreements or leases
5 necessary or convenient for the purposes of the authority or to the
6 performance of its duties and the execution of its powers under this
7 chapter, including the operation and management of any portion of the
8 project;

9 (16) to employ consulting engineers, architects, superinten-
10 dents, managers, and employees and agents as are necessary or desirable
11 in its judgment to do anything authorized by this chapter, and to desig-
12 nate their responsibilities and fix their compensation;

13 (17) to invest money of the authority in the same manner as
14 permitted for investment of money belonging to the state or held in the
15 treasury, except as otherwise provided by this chapter and subject to
16 agreements with bondholders; and

17 (18) to do all things necessary or convenient to carry out the
18 purposes of this chapter or the powers expressly granted or necessarily
19 implied in this chapter.

20 Sec. 44.55.280. LAND. The authority may acquire land and rights-
21 of-way necessary for the project, including but not limited to acquisi-
22 tion by eminent domain as provided by AS 09.55.240 - 09.55.460.

23 Sec. 44.55.290. BONDS AND NOTES OF THE AUTHORITY. (a) The autho-
24 rity may borrow money and issue bonds and notes, in one or more series.
25 Bonds and notes of the authority may be issued for the purpose of pur-
26 chasing or otherwise acquiring an obligation issued with respect to the
27 project in any form which is fixed and certain as to terms of repayment
28 and for the establishment of reserves to secure or to pay bonds or notes
29 or interest on bonds or notes and all other costs of the authority

1 which the authority determines.

2 (d) The authority may enter into financing agreements necessary or
3 desirable to secure the bonds and notes. Before the issuance of bonds
4 or notes, the authority shall provide by agreement with the owner or
5 user of the project for payment by the owner or user of amounts at least
6 sufficient in the judgment of the authority to pay the principal of and
7 interest on the bonds or notes as they become due, and to establish or
8 maintain the reserves for payment, if any, as the authority considers
9 necessary or desirable.

10 Sec. 44.55.310. REFUNDING OF BONDS AND NOTES. Refunding obliga-
11 tions may be sold or exchanged for outstanding obligations issued under
12 this chapter. If sold, the proceeds of refunding obligations may be
13 applied, in addition to other authorized purposes, to the purchase,
14 redemption or payment of outstanding bonds or notes. Pending the
15 application of the proceeds of refunding obligations, with other avail-
16 able money, to the payment of the principal (accrued interest and any
17 redemption premium on the bonds or notes being refunded, and if so
18 provided or permitted in the authorization for issuance of the refunding
19 obligations, to the payment of interest on the refunding obligations and
20 expenses in connection with the refunding), the proceeds may be invested
21 in direct obligations of, or obligations the principal of and the
22 interest on which are unconditionally guaranteed by, the United States
23 of America which mature or which will be subject to redemption, at the
24 option of the holders of them, not later than the respective dates when
25 the proceeds, together with the interest accruing on them, will be
26 required for the refunding purposes intended.

27 Sec. 44.55.320. LEGAL INVESTMENTS FOR FIDUCIARIES. The bonds and
28 notes of the authority are securities in which all public officers and
29 bodies of the state and all municipalities, all insurance companies and

1 associations and other persons carrying on an insurance business, all
2 banks, bankers, trust companies, savings banks, savings associations,
3 including savings and loan associations and building and loan associa-
4 tions, investment companies, and other persons carrying on a banking
5 business, all administrators, guardians, executors, trustees and other
6 fiduciaries, and all other persons or entities who are authorized to
7 invest in bonds and notes or other obligations of the state, may
8 properly and legally invest money, including capital in their control or
9 belonging to them. Notwithstanding other provisions of law, the bonds
10 and notes of the authority are also securities which may be deposited
11 with and may be received by all public officers and bodies of the state
12 and all municipalities for any purpose for which the deposit of bonds
13 and notes or other obligations of the state is authorized.

14 Sec. 44.55.330. EXEMPTION FROM TAXATION. (a) Property of the
15 authority is public property devoted to an essential public and govern-
16 mental function and is exempt from all taxes, fees and special assess-
17 ments of the state or a political subdivision of the state, including
18 without limitation all boroughs, cities, and unified municipalities.

19 (b) Bonds and notes of the authority are issued by a public cor-
20 poration and instrumentality of the state and for an essential public
21 and governmental purpose, and the bonds and notes, the interest on them,
22 and the income and receipts pledged to pay or secure the payment of the
23 bonds and notes, or interest on them, are at all times exempt from
24 taxation by or under the authority of the state, except for inheritance
25 and estate taxes on transfers by or in contemplation of death.

26 (c) Nothing in this section creates a tax exemption for the
27 interest of a business enterprise or other person, other than the
28 authority, in property, assets, income, receipts, project, or lease,
29 whether or not financed under this chapter.

1 Sec. 44.55.340. TRUST INDENTURES AND TRUST AGREEMENTS. In the
2 discretion of the authority, an issue of bonds and notes may be secured
3 by a trust indenture or trust agreement between the authority and a
4 corporate trustee, which may be a trust company, bank, or national
5 banking association, with corporate trust powers, located inside or
6 outside the state, by means of which the authority may

7 (1) pledge or assign revenues of the authority, either pre-
8 sently held or to be received in the future, or both, including revenues
9 derived from the sale of natural gas liquids, free of any royalty encum-
10 brance to which the state is entitled;

11 (2) covenant and agree not to pledge any part of its revenues
12 or to permit a lien on those revenues;

13 (3) covenant and agree as to the establishment of funds and
14 accounts which may be appropriate;

15 (4) covenant and agree with respect to the right to sell or
16 otherwise dispose of property of the authority of any kind;

17 (5) covenant and agree as to bonds and notes which may be
18 issued, the limitations, terms and conditions, and custody of those
19 bonds and notes, and the application and disposition of the proceeds of
20 those bonds and notes;

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

24 (7) covenant and agree as to the payment of principal and
25 interest on bonds or notes, the sources and methods of that payment, and
26 the rank or priority of bonds or notes with respect to a lien or securi-
27 ty or acceleration of the maturity of the bonds or notes;

28 (8) covenant and agree to provide for the replacement of
29 lost, stolen, destroyed or mutilated bonds or notes;

1 (9) covenant and agree not to extend the time for payment of
2 bonds or notes or interest on them;

3 (10) covenant and agree as to the redemption of bonds or notes
4 and as to privileges of exchange of bonds or notes for other instruments
5 of the authority;

6 (11) covenant and agree as to rates, rents, or charges to be
7 established and as to the use and disposition of amounts collected from
8 those rates, rents and charges;

9 (12) covenant and agree to the establishment of special funds
10 to be held as a pledge for operating expenses, or for the payment of
11 redemption of bonds or notes, reserves, or other purposes, and as to the
12 use and disposition of the balance of those funds;

13 (13) establish a procedure by which the terms of a contract or
14 covenant may be amended or abrogated and the manner in which consent to
15 the amendment or abrogation may be given by holders of bonds and notes
16 or by those who hold bonds and notes for the benefit of others;

17 (14) covenant and agree to the custody of property and invest-
18 ments of the authority;

19 (15) covenant and agree as to the time and manner of enforce-
20 ment of any right of the authority;

21 (16) provide for the rights and liabilities, powers and duties
22 which arise on the breach of a covenant, condition or obligation, and to
23 prescribe the event of default and the terms and conditions upon which
24 bonds, notes, or other obligations of the authority may be declared due
25 and payable before maturity;

26 (17) vest in a trustee property, rights, powers, and duties in
27 trust, as the authority may determine;

28 (18) pay the costs or expenses incident to the enforcement of
29 the bonds or notes or of the resolution or of a covenant or agreement of

1 the authority with the holders of its bonds or notes;

2 (19) agree to the pledge or assignment of revenues or other
3 money to which the authority has a right or interest;

4 (20) appoint and provide for the duties and obligations of a
5 paying agent and any other fiduciary which the authority may require;

6 (21) limit the rights of the holders of bonds or notes to
7 enforce a pledge or covenant securing bonds or notes; and

8 (22) provide for other matters of like or different character
9 which may in any way affect the security or protection of the bonds.

10 Sec. 44.55.350. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
11 authority may purchase its bonds and notes out of any of its funds. The
12 authority may hold, cancel or resell the bonds or notes which it pur-
13 chases under this section subject to agreements with holders of its
14 bonds or notes.

15 Sec. 44.55.360. REVENUES. (a) The authority is authorized to
16 fix, revise, charge, and collect fees and charges for the use of the
17 project or a portion of it, and for the services furnished by the pro-
18 ject, and to contract with the state or any of its agencies or instru-
19 mentalities or with a person, partnership, association or corporation.
20 Fees and charges collected under this section shall be fixed and ad-
21 justed so that the aggregate of fees and charges from the project will
22 provide funds sufficient with other revenues, if any,

23 (1) to pay the cost of maintaining, insuring, repairing, and
24 operating the project to the extent that the authority has not otherwise
25 adequately provided for the maintenance, insurance, repair and operation
26 of the project or for the payment of these costs;

27 (2) to pay the principal of and the interest and redemption
28 premium, if any, on outstanding bonds or notes of the authority issued
29 with respect to the project as the bonds and notes become due and pay-

1 able; and

2 (3) to create and maintain reserves required or provided for
3 in a resolution authorizing, or trust agreement securing, bonds or notes
4 of the authority.

5 (b) Fees and charges fixed under this section are not subject to
6 supervision or regulation by a department, commission, board, or agency
7 of the state other than the authority.

8 (c) Revenues collected by the authority which are not needed for a
9 purpose of the authority, including the payment of bonds and notes and
10 the maintenance of reserves for bonds and notes, and for the operation
11 of the authority, shall be deposited in the general fund of the state.

12 Sec. 44.55.370. FUNDS AND ACCOUNTS. (a) The authority may estab-
13 lish reserves or other funds or accounts which may be, in its discre-
14 tion, necessary or desirable to carry out its purposes or to comply with
15 the provisions of its agreements or resolutions. All money received by
16 the authority under this chapter are trust funds to be held and applied
17 solely as provided in this chapter.

18 (b) An officer with whom, or a bank or trust company with which,
19 the money of the authority is deposited shall act as trustee of the
20 money and shall hold and apply the money for the purposes of this
21 chapter, subject to the provisions of this chapter and the resolution
22 authorizing bonds or notes of the authority or the trust agreement
23 securing the bonds or notes.

24 Sec. 44.55.380. REDEMPTION FUND. (a) There is a special fund of
25 the authority, known as the "redemption fund" which is a trust fund for
26 paying and securing the payment of the principal of and interest and
27 redemption premium, if any, on the bonds and notes of the authority and
28 which shall be at all times completely segregated and set apart from all
29 other funds of the authority. The authority shall set aside and pay

1 into the redemption fund a part or parts of, or all of, or a fixed
2 proportion of, or a fixed amount of the money in the revenue fund suf-
3 ficient to pay the principal of and interest and redemption premium, if
4 any, on the bonds and notes as the payments become due and, if it con-
5 siders it necessary, to set aside and maintain reserves for this pur-
6 pose. The redemption fund shall be drawn upon for the purpose of paying
7 the principal of and interest and redemption premium, if any, on the
8 bonds and notes and the bonds and notes do not constitute a general
9 obligation of the state.

10 (b) The use and disposition of money to the credit of the redemp-
11 tion fund is subject to the provisions of the resolution authorizing the
12 issuance of the bonds or notes or of the trust agreement. Except as
13 otherwise provided in the resolution or trust agreement, the redemption
14 fund shall be a fund for all the bonds or notes issued to finance the
15 project without distinction or priority of one over another. However,
16 in the resolution or trust agreement the authority may permit and pro-
17 vide for the issuance of bonds or notes having a lien subordinate to the
18 other bonds or notes of the authority and, in that case, the authority
19 may create separate redemption funds for the subordinate lien bonds or
20 notes.

21 Sec. 44.55.390. DEFAULT IN PAYMENT. (a) If the authority de-
22 faults in the payment of principal or interest on its bonds or notes of
23 any series after they become due, whether at maturity or upon call for
24 redemption, and the default continues for 30 days, or if the authority
25 fails or refuses to comply with this chapter or defaults in an agreement
26 made with the holders of the bonds or notes of the series, the holders
27 of 25 percent in aggregate principal amount of the outstanding notes or
28 bonds of the series as to which a default is claimed, upon 30 days
29 notice in writing to the authority, by an instrument in writing filed in

1 the office of the recorder and executed and acknowledged in the same
2 manner as a deed of real estate to be recorded, may appoint a trustee to
3 represent the holders of the notes or bonds under this section.

4 (b) A trustee appointed under this chapter may, and shall in his
5 or its name upon written request of the holders of 25 percent in prin-
6 cipal amount of the outstanding notes or bonds of the series as to which
7 a default has occurred,

8 (1) by a civil action, enforce all rights of the noteholders
9 or bondholders of the series in default, including the right to require
10 the authority to collect rates, charges and other fees adequate to carry
11 out any agreement as to, or pledge of, the rate, charges and other fees
12 and of the interest and amortization payments, and to require the autho-
13 rity to carry out any other agreements with the holders of the notes or
14 bonds of the series in default and to perform its duties under this
15 chapter;

16 (2) bring suit upon the notes or bonds of the series in
17 default;

18 (3) by a civil action, require the authority to account as if
19 it were the trustee of an express trust for the holders of the notes or
20 bonds of the series in default;

21 (4) by a civil action, enjoin anything which may be unlawful
22 or in violation of the rights of the holders of the notes or bonds of
23 the series in default; or

24 (5) declare, upon 30 days notice in writing to the authority,
25 all the notes or bonds of the series in default due and payable, and if
26 all defaults are made good, then with the consent of the holders of 25
27 percent of the principal amount of the outstanding notes or bonds of the
28 series in default, annul the declaration and its consequences.

29 (c) The trustee shall, in addition to the powers granted in (b) of

1 this section, have all powers necessary for the exercise of any func-
2 tions specifically set out in this section or incident to the general
3 representation of the bondholders or noteholders of the series in de-
4 fault in the enforcement and protection of their rights.

5 (d) The bondholders or noteholders of a series of outstanding
6 bonds or notes of the authority which are in default may exercise in
7 their own right without the appointment of a trustee any of the powers
8 or rights described in (a) of this section.

9 Sec. 44.55.400. COOPERATION BY GOVERNMENT AGENCIES. Officers,
10 departments, boards, agencies, divisions and commissions of the state
11 shall render services to the authority which may be requested by the
12 authority. The cost and expense of services requested by the authority
13 shall, at the request of the officer, department, board, agency, divi-
14 sion or commission rendering the service, be paid for by the authority.

15 Sec. 44.55.410. ANNUAL REPORT. (a) Before January 31 of each
16 year, the authority shall submit to the governor and the legislature a
17 comprehensive report describing operations, income, and expenditures for
18 the preceding calendar year.

19 (b) The annual report shall contain a complete operating and
20 financial statement covering the operations of the authority during the
21 year and shall contain a complete statement of the authority's antici-
22 pated budget and operations for the next calendar year.

23 Sec. 44.55.420. ANNUAL AUDIT. The authority shall have its finan-
24 cial records audited annually by the legislative auditor or by a certi-
25 fied public accountant approved by the legislative auditor. The legis-
26 lative auditor may prescribe the form and content of the financial
27 records of the authority and is entitled to access to these records at
28 any time.

29 Sec. 44.55.430. NONLIABILITY ON BONDS AND NOTES. The members of

1 the authority and a person executing the bonds or notes are not liable
2 personally on the bonds or notes or subject to personal liability or
3 accountability by reason of the issuance of the bonds or notes.

4 Sec. 44.55.440. DEFINITIONS. In this chapter

5 (1) "authority" means the Alaska Gas Liquids Authority estab-
6 lished under this chapter;

7 (2) "bonds" means bonds of the authority;

8 (3) "cost" means the cost of

9 (A) construction and acquisition of land, structures,
10 real or personal property or rights or interests in real and per-
11 sonal property, rights-of-way, franchises, and interests acquired
12 by the authority for the project;

13 (B) vehicles, furnishings, fixtures, machinery and
14 equipment;

15 (C) financing charges, charges or premiums for insurance
16 or bonds, interest before and during construction and, working
17 capital;

18 (D) reserves for principal and interest and for exten-
19 sions, enlargements, additions and improvements;

20 (E) the cost of architectural, engineering, financial
21 and legal services;

22 (F) plans, specifications, landscaping, site prepara-
23 tion, studies, surveys;

24 (G) estimates of cost and of revenues;

25 (H) administrative expenses; and

26 (I) other expenses necessary or incident to the con-
27 struction and acquisition of the project, the financing of the
28 construction, and acquisition and the placing of the project in
29 operation;

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

(4) "notes" means notes of the authority;

(5) "project" means a facility for the conditioning of gas associated with the Prudhoe Bay oil reservoir to provide marketable gas for delivery to the Alaska natural gas transportation system and natural gas liquids for disposition by the authority; the term includes

(A) facilities for the delivery of pentanes and heavier gas liquids to crude oil producers for shipment in the trans-Alaska pipeline system;

(B) transmission lines;

(C) facilities determined by the authority as necessary or desirable for the fractionating of natural gas liquids; and

(D) real and personal property and rights or interest in property, improvements, pipelines, driveways, roads, approaches, pedestrian access roads, rights-of-way, railroad sidings, utilities, easements, vehicles, furniture, fixtures, machinery and equipment, and other similar items necessary or convenient for the operation of a facility in the manner for which its use is intended;

(6) "Prudhoe Bay natural gas" means gas and related natural gas liquids derived from the Prudhoe Bay reservoir.

* Sec. 3. AS 39.25.110(21) is amended to read:

(21) employees of the Alaska Gas Liquids [PIPELINE FINANCING] Authority.

* Sec. 4. AS 44.55.010 - 44.55.200 are repealed.

* Sec. 5. This Act takes effect July 1, 1980.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 22, 1980

The Honorable John Sackett
Chairman
Senate Finance Committee
Room 423 - Capitol Building
Juneau, Alaska 99811

Dear Senator Sackett:

Re: Senate Bill No. 545

Senate Bill No. 545, an Act establishing the Alaska Gas Liquids Authority and repealing the Alaska Gas Pipeline Financing Authority, was introduced in the Senate on April 3, 1980 and was referred to the Senate Finance Committee.

For the consideration of the Senate Finance Committee, I am enclosing a copy of a Fiscal Note prepared by Anselm Staack, Comptroller, Treasury Division of the Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

cc: Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Peter Bushre
Deputy Commissioner
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

SB 545

I. REQUEST

SENATE BILL No. 545
 Bill/Resolution No. _____
 Title An Act establishing the Alaska Gas Liquids Authority and repealing the
~~Request by~~ Alaska Gas Pipeline Financing Authority Date 4/3/80
 Requested by Senate Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected Treasury Management
 (Note: if more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Authority has ability to hire director and staff. Can incur costs necessary to carry out purposes of law. Authority can specify fees, charges, etc. to cover expenses. Legislation also specifies that it will cover those costs of State agencies when incurred on behalf of the Authority.

Direct fiscal impact is indeterminate as some start-up funds may be necessary until Authority is in full operation.

Anselm C. Staack

IV. DATE April 21, 1980 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 PHONE 465-2351
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

BILL ANALYSIS

Senate Bill No. 545 (4/3/80), House Bill No. 993 (4/7/80)

This bill establishes the Alaska Gas Liquids Authority, repeals authorizing legislation for the Alaska Gas Pipeline Financing Authority. It is basically a financing mechanism. It is a public corporation within the Alaska Department of Revenue but maintains a separate, independent/legal existence.

Sec. 220,230 There are seven Authority members which include the lieutenant governor, the speaker of the house of representatives, the president of the senate, and the commissioners of revenue, commerce and economic development, natural resources and transportation and public facilities. The lieutenant governor is the designated chairman.

Three members constitute a quorum, not a majority, and only three affirmative votes are necessary to adopt a motion or resolution. It appears they could pass an action even if a majority (4 others) voted no.

COMMENT: Is allowing a quorum of less than a majority and affirmative action by less than a majority "legal" or desirable? It is suggested that public members might be considered.

Tax-exempt revenue bonding ability under IRS regulations should be further researched as the present constitution of the board includes two members of the legislature and the lieutenant governor; elected v. appointment powers of the governor. Whether elected and appointed officials can serve in the desired manner under Alaska case law should be researched also.

Sec. 250 The authority may employ an executive director who may, with authority consent, employ staff as necessary. All are under the exempt service. The authority may obtain additional contract services of bond counsel, consultants, experts, financial advisors, etc. considered necessary.

Sec. 260 Legal counsel to the authority is the attorney general.

Sec. 270 General powers of the authority are delineated in Sec. 270. They include the normal powers such an authority might have. Certain sections require particular note and should be thoroughly explored to avoid possible problems.

ANALYSIS/COMMENT

1. Sec. 270(9) grants the authority rights "to enter upon land, waters, or premises which, in the judgment of the authority, may be necessary or convenient for the purpose of making surveys, soundings, borings and examinations to accomplish a corporate purpose."

April 17, 1980

Sec. 270(18) further allows "to do all things necessary or convenient to carry out the purposes of this chapter or the powers expressly granted or necessarily implied (emphasis provided) in this chapter."

The combination of the above raises the issue whether normal compliance with other state regulatory requirements is incumbent on the authority, ie. such as entry permits, environmental restrictions, etc. Possible conflicts should be addressed in the bill to avoid problems later. Broad latitude is seemingly granted.

2. Sec. 270(12) states, "to assist the commissioner of natural resources in the disposition of natural gas liquids, and to receive on behalf of the state revenues derived from the sale or other disposition of natural gas liquids transmitted through the project, to assist the commissioner of revenue through the receipt of revenues for other natural gas liquids and for royalty oil revenues (emphasis provided) as the commissioner of revenue may consider necessary and appropriate;"

Sec. 44.55.270(17) states, "to invest money of the authority in the same manner as permitted for investment of money belonging to the state or held in the treasury, except as otherwise provided by this chapter and subject to agreements with bondholders;"

The above in combination with subsection 18, appears to allow the receipt of royalty oil revenues and other state revenues not related to specific project financing be collected by the authority and to invest those revenues without direct pass through to the state. In effect, state income is collected, held and invested by other than a state agency. The collection of line charges, rates for bondholders security is not questioned. But general state resource revenue, collected and held by another corporate instrumentality has distinct problems.

Also, conflict with the Permanent Fund bill, which requires a portion of royalties to go to it, is evident, should the authority secure royalty revenues.

Sec. 280 The authority is granted full rights allowed under eminent domain for land acquisition in addition to any other methods under which it could acquire land.

Sec. 290 Sec. 290 allows the authority to issue bonds and notes for authority purposes. Repayment provisions include in subsection (a) that "The principal and interest on the bonds or notes are payable from the income or other money derived by the authority with respect to the project,..."(emphasis provided) Further, subsection (b) includes, in part, "The bonds and notes issued by the authority do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, but are payable solely from the income or other money of the authority." (emphasis provided)

COMMENT: With (1)Sec. 270(12), 270(17) allowing collection of state revenues and royalties derived from the sale of natural gas liquids transmitted through the project by the authority and further investment of such money; (2) the authority has the ability to use "other" funds in custody to pay bond principal and interest as contained in 290(a), 290(b). The combination appears to allow invasion of state revenues in authority custody as security for bond holders. Presumably this was not the intent. If not, more precise language is felt necessary.

Sec. 310 Similar problems are in evidence in the refunding section as contained on Page 7, lines 15 and 16 of the draft as to the refunding use "with other available money."

Sec. 330 The property of the authority is exempt from taxes, fees, etc. as to the state and all political subdivisions no matter how defined. Bonds and notes are exempt from state taxation.

Sec. 340 A long list of includable covenants for trust indentures and agreements is included.

ANALYSIS/COMMENT

Subsections (1), (2) allow the assignment of revenue of the authority, a normal condition, but to include revenues derived from sale of natural gas liquids, free of any royalty encumbrance to which the state is entitled. The previous concerns over allowable, collectable state revenues as to rents/royalties are again evident here.

Sec. 350 The authority can purchase its bonds and notes out of any of its funds.

Sec. 360 Revenues allowed are defined in Sec. 360. Defined purposes for which revenue may be charged include the normal operating purposes of such an authority.

COMMENT: 1. In 360(a), (line 22, of the draft), "other revenues, if any" are allowed to be included to pay for authority purposes as defined in (a)(1), (2), (3).

2. Subsection (b) states, "Fees and charges fixed under this section are not subject to supervision or regulation by a department, commission, board, or agency of the state other than the authority."

This section clearly provides for no oversight. No review by the public utilities commission, etc. is possible. (An audit of financial records is allowed by legislative audit or CPA approved by them.)

Sec. 370 The authority is allowed to set up those funds it considers necessary. "All money received by the authority under this chapter (emphasis provided) are trust funds to be held and applied solely as provided in this chapter."

April 17, 1980

COMMENT: Since the state revenues and royalties from sale and disposition of the gas liquids are allowed to be received by the authority, this section also sets a trust responsibility over these state revenues in the hands of the authority. The "all funds" may need some clarification.

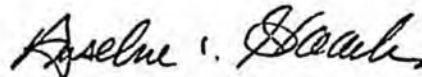
Sec. 380,390 Segregation of monies for bond payments and default remedies are specified.

Sec. 400 The section specifies, "Officers, departments, boards, agencies, divisions and commissions of the state shall render services to the authority which may be requested by the authority." Cooperation is necessary in order to accomplish the purposes of the authority. The "shall" criterion presumably creates no preemptory right of call on the services of affected employees as the services to be performed are at the discretion of the authority.

Sec. 410,420 An annual report is required each year as to authority operations. The legislative auditor or designated acceptable CPA provides an annual audit.

GENERAL COMMENTS

1. The authority does not appear to be subject to the Administrative Procedures Act.
2. The authority is not subject to Executive Budget Act.



Anselm C. Staack, Treasury Comptroller
Department of Revenue, Treasury Division
465-2351
April 17, 1980

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

SB 545

I. REQUEST

SENATE BILL No. 545
 Bill/Resolution No. _____
 Title An Act establishing the Alaska Gas Liquif's Authority and repealing the
~~Alaska Gas Pipeline Financing Authority~~ _____ Date 4/7/80
 Requested by Senate Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected Treasury Management
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Authority has ability to hire director and staff. Can incur costs necessary to carry out purposes of law. Authority can specify fees, charges, etc. to cover expenses. Legislation also specifies that it will cover those costs of State agencies when incurred on behalf of the Authority.

Direct fiscal impact is indeterminate as some start-up funds may be necessary until Authority is in full operation.

IV. DATE April 21, 1980 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 PHONE 465-2351
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

BILL ANALYSIS

Senate Bill No. 545 (4/3/80), House Bill No. 993 (4/7/80)

This bill establishes the Alaska Gas Liquids Authority, repeals authorizing legislation for the Alaska Gas Pipeline Financing Authority. It is basically a financing mechanism. It is a public corporation within the Alaska Department of Revenue but maintains a separate, independent/legal existence.

Sec. 220,230 There are seven Authority members which include the lieutenant governor, the speaker of the house of representatives, the president of the senate, and the commissioners of revenue, commerce and economic development, natural resources and transportation and public facilities. The lieutenant governor is the designated chairman.

Three members constitute a quorum, not a majority, and only three affirmative votes are necessary to adopt a motion or resolution. It appears they could pass an action even if a majority (4 others) voted no.

COMMENT: Is allowing a quorum of less than a majority and affirmative action by less than a majority "legal" or desirable? It is suggested that public members might be considered.

Tax-exempt revenue bonding ability under IRS regulations should be further researched as the present constitution of the board includes two members of the legislature and the lieutenant governor; elected v. appointment powers of the governor. Whether elected and appointed officials can serve in the desired manner under Alaska case law should be researched also.

Sec. 250 The authority may employ an executive director who may, with authority consent, employ staff as necessary. All are under the exempt service. The authority may obtain additional contract services of bond counsel, consultants, experts, financial advisors, etc. considered necessary.

Sec. 260 Legal counsel to the authority is the attorney general.

Sec. 270 General powers of the authority are delineated in Sec. 270. They include the normal powers such an authority might have. Certain sections require particular note and should be thoroughly explored to avoid possible problems.

ANALYSIS/COMMENT

1. Sec. 270(9) grants the authority rights "to enter upon land, waters, or premises which, in the judgment of the authority, may be necessary or convenient for the purpose of making surveys, soundings, borings and examinations to accomplish a corporate purpose."

Sec. 270(18) further allows "to do all things necessary or convenient to carry out the purposes of this chapter or the powers expressly granted or necessarily implied (emphasis provided) in this chapter."

The combination of the above raises the issue whether normal compliance with other state regulatory requirements is incumbent on the authority, ie. such as entry permits, environmental restrictions, etc. Possible conflicts should be addressed in the bill to avoid problems later. Broad latitude is seemingly granted.

2. Sec. 270(12) states, "to assist the commissioner of natural resources in the disposition of natural gas liquids, and to receive on behalf of the state revenues derived from the sale or other disposition of natural gas liquids transmitted through the project, to assist the commissioner of revenue through the receipt of revenues for other natural gas liquids and for royalty oil revenues (emphasis provided) as the commissioner of revenue may consider necessary and appropriate;"

Sec. 44.55.270(17) states, "to invest money of the authority in the same manner as permitted for investment of money belonging to the state or held in the treasury, except as otherwise provided by this chapter and subject to agreements with bondholders;"

The above in combination with subsection 18, appears to allow the receipt of royalty oil revenues and other state revenues not related to specific project financing be collected by the authority and to invest those revenues without direct pass through to the state. In effect, state income is collected, held and invested by other than a state agency. The collection of line charges, rates for bondholders security is not questioned. But general state resource revenue, collected and held by another corporate instrumentality has distinct problems.

Also, conflict with the Permanent Fund bill, which requires a portion of royalties to go to it, is evident, should the authority secure royalty revenues.

Sec. 280 The authority is granted full rights allowed under eminent domain for land acquisition in addition to any other methods under which it could acquire land.

Sec. 290 Sec. 290 allows the authority to issue bonds and notes for authority purposes. Repayment provisions include in subsection (a) that "The principal and interest on the bonds or notes are payable from the income or other money derived by the authority with respect to the project,..."(emphasis provided) Further, subsection (b) includes, in part, "The bonds and notes issued by the authority do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, but are payable solely from the income or other money of the authority." (emphasis provided)

COMMENT: With (1)Sec. 270(12), 270(17) allowing collection of state revenues and royalties derived from the sale of natural gas liquids transmitted through the project by the authority and further investment of such money; (2) the authority has the ability to use "other" funds in custody to pay bond principal and interest as contained in 290(a), 290(b). The combination appears to allow invasion of state revenues in authority custody as security for bond holders. Presumably this was not the intent. If not, more precise language is felt necessary.

Sec. 310 Similar problems are in evidence in the refunding section as contained on Page 7, lines 15 and 16 of the draft as to the refunding use "with other available money."

Sec. 330 The property of the authority is exempt from taxes, fees, etc. as to the state and all political subdivisions no matter how defined. Bonds and notes are exempt from state taxation.

Sec. 340 A long list of includable covenants for trust indentures and agreements is included.

ANALYSIS/COMMENT

Subsections (1), (2) allow the assignment of revenue of the authority, a normal condition, but to include revenues derived from sale of natural gas liquids, free of any royalty encumbrance to which the state is entitled. The previous concerns over allowable, collectable state revenues as to rents/royalties are again evident here.

Sec. 350 The authority can purchase its bonds and notes out of any of its funds.

Sec. 360 Revenues allowed are defined in Sec. 360. Defined purposes for which revenue may be charged include the normal operating purposes of such an authority.

COMMENT: 1. In 360(a), (line 22, of the draft), "other revenues, if any" are allowed to be included to pay for authority purposes as defined in (a)(1), (2), (3).

2. Subsection (b) states, "Fees and charges fixed under this section are not subject to supervision or regulation by a department, commission, board, or agency of the state other than the authority."

This section clearly provides for no oversight. No review by the public utilities commission, etc. is possible. (An audit of financial records is allowed by legislative audit or CPA approved by them.)

Sec. 370 The authority is allowed to set up those funds it considers necessary. "All money received by the authority under this chapter (emphasis provided) are trust funds to be held and applied solely as provided in this chapter."

April 17, 1980

COMMENT: Since the state revenues and royalties from sale and disposition of the gas liquids are allowed to be received by the authority, this section also sets a trust responsibility over these state revenues in the hands of the authority. The "all funds" may need some clarification.

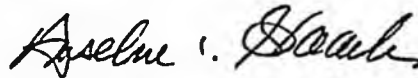
Sec. 380,390 Segregation of monies for bond payments and default remedies are specified.

Sec. 400 The section specifies, "Officers, departments, boards, agencies, divisions and commissions of the state shall render services to the authority which may be requested by the authority." Cooperation is necessary in order to accomplish the purposes of the authority. The "shall" criterion presumably creates no preemptory right of call on the services of affected employees as the services to be performed are at the discretion of the authority.

Sec. 410,420 An annual report is required each year as to authority operations. The legislative auditor or designated acceptable CPA provides an annual audit.

GENERAL COMMENTS

1. The authority does not appear to be subject to the Administrative Procedures Act.
2. The authority is not subject to Executive Budget Act.



Anselm C. Staack, Treasury Comptroller
Department of Revenue, Treasury Division
465-2351
April 17, 1980

*For Gary Perka
Re SB 545*



STATE OF ALASKA

EARTH RESOURCES COMPANY OF ALASKA

COMPLETE PROPOSAL FOR

A

STATE OF ALASKA

NATURAL GAS AND GAS LIQUIDS AUTHORITY

WHICH WILL

OWN, DESIGN, CONSTRUCT AND OPERATE

THE ALASKA NORTH SLOPE NATURAL GAS

CONDITIONING FACILITY

AND

NATURAL GAS LIQUIDS DISTRIBUTION SYSTEM

AND AN ACTION PROGRAM

FOR THE STATE TO REALIZE

IT'S OPPORTUNITY

February 6, 1980

EARTH RESOURCES COMPANY OF ALASKA

Proposal for

A STATE OF ALASKA NATURAL GAS AND GAS
LIQUIDS AUTHORITY WHICH WILL OWN, DESIGN,
CONSTRUCT AND OPERATE THE ALASKA NORTH
SLOPE NATURAL GAS CONDITIONING FACILITY
AND NATURAL GAS LIQUIDS DISTRIBUTION SYSTEM

February 6, 1980



Earth Resources Company of Alaska

1001 NOBLE, FAIRBANKS, ALASKA 99701

907/456-ERCA

February 6, 1980

The Honorable Thomas K. Williams
Chairman - Alaska Gas Pipeline Financing Authority
Alaska Department of Revenue
Pouch S
Juneau, Alaska 99811

Dear Commissioner Williams:

Earth Resources Company of Alaska (ERCA) is pleased to submit herewith its Proposal to expedite the accomplishment of the State of Alaska's goal of financing, owning and controlling a gas conditioning system for North Slope gas, and to deliver natural gas liquids as feedstock to in-state petrochemical industry plant sites.

This Proposal sets forth a step-by-step program for a Project attaining that goal. The Action Plan outlined will effectively demonstrate the serious intent of Alaska to develop a petrochemical industry. Through this Plan, Alaska's economy will be enhanced, and the petrochemical industry sought by Alaska will become a reality.

We look forward to meeting with you and the other members of the Authority in the near future to discuss the Proposal.

Sincerely,

EARTH RESOURCES COMPANY OF ALASKA

John L. Seawell, President

T A B L E O F C O N T E N T S

INTRODUCTION

- I. EXECUTIVE SUMMARY
- II. RATIONALE FOR THE PROJECT
 - A. GENERAL
 - B. OPPORTUNITY
 - C. BENEFITS
 - D. OPERATION OF THE AUTHORITY
- III. PROPOSED ACTION BY THE STATE
 - A. NEW LEGISLATION
 - B. STUDY AUTHORIZATION
- IV. PROJECT PHASING
 - A. PHASE I - SYSTEM/SITE STUDY
 - B. PHASE II - DEFINITIVE PLANNING/FINANCIAL AND LEGAL DETERMINATIONS
 - C. PHASE III - ENGINEERING, PROCUREMENT, CONSTRUCTION AND COMMISSIONING
 - D. PHASE IV - OPERATIONS
- V. EARTH RESOURCES COMPANY OF ALASKA
 - APPENDICES
 - A. PROPOSED AUTHORITY STATUTE
 - B. MEMORANDUM CONCERNING TAX-FREE STATUS OF BONDS
 - C. EARTH RESOURCES COMPANY ANNUAL REPORT 1979

I N T R O D U C T I O N

For more than two years, Earth Resources Company of Alaska (ERCA) has been investigating the technical and economic feasibility of establishing a petrochemical industry in Alaska, based on natural gas liquids extracted from the associated natural gas produced at Alaska's North Slope. Based on its positive findings, ERCA published a Position Paper on February 1, 1979 entitled, Opportunities to Maximize Alaska's Benefits from the Design of the Natural Gas Pipeline and Location of the Conditioning Facilities.

Until now, Alaska has been precluded from realizing the full benefits of its natural gas resource, and the nation has been denied access to a major energy resource through the inability of Northwest Pipeline to secure a financial package for the pipeline. Through the efforts of the Department of Energy, an accommodation may shortly be reached between Northwest Pipeline, the State of Alaska and the North Slope producers regarding the payment of gas conditioning costs and other areas of responsibility to be assumed.

The State of Alaska, recognizing the coincidence of national goals with its own, has indicated its willingness to participate in the Alaska Natural Gas Transportation System (ANGTS) project through revenue bond funding of the gas conditioning facility, provided that access to natural gas liquids in a quantity sufficient for in-state petrochemical development is attained.

The State has defined, over the last calendar year, through a Governor's Task Force, that petrochemical development in Alaska is desirable and the State should utilize its royalty position to secure this industry and resultant economic good for the State.

In its continuing effort to assist the State in realizing the full benefits accruing from the completed Northwest Pipeline, ERCA has developed an Action Plan for use by the State, and hereby submits this Proposal.

This Proposal outlines a step-by-step plan offering a solution to the following problems: a) Timely construction of the Alaska North Slope Natural Gas Conditioning Facility and Natural Gas Liquids Distribution System (Project), b) The facilitating of the State of Alaska's financial participation in the ANGTS and, c) enabling the delivery of natural gas liquids (NGL's) to its in-state petrochemical industry.

A key element described by this Proposal is a proposed successor to the present Alaska Gas Pipeline Financing Authority (Authority), specifically designed for the Project, to be established by the Alaska Legislature during the 1980 session. The successor Authority would finance, construct, own, and arrange for the management and operation of the Project. Careful attention to the Authority's structure and operation is necessary to secure tax exempt bonding. To begin discussion, a preliminary statute draft is given in Appendix A,

a memorandum relating to the tax considerations surrounding the issuance of the Authority's bonds, prepared by a nationally recognized bond counsel, is contained in Appendix B. The draft statute of the proposed Authority and the tax memorandum are contributed herein for the State's use and consideration. It is recommended that the Act creating the Alaska Gas Liquids Authority be introduced as legislation at the earliest possible date.

The Proposal provides for project management services to be provided by ERCA under contract to the Authority. A single contract consolidating all required project management services and related responsibilities, from inception through operation, provides a simplified mechanism for the State's Administration and control of the Project through the Authority. ERCA stands ready to aid the Authority.

The Project financing and Phase I management concepts described in this Proposal have been developed by ERCA with the assistance of its own consultants. The interests of the State will be best served if a thorough and deliberate search is made for execution contractors for each, or a portion thereof, of all of the Project phases described herein. Requests for proposals (RFP's) developed and managed by ERCA will be issued and awarded by the Authority. This will maintain for the State the greatest latitude of options in the selection of execution contractors, and will provide the greatest cost savings to the Authority's administrative operations while seeking the best available

talent.

ERCA does not intend to participate as an execution contractor in any portion of Phases I, II, or III. ERCA will, therefore, be free of any conflict of interest that would attend a project manager wishing to engage in the actual engineering design work.

Under its proposed single management contract with the Authority, ERCA will secure and monitor all of the resources and work needed for the construction of the Project, and will operate it upon completion. ERCA proposes to undertake all of the functions of staff to the existing Alaska Gas Pipeline Financing Authority and to the successor Authority proposed herein.

I. EXECUTIVE SUMMARY

It is proposed that an Authority of the State (Authority) construct, own and operate a North Slope Gas Conditioning Facility and Natural Gas Distribution System(Project). It is also proposed that the Project be 100% financed through the issuance of the Authority's tax exempt revenue bonds. The bonds will be repaid from the revenues of the Project, and may be further supported through the Authority's collection of royalty gas/gas liquids revenues on behalf of the State.

The Project will facilitate the completion of the Northwest Pipeline project through the State's participation in financing, and will reduce the cost of conditioning the North Slope produced natural gas through a tax exempt status of the financing. In addition, it will enable the State to utilize the natural gas liquids (NGL's) extracted from the North Slope gas to promote a petrochemical industry in Alaska by providing natural gas liquid (NGL) delivery to plant sites.

It will be necessary for the Alaska State Legislature to amend the existing Alaska Gas Pipeline Financing Authority statutes to create a successor Authority with powers and duties specifically addressing the Project. To enable the Authority to develop a defensible legal opinion on the status of the Authority's tax free bonds, this Proposal offers a carefully developed proposed format of the Authority's operations.

Earth Resources Company of Alaska (ERCA) offers its capabilities to provide overall Project management services to the State of Alaska through the Authority, in the Authority's securing of studies, engineering, financing, procurement, construction and operation of the Alaska North Slope Natural Gas Conditioning Facility and Natural Gas Liquids Distribution System. ERCA is prepared to assist the Authority across the full range of actions necessary to implement its purposes, including obtaining the necessary financing through a bond issue of the Authority.

The Project would be implemented in four phases as follows:

- A. Phase I - System/Site Study
- B. Phase II - Definitive Planning/Financial and Legal Determinations
- C. Phase III - Engineering, Procurement, Construction, and Commissioning
- D. Phase IV - Operation

The early completion of a definitive and defensible system/site study is essential to the success of the State's goals. The Proposal recommends that the Authority initiate this Project by authorizing ERCA to proceed with the Authority's implementation of the Phase I study.

This would comply with the urgency expressed in the President's Decision regarding completion of the Alaska Natural Gas Transportation System.

As a first step, ERCA is prepared to immediately receive comments on

the parameters of system/site study, as outlined in this Proposal,
from all of the principals.

II. RATIONALE FOR THE PROJECT

A. GENERAL

In a press release on January 14, 1980, the Governor of Alaska announced that the State intends to consider financing a Natural Gas Conditioning Facility to enable the people of Alaska to secure the benefits attending completion of the Alaskan portion of the ANGTS.

The discovery of oil at Prudhoe Bay in 1969 revealed the presence of approximately 26 trillion cubic feet of recoverable associated natural gas and natural gas liquids. Since the production of oil began in 1977, this gas has been reinjected into the gas cap. The ANGTS has been conceived to transport this gas through Alaska, Canada and into the lower 48 states of the United States by pipeline. The President's Decision approving the concept of the Alaskan Natural Gas Transportation System mandates a flow of marketable gas of 2.0 billion cubic feet per day to the lower 48 United States with a possibility of a larger flow as reservoir conditions and pipeline capacities permit. The State of Alaska has a 12.5% royalty share of the hydrocarbons produced at Prudhoe Bay.

The associated gas contains significant quantities of carbon

dioxide, natural gas liquids, and minor quantities of sulfur compounds. Because of this, it must be determined whether conditioning will be more desirable at Prudhoe Bay prior to gas transmission in the ANGTS, or at an Interior location with gas and NGL's transported in the ANGTS to the Interior, or whether some other combination is desirable.

A Federal Energy Regulatory Commission (FERC) ruling of August 6, 1979 has approved an application by Alaska Northwest Natural Gas Transportation Company (Northwest) to construct a 1260 psig, 48-inch section of pipeline from Prudhoe Bay to the Canadian Border. In a subsequent appeal by ERCA and the State of this ruling (which precludes conditioning at an Interior site), the U.S. Court of Appeals recognized that the Federal Energy Regulatory Commission (FERC) would consider an alternate proposal for a higher operating pressure upon new application by Northwest. If an alternate higher pressure were requested and approved, either a conditioning facility location in the Interior would be possible or a greater amount of the natural gas liquids could be transported to the Interior for extraction. In the case of operation at 1260 psig, the majority of the natural gas liquids could be removed at Prudhoe Bay and shipped by separate pipeline to the railbelt area of the State.

As a part of the State of Alaska's continuing efforts to expand the economy, the State is seriously interested in fostering a petrochemical industry, and is creating a climate to encourage proposals from the

major companies in the industry. Availability plus delivery of the natural gas liquids will be a necessary requirement to develop the petrochemical industry.

B. OPPORTUNITY

An opportunity exists for an Authority of the State to own and operate a Natural Gas Conditioning Facility and Natural Gas Liquids Distribution System (Project), at the appropriate location(s).

This Project will:

- (1) Condition North Slope gas for delivery to the Northwest Pipeline. This service will be provided to all participants in the Alaska portion of the ANGTS.
- (2) Extract the natural gas liquids and transport these for feedstock for a petrochemical industry and to other users.
- (3) Extract and deliver the pentanes and heavier (C₅+) gas liquids to the crude oil producers for shipment in the Trans Alaska Pipeline System (TAPS) or for sale to others.
- (4) Acquire surplus NGL's for delivery to petrochemical plant sites within Alaska and other markets. As a result, the

nation, as a whole, will attain the use of a critical energy source.

C. BENEFITS

This comprehensive Proposal supports the purposes of the Alaska Gas Pipeline Financing Authority by capturing for Alaskans some of the benefits inherent in the trillions of BTU's annually flowing through Alaska and leaving the State, and at the same time it advances the nation's energy policy. The Project will be the foundation for other industries and the key to the following immediate and/or potential long-term developments:

- (1) The cost of conditioning North Slope-produced natural gas will be significantly reduced because of the tax-exempt bond financing.
- (2) Overall natural gas transportation system financing will be enhanced by the indication to the financial community that the State of Alaska is willing to share the financing risk. At the same time, the State's participation does not result in a drawdown of either the State's General or Permanent Funds.
- (3) As discussed earlier in this Proposal, the direct and primary benefit resulting from the Project will be the development of

a petrochemical industry in Alaska.

- (4) A direct consequence of the development of a petrochemical industry will be the development of a variety of peripheral industries.
- (5) The growth of these industries in the state will increase the industrial tax base for the State of Alaska.
- (6) The growth of these industries in Alaska will increase the diversity of Alaskan markets for goods and services produced by Alaskans.
- (7) All transportation networks in the State, including water, air, rail, and highway systems will benefit from the development of the new industries.
- (8) The Alaska construction industry will grow and be further diversified.
- (9) Depending on the site location(s) for the gas conditioning facilities and of the petrochemical industry, there is a possibility of significant growth of the Alaskan coal production industry.
- (10) Development of the petrochemical and peripheral industries

would have a positive effect on the Alaskan economy and social systems through stabilization of the employment level.

- (11) Depending on the site location(s) and process economics for the gas conditioning facilities, there is potential for energy conservation and reduced energy costs through the co-generation of electrical power using waste heat from the conditioning process.
- (12) The availability of natural gas liquids in the Interior of Alaska will provide a new, lower-cost energy source to satisfy both domestic and industrial requirements.

D. OPERATION OF THE AUTHORITY

The operation of the Gas Conditioning Facility and Distribution System by the Authority will provide a key link in the ANGTS which will not be able to operate without this service. The conditioning facility must begin operation concurrently with the ANGTS.

Under this Proposal the Authority will operate under the direction of a Board of Directors composed of the Commissioner of Natural Resources, Commissioner of Commerce and Economic Development, Commissioner of Transportation and Commissioner of Revenue. The Commissioner of Revenue will be Chairman of the Board.

The Authority will have an Executive Director and necessary staff to conduct its business, plus limited powers of eminent domain and subpoena. It will construct and operate its facilities by means of long-term management contracts. ERCA seeks a long-term contract (20 years) for this service, subject to cancellation by either party, upon two (2) years notice. This is important to financial interests in that it secures a continuous long-term operation of the Authority's facilities.

The Authority, an entity of the State operating for the public good, will, in all likelihood, be able to secure a 100% tax-free bond financing. This aspect secures significant savings for the users of services of the Authority.

Due to the magnitude of the bond issue required to finance the Project, an opinion from the Internal Revenue Service on the tax-free status of the bond issue should be essential. The Authority should seek this opinion as expeditiously as possible. Based on counsel's memo, an adverse ruling is not likely. This memorandum is attached as Appendix B. Alternatively, the Authority could approach Congress to have the system be declared an exempt facility.

The Authority will collect, on behalf of the State, payments for the State's royalty gas and gas liquids and negotiate trades of agreements to secure adequate gas liquids for in-state petrochem-

ical development. In addition, the Authority will collect service fees to meet its contractual staff and operations expenses, debt retirement, and to secure a rate of return per regulatory guidelines (i.e. Department of Energy (DOE) and/or FERC). Funds surplus to these obligations will be deposited in the State's General Fund. A portion of the revenue derived from the sale of the State's royalty oil would further support the bond issue as the guarantee. In this manner, adequate coverage of the debt retirement will be demonstrated to the bond market.

The service fees discussed above may be subject to FERC review for the part of conditioning costs borne by the gas liquids. Further, the service costs associated with transportation of the gas liquids may be subject to DOE review. The Authority should seek clarification on these issues from the appropriate agency. The national urgency for construction of the ANGTS will aid in securing necessary opinions and review.

The FERC has prepared an environmental impact statement for a conditioning facility located at the North Slope. The Authority may have the responsibility of preparing such a statement(s) for those parts of the system different from either of the previous conditioning and ANGTS environmental impact statements.

The Authority would be custodian of the gas and gas liquids on behalf of the State. (i.e. It would not have title, except for those gas

liquids surplus to trades made with royalty methane and which surplus is needed for petrochemical feedstocks, or are surplus at the point of conditioning in which case the Authority may purchase them for resale.)

The full development of a petrochemical industry from these resources will take time. It is anticipated that gas liquids not used in petrochemicals at the time ANGTS operations are started will be marketed as fuel stocks at tidewater until needed for petrochemical feedstocks. The magnitude of the available natural gas liquids feedstock is sufficient to support four to six world-scale petrochemical complexes in Alaska. Alaska may see a number of different companies operating from this one feedstock.

The Authority will not interfere with existing functions of the Alaska Royalty Oil and Gas Development Advisory Board nor the mandate of the Commissioner of Natural Resources to secure the best contracts for development of the State's royalty resources.

One of the Authority's first tasks will be to determine the best siting of the conditioning facility and system configuration. Serious questions have arisen with regard to the best engineering/economic/operations location for the conditioning facility. No one entity to date has adequately addressed these complex issues. Their early resolution, in a carefully designed study, is essential to assure that the final facility location and configuration is optimum.

III. PROPOSED ACTION BY THE STATE OF ALASKA

For the State of Alaska to secure the benefits outlined above and participate in the ANGTS, certain actions are needed. They are delineated below.

A. LEGISLATIVE/ADMINISTRATIVE ACTION

The Proposal contemplates that a successor to the Alaska Gas Pipeline Financing Authority (AGPFA) will be the State agency which will own and operate the gas conditioning facility and natural gas liquids distribution system. The AGPFA statute defined the intent of the State of Alaska with respect to its participation in the ANGTS. The State's intent has changed from an AGPFA. A new and different Authority is needed which recognizes the State's new position in the ANGTS, and optimizes Alaskan petrochemical industry development. The suggested name of the new Authority is the Alaska Gas Liquids Authority.

For purposes of initiating legislative discussion, a carefully developed Authority statute, prepared by counsel, is included as Appendix A. This draft statute includes the following points:

1. Legislative findings and determinations of public policy to

support the acquisition, construction and operation of the Project.

2. Creation of the Authority and provisions for the governing of the Authority including the power of appointment of staff members. The Attorney General is designated as the legal counsel for the Authority.
3. Provisions setting forth powers necessary for the Project including the power to acquire land by the exercise of the power of eminent domain.
4. Provisions for the issuance of bonds to mature no later than forty (40) years from the date of issuance and for the securing of the bonds, including the power to pledge amounts derived from the sale of natural gas liquids.
5. Permission for various institutions to invest in obligations of the Authority.
6. The Authority is given an exemption from property taxes.

B. STUDY AUTHORIZATION

Timing is critical. The President has identified the ANGTS Project as a priority in his energy program. Prompt action is required to