

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3228

1           (2) other provisions of AS 42.40 in existence before the enactment of this Act  
2 be similarly construed to complement the provisions of this Act.

3       \* Sec. 2. AS 42.40 is amended by adding a new section to article 7 to read:

4           **Sec. 42.40.570. Kenai gasification project.** (a) The corporation may  
5 participate in a project consisting of the acquisition, construction, improvement,  
6 maintenance, equipping, and operation of real and personal property, including  
7 facilities and equipment for the transportation of coal from Healy to the northern  
8 Kenai Peninsula, and facilities and equipment for coal gasification and electrical  
9 power generation adjacent to the Agrium fertilizer plants in the northern Kenai  
10 Peninsula.

11           (b) The corporation may participate in a project consisting of the acquisition,  
12 construction, improvement, maintenance, equipping, and operation of real and  
13 personal property, including facilities and equipment, for the transportation of coal by  
14 rail from Healy to Port MacKenzie and thereafter by barge to the northern Kenai  
15 Peninsula.

16           (c) The corporation may finance all or a portion of the projects described in (a)  
17 and (b) of this section through the issuance of its bonds.

18       \* Sec. 3. AS 42.40.630 is amended by adding a new subsection to read:

19           (c) Before issuing bonds to provide the financing described in AS 42.40.570  
20 for real or personal property to be owned in whole or in part by an entity other than the  
21 corporation, the corporation shall enter into one or more contracts, leases, or other  
22 forms of agreement that will, in the judgment of the corporation, provide sufficient  
23 consideration to

24           (1) pay the principal of and interest on the bonds as they become due;

25           (2) create and maintain any reserves for the bond payments that the  
26 corporation considers necessary or desirable; and

27           (3) pay all costs necessary to issue, service, or additionally secure the  
28 bonds, including trustee's fees and bond insurance premiums, unless these costs are to  
29 be paid from bond proceeds or by a party other than the corporation.

30       \* Sec. 4. AS 42.40.695 is amended to read:

31           **Sec. 42.40.695. Public purpose of bonds.** Bonds of the corporation issued to

1 finance facilities described in AS 42.40.550 and AS 42.40.560 and bonds of the  
 2 corporation issued to finance the acquisition, construction, improvement,  
 3 maintenance, equipping, and operation of real and personal property, including  
 4 facilities and equipment, described in AS 42.40.570 [AS 42.40.550] are issued by a  
 5 public corporation and an instrumentality of the state for an essential public and  
 6 governmental purpose.

7 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
 8 read:

9 LEGISLATIVE AUTHORIZATION AND APPROVAL. (a) Subject to the  
 10 requirements of AS 42.40.630(c), enacted by sec. 3 of this Act, the Alaska Railroad  
 11 Corporation is authorized to issue bonds under the power granted to it in AS 42.40.250 to  
 12 participate in and finance all or a portion of the Kenai gasification project, including the  
 13 acquisition, construction, improvement, maintenance, equipping, and operation of real and  
 14 personal property, including facilities and equipment, for the transportation of coal by rail  
 15 from Healy to the northern Kenai Peninsula and facilities and equipment for coal gasification  
 16 and electrical power generation adjacent to the Agrium fertilizer plants in the northern Kenai  
 17 Peninsula, and associated costs, including, without limitation, reserves for debt service and  
 18 capitalized interest, if necessary or appropriate, and costs of issuance. The maximum principal  
 19 amount of bonds that the Alaska Railroad Corporation may issue under this section is  
 20 \$2,900,000,000, of which

21 (1) not more than \$2,600,000,000 of bonds may be issued for the project  
 22 described in AS 42.40.570(a); and

23 (2) not more than \$300,000,000 of bonds may be issued for the project  
 24 described in AS 42.40.570(b).

25 (b) The Alaska Railroad Corporation may issue the bonds authorized by (a) of this  
 26 section in a single issuance or in several issuances, without limitation as to number of  
 27 issuances or timing, and as the Alaska Railroad Corporation determines best furthers the  
 28 purpose of financing the Kenai gasification project and related real and personal property,  
 29 including facilities and equipment described in this section. The Alaska Railroad Corporation  
 30 shall negotiate with Agrium U.S., Inc., or with one or more other entities as the Alaska  
 31 Railroad Corporation considers appropriate, and shall enter into agreements with those

1 entities or one or more other entities to provide revenue sufficient to accomplish the purposes  
2 described in AS 42.40.630(c), enacted by sec. 3 of this Act. In no event shall the general  
3 credit of the state be pledged for the repayment of these bonds.

4 (c) This authorization extends to bonds issued to refund the bonds authorized in this  
5 Act. The principal amount of the bonds authorized in this Act may be increased in an issue of  
6 refunding bonds in an amount equal to the costs of refunding if the refunding is undertaken to  
7 achieve debt service savings.

8 (d) This section constitutes the approval required by AS 42.40.285 for the issuance of  
9 the bonds described in this section.

10 (e) In this section, "bonds" means bonds, bond anticipation notes, notes, refunding  
11 bonds, or other obligations.

12 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 **TERMINATION OF AUTHORITY FOR KENAI GASIFICATION PROJECT**  
15 **BONDS; ISSUED BONDS VALID.** (a) The authorization described in sec. 5(a)(2) of this Act  
16 to issue bonds of the Alaska Railroad Corporation under AS 42.40.570(b) terminates June 30,  
17 2012.

18 (b) The authorization described in sec. 5(a)(1) of this Act to issue bonds of the Alaska  
19 Railroad Corporation under AS 42.40.570(a) terminates June 30, 2015.

20 (c) Notwithstanding the termination of the authorizations made by (a) and (b) of this  
21 section, bonds of the Alaska Railroad Corporation that are issued not later than the respective  
22 termination dates set out in (a) and (b) of this section are valid and binding obligations of the  
23 corporation under AS 42.40.670.

24 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/8/07

FURTHER:

REPORTED OUT  
MAY 10 2007  
SENATE FINANCE COMMITTEE

DATE TURNED IN TO OFFICE: 10 May 2007

Finance Committee considered HOUSE BILL NO. 229 am

## HB 229 KENAI GASIFICATION PROJECT; RAILROAD BOND

"An Act authorizing the Alaska Railroad Corporation to participate in a project consisting of the acquisition, construction, improvement, maintenance, equipping, or operation of real and personal property, including facilities and equipment, for the Kenai gasification project and Port MacKenzie rail link, authorizing the corporation to issue bonds to finance all or a portion of the project, and identifying these as bonds for an essential public and governmental purpose; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS HB 229 (FIN)
- adopt previous  SCS or  CS CS forthcoming
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

**SENATE BILL:**  
 Same Title  
 New Title

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**HOUSE BILL:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

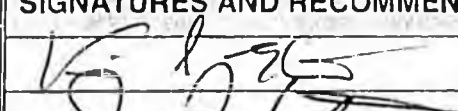

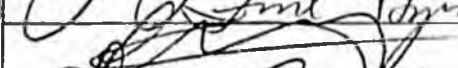
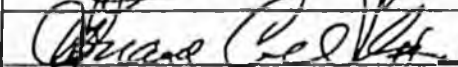

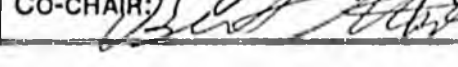

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Elton			✓	
	Thomas			✓	
	Dyson			✓	
	Huggins	✓			
	Olson			✓	
CO-CHAIR: 	Hoffman			✓	
CO-CHAIR: 	Stedman			✓	

Exchanged  
for "M" version  
25-LS0737AE

SENATE CS FOR HOUSE BILL NO. 229(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Foster  
SENATORS Wagoner, Green, Huggins, Stevens, Therriault

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Railroad Corporation to participate in a project  
2 consisting of the acquisition, construction, improvement, maintenance, equipping, or  
3 operation of real and personal property, including facilities and equipment, for the  
4 Kenai gasification project and Port MacKenzie rail link, authorizing the corporation to  
5 issue bonds to finance all or a portion of the project, and identifying these as bonds for  
6 an essential public and governmental purpose; and providing for an effective date."

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

8 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 LEGISLATIVE FINDINGS, INTENT, AND STATEMENT OF PURPOSE. (a) The  
11 legislature finds that

12 (1) Agrium's urea and ammonia plants in the northern Kenai Peninsula are in  
13 danger of being permanently shut down because of a lack of adequate natural gas feedstock in

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

May 16, 2007

**SUBJECT:** SCS HB 229(FIN): comments concerning the committee substitute and remarks related to the House-adopted bill, HB 229 am (Work Order No. 25-LS0737\E)

**TO:** Senator Bert Stedman  
Co-Chair of the Senate Finance Committee

**FROM:** Jack Chenoweth  
Assistant Revisioner

Transmitted with this memo is the committee substitute to reflect action taken this morning in the Senate Finance Committee. You will find the new material, added in to the Senate Finance Committee Substitute to respond to direction given, principally in proposed

-- AS 42.40.570(b), added by bill section 2 (dividing the project authorization described in the Act into two components and expressly authorizing the rail-to-Port MacKenzie project component);

-- specific division of the project into its two components in the authorization provided in paragraphs (1) and (2) of bill section 5(a); and

-- bill section 6, a new section (setting a termination date on authorizations for the bonds for the respective project components and expressly validating obligations of the Alaska Railroad Corporation for both components that are issued before the respective bond authorization termination dates).

\*

I need to advise you of two bill drafting matters --

1. Please be aware that *the measure in the form that was passed by the House, HB 229 am, does not include any reference in the text of the bill itself that makes specific reference to the proposed rail connection to Port MacKenzie* -- the reference to this component of the project appears only in the bill title and, by inference, in the House decision to increase the bond authorization by \$300 million to \$2.9 billion dollars. The House-adopted floor amendment that made these modifications (2007 House Journal, p. 873, April 23, 2007) omitted any substantive change to the text describing the project

Senator Bert Stedman

May 10, 2007

Page 2

and dealt only with the bill title and the increase in the authorization. Therefore, in drafting the Senate Committee Substitute to reflect the decision of the Finance Committee, it became necessary to supply the bill with the missing references to the rail connection to Port MacKenzie.

2. The omission of the reference to the project in the body of the bill is a weakness in the House-passed bill. Please appreciate that, if the Senate does not adopt the Senate Finance Committee Substitute (with its provisions limiting the period within which project bonds may be authorized and issued) in place of the House-passed bill and instead the debate in the Senate proceeds on the basis of the House-adopted bill, because the House-passed bill omits any reference in the body of the bill to the rail-to-Port MacKenzie component authorization, the members who favor that component of the project should think about correcting this omission in the House-passed measure before HB 229 is before the Senate on final passage.

JBC:med

07-312.med

Enclosure

## FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 229  
(H) Publish Date: 4/16/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title Kenai Gasification Project; Railroad Bond RDU \_\_\_\_\_  
Component Alaska Railroad Corporation  
Sponsor Chenault  
Requester House Finance Component No. \_\_\_\_\_

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation authorizes the Alaska Railroad Corporation (ARRC) to issue up to \$2,600,000,000 in tax-exempt bonds to finance a portion of the Agrium Kenai Gasification Project which includes facilities and equipment for the transportation of Alaska coal; and facilities and equipment for coal gasification and electrical power generation adjacent to the Agrium fertilizer plant located in Kenai.

Lower-cost debt for the Project will enhance the Project's economics, increasing its feasibility. Payment of debt service allocable to facilities and equipment that would not be owned by ARRC would be provided through a long term contract or other agreement between ARRC and the Project's owner or operator.

Prepared by: Wondy Lindskoog, Assistant Vice President, Corporate Affairs Phone 907.265.2498  
Division Alaska Railroad Corporation Date/Time 3/30/07 6:32 PM  
Approved by: Emil Notti, Commissioner Date 3/30/2007  
Agency Commerce, Community, and Economic Development

FISCAL NOTE #1

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

BILL NO. HB 229

ANALYSIS CONTINUATION

Payment of debt service for rolling stock, locomotives, track, facilities and other infrastructure owned by ARRC would be paid for by ARRC funds. Per AS 42.40.690, in no event will the general credit of the State of Alaska be pledged for the repayment of these bonds.

ARRC is a public corporation supported by revenues generated through its freight, passenger and real estate services. Because ARRC does not receive state funding for operations or capital improvements and is operated as an independent state-owned enterprise, this legislation would not create a fiscal impact for the State.

adopted  
5/10/07

SENATE FINANCE COMMITTEE

AMENDMENT No. #1

By Sen. Stedman

To: HB 229 am SENATE BILL No. \_\_\_\_\_

To: \_\_\_\_\_ SENATE BILL No. \_\_\_\_\_

Conceptual Amendment:

Place a 5 year sunset date on the portion of authorization (\$300 mill) in the bill allocated to the Mat-Su Rail Extension to Pt. Mackenzie

Place an 8 year sunset date on the balance of the authorization (\$2.6 Bill) to finance the facilities & equipment associated with the Agrium Kenai Gasification Project.

SENATE CS FOR HOUSE BILL NO. 229(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Foster

SENATORS Wagoner, Green, Huggins, Stevens, Therriault

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Alaska Railroad Corporation to participate in a project  
2 consisting of the acquisition, construction, improvement, maintenance, equipping, or  
3 operation of real and personal property, including facilities and equipment, for the  
4 Kenai gasification project and Port MacKenzie rail link, authorizing the corporation to  
5 issue bonds to finance all or a portion of the project, and identifying these as bonds for  
6 an essential public and governmental purpose; and providing for an effective date."

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

8 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
9 to read:

10 LEGISLATIVE FINDINGS, INTENT, AND STATEMENT OF PURPOSE. (a) The  
11 legislature finds that

12 (1) Agrium's urea and ammonia plants in the northern Kenai Peninsula are in  
13 danger of being permanently shut down because of a lack of adequate natural gas feedstock in

1 the area;

2 (2) closure of the Agrium plants will result in a loss of a significant number of  
3 high paying jobs and tax base for the northern Kenai Peninsula as well as tax revenue to the  
4 state;

5 (3) Agrium's Kenai gasification project will bring low-sulfur coal from Healy  
6 to North Kenai where a low-emission coal gasification plant and electrical generation plant  
7 will be built on land adjacent to Agrium's existing urea and ammonia plants;

8 (4) producing gas from coal will provide Agrium with an alternative feedstock  
9 to natural gas, which is in short supply in Southcentral Alaska, and will allow Agrium to  
10 continue to operate its urea and ammonia plants for the foreseeable future;

11 (5) the Kenai gasification project will also generate competitively priced  
12 electricity for the regional power grid and excess carbon dioxide that could be used to  
13 enhance oil recovery from the wells in Cook Inlet;

14 (6) the Alaska Railroad Corporation is uniquely suited to serve essential  
15 functions of the state by providing, among other things, rail transportation of coal and other  
16 freight and by financing all or a portion of the Kenai gasification project;

17 (7) the Kenai gasification project furthers the purposes of both the state and  
18 the Alaska Railroad Corporation by creating a new market for the state's coal reserves at  
19 Healy, which will be transported by rail from Healy to Port MacKenzie and by barge to the  
20 northern Kenai Peninsula, creating revenue for the Alaska Railroad Corporation and for the  
21 state and providing employment opportunities for residents of the state;

22 (8) these results are essential purposes of the state, and the achievement of  
23 these purposes is critical to the health and welfare of the state.

24 (b) The purpose of this Act is to clarify the statutory functions and powers of the  
25 Alaska Railroad Corporation by expressly including the power to participate in the Kenai  
26 gasification project and to finance all or a portion of the project with bonds as described in  
27 this Act.

28 (c) It is the intent of the legislature that

29 (1) this Act be construed broadly to permit the Alaska Railroad Corporation  
30 the greatest flexibility to accomplish the purposes described in (b) of this section within the  
31 limitations set out in this Act; and

1 (2) other provisions of AS 42.40 in existence before the enactment of this Act  
2 be similarly construed to complement the provisions of this Act.

3 \* Sec. 2. AS 42.40 is amended by adding a new section to article 7 to read:

4 Sec. 42.40.570. Kenai gasification project. (a) The corporation may  
5 participate in a project consisting of the acquisition, construction, improvement,  
6 maintenance, equipping, and operation of real and personal property, including  
7 facilities and equipment, for coal gasification and electrical power generation adjacent  
8 to the Agrium fertilizer plants in the northern Kenai Peninsula.

9 (b) The corporation may participate in a project consisting of the acquisition,  
10 construction, improvement, maintenance, equipping, and operation of real and  
11 personal property, including facilities and equipment, for the transportation of coal by  
12 rail from Healy to Port MacKenzie and thereafter by barge to the northern Kenai  
13 Peninsula.

14 (c) The corporation may finance all or a portion of the projects described in (a)  
15 and (b) of this section through the issuance of its bonds.

16 \* Sec. 3. AS 42.40.630 is amended by adding a new subsection to read:

17 (c) Before issuing bonds to provide the financing described in AS 42.40.570  
18 for real or personal property to be owned in whole or in part by an entity other than the  
19 corporation, the corporation shall enter into one or more contracts, leases, or other  
20 forms of agreement that will, in the judgment of the corporation, provide sufficient  
21 consideration to

22 (1) pay the principal of and interest on the bonds as they become due;

23 (2) create and maintain any reserves for the bond payments that the  
24 corporation considers necessary or desirable; and

25 (3) pay all costs necessary to issue, service, or additionally secure the  
26 bonds, including trustee's fees and bond insurance premiums, unless these costs are to  
27 be paid from bond proceeds or by a party other than the corporation.

28 \* Sec. 4. AS 42.40.695 is amended to read:

29 Sec. 42.40.695. Public purpose of bonds. Bonds of the corporation issued to  
30 finance facilities described in AS 42.40.550 and AS 42.40.560 and bonds of the  
31 corporation issued to finance the acquisition, construction, improvement,

Amendment  
#1

1 maintenance, equipping, and operation of real and personal property, including  
 2 facilities and equipment, described in AS 42.40.570 [AS 42.40.550] are issued by a  
 3 public corporation and an instrumentality of the state for an essential public and  
 4 governmental purpose.

5 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
 6 read:

7 LEGISLATIVE AUTHORIZATION AND APPROVAL. (a) Subject to the  
 8 requirements of AS 42.40.630(c), enacted by sec. 3 of this Act, the Alaska Railroad  
 9 Corporation is authorized to issue bonds under the power granted to it in AS 42.40.250 to  
 10 participate in and finance all or a portion of the Kenai gasification project, including the  
 11 acquisition, construction, improvement, maintenance, equipping, and operation of real and  
 12 personal property, including facilities and equipment, for the transportation of coal by rail  
 13 from Healy to Port MacKenzie and thereafter by barge to the northern Kenai Peninsula and  
 14 facilities and equipment for coal gasification and electrical power generation adjacent to the  
 15 Agrium fertilizer plants in the northern Kenai Peninsula, and associated costs, including,  
 16 without limitation, reserves for debt service and capitalized interest, if necessary or  
 17 appropriate, and costs of issuance. The maximum principal amount of bonds that the Alaska  
 18 Railroad Corporation may issue under this section is \$2,900,000,000, of which

19 (1) not more than \$2,600,000,000 of bonds may be issued for the project  
 20 described in AS 42.40.570(a); and

21 (2) not more than \$300,000,000 of bonds may be issued for the project  
 22 described in AS 42.40.570(b).

23 (b) The Alaska Railroad Corporation may issue the bonds authorized by (a) of this  
 24 section in a single issuance or in several issuances, without limitation as to number of  
 25 issuances or timing, and as the Alaska Railroad Corporation determines best furthers the  
 26 purpose of financing the Kenai gasification project and related real and personal property,  
 27 including facilities and equipment described in this section. The Alaska Railroad Corporation  
 28 shall negotiate with Agrium U.S., Inc., or with one or more other entities as the Alaska  
 29 Railroad Corporation considers appropriate, and shall enter into agreements with those  
 30 entities or one or more other entities to provide revenue sufficient to accomplish the purposes  
 31 described in AS 42.40.630(c), enacted by sec. 3 of this Act. In no event shall the general

1 credit of the state be pledged for the repayment of these bonds.

2 (c) This authorization extends to bonds issued to refund the bonds authorized in this  
3 Act. The principal amount of the bonds authorized in this Act may be increased in an issue of  
4 refunding bonds in an amount equal to the costs of refunding if the refunding is undertaken to  
5 achieve debt service savings.

6 (d) This section constitutes the approval required by AS 42.40.285 for the issuance of  
7 the bonds described in this section.

8 (e) In this section, "bonds" means bonds, bond anticipation notes, notes, refunding  
9 bonds, or other obligations.

10 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 TERMINATION OF AUTHORITY FOR KENAI GASIFICATION PROJECT  
13 BONDS; ISSUED BONDS VALID. (a) The authorization described in sec. 5(a)(2) of this Act  
14 to issue bonds of the Alaska Railroad Corporation under AS 42.40.570(b) terminates June 30,  
15 2012.

16 (b) The authorization described in sec. 5(a)(1) of this Act to issue bonds of the Alaska  
17 Railroad Corporation under AS 42.40.570(a) terminates June 30, 2015.

18 (c) Notwithstanding the termination of the authorizations made by (a) and (b) of this  
19 section, bonds of the Alaska Railroad Corporation that are issued not later than the respective  
20 termination dates set out in (a) and (b) of this section are valid and binding obligations of the  
21 corporation under AS 42.40.670.

22 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

#1



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 10 May 2007 TIME: 10:20 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

SCS HB 229 (FIN) 25-LS0737\C.A

plus 1 conceptual amendment-  
attached

This  
Mindy

**House Bill 229**  
**Alaska Railroad Corporation Position Statement**  
**May 7, 2007**

House Bill 229 would authorize the Alaska Railroad Corporation (ARRC) to issue up to \$2,900,000,000 in tax-exempt bonds to finance facilities and equipment for the transportation of coal from Healy to Kenai and facilities and equipment for coal gasification and electrical power generation adjacent to the Agrium fertilizer plant located in Kenai.

This legislation provides the Alaska Railroad only a broad and general authorization to issue bonds. The bonds would be issued to enable the Kenai Coal Gasification Project, which could include the Willow to Port MacKenzie rail extension if it is determined that it supports a preferred business case. Of the \$2.9 billion total, most would be conduit financing. Agrium and its partners would be responsible for paying the debt on up to \$2.4 billion. A revenue source for payment of the \$300 million Mat-Su rail extension portion has not yet been identified. That determination is not necessary at this point for purposes of figuring a general issuance authority, but would definitely have to be worked out prior to any actual bond issuance. The Alaska Railroad would cover debt service up to \$200 million in order to finance associated locomotives, track work and two coal train consists. Payments would be figured out of project revenue.

In terms of process, before any bonds are sold the Alaska Railroad Board of Directors would be required to approve each and every bond issuance up to the maximum allowed by the legislature. Of course the proposals must also pass muster with the financial markets.

The Mat-Su rail extension would be approximately 40 miles long and may prove to be very beneficial for the Kenai Coal Gasification Project. Construction of a rail line extension from Willow to Port MacKenzie would not only encourage interior natural resource development and possibly assist the State in the construction of a natural gas pipeline by serving as a more strategically located port for offloading project materials and supplies, but it may markedly improve the economics for other in-state commercial business operations besides Agrium.

Prior approval to sell project bonds makes the complex and lengthy financial preparations go much smoother when the market is comfortable that the State of Alaska is already on board and does not represent a risk of disapproval in the latter stages of the sale calculations and negotiations.

It is the Railroad's opinion that pre-approving the bond sale also provides needed protection for the Port MacKenzie rail link EIS appropriation asked for in the budget, since it would now link a specific project proposal to the \$12 million dollar request.

# Kenai Gasification Project

## Tentative Timeline

- **May 2007**
  - Legislative authorization for ARRC bonds supporting Kenai Gasification Project (KGP) received
  
- **July 2007**
  - KGP Phase 2a Front End Engineering Design (FEED) study complete
    - Scope: near completion of engineering design, site layout, refinement of capital cost
  - Phase 2b begins
    - Scope: additional engineering work, integration plan for existing facility, environmental permitting begins, early construction plan
  
- **September 2007**
  - Additional KGP strategic partners identified
  
- **Fall 2007**
  - Financing documentation process begins
  - IRS Private Letter Ruling process begins
    - Necessary for use of ARRC tax-exempt authority
  
- **July 2008**
  - KGP Detailed Design and Engineering begins
    - \$150 million estimate
    - Scope: completion of detailed engineering and construction plan, procurement of long lead-time equipment
  
- **Summer/Fall 2008**
  - Private Letter Ruling received, initial financing commences
  - Alaska Railroad Board approves bond issuance
  
- **Summer 2009**
  - Initiate construction
  - Capital markets accessed as necessary based upon construction schedule
  
- **2012**
  - Commissioning

*The Alaska Railroad Corporation is not obligated to pay this bond or the interest on this bond except from the revenue or assets pledged for it; and neither the faith and credit nor the taxing power of the State of Alaska or of a political subdivision of the State of Alaska is pledged to the payment of this bond.*

No. R-2006-1

\$4,065,000

**ALASKA RAILROAD CORPORATION  
CAPITAL GRANT RECEIPTS BOND, SERIES 2006  
(FEDERAL TRANSIT ADMINISTRATION SECTION 5307  
URBANIZED AREA FORMULA FUNDS AND SECTION 5309  
FIXED GUIDEWAY MODERNIZATION FORMULA FUNDS)**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
4.000%	August 1, 2008	August 22, 2006	01176PAA8

Registered Owner: CEDE &amp; CO.

Principal Amount: FOUR MILLION SIXTY-FIVE THOUSAND DOLLARS (\$4,065,000)

The ALASKA RAILROAD CORPORATION, a public corporation of the State of Alaska ("ARRC") duly organized and existing under the Alaska Railroad Corporation Act, AS 42.40.010 et seq. ("Act"), for value received, hereby promises to pay (but only out of the sources hereinafter provided) to the Registered Owner identified above or registered assigns, upon presentation and surrender hereof, the Principal Amount identified above on the Maturity Date specified above, and to pay (but only out of the sources hereinafter provided) interest on said Principal Amount from the later of the Dated Date of this 2006 Bond or the most recent date to which interest has been paid or provided for. Interest on this 2006 Bond (computed on the basis of a 360-day year consisting of twelve 30-day months) is payable on February 1 and August 1 of each year, commencing February 1, 2007, until the payment in full of such Principal Amount.

Principal of this 2006 Bond is payable in lawful money of the United States of America at the corporate trust office of U.S. Bank National Association, in Seattle, Washington, or its successor in trust, as Trustee and Paying Agent ("Trustee"), and payment of the interest hereon shall be made to the person in whose name this 2006 Bond is registered at the close of business on the fifteenth day preceding each interest payment date ("Record Date") by check or bank draft mailed or delivered by the Trustee to such Registered Owner at such Registered Owner's address as it appears on the registration books of ARRC maintained by the Trustee, in Seattle, Washington, as Registrar ("Registrar") or, at the option of a Registered Owner of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer of immediately available funds to

**NEW ISSUE-BOOK-ENTRY ONLY****RATINGS:** (See "RATINGS" herein)

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2006 Bonds, including interest accruing in the form of original issue discount, will not be includible in the gross income of the holders thereof for federal income tax purposes, on the assumption that the Corporation complies with its covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended, and interest on the 2006 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2006 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed by Section 56 of the Code on certain corporations. In the opinion of Alaska Bond Counsel, under existing laws, interest on the Bonds is free from taxation by the State except for transfer, estate and inheritance taxes, and except to the extent that inclusion of said interest in computing the corporate alternative minimum tax under Section 55 of the Code may affect the corresponding provisions of the State of Alaska corporate income tax. See "TAX MATTERS" herein.

**\$76,390,000****ALASKA RAILROAD CORPORATION****Capital Grant Receipts Bonds, Series 2006****(FTA Section 5307 Urbanized Area Formula Funds and  
Section 5309 Fixed Guideway Modernization Formula Funds)****Dated: Date of Delivery****Due: August 1, as shown on the inside cover page**

The Alaska Railroad Corporation Capital Grant Receipts Bonds, Series 2006 (FTA Section 5307 Urbanized Area Formula Funds and Section 5309 Fixed Guideway Modernization Formula Funds) (the "2006 Bonds"), are being issued pursuant to a Trust Indenture, dated as of August 15, 2006 (the "Indenture"), between the Alaska Railroad Corporation (the "Corporation") and U.S. Bank National Association, as Trustee (the "Trustee"). The 2006 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of 2006 Bonds will be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of 2006 Bonds will not receive 2006 Bonds representing their beneficial ownership interest in the 2006 Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The 2006 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. See "DESCRIPTION OF THE 2006 BONDS - Book-Entry Only System" and APPENDIX E - "DTC AND ITS BOOK-ENTRY SYSTEM" herein.

Interest on the 2006 Bonds, which is payable on February 1 and August 1 of each year, commencing February 1, 2007, and principal on the 2006 Bonds, is payable by the Trustee to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the 2006 Bonds through their respective DTC Participants or DTC Indirect Participants. The 2006 Bonds are subject to redemption prior to maturity under the circumstances and at the redemption prices described herein. See "DESCRIPTION OF THE 2006 BONDS - Optional Redemption of 2006 Bonds."

The 2006 Bonds are limited obligations of the Corporation payable solely from and secured solely by all amounts received by the Corporation from its share of FTA Section 5307 Urbanized Area Formula Funds and Section 5309 Fixed Guideway Modernization Formula Funds (collectively, the "Grant Receipts") and amounts on deposit in the funds and accounts established under the Indenture (except the Rebate Fund). See "SECURITY FOR THE 2006 BONDS." The 2006 Bonds are not a general obligation of the Corporation, and the revenues, funds and assets of the Corporation (other than the Grant Receipts) are not pledged or required to be used for the payment of the 2006 Bonds or the interest thereon. The Indenture creates no liens upon any physical properties of the Corporation. The 2006 Bonds do not constitute a debt, liability, or obligation of the State of Alaska (the "State") or any political subdivision of the State. Neither the faith and credit nor the taxing power of the State or of a political subdivision of the State is pledged to the payment of the 2006 Bonds. The Corporation has no taxing power.

Payment of the principal of and interest on the 2006 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Financial Guaranty Insurance Company (the "Bond Insurer") simultaneously with the delivery of the 2006 Bonds.

**FGIC**

This cover page contains information for quick reference only. It is NOT a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The maturities, amounts, interest rates, and prices or yields of the 2006 Bonds are set forth on the inside cover page.

The 2006 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity thereof by Blank Rome LLP, Philadelphia, Pennsylvania, Bond Counsel and Wohlforth, Johnson, Brocht, Cartledge & Brooking, P.C., Alaska Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Birch, Horton, Bittner and Christ, Anchorage, Alaska, Underwriters' Counsel and for the Corporation by its General Counsel. The 2006 Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about August 22, 2006.

**Citigroup****JPMorgan****Siebert Brandford Shank & Co., L.L.C.****UBS Investment Bank**

The date of this Official Statement is August 9, 2006.

# Alaska State Legislature

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Phone: 907-283-7223  
Fax: 907-283-7184

## Representative Mike Chenault

### Sponsor Statement HB 229

**Title:** "An Act authorizing the Alaska Railroad Corporation to participate in a project consisting of the acquisition, construction, improvement, maintenance, equipping, or operation of real and personal property, including facilities and equipment, for the Kenai gasification project, authorizing the corporation to issue bonds to finance all or a portion of the project, and identifying these as bonds for an essential public and governmental purpose; and providing for an effective date."

Agrium U.S. Inc. currently owns and operates an ammonia and urea complex in Kenai, which is in danger of being permanently shut down due to a lack of adequate natural gas feedstock. Such a closing would have a harmful effect on the state through loss of jobs and tax base. The Agrium Kenai Gasification Project (the "Project") addresses this issue by bringing coal from Healy to Kenai where low emission coal gasification and electricity generation plants would be constructed, allowing Agrium to continue to operate its fertilizer plants at optimal capacity.

House Bill 229 will authorize the Alaska Railroad Corporation (ARRC) to issue up to \$2,900,000,000 in tax-exempt bonds to finance a portion of the Project which includes:

- facilities and equipment for the transportation of coal from Healy to Kenai; and
- facilities and equipment for coal gasification and electrical power generation adjacent to the Agrium fertilizer plant located in Kenai.

This bill will also allow ARRC to issue tax-exempt bonds for a rail extension project from the Railroad's main line near Willow to Port MacKenzie. This rail extension would be approximately 40 miles long and may prove to be very beneficial for the Kenai Coal Gasification Project.

ARRC is uniquely suited to participate in the Project by virtue of its ability to issue tax-exempt debt as authorized by the federal Alaska Railroad Transfer Act. A viable Project could mean significant incremental revenues to ARRC through movement of up to an additional 3 million metric tons of coal annually. The Project will also generate competitively priced surplus electricity for the regional power grid, generate excess carbon dioxide that could be used to enhance oil recovery from the wells in Cook Inlet and continue to supply Alaska businesses and organizations with fertilizer.

Lower-cost debt for the Project will enhance the Project's economics, increasing its feasibility. Payment of debt service allocable to facilities and equipment that would not be owned by ARRC would be provided through a long term contract or other agreement between ARRC and the Project's owner or operator. Payment of debt service for rolling stock, locomotives, track, facilities and other infrastructure owned by ARRC would be paid for by ARRC funds.

Per AS 42.40.690, in no event will the general credit of the State of Alaska be pledged for the repayment of these bonds. This legislation provides the Alaska Railroad only a broad and general authorization to issue bonds. The ARRC Board of Directors would be required to approve each bond issuance and the proposals must also pass muster with financial markets.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 16, 2007

**SUBJECT:** Sectional summary of HB 229 (Work Order No. 25-LS0737\C)

**TO:** Representative Mike Chenault  
Attn: Lanie Snyder

**FROM:** Brian J. Kane *BJK*  
Legislative Counsel

You have requested a sectional summary of HB 229, an Act authorizing the Alaska Railroad Corporation to participate in a project consisting of the acquisition, construction, improvement, maintenance, equipping, or operation of real and personal property, including facilities and equipment, for the Kenai gasification project, and authorizing the corporation to issue bonds to finance all or a portion of the project.

Please note that a sectional summary of a bill is not the authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill states the legislative findings, intent, and purpose regarding the Kenai gasification project and the need for the Alaska Railroad Corporation's involvement in the project.

Section 2 of the bill amends AS 42.40 by adding a new section regarding the Kenai gasification project. The new section allows the Alaska Railroad Corporation to fully participate in the transportation of coal from Healy to the northern Kenai Peninsula and development of facilities and equipment to Agrium fertilizer plants in the northern Kenai Peninsula. This section allows the corporation to finance the project by issuing bonds.

Section 3 of the bill amends AS 42.40.630 by adding a new subsection stating that before issuing bonds for funding of the project, the corporation will enter into one or more agreements that will provide sufficient consideration to pay the bonds as they become due, create and maintain any necessary reserves for the bond payments, pay all costs needed to issue, service, and additionally secure the bonds.

Section 4 of the bill amends AS 42.40.695 by expanding what the issued bonds can finance in order to conform to the bond requirements regarding the corporation and the Kenai gasification project.

Representative Mike Chenault

April 16, 2007

Page 2

Section 5 of the bill gives the legislative authorization and approval for the bonds to be issued based on the requirements of secs. 3 and 4 of the bill in an amount no greater than \$2,600,000,000, and defines the term "bonds."

Section 6 of the bill states that the Act takes effect immediately under AS 01.10.070(c).

BJK:med

07-245.med

Adopted: March 9, 2007

Resolution No. 2007-09

Relating to an Authorization for the Corporation to Take Necessary and Appropriate Steps to Prepare for the Issuance of Bonds to Finance all or a portion of the Agrium Kenai Gasification Project

**WHEREAS**, the Alaska Railroad Corporation ("ARRC") is a public corporation and instrumentality of the State of Alaska ("State"), organized and established pursuant to the Alaska Railroad Corporation Act ("Act"), whose mission includes providing transportation for freight and passengers and promoting the development of the State's land and natural resources and the long-term economic growth of the State; and

**WHEREAS**, Agrium, Inc.'s ("Agrium") urea and ammonia plants in North Kenai are in danger of being permanently shut down due to a lack of adequate natural gas feedstock in the area; and

**WHEREAS**, closure of the Agrium plants would result in a loss of a significant number of high paying jobs and tax base for the Kenai Peninsula as well as tax revenue to the State of Alaska ("State"); and

**WHEREAS**, Agrium's Kenai Gasification Project will bring low-sulfur coal from Healy to North Kenai where a low emission coal gasification plant and electricity generation plant will be built on land adjacent to Agrium's existing urea and ammonia plants; and

**WHEREAS**, producing gas from coal will provide Agrium with an alternative feedstock to natural gas which is in short supply in Southcentral Alaska and will allow Agrium to continue to operate its urea and ammonia plants for the foreseeable future; and

**WHEREAS**, the Agrium Kenai Gasification Project will also generate competitively priced electricity for the regional power grid and excess carbon dioxide that could be used to enhance oil recovery from the wells in Cook Inlet; and

**WHEREAS**, ARRC desires to participate in Agrium's Kenai Gasification Project, which consists of the acquisition, construction, improvement, maintenance, equipping, and operation of real and personal property including facilities and equipment for the transportation of coal from Healy to North Kenai and for facilities and equipment for coal gasification and electrical power generation adjacent to the Agrium fertilizer plants in North Kenai, and to finance all or a portion thereof through the issuance of its bonds (the "Project"); and

**WHEREAS**, the Project furthers the purposes of both the State and ARRC by creating a new market for the State's coal reserves at Healy that will be transported by rail, thus generating new revenue for ARRC and for the State and providing employment opportunities for residents of the State; and

**WHEREAS**, ARRC desires to issue one or more series of bonds or notes in an aggregate principal amount not to exceed \$2,600,000,000 (collectively, the "Bonds"), in order to finance all or a portion of the Project; and

**WHEREAS**, ARRC desires to authorize its Chief Executive Officer, Chief Financial Officer, General Counsel, Bond Counsel, Financial Advisors, Architects, Engineers and any other officer or official of the ARRC (collectively, the "Authorized Persons") to take certain preliminary actions with respect to the Project and the issuance of the Bonds; and

**WHEREAS**, in accordance with Section 42.40.285 of the Act, ARRC desires to request approval and authority from the legislature of the State for ARRC to issue the Bonds and enter into leases or other agreements in connection with the Project; and

**WHEREAS**, ARRC intends to be reimbursed (i) for expenditures for the Project paid not more than 60 days prior to the date of this Resolution, (ii) for expenditures pertaining to costs of issuance, (iii) for expenditures that do not exceed the lesser of \$100,000 or 5% of the portion of the proceeds of the issue used to finance the Project, or (iv) for expenditures that do not exceed 20% of the portion of the aggregate issue price of the Bonds used to finance the Project which constitute preliminary expenditures within the meaning of Treas. Reg. § 1.150-2(f)(2) of the Internal Revenue Code of 1986, as amended ("Code"); and

**WHEREAS**, ARRC intends that this Resolution be determined to be, among other things, a declaration of official intent under Treas. Reg. § 1.150-2 promulgated under the Code.

**NOW, THEREFORE**, the ARRC Board of Directors does resolve as follows:

**Section 1. Authorization to Take Actions in Preparation for the Issuance of the Bonds.** ARRC hereby authorizes the Authorized Persons to perform such acts on behalf of ARRC as shall be necessary and appropriate to prepare for the issuance of the Bonds in one or more series in a maximum aggregate principal amount not to exceed \$2,600,000,000, including, but not limited to: (a) requesting approval and authority from the legislature of the State for the issuance of the Bonds; (b) obtaining a ruling or rulings from the IRS with respect to the applicability of certain provisions of the Code to ARRC; (c) selecting one or more investment banking firms to serve as underwriter(s) for the Bonds (such selection to be made in accordance with the rules, regulations and procedures of ARRC); (d) obtaining ratings for the Bonds and credit enhancement for the Bonds, if deemed necessary or appropriate; and (e) performing such other tasks and taking such other actions necessary to structure the terms of the Bonds and to prepare documents

relating to the authorization, issuance and sale of the Bonds, including appropriate disclosure documents to be used in connection with the offering of the Bonds.

**Section 2. Declaration of Official Intent.** ARRC hereby declares its intent:

(a) that the issuance of the Bonds by ARRC be in an amount reasonably expected not to exceed \$2,600,000,000 in aggregate principal amount for the Project; and

(b) that ARRC be reimbursed from the proceeds of the Bonds (i) for expenditures paid for the Project not more than 60 days prior to the date of this Resolution; (ii) for expenditures pertaining to costs of issuance; (iii) for expenditures that do not exceed the lesser of \$100,000 or 5% of the proceeds of the issue; or (iv) for expenditures that do not exceed 20% of the aggregate issue price of the bonds which constitute preliminary expenditures within the meaning of Treas. Reg. § 1.150-2(f)(2); and

(c) that this Resolution be determined to be a declaration of official intent under Treas. Reg. § 1.150-2 promulgated under the Code; and

(d) that the issuance of the Bonds occur not later than 18 months after the latest of (i) the date on which the earliest expenditure subject to Treas. Reg. § 1.150-2 is paid, (ii) the date on which the property is placed in service or abandoned, but in no event more than three years after the earliest expenditure is paid, or (iii) the date otherwise permitted by the Code or Treasury Regulations promulgated thereunder; and

(e) that ARRC is making this Declaration of Official Intent while reserving the right at all times to assert that it is not subject to the provisions of Section 150 of the Code by virtue of Section 1207(a)(6)(A) of the Alaska Railroad Transfer Act and Section 149(c)(2)(C) of the Code.

**Section 3. Ratification of Prior Actions.** All actions heretofore undertaken by the Authorized Persons in connection with the Project and the Bonds are hereby ratified, confirmed and approved.

**Section 4. Preliminary Resolution.** This Resolution is the authorization by ARRC to take the necessary and appropriate steps to prepare for the issuance of the Bonds. Final authorization of the issuance and sale of the Bonds shall be by subsequent resolution or resolutions of ARRC.

**Section 5. Severability.** In the event that any one or more of the provisions contained in this Resolution shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Resolution, and this Resolution shall be construed and enforced as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

**Section 6. Repealer.** All resolutions or parts thereof to the extent inconsistent herewith are hereby repealed, rescinded, canceled and annulled.

**Section 7. Governing Law.** The laws of the State shall govern the construction and interpretation of this Resolution.

**Section 8. Effective Date.** This Resolution shall take effect immediately upon adoption this 9th day of March, 2007.

Agrium

# Kenai Nitrogen Operations

July, 2004



Summary of

## Alaskan Direct Economic Impacts

*"By Alaska economic standards, the Agrium operation is exceptional for its combination of high pay levels, amount and concentration of expenditures in the local area, and the degree of value added manufacturing that occurs in Alaska prior to export. The result is a high multiplier impact."*

- McDowell Group, October 2002

A recent study completed by the McDowell Group in April 2004 identified the following direct impacts of Agrium's Kenai Nitrogen Operations:

- ✓ Agrium spent \$101 million in Alaska in 2003
- ✓ \$77 million in purchases of goods and services from 384 Alaskan businesses
- ✓ \$22.0 million in direct payroll; including benefits, expenditures are \$29.5 million
- ✓ \$2.2 million in taxes and lease payments
- ✓ \$195,000 in charitable donations to 43 non-profit organizations and groups

Summary of

## Alaskan Indirect Economic Benefits

*For every one thousand cubic feet of Cook Inlet natural gas used by Agrium for feedstock and power generation, \$9.35 in total economic output is generated.*

- ✓ Agrium employees have 244 school age dependents or about 2.5 percent of the Central Peninsula student enrollment
- ✓ Agrium's total direct, indirect, and induced payroll impacts support 7.0 percent of the total Kenai Peninsula payroll
- ✓ Agrium total direct, indirect, and induced employment accounts for 4.0 percent of the total employment on the Kenai Peninsula

## Did You Know?

- ✓ Agrium is the Kenai Peninsula's fourth largest private employer with an average employment of 230 people
- ✓ Agrium accounts for an additional 420 jobs in Alaska and the Kenai Peninsula Borough
- ✓ Agrium direct expenditures on the Kenai amounted to \$65 million in 2003 on goods and services provided by 320 Kenai Peninsula companies
- ✓ Agrium donations to local school and youth activities accounted for 54% of the company's charitable donations
- ✓ Agrium's Kenai Nitrogen Operations is the second largest nitrogen production complex in the U.S.A.
- ✓ Agrium's Kenai Nitrogen Operations accounts for about 6 percent of North America's nitrogen production
- ✓ In 2003, Agrium's Kenai Nitrogen Operations exported 1.2 million tons of ammonia and urea valued at \$200 million
- ✓ Agrium's Kenai Nitrogen Operations is one of Alaska's few value added industries



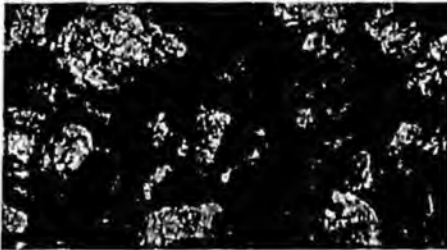
## Agrium's Kenai Gasification Project



**A**grium is pursuing an environmentally friendly technology that could add decades to the life of its Kenai Nitrogen Operations, support hundreds of well-paying jobs, preserve a major tax base and provide a new source of competitively priced power.

The Kenai Gasification Project would develop a world-class, low-emission coal gasification facility that would provide Alaska's largest value-added business the feedstock required to operate over the long-term. The Kenai fertilizer plant suspended manufacturing during the 2006-2007 winter season due to a shortage of natural gas and has operated below capacity in recent years as it sought new gas supply contracts in an increasingly tight market complicated by escalating prices.

### How it works



First discovered in 1792, gas made from coal provided most of the fuel gas used in U.S. homes and businesses until the 1940s when natural gas became increasingly available. Modern gasification technology efficiently turns coal into a combustible gas that can be cleaned of virtually all pollutant-forming impurities.

Gasification is essentially the controlled, but incomplete combustion of carbon. It can be applied to many feedstocks including coal, biomass and heavy oil. The Kenai Gasification Project is examining the utilization of coal to provide the required feedstock.



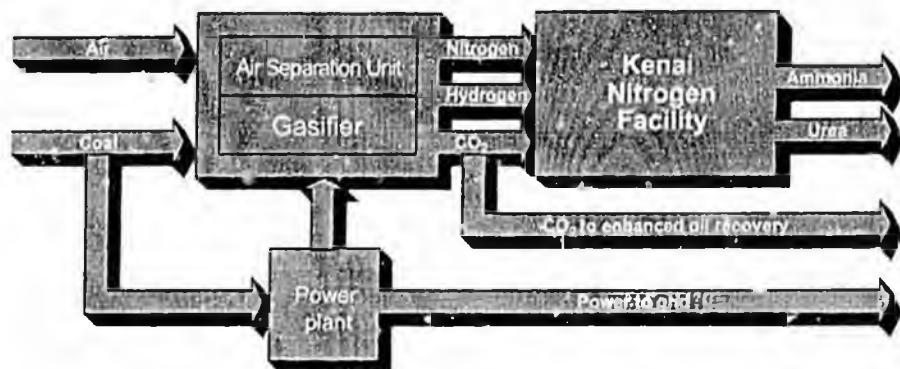
In the process, coal is fed into a gasifier unit where it is partly oxidized using pure oxygen to form a mixture of carbon monoxide and hydrogen, commonly called syngas because it can be synthesized into many forms.

Most of the syngas would be further refined into pure hydrogen using the same carbon monoxide shift reaction Agrium uses in the production of ammonia from natural gas. Water is used to convert the carbon monoxide into carbon dioxide while producing even more hydrogen. The hydrogen is used to make ammonia and the carbon dioxide is reacted with ammonia to make urea.



The project would require a new coal-fired power plant that could also supply surplus power to the Railbelt power grid. Homer Electric Association is the project partner taking the lead on power and supply issues.

## The Components



All components of this project utilize existing, proven technology in a unique configuration to produce multiple benefits to Alaska and the Kenai Peninsula.

**Coal** – With a need of approximately three million metric tons of coal each year, the project is evaluating coal supplies along with transportation options.

**Air Separation Unit** – This unit processes air directly from the atmosphere to generate oxygen for the gasifier and the nitrogen used in the fertilizer process.

**Gasifier** – Coal is dried, pulverized and reacted with pure oxygen to form syngas. The gas is reacted with water to shift the carbon monoxide into carbon dioxide (CO<sub>2</sub>) and hydrogen. The CO<sub>2</sub> is removed, along with sulfur and other impurities, and the pure hydrogen is shipped to the fertilizer plant.

**Power Plant** – Consists of coal-fired generation with state of the art emissions control technology. The power will supply steam and electricity to the other project components and additional electricity for sale into the grid.

**Fertilizer Plant** – At capacity, the facility can produce more than 1.5 million metric tons of anhydrous ammonia and urea each year. Changing the feedstock will require relatively minor modifications.

## The Next Step

Agrium began investigating coal gasification during the winter of 2004 and is currently undertaking its Phase two analysis, which includes a detailed feasibility review and project permitting. If the decision is made to go forward, the facility could be operational by 2011.



## Benefits for Alaska

- Provide an estimated 1,000 construction jobs; 900 direct and indirect permanent jobs.
- Utilize an economical and abundant feedstock that will provide an industrial anchor for the state's huge, but mostly undeveloped, coal reserves.
- Keep the second-largest nitrogen plant in the U.S. operating for decades.
- Diversify aging power generation and help eliminate the current reliance on Cook Inlet natural gas.
- Increase the Kenai Peninsula's tax base.
- Provide a surplus of CO<sub>2</sub> that could be injected into the aging Cook Inlet oil fields to produce an estimated 300 million barrels of additional crude production.

**Agrium**



*For more information, please contact:*

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## OUR VIEW

# Coal could replace gas

*Agrium looks at coal gasification to supply Kenai fertilizer plant*

**T**he Kenai plant has been turning natural gas into urea for fertilizer for almost 40 years, but its future may well depend on the economics of turning coal into gas into urea.

It's called the Kenai Blue Sky Project, and Agrium U.S. Inc. and its partners are spending several million dollars to see if it will work. If it does, it could mean a much brighter future for the Kenai plant, for its workers and community, and, as a bonus, a new supply of electricity for Southcentral Alaska.

As the ready supply of Cook Inlet natural gas has dwindled, and as new gas fields carry a much higher price tag, the Agrium plant has had to curtail ammonia and urea production in recent years. No gas to feed the plant, no product coming out. The plant suspended operations this winter and is expected to restart about March 1, but even then it will run at much less than full capacity for lack of sufficient gas. Agrium's contracts with gas suppliers expire Oct. 31, 2007, putting next year's operations -- and a lot of jobs -- in jeopardy.

Rather than wait for an uncertain North Slope gas line and possible spur line into Southcentral, and rather than staking its future on new Cook Inlet gas discoveries at affordable prices, Agrium is studying the option of buying coal

from the Usibelli mine at Healy, 200 miles north of Anchorage. One plan is to move the coal by train to Anchorage, then barge it to Kenai, though other train and barge routes are possible.



*In addition, the coal-fired plant would supply electricity to the Southcentral power grid.*

Turning the coal into gas is the fun part.

Coal and pure oxygen would go into the heated gasifier unit and, in a simplified explanation, out would come the nitrogen, hydrogen and carbon dioxide gases needed to produce urea and ammonia. The car-

bon dioxide would be a welcome byproduct in Cook Inlet, where it can be reinjected into underground reservoirs to push out more oil. It's called "enhanced oil recovery" and it's a great way to pump more oil while keeping carbon dioxide out of the atmosphere.

In addition to producing gas feedstock for the fertilizer plant and providing for enhanced oil recovery, the coal-fired power plant at Kenai Blue Sky would have a lot of surplus electricity it could feed into the Southcentral power grid.

Agrium is evaluating proposals from different coal gasification equipment makers and anticipates selecting a company in January to handle environmental permitting for the project, which will be formidable.

Meanwhile, it is working with Usibelli to determine whether there are adequate coal reserves to supply Blue Sky for several decades. If it goes ahead, Blue Sky would consume up to 3 million metric tons of coal a year, almost twice what Usibelli mines for its existing customers.

Although Agrium had considered using coal from the Beluga field across Cook Inlet from its plant, the company decided it made more sense to buy coal from an existing mine rather than to try opening a new pit.

Agrium and its partners have put a lot of thought -- and money -- into Blue Sky. The Phase 1 feasibility study, at \$3 million, was all company money. Phase 2, preliminary engineering and permitting, is estimated at \$22 million, with \$2 million from the federally funded Denali Commission, \$5 million from the state, and the balance of \$15 million from Agrium and other partners.

The current schedule calls for Agrium's board to make a decision in the summer of 2008 on Phase 3, detailed engineering and design, estimated at \$100 million. Phase 4, construction, would run from spring 2009 to the end of 2011, at a cost of \$2 billion.

Blue Sky is a costly undertaking but, thankfully, Agrium is taking the chance.

**BOTTOM LINE:** A hopeful name for a needed project.

**adn.com**

Anchorage Daily News

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## Projects would add high value to coal

TIM BRADNER  
ECONOMY*(Published: April 15, 2007)*

Alaskans are so focused on a possible \$30 billion-plus natural gas pipeline that two other projects of significance are largely off the radar screen. They are hugely important to Southcentral Alaska, however. Even more than the gas pipeline, I believe.

Both involve making value-added products from coal, a resource in plentiful supply in Alaska. The technologies being used have been long established, although they are expensive. The developers hope recent improvements will make them commercially economic in Alaska.

One proposal is by Agrium Corp. to do coal gasification at its Nikiski fertilizer plant. This would allow the plant to switch from natural gas to coal as a chemical feedstock, and thus ensure the future of the plant and the jobs it provides. Agrium now is in an advanced engineering stage with its plan and hopes to make a decision on whether to proceed with construction next year.

Agrium would use coal from the Usibelli coal mine at Healy.

The other proposal, still in an initial study stage, is for a large coal-to-liquids plant on the west side of Cook Inlet near the undeveloped Beluga coal fields, using coal from those fields.

There is not a coal mine at Beluga yet, although one is planned that would export coal. The coal-to-liquids plant, if it is built, would be a local customer for the mine, making an ultra-clean diesel, naphtha and other products from coal.

Both projects would require billions of dollars of capital investment, and would create thousands of jobs. They would have major, long-lasting effects in strengthening and diversifying the Southcentral economy.

A gasifier proposed at Agrium would convert coal into gas. This gas will contain the same chemicals, in different forms, as does natural gas now used by the plant. The company would use this as a substitute for natural gas in making urea fertilizer and ammonia. A 200 megawatt coal power plant also would be built to provide electricity to the plant, with about 75 megawatts of surplus power that could be sold to other electricity users.

Switching to coal as a feedstock has benefits. It would release gas Agrium now uses to make it available to others, such as local utilities to heat the homes and businesses of their customers.

Coal is in plentiful supply, and its price could be more stable than that of natural gas, which will be in short supply. This would allow the fertilizer plant to resume year-around operations and possibly expand. It is now operating seasonally because no gas is available during winter peak demand.

The switch to coal is necessary because if the plant continues to depend on gas its closure is likely. Agrium's plan is about preserving an existing value-added industry.

The coal-to-liquids project would be a new industry with the potential to create additional business in further processing and manufacturing of products.

This project is being evaluated by Alaska Natural Resources-to-Liquids, an Alaska firm, and the Chinese Petroleum Co. of Taiwan. Other companies are looking at becoming involved in the project. Alaska Industrial Development and Export Authority, the state development agency, is helping fund an assessment of coal resources and preliminary environmental work.

The partners have not sought publicity because they do not want to encourage public expectations until it is known if the project is profitable enough. They are not seeking government grants, either.

As with Agrium, the coal-to-liquids process starts with gasification to convert coal to gas. Instead of making fertilizer, however, this plant would make a synthetic crude oil that can be refined into clean diesel or other products, even a clean jet fuel, as the market demands. Most of the plant's products would be shipped to the Lower 48 where there is strong demand for these fuels because they're less polluting.

Coal-to-liquids plants have operated for decades in South Africa, and several new projects, using improved technology, are in the engineering phase or construction in China. The United States has a lot of coal, like China, and the federal government is now encouraging development of coal-to-liquids with tax credits.

Several coal-producing states and their governors, Montana being one example, are now working aggressively to attract one of these projects. An Alaska plant at Beluga, however, has an edge over a plant in Montana or another inland location because the site is at tidewater, an advantage in bringing in huge process modules during construction and in shipping products once the plant is going.

There is one more significant implication of these projects. In the long run the plants will encourage an extension of the Alaska Railroad to the new bulk commodities port at Port MacKenzie, across Knik Arm from Anchorage, and eventually, possibly, to the Beluga area. The railroad would bring coal from large coalfields in Interior Alaska to the plants and would also provide efficient transportation for development of other minerals in the Interior.

Agrium now plans to ship its coal from the Usibelli mine through the Port of Anchorage. Shipping the coal through Point MacKenzie will make more sense in the long run. Shipping coal to both projects will help make the rail extension feasible.

Tim Bradner writes for an Alaska economic reporting service. He also consults for private clients and writes for business publications. His opinion column appears every fourth Sunday.

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Anchorage Daily News

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**House OKs bond sale by railroad****TAX-FREE: The funds would allow Agrium to build a coal gasification plant in Kenai.**By TOM KIZZIA  
Anchorage Daily News*(Published: April 26, 2007)*

Brushing off global warming concerns, the state House gave a boost to Agrium's Nikiski fertilizer plant Wednesday when it authorized the Alaska Railroad to sell \$2.9 billion in tax-free bonds for construction of a new coal gasification facility.

Agrium is studying whether to build a coal-conversion plant as a way to provide feedstock for its factory in the face of declining natural gas supplies. The tax-free railroad bonds would provide a financing mechanism for the plant and for new rail facilities necessary to haul coal from Healy.

The House added an amendment to the original bill increasing the bond authority by \$300 million to cover a possible 43-mile railroad spur line from Willow to Port MacKenzie. Among many unanswered questions about the project is whether coal would be shipped to Nikiski from the Port of Anchorage or from the Mat-Su facility at Port MacKenzie.

The railroad bond authority was approved by the House 35-0. The measure has not been discussed in the Senate yet.

Controversy arose Monday, when the measure first reached the House floor, over a move to impose limits on new carbon dioxide emissions created by the Nikiski project.

House Democrats argued that the financing measure was a chance to do more than offer lip service to the need to reduce emissions of greenhouse gases.

But the House voted 26-11 to reject a Democratic amendment that would have limited emissions at the new plant to levels produced by natural gas-fired power plants. Several Republicans who spoke in opposition were dismissive of extensive scientific studies identifying human-caused emissions as a major source of warming.

Rep. Mike Kelly, R-Fairbanks, called the effort to limit emissions a reaction to "junk science" that would impede future development of coal in Alaska.

"I've seen some research out that says it's not what us humans are doing," said Rep. Peggy Wilson, R-Wrangell, explaining why she opposed the amendment.

Agrium said it hopes to inject excess carbon dioxide into existing Cook Inlet oil wells to enhance oil recovery. But the company opposed any mandatory requirements.

"There's lots of friendly talk about reducing the greenhouse effect," said Rep. Les Gara, D-Anchorage, who offered the amendment, "but the only action we've taken this session is likely to exacerbate the problem."

**PORT MACKENZIE RAIL**

Another wrinkle developed over the Mat-Su rail extension to Port MacKenzie.

Agrium initially told legislators it was planning to ship coal through Anchorage because of uncertainties surrounding the unbuilt Mat-Su line. That comment stirred a reaction from borough officials and Mat-Su legislators, who see coal trains as the key to developing a line that could eventually serve other traffic crossing the Port MacKenzie dock.

The \$300 million increase in bond authority was a result. Proponents say the new rail line could divert the expected daily 100-car coal trains away from populated areas around Wasilla. But some Willow residents say they don't want to see the trains rumbling on a second line through their community.

Building the rail extension would remain an economic decision to be made by the railroad board. And the railroad must wait to see if Agrium decides to go ahead with the coal gasification plant. A decision is expected in 2008, Agrium officials have said.

The financing measure, HB 229, was introduced by Rep. Mike Chenault, R-Nikiski. Under the bill, only Agrium -- not the state or the state-owned railroad -- would be at risk if the project flops and the bonds can't be paid off, advocates said.

The plan rests on the Alaska Railroad's unique authority to issue tax-free bonds for non-governmental purposes. The authority was granted by Congress when the railroad was transferred to the state, but it has not been tested with the IRS.

Backers say the benefits to Alaska would include jobs and local tax revenues in the Kenai area, increased coal traffic for the railroad, and a fee paid by Agrium to the railroad.

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Daily News reporter Tom Kizzia can be reached at [tkizzia@adn.com](mailto:tkizzia@adn.com) or in Homer at 1-907-235-4244.

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## MATANUSKA-SUSITNA BOROUGH

### Borough Manager's Office

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9689 • Fax (907) 745-9669

[jduffy@matsugov.us](mailto:jduffy@matsugov.us)

April 19, 2007

Representative Mike Chenault  
Finance Co-Chair  
Alaska State Legislature  
State Capitol, Rm 505  
Juneau, AK 99801-1182

Dear Representative Chenault:

We have been informed by both Mr. Timothy Johnson of Agrium and General Patrick Gamble of the Alaska Railroad of a proposed amendment to HB229 that will increase the Alaska Railroad's bond authorization for the Fair Gasification Project from \$2.6 billion to \$2.9 billion. The additional authorization will be used for a rail line extension from Willow to Port MacKenzie. The Agrium and Alaska Railroad representatives have stated their support for this amendment. The Matanuska-Susitna Borough fully supports the amendment.

The Borough very much appreciates your continued support of this vital economic development project which will bring significant and long lasting statewide benefits. If you require any additional information please do not hesitate to contact me at 907-745-9689.

Sincerely,

A handwritten signature in black ink, appearing to read "John Duffy".

John Duffy  
Borough Manager

# SENATE COMMITTEE REPORT

DATE: 4/27/07

FURTHER:

Rules

DATE TURNED  
IN TO OFFICE:

5/1/07

Resources Committee considered HOUSE BILL NO. 229 am

## HB 229 KENAI GASIFICATION PROJECT; RAILROAD BOND

"An Act authorizing the Alaska Railroad Corporation to participate in a project consisting of the acquisition, construction, improvement, maintenance, equipping, or operation of real and personal property, including facilities and equipment, for the Kenai gasification project and Port MacKenzie rail link, authorizing the corporation to issue bonds to finance all or a portion of the project, and identifying these as bonds for an essential public and governmental purpose; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

**SENATE BILL:**  
 Same Title  
 New Title

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**HOUSE BILL:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

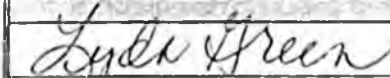

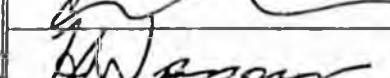

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	Green	✓			
	Steven S. Wielochowski	✗			
	Wagoner	✓	✓		
CHAIR: 	Huggins	✓			

**HB**

**233**

SFIN

FILE



**ALASKA STATE LEGISLATURE**  
**HOUSE RULES COMMITTEE**  
**REPRESENTATIVE JOHN COGHILL, CHAIRMAN**  
State Capitol Juneau, AK 99801-1182 (907) 465-3719  
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

**Sponsor Statement**

**Senate CS for CSHB 233(L&C) "An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives"**

The purpose of HB 233 addresses the sometimes burdensome and ineffective noticing requirements of unclaimed property law regarding capital credits of electric and telephone cooperatives. Electric and telephone cooperatives from time to time receive excess revenue from members that exceed the expenses of operations. The cooperative keeps these excess revenues in a member-owned capital account called capital credits, on behalf of the member.

Cooperatives may refund a portion of accumulated capital credits, but in some cases the cooperative seeking to refund the capital credits no longer has a valid address for the member. As a result, many go unclaimed. Current Alaska unclaimed property law allow the credits to revert back to the cooperative as long as the cooperative, at least six months prior to the reversion 1) mailed a notice to last known address of the member; 2) publishes a notice of proposed reversion in the same manner required for publishing a service of summons by publication; and, 3) publishes a notice of the unclaimed capital credits four times, during four consecutive calendar weeks in a newspaper of local circulation.

While mailing to last known address of members sometimes result in finding members, newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks, particularly for rural cooperatives. As a result, cost of compliance with this notice requirement is significant and the effectiveness is questionable. HB 233 allows cooperatives the option of using the internet, instead of newspaper publication, to notify its members of unclaimed capital credits. Alaska is the most "wired" state in the country and this bill allows for cooperatives to notify its members using a method most likely to reach them.



**ALASKA STATE LEGISLATURE  
HOUSE RULES COMMITTEE**  
**REPRESENTATIVE JOHN COGHILL, CHAIRMAN**  
State Capitol Juneau, AK 99801-1182 (907) 465-3719  
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

*Sectional*

*Senate CS for CSHB 233(L&C) "An Act relating to giving notice of unclaimed net margin distributions made by electric and telephone cooperatives"*

Section 1. Specifies that electric and telephone cooperatives who have internet websites have the option to post unclaimed net margins on their internet website and post their website in a newspaper of local distribution.

Section 2. Adds a new subsection to AS 34.45.200 giving "newspaper of general circulation" the meaning given in AS 09.35.140 and defining "notice line" as it relates to the bill.

Saturday, March 29, 2008

10:00 AM

HB 233-UNCLAIMED PHONE/ELEC COOP DISTRIBUTIONS

Derek Miller, Staff, Rep. Kelly

Teleconference

Richard Gazaway, Hearing Examiner, Regulatory Commission of Alaska

HB 373-SCHOOL BOND DEBT REIMBURSEMENT

Finance/Pete Ecklund

Eddy Jeans, Director, Education Support Services, Department of Education and Early Development

HB 19-LTD. DRIVER'S LICENSES/IGNITION INTERLOCK

Meyer

Whitney Brewster, Director, Division of Motor Vehicles, Department of Administration

HB 75-DRIVERS LICENSE: ALCOHOL AWARENESS/MINOR

Ramras/Jane Pierson

Whitney Brewster, Director, Division of Motor Vehicles, Department of Administration

HB 338-POWER PROJECT FUND/BULK FUEL LOAN FUND

Nelson/Tyson Fick

2 NEW FN DCCED

Sarah Fisher-Goad, Deputy Director of Operations, AEA

Mike Black, Deputy Commission, Department of Commerce, Community and Economic Development

Chris Anders, Deputy Director - Credit, AEA

Tara Jollie Director, Division of Community Advocacy, DCCED

Questions:

Bill Rolfzen, Local Government Specialist, DCCED

Teleconference

Steve Van Sant, State Assessor, DCCED

April 20, 2007

Labor and Commerce Committee  
Alaska House of Representatives  
Juneau, Alaska

Re: AVEC's Testimony on HB 233, Unclaimed Cooperative Distributions

Honorable Committee Members:

My name is Meera Kohler. I am the President & CEO of Alaska Village Electric Cooperative (AVEC). We are a non-profit electric utility that serves 52 villages, primarily in northwest and western Alaska. The 21,000 residents of our communities represent almost half of Alaska's village population.

We are a borrower from the USDA Rural Utilities Service and are required by our mortgage covenants to generate a modest "profit" each year from our operations. These profits or "margins" are allocated back to our member-owners as "capital credits" each year. The allocation is essentially done on a pro-rata basis. In other words, if the member contributed 10% of our gross electric revenues, then they will have 10% of the margins allocated to them.

Several years later, the capital credits are returned to the members, either by a credit to their electric account or by check. In a number of cases, the member has left the community, sometimes without leaving a forwarding address. These are the members whose distributions go unclaimed. If we are unsuccessful in tracking down the member, their distribution eventually reverts back to AVEC and is placed in an account used exclusively for student scholarships.

At issue here is how efforts are made to locate the missing members. Present law requires publication of the members' names in a newspaper of general circulation in our judicial district. Since our cooperative serves members in 52 disparate villages, we wind up spending many thousands of dollars to publish in a number of different newspapers. We do have a website, and the names of unlocatable members are continuously published there.

Passage of this legislation will help all of the members of Alaska's non-profit electric and telephone cooperatives. Money that is not spent on newspaper advertising would increase margins and would remain in the pockets of the utility consumers of Alaska. It would also recognize that modern technology provides very inexpensively what previously necessitated expensive and time-consuming efforts.

Your support of HB 233 is respectfully urged.

Thank you,

Meera Kohler  
President & CEO

**Written Testimony of Robert A. Wilkinson  
Copper Valley Electric Association Inc.  
before  
House Labor & Commerce Committee  
on  
House Bill 233  
Unclaimed Net Margin Distributions by Electric and Telephone Cooperatives**

Good afternoon, members of the House Labor & Commerce Committee. My name is Robert A. Wilkinson, and I am the Chief Executive Officer of Copper Valley Electric Association. CVEA is a member owned non-profit electric cooperative organized under Alaska Statute 10.25. CVEA provides central station electric service to 3,600 customers along 260 miles of the Glenn, Richardson, and Edgerton Highways. Included in our service area is the City of Valdez and a dozen communities spread across the Copper River Basin.

Article 7 of the Cooperative's Bylaws provides that all income received from the members in excess of operating costs and expenses are furnished as capital or net margins with the expectation that one day said net margins will be refunded to the member. Net margins are held in an account in the member's name until such time as the Cooperative authorizes a refund. Often, net margins may be retained by the cooperative for a generation or longer before refunds are authorized. Many Alaska cooperatives, including CVEA, have a scheduled period for refunding net margins on a 20 year cycle.

In addition to the length of time between when the margins are provided by the member and when they are refunded, there are other considerations which lead to a large number of unclaimed net margins. During the summer months, recreation, tourism, government and fishing industries employ seasonal workers. Other

industries also seem to contribute to the turnover of our membership. This continual turnover of community residents results in a very large number of former members who cannot be located when it comes time to mail a refund check. A recent analysis of our current membership revealed the following interesting statistics:

- Only 1 in 5 members has been on the CVEA system 20 years or longer.
- ½ of our current membership has been on the CVEA system 10 years or less.
- 90% of CVEA's current members have joined the Cooperative since 1980.

The end result of the foregoing discussion is that CVEA has a substantial number of invalid addresses for the intended distributions. Current law requires that in addition to mailing a notice of reversion to the last known address the Cooperative is required to publish a notice in a newspaper in accordance with Alaska Rule of Civil Procedure 4. Such a publication is very expensive and, at least in CVEA's experience, is questionably effective.

This past year following CVEA's 2004 net margin distribution, we posted names of persons with unclaimed distributions on our website ([www.cvea.org](http://www.cvea.org)). While we have no empirical data to support our claim, the consensus of our accounting personnel is that website advertising is more effective than newspaper advertising for a growing number of reasons. More people are using the internet every day, CVEA promotes the website as a place to find this information, the site can be up and available longer, it is always "on", and use of the internet for communicating with customers about important information is gaining widespread acceptance and for that reason more members are using it as their source of information about the Cooperative. Finally, research indicates a growing number of states are using the

power of the internet for providing public notice related to unclaimed property including the Alaska Department of Revenue.

There is one other shortcoming of the existing unclaimed property act with respect to noticing unclaimed margin distributions and that is the expense of newspaper publication. In the case of CVEA the cost to publish the names of persons with invalid addresses runs into the thousands of dollars each year we make a disbursement. While internet posting will certainly result in some administrative cost, it will be a fraction of the cost of publishing those same names in the local or Anchorage newspaper. Perhaps of greater concern is the opportunity cost of not spending those publication dollars on charitable, scientific, or educational programs. Alaska Statute 10.25.10 provides that cooperatives may make donations for the public welfare. In the case of CVEA, \$100,000 has been awarded in scholarships to graduating seniors, all funded with escheated capital from unclaimed distributions. House Bill 233 will help to minimize the cost of noticing and maximize the dollars available for assisting with post secondary education.

In closing, I thank the Committee for the opportunity to testify on this important legislation, I truly believe this legislation will be good for electric cooperative customers. I urge the Committee to move this bill for the many sound reasons discussed in my testimony.

Thank you.

WHITE PAPER ADDRESSING  
Alaska Unclaimed Property Act  
as it Pertains to Electric and Telephone Cooperatives  
Organized Under AS 10.25

February 22, 2007

Purpose of this paper

The purpose of this paper is to describe (the sometimes burdensome and ineffective noticing requirements of Alaska's unclaimed property law in regards to capital credits of electric and telephone cooperatives. This paper also suggests ways to improve the law to benefit members of Alaska's cooperative utilities by allowing cooperatives to take advantage of changing technology to contact their members.

Electric and Telephone Cooperative Act

Electric and telephone cooperative utilities organized under AS 10.25 operate on a nonprofit basis. Revenues received which exceed the expenses of operations are furnished to the cooperative by the member with the understanding that the cooperative will retain those excess revenues in a capital account on behalf of the member. The member-owned capital account is called capital credits.

From time to time electric and telephone cooperatives may refund a portion of accumulated capital credits.

Member Refunds May Go Unclaimed

The length of time between when the cooperative receives the excess revenue and when the cooperative attempts to refund capital credits can be 20 years or longer. In some cases the cooperative seeking to refund capital credits no longer has a valid address for the member. As a result, those capital credits may go unclaimed.

Alaska's Unclaimed Property Statute as it Pertains to Capital Credits

Under Alaska's unclaimed property law, capital credits are presumed abandoned if they remain unclaimed by the member for more than one year after the date authorized for distribution. (AS 34.45.200(c)). The abandoned capital credits revert to the cooperative so long as the cooperative, at least six months prior to the reversion, (1) mails a notice of the proposed reversion to the last-known address of the member as shown on cooperative records, and (2) publishes a notice of the proposed reversion in the same manner required for publishing a service of summons by publication. The second requirement requires the cooperative to publish a notice of the unclaimed capital credits four times during four consecutive calendar weeks, once each week, in a newspaper of local circulation. (See Alaska R. Civ. P. 4(e)(2)). Providing notice by publication for a court

case is a last resort that is generally used only when it appears that no other alternative means of notice is available.

### The Problem for Alaska Cooperatives

AS 10.25.010(13) provides that electric and telephone cooperatives may make donations for the public welfare or for charitable, scientific, or educational purposes. Many cooperatives use unclaimed capital credits as a source of revenue to fund charitable programs, specifically scholarship programs. While mailings to the last known address of members sometimes result in finding members, for some cooperatives (particularly those outside of urban areas), newspaper publication does not result in a significant increase in the number of members who cash their capital credit checks.

As a result, the effectiveness of the publication by notice requirement of AS 34.45.200(c) is questionable and the cost of compliance can be significant when compared to other methods of notice that take advantage of improved communications technology. The end result is that dollars that might be better spent on other means of providing notice or donated to charity, are instead spent on publishing newspaper advertisements.

### What Do Other States Do?

There are over 900 electric cooperatives in the United States.

Research regarding notice requirements for unclaimed capital credits in other states indicates there are a variety of policies for addressing this issue. Many of the modern rules for providing notice take advantage of the power of the internet:

- Four states allow cooperatives to provide electronic notice to owners of unclaimed capital credits.
- Two of the aforementioned states require cooperatives to publish in newspapers the web address where the list of unclaimed credits can be found.
- Some states require a notice only in communications to members.
- One state does not require a notice.
- Eleven states are required to publish names in local newspapers from one to four times.

### Other Precedent

Using the internet for noticing unclaimed property has some foundation elsewhere in Alaska's unclaimed property statutes. Under AS 34.45.310(b)(1), the Department of Revenue provides notice to owners of other kinds of unclaimed property using an internet website.

The Department also may notify apparent owners through newspaper publication or any other method it deems efficient. See AS 34.45.310(2). Because electronic notice is already required for unclaimed property held by the Department, there is good reason to believe electronic notice should be sufficient for unclaimed capital credits.

Conclusion

Alaska is the most "wired" state in the country when it comes to internet usage. It makes sense to allow cooperatives to pick the method of notice to their members that will be the most likely to reach them. Simple legislation will allow Alaska cooperatives to harness the power of the internet to inform their members and former members of their unclaimed capital credits. As can be seen above, this is consistent with steps taken by other state legislatures and with the State of Alaska's own approach to other forms of unclaimed property. Suggested language to modify AS 34.45.200 (e) is attached.

**HB**

**236**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB236 (FIN)  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB236-DMVA-VS-3-14-08 Dept. Affected: DMVA  
Title: An Act relating to providing a death certificate for a deceased veteran without cost... RDU: Military and Veterans Affairs  
Sponsor: State Affairs Component: Veterans Services  
Requester: House Finance Component Number: 421

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

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

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>							
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Supplies	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

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

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	5.0	5.0	5.0	5.0	5.0	5.0	5.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Interagency Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

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

There is minimal impact to the Department of Military and Veterans Affairs for the cost of postage, mailing envelopes and paper stock for the Governor's memorial certificate program certificates.

Prepared by: McHugh Pierre, Legislative Liaison/Director of Communications  
Division: National Guard Military Headquarters/Commissioner's Office  
Approved by: Commissioner Craig Campbell  
Department of Military and Veterans Affairs

Phone: 465-4402  
Date/Time: 3/14/08 @ 10:00 am  
Date: 3/14/2008

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number. \_\_\_\_\_  
 Bill Version: CS HB 236 (MLV)  
 ( ) Publish Date: \_\_\_\_\_  
 Dept. Affected: Health & Social Services  
 RDU Public Health  
 Component Bureau of Vital Statistics

ID(File name) HB236CS(MLV)-DHSS-BVS-12-19-07  
 Title DECEASED VETERAN DEATH CERTIFICATE/HONOR  
 Sponsor HOUSE (STA)  
 Requester HOUSE (FIN)

Component No. 961

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

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

	Appropriation Required	Information					
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES (0)</b>							

**FUND SOURCE** (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts						
1003 GF Match						
1004 GF	50.0	60.0	75.0	90.0	90.0	90.0
1037 GF/Mental Health						
1156 (Receipt Services)	( 50.0)	( 60.0)	( 75.0)	( 90.0)	( 90.0)	( 90.0)
Other(Specify Type-do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time						
Part-time						
Temporary						

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

Under this bill family members or representatives (executors, etc.) of deceased veterans may each request one free copy of the veteran's certified death certificate. Because the Bureau of Vital Statistics (BVS) relies substantially on fee revenues to cover its operating costs, any loss of these revenues will have an immediate impact on staffing and quality of service to the public if not replaced by general funds.

About 10% of the proposed FY09 budget for BVS is GF. In contrast, 65% of the BVS budget comes from Receipt Supported Services (RSS). Limited flexibility in the BVS budget compounds the problem of relying on fees for operating costs. (Continued on Page 2)

Prepared by: Beverly K. Wooley, Director  
 Division: Public Health  
 Approved by: Karleen Jackson, Commissioner  
 Agency: Department of Health and Social Services

Phone 465-3092  
 Date/Time 12/04/2007  
 Date 12/19/2007

FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

BILL NO: CS HB 236 (MLV)

**ANALYSIS CONTINUATION**

One-third of BVS's annual expenses are fixed costs for items such as lease space, telecommunications services and paper for certificates. Areas where there is some flexibility, such as travel, have been reduced in recent years due to "belt tightening" budget reductions and loss in buying power. Nearly two-thirds of the BVS budget covers personal services.

We project this bill will cost BVS \$50.0 in lost revenue in FY09, increasing to a loss of \$90.0 by FY12. The estimates are based on the \$20 fee for a certified copy of a death certificate and the approximately 900 deaths per year where the decedent was a veteran. Under this version of the bill, receipt of free copies is not restricted - each family member or representative may request one free copy but any number of family members or representatives may request a free copy. It is estimated that veteran's families and representatives will request, on average, five free copies (families have been known to request as many as 30 copies of a death certificate). The fiscal impact will be approximately \$50.0 for the first year the legislation is in effect (\$20 x 2,500 certified copies, assuming just 500 families will request five certificates each in the first year), increasing to \$90.0 by FY12 (\$20 x 4,500 certified copies) as more people become aware of the new benefit provided by this law. BVS will experience a greater loss of revenue if this bill generates more than five requests per death, or if the number of decedents who are veterans exceeds 900 in a year.

This projected loss of revenue to BVS appears in the Receipt Supported Services line and, if the current level of staffing and service to the public is to be maintained, this lost revenue will have to be replaced with GF. If new GF is not received to offset the lost revenue, the bureau will have to eliminate one position the first year this bill is in effect, and a second position within the subsequent one to two years. The loss of these positions will limit the bureau's ability to process requests for vital records in a timely manner by limiting the number of requests that can be processed daily. Previous experience has shown that when BVS is understaffed, the public can expect delays of up to eight weeks for processing vital record requests. At current staffing levels, the average turnaround time is two to three days.



House of Representatives  
State Capitol  
Juneau, AK 99801

Dear Representative,

The American Legion, Veterans of Foreign Wars and The Disabled American Veterans express the deep appreciation to you and other House members for the strong support given the veteran's legislative programs this past session. We have enclosed a copy of the Joint Venture's legislative priorities for consideration by the First Session of the 25<sup>th</sup> State Legislature.

Again, please accept our thanks and appreciation for your continuing support of important veteran issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Pisa".

Jim Pisa  
Dept. Commander, The American Legion

A handwritten signature in black ink, appearing to read "Joseph J. Simms".

Joe Simms  
Dept. Commander, Veterans of Foreign Wars

A handwritten signature in black ink, appearing to read "Tom Schanrock".

Tom Schanrock  
Dept. Commander, Disabled American Veterans

**The American Legion, Veterans of Foreign Wars, and Disabled  
American Veterans.**

Joint Venture  
Legislative Issues  
for FY 2008-2009  
(condensed version)

1. **State Veteran's Service Officers Grant:** Increase of State Service Officers Grant from \$621,000. to \$651,000.
2. **Property Tax Exemption:** Support an Increase the Disabled Veterans' and Senior Citizens tax exemption.
3. **Community Based Outpatient Clinic:** Support from the Legislature for a VA community based outpatient clinic to be located in Southeast Alaska.
4. **Veteran's Cemetery:** We request the State Legislature to place a State Operated VA supported Cemetery in Fairbanks Alaska.
5. **Flag Amendment:** If Flag Amendment passes Congress Alaska ratify that amendment.

**HB**

**238**

**HFIN**

**FILE**



# FISCAL NOTE

#1

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB238-DOA-FIN-4-20-07  
 Bill Version: HB 238  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: An act relating to the response account of the oil and hazardous release prevention and response fund RDU: Centralized Admin Services  
 Component: Finance  
 Sponsor: Representative Meyer  
 Requester: \_\_\_\_\_ Component No. 59

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 Calculating balances created by legislation such as this are within the normal course of business for the Division of Finance.

Prepared by: Debbie Bump, Deputy Director  
 Division: Division of Finance  
 Approved by: Kevin Brooks, Deputy Commissioner  
 Agency: Department of Administration

Phone: 465-5615  
 Date/Time: 4/20/07 1:00 PM  
 Date: 4/20/07

# FISCAL NOTE

#12

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: HB 238-DEC-SPAR-4-20-07  
Bill Version: HB 238  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Dept of Environmental Conservation  
Title: An Act relating to the response account of the oil and RDU: Spill Prevention and Response  
hazardous substance release prevention and response fund. Component: Response Fund Administration  
Sponsor: Representative Meyer  
Requestor: House Finance Committee Component No. 2259

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ( )	*	*	*	*	*	*
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation is intended to increase the revenue to the response account by transferring \$40 million to a new sub-account that would yield a higher return on investment based on an assumption that the funds would not be needed for five years. The response account, however, is an emergency account and access to the full balance may be needed at any time i.e., it is not possible to accurately predict when a catastrophic event may occur. In such cases, the state may incur a significant investment loss depending on how the balance in the new sub-account is invested. Such investment decisions are made by the Department of Revenue not the Department of Environmental Conservation. From a revenue perspective the state will benefit from any increase as a result of a more aggressive investment strategy. More aggressive investment strategies also have higher risk. There are no costs associated with this proposed legislation. However, it is not possible to project the magnitude of the revenue that may be generated since interest rates and interest income will vary from year to year nor can the potential loss from an emergency withdrawal be accurately estimated. Any potential investment loss should not become a limitation for use of the full balance if needed.

Prepared by: Larry Diotrick, Director Phone 465-5250  
Division: Spill Prevention and Response Date/Time 4/21/07 11:45 AM  
Approved by: Larry Hartig, Commissioner Date 4/21/2007  
Agency: Department of Environmental Conservation

# FISCAL NOTE

#3

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB238 DOR-TRE-4-24-07  
Bill Version: HB 238  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Oil & Hazard Substance Response Account RDU Tax and Treasury  
Component Treasury Division  
Sponsor Representative Meyer  
Requester House Finance Committee Component No. 121

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual	40.9	40.9	40.9	40.9	40.9	40.9
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>

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

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1052 Oil/Haz Rel Prev and Resp Fund	40.9	40.9	40.9	40.9	40.9	40.9
<b>TOTAL</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>	<b>40.9</b>

Estimate of any current year (FY2007) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

House Bill 238 sets up a subaccount in the response account in the amount of \$40 million. It is anticipated the fund will be managed the asset allocation of 39% Broad Market Fixed Income Pool, 44% Domestic Equity Pool and 17% International Equity Pool to yield a greater rate of return than its current investment in the Gefonsi fund earns.

The above investment management costs include external investment management fees, audit, accounting and custody fees. These costs are projected based on median market returns based on Callan and Associates, March 2007, capital market assumptions.

Prepared by: Susan Taylor, Comptroller Phone 465-2352  
Division: Treasury Division Date/Time Tuesday, 9:17 am  
Approved by: Brian Andrews, Deputy Commissioner Date 4/24/2007  
Agency: Department of Revenue

Amended  
Pg 2

HOUSE BILL NO. 238

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE MEYER

Introduced: 4/16/07  
Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the response account of the oil and hazardous substance release  
2 prevention and response fund; and providing for an effective date."

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

4 \* Section 1, AS 43.55.221(a) is amended to read:

5 (a) Not later than 30 days after the end of each calendar quarter, the  
6 commissioner of administration shall determine, as of the end of that quarter, the fiscal  
7 year's

8 (1) unreserved and unobligated balance in the response account of the  
9 oil and hazardous substance release prevention and response fund established in  
10 AS 46.08.010; for purposes of this paragraph, the "unreserved and unobligated balance  
11 in the response account" means the cash balance of the account, plus any net  
12 unrealized loss of the subaccount established in AS 46.08.025(c), minus [LESS]  
13 the sum of

14 (A) reserves for outstanding appropriations from the account;

1 (B) encumbrances of money in the account; and

2 (C) other liabilities of the account;

3 (2) balance of the account maintained under AS 37.05.142 that  
4 accounts for the proceeds of the surcharge that are deposited in the general fund;

5 (3) the balance of the response mitigation account established by  
6 AS 46.08.025(b) that originated from the sources described in AS 46.08.025(a)(3) and  
7 that is available for appropriation to the response account of the fund established in  
8 AS 46.08.010.

9 \* Sec. 2. AS 46.08.020(c) is amended to read:

10 (c) The realized income of the subaccount established in AS 46.08.025(c)  
11 and the interest earned on the balances of each of the following accounts shall be  
12 deposited into the general fund and credited to the prevention account in the fund:

13 (1) the prevention account;

14 (2) the prevention mitigation account;

15 (3) the response account; and

16 (4) the response mitigation account.

17 \* Sec. 3. AS 46.08.025 is amended by adding a new subsection to read:

18 (c) A subaccount is established in the response account in the fund consisting  
19 of appropriations from the response account. Money in the subaccount shall be  
20 invested to yield higher returns than might be feasible to obtain with other money in  
21 the response account. In establishing or modifying the investment policy for the  
22 subaccount, the commissioner of revenue shall assume that those funds will not be  
23 needed for at least five years. However, expenditures shall be made from the  
24 subaccount whenever the amount outside of the subaccount is insufficient to meet  
25 obligations of the response account.

26 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 TRANSITION. On the effective date of this Act, the Department of ~~Revenue~~ *Administration* shall  
29 transfer \$40,000,000 from the response account of the oil and hazardous substance release  
30 prevention and response fund (AS 46.08.010(a)(2)) to the subaccount established in  
31 AS 46.08.025(c), enacted in sec. 3 of this Act.

1 \* Sec. 5. This Act takes effect July 1, 2007.



# REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

## Sponsor Statement for HB 238

*"An Act relating to the response account of the oil and hazardous substance release prevention and response fund; and providing for an effective date."*

The Response Fund was established in 1986 to provide a readily available source of funding to investigate, contain, clean up and take other action necessary to protect the public and environment from the release or threatened release of hazardous substances.

In 1994 the Response Fund was divided into the Response and Prevention Accounts. The Prevention Account provides operating funds for the Department of Environmental Conservation's Division of Spill Prevention and Emergency Response while the Response Account is maintained for declared disasters and other emergencies. Earnings from the \$50,000,000 Response Account are deposited in the Prevention Account.

House Bill 238 creates a sub-account within the Response Account and directs the Commissioner of Revenue to manage the sub-account to generate a higher rate of return. Since its inception, the Response Account has been managed along with the General Fund and in the last three years has generated a rate of return between 1% and 3%. In 2000 a sub-account was established in the Constitutional Budget Reserve (CBR) that is similar to the one created in HB 238. In the last three years the CBR sub-account has earned between 1% and 7.5% more each fiscal year than the rest of the CBR.

HB 238 maximizes the rate of return on the \$50,000,000 Response Account, while maintaining adequate reserves to respond to an emergency. Generating more earnings from the Response Account will help make the Prevention Account, where expenditures have consistently exceeded revenues, sustainable. A sustainable Prevention Account provides predictable funding for Alaska's spill response infrastructure and will help prevent the emergencies the Response Account is designed for.



# REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

## MEMORANDUM

**DATE:** April 19, 2007  
**TO:** Representative Kevin Meyer  
**FROM:** Mike Pawlowski  
**RE:** Sectional Analysis for HB 238  
(Version No. 25 – LS0853A)

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Adjusts the formula used by the Commissioner of Administration to calculate the quarterly balance of the Response Account by requiring the addition of net losses to the beginning balance of the account.

Section 2. Adds realized income of the subaccount created in section 3 to allow the transfer of earnings to the Prevention Account.

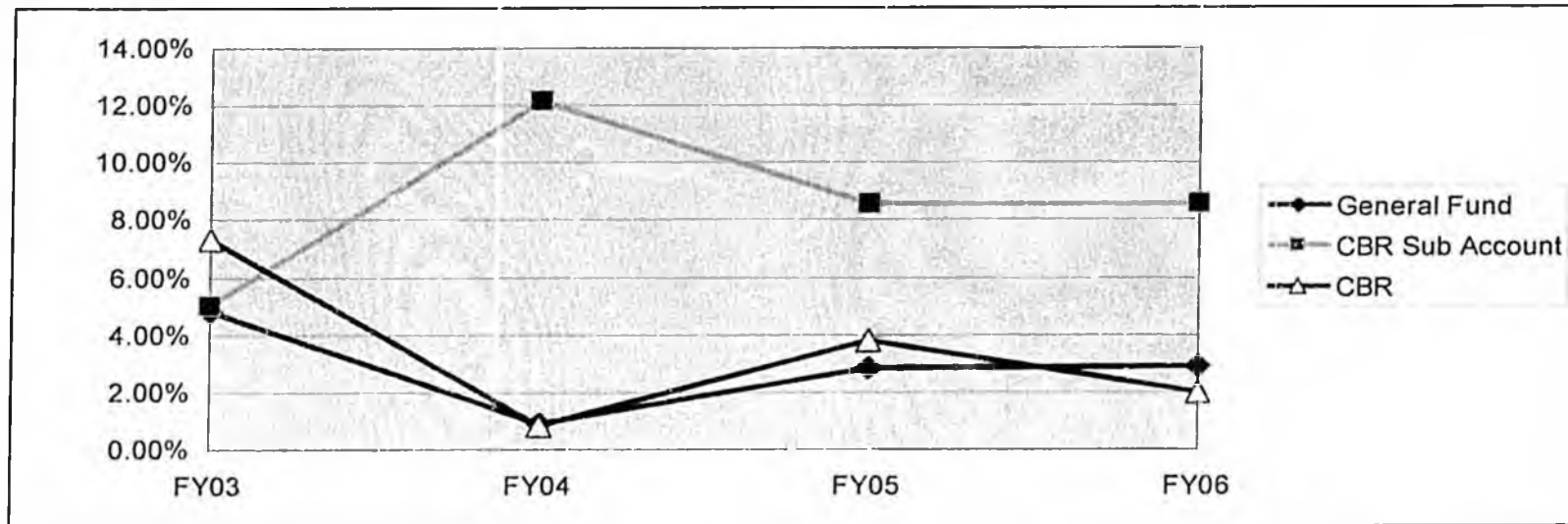
Section 3. Creates a sub account in the Response Account and directs the Commissioner of Revenue to manage the subaccount based on a five year, rather than cash basis.

Section 4. Transfers \$40,000,000 from the Response Account to the subaccount created in section 3.

Section 5. Effective date clause.

# Annual Returns for the CBR, CBR Sub Account & the General Fund

Prepared by Representative Meyer's Office



## 1, 3 & 5 Year Returns for the General Fund, CBR & CBR Sub Account

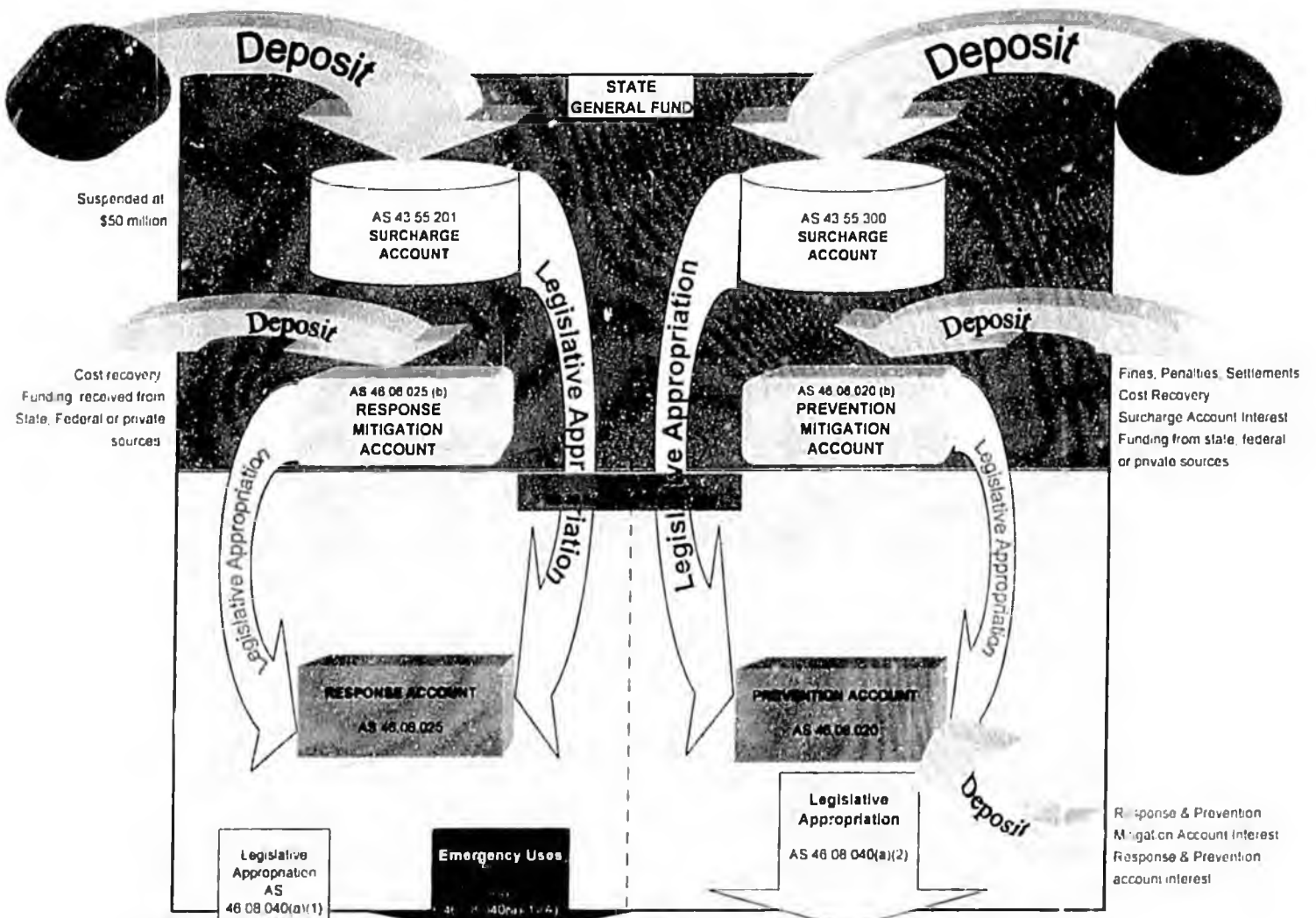
	1 Year	3 Year	5 Year
General Fund	2.92%	2.22%	3.22%
CBR	1.98%	2.19%	3.97%
CBRF Sub Account	8.57%	9.74%	5.55%

## Extrapolated Difference in Earnings Based on 40/10 Split<sup>1</sup>

	2003	2004	2005	2006
Status Quo	\$52,410,000	\$50,460,000	\$51,420,000	\$51,460,000
HB 238	\$52,490,000	\$54,944,000	\$53,700,000	\$53,720,000
<b>Difference:</b>	<b>\$80,000</b>	<b>\$4,484,000</b>	<b>\$2,280,000</b>	<b>\$2,260,000</b>

<sup>1</sup> \$40,000,000 invested in the subaccount assuming CBR subaccount returns / \$10,000,000 invested in GF assuming GF returns. No fees are included.

# Oil & Hazardous Substance Release Prevention and Response Fund



\* Match federal funds  
\* Recover cost to the state, municipality, or a school district for cleanup.

\* Oil or hazardous substance discharge emergency  
\* Investigate, evaluate, contain, cleanup, monitor and assess a release or threatened release of oil or hazardous substance that poses an imminent and substantial threat to public health or welfare, or to the environment.

- \* Investigate, evaluate, contain, cleanup a release or threatened release of oil or hazardous substances
- \* Establish and maintain spill response office
- \* Pay for expenses incurred by Alaska State Emergency Response Commission activities relating to oil or hazardous substance release or preparing to respond to the DEC request for support in a response and restoration activity.
- \* Pay for all costs incurred in acquiring spill response equipment.
- \* Pay costs incurred by LEPC to carry out duties assigned them by AS 26.23.073(g).
- \* Provide matching federal funds.
- \* Pay DCED for Community and Economic Development of municipal impact grant; assessment of the social and economic effects of the release of oil or hazardous substance; grants to repair, improve, or replace fuel storage facilities under the bulk fuel system emergency repair and upgrade program.
- \* Recover the costs to the state, a municipality, a village, or a school district of a containment and cleanup resulting from the release or threatened release of oil or a hazardous substance.
- \* Prepare, review, and revise the state and regional master oil and hazardous substance discharge prevention and contingency plan.

\* House Bill #3001C amended AS 43 55 201 Sec. 20 and changed the Surcharge from \$ 02 to \$ 01 effective 4/1/2006

\*\* House Bill #3001C amended AS 43 55 300 Sec. 28 and changed the Surcharge from \$ 03 to \$ 04 effective 4/1/2006

## DEPARTMENT OF ENVIRONMENTAL CONSERVATION Overview - Response Fund Projections

2/12/2007

### General Assumptions:

- There is no change to the 1¢/barrel surcharge funding *Response Account* activities.
- Revenue = \$2.4 million for each 1¢ per barrel increase;
- Increase is effective for FY2008, making Revenue available by FY2009
- Direct Appropriations continue to other Agencies.
- Personal Services salary & benefit costs continue to increase.
- Continued program commitment to find \$.5 million in savings each year.

**NOTE:** *Surcharge revenue is not available for spending until the year after it is collected.*

### 1¢ Increase - Projected Impacts

- ▶ Changes the surcharge funding *Prevention Account* activities from 4¢ to 5¢;
- ▶ Revenue increase = \$2.4 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ No additional appropriations for Pipeline Corrosion issues.
- ▶ No additional Capital appropriations for Contaminated Sites cleanup.
- ▶ Program savings of \$500.0 per year is still required.

#### Impacts:

- a. Projected depletion of fund is extended 1 year to FY2010;
- b. Expenditures continue to exceed Revenues in all years;

### 2¢ Increase - Projected Impacts

- ▶ Changes the surcharge funding *Prevention Account* activities from 4¢ to 6¢;
- ▶ Revenue increase = \$4.8 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ No additional appropriations for Pipeline Corrosion issues.
- ▶ No additional Capital appropriations for Contaminated Sites cleanup.
- ▶ Program savings of \$500.0 per year is still required.

#### Impacts:

- a. Projected depletion of fund is extended past FY2011;
- b. Expenditures begin to exceed Revenues again in FY2012;
- c. Small increase in fund balance, captured in FY2009 & FY2010, will help sustain the fund a bit past FY2011, if there are no increases in appropriations for pipeline integrity, contaminated sites cleanup, or other issues.

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION**  
**Overview - Response Fund Projections**

2/12/2007

**General Assumptions:**

- There is no change to the 1¢/barrel surcharge funding *Response Account* activities.
- Revenue = \$2.4 million for each 1¢ per barrel increase;
- Increase is effective for FY2008, making Revenue available by FY2009
- Direct Appropriations continue to other Agencies.
- Personal Services salary & benefit costs continue to increase.
- Continued program commitment to find \$.5 million in savings each year.

**NOTE:** *Surcharge revenue is not available for spending until the year after it is collected.*

**3¢ Increase - Projected Impacts**

- ▶ Changes the surcharge funding *Prevention Account* activities from 4¢ to 7¢;
- ▶ Revenue increase = \$7.2 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ Appropriations for Pipeline Integrity are possible.
- ▶ Capital appropriations for Contaminated Sites are possible.
- ▶ Program savings of \$500.0 per year is still required.

**Impacts:**

- a. Funding is available for Pipeline issues.
- b. Some Contaminated Site cleanups are funded through Capital Budgets.
- c. A fund balance exists well after FY2011;
- d. Expenditures do not exceed Revenues after FY2009;
- e. Small increases in fund balance continue through FY2012, providing a small cushion within the fund.

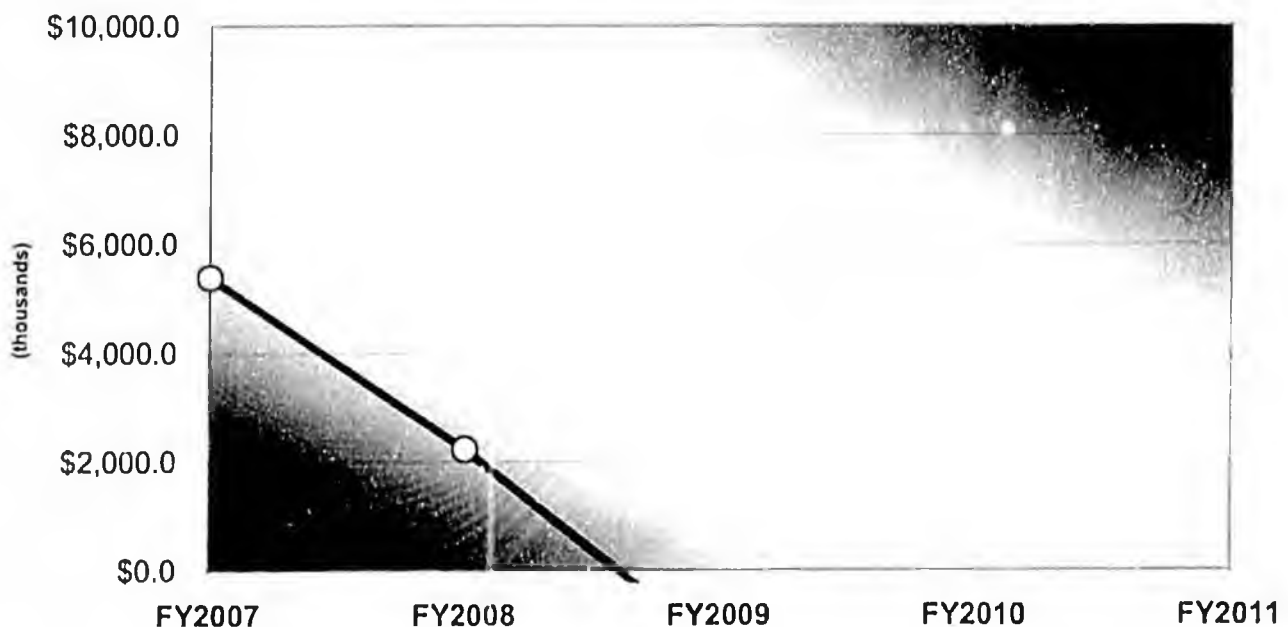
**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
RESPONSE FUND**

*PREVENTION ACCOUNT - BALANCE PROJECTION  
1¢ - 4¢ PROJECTION*

2/12/2007

	FY2006 FUND BALANCE	7,166.6				
	FY2007	FY2008	FY2009	FY2010	FY2011	
<b>REVENUE to PREVENTION ACCOUNT</b>	12,952.5	12,477.5	12,550.0	12,550.0	12,550.0	
4 Cent Surcharge (Fall 2006 Revenue Sources Book)	7,758.7	9,700.0	9,800.0	9,800.0	9,800.0	
Cost Recovery/Fines/Penalties	2,143.8	1,527.5	1,500.0	1,500.0	1,500.0	
Interest	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0	
Transfers to the RF from other Funds	1,800.0					
<b>TOTAL EXPENDITURES</b>	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5	
<b>BUDGETED OPERATING EXPENDITURES</b>	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5	
DEC + Annual Salary Increases - FY2009 and Out Yrs	13,402.4	14,814.9	15,414.9	16,014.9	16,614.9	
DMVA -	497.6	497.6	497.6	497.6	497.6	
DOT - Continue Annual Approp from RF	825.0	825.0	825.0	825.0	825.0	
UNEXPENDED (estimated for 2008-2010)		(500.0)	(500.0)	(500.0)	(500.0)	
<b>Proposed Changes</b>	0.0	0.0	0.0	0.0	0.0	
DEC OPERATING						
DOT OPERATING						
DMVA OPERATING						
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	
<b>ESTIMATED PREVENTION ACCOUNT BALANCE</b>	5,394.1	2,234.1	(1,453.4)	(5,740.9)	(10,628.4)	
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	(1,772.5)	(3,160.0)	(3,687.5)	(4,287.5)	(4,887.5)	

**PREVENTION ACCOUNT BALANCE**



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
RESPONSE FUND**

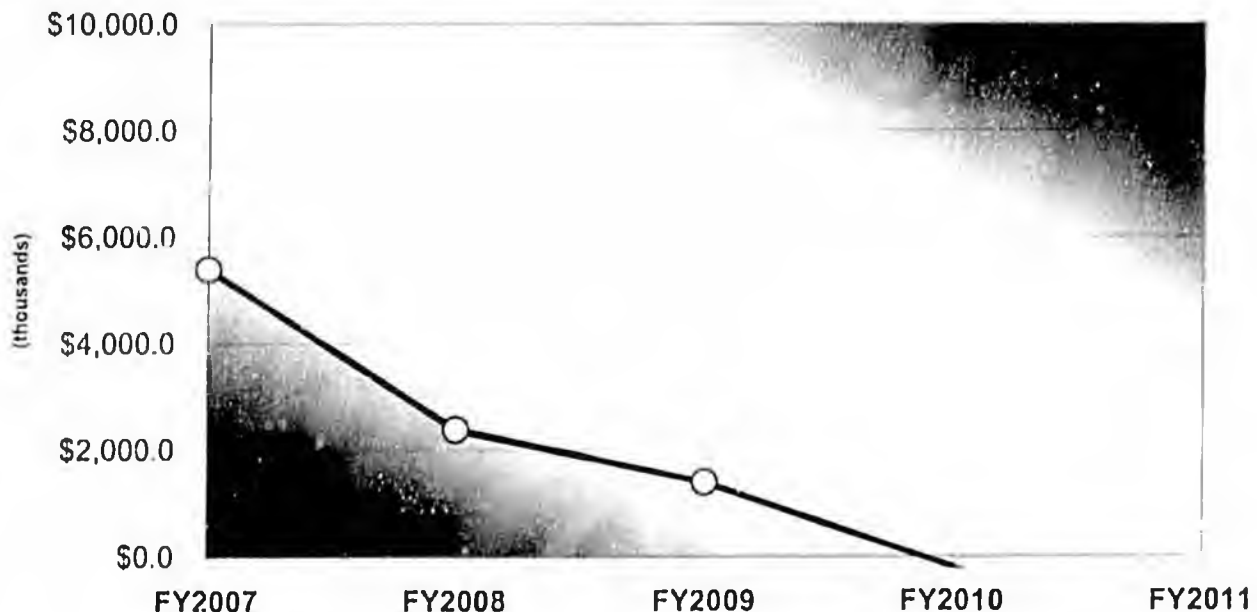
*PREVENTION ACCOUNT - BALANCE PROJECTION  
1¢ / 5¢ SPLIT - IMPACT OF 1¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE*

2/12/2007

	FY2006 FUND BALANCE	7,166.6			
	FY2007	FY2008	FY2009	FY2010	FY2011
<b>REVENUE to PREVENTION ACCOUNT</b>	<b>12,952.5</b>	<b>12,627.5</b>	<b>15,250.0</b>	<b>15,250.0</b>	<b>15,250.0</b>
4 Cent Surcharge (Fall 2006 Revenue Sources Book)	7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 5¢ per barrel	0.0	0.0	2,400.0	2,400.0	2,400.0
*New Legislation FY2008: Fee Bill		150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties	2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds	1,800.0				
<b>TOTAL EXPENDITURES</b>	<b>14,725.0</b>	<b>15,637.5</b>	<b>16,237.5</b>	<b>16,837.5</b>	<b>17,437.5</b>
<b>BUDGETED OPERATING EXPENDITURES</b>	<b>14,725.0</b>	<b>15,637.5</b>	<b>16,237.5</b>	<b>16,837.5</b>	<b>17,437.5</b>
DEC + Annual Salary Increases - FY2009 and Out Yrs	13,402.4	14,814.9	15,414.9	16,014.9	16,614.9
DMVA -	497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF	825.0	825.0	825.0	825.0	825.0
UNEXPENDED (estimated for 2008-2010)		(500.0)	(500.0)	(500.0)	(500.0)
Proposed Changes	0.0	0.0	0.0	0.0	0.0
DEC OPERATING					
DOT OPERATING					
DMVA OPERATING					
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>ESTIMATED PREVENTION ACCOUNT BALANCE</b>	<b>5,394.1</b>	<b>2,384.1</b>	<b>1,396.6</b>	<b>(190.9)</b>	<b>(2,378.4)</b>
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	<b>(1,772.5)</b>	<b>(3,010.0)</b>	<b>(987.5)</b>	<b>(1,587.5)</b>	<b>(2,187.5)</b>

*\*Estimated impacts of fee legislation, if proposed for FY2008*

**PREVENTION ACCOUNT BALANCE**



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
RESPONSE FUND**

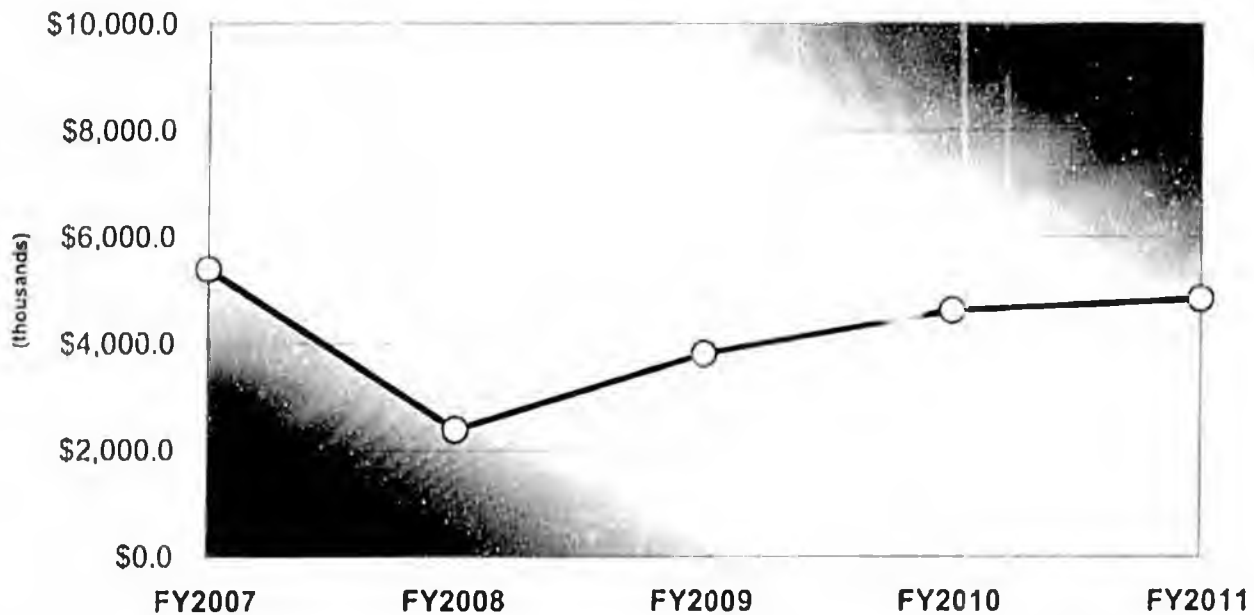
*PREVENTION ACCOUNT - BALANCE PROJECTION  
1¢ / 6¢ SPLIT - IMPACT OF 2¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE*

2/12/2007

	FY2006 FUND BALANCE	7,166.6			
	FY2007	FY2008	FY2009	FY2010	FY2011
<b>REVENUE to PREVENTION ACCOUNT</b>	12,952.5	12,627.5	17,650.0	17,650.0	17,650.0
4 Cent Surcharge ( <i>Fall 2006 Revenue Sources Book</i> )	7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 6¢ per barrel	0.0	0.0	4,800.0	4,800.0	4,800.0
New Legislation FY2008: Fee Bill		150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties	2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds	1,800.0				
<b>TOTAL EXPENDITURES</b>	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
<b>BUDGETED OPERATING EXPENDITURES</b>	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
DEC + Annual Salary Increases - FY2009 and Out Yrs	13,402.4	14,814.9	15,414.9	16,014.9	16,614.9
DMVA -	497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF	825.0	825.0	825.0	825.0	825.0
UNEXPENDED (estimated for 2008-2010)		(500.0)	(500.0)	(500.0)	(500.0)
Proposed Changes	0.0	0.0	0.0	0.0	0.0
DEC OPERATING					
DOT OPERATING					
DMVA OPERATING					
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0
<b>ESTIMATED PREVENTION ACCOUNT BALANCE</b>	5,394.1	2,384.1	3,796.6	4,609.1	4,821.6
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	(1,772.5)	(3,010.0)	1,412.5	812.5	212.5

*\*Estimated impacts of fee legislation, if proposed for FY2008*

**PREVENTION ACCOUNT BALANCE**



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
RESPONSE FUND**

**PREVENTION ACCOUNT - BALANCE PROJECTION  
1¢ / 7¢ SPLIT - IMPACT OF 3¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE**

2/12/2007

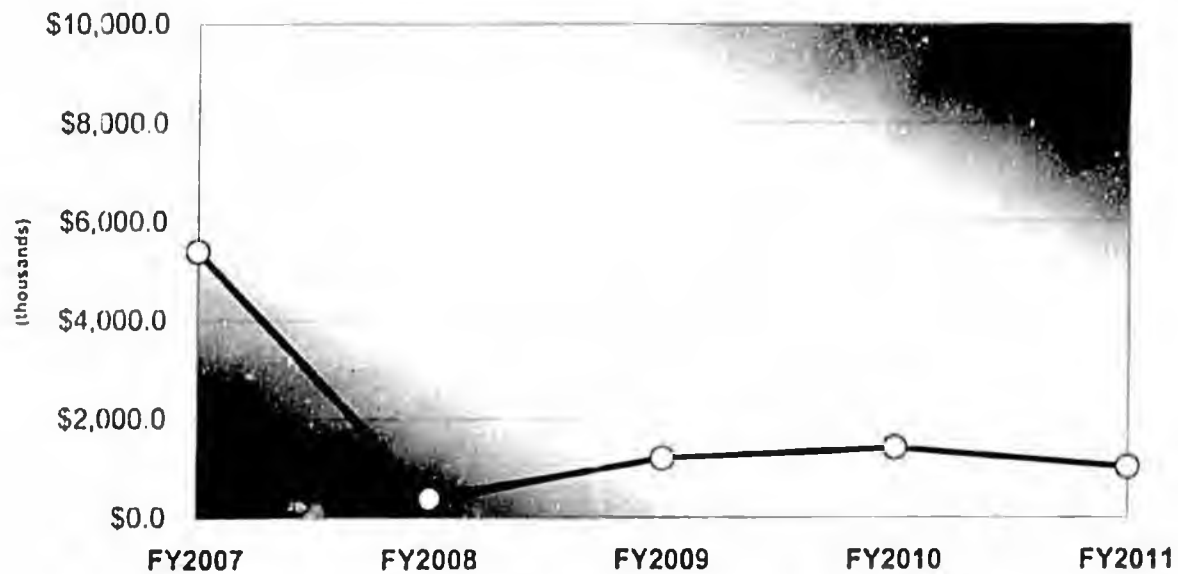
	FY2006 FUND BALANCE	FY2007	FY2008	FY2009	FY2010	FY2011
<b>REVENUE to PREVENTION ACCOUNT</b>	7,166.6	12,952.5	12,627.5	20,050.0	20,050.0	20,050.0
4 Cent Surcharge (Fall 2006 Revenue Sources Book)		7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 7¢ per barrel		0.0	0.0	7,200.0	7,200.0	7,200.0
New Legislation FY2008: Fee Bill			150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties		2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest		1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds		1,800.0				
<b>TOTAL EXPENDITURES</b>		14,725.0	17,637.5	19,237.5	19,837.5	20,437.5
<b>BUDGETED OPERATING EXPENDITURES</b>		14,725.0	15,637.5	18,237.5	18,837.5	19,437.5
DEC + Annual Salary Increases - FY2009 and Out Yrs		13,402.4	14,814.9	16,414.9	17,014.9	17,614.9
DMVA -		497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF		825.0	825.0	1,825.0	1,825.0	1,825.0
UNEXPENDED (estimated for 2008-2010)			(500.0)	(500.0)	(500.0)	(500.0)
<b>Proposed Changes</b>		0.0	1,000.0	0.0	0.0	0.0
** DEC OPERATING - Add: Pipeline Integrity			1,000.0			
DOT OPERATING						
DMVA OPERATING						
<i>Note: Proposed changes are listed in the first year but continue to impact operating expenditures in the out years.</i>						
<b>CAPITAL EXPENDITURES</b>		0.0	1,000.0	1,000.0	1,000.0	1,000.0
***DEC Capital - Add: Contaminated Sites Cleanup			1,000.0	1,000.0	1,000.0	1,000.0
<b>ESTIMATED PREVENTION ACCOUNT BALANCE</b>		5,394.1	384.1	1,196.6	1,409.1	1,021.6
<b>EXPENDITURES IN EXCESS OF REVENUE</b>		(1,772.5)	(5,010.0)	812.5	212.5	(387.5)

\*Estimated impacts of fee legislation, if proposed for FY2008

\*\* Amount is not a valid estimate of cost - was chosen for projection purposes only for pipeline issues

\*\*\* Amount is not a valid estimate of need - was chosen for projection purposes only

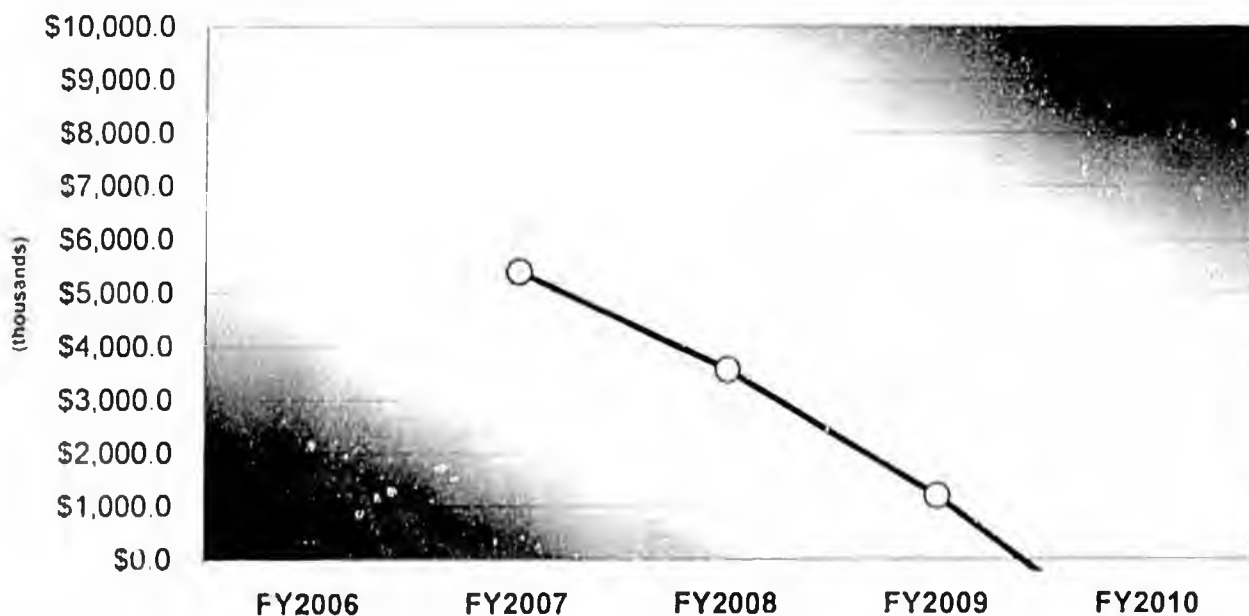
**PREVENTION ACCOUNT BALANCE**



**Representative Kevin Meyer**  
**RESPONSE FUND - BALANCE PROJECTION**  
 Projection Based on the FY08 Operating Budget (House)  
 Assumes Response Account Earnings of 2.5%

	FY2005 FUND BALANCE	7,782.7				
		FY2006	FY2007	FY2008	FY2009	FY2010
<b>REVENUE</b>		0.0	12,952.5	12,477.5	12,550.0	12,550.0
4 Cent Surcharge		0.0	7,758.7	9,700.0	9,800.0	9,800.0
Cost Recovery/Fines/Penalties		0.0	2,143.8	1,527.5	1,500.0	1,500.0
Interest		0.0	1,250.0	1,250.0	1,250.0	1,250.0
FY2007 Transfer 1.8 million from CPVF to RF (Language)		0.0	1,800.0	0.0		
 Note: Revenue from change effective 7/1/2006 will be available for use until FY2008 Budgets						
<b>TOTAL EXPENDITURES</b>		0.0	14,725.0	14,314.9	14,914.9	15,514.9
<b>EXPENDITURES IN EXCESS OF REVENUE</b>		0.0	(1,772.5)	(1,837.4)	(2,364.9)	(2,964.9)
<b>OPERATING EXPENDITURES</b>		0.0	14,725.0	14,314.9	14,914.9	15,514.9
DEC + Annual Salary Increases - FY2008 and Out Yrs		0.0	13,402.4	14,814.9	15,414.9	16,014.9
DMVA - Continue Annual Approp from RF		0.0	497.6	0.0	0.0	0.0
DOT - Continue Annual Approp from RF		0.0	825.0	0.0	0.0	0.0
Reduce CPVEC in operating				0.0	0.0	0.0
Unexpended			0.0	(500.0)	(500.0)	(500.0)
<b>Proposed Changes</b>		0.0	0.0	0.0	0.0	0.0
DEC OPERATING			0.0			
DOT OPERATING			0.0			
DMVA OPERATING			0.0			
<b>CAPITAL EXPENDITURES</b>		0.0	0.0	0.0	0.0	0.0
<b>ESTIMATED FUND BALANCE</b>			5,394.1	3,556.7	1,191.8	(1,773.1)

**RESPONSE FUND BALANCE**



**Representative Kevin Meyer**  
**RESPONSE FUND - BALANCE PROJECTION**  
 Projection Based on the FY08 Operating Budget (House)  
 HB 238: Assumes Response Account Earnings of 5%

	FY2005 FUND BALANCE	7,782.7	FY2006	FY2007	FY2008	FY2009	FY2010
<b>REVENUE</b>			0.0	12,952.5	13,727.5	13,800.0	13,800.0
4 Cent Surcharge			0.0	7,758.7	9,700.0	9,800.0	9,800.0
Cost Recovery/Fines/Penalties			0.0	2,143.8	1,527.5	1,500.0	1,500.0
Interest			0.0	1,250.0	2,500.0	2,500.0	2,500.0
FY2007 Transfer 1.8 million from CPVF to RF (Language)			0.0	1,800.0	0.0		
Note: Revenue from change effective 7/1/2006 will be available for use until FY2008 Budgets							
<b>TOTAL EXPENDITURES</b>			0.0	14,725.0	14,314.9	14,914.9	15,514.9
EXPENDITURES IN EXCESS OF REVENUE			0.0	(1,772.5)	(587.4)	(1,114.9)	(1,714.9)
<b>OPERATING EXPENDITURES</b>			0.0	14,725.0	14,314.9	14,914.9	15,514.9
DEC + Annual Salary Increases - FY2008 and Out Yrs			0.0	13,402.4	14,814.9	15,414.9	16,014.9
DMVA - Continue Annual Approp from RF			0.0	497.6	0.0	0.0	0.0
DOT - Continue Annual Approp from RF			0.0	825.0	0.0	0.0	0.0
Reduce CPVEC in operating					0.0	0.0	0.0
Unexpended				0.0	(500.0)	(500.0)	(500.0)
<b>Proposed Changes</b>			0.0	0.0	0.0	0.0	0.0
DEC OPERATING				0.0			
DOT OPERATING				0.0			
DMVA OPERATING				0.0			
<b>CAPITAL EXPENDITURES</b>			0.0	0.0	0.0	0.0	0.0
<b>ESTIMATED FUND BALANCE</b>				5,394.1	4,806.7	3,691.8	1,976.9

**RESPONSE FUND BALANCE**

