

HB

44

<target><bill>HB 44</bill><subject>HB
44</subject><comm>HENE26</comm></target>

26-LS0231\R
Kane
2/16/09

CS FOR HOUSE BILL NO. 44()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT AND WILSON, Harris

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to investments applicable to energy; authorizing the Alaska Permanent**
2 **Fund Corporation to make in-state energy project investments; and authorizing certain**
3 **public corporations to issue bonds for energy projects."**

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

5 *** Section 1.** AS 18.56.089(c) is amended to read:

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

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

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

- (A) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- (B) sec. 10(b), ch. 130, SLA 2000;
- (C) sec. 1, ch. 1, SSSLA 2002;
- (D) sec. 4, ch. 120, SLA 2004;
- (E) sec. 3 of this Act;** and

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

* Sec. 2. AS 37.13.120 is amended by adding a new subsection to read:

(f) The board may invest an amount not to exceed \$1,000,000,000 of the assets of the fund in in-state energy project investments, to the extent that in-state energy project investments are available and the projects are eligible for investment of fund assets under (a) of this section.

* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to read:

ALASKA HOUSING FINANCE CORPORATION: LEGISLATIVE AUTHORIZATION AND APPROVAL OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM BONDS. (a) The Alaska Housing Finance Corporation is authorized to issue bonds under the power granted to it in AS 18.56.110 to establish energy efficiency and conservation programs for all homeowners. The maximum principal amount of bonds that the Alaska Housing Finance Corporation may issue under this section is \$100,000,000. The Alaska Housing Finance Corporation may issue the bonds in a single issuance or in several issuances, without limitation as to number of issuances or timing, and as the Alaska Housing Finance Corporation determines best furthers the purpose of financing the programs described in this section. The Alaska Housing Finance Corporation shall negotiate with interested parties and shall enter into agreements with interested parties to provide revenue sufficient to accomplish the purposes described in this subsection.

(b) This section constitutes the approval required by AS 18.56.110(g) for the issuance

1 of the bonds described in this section.

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

4 ALASKA NATURAL GAS DEVELOPMENT AUTHORITY: LEGISLATIVE
5 AUTHORIZATION AND APPROVAL OF BONDS FOR NATURAL GAS PROJECTS TO
6 ENSURE ENERGY SUFFICIENCY. (a) The Alaska Natural Gas Development Authority is
7 authorized to issue bonds under the power granted to it in AS 41.41.300 to acquire a gas
8 supply, develop the Cook Inlet and Fairbanks markets, and plan, permit, and design gas
9 transmission systems to mitigate gas shortfalls and ensure energy sufficiency for Alaskans.
10 The maximum principal amount of bonds that the Alaska Natural Gas Development Authority
11 may issue under this section is \$250,000,000. The Alaska Natural Gas Development
12 Authority may issue the bonds in a single issuance or in several issuances, without limitation
13 as to number of issuances or timing, and as the Alaska Natural Gas Development Authority
14 determines best furthers the purpose of financing the projects described in this section. The
15 Alaska Natural Gas Development Authority shall negotiate with interested parties and shall
16 enter into agreements with interested parties to provide revenue sufficient to accomplish the
17 purposes described in this subsection.

18 (b) This section constitutes the approval required by AS 41.41.320 for the issuance of
19 the bonds described in this section.

Alaska State Legislature

State Capitol, Room 208
Juneau, Alaska 99801-1182
Phone: 907-465-3779
Fax: 907-465-2833
Toll Free: 800-469-3779



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

SPONSOR STATEMENT

COMMITTEE SUBSTITUTE for HOUSE BILL 44 (), R version "An Act relating to investments applicable to energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects."

House Bill 44 preauthorizes the Alaska Housing Finance Corporation and the Alaska Natural Gas Development Authority to issue bonds for energy related programs and projects. The bill also gives Legislative approval for the Permanent Fund Corporation to invest up to \$1 billion for in-state energy projects.

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

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

The authorization for the Permanent Fund to invest in any of the in-state energy projects is suggestive at the most. The corporation already has the authority under AS 37.13.120 to invest in income producing projects as long as the prudent-investor rule is applied.

Alaska State Legislature

State Capitol, Room 208
Juneau, Alaska 99801-1182
Phone: 907-465-3779
Fax: 907-465-2833
Toll Free: 800-469-3779



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS HOUSE BILL 44 (), LS0231R

“An Act relating to investments applicable in energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects.”

Section 1: Amends AS 18.56.08(c), Compliance with Executive Budget Act; corporation finances; dividend. Adds section 3 of the committee substitute to the subsection that lists previous issuance of bonds. Bond repayments are deducted from dividends that are provided to the state.

Section 2: Adds a new subsection to AS 37.13.120, Investment responsibilities. States that the Permanent Fund Corporation board may invest up to \$1 billion in in-state energy projects.

Section 3: New section to uncodified law. Gives pre-authorization to the Alaska Housing Finance Corporation to issue up to \$100 million in bonds for energy efficiency and conservation programs for home owners.

Section 4: New section to uncodified law. Gives pre-authorization to the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds in order to acquire a gas supply, develop the Cook Inlet and Fairbanks markets, and plan, permit and design gas transmission systems to mitigate gas shortfalls and ensure energy sufficiency for Alaskans.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 44
 () Publish Date: _____

Identifier (file name): HB44-REV-APFC-02-13-09 Dept. Affected: Revenue
 Title ENERGY BONDS/INVESTMENTS RDU AK Permanent Fund Corporation
 Component AK Permanent Fund Corporation
 Sponsor Representative Chenault
 Requester House Energy Committee Component Number 109

Expenditures/Revenues (Thousands of Dollars)

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

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

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1105 APFC Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)
 This bill authorizes (but does not require) the APFC to invest in in-state energy projects. It would not affect the operations of the APFC.

Prepared by: Michael J. Burns Phone 907-796-1520
 Division Alaska Permanent Fund Corporation Date/Time 2/13/09 12:00 AM
 Approved by: _____ Date _____

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION

Page _ of _

ANGDA Supports HB 44

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

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

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

Alaska Natural Gas Development Authority

Statutory Bonding Provisions

AS 41.41.200 Powers of the Authority

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

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

AS 41.41.320 Limitations of issuance of bonds

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

AS 41.41.010 Establishment of the Authority

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

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

Potential General Benefits From ANGDA Bonding

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

Specific ANGDA Bonding Opportunities in 2009 & 2010

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

Other Current "In-State" Gas Bonding Opportunities

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

b

HOUSE COMMITTEE REPC

2-18-09

(7) Date Referred to Committee: January 20, 2009

FURTHER REFERRALS: Finance

Date of Committee Action: 2/17/09

The HOUSE SPECIAL COMMITTEE ON ENERGY considered:

HOUSE BILL NO. 44

"An Act relating to investments applicable to energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects."

HB 44 ENERGY BONDS/INVESTMENTS

Recommends it be replaced with [] HCS or [X] CS for AB 44 (ENE) For Senate Bills with new title: [] Technical Title [] New Title: HCR [X] Same Title [] New Title

- [] attach amendments
[] add new referral to Committee
[] Letter of Intent Committee

List of Abbrev for Depts.: ADM, CED, COR, CRT, EED, DEC, DFG, GOV, DHS, LWF, LAW, LEG, MVA, DNR, DPS, REV, DOT, UA

Table with columns: NEW FISCAL NOTES, List by Dept(s), *FN#, Fiscal, Indet., Zero. Includes handwritten entry for REV, 1, and X.

Table with columns: PREVIOUS FISCAL NOTES, List by Dept(s), FN#, Fiscal, Indet., Zero.

Signing with recommendations

Table with columns: Printed Last Name, DP, DNP, NR, AM. Includes signatures and initials for various members.

CO CO