

**HOUSE BILL NO. 338**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

**BY REPRESENTATIVES NELSON, Kawasaki**

**Introduced: 1/23/08**  
**Referred: Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the power project fund and the bulk fuel revolving loan fund;**  
2 **authorizing the Alaska Energy Authority to borrow money from the power project fund**  
3 **for the bulk fuel revolving loan fund and to repay money borrowed; and providing for**  
4 **an effective date."**

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

6 **\* Section 1.** AS 42.45.010(b) is amended to read:

7 (b) The authority may make loans from the power project fund  
8 (1) to electric utilities, regional electric authorities, municipalities,  
9 regional and village corporations, village councils, **and** independent power producers  
10 [**AND NONPROFIT MARKETING COOPERATIVES**] to pay the costs of

11 (A) reconnaissance studies, feasibility studies, license and  
12 permit applications, preconstruction engineering, and design of power projects;  
13 **and**

14 (B) constructing, equipping, modifying, improving, and

1 expanding small-scale power production facilities that are designed to produce  
 2 less than 10 megawatts of power, bulk fuel storage facilities, and transmission  
 3 and distribution facilities, including energy production, transmission and  
 4 distribution, waste energy, energy conservation, energy efficiency, and  
 5 alternative energy facilities and equipment; [AND

6 (C) RECONNAISSANCE STUDIES, PRECONSTRUCTION  
 7 ENGINEERING, DESIGN, CONSTRUCTION, EQUIPPING,  
 8 MODIFICATION, AND EXPANSION OF POTABLE WATER SUPPLY  
 9 INCLUDING SURFACE STORAGE AND GROUNDWATER SOURCES  
 10 AND TRANSMISSION OF WATER FROM SURFACE STORAGE TO  
 11 EXISTING DISTRIBUTION SYSTEMS;]

12 (2) to a borrower for a power project or for bulk fuel, waste energy,  
 13 energy conservation, energy efficiency, or alternative energy facilities or equipment if

14 (A) the loan is entered into under a leveraged lease financing  
 15 arrangement;

16 (B) the party that will be responsible for the power project or  
 17 the bulk fuel, waste energy, energy conservation, energy efficiency, or  
 18 alternative energy facilities or equipment is an electric utility, regional electric  
 19 authority, municipality, regional or village corporation, village council, **or**  
 20 independent power producer [, OR NONPROFIT MARKETING  
 21 COOPERATIVE]; and

22 (C) the borrower seeking the loan demonstrates to the authority  
 23 that the financing arrangement for the power project or the bulk fuel, waste  
 24 energy, energy conservation, energy efficiency, or alternative energy facilities  
 25 or equipment will reduce financing costs for the project, facilities, or  
 26 equipment below costs of comparable public power projects, facilities, or  
 27 equipment;

28 **(3) to the bulk fuel revolving loan fund for the purposes described**  
 29 **in AS 42.45.250(m) under terms, including interest, that the authority determines**  
 30 **are appropriate to maintain the viability of the power project fund and the bulk**  
 31 **fuel revolving loan fund; however, the authority may not make a loan under this**

1 paragraph if

2 (A) the cumulative outstanding balance of the loans would  
 3 exceed the lesser of \$2,000,000 or 10 percent of the cash balance of the  
 4 power project fund on June 30 of the preceding fiscal year; or

5 (B) if the cash balance of the power project fund is less than  
 6 \$5,000,000.

7 \* **Sec. 2.** AS 42.45.010(f) is amended to read:

8 (f) A loan for power [POWER] projects and bulk fuel, waste energy,  
 9 energy conservation, energy efficiency, and alternative energy facilities or  
 10 equipment [ARE SUBJECT TO THE FOLLOWING LIMITATIONS ON  
 11 INTEREST AND SPECIFIC RESTRICTIONS:]

12 (1) [POWER PROJECTS FOR WHICH LOANS ARE  
 13 OUTSTANDING FROM THE FORMER WATER RESOURCES REVOLVING  
 14 LOAN FUND (FORMER AS 45.86) ON JULY 13, 1978, MAY RECEIVE  
 15 ADDITIONAL FINANCING FROM THE POWER PROJECT FUND; IF  
 16 GRANTED,

17 (A) THE TERM OF THE ADDITIONAL FINANCING MAY  
 18 NOT EXCEED 50 YEARS;

19 (B) THE INTEREST OF THE ADDITIONAL FINANCING  
 20 MUST BE AT A RATE OF NOT LESS THAN THREE OR MORE THAN  
 21 FIVE PERCENT A YEAR ON THE UNPAID BALANCE;

22 (C) THE GRANT OF THE ADDITIONAL FINANCING  
 23 MUST BE CONDITIONED ON THE REPAYMENT OF LOAN PRINCIPAL  
 24 AND INTEREST TO BEGIN ON THE EARLIER OF

25 (i) THE DATE OF THE START OF COMMERCIAL  
 26 OPERATION OF THE PROJECT; OR

27 (ii) 10 YEARS FROM THE DATE THE LOAN IS  
 28 GRANTED;

29 (2) A LOAN FOR A POWER PROJECT

30 (A)] may not be granted for a term that exceeds 50 years; and

31 (2) [(B)] shall be granted at an interest rate that is not less than zero

1 percent and that is the lesser of

2 (A) [(i)] a rate equal to the percentage that is the average  
 3 weekly yield of municipal bonds for the 12 months preceding the date of the  
 4 loan, as determined by the authority from municipal bond yield rates reported  
 5 in the 30-year revenue index of The [THE WEEKLY] Bond Buyer; or

6 (B) [(ii)] a rate determined by the authority that allows the  
 7 project to meet criteria of financial feasibility established under (c) of this  
 8 section.

9 \* **Sec. 3.** AS 42.45.250(f) is amended to read:

10 (f) Interest may be charged on a loan made from the bulk fuel revolving loan  
 11 fund. Interest shall be charged on a loan at a rate equal to the percentage of the  
 12 average weekly yield of municipal bonds for the 12 months preceding the date of the  
 13 loan, as determined by the authority from municipal bond yield rates reported in the  
 14 30-year revenue index of The [THE WEEKLY] Bond Buyer. However, if the  
 15 authority finds that a community cannot afford to repay a portion of interest on a loan,  
 16 and makes a determination in writing, the authority may reduce or eliminate the  
 17 interest rate applicable to the loan.

18 \* **Sec. 4.** AS 42.45.250 is amended by adding a new subsection to read:

19 (m) Subject to the limitations of AS 42.45.010(b)(3), the authority may  
 20 borrow money from the power project fund (AS 42.45.010) when necessary to meet  
 21 commitments for loans from the bulk fuel revolving loan fund. The authority shall use  
 22 the money in the bulk fuel revolving loan fund to repay the money borrowed from the  
 23 power project fund and any interest charged on the money borrowed.

24 \* **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).