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SENATE CS FOR CS FOR HOUSE BILL NO. 338(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 3/31/08

Referred: Rules

Sponsor(s): REPRESENTATIVES NELSON, Kawasaki, Kerttula, Cissna

A BILL

FOR AN ACT ENTITLED

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

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

6 *** Section 1.** AS 29.60 is amended by adding a new section to read:

7 **Article 8A. Bulk Fuel Bridge Loan Fund and Program.**

8 **Sec. 29.60.660. Bulk fuel bridge loan fund and program.** (a) The bulk fuel
9 bridge loan fund is established in the department to assist communities, utilities
10 providing power in communities, fuel retailers, and other persons in communities in
11 purchasing bulk fuel to generate power or supply the public with fuel for use in
12 communities, if no other funding source exists for the purchase. The fund consists of
13 appropriations to the fund and income earned on investment of money in the fund.

14 (b) A community, utility, fuel retailer, or other person generating power or

1 supplying fuel in a community as described in (a) of this section is eligible to receive a
 2 loan from the bulk fuel bridge loan fund for a purchase of bulk fuel to be used in the
 3 community if the community, utility, fuel retailer, or other person

4 (1) has a written endorsement from the governing body of the
 5 community for which a loan from the fund under this section is sought; and

6 (2) first applied for and has been denied a loan from

7 (A) the bulk fuel revolving loan fund (AS 42.45.250)
 8 administered by the Alaska Energy Authority;

9 (B) any other funding source used by the community, utility,
 10 fuel retailer, or other person in the past three years to finance purchases of bulk
 11 fuel for the community; and

12 (C) any other funding source that the department determines is
 13 available to the community, utility, fuel retailer, or other person to purchase
 14 bulk fuel.

15 (c) Loans made from the bulk fuel bridge loan fund to one borrower in a fiscal
 16 year

17 (1) may not exceed \$500,000; and

18 (2) shall be repaid within one year after the date of the award.

19 (d) Interest may not be charged on a loan made from the bulk fuel bridge loan
 20 fund.

21 (e) Repayments of the loans made under this section shall be paid into the bulk
 22 fuel bridge loan fund. Money in the fund does not lapse. This fund is not a dedicated
 23 fund. Amounts in the fund may be appropriated for expenses directly related to
 24 administration of the fund.

25 (f) The department may contract for the administration of the bulk fuel bridge
 26 loan program established in this section.

27 (g) The department may adopt regulations under AS 44.62 necessary to carry
 28 out the provisions of this section.

29 (h) In this section,

30 (1) "community" means a municipality or unincorporated village that
 31 is a social unit, if the municipality or unincorporated village has a population of less

1 than 2,000 people;

2 (2) "fund" means the bulk fuel bridge loan fund established in (a) of
3 this section;

4 (3) "person"

5 (A) has the meaning given in AS 01.10.060;

6 (B) includes a cooperative, a joint venture, and a governmental
7 entity.

8 * **Sec. 2.** AS 42.45.010(b) is amended to read:

9 (b) The authority may make loans from the power project fund

10 (1) to electric utilities, regional electric authorities, municipalities,
11 regional and village corporations, village councils, **and** independent power producers
12 [, AND NONPROFIT MARKETING COOPERATIVES] to pay the costs of

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

16 (B) constructing, equipping, modifying, improving, and
17 expanding small-scale power production facilities that are designed to produce
18 less than 10 megawatts of power, bulk fuel storage facilities, and transmission
19 and distribution facilities, including energy production, transmission and
20 distribution, waste energy, energy conservation, energy efficiency, and
21 alternative energy facilities and equipment; [AND

22 (C) RECONNAISSANCE STUDIES, PRECONSTRUCTION
23 ENGINEERING, DESIGN, CONSTRUCTION, EQUIPPING,
24 MODIFICATION, AND EXPANSION OF POTABLE WATER SUPPLY
25 INCLUDING SURFACE STORAGE AND GROUNDWATER SOURCES
26 AND TRANSMISSION OF WATER FROM SURFACE STORAGE TO
27 EXISTING DISTRIBUTION SYSTEMS;]

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

30 (A) the loan is entered into under a leveraged lease financing
31 arrangement;

1 (B) the party that will be responsible for the power project or
 2 the bulk fuel, waste energy, energy conservation, energy efficiency, or
 3 alternative energy facilities or equipment is an electric utility, regional electric
 4 authority, municipality, regional or village corporation, village council, **or**
 5 independent power producer [, OR NONPROFIT MARKETING
 6 COOPERATIVE]; and

7 (C) the borrower seeking the loan demonstrates to the authority
 8 that the financing arrangement for the power project or the bulk fuel, waste
 9 energy, energy conservation, energy efficiency, or alternative energy facilities
 10 or equipment will reduce financing costs for the project, facilities, or
 11 equipment below costs of comparable public power projects, facilities, or
 12 equipment;

13 **(3) to the bulk fuel revolving loan fund for the purposes described**
 14 **in AS 42.45.250(m) under terms, including interest, that the authority determines**
 15 **are appropriate to maintain the viability of the power project fund and the bulk**
 16 **fuel revolving loan fund; however, the authority may not make a loan under this**
 17 **paragraph if**

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

21 **(B) the cash balance of the power project fund is less than**
 22 **\$5,000,000.**

23 * **Sec. 3.** AS 42.45.010(f) is amended to read:

24 (f) **A loan for power** [POWER] projects **and bulk fuel, waste energy,**
 25 **energy conservation, energy efficiency, and alternative energy facilities or**
 26 **equipment** [ARE SUBJECT TO THE FOLLOWING LIMITATIONS ON
 27 INTEREST AND SPECIFIC RESTRICTIONS:]

28 (1) [POWER PROJECTS FOR WHICH LOANS ARE
 29 OUTSTANDING FROM THE FORMER WATER RESOURCES REVOLVING
 30 LOAN FUND (FORMER AS 45.86) ON JULY 13, 1978, MAY RECEIVE
 31 ADDITIONAL FINANCING FROM THE POWER PROJECT FUND; IF

1 GRANTED,

2 (A) THE TERM OF THE ADDITIONAL FINANCING MAY
3 NOT EXCEED 50 YEARS;

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

7 (C) THE GRANT OF THE ADDITIONAL FINANCING
8 MUST BE CONDITIONED ON THE REPAYMENT OF LOAN PRINCIPAL
9 AND INTEREST TO BEGIN ON THE EARLIER OF

10 (i) THE DATE OF THE START OF COMMERCIAL
11 OPERATION OF THE PROJECT; OR

12 (ii) 10 YEARS FROM THE DATE THE LOAN IS
13 GRANTED;

14 (2) A LOAN FOR A POWER PROJECT

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

16 (2) [(B)] shall be granted at an interest rate that is not less than zero
17 percent and that is the lesser of

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

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

25 * **Sec. 4.** AS 42.45.250(e) is amended to read:

26 (e) Loans made from the bulk fuel revolving loan fund to one borrower in any
27 fiscal year

28 (1) may not exceed \$500,000 [\$400,000], or, if the borrower is a
29 cooperative corporation organized under AS 10.15 or an electric cooperative
30 organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more
31 than one community, may not exceed the lesser of \$500,000 [\$400,000] multiplied by

1 the number of communities on whose behalf the bulk fuel is to be purchased, or
2 \$1,800,000 [\$1,500,000];

3 (2) shall be repaid in one year or less; and

4 (3) may not exceed 90 percent of the wholesale price of the fuel
5 purchased.

6 * **Sec. 5.** AS 42.45.250(f) is amended to read:

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

15 * **Sec. 6.** AS 42.45.250 is amended by adding a new subsection to read:

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

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