

Introduced: 2/18/75
Referred: Commerce and
Finance

1 IN THE SENATE

BY ZIEGLER AND MELAND

2 SENATE BILL NO. 185

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to creation of a water resources
7 revolving loan fund; and providing for an effective
8 date."

9 * Section 1. AS 26 is amended by adding a new chapter to read:

10 CHAPTER 70. WATER RESOURCES REVOLVING LOAN FUND.

11 Sec. 26.70.010. FUND ESTABLISHED. There is established as a
12 separate fund the water resources revolving loan fund. Loans from this
13 fund are to be used to develop and conserve in the public interest the
14 water resources of Alaska, using state revenues from mineral development.

15 Sec. 26.70.020. FUND UTILIZATION. (a) Loans from this fund shall
16 be utilized for capital improvement projects for hydroelectric generation
17 and water supply. Loans shall be made to eligible borrowers for new
18 projects, and for rehabilitation and expansion of existing hydroelectric
19 and water supply projects if the rehabilitation and expansion falls under
20 the definition of a capital improvement project.

21 (b) Loans shall be made available for design and construction of
22 development of potable water supply sources including surface storage
23 and groundwater sources, and development of hydroelectric generating
24 facilities including transmission of power to the load center.

25 (c) Loans shall be repaid to the fund by the utility from revenue
26 derived from sales of electric power or water.

27 Sec. 26.70.030. LOAN FUND SOURCE AND LEVEL. (a) Not less than 15
28 per cent of the receipts paid the state from mineral lease bonuses,
29 rentals and royalties derived from mineral production, shall be de-

1 posited in the fund annually until the unencumbered balance in the fund
2 equals \$250,000,000. Thereafter the unencumbered balance shall be main-
3 tained at \$250,000,000 by adjusting the state's contribution as needed.

4 Sec. 26.70.040. ADMINISTRATION OF LOANS. (a) Administration of
5 the water resources revolving loan fund shall be performed by the Depart-
6 ment of Commerce which is empowered to adopt procedures and promulgate
7 the regulations necessary to carry out the provisions of this chapter.

8 (b) The department shall forward all loan applications it recom-
9 mends for approval to the Water Resources Revolving Loan Fund Committee
10 which is made up of the commissioner of community and regional affairs,
11 the commissioner of commerce, the commissioner of administration and the
12 commissioner of revenue.

13 (c) Priority of loans shall be established by the department and
14 shall be subject to review by, and appeal to, the Water Resources
15 Revolving Loan Fund Committee.

16 Sec. 26.70.050. ELIGIBILITY FOR PROJECT LOANS. A public utility is
17 an eligible borrower for a project loan under this chapter if

18 (1) it is a public utility as defined in AS 42.05.701(2)(A),
19 and (C);

20 (2) it has been an operating utility in the state for at
21 least two years or is an entity formed by one or more utilities for the
22 purpose of construction and operation of the proposed project, each of
23 which utility has operated in the state for at least two years;

24 (3) The utility can demonstrate in its loan application that
25 the project is technically feasible and taking into account the low
26 interest on loans under this chapter is the most economical means of
27 furnishing the proposed service.

28 Sec. 26.70.060. CONDITIONS APPLICABLE TO PROJECT LOANS. (a) The
29 term of a loan may not exceed 50 years and the interest rate shall be

1 three per cent a year on the unpaid balance. The repayment schedule
2 shall be computed in a manner so that annual payments of principal and
3 interest, termed debt service, is approximately equal over a period not
4 to exceed 40 years from beginning of commercial operation.

5 (b) No loan may be made until the department determines that the
6 project to be financed by the loan is technically and economically
7 feasible, and that the project will be financially self-sustaining and
8 fully amortized within the term of the loan and in accordance with other
9 terms and conditions of the loan. The feasibility study shall be con-
10 ducted by the public utility or by consultants, engineers, or other
11 technical experts employed by it and approved by the department in
12 advance of the conduct of the feasibility study and of the submission of
13 an application for a loan for project design and construction.

14 (c) The public utility shall covenant to establish, or if subject
15 to Public Utilities Commission jurisdiction, submit to the Public Utili-
16 ties Commission for approval, rates and charges for electric power, or
17 water supply, which are fair and nondiscriminatory, and which are suffi-
18 cient for a payment of all other outstanding debts of the utility,
19 together with expenses of maintenance and operation of, and taxes on, its
20 property, including the amounts required for renewals and replacements
21 of, or depreciation on, the property including the project; and which,
22 after commercial operation of the project, make available an amount equal
23 to 1.1 times the amount of average annual debt service on the project
24 loan. The amount available for debt service on the project loan means
25 gross revenues of the utility less expenses of maintenance and operation
26 before depreciation.

27 (d) A reserve account shall be created in the fund for each loan
28 which will be equal to the average annual amount required to pay the debt
29 service on the project loan.

1 (e) The repayment of the loan will commence not later than the date
2 of commercial operation of the project.

3 (f) The amount of borrowing from the fund may not be included in
4 determining a municipality's outstanding bonded indebtedness, as related
5 to the limit imposed by its charter, or by statutory requirements.

6 (g) Unless otherwise provided by the Water Resources Revolving Loan
7 Fund Committee the obligation to repay interest and principal on project
8 loans under this chapter shall operate as a first lien on the property
9 and revenue of the utility.

10 Sec. 26.70.070. ADVANCES. (a) The department is authorized to
11 make interest-free, advances of funds to public utilities from the water
12 resources revolving loan fund for the investigation, planning and deter-
13 mining of project feasibility, including necessary local, state and
14 federal permits and licenses for project construction and operation. If
15 the studies described in (c)(1) or (c)(2) of this section establish that
16 the contemplated project is not feasible the department may not require
17 repayment of the advance.

18 (b) Planning advances may be approved by the department for in-
19 vestigation of a project which in its judgment will prove feasible and on
20 which it is intended to start construction within a period of 10 years.

21 (c) The department is authorized to advance planning funds under
22 this section for:

23 (1) evaluation studies of a preliminary nature to establish
24 within reasonable certainty whether the project is technically and eco-
25 nomically feasible;

26 (2) feasibility studies to establish the final technical, eco-
27 nomic and financial feasibility of the project, including the securing of
28 all permits and licenses to construct and operate the project.

29 (d) The department is authorized to advance funds for construction

1 of roads necessary to construct and service the project.

2 Sec. 26.70.080. INVESTMENT OF UNENCUMBERED LOAN FUNDS. If the
3 Water Resources Revolving Loan Fund Committee determines that there is in
4 the fund a surplus above an amount sufficient to meet current demands,
5 the surplus shall be invested in accordance with AS 37.10.070. Income
6 received from investment of surplus money shall accrue to the fund.

7 Sec. 26.70.090. DEFINITIONS. In this chapter

8 (1) "capital improvement project" or "project" means hydro-
9 electric project or water supply project for improvements requiring a
10 capital outlay, as distinct from an outlay for expenses related to opera-
11 tion and maintenance of the project;

12 (2) "commercial operation" means operation of the project
13 after all testing is complete, and revenue is being produced;

14 (3) "department" means Department of Commerce;

15 (4) "economic feasibility" means that the project has a bene-
16 fit-cost ratio with respect to the most economic alternative of at
17 least 1:1;

18 (5) "financial feasibility" means that the utility rates will
19 be adequate to ensure that its project loan can be repaid within the term
20 and under the conditions specified in this chapter;

21 (6) "load center" means the delivery point of the transmission
22 system at the transformer which reduces the voltage to the utility dis-
23 tribution level;

24 (7) "technical feasibility" means that the project can be con-
25 structed from a technical point of view and for a reasonable cost.

26 * Sec. 2. This Act takes effect July 1, 1975 with respect to mineral lease
27 bonuses, and July 1, 1978 with respect to rentals and royalties derived from
28 mineral production.
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