

Introduced: 3/11/80  
Referred: Resources and  
Finance

BY THE RULES COMMITTEE  
BY REQUEST OF THE  
LEGISLATIVE COUNCIL

1 IN THE HOUSE

2 HOUSE BILL NO. 953

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to hydroelectric projects of the  
7 Alaska Power Authority; and providing for an effective  
8 date."

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

10 \* Section 1. AS 44.56.080(a) is amended by adding a new paragraph to  
11 read:

12 (16) to recommend to the legislature

13 (A) the issuance of general obligation bonds of the  
14 state to finance the construction of a renewable energy power  
15 project if, in the opinion of the directors of the authority,  
16 construction of the project would achieve a savings in costs of  
17 energy which would exceed costs of debt service on the project;

18 (B) the appropriation of money to guarantee the re-  
19 payment of the principal and interest of money borrowed to assist  
20 in construction of renewable energy power projects.

21 \* Sec. 2. AS 44.56.170(b) is repealed and re-enacted to read:

22 (b) The authority may make loans from the fund

23 (1) to electric utilities, regional electric authorities,  
24 cities, boroughs, regional and village corporations, village councils,  
25 and nonprofit market cooperatives to pay the costs of

26 (A) feasibility studies, preconstruction engineering,  
27 and design of any power projects;

28 (B) constructing, equipping, modifying, improving, and  
29 expanding small-scale power production facilities, conservation

1 facilities, and transmission and distribution facilities, limited  
2 to fossil fuel, wind power, tidal, geothermal, hydroelectric, or  
3 solar energy production, transmission and distribution, and waste  
4 energy conservation facilities; and

5 (C) reconnaissance studies, preconstruction engineering,  
6 design, construction, equipping, modification, and expansion of  
7 potable water supply including surface storage and groundwater  
8 sources and transmission of water from surface storage to existing  
9 distribution systems;

10 (2) to a person for a hydroelectric power project if (A) the  
11 loan is entered into under a leveraged lease financing arrangement; (B)  
12 the leveraged lease financing arrangement permits the issuance of tax  
13 exempt general obligation bonds for the power project; and (C) the  
14 person demonstrates to the authority that the financing arrangement for  
15 the project will reduce project financing costs below costs of com-  
16 parable public power projects; interest rates on loans under this para-  
17 graph shall be comparable to rates of interest charged for loans made  
18 under (1) of this subsection.

19 \* Sec. 3. AS 44.56.170(e) is amended to read:

20 (e) Repayment of the loans shall be secured in such manner as the  
21 authority determines is feasible to assure prompt repayment under a loan  
22 agreement entered into with the borrower. The authority may make an  
23 unsecured loan to a borrower regulated by the Alaska Public Utilities  
24 Commission under AS 42.06 if the borrower has a substantial history of  
25 repaying long-term loans and the capacity to repay the loan. The author-  
26 ity may forgive repayments of loans made for reconnaissance studies if  
27 the study shows that a project is not feasible. Under a loan agreement,  
28 repayment may be deferred for 10 years or until the project for which  
29 the loan is made has achieved earnings from its operations sufficient to

1 pay the loan, whichever is earlier.

2 \* Sec. 4. AS 44.56.180(a) is amended by adding new paragraphs to read:

3 (5) the issuance of general obligation bonds of the state  
4 under AS 37.15;

5 (6) the appropriation of money to guarantee the repayment of  
6 the principal and interest of money borrowed to defray costs of con-  
7 struction of renewable energy power projects;

8 (7) joint development of a project between the authority and  
9 a private entity under leveraged lease provisions which are consistent  
10 with use of leveraged leases in conjunction with issuance of tax exempt  
11 general obligation bonds as authorized by the United States Internal  
12 Revenue Service;

13 (8) other joint development arrangements between the authori-  
14 ty and a public or private entity; or

15 (9) any combination authorized by this subsection.

16 \* Sec. 5. AS 44.56.180(b) is amended to read:

17 (b) Upon completion of the reconnaissance study, the authority  
18 shall submit to the governor and the legislature its preliminary recom-  
19 mendations. Unless instructed otherwise by the legislature by con-  
20 current resolution, the authority shall proceed with an analysis of the  
21 feasibility of each new project. When the feasibility analysis is com-  
22 pleted, the authority shall submit to the governor and to the legislature  
23 its final recommendations for financing each new project. The recommen-  
24 dations of the authority shall be incorporated into a financing plan [A  
25 STATEMENT OF ITS RECOMMENDATIONS FOR FINANCING EACH NEW PROJECT]. The  
26 financing plan may include a recommendation for a guarantee of indebted-  
27 ness or a general fund appropriation [ONLY WHEN NECESSARY TO SUPPLEMENT  
28 PRIVATE FINANCING IN ORDER TO MAKE A PROJECT FINANCIALLY FEASIBLE]. If  
29 the recommended financing for the project includes a guarantee of in-

1 debtedness by the permanent fund or an appropriation from the general  
2 fund, the legislature must first give its approval by joint resolution  
3 before the authority may proceed with the engineering or design phase of  
4 the project. A financing plan presented by the authority

5 (1) shall provide specific justification for each recommend-  
6 ation; and

7 (2) shall include

8 (A) for a plan which involves the issuance of general  
9 obligation bonds of the state, an estimate of projected savings  
10 when compared to estimated debt service; and

11 (B) for a plan which involves state guarantees, detailed  
12 projected costs and the extent of state obligation based on average  
13 interest rates [THE LEGISLATIVE APPROVAL REQUIRED IN THIS SUB-  
14 SECTION MAY NOT BE CONSIDERED THE APPROVAL REQUIRED UNDER AS 37.13.-  
15 230 FOR GRANTING OF A PERMANENT FUND GUARANTEE].

16 \* Sec. 6. AS 44.56 is amended by adding a new section to read:

17 Sec. 44.56.185. PROJECT ANALYSIS. The authority shall adopt  
18 standards and procedures for completing studies of the feasibility of  
19 new projects. The standards and procedures which the authority adopts  
20 shall

21 (1) require the application of sound analytical techniques to  
22 assure that all relevant project costs and benefits are evaluated as  
23 part of the analysis of the feasibility of each new project;

24 (2) require that

25 (A) standard criteria and measures be followed to accom-  
26 modate comparative analysis among projects;

27 (B) assumptions on which the study is based are fully  
28 explained; and

29 (3) be consistent with the study method used for the long-

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term electrical power development plan prepared by the Department of  
Commerce and Economic Development under AS 44.56.224.

\* Sec. 7. AS 44.56.180(a)(4) is repealed.

\* Sec. 8. This Act takes effect July 1, 1980.