

Original sponsor: Fahrenkamp

Offered: 5/15/80  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 438 (Finance)

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 energy: to the conservation of  
7 energy, the development and use of alternative energy  
8 systems, and modifying state taxes to encourage energy  
9 conservation; exempting certain energy transactions  
10 from regulation by the Alaska Public Utilities Commis-  
11 sion; establishing a power production cost assistance  
12 program for electric utilities; providing for assist-  
13 ance in the acquisition of bulk fuel; amending provi-  
14 sions relating to projects of the Alaska Power Author-  
15 ity, and approving the general design and maximum  
16 amount of bonds of the Alaska Power Authority for  
17 certain power projects; and repealing the water re-  
18 sources revolving loan fund; and providing for an  
19 effective date."

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

21 \* Section 1. DECLARATION OF POLICY. It is the policy of the state to  
22 encourage and facilitate the implementation of energy conservation measures  
23 relating to in-state energy use. This policy shall be implemented by

24 (1) the state setting an example of wise and efficient energy use,  
25 by designing and managing public buildings and their energy systems to meet  
26 appropriate standards for energy efficiency;

27 (2) providing incentives for the design and modification of resi-  
28 dential, commercial, and industrial buildings to accomplish maximum energy  
29 efficiency; and

1 (3) establishing mandatory energy efficiency standards for build-  
2 ings purchased or constructed with state financial assistance.

3 \* Sec. 2. AS 14.40.260 is amended by adding a new paragraph to read:

4 (7) develop and offer at one or more of the senior college or  
5 community college campuses a continuing professional education program  
6 for architects, engineers, building officials, and officers and employ-  
7 ees of financial institutions on alternative energy systems and on  
8 energy conservation and solar design and construction methods applicable  
9 to the state.

10 \* Sec. 3. AS 29.33.080 is amended by adding a new subsection to read:

11 (g) Exceptions may be granted to building, housing and related  
12 codes by the planning commission when an applicant for an exception  
13 demonstrates that the exception will result in increased energy effi-  
14 ciency, unless the planning commission determines that the exception  
15 would endanger the health or safety of the public.

16 \* Sec. 4. AS 29.33.090(c) is amended by adding a new paragraph to read:

17 (7) encourage efficiency in the use of energy and the sub-  
18 stitution of energy from renewable sources for energy from fossil fuels.

19 \* Sec. 5. AS 29.48.020 is amended by adding a new paragraph to read:

20 (7) establish or participate in with the federal and state  
21 government loan programs for housing rehabilitation and improvement for  
22 conservation of energy.

23 \* Sec. 6. AS 29.48.035(14) is amended to read:

24 (14) building, housing and related codes, which may be pro-  
25 vided by cities within cities or, in the manner required in (b) or (c)  
26 of this section, by first or second class boroughs in the borough area  
27 outside cities or areawide, subject to the following: [;]

28 (A) exceptions to requirements of the codes may be made  
29 in the codes among other reasons, in order to provide for the

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preservation, maintenance and protection of historic sites, buildings and monuments;

(B) codes may not be used to prohibit or restrict the development or use of solar or wind energy except if the assembly or council finds that the development or use of solar or wind energy would endanger the health or safety of the public;

\* Sec. 7. AS 34.15 is amended by adding a new section to article 1 to read:

Sec. 34.15.145. SOLAR EASEMENT. (a) An easement obtained for the purpose of protecting the exposure of property to the direct rays of the sun must be created in writing and is subject to the recording requirements for other conveyances of real property.

(b) An instrument creating a solar easement must include, but is not limited to,

(1) the vertical and horizontal angles, expressed in degrees, at which the solar easement extends over the real property subject to the solar easement;

(2) any terms or conditions under which the solar easement is granted or under which it will be terminated;

(3) any provisions for compensation of the owner of the property benefiting from the solar easement in the event of interference with the enjoyment of the solar easement, or compensation of the owner of the property subject to the solar easement for maintaining the solar easement.

\* Sec. 8. AS 42.05.711 is amended by adding a new subsection to read:

(f) The provisions of this chapter do not apply to sales, exchanges or gifts of energy to an electric utility certificated under this chapter when the energy which is the subject of the sale, exchange or gift is waste heat, electricity, or other energy which is surplus or the by-

1 product of an industrial process. In an area in which no electric  
2 utility is certificated for service, energy provided by sale, exchange  
3 or gift may be provided to any utility which is certificated for service  
4 to that area. A contract for the sale, exchange or gift of energy  
5 exempt under this subsection does not make the supplier a public utility,  
6 and does not transfer the responsibility to provide utility services  
7 from a certificated utility to any other persons.

8 \* Sec. 9. AS 43.20 is amended by adding a new section to read:

9 Sec. 43.20.037. TRADE OR BUSINESS ENERGY CONSERVATION CREDIT. (a)

10 A person engaged in a trade or business is allowed as a credit against  
11 the tax due under this chapter 35 percent of the cost of

12 (1) purchasing, constructing, and installing an alternative  
13 energy system or an energy conservation improvement; and

14 (2) the cost of labor for the installation of an alternative  
15 energy system or an energy conservation improvement.

16 (b) The credit granted by (a) of this section is limited to \$5,000.

17 (c) A credit may not be claimed for an alternative energy system  
18 under this section unless the system, when installed, provides

19 (1) at least 30 percent of the average annual hot water  
20 energy needs of the building or structure in which it has been installed;  
21 or

22 (2) at least 10 percent of the average annual thermal, elec-  
23 trical or mechanical energy needs of the building or structure in which  
24 it has been installed.

25 (d) In this section

26 (1) "alternative energy system"

27 (A) means a source of thermal, mechanical or electrical  
28 energy which is not dependent on oil or gas for the supply of  
29 energy for space heating and cooling, refrigeration and cold stor-

1 age, electrical power, mechanical power, or the heating of water;

2 (B) includes

3 (i) an alternative energy property as defined by  
4 sec. 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec. 48(1)-  
5 (3)(A));

6 (ii) a method of architectural design and construc-  
7 tion which provides for the collection, storage and use of direct  
8 radiation from the sun; and

9 (iii) any other device approved by the commissioner  
10 of commerce and economic development under AS 44.33.040(12);

11 (2) "energy conservation improvement" means

12 (A) structural insulation;

13 (B) thermal windows and doors;

14 (C) a furnace replacement burner designed to achieve a  
15 reduction in the amount of fuel consumed as a result of increased  
16 combustion efficiency;

17 (D) a device for modifying flue openings designed to  
18 increase the efficiency of operation of the heating system;

19 (E) an electrical or mechanical furnace ignition system  
20 which replaces a gas pilot light;

21 (F) an automatic energy saving setback thermostat;

22 (G) a meter which displays the cost of energy usage;

23 (H) caulking and weatherstripping of doors and windows;

24 (I) insulating shades and shutters;

25 (J) air and water recuperators;

26 (K) any other energy saving device approved by the  
27 commissioner of commerce and economic development under AS 44.33.-  
28 040(12).

29 \* Sec. 10. AS 43.40.100(2) is amended by adding a new subparagraph to

1 read:

2 (F) fuel which is at least 10 percent alcohol by volume.

3 \* Sec. 11. AS 44.33.040 is amended by adding new paragraphs to read:

4 (12) by regulation,

5 (A) adopt or revise thermal and lighting energy stan-  
6 dards applicable to buildings and structures, except for public  
7 facilities;

8 (B) determine whether a device qualifies as an alter-  
9 native energy system or an energy conservation improvement;

10 (13) direct the development of use of solar energy in the  
11 state;

12 (14) promote the efficient use of energy resources;

13 (15) encourage and aid local programs which promote the effi-  
14 cient use of energy;

15 (16) establish, by regulations adopted in accordance with the  
16 Administrative Procedure Act (AS 44.62), a training and certification  
17 program for persons performing energy audits as defined in AS 46.11.-  
18 900(2);

19 (17) from money appropriated by the legislature,

20 (A) make grants to school districts and regional educa-  
21 tional attendance areas to plan, develop and implement

22 (i) standards for the design, construction and  
23 operation of rural educational facilities;

24 (ii) energy conservation measures for rural educa-  
25 tional facilities;

26 (B) make grants to match grants made by the United  
27 States Department of Energy under the appropriate technology small  
28 grants program for Alaska authorized by Title I of the Department  
29 of Energy Appropriation Authorization Act of 1977, P.L. 95-39 (42

1 U.S.C. sec. 5907a) and 10 C.F.R. 470.

2 \* Sec. 12. AS 44.42.020(a) is amended by adding new paragraphs to read:

3 (14) adopt energy performance standards for public facilities  
4 of the state, the construction of which begins after the effective date  
5 of this paragraph; the standards shall be based on thermal and lighting  
6 energy standards established by the American Society of Heating, Refrig-  
7 eration and Air Conditioning Engineers as adapted to application in high  
8 latitude, cold climate environs;

9 (15) provide planning assistance, including but not limited to  
10 energy audits and related technical services, to school districts and  
11 regional educational attendance areas to develop and implement

12 (A) standards for the design, construction and operation  
13 of rural educational facilities; and

14 (B) energy conservation measures for rural educational  
15 facilities.

16 \* Sec. 13. AS 44.42.055(b)(4)(F) is amended to read:

17 (F) [THE] relative costs of identified alternatives  
18 (life cycle cost analysis) including but not limited to the install-  
19 ation and operation of energy systems which are not dependent on  
20 oil or gas for water heating, space heating and cooling require-  
21 ments, and for the generation of electrical or mechanical power;

22 \* Sec. 14. AS 44.42 is amended by adding a new section to read:

23 Sec. 44.42.065. CONSERVATION OF ENERGY IN PUBLIC BUILDINGS. (a)

24 The department shall, as soon as practicable after the effective date of  
25 this Act, and at least once every seven years thereafter, perform an  
26 energy audit of each public building. A report of the results of the  
27 energy audits performed during the preceding year shall be submitted to  
28 the legislature not later than February 1, of each year.

29 (b) The department shall include in the report required in (a) of

1 this section recommendations for corrective measures to improve the  
2 energy efficiency and to minimize the life-cycle cost of the public  
3 buildings surveyed. These measures may include (1) energy conservation  
4 measures, (2) measures involving solar technology and other alternative  
5 energy systems, (3) energy management, and (4) maintenance and operating  
6 procedures and energy-related modifications. In recommending the cor-  
7 rective measures, the department shall give priority to changes in  
8 maintenance and operating procedures over measures requiring substantial  
9 structural modification or installation of equipment.

10 (c) In this section, "energy audit" means a determination of

11 (1) the energy consumption characteristics of a building,  
12 including the size, type, and rate of energy consumption of major energy  
13 consuming systems of the building and the climate characterizing the  
14 region where the building is located; and

15 (2) a determination of the energy conservation and cost  
16 savings likely to result from appropriate energy-conserving maintenance  
17 and operating procedures and modifications, including the purchase and  
18 installation of energy-related fixtures.

19 \* Sec. 15. AS 44.47.080 is amended to read:

20 Sec. 44.47.080. PLANNING ASSISTANCE TO PLATTING AUTHORITIES. To  
21 facilitate [URBAN] planning in municipalities which exercise planning  
22 and zoning authority [CITIES AND OTHER POLITICAL SUBDIVISIONS], the  
23 department may provide planning assistance, including but not limited to  
24 surveys, land-use studies, urban renewal plans, technical services,  
25 model acts which include regulations designed to encourage development  
26 and use of energy systems not dependent on oil or gas, and other plan-  
27 ning work to a city, borough, or other platting authority. In an area  
28 under the jurisdiction, for planning purposes, of a city, borough, or  
29 other platting authority, the department may not perform the planning

1 work except at the request or with the consent of the local authority.

2 \* Sec. 16. AS 44.56.080(13) is amended to read:

3 (13) to perform reconnaissance studies, feasibility  
4 studies, and engineering and design with respect to power projects;

5 \* Sec. 17. AS 44.56.080 is amended by adding a new paragraph to read:

6 (16) to recommend to the legislature

7 (A) the issuance of general obligation bonds of the  
8 state to finance the construction of a power project if the autho-  
9 rity first determines that the project cannot be financed by reve-  
10 nue bonds of the authority at reasonable rates of interest;

11 (B) the pledge of the credit of the state to guarantee  
12 repayment of all or any portion of revenue bonds issued to assist  
13 in construction of power projects;

14 (C) an appropriation from the general fund  
15 (i) for debt service on bonds or other project  
16 purposes; or

17 (ii) to reduce the amount of debt financing for the  
18 project;

19 (D) an appropriation to the power project fund for a  
20 power project;

21 (E) an appropriation of a part of the income of the  
22 renewable resources investment fund for a power project;

23 (F) development of a project under financing arrange-  
24 ments with other entities using leveraged leases or other financing  
25 methods.

26 \* Sec. 18. AS 44.56.170(a) is amended to read:

27 (a) There is established as a separate fund the power project  
28 [REVOLVING] fund which shall be [ADMINISTERED BY THE AUTHORITY AS A  
29 TRUST FUND SEPARATE AND] distinct from any other money or funds of the

1 authority, and which includes only money appropriated by the legislature  
2 [SHALL BE COMPOSED OF APPROPRIATED FUNDS AND INTEREST EARNED ON LOANS BY  
3 THE FUND].

4 \* Sec. 19. AS 44.56.170(b) is repealed and re-enacted to read:

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

6 (1) to electric utilities, regional electric authorities,  
7 cities, boroughs, regional and village corporations, village councils,  
8 and nonprofit marketing cooperatives to pay the costs of

9 (A) reconnaissance studies, feasibility studies, license  
10 and permit applications, preconstruction engineering, and design of  
11 power projects;

12 (B) constructing, equipping, modifying, improving, and  
13 expanding small-scale power production facilities, conservation  
14 facilities, bulk fuel storage facilities, and transmission and  
15 distribution facilities, including energy production, transmission  
16 and distribution, and waste energy conservation facilities which  
17 depend on fossil fuel, wind power, tidal, geothermal, biomass,  
18 hydroelectric, solar or other non-nuclear energy sources; and

19 (C) reconnaissance studies, preconstruction engineering,  
20 design, construction, equipping, modification, and expansion of  
21 potable water supply including surface storage and groundwater  
22 sources and transmission of water from surface storage to existing  
23 distribution systems;

24 (2) to a borrower for a power project if

25 (A) the loan is entered into under a leveraged lease  
26 financing arrangement;

27 (B) the party which will be responsible for the power  
28 project is an electric utility, regional electric authority, city,  
29 borough, regional or village corporation, village council, or

1 nonprofit marketing cooperative; and

2 (C) the borrower seeking the loan demonstrates to the  
3 authority that the financing arrangement for the power project will  
4 reduce project financing costs below costs of comparable public  
5 power projects.

6 \* Sec. 20. AS 44.56.170(c) is repealed and re-enacted to read:

7 (c) Before making a loan from the power project fund, the authority  
8 shall, by regulation, specify

9 (1) standards for the eligibility of borrowers and the types  
10 of projects to be financed with loans;

11 (2) standards regarding the technical and economic viability  
12 and revenue self-sufficiency of eligible projects;

13 (3) collateral or other security required for loans;

14 (4) the terms and conditions of loans;

15 (5) criteria to establish financial feasibility and to measure  
16 the amount of state assistance necessary for particular projects to meet  
17 the financial feasibility criteria; and

18 (6) other relevant criteria, standards or procedures.

19 \* Sec. 21. AS 44.56.170(e) is amended to read:

20 (e) Repayment of the loans shall be secured in any [SUCH] manner  
21 which [AS] the authority determines is feasible to assure prompt repay-  
22 ment under a loan agreement entered into with the borrower. The author-  
23 ity may make an unsecured loan from the power project fund to a borrower  
24 regulated by the Alaska Public Utilities Commission under AS 42.05 if the  
25 borrower has a substantial history of repaying long-term loans and the  
26 capacity to repay the loan. [THE AUTHORITY MAY FORGIVE REPAYMENTS OF  
27 LOANS MADE FOR RECONNAISSANCE STUDIES IF THE STUDY SHOWS THAT A PROJECT  
28 IS NOT FEASIBLE.] Under a loan agreement, repayment may be deferred for  
29 10 years or until the project for which the loan is made has achieved

1 earnings from its operations sufficient to pay the loan, whichever is  
2 earlier.

3 \* Sec. 22. AS 44.56.170(f) is repealed and re-enacted to read:

4 (f) Power projects are subject to the following limitations on  
5 interest and specific restrictions:

6 (1) Power projects for which loans are outstanding from the  
7 water resources revolving loan fund (AS 45.86) on July 13, 1978, may  
8 receive additional financing from the power project fund; the additional  
9 financing, if granted,

10 (A) shall be granted for a term not exceeding 50 years;

11 (B) shall be granted at an interest rate of not less  
12 than three or more than five percent a year on the unpaid balance;

13 (C) shall be conditioned on the repayment of loan princi-  
14 pal and interest to begin on the earlier of

15 (i) the date of the start of commercial operation  
16 of the project; or

17 (ii) 10 years from the date the loan is granted.

18 (2) Loans for power projects

19 (A) shall be granted for a term not to exceed 50 years;  
20 and

21 (B) shall be granted at an interest rate which is not  
22 less than five percent and which is the lesser of

23 (i) a rate equal to the percentage of the average  
24 weekly yield of municipal bonds for the 12 months preceding the  
25 date of the loan, as determined by the authority from municipal  
26 bond yield rates reported in the 30-year revenue index of the  
27 Weekly Bond Buyer; or

28 (ii) a rate determined by the authority which allows  
29 the project to meet criteria of financial feasibility established

1 under AS 44.56.170(c).

2 \* Sec. 23. AS 44.56.170 is amended by adding new subsections to read:

3 (g) Loan repayments and interest earned by loans from the power  
4 project fund shall be deposited in the state general fund.

5 (h) The legislature may forgive the repayment of a loan made from  
6 the power project fund for a reconnaissance study or a feasibility study  
7 when the authority finds that the power project for which the loan was  
8 made is not feasible.

9 \* Sec. 24. AS 44.56 is amended by adding new sections in article 5 to  
10 read:

11 Sec. 44.56.177. RECONNAISSANCE STUDY. (a) To identify power  
12 project alternatives for a community, the authority shall, after consul-  
13 tation with other state agencies and after review of information on  
14 alternative sources of power, complete a reconnaissance study for each  
15 proposed new power project.

16 (b) A reconnaissance study shall

17 (1) survey all power sources available to the community and  
18 adjacent area and evaluate the relative economic merits of alternative  
19 sources of power;

20 (2) include an assessment of the effect of the development of  
21 alternative sources of power on the environment so as to assure that  
22 there is no adverse effect to the environment which would make the  
23 project inadvisable;

24 (3) include public comment from residents of the community  
25 and adjacent area.

26 (c) The authority, in consultation with the division of budget and  
27 management, shall adopt regulations defining

28 (1) the methods which it shall apply to determine that the  
29 information required by (b) of this section is obtained; and

1 (2) standard criteria and measures for comparative analysis  
2 of alternative power sources.

3 Sec. 44.56.179. REVIEW OF RECONNAISSANCE STUDY BY DIVISION OF  
4 BUDGET AND MANAGEMENT. (a) The division of budget and management in  
5 the Office of the Governor shall review reconnaissance studies for  
6 proposed projects of the authority.

7 (b) The review shall examine each reconnaissance study for compli-  
8 ance with the requirements of AS 44.56.177(b) and (c). The division of  
9 budget and management may approve or disapprove a reconnaissance study.  
10 If the division of budget and management disapproves of a reconnaissance  
11 study, it shall return the reconnaissance study to the authority together  
12 with a comprehensive statement of the reasons for its disapproval. The  
13 authority may amend the portions of the reconnaissance study which the  
14 division of budget and management identifies as deficient and resubmit  
15 the reconnaissance study to the division of budget and management for  
16 reconsideration.

17 (c) For purposes of this section, a power project is approved if  
18 the reconnaissance study for the project has not been disapproved by the  
19 division of budget and management within 30 days of submission of the  
20 reconnaissance study for the project to it by the authority.

21 Sec. 44.56.181. FEASIBILITY STUDY AND FINANCE PLAN. (a) Unless  
22 the reconnaissance study has been disapproved by the division of budget  
23 and management under AS 44.56.179, the authority shall complete a feasi-  
24 bility study and plan of finance for each proposed project.

25 (b) A feasibility study shall include

26 (1) information about the proposed project, including but not  
27 limited to total project construction costs, total project operating  
28 costs, the timing and amount of anticipated returns from the completed  
29 project, a benefit-to-cost ratio, the potential effect of the project on

1 the environment of the area which will be served by the project when  
2 completed, and the availability of alternative government financing;

3 (2) a statement of all assumptions which affect the economic  
4 feasibility of the project, including but not limited to the discount  
5 rate and interest rate of amounts of money used for the project, antici-  
6 pated fuel prices, an escalation rate, state and local electric load  
7 growth, and estimates of indirect costs and benefits;

8 (3) a comparative analysis of all reasonable alternatives to  
9 construction of the proposed project; and

10 (4) information based on engineering and design work which  
11 meets the requirements for submission of a license application for the  
12 project to the Federal Energy Regulatory Commission.

13 (c) The plan of finance shall include recommendations of the most  
14 appropriate means to finance a project, including, but not limited to,

15 (1) the issuance of revenue bonds of the authority;

16 (2) the issuance of

17 (A) general obligation bonds of the state; or

18 (B) revenue bonds of the authority which are guaranteed  
19 or partially guaranteed by the state;

20 (3) an appropriation from the general fund

21 (A) to pay debt service on bonds or for other project  
22 purposes; or

23 (B) to reduce the amount of debt financing for the  
24 project;

25 (4) a loan from the general fund;

26 (5) financing arrangements with other entities using lever-  
27 aged leases or other financing methods;

28 (6) assistance from any federal agency, including, but not  
29 limited to, the Rural Electrification Administration;

1 (7) a loan from the power project fund (AS 44.56.170(a)), or  
2 from the renewable resources investment fund (AS 37.11.050); or

3 (8) any combination of financing arrangements listed in this  
4 subsection.

5 (d) When financial assistance from the state is necessary for a  
6 project to meet financial feasibility criteria, the plan of finance  
7 shall include an estimate of the minimum amount of financial assistance  
8 required from the state. The plan of finance shall include an estimate  
9 of the present value of the financial assistance from the state, computed  
10 as the difference between

11 (1) a market rate of interest, which is

12 (A) the rate determined under AS 44.56.170(f)(2)(B)(i);

13 or

14 (B) the estimated interest rate for revenue bonds issued  
15 by the authority for the project; and

16 (2) the effective rate of interest because of state financial  
17 assistance provided.

18 (e) The authority, in consultation with the division of budget and  
19 management, shall adopt regulations defining

20 (1) the techniques which it shall apply to determine that the  
21 information required by (b) - (d) of this section is obtained; and

22 (2) standard criteria and measures for comparative analysis  
23 of alternative financing arrangements.

24 Sec. 44.56.183. REVIEW OF FEASIBILITY STUDIES AND PLANS OF FINANCE  
25 BY DIVISION OF BUDGET AND MANAGEMENT. (a) The division of budget and  
26 management in the Office of the Governor shall review the feasibility  
27 study and plan of finance for a project of the authority for compliance  
28 with the provisions of AS 44.56.181(b) - (d).

29 (b) In its review under this section, the division of budget and

1 management may obtain an independent evaluation of a feasibility study  
2 and plan of finance to determine compliance with the provisions of  
3 AS 44.56.181(b) - (d).

4 (c) When the division of budget and management has completed a  
5 review of the feasibility study and the plan of finance for a project  
6 under this section, it shall submit a report to the governor. The  
7 report shall examine the feasibility study and plan of finance for  
8 compliance with the requirements of AS 44.56.181(b) - (d). The report  
9 of the division of budget and management shall include a recommendation  
10 to the governor and legislature for approval or disapproval of the pro-  
11 ject based on the division's review of the feasibility study, and plan  
12 of finance for compliance with the requirements of AS 44.56.181(b) -  
13 (d).

14 (d) The report required by (c) of this section shall be prepared  
15 and submitted not later than 60 days after the feasibility study and  
16 plan of finance for a proposed project have been received by the  
17 division of budget and management.

18 Sec. 44.56.185. SUBMISSION TO THE LEGISLATURE. (a) The authority  
19 shall submit a feasibility study and plan of finance for a proposed new  
20 project to the legislature. When the report of the division of budget  
21 and management examining the feasibility study and plan of finance is  
22 completed as required by AS 44.56.183, it shall be submitted to the  
23 legislature.

24 (b) The authority may not proceed with work on the engineering or  
25 design phase of a proposed new project for which legislative approval is  
26 required until the legislature approves the proposed new project.  
27 However, the authority may proceed with the engineering or design work  
28 necessary to meet the requirements for submission of a license applica-  
29 tion for the proposed new project to the Federal Energy Regulatory

1 Commission without obtaining legislative approval of the proposed new  
2 project.

3 (c) The legislature shall consider and must approve all proposed  
4 new projects except proposed new projects that are exempt under AS 44.-  
5 56.187. The legislature may approve a proposed new project only by  
6 enacting law authorizing that project.

7 Sec. 44.56.187. APPLICABILITY OF SECTIONS. (a) The provisions of  
8 AS 44.56.177 - 44.56.185 and 44.56.189 apply only to a proposed new  
9 project which

10 (1) requires an appropriation from the state general fund,  
11 from the power project fund, or from the renewable resources investment  
12 fund and the appropriation exceeds

13 (A) \$3,000,000, for projects for which legislative  
14 approval is sought during 1981;

15 (B) \$3,000,000 multiplied by a factor equal to a ratio  
16 determined by dividing the construction cost index of the Engineer-  
17 ing News Record determined for January of the year during which a  
18 project is submitted for legislative approval, by the construction  
19 cost index of the Engineering News Record for March, 1980, for  
20 projects for which legislative approval is sought after December 31,  
21 1981; or

22 (2) is based on a plan of finance which requires the issuance  
23 of general obligation bonds or other pledge of the credit of the state.

24 (b) The provisions of AS 44.56.177 - 44.56.185 and 44.56.189 apply  
25 to a project which generates more than 25 megawatts of power for which  
26 the authority will issue its revenue bonds for costs of construction.

27 (c) The provisions of AS 44.56.177 - 44.56.183 do not apply when a  
28 reconnaissance study and a feasibility study for a proposed new project  
29 have been prepared by an agency of the federal government, if the

1 authority determines that the reconnaissance study and the feasibility  
2 study prepared by the agency of the federal government provide informa-  
3 tion sufficient to permit the authority to finance and construct the  
4 proposed new project in accordance with the requirements of this chapter.  
5 When a reconnaissance study and feasibility study are prepared for a  
6 proposed new project by an agency of the federal government and the  
7 authority proposes to finance and construct the proposed new project,  
8 the authority shall provide copies of the studies and a proposed plan of  
9 finance to the division of budget and management. The division of  
10 budget and management in the Office of the Governor shall review the  
11 studies and plan of finance. Within 60 days after its receipt of the  
12 studies and plan of finance, the division of budget and management shall  
13 submit a report to the governor and legislature. The report shall  
14 examine the feasibility study and plan of finance and comment upon  
15 compliance of the feasibility study and plan of finance with the require-  
16 ments of AS 44.56.181. Approval of the legislature under AS 44.56.185  
17 is required for a proposed new project which is exempt from the require-  
18 ments of AS 44.56.177 - 44.56.183 under this subsection. The authority  
19 may not proceed with engineering or design work for a project until  
20 legislative approval of the project has been given under AS 44.56.185(c),  
21 except that the authority may undertake engineering and design work  
22 necessary to submit a license application for the project to the Federal  
23 Energy Regulatory Commission without first obtaining legislative  
24 approval of the project.

25 (d) The provisions of AS 44.56.177 - 44.56.183 do not apply to

26 (1) an addition, modification, repair, reconstruction, de-  
27 sign, acquisition or construction for the purpose of completing a pro-  
28 ject;

29 (2) the construction of an electrical transmission or dis-

1       tribution facility which is estimated to cost less than \$3,000,000.

2               Sec. 44.56.189. PROJECT CONSTRUCTION. If a new project is to be  
3       designed, acquired and constructed by the authority, it shall be de-  
4       signed, acquired and constructed as a public work of the state. For the  
5       purpose of this section a new project does not include

6               (1) an addition or modification to an existing project unless  
7       the total cost of the addition or modification exceeds \$1,000,000;

8               (2) repair or reconstruction of a project; or

9               (3) design, acquisition or construction necessary to complete  
10       a project for which bonds have been issued.

11              Sec. 44.56.191. LIMITATIONS ON ISSUANCE OF BONDS BY THE AUTHORITY.  
12       The authority may not issue bonds except after 60 days notification of  
13       its intent to issue bonds is given to the governor and to the legisla-  
14       ture, if the legislature is in session, or to the Legislative Budget and  
15       Audit Committee, if the legislature is not in session.

16              Sec. 44.56.195. OPERATION OF PROJECTS. (a) When a project is  
17       operated by the authority, the authority shall enter into one or more  
18       contracts for the sale of electrical power from the project. A contract  
19       entered into under this section shall meet all requirements of AS 44.-  
20       56.090.

21              (b) If, at the expiration of a contract entered into by the autho-  
22       rity under (a) of this section, revenues earned by the authority under  
23       the contract exceed expenses of the authority for the project, an amount  
24       equal to the excess shall be used by the authority to reduce rates or  
25       improve services to consumers served by the power project.

26       \* Sec. 25. AS 44.56.224 is repealed and re-enacted to read:

27              Sec. 44.56.224. LONG-TERM ENERGY PLAN. The Department of Commerce  
28       and Economic Development, assisted by the authority, shall, after public  
29       hearings, prepare and annually revise a long-term energy plan. The

1 plan, and its annual revisions, shall be submitted to the commissioners  
2 of the departments of the executive branch of the government for review  
3 and to the governor for his approval. After approval, the plan shall be  
4 submitted to the legislature not later than February 1 of each year.

5 The plan, and its annual revisions, shall include

6 (1) an "end-use" study examining and reporting on the nature  
7 and amount of energy used and the purpose of its use; and

8 (2) an energy development component for meeting projected  
9 thermal, electrical and transportation energy needs in the state at the  
10 lowest reasonable cost, including environmental and social costs, con-  
11 sistent with acceptable standards of reliability, giving an equal con-  
12 sideration as practicable to all types of energy sources (except those  
13 based on nuclear fuels) which are technologically feasible, and which  
14 promote the efficient use of facilities and fuels consistent with energy  
15 conservation goals, and the considerations specified in AS 44.56.180(e);

16 (3) an energy conservation component, including but not  
17 limited to,

18 (A) conservation goals for reducing consumption of  
19 energy, identifying the region for which applicable, and the source  
20 or type of energy to which the goals are applicable; and

21 (B) specific methods and means for achieving the goals  
22 of (A) of this paragraph;

23 (4) a component for emergency energy conservation measures  
24 applicable during times of emergency; and

25 (5) a report on areas or subjects of research and development  
26 and demonstration projects involving alternative energy systems, local  
27 energy sources, and energy conservation.

28 \* Sec. 26. AS 44.56.230(7) is repealed and re-enacted to read:

29 (7) "reconnaissance study" means a study conducted for the

1 purpose of assessing the present and future power needs of an area under  
2 AS 44.56.177;

3 \* Sec. 27. AS 44.56.230 is amended by adding new paragraphs to read:

4 (8) "feasibility study"

5 (A) means a study conducted for the purpose of estab-  
6 lishing the economic and environmental practicality of completing a  
7 proposed power project under AS 44.56.181;

8 (B) includes engineering and design work to meet the  
9 requirements for submission of a license application for a proposed  
10 new project to the Federal Energy Regulatory Commission;

11 (9) "small-scale power production facility" means a facility  
12 which, by design, is to produce less than 25 megawatts of power.

13 \* Sec. 28. AS 45.88.010 is amended to read:

14 Sec. 45.88.010. FUND ESTABLISHED. There is established in the  
15 Department of Commerce and Economic Development the alternative tech-  
16 nology and energy [POWER RESOURCE] revolving loan fund to carry out the  
17 purposes of this chapter. Loans made under this chapter may be used

18 (1) to develop means of energy production utilizing energy  
19 sources other than fossil or nuclear fuel, including, but not limited  
20 to, windmills, water and solar energy [POWER] devices; and

21 (2) [. IN ADDITION, LOANS MADE UNDER THIS CHAPTER MAY BE  
22 USED] to develop and implement methods of energy production, waste  
23 disposal, recycling, food production, transportation, building design,  
24 and industrial enterprise which may be more efficient, less costly, and  
25 less energy intensive than those methods presently utilized and which  
26 are appropriate to the Alaska environment [THE FUND MAY BE USED FOR NO  
27 OTHER PURPOSES].

28 \* Sec. 29. AS 45.88.020(a)(1) is amended to read:

29 (1) make loans for the purchase, construction, and installa-

1 tion of alternative energy systems [POWER RESOURCES] and for the  
2 development and implementation of more efficient, less costly, less  
3 energy intensive, and more appropriate technologies;

4 \* Sec. 30. AS 45.88.030(a) is amended to read:

5 (a) A loan for the development of an alternative energy system  
6 [POWER RESOURCE] or for the development or implementation of a northern  
7 technology under this chapter may not exceed \$10,000.

8 \* Sec. 31. AS 45.88.030(c) is amended to read:

9 (c) Loans made under this chapter may be used to finance [NO MORE  
10 THAN 50 PERCENT OF]

11 (1) the cost of purchase, construction, and installation of  
12 an [THE] alternative energy system which is likely to result in energy  
13 conservation or energy cost savings; [POWER RESOURCE] or

14 (2) the development and implementation of methods of [ENERGY  
15 PRODUCTION,] waste disposal, recycling, food production, transportation,  
16 building design, and industrial enterprise which may be more efficient,  
17 less costly, and less energy intensive than those methods presently  
18 utilized and which are appropriate to the Alaska environment.

19 \* Sec. 32. AS 45.88.030(d) is amended to read:

20 (d) All principal and interest payments on loans made under this  
21 chapter shall be paid into the alternative technology and energy [POWER  
22 RESOURCE] revolving loan fund.

23 \* Sec. 33. AS 45.88.030(e) is amended to read:

24 (e) The rate of interest

25 (1) for a loan, other than a loan described in (2) of this  
26 subsection, may not exceed nine and one-half percent a year on the  
27 unpaid balance of the loan;

28 (2) for a loan the proceeds of which are used for an alter-  
29 native energy system

1                   (A) is five percent, if the loan is made before  
2                   January 1, 1984;

3                   (B) equals the percentage of the average weekly yield  
4                   of municipal bonds for the 12 months preceding the loan, as deter-  
5                   mined by the commissioner of commerce and economic development  
6                   from municipal bond yield rates reported in the 30-year revenue  
7                   index of the Weekly Bond Buyer, for a loan made after December 31,  
8                   1983.

9 \* Sec. 34. AS 45.88 is amended by adding a new section to read:

10                   Sec. 45.88.050. DEFINITIONS. In this chapter, "alternative energy  
11                   system"

12                   (1) means a source of thermal, mechanical or electrical  
13                   energy which is not dependent on oil or gas or a nuclear fuel for the  
14                   supply of energy for space heating and cooling, refrigeration and cold  
15                   storage, electrical power, mechanical power, or the heating of water;

16                   (2) includes

17                   (A) an alternative energy property as defined by sec.  
18                   48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec. 48(1)-  
19                   (3)(A));

20                   (B) a method of architectural design and construction  
21                   which provides for the collection, storage and use of direct radia-  
22                   tion from the sun; and

23                   (C) any other device approved by the commissioner of  
24                   commerce and economic development under AS 44.33.040(12);

25 \* Sec. 35. AS 45 is amended by adding a new chapter to read:

26                   CHAPTER 89. RESIDENTIAL ENERGY CONSERVATION FUND.

27                   Sec. 45.89.010. FUND ESTABLISHED. There is established in the  
28                   Department of Commerce and Economic Development the residential energy  
29                   conservation fund to carry out the purposes of this chapter. Refunds,

1 grants and loans made under this chapter may be used to purchase, con-  
2 struct, and install an energy conservation improvement in residential  
3 buildings. The fund may be used for no other purpose.

4 Sec. 45.89.020. REFUNDS AND GRANTS. (a) The department may make  
5 refunds or grants for the purchase, construction, and installation of an  
6 energy conservation improvement in a residential building if the person  
7 applying for a refund or grant demonstrates, on the basis of an energy  
8 audit, that the expenditures of the refund or grant for the purchase,  
9 construction or installation of the energy conservation improvement  
10 would be exceeded by reduced energy costs attributable to the purchase,  
11 construction or installation of the energy conservation improvement  
12 within seven years.

13 (b) A refund or grant made under this section may not exceed

14 (1) \$300 for a single-family dwelling; or

15 (2) \$200 for each unit in a multi-unit residential building.

16 (c) The department

17 (1) shall establish simple procedures for the payment of a  
18 refund to an applicant within 30 days of submission to the department of  
19 an application by the applicant, if the application is supported by  
20 receipts for expenditures which comply with the results of an energy  
21 audit;

22 (2) may establish procedures for the payment of a grant to an  
23 applicant before the purchase, construction or installation of an energy  
24 conservation improvement.

25 Sec. 45.89.030. LOANS. (a) The department may make loans for the  
26 purchase, construction, and installation of an energy conservation  
27 improvement in a residential building.

28 (b) A loan for the purchase, construction, and installation of an  
29 energy conservation improvement under this chapter may not exceed the

1 lesser of

2 (1) an amount, as determined by an energy audit, which is  
3 equal to the estimated total energy cost saving attributable to the  
4 energy conservation improvement at a date which is 10 years after pur-  
5 chase, construction, or installation of the energy conservation im-  
6 provement; or

7 (2) \$5,000.

8 (c) A loan for the purchase, construction, and installation of an  
9 energy conservation improvement under this chapter may be made for only  
10 an energy conservation improvement which has been recommended, in an  
11 energy audit, as a measure which is likely to result in energy conserva-  
12 tion or energy cost savings.

13 (d) A loan made under this chapter may be used to finance

14 (1) all of the cost of purchasing, constructing, and install-  
15 ing an energy conservation improvement; and

16 (2) the costs of labor for the installation of an energy  
17 conservation improvement.

18 (e) Interest shall be charged on a loan made under this chapter.  
19 If a loan is made before January 1, 1984, interest shall be five  
20 percent. If the loan is made after December 31, 1983, interest shall  
21 equal the percentage of the average weekly yield of municipal bonds for  
22 the 12 months preceding the loan, as determined by the commissioner from  
23 the municipal bond yield rates reported in the 30-year revenue index of  
24 the Weekly Bond Buyer.

25 (f) The duration of repayment of a loan made under this chapter  
26 may not exceed 10 years.

27 (g) The department may require security for a loan under this  
28 section. When a loan is made under this section, the department may  
29 require the loan applicant to present copies of invoices or billings for

1 expenses which the proceeds of the loan will be used to pay.

2 (h) Amounts repaid on a loan made under this section shall be  
3 deposited to the residential energy conservation fund.

4 (i) A person who receives a loan under this section and knowingly  
5 uses the loan proceeds for purposes other than those set out in (d) of  
6 this section is guilty of the crime of misapplication of property under  
7 AS 11.46.620.

8 Sec. 45.89.040. SALE OR TRANSFER OF MORTGAGES AND NOTES. (a) The  
9 commissioner may sell or transfer at par value or at a premium or dis-  
10 count to any bank or other private purchaser for cash or other con-  
11 sideration the mortgages and notes held by the department as security  
12 for loans made under this chapter.

13 (b) The commissioner may sell or transfer at par value to the  
14 Department of Revenue the mortgages and notes held by the department as  
15 security for loans made under this chapter. The Department of Revenue  
16 may purchase the mortgages and notes offered.

17 Sec. 45.89.100. DEFINITIONS. In this chapter

18 (1) "commissioner" means the commissioner of commerce and  
19 economic development;

20 (2) "department" means the Department of Commerce and Eco-  
21 nomic Development;

22 (3) "energy audit" means

23 (A) an energy audit completed under AS 46.11.030;

24 (B) an energy audit performed under sec. 215(b)(1)(A) of  
25 the federal residential energy conservation program of the National  
26 Energy Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)); or

27 (C) an energy audit completed before the effective date  
28 of this section which has been approved by the commissioner as an  
29 audit which fairly demonstrates the energy consumption character-

1           istics of a residence and which indicates likely energy conser-  
2           vation and cost savings measures;

3           (4) "energy conservation improvement" means

4                   (A) structural insulation;

5                   (B) thermal windows and doors;

6                   (C) a furnace replacement burner designed to achieve a  
7           reduction in the amount of fuel consumed as a result of increased  
8           combustion efficiency;

9                   (D) a device for modifying flue openings designed to  
10          increase the efficiency of operation of the heating system;

11                   (E) an electrical or mechanical furnace ignition system  
12          which replaces a gas pilot light;

13                   (F) an automatic energy saving setback thermostat;

14                   (G) a meter which displays the cost of energy usage;

15                   (H) caulking and weatherstripping of doors and windows;

16                   (I) insulating shades and shutters;

17                   (J) air and water recuperators;

18                   (K) any other energy saving device approved by the  
19          commissioner of commerce and economic development under AS 44.33.-  
20          040(12).

21          \* Sec. 36. AS 46 is amended by adding a new chapter to read:

22                   TITLE 46. WATER, AIR, ENERGY, AND ENVIRONMENTAL CONSERVATION.

23                               CHAPTER 11. CONSERVATION OF ENERGY AND MATERIALS.

24                               Sec. 46.11.010. THERMAL AND LIGHTING ENERGY STANDARDS FOR PUBLIC  
25          BUILDINGS. (a) All public facilities of the state, the construction of  
26          which begins after the effective date of this Act, shall be designed to  
27          comply with the thermal and lighting energy standards adopted by the  
28          Department of Transportation and Public Facilities under AS 44.42.-  
29          020(a)(14).

1 (b) By June 30, 1988, all public facilities of the state existing  
2 on the effective date of this Act shall be modified, to the extent  
3 economically feasible, to comply with the thermal and lighting energy  
4 standards adopted by the Department of Transportation and Public Facili-  
5 ties under AS 44.42.020(a)(14).

6 Sec. 46.11.020. TRAINING OF PUBLIC BUILDING MAINTENANCE PERSONNEL.  
7 Persons responsible for the maintenance of public buildings designed  
8 with energy conservation or production features shall be trained by the  
9 department in the use and operation of those features.

10 Sec. 46.11.030. ENERGY AUDITS. (a) The Department of Commerce  
11 and Economic Development shall

12 (1) establish criteria for the performance of energy audits  
13 of commercial and industrial buildings located in the state;

14 (2) establish criteria for the performance of energy audits  
15 of residences located in the state;

16 (3) develop a program by which to advise persons certified  
17 under AS 44.33.040(16) to perform energy audits of contracts to be  
18 awarded for performance of energy audits.

19 (b) The commissioner of commerce and economic development may  
20 contract with persons certified under AS 44.33.040(16) to perform energy  
21 audits. The commissioner may negotiate contracts or make contracts on  
22 the basis of competitive bids.

23 (c) The Department of Commerce and Economic Development may con-  
24 tract with a municipality for the performance of energy audits in the  
25 municipality.

26 (d) A person requesting an energy audit is required to pay for the  
27 audit. The fee for an audit of a one- or two-family residence is \$10.  
28 The fee for an audit of other residences or of a commercial or indus-  
29 trial building shall be established by regulations adopted, in accord-

1       ance with the Administrative Procedure Act (AS 44.62), by the commis-  
2       sioner of commerce and economic development.

3               (e) The Department of Commerce and Economic Development shall  
4       reimburse persons performing energy audits in the state for the cost, in  
5       excess of fees received, of performing energy audits. In this subsec-  
6       tion "cost" includes administrative cost.

7               Sec. 46.11.040. APPLICABILITY OF THERMAL AND LIGHTING ENERGY STAN-  
8       DARDS TO PRIVATE BUILDINGS. State financial assistance may not be ap-  
9       proved or granted for the construction of a new residential or com-  
10      mercial building if construction of the building begins after  
11      December 31, 1980, unless

12              (1) the building is in compliance with thermal and lighting  
13      energy standards;

14              (2) the building is in compliance with the building code of a  
15      municipality and the municipal building code meets or exceeds the ther-  
16      mal and lighting energy standards;

17              (3) the building

18                  (A) is constructed under an exception to the municipal  
19      building code granted under AS 29.33.080(g); or

20                  (B) is located or is to be located in an area where  
21      thermal and lighting energy standards are not justified because of  
22      the high cost of implementation of the standards, as determined  
23      under regulations adopted by the commissioner of commerce and  
24      economic development; or

25              (4) the applicant agrees, in writing, that the building will  
26      be brought into compliance with thermal and lighting energy standards  
27      within one year of conveyance.

28              Sec. 46.11.050. FINANCING OF ENERGY EFFICIENT HOMES AND BUILDINGS.

29              (a) A financial institution shall take into consideration the economic

1 benefits of alternative energy systems, life-cycle energy costs, energy  
2 efficient building design, and energy conservation when financing homes  
3 and buildings with state financial assistance.

4 (b) A financial institution that makes home mortgage loans with  
5 money provided to it by the commissioner of revenue from surplus state  
6 general fund investments authorized by AS 37.10.070, or a state agency  
7 which makes a direct home mortgage loan to an applicant, shall include  
8 estimated heating and lighting costs as determined by an energy audit in  
9 standard principal, interest, taxes and insurance calculation of the  
10 cost of buying a housing unit. An applicant for a home mortgage loan  
11 shall provide the financial institution or the state agency with a copy  
12 of an energy audit.

13 Sec. 46.11.060. RECYCLING OF MATERIALS BY STATE AGENCIES. (a)

14 Each state agency shall to the greatest extent practicable recycle  
15 reusable materials, including but not limited to, paper, glass, and  
16 cans.

17 (b) The Department of Environmental Conservation shall encourage,  
18 through cooperative means, the adoption of all available and practicable  
19 methods throughout federal, state and local governments which recycle,  
20 reuse and conserve materials.

21 Sec. 46.11.900. DEFINITIONS. In this chapter

22 (1) "alternative energy system"

23 (A) means a source of thermal, mechanical or electrical  
24 energy which is not dependent on oil or gas or a nuclear fuel for  
25 the supply of energy for space heating and cooling, refrigeration  
26 and cold storage, electrical power, mechanical power, or the  
27 heating of water;

28 (B) includes

29 (1) an alternative energy property as defined by

1           sec. 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec.  
2           48(1)(3)(A));

3                   (ii) a method of architectural design and construc-  
4           tion which provides for the collection, storage and use of direct  
5           radiation from the sun; and

6                   (iii) any other device approved by the commissioner  
7           of commerce and economic development under AS 44.33.040(12);

8                   (2) "department" means the Department of Commerce and Econo-  
9           mic Development;

10                   (3) "energy audit" means a determination and written summary  
11           prepared under AS 46.11.030 or sec. 215(b)(1)(A) of the National Energy  
12           Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)) of

13                   (A) the energy consumption characteristics of a build-  
14           ing, including the size, type, and rate of energy consumption of  
15           major energy consuming systems of the building and the climate  
16           characterizing the region where the building is located; and

17                   (B) the energy conservation and cost savings likely to  
18           result from appropriate energy-conserving maintenance and operating  
19           procedures and modifications, including the purchase and installa-  
20           tion of energy-related fixtures; for purposes of this subparagraph  
21           when a fossil fuel is the energy source, the energy cost savings  
22           shall be determined with reference to the projected price of that  
23           fossil fuel over a 10-year period;

24                   (4) "financial institution" means a bank, trust company,  
25           savings bank, savings and loan association, or credit union;

26                   (5) "life-cycle cost" means the total cost of owning, oper-  
27           ating, and maintaining a building over its useful life, including its  
28           energy and fuel costs, determined on a basis of a systematic evaluation  
29           and comparison of alternative building systems, except that in the case

1 of leased buildings the life-cycle cost shall be calculated over the  
2 effective remaining term of the lease:

3 (6) "new building" means a building the construction of which  
4 begins after December 31, 1980;

5 (7) "public building" means a building owned or controlled  
6 and held by the state for government or public use;

7 (8) "state financial assistance" means a loan, grant, guaran-  
8 tee, insurance, payment, rebate, subsidy, or other form of state assis-  
9 tance (other than aid under AS 43.18) including the purchase by a state  
10 agency of a loan to finance the construction of a new residential,  
11 commercial, or industrial building;

12 (9) "thermal and lighting energy standards" means the thermal  
13 and lighting energy standards established by the American Society of  
14 Heating, Refrigeration, and Air Conditioning Engineers as revised

15 (A) by the commissioner of transportation and public  
16 facilities under AS 44.42.020(a) for public facilities; or

17 (B) by the commissioner of commerce and economic  
18 development under AS 44.33.040(12) for buildings and structures  
19 which are not public facilities.

20 \* Sec. 37. AS 44.19 is amended by adding a new section to read:

21 ARTICLE 3A. DISASTER AND EMERGENCY RELIEF FUNDS [FUND].

22 Sec. 44.19.179. FUEL EMERGENCY FUND. There is established in the  
23 Office of the Governor the fuel emergency fund. When the governor  
24 determines that a shortage of fuel is sufficiently severe to justify  
25 state assistance he may make a grant from the fuel emergency fund to a  
26 city or borough, or to a village or unincorporated community, to pur-  
27 chase emergency supplies of fuel.

28 \* Sec. 38. AS 44.47.130 is amended by adding new paragraphs to read:

29 (7) make grants to communities for bulk fuel storage facili-

1 ties;

2 (8) cooperate with the Department of Environmental Conserva-  
3 tion and other agencies to provide technical assistance to communities  
4 in the installation, operation and management of bulk fuel storage  
5 facilities.

6 \* Sec. 39. AS 44.47.140 is amended to read:

7 Sec. 44.47.140. LIMITATIONS. A program [THE PROGRAMS] of the  
8 department under AS 44.47.130 in a rural area [ARE SUBJECT TO THE  
9 FOLLOWING LIMITATIONS:

10 (1) NO PROGRAM FOR ANY ONE COMMUNITY] may not exceed \$40,000  
11 in cost a year, except that a grant of not more than \$60,000 may be made  
12 under AS 44.47.145 for a bulk fuel storage facility [; AND

13 (2) NO FIRST CLASS CITY OF OVER 2,000 POPULATION IS ELIGIBLE  
14 FOR ASSISTANCE].

15 \* Sec. 40. AS 44.47 is amended by adding a new section to read:

16 Sec. 44.47.145. BULK FUEL STORAGE FACILITIES GRANT FUND. (a)  
17 There is established in the Department of Community and Regional Affairs  
18 the bulk fuel storage facilities grant fund. Grants may be made by the  
19 department from this fund to a community to acquire and install  
20 community bulk storage facilities.

21 (b) Grants made under this section for the acquisition and instal-  
22 lation of a bulk fuel storage facility may not exceed \$60,000 per  
23 community.

24 (c) If the governing body of two or more communities determine  
25 that their fuel requirements may be served by a single bulk fuel storage  
26 facility, the communities may jointly apply for grants to acquire and  
27 install a single bulk fuel storage facility. When communities apply  
28 jointly under this subsection, the limitation in (b) of this section is  
29 multiplied by the number of communities which submit the joint appli-

1 cation.

2 (d) Before a grant is made under this section, the city council  
3 or, if the community is not incorporated, a responsible representative  
4 body in the community shall agree in writing to maintain and operate the  
5 bulk storage facility to be constructed with the proceeds of the grant.

6 \* Sec. 41. AS 45 is amended by adding a new chapter to read:

7 CHAPTER 87. BULK FUEL.

8 Sec. 45.87.010. BULK FUEL REVOLVING LOAN FUND ESTABLISHED. There  
9 is established in the Department of Commerce and Economic Development  
10 the bulk fuel revolving loan fund to assist communities in purchasing  
11 bulk fuel. A community, or a private individual who has written  
12 endorsement from the governing body of the community, is eligible for a  
13 loan from the bulk fuel revolving loan fund for a bulk fuel purchase.

14 Sec. 45.87.020. LOAN TERMS FOR BULK FUEL PURCHASES. (a) Loans  
15 made from the bulk fuel revolving loan fund to one borrower in any  
16 fiscal year

17 (1) may not exceed \$50,000;

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

19 (3) may not exceed 90 percent of the wholesale price of the  
20 fuel purchased;

21 (b) Interest may be charged on a loan made from the bulk fuel  
22 revolving loan fund. Interest shall be charged on a loan at a rate  
23 equal to the percentage of the average weekly yield of municipal bonds  
24 for the 12 months preceding the date of the loan, as determined by the  
25 commissioner of commerce and economic development from municipal bond  
26 yield rates reported in the 30-year revenue index of the Weekly Bond  
27 Buyer. However, if the commissioner finds that a community cannot  
28 afford to repay a portion of interest on a loan, and makes a deter-  
29 mination in writing, he may reduce or eliminate the interest rate appli-

1 cable to the loan.

2 (c) Repayments of the principal on a loan from the bulk fuel  
3 revolving loan fund shall be paid by the commissioner of commerce and  
4 economic development into the bulk fuel revolving loan fund.

5 Sec. 45.87.030. POWERS OF THE DEPARTMENT. The department may  
6 contract for the administration of the bulk fuel loan program estab-  
7 lished in this chapter.

8 Sec. 45.87.040. DEFINITIONS. In this chapter

9 (1) "bulk fuel storage facility" means a storage tank capable  
10 of holding at least 10,000 gallons of petroleum fuels;

11 (2) "community" means an organized municipality or an unin-  
12 corporated village which is a social unit, with a population under  
13 2,000;

14 (3) "department" means the Department of Commerce and Eco-  
15 nomic Development.

16 \* Sec. 42. AS 44.56 is amended by adding new sections to read:

17 ARTICLE 3A. POWER PRODUCTION COST ASSISTANCE.

18 Sec. 44.56.162. POWER PRODUCTION COST ASSISTANCE. (a) There is  
19 established as a separate fund to provide financial assistance to eli-  
20 gible electric utilities in the state, the power production cost assist-  
21 ance fund which shall be administered by the authority as a fund  
22 distinct from other funds of the authority and which is composed of  
23 money appropriated for the purpose of providing power production cost  
24 assistance to an eligible electric utility.

25 (b) Power production costs which may be paid from the power pro-  
26 duction cost assistance fund include

27 (1) production expenses for generating electricity, consist-  
28 ing of the costs of

29 (A) operation supervision and engineering;

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- (B) fuel, oil, gas, coal, and other thermal fuels;
- (C) generation expenses;
- (D) miscellaneous other power generation expenses;
- (E) rents;
- (F) maintenance supervision and engineering;
- (G) maintenance of structures;
- (H) maintenance of generating and electric plant; and
- (I) maintenance of miscellaneous other power generation;

(2) fixed costs relating to generating electricity, consisting of

- (A) depreciation of a generating plant and equipment;
- (B) taxes on a generating plant and equipment;
- (C) insurance on or attributable to a generating plant and equipment;
- (D) interest on indebtedness incurred for a generating plant and equipment;

(3) costs of purchased power, including but not limited to system control and load dispatching expenses;

(4) transmission expenses, consisting of

- (A) transmission operation supervision and engineering;
- (B) transmission load dispatching;
- (C) station expenses;
- (D) overhead line expenses;
- (E) underground line expenses;
- (F) transmission of electricity by others;
- (G) miscellaneous transmission expenses;
- (H) rents; and
- (I) maintenance costs for facilities associated with

(A) - (E) of this paragraph; and

- 1 (5) fixed costs relating to transmission, consisting of  
2 (A) depreciation of transmission lines and equipment;  
3 (B) taxes on transmission lines and equipment;  
4 (C) insurance on or attributable to transmission lines  
5 and equipment; and  
6 (D) interest on debt incurred for transmission lines and  
7 equipment.

8 (c) Power production cost assistance shall be paid to an eligible  
9 electric utility if the actual power production costs of the utility  
10 exceed its adjusted power production costs, as determined annually by  
11 the commission. The adjusted power production costs of an electric  
12 utility are

13 (1) 15 percent of the portion of the actual power production  
14 costs which does not exceed 40 cents per kilowatt hour; plus

15 (2) the base power production cost escalator; the base power  
16 production cost escalator is 7.65 cents per kilowatt hour adjusted  
17 annually by a percentage equal to the percentage of change in the  
18 Anchorage consumer price index for the year.

19 (d) An eligible electric utility may include as part of its  
20 revenue requirement for the purpose of setting rates charged for resi-  
21 dential service, local community facilities service, and service to  
22 charitable organizations only the adjusted power production cost per  
23 kilowatt-hour sold. However, the utility's approved tariff shall show  
24 rates based on the actual cost of providing electric utility service and  
25 the state assistance derived from the power production cost assistance  
26 program under this section.

27 (e) The power production cost assistance program shall be ad-  
28 ministered by the authority based on a determination by the commission  
29 of adjusted power production cost of each electric utility eligible for

1 power production cost assistance. An electric utility is eligible for  
2 power production cost assistance if

3 (1) the actual power production costs of the utility exceed  
4 the adjusted power production costs, as determined by the commission  
5 under (c) of this section;

6 (2) at least 15 percent of the total energy sold by an elec-  
7 tric utility during the calendar year preceding the year in which power  
8 production cost assistance may be claimed was for residential use.

9 (f) The adjusted power production cost shall be calculated  
10 annually in the manner prescribed by (c) of this section and shall be  
11 based on the actual power production cost filed with the commission by  
12 each eligible electric utility, as verified by the commission. The  
13 power production cost shall be derived from financial data supporting  
14 the most recently approved permanent rate schedule with adjustments  
15 incorporating the current cost of fuel. The determination of the cost  
16 of fuel by the commission shall be in accordance with the procedure for  
17 approving fuel cost rate adjustments in effect at the time of the  
18 determination. The commission shall review filings and approve an  
19 adjusted power production cost per kilowatt-hour and revised rates based  
20 on the approved adjusted power production cost per kilowatt-hour, as  
21 determined under (c) of this section. The commission may change the  
22 adjusted power production costs if

23 (1) an increase or decrease in a utility's cost of fuel has  
24 resulted in the approval of a fuel cost rate adjustment by the commis-  
25 sion;

26 (2) a permanent or interim rate increase has been approved by  
27 the commission, thereby establishing a higher or lower power production  
28 cost;

29 (3) the authority has discovered discrepancies in its review

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of data submitted, monthly, by the utilities; or

(4) the authority determines that appropriations are insufficient to fund full payments to eligible utilities.

(g) Each electric utility with a rate schedule and adjusted power production cost approved by the commission shall report monthly to the authority within the time and in the form the authority designates (1) the total actual power production costs of electric power including a detailed breakdown of those costs as specified by the commission; (2) the total kilowatt-hours sold during the preceding month; (3) the total kilowatt-hours sold during the preceding month for service eligible for power production cost assistance under this section; (4) the total kilowatt-hours generated during the preceding month; (5) the total power production cost per kilowatt-hour sold; (6) the total power production cost per kilowatt-hour generated; and (7) any increase or decrease in the current unit price of fuel from the base price used by the commission in the determination of power production costs. The authority shall review the report and may submit the report to the commission for additional review before payment.

(h) After review and approval by the authority, the authority shall, subject to appropriation, pay to each eligible electric utility an amount equal to the difference between the actual power production costs for the preceding month and the approved adjusted power production cost per kilowatt-hour times the number of kilowatt-hours sold to residential customers, local community facility customers, and facilities owned by charitable organizations during the preceding month. Payment shall be made by the authority within 30 days of receipt from the utility of the report required under (g) of this section. However, if there is a dispute between the authority and the utility relating to the payment, the authority shall submit the report to the commission within

1 30 days of receipt of the report by the authority for review before  
2 payment. When a report is submitted to the commission for review under  
3 this section, payment shall be made by the authority within 30 days  
4 after submission. If appropriations are insufficient for payment in  
5 full, the amount paid to each electric utility is reduced on a pro-rata  
6 basis.

7 (i) If an electric utility receives a payment under this section,  
8 the utility shall furnish the following notice to its electric service  
9 customers eligible under this program for each period for which the  
10 payment is received:

11 "NOTICE TO CUSTOMER

12 For the current billing period the utility has been paid  
13 under the State of Alaska's power production cost assistance  
14 program (AS 44.56.162) to assist the utility and its custo-  
15 mers in reducing the high cost of generation of electric  
16 energy.

17	Your total electrical service cost	\$	
18	Less state assistance	\$	
19	Your charge	\$	."

20 (j) For the purpose of this section,  
21 (1) the terms used in (b)(1) - (4) of this section are  
22 defined as those items are defined in a recognized system of utility  
23 accounts designated by the commission;  
24 (2) actual power production costs are the expenses and costs  
25 prescribed in this subsection less any other power production cost  
26 assistance provided to the electric utility.

27 (k) In this section,  
28 (1) "charitable organization" means an organization, not  
29 organized for pecuniary profit, which is operated for the relief of

1 poverty, distress, or other condition of public concern in the state;  
2 the term includes, but is not limited to, a church or religious organi-  
3 zation;

4 (2) "commission" means the Alaska Public Utilities Commis-  
5 sion;

6 (3) "local community facilities" means water and sewer faci-  
7 lities, public outdoor lighting, and community buildings whose opera-  
8 tions are not paid for by the state, the federal government, or private  
9 commercial interests.

10 Sec. 44.56.164. ASSISTANCE TO UTILITIES NOT REGULATED BY PUBLIC  
11 UTILITIES COMMISSION. (a) A utility which is exempt from regulation  
12 under AS 42.05.711 may receive power production cost assistance under  
13 AS 44.56.162 without becoming subject to the jurisdiction of the Alaska  
14 Public Utilities Commission if the utility is otherwise eligible for  
15 assistance and if the utility

16 (1) files with the commission the financial data necessary to  
17 determine the adjusted power production cost in the form prescribed in a  
18 recognized system of utility accounts;

19 (2) makes the reports required in AS 44.56.162(g) required of  
20 an electric utility with a rate schedule approved by the commission  
21 within the time and in the form the Alaska Power Authority designates;

22 (3) sets rates charged for residential services, local  
23 community services, and for services to charitable organizations, by  
24 including as part of its revenue requirements for these services only  
25 the adjusted power production cost per kilowatt-hour sold;

26 (4) allows audits which the commission determines are neces-  
27 sary to insure compliance with this section; and

28 (5) furnishes its electric service customers eligible under  
29 this program the "Notice to Customer" specified in AS 44.56.162(1).

1 (b) The provisions of AS 44.56.162 relating to determination of  
2 the amount of power production cost assistance and payment of the  
3 assistance apply to assistance under this section.

4 \* Sec. 43. AS 42.05.141 is amended by adding a new subsection to read:

5 (b) The commission shall perform the duties assigned to it under  
6 AS 44.56.162. In the establishment of electric service rates under this  
7 chapter the commission shall promote the conservation of resources used  
8 in the generation of electric energy.

9 \* Sec. 44. AS 44.56.180 and AS 45.86 are repealed.

10 \* Sec. 45. The Department of Commerce and Economic Development shall  
11 conduct an education program to inform the public of the contents of this Act  
12 and other government programs relating to energy conservation.

13 \* Sec. 46. A report of the results of the first energy audit completed by  
14 the Department of Transportation and Public Facilities under AS 44.42.065,  
15 added by sec. 14 of this Act, shall be submitted to the legislature not later  
16 than January 31, 1982.

17 \* Sec. 47. TRANSITION: CURRENT PROJECTS OF THE AUTHORITY. On the effec-  
18 tive date of this Act, unless a proposed project is exempt under AS 44.56.187  
19 added by sec. 24 of this Act,

20 (1) if the division of budget and management in the Office of the  
21 Governor determines that the Alaska Power Authority has completed a recon-  
22 naissance study as that term was defined by AS 44.56.230(7) before re-enact-  
23 ment of AS 44.56.230(7) by sec. 26 of this Act, the project for which the  
24 reconnaissance study was done is exempt from the provisions of AS 44.56.177  
25 and 44.56.179, added by sec. 24 of this Act; the Alaska Power Authority shall  
26 proceed with preparation of a feasibility study and plan of finance under  
27 AS 44.56.181 added by sec. 24 of this Act;

28 (2) if the division of budget and management determines that the  
29 Alaska Power Authority has completed both a reconnaissance study under

1 AS 44.56.080(13) and a statement under AS 44.56.180(c),

2 (A) and that statement or the project for which it was pre-  
3 pared has been approved by the legislature under AS 44.56.180(c), the  
4 Alaska Power Authority may proceed with that project under AS 44.56.189  
5 added by sec. 24 of this Act;

6 (B) and that statement or the project for which it was pre-  
7 pared has not been approved by the legislature under AS 44.56.180(c),  
8 the division of budget and management shall review the statement for  
9 compliance with the requirements of AS 44.56.183 added by sec. 24 of  
10 this Act before the statement is submitted under AS 44.56.185, added by  
11 sec. 24 of this Act, to the legislature; review by the division of  
12 budget and management may not unreasonably delay submission of the  
13 statement to the legislature;

14 (3) if a proposed new project has been approved by the legis-  
15 lature, or if money has been appropriated by the legislature for a proposed  
16 new project, and the Alaska Power Authority has not completed a reconnais-  
17 sance study under AS 44.56.080(13) or a statement under AS 44.56.180(c), the  
18 project is subject to the provisions of AS 44.56.177 - 44.56.185.

19 \* Sec. 48. APPROVAL OF PENDING PROJECTS OF THE ALASKA POWER AUTHORITY.

20 (a) The Alaska Power Authority has submitted to the governor and the legis-  
21 lature a statement of its recommendations for financing certain power pro-  
22 jects and a statement outlining the general design, demonstration of finan-  
23 cial feasibility, and maximum amounts of revenue bonds and appropriations  
24 necessary for the projects, together with a statement of the design, acquisi-  
25 tion, construction and financing of the projects by the authority or another  
26 person which satisfy the conditions of AS 44.56.180. The legislature has  
27 adopted joint resolutions approving the general design and maximum amount of  
28 bonds to be issued for several of the projects and those actions are con-  
29 firmed.

1 (b) Actions taken by the legislature before the effective date of this  
2 Act to approve the general design and maximum amount of bonds for power  
3 projects are confirmed and the Alaska Power Authority is authorized to issue  
4 its bonds for the following power projects in the maximum principal amount  
5 set out after each:

- 6 (1) Solomon Gulch, \$20,000,000;  
7 (2) Terror Lake, \$120,000,000.

8 (c) The general design and maximum amount of bonds for power projects  
9 are approved and the Alaska Power Authority is authorized to issue its bonds  
10 for the following power projects in the maximum principal amount set out  
11 after each:

- 12 (1) Golden Valley Electric Association waste heat, \$110,000,000;  
13 (2) Tyee Lake, \$70,000,000;  
14 (3) Swan Lake, \$120,000,000;  
15 (4) Glacier Highway Electric Association, \$800,000;  
16 (5) Cordova Electric Cooperative, \$6,500,000;  
17 (6) Matanuska Electric Association, \$2,500,000;  
18 (7) Homer Electric Association, \$3,360,000;  
19 (8) Naknek Electric Association, \$730,000;  
20 (9) Lake Elva, \$15,000,000; and  
21 (10) Black Bear Lake, \$30,000,000.

22 \* Sec. 49. TRANSITION: WATER RESOURCES REVOLVING LOAN FUND. (a) The  
23 balance of the water resources revolving loan fund (AS 45.86) lapses into the  
24 general fund on the effective date of sec. 44 of this Act.

25 (b) The principal and interest due on obligations created by loans made  
26 from the water resources revolving loan fund shall be repaid to the commis-  
27 sioner of commerce and economic development, and shall be transmitted by him  
28 to the commissioner of revenue for deposit in the state general fund.

29 \* Sec. 50. AS 43.20.037, enacted by sec. 9 of this Act, is repealed.

1 \* Sec. 51. AS 42.05.141(b), added by sec. 43 of this Act, and AS 44.56.-  
2 162 and 44.56.164, added by sec. 42 of this Act, are repealed.

3 \* Sec. 52. Sections 2, 12 - 36, 46, 47 and 49 of this Act take effect  
4 July 1, 1980.

5 \* Sec. 53. Sections 9 and 10 of this Act take effect January 1, 1981.

6 \* Sec. 54. Section 51 of this Act takes effect July 1, 1985.

7 \* Sec. 55. Section 50 of this Act takes effect January 1, 1986.

8 \* Sec. 56. Sections 1, 3 - 8, 11, 37 - 45, 48 and 52 - 56 of this Act  
9 take effect immediately in accordance with AS 01.10.070(c).

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