

Original sponsors: Rogers and Buchholdt

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1 IN THE HOUSE

BY THE CONFERENCE COMMITTEE

2 CONFERENCE CS FOR HOUSE BILL NO. 9

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to energy; and providing for an effective date."  
7

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

9 \* Section 1. AS 44.83.070 is amended to read:

10 Sec. 44.83.070. PURPOSE OF THE AUTHORITY. The purpose of the  
11 authority is to promote, develop and advance the general prosperity and  
12 economic welfare of the people of Alaska by providing a means of constructing, acquiring, financing and operating

13 (1) power projects; [PRODUCTION FACILITIES LIMITED TO FOSSIL  
14 FUEL, WIND POWER, TIDAL, GEOTHERMAL, HYDROELECTRIC, OR SOLAR ENERGY  
15 PRODUCTION] and

16 (2) facilities that recover and use waste energy [CONSERVATION  
17 FACILITIES].

18 \* Sec. 2. AS 44.83.110 is amended by adding a new subsection to read:

19 (h) If the authority decides to covenant to issue or to issue  
20 bonds secured by a capital reserve fund, the bonds may not be issued  
21 until 10 days after the authority has mailed notification to the State  
22 Bond Committee and the Legislative Budget and Audit Committee by certified mail of its intention to establish a capital reserve fund to secure  
23 the bond issue. The notification shall include the amount of the capital  
24 reserve fund to be established, the amount of bonds proposed to be  
25 issued, and the total cost of the project for which the bonds are to be  
26 issued. The notification shall be accompanied by an estimate by the  
27 authority of the need to withdraw money from the capital reserve fund  
28  
29

1 during the term of the bond issue, the amount that it may be necessary  
2 to withdraw, and the time at which withdrawals are estimated to be  
3 needed. The authority shall annually prepare a revised estimate, con-  
4 sidering the same factors, and a statement of all withdrawals that have  
5 occurred from the date of issuance of the bonds to the end of the calen-  
6 dar year. The revised estimate and statement shall be submitted to the  
7 State Bond Committee and the Legislative Budget and Audit Committee by  
8 January 30 of the succeeding year.

9 \* Sec. 3. AS 44.83.181(b)(1) is amended to read:

10 (1) information about the proposed project, including but not  
11 limited to estimates of total project construction costs, total project  
12 operating costs, the costs of transmission systems and reserve power  
13 requirements, the timing and amount of anticipated returns from the  
14 completed project, a benefit-to-cost ratio, the potential effect of the  
15 project on the environment of the area which will be served by the  
16 project when completed, and the availability of alternative government  
17 financing;

18 \* Sec. 4. AS 44.83.177(a) is amended to read:

19 (a) To identify power project alternatives and energy consumption  
20 patterns and needs for a community or region, the authority shall, after  
21 consultation with other state agencies and after review of information  
22 on alternative sources of energy [POWER], complete a reconnaissance  
23 study for each proposed new power project or combination of projects.

24 \* Sec. 5. AS 44.83.177(b) is repealed and reenacted to read:

25 (b) A reconnaissance study shall

26 (1) identify the present and anticipated electrical and  
27 thermal energy requirements of a community or region;

28 (2) survey all electrical and thermal energy sources and  
29 combinations of sources available to the community or region and evaluate

1 the relative economic merits of alternative sources of power and heat,  
2 including energy conservation;

3 (3) assess the effect of development of alternative sources  
4 of power and heat on the environment; and

5 (4) include public comment from residents of the community  
6 and adjacent area.

7 \* Sec. 6. AS 44.83.177(c)(2) is amended to read:

8 (2) standard criteria and measures for comparative analysis  
9 of alternative energy [POWER] sources.

10 \* Sec. 7. AS 44.83.183 is amended by adding a new subsection to read:

11 (e) The report required by (c) of this section shall include a fi-  
12 nancial analysis of the proposed project of the authority that evaluates  
13 proposed bond resolutions or other financial arrangements or financial  
14 plans, security plans and arrangements, cost and demand uncertainties,  
15 and debt volume, as they relate to the total direct and indirect indebt-  
16 edness of the state. In preparing the financial analysis required by  
17 this section the division of budget and management may use the services  
18 of outside agencies or institutions that are not otherwise involved in  
19 the project.

20 \* Sec. 8. AS 44.83.185(c) is amended to read:

21 (c) The legislature shall consider and must approve all proposed  
22 new projects except proposed new projects that are exempt under AS 44.-  
23 83.187. The legislature may approve a proposed new project only by  
24 enacting law that authorizes the project and approves a construction  
25 cost for [AUTHORIZING] that project.

26 \* Sec. 9. AS 44.83 is amended by adding a new section to read:

27 Sec. 44.83.186. FINAL COST ESTIMATE AND REAUTHORIZATION BY THE  
28 LEGISLATURE. If a project is approved under AS 44.83.185(c), the  
29 authority shall obtain a final cost estimate for the project from an

1 independent source qualified to make such an estimate. If the final  
2 cost estimate does not exceed the construction cost authorized by the  
3 legislature under AS 44.83.185, adjusted for inflation, by more than  
4 seven and one-half percent, the authority may proceed with the construc-  
5 tion of the project. If the final cost estimate exceeds the construc-  
6 tion cost authorized by the legislature under AS 44.83.185, adjusted for  
7 inflation, by more than seven and one-half percent, the authority shall  
8 revise its feasibility study and, if it determines that the project  
9 remains feasible, the authority shall submit the revised feasibility  
10 study and the independent cost estimate to the legislature. A proposed  
11 project that is returned for reconsideration by the legislature under  
12 this section may not be constructed unless the legislature reauthorizes  
13 it by enacting law for that purpose.

14 \* Sec. 10. AS 44.83.230(4) is repealed and reenacted to read:

15 (4) "power project" or "project" means a plant, works, system,  
16 or facility, together with related or necessary facilities and appurten-  
17 ances, including a divided or undivided interest in or a right to the  
18 capacity of a power project or project, that is used or is useful for  
19 the purpose of

20 (A) electrical or thermal energy production other than  
21 nuclear energy production;

22 (B) waste energy utilization and energy conservation; or

23 (C) transmission, purchase, sale, exchange, and inter-  
24 change of electrical or thermal energy, including district heating  
25 or interties.

26 \* Sec. 11. AS 44.83.230(7) is amended to read:

27 (7) "reconnaissance study" means a study conducted for the  
28 purpose of assessing the present and future electrical and thermal  
29 energy [POWER] needs of an area under AS 44.83.177;

1 \* Sec. 12. AS 44.83.384 is amended by adding a new subsection to read:

2 (c) Notwithstanding (b)(1) of this section and AS 44.83.394 -  
3 44.83.398, the fund may be used by the authority to provide money for  
4 the cost of a power project that is constructed and owned by the United  
5 States government if the requirements of this subsection are met. The  
6 provisions of AS 44.83.177 - 44.83.187 do not apply to a power project  
7 financed under this subsection. The authority may use money in the fund  
8 for the cost of a power project under this subsection if

9 (1) the legislature enacts a law approving the project;

10 (2) the division of budget and management in the Office of  
11 the Governor reviews a feasibility study and a plan of finance for the  
12 project and determines that the feasibility study complies with the  
13 requirements for a feasibility study submitted under AS 44.83.181(b) and  
14 that the plan of finance complies with the requirements for a plan of  
15 finance submitted under AS 44.83.181(c); and

16 (3) the project meets the other requirements of this chapter.

17 \* Sec. 13. AS 44.83.398(b) is amended to read:

18 (b) The authority shall establish a wholesale power rate structure  
19 applicable to sales of power to its customers at the busbar of a [THE]  
20 power project as follows:

21 (1) The authority shall establish and maintain a separate  
22 [SINGLE] wholesale power rate applicable to each [ALL] power project  
23 [PROJECTS] that it has acquired or constructed under the energy program  
24 for Alaska, other than a project described in (f) of this section. The  
25 wholesale power rate shall be computed by the authority annually, or  
26 more frequently as may be necessary, and shall equal the rate that the  
27 authority estimates is necessary to produce revenue that is sufficient  
28 to pay

29 (A) operation, maintenance, and equipment replacement

1 costs of the power project [PROJECTS];

2 (B) the power project's proportionate share of the debt  
3 service on state loans and bonds for all [OF THE] power projects  
4 in the energy program for Alaska, determined in accordance with (g)  
5 of this section;

6 (C) safety inspections and investigations of the power  
7 project [PROJECTS] by the authority.

8 (2) If, by July 1, 1986, the legislature has not appropriated  
9 at least \$5,000,000,000 to the fund, in addition to appropriations to  
10 the fund of interest earned on money in the fund, the authority shall,  
11 beginning on that date, establish and maintain a separate [SINGLE]  
12 wholesale power rate applicable to each [ALL] power project [PROJECTS]  
13 that is [IT HAS] acquired or constructed under the energy program for  
14 Alaska. The wholesale power rate shall be computed by the authority  
15 annually, or more frequently as may be necessary, and shall be the  
16 greater of

17 (A) 10 percent of the amount the authority has invested  
18 in the power project [PROJECTS], including loans and grants made by  
19 the state; or

20 (B) the rate that the authority estimates is necessary  
21 to produce revenue sufficient to pay

22 (i) operation, maintenance, and equipment replace-  
23 ment costs of the power project;

24 (ii) the power project's proportionate share of debt  
25 service on state loans and bonds for all [OF] power projects  
26 in the energy program for Alaska, determined in accordance  
27 with (g) of this section [BY THE AUTHORITY]; and

28 (iii) safety inspections and investigations of the  
29 power project [PROJECTS] by the authority.

1 \* Sec. 14. AS 44.83.398(c) is amended to read:

2 (c) The authority shall transmit all the money that it receives  
3 under (a) [(b)] of this section to the commissioner of revenue for  
4 deposit in the state general fund except for [THE] money it has pledged  
5 to secure bonds in accordance with contracts with bondholders [RECEIVES  
6 UNDER (b)(1)(A) AND (B) AND (b)(2)(B)(i) AND (ii), OR THE MONEY IT WOULD  
7 HAVE RECEIVED UNDER (b)(1)(A) AND (B) AND (b)(2)(B)(i) AND (ii) OF THIS  
8 SECTION IF THOSE ITEMS HAD BEEN USED IN PART TO ESTABLISH THE WHOLESALE  
9 POWER RATE IN EFFECT AT THE TIME THE MONEY IS RECEIVED BY THE AUTHORITY]

10 \* Sec. 15. AS 44.83.398(e) is amended to read:

11 (e) The legislature may, by law, annul or change a [THE] wholesale  
12 power rate for sales of power that the authority adopts under (b) or (f)  
13 of this section. However, if the authority makes an agreement with bond  
14 holders to maintain or increase a wholesale power rate, the rate estab-  
15 lished remains in effect according to the terms of the agreement with  
16 bondholders.

17 \* Sec. 16. AS 44.83.398 is amended by adding new subsections to read:

18 (f) The provisions of (b) of this section do not apply to an  
19 intertie that is authorized as a separate project under AS 44.83.380.  
20 The authority shall establish and maintain separate power rate schedules  
21 applicable to each intertie that it has acquired or constructed as a  
22 separate power project under the energy program for Alaska. The power  
23 rate schedules shall produce sufficient revenue from utilities connected  
24 by the intertie to pay (1) operation, maintenance, and equipment replace-  
25 ment costs of the intertie; (2) debt service of the intertie; and (3)  
26 safety inspections and investigations of the intertie by the authority.  
27 If the authority determines that an intertie has ceased to function as a  
28 separate project and has become a part of one or more other power  
29 projects as a transmission line, the power rate schedules established

1 under this subsection shall be terminated and a wholesale power rate  
2 applicable to the former intertie calculated under (b) of this section  
3 for the project or projects of which it has become a part.

4 (g) For the purposes of (b)(1)(B) and (b)(2)(B)(ii) of this sec-  
5 tion, a power project's proportionate share of debt service on state  
6 loans and bonds for all power projects in the energy program for Alaska  
7 is equal to the state's investment in the power project divided by the  
8 state's investment in all power projects in the energy program for  
9 Alaska and multiplied by the debt service on state loans and bonds for  
10 all power projects in the energy program for Alaska. In this subsection

11 (1) "state's investment in the power project" includes all  
12 state money invested in a power project, including loans, grants, and  
13 proceeds from bonds, less the principal repayments on the project's  
14 proportionate share of debt service on state loans and bonds;

15 (2) "state's investment in all power projects in the energy  
16 program for Alaska" includes all state money invested in the power pro-  
17 jects, other than interties, in the energy program for Alaska, including  
18 loans, grants, and proceeds from bonds, less the principal repayments on  
19 bonds and state loans issued for the power projects.

20 (h) Notwithstanding (g) of this section, in the 1983 state fiscal  
21 year the proportionate share of debt service under (b) of this section,  
22 expressed as a rate, for a power project for which a construction con-  
23 tract has been awarded before the effective date of this Act may not  
24 exceed the average debt service component of the wholesale power rate  
25 for all power projects in the energy program for Alaska. The limit  
26 imposed by this subsection shall be increased in the 1984 state fiscal  
27 year to four percent above the average debt service component of the  
28 wholesale power rate for all power projects in the energy program for  
29 Alaska and by an additional four percent above that average in each

1 succeeding state fiscal year. If application of this subsection results  
2 in the production of insufficient revenue to pay the total debt service  
3 for all projects in the energy program for Alaska, a project that does  
4 not have its share of debt service limited under this subsection shall  
5 be subject to a rate in addition to the rate established under (b) of  
6 this section. The additional rate is the rate that the authority esti-  
7 mates is necessary to produce revenue that is sufficient to pay the  
8 difference between the total debt service for all projects in the energy  
9 program for Alaska and the revenue actually produced to pay that debt  
10 service, multiplied by a fraction whose numerator is the total cost of  
11 the project and whose denominator is the total cost of all of the pro-  
12 jects that are subject to the additional rate.

13 \* Sec. 17. AS 46.11.030(d) is repealed and reenacted to read:

14 (d) The department may not establish or limit fees charged for  
15 energy audits by a person certified under AS 44.33.040(16) to perform  
16 energy audits.

17 \* Sec. 18. AS 46.11.030(e) is repealed and reenacted to read:

18 (e) The department shall make a payment to a person who performs  
19 an energy audit for a residence in the state. The amount of a payment  
20 under this subsection is the lesser of

21 (1) the fee charged for the audit;

22 (2) \$75; or

23 (3) an amount determined in accordance with the following  
24 schedule: (A) single-family residence, \$25; (B) duplex, \$37.50; (C)  
25 triplex, \$43.75; (D) four-plex, \$50; and (E) residences having more than  
26 four dwelling units, \$50 plus \$6.50 for each dwelling unit in excess of  
27 four; the schedule established by this paragraph shall be adjusted by  
28 the department for cost-of-living differences between different areas of  
29 the state, using the construction cost index for building construction

1 prepared by the Department of Transportation and Public Facilities, and  
2 using the municipality of Anchorage as a base of 1.00.

3 \* Sec. 19. Section 14, ch. 118, SLA 1981 is amended to read:

4 Sec. 14. LOCATION OF TRANSMISSION SYSTEM IN DENALI STATE PARK.

5 The Alaska Power Authority may design, acquire a right-of-way for, and  
6 construct a 345 KV high voltage electrical transmission system connect-  
7 ing Anchorage and Fairbanks. The transmission line authorized by this  
8 section shall be considered a use that is compatible with the purposes  
9 of the Denali State Park within the boundaries of the Denali State Park.  
10 The route of the transmission system authorized by this section may  
11 [SHALL] be located within the Denali State Park in consultation with the  
12 division of parks, Department of Natural Resources.

13 \* Sec. 20. Subject to review of the feasibility study and the plan of  
14 finance by the division of budget and management in the Office of the Gover-  
15 nor under AS 44.83.384(c)(2), the Bradley Lake hydroelectric project is  
16 approved as a project of the Alaska Power Authority under AS 44.83.384(c)(1).

17 \* Sec. 21. Notwithstanding the provisions of AS 44.83.325, the Alaska  
18 Power Authority may enter into contracts under AS 44.83.300 - 44.83.360 for  
19 preliminary work without the approval required by AS 44.83.325. In this  
20 section, "preliminary work" means the preparation of plans and studies and  
21 the preparation and submission of license applications, as well as other  
22 types of work, that must be completed before actual construction of the  
23 Susitna River hydroelectric project, described in AS 44.83.300, may begin.  
24 This section does not authorize the Alaska Power authority to enter into  
25 contracts for the actual construction of the Susitna River hydroelectric  
26 project or for the preparation of the site of the Susitna River hydroelectric  
27 project without the approval required by AS 44.83.325.

28 \* Sec. 22. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).