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Referred: Resources and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 310

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to power development financing."

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

8 * Section 1. AS 44.83 is amended by adding new sections to read:

9 Sec. 44.83.172. POWER PROJECT EQUITY FUND. (a) There is estab-
10 lished in the general fund the power project equity fund which is
11 separate from any other money or funds.

12 (b) The equity fund consists of money appropriated by the legis-
13 lature and interest earned from investment of money in the equity fund.
14 The commissioner of revenue shall invest any surplus in the equity fund
15 in the manner specified in AS 37.10.070.

16 (c) If the legislature approves a project as provided in AS 44.-
17 83.185 and makes an appropriation from the equity fund for the project,
18 the authority shall make a grant to a qualified utility. A qualified
19 utility may receive more than one grant under this section. However,
20 all grants received by a qualified utility under this section may not
21 exceed \$2,500 for each person residing in the service area of the
22 project. The authority shall determine the population of the service
23 area of a project based on the latest census prepared by the United
24 States Census Bureau. If the power produced by a project will be sold
25 to more than one qualified utility, the authority shall prorate the
26 amount of a grant according to the percentage of use of the power by
27 each qualified utility served by the project. The authority shall
28 consult with the appropriate municipalities and utilities before it
29 prorates a grant under this subsection if projects are interconnected.

1 (d) A qualified utility may only use a grant under this section
2 to finance capital improvements for power generation or distribution
3 systems. A grant under this section may not be used to pay the cost of
4 operating, maintaining, or purchasing fuel for a project. A grant un-
5 der this section may not be included in the rate base for a qualified
6 utility regulated under AS 42.05. A utility which is not regulated
7 under AS 42.05 must set rates under procedures and by standards estab-
8 lished by contract between the authority and the owner of the project.
9 The rates established by an unregulated utility must be reasonable and
10 include adequate consideration of the state assistance provided under
11 this chapter.

12 (e) In this section,

13 (1) "project" means a plant, facility, works, or system
14 which produces power from renewable sources or fossil fuels if the fea-
15 sibility study establishes that a renewable source for the production
16 of power is not economically feasible;

17 (2) "qualified utility" means

18 (A) a utility as defined in AS 42.05.701(2)(A) includ-
19 ing a utility exempted under AS 42.05.711;

20 (B) a nonprofit organization determined by the author-
21 ity to be capable of operating and maintaining a project of the
22 size and type for the community or region served by the project;

23 (C) the authority if it owns the project; and

24 (3) "service area" means

25 (A) the area to which electric power can reasonably be
26 distributed to customers;

27 (B) if no distribution system exists, the area of the
28 municipality served by the electric power;

29 (C) if the project will not provide electric power to a

1 municipality, the area which can be economically served by the
2 project.

3 (f) The dollar amount in (c) of this section changes, according
4 to annual changes in the consumer price index for the state compiled by
5 the Bureau of Labor Statistics, United States Department of Labor. The
6 index for November 1980 is the reference base index. If the index is
7 revised, the change is calculated on the basis of the revised index.
8 The change takes effect 30 days after the index for November of each
9 year is published

10 (g) Before a project which produces 1.5 megawatts of power or
11 less may receive a grant under this section:

12 (1) the authority shall make a feasibility study which
13 includes the information required by AS 44.83.181(b)(1) -- (3) to
14 determine if the project is economically feasible; and

15 (2) the division of budget and management, Office of the
16 Governor, shall review the feasibility study for compliance with (1) of
17 this subsection and submit a report of its findings to the governor.

18 Sec. 44.83.174. DEBT ASSISTANCE. (a) In the plan of finance
19 required by AS 44.83.181, the authority shall

20 (1) estimate the annual debt service of bonds to be issued
21 for the project, including an estimate of the amount financed, interest
22 rate, and term of bonds;

23 (2) obtain an estimate from the division of budget and man-
24 agement, Office of the Governor, of the long-term rate of inflation
25 during the term of the bonds; and

26 (3) using (1) and (2) of this subsection, the authority shall
27 estimate the amount of money needed by the owner of a project to pay the
28 difference between the debt service which would be paid to bond holders
29 and that debt service adjusted according to constant dollar terms.

1 (b) If requested by the division of budget and management, Office
2 of the Governor, the authority shall prepare an alternate to the esti-
3 mate of the amount determined in (a)(3) of this section. The estimate
4 must be based on the annual debt service of the project calculated on
5 the basis of a rate of interest provided by the division of budget and
6 management.

7 Sec. 44.83.175. DEBT ASSISTANCE LOANS. (a) The authority shall
8 establish a separate account for each project for which an appropria-
9 tion is made by the legislature for a debt assistance loan. The autho-
10 rity shall make loans from the account to the owner of a project so
11 that the payment of debt service made by the owner of the project on
12 bonds is level in constant dollar terms. The authority may increase or
13 decrease the amount of the loan to reflect the terms established at the
14 sale of bonds if those terms are different from those used to make the
15 estimates required in AS 44.83.174(a). If the appropriation made for
16 debt assistance for a project exceeds the payments made under this
17 subsection, the excess lapses into the general fund.

18 (b) The authority shall set the terms for repayment of the loan
19 after consulting with the division of budget and management, Office of
20 the Governor. The rate of interest set for repayment of the loan is
21 the same as the rate of interest set for the bonds issued for the
22 project.

23 (c) The authority shall pay any money received in repayment of a
24 loan under this section to the commissioner of revenue for deposit in
25 the general fund.

26 Sec. 44.83.176. POWER PROJECT COMPLETION LOAN FUND. (a) There
27 is established the power project completion loan fund. This loan fund
28 consists of appropriations from the legislature and payments of princi-
29 pal and interest on loans made from the loan fund. The commissioner of

1 revenue may invest any surplus in the loan fund. Interest earned on
2 investments made by the commissioner of revenue shall be deposited in
3 the general fund.

4 (b) The purpose of the loan fund is to provide financing for a
5 project if

6 (1) the cost of completing the project exceeds the money
7 available for the project for a reason established by regulations
8 adopted by the authority under (f) of this section; or

9 (2) the project is unable to pay the cost of redeeming bonds
10 issued for the project because of a natural disaster which impairs the
11 ability of the project to earn enough revenue to redeem the bonds as
12 they become due.

13 (c) Subject to appropriations for this purpose, the authority
14 shall determine the amount to be loaned for a project and, if the gov-
15 ernor approves, may make a loan from the loan fund.

16 (d) The terms for a loan under (b)(1) of this section are as fol-
17 lows:

18 (1) the rate of interest is the same rate set for the bonds
19 of the authority issued for the project;

20 (2) for a project which is not financed by bonds of the au-
21 thority, the rate of interest is the average weekly rate of interest
22 reported in the Weekly Bond Buyer for municipal revenue bonds for the
23 12 months preceding the loan application;

24 (3) the amount loaned may not exceed more than 20 percent of
25 the original estimate of the cost of constructing the project other
26 than the cost of debt service to redeem the bonds first issued for the
27 project; and

28 (4) the owner of the project shall agree to repay a loan
29 made under this section by the issuance of additional bonds or another

1 method of financing within five years after the loan is made.

2 (e) The terms for a loan under (b)(2) of this section are as fol-
3 lows:

4 (1) the amount loaned may not exceed the debt service on
5 bonds issued for the project for one year after the natural disaster
6 and other expenses of the project which are determined necessary by the
7 authority; and

8 (2) the rate of interest on the loan is the same rate set
9 for the bonds issued to finance the project.

10 (f) The authority shall adopt regulations under AS 44.62 which
11 prescribe the circumstances under which a project qualifies for a proj-
12 ect completion loan under (b)(1) of this section. These regulations
13 shall establish procedures for

14 (1) determining the costs of a project for which a loan may
15 be made under this section; and

16 (2) audits which will avoid unexpected costs.

17 (g) The owner of a project for which bonds of the authority are
18 issued for a purpose set out in (b) of this section is eligible for a
19 debt assistance loan under AS 44.83.174.

20 * Sec. 2. AS 44.83.181(c)(3) is amended to read:

21 (3) an appropriation from the power project equity [GENERAL]
22 fund

23 [(A) TO PAY DEBT SERVICE ON BONDS OR FOR OTHER PROJECT
24 PURPOSES; OR

25 (B)] to reduce the amount of debt financing for the
26 project;

27 * Sec. 3. AS 44.83.181(c)(4) is amended to read:

28 (4) a debt assistance loan under AS 44.83.175 [FROM THE
29 GENERAL FUND];

1 * Sec. 4. AS 44.83.181(c)(7) is amended to read:

2 (7) a loan from [THE POWER PROJECT FUND (AS 44.83.170(a)),
3 OR FROM] the renewable resources investment fund (AS 37.11.050); or

4 * Sec. 5. AS 44.83.185(a) is amended to read:

5 (a) The authority shall submit a feasibility study and plan of
6 finance for a proposed new project to the legislature. When the report
7 of the division of budget and management [EXAMINING THE FEASIBILITY
8 STUDY AND PLAN OF FINANCE] is completed as required by AS 44.83.183 or
9 44.83.172(g), it shall be submitted to the legislature.

10 * Sec. 6. AS 44.83.185(c) is amended to read:

11 (c) Before a project may be constructed, the [THE] legislature
12 shall consider and must approve the [ALL] proposed new project. How-
13 ever, approval by the legislature is not required if the new project is
14 exempt under AS 44.83.187 and the owner of the project has not applied
15 for an equity grant under AS 44.83.172 [PROJECTS EXCEPT PROPOSED NEW
16 PROJECTS THAT ARE EXEMPT UNDER AS 44.83.187]. The legislature may
17 approve a proposed new project only by making an appropriation for
18 [ENACTING LAW AUTHORIZING] that project.

19 * Sec. 7. AS 44.83.187(a)(1) is amended to read:

20 (1) requires an appropriation from the state general fund,
21 from the power project equity fund, or from the renewable resources
22 funds; or

23 * Sec. 8. (a) A qualified utility which receives a power project equity
24 grant under AS 44.83.172 contained in sec. 1 of this Act for a project which
25 is financed by a loan set out in (b) of this section shall first apply the
26 power project equity grant to repay the unpaid principal and accrued inter-
27 est on the loans set out in (b) of this section. However, for the purposes
28 of this section, the unpaid principal and interest on loans set out in (b)
29 of this section do not include the cost of a reconnaissance study financed

1 by ch. 54 SLA 1980. The cost of those reconnaissance studies are considered
 2 a grant from the state. If a balance remains on a loan set out in (b) of
 3 this section after a power project equity grant is applied to the loan, the
 4 qualified utility may include the debt service on the remaining balance of
 5 the loan to determine the amount of a debt assistance loan under AS 44.83.175
 6 contained in sec. 1 of this Act. The rate of interest on the debt assistance
 7 loan under this section is the same rate set for the appropriate water
 8 resources or power project loan to which the debt assistance loan applies.

9 (b) This section applies to the following qualified utilities for the
 10 projects and loans set out after each:

11 (1) loans from the water resources revolving loan fund:

12	<u>Qualified Utility</u>	<u>Project</u>	<u>Beginning Balance</u>
13	Sitka	Green Lake	\$ 450,000
14	Petersburg	Lake Tyee	910,000
15	Kodiak Electric	Terror Lake	420,000
16	Ketchikan Public Utilities	Swan Lake	420,000
17	Alaska Power Authority	Lake Tyee	300,000

18 (2) loans from the power project fund:

19	<u>Qualified Utility</u>	<u>Project</u>	<u>Beginning Balance</u>
20	Alaska Electric Light & Power	Annex Creek	\$ 500,000
21	Kodiak Electric	Terror Lake	100,000
22	Ketchikan Public Utility	Swan Lake	200,000
23	Ketchikan Public Utility	Swan Lake	135,000
24	Alaska Power Authority	Lake Tyee	120,000
25	Ketchikan Public Utility	Swan Lake	3,115,000
26	Kodiak Electric	Terror Lake	2,000,000
27	Kodiak Electric	Mennonite Creek	90,000
28	Alaska Power Authority	Lake Tyee	60,000
29	Wrangell	Small hydro project	45,000

1	Port Lyons	Small hydro project	200,000
2	Kodiak Electric	Terror Lake	1,050,000
3	Ketchikan Public Utility	Swan Lake	18,000,000
4	City of King Cove	Diesel generator	200,000
5	City of Akutan	Feasibility study for	
6		small hydro project	1,100,000
7	Iliamna - Newhalen	Diesel generator	300,000
8	Alaska Electric Light & Power	Transmission line	1,000,000
9	Alaska Electric Light & Power	Salmon Creek	200,000

10 (3) loans from the Department of Revenue:

11	<u>Qualified Utility</u>	<u>Project</u>	<u>Beginning Balance</u>
12	Sitka	Green Lake (ch. 111,	
13		SLA 1978)	\$7,000,000
14	Sitka	Green Lake (ch. 52,	
15		SLA 1977)	1,600,000

16 * Sec. 9. The maximum amount specified for power project equity grants
17 in AS 44.83.172(c) contained in sec. 1 of this Act, does not apply to a
18 project for which the Alaska Power Authority has started but not completed a
19 feasibility study before the effective date of this Act. For those projects,
20 the power project equity grants may not exceed \$2,500 for each person resid-
21 ing in the service area of the project less the amount of state money used
22 to finance the feasibility study. However, the cost of a reconnaissance
23 study financed by an appropriation made in ch. 54 SLA 1980 is not included
24 in the cost of a feasibility study for the purposes of this section.

25 * Sec. 10. AS 44.83.170 is repealed.

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