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Referred: Resources and Finance

BY KERTTULA, ZIEGLER, FERGUSON,  
BRADLEY AND ELIASON

1 IN THE SENATE

2 SENATE BILL NO. 25

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a power project revolving loan  
7 fund in the Alaska Power Authority; and providing for  
8 an effective date."

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

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

11 ARTICLE 8. POWER PROJECT REVOLVING LOAN FUND.

12 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project revolving  
13 loan fund is established in the Alaska Power Authority to carry out the  
14 purposes of AS 44.83.400 - 44.83.470.

15 (b) The fund includes

16 (1) all money appropriated to it by the legislature;  
17 (2) amounts paid, as principal and interest, on loans made  
18 by the authority from the fund; and

19 (3) interest earned by investment of money in the fund.

20 (c) The authority shall invest money appropriated by the legisla-  
21 ture to the fund.

22 Sec. 44.83.410. LOANS FROM THE FUND. The fund may be used by the  
23 authority to make loans for

24 (1) reconnaissance and feasibility studies and power project  
25 finance plans prepared under AS 44.83.177 - 44.83.181;

26 (2) the cost of a power project, including but not limited  
27 to costs of acquiring necessary licenses, preparing engineering designs,  
28 and construction of the power project; and

29 (3) power production cost assistance under AS 44.83.162 -

44.83.164.

Sec. 44.83.420. ADMINISTRATION OF FUND. (a) The authority shall make loans for purposes authorized by AS 44.83.410

(1) for power projects designated by the legislature by law, in the amounts determined by the legislature by law; and

(2) for power projects not designated by the legislature by law if the power project is determined to be economically feasible and the power project

(A) operates or will operate on renewable energy resources; or

(B) operates or will operate on coal, peat or wood, and the authority determines that

(i) the source of the fuel for the project is abundant; and

(ii) renewable energy resources to operate the power project are not available.

(b) The authority shall determine whether a power project for which a loan is requested from the fund under (a)(2) of this section is economically feasible. A power project is "economically feasible" if the authority determines that the total costs of the power project are cheaper for the estimated life of the project than other alternatives. In making a determination of economic feasibility under this section, the authority shall evaluate the estimated life of the power project and its alternatives applying the following standard factors:

(1) a general inflation factor for construction and operating costs of seven percent annually;

(2) an interest rate of 10 percent for money borrowed for the power project; and

(3) an escalation factor for measuring the comparative cost

1 of oil, gas or coal; the rate to be applied is 11 percent annually, and  
2 the rate shall be applied to the current fuel cost at the date of  
3 determination of economic feasibility.

4 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall  
5 maintain records of loans from the fund

6 (1) for power projects designated by the legislature; and

7 (2) for each power project for which a loan is made from an  
8 appropriation made by the legislature without specifying a project.

9 (b) Income earned from investment of money appropriated to the  
10 fund under AS 44.83.420, shall be allotted by the authority to power  
11 projects for which appropriations have been made by the legislature.  
12 The allotment shall be based on the amount of investment income earned  
13 during each state fiscal year in or after which the legislature has  
14 appropriated money to the fund. An allotment of income under this  
15 subsection shall be made

16 (1) to each power project specifically designated by the  
17 legislature by law in proportion to the amount appropriated for that  
18 project as a percentage of the total amount appropriated by the legis-  
19 lature to the fund; and

20 (2) to all other power projects for which the legislature  
21 has appropriated money in proportion to the amount appropriated for  
22 unspecified projects as a percentage of the total amount appropriated  
23 by the legislature to the fund.

24 Sec. 44.83.440. LOAN TERMS AND CONDITIONS. (a) A loan for a  
25 power project made under AS 44.83.400 - 44.83.470 may not be for a  
26 period in excess of the lesser of

27 (1) the estimated actual life of the power project as con-  
28 structed; or

29 (2) 100 years.

1 (b) The rate of interest on a loan made under AS 44.83.400 -  
2 44.83.470 may not exceed three percent a year on the unpaid balance of  
3 the loan.

4 (c) Principal and interest payments payable on a loan made under  
5 AS 44.83.400 - 44.83.470 begin on the date that the borrower certifies  
6 to the authority that the power project for which the loan was made is  
7 producing power.

8 Sec. 44.83.450. LOAN LIMITATIONS. (a) The amount which may be  
9 loaned by the authority for a power project under AS 44.83.420(a)(1) is  
10 the total of

11 (1) the amount of money appropriated by the legislature to  
12 the power project; and

13 (2) the amount of an allotment made by the authority to the  
14 project under AS 44.83.430(b)(1).

15 (b) The amount which may be loaned by the authority for a power  
16 project under AS 44.83.420(a)(2) may not exceed

17 (1) the amount of money appropriated by the legislature  
18 without designating a power project; and

19 (2) the amount of an allotment made by the authority to all  
20 power projects under AS 44.83.430(b)(2).

21 Sec. 44.83.460. REALLOCATION OF FUND BALANCE. (a) Amounts  
22 repaid by a borrower for a loan made for a power project under AS 44.-  
23 83.400 - 44.83.470 may be reallocated to other power projects by the  
24 authority.

25 (b) If a power project designated by the legislature by law is  
26 not constructed, the amount appropriated to it may be reallocated to  
27 other power projects by the authority. The authority may allocate the  
28 money only for a power project which is economically feasible under  
29 AS 44.83.420(b) for the market area that is to be served by the power

1 project designated by the legislature and not constructed.

2 (c) If appropriations for a power project designated by the  
3 legislature by law exceed the amount required for construction of the  
4 power project, the excess may be reallocated to other power projects by  
5 the authority.

6 Sec. 44.83.470. DEFINITION. In AS 44.83.400 - 44.83.470, "fund"  
7 means the power project revolving loan fund.

8 \* Sec. 2. Notwithstanding AS 44.83.440(b), added by sec. 1 of this Act,  
9 until the total amount appropriated by the legislature to the power project  
10 revolving loan fund equals or exceeds \$4,500,000,000, the rate of interest  
11 on a loan made under AS 44.83.400 - 44.83.470 is seven percent a year on the  
12 unpaid balance of the loan.

13 \* Sec. 3. This Act takes effect July 1, 1981.  
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