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1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR 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, amending the
8 Alaska Power Authority Act, and requiring the Depart-
9 ment of Revenue to invest the surplus power project
10 revolving loan fund balance; and providing for an
11 effective date."

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

13 * Section 1. AS 44.83.181(b) is amended by adding a new paragraph to
14 read:

15 (5) a recommendation as to whether the proposed project is
16 economically feasible; a power project is "economically feasible" if
17 the authority determines that the total costs of the power project are
18 cheaper for the estimated life of the project than other alternatives;
19 in making a determination of economic feasibility under this section,
20 the authority shall evaluate the estimated life of the power project
21 and its alternatives applying the following standard factors:

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

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

26 (C) an escalation factor for measuring the comparative
27 cost of oil, gas or coal; the rate to be applied is 11 percent
28 annually, and the rate shall be applied to the current fuel cost
29 at the date of determination of economic feasibility.

1 * Sec. 2. AS 44.83 is amended by adding new sections to read:

2 ARTICLE 8. POWER PROJECT REVOLVING LOAN FUND.

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

6 (b) The fund includes

7 (1) all money appropriated to it by the legislature;

8 (2) amounts paid, as principal and interest, on loans made
9 by the authority from the fund; and

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

11 Sec. 44.83.410. USE OF FUND BALANCE. The fund may be used by the
12 authority

13 (1) to make loans for

14 (A) reconnaissance and feasibility studies and power
15 project finance plans prepared under AS 44.83.177 - 44.83.181; and

16 (B) the cost of a power project, including but not
17 limited to costs of acquiring necessary licenses, preparing engi-
18 neering designs, and construction of the power project; and

19 (2) for grants for power production cost assistance under
20 AS 44.83.162 - 44.83.164.

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

23 (1) for a power project designated by the legislature by
24 law, in an amount determined by the legislature by law;

25 (2) for a power project not designated by the legislature by
26 law if the authority owns the power project; and

27 (3) for a power project not designated by the legislature by
28 law if the power project is determined to be economically feasible
29 under AS 44.83.181(b) and the power project

1 (A) operates or will operate on renewable energy re-
2 sources; or

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

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

7 (ii) renewable energy resources to operate the
8 power project are not available or are not economically
9 feasible.

10 (b) The Department of Revenue shall invest and manage the balance
11 of the fund which exceeds estimated loan and grant requirements under
12 AS 44.83.410 - 44.83.420 for the current fiscal year. An investment by
13 the Department of Revenue under this subsection shall be made in accor-
14 dance with AS 37.10.070 and 37.10.075.

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

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

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

20 (b) Income earned from investment of money appropriated to the
21 fund under AS 44.83.420, shall be allotted by the authority to power
22 projects for which appropriations have been made by the legislature.
23 The allotment shall be based on the amount of investment income earned
24 during each state fiscal year in or after which the legislature has
25 appropriated money to the fund. An allotment of income under this
26 subsection shall be made

27 (1) to each power project specifically designated by the
28 legislature by law in proportion to the amount appropriated for that
29 project as a percentage of the total amount appropriated by the legis-

1 lature to the fund; and

2 (2) to all other power projects for which the legislature
3 has appropriated money in proportion to the amount appropriated for
4 unspecified projects as a percentage of the total amount appropriated
5 by the legislature to the fund.

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

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

11 (2) 100 years.

12 (b) The rate of interest on the entire outstanding balance of a
13 loan made under AS 44.83.400 - 44.83.470 may not exceed three percent a
14 year, but the interest payment calculated on any installment may exceed
15 that rate.

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

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

23 (1) the amount of money appropriated by the legislature to
24 the power project; and

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

27 (b) The amount which may be loaned by the authority for a power
28 project under AS 44.83.420(2) and (3) may not exceed

29 (1) the amount of money appropriated by the legislature

1 without designating a power project; and

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

4 Sec. 44.83.460. REALLOCATION OF FUND BALANCE. (a) Amounts
5 repaid by a borrower for a loan made for a power project under AS 44.-
6 83.400 - 44.83.470 may be reallocated to other power projects by the
7 authority.

8 (b) If a power project designated by the legislature by law is
9 not constructed, the amount appropriated to it may be reallocated to
10 other power projects by the authority. The authority may allocate the
11 money only for a power project which is economically feasible under
12 AS 44.83.181(b) for the market area that is to be served by the power
13 project designated by the legislature and not constructed.

14 (c) If appropriations for a power project designated by the
15 legislature by law exceed the amount required for construction of the
16 power project, the excess may be reallocated to other power projects by
17 the authority.

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

20 * Sec. 3. AS 44.25.020 is amended by adding a new paragraph to read:

21 (5) invest and manage the balance of the power project
22 revolving loan fund in accordance with AS 44.83.420(b).

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

28 * Sec. 5. This Act takes effect July 1, 1981.

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