

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

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1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Finance) am

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 development fund
7 in the Alaska Power Authority and amending the Alaska
8 Power Authority Act; and providing for an effective
9 date."

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

11 * Section 1. AS 44.83.030(a) is amended to read:

12 (a) The authority shall consist of the following directors:

13 (1) four directors at large to be appointed by the governor
14 and confirmed by the legislature;

15 (2) the commissioner of commerce and economic development;

16 (3) the commissioner of natural resources;

17 (4) the commissioner of revenue;

18 (5) the commissioner of transportation and public facilities;

19 (6) the commissioner of community and regional affairs.

20 * Sec. 2. AS 44.83.040 is amended to read:

21 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
22 shall elect one of the directors at large as chairman and other officers
23 they determine desirable. The powers of the authority are vested in
24 the directors, and five [THREE] directors of the authority constitute a
25 quorum. Action may be taken and motions and resolutions adopted by the
26 authority at a meeting by the affirmative vote of at least five [THREE]
27 directors. The directors of the authority serve without compensation,
28 but they shall receive the same travel pay and per diem as provided by
29 law for board members.

1 * Sec. 3. AS 44.83.110(g) is amended to read:

2 (g) When the authority has created and established a capital
3 reserve fund, the commissioner of revenue may lend surplus money in the
4 general fund to the authority for deposit in a capital reserve fund in
5 an amount equal to the capital reserve fund requirement. The loans
6 shall be made on such terms and conditions as may be agreed upon by the
7 commissioner of revenue and the other members of the authority, includ-
8 ing without limitation terms and conditions providing that the loans
9 need not be repaid until the obligations of the authority secured and
10 to be secured by the capital reserve fund are no longer outstanding.

11 * Sec. 4. AS 44.83.100 is amended by adding a new subsection to read:

12 (e) The authority shall issue bonds the principal and interest of
13 which are paid only from the money derived from the project financed
14 with the proceeds of those bonds for a power project previously financed
15 from the power project development fund (AS 44.83.400). Bonds may be
16 issued under this subsection only if

17 (1) the appropriations to the power project development fund
18 for that power project, and interest earned on those appropriations,
19 are insufficient to cover the cost of the power project; and

20 (2) the rate of interest which the authority will pay on the
21 bonds is not more than alternative costs of securing money to pay for
22 the power project.

23 * Sec. 5. AS 44.83.181(b) is amended by adding a new paragraph to read:

24 (5) a recommendation as to whether the proposed project is
25 economically feasible; a power project is "economically feasible" if
26 the authority determines that the total costs of the power project are
27 cheaper for the estimated life of the project than other alternatives;
28 in making a determination of economic feasibility under this paragraph,
29 the authority shall evaluate the estimated life of the power project

1 and its alternatives applying the following standard factors:

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

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

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

10 * Sec. 6. AS 44.83 is amended by adding new sections to read:

11 ARTICLE 8. POWER PROJECT DEVELOPMENT FUND.

12 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project develop-
13 ment fund is established in the Alaska Power Authority to carry out the
14 purposes of AS 44.83.400 - 44.83.480.

15 (b) The fund includes

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

17 (2) interest earned by investment of money in the fund by
18 the Department of Revenue.

19 Sec. 44.83.410. USE OF FUND BALANCE. (a) The fund may be used
20 by the authority to provide money for

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

23 (2) the cost of a power project, including but not limited
24 to costs of acquiring necessary licenses, preparing engineering designs,
25 obtaining land, and constructing the power project.

26 (b) Money in the fund may be used under (a) of this section only
27 for a power project which

28 (1) meets the operation and revenue requirements of AS 44.-
29 83.460; and

1 (2) operates or will operate

2 (A) on renewable energy resources; or

3 (B) on coal, peat or wood, if the authority determines

4 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; or

10 (C) on fossil fuel if none of the other resources or
11 fuels listed in this subsection are economically feasible.

12 Sec. 44.83.420. INVESTMENT OF FUND. The Department of Revenue
13 shall invest the balance of the fund which exceeds the amount the
14 authority determines is necessary to meet requirements of AS 44.83.410
15 during the current fiscal year. An investment by the Department of
16 Revenue under this subsection shall be made in accordance with AS 37.-
17 10.070 and 37.10.075.

18 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall
19 maintain records of power project allocations from the fund for each
20 power project

21 (1) approved in accordance with AS 44.83.185; and

22 (2) for which an allocation is made from an appropriation
23 made by the legislature without specifying a project.

24 (b) Income earned from investment of money appropriated to the
25 fund under AS 44.83.400(b) shall be allotted by the authority to power
26 projects for which appropriations have been made by law. The allotment
27 shall be based on the amount of investment income earned during each
28 state fiscal year in or after which the legislature has appropriated
29 money to the fund. An allotment of income under this subsection shall

1 be made to each power project for which a specific appropriation has
2 been made in proportion to the amount appropriated for that project as
3 a percentage of the total amount appropriated by the legislature to the
4 fund.

5 Sec. 44.83.440. REALLOCATION OF FUND BALANCE. (a) If a power
6 project designated by the legislature by law is not constructed, the
7 amount appropriated to it may be reappropriated to other power projects
8 by the legislature.

9 (b) The legislature may allocate money under (a) of this section
10 only for a power project which is economically feasible under AS 44.83.-
11 181(b) if the project will serve the market area that is to be served
12 by the power project designated by the legislature and not constructed.

13 Sec. 44.83.450. LAPSE OF EXCESS FUNDS. If appropriations for a
14 power project exceed the amount required for construction of the power
15 project, the excess lapses into the general fund.

16 Sec. 44.83.460. OPERATION AND REVENUE REQUIREMENTS. The authority
17 may not use money in the fund for a power project unless the authority
18 determines that, after construction, operation of the power project
19 will provide revenue sufficient to cover

20 (1) operation, maintenance, and equipment replacement costs
21 of the power project;

22 (2) debt service costs associated with the power project;
23 and

24 (3) the costs of safety inspections and investigations of
25 the power project by the authority.

26 Sec. 44.83.470. OPERATION OF POWER PROJECT BY QUALIFIED UTILITY.
27 If, after construction, a power project that is constructed with pro-
28 ceeds from the fund will be operated by a qualified utility, the author-
29 ity shall enter into an agreement with the qualified utility

1 (1) to assure that operation of the power project by the
2 qualified utility will provide sufficient revenue to meet the require-
3 ments of AS 44.83.460; and

4 (2) to assure that the power project is operated in a safe
5 manner.

6 Sec. 44.83.480. DEFINITIONS. In AS 44.83.400 - 44.83.480,

7 (1) "fund" means the power project development fund;

8 (2) "qualified utility" means any of the following which the
9 authority determines is capable of operating and maintaining a power
10 project of the kind and magnitude which has been constructed or is to
11 be constructed to provide power for a market area:

12 (A) a corporation organized under the Alaska Nonprofit
13 Corporation Act (AS 10.20);

14 (B) an electric cooperative organized under the Electric
15 and Telephone Cooperative Act (AS 10.25);

16 (C) a utility owned and operated by a municipality; and

17 (D) a regional electrical authority (AS 18.57);

18 * Sec. 7. AS 44.83.410(b), added by sec. 6 of this Act, is amended by
19 adding a new paragraph to read:

20 (3) upon completion, charges rates for power which it sells
21 which provide a rate of return to the authority of seven percent a year
22 of the amount allocated to the power project by the authority from the
23 fund .

24 * Sec. 8. AS 44.83.460, added by sec. 6 of this Act, is amended by
25 adding a new paragraph to read:

26 (4) payment to the authority of a rate of return of seven
27 percent a year of the amount allocated to the power project by the
28 authority from the fund.

29 * Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

1 (5) invest and manage the balance of the power project
2 development fund in accordance with AS 44.83.420.

3 * Sec. 10. AS 44.83.030(b) is repealed.

4 * Sec. 11. Sections 1, 2, 3, and 10 of this Act take effect immediately
5 in accordance with AS 01.10.070(c).

6 * Sec. 12. Sections 4, 5, 6 and 9 of this Act take effect July 1, 1981.

7 * Sec. 13. Sections 7 and 8 of this Act take effect July 1, 1986, if on
8 that date the total amount appropriated by the legislature to the power
9 project development fund (AS 44.83.400) is less than \$5,000,000,000.

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