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1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

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 energy projects and programs of
7 the Alaska Power Authority; and providing for an
8 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. ENERGY PROGRAM FOR ALASKA.

12 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
13 Alaska is established. The program shall be administered by the Alaska
14 Power Authority.

15 (b) The energy program for Alaska is a program by which the
16 authority may acquire or construct power projects with money appro-
17 priated by the legislature to the power development fund established in
18 AS 44.83.410. A power project may be acquired or constructed as part
19 of the energy program for Alaska only if the project is submitted to
20 and approved by the legislature in accordance with procedures set out
21 in AS 44.83.177 - 44.83.187.

22 (c) The provisions of AS 36.10.010 - 36.10.125 apply to power
23 projects constructed by the authority under AS 44.83.400 - 44.83.510.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
25 development fund is established in the Alaska Power Authority to carry
26 out the purposes of the energy program for Alaska (AS 44.83.400 -
27 44.83.510).

28 (b) The fund includes all money appropriated to it by the legisla-
29 ture.

1 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
2 by the authority to provide money for

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

5 (2) the cost of a power project, including but not limited
6 to costs of acquiring necessary licenses, preparing engineering designs,
7 obtaining land, and constructing the power project;

8 (3) the defeasance of bonds, or the payment of debt service
9 on loans for or on an issue of bonds sold in connection with a power
10 project; and

11 (4) the power cost assistance fund (AS 44.83.162).

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

14 (1) meets the revenue requirements of AS 44.83.470; and

15 (2) provides the lowest power cost to utility customers in
16 the market area for the estimated life of the power project, whether
17 operated by itself or in conjunction with other power projects in the
18 market area, and which operates or will operate on one or more of the
19 following:

20 (A) renewable energy resources, including but not
21 limited to hydroelectric power, wind, biomass, geothermal, tidal
22 or solar energy, or a method which uses temperature differentials
23 or other physical properties of the ocean;

24 (B) coal or peat;

25 (C) energy derived from waste heat from thermal gener-
26 ating plants; or

27 (D) fossil fuel, including oil or natural gas.

28 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue
29 shall invest the money in the fund in accordance with AS 37.10.070 and

1 37.10.075. The Department of Revenue shall provide money in the fund
2 to the authority only after a cost for a project is incurred.

3 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
4 maintain records of power project allocations from the fund for each
5 power project

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

7 (2) for which an allocation is made from an appropriation
8 made by the legislature without specifying an appropriation to a pro-
9 ject.

10 (b) Income earned from investment of money appropriated to the
11 fund shall be deposited in the general fund and may be appropriated to
12 the fund by the legislature.

13 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
14 project designated by the legislature by law is not constructed, the
15 amount appropriated to it may be reappropriated to other power projects
16 by the legislature.

17 (b) The legislature may reappropriate money under (a) of this
18 section only for a power project which is economically feasible under
19 AS 44.83.181(b) and only if the project will serve the market area that
20 would have been served by the power project designated by the legisla-
21 ture and not constructed.

22 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of
23 construction of a power project appropriations for the power project
24 exceed the amount required for construction of it, the excess lapses
25 into the general fund.

26 Sec. 44.83.470. REVENUE REQUIREMENTS. (a) The authority may not
27 use money in the fund for a power project unless the authority makes a
28 feasibility study under AS 44.83.181, and determines that the power
29 project is economically and financially feasible and that, after con-

1 construction, operation of the power project will provide revenue suffi-
2 cient to return to the state five percent of the amount which the
3 authority has spent from the fund for the power project.

4 (b) For purposes of this section, a proposed power project is
5 economically and financially feasible if the cost-benefit ratio for the
6 power project exceeds the cost-benefit ratio of the existing system
7 which provides power in the area. If there is no system providing
8 power in the area, a proposed power project is economically and finan-
9 cially feasible if the cost-benefit ratio for the power project exceeds
10 the cost-benefit ratio for a power project which generates electric
11 power in the area by using diesel fuel. The authority shall determine
12 a cost-benefit ratio by considering all direct and indirect benefits
13 and costs attributable to the power project which can be given a value
14 in money, and the effect of government financial assistance for the
15 power project.

16 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project
17 which is acquired or constructed as part of the energy program for
18 Alaska is owned by the state and shall be administered by the authority.

19 (b) When a power project has been acquired or constructed by the
20 authority, the project may be operated for the authority under a con-
21 tract or lease entered into by a qualified utility and the authority.

22 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The
23 authority shall sell power produced from power projects acquired or
24 constructed under the energy program for Alaska. A utility which
25 purchases power produced by a power project of the authority shall
26 agree with the authority

27 (1) to give preference in the sale of power at retail to all
28 classes of consumers of power except industrial consumers;

29 (2) to charge industrial consumers of power a rate determined

1 by the authority in accordance with (e) of this section.

2 (b) The authority shall establish a wholesale power rate structure
3 applicable to sales of power to its customers at the busbar of the
4 power project as follows:

5 (1) If, by July 1, 1986, the legislature has not appro-
6 priated at least \$5,000,000,000 to the power development fund, the
7 authority shall, beginning on that date, establish and maintain a
8 wholesale power rate for each power project which rate will return to
9 the authority, on an annual basis, 10 percent of the amount appropriated
10 to the power development fund for each project.

11 (2) After the effective date of this Act and until June 30
12 of the fiscal year in which the production capacity of all power pro-
13 jects acquired or constructed by the authority under the energy program
14 for Alaska exceeds 500 megawatts, the authority shall establish and
15 maintain a wholesale power rate for each power project which rate will
16 return to the authority, on an annual basis, not less than five percent
17 of the amount which the authority has invested in the power project
18 from the fund for each project, including loans and grants made by the
19 state.

20 (3) Beginning July 1 of the first fiscal year following the
21 date on which the production capacity of all power projects acquired or
22 constructed by the authority under the energy program for Alaska
23 exceeds 500 megawatts, the authority shall establish and maintain a
24 single wholesale power rate applicable to all power projects which it
25 has acquired or constructed under the energy program for Alaska; the
26 wholesale power rate shall be computed by the authority annually, and
27 shall equal the rate which the authority estimates is necessary to
28 produce revenue which is sufficient to pay

29 (A) operation, maintenance, and equipment replacement

1 costs of the power projects;

2 (B) debt service costs of the power projects;

3 (C) safety inspections and investigations of the power
4 projects by the authority; and

5 (D) annual costs of the power cost assistance program
6 (AS 44.83.162).

7 (c) The authority shall transmit the money which it receives from
8 sales of power at rates determined under (b) of this section to the
9 commissioner of revenue for deposit in the state general fund.

10 (d) From the amount collected under (b)(2) and (3) of this section
11 which the commissioner of revenue estimates will be deposited into the
12 general fund, the legislature may appropriate to the authority the
13 amount required under AS 44.83.470 for paying costs of operating and
14 maintaining power projects which it acquired or constructed as part of
15 the energy program for Alaska. The balance of the amount collected
16 under (b)(2) and (3) of this section and estimated by the commissioner
17 of revenue to be deposited into the general fund may be appropriated by
18 the legislature to the power cost assistance fund. The estimates of
19 amounts required for each of the appropriations shall be provided to
20 the governor in the budget submitted under AS 37.07.

21 (e) A rate for an industrial consumer under (a)(2) of this section

22 (1) may exceed the wholesale power rate determined under (b)
23 of this section;

24 (2) may not be less than the rate charged residential con-
25 sumers.

26 (f) The legislature may, by law, annul or change the wholesale
27 power rate for sales of power which the authority adopts under (b) of
28 this section.

29 Sec. 44.83.500. ENERGY CONSERVATION. The authority shall ensure

1 (1) that communities served by energy projects built from
2 amounts appropriated to the power development fund implement cost-
3 effective energy conservation measures for residences, commercial and
4 public buildings, and industries; and

5 (2) that communities shall fulfill their responsibilities
6 under (1) of this section by cooperating with state agencies concerned
7 with development and conservation of energy, including but not limited
8 to

9 (A) the Alaska Public Utilities Commission;

10 (B) the Alaska Energy Center;

11 (C) the division of energy and power development,
12 Department of Commerce and Economic Development; and

13 (D) the division of business loans, Department of
14 Commerce and Economic Development.

15 Sec. 44.83.510. DEFINITIONS. In AS 44.83.400 - 44.83.510,

16 (1) "busbar" means the substation which serves as the de-
17 livery point from the generation and transmission system of the author-
18 ity to the transmission and distribution system of the utility;

19 (2) "fund" means the power development fund;

20 (3) "industrial consumer" means a customer of a utility
21 which customer has a peak power demand in excess of 500 kilowatts and
22 uses the power principally for

23 (A) manufacturing;

24 (B) pipeline transportation;

25 (C) the recovery or processing of minerals;

26 (D) the processing of timber, agricultural, or seafood
27 products or their by-products; or

28 (E) the operation of facilities owned by the federal
29 government;

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

5 (A) a corporation organized under the Alaska Nonprofit
6 Corporation Act (AS 10.20);

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

9 (C) a utility, whether or not regulated under AS 42.05,
10 which generates, transmits, or distributes electrical service to
11 the public; and

12 (D) a regional electrical authority (AS 18.57).

13 * Sec. 2. AS 44.83.030 is amended to read:

14 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
15 ity shall consist of the following directors:

16 (1) three [FOUR] directors at large to be appointed by the
17 governor and confirmed by the legislature; only one director may be
18 appointed from each judicial district described in AS 22.10.010;

19 (2) four persons appointed by the governor from among the
20 heads of state agencies [THE COMMISSIONER OF COMMERCE AND ECONOMIC
21 DEVELOPMENT.

22 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
23 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
24 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND
25 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

26 * Sec. 3. AS 44.83.040 is amended to read:

27 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
28 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
29 and may elect other officers they determine desirable. The powers of

1 the authority are vested in the directors, and four [THREE] directors
2 of the authority constitute a quorum. Action may be taken and motions
3 and resolutions adopted by the authority at a meeting by the affirma-
4 tive vote of at least three directors. The directors of the authority
5 serve without compensation, but they shall receive the same travel pay
6 and per diem as provided by law for board members.

7 * Sec. 4. AS 44.83.045(a) is amended to read:

8 (a) The directors at large shall [MUST] be residents and quali-
9 fied voters of Alaska and shall comply with the requirements of AS 39.50
10 (conflict of interests). The directors at large shall serve over-
11 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
12 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

13 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
14 read:

15 (G) an appropriation for a power project acquired or
16 constructed under the energy program for Alaska (AS 44.83.400 -
17 44.83.510);

18 (H) appropriations for the power cost assistance fund
19 (AS 44.83.162), and for operation and maintenance of power projects
20 developed under the energy program for Alaska (AS 44.83.400 -
21 44.83.510).

22 * Sec. 6. AS 44.83.090(a) is amended to read:

23 (a) The authority shall, in addition to the other methods which
24 it may find advantageous, provide a method by which municipal electric,
25 rural electric, cooperative electric, or private electric utilities and
26 regional electric authorities, or other persons authorized by law to
27 engage in the distribution of electricity may secure a reasonable share
28 of the power generated by a project, or any interest in a project, or
29 for any right to the power and shall sell the power or cause the power

1 to be sold at the lowest reasonable prices which cover the full cost of
2 the electricity or services, including capital and operating costs,
3 debt coverage as considered appropriate by the authority, and other
4 charges that may be authorized by this chapter. Except for a contract
5 or lease entered into under AS 44.83.400 - AS 44.83.510, a [A] contract
6 or lease for the sale, transmission and distribution of power generated
7 by a project or any right to the capacity of it shall provide:

8 (1) for payment of all operating and maintenance expenses of
9 a project and costs of renewals, replacements and improvements of it;

10 (2) for interest on and amortization charges sufficient to
11 retire bonds of the authority issued for the project and reserves for
12 them, plus a debt service coverage factor as may be determined by the
13 authority to be necessary for the marketability of its bonds;

14 (3) for monitoring of the project by the authority or its
15 agents;

16 (4) for full and complete disclosure to the authority of all
17 factors of cost in the transmission and distribution of power, so that
18 rates to any persons may be fixed initially in the contract or lease
19 and may be adjusted from time to time on the basis of true cost data;

20 (5) for periodic revisions of the service and rates to
21 persons on the basis of accurate cost data obtained by the accounting
22 methods and systems approved by the directors and in furtherance and
23 effectuation of the policy declared in this chapter;

24 (6) for the cancellation and termination of a contract or
25 lease upon violation of its terms by any person;

26 (7) for security for performance as the authority may con-
27 sider practicable and advisable, including provisions assuring the
28 continuance of the distribution and transmission of power generated by
29 a project and the use of its facilities for these purposes; and

1 (8) other terms not inconsistent with the provisions and
2 policy of this chapter as the authority may consider advisable.

3 * Sec. 7. AS 44.83 is amended by adding a new section to read:

4 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
5 FOR ALASKA. The authority shall borrow money and shall issue its bonds
6 on which the principal and interest are payable exclusively from money
7 derived from the power project financed with the proceeds of the bonds
8 for a power project financed under AS 44.83.400 - 44.83.510 from the
9 power development fund if

10 (1) appropriations to the power development fund for the
11 power project, and interest earned on those appropriations, are insuf-
12 ficient to cover the cost of acquiring or constructing the power pro-
13 ject; and

14 (2) the amount of interest which the authority will pay on
15 its bonds is not more than alternative costs of securing money to pay
16 for the acquisition or construction of the power project.

17 * Sec. 8. AS 44.83.162 is repealed and reenacted to read:

18 Sec. 44.83.162. POWER COST ASSISTANCE. (a) The power cost
19 assistance fund is established as a separate fund to provide financial
20 assistance to eligible electric utilities in the state. The fund shall
21 be administered by the authority as a fund distinct from other funds of
22 the authority. The fund is composed of money appropriated for the
23 purpose of providing power cost assistance to an eligible electric
24 utility.

25 (b) The costs used to calculate the amount of power cost assis-
26 tance under this section include the costs allowed by the commission to
27 determine the revenue requirement for setting the rates charged to
28 customers of the utility. However, costs which represent a return on
29 equity may not be used to determine the amount of power cost assistance

1 under this section.

2 (c) An eligible electric utility is entitled to receive power
3 cost assistance

4 (1) for sales of power to local community facilities calcu-
5 lated at not more than 55 kilowatt-hours per month for each resident of
6 the community; and

7 (2) for not more than 600 kilowatt-hours per month sold to
8 each customer in all classes served by the utility except the classes
9 which provide services to customers of the utility under (1) of this
10 subsection.

11 (d) The amount of power cost assistance provided per month under
12 (c) of this section is the lesser of 95 percent of the average rate per
13 kilowatt-hour sold or the average rate per kilowatt-hour, as determined
14 by the commission. However,

15 (1) during the fiscal year ending June 30, 1982, the power
16 costs for which power cost assistance may be paid to an electric utility
17 are limited to a minimum power cost of 12 cents per kilowatt-hour and a
18 maximum power cost of 45 cents per kilowatt-hour;

19 (2) during each following fiscal year, the power costs for
20 which power cost assistance may be paid to an electric utility are
21 limited to the minimum power cost specified in (1) of this subsection
22 plus two cents per kilowatt-hour for the fiscal year ending June 30,
23 1983, plus two cents per kilowatt-hour for each fiscal year thereafter,
24 and a maximum power cost of 45 cents per kilowatt-hour.

25 (e) An eligible electric utility may include as part of its
26 revenue requirement for the purpose of setting rates charged to custo-
27 mers those costs for which assistance is provided under this section.
28 However, the utility's approved tariff shall set out the rates without
29 the cost assistance provided in this section and shall set out the

1 amount of power cost assistance per kilowatt-hour sold. The cost
2 assistance under this section shall be used to reduce the cost of all
3 power sold to a local community facility to the extent of 55 kilowatt-
4 hours per month per resident of the community, and to reduce the cost
5 of the first 600 kilowatt-hours per month for all other classes served
6 by the utility.

7 (f) The power cost assistance program shall be administered by
8 the authority based on a determination by the commission of adjusted
9 power cost of each electric utility eligible for power cost assistance.
10 An electric utility is eligible for power cost assistance if the power
11 costs of the utility exceed the adjusted power costs, as determined by
12 the commission under (b) - (d) of this section.

13 (g) The adjusted power cost shall be calculated in the manner
14 prescribed by (c) and (d) of this section and shall be based on the
15 power cost filed with the commission by each eligible electric utility,
16 as verified by the commission. An eligible utility may not be denied
17 power cost assistance because complete cost information is not avail-
18 able. The commission shall assist eligible utilities which are exempt
19 from AS 42.05 to provide the cost information necessary to comply with
20 the requirements of this section. The power cost shall be derived from
21 financial data supporting the most recently approved permanent or
22 interim rate schedule with adjustments incorporating the current cost
23 of fuel. The determination of the cost of fuel by the commission shall
24 be in accordance with the procedure for approving fuel cost rate
25 adjustments in effect at the time of the determination. The commission
26 shall review filings and approve an adjusted power cost per kilowatt-
27 hour and revised rates based on the approved adjusted power cost per
28 kilowatt-hour, as determined under (c) and (d) of this section. The
29 commission may change the adjusted power costs if

1 (1) an increase or decrease in a utility's cost of fuel has
2 resulted in the approval of a fuel cost rate adjustment by the commis-
3 sion;

4 (2) a permanent or interim rate increase or decrease has
5 been approved by the commission, thereby establishing a higher or lower
6 power cost;

7 (3) the authority has discovered discrepancies in its review
8 of data submitted, monthly, by the utilities; or

9 (4) the authority determines that appropriations are insuf-
10 ficient to fund full payments to eligible utilities.

11 (h) Each electric utility with a rate schedule and adjusted power
12 cost approved by the commission shall report monthly to the authority
13 within the time and in the form the authority requires. An electric
14 utility shall report

15 (1) the adjusted power costs per kilowatt-hour approved by
16 the commission including a detailed breakdown of those costs as speci-
17 fied by the commission;

18 (2) the total kilowatt-hours sold to each class of consumer
19 during the preceding month;

20 (3) the total kilowatt-hours during the preceding month
21 eligible for power cost assistance under this section sold to each
22 class of consumer;

23 (4) the total kilowatt-hours generated during the preceding
24 month, if available;

25 (5) any amendments to the schedule of rates in effect during
26 the preceding month; and

27 (6) any increase or decrease in the current unit price of
28 fuel from the base price used by the commission in the determination of
29 power costs.

1 For the current billing period the utility has been paid under the
2 State of Alaska's power cost assistance program (AS 44.83.162) to
3 assist the utility and its customers in reducing the high cost of
4 generation of electric energy.

5 Your total electrical service cost \$.....
6 Less state assistance \$.....
7 Your charge \$.....; or

8 (2) give to its electric service customers a notice approved
9 by the authority which notice provides electric service customers the
10 same information provided by the notice in (1) of this subsection.

11 (k) In order to qualify for power cost assistance, each utility
12 must make every reasonable effort to reduce administrative, operating,
13 and overhead costs, including the utilization of the best available
14 technology consistent with sound utility management practices. Each
15 eligible utility shall cooperate with appropriate state agencies, in-
16 cluding but not limited to the Alaska Public Utilities Commission, the
17 Alaska Power Authority, the Alaska Energy Center, and the division of
18 energy and power development in the Department of Commerce and Economic
19 Development, to implement cost-effective energy conservation measures,
20 and to plan for and implement feasible alternatives to diesel genera-
21 tion.

22 (1) In this section, "power cost" means the items specified in a
23 system of utility accounts designated by the commission less any other
24 assistance received within 60 days before the commission determines the
25 adjusted power cost of the utility, which assistance reduces the custo-
26 mer's cost of power and which is provided to the electric utility or
27 the customers of that utility.

28 (m) For purposes of (c) of this section, the number of residents
29 of the community shall equal the number of residents of the community

1 determined by the Department of Community and Regional Affairs in
2 accordance with AS 29.88.015.

3 (n) In this section,

4 (1) "commission" means the Alaska Public Utilities Commis-
5 sion;

6 (2) "community facility" means a water and sewer facility,
7 public outdoor lighting, or community building whose operations are not
8 paid for by the state, the federal government, or private commercial
9 interests;

10 (3) "energy conservation measures" include weatherization
11 and other insulating methods, utilization of waste heat, appropriate
12 sizing of new generating equipment, and other programs of the state or
13 federal government intended and available for the purpose of energy
14 conservation;

15 (4) "feasible energy projects" include those which are
16 selected through the reconnaissance and feasibility process according
17 to the criteria in AS 44.83.177 - 44.83.181 to determine cost benefit
18 in comparison to existing power generating methods and other alterna-
19 tives considered in reconnaissance studies;

20 (5) "fund" means the power cost assistance fund.

21 * Sec. 9. AS 44.83.164(a) is amended to read:

22 (a) A utility which is exempt from regulation under AS 42.05.711
23 may receive power [PRODUCTION] cost assistance under AS 44.83.162
24 without becoming subject to the jurisdiction of the Alaska Public
25 Utilities Commission if the utility is otherwise eligible for assistance
26 and if the utility

27 (1) files with the commission [THE AUDITED] financial data
28 necessary to determine the adjusted power [PRODUCTION] cost as [IN THE
29 FORM] prescribed by the commission [IN A RECOGNIZED SYSTEM OF UTILITY

1 ACCOUNTS];

2 (2) makes a report approved by the commission which provides
3 information concerning the cost of generating electric power and the
4 method used by the utility to set rates [THE REPORTS REQUIRED IN
5 AS 44.83.162(g) REQUIRED OF AN ELECTRIC UTILITY WITH A RATE SCHEDULE
6 APPROVED BY THE COMMISSION] within the time and in the form the Alaska
7 Power Authority designates;

8 (3) sets rates

9 (A) which consider the assistance provided under AS 44.-
10 83.162 [CHARGED FOR RESIDENTIAL SERVICES, LOCAL COMMUNITY SERVICES,
11 AND FOR SERVICES TO CHARITABLE ORGANIZATIONS,] by subtracting from
12 [INCLUDING AS PART OF] its revenue requirements for these services
13 [ONLY] the [ADJUSTED] power [PRODUCTION] cost assistance per
14 kilowatt-hour which is eligible for assistance [SOLD]; and

15 (B) under which the cost assistance provided in AS 44.-
16 83.162 is applied as a credit only against the cost of kilowatt-
17 hours eligible for assistance under AS 44.83.162 which are con-
18 sumed by each customer in any month;

19 (4) allows audits which the commission determines are neces-
20 sary to insure compliance with this section; and

21 (5) furnishes its electric service customers eligible under
22 this program a notice as [THE "NOTICE TO CUSTOMER"] specified in
23 AS 44.83.162(j).

24 * Sec. 10. AS 44.83.177(a) is amended to read:

25 (a) To identify power project alternatives and energy needs and
26 consumption patterns for a community, the authority shall, after con-
27 sultation with other state agencies and after review of information on
28 alternative sources of power, complete a reconnaissance study for each
29 proposed new power project.

1 * Sec. 11. AS 44.83.177(b) is repealed and reenacted to read:

2 (b) A reconnaissance study shall

3 (1) survey all energy sources available to the community and
4 adjacent area and evaluate the relative economic merits of alternative
5 sources of energy, including energy conservation and capture and utili-
6 zation of waste energy as provided for in AS 44.83.177(b)(1); if the
7 study surveys

8 (A) potential hydroelectric sites, the study shall
9 include one-year data collection on water flow;

10 (B) wind energy, the study shall include a one-year
11 collection and evaluation of data on wind speed, direction, and
12 other information valuable to development of wind generation;

13 (2) include an assessment of the total energy needs of the
14 community, including but not limited to, electricity, space heating,
15 and transportation fuels based on the nature and amount of energy use
16 and the purpose of its use;

17 (3) include an assessment of the effect of the development
18 of alternative sources of energy on the environment so as to assure
19 that there is no adverse effect to the environment which would make the
20 project inadvisable;

21 (4) include public comment from residents of the community
22 and adjacent areas.

23 * Sec. 12. AS 44.83.177 is amended by adding a new subsection to read:

24 (d) In completing a reconnaissance study, the authority shall
25 consult with the division of energy and power development in the
26 Department of Commerce and Economic Development and with the Alaska
27 Energy Center to determine the information which each may require for
28 energy planning and the development of technology.

29 * Sec. 13. AS 44.83.224 is amended by adding a new subsection to read:

1 (b) Each reconnaissance study completed in accordance with
2 AS 44.83.177 shall become part of the long-term energy plan provided
3 for under (a) of this section.

4 * Sec. 14. AS 44.25.020 is amended by adding a new paragraph to read:

5 (5) invest and manage the balance of the power project
6 development fund in accordance with AS 44.83.430.

7 * Sec. 15. Sections 51 and 54, ch. 83, SLA 1980 are repealed.

8 * Sec. 16. AS 44.83.162 and 44.83.164 are repealed.

9 * Sec. 17. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
10 of all members of the Board of Directors of the Alaska Power Authority
11 serving on the effective date of this section terminate on the effective
12 date of this section.

13 (b) The governor shall appoint three directors of the Alaska Power
14 Authority at large. When making his appointments under this subsection, the
15 governor shall appoint persons to serve in accordance with AS 44.83.030(1)
16 and shall specify the length of the term of office of each member he ap-
17 points. Of the members at large first appointed by the governor under this
18 subsection,

19 (1) one member shall serve a two-year term;

20 (2) one member shall serve a three-year term;

21 (3) one member shall serve a four-year term.

22 * Sec. 18. Sections 1 - 7, 10 - 14, and 17 of this Act take effect
23 immediately in accordance with AS 01.10.070(c).

24 * Sec. 19. Sections 8, 9, and 15 of this Act take effect July 1, 1981.

25 * Sec. 20. Section 16 of this Act takes effect July 1, 1992.