

Introduced: 1/13/81
Referred: Resources and Finance

1 IN THE SENATE

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2 SENATE BILL NO. 27

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 investment fund
7 in 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. POWER PROJECT INVESTMENT FUND.

12 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project investment
13 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 earned under AS 44.83.440(2) and repaid to the

18 fund; and

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

20 (c) of this section.

21 (c) The authority shall invest money appropriated by the legisla-
22 ture to the fund in accordance with AS 37.10.070.

23 Sec. 44.83.410. USE OF FUND BALANCE. The unappropriated and
24 unencumbered balance of the fund may be used by the authority for

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

27 (2) the cost of a power project, including but not limited
28 to costs of acquiring necessary licenses, preparing engineering designs,
29 and construction of the power project under AS 44.83.189; and

1 (3) power production cost assistance under AS 44.83.162 -
2 44.83.164.

3 Sec. 44.83.420. ADMINISTRATION OF FUND. (a) The authority may
4 use the fund authorized by AS 44.83.410 for expenses of

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

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

10 (A) operates or will operate on renewable energy re-
11 sources; or

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

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

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

18 (b) Before expending a portion of the fund balance on a power
19 project under (a)(2) of this section, the authority shall determine
20 whether the power project is economically feasible. A power project is
21 "economically feasible" if the authority determines that the total cost
22 of the power project is cheaper for the estimated life of the project
23 than other alternatives. In making a determination of economic feasi-
24 bility under this section, the authority shall evaluate the estimated
25 life of the power project and its alternatives, applying the following
26 standard factors:

27 (1) a general inflation factor for construction and operat-
28 ing costs of seven percent annually;

29 (2) an interest rate of 10 percent for money borrowed for

1 the power project; and

2 (3) an escalation factor for measuring the comparative cost
3 of oil, gas or coal; the escalation factor is a rate of 11 percent
4 annually, and the rate shall be applied to the current fuel cost at the
5 date of determination of economic feasibility.

6 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall
7 maintain records of its expenditures from the fund

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

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

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

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

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

26 Sec. 44.83.440. INVESTMENT TERMS AND CONDITIONS. Money from the
27 fund may not be invested in a power project under AS 44.83.400 -
28 44.83.460 unless the rates for power sold from the power
29 project will be sufficient to

1 (1) pay all expenses of maintenance and operation of the
2 power project; and

3 (2) provide a rate of return to the fund of not less than

4 (A) one-half of one percent of the amount invested in
5 the power project from the fund during the first year of operation
6 of the power project;

7 (B) an incremental one-half of one percent of the
8 amount invested in the power project from the fund during each of
9 the years between the second and nineteenth years of operation of
10 the power project;

11 (C) ten percent on the amount invested in the power
12 project from the fund during each of the years of operation of the
13 power project after the nineteenth year of operation of the power
14 project.

15 Sec. 44.83.450. REALLOCATION OF FUND BALANCE. (a) Amounts
16 earned by a power project shall be repaid to the fund and may be re-
17 allocated to other power projects by the authority.

18 (b) If a power project designated by the legislature by law is
19 not constructed, the amount appropriated to it may be reallocated to
20 other power projects by the authority. The authority may allocate the
21 money only for a power project which is economically feasible under
22 AS 44.83.420(b) for the market area that is to be served by the power
23 project designated by the legislature and not constructed.

24 (c) If appropriations for a power project designated by the
25 legislature by law exceed the amount required for construction of the
26 power project, the excess may be reallocated to other power projects by
27 the authority.

28 Sec. 44.83.460. DEFINITION. In AS 44.83.400 - 44.83.460, "fund"
29 means the power project investment fund.

1 * Sec. 2. Notwithstanding AS 44.83.440(2), added by sec. 1 of this Act,
2 until the total amount appropriated by the legislature to the power project
3 revolving loan fund equals or exceeds \$4,500,000,000, the Alaska Power
4 Authority may invest in a power project only if, after completion of the
5 power project, the power project establishes and charges rates for power
6 which it sells which will

7 (1) pay all expenses of maintenance and operation of the power
8 project; and

9 (2) provide a rate of return to the power project investment fund
10 of not less than 10 percent of the amount invested in the power project.

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