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Referred: Resources and
Finance

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BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 589 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority; and
7 providing for an effective date."

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

9 * Section 1. AS 44.83.398(a) is amended to read:

10 (a) The authority shall sell power produced from power projects
11 acquired or constructed under the energy program for Alaska. For
12 purposes of this section, Lake Tyee, Swan Lake, Solomon Gulch, and
13 Terror Lake hydroelectric facilities are considered to be one power
14 project. This power project is referred to as the initial project [A
15 UTILITY THAT PURCHASES POWER PRODUCED BY A POWER PROJECT OF THE AU-
16 THORITY SHALL AGREE WITH THE AUTHORITY

17 (1) TO GIVE PREFERENCE IN THE SALE OF POWER AT RETAIL TO
18 ALL CLASSES OF CONSUMERS OF POWER EXCEPT INDUSTRIAL CONSUMERS;

19 (2) TO CHARGE INDUSTRIAL CONSUMERS OF POWER A RATE DE-
20 TERMINED BY THE AUTHORITY IN ACCORDANCE WITH (d) OF THIS SECTION].

21 * Sec. 2. AS 44.83.398(b) is amended to read:

22 (b) The authority shall establish a wholesale power rate struc-
23 ture applicable to sales of power to the [ITS] customers [AT THE
24 BUSBAR] of a power project as follows:

25 (1) The authority shall establish and maintain a separate
26 wholesale power rate applicable to each power project that it has
27 acquired or constructed under the energy program for Alaska, other
28 than a project described in (f) of this section. The wholesale power
29 rate established by the authority for the initial project shall be a

1 rate calculated under this paragraph except that the portion of the
2 rate applicable to (A) and (C) of this paragraph shall be adjusted for
3 the hydroelectric facilities in the initial project as set out in (2)
4 of this subsection. The wholesale power rate shall be computed by the
5 authority annually, or more frequently as may be necessary, and shall
6 equal the rate that the authority estimates is necessary to produce
7 revenue that is sufficient to pay

8 (A) operation, maintenance, and equipment replacement
9 costs of the power project;

10 (B) the power project's proportionate share of the
11 debt service on state loans and bonds for all power projects in
12 the energy program for Alaska, determined in accordance with (g)
13 of this section;

14 (C) safety inspections and investigations of the power
15 project by the authority.

16 (2) If, by July 1, 1991, the legislature has not appropri-
17 ated at least \$5,000,000,000 to the fund, in addition to appropria-
18 tions to the fund of interest earned on money in the fund, the author-
19 ity shall, beginning on that date, establish and maintain a separate
20 wholesale power rate applicable to each power project that is acquired
21 or constructed under the energy program for Alaska. The wholesale
22 power rate shall be computed by the authority annually, or more fre-
23 quently as may be necessary, and shall be the greater of

24 (A) 10 percent of the amount the authority has in-
25 vested in the power project, including loans and grants made by
26 the state; or

27 (B) the rate that the authority estimates is necessary
28 to produce revenue sufficient to pay

29 (i) operation, maintenance, and equipment

1 replacement costs of the power project;

2 (ii) the power project's proportionate share of
3 debt service on state loans and bonds for all power projects
4 in the energy program for Alaska, determined in accordance
5 with (g) of this section; and

6 (iii) safety inspections and investigations of the
7 power project by the authority.

8 * Sec. 3. AS 44.83.398(b) is repealed and reenacted to read:

9 (b) The authority shall establish a wholesale power rate struc-
10 ture applicable to sales of power to the customers of a power project
11 as follows:

12 (1) The authority shall establish and maintain a separate
13 wholesale power rate applicable to each power project that it has
14 acquired or constructed under the energy program for Alaska, other
15 than a project described in (f) of this section. The wholesale power
16 rate established by the authority for the initial project shall be a
17 rate calculated under this paragraph except that the portion of the
18 rate applicable to (A) and (C) of this paragraph shall be adjusted for
19 the hydroelectric facilities in the initial project as set out in (2)
20 of this subsection. The wholesale power rate shall be computed by the
21 authority annually, or more frequently as may be necessary, and shall
22 equal the rate that the authority estimates is necessary to produce
23 revenue that is sufficient to pay

24 (A) operation, maintenance, and equipment replacement
25 costs of the power project;

26 (B) the power project's proportionate share of the
27 debt service on state loans and bonds for all power projects in
28 the energy program for Alaska, determined in accordance with (g)
29 of this section;

1 (C) safety inspections and investigations of the power
2 project by the authority.

3 (2) For the purposes of determining amounts to be allocated
4 to each hydroelectric facility in the initial project under (1)(A) and
5 (1)(C) of this subsection, the authority shall determine for each
6 hydroelectric facility its individual operation, maintenance, equip-
7 ment replacement, safety inspection, and investigation costs.

8 * Sec. 4. AS 44.83.398(e) is amended to read:

9 (e) After determining the wholesale power rate for a power
10 project under the provisions of this section, the authority may adjust
11 the rate or change the rate provisions to insure that the revenue
12 derived from that power project and the aggregate revenues of the
13 authority will be adequate to comply with the rate covenants and other
14 agreements contained in any trust indenture or trust agreement entered
15 into by the authority for the security of the holders of bonds issued
16 to finance power projects in the energy program [ENERGY PROGRAM] for
17 Alaska. The authority may agree with a purchaser of power to limit
18 rate increases caused by debt service payable by the authority on
19 subsequent projects.

20 * Sec. 5. AS 44.83.398(g) is amended to read:

21 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this
22 section, a power project's proportionate share of debt service on
23 state loans and bonds for all power projects in the energy program for
24 Alaska is equal to the state's investment in the power project divided
25 by the state's investment in all power projects in the energy program
26 for Alaska and multiplied by the debt service on state loans and bonds
27 for all power projects in the energy program for Alaska. In this
28 subsection

29 (1) "state's investment in the power project" includes all

1 state money invested in a power project, including loans, grants, and
2 proceeds from bonds, less the principal repayments on the project's
3 proportionate share of debt service on state loans and bonds;

4 (2) "state's investment in all power projects in the energy
5 program for Alaska" includes all state money invested in the power
6 projects, other than interties, in the energy program for Alaska,
7 including loans, grants, and proceeds from bonds, less the principal
8 repayments on bonds and state loans issued for the power projects.

9 * Sec. 6. AS 44.83.398(d) is repealed.

10 * Sec. 7. Sections 1, 2, 4 and 6 of this Act take effect immediately
11 in accordance with AS 01.10.070(c).

12 * Sec. 8. Sections 3 and 5 of this Act take effect upon approval by the
13 qualified voters of the state of an amendment to the constitution of the
14 State of Alaska that establishes a major projects fund and requires that
15 the major projects fund be used to finance construction of the Watana Dam
16 in the Susitna River hydroelectric project before any other capital project
17 is financed from the major projects fund.