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Referred: Rules

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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 589 (Finance)

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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;

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authorizing the construction of the Watana and Brad-

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ley Lake hydroelectric projects; and providing for an

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effective date."

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

11 * Section 1. AS 44.33 is amended by adding new sections to read:

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Sec. 44.33.600. CREATION OF FUND. (a) There is established in

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the Department of Commerce and Economic Development the power develop-

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ment revolving loan fund to carry out the purpose of AS 44.83.600 -

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44.33.630. The fund may be used for no other purpose.

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(b) The fund consists of

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(1) appropriations to the fund by the legislature;

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(2) repayments of principal to the fund; and

19

(3) income from investment of money in the fund and from

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loans made from the fund.

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Sec. 44.33.610. POWERS AND DUTIES OF DEPARTMENT IN ADMINISTERING

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THE FUND. (a) The department may make a loan from the power develop-

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ment revolving loan fund to the Alaska Power Authority for the purpose

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of financing a power project acquired or constructed by the authority

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under the energy program for Alaska (AS 44.83.380 - 44.83.425).

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Repayment of a loan from the fund must be made with the proceeds from

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the sale of power from projects in the energy program for Alaska.

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Except as provided in AS 44.83.398(i), the payments required to be

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made by the authority on a loan from the fund constitute debt service

1 for the purpose of calculating the wholesale power rate in AS 44.83.-
2 398(b)(1).

3 (b) After completion of a final plan of finance and approval of
4 a project under AS 44.83.185(c), a loan may be made from the fund for

5 (1) the cost or a portion of the cost of final design,
6 acquisition, and construction of a power project;

7 (2) defeasance or payment of bonds or notes of the author-
8 ity issued for a power project;

9 (3) the establishment of a reserve fund for renewals and
10 replacements for the operation of a completed power project; and

11 (4) any other project related expenses including those
12 described in AS 44.83.398(i).

13 Sec. 44.33.620. LOAN TERMS. (a) A loan from the fund must be
14 repaid in accordance with the terms that the department determines to
15 be appropriate. In establishing the terms, including provision for a
16 return to the state of an amount in excess of the principal amount of
17 the loan, the department shall consider the revenue that the authority
18 could reasonably derive from the sale of power from the projects based
19 upon

20 (1) the market rate of interest for a loan of comparable
21 size and duration at the time the loan is made; and

22 (2) the estimated costs of alternative sources of energy
23 generation for utilities purchasing power from a project financed with
24 a loan from the fund.

25 (b) The department may agree with the authority to defer repay-
26 ment of a loan. However, the loan must be repaid in full during the
27 period of the loan agreement.

28 (c) A loan to the authority from the fund may not exceed 50
29 years.

1 Sec. 44.33.630. DEFINITIONS. In AS 44.33.600 - 44.33.630

2 (1) "authority" means the Alaska Power Authority;

3 (2) "department" means the Department of Commerce and
4 Economic Development;

5 (3) "fund" means the power development revolving loan fund;

6 (4) "power project" means a project acquired or constructed
7 under the energy program for Alaska, AS 44.83.380 - 44.83.425.

8 * Sec. 2. AS 44.83.092(4) is amended to read:

9 (4) that [AFTER COMPLETION OF A PROJECT] the municipality
10 or other entity is obligated to make payments, notwithstanding the
11 noncompletion of or a suspension or reduction in the amount of the
12 power supplied by its project or another [THE] project.

13 * Sec. 3. AS 44.83.398 is amended by adding a new subsection to read:

14 (i) The authority may place in a separate interest bearing
15 account money appropriated to the authority as a loan for the purpose
16 of meeting the operating expenses of a facility in the initial pro-
17 ject. The money may be used to replace amounts which were expected to
18 be paid by a utility potentially served by a facility in the initial
19 project, which has not entered into a power sales agreement with the
20 authority. Repayment of the amount loaned must be made from revenues
21 attributable to power sales from that facility, as limited by the
22 terms of power sales agreements with power purchasers from that facil-
23 ity. A loan made in accordance with this subsection is not a state
24 loan for purposes of calculating the wholesale power rate under (b)(1)
25 of this section.

26 * Sec. 4. AS 44.83.398(a) is amended to read:

27 (a) The authority shall sell power produced from power projects
28 acquired or constructed under the energy program for Alaska. For
29 purposes of this section, Lake Tye, Swan Lake, Solomon Gulch, and

1 Terror Lake hydroelectric facilities are considered to be one power
2 project. This power project is referred to as the initial project [A
3 UTILITY THAT PURCHASES POWER PRODUCED BY A POWER PROJECT OF THE AU-
4 THORITY SHALL AGREE WITH THE AUTHORITY

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

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

9 * Sec. 5. AS 44.83.398(b) is amended to read:

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

13 (1) The authority shall establish and maintain a separate
14 wholesale power rate applicable to each power project that it has
15 acquired or constructed under the energy program for Alaska, other
16 than a project described in (f) of this section. The wholesale power
17 rate established by the authority for the initial project shall be a
18 rate calculated under this paragraph except that the portion of the
19 rate applicable to (A) and (C) of this paragraph shall be adjusted for
20 the hydroelectric facilities in the initial project as set out in (3)
21 of this subsection. The wholesale power rate shall be computed by the
22 authority annually, or more frequently as may be necessary, and shall
23 equal the rate that the authority estimates is necessary to produce
24 revenue that is sufficient to pay

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

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

1 of this section;

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

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

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

15 (B) the rate that the authority estimates is necessary
16 to produce revenue sufficient to pay

17 (i) operation, maintenance, and equipment re-
18 placement costs of the power project;

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

23 (iii) safety inspections and investigations of the
24 power project by the authority.

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

1 * Sec. 6. AS 44.83.398(e) is amended to read:

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

13 * Sec. 7. AS 44.83.398(g) is amended to read:

14 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this
15 section, a power project's proportionate share of debt service on
16 state loans and bonds for all power projects in the energy program for
17 Alaska is equal to the state's investment in the power project divided
18 by the state's investment in all power projects in the energy program
19 for Alaska and multiplied by the debt service on state loans and bonds
20 for all power projects in the energy program for Alaska. In this
21 subsection

22 (1) "state's investment in the power project" includes all
23 state money invested in a power project, including loans, grants, and
24 proceeds from bonds, less the principal repayments on the project's
25 proportionate share of debt service on state loans and bonds;

26 (2) "state's investment in all power projects in the energy
27 program for Alaska" includes all state money invested in the power
28 projects, other than interties, in the energy program for Alaska,
29 including loans, grants, and proceeds from bonds, less the principal

1 repayments on bonds and state loans issued for the power projects.

2 * Sec. 8. AS 44.83.398(b)(2) is repealed.

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

4 * Sec. 10. The Bradley Lake hydroelectric project is authorized for
5 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost
6 of \$350,000,000.

7 * Sec. 11. The Watana Dam project in the Susitna River hydroelectric
8 project is authorized for construction under AS 44.83.185(c) at a con-
9 struction cost of \$1,500,000,000 and the preliminary report on the Susitna
10 River hydroelectric project is approved in accordance with AS 44.83.320(b),
11 as to the Watana Dam Project.

12 * Sec. 12. Sections 1 - 3 of this Act take effect July 1, 1984.

13 * Sec. 13. Sections 4 - 11 of this Act take effect immediately in
14 accordance with AS 01.10.070(c).