

**CS FOR SENATE BILL NO. 106(FIN)****IN THE LEGISLATURE OF THE STATE OF ALASKA****EIGHTEENTH LEGISLATURE - FIRST SESSION****BY THE SENATE FINANCE COMMITTEE****Offered: 4/16/93****Referred: RULES****Sponsor(s): SENATORS SHARP, Taylor, Miller****A BILL****FOR AN ACT ENTITLED**

1 "An Act establishing the energy authority revolving fund; repealing the rural  
 2 electrification revolving loan fund and the bulk fuel revolving loan fund; relating  
 3 to procurements for certain transmission lines; authorizing power transmission  
 4 interties between Anchorage and the Kenai Peninsula, between Healy and  
 5 Fairbanks, between the Swan Lake and Tyee Lake hydroelectric projects, and  
 6 between Sutton and Glennallen and approving the design and construction costs  
 7 of the interties; and providing for an effective date."

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

9 \* Section 1. FINDINGS AND INTENT. (a) The legislature finds that adequate, reliable,  
 10 electric service at affordable rates is a necessary ingredient of a modern society and a  
 11 prosperous developing economy. The legislature further finds that at the current stage of  
 12 social and economic development in the state, direct participation by the state is necessary to  
 13 assist in the development of a regional electric transmission infrastructure and to assist in

1 holding rates in high cost service areas to affordable levels.

2 (b) The legislature intends that the energy authority revolving fund, created by sec. 7  
3 of this Act, be managed so that

4 (1) the money granted for design and construction of the power transmission  
5 interties authorized by secs. 30, 31, 33, and 34 of this Act is disbursed as work progress  
6 payments;

7 (2) money is provided to allow the funding source for the power cost  
8 equalization program (AS 44.83.162 - 44.83.164) to be changed from the general fund to the  
9 energy authority revolving fund; funding for power cost equalization from the general fund  
10 and the energy authority revolving fund combined is intended to be \$17,000,000 annually  
11 through fiscal year 2013.

12 (c) The legislature further intends that this long-term commitment to the power cost  
13 equalization program will permit and encourage the electric utility industry and its lenders to  
14 develop the plans, make the investments, and take other actions that are necessary or prudent  
15 to prepare to meet the utility needs of residents in rural Alaska without this assistance from  
16 the state.

17 \* Sec. 2. AS 36.30.850(b) is amended by adding a new paragraph to read:

18 (30) contracts between the Alaska Energy Authority and one or more  
19 public utilities for the design and construction of an electric transmission line but only  
20 if the utility or utilities have agreed, in writing, to pay the

21 (A) design and construction costs of the lines, after the  
22 deduction of money appropriated for that purpose by the state, and to provide  
23 for the repayment of any loans or bonded indebtedness related to the project,  
24 regardless of final completion costs and unforeseen expenses; and

25 (B) operation and maintenance costs of the project.

26 \* Sec. 3. AS 37.05.146 is amended to read:

27 Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142  
28 - 37.05.146 and AS 37.07.080, "program receipts" means fees, charges, income earned  
29 on assets, and other state money received by a state agency in connection with the  
30 performance of its functions; all program receipts except the following are general fund  
31 program receipts:

- 1 (1) federal receipts;
- 2 (2) University of Alaska receipts (AS 14.40.491);
- 3 (3) individual, foundation, or corporation gifts, grants, or bequests that
- 4 by their terms are restricted to a specific purpose;
- 5 (4) receipts of the following funds:
  - 6 (A) highway working capital fund (AS 44.68.210);
  - 7 (B) correctional industries fund (AS 33.32.020);
  - 8 (C) loan funds;
  - 9 (D) international airport revenue fund (AS 37.15.430);
  - 10 (E) funds managed by the Alaska Housing Finance Corporation
  - 11 (AS 18.56.020), the Alaska Railroad Corporation (AS 42.40.010), the
  - 12 Municipal Bond Bank Authority (AS 44.85.020), the Alaska Aerospace
  - 13 Development Corporation (AS 14.40.821), or the Alaska Industrial
  - 14 Development and Export Authority (AS 44.88.020);
  - 15 (F) fish and game fund (AS 16.05.100);
  - 16 (G) school fund (AS 43.50.140);
  - 17 (H) training and building fund (AS 23.20.130);
  - 18 (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222,
  - 19 AS 39.35, and former AS 39.37);
  - 20 (J) permanent fund (art. IX, sec. 15, Alaska Constitution);
  - 21 (K) public school fund (AS 37.14.110);
  - 22 (L) second injury fund (AS 23.30.040);
  - 23 (M) fishermen's fund (AS 23.35.060);
  - 24 (N) FICA administration fund (AS 39.30.050);
  - 25 (O) receipts of the employee benefits program established under
  - 26 AS 39.30.150 - 39.30.180;
  - 27 (P) receipts of the deferred compensation program established
  - 28 under AS 39.45; [.]
  - 29 (Q) the energy authority revolving fund (AS 44.83.197); [.]
  - 30 (5) receipts of or from the trust established by AS 37.14.400 -
  - 31 37.14.450, except reimbursements described in AS 37.14.410.

1    • **Sec. 4. AS 44.25.020 is amended to read:**

2                   **Sec. 44.25.020. DUTIES OF DEPARTMENT.** The Department of Revenue  
3    **shall**

4                               (1) **enforce the tax laws of the state;**

5                               (2) **collect, account for, have custody of, invest, and manage all state**  
6    **funds and all revenues of the state except revenues incidental to a program of licensing**  
7    **and regulation carried on by another state department and funds managed and invested**  
8    **by the Alaska State Pension Investment Board;**

9                               (3) **register cattle brands;**

10                              (4) **supply necessary clerical and administrative services for the**  
11    **Alcoholic Beverage Control Board;**

12                              (5) **invest [AND MANAGE] the balance of the power development**  
13    **account in the energy authority revolving fund in accordance with AS 44.83.386;**

14                              (6) **in accordance with the policies established by the board of trustees**  
15    **of the Alaska State Pension Investment Board, collect, account for, have custody of,**  
16    **invest, and manage the state funds for which the board is responsible.**

17    • **Sec. 5. AS 44.83.080(16) is amended to read:**

18                              (16) **to recommend to the legislature**

19                                       (A) **the issuance of general obligation bonds of the state to**  
20    **finance the construction of a power project if the authority first determines that**  
21    **the project cannot be financed by revenue bonds of the authority at reasonable**  
22    **rates of interest;**

23                                       (B) **the pledge of the credit of the state to guarantee repayment**  
24    **of all or any portion of revenue bonds issued to assist in construction of power**  
25    **projects;**

26                                       (C) **an appropriation from the general fund**

27   (i) **for debt service on bonds or other project purposes;**

28   or

29   (ii) **to reduce the amount of debt financing for the**  
30    **project;**

31                                       (D) **an appropriation to the power project loan account**

1 [POWER PROJECT FUND] for a power project;  
2 (E) [REPEALED  
3 (F)] development of a project under financing arrangements  
4 with other entities using leveraged leases or other financing methods;  
5 (F) [(G)] an appropriation for a power project acquired or  
6 constructed under AS 44.83.380 - 44.83.425 (energy program for Alaska).

7 \* Sec. 6. AS 44.83.105 is amended to read:

8 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY  
9 PROGRAM FOR ALASKA. The authority may borrow money and issue its bonds  
10 for the acquisition or construction of power projects to be acquired or constructed  
11 under the energy program for Alaska. The principal of and interest on the bonds are  
12 payable from money derived from the sale of wholesale power from power projects  
13 financed under AS 44.83.380 - 44.83.425 from the power development account  
14 [FUND] or from a source referred to in AS 44.83.100 as the authority determines. The  
15 bonds may be issued if

16 (1) appropriations to the power development account [FUND] for the  
17 power project are insufficient to cover the cost of acquiring or constructing the power  
18 project; and

19 (2) the authority determines that the amount of interest the authority  
20 will pay on its bonds is not more than alternative costs of securing money from other  
21 sources, except for the general fund, to pay for the acquisition or construction of the  
22 power project.

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

24 Sec. 44.83.107. ENERGY AUTHORITY REVOLVING FUND. (a) The  
25 energy authority revolving fund is established in the authority. The revolving fund  
26 consists of

27 (1) appropriations made to it by the legislature;  
28 (2) money or other assets transferred to it by the authority;  
29 (3) unrestricted payments on loans made or purchased by the authority;  
30 (4) income and interest on amounts in the fund; and  
31 (5) all revenue of the authority not otherwise required to pay the

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expenses of authority projects.

(b) The board of directors of the authority may establish operations, renewal and replacement, capitalization, and self-insurance reserve accounts within the revolving fund.

(c) Unless otherwise expressly stated, the accounts created in this chapter, including the power project loan account under AS 44.83.170, the power development account under AS 44.83.382, and the power development revolving loan account under AS 44.83.500, are accounts of the energy authority revolving fund. The electrical service extension fund under AS 44.83.370 and the power cost equalization fund under AS 44.83.162 are not accounts of the energy authority revolving fund. The authority may create additional funds or accounts either within the revolving fund or outside the fund. Subject to agreements made with the holders of the authority's bonds or with other persons and subject to any restrictions placed upon legislative appropriations, the authority may transfer amounts in a fund or account in the revolving fund to another fund or account within the revolving fund.

(d) The foreclosure expense account is established as a special account in the energy authority revolving fund, as a reserve from fund equity. The authority may spend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under this chapter or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

(e) The authority may

- (1) pledge amounts in the revolving fund to secure bonds of the authority; or
- (2) enter into agreements with respect to the revolving fund that it considers necessary to secure its bonds.

(f) The authority may loan amounts from the revolving fund for any purpose authorized by this chapter. A loan from the fund in an amount greater than \$10,000,000 must be specifically authorized by the legislature. The authority may invest in projects or programs that are expressly authorized by the legislature under AS 44.83.185 and in projects or programs for which the legislature has made a specific appropriation to the fund.

1 (g) The legislature may appropriate amounts in the revolving fund to the  
2 authority for the cost of the power cost equalization program, for administering the  
3 fund, and for other programs and projects of the authority or to other public purposes.  
4 Money in the fund does not lapse.

5 \* Sec. 8. AS 44.83.170(a) is amended to read:

6 (a) ~~The~~ [THERE IS ESTABLISHED AS A SEPARATE FUND THE] power  
7 project loan account is established in the energy authority revolving fund. The  
8 account consists of

9 (1) appropriations to the account;

10 (2) unrestricted payments on loans made from or purchased by the  
11 account;

12 (3) income and interest on amounts in the account; and

13 (4) other money and other assets transferred to or deposited in the  
14 account as directed by resolution of the board of directors of the authority [FUND  
15 THAT SHALL BE DISTINCT FROM ANY OTHER MONEY OR FUNDS OF THE  
16 AUTHORITY, AND THAT INCLUDES ONLY MONEY APPROPRIATED BY THE  
17 LEGISLATURE].

18 \* Sec. 9. AS 44.83.170(b) is amended to read:

19 (b) The authority may make loans from the power project loan account  
20 [FUND]

21 (1) to electric utilities, regional electric authorities, municipalities,  
22 [CITIES, BOROUGHES,] regional and village corporations, village councils, and  
23 nonprofit marketing cooperatives to pay the costs of

24 (A) reconnaissance studies, feasibility studies, license and  
25 permit applications, preconstruction engineering, and design of power projects;

26 (B) constructing, equipping, modifying, improving, and  
27 expanding small-scale power production facilities, conservation facilities, bulk  
28 fuel storage facilities, and transmission and distribution facilities, including  
29 energy production, transmission and distribution, and waste energy conservation  
30 facilities that depend on fossil fuel, wind power, tidal, geothermal, biomass,  
31 hydroelectric, solar or other non-nuclear energy sources; [AND]

1 (C) reconnaissance studies, preconstruction engineering, design,  
2 construction, equipping, modification, and expansion of potable water supply  
3 including surface storage and groundwater sources and transmission of water  
4 from surface storage to existing distribution systems; and

5 (D) acquisition of bulk fuel and bulk fuel reserves;

6 (2) to a borrower for a power project if

7 (A) the loan is entered into under a leveraged lease financing  
8 arrangement;

9 (B) the party that will be responsible for the power project is  
10 an electric utility, regional electric authority, municipality, [CITY,  
11 BOROUGH,] regional or village corporation, village council, or nonprofit  
12 marketing cooperative; and

13 (C) the borrower seeking the loan demonstrates to the authority  
14 that the financing arrangement for the power project will reduce project  
15 financing costs below costs of comparable public power projects.

16 \* Sec. 10. AS 44.83.170(c) is amended to read:

17 (c) Before making a loan from the power project loan account [FUND], the  
18 authority shall, by regulation, specify

19 (1) standards for the eligibility of borrowers and the types of projects  
20 to be financed with loans;

21 (2) standards regarding the technical and economic viability and  
22 revenue self-sufficiency of eligible projects;

23 (3) collateral or other security required for loans;

24 (4) the terms and conditions of loans;

25 (5) criteria to establish financial feasibility and to measure the amount  
26 of state assistance necessary for particular projects to meet the financial feasibility  
27 criteria; and

28 (6) other relevant criteria, standards, or procedures.

29 \* Sec. 11. AS 44.83.170(e) is amended to read:

30 (c) Repayment of the loans shall be secured in any manner that the authority  
31 determines is feasible to assure prompt repayment under a loan agreement entered into

1 with the borrower. The authority may make an unsecured loan from the power project  
2 loan account [FUND] to a borrower regulated by the Alaska Public Utilities  
3 Commission under AS 42.05 if the borrower has a substantial history of repaying  
4 long-term loans and the capacity to repay the loan. Under a loan agreement,  
5 repayment may be deferred for 10 years or until the project for which the loan is made  
6 has achieved earnings from its operations sufficient to pay the loan, whichever is  
7 earlier.

8 \* Sec. 12. AS 44.83.170(f) is amended to read:

9 (f) Power projects are subject to the following limitations on interest and  
10 specific restrictions:

11 (1) power projects for which loans are outstanding from the former  
12 water resources revolving loan fund under former AS 45.86 on July 13, 1978, may  
13 receive additional financing from the power project loan account [FUND]; the  
14 additional financing, if granted, must be

15 (A) granted for a term not exceeding 50 years;

16 (B) granted at an interest rate of not less than three or more  
17 than five percent a year on the unpaid balance;

18 (C) conditioned on the repayment of loan principal and interest  
19 to begin on the earlier of

20 (i) the date of the start of commercial operation of the  
21 project; or

22 (ii) 10 years from the date the loan is granted;

23 (2) loans for power projects [SHALL BE GRANTED]

24 (A) may be granted for a term not to exceed 50 years; [AND]

25 (B) except as provided in (C) of this paragraph, shall have

26 [AT] an interest rate that is not less than five percent and that is the lesser of

27 (i) a rate equal to the percentage that is the average  
28 weekly yield of municipal bonds for the 12 months preceding the date

29 of the loan, as determined by the authority from municipal bond yield  
30 rates reported in the 30-year revenue index of the Weekly Bond Buyer;

31 or

1 (ii) a rate determined by the authority that allows the  
2 project to meet criteria of financial feasibility established under (c) of  
3 this section; and

4 (C) may have an interest rate that is as low as zero percent  
5 if the legislature specifically authorizes the no-interest loan or if the loan  
6 is for a transmission intertie project that connects two or more utility  
7 systems not previously connected or that provides a second circuit to  
8 improve the reliability and transfer capability of an existing system.

9 \* Sec. 13. AS 44.83.170(g) is amended to read:

10 (g) Loan repayments and interest earned by loans from the power project loan  
11 account [FUND] shall be deposited in the energy authority revolving [STATE  
12 GENERAL] fund.

13 \* Sec. 14. AS 44.83.170(h) is amended to read:

14 (h) The legislature may forgive the repayment of a loan made from the power  
15 project loan account [FUND] for a reconnaissance study or a feasibility study when  
16 the authority finds that the power project for which the loan was made is not feasible.

17 \* Sec. 15. AS 44.83.170(i) is amended to read:

18 (i) Money in the power project loan account [FUND] may be used by the  
19 legislature to make appropriations for costs of administering the fund.

20 \* Sec. 16. AS 44.83.181(c) is amended to read:

21 (c) The plan of finance must include recommendations of the most appropriate  
22 means to finance a project, including, but not limited to,

23 (1) the issuance of revenue bonds of the authority;

24 (2) the issuance of

25 (A) general obligation bonds of the state; or

26 (B) revenue bonds of the authority that are guaranteed or  
27 partially guaranteed by the state;

28 (3) an appropriation from the general fund

29 (A) to pay debt service on bonds or for other project purposes;

30 or

31 (B) to reduce the amount of debt financing for the project;

- 1 (4) a loan from the general fund;
- 2 (5) financing arrangements with other entities using leveraged leases
- 3 or other financing methods;
- 4 (6) assistance from any federal agency, including, but not limited to,
- 5 the Rural Electrification Administration;
- 6 (7) a loan from the power project loan account [FUND] under
- 7 AS 44.83.170(a); or
- 8 (8) any combination of financing arrangements listed in this subsection.

9 \* Sec. 17. AS 44.83.187(a) is amended to read:

10 (a) The provisions of AS 44.83.177 - 44.83.185 and 44.83.189 apply only to

11 a proposed new project that will generate more than 1.5 megawatts of power and

12 (1) requires an appropriation from the state general fund or [.] from the

13 power project loan account [FUND, OR FROM THE RENEWABLE RESOURCES

14 FUNDS]; or

15 (2) is based on a plan of finance that requires the issuance of general

16 obligation bonds or other pledge of the credit of the state.

17 \* Sec. 18. AS 44.83.380(b) is amended to read:

18 (b) The energy program for Alaska is a program by which the authority may

19 acquire or construct power projects with money appropriated by the legislature to the

20 power development account [FUND] established in AS 44.83.382. A power project

21 may be acquired or constructed as part of the energy program for Alaska only if the

22 project is submitted to and approved by the legislature in accordance with procedures

23 set out in AS 44.83.177 - 44.83.187.

24 \* Sec. 19. AS 44.83.382 is amended to read:

25 Sec. 44.83.382. POWER DEVELOPMENT ACCOUNT [FUND]

26 ESTABLISHED. (a) The [A] power development account [FUND] is established in

27 the Alaska Energy Authority to carry out the purposes of AS 44.83.380 - 44.83.425.

28 (b) The account [FUND] includes money appropriated to it by the legislature.

29 \* Sec. 20. AS 44.83.384 is amended to read:

30 Sec. 44.83.384. USE OF ACCOUNT [FUND] BALANCE. (a) The account

31 [FUND] may be used by the authority to provide money for

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

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

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

8 (4) the cost of operating and maintaining power projects; and

9 (5) debt service on power projects.

10 (b) Money in the account [FUND] may be used under (a) of this section only  
11 for a power project that

12 (1) is economically feasible; and

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

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

21 (B) coal or peat;

22 (C) energy derived from waste heat; or

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

24 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 - 44.83.398, the  
25 account [FUND] may be used by the authority to provide money for the cost of a  
26 power project that is or was either constructed or owned by the United States  
27 government if the requirements of this subsection are met. The provisions of  
28 AS 44.83.177 - 44.83.187 do not apply to a power project financed under this  
29 subsection. The authority may use money in the account [FUND] for the cost of a  
30 power project under this subsection if

31 (1) the legislature enacts a law approving the project;

1 (2) the office of management and budget in the Office of the Governor  
2 reviews a feasibility study and a plan of finance for the project and determines that the  
3 feasibility study complies with the requirements for a feasibility study submitted under  
4 AS 44.83.181(b) and that the plan of finance complies with the requirements for a plan  
5 of finance submitted under AS 44.83.181(c); and

6 (3) the project meets the other requirements of this chapter.

7 \* Sec. 21. AS 44.83.386 is amended to read:

8 Sec. 44.83.386. INVESTMENT OF ACCOUNT [FUND]. The Department  
9 of Revenue shall invest the money in the account [FUND] in accordance with  
10 AS 37.10.070, 37.10.071, and 37.10.075. The Department of Revenue shall provide  
11 money in the account [FUND] to the authority only after costs have been incurred or  
12 amounts in the account [FUND] have been otherwise obligated under contracts for the  
13 acquisition and construction of a project. Amounts that have been obligated, but for  
14 which costs have not yet been incurred, may be segregated by the Department of  
15 Revenue or transferred to the authority only with the prior approval or agreement of  
16 the commissioner of revenue. [INCOME RECEIVED ON MONEY THAT IS  
17 SEGREGATED OR TRANSFERRED UNDER THIS SECTION MUST BE  
18 DEPOSITED IN THE GENERAL FUND.]

19 \* Sec. 22. AS 44.83.388(a) is amended to read:

20 (a) The authority shall maintain records of power project allocations from the  
21 account [FUND] for each power project

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

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

25 \* Sec. 23. AS 44.83.425 is amended by adding a new paragraph to read:

26 (6) "account" means the power development account established by  
27 AS 44.83.382.

28 \* Sec. 24. AS 44.83.500 is amended to read:

29 Sec. 44.83.500. CREATION OF ACCOUNT [FUND]. (a) There is  
30 established in the Alaska Energy Authority the power development revolving loan  
31 account [FUND] to carry out the purpose of AS 44.83.500 - 44.83.530. The account

1 [FUND] may be used for no other purpose.  
2 (b) The account [FUND] consists of  
3 (1) appropriations to the account [FUND] by the legislature;  
4 (2) repayments of principal to the account [FUND]; and  
5 (3) income from investment of money in the account [FUND] and  
6 from loans made from the account [FUND].

7 \* Sec. 25. AS 44.83.510 is amended to read:

8 Sec. 44.83.510. POWERS AND DUTIES OF AUTHORITY IN  
9 ADMINISTERING THE ACCOUNT [FUND]. (a) The authority may borrow from  
10 the account [FUND] for the purpose of financing a power project acquired or  
11 constructed by the authority under the energy program for Alaska (AS 44.83.380 -  
12 44.83.425). Repayment of a loan from the account [FUND] must be made with the  
13 proceeds from the sale of power from projects in the energy program for Alaska.  
14 Except as provided in AS 44.83.398(i), the payments required to be made by the  
15 authority on a loan from the account [FUND] constitute debt service for the purpose  
16 of calculating the wholesale power rate in AS 44.83.398(b)(1).

17 (b) After completion of a final plan of finance and approval of a project under  
18 AS 44.83.185(c), a loan may be made from the account [FUND] for

- 19 (1) the cost or a portion of the cost of final design, acquisition, and  
20 construction of a power project;  
21 (2) defeasance or payment of bonds or notes of the authority issued for  
22 a power project;  
23 (3) the establishment of a reserve fund for renewals and replacements  
24 for the operation of a completed power project; and  
25 (4) any other project-related expenses, including those described in  
26 AS 44.83.398(i).

27 \* Sec. 26. AS 44.83.520(a) is amended to read:

28 (a) A loan from the account [FUND] shall be repaid in accordance with the  
29 terms that the authority's board of directors determines to be appropriate. In  
30 establishing the terms, including provision for a return to the state of an amount in  
31 excess of the principal amount of the loan, the board of directors shall consider the

1 revenue that the authority could reasonably derive from the sale of power from the  
2 projects based upon

3 (1) the costs, at the time the power sales agreement is initially  
4 negotiated or renegotiated, of alternative sources of energy generation for utilities  
5 purchasing power from a project financed with a loan from the account [FUND];

6 (2) the effect of the loan terms on the wholesale power costs to all  
7 utilities purchasing power from the initial project;

8 (3) the long-term benefits to consumers and communities of stable  
9 wholesale power costs;

10 (4) the affordability of initial wholesale power costs that result from  
11 the loan terms with utilities purchasing power from the initial project;

12 (5) increasing repayment, not to exceed five years, of debt service  
13 payment per kilowatt hour gradually over the initial period of a loan repayment  
14 schedule to the extent necessary to avoid significant rate increases to the consumer;

15 (6) the existing excess capacity of power projects; and

16 (7) the effects of increased capacity utilization, inflation, and alternative  
17 energy production costs over the life of the initial project.

18 \* Sec. 27. AS 44.83.520(c) is amended to read:

19 (c) A loan to the authority from the account [FUND] may not exceed 50  
20 years.

21 \* Sec. 28. AS 44.83.530 is amended by adding a new paragraph to read:

22 (3) "account" means the power development loan account.

23 \* Sec. 29. AS 44.83.361, 44.83.363, 44.83.388(b), 44.83.425(3), 44.83.600, 44.83.605,  
24 44.83.610, 44.83.615, 44.83.620, 44.83.625, 44.83.630, 44.83.392, and 44.83.650 are repealed.

25 \* Sec. 30. In accordance with AS 44.83.185(c) and contingent upon secs. 32 and 35 of this  
26 Act, the Alaska Energy Authority is authorized to provide for the design and construction of  
27 a 138 kilovolt power transmission intertie between Anchorage and the Kenai Peninsula at a  
28 cost of \$89,000,000 in 1992 dollars. However, the power transmission intertie authorized by  
29 this section may be designed and constructed at a voltage higher than 138 kilovolts but only  
30 if the state does not incur additional costs to do so.

31 \* Sec. 31. In accordance with AS 44.83.185(c) and contingent upon secs. 32 and 35 of this

1 Act, the Alaska Energy Authority is authorized to provide for the design and construction of  
2 a 138 kilovolt power transmission intertie between Healy and Fairbanks at a cost of  
3 \$89,000,000 in 1992 dollars. However, the power transmission intertie authorized by this  
4 section may be designed and constructed at a voltage higher than 138 kilovolts but only if the  
5 state does not incur additional costs to do so.

6 \* Sec. 32. (a) The authorizations made by secs. 30 and 31 of this Act are contingent upon  
7 written agreements between the Alaska Energy Authority and the electric utilities participating  
8 in the projects authorized by those sections providing that the participating utilities agree to  
9 pay

10 (1) design and construction costs for the power transmission interties  
11 authorized by secs. 30 and 31 of this Act that exceed \$90,000,000; these costs shall be divided  
12 among the utilities in proportion to the retail kilowatt hour sales of each utility during the  
13 previous calendar year; and

14 (2) the operation and maintenance costs of the power transmission interties  
15 authorized by secs. 30 and 31 of this Act.

16 (b) Notwithstanding AS 42.05, the Alaska Public Utilities Commission may not review  
17 the design and construction costs divided among the utilities under (a)(1) of this section.

18 \* Sec. 33. (a) In accordance with AS 44.83.185(c) and contingent upon (b) and (c) of this  
19 section and sec. 35 of this Act, the Alaska Energy Authority is authorized to provide for the  
20 design and construction of a 115 kilovolt power transmission intertie between the Swan Lake  
21 and the Tye Lake hydroelectric projects at a cost of \$56,000,000 in 1992 dollars. However,  
22 the power transmission intertie authorized by this section may be designed and constructed  
23 at a voltage higher than 115 kilovolts but only if the state does not incur additional costs to  
24 do so.

25 (b) The authorization made by (a) of this section is contingent upon the execution of  
26 a written agreement between the electric utilities participating in the project authorized by this  
27 section and the Alaska Energy Authority that provides that the participating utility or utilities  
28 agree to pay

29 (1) design and construction costs for the power transmission intertie authorized  
30 by (a) of this section that exceed \$35,000,000; and

31 (2) the operation and maintenance costs of the power transmission intertie

1 authorized by (a) of this section.

2 (c) The authorization made by (a) of this section is contingent upon the completion  
3 of the requirements set out in AS 44.83.181 and 44.83.185(a).

4 \* Sec. 34. (a) In accordance with AS 44.83.185(c) and contingent upon (b) and (c) of this  
5 section and sec. 35 of this Act, the Alaska Energy Authority is authorized to provide for the  
6 design and construction of a 138 kilovolt power transmission intertie between Sutton and  
7 Glennallen at a cost of \$50,000,000 in 1992 dollars. However, the power transmission intertie  
8 authorized by this section may be designed and constructed at a voltage higher than 138  
9 kilovolts but only if the state does not incur additional costs to do so.

10 (b) The authorization made by (a) of this section is contingent upon the execution of  
11 a written agreement between the electric utility or utilities participating in the project  
12 authorized by this section and the Alaska Energy Authority that provides that the participating  
13 utility or utilities agree to pay

14 (1) design and construction costs for the power transmission intertie authorized  
15 by (a) of this section that exceed \$27,500,000; and

16 (2) the operation and maintenance costs of the power transmission intertie  
17 authorized by (a) of this section.

18 (c) The authorization made by (a) of this section is contingent upon the completion  
19 of the requirements set out in AS 44.83.181 and 44.83.185(a) and approval of the feasibility  
20 study by the office of management and budget.

21 \* Sec. 35. In providing for the design and construction of the interties authorized by secs.  
22 30, 31, 33, and 34 of this Act, the Alaska Energy Authority shall make loans to the  
23 appropriate participating utilities or award grants to them to the extent permitted by the  
24 appropriation for the costs unless the participating utility declines in writing to apply for the  
25 loan or grant. If the participating utility declines in writing to apply for the loan or grant, the  
26 authority may proceed with the design or construction itself.

27 \* Sec. 36. Sections 1 - 29 of this Act take effect immediately under AS 01.10.070(c).