

SB

5/11

# COMMITTEE REPORT

## SENATE

FURTHER: FINANCE

2/15/78

Date: 5/1/78

Mr. President:

The Committee on RESOURCES has had SB 511  
creating division of energy & power development:

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

reports it back without recommendation

( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS:

W. J. ...  
\_\_\_\_\_  
\_\_\_\_\_  
...  
\_\_\_\_\_  
\_\_\_\_\_

R. P. ...  
Chairman

# ALASKA POWER AUTHORITY

333 WEST 4th - SUITE 31 - ANCHORAGE ALASKA 99501

March 30, 1978

The Honorable Kay Poland  
Alaska State Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Poland:

Attached per your request is our legal review of S.B. 511 which would eliminate the Alaska Power Authority and assimilate its functions into the Division of Energy and Power Development.

As I indicated at your committee meeting on March 22, 1978, I am somewhat reluctant to make my views known in that testimony from an agency which is being considered for abolishment might be considered biased. However, since your committee appears interested in my opinions, I am most happy to provide you with my thoughts.

First, as S.B. 511 is written, there is doubt about the ability of the Division of Energy and Power Development to actually fulfill the functions of the Power Authority. This is a technical matter, however, which can certainly be resolved by any scribe. In short, the Division of Energy and Power Development, here-in-after called the Division, could neither provide for long term project financing nor for front end community loans for feasibility studies. Without these abilities, the Division would be quite ineffectual in providing for energy development. Moral support would certainly not get the job done. Realizing, however, that these technical matters can be overcome, the real issue entails the selection of the optimum administrative means of providing for lower cost power development.

Under the present division of responsibility, the Division provides for conservation, research, alternative energy inventories, and regional planning. The Power Authority is responsible for project development by financing or a combination of financing, developing, owning and operating power projects. Division of these responsibilities provides a healthy checks and balances. Since the Power Authority is a facilitating agency, moreover, one with a singular purpose, it is best suited to "getting the job done". With its financial and legal advisors and its present efforts to develop a professional staff consisting of engineers and economists, it is gaining the nucleus needed for its statutory mandate. Absorption into the Division could only dilute the Authority's ability to function effectively.

The Power Authority has been established to operate as a Corpo-

ration (public) of the State of Alaska. Its status as such has made it quite palatable to the various utilities and communities that need assistance in power development. The power generation industry in Alaska is actually looking to the Authority as an entity that can provide coordination and development needed to preclude the energy problems which loom ahead. I would question the ability of an energy agency conglomerate, hamstrung by its bureaucratic shroud, to fulfill the same function. Since its corporate nature will require the Power Authority to remain fiscally solvent (or default in the face of the financial market) it will be forced into the role of prudent planning and development. Its state counterpart, with its access to the general fund, may not be similarly inclined.

There is also a philosophical question to be resolved. Should the State actually assume the posture of providing electricity for its citizens? Or should this best remain in the hands of the local entities and a State Corporation. State government is already growing at an alarming rate. If Susitna and other large power projects such as a Southeastern intertie or an AVEC intertie are developed, the agency that owns, operates and markets the energy from these projects will obviously require a sizable staff. Maintenance of such a staff under State government could only serve to further bloat our public sector and its attendant tax requirement and lobbying power.

Finally, one should compare the relative merits by which policy would be established under the two philosophies of power development administration. On the one hand, the Division policy would be established solely by the Director, with final concurrence from the Executive and Legislature. Under the Authority concept, policy matters are established by a Board of Directors which must be viewed as a non-partisan decision making entity from throughout the State. The perspective to be gained from such a diversification is invaluable. The present Board of the Power Authority consists of a Native Corporation Director, a banker, a business executive, a previous federal energy administrator, and a State Commissioner.

Given the opportunity to operate as envisioned in its enacting legislation, the Alaska Power Authority, in concert with the policies of the Division of Energy and Power Development and the Legislative and Executive branches, will provide a significant contribution to the social well being of the people of Alaska. While certainly well intended, S.B. 511 would not appear capable of providing the same level of service.

Sincerely,



Eric P. Yould  
Executive Director

EPY/mgf  
Attach:

MEMORANDUM

TO: Mr. Eric Yould  
Executive Director  
ALASKA POWER AUTHORITY

FROM: Wohlforth & Flint

DATE: March 6, 1978

RE: Senate Bill 511 "An Act Creating The  
Division of Energy and Power Development;  
and Providing For an Effective Date" and  
S.B. 429 both introduced by the Senate  
Special Committee on the Alaska Permanent Fund.

As you know, Senate Bill 429 introduced on January 19, 1978, wipes out or curtails the activities of the Alaska Housing Finance Corporation, the Alaska Municipal Bond Bank Authority and the Alaska Industrial Development Authority. The bill does not deal with the Alaska Power Authority although it provides in Section 250(8) for loans to investor owner utilities for hydroelectric projects and in Section 300 for loans to municipalities by authorizing bidding on their revenue bonds. S.B. 429 does not provide, however, for loans to the Division of Energy and Power Development- or to the Alaska Power Authority by name for that matter.

Apart from the policy question of repealing the statutory authority for the Alaska Power Authority which S.B. 511 does totally, the bill does not transfer to the Division of Energy and Power Development the powers to borrow money or to own or operate power projects. The nearest the subject bill comes to accomplishing this is in Section .035(a)(2) which authorizes contracts with others for the construction, acquisition, operation and maintenance of power projects. In addition, subsection (a) of .035 re-states the statutory purpose of the Alaska Power Authority (AS 44.56.070) as a power of the division. However, none of the typical borrowing powers are given to the division and the division would not be able to issue revenue bonds for power projects or otherwise borrow money on public markets to construct or acquire power projects. In this connection, existing AS 44.33.040 should

MEMORANDUM  
Mr. Eric Yould  
March 6, 1978  
Page Two

be examined. The duties of the division as specified in this section do not include the power to borrow money or to own projects or to buy or sell power.

In summary, S.B. 511 does not integrate the Division of Energy and Power Development into the Alaska Loan Programs Fund as is being attempted with other agencies dealt with in S.B. 429. At the same time the bill fails to permit borrowing independently by the Division for power purposes. It should also be noted that S.B. 511 in repealing the Alaska Power Authority Act repeals the Power Project Revolving Fund while, at the same time, S.B. 429 repeals the Water Resources Revolving Loan Fund.

STATE  
of ALASKA**MEMORANDUM**

## ALASKA POWER AUTHORITY

TO: [ H. Phillip Hubbard  
Commissioner  
Department of Commerce &  
Economic Development

DATE : 7 March, 1978

FROM: Eric P. Yould <sup>274</sup>  
Executive Director  
Alaska Power Authority

SUBJECT: S.B. 511

On the surface, Senate Bill 511 appears to be aimed at abolishing the Alaska Power Authority and assimilating its statutory function into the Division of Energy and Power Development under the Department of Commerce and Economic Development. The desirability of such an action can only be determined by the Administration and the Legislature, however, there are some points which should be considered in evaluating the institutional manner in which the State chooses to solve its energy problems.

First, as S.B. 511 is written, there is doubt about the ability of the Division of Energy and Power Development to actually fulfill the functions of the Power Authority. This is a technical matter, however, which can certainly be resolved by any scribe. The salient remissions and ambiguities of S.B. 511 and their effect are briefly pointed out in the attached letter from Wohlforth & Flint, bond counsel for the Power Authority. In short, the Division of Energy and Power Development, hereinafter called the Division, could neither provide for long term project financing nor for front end community loans for feasibility studies. Without these abilities, the Division would be quite ineffectual in providing for energy development. Moral support would certainly not get the job done. Realizing, however, that these technical matters can be overcome the real issue entails the selection of the optimum administrative means of providing for lower cost power development.

Under the present division of responsibility, the Division provides for conservation, research, alternative energy inventories, and regional planning. The Power Authority is responsible for project development by financing or a combination of financing, developing, owning and operating power projects. Division of these responsibilities provides a healthy checks and balances. Since the Power Authority is a facilitating agency, moreover, one with a singular purpose, it is best suited to "getting the job done". With its financial and legal advisors and its present efforts to develop a professional staff consisting of engineers and economists, it is gaining the nucleus needed for its statutory mandate. Absorption into the Division could only dilute the Authority's ability to function efficiently.

(MEMORANDUM)

ALASKA POWER AUTHORITY

TO: H. Phillip Hubbard  
Commissioner  
Department of Commerce &  
Economic Development

DATE: 7 March, 1978

FROM: Eric P. Yould  
Executive Director  
Alaska Power Authority

SUBJECT: S.B. 511 (continued)

The Power Authority has been established to operate as a public Corporation of the State of Alaska. Its status as such has made it quite palatable to the various utilities and communities that need assistance in power development. The power generation industry in Alaska is actually looking to the Authority as an entity that can provide coordination and development needed to preclude the energy problems which loom ahead. I would question the ability of an energy agency conglomerate, hamstrung by its bureaucratic shroud, to fulfill the same function. Since its corporate nature will require the Power Authority to remain fiscally solvent (or default in the face of the financial market) it will be forced into the role of prudent planning and development. Its State agency counterpart, with its access to the general fund, may not be similarly inclined.

There is also a philosophical question to be resolved. Should the State actually assume the posture of providing electricity for its citizens? Or should this best remain in the hands of the local entities and a State corporation? State government is already growing at an alarming rate. If Susitna and other large power projects such as a Southeastern Intertie or an A.V.E.C. Intertie are developed, the agency that owns, operates and markets the energy from these projects will obviously require a sizable staff. Maintenance of such a staff under State government could only serve to further bloat our public sector and its attendant tax requirement and lobbying power.

Finally, one should compare the relative merits by which policy would be established under the two philosophies of power development administration. On the one hand, the Division policy would be established solely by the Director, with final concurrence from the Executive and Legislature. Under the Authority concept, policy matters are established by a board of directors which must be viewed as a non-partisan decision making entity from throughout the State. The perspective to be gained from such a diversification is invaluable. The present Board of the Power Authority consists of a Native Corporation Director, a banker, a business executive, a previous federal energy administrator, and a State Commissioner.

Given the opportunity to operate as envisioned in its enacting legislation, the Alaska Power Authority, in concert with the policies of the Division of Energy and Power Development and the Legislative and Executive branches, will provide a significant contribution to the social well being of the people of Alaska. While certainly well intended, S.B. 511 would not appear capable of providing the same level of service.

Attachment: Memo from Wohlforth & Flint  
EPY/mgf

I. REQUEST  
 Bill/Resolution No. SB 511-An Act creating the Division of Energy and  
 Title Power Development  
 Requested by \_\_\_\_\_ Date 02/16/78

II. FISCAL DETAIL  
 Agency Affected Commerce & Economic Development  
 Program Category Affected Development  
 Budget Request Unit(s) Affected Energy & Power Development

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			220.0			
200 TRAVEL			25.0			
300 CONTRACTUAL			295.0			
400 COMMODITIES			3.5			
500 EQUIPMENT			4.5			
600 LAND & STRUCTURES			-0-			
700 GRANTS, CLAIMS, ETC.			-0-			
TOTAL			548.0			

FUNDING (Thousands of Dollars)

GENERAL FUND			548.0			
FEDERAL FUNDS			-0-			
OTHER (Specify)			-0-			

POSITIONS

FULL TIME			6			
PART TIME			-0-			
TEMPORARY			-0-			

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE 2-28-78 PREPARED BY Claudia M. Dumb...  
 AGENCY Division of Energy & Power Development  
 PHONE 272-0527  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

A. Assumptions

1. Beginning in FY 79, it will be necessary for the division to thoroughly evaluate all aspects of the proposed Upper Susitna Dam Project, as well as address the question of potential funding, construction and operation of smaller proposed power projects.
2. These activities would be part of ongoing multi-year programs, which will extend many years into the future.

B. Program Summary

1. Positions

	<u>Title</u>	<u>Range</u>	<u>Monthly Salary</u>	<u>Yearly Salary</u>
a.	Administrator of Power Projects	24	\$3,085.00	\$37,020.00
b.	Deputy - Engineering & Construction	23	\$2,867.00	\$37,020.00
c.	Deputy - Finance & Marketing	23	\$2,867.00	\$34,404.00
d.	Civil Engineer	22	\$2,661.00	\$31,932.00
e.	Secretary I	12	\$1,293.00	\$15,516.00
f.	Clerk Typist III	08	\$1,005.00	<u>\$12,060.00</u>
				\$165,336.00
			Cost of Living Increase (6%)	<u>9,920.00</u>
				\$175,256.00
			Benefits (25.5%)	<u>44,690.00</u>
				<u>\$219,946.00</u>

2. Other Expenditures

a. Travel - \$25,000.00

Extensive travel will be required by division staff, both within the State and to Lower 48 financial centers.

b. Contractual - \$295,000.00

Approximately \$250,000 will be earmarked for contractual services for feasibility studies of proposed projects, and to begin a thorough analysis of all aspects of the Upper Susitna Project over and above the present work being conducted by the Corps of Engineers.

c. Equipment - \$4,500.00 and Commodities - \$3,500.00

This will primarily cover additional office equipment and supplies required to accommodate the additional staff.

# ALASKA POWER AUTHORITY

233 WEST 4th - SUITE 31 - ANCHORAGE ALASKA 99501

March 30, 1978

The Honorable Kay Poland  
Alaska State Senate  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Poland:

Attached per your request is our legal review of S.B. 511 which would eliminate the Alaska Power Authority and assimilate its functions into the Division of Energy and Power Development.

As I indicated at your committee meeting on March 22, 1978, I am somewhat reluctant to make my views known in that testimony from an agency which is being considered for abolishment might be considered biased. However, since your committee appears interested in my opinions, I am most happy to provide you with my thoughts.

First, as S.B. 511 is written, there is doubt about the ability of the Division of Energy and Power Development to actually fulfill the functions of the Power Authority. This is a technical matter, however, which can certainly be resolved by any scribe. In short, the Division of Energy and Power Development, here-in-after called the Division, could neither provide for long term project financing nor for front end community loans for feasibility studies. Without these abilities, the Division would be quite ineffectual in providing for energy development. Moral support would certainly not get the job done. Realizing, however, that these technical matters can be overcome, the real issue entails the selection of the optimum administrative means of providing for lower cost power development.

Under the present division of responsibility, the Division provides for conservation, research, alternative energy inventories, and regional planning. The Power Authority is responsible for project development by financing or a combination of financing, developing, owning and operating power projects. Division of these responsibilities provides a healthy checks and balances. Since the Power Authority is a facilitating agency, moreover, one with a singular purpose, it is best suited to "getting the job done". With its financial and legal advisors and its present efforts to develop a professional staff consisting of engineers and economists, it is gaining the nucleus needed for its statutory mandate. Absorption into the Division could only dilute the Authority's ability to function effectively.

The Power Authority has been established to operate as a Corpo-

ration (public) of the State of Alaska. Its status as such has made it quite palatable to the various utilities and communities that need assistance in power development. The power generation industry in Alaska is actually looking to the Authority as an entity that can provide coordination and development needed to preclude the energy problems which loom ahead. I would question the ability of an energy agency conglomerate, hamstrung by its bureaucratic shroud, to fulfill the same function. Since its corporate nature will require the Power Authority to remain fiscally solvent (or default in the face of the financial market) it will be forced into the role of prudent planning and development. Its state counterpart, with its access to the general fund, may not be similarly inclined.

There is also a philosophical question to be resolved. Should the State actually assume the posture of providing electricity for its citizens? Or should this best remain in the hands of the local entities and a State Corporation. State government is already growing at an alarming rate. If Susitna and other large power projects such as a Southeastern intertie or an AVEC intertie are developed, the agency that owns, operates and markets the energy from these projects will obviously require a sizable staff. Maintenance of such a staff under State government could only serve to further bloat our public sector and its attendant tax requirement and lobbying power.

Finally, one should compare the relative merits by which policy would be established under the two philosophies of power development administration. On the one hand, the Division policy would be established solely by the Director, with final concurrence from the Executive and Legislature. Under the Authority concept, policy matters are established by a Board of Directors which must be viewed as a non-partisan decision making entity from throughout the State. The perspective to be gained from such a diversification is invaluable. The present Board of the Power Authority consists of a Native Corporation Director, a banker, a business executive, a previous federal energy administrator, and a State Commissioner.

Given the opportunity to operate as envisioned in its enacting legislation, the Alaska Power Authority, in concert with the policies of the Division of Energy and Power Development and the Legislative and Executive branches, will provide a significant contribution to the social well being of the people of Alaska. While certainly well intended, S.B. 511 would not appear capable of providing the same level of service.

Sincerely,



Eric P. Yould  
Executive Director

EPY/mgf  
Attach: