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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

3/12/81

(11)

Date: MAY 19, 1981

Mr. Speaker:

The Committee on RESOURCES has had CSSSSB 25(Fin)am

"An Act establishing a power project development fund in the Alaska Power Authority and amending the Alaska Power Authority Act; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSSSB 25 same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without ^{INDIVIDUAL} recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Tony Hardin

Jack P. Johnson "No Null, born"

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Walter Patterson No Rec

Rick Halford do pass if amended

James Brown Recommendation

Don Sweeney - Do not pass unless amended -

Jim Lutch NO REC

J. Smith No Rec

Tony Hardin
CO-CHAIRMAN

Jack P. Johnson

Alaska State Legislature



File

Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

MEMORANDUM

TO: Representative Terry Gardiner, Co-Chairman
House Committee on Resources

FROM: Representative ~~Jim Duncan~~
Speaker of the House

DATE: April 13, 1981

RE: Equity Return Financing for Hydro-Electric Projects

I
One of the most critical issues facing this and subsequent legislatures is the need to provide reliable, low-cost power to citizens of the state, for this and future generations. Development of our renewable hydro-electric resources can give us the opportunity to do this. I think it is important that the benefits derived from hydro-electric power be equitably distributed to provide parity in power costs on a state-wide basis. Therefore, at my request, Eric Yould and Terry McGuire have developed a financing proposal for hydro-electric projects based on a fixed rate of return on equity. It appears to be a sound, viable alternative to both grant and loan financing, as it provides not only a return on our investment but, when fully operational in 1989, equity in power costs for all Alaskans as well.

*Red
Power cost*

X
X
X
As envisioned, projects built with state capital and owned by the state (APA), would be required to return a percentage of the project value annually to APA over the useful life of the project. At a 5% rate of return, for example, local utilities operating the facilities could cover operation and maintenance expenses and forward the remainder to APA. The Authority estimates that if all the projects listed on page two of the attached summary were operational, wholesale power could be produced for 3.8¢ per kilowatt-hour (without Susitna); while still allowing a 5% return on equity, less an average of 1.5% for annual operating and maintenance expenses.

(This figure (3.8¢) would be the wholesale power rate charged for Green Lake and Solomon Gulch when they come on line in 1982, with money from the equity return used to bring the wholesale cost of power from these projects down to this amount.) When Swan Lake and Lake Tye come on line in 1984, followed by Terror Lake in 1985 and Bradley Lake in 1986, sufficient power will be produced to allow a 3.8¢ wholesale charge per kilowatt-hour, with the additional revenue produced by a 5% return on equity then being available to subsidize power production costs and other energy-related projects (i.e., conservation, weatherization, etc.) on a statewide basis. The basis of this is the fact that the larger projects will produce much larger amounts of power at a cheaper wholesale rate than the initial (Solomon Gulch and Green Lake) projects. In this sense, the program is dependent on a few large power producers which have readily available markets.

X It should be emphasized that the 3.8¢ per kilowatt-hour rate is for wholesale costs. Only power production is subsidized, with the retail rate to consumers being adjusted upward to account for the varying distribution and administrative costs incurred by the different local utilities to whom the wholesale power is sold. It would then be in the interest of the local utilities to encourage and promote conservation, efficient management practices and distribution to control their retail rates. Susitna start-up in the 1990's would both increase the amount of return on investment and lower wholesale power costs from 3.8¢ to 3¢ per kilowatt-hour. Susitna is the long-term anchor in this program.

The funds generated by an equity return would be available by legislative appropriation for essential and related energy programs such power production assistance, weatherization, development of other renewable energy resources, enforcement of building codes and other projects which promote the efficient use of energy while subsidizing the rates of those who must continue using expensive energy such as diesel. This program would create the mechanism to not only reduce energy costs statewide but also create parity in energy costs on a statewide basis when the projects on page 2 are fully operational in 1989.

Success of an equity return scheme depends on state ownership of projects, a strong commitment to energy conservation, development only of feasible projects, and in all likelihood, a separate rate structure for industrial users,

I strongly support an equity return method of hydro-electric financing in concept, realizing that many details are yet to be worked out. I would strongly recommend that this method of financing be worked into a committee substitute for SB 25. I think it will answer the Senate's desire for direct investment, while at the same time provide the state with a return on investment over the life (not just 30 - 50 years) of a project. All of the projects listed on page 2 of the attached summary are feasible under an equity return scheme, indicating that the feasibility of future projects would be protected as well.

I have asked Legislative Attorney Billy Berrier to draft the appropriate language for inclusion in SB 25 establishing the program at a 5% return on equity.

I urge consideration of this concept by the Resources Committee and would be willing to appear before the Committee in support of the concept.

JD:jp

Attachment

ENERGY PROGRAM FOR ALASKA (EPA)

The following pages are an attempt to address diverse energy issues, concerns, and strategies with a comprehensive program. It has the potential of being supported by all Alaskans, eliminate regional differences, provide reasonable cost energy statewide, and ensure financing of energy development. The potential benefits to Alaskans could exceed the benefits provided by other distribution programs of the state's non-renewable income.

The institutional framework exists to establish this program, as do the revenues to finance the program. It would require legislation to empower the Public Utilities Commission and the Alaska Power Authority to implement some aspects of the program.

The program should be evaluated today while major decisions on state investment in, or subsidy of, capital intensive renewable energy projects are being debated. The program should be comprehensive and rational, provide equitable benefits to all Alaskans and regions of Alaska, and provide a basis for sound decisions and future development. The program would not produce results overnight. The projects which may be developed would require years to construct, and the benefits of the program could only be distributed as the return on state investments increase. In the mean time, financial resources are available and means can be found to meet near-term needs until such time as the program is fully functioning.

This paper analyzes some implications of a comprehensive state subsidy of power development. A major impact of the program would be to lower energy costs statewide to benefit all Alaskan consumers. The program would also levelize the power production cost of energy statewide. This analysis would not have been performed in previous years when limited state assistance in financing of power projects was considered. Today, there is considerable support for state investment in, and subsidy of, renewable energy projects in the form of low interest loans or grants. A program of state investment can provide reasonable cost energy for all areas of Alaska. It can promote economic development and provide a benefit that directly impacts the disposable income of Alaskans without being subject to taxation. A program of this nature would be unique in that it has never been, to our knowledge, attempted on a statewide basis anywhere else in the United States. The question is, how can the distribution of the benefits from state investment in renewable energy projects be equitably distributed to all Alaskans?

The Power Production Cost Assistance Program was created to address the current high cost of energy in predominantly rural areas of Alaska. This program, no matter what its ultimate form may be, was established in the Power Authority since there was some consideration that operating subsidies provided through the program could be, eventually, offset by capital investment in renewable energy development. Although, the concept is commendable, the fact must be recognized that for many areas of rural Alaska, the most economic solution may be limited to weatherization, increased efficiency in diesel generation, and waste heat utilization. This situation will make termination of the Power Production Cost Assistance Program extremely difficult, particularly since Alaskans in these areas would not receive the benefits of state investment in renewable energy projects.

In past years, the concept of raising the cost per kilowatt hour of energy sold from power projects owned by the state by an amount necessary to subsidize rural energy costs was not supported since state assistance in development of the projects was not significant. However, if state assistance increases significantly, a policy to equitably distribute the benefits of state investment could be established. The renewable energy projects represent a state resource in most cases, and they do not necessarily exist for the benefit of a single community or region. State investments in energy should to the extent possible equitably benefit all Alaskans. But this investment has implications beyond the ability to equitably distribute the benefits. It will encourage economic development which must be controlled, and industrial energy demand should not necessarily be provided the same benefits from state investment in power projects as other classes of Alaskan consumers, except when it will create an industry that would otherwise not materialize and has an overall positive state benefit. It will also provide less incentive for conservation, when conservation through increased efficiency and weatherization may be in many cases the most economically feasible area for state investment or subsidy. Therefore, any policy which artificially lowers the price of energy must support an effective program of energy conservation.

A policy of state investments must be directed only toward projects which are economically feasible, to include both renewable energy generation projects and conservation. The potential size and impact of transfer payments for rural operating subsidies and conservation measures from a return on state investments could be substantial. The following analysis is based upon current dollar estimates and is intended to illustrate the program and issues surrounding it.

approximately \$4.5 million as it is presently established. The program is funded with general fund appropriations. Assistance could be expanded in various ways by broadening the base of eligible customers, by increasing the percentage of assistance beyond 85% of the portion of power production costs eligible for assistance, or by lowering the base power production cost escalator from 7¢ to 6¢. Any one measure or a combination of these measures could increase the FY 82 cost of the program to \$10, \$20, or even \$30 million per year. Assuming the latter figure, there is also potential for price induced increases in demand, which could be assumed over time to cause the cost of the program to increase significantly to, perhaps, \$50 million per year. General fund appropriations for this program would be extremely difficult to continue.

If the State invested in renewable energy projects, it would be possible to establish an equity return on that investment. The advantage of an equity return is that it can be established to minimize the cost of energy impact on the consumers of energy from the project, and provide a constant source of revenue to fund other programs, like the Power Production Cost Assistance Program and conservation. Whereas a grant provides no return and a low interest loan provides a limited return for the 30 to 50 year repayment period, an equity return continues for the useful life of the project. The amount of this return in current dollars based upon a 5, 7, and 9% equity return on the construction cost of various projects is shown below. The equity rates of return approximate the principal and interest payments respectively on 3.0%, 5.7%, and 8.0% loans for a 30 year term to finance construction. The table is in millions of 1981 dollars.

Project(s)	Capital Construction Cost (1981 \$)	Annual Equity Return		
		5%	7%	9%
Black Bear Lake	\$ 28.0	\$ 1.40*	\$ 1.96	\$ 2.52
Tazimina	123.0	6.15*	8.61	11.07
Bradley Lake	170.0	8.50	11.90	15.30*
Green Lake	55.0	2.75	3.85	4.95*
ions	1.4	.07*	.10	.14
Solomon Blch	68.0	3.40*	4.86*	6.12
Chester Lake	9.0	.45	.63*	.81
Terror Lake	85.0	4.25	5.95*	7.65
Lake Tye	60.0	3.00	4.20*	5.40
Svan Lake	87.0	4.35	6.09*	7.83
SUB-TOTAL	\$ 686.4	\$ 34.12	\$ 48.15	\$ 61.79
Susitna	3,500.0	175.00	245.00	315.00*
TOTAL	\$4,186.4	\$209.12	\$293.15	\$376.79

The above table does not reflect all the potential projects which may be found feasible and subsequently developed. The table does not reflect that from 1% to 2% of the capital construction cost will represent the annual Operation and Maintenance costs for each project. In addition, the cost of energy from individual projects, due to varying project costs per kilowatt or the amount of excess capacity in the early years of operation, may not permit the same rate of return for each project initial operation. The asterisks in the table for each project represent an estimate of the return that would be possible without adversely impacting the cost of energy in each project area in the early years of operation. Clearly, the potential exists to more equitably distribute the benefits of state investment in energy projects. Without Susitna, an expanded Power Production Cost Assistance Program could be funded with the equity return on feasible energy projects. Including Susitna, power cost could be considerably reduced or stabilized statewide with a potential for a return to the general fund.

have to recover the annual operation, maintenance and administrative costs of the projects, or approximately 7.5% of the capital costs of construction. The grant funding alternative would require \$10.24 million in revenue from the projects excluding Susitna, and \$70.54 million including Susitna. The wholesale cost of energy in cent per kilowatt hour for this situation (which is equivalent to an equity return rate of 1.5%) is depicted below along with the cost of energy for various other rates of return.

	<u>1.5%</u>	<u>5%</u>	<u>7%</u>	<u>9%</u>
Without Susitna	1.3	3.8	5.4	6.9
With Susitna	1.1	3.0	4.2	5.4

Under the 5% return situation, \$34.12 million is recovered excluding Susitna, and \$209.12 million is recovered with Susitna. Of the return with Susitna, \$70.54 million would again pay for O&M and administration, and \$138.58 million would be available for power production cost assistance, conservation, new project construction, or a return to the general fund.

The various rates of return are illustrated to demonstrate the approximate wholesale cost of energy from the system, and the amount of the generated return which could be made available for alternative purposes. The overall rate of return could be adjusted to provide statewide benefits through other projects and programs and still result in a low cost of energy. Again, the rate of return associated with individual projects could be established in direct relation to the economic feasibility of the project and the relative power production costs in the project market area.

Many actions would be necessary to implement this statewide program.

1. State investment should only be made in those projects that are economically feasible. If a community or region can be provided electric power in a least cost manner only through more efficient diesel generation and conservation, then state assistance should be provided to stabilize the cost. The assistance would be through a power production cost assistance program and a conservation program funded with the return on equity from projects which were feasible for development.
2. The projects developed through state investment must be owned by the state as capital projects of the state. Individual projects can be leased for operation and maintenance to utilities in the market area served by the projects. It is necessary to establish the project owner as the state since the renewable resource projects would be constructed with state funds (non-renewable income), the renewable resources should benefit all Alaskans; and a common wholesale power cost for the energy produced from all projects could only be established for those projects owned by the State.
3. With lower energy costs, the demand for energy could increase in areas of the state currently experiencing the highest cost of energy production. It is likely that conservation efforts would be diminished unless energy efficiency standards for building construction are adopted, diesel generation efficiency standards are adopted, and energy conservation programs are strongly supported. Examples may include inefficient use of electric heat in poorly weatherized

Electric heat could be restricted to buildings that meet certain standards and when it is a more efficient use for heating purposes. A minimum of 8 kwh's per gallon of fuel could be established as a standard for diesel generation, and efficiency that is attainable for even small diesel generators. Individual consumers who fail to meet the weatherization standards for electric heat could be charged a premium, and communities which fail to maintain and efficiently operate their diesel generation could be provided assistance based solely on the minimum efficiency standards.

4. Separate rate structures for industrial uses could be established to either encourage or discourage industrial consumption dependent upon state policy. However, this policy would have to be consistently applied and studied further before it is established.

Both the Power Production Cost Assistance Program and the Energy Conservation Program could be continuously funded from the return on the economically feasible renewable resource projects. The opportunity exists today to establish Alaska's renewable energy future. State investment in renewable energy could prove to be a valuable State asset for the future. The program could equitably distribute benefits in the form of reasonable cost energy to all Alaskans. The capital energy projects of the State are an infrastructure investment which can provide a measurable return to the State and its residents while assisting in economic development.

This conceptual program would not impact the existing generation, transmission and distribution systems of the retail utilities. Local control would be maintained wherever possible. The project selection and development process would be controlled as currently provided in A.S. 44.83 and in Power Authority regulations. Only the feasible projects based upon technical, economic, and environmental evaluation parameters would be proposed for State investment.

The following analysis estimates the 1981 dollar value of equity return on state investments in power projects which could be state financed and constructed in the remainder of the 20th century. The estimate is based upon a wholesale 1981 dollar cost of energy at 3¢/kwh. The return would have to pay for operation and maintenance of the projects and administration of the program. It would also provide funding for an Energy Conservation Program and a Power Production Assistance Program. The cost of power generation statewide could be equalized, whether the generation is from state funded renewable energy projects, or diesel generation. The cost of energy to consumers would vary among communities and utilities only to the extent that administration and distribution system costs vary among utilities.

TABLE I

<u>Projects</u>	<u>Capital Construction Cost (1981 \$)</u>	<u>First Year of Operation</u>	<u>Average Annual Energy Sales (Gwh)</u>
Black Bear Lake	\$ 28.0	1985	23.0
Tazimina	123.0	1988	80.0
Bradley Lake	170.0	1986	300.0
Green Lake	55.0	1982	55.0
Port Lions	1.4	1982	1.0
Solomon Gulch	68.0	1982	52.0
Chester Lake	9.0	1983	9.0
Terror Lake	85.0	1985	120.0
Lake Tye	60.0	1984	125.0
Swan Lake	87.0	1984	80.0
Susitna (Stage 1)	2300.0	1993	3000.0
Susitna (Stage 2)	1200.0	1997	3000.0
	<u>\$4186.4</u>		<u>6855.0</u>

In Table II, the "Available" column indicates the return on state investment in renewable energy projects which could fund diesel generation costs in areas not served by projects, the energy conservation program, and new construction of renewable energy projects. All revenue from wholesale power sales from state projects would return to an energy account in the general fund and subject to the Executive Budget Act, be available for appropriation to fund programs.

TABLE II

<u>Year</u>	<u>Gwh Sales</u>	<u>Annual Expenditures</u>	<u>Equity Return (Million \$)</u>	<u>Project O&M & Administration</u>	<u>Available</u>
1982	108	\$ 224.4	\$ 3.2	\$ 1.2	\$ 2.0
1983	117	100.0	3.5	1.3	2.1
1984	217	150.0	6.5	3.3	3.1
1985	334	150.0	10.0	4.7	5.3
1986	659	275.6	19.7	6.1	13.6
1987	687	300.0	20.6	6.1	14.5
1988	745	300.0	22.3	7.1	15.2
1989	760	300.0	22.8	7.1	15.7
1990	775	300.0	23.2	7.1	16.1
1991	795	300.0	23.8	7.1	16.7
1992	815	300.0	24.4	7.1	17.3
1993	3,835	300.0	115.0	30.0	85.0
1994	3,855	300.0	115.6	30.0	85.6
1995	3,855	300.0	115.6	30.0	85.6
1996	3,855	300.0	115.6	30.0	85.6
1997	6,855	286.4	205.6	42.0	163.6
1998	6,855	-	205.6	42.0	163.6
1999	6,855	-	205.6	42.0	163.6
2000	6,855	-	205.6	42.0	163.6
Year 2000 TOTAL		\$4186.4	\$1464.2✓	\$ 345.2✓	\$1118.0
Year 2010 TOTAL		4186.4	3520.2	766.2	2754.0
Year 2020 TOTAL		4186.4	5576.2	1186.2	4390.0
Year 2030 TOTAL		4186.4	7632.2	1606.2	6026.0

The tables indicate that the equity return on projects could not pay the estimated costs of the existing power production assistance program until 1985. The FY 82 cost estimate for the current program is \$4.5 million. The level of assistance could be increased in relation to a greater return from projects which begin operation in succeeding years. If Susitna is constructed, the return based upon a 1981 wholesale cost of \$1.5/kwh from all projects would far exceed the needs of a large power production assistance program in those areas not served by the projects. Each year the return from the sale of energy from the power projects owned by the state could significantly lower diesel generation costs in other areas, assist in financing new projects, and fund energy conservation programs. Or alternatively, the wholesale cost of energy could be decreased to a level sufficient to fund program needs.

Note that this was an inflation free analysis which did not consider a discount of benefits to reflect an opportunity cost of alternative state expenditures or investments.

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ALASKA

NUSHAGAK ELECTRIC CO-OPERATIVE, INC.

P. O. BOX 197 . DILLINGHAM, ALASKA 99576 . AREA CODE (907) 842-5251

April 3, 1981

Representative Joe Chuckwuk
Alaska State Legislature
Pouch V (MS 3100)
Juneau, AK 99811

Dear Joe:

We just received the following letter from Dave Hutchens, Executive Director, of ARECA and I would like to share it with you.

FROM: David Hutchens
Executive Director

DATE: March 31, 1981

HYDRO BILLS STALLED IN HOUSE RESOURCES COMMITTEE

After three days of hearings on all energy legislation lumped together I have still not been permitted to testify. There has been some good testimony along with a lot of misinformation presented to the Committee, but there has not been an explanation of what S.B. 25 and S.B. 26 will do. Co-Chairman Terry Gardiner is operating on the assumption that this approach is not acceptable to the Committee without the Committee ever having the opportunity to get a straight explanation of this important legislation.

Gardiner apparently is preparing to completely rewrite this legislation more to his own liking. Based on his questions and comments during the hearings Gardiner's direction appears to be emerging. He apparently intends to use the existing (but dormant) Power Project Loan Fund as the vehicle for financing projects on a loan basis rather than as direct investments by the State as S.B. 25 provides.

It also appears Gardiner is headed toward providing only those funds each year which can actually be spent in that fiscal year, without any mechanism to stay even with inflation. This means the anticipated projects will cost at least \$8.25 billion rather than the \$5 billion provided for in S.B. 25. It also means that the early projects will be completed before funding would start on later projects like

Rep. Joe Chuckwuk

April 3, 1981

Tazimina, Bradley Lake and Susitna. These later projects would then be more expensive because of inflation, and it will be virtually impossible to finance them standing alone after everybody else has his project already built.

The situation is critical! Please contact the members of the Resources Committee you know and ask for their help."

This matter has particular concern to us here in the Bay Area because the Tazimina Project has the potential to utilize a renewable resource to provide fixed cost long term power supply to all the villages in the Illiamna, Kvichak, Naknek and Nushagak drainages. It would also include the Dillingham - Aleknagik Area as well as the base at King Salmon.

If fully developed, there would be power to spare. The advantage to this concept is that conceivably it could be cheaper to heat with electric heat than it would be with stove oil.

Not too many years ago when the pro's and con's of Snettisham were being kicked around, one statement made was, "If the price of stove oil ever reached \$0.86 per gallon in the Juneau Area, it would be cheaper to heat with electric heat because of the excess power capacity available."

I do not know what the price of stove oil is today in Juneau but I do note that there are a great number of homes installing electric heat units.

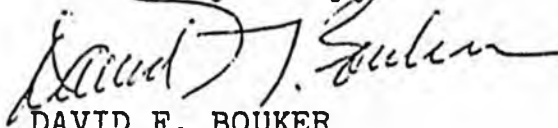
Besides the basic advantage of electric heat units providing substantially more BTU's than stove oil per dollar invested, there is another economic phenomenon involved where excess capacity is available; that is, the more KWH that are consumed, the cheaper each KWH becomes. I guess you could term this concept maximizing the return on the initial investment.

At Nushagak Electric we believe that we need both Lake Elva and Tazimina for the best long range benefit for the entire Bay Area.

Please give this matter your careful consideration.

Thank you.

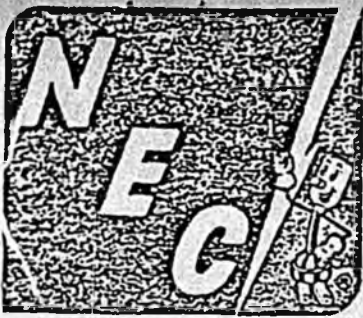
Yours very truly,



DAVID F. BOUKER
Manager

DFB:ka

P.S. Our March fuel bill was over \$76,000 which averages out to \$133 per consumer.



ALASKA

NUSSHAGAK ELECTRIC CO-OPERATIVE, INC.

P. O. BOX 197 . DILLINGHAM, ALASKA 99576 . AREA CODE (907) 842-5251

April 1, 1981

Representative Joe Chuckwuk
Pouch V
State Capitol
Juneau, AK 99811

Dear Joe:

We appreciate your taking the time to discuss Elva and hydro financing this morning.

Another area that we neglected to comment on is the proposed changes in 3 AAC 94.010 to 3 AAC 94.900 which affects the Alaska Power Authority.

There are two specific areas which we believe are worthy of comment:

1. 3 AAC 94.060 paragraph (b) 2 states that, "in conducting a feasibility study the authority will use various techniques and methods to insure that information about the proposed project will include all project construction costs . . . (including) . . . the estimated cost of power based on hypothetical financing conditions . . ."

We note this proposed policy change is inconsistent with the APA's direction to R. W. Beck relevant to the Lake Elva Study.

2. 3 AAC 94.100 paragraph (2) c states that "the term of loans for feasibility studies, preconstruction engineering and project design, constructing, equipping, modifying, improving and expanding of hydroelectric generation facilities designed to produce more than 1.5 megawatts of power will be 50 years."

We believe that this is another attempt to establish criteria which can only have an adverse affect on rural communities which have the greatest need for reasonable cost stable power supply. It would never apply to an urban area because they already enjoy the benefits of low cost power and density

Rep. Chuckwuk
Juneau, AK

April 1, 1981

would obviously support much larger power projects.

John Pearson believes that the Legislative Oversight Committee has control of these proposed changes but, as of this writing, I am unable to determine just who is involved on this committee.

Anything you can do in this area would be of great assistance.

Thanks.

Yours very truly,



DAVID F. BOUKER
Manager

DFB:ka

**Bristol
Bay
Native
Corporation**

445 E. 5TH AVENUE / P. O. BOX 220 / ANCHORAGE / ALASKA 99510 / PH. (907) 278-3602

Kristine
MAY 4 1981

April 30, 1981

The Honorable Fred F. Zharoff
Alaska State House of Representatives
Pouch V, State Capitol Building
Juneau, Alaska 99811

Dear Mr Zharoff:

In response to Representative Sutcliffe's letter of April 22, 1981 and Representative Gardiner's letter of April 23, 1981, the BBNC herein takes the following position on the Lake Elva Project.

If the Lake Elva Project had been constructed in 1960, it would have provided adequate power to the Dillingham area for the past 20 years. Now it is too little and too late. Both the power plant and a major portion of the transmission line would be located within the Wood River-Tikchik State Park. The BBNC and the villages of Aleknagik, Ekwok, Koliganek and New Stuyahok have gone on record supporting fish first in the management of the park. The original management proposal was recreation oriented and provided for extensive development.

The BBNC supports the Tazimina Lake Project over the Lake Elva Project because it has the potential of providing power to at least 15 villages in the Bristol Bay area. The Lake Elva Project would only supply power to the Dillingham area (Aleknagik, Dillingham and Kanakanak).

The BBNC supports the Lake Elva Project only as a potential additon in an intertied system. If feasible, it would be constructed some time in the future. The Tazimina Lake Project would be constructed first. A feasibility investigation of the Lake Elva Project at this time is premature. The feasibility investigation more properly belongs at Tazimina, now.

4/30/81
Page 2

We are working closely with the Alaska Power Authority, the Bureau of Land Management, the State of Alaska, Nondalton Native Corporation and Iliamna Natives Limited in the effort to move this project forward.

We thank you for your support and the opportunity of stating our position once again.

Sincerely,

Donald F. Nielsen
Donald F. Nielsen
Vice President

cc: Nushagak Electric Cooperative, Inc.
Alaska Power Authority

A M E N D M E N T

Offered in the HOUSE RESOURCES COMMITTEE By

TO: HCS CSSS SB 25 Resources

Amendment 1

Page 3, line 1:

After "invest" insert "money in", delete "the balance of", and delete "fund which exceeds the amount the"

Page 3, line 2 and 3:

Delete all material

Page 3, line 4:

Delete "revenue under this subsection shall be made"

Page 3, line 5:

After "37.10.075." insert the following new material:

"The Department of Revenue shall provide money in the fund to the authority after a cost for a project is incurred."

Amendment 2

Page 3, line 14:

After "be" insert the following new material:

"deposited in the general fund and may be annually appropriated to the fund by the legislature."

Page 3, line 14:

After "be" delete remainder of line

Page 3, lines 15 - 22:

Delete all material

Amendment 3

Page 4, line 8:

After "unless" insert ", after making a feasibility study under AS 44.83.181,"

Page 4, line 10:

After "cover" insert "the requirements set out in AS 44.83.490."

Page 4, lines 11 -16:

Delete all material

Amendment 4

Page 5, line 29:

After "pay" insert "the greater of: (A) an annual return to the state of not less than five percent of the amount which the authority has spent from the fund for all projects; or (B) an amount equal to the sum of:"

Page 6, lines 1, 3, 4, and 6:

Change the subparagraph designations to subparagraphs (i)-(iv)

Amendment 5

Page 8, line 19:

After "heads of the" delete "principal departments" and insert "state agencies"

A M E N D M E N T

A new section is added to the bill, to the intent:

*Sec. ____ . The Alaska Power Authority is authorized to continue accepting and making payment on claims from eligible utilities under the power production cost assistance program until it determines that

(a) the utility has had sufficient time to apply for assistance under this Act;

(b) the Alaska Public Utilities Commission has had sufficient time to act upon such applications; and

(c) the utility is not eligible for assistance under this Act.

###

AMENDMENT

~~XV~~

OFFERED IN THE HOUSE:

BY: Rep. Eric Sutcliffe

TO: House Resources HOUSE BILL No. _____

SENATE BILL No. HCS C5555B 25

PAGE: 4

LINE: 29

Add before if:

When money is appropriated to the Alaska Power Authority for a power project, the Alaska Power Authority shall enter into a contract with the utilities which will purchase the power. The contract shall include the responsibility of the utilities to return annually to the Alaska Power Authority 10% (if Section 1. below applies) or 5% (if section 2. below applies) of the amount appropriated for the project. This return shall be assessed commencing on the date that the contract is in effect.

(AMENDMENT # 4, continued)....

Page 5, line 27:

Delete all of subsection (D), and add in its place:

"(D) a rate of return on all amounts invested in the power projects by the authority of three percent."

Line 29:

change (c) to (b)

Page 6, line 3:

Delete all of (d) and insert in its place:

"(c) The authority shall annually adjust the rate of return specified in (a)(1)(D) and (a) (2)(D) of this section, according to changes in the consumer price index for the state as compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for November, 1980, is the reference base index."

Lines 14-18:

Delete all of subsection (e):

Lines 19:

Change (f) to (d),

Line 22:

add a new section (e), to read:

AMENDMENT # 4, continued:

Page 6, line 22:

add a new subsection (e), to read:

"(e) The authority shall estimate the appropriations necessary for the purposes specified in (a)(1)(A)-(C) and (a)(2)(A)-(C) of this section. The estimates required by this subsection shall be provided to the governor in the budget submitted under AS 37.07."

Line 27 to page 7, line 7:

delete all of subsection (3) and renumber following subsection.

###

HCS CSSSSB 25 (Res)

A M E N D M E N T

Page 2, line 13:

add "on loans or" before "on an issue"

Page 5, line 2:

change "(d)" to "(e)"

Page 7, line 22 - 23:

delete "per month"

###

A M E N D M E N T

AS 44.83.177 (a) and (b) are amended to read:

Sec. 44.83.177. Reconnaissance study. (a) To identify power project alternatives and energy needs and consumption patterns for a community, the authority shall, after consultation with other state agencies and after review of information on alternative sources of power, complete a reconnaissance study for each proposed new power project.

(b) A reconnaissance study shall

(1) survey all energy [power] sources available to the community and adjacent area and evaluate the relative economic merits of alternative sources of energy, including energy conservation and capture and utilization of waste energy as provided for in Sec. 170 (1) (B).

(A) for potential hydroelectric sites, the study shall include one-year data collection on water flow

(B) the study shall include one-year evaluation collection of data on wind speed, direction and other information valuable to development of wind generation.

(2) include an assessment of the total energy needs of the community, including but not limited to, electricity, space heating, and transportation fuels based on end use of the energy;

(3) include an assessment of the effect of the development of alternative sources of energy [power] on the environment so as to assure that there is no adverse effect to the environment which would make the project inadvisable;

(4) include public comment from residents of the community and adjacent areas.

(c) Remains the same as existing law.

(d) the authority shall consult with the division of energy and power development in the department of Commerce and Economic Development, and with the Alaska Energy Center of the Department of Administration to determine the information needed for their respective

purposes for energy planning and technology development, as part of the reconnaissance study.

(e) the reconnaissance study shall be part of the energy planning process leading to development of a comprehensive energy plan as provided for under AS 44.83.224.

A M E N D M E N T I

Page 2, lines 14-~~25~~²³:

Delete all language, and insert in its place:

(2) will provide the lowest power cost to utility customers in the market area over the estimated life of the power project, or mix of power projects, which operate or will operate on one or more of the following:

(A) renewable energy resources, including but not limited to hydroelectric, wind, biomass, solar, tidal or geothermal, or energy derived from temperature differentials air, water or earth, or other physical properties which can be used to produce energy, conserve fuel or provide for more efficient utilization, transfer or storage

(B) waste energy and energy conservation technology

(C) fossil fuels including oil, natural gas or coal;

(D) peat.

A M E N D M E N T II

Page 5, lines ⁶⁻¹²~~14-21~~:

(1) ~~AT~~ until June 30 of the fiscal year in which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a wholesale power rate for each power project which rate will return to the authority, on an annual basis, not less than five percent of the amount which the authority has invested in the power project from the fund;

A M E N D M E N T ~~III~~

Pages 10-11, Section 8:

Delete all material from Page 10, line ~~23~~²³, to Page 11, line 8;
and insert in its place:

*Sec. 8. AS 44.83.181(b) is amended to read:

(2) a statement of all assumptions which affect the economic feasibility of the project, including but not limited to the discount rate and interest rate of amounts of money to be used for the project, anticipated fuel prices, an escalation rate based on the estimated life of the project, projection of state and local electric load growth, estimates of indirect costs and benefits, quantified estimates of indirect and external costs, and employment and economic impact on the area served by the project when completed;

####

A M E N D M E N T

IV

Add a new Section to the bill, to read:

AS 44.83.181(b) is amended by adding a new subsection to read:

(5) The preferred plan shall include the projects which, taken together, minimize the cost of energy over the estimated life of the projects for the area which will be served, exclusive of operating and capital subsidies.

###

A M E N D M E N T

Page 10, line 22 to Page 11, line 8:

Delete all of *Section 8.

Renumber succeeding sections accordingly.

VI

A M E N D M E N T

Page 6, line 4:

delete "not to exceed five percent of the amount"

A M E N D M E N T

VII

Page 5, line 5:

after the word "fund" add "for each project"

Page 5, line 6:

After (1) and before "until" add:

"from the effective date of this Act"

Page 5, line 9:

change "may" to "shall"

Page 5, line 12:

change the semi-colon to a comma, and add language to the intent:

"including loans made and give by the state under (various statutes and sections as listed in SB 244);"

VIII

A M E N D M E N T

Page 2, following line 10:

add a new subsection (4), to read:

(4) defeasance of bonds sold against the project."

A M E N D M E N T

IX

Page 2, line 22:

In subsection (D) delete all language following "fossil fuel"
and place a period (.);

so that subsection (D) would read:

(D) on fossil fuel.

A M E N D M E N T

X

Page 4, line 17:

following the first word "(con)tract", add: "or lease"

A M E N D M E N T

XI

Page 2, following line 10:

Add a new subsection (4), the intent to be as follows:

"(4) the defeasance of bonds, or the payment of debt service on an issue of bonds sold in connection with a power project."

A M E N D M E N T

XII

Page 3, line 16:

Prior to the word "amount" insert the word "unexpended"

A M E N D M E N T

XIII

In the HOUSE

By Gardiner

TO: HCS CSSSSB 25 (res)

Page 1, following line 23, insert the following:

"(c) The provisions of AS 36.10.010 - 36.10.125 apply to power projects constructed by the Alaska Power Authority under AS 44.83.400 - 44.83.500."

- P. 2 Lines 19 through 23. Reinsert language from Senate version of SB-25.
- P. 3 Line 16. ...percentage of the total unexpended amount appropriated by the legislature to the fund.
- P. 4 & 5 Section 44.83.490 (b) Delete and reinsert language from House Resources Draft I.
- P. 5 Line 6. Add (1) Until July 1, 1986, the authority shall establish and maintain a wholesale power rate for each power project which rate will return to the authority, on an annual basis, not less than five percent of the amount which the authority has invested in the power project from the fund for that portion of the project in use;
- P. 5 Line 6. Renumber (1) to (2).
- P. 5 Line 13. Renumber (2) to (3).
- P. 6 Lines 3 and 4. (d) The legislature may appropriate to the authority the amount required under AS 44.85.470 from the amount collected under [an amount not to exceed five percent of the amount determined under]
- P. 7 Line 22. (1) four [two (four)] directors at large to be appointed by the governor and confirmed by the legislature representing Alaska Judicial Districts;
- P. 7 Line 24. (2) The Commissioners of Commerce and Economic Development, Revenue, and Natural Resources [three persons appointed by the governor from among the heads of the principal departments of the executive branch of the State government]
- P. 8 Line 6. ...the authority are vested in the directors, and four [three] directors of the...
- P. 8 Line 9. ...vote of at least four [three] directors...
- P. 10 Line 11. ...on which the principle and interest are payable [exclusively] from money derived from the sale of wholesale power from power projects financed [with the proceeds of the bonds for a power project]
- P. 11 Line 12. Delete Section 10.

AMENDMENT

~~XV~~

OFFERED IN THE HOUSE:

BY: Rep. Eric Sutcliffe

TO: House Resources HOUSE BILL No. _____

SENATE BILL No. HCS CSSSSB 25

PAGE: 4

LINE: 29

Add before if:

When money is appropriated to the Alaska Power Authority for a power project, the Alaska Power Authority shall enter into a contract with the utilities which will purchase the power. The contract shall include the responsibility of the utilities to return annually to the Alaska Power Authority 10% (if Section 1. below applies) or 5% (if section 2. below applies) of the amount appropriated for the project. This return shall be assessed commencing on the date that the contract is in effect.

A M E N D M E N T

Page 10, line 22 to Page 11, line 8:

Delete all of *Section 8.

Renumber succeeding sections accordingly.

A M E N D M E N T

Page 6, line 4:

delete "not to exceed five percent of the amount"

A M E N D M E N T

Page 5, line 5:

after the word "fund" add "for each project"

Page 5, line 6:

After (1) and before "until" add:

"from the effective date of this Act"

Page 5, line 9:

change "may" to "shall"

Page 5, line 12:

change the semi-colon to a comma, and add language to the intent:

"including loans made and give by the state under (various statutes and sections as listed in SB 244);"

A M E N D M E N T

Page 2, following line 10:

add a new subsection (4), to read:

(4) defeasance of bonds sold against the project."

A M E N D M E N T

Page 2, line 22:

In subsection (D) delete all language following "fossil fuel"
and place a period (.);

so that subsection (D) would read:

(D) on fossil fuel.

AMENDMENT

XV

OFFERED IN THE HOUSE:

BY: Rep. Eric Sutcliffe

TO: House Resources HOUSE BILL No. _____

SENATE BILL No. HCS CSSSB 25

PAGE: 4

LINE: 29

Add before if:

When money is appropriated to the Alaska Power Authority for a power project, the Alaska Power Authority shall enter into a contract with the utilities which will purchase the power. The contract shall include the responsibility of the utilities to return annually to the Alaska Power Authority 10% (if Section 1. below applies) or 5% (if section 2. below applies) of the amount appropriated for the project. This return shall be assessed commencing on the date that the contract is in effect.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

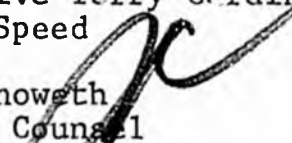
MEMORANDUM

May 4, 1981

SUBJECT: Amendment to 3rd draft
HCS CSSB 25 (Resources)

TO: Representative Terry Gardiner
Attn: Bob Speed

FROM: John B. Chenoweth
Legislative Council



The request for insertion of a cross-reference to the provisions of AS 36.10 relating to "resident hire" came too late to be inserted in the draft before typing. An amendment is enclosed.

I read AS 36.10.010 - 36.10.125 as applicable to projects of the Alaska Power Authority under current law. AS 36.10 says that the provisions of the chapter apply to contracts let by the state, and AS 44.83 establishes the Alaska Power Authority as a corporation of the state. I find it difficult to believe that current law exempts the Power Authority from the provisions of AS 36.10.

If you offer the provision, be advised that the reasoning of the U.S. Supreme Court's decision in Hicklin v. Orbeck, 437 U.S. 518, 57 L.Ed.2d 397 (1978) [a case which addressed local hire requirements on projects involving state leases], almost certainly invalidates the mandatory employment provisions of AS 36.10 with respect to state residents.

JBC:ljb

Enclosure



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 8, 1981

The Honorable Terry Gardiner
Co-Chairman
The Honorable Fred Zharoff
Co-Chairman
House Resources Committee
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Co-Chairmen:

At your request, the following sets forth my understanding of terms and conditions relating to energy legislation.

As you know, I am committed to establishing a comprehensive energy financing program for the State during this Legislature. Toward that end, I introduced House Bills 310 and 461, as well as an appropriations bill, HB 462, earlier in the session. These measures were designed to promote efficient and effective solutions to our energy problems at the least cost to the consumer and the State.

In an effort to expedite legislative action and promote favorable consideration this year on other crucial legislation, I tentatively agreed to certain basic legislative proposals regarding energy financing on the presumption that the leadership of both Houses had signed off on them.

This should in no way cause any to presume I find such approach preferable to the Administration's proposal. Moreover, if agreement on the above basics has not been met, as I had been lead to believe, then, of course, there was in fact no such "agreement" to which I, in turn, might agree.

Should there in fact be such an agreement, there are several issues which must be addressed in the energy legislation this year. These are as follows:

- A. Ensure that the APA Board of Directors is comprised of a majority of members directly accountable to the Legislature and Governor. I would prefer a five member board, with three agency heads and two public members. As you know, the restructuring of the APA Board in such

The Honorable Terry Gardiner
The Honorable Fred Zharoff
May 8, 1981

Page Two

a manner would parallel similar action taken by the Legislature last year regarding the AIDA and AHDC Boards.

I understand the Committee is concerned about making certain that regional concerns are considered by the APA. I suggest that a citizens advisory committee be created to accommodate these concerns. Perhaps two citizens from each judicial district would be appropriate.

- B. Ensure that all funds appropriated to the APA are received only as expenditures require, and are otherwise under the control of and invested by the Commissioner of Revenue as is required of funds appropriated to other State entities.
- C. Ensure that income earned from the investment of money appropriated to the power development fund be appropriated annually by law.
- D. Ensure that the numerical factors used to determine the feasibility of a project not be set by statute. The numerical factors used to assess project feasibility must be sensitive to changes which reflect actual economic conditions.

Additionally, I believe it appropriate that ultimately all projects have keyed into their rate structure an equity return on true costs. Lacking some such "market test" to screen out the "lemons" it would behoove every community to strive for a project no matter the cost. However, with the understanding that this feature will be addressed over the interim, I am willing, again conditionally, to forgo addressing this issue at this time. Meanwhile, at the very least, however, a minimal 5% return on equity as proposed in the original "agreement" must be retained. I want to make clear that it is my intent -- and, as I understand it, also the intent of the leadership -- to carefully study this issue during the interim and develop options for legislative actions next session.

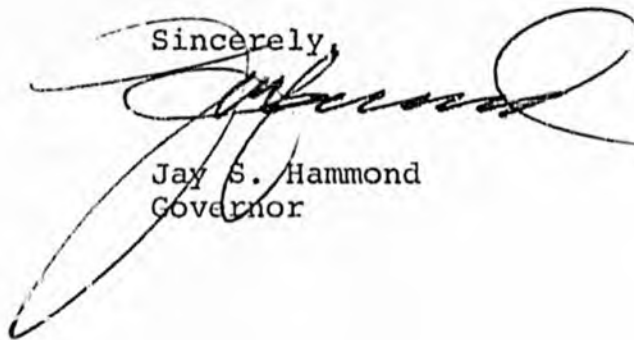
The Honorable Terry Gardiner
The Honorable Fred Zharoff
May 8, 1981

Page Three

Additionally, on the presumption that the basic hydroelectric proposal allegedly agreed upon by both houses prevails, in the interest of equity I indicated that within the parameters of appropriate funds available and dependent upon other legislative accommodations, I would therefore consider an expansion of power production assistance to cover usage above the 200 kwh proposed so long as this did not exceed 600 kwh so long as the cap was no greater than 40¢. To go beyond this without first experiencing actual costs would be most imprudent.

It should be made clear that while I am ready to work out a compromise on SB 25, I have not made any commitments on companion funding legislation, SB 26.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond". The signature is written over the typed name and title below it.

Jay S. Hammond
Governor

85% assistance on power costs between
12¢ and 60¢ per kWh for 600 kWh/mo.

Sec 3

(c) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than _____ kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility. The amount of power cost assistance provided per month for the fiscal year ending June 30, 1982 is 85 percent of the average power costs per kilowatt-hour of the utility, as determined by the commission, which exceed 12 cents per kilowatt-hour but ~~per~~ do ~~not~~ exceed 10 cents per kilowatt-hour for the number of kilowatt-hours eligible for assistance. The minimum power cost ~~that~~ ~~is~~ eligible for assistance shall increase by one cent per kilowatt-hour for each fiscal year thereafter.

AVEC

Power Production Cost	= 27¢/kWh
Power Cost	= 39.6¢/kWh
Retail Rate	= 44¢/kWh

Typical AVEC consumption	= 180 kWh/mo
High AVEC consumption	= 500 kWh/mo

Plan	<u>Typical Consumer</u>		<u>High Use Consumer</u>
Existing Law	\$79.20	bill	\$220.00
HB 359	27.5¢	assistance	76.50
	\$ 51.66	net bill	143.50
HB 359	79.20	bill	220.00
(conservation credit included)	76.08	assistance	110.40
	3.12	net bill	109.60
(conservation credit not included)	79.20		
	49.68		
	<u>29.52</u>		
12¢ - 300 kWh	79.20	bill	220.00
15¢ - 600 kWh	49.68	assistance	132.00
	<u>29.52</u>	net bill	88.00
85% - 600 kWh	79.20	bill	220.00
	<u>42.28</u>	assistance	117.30
	36.92	net bill	102.70
90% - 600 kWh	79.20	bill	220.00
	<u>44.71</u>	assistance	124.30
	34.49	net bill	95.80
95% - 600 kWh	79.20	bill	220.00
	<u>49.20</u>	assistance	131.10
	30.00	net bill	88.90

Sec. 3

(C) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than 100 kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility. The amount of power cost assistance provided per month is the amount by which the average power cost per kilowatt-hour of the utility, as determined by the commission, exceeds the adjusted power costs of ~~the~~ the utility multiplied by the number of kilowatt-hours eligible for assistance sold in each assistance category in this subsection. The adjusted power costs of an eligible electric utility are

(1) for sales for local community facilities not exceeding 50 kilowatt-hours per resident per month and for sales to all other classes of consumers not exceeding 300 kilowatt-hours per month

(A) the power costs which do not exceed 12 cents per kilowatt-hour; plus

(B) the power costs which exceed 60 cents per kilowatt-hour; plus

(C) one cent per kilowatt-hour for the fiscal year ending June 30, 1985,

plus one cent per kilowatt-hour for each fiscal year thereafter; and

(2) for sales for local community facilities between 50 and 100 ~~and~~ kilowatt-hours per ~~month~~ resident per month and for sales to all other classes of consumers between 300 and 600 kilowatt-hours per month

(A) the power costs which do not exceed 15 cents per kilowatt-hour, plus

(B) the power costs which exceed 60 cents per kilowatt-hour; plus

(C) ~~the~~ one cent per kilowatt-hour for the fiscal year ending June 30, 1983, plus one cent per kilowatt-hour for each fiscal year thereafter.

New Section 14 Transition Provision

The Alaska Power Authority is authorized to continue accepting and making payment on claims from eligible utilities under the power production cost assistance program until it determines

(a) the utility has had sufficient time to apply for assistance under this act; and

(b) the Alaska Public Utilities Commission has had sufficient time to act upon such ~~an~~ an application; or

(c) the utility is not eligible for assistance under this act.



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman

Fred F. Zharoff, Co-Chairman

465-3715 MEMO: May 6, 1981

Route V

State Capitol

Juneau, Alaska 99811

TO: Rep. Terry Gardiner, co-chairman
Rep. Fred Zharoff, co-chairman
Members of the Committee

FROM: Bob Speed, A.A.

RE: Governor's requested amendments to HCS CSSSSB 25 (Res)

Attached are five amendments to HCS CSSSSB 25 (Resources) which Gov. Hammond has requested the Committee to consider for adoption by the Committee.

They are numbered separately, in order of position in the bill (Draft III). I have included short explanations of each one on the page of this memo on which each amendment appears.

A M E N D M E N T # 1

Page 2, line 24-29 (INVESTMENT OF FUND):

Section 44.83.430 is amended to read:

Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue shall invest money in the fund in accordance with AS 37.10.070 and 37.10.075. The Department of Revenue shall provide money in the fund to the authority after the amount of an expenditure for a project is determined.

This amendment deletes the requirement for Revenue to provide appropriations to APA at the beginning of the fiscal year, and instead requires funds to be disbursed only as costs are incurred.

###

A M E N D M E N T # 2

Page 3, lines 9-17 (ALLOTMENT TO PROJECTS):

Amending Sec. 44.83.440(b)

Delete all language after "fund shall be" to line 17; and in its place add the following:

"deposited in the general fund and may be annually appropriated to the fund by the legislature."

Subsection (b) would then read:

"(b) Income earned from investment of money appropriated to the fund shall be deposited in the general fund and may be annually appropriated to the fund by the legislature."

This amendment requires that income earned from investment of money appropriated to the Power Development Fund be appropriated annually by law, instead of being allotted to projects without appropriation.

##

A M E N D M E N T # 3

Page 4, line (REVENUE REQUIREMENTS):

Amend Section 44.83.470

On line 3

After "unless, add ", after conducting a feasibility study
under AS 44.83, " and continue with succeeding bill language.

On line 9:

delete "and"

On line 11:

change the period to a semi-colon, and add "and"

Following line 11:

add a new subsection (4), to read:

"(4) the rate of return specified in AS 44.83.490."

This amendment specifies that the authority must determine that a proposed project will provide revenue sufficient to cover certain specified expenses. It also requires that revenues be sufficient to guarantee the State's return on its investment under Subsec. 490.

####

A M E N D M E N T # 11

Page 4, line 18 (SALE OF POWER FROM POWER PROJECT):

Amending Sec. 44.83.490.

delete all of existing subsection 490 (a) and reletter existing subsection (b) as (a).

Starting on page 4, line 29, delete all of existing subsec. (b) (new subsec. (a)) following the words "power project."

A new sentence is then added after "power project." to read:

"The wholesale power rate shall be established as follows:"

On line 9:

change "may" to "shall"

on line 10-12:

delete all language after "which" and add in its place:

"provides annual revenue sufficient to pay

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

(B) debt service costs of the power project;

(C) safety inspections and investigations of the power project by the authority; and

(D) a rate of return on the amount invested in the power project by the authority of five percent."

(explanation follows next page)

(AMENDMENT #4, continued)....
(explanation only)

The first part of the amendment deleting subsection (a) deletes the APA's authority to set industrial rates.

The second part of the amendment requires the authority to establish wholesale rates necessary to provide a rate of return on the State's investment in projects in addition to meeting other costs such as operation and maintenance. The rate of return shall not be less than five percent annually from each project of the amount (adjusted annually for inflation) which is invested in the project before total production capacity exceeds 500 megawatts. The rate of return shall be not less than three percent annually from all projects of the amount (adjusted for inflation) invested, after total production capacity exceeds 500 megawatts.

The above deletes all reference to \$5 billion and preserves a rate of return on investment after 500 MW, but reduced from 5% to 3%. The revenues required from projects after 500 MW is no longer tied to funding of power production cost assistance.

####



Official Business

Alaska State Legislature

House of Representatives

Office of the Speaker

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Bob Speed
FROM: Peter Freer *PF*
DATE: May 11, 1981
RE: Technical Amendment to
HCS CSSSB 25 (Resources)

Add "E" below:

- (4) "qualified utility" means any of the following which the authority determines is capable of operating and maintaining a power project of the kind and magnitude which has been constructed or is to be constructed to provide power for a market area:
- (A) A corporation organized under the Alaska Non-Profit Corporation Act (AS 10.20);
 - (B) An electric cooperative organized under the Electric and Telephone Cooperative Act (AS 10.25);
 - (C) A public utility which generates, transmits, or distributes electrical service to the public;
 - (D) A regional electric authority (AS 18.57); or
 - (E) A private, for-profit utility (AS 42.05.701)

PF:jp



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

A M E N D M E N T

A new section is added to HCS CSSSSB 25 (Resources), providing intent that:

*Sec. ____ . Communities served by projects build under the
(1)
Power Development Fund shall cooperate with appropriate state agencies including, but not limited to, the Alaska Public Utilities Commission, the Alaska Power Authority, the Alaska Energy Center, the division of energy and power development in the Department of Commerce and Economic Development, and the division of business loans in the Department of Commerce and Economic Development, to implement cost-effective energy conservation measures for residences, commercial and public buildings, and industries;

(2) shall work with appropriate state agencies, including the division of energy and power development and the Alaska Energy Center, to develop comprehensive local and regional energy plans to develop a data base for future energy development and energy conservation based on energy end use including, but not limited to, electrical needs, space heating needs, utilization of waste heat, energy conservation and transportation fuel needs.



Alaska State Legislature

House of Representatives

Committee on Resources

Tony Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715 HCS CSSSSB 25 (Res)

Pouch V
State Capitol
Juneau, Alaska 99811

AMENDMENTS

1. Page 5, line 28. Add:

(e) annual costs of energy conservation programs, alternative energy systems, energy research and development.

2. Page 6, line 3 - 13 are amended to read:

(d) The legislature may appropriate to the authority the amount required under AS.85.470 from the amount collected under (b) (1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b) (1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production costs assistance fund and to pay the costs of energy conservation programs, alternative energy systems, energy research and development.

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 4-81-126

A RESOLUTION OF THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, URGING PASSAGE OF COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR SENATE BILL No. 25 (FINANCE) and AND COMMITTEE SUBSTITUTE FOR SENATE BILL No. 26 (FINANCE) BY THE STATE HOUSE OF REPRESENTATIVES.

WHEREAS, the Council of the City of Wrangell, Alaska, recognized the tremendously high cost of producing electricity by diesel generation and actively pursued Tyee Lake Hydroelectric Project through Thomas Bay Power Commission and Alaska Power Authority; and

WHEREAS, Senate Bill No. 25 and Senate Bill No. 26, which would provide the necessary funding for Tyee Lake Hydroelectric Project as well as other hydroelectric projects in Alaska, passed the Alaska State Senate with overwhelming support; and

WHEREAS, Senate Bill No. 25 and Senate Bill No. 26 have been held in the House Resources Committee since March 12, 1981, even though a majority of House members have indicated their support of the Senate versions of the Bills, which would provide consumers with an economical source of electric power; and

WHEREAS, the House Resource Committee Hearings held on Senate Bill No. 25 and Senate Bill No. 26 received outstanding support from residents and groups throughout Alaska.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, that the City of Wrangell supports the Senate versions of Senate Bill No. 25 and Senate Bill No. 26. Be it further resolved that the State House be urged to expedite passage of the Bills without committee substitutes that would dilute the long range benefite Alaska residents will receive in present form, as passed by the State Senate.

PASSED AND APPROVED: _____, APRIL 14, _____, 1981.

Robert G. D.

Mayor

ATTEST: *Jacqueline Sice*

City Clerk



City of Petersburg
P. O. Box 329
Petersburg, Alaska 99833

April 8, 1981

Representative Fred F. Zharoff
Pouch V
Juneau, Alaska 99811

Dear Representative Zharoff:

The City Council of the City of Petersburg, at their regular meeting of April 6, 1981, unanimously passed a motion in support of Senate Bill 25 and 26, as amended.

The City would like to go on record in support of these bills and urges the legislature to pass SB 25 and 26 establishing a power project development fund in the Alaska Power Authority and amending the Alaska Power Authority Act and making special appropriations to the Alaska Power Authority for energy projects and for the power production cost assistance program.

Sincerely,

Thomas H. Wood

Tom Wood, Acting Mayor
City of Petersburg

/plc

AMENDMENTS

BY VASKA

1. Page 5, lines 13 - 28 are amended to read:

(2) beginning July 1 of the first fiscal year following the date on which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a single wholesale power rate applicable to all power projects which it has acquired or constructed under the energy program for Alaska; the wholesale power rate shall ~~be~~^{be} computed by the authority annually, and shall ~~be~~^{return} not less than five percent of the amount which the authority has invested in the power project from the fund or the rate which the authority estimates is necessary to produce revenue which is sufficient to pay

(A) operation, maintenance, and equipment replacement costs of the power projects;

(B) debt service costs of the power projects;

(C) safety inspections and investigations of the power projects by the authority; and

(D) annual costs of the power production cost assistance program (AS 44.83.162).

whichever is greater.

2. Page 6, lines 3 - 13 are amended to read:

(d) The legislature may appropriate to the authority the amount required under AS 44.85.470 from the amount collected

under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production costs assistance fund and to pay the costs of energy conservation programs, alternative energy systems, energy research and development, and costs related to energy production and use, including but not limited to electricity, space heating and transportation.

###

Halford
proposal

POWER PRODUCTION ASSISTANCE FORMULA

Problem - existing scenario provides little or no incentive for utilities in the 15¢ - 40¢ cost range to hold utility costs down, particularly when most customers consumption level is below the subsidy ceiling. This incentive is currently provided because the subsidy is only applied to the production portion of the power cost to the consumer. The local consumer is the best watchdog for local level efficiency and incentive is needed to encourage efficiency.

Proposal - Subsidy based on the following formula:

Floor - 12¢, increasing 2¢ annually for inflation.

Subsidy provided on costs over 12¢.

Subsidy = 100% of cost or formula, whichever is lower.

Subsidy Formula - $110\% - (C-F) = \% \text{ Subsidy}$

C = cost in cents

F = Floor in cents

Example - Consumer Cost - 25¢

Floor Cost - 12¢

$110 - (25-12) = 97\% \text{ subsidy}$

EXPANSION

110% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0	100%	12¢
25	-12.6	97%	12.4¢
30	-16.6	92%	13.4¢
35	-20.1	87%	14.9¢
40	-23.0	82%	17.0¢
45	-25.4	77%	19.6¢
50	-27.4	72%	22.6¢
60	-29.8	62%	30.2¢

115% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0		12¢
25	-13.0		12¢
30	-17.5	97%	12.5¢
35	-21.2	92%	13.8¢
40	-24.4	87%	15.6¢
45	-27.1	82%	17.9¢
50	-29.3	77%	20.7¢
60	-29.8	67%	30.2¢

120% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-09.0		11¢
22	-11.0		11¢
25	-13.9		11.1¢
30	-18.4		11.6¢
35	-22.3	97%	12.7¢
40	-25.8	92%	14.2¢
45	-28.7	87%	16.3¢
50	-31.2	82%	18.8¢
60	-34.6	72%	25.4¢

A M E N D M E N T

AS 44.83.177 (a) and (b) are amended to read:

Sec. 44.83.177. Reconnaissance study. (a) To identify power project alternatives and energy needs and consumption patterns for a community, the authority shall, after consultation with other state agencies and after review of information on alternative sources of power, complete a reconnaissance study for each proposed new power project.

(b) A reconnaissance study shall

(1) survey all energy [power] sources available to the community and adjacent area and evaluate the relative economic merits of alternative sources of energy, including energy conservation and capture and utilization of waste energy as provided for in Sec. 170 (1) (B).

(A) for potential hydroelectric sites, the study shall include one-year data collection on water flow

(B) the study shall include one-year evaluation collection of data on wind speed, direction and other information valuable to development of wind generation.

(2) include an assessment of the total energy needs of the community, including but not limited to, electricity, space heating, and transportation fuels based on end use of the energy;

(3) include an assessment of the effect of the development of alternative sources of energy [power] on the environment so as to assure that there is no adverse effect to the environment which would make the project inadvisable;

(4) include public comment from residents of the community and adjacent areas.

(c) Remains the same as existing law.

(d) the authority shall consult with the division of energy and power development in the department of Commerce and Economic Development, and with the Alaska Energy Center of the Department of Administration to determine the information needed for their respective

purposes for energy planning and technology development, as part of the reconnaissance study.

(e) the reconnaissance study shall be part of the energy planning process leading to development of a comprehensive energy plan as provided for under AS 44.83.224.

*governors
amendments*

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-
7 ing the Alaska Power Authority Act, and providing for
8 the investment of money appropriated for power project
9 of the Alaska Power Authority; and providing for an
10 effective date."

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

12 * Section 1. AS 44.83 is amended by adding new sections to read:

13 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
15 Alaska is established. The program shall be administered by the author-
16 ity.

17 (b) The energy program for Alaska is a program by which the
18 authority may acquire or construct power projects with money appro-
19 priated by the legislature to the power development fund established in
20 AS 44.83.410. A power project may be acquired or constructed as part
21 of the energy program for Alaska only if the project is submitted to
22 and approved by the legislature in accordance with procedures set out
23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
25 development fund is established in the Alaska Power Authority to carry
26 out the purposes of the energy program for Alaska (AS 44.83.400 -
27 44.83.500).

28 (b) The fund includes

29 *(2)* all money appropriated to it by the legislature; *and*

1 ~~(2) interest earned by investment of money in the fund by~~
2 ~~the Department of Revenue.~~

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162)

11 (b) Money in the fund may be used under (a) of this section only
12 for a power project which

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate

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

19 (B) on coal or peat;

20 (C) on energy derived from waste heat from thermal
21 generating plants; or

22 (D) on fossil fuel if none of the other resources or
23 fuels listed in this subsection are economically feasible.

24 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue
25 shall invest ^{money in} ~~the balance of~~ the fund which exceeds the amount the
26 ~~authority determines is necessary to meet requirements of AS 44.83.420~~
27 ~~during the current fiscal year. An investment by the Department of~~
28 ~~Revenue under this subsection shall be made~~ in accordance with AS 37.-
29 10.070 and 37.10.075. *The Department of Revenue shall provide*

1 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
2 maintain records of power project allocations from the fund for each
3 power project

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

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

8 (b) Income earned from investment of money appropriated to the
9 fund shall be ~~deposited in the general fund and may be annually~~
10 ~~appropriated to the fund by the legislature.~~
~~appropriations have been made by law. The allotment shall be based on~~
11 ~~the amount of investment income earned during each state fiscal year~~
12 ~~during or after which the legislature appropriated money to the fund.~~
13 ~~An allotment of income under this subsection shall be made to each~~
14 ~~power project for which a specific appropriation has been made in~~
15 ~~proportion to the unexpended amount appropriated for that project as a~~
16 ~~percentage of the total amount appropriated by the legislature to the~~
17 ~~fund.~~

18 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
19 project designated by the legislature by law is not constructed, the
20 amount appropriated to it may be reappropriated to other power project
21 by the legislature.

22 (b) The legislature may reappropriate money under (a) of this
23 section only for a power project which is economically feasible under
24 AS 44.83.181(b) and only if the project will serve the market area that
25 would have been served by the power project designated by the legisla-
26 ture and not constructed.

27 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of
28 construction of a power project appropriations for the power project
29 exceed the amount required for construction of it, the excess lapses

(4) the rate of return specified in AS 44.83.490.

1 into the general fund.

2 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use
3 money in the fund for a power project unless, ^{after making a feasibility study under} the authority determines
4 that, after construction, operation of the power project will provide
5 revenue sufficient to cover

6 (1) operation, maintenance, and equipment replacement costs
7 of the power project;

8 (2) debt service costs associated with the power project;
9 ~~and~~

10 (3) the costs of safety inspections and investigations of
11 the power project by the authority; and

12 → Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project
13 which is acquired or constructed as part of the energy program for
14 Alaska is owned by the state and shall be administered by the authority

15 (b) When a power project has been acquired or constructed by the
16 authority, the project may be operated for the authority under a con-
17 tract between a qualified utility and the authority.

18 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. ~~(a) The~~
19 ~~authority shall sell power produced from power projects acquired or~~
20 ~~constructed under the energy program for Alaska. A utility which~~
21 ~~purchases power produced by a power project of the authority shall~~
22 ~~agree with the authority~~

23 ~~(1) to give preference in the sale of power at retail to all~~
24 ~~classes of consumers of power except industrial consumers;~~

25 ~~(2) to charge industrial consumers of power a rate determined~~
26 ~~by the authority in accordance with (d) of this section.~~

27 ^a
28 (b) The authority shall establish a wholesale power rate structure
29 applicable to sales of power to its customers at the busbar of the
power project. ~~If, by July 1, 1986, the legislature has not appro-~~

- costs of the power project;
- (B) debt service costs of the power ^{DRAFT} project;
- (C) safety inspections and investigations of the power project by the authority; and
- (D) a rate of return on the amount invested in the power project by the authority of five percent.

~~appropriated at least \$5,000,000,000 to the power development fund, the authority shall, beginning on that date, establish and maintain a wholesale power rate for each power project which rate will return to the authority, on an annual basis, 10 percent of the amount appropriated to the power development fund. In addition, the wholesale power rate shall be established as follows:~~

(1) until June 30 of the fiscal year in which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority ^{shall} ~~may~~ establish and maintain a wholesale power rate for each power project ^{provides annual revenue sufficient to pay} ~~which rate will return to the authority, on an annual basis, not less than five percent of the amount which the authority has invested in the power project from the fund;~~

(2) beginning July 1 of the first fiscal year following the date on which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a single wholesale power rate applicable to all power projects which it has acquired or constructed under the energy program for Alaska; the wholesale power rate shall be computed by the authority annually, and shall equal the rate which the authority estimates is necessary to produce revenue which is sufficient to pay

- (A) operation, maintenance, and equipment replacement costs of the power projects;
- (B) debt service costs of the power projects;
- (C) safety inspections and investigations of the power projects by the authority; and

(D) ^{a rate of return on all amounts invested in} ~~annual costs of the power production cost assistance~~ the power projects by the authority of three percent.

(d) The authority shall transmit the money which it receives from

The authority shall annually ^{Law} adjust the rate of return specified in (a)(1)(D) and (a)(2)(D) of this section according to changes in the consumer price index for the state compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for November 1980 is the reference base index.

sales of power at rates determined under (b) of this section to the commissioner of revenue for deposit in the state general fund.

~~(d) The legislature may appropriate to the authority an amount not to exceed five percent of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production cost assistance fund. The estimates of amounts required for each of the appropriations shall be provided to the governor in the budget submitted under AS 37.07.~~

~~(e) A rate for an industrial consumer under (e)(2) of this section (1) may exceed the wholesale power rate determined under (b) of this section; (2) may not be less than the rate charged residential consumers.~~

d (f) The legislature may, by law, annul or change the wholesale power rate for sales of power which the authority adopts under (b) of this section. (e) The authority shall estimate the appropriations necessary for the purposes specified in (a)(1)(A)-(C) or (a)(2)(A)-(C) of this section. The estimates required by this subsection shall be provided to the governor in the budget submitted under Sec. 44.83.500. DEFINITIONS. In AS 44.83.400 - 44.83.500,

- (1) "busbar" means the substation which serves as the delivery point from the generation and transmission system of the authority to the transmission and distribution system of the utility;
- (2) "fund" means the power development fund;
- (3) "industrial consumer" means a customer of a utility which customer has a peak power demand in excess of 500 kilowatts per month and uses the power principally for

- 1 ~~(A) manufacturing;~~
2 ~~(B) pipeline transportation;~~
3 ~~(C) the recovery or processing of minerals;~~
4 ~~(D) the processing of timber, agricultural, or seafood~~
5 ~~products or their by products, or~~
6 ~~(E) the operation of facilities owned by the federal~~
7 ~~government;~~

8 ³(4) "qualified utility" means any of the following which the
9 authority determines is capable of operating and maintaining a power
10 project of the kind and magnitude which has been constructed or is to
11 be constructed to provide power for a market area:

- 12 (A) a corporation organized under the Alaska Nonprofit
13 Corporation Act (AS 10.20);
14 (B) an electric cooperative organized under the Electric
15 and Telephone Cooperative Act (AS 10.25);
16 (C) a public utility which generates, transmits, or
17 distributes electrical service to the public; and
18 (D) a regional electrical authority (AS 18.57).

19 * Sec. 2. AS 44.83.030 is amended to read:

20 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
21 ity shall consist of the following directors:

22 (1) two [FOUR] directors at large to be appointed by the
23 governor and confirmed by the legislature;

24 (2) three persons appointed by the governor from among the
25 heads of the ^{state agencies} principal departments of the executive branch of the
26 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT

27 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
28 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
29 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AN

1 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

2 * Sec. 3. AS 44.83.040 is amended to read:

3 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
4 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
5 and may elect other officers they determine desirable. The powers of
6 the authority are vested in the directors, and three directors of the
7 authority constitute a quorum. Action may be taken and motions and
8 resolutions adopted by the authority at a meeting by the affirmative
9 vote of at least three directors. The directors of the authority serve
10 without compensation, but they shall receive the same travel pay and
11 per diem as provided by law for board members.

12 * Sec. 4. AS 44.83.045(a) is amended to read:

13 (a) The directors at large shall [MUST] be residents and qualified
14 voters of Alaska and shall comply with the requirements of AS 39.50
15 (conflict of interests). The directors at large shall serve over-
16 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
17 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

18 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
19 read:

20 (G) an appropriation for a power project acquired or
21 constructed under the energy program for Alaska (AS 44.83.400 -
22 44.83.500);

23 (H) appropriations for the power production cost assis-
24 tance fund (AS 44.83.162), and for operation and maintenance of
25 power projects developed under the energy program for Alaska
26 (AS 44.83.400 - 44.83.500).

27 * Sec. 6. AS 44.83.090(a) is amended to read:

28 (a) The authority shall, in addition to the other methods which
29 it may find advantageous, provide a method by which municipal electric

1 rural electric, cooperative electric, or private electric utilities and
2 regional electric authorities, or other persons authorized by law to
3 engage in the distribution of electricity may secure a reasonable share
4 of the power generated by a project, or any interest in a project, or
5 for any right to the power and shall sell the power or cause the power
6 to be sold at the lowest reasonable prices which cover the full cost of
7 the electricity or services, including capital and operating costs,
8 debt coverage as considered appropriate by the authority, and other
9 charges that may be authorized by this chapter. Except for a contract
10 entered into under AS 44.83.400 - AS 44.83.500, a [A] contract for the
11 sale, transmission and distribution of power generated by a project or
12 any right to the capacity of it shall provide:

13 (1) for payment of all operating and maintenance expenses of
14 a project and costs of renewals, replacements and improvements of it;

15 (2) for interest on and amortization charges sufficient to
16 retire bonds of the authority issued for the project and reserves for
17 them, plus a debt service coverage factor as may be determined by the
18 authority to be necessary for the marketability of its bonds;

19 (3) for monitoring of the project by the authority or its
20 agents;

21 (4) for full and complete disclosure to the authority of all
22 factors of cost in the transmission and distribution of power, so that
23 rates to any persons may be fixed initially in the contract and may be
24 adjusted from time to time on the basis of true cost data;

25 (5) for periodic revisions of the service and rates to
26 persons on the basis of accurate cost data obtained by the accounting
27 methods and systems approved by the directors and in furtherance and
28 effectuation of the policy declared in this chapter;

29 (6) for the cancellation and termination of a contract upon

1 violation of its terms by any person;

2 (7) for security for performance as the authority may con-
3 sider practicable and advisable, including provisions assuring the
4 continuance of the distribution and transmission of power generated by
5 a project and the use of its facilities for these purposes; and

6 (8) other terms not inconsistent with the provisions and
7 policy of this chapter as the authority may consider advisable.

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

9 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
10 FOR ALASKA. The authority shall borrow money and shall issue its bonds
11 on which the principal and interest are payable exclusively from money
12 derived from the power project financed with the proceeds of the bonds
13 for a power project financed under AS 44.83.400 - 44.83.500 from the
14 power development fund if

15 (1) appropriations to the power development fund for the
16 power project, and interest earned on those appropriations, are insuf-
17 ficient to cover the cost of acquiring or constructing the power
18 project; and

19 (2) the amount of interest which the authority will pay on
20 its bonds is not more than alternative costs of securing money to pay
21 for the acquisition or construction of the power project.

22 * Sec. 8. AS 44.83.181(b) is amended by adding a new paragraph to read:

23 (5) a recommendation as to whether the proposed project is
24 economically feasible; a power project is "economically feasible" if
25 the authority determines that the total costs of the power project are
26 cheaper for the estimated life of the project than other alternatives;
27 in making a determination of economic feasibility under this paragraph
28 the authority shall evaluate the estimated life of the power project
29 and its alternatives applying the following standard factors:

1 (A) a general inflation factor for construction and
2 operating costs ~~of seven percent annually;~~

3 (B) an interest rate ~~of 10 percent~~ for money borrowed
4 for the power project; and

5 (C) an escalation factor for measuring the comparative
6 cost of oil, gas or coal; ~~the rate to be applied for oil is 11~~
7 ~~percent annually, and the rate shall be applied to the fuel cost~~
8 on the date of determination of economic feasibility.

9 * Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

10 (5) invest and manage the balance of the power project
11 development fund in accordance with AS 44.83.430.

12 * Sec. 10. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
13 of all members of the Board of Directors of the Alaska Power Authority
14 serving on the effective date of this Act terminate on the effective date of
15 this Act.

16 (b) The governor shall appoint two members at large. When making his
17 appointments under this subsection, the governor shall specify the length of
18 the term of office of each member he appoints. Of the members at large first
19 appointed by the governor under this subsection,

20 (1) one member shall serve a two-year term;

21 (2) one member shall serve a four-year term.

22 * Sec. 11. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

Chenoweth /
5-11

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

House



BY THE RESOURCES COMMITTEE

1
2 IN THE SENATE

3 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-
8 ing the Alaska Power Authority Act, and providing for
9 the investment of money appropriated for power projects
10 of the Alaska Power Authority; and providing for an
11 effective date."

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

13 * Section 1. AS 44.83 is amended by adding new sections to read:

14 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

15 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
16 Alaska is established. The program shall be administered by the [Alaska
17 Power Authority.

18 (b) The energy program for Alaska is a program by which the
19 authority may acquire or construct power projects with money appro-
20 priated by the legislature to the power development fund established in
21 AS 44.83.410. A power project may be acquired or constructed as part
22 of the energy program for Alaska only if the project is submitted to
23 and approved by the legislature in accordance with procedures set out
24 in AS 44.83.177 - 44.83.185.]

25 [(c) The provisions of AS 36.10.010 - 36.10.125 apply to power
26 projects constructed by the authority under AS 44.83.400 - 44.83.510.]

27 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
28 development fund is established in the Alaska Power Authority to carry
29 out the purposes of the energy program for Alaska (AS 44.83.400 -
44.83.510).]

1 (b) The fund includes

2 (1) all money appropriated to it by the legislature; and

3 (2) interest earned by investment of money in the fund by
4 the Department of Revenue.

5 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
6 by the authority to provide money for

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

9 (2) the cost of a power project, including but not limited
10 to costs of acquiring necessary licenses, preparing engineering designs,
11 obtaining land, and constructing the power project; [and]

12 [(3) the defeasance of bonds, or the payment of debt service
13 on an issue of bonds sold in connection with a power project; and]

14 (4) the power production cost assistance fund (AS 44.83.162).

15 (b) Money in the fund may be used under (a) of this section only
16 for a power project which

17 (1) meets the revenue requirements of AS 44.83.470; and

18 (2) operates or will operate [using one or more of the follow-
19 ing:]

20 (A) [or] renewable energy resources, including but not
21 limited to hydroelectric power, wind, biomass, [geothermal,] tidal
22 or solar energy, or a method which uses temperature differentials
23 or other physical properties of the ocean;

24 (B) [or] coal or peat;

25 (C) [or] energy derived from waste heat from [the] thermal gener-
26 ating plants; or

27 (D) [or] fossil fuel if none of the other resources or fuels
28 listed in this subsection are economically feasible.

29 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue

1 shall invest ^{money in} ~~the balance of the fund which exceeds the amount the~~
 2 ~~authority determines is necessary to meet requirements of AS 44.83.420~~
 3 ~~during the current fiscal year. An investment by the Department of~~
 4 ~~Revenue under this subsection shall be made in accordance with AS 37.-~~
 5 10.070 and 37.10.075. ^{The Department of Revenue shall provide money in the}
 6 ~~A fund to the authority after a cost for a project is incurred~~

7 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
 8 maintain records of power project allocations from the fund for each
 9 power project

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

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

14 (b) Income earned from investment of money appropriated to the
 15 fund shall be ^{deposited in the general fund and may be annually appro-}
 16 ~~allotted by the authority to power projects for which~~
 17 ^{printed to the fund by the legislature.}
 18 ~~appropriations have been made by law. The allotment shall be based on~~
 19 ~~the amount of investment income earned during each state fiscal year~~
 20 ~~during or after which the legislature appropriated money to the fund.~~
 21 ~~An allotment of income under this subsection shall be made to each~~
 22 ~~power project for which a specific appropriation has been made in~~
 23 ~~proportion to the unexpended amount appropriated for that project as a~~
 24 ~~percentage of the total unexpended amount appropriated by the legis-~~
 25 ~~lature to the fund.~~

26 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
 27 project designated by the legislature by law is not constructed, the
 28 amount appropriated to it may be reappropriated to other power projects
 29 by the legislature.

(b) The legislature may reappropriate money under (a) of this
 section only for a power project which is economically feasible under
 AS 44.83.181(b) and only if the project will serve the market area that

1 would have been served by the power project designated by the legisla-
2 ture and not constructed.

3 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of
4 construction of a power project appropriations for the power project
5 exceed the amount required for construction of it, the excess lapses
6 into the general fund.

7 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use
8 money in the fund for a power project unless, ^{after making a feasibility study under AS 44.83.181,} the authority determines
9 that, after construction, operation of the power project will provide
10 revenue sufficient to cover ^{the requirements set out in AS 44.83.490.}

11 ~~(1) operation, maintenance, and equipment replacement costs~~
12 ~~of the power project;~~

13 ~~(2) debt service costs associated with the power project;~~
14 ~~and~~

15 ~~(3) the costs of safety inspections and investigations of~~
16 ~~the power project by the authority.~~

17 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project
18 which is acquired or constructed as part of the energy program for
19 Alaska is owned by the state and shall be administered by the authority.

20 (b) When a power project has been acquired or constructed by the
21 authority, the project may be operated for the authority under a con-
22 tract ^{between} [or lease entered into by] a qualified utility and the authority.

23 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The
24 authority shall sell power produced from power projects acquired or
25 constructed under the energy program for Alaska. A utility which
26 purchases power produced by a power project of the authority shall
27 agree with the authority

28 (1) to give preference in the sale of power at retail to all
29 classes of consumers of power except industrial consumers;

1 (2) to charge industrial consumers of power a rate determined
2 by the authority in accordance with (d) of this section.

3 (b) The authority shall establish a wholesale power rate structure
4 applicable to sales of power to its customers at the busbar of the
5 power project as follows:

6 [(1)] If, by July 1, 1986, the legislature has not appro-
7 priated at least \$5,000,000,000 to the power development fund, the
8 authority shall, beginning on that date, establish and maintain a
9 wholesale power rate for each power project which rate will return to
10 the authority on an annual basis, 10 percent of the amount appropriated
11 to the power development fund [for each project.] [In addition,]

12 [(1)] [(2)] After the effective date of this Act and] until June 30
13 of the fiscal year in which the production capacity of all power pro-
14 jects acquired or constructed by the authority under the energy program
15 for Alaska exceeds 500 megawatts, the authority shall establish and
16 maintain a wholesale power rate for each power project which rate will
17 return to the authority, on an annual basis, not less than five percent
18 of the amount which the authority has invested in the power project
19 from the fund [for each project, including loans and grants made by the
20 state.] ;]

21 [(2)] [(3)] Beginning July 1 of the first fiscal year following the
22 date on which the production capacity of all power projects acquired or
23 constructed by the authority under the energy program for Alaska exceeds
24 500 megawatts, the authority shall establish and maintain a single
25 wholesale power rate applicable to all power projects which it has
26 acquired or constructed under the energy program for Alaska; the whole-
27 sale power rate shall be computed by the authority annually, and shall
28 equal the rate which the authority estimates is necessary to produce
29 revenue which is sufficient to pay the greater of:

(A) an annual return in the state of not less than five percent of the amount which the authority has spent from the fund for all projects;
 or
 (B) an amount equal to the sum of;

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- (A) operation, maintenance, and equipment replacement costs of the power projects;
- (B) debt service costs of the power projects;
- (C) safety inspections and investigations of the power projects by the authority; and
- (D) annual costs of the power production cost assistance program (AS 44.83.162).

(c) The authority shall transmit the money which it receives from sales of power at rates determined under (b) of this section to the commissioner of revenue for deposit in the state general fund.

(d) [From the amount collected under (b)(2) and (3) of this section which the commissioner of revenue estimates will be deposited into the general fund,] ^{can} the legislature may appropriate to the authority [the amount ^{not to exceed five percent of the amount determined under (b)(1) and (2) which the commissioner of revenue estimates will be deposited in the general fund for paying} of operating and maintaining power projects which it acquired or constructed as part of ^{costs} the energy program for Alaska. The balance of the amount ^[determined] collected under (b) ^[(1)] [(2)] and ^[(2)] [(3)] of this section ^[which] [and estimated by] the commissioner of revenue ^[estimated will] [to] be deposited into the general fund may be appropriated by the legislature to the power production cost assistance fund. The estimates of amounts required for each of the appropriations shall be provided to the governor in the budget submitted under AS 37.07.

- (e) A rate for an industrial consumer under (a)(2) of this section
 - (1) may exceed the wholesale power rate determined under (b) of this section;
 - (2) may not be less than the rate charged residential consumers.

(f) The legislature may, by law, annul or change the wholesale power rate for sales of power which the authority adopts under (b) of this section.

1 Sec. 44.83.500. [ENERGY CONSERVATION. The authority shall ensure

2 (1) that communities served by energy projects built from
3 amounts appropriated to the power development fund implement cost-effec-
4 tive energy conservation measures for residences, commercial and public
5 buildings, and industries; and

6 (2) that communities shall fulfill their responsibilities
7 under (1) of this section by cooperating with state agencies concerned
8 with development and conservation of energy, including but not limited
9 to

10 (A) the Alaska Public Utilities Commission;

11 (B) the Alaska Energy Center;

12 (C) the division of energy and power development,
13 Department of Commerce and Economic Development; and

14 (D) the division of business loans, Department of
15 Commerce and Economic Development.

16 Sec. 44.83.510.] DEFINITIONS. In AS 44.83.400 - 44.83.510,

17 (1) "busbar" means the substation which serves as the de-
18 livery point from the generation and transmission system of the author-
19 ity to the transmission and distribution system of the utility;

20 (2) "fund" means the power development fund;

21 (3) "industrial consumer" means a customer of a utility
22 which customer has a peak power demand in excess of 500 kilowatts per
23 month and uses the power principally for

24 (A) manufacturing;

25 (B) pipeline transportation;

26 (C) the recovery or processing of minerals;

27 (D) the processing of timber, agricultural, or seafood
28 products or their by-products; or

29 (E) the operation of facilities owned by the federal

1 government;

2 (4) "qualified utility" means any of the following which the
3 authority determines is capable of operating and maintaining a power
4 project of the kind and magnitude which has been constructed or is to
5 be constructed to provide power for a market area:

6 (A) a corporation organized under the Alaska Nonprofit
7 Corporation Act (AS 10.20);

8 (B) an electric cooperative organized under the Electric
9 and Telephone Cooperative Act (AS 10.25);

10 (C) a public utility which generates, transmits, or
11 distributes electrical service to the public; and

12 (D) a regional electrical authority (AS 19.57).

13 * Sec. 2. AS 44.83.030 is amended to read:

14 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
15 ity shall consist of the following directors:

16 (1) two [FOUR] directors at large to be appointed by the
17 governor and confirmed by the legislature;

18 (2) three persons appointed by the governor from among the
19 heads of ^{state agencies} ~~the principal departments~~ of the executive branch of the
20 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

21 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
22 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
23 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND
24 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

25 * Sec. 3. AS 44.83.040 is amended to read:

26 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
27 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
28 and may elect other officers they determine desirable. The powers of
29 the authority are vested in the directors, and three directors of the

1 authority constitute a quorum. Action may be taken and motions and
2 resolutions adopted by the authority at a meeting by the affirmative
3 vote of at least three directors. The directors of the authority serve
4 without compensation, but they shall receive the same travel pay and
5 per diem as provided by law for board members.

6 * Sec. 4. AS 44.83.045(a) is amended to read:

7 (a) The directors at large shall [MUST] be residents and qualified
8 voters of Alaska and shall comply with the requirements of AS 39.50
9 (conflict of interests). The directors at large shall serve over-
10 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
11 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

12 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
13 read:

14 (G) an appropriation for a power project acquired or
15 constructed under the energy program for Alaska (AS 44.83.400 -
16 44.83.^[500][510]);

17 (H) appropriations for the power production cost assis-
18 tance fund (AS 44.83.162), and for operation and maintenance of
19 power projects developed under the energy program for Alaska
20 (AS 44.83.400 - 44.83.^[500][510]).

21 * Sec. 6. AS 44.83.090(c) is amended to read:

22 (a) The authority shall, in addition to the other methods which
23 it may find advantageous, provide a method by which municipal electric,
24 rural electric, cooperative electric, or private electric utilities and
25 regional electric authorities, or other persons authorized by law to
26 engage in the distribution of electricity may secure a reasonable share
27 of the power generated by a project, or any interest in a project, or
28 for any right to the power and shall sell the power or cause the power
29 to be sold at the lowest reasonable prices which cover the full cost of

1 the electricity or services, including capital and operating costs,
2 debt coverage as considered appropriate by the authority, and other
3 charges that may be authorized by this chapter. Except for a contract
4 entered into under AS 44.83.400 - AS 44.83.510, a [A] contract for the
5 sale, transmission and distribution of power generated by a project or
6 any right to the capacity of it shall provide:

7 (1) for payment of all operating and maintenance expenses of
8 a project and costs of renewals, replacements and improvements of it;

9 (2) for interest on and amortization charges sufficient to
10 retire bonds of the authority issued for the project and reserves for
11 them, plus a debt service coverage factor as may be determined by the
12 authority to be necessary for the marketability of its bonds;

13 (3) for monitoring of the project by the authority or its
14 agents;

15 (4) for full and complete disclosure to the authority of all
16 factors of cost in the transmission and distribution of power, so that
17 rates to any persons may be fixed initially in the contract and may be
18 adjusted from time to time on the basis of true cost data;

19 (5) for periodic revisions of the service and rates to
20 persons on the basis of accurate cost data obtained by the accounting
21 methods and systems approved by the directors and in furtherance and
22 effectuation of the policy declared in this chapter;

23 (6) for the cancellation and termination of a contract upon
24 violation of its terms by any person;

25 (7) for security for performance as the authority may con-
26 sider practicable and advisable, including provisions assuring the
27 continuance of the distribution and transmission of power generated by
28 a project and the use of its facilities for these purposes; and

29 (8) other terms not inconsistent with the provisions and

1 policy of this chapter as the authority may consider advisable.

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

3 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
4 FOR ALASKA. The authority shall borrow money and shall issue its bonds
5 on which the principal and interest are payable exclusively from money
6 derived from the power project financed with the proceeds of the bonds
7 for a power project financed under AS 44.83.400 - 44.83.510 from the
8 power development fund if

9 (1) appropriations to the power development fund for the
10 power project, and interest earned on those appropriations, are insuf-
11 ficient to cover the cost of acquiring or constructing the power
12 project; and

13 (2) the amount of interest which the authority will pay on
14 its bonds is not more than alternative costs of securing money to pay
15 for the acquisition or construction of the power project.

16 [* 8 (AS 44.83.181(b)) was crossed out]
* Sec. 8. AS 44.83.177(a) is amended to read:

17 (a) To identify power project alternatives and energy needs and
18 consumption patterns for a community, the authority shall, after
19 consultation with other state agencies and after review of information
20 on alternative sources of power, complete a reconnaissance study for
21 each proposed new power project.

22 * Sec. 9. AS 44.83.177(b) is repealed and reenacted to read:

23 (b) A reconnaissance study shall

24 (1) survey all energy sources available to the community and
25 adjacent area and evaluate the relative economic merits of alternative
26 sources of energy, including energy conservation and capture and
27 utilization of waste energy as provided for in AS 44.83.170(b)(1); if
28 the study surveys

29 (A) potential hydroelectric sites, the study shall

all new

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include one-year data collection on water flow;

(B) wind energy, the study shall include a one-year collection and evaluation of data on wind speed, direction, and other information valuable to development of wind generation;

(2) include an assessment of the total energy needs of the community, including but not limited to, electricity, space heating, and transportation fuels based on the nature and amount of energy use and the purpose of its use;

(3) include an assessment of the effect of the development of alternative sources of energy on the environment so as to assure that there is no adverse effect to the environment which would make the project inadvisable;

(4) include public comment from residents of the community and adjacent areas.

* Sec. 10. AS 44.83.177 is amended by adding a new subsection to read:

(d) In completing a reconnaissance study, the authority shall consult with the division of energy and power development in the Department of Commerce and Economic Development, and with the Alaska Energy Center to determine the information which each may require for energy planning and the development of technology.

* Sec. 11. AS 44.83.224 is amended by adding a new subsection to read:

(b) Each reconnaissance study completed in accordance with AS 44.83.177 shall become part of the long-term energy plan provided for under (a) of this section.

* Sec. 12. AS 44.25.020 is amended by adding a new paragraph to read:

(5) invest and manage the balance of the power project development fund in accordance with AS 44.83.430.

* Sec. 13. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office of all members of the Board of Directors of the Alaska Power Authority

1 serving on the effective date of this Act terminate on the effective date of
2 this Act.

3 (b) The governor shall appoint two ^[members] directors of the Ala. Power
4 Authority] at large. When making his appointments under this subsection, the
5 governor shall specify the length of the term of office of each member he
6 appoints. Of the members at large first appointed by the governor under
7 this subsection,

8 (1) one member shall serve a two-year term;

9 (2) one member shall serve a four-year term.

10 * Sec. 14. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

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DRAFT II

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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7 ing the Alaska Power Authority Act, and providing for
8 the investment of money appropriated for power project
9 of the Alaska Power Authority; and providing for an
10 effective date."

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14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
15 Alaska is established. The program shall be administered by the author
16 ity.

17 (b) The energy program for Alaska is a program by which the
18 authority may acquire or construct power projects with money appro-
19 priated by the legislature to the power development fund established in
20 AS 44.83.410. A power project may be acquired or constructed as part
21 of the energy program for Alaska only if the project is submitted to
22 and approved by the legislature in accordance with procedures set out
23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
25 development fund is established in the Alaska Power Authority to carry
26 out the purposes of the energy program for Alaska (AS 44.83.400 -
27 44.83.500).

28 (b) The fund includes

29 (1) all money appropriated to it by the legislature; and

1 (2) interest earned by investment of money in the fund by
2 the Department of Revenue.

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162).

11 (b) Money in the fund may be used under (a) of this section only
12 for a power project which

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate

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

19 (B) on coal or peat if the authority determines that

20 (i) the source of the fuel for the project is
21 abundant; and

22 (ii) renewable energy resources to produce power
23 for the market area of the power project are not available or
24 are not economically feasible,

25 (C) on energy derived from waste heat from thermal
26 generating plants; or

27 (D) on fossil fuel if none of the other resources or
28 fuels listed in this subsection are economically feasible.

29 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue

1 shall invest the balance of the fund which exceeds the amount the
2 authority determines is necessary to meet requirements of AS 44.83.420
3 during the current fiscal year. An investment by the Department of
4 Revenue under this subsection shall be made in accordance with AS 37.-
5 10.070 and 37.10.075.

6 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
7 maintain records of power project allocations from the fund for each
8 power project

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

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

13 (b) Income earned from investment of money appropriated to the
14 fund shall be allotted by the authority to power projects for which
15 appropriations have been made by law. The allotment shall be based on
16 the amount of investment income earned during each state fiscal year
17 during or after which the legislature appropriated money to the fund.
18 An allotment of income under this subsection shall be made to each
19 power project for which a specific appropriation has been made in
20 proportion to the unexpended amount appropriated for that project as a
21 percentage of the total amount appropriated by the legislature to the
22 fund.

23 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
24 project designated by the legislature by law is not constructed, the
25 amount appropriated to it may be reappropriated to other power projects
26 by the legislature.

27 (b) The legislature may reappropriate money under (a) of this
28 section only for a power project which is economically feasible under
29 AS 44.83.181(b) and only if the project will serve the market area that

1 would have been served by the power project designated by the legisla-
2 ture and not constructed.

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4 construction of a power project appropriations for the power project
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20 (b) When a power project has been acquired or constructed by the
21 authority, the project may be operated for the authority under a con-
22 tract between a qualified utility and the authority.

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24 authority shall sell power produced from power projects acquired or
25 constructed under the energy program for Alaska. A utility which
26 purchases power produced by a power project of the authority shall
27 agree with the authority

28 (1) to give preference in the sale of power at retail to all
29 classes of consumers of power except industrial consumers;

1 (2) to charge industrial consumers of power a rate determined
2 by the authority in accordance with (d) of this section.

3 (b) The authority shall establish a wholesale power rate structure
4 applicable to sales of power to its customers at the busbar of the
5 power project as follows:

6 (1) If, by July 1, 1986, the legislature has not appropriated
7 at least \$5,000,000,000 to the power development fund, the authority
8 shall, beginning on that date, establish and maintain a wholesale power
9 rate for each power project which rate will return to the authority, on
10 an annual basis, 10 percent of the amount appropriated to the power
11 development fund.

12 (2) If, by July 1, 1986, the legislature has appropriated at
13 least \$5,000,000,000 to the power development fund,

14 (A) until June 30 of the fiscal year in which the
15 production capacity of all power projects acquired or constructed
16 by the authority under the energy program for Alaska exceeds 500
17 megawatts, the authority may establish and maintain a wholesale
18 power rate for each power project which rate will return to the
19 authority, on an annual basis, not less than five percent of the
20 amount which the authority has invested in the power project from
21 the fund;

22 (B) beginning July 1 of the first fiscal year following
23 the date on which the production capacity of all power projects
24 acquired or constructed by the authority under the energy program
25 for Alaska exceeds 500 megawatts, the authority shall establish
26 and maintain a single wholesale power rate applicable to all power
27 projects which it has acquired or constructed under the energy
28 program for Alaska; the wholesale power rate shall be computed by
29 the authority annually, and shall equal the rate which the author-

1 ity estimates is necessary to produce revenue which is sufficient
2 to pay

3 (i) operation, maintenance, and equipment replace-
4 ment costs of the power projects;

5 (ii) debt service costs of the power projects;

6 (iii) safety inspections and investigations of the
7 power projects by the authority; and

8 (iv) annual costs of the power production cost
9 assistance program (AS 44.83.162).

10 (c) The authority shall transmit the revenues which exceed actual
11 expenditures for operation, maintenance, equipment costs, and debt
12 service costs of the power projects to the commissioner of revenue for
13 deposit in the state general fund. The commissioner of revenue shall
14 estimate the annual deposits into the general fund under this sub-
15 section, and that revenue is available to the legislature for appro-
16 priation to the authority for safety inspections and investigations of
17 the power projects and for annual costs of the the power production
18 cost assistance program.

19 (d) A rate for an industrial consumer under (a)(2) of this
20 section

21 (1) may exceed the wholesale power rate determined under (b)
22 of this section;

23 (2) may not be less than the rate charged residential con-
24 sumers.

25 (e) The legislature may, by law, annul or change the wholesale
26 power rate for sales of power which the authority adopts under (b) of
27 this section.

28 Sec. 44.83.500. DEFINITIONS. In AS 44.83.400 - 44.83.500,

29 (1) "busbar" means the substation which serves as the de-

1 livery point from the generation and transmission system of the
2 authority to the transmission and distribution system of the utility;

3 (2) "fund" means the power development fund;

4 (3) "industrial consumer" means a customer of a utility
5 which customer has a peak power demand in excess of 500 kilowatts per
6 month and uses the power principally for

7 (A) manufacturing;

8 (B) pipeline transportation;

9 (C) the recovery or processing of minerals;

10 (D) the processing of timber, agricultural, or seafood
11 products or their by-products; or

12 (E) the operation of facilities owned by the federal
13 government;

14 (4) "qualified utility" means any of the following which the
15 authority determines is capable of operating and maintaining a power
16 project of the kind and magnitude which has been constructed or is to
17 be constructed to provide power for a market area:

18 (A) a corporation organized under the Alaska Nonprofit
19 Corporation Act (AS 10.20);

20 (B) an electric cooperative organized under the Electric
21 and Telephone Cooperative Act (AS 10.25);

22 (C) a public utility which generates, transmits, or
23 distributes electrical service to the public; and

24 (D) a regional electrical authority (AS 18.57).

25 * Sec. 2. AS 44.83.030 is amended to read:

26 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
27 ity shall consist of the following directors:

28 (1) two [FOUR] directors at large to be appointed by the
29 governor and confirmed by the legislature;

1 (2) three persons appointed by the governor from among the
2 heads of the principal departments of the executive branch of the
3 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

4 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
5 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
6 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND
7 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

8 * Sec. 3. AS 44.83.040 is amended to read:

9 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
10 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
11 and may elect other officers they determine desirable. The powers of
12 the authority are vested in the directors, and three directors of the
13 authority constitute a quorum. Action may be taken and motions and
14 resolutions adopted by the authority at a meeting by the affirmative
15 vote of at least three directors. The directors of the authority serve
16 without compensation, but they shall receive the same travel pay and
17 per diem as provided by law for board members.

18 * Sec. 4. AS 44.83.045(a) is amended to read:

19 (a) The directors at large shall [MUST] be residents and qualified
20 voters of Alaska and shall comply with the requirements of AS 39.50
21 (conflict of interests). The directors at large shall serve over-
22 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
23 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

24 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
25 read:

26 (G) an appropriation for a power project acquired or
27 constructed under the energy program for Alaska (AS 44.83.400 -
28 44.83.500);

29 (H) appropriations for the power production cost assis-

1 tance fund (AS 44.83.162), and for operation and maintenance of
2 power projects developed under the energy program for Alaska
3 (AS 44.83.400 - 44.83.500).

4 * Sec. 6. AS 44.83.090(a) is amended to read:

5 (a) The authority shall, in addition to the other methods which
6 it may find advantageous, provide a method by which municipal electric,
7 rural electric, cooperative electric, or private electric utilities and
8 regional electric authorities, or other persons authorized by law to
9 engage in the distribution of electricity may secure a reasonable share
10 of the power generated by a project, or any interest in a project, or
11 for any right to the power and shall sell the power or cause the power
12 to be sold at the lowest reasonable prices which cover the full cost of
13 the electricity or services, including capital and operating costs,
14 debt coverage as considered appropriate by the authority, and other
15 charges that may be authorized by this chapter. Except for a contract
16 entered into under AS 44.83.400 - AS 44.83.500, a [A] contract for the
17 sale, transmission and distribution of power generated by a project or
18 any right to the capacity of it shall provide:

19 (1) for payment of all operating and maintenance expenses of
20 a project and costs of renewals, replacements and improvements of it;

21 (2) for interest on and amortization charges sufficient to
22 retire bonds of the authority issued for the project and reserves for
23 them, plus a debt service coverage factor as may be determined by the
24 authority to be necessary for the marketability of its bonds;

25 (3) for monitoring of the project by the authority or its
26 agents;

27 (4) for full and complete disclosure to the authority of all
28 factors of cost in the transmission and distribution of power, so that
29 rates to any persons may be fixed initially in the contract and may be

1 adjusted from time to time on the basis of true cost data;

2 (5) for periodic revisions of the service and rates to
3 persons on the basis of accurate cost data obtained by the accounting
4 methods and systems approved by the directors and in furtherance and
5 effectuation of the policy declared in this chapter;

6 (6) for the cancellation and termination of a contract upon
7 violation of its terms by any person;

8 (7) for security for performance as the authority may con-
9 sider practicable and advisable, including provisions assuring the
10 continuance of the distribution and transmission of power generated by
11 a project and the use of its facilities for these purposes; and

12 (8) other terms not inconsistent with the provisions and
13 policy of this chapter as the authority may consider advisable.

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

15 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
16 FOR ALASKA. The authority shall borrow money and shall issue its bonds
17 on which the principal and interest are payable exclusively from money
18 derived from the power project financed with the proceeds of the bonds
19 for a power project financed under AS 44.83.400 - 44.83.500 from the
20 power development fund if

21 (1) appropriations to the power development fund for the
22 power project, and interest earned on those appropriations, are insuf-
23 ficient to cover the cost of acquiring or constructing the power
24 project; and

25 (2) the amount of interest which the authority will pay on
26 its bonds is not more than alternative costs of securing money to pay
27 for the acquisition or construction of the power project.

28 * Sec. 8. AS 44.83.181(b) is amended by adding a new paragraph to read:

29 (5) a recommendation as to whether the proposed project is

1 economically feasible; a power project is "economically feasible" if
2 the authority determines that the total costs of the power project are
3 cheaper for the estimated life of the project than other alternatives;
4 in making a determination of economic feasibility under this paragraph,
5 the authority shall evaluate the estimated life of the power project
6 and its alternatives applying the following standard factors:

7 (A) a general inflation factor for construction and
8 operating costs of seven percent annually;

9 (B) an interest rate of 10 percent for money borrowed
10 for the power project; and

11 (C) an escalation factor for measuring the comparative
12 cost of oil, gas or coal; the rate to be applied for oil is 11
13 percent annually, and the rate shall be applied to the fuel cost
14 on the date of determination of economic feasibility.

15 * Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

16 (5) invest and manage the balance of the power project
17 development fund in accordance with AS 44.83.430.

18 * Sec. 10. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
19 of all members of the Board of Directors of the Alaska Power Authority
20 serving on the effective date of this Act terminate on the effective date of
21 this Act.

22 (b) The governor shall appoint two members at large. When making his
23 appointments under this subsection, the governor shall specify the length of
24 the term of office of each member he appoints. Of the members at large first
25 appointed by the governor under this subsection,

26 (1) one member shall serve a two-year term;

27 (2) one member shall serve a four-year term.

28 * Sec. 11. This Act takes effect immediately in accordance with AS 01.-
29 10.070(c).

DRAFT III

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

1 IN THE SENATE BY THE RESOURCES COMMITTEE
 2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 TWELFTH LEGISLATURE - FIRST SESSION
 5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-
 7 ing the Alaska Power Authority Act, and providing for
 8 the investment of money appropriated for power projects
 9 of the Alaska Power Authority; and providing for an
 10 effective date."

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

12 * Section 1. AS 44.83 is amended by adding new sections to read:

13 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
 15 Alaska is established. The program shall be administered by the author-
 16 ity.

17 (b) The energy program for Alaska is a program by which the
 18 authority may acquire or construct power projects with money appro-
 19 priated by the legislature to the power development fund established in
 20 AS 44.83.410. A power project may be acquired or constructed as part
 21 of the energy program for Alaska only if the project is submitted to
 22 and approved by the legislature in accordance with procedures set out
 23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
 25 development fund is established in the Alaska Power Authority to carry
 26 out the purposes of the energy program for Alaska (AS 44.83.400 -
 27 44.83.500).

28 (b) The fund includes

29 (1) all money appropriated to it by the legislature; and

1 (2) interest earned by investment of money in the fund by
2 the Department of Revenue.

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162).

11 (b) Money in the fund may be used under (a) of this section only
12 for a power project which

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate on one or more of the following. ^{am # 3}

15 (A) on renewable energy resources, including but not
16 limited to hydroelectric power, wind, biomass, ^{geo-thermal, am # 2} tidal or solar
17 energy, or a method which uses temperature differentials or other
18 physical properties of the ocean;

19 (B) on coal ~~or~~ peat; or wood ^{# 4}

20 (C) on energy derived from waste heat from thermal
21 generating plants; or

22 (D) on fossil fuel if none of the other resources or
23 fuels listed in this subsection are economically ^{and financially am # 1} feasible.

24 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue
25 shall invest the balance of the fund which exceeds the amount the
26 authority determines is necessary to meet requirements of AS 44.83.420
27 during the current fiscal year. An investment by the Department of
28 Revenue under this subsection shall be made in accordance with AS 37.-
29 10.070 and 37.10.075.

1 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
2 maintain records of power project allocations from the fund for each
3 power project

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

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

8 (b) Income earned from investment of money appropriated to the
9 fund shall be allotted by the authority to power projects for which,
10 appropriations have been made by law. The allotment shall be based on
11 the amount of investment income earned during each state fiscal year
12 during or after which the legislature appropriated money to the fund.
13 An allotment of income under this subsection shall be made to each
14 power project for which a specific appropriation has been made in
15 proportion to the unexpended amount appropriated for that project as a
16 percentage of the total amount ^{unexpended} appropriated by the legislature to the
17 fund.

18 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
19 project designated by the legislature by law is not constructed, the
20 amount appropriated to it may be reappropriated to other power projects
21 by the legislature.

22 (b) The legislature may reappropriate money under (a) of this
23 section only for a power project which is economically feasible under
24 AS 44.83.181(b) and only if the project will serve the market area that
25 would have been served by the power project designated by the legisla-
26 ture and not constructed.

27 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of
28 construction of a power project appropriations for the power project
29 exceed the amount required for construction of it, the excess lapses

1 into the general fund.

2 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use
3 money in the fund for a power project unless the authority determines
4 that, after construction, operation of the power project will provide
5 revenue sufficient to cover

6 (1) operation, maintenance, and equipment replacement costs
7 of the power project;

8 (2) debt service costs associated with the power project;
9 and

10 (3) the costs of safety inspections and investigations of
11 the power project by the authority.

12 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project
13 which is acquired or constructed as part of the energy program for
14 Alaska is owned by the state and shall be administered by the authority.

15 (b) When a power project has been acquired or constructed by the
16 authority, the project may be operated for the authority under a con-
17 tract between a qualified utility and the authority.

18 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The
19 authority shall sell power produced from power projects acquired or
20 constructed under the energy program for Alaska. A utility which
21 purchases power produced by a power project of the authority shall
22 agree with the authority

23 (1) to give preference in the sale of power at retail to all
24 classes of consumers of power except industrial consumers;

25 (2) to charge industrial consumers of power a rate determined
26 by the authority in accordance with (d) of this section.

27 (b) The authority shall establish a wholesale power rate structure
28 applicable to sales of power to its customers at the busbar of the
29 power project. If, by July 1, 1986, the legislature has not appro-

1 priated at least \$5,000,000,000 to the power development fund, the
2 authority shall, beginning on that date, establish and maintain a
3 wholesale power rate for each power project which rate will return to
4 the authority, on an annual basis, 10 percent of the amount appropriated
5 to the power development fund. In addition, *for each project including loans and grants made by the state*

6 (1) until June 30 of the fiscal year in which the production
7 capacity of all power projects acquired or constructed by the authority
8 under the energy program for Alaska exceeds 500 megawatts, the authority
9 *shall* may establish and maintain a wholesale power rate for each power project
10 which rate will return to the authority, on an annual basis, not less
11 than five percent of the amount which the authority has invested in the
12 power project from the fund; *for each project including loans and grants made by the state*

13 (2) beginning July 1 of the first fiscal year following the
14 date on which the production capacity of all power projects acquired or
15 constructed by the authority under the energy program for Alaska exceeds
16 500 megawatts, the authority shall establish and maintain a single
17 wholesale power rate applicable to all power projects which it has
18 acquired or constructed under the energy program for Alaska; the whole-
19 sale power rate shall be computed by the authority annually, and shall
20 equal the rate which the authority estimates is necessary to produce
21 revenue which is sufficient to pay

22 (A) operation, maintenance, and equipment replacement
23 costs of the power projects;

24 (B) debt service costs of the power projects;

25 (C) safety inspections and investigations of the power
26 projects by the authority; and

27 (D) annual costs of the power production cost assistance
28 program (AS 44.83.162).

29 (c) The authority shall transmit the money which it receives from

1 sales of power at rates determined under (b) of this section to the
2 commissioner of revenue for deposit in the state general fund.

3 (d) The legislature may appropriate to the authority an amount
4 to exceed five percent of the amount determined under (b)(1) and
5 (2) of this section which the commissioner of revenue estimates will be
6 deposited into the general fund for paying costs of operating and main-
7 taining power projects which it acquired or constructed as part of the
8 energy program for Alaska. The balance of the amount determined under
9 (b)(1) and (2) of this section which the commissioner of revenue esti-
10 mates will be deposited into the general fund may be appropriated by
11 the legislature to the power production cost assistance fund. The
12 estimates of amounts required for each of the appropriations shall be
13 provided to the governor in the budget submitted under AS 37.07.

14 (e) A rate for an industrial consumer under (a)(2) of this section

15 (1) may exceed the wholesale power rate determined under (b)
16 of this section;

17 (2) may not be less than the rate charged residential con-
18 sumers.

19 (f) The legislature may, by law, annul or change the wholesale
20 power rate for sales of power which the authority adopts under (b) of
21 this section.

22 Sec. 44.33.500. DEFINITIONS. In AS 44.83.400 - 44.83.500,

23 (1) "busbar" means the substation which serves as the de-
24 livery point from the generation and transmission system of the author-
25 ity to the transmission and distribution system of the utility;

26 (2) "fund" means the power development fund;

27 (3) "industrial consumer" means a customer of a utility
28 which customer has a peak power demand in excess of 500 kilowatts per
29 month and uses the power principally for

- 1 (A) manufacturing;
2 (B) pipeline transportation;
3 (C) the recovery or processing of minerals;
4 (D) the processing of timber, agricultural, or seafood
5 products or their by-products; or
6 (E) the operation of facilities owned by the federal
7 government;

8 (4) "qualified utility" means any of the following which the
9 authority determines is capable of operating and maintaining a power
10 project of the kind and magnitude which has been constructed or is to
11 be constructed to provide power for a market area:

- 12 (A) a corporation organized under the Alaska Nonprofit
13 Corporation Act (AS 10.20);
14 (B) an electric cooperative organized under the Electric
15 and Telephone Cooperative Act (AS 10.25);
16 (C) a public utility which generates, transmits, or
17 distributes electrical service to the public; and
18 (D) a regional electrical authority (AS 18.57).

19 * Sec. 2. AS 44.83.030 is amended to read:

20 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
21 ity shall consist of the following directors:

22 (1) two [FOUR] directors at large to be appointed by the
23 governor and confirmed by the legislature;

24 (2) three persons appointed by the governor from among the
25 heads of the principal departments of the executive branch of the
26 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

27 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
28 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
29 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND

1 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

2 * Sec. 3. AS 44.83.040 is amended to read:

3 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
4 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
5 and may elect other officers they determine desirable.. The powers of
6 the authority are vested in the directors, and three directors of the
7 authority constitute a quorum. Action may be taken and motions and
8 resolutions adopted by the authority at a meeting by the affirmative
9 vote of at least three directors. The directors of the authority serve
10 without compensation, but they shall receive the same travel pay and
11 per diem as provided by law for board members.

12 * Sec. 4. AS 44.83.045(a) is amended to read:

13 (a) The directors at large shall [MUST] be residents and qualified
14 voters of Alaska and shall comply with the requirements of AS 39.50
15 (conflict of interests). The directors at large shall serve over-
16 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
17 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

18 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
19 read:

20 (G) an appropriation for a power project acquired or
21 constructed under the energy program for Alaska (AS 44.83.400 -
22 44.83.500);

23 (H) appropriations for the power production cost assis-
24 tance fund (AS 44.83.162), and for operation and maintenance of
25 power projects developed under the energy program for Alaska
26 (AS 44.83.400 - 44.83.500).

27 * Sec. 6. AS 44.83.090(a) is amended to read:

28 (a) The authority shall, in addition to the other methods which
29 it may find advantageous, provide a method by which municipal electric,

1 rural electric, cooperative electric, or private electric utilities and
 2 regional electric authorities, or other persons authorized by law to
 3 engage in the distribution of electricity may secure a reasonable share
 4 of the power generated by a project, or any interest in a project, or
 5 for any right to the power and shall sell the power or cause the power
 6 to be sold at the lowest reasonable prices which cover the full cost of
 7 the electricity or services, including capital and operating costs,
 8 debt coverage as considered appropriate by the authority, and other
 9 charges that may be authorized by this chapter. Except for a contract
 10 entered into under AS 44.83.400 - AS 44.83.500, a [A] contract for the
 11 sale, transmission and distribution of power generated by a project or
 12 any right to the capacity of it shall provide:

13 (1) for payment of all operating and maintenance expenses of
 14 a project and costs of renewals, replacements and improvements of it;

15 (2) for interest on and amortization charges sufficient to
 16 retire bonds of the authority issued for the project and reserves for
 17 them, plus a debt service coverage factor as may be determined by the
 18 authority to be necessary for the marketability of its bonds;

19 (3) for monitoring of the project by the authority or its
 20 agents;

21 (4) for full and complete disclosure to the authority of all
 22 factors of cost in the transmission and distribution of power, so that
 23 rates to any persons may be fixed initially in the contract and may be
 24 adjusted from time to time on the basis of true cost data;

25 (5) for periodic revisions of the service and rates to
 26 persons on the basis of accurate cost data obtained by the accounting
 27 methods and systems approved by the directors and in furtherance and
 28 effectuation of the policy declared in this chapter;

29 (6) for the cancellation and termination of a contract upon

1 violation of its terms by any person;

2 (7) for security for performance as the authority may con-
3 sider practicable and advisable, including provisions assuring the
4 continuance of the distribution and transmission of power generated by
5 a project and the use of its facilities for these purposes; and

6 (8) other terms not inconsistent with the provisions and
7 policy of this chapter as the authority may consider advisable.

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

9 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
10 FOR ALASKA. The authority shall borrow money and shall issue its bonds
11 on which the principal and interest are payable exclusively from money
12 derived from the power project financed with the proceeds of the bonds
13 for a power project financed under AS 44.83.400 - 44.83.500 from the
14 power development fund if

15 (1) appropriations to the power development fund for the
16 power project, and interest earned on those appropriations, are insuf-
17 ficient to cover the cost of acquiring or constructing the power
18 project; and

19 (2) the amount of interest which the authority will pay on
20 its bonds is not more than alternative costs of securing money to pay
21 for the acquisition or construction of the power project.

22 * Sec. 8. AS 44.83.181(b) is amended by adding a new paragraph to read:

23 (5) a recommendation as to whether the proposed project is
24 economically feasible; a power project is "economically feasible" if
25 the authority determines that the total costs of the power project are
26 cheaper for the estimated life of the project than other alternatives;
27 in making a determination of economic feasibility under this paragraph,
28 the authority shall evaluate the estimated life of the power project
29 and its alternatives applying the following standard factors:

1 (A) a general inflation factor for construction and
2 operating costs of seven percent annually;

3 (B) an interest rate of 10 percent for money borrowed
4 for the power project; and

5 (C) an escalation factor for measuring the comparative
6 cost of oil, gas or coal; the rate to be applied for oil is 11
7 percent annually, and the rate shall be applied to the fuel cost
8 on the date of determination of economic feasibility.

9 * Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

10 (5) invest and manage the balance of the power project
11 development fund in accordance with AS 44.83.430.

12 * Sec. 10. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
13 of all members of the Board of Directors of the Alaska Power Authority
14 serving on the effective date of this Act terminate on the effective date of
15 this Act.

16 (b) The governor shall appoint two members at large. When making his
17 appointments under this subsection, the governor shall specify the length of
18 the term of office of each member he appoints. Of the members at large first
19 appointed by the governor under this subsection,

20 (1) one member shall serve a two-year term;

21 (2) one member shall serve a four-year term.

22 * Sec. 11. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

Cnenoweth /

DRAFT IV

Original sponsors: Kerttula, Dankworth,
Ziegler, et al

1
2 IN THE SENATE

BY THE RESOURCES COMMITTEE

3 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-
8 ing the Alaska Power Authority Act, and providing for
9 the investment of money appropriated for power projects
10 of the Alaska Power Authority; and providing for an
11 effective date."

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

13 * Section 1. AS 44.83 is amended by adding new sections to read:

14 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

15 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for
16 Alaska is established. The program shall be administered by the Alaska
17 Power Authority.

18 (b) The energy program for Alaska is a program by which the
19 authority may acquire or construct power projects with money appro-
20 priated by the legislature to the power development fund established in
21 AS 44.83.410. A power project may be acquired or constructed as part
22 of the energy program for Alaska only if the project is submitted to
23 and approved by the legislature in accordance with procedures set out
24 in AS 44.83.177 - 44.83.185.

25 (c) The provisions of AS 36.10.010 - 36.10.125 apply to power
26 projects constructed by the authority under AS 44.83.400 - 44.83.510.

27 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power
28 development fund is established in the Alaska Power Authority to carry
29 out the purposes of the energy program for Alaska (AS 44.83.400 -
44.83.510).

1 (b) The fund includes

- 2 (1) all money appropriated to it by the legislature; and
3 (2) interest earned by investment of money in the fund by
4 the Department of Revenue.

5 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used
6 by the authority to provide money for

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

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

12 (3) the defeasance of bonds, or the payment of debt service
13 on an issue of bonds sold in connection with a power project; and

14 (4) the power production cost assistance fund (AS 44.83.162).

15 (b) Money in the fund may be used under (a) of this section only
16 for a power project which

17 (1) meets the revenue requirements of AS 44.83.470; and

18 (2) operates or will operate using one or more of the follow-
19 ing:

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

24 (B) coal or peat;

25 (C) energy derived from waste heat from thermal gener-
26 ating plants; or

27 (D) fossil fuel if none of the other resources or fuels
28 listed in this subsection are economically feasible.

29 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue

1 shall invest the balance of the fund which exceeds the amount the
2 authority determines is necessary to meet requirements of AS 44.83.420
3 during the current fiscal year. An investment by the Department of
4 Revenue under this subsection shall be made in accordance with AS 37.-
5 10.070 and 37.10.075.

6 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall
7 maintain records of power project allocations from the fund for each
8 power project

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

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

13 (b) Income earned from investment of money appropriated to the
14 fund shall be allotted by the authority to power projects for which
15 appropriations have been made by law. The allotment shall be based on
16 the amount of investment income earned during each state fiscal year
17 during or after which the legislature appropriated money to the fund.
18 An allotment of income under this subsection shall be made to each
19 power project for which a specific appropriation has been made in
20 proportion to the unexpended amount appropriated for that project as a
21 percentage of the total unexpended amount appropriated by the legis-
22 lature to the fund.

23 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power
24 project designated by the legislature by law is not constructed, the
25 amount appropriated to it may be reappropriated to other power projects
26 by the legislature.

27 (b) The legislature may reappropriate money under (a) of this
28 section only for a power project which is economically feasible under
29 AS 44.83.181(b) and only if the project will serve the market area that

1 would have been served by the power project designated by the legisla-
2 ture and not constructed.

3 Sec. 44.83.460. LAPS OF EXCESS APPROPRIATIONS. If at the end of
4 construction of a power project appropriations for the power project
5 exceed the amount required for construction of it, the excess lapses
6 into the general fund.

7 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use
8 money in the fund for a power project unless the authority determines
9 that, after construction, operation of the power project will provide
10 revenue sufficient to cover

11 (1) operation, maintenance, and equipment replacement costs
12 of the power project;

13 (2) debt service costs associated with the power project;
14 and

15 (3) the costs of safety inspections and investigations of
16 the power project by the authority.

17 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project
18 which is acquired or constructed as part of the energy program for
19 Alaska is owned by the state and shall be administered by the authority.

20 (b) When a power project has been acquired or constructed by the
21 authority, the project may be operated for the authority under a con-
22 tract or lease entered into by a qualified utility and the authority.

23 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The
24 authority shall sell power produced from power projects acquired or
25 constructed under the energy program for Alaska. A utility which
26 purchases power produced by a power project of the authority shall
27 agree with the authority

28 (1) to give preference in the sale of power at retail to all
29 classes of consumers of power except industrial consumers;

1 (2) to charge industrial consumers of power a rate determined
2 by the authority in accordance with (d) of this section.

3 (b) The authority shall establish a wholesale power rate structure
4 applicable to sales of power to its customers at the busbar of the
5 power project as follows:

6 (1) If, by July 1, 1986, the legislature has not appro-
7 priated at least \$5,000,000.000 to the power development fund, the
8 authority shall, beginning on that date, establish and maintain a
9 wholesale power rate for each power project which rate will return to
10 the authority, on an annual basis, 10 percent of the amount appropriated
11 to the power development fund for each project.

12 (2) After the effective date of this Act and until June 30
13 of the fiscal year in which the production capacity of all power pro-
14 jects acquired or constructed by the authority under the energy program
15 for Alaska exceeds 500 megawatts, the authority shall establish and
16 maintain a wholesale power rate for each power project which rate will
17 return to the authority, on an annual basis, not less than five percent
18 of the amount which the authority has invested in the power project
19 from the fund for each project, including loans and grants made by the
20 state.

21 (3) Beginning July 1 of the first fiscal year following the
22 date on which the production capacity of all power projects acquired or
23 constructed by the authority under the energy program for Alaska exceeds
24 500 megawatts, the authority shall establish and maintain a single
25 wholesale power rate applicable to all power projects which it has
26 acquired or constructed under the energy program for Alaska; the whole-
27 sale power rate shall be computed by the authority annually, and shall
28 equal the rate which the authority estimates is necessary to produce
29 revenue which is sufficient to pay

1 (A) operation, maintenance, and equipment replacement
2 costs of the power projects;

3 (B) debt service costs of the power projects;

4 (C) safety inspections and investigations of the power
5 projects by the authority; and

6 (D) annual costs of the power production cost assistance
7 program (AS 44.83.162).

8 (c) The authority shall transmit the money which it receives from
9 sales of power at rates determined under (b) of this section to the
10 commissioner of revenue for deposit in the state general fund.

11 (d) From the amount collected under (b)(2) and (3) of this section
12 which the commissioner of revenue estimates will be deposited into the
13 general fund, the legislature may appropriate to the authority the
14 amount required under AS 44.83.470 for paying costs of operating and
15 maintaining power projects which it acquired or constructed as part of
16 the energy program for Alaska. The balance of the amount collected
17 under (b)(2) and (3) of this section and estimated by the commissioner
18 of revenue to be deposited into the general fund may be appropriated by
19 the legislature to the power production cost assistance fund. The
20 estimates of amounts required for each of the appropriations shall be
21 provided to the governor in the budget submitted under AS 37.07.

22 (e) A rate for an industrial consumer under (a)(2) of this section

23 (1) may exceed the wholesale power rate determined under (b)
24 of this section;

25 (2) may not be less than the rate charged residential con-
26 sumers.

27 (f) The legislature may, by law, annul or change the wholesale
28 power rate for sales of power which the authority adopts under (b) of
29 this section.

1 Sec. 44.83.500. ENERGY CONSERVATION. The authority shall ensure

2 (1) that communities served by energy projects built from
3 amounts appropriated to the power development fund implement cost-effec-
4 tive energy conservation measures for residences, commercial and public
5 buildings, and industries; and

6 (2) that communities shall fulfill their responsibilities
7 under () of this section by cooperating with state agencies concerned
8 with development and conservation of energy, including but not limited
9 to

10 (A) the Alaska Public Utilities Commission;

11 (B) the Alaska Energy Center;

12 (C) the division of energy and power development,
13 Department of Commerce and Economic Development; and

14 (D) the division of business loans, Department of
15 Commerce and Economic Development.

16 Sec. 44.83.510. DEFINITIONS. In AS 44.83.400 - 44.83.510,

17 (1) "busbar" means the substation which serves as the de-
18 livery point from the generation and transmission system of the author-
19 ity to the transmission and distribution system of the utility;

20 (2) "fund" means the power development fund;

21 (3) "industrial consumer" means a customer of a utility
22 which customer has a peak power demand in excess of 500 kilowatts per
23 month and uses the power principally for

24 (A) manufacturing;

25 (B) pipeline transportation;

26 (C) the recovery or processing of minerals;

27 (D) the processing of timber, agricultural, or seafood
28 products or their by-products; or

29 (E) the operation of facilities owned by the federal

1 government;

2 (4) "qualified utility" means any of the following which the
3 authority determines is capable of operating and maintaining a power
4 project of the kind and magnitude which has been constructed or is to
5 be constructed to provide power for a market area:

6 (A) a corporation organized under the Alaska Nonprofit
7 Corporation Act (AS 10.20);

8 (B) an electric cooperative organized under the Electric
9 and Telephone Cooperative Act (AS 10.25);

10 (C) a public utility which generates, transmits, or
11 distributes electrical service to the public; and

12 (D) a regional electrical authority (AS 18.57).

13 * Sec. 2. AS 44.83.030 is amended to read:

14 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-
15 ity shall consist of the following directors:

16 (1) two [FOUR] directors at large to be appointed by the
17 governor and confirmed by the legislature;

18 (2) thr persons appointed by the governor from among
19 heads of the principal departments of the executive branch of the
20 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

21 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL
22 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE
23 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND
24 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

25 * Sec. 3. AS 44.83.040 is amended to read:

26 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]
27 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman
28 and may elect other officers they determine desirable. The powers of
29 the authority are vested in the directors, and three directors of the

1 authority constitute a quorum. Action may be taken and motions and
2 resolutions adopted by the authority at a meeting by the affirmative
3 vote of at least three directors. The directors of the authority serve
4 without compensation, but they shall receive the same travel pay and
5 per diem as provided by law for board members.

6 * Sec. 4. AS 44.83.045(a) is amended to read:

7 (a) The directors at large shall [MUST] be residents and qualified
8 voters of Alaska and shall comply with the requirements of AS 39.50
9 (conflict of interests). The directors at large shall serve over-
10 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE
11 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

12 * Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to
13 read:

14 (G) an appropriation for a power project acquired or
15 constructed under the energy program for Alaska (AS 44.83.400 -
16 44.83.510);

17 (H) appropriations for the power production cost assis-
18 tance fund (AS 44.83.162), and for operation and maintenance of
19 power projects developed under the energy program for Alaska
20 (AS 44.83.400 - 44.83.510).

21 * Sec. 6. AS 44.83.090(a) is amended to read:

22 (a) The authority shall, in addition to the other methods which
23 it may find advantageous, provide a method by which municipal electric,
24 rural electric, cooperative electric, or private electric utilities and
25 regional electric authorities, or other persons authorized by law to
26 engage in the distribution of electricity may secure a reasonable share
27 of the power generated by a project, or any interest in a project, or
28 for any right to the power and shall sell the power or cause the power
29 to be sold at the lowest reasonable prices which cover the full cost of

1 the electricity or services, including capital and operating costs,
 2 debt coverage as considered appropriate by the authority, and other
 3 charges that may be authorized by this chapter. Except for a contract
 4 entered into under AS 44.83.400 - AS 44.83.510, a [A] contract for the
 5 sale, transmission and distribution of power generated by a project or
 6 any right to the capacity of it shall provide:

7 (1) for payment of all operating and maintenance expenses of
 8 a project and costs of renewals, replacements and improvements of it;

9 (2) for interest on and amortization charges sufficient to
 10 retire bonds of the authority issued for the project and reserves for
 11 them, plus a debt service coverage factor as may be determined by the
 12 authority to be necessary for the marketability of its bonds;

13 (3) for monitoring of the project by the authority or its
 14 agents;

15 (4) for full and complete disclosure to the authority of all
 16 factors of cost in the transmission and distribution of power, so that
 17 rates to any persons may be fixed initially in the contract and may be
 18 adjusted from time to time on the basis of true cost data;

19 (5) for periodic revisions of the service and rates to
 20 persons on the basis of accurate cost data obtained by the accounting
 21 methods and systems approved by the directors and in furtherance and
 22 effectuation of the policy declared in this chapter;

23 (6) for the cancellation and termination of a contract upon
 24 violation of its terms by any person;

25 (7) for security for performance as the authority may con-
 26 sider practicable and advisable, including provisions assuring the
 27 continuance of the distribution and transmission of power generated by
 28 a project and the use of its facilities for these purposes; and

29 (8) other terms not inconsistent with the provisions and

1 policy of this chapter as the authority may consider advisable.

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

3 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM
4 FOR ALASKA. The authority shall borrow money and shall issue its bonds
5 on which the principal and interest are payable exclusively from money
6 derived from the power project financed with the proceeds of the bonds
7 for a power project financed under AS 44.83.400 - 44.83.510 from the
8 power development fund if

9 (1) appropriations to the power development fund for the
10 power project, and interest earned on those appropriations, are insuf-
11 ficient to cover the cost of acquiring or constructing the power
12 project; and

13 (2) the amount of interest which the authority will pay on
14 its bonds is not more than alternative costs of securing money to pay
15 for the acquisition or construction of the power project.

16 * Sec. 8. AS 44.83.177(a) is amended to read:

17 (a) To identify power project alternatives and energy needs and
18 consumption patterns for a community, the authority shall, after
19 consultation with other state agencies and after review of information
20 on alternative sources of power, complete a reconnaissance study for
21 each proposed new power project.

22 * Sec. 9. AS 44.83.177(b) is repealed and reenacted to read:

23 (b) A reconnaissance study shall

24 (1) survey all energy sources available to the community and
25 adjacent area and evaluate the relative economic merits of alternative
26 sources of energy, including energy conservation and capture and
27 utilization of waste energy as provided for in AS 44.83.170(b)(1); if
28 the study surveys

29 (A) potential hydroelectric sites, the study shall

1 include one-year data collection on water flow;

2 (B) wind energy, the study shall include a one-year
3 collection and evaluation of data on wind speed, direction, and
4 other information valuable to development of wind generation;

5 (2) include an assessment of the total energy needs of the
6 community, including but not limited to, electricity, space heating,
7 and transportation fuels based on the nature and amount of energy use
8 and the purpose of its use;

9 (3) include an assessment of the effect of the development
10 of alternative sources of energy on the environment so as to assure
11 that there is no adverse effect to the environment which would make the
12 project inadvisable;

13 (4) include public comment from residents of the community
14 and adjacent areas.

15 * Sec. 10. AS 44.83.177 is amended by adding a new subsection to read:

16 (d) In completing a reconnaissance study, the authority shall
17 consult with the division of energy and power development in the Depart-
18 ment of Commerce and Economic Development, and with the Alaska Energy
19 Center to determine the information which each may require for energy
20 planning and the development of technology.

21 * Sec. 11. AS 44.83.224 is amended by adding a new subsection to read:

22 (b) Each reconnaissance study completed in accordance with AS 44.-
23 83.177 shall become part of the long-term energy plan provided for
24 under (a) of this section.

25 * Sec. 12. AS 44.25.020 is amended by adding a new paragraph to read:

26 (5) invest and manage the balance of the power project
27 development fund in accordance with AS 44.83.430.

28 * Sec. 13. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office
29 of all members of the Board of Directors of the Alaska Power Authority

1 serving on the effective date of this Act terminate on the effective date of
2 this Act.

3 (b) The governor shall appoint two directors of the Alaska Power
4 Authority at large. When making his appointments under this subsection, the
5 governor shall specify the length of the term of office of each member he
6 appoints. Of the members at large first appointed by the governor under
7 this subsection,

8 (1) one member shall serve a two-year term;

9 (2) one member shall serve a four-year term.

10 * Sec. 14. This Act takes effect immediately in accordance with AS 01.-
11 10.070(c).

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