



Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 25 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a power project development fund  
7 in the Alaska Power Authority and amending the Alaska  
8 Power Authority Act; and providing for an effective  
9 date."

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

11 \* Section 1. AS 44.83.030 is amended to read:

12 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. (a) The authority  
13 shall consist of the following directors:

14 (1) four directors at large to be appointed by the governor  
15 and confirmed by the legislature;

16 (2) the commissioner of commerce and economic development;

17 (3) the commissioner of natural resources;

18 (4) the commissioner of revenue;

19 (5) the commissioner of transportation and public facilities;

20 (6) the <sup>commissioner of community and regional affairs</sup> director of the division of budget and management in

21 the Office of the Governor. (of CPA)

22 ~~(b) The commissioner [COMMISSIONERS] of community and regional~~  
23 ~~affairs [, NATURAL RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND~~  
24 ~~REVENUE] shall have the rights and privileges of a director [DIRECTORS]~~  
25 ~~except for the right to vote and may not be considered for purposes of~~  
26 ~~quorum or voting.~~

27 \* Sec. 2. AS 44.83.040 is amended to read:

28 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]  
29 shall elect one of the directors at large as chairman and other officers

1 they determine desirable. The powers of the authority are vested in  
2 the directors, and five [THREE] directors of the authority constitute a  
3 quorum. Action may be taken and motions and resolutions adopted by the  
4 authority at a meeting by the affirmative vote of at least five [THREE]  
5 directors. The directors of the authority serve without compensation,  
6 but they shall receive the same travel pay and per diem as provided by  
7 law for board members.

8 \* Sec. 3. AS 44.83.110(g) is amended to read:

9 (g) When the authority has created and established a capital  
10 reserve fund, the commissioner of revenue may lend surplus money in the  
11 general fund to the authority for deposit in a capital reserve fund in  
12 an amount equal to the capital reserve fund requirement. The loans  
13 shall be made on such terms and conditions as may be agreed upon by the  
14 commissioner of revenue and the other members of the authority, includ-  
15 ing without limitation terms and conditions providing that the loans  
16 need not be repaid until the obligations of the authority secured and  
17 to be secured by the capital reserve fund are no longer outstanding.

18 \* Sec. 4. AS 44.83.100 is amended by adding a new subsection to read:

19 (e) The authority shall issue bonds the principal and interest of  
20 which are paid only from the money derived from the project financed  
21 with the proceeds of those bonds for a power project previously financed  
22 from the power project development fund (AS 44.83.400). Bonds may be  
23 issued under this subsection only if

24 (1) the appropriations to the power project development fund  
25 for that power project, and interest earned on those appropriations,  
26 are insufficient to cover the cost of the power project; and

27 (2) the rate of interest which the authority will pay on the  
28 bonds is not more than alternative costs of securing money to pay for  
29 the power project.

1 \* Sec. 5. AS 44.83.181(b) is amended by adding a new paragraph to read:

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

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

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

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

17 \* Sec. 6. AS 44.83 is amended by adding new sections to read:

18 ARTICLE 8. POWER PROJECT DEVELOPMENT FUND.

19 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project develop-  
20 ment fund is established in the Alaska Power Authority to carry out the  
21 purposes of AS 44.83.400 - 44.83.480.

22 (b) The fund includes

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

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

26 Sec. 44.83.410. USE OF FUND BALANCE. (a) The fund may be used  
27 by the authority to provide money for

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

March 5, 1981

SENATOR SACKETT

RE: YOUR AMENDMENT TO BE INCLUDED IN CS FOR SB 25.

AMENDMENT ADDED NEW (C) TO READ:

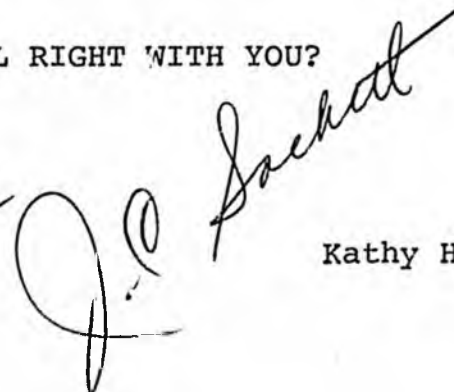
ON FOSSIL FUEL IN THE EVENT NONE OF THE ABOVE ARE  
ECONOMICALLY FEASIBLE.

DONNA PEGUES SUGGESTS

ON FOSSIL FUEL IF NONE OF THE OTHER RESOURCES  
OR FUELS LISTED IN THIS SECTION ARE ECONOMICALLY  
FEASIBLE.

(SHE ENCOUNTERED SOME LEGAL PROBLEMS REGARDING USE  
OF THE WORD "ABOVE")

IS LANGUAGE CHANGE ALL RIGHT WITH YOU?

ok  
  
Sackett

Kathy Holmquist

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

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

6 (1) meets the operation and revenue requirements of AS 44.-  
7 83.460; and

8 (2) operates or will operate

9 (A) on renewable energy resources; or

10 (B) on coal, peat or wood, if the authority determines

11 that

12 (i) the source of the fuel for the project is  
13 abundant; and

14 (ii) renewable energy resources to operate the  
15 power project are not available or are not economically  
16 feasible.

17 *TP3* → (c) *on fossil fuel in the event none of the above are economically feasible.*  
18 Sec. 44.83.420. INVESTMENT OF FUND. The Department of Revenue

19 shall invest the balance of the fund which exceeds the amount the  
20 authority determines is necessary to meet requirements of AS 44.83.410  
21 during the current fiscal year. An investment by the Department of  
22 Revenue under this subsection shall be made in accordance with AS 37.-  
23 10.070 and 37.10.075.

24 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall  
25 maintain records of power project allocations from the fund for each  
26 power project

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

28 (2) for which an allocation is made from an appropriation  
29 made by the legislature without specifying a project.

(b) Income earned from investment of money appropriated to the

1 fund under AS 44.83.400(b) shall be allotted by the authority to power  
2 projects for which appropriations have been made by law. The allotment  
3 shall be based on the amount of investment income earned during each  
4 state fiscal year in or after which the legislature has appropriated  
5 money to the fund. An allotment of income under this subsection shall  
6 be made to each power project for which a specific appropriation has  
7 been made in proportion to the amount appropriated for that project as  
8 a percentage of the total amount appropriated by the legislature to the  
9 fund.

10 Sec. 44.83.440. REALLOCATION OF FUND BALANCE. (a) If a power  
11 project designated by the legislature by law is not constructed, the  
12 amount appropriated to it may be reappropriated to other power projects by  
13 the legislature.

14 (b) The legislature may allocate money under (a) of this section  
15 only for a power project which is economically feasible under AS 44.83.-  
16 181(b) if the project will serve the market area that is to be served  
17 by the power project designated by the legislature and not constructed.

18 Sec. 44.83.450. LAPSE OF EXCESS FUNDS. If appropriations for a  
19 power project exceed the amount required for construction of the power  
20 project, the excess lapses into the general fund.

21 Sec. 44.83.460. OPERATION AND REVENUE REQUIREMENTS. The authority  
22 may not use money in the fund for a power project unless the authority  
23 determines that, after construction, operation of the power project  
24 will provide revenue sufficient to cover

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

27 (2) debt service costs associated with the power project;  
28 and

29 (3) the costs of safety inspections and investigations of

1 the power project by the authority.

2 Sec. 44.83.470. OPERATION OF POWER PROJECT BY QUALIFIED UTILITY.  
3 If, after construction, a power project that is constructed with pro-  
4 ceeds from the fund will be operated by a qualified utility, the author-  
5 ity shall enter into an agreement with the qualified utility

6 (1) to assure that operation of the power project by the  
7 qualified utility will provide sufficient revenue to meet the require-  
8 ments of AS 44.83.460; and

9 (2) to assure that the power project is operated in a safe  
10 manner.

11 Sec. 44.83.480. DEFINITIONS. In AS 44.83.400 - 44.83.480,

12 (1) "fund" means the power project development fund;

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

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

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

21 (C) a utility owned and operated by a municipality; and

22 (D) a regional electrical authority (AS 18.57);

23 \* Sec. 7. AS 44.83.410(b), added by sec. 6 of this Act, is amended by  
24 adding a new paragraph to read:

25 (3) upon completion, charges rates for power which it sells  
26 which provide a rate of return to the authority of seven percent a year  
27 of the amount allocated to the power project by the authority from the  
28 fund .

29 \* Sec. 8. AS 44.83.460, added by sec. 6 of this Act, is amended by

1 adding a new paragraph to read:

2 (4) payment to the authority of a rate of return of seven  
3 percent a year of the amount allocated to the power project by the  
4 authority from the fund.

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

6 (5) invest and manage the balance of the power project  
7 development fund in accordance with AS 44.83.420.

8 \* Sec. 10. Sections 1, 2, and 3 of this Act take effect immediately in  
9 accordance with AS 01.10.070(c).

10 \* Sec. 11. Sections 4, 5, 6 and 9 of this Act take effect July 1, 1981.

11 \* Sec. 12. Sections 7 and 8 of this Act take effect July 1, 1986, if on  
12 that date the total amount appropriated by the legislature to the power  
13 project development fund (AS 44.83.400) is less than \$5,000,000,000.  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Power Cost Comparison  
(Cents/KWH)

<u>Present Population</u>	<u>Project</u>	(SC SB 25 and 26) Direct State Funding		Conventional Funding	
		<u>1st Year</u>	<u>1991</u>	<u>1st Year</u>	<u>1991</u>
1,190	Chester Lake	1.4	2.8	7.9	9.4
230	Port Lyons	4.9	9.7	18.0	23.0
13,500	Swan Lake	2.8	2.8	28.2	23.0
8,000	Terror Lake	1.0	1.5	13.7	11.3
7,200	Tyee Lake	2.9	3.4	30.8	22.0
26,000	Bradley Lake	.7	1.4	9.1	9.8
8,800	Green Lake	1.3	2.3	13.0	10.9
7,000	Solomon Gulch	1.8	3.7	14.8	14.4
<u>71,920</u>					

Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 25 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a power project development fund  
7 in the Alaska Power Authority and amending the Alaska  
8 Power Authority Act; and providing for an effective  
9 date."

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

11 \* Section 1. AS 44.83.030(a) is amended to read:

12 (a) The authority shall consist of the following directors:

13 (1) four directors at large to be appointed by the governor  
14 and confirmed by the legislature;

15 (2) the commissioner of commerce and economic development;

16 (3) the commissioner of natural resources;

17 (4) the commissioner of revenue;

18 (5) the commissioner of transportation and public facilities;

19 (6) the commissioner of community and regional affairs.

20 \* Sec. 2. AS 44.83.040 is amended to read:

21 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]  
22 shall elect one of the directors at large as chairman and other officers  
23 they determine desirable. The powers of the authority are vested in  
24 the directors, and five [THREE] directors of the authority constitute a  
25 quorum. Action may be taken and motions and resolutions adopted by the  
26 authority at a meeting by the affirmative vote of at least five [THREE]  
27 directors. The directors of the authority serve without compensation,  
28 but they shall receive the same travel pay and per diem as provided by  
29 law for board members.

1 \* Sec. 3. AS 44.83.110(g) is amended to read:

2 (g) When the authority has created and established a capital  
3 reserve fund, the commissioner of revenue may lend surplus money in the  
4 general fund to the authority for deposit in a capital reserve fund in  
5 an amount equal to the capital reserve fund requirement. The loans  
6 shall be made on such terms and conditions as may be agreed upon by the  
7 commissioner of revenue and the other members of the authority, includ-  
8 ing without limitation terms and conditions providing that the loans  
9 need not be repaid until the obligations of the authority secured and  
10 to be secured by the capital reserve fund are no longer outstanding.

11 \* Sec. 4. AS 44.83.100 is amended by adding a new subsection to read:

12 (e) The authority shall issue bonds the principal and interest of  
13 which are paid only from the money derived from the project financed  
14 with the proceeds of those bonds for a power project previously financed  
15 from the power project development fund (AS 44.83.400). Bonds may be  
16 issued under this subsection only if

17 (1) the appropriations to the power project development fund  
18 for that power project, and interest earned on those appropriations,  
19 are insufficient to cover the cost of the power project; and

20 (2) the rate of interest which the authority will pay on the  
21 bonds is not more than alternative costs of securing money to pay for  
22 the power project.

23 \* Sec. 5. AS 44.83.181(b) is amended by adding a new paragraph to read:

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

1 and its alternatives applying the following standard factors:

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

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

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

10 \* Sec. 6. AS 44.83 is amended by adding new sections to read:

11 ARTICLE 8. POWER PROJECT DEVELOPMENT FUND.

12 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project develop-  
13 ment fund is established in the Alaska Power Authority to carry out the  
14 purposes of AS 44.83.400 - 44.83.480.

15 (b) The fund includes

16 (1) all money appropriated to it by the legislature; and  
17 (2) interest earned by investment of money in the fund by  
18 the Department of Revenue.

19 Sec. 44.83.410. USE OF FUND BALANCE. (a) The fund may be used  
20 by the authority to provide money for

21 (1) reconnaissance and feasibility studies and power project  
22 finance plans prepared under AS 44.83.177 - 44.83.181; and  
23 (2) the cost of a power project, including but not limited  
24 to costs of acquiring necessary licenses, preparing engineering designs,  
25 obtaining land, and constructing the power project.

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

28 (1) meets the operation and revenue requirements of AS 44.-  
29 83.460; and

1 (2) operates or will operate  
2 (A) on renewable energy resources; or  
3 (B) on coal, peat or wood, if the authority determines  
4 that

5 (i) the source of the fuel for the project is  
6 abundant; and

7 (ii) renewable energy resources to operate the  
8 power project are not available or are not economically  
9 feasible; or

10 (C) on fossil fuel if none of the other resources or  
11 fuels listed in this subsection are economically feasible.

12 Sec. 44.83.420. INVESTMENT OF FUND. The Department of Revenue  
13 shall invest the balance of the fund which exceeds the amount the  
14 authority determines is necessary to meet requirements of AS 44.83.410  
15 during the current fiscal year. An investment by the Department of  
16 Revenue under this subsection shall be made in accordance with AS 37.-  
17 10.070 and 37.10.075.

18 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall  
19 maintain records of power project allocations from the fund for each  
20 power project

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

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

24 (b) Income earned from investment of money appropriated to the  
25 fund under AS 44.83.400(b) shall be allotted by the authority to power  
26 projects for which appropriations have been made by law. The allotment  
27 shall be based on the amount of investment income earned during each  
28 state fiscal year in or after which the legislature has appropriated  
29 money to the fund. An allotment of income under this subsection shall

1 be made to each power project for which a specific appropriation has  
2 been made in proportion to the amount appropriated for that project as  
3 a percentage of the total amount appropriated by the legislature to the  
4 fund.

5 Sec. 44.83.440. REALLOCATION OF FUND BALANCE. (a) If a power  
6 project designated by the legislature by law is not constructed, the  
7 amount appropriated to it may be reappropriated to other power projects  
8 by the legislature.

9 (b) The legislature may allocate money under (a) of this section  
10 only for a power project which is economically feasible under AS 44.83.-  
11 181(b) if the project will serve the market area that is to be served  
12 by the power project designated by the legislature and not constructed.

13 Sec. 44.83.450. LAPSE OF EXCESS FUNDS. If appropriations for a  
14 power project exceed the amount required for construction of the power  
15 project, the excess lapses into the general fund.

16 Sec. 44.83.460. OPERATION AND REVENUE REQUIREMENTS. The authority  
17 may not use money in the fund for a power project unless the authority  
18 determines that, after construction, operation of the power project  
19 will provide revenue sufficient to cover

20 (1) operation, maintenance, and equipment replacement costs  
21 of the power project;

22 (2) debt service costs associated with the power project;  
23 and

24 (3) the costs of safety inspections and investigations of  
25 the power project by the authority.

26 Sec. 44.83.470. OPERATION OF POWER PROJECT BY QUALIFIED UTILITY.  
27 If, after construction, a power project that is constructed with pro-  
28 ceeds from the fund will be operated by a qualified utility, the author-  
29 ity shall enter into an agreement with the qualified utility

(1) to assure that operation of the power project by the qualified utility will provide sufficient revenue to meet the requirements of AS 44.83.460; and

(2) to assure that the power project is operated in a safe manner.

Sec. 44.83.480. DEFINITIONS. In AS 44.83.400 - 44.83.480,

(1) "fund" means the power project development fund;

(2) "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 Nonprofit Corporation Act (AS 10.20);

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

(C) a utility owned and operated by a municipality; and

(D) a regional electrical authority (AS 18.57);

\* Sec. 7. AS 44.83.410(b), added by sec. 6 of this Act, is amended by adding a new paragraph to read:

(3) upon completion, charges rates for power which it sells which provide a rate of return to the authority of seven percent a year of the amount allocated to the power project by the authority from the fund .

\* Sec. 8. AS 44.83.460, added by sec. 6 of this Act, is amended by adding a new paragraph to read:

(4) payment to the authority of a rate of return of seven percent a year of the amount allocated to the power project by the authority from the fund.

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

012835

1 (5) invest and manage the balance of the power project  
2 development fund in accordance with AS 44.83.420.

3 \* Sec. 10. Sections 1, 2, and 3 of this Act take effect immediately in  
4 accordance with AS 01.10.070(c).

5 \* Sec. 11. Sections 4, 5, 6 and 9 of this Act take effect July 1, 1981.

6 \* Sec. 12. Sections 7 and 8 of this Act take effect July 1, 1986, if on  
7 that date the total amount appropriated by the legislature to the power  
8 project development fund (AS 44.83.400) is less than \$5,000,000,000.  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 1/29/81  
Referred: Resources and  
Finance

BY KERTTULA, DANKWORTH, ZIEGLER,  
FERGUSON, BRADLEY, ELIASON, MULCAHY  
AND GILMAN

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a power project revolving loan  
7 fund in the Alaska Power Authority, amending the  
8 Alaska Power Authority Act, and requiring the Depart-  
9 ment of Revenue to invest the surplus power project  
10 revolving loan fund balance; and providing for an  
11 effective date."

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

13 \* Section 1. AS 44.83.181(b) is amended by adding a new paragraph to  
14 read:

15 (5) a recommendation as to whether the proposed project is  
16 economically feasible; a power project is "economically feasible" if  
17 the authority determines that the total costs of the power project are  
18 cheaper for the estimated life of the project than other alternatives;  
19 in making a determination of economic feasibility under this section,  
20 the authority shall evaluate the estimated life of the power project  
21 and its alternatives applying the following standard factors:

22 (A) a general inflation factor for construction and  
23 operating costs of a ven percent annually;

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

26 (C) an escalation factor for measuring the comparative  
27 cost of oil, gas or coal; the rate to be applied is 11 percent  
28 annually, and the rate shall be applied to the current fuel cost  
29 at the date of determination of economic feasibility.

1 \* Sec. 2. AS 44.83 is amended by adding new sections to read:

2 ARTICLE 8. POWER PROJECT REVOLVING LOAN FUND.

3 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project revolving  
4 loan fund is established in the Alaska Power Authority to carry out the  
5 purposes of AS 44.83.400 - 44.83.470.

6 (b) The fund includes

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

8 (2) amounts paid, as principal and interest, on loans made  
9 by the authority from the fund; and

10 (3) interest earned by investment of money in the fund.

11 Sec. 44.83.410. USE OF FUND BALANCE. The fund may be used by the  
12 authority

13 (1) to make loans for

14 (A) reconnaissance and feasibility studies and power  
15 project finance plans prepared under AS 44.83.177 - 44.83.181; and

16 (B) the cost of a power project, including but not  
17 limited to costs of acquiring necessary licenses, preparing engi-  
18 neering designs, and construction of the power project; and

19 (2) for grants for power production cost assistance under  
20 AS 44.83.162 - 44.83.164.

21 Sec. 44.83.420. ADMINISTRATION OF FUND. (a) The authority shall  
22 make loans from the fund for purposes authorized by AS 44.83.410

23 (1) for a power project designated by the legislature by  
24 law, in an amount determined by the legislature by law;

25 (2) for a power project not designated by the legislature by  
26 law if the authority owns the power project; and

27 (3) for a power project not designated by the legislature by  
28 law if the power project is determined to be economically feasible  
29 under AS 44.83.181(b) and the power project

1 (A) operates or will operate on renewable energy re-  
2 sources; or

3 (B) operates or will operate on coal, peat or wood, and  
4 the authority determines that

5 (i) the source of the fuel for the project is  
6 abundant; and

7 (ii) renewable energy resources to operate the  
8 power project are not available or are not economically  
9 feasible.

10 (b) The Department of Revenue shall invest and manage the balance  
11 of the fund which exceeds estimated loan and grant requirements under  
12 AS 44.83.410 - 44.83.420 for the current fiscal year. An investment by  
13 the Department of Revenue under this subsection shall be made in accor-  
14 dance with AS 37.10.070 and 37.10.075.

15 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall  
16 maintain records of loans from the fund

17 (1) for power projects designated by the legislature; and

18 (2) for each power project for which a loan is made from an  
19 appropriation made by the legislature without specifying a project.

20 (b) Income earned from investment of money appropriated to the  
21 fund under AS 44.83.420, shall be allotted by the authority to power  
22 projects for which appropriations have been made by the legislature.  
23 The allotment shall be based on the amount of investment income earned  
24 during each state fiscal year in or after which the legislature has  
25 appropriated money to the fund. An allotment of income under this  
26 subsection shall be made

27 (1) to each power project specifically designated by the  
28 legislature by law in proportion to the amount appropriated for that  
29 project as a percentage of the total amount appropriated by the legis-

1 lature to the fund; and

2 (2) to all other power projects for which the legislature  
3 has appropriated money in proportion to the amount appropriated for  
4 unspecified projects as a percentage of the total amount appropriated  
5 by the legislature to the fund.

6 Sec. 44.83.440. LOAN TERMS AND CONDITIONS. (a) A loan for a  
7 power project made under AS 44.83.400 - 44.83.470 may not be for a  
8 period in excess of the lesser of

9 (1) the estimated actual life of the power project as con-  
10 structed; or

11 (2) 100 years.

12 (b) The rate of interest on the entire outstanding balance of a  
13 loan made under AS 44.83.400 - 44.83.470 may not exceed three percent a  
14 year, but the interest payment calculated on any installment may exceed  
15 that rate.

16 (c) Principal and interest payments payable on a loan made under  
17 AS 44.83.400 - 44.83.470 begin on the date that the borrower certifies  
18 to the authority that the power project for which the loan was made is  
19 producing power.

20 Sec. 44.83.450. LOAN LIMITATIONS. (a) The amount which may be  
21 loaned by the authority for a power project under AS 44.83.420(1) is  
22 the total of

23 (1) the amount of money appropriated by the legislature to  
24 the power project; and

25 (2) the amount of an allotment made by the authority to the  
26 project under AS 44.83.430(b)(1).

27 (b) The amount which may be loaned by the authority for a power  
28 project under AS 44.83.420(2) and (3) may not exceed

29 (1) the amount of money appropriated by the legislature

1 without designating a power project; and

2 (2) the amount of an allotment made by the authority to all  
3 power projects under AS 44.83.430(b)(2).

4 Sec. 44.83.460. REALLOCATION OF FUND BALANCE. (a) Amounts  
5 repaid by a borrower for a loan made for a power project under AS 44.-  
6 83.400 - 44.83.470 may be reallocated to other power projects by the  
7 authority.

8 (b) If a power project designated by the legislature by law is  
9 not constructed, the amount appropriated to it may be reallocated to  
10 other power projects by the authority. The authority may allocate the  
11 money only for a power project which is economically feasible under  
12 AS 44.83.181(b) for the market area that is to be served by the power  
13 project designated by the legislature and not constructed.

14 (c) If appropriations for a power project designated by the  
15 legislature by law exceed the amount required for construction of the  
16 power project, the excess may be reallocated to other power projects by  
17 the authority.

18 Sec. 44.83.470. DEFINITION. In AS 44.83.400 - 44.83.470, "fund"  
19 means the power project revolving loan fund.

20 \* Sec. 3. AS 44.25.020 is amended by adding a new paragraph to read:

21 (5) invest and manage the balance of the power project  
22 revolving loan fund in accordance with AS 44.83.420(b).

23 \* Sec. 4. Notwithstanding AS 44.83.440(b), added by sec. 2 of this Act,  
24 until the total amount appropriated by the legislature to the power project  
25 revolving loan fund equals or exceeds \$4,500,000,000, the rate of interest  
26 on a loan made under AS 44.83.400 - 44.83.470 is seven percent a year on the  
27 unpaid balance of the loan.

28 \* Sec. 5. This Act takes effect July 1, 1981.

29

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SS SB 25 Title: An Act establishing a power project revolving loan fund in the Alaska Power Authority, amending the Alaska Power Authority Act, and Requested by requiring the Department of Revenue to invest the Date 02/10/81 surplus power project revolving loan fund balance; and providing for an effective date.  
 Requested by 8 Senators

II. FISCAL DETAIL

Agency Affected Department of Commerce & Economic Development  
 Program Category Affected Economic Development  
 BRU, Program, or Subprogram(s) Affected Alaska Power Authority  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES			104.0	111.3	119.0	127.4
200 TRAVEL			8.0	8.6	9.3	10.0
300 CONTRACTUAL						
400 COMMODITIES			1.0	1.0	1.0	1.0
500 EQUIPMENT			6.0	1.0		
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>			<b>119.0</b>	<b>121.9</b>	<b>129.3</b>	<b>138.4</b>

FUNDING (Thousands of Dollars)

GENERAL FUND			119.0	121.9	129.3	138.4
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME			2	2	2	2
PART TIME						
TEMPORARY						

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

To additional positions will be required to administer the revolving loan fund and to conduct periodic audits of loan recipients.

IV. DATE February 10, 1981 PREPARED BY Robert A. Mohn  
 AGENCY Alaska Power Authority  
 PHONE 277-7641  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

*See*

I. REQUEST

Bill/Resolution No. CSSB 25  
 Title An act establishing a power project fund in the Alaska Power Authority  
 Requested by Kerttula, Dankworth, Zeigler, et al. Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Department of Commerce & Economic Development  
 Program Category Affected Energy Development  
 BRU, Program, or Subprogram(s) Affected Alaska Power Authority  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		104.0	111.3	111.9	127.4	
200 TRAVEL		8.0	8.6	9.3	10.0	
300 CONTRACTUAL		1.0	1.0	1.0	1.0	
400 COMMODITIES		6.0	1.0			
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		<b>119.0</b>	<b>121.9</b>	<b>129.3</b>	<b>138.4</b>	

FUNDING (Thousands of Dollars)

GENERAL FUND		119.0	121.9	129.3	138.4	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	
PART TIME						
TEMPORARY						

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

Funding would be used to insure compliance with provisions of economic criteria and to insure that sufficient funds are generated from project revenues to project operation, debt service and safety investigations.

IV. DATE March 4, 1981

PREPARED BY Terry McGuire  
 AGENCY Alaska Power Authority  
 PHONE 277-7641

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5  
JUNEAU, ALASKA 99811

The Honorable Bettie Fahrenkamp  
Chairperson  
Senate Resources Committee  
Room 113 - Capitol Building  
Juneau, Alaska

Re: Sponsor Substitute for Senate Bill No. 25

Dear Senator Fahrenkamp:

Sponsor Substitute for Senate Bill No. 25, an Act establishing a power project revolving loan fund in the Alaska Power Authority, amending the Alaska Power Authority Act, and requiring the Department of Revenue to invest the surplus power project revolving loan fund balance, was introduced in the Senate on January 29, 1981 and was referred to the Senate Resources and Finance Committees.

For the consideration of the Senate Resources Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm C. Staack, Treasury Comptroller of the Department of Revenue concerning the proposed legislation.

Sincerely,

R. D. Stevenson  
Special Assistant

cc: The Honorable Don Bennett  
The Honorable M. E. Dankworth  
Co-Chairmen  
Senate Finance Committee

Joseph K. Donohue  
Deputy Commissioner  
Department of Revenue

Anselm C. Staack  
Treasury Comptroller  
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

SSSB 25

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SPONSOR SUBSTITUTE FOR SENATE BILL No. 25

Title "An Act establishing a power project revolving loan fund in the Alaska Power Auth."

Requested by Senate Resources Committee Date 1/29/81

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected General Fund Unrestricted Revenues

BRU, Program, or Subprogram(s) Affected \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING	MILLIONS	INTEREST EARNINGS REDUCTION TO GENERAL FUND					
	(Thousands of Dollars)	UNRESTRICTED					
GENERAL FUND	MILLIONS	-0-	91.2	91.2	91.2	-0-	-0-
FEDERAL FUNDS							
OTHER (Specify Fund Source)							

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

Bill allocates interest earnings on appropriated but temporary unused monies to the Alaska Power Authority. Calculations based on companion appropriations bill SB 26.

Above assumes a 12% interest rate on temporary invested funds. Monies used evenly throughout the year. \$760 million average balance. Even if Authority did not draw all funds as they became available the bill requires that interest earned on available balances be used by the Authority for allotment to other projects.

*Anselm C. Staack*

IV. DATE February 2, 1981

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

BILL ANALYSIS

Sponsor Substitute for Senate Bill No. 25(1/29/81)

Program Effects:

1. Defines "economically feasible" project, i.e., if the Alaska Power Authority (Authority) determines that the total costs of a power project is cheaper over the estimated life v. other alternatives.
2. Standard factors used to determine feasibility to include:
  - a. A 7% inflation factor for construction and operating costs.
  - b. A 10% interest rate on money borrowed for the project.
  - c. An 11% annual cost escalation factor for alternative power sources from oil, gas or coal.
3. Establishes a Power Project Revolving Loan Fund (Fund) in the Authority. The money in the Fund includes:
  - a. Appropriations to it by the legislature.
  - b. Principal and interest repayments on loans.
  - c. Interest earned on Fund invested balances.
4. The Fund may be used by the Authority for:
  - a. Loans for reconnaissance, feasibility studies and project financing plans.
  - b. The cost of a power project including licenses, design and construction of the project.
  - c. Grants for power production assistance.
5. The Authority shall make loans for:
  - a. Power projects designated by the legislature in the amount the legislature designates.

BILL ANALYSIS, SSSB 25, Cont'd

- b. Power projects not designated by the legislature if the Authority owns the project.
  - c. Power projects not designated by the legislature if the Authority finds it economically feasible, and:
    - (1) will operate on renewable resources, or,
    - (2) Operates on coal, peat or wood where that source fuel is abundant and renewable energy resources are not available or cheaper.
6. The Department of Revenue is to invest and manage the balance of the fund which exceeds loan and grant requirements for the current fiscal year. Investments allowed in accordance with general fund investment statutes.
7. The Authority to maintain a record of all loans made.
8. Investment income on money appropriated to the Fund shall be allotted each fiscal year:
- a. To each power project specifically legislatively designated in proportion to the amount appropriated to the project as a percent of the total appropriation.
  - b. To all other unspecified power projects in proportion to their amounts v. the total amount appropriated for unspecified projects.
9. Loan terms and conditions include:
- a. Term no longer than the estimated actual life as constructed or 100 years whichever is less.
  - b. Interest rate not to exceed 3% on the outstanding balance. Until the balance appropriated to the Fund equals or exceeds \$4.5 billion, the interest rate is 7% a year.

BILL ANALYSIS, SSSB 25, Cont'd

- c. Repayments of principal and interest to begin when the borrower certifies that the project is producing power.
10. The total loan amount is:
  - a. The amount of money specifically appropriated by the legislature and the amount of any allotments.
  - b. For power projects not specifically designated by the legislature the loan may not exceed the amount appropriated for undesignated projects plus any allotments.
11. The Fund balance (monies available) can be reallocated as follows:
  - a. Loan repayments may be reallocated to other projects.
  - b. If a project legislatively designated is not built the money may be reallocated only for economically feasible projects within the same market area of the designated but not constructed project.
  - c. If appropriations for a legislatively designated project exceeds the amount necessary then the excess can be reallocated to other projects.
12. Effective July 1, 1981.

Comments:

1. The bill allows the Department of Revenue to invest and manage only the Fund balance which exceeds requirements for the current fiscal year. The bill places no restrictions on draw downs and their timing.

Appropriate language might be included that the Authority only draws upon the Fund when loan funds are actually necessary to accomplish construction and not when a commitment to a loan is made or instituted.

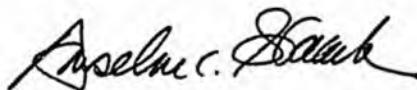
BILL ANALYSIS, SSSB 25, Cont'd

Without these restrictions the Authority could simply make the loan and draw the entire sum when the loan is committed to without having a valid need for all the money. The restrictions proposed are no different than how any appropriation is handled, i.e., it is not drawn down (paid out) until a valid expenditure exists. Revenues are received somewhat evenly throughout the year and cash is available when received. With the current language the Treasury could be literally unable to cash fund other drawdowns when requested until sufficient cash inflow allows.

2. The Power Project Revolving Loan Fund is entitled to its interest earnings on all amounts appropriated. The amount of interest lost to the general fund from amounts appropriated until their actual use can be quite substantial. For instance, if 1.52 billion is appropriated (see companion Bill SB 26) and the money is used evenly throughout the year, at a 12% earning rate, the general fund unrestricted interest earnings reduction is \$91.2 million over the year.

Although these funds are to be reallocated to other projects they are unavailable for legislative prioritization in future periods.

Perhaps it might be satisfactory to allow the general fund to have the interest earnings on appropriated but undrawn amounts until they are drawn to cover actual expenditures on the various loans. This would not harm any designated projects, provide further control on "allotted" funds (which could be appropriated by the legislature if it desires the next year), and would forward continuing legislative review of project expenditures.



Anselm C. Staack, Treasury Comptroller  
Department of Revenue/Treasury  
465-2351

Introduced: 1/29/81  
Referred: Resources and  
Finance

BY KERTTULA, DANKWORTH, ZIEGLER,  
FERGUSON, BRADLEY, ELIASON, MULCAHY  
AND GILMAN

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a power project revolving loan  
7 fund in the Alaska Power Authority, amending the  
8 Alaska Power Authority Act, and requiring the Depart-  
9 ment of Revenue to invest the surplus power project  
10 revolving loan fund balance; and providing for an  
11 effective date."

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

13 \* Section 1. AS 44.83.181(b) is amended by adding a new paragraph to  
14 read:

15 (5) a recommendation as to whether the proposed project is  
16 economically feasible; a power project is "economically feasible" if  
17 the authority determines that the total costs of the power project are  
18 cheaper for the estimated life of the project than other alternatives;  
19 in making a determination of economic feasibility under this section,  
20 the authority shall evaluate the estimated life of the power project  
21 and its alternatives applying the following standard factors:

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

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

26 (C) an escalation factor for measuring the comparative  
27 cost of oil, gas or coal; the rate to be applied is 11 percent  
28 annually, and the rate shall be applied to the current fuel cost  
29 at the date of determination of economic feasibility.

1 \* Sec. 2. AS 44.83 is amended by adding new sections to read:

2 ARTICLE 8. POWER PROJECT REVOLVING LOAN FUND.

3 Sec. 44.83.400. FUND ESTABLISHED. (a) A power project revolving  
4 loan fund is established in the Alaska Power Authority to carry out the  
5 purposes of AS 44.83.400 - 44.83.470.

6 (b) The fund includes

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

8 (2) amounts paid, as principal and interest, on loans made  
9 by the authority from the fund; and

10 (3) interest earned by investment of money in the fund.

11 Sec. 44.83.410. USE OF FUND BALANCE. The fund may be used by the  
12 authority

13 (1) to make loans for

14 (A) reconnaissance and feasibility studies and power  
15 project finance plans prepared under AS 44.83.177 - 44.83.181; and

16 (B) the cost of a power project, including but not  
17 limited to costs of acquiring necessary licenses, preparing engi-  
18 neering designs, and construction of the power project; and

19 (2) for grants for power production cost assistance under  
20 AS 44.83.162 - 44.83.164.

21 Sec. 44.83.420. ADMINISTRATION OF FUND. (a) The authority shall  
22 make loans from the fund for purposes authorized by AS 44.83.410

23 (1) for a power project designated by the legislature by  
24 law, in an amount determined by the legislature by law;

25 (2) for a power project not designated by the legislature by  
26 law if the authority owns the power project; and

27 (3) for a power project not designated by the legislature by  
28 law if the power project is determined to be economically feasible  
29 under AS 44.83.181(b) and the power project

1 (A) operates or will operate on renewable energy re-  
2 sources; or

3 (B) operates or will operate on coal, peat or wood, and  
4 the authority determines that

5 (i) the source of the fuel for the project is  
6 abundant; and

7 (ii) renewable energy resources to operate the  
8 power project are not available or are not economically  
9 feasible.

10 (b) The Department of Revenue shall invest and manage the balance  
11 of the fund which exceeds estimated loan and grant requirements under  
12 AS 44.83.410 - 44.83.420 for the current fiscal year. An investment by  
13 the Department of Revenue under this subsection shall be made in accor-  
14 dance with AS 37.10.070 and 37.10.075.

15 Sec. 44.83.430. ALLOTMENT TO PROJECTS. (a) The authority shall  
16 maintain records of loans from the fund

17 (1) for power projects designated by the legislature; and

18 (2) for each power project for which a loan is made from an  
19 appropriation made by the legislature without specifying a project.

20 (b) Income earned from investment of money appropriated to the  
21 fund under AS 44.83.420, shall be allotted by the authority to power  
22 projects for which appropriations have been made by the legislature.  
23 The allotment shall be based on the amount of investment income earned  
24 during each state fiscal year in or after which the legislature has  
25 appropriated money to the fund. An allotment of income under this  
26 subsection shall be made

27 (1) to each power project specifically designated by the  
28 legislature by law in proportion to the amount appropriated for that  
29 project as a percentage of the total amount appropriated by the legis-

1 lature to the fund; and

2 (2) to all other power projects for which the legislature  
3 has appropriated money in proportion to the amount appropriated for  
4 unspecified projects as a percentage of the total amount appropriated  
5 by the legislature to the fund.

6 Sec. 44.83.440. LOAN TERMS AND CONDITIONS. (a) A loan for a  
7 power project made under AS 44.83.400 - 44.83.470 may not be for a  
8 period in excess of the lesser of

9 (1) the estimated actual life of the power project as con-  
10 structed; or

11 (2) 100 years.

12 (b) The rate of interest on the entire outstanding balance of a  
13 loan made under AS 44.83.400 - 44.83.470 may not exceed three percent a  
14 year, but the interest payment calculated on any installment may exceed  
15 that rate.

16 (c) Principal and interest payments payable on a loan made under  
17 AS 44.83.400 - 44.83.470 begin on the date that the borrower certifies  
18 to the authority that the power project for which the loan was made is  
19 producing power.

20 Sec. 44.83.450. LOAN LIMITATIONS. (a) The amount which may be  
21 loaned by the authority for a power project under AS 44.83.420(1) is  
22 the total of

23 (1) the amount of money appropriated by the legislature to  
24 the power project; and

25 (2) the amount of an allotment made by the authority to the  
26 project under AS 44.83.430(b)(1).

27 (b) The amount which may be loaned by the authority for a power  
28 project under AS 44.83.420(2) and (3) may not exceed

29 (1) the amount of money appropriated by the legislature

1 without designating a power project; and

2 (2) the amount of an allotment made by the authority to all  
3 power projects under AS 44.83.430(b)(2).

4 Sec. 44.83.460. REALLOCATION OF FUND BALANCE. (a) Amounts  
5 repaid by a borrower for a loan made for a power project under AS 44.-  
6 83.400 - 44.83.470 may be reallocated to other power projects by the  
7 authority.

8 (b) If a power project designated by the legislature by law is  
9 not constructed, the amount appropriated to it may be reallocated to  
10 other power projects by the authority. The authority may allocate the  
11 money only for a power project which is economically feasible under  
12 AS 44.83.181(b) for the market area that is to be served by the power  
13 project designated by the legislature and not constructed.

14 (c) If appropriations for a power project designated by the  
15 legislature by law exceed the amount required for construction of the  
16 power project, the excess may be reallocated to other power projec's by  
17 the authority.

18 Sec. 44.83.470. DEFINITION. In AS 44.83.400 - 44.83.470, "fund"  
19 means the power project revolving loan fund.

20 \* Sec. 3. AS 44.25.020 is amended by adding a new paragraph to read:

21 (5) invest and manage the balance of the power project  
22 revolving loan fund in accordance with AS 44.83.420(b).

23 \* Sec. 4. Notwithstanding AS 44.83.440(b), added by sec. 2 of this Act,  
24 until the total amount appropriated by the legislature to the power project  
25 revolving loan fund equals or exceeds \$4,500,000,000, the rate of interest  
26 on a loan made under AS 44.83.400 - 44.83.470 is seven percent a year on the  
27 unpaid balance of the loan.

28 \* Sec. 5. This Act takes effect July 1, 1981.

29