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SENATE AMENDMENT

By SENATE RESOURCES COMMITTEE

To: _____ SENATE BILL No. SB 26

To: _____ HOUSE BILL No. _____

PAGE: 3

LINE: 5

ADD NEW LINE 5

(8) Susitna

\$1,100,000,000

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

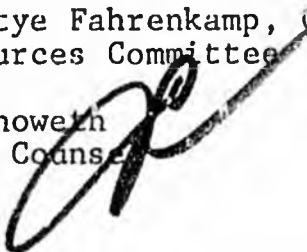
MEMORANDUM

January 29, 1981

SUBJECT: Sponsor substitute for SB 25 (power project revolving loan fund) and SB 26 (companion appropriation) (Work Order No. 12-0521)

TO: Senator Bettye Fahrenkamp, Chairman
Senate Resources Committee

FROM: John B. Chenoweth
Legislative Counsel



This pair of bills authorizes and appropriates for a revolving loan fund in the Alaska Power Authority by which the Authority may make loans for construction of power projects, earn a return on the loans made, and (with legislative approval) use the principal and interest for subsequent power projects.

*

SB 25, the authorization, operates generally in the manner of other state revolving loan programs. The difference between this legislation and programs already in place is one of project dimension and loan repayment period. Both are significantly larger than comparable loan program components. The major operative provisions of the legislation are set out in * Sec. 2 [page 2, line 1 and following] as materials amending AS 44.83, the Alaska Power Authority Act.

Sec. 44.83.400 establishes the power project revolving fund.

Sec. 44.83.410 indicates the principal permissible uses of the fund balance to be (1) the making of loans in order to complete reconnaissance and feasibility studies and power project finance plans required by law, and (2) the making of loans to meet the costs of power projects.

Sec. 44.83.420 establishes limitations on the loans which the authority may make from the fund. Generally, the authority is held to making loans for (1) power projects designated by the legislature by law (where required by AS 44.83.185), (2) power projects which the authority itself owns or will own, and (3) power projects which the legislature need not designate by law because of the exemptions provided in AS 44.83.187 but which the authority determines will be "economically feasible" [the term is defined in context on page 1, at lines 16 - 29] and which will be operated using one of the resources and within the limitations listed in AS 44.83.420(a)(3)(A) or (B).

Sec. 44.83.430 essentially requires the authority, pending the making a loan from the revolving fund, to maintain records of temporary investments on a per project basis. It describes, in subsection (b), the manner of allocating income earned on this invested income back to specific projects which have been identified by the legislature, and to unspecified projects generally.

Sec. 44.83.440 sets out terms and conditions applicable to loans, specifying a maximum repayment period, a rate of interest, and a date when repayment is to commence.

Sec. 44.83.450 describes loan limitations in terms of the maximum amounts which may be loaned for particular power projects. Where the legislature has appropriated and allocated to a power project, the loan may not exceed the allocation and a pro rated share of investment income earned under AS 44.83.430. Where the legislature has not designated, appropriated and allocated to a power project, the authority has discretion, within the total amount available to it for undesignated projects and the pro rated share of investment income earned, to determine the amount which may be allotted to each project.

Sec. 44.83.460 addresses the situation opposite to AS 44.-83.450 by describing how the authority shall account for and handle repayments of principal and interest on loans for power projects (subsection (a) says that the authority may reallocate to other power projects). The section also extends to the authority the responsibility for deciding what to do with amounts appropriated by the legislature to power projects which are not constructed, and to power

projects for which the amount appropriated exceeds actual costs (in both instances, by subsections (b) and (c)) the authority may reallocate these amounts to other power projects.

Sec. 44.83.470 adds a definition of the term "fund".

By * Sec. 3 of the bill [page 5, lines 20 - 22], sums appropriated by the legislature (such as proposed in SB 26) are to be temporarily handled and invested by the Department of Revenue as the surplus general fund balance may be invested, with the proceeds of the appropriation and earnings transferable to the authority for projects as needed.

The major portion of amounts appropriated by the legislature should go to build projects specified by the legislature by law in accordance with the 1980 amendments to the Alaska Power Authority Act. A relatively small amount of money will be available for undesignated power projects, which may be selected by the authority but only after completion of a feasibility study to determine whether a proposed power project not specified by the legislature is "economically feasible". The requirement that a power project be economically feasible, and the very general standards for determining economic feasibility are set out in * Sec. 1 of the bill, and cross-references to the requirement may be found at AS 44.83.420(a)(3) (for proposed projects which do not need legislative review and approval) and at AS 44.-83.460(b) (disposition of "revolved" principal and interest payments on amounts previously loaned).

For loans made, a three percent interest rate on amounts borrowed is specified [AS 44.83.440(b)]. By * Sec. 4 of the bill, the three percent interest rate is set aside and a higher interest rate, seven percent per year, applies for projects for which loans are made until the legislature appropriates at least \$4,500,000,000 to the power project revolving loan fund. (I understand that this suggested requirement was to assure that supporters of projects for which appropriations are made in the earlier years are less inclined to "bail out" of support of the full range of projects immediately after seeing their projects named in legislation making appropriations.)

Senator Bettye Fahrenkamp

Page 4

January 29, 1981

Apart from the provisions for making loans for power projects, this bill also provides that a portion of the balance of the fund may be used to make grants for the power production assistance program as authorized in current law (AS 44.83.163 - 44.83.164). This provision in the bill is AS 44.83.410(2).

*

SB 26, the companion appropriation, provides appropriations from the general fund during each of the next three full fiscal years (FY 82, FY 83, FY 84) to at least the minimum amount specified in SB 25 that would escape levy of the higher seven percent interest rate. As a technical matter, a Committee Substitute should be considered for this bill to pick up, at page 3, following line 4, the following entry omitted in typing:

(8) Susitna	\$1,100,000,000
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This does not change the total for the FY 84 appropriation or for the full bill.

JBC:ljb

cc: Senator Jalmar M. Kerttu

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
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DICK ELIASON
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Senate

Committee on Resources

February 4, 1981
1:30 p.m.

Butro Room
207 - Capitol

MEMBERS PRESENT

SENATOR FAHRENKAMP
SENATOR FISCHER
SENATOR BRADLEY
SENATOR ELIASON
SENATOR GILMAN
SENATOR MULCAHY
SENATOR STURGULEWSKI

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- Hearing: SB 8 Making a special appropriation to the Alaska Power Authority for construction of the Susitna River Hydroelectric project.
- SSSB 25 Establishing a power project revolving loan fund in the Alaska Power Authority.
- SB 26 Making special appropriations to the power project revolving loan fund of the Alaska Power Authority.

The hearing was teleconferenced to Anchorage, Fairbanks and Mat-Su.

Terry Reikhart, Fairbanks, representing himself, testified on SB 8 stating that the feasibility study is proceeding smoothly. Since Susitna is a major project it is necessary to have as much information as possible before making a decision to proceed.

Patricia Anderson, Fairbanks, a biologist, stated that the Department of Fish and Games needs 5 years to conduct fish and wildlife studies and when completed they will provide good base line data.

Fred Dure, Anchorage, representing himself, stated that he was opposed to SB 8 and that consideration should be given to wildlife.

Chuck Smith, Mat-Su, representing himself, stated that Susitna has been studied for over 40 years that it is time to move on with the project because the area is approaching a power shortage. He indicated that the Alaska Power Authority brochure on Susitna answered all the questions previously raised by the environmentalists.

Kevin Herrin, Fairbanks, representing himself, stated that the feasibility study is needed to determine if the size of the project is appropriate. He indicated that adequate power is needed at a reasonable rate but producing more power was not the solution. He saw the solution as energy conservation.

Vivian Cartwright, Fairbanks, representing herself, stated that the social consequences, of building Susitna, may be high and may disrupt the rural life style of the area. She indicated that the positive points of building the dam are: 1. it would produce cheaper energy for urban areas; and, 2. it would produce short term employment.

Thomas Star, Anchorage, Municipal Light and Power, stated that he was in favor of all three bills. He indicated that it was wise to use non-renewable resource revenues to build useful long term hydro structures. These bills will provide funding for our future energy needs.

Dorothy Jones, representing the MatSu Borough, stated she strongly supported Susitna and all other hydro projects in the State because they are environmentally clean and also a good use of a renewable resource.

Jeff Wilson, Fairbanks, representing himself, stated that it is important to know the potential impacts of Susitna since the river provides fish for the Cook Inlet fisheries. He felt that the feasibility study needs to be completed before a decision was made.

Bob Huffman, Fairbanks, representing himself, stated that he was in favor of all three bills because they will assure that Alaska will have a viable energy future. Hydro is a renewable resource and once the projects are completed they will be virtually inflation free.

David Singlesian, Anchorage, representing himself, stated that the Sierra Club has not taken a position on the Susitna project because they are waiting for the completion of the feasibility study. He further stated that it is logical to study a project of this size in depth.

Bob Lohr, Anchorage, Energy Director RuralCap, stated that he supports the assistant program portion of SSSB 25 and SB 26 because without them the bush communities would be paying

close to 50¢ per KWH.

Jim Booska, Fairbanks, representing himself, stated that the present systems are overloaded and therefore, Susitna is needed as soon as possible. He said that he thought that Snettisham was completed, so what is the appropriation for Snettisham Phase II? (Answered later by Mr. Holdsworth).

Elexis Dvorson, Fairbanks, representing herself, stated that she would like to see the feasibility study completed and was particularly concerned about any potential impact on the Cook Inlet fisheries. She indicated that there were other energy options such as solar energy, and conservation.

Eric Meyers, Anchorage, representing the Alaska Public Interest Research Group, stated that by suppressing the cost of electricity it encourages consumption. He suggested that undue emphasis was placed on electricity when there are other energy needs. He suggested that \$20 million be put into the audit and retro-fitting program.

Nancy Lee, Anchorage, representing herself, stated that the amount of money under consideration may not be needed and suggested that the feasibility study be completed first.

David Lacey, Fairbanks, representing himself, stated he was opposed to SB 2 because it creates a big Golden Valley Electric Authority and big government.

Roxie Palmer, Fairbanks, stated she supported hydro electric projects because there have been changes in Alaska which have increased the need for hydro.

Jeff Bowman, Fairbanks, representing himself, stated he did not believe that the alternatives that are being studied are being given the same consideration as Susitna. He indicated that he thought that smaller projects may be more appropriate.

Doug McIntyre, Fairbanks, representing himself, stated he was opposed to SB 8 because the per capita cost was \$10,000.

3:05 p.m. End of Teleconference.

Phil Holdsworth, Juneau, representing South Eastern Conference, stated that their policy statement #3 on hydro-electric fits SB 25. In reference to the previously asked question regarding Snettisham Phase II, he stated that the funds were to connect Lake Dorothy to the existing plant. The existing plant was built to take an extra turbine and flow from the lake and this comparatively small amount of money will increase the capacity.

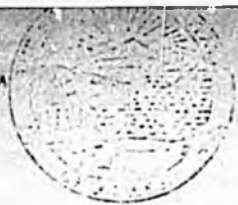
Roland Shanks, Juneau, Alaska Environmental Lobby, stated that it is premature to appropriate money to start construction of the Susitna River Hydroelectric Project. That the decision to expend money for the Susitna Project should await the outcome of the studies. He indicated that it may be in the economic best interest of the State to foster an in-state economy based on energy conservation, retro-fitting and smaller more localized hydroelectric projects.

Dave Hutchens, Juneau, Executive Director, Alaska Rural Electric Cooperative Association, stated that there had been some misunderstanding about SB 8 because the Federal Energy and Regulatory Commission requires the feasibility studies to be completed prior to their issuance of a license. But, it is wise while the money is available from non-renewable income to put aside some of it so it can be used if and when Susitna is determined to be feasible. He stated that SB 25 and SB 26 use the revenue from non-renewable resources to finance permanent energy facilities at low interest rates so people across the state can benefit. He indicated that when these projects are completed 7/8 of the people in the state will be on hydro power. He further indicated that it will be years before Susitna is built but it can be funded at today's cost with today's dollars. If it is proven infeasible the money becomes available for other projects in that area. He stated that the reason for such a large project like Susitna is it is economically more efficient.

Senator Jalmar Kerttula, President of the Alaska State Senate, stated that these bills represent a 8 year program. The basic philosophy behind the bills is: that the oil revenues are here today which can be used to build a sound economic base for the future. These projects represent a long term investment in the State's economic future. He stated that now is our chance to put the money aside because if for some reason there is a shortage of funds in the future even the money in the permanent fund will be spent.

Senator Mulcahy put forth the motion to move the bills, with individual recommendations, with an amendment to SB 26 correcting the typographical error on page three, and with a letter of intent with SB 8.

The Committee adjourned at 4:10 p.m.



Alaska State Legislature

Senate

LEGISLATIVE ALASKA

PRELIMINARY BILL SUMMARY

BILL NUMBER: SB 26

SPONSOR(S): Kerttula, Ziegler
Ferguson, Kelly, Bradley, Eliason
Fahrenkamp

OTHER COMMITTEE

REFERRALS: Finance

TITLE: "An Act making special appropriations to the power project revolving loan fund of the Alaska Power Authority;

and providing for an effective date"

FISCAL IMPACT (if known): Total funding of \$4,560,000,000.

BRIEF SUMMARY OR HIGHLIGHTS:	1981	1982	1983
Black Bear Lake	5 M	5 M	5 M
Bradley Lake	70 M	70 M	70 M
Lake Elva	5 M	5 M	5 M
Green Lake	17 M	17 M	17 M
Power Creek	10 M	10 M	10 M
Snettisham Phase II	13 M	13 M	13 M
Solomon Gulch	21 M	21 M	21 M
Susitna	1,100 M	1,100 M	(?) -0-
Swan Lake	43 M	24 M	30 M
Tazimina Lake	24 M	24 M	24 M
Terror Lake	34 M	57 M	32 M

SB 26 (cont. pg. 2)

Tyee Lake	25 M	25 M	20 M
Other projects	133 M	129 M	153 M
General Fund for power production assistance program	20 M	20 M	20 M

Note: Believe Susitna was inadvertantly left out of 1983 funding.

See SB 25 for authorization.