

COMMITTEE REPORT  
SENATE

FURTHER:

4/16/84

Date 5/26/84

Mr. President

The Committee on FINANCE considered CSHB 589(Fin) an

Alaska Power Authority authorizing the construction of the Watana and Bradley Lake hydroelectric projects; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt S CS for CSHB 589(Fin)
- new title
- same title and recommends do pass
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

\_\_\_\_\_  
*Bob Mulvihill*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

*No Rec.*  
*Paul J. ...*  
 \_\_\_\_\_  
*V. ... NR*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
*Don ... NR*  
*Passed out for ...*

Chairman

Chairman recommendation \_\_\_\_\_

Sen Fischer

SENATE FINANCE COMMITTEE  
LETTER OF INTENT  
FOR  
SCS CSHB 589(Finance)

SCS CSHB 589 (Finance) authorizes construction of the Bradley Lake hydroelectric project and the Susitna River hydroelectric project in accordance with AS 44.83.185 and other statutory provisions.

It is the intent of the Legislature that the Alaska Power Authority spend no funds for detailed design work on either of these projects until power sales agreements have been signed by the utilities which will purchase power from the projects.

Further, no funds shall be spent until (1) the Alaska Power Authority Board of Directors adopts a written finding that the respective project is economically and financially feasible and recommends that it be constructed, and (2) the provisions of AS 44.83.183 and AS 44.83.185, which require submittal by the Alaska Power Authority of a feasibility study, plan of finance, and an independent cost estimate, and submittal by the Office of Management and Budget of a review report recommending approval or disapproval have been complied with. It is the intent of the Legislature that the report by the Office of Management and Budget be in a written form.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 589 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority;  
7 authorizing the construction of the Watana and Brad-  
8 ley Lake hydroelectric projects; and providing for an  
9 effective date."

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

11 \* Section 1. AS 44.33 is amended by adding new sections to read:

12 Sec. 44.33.600. CREATION OF FUND. (a) There is established in  
13 the Department of Commerce and Economic Development the power develop-  
14 ment revolving loan fund to carry out the purpose of AS 44.83.600 --  
15 44.33.630. The fund may be used for no other purpose.

16 (b) The fund consists of

17 (1) appropriations to the fund by the legislature;

18 (2) repayments of principal to the fund; and

19 (3) income from investment of money in the fund and from  
20 loans made from the fund.

21 Sec. 44.33.610. POWERS AND DUTIES OF DEPARTMENT IN ADMINISTERING  
22 THE FUND. (a) The department may make a loan from the power develop-  
23 ment revolving loan fund to the Alaska Power Authority for the purpose  
24 of financing a power project acquired or constructed by the authority  
25 under the energy program for Alaska (AS 44.83.380 -- 44.83.425).  
26 Repayment of a loan from the fund must be made with the proceeds from  
27 the sale of power from projects in the energy program for Alaska.  
28 Except as provided in AS 44.83.398(i), the payments required to be  
29 made by the authority on a loan from the fund constitute debt service

1 for the purpose of calculating the wholesale power rate in AS 44.83.-  
2 398(b)(1).

3 (b) After completion of a final plan of finance and approval of  
4 a project under AS 44.83.185(c), a loan may be made from the fund for

5 (1) the cost or a portion of the cost of final design,  
6 acquisition, and construction of a power project;

7 (2) defeasance or payment of bonds or notes of the author-  
8 ity issued for a power project;

9 (3) the establishment of a reserve fund for renewals and  
10 replacements for the operation of a completed power project; and

11 (4) any other project related expenses including those  
12 described in AS 44.83.398(i).

13 Sec. 44.33.620. LOAN TERMS. (a) A loan from the fund must be  
14 repaid in accordance with the terms that the department determines to  
15 be appropriate. In establishing the terms, including provision for a  
16 return to the state of an amount in excess of the principal amount of  
17 the loan, the department shall consider the revenues that the author-  
18 ity could reasonably derive from the sale of power from the projects  
19 based upon

20 (1) the market rate of interest for a loan of comparable  
21 size and duration at the time the loan is made; and

22 (2) the estimated costs of alternative sources of energy  
23 generation for utilities purchasing power from a project financed with  
24 a loan from the fund.

25 (b) The department may agree with the authority to defer repay-  
26 ment of a loan. However, the loan must be repaid in full during the  
27 period of the loan agreement.

28 (c) A loan to the authority from the fund may not exceed 50  
29 years.

1           Sec. 44.33.630. DEFINITIONS. In AS 44.33.600 -- 44.33.630

2           (1) "authority" means the Alaska Power Authority;

3           (2) "department" means the Department of Commerce and  
4 Economic Development;

5           (3) "fund" means the power development revolving loan fund;

6           (4) "power project" means a project acquired or constructed  
7 under the energy program for Alaska, AS 44.83.380 -- 44.83.425.

8 \* Sec. 2. AS 44.83.092(4) is amended to read:

9           (4) that [AFTER COMPLETION OF A PROJECT] the municipality  
10 or other entity is obligated to make payments, notwithstanding the  
11 non-completion of or a suspension or reduction in the amount of the  
12 power supplied by its project or another [THE] project.

13 \* Sec. 3. AS 44.83.398 is amended by adding a new subsection to read:

14           (i) The authority may place in a separate interest bearing  
15 account money appropriated to the authority as a loan for the purpose  
16 of meeting the operating expenses of a facility in the initial pro-  
17 ject. The money may be used to replace amounts which were expected to  
18 be paid by a utility potentially served by a facility in the initial  
19 project, which has not entered into a power sales agreement with the  
20 authority. Repayment of the amount loaned must be made from revenues  
21 attributable to power sales from that facility, as limited by the  
22 terms of power sales agreements with power purchasers from that facil-  
23 ity. A loan made in accordance with this subsection is not a state  
24 loan for purposes of calculating the wholesale power rate under (b)(1)  
25 of this section.

26 \* Sec. 4. AS 44.83.398(a) is amended to read:

27           (a) The authority shall sell power produced from power projects  
28 acquired or constructed under the energ, program for Alaska. For  
29 purposes of this section, Lake Tyee, Swan Lake, Solomon Gulch, and

1 Terror Lake hydroelectric facilities are considered to be one power  
2 project. This power project is referred to as the initial project [A  
3 UTILITY THAT PURCHASES POWER PRODUCED BY A POWER PROJECT OF THE AU-  
4 THORITY SHALL AGREE WITH THE AUTHORITY

5 (1) TO GIVE PREFERENCE IN THE SALE OF POWER AT RETAIL TO  
6 ALL CLASSES OF CONSUMERS OF POWER EXCEPT INDUSTRIAL CONSUMERS;

7 (2) TO CHARGE INDUSTRIAL CONSUMERS OF POWER A RATE DE-  
8 TERMINED BY THE AUTHORITY IN ACCORDANCE WITH (d) OF THIS SECTION].

9 \* Sec. 5. AS 44.83.398(b) is amended to read:

10 (b) The authority shall establish a wholesale power rate struc-  
11 ture applicable to sales of power to the [ITS] customers [AT THE  
12 BUSBAR] of a power project as follows:

13 (1) The authority shall establish and maintain a separate  
14 wholesale power rate applicable to each power project that it has  
15 acquired or constructed under the energy program for Alaska, other  
16 than a project described in (f) of this section. The wholesale power  
17 rate established by the authority for the initial project shall be a  
18 rate calculated under this paragraph except that the portion of the  
19 rate applicable to (A) and (C) of this paragraph shall be adjusted for  
20 the hydroelectric facilities in the initial project as set out in (3)  
21 of this subsection. The wholesale power rate shall be computed by the  
22 authority annually, or more frequently as may be necessary, and shall  
23 equal the rate that the authority estimates is necessary to produce  
24 revenue that is sufficient to pay

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

27 (B) the power project's proportionate share of the  
28 debt service on state loans and bonds for all power projects in  
29 the energy program for Alaska, determined in accordance with (g)

1 of this section;

2 (C) safety inspections and investigations of the power  
3 project by the authority.

4 (2) If, by July 1, 1991, the legislature has not appropri-  
5 ated at least \$5,000,000,000 to the fund, in addition to appropria-  
6 tions to the fund of interest earned on money in the fund, the author-  
7 ity shall, beginning on that date, establish and maintain a separate  
8 wholesale power rate applicable to each power project that is acquired  
9 or constructed under the energy program for Alaska. The wholesale  
10 power rate shall be computed by the authority annually, or more fre-  
11 quently as may be necessary, and shall be the greater of

12 (A) 10 percent of the amount the authority has in-  
13 vested in the power project, including loans and grants made by  
14 the state; or

15 (B) the rate that the authority estimates is necessary  
16 to produce revenue sufficient to pay

17 (i) operation, maintenance, and equipment re-  
18 placement costs of the power project;

19 (ii) the power project's proportionate share of  
20 debt service on state loans and bonds for all power projects  
21 in the energy program for Alaska, determined in accordance  
22 with (g) of this section; and

23 (iii) safety inspections and investigations of the  
24 power project by the authority.

25 (3) For the purposes of determining amounts to be allocated  
26 to each hydroelectric facility in the initial project under (1)(A) and  
27 (1)(C) of this subsection, the authority shall determine for each  
28 hydroelectric facility its individual operation, maintenance, equip-  
29 ment replacement, safety inspection, and investigation costs.

1 \* Sec. 6. AS 44.83.398(e) is amended to read:

2 (e) After determining the wholesale power rate for a power  
3 project under the provisions of this section, the authority may adjust  
4 the rate or change the rate provisions to insure that the revenue  
5 derived from that power project and the aggregate revenues of the  
6 authority will be adequate to comply with the rate covenants and other  
7 agreements contained in any trust indenture or trust agreement entered  
8 into by the authority for the security of the holders of bonds issued  
9 to finance power projects in the energy program [ENERGY PROGRAM] for  
10 Alaska. The authority may agree with a purchaser of power to limit  
11 rate increases caused by debt service payable by the authority on  
12 subsequent projects.

13 \* Sec. 7. AS 44.83.398(g) is amended to read:

14 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this  
15 section, a power project's proportionate share of debt service on  
16 state loans and bonds for all power projects in the energy program for  
17 Alaska is equal to the state's investment in the power project divided  
18 by the state's investment in all power projects in the energy program  
19 for Alaska and multiplied by the debt service on state loans and bonds  
20 for all power projects in the energy program for Alaska. In this  
21 subsection

22 (1) "state's investment in the power project" includes all  
23 state money invested in a power project, including loans, grants, and  
24 proceeds from bonds, less the principal repayments on the project's  
25 proportionate share of debt service on state loans and bonds;

26 (2) "state's investment in all power projects in the energy  
27 program for Alaska" includes all state money invested in the power  
28 projects, other than interties, in the energy program for Alaska,  
29 including loans, grants, and proceeds from bonds, less the principal

1 repayments on bonds and state loans issued for the power projects.

2 \* Sec. 8. AS 44.83.398(b)(2) is repealed.

3 \* Sec. 9. AS 44.83.398(d) is repealed.

4 \* Sec. 10. The Bradley Lake hydroelectric project is authorized for  
5 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost  
6 of \$350,000,000.

7 \* Sec. 11. The Watana Dam project in the Susitna River hydroelectric  
8 project is authorized for construction under AS 44.83.185(c) at a con-  
9 struction cost of \$1,500,000,000 and the preliminary report on the Susitna  
10 River hydroelectric project is approved in accordance with AS 44.83.320(b),  
11 as to the Watana Dam Project.

12 \* Sec. 12. Sections 1 - 3 of this Act take effect July 1, 1984.

13 \* Sec. 13. Sections 4 - 11 of this Act take effect immediately in  
14 accordance with AS 01.10.070(c).

*2/28/84*

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST Bill/Resolution No.: CSHB 599 (Fin) FISCAL DETAIL Agency Affected: Commerce & Economic Dev.  
 Title: Relating to the Alaska Power Program Category Affected: Development  
 Authority \_\_\_\_\_  
 Sponsor: Governor BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
 Requestor: \_\_\_\_\_ Alaska Power Authority  
 Date of Request: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Analysis: "

Repeal of the "Susitna Clause" will remove the obligation that the State must appropriate \$5 billion to the Power Development Fund by 1991 in order to prevent triggering of a requirement that there be a 10 percent rate of return on power project investments.

Prepared By: Representative Al Adams *APA* Phone: 465-3706  
 Division: Finance Date: 3/29/84

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST

Bill/Resolution No.: HB 589  
 Title: Relating to the Alaska Power Authority  
 Sponsor: Governor  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: Commerce & Economic Development  
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400 SUPPLIES						
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700 CRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
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Prepared By: George Matz Phone: 465-2079  
 Division: Dept. of Commerce & Economic Development Date: 1/6/84

Approved by Commissioner: Richard A. Lyon Date: 2/6/84  
 Agency: Dept. of Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
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12/1/83

Original sponsor: Rules/Governor

1 IN THE HOUSE

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18 rate calculated under this paragraph except that the portion of the  
19 rate applicable to (A) and (C) of this paragraph shall be adjusted for  
20 the hydroelectric facilities in the initial project as set out in (3)  
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25 (A) operation, maintenance, and equipment replacement  
26 costs of the power project;

27 (B) the power project's proportionate share of the  
28 debt service on state loans and bonds for all power projects in  
29 the energy program for Alaska, determined in accordance with (g)

1 of this section;

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3 project by the authority.

4 (2) If, by July 1, 1991, the legislature has not appropri-  
5 ated at least \$5,000,000,000 to the fund, in addition to appropria-  
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22 with (g) of this section; and

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25 (3) For the purposes of determining amounts to be allocated  
26 to each hydroelectric facility in the initial project under (1)(A) and  
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28 hydroelectric facility its individual operation, maintenance, equip-  
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6 authority will be adequate to comply with the rate covenants and other  
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17 Alaska is equal to the state's investment in the power project divided  
18 by the state's investment in all power projects in the energy program  
19 for Alaska and multiplied by the debt service on state loans and bonds  
20 for all power projects in the energy program for Alaska. In this  
21 subsection

22 (1) "state's investment in the power project" includes all  
23 state money invested in a power project, including loans, grants, and  
24 proceeds from bonds, less the principal repayments on the project's  
25 proportionate share of debt service on state loans and bonds;

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27 program for Alaska" includes all state money invested in the power  
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1 repayments on bonds and state loans issued for the power projects.

2 \* Sec. 8. AS 44.83.398(b)(2) is repealed.

3 \* Sec. 9. AS 44.83.398(d) is repealed.

4 \* Sec. 10. The Bradley Lake hydroelectric project is authorized for  
5 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost  
6 of \$350,000,000.

7 \* Sec. 11. The Watana Dam project in the Susitna River hydroelectric  
8 project is authorized for construction under AS 44.83.185(c) at a con-  
9 struction cost of \$1,500,000,000 and the preliminary report on the Susitna  
10 River hydroelectric project is approved in accordance with AS 44.83.320(b),  
11 as to the Watana Dam Project.

12 \* Sec. 12. Sections 1 - 3 of this Act take effect July 1, 1984.

13 \* Sec. 13. Sections 4 - 11 of this Act take effect immediately in  
14 accordance with AS 01.10.070(c).

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 589 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority;  
7 authorizing the construction of the Watana and Brad-  
8 ley Lake hydroelectric projects; and providing for an  
9 effective date."

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

11 \* Section 1. AS 44.33 is amended by adding new sections to read:

12 Sec. 44.33.600. CREATION OF FUND. (a) There is established in  
13 the Department of Commerce and Economic Development the power develop-  
14 ment revolving loan fund to carry out the purpose of AS 44.83.600 --  
15 44.33.630. The fund may be used for no other purpose.

16 (b) The fund consists of

17 (1) appropriations to the fund by the legislature;

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26 Repayment of a loan from the fund must be made with the proceeds from  
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1           Sec. 44.33.630. DEFINITIONS. In AS 44.33.600 -- 44.33.630

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25 (3) For the purposes of determining amounts to be allocated  
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2 \* Sec. 8. AS 44.83.398(b)(2) is repealed.

3 \* Sec. 9. AS 44.83.398(d) is repealed.

4 \* Sec. 10. The Bradley Lake hydroelectric project is authorized for  
5 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost  
6 of \$350,000,000.

7 \* Sec. 11. The Watana Dam project in the Susitna River hydroelectric  
8 project is authorized for construction under AS 44.83.185(c) at a con-  
9 struction cost of \$1,500,000,000 and the preliminary report on the Susitna  
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14 wholesale power rate applicable to each power project that it has  
15 acquired or constructed under the energy program for Alaska, other  
16 than a project described in (f) of this section. The wholesale power  
17 rate established by the authority for the initial project shall be a  
18 rate calculated under this paragraph except that the portion of the  
19 rate applicable to (A) and (C) of this paragraph shall be adjusted for  
20 the hydroelectric facilities in the initial project as set out in (3)  
21 of this subsection. The wholesale power rate shall be computed by the  
22 authority annually, or more frequently as may be necessary, and shall  
23 equal the rate that the authority estimates is necessary to produce  
24 revenue that is sufficient to pay

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

27 (B) the power project's proportionate share of the  
28 debt service on state loans and bonds for all power projects in  
29 the energy program for Alaska, determined in accordance with (g)

1 of this section;

2 (C) safety inspections and investigations of the power  
3 project by the authority.

4 (2) If, by July 1, 1991, the legislature has not appropri-  
5 ated at least \$5,000,000,000 to the fund, in addition to appropria-  
6 tions to the fund of interest earned on money in the fund, the author-  
7 ity shall, beginning on that date, establish and maintain a separate  
8 wholesale power rate applicable to each power project that is acquired  
9 or constructed under the energy program for Alaska. The wholesale  
10 power rate shall be computed by the authority annually, or more fre-  
11 quently as may be necessary, and shall be the greater of

12 (A) 10 percent of the amount the authority has in-  
13 vested in the power project, including loans and grants made by  
14 the state; or

15 (B) the rate that the authority estimates is necessary  
16 to produce revenue sufficient to pay

17 (i) operation, maintenance, and equipment re-  
18 placement costs of the power project;

19 (ii) the power project's proportionate share of  
20 debt service on state loans and bonds for all power projects  
21 in the energy program for Alaska, determined in accordance  
22 with (g) of this section; and

23 (iii) safety inspections and investigations of the  
24 power project by the authority.

25 (3) For the purposes of determining amounts to be allocated  
26 to each hydroelectric facility in the initial project under (1)(A) and  
27 (1)(C) of this subsection, the authority shall determine for each  
28 hydroelectric facility its individual operation, maintenance, equip-  
29 ment replacement, safety inspection, and investigation costs.

1 \* Sec. 6. AS 44.83.398(e) is amended to read:

2 (e) After determining the wholesale power rate for a power  
3 project under the provisions of this section, the authority may adjust  
4 the rate or change the rate provisions to insure that the revenue  
5 derived from that power project and the aggregate revenues of the  
6 authority will be adequate to comply with the rate covenants and other  
7 agreements contained in any trust indenture or trust agreement entered  
8 into by the authority for the security of the holders of bonds issued  
9 to finance power projects in the energy program [ENERGY PROGRAM] for  
10 Alaska. The authority may agree with a purchaser of power to limit  
11 rate increases caused by debt service payable by the authority on  
12 subsequent projects.

13 \* Sec. 7. AS 44.83.398(g) is amended to read:

14 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this  
15 section, a power project's proportionate share of debt service on  
16 state loans and bonds for all power projects in the energy program for  
17 Alaska is equal to the state's investment in the power project divided  
18 by the state's investment in all power projects in the energy program  
19 for Alaska and multiplied by the debt service on state loans and bonds  
20 for all power projects in the energy program for Alaska. In this  
21 subsection

22 (1) "state's investment in the power project" includes all  
23 state money invested in a power project, including loans, grants, and  
24 proceeds from bonds, less the principal repayments on the project's  
25 proportionate share of debt service on state loans and bonds;

26 (2) "state's investment in all power projects in the energy  
27 program for Alaska" includes all state money invested in the power  
28 projects, other than interties, in the energy program for Alaska,  
29 including loans, grants, and proceeds from bonds, less the principal

1 repayments on bonds and state loans issued for the power projects.

2 \* Sec. 8. AS 44.83.398(b)(2) is repealed.

3 \* Sec. 9. AS 44.83.398(d) is repealed.

4 \* Sec. 10. The Bradley Lake hydroelectric project is authorized for  
5 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost  
6 of \$350,000,000.

7 \* Sec. 11. The Watana Dam project in the Susitna River hydroelectric  
8 project is authorized for construction under AS 44.83.185(c) at a con-  
9 struction cost of \$1,500,000,000 and the preliminary report on the Susitna  
10 River hydroelectric project is approved in accordance with AS 44.83.320(b),  
11 as to the Watana Dam Project.

12 \* Sec. 12. Sections 1 - 3 of this Act take effect July 1, 1984.

13 \* Sec. 13. Sections 4 - 11 of this Act take effect immediately in  
14 accordance with AS 01.10.070(c).



NB 589

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 8, 1984

The Honorable Joe Hayes  
Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the sale of power by the Alaska Power Authority. The bill amends portions of AS 44.83.398, which governs sale of power from projects in the energy program for Alaska. The amendments are necessary before power sales agreements can be signed and long-term financing can be put in place for the Lake Tyee, Swan Lake, Solomon Gulch, and Terror Lake hydroelectric projects -- the "four dam pool."

A section-by-section analysis follows.

Sections 1 (by amending AS 44.83.398(a)) and 5 (by repealing AS 44.83.398(d)) of the bill eliminate restrictions on industrial power rates that may be charged by utilities purchasing power from projects in the energy program for Alaska. The statute currently prohibits utilities from charging a retail power rate to industrial consumers that is less than the rate charged to residential consumers. The change allows utilities to offer a lower rate to large-volume consumers, or consumers who currently use their own generation sources, which should reduce the overall rate to all consumers. The authority has discussed with the utilities the use of fixed-term supply contracts with industrial users with the length of the contract limited so that, when usage of power from the hydroelectric facilities approaches capacity, more power will be available to residential consumers and they will not end up subsidizing industrial power rates.

Section 1 also provides for the combination of the Lake Tye, Swan Lake, Solomon Gulch, and Terror Lake hydroelectric projects into one power project for the purposes of the wholesale power rate calculation in AS 44.83.398-(b)(1). This power project is referred to as the "initial project."

Section 2 deletes the "Susitna clause" in AS 44.83.398-(b)(2). Repeal of this provision is desired by both the authority and the purchasing utilities because of the potential effect on rates. It is also viewed as crucial to the long-term financing of the initial project and future projects in the energy program for Alaska. The rating services are reluctant to give a favorable rating to revenue bonds issued with this provision in place because of the possibility that ratepayers' rates could increase substantially in 1991. The rates could be high enough to reduce demand and revenues, thus jeopardizing the ability of the utilities to meet their payment obligations under the power sales contracts.


Section 2 also describes the method for determining the amounts to be allocated to each hydroelectric facility in the initial project. Under this combined system the facilities share the debt service for the entire project and there is a single cents-per-kilowatt-hour rate for debt service applicable to all four hydroelectric facilities in the initial project. The rate for costs of operations, maintenance, equipment replacement, safety inspections, and investigations is determined separately for each facility. The result is a different wholesale rate for each facility in the initial project, but a sharing of debt service which substantially reduces the wholesale rate for projects such as Lake Tye.

Section 3 adds a sentence to AS 44.83.398(e) to allow the power authority to contractually limit the amount of debt service payable by power purchasers as a consequence of the later addition of new projects to the energy program for Alaska.

Section 4 removes the reference to the "Susitna clause" from AS 44.83.398(g).

Section 6 provides for an immediate effective date.

Sincerely,

  
Bill Sheffield  
Governor

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

4/2/84

Date 4-13-84

Mr. President

The Committee on RESOURCES considered CSHB 589(Fin)am

Alaska Power Authority authorizing the construction of the Watana and Bradley Lake hydroelectric projects; efd. and (a majority of the committee) (the committee) reports it back with the following recommendations:

- ~~do pass~~
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title \_\_\_\_\_
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

*Do not  
pass unless  
amended.*

Bob Mulvaney

1

1

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2 Curtis Sturgulowski

3 Delavan

3 iealer

no rec.

~~if~~

Bettye Johnson  
Chairman  
Do Pass  
Chairman recommendation

# Alaska State Legislature

BETTYE FAHRENKAMP, Chairman  
ROBERT H. ZIEGLER, SR., Vice Chairman  
DICK ELIASON  
PAUL FISCHER  
VIC FISCHER  
BOB MULCAHY  
ARLISS STURGULEWSKI



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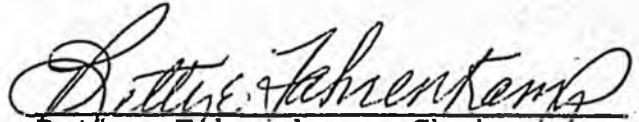
## Senate

### Committee on Resources

SENATE RESOURCES COMMITTEE  
LETTER OF INTENT  
FOR  
CS HB 589 (Finance)am

The committee substitute for HB 589 (Finance)am authorizes the construction for the Bradley Lake hydroelectric project and the Susitna River hydroelectric project in accordance with AS 44.83.185 and other statutory provisions.

It is the intent of the legislature that the Alaska Power Authority spend no funds for detailed design work on either of these projects until power sales agreements have been signed by the utilities which will purchase power from the projects. Further, until compliance with the provisions of AS 44.83.183 and AS 44.83.185, which require a review by the Office of Management and Budget of a feasibility study and plan of finance, and submittal by the Alaska Power Authority to the legislature of an independent cost estimate, no funds shall be spent.

  
Bettye Fahrenkamp, Chairman  
Senate Resources Committee

Offered: 3/29/84  
For Today's Supplemental  
Calendar

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 589 (Finance) am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska Power Authority  
authorizing the construction of the Watana and  
Bradley Lake hydroelectric projects; and providing  
for an effective date."

7

8

9

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

11

\* Section 1. AS 44.83.398(a) is amended to read:

12

(a) The authority shall sell power produced from power projects  
acquired or constructed under the energy program for Alaska. For  
purposes of this section, Lake Tyee, Swan Lake, Solomon Gulch, and  
Terror Lake hydroelectric facilities are considered to be one power  
project. This power project is referred to as the initial project [A  
UTILITY THAT PURCHASES POWER PRODUCED BY A POWER PROJECT OF THE AU-  
THORITY SHALL AGREE WITH THE AUTHORITY

13

14

15

16

17

18

19

(1) TO GIVE PREFERENCE IN THE SALE OF POWER AT RETAIL TO  
ALL CLASSES OF CONSUMERS OF POWER EXCEPT INDUSTRIAL CONSUMERS;

20

21

(2) TO CHARGE INDUSTRIAL CONSUMERS OF POWER A RATE DE-  
TERMINED BY THE AUTHORITY IN ACCORDANCE WITH (d) OF THIS SECTION].

22

23

\* Sec. 2. AS 44.83.398(b) is amended to read:

24

(b) The authority shall establish a wholesale power rate struc-  
ture applicable to sales of power to the [ITS] customers [AT THE  
BUSBAR] of a power project as follows:

25

26

27

(1) The authority shall establish and maintain a separate  
wholesale power rate applicable to each power project that it has  
acquired or constructed under the energy program for Alaska, other

28

29

1 than a project described in (f) of this section. The wholesale power  
2 rate established by the authority for the initial project shall be a  
3 rate calculated under this paragraph except that the portion of the  
4 rate applicable to (A) and (C) of this paragraph shall be adjusted for  
5 the hydroelectric facilities in the initial project as set out in (3)  
6 of this subsection. The wholesale power rate shall be computed by the  
7 authority annually, or more frequently as may be necessary, and shall  
8 equal the rate that the authority estimates is necessary to produce  
9 revenue that is sufficient to pay

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

12 (B) the power project's proportionate share of the  
13 debt service on state loans and bonds for all power projects in  
14 the energy program for Alaska, determined in accordance with (g)  
15 of this section;

16 (C) safety inspections and investigations of the power  
17 project by the authority.

18 (2) If, by July 1, 1991, the legislature has not appropri-  
19 ated at least \$5,000,000,000 to the fund, in addition to appropria-  
20 tions to the fund of interest earned on money in the fund, the author-  
21 ity shall, beginning on that date, establish and maintain a separate  
22 wholesale power rate applicable to each power project that is acquired  
23 or constructed under the energy program for Alaska. The wholesale  
24 power rate shall be computed by the authority annually, or more fre-  
25 quently as may be necessary, and shall be the greater of

26 (A) 10 percent of the amount the authority has in-  
27 vested in the power project, including loans and grants made by  
28 the state; or

29 (B) the rate that the authority estimates is necessary

1 to produce revenue sufficient to pay  
2 (i) operation, maintenance, and equipment re-  
3 placement costs of the power project;  
4 (ii) the power project's proportionate share of  
5 debt service on state loans and bonds for all power projects  
6 in the energy program for Alaska, determined in accordance  
7 with (g) of this section; and  
8 (iii) safety inspections and investigations of the  
9 power project by the authority.

10 (3) For the purposes of determining amounts to be allocated  
11 to each hydroelectric facility in the initial project under (1)(A) and  
12 (1)(C) of this subsection, the authority shall determine for each  
13 hydroelectric facility its individual operation, maintenance, equip-  
14 ment replacement, safety inspection, and investigation costs.

15 \* Sec. 3. AS 44.83.398(e) is amended to read:  
16 (e) After determining the wholesale power rate for a power  
17 project under the provisions of this section, the authority may adjust  
18 the rate or change the rate provisions to insure that the revenue  
19 derived from that power project and the aggregate revenues of the  
20 authority will be adequate to comply with the rate covenants and other  
21 agreements contained in any trust indenture or trust agreement entered  
22 into by the authority for the security of the holders of bonds issued  
23 to finance power projects in the energy program [ENERGY PROGRAM] for  
24 Alaska. The authority may agree with a purchaser of power to limit  
25 rate increases caused by debt service payable by the authority on  
26 subsequent projects.

27 \* Sec. 4. AS 44.83.398(g) is amended to read:  
28 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this  
29 section, a power project's proportionate share of debt service on

1 state loans and bonds for all power projects in the energy program for  
2 Alaska is equal to the state's investment in the power project divided  
3 by the state's investment in all power projects in the energy program  
4 for Alaska and multiplied by the debt service on state loans and bonds  
5 for all power projects in the energy program for Alaska. In this  
6 subsection

7 (1) "state's investment in the power project" includes all  
8 state money invested in a power project, including loans, grants, and  
9 proceeds from bonds, less the principal repayments on the project's  
10 proportionate share of debt service on state loans and bonds;

11 (2) "state's investment in all power projects in the energy  
12 program for Alaska" includes all state money invested in the power  
13 projects, other than interties, in the energy program for Alaska,  
14 including loans, grants, and proceeds from bonds, less the principal  
15 repayments on bonds and state loans issued for the power projects.

16 \* Sec. 5. AS 44.83.398(b)(2) is repealed.

17 \* Sec. 6. AS 44.83.398(d) is repealed.

18 \* Sec. 7. The Bradley Lake hydroelectric project is authorized for  
19 construction under AS 44.83.185(c) and 44.83.384(c) at a construction cost  
20 of \$350,000,000.

21 \* Sec. 8. The Watana Dam project in the Susitna River hydroelectric  
22 project is authorized for construction under AS 44.83.185(c) at a con-  
23 struction cost of \$1,500,000,000 and the preliminary report on the Susitna  
24 River hydroelectric project is approved in accordance with AS 44.83.320(b),  
25 as to the Watana Dam Project.

26 \* Sec. 9. This Act takes effect immediately in accordance with AS 01.-  
27 10.070(c).