

H B

5 8 9

SENATE AMENDMENT # 1

By Phil Ferguson / Josephson

To: _____ SENATE BILL No. _____

To: SCS CSHB HOUSE BILL No. 589 (Fin)

PAGE: 7 LINE: 2

Delete line 2, Renumber following sections accordingly.

Page 7, line 13:

Delete "11", and insert "10".

adopted
leaves Blackmail Clause in



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

April 30, 1984

Bettye Fahrenkamp
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Subject: Power Sales Agreements (Tye Lake Hydroelectric Project)

Dear Senator Fahrenkamp:

I am forwarding a copy of Resolution No. 1018-R which was passed and approved by the Petersburg City Council at a special meeting held April 27, 1984.

The Resolution authorized the execution of a short term power sales agreement and further specifies terms under which the Petersburg City Council will approve long term agreements to purchase electricity from the Tye Lake Hydroelectric Project.

The short term agreement provides that Petersburg will pay 5.84¢ per kilowatt hour to purchase power from the Project, but either party may terminate the agreement upon 24 hours written notice.

Section 3 of the Resolution indicates the criteria to be achieved for long term power sales agreements. Petersburg sincerely desires to reach an acceptable long term agreement. We would be grateful for any assistance you may be able to render on our behalf.

Sincerely,

Patricia Curtiss
City Clerk

Enclosure

MAY 3 1984

RESOLUTION NO. 1018-R

A RESOLUTION AUTHORIZING THE EXECUTION OF A SHORT TERM POWER SALES AGREEMENT WITH THE ALASKA POWER AUTHORITY WITH RESPECT TO THE TYEE LAKE HYDROELECTRIC PROJECT.

WHEREAS, the City of Petersburg (hereinafter called the "City") owns and operates an electric utility which is eligible to purchase wholesale electric power and energy produced from the Tyee Lake Hydroelectric Project (hereinafter called the "Project"); and

WHEREAS, the Alaska Power Authority (hereinafter called the "Authority") is capable of producing power from the Project, the components of which include a generating facility at Lake Tyee and transmission lines designed to deliver power from the Project to the cities of Wrangell and Petersburg; and

WHEREAS, officials of the City have negotiated with the Authority for terms and conditions of a short term power sales agreement in the form attached hereto as Exhibit A and incorporated by reference herein (hereinafter called the "Short Term Power Sales Agreement"); and

WHEREAS, a supplementary amendment has been proposed by the Authority which would add the following sentence to Section 2 (b) of the Agreement:

"This agreement shall be of no further force and effect from and after May 2, 1984 if the City has not, prior to said date, executed subject to ratification, or passed an ordinance authorizing a Power Sales Agreement with the Authority in substantially the form adopted by the City of Wrangell on April 12, 1984."

WHEREAS, action taken by the City of Wrangell on April 12, 1984 essentially authorized the execution of long term power sales agreements with the Authority; and

WHEREAS, an advisory question relating to long term arrangements for purchasing power from the Authority was rejected by Petersburg voters by a margin of 611 to 295 at a Special Election held April 17, 1984; and

WHEREAS, it would be contrary to the wishes of a majority of Petersburg voters to adopt long term power sales agreements of the form proposed by the Authority at this particular time; and

WHEREAS, it is deemed to be in the best interest of the City and the Authority to approve and execute the Short Term Power Sales Agreement without the supplementary amendment so that negotiations may continue for long term arrangements; and

WHEREAS, it is the sincere desire of the City to reach an acceptable arrangement for long term agreements to purchase power from the Project.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF PETERSBURG, ALASKA AS FOLLOWS:

Section 1. Approval of Short Term Agreement. The Short Term Power Sales Agreement is hereby approved. Said Agreement shall be in substantially the form attached hereto as Exhibit A with such changes as the City Manager, with the advice of the City's legal counsel, shall approve. The City Manager and City Clerk are hereby authorized and directed to execute the Short Term Power Sales Agreement, for and on behalf of the City.

Section 2. Implementation of Short Term Agreement. The City Manager and all other appropriate officials of the City are hereby authorized and directed to take all steps necessary for the implementation of the Short Term Power Sales Agreement.

Section 3. Approval of Long Term Agreements. The Mayor and City Manager are hereby authorized and directed to continue negotiations for long term agreements to purchase power from the Tyee Lake Hydroelectric Project. Such negotiations should be guided by the objective to provide Petersburg electric customers with a long term source of stable and reliable power at the lowest possible cost. In this regard, the Petersburg City Council will approve long term power sales agreements if the following criteria can be achieved:

- A. A "postage stamp" rate for project energy so that the wholesale cost of power will be the same for all projects developed under the "Energy Program for Alaska":
- B. A system increment limitation so that allocated debt service will not increase over the term of the power sales agreement;

- C. Transfer of title of the Project to a joint operating agency to be established by Wrangell and Petersburg upon payment of all debt service related to the Project; and
- D. A mechanism to provide more local control over Project operation and maintenance expenses.


Section 4. Notification. The City Clerk is hereby directed to send a copy of this Resolution to the Governor of the State of Alaska, Members of the Alaska Legislature, Members of the Board of Directors of the Alaska Power Authority, Representatives of each Utility to be served by projects developed under the Energy Program for Alaska, and the Executive Director of the Alaska Power Authority.

PASSED and APPROVED by the Mayor and City Council of the City of Petersburg, Alaska at a special meeting of said Council held this 27th day of April, 1984.



Mayor

ATTEST:



City Clerk

3/26/84 Drinich

By appropriating \$210 million to 4 dam pool, removes need for long term power sales agreements which were needed for issuance of long term debt.

The \$210 million pays off existing short term debt on the 4 dams.

Without repeal of blackmail clause, rates would go up even under this version ('cause would have to repay as loan). But, could offer shorter-term contracts that would expire day before blackmail clause effective.

Removes need for \$49 million rate stabilization. Rates could remain as are currently, 'cause State could structure payback to keep rates low.

would necessitate APA signing new agreements w/ communities. (Depending on Terquison's amendment, Petersburg could or can not participate.)

STANDARD



Official Business

Alaska State Legislature

May 1, 1984

Pouch V
State Capitol
Juneau, Alaska 99811

Senator John Sackett
Senator Don Bennett
Co-Chairmen, Senate Finance Committee
Alaska State Legislature

Dear Senator Sackett and Senator Bennett:

The City of Petersburg, in rejecting the power sales agreements with the Alaska Power Authority, has placed a large and unnecessary fiscal liability upon the State of Alaska. Of the five communities to have originally been included in the Four Project Pool, Petersburg is now the only community, that after lengthy negotiations with the Power Authority, has elected not to assume their fair share of a financial obligation to which they had previously made a commitment.

Petersburg's failure to accept the State's proposal is unfair to the State and the remaining four communities of Ketchikan, Wrangell, Kodiak and Valdez/Glennallen; of which, two are neighboring Southeast towns with similar economic interests and concerns. The irony is that Petersburg will undoubtedly realize only too late, that successful long-term generation of power from Lake Tye will serve as a catalyst for economic growth and commercial development in the Wrangell area, while Petersburg's development could possibly fall behind. If this should occur, Petersburg will most likely turn to the State for financial assistance, including requesting reconsideration in purchasing power from Lake Tye under the terms of the original offer.

In fairness to the other communities, the opportunity presently being offered should not be made available to Petersburg once they have made the decision not to accept. It will be a hard lesson to learn for Petersburg, but one that is necessary when placed in a statewide perspective. For the State to allow Petersburg to join the other four communities at any time in the future, at the same or more favorable terms, would be unfair. It would also be a poor precedent for the State to establish.

This year's legislature should consider ways in which any excess costs, incurred by the State as a result of Petersburg's refusal to sign long-term power sales agreements, can be recovered from any future power sales to that City. This needs to be done in a way that the four


MAY 2 1984

Senator Sackett and Senator Bennett
May 1, 1984
Page 2

participants who did enter into good faith negotiations and have accepted long-term agreements are not penalized. Measures must also be provided to deny State assistance in the event Petersburg should request funding for the construction of additional power projects to serve the City. In plain English, any major power development project similar to Tyee in the amount of electricity it would generate for the city of Petersburg may not be considered by the Legislature over the effective life-years of the Tyee project which is estimated for fifty years. But any electrical project of a maintenance nature for the current electrical generation relied upon by Petersburg should not be effected.

Until the unnecessary costs resulting from Petersburg's refusal to participate in Tyee are recovered, Petersburg should be held responsible, and not under any circumstance should they be given another opportunity at the same favorable terms and conditions; nor, should they be assisted in developing other generation capability. Unfortunately, they've shirked their duty at the expense of others and should not be allowed to benefit from their actions.

Sincerely,



Frank R. Ferguson
Alaska State Senator

cc: Governor Sheffield
All Senators
All House Members
Mayor, City of Petersburg
Larry Crawford, APA
Ernie Haugen, Petersburg

Alaska State Legislature

CHAIRMAN

Health, Education & Social Services

FINANCE SUBCOMMITTEES

Health & Social Services

REAA Budget Oversight

Corrections

RULES COMMITTEE



DISTRICT 11
3305 OREGON DRIVE
ANCHORAGE, ALASKA 99503

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3759

Representative Mae Tischer

May 1, 1984

The Honorable Frank Ferguson
Alaska State Senator
Capitol Building
Juneau, Alaska

Dear Senator Ferguson:

Thank you for including me in the circulation of your May 1, 1984, letter to Senators Sackett and Bennett regarding the City of Petersburg's rejection of a power sales agreement with the Alaska Power Authority.

While there is merit in some of your comments contained therein, there are compelling concerns not included in your letter which I feel necessitate mentioning at this time.

Petersburg's "previously made commitment" to assume a financial obligation in regard to the four dam pool was made in good faith on terms that no longer exist. I will state my reasons for believing as I do.

First and foremost, it was the APA that made the decision to expand the Tye project beyond what was originally planned for the benefit of Juneau, thus causing substantial cost increases to the project. The citizens of Petersburg can hardly be held responsible for a decision which they did not make or participate in making.

Second, a fact which is never discussed is the existence of a fifth dam in the Alaska Power Authority pool -- the Sitka project -- which presently contributes to the overall financial obligation of the Authority. Granted, the cost has proved considerably less than the other projects managed by APA. Nonetheless, APA carries the Sitka project loan and, as such, the loan does in fact become part of the overall debt for which Petersburg would be partially responsible if the city signed a power sales agreement with APA.

I dare say neither of the above conditions were a part of the original long term plans under which Petersburg, or other cities for that matter, agreed to negotiate a power sales agreement with the State.

APA has been heavily criticized for its management practices in the past. These past management practices may have very heavily contributed

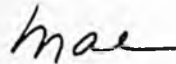
MAY 2 1984

The Honorable Frank Ferguson
May 1, 1984
Page Two

to the "large and unnecessary fiscal liability" to which your letter refers, and to which Petersburg should not be whipped into submission to accept, as your letter suggests, in light of the fact that the conditions have changed considerably. Had APA not arbitrarily caused the cost over-runs, and had all conditions remained constant, then the State would be justified in imposing the sanctions which your letter suggests. However, the plain truth is that all conditions did not remain constant. There were unjustified cost over-runs, and any community would be considered fiscally irresponsible to roll over simply because APA said they must.

Justice would be better served if the State admitted the true problem; paid off the APA's debt, which the State can well afford to do; and get on with encouraging the development of hydro power in every rock and cranny in this State. It's the best investment we can make with our non-renewable resource dollars.

Sincerely,



Mae Tischer
State Representative

cc: Governor Sheffield
All Senators
All Representatives
Don Koenigs, Mayor, City of Petersburg
Larry Crawford, Executive Director, APA
Ernie Haugen, Former State Representative, Petersburg

MT/sg

LETTER OF UNDERSTANDING

The negotiating team representing APA, Ketchikan, Copper Valley Electric Association, Kodiak Electric Association, Petersburg and Wrangell have agreed on the terms and conditions of a power sales agreement incorporating the following:

1. The written and oral understandings of the parties heretofore reached shall be placed in writing in agreed final form, and remaining comments of the parties will be mutually and expeditiously resolved and also incorporated in the agreement.
2. A rate stabilization fund shall be established as proposed in the communities' 17 point proposal funded in part by a State appropriation of \$49,000,000.
3. The system increment proposal of the communities shall also be incorporated in such agreement.

We mutually recognize that certain statutory amendments are required to implement the agreements reached to date.

We expect to conclude draft O & M agreements and interconnection agreements following a mutual review of proposed contract revisions.

We will recommend to our respective boards and councils that the agreements be adopted and that we be authorized to execute them and to assist in the steps necessary to complete the financing.

DATED March 20, 1984

ALASKA POWER AUTHORITY

By: Larry H. Crawford

CITY OF KETCHIKAN

By: Steve Land

COPPER VALLEY ELECTRIC ASSOCIATION

By: J. A. Tillin games

CITY OF WRANGELL

By: James Reale

KODIAK ELECTRIC ASSOCIATION

By: David A. Nease

CITY OF PETERSBURG

By: Don Koenigs

Anchorage Caucus
Resolution No. 4

WHEREAS, the Anchorage Caucus of the Alaska Legislature is made up of 10 members of the Senate and 17 members of the House of Representatives elected from Anchorage Area Districts.

WHEREAS, there occasionally arise matters of special concern to members of the Anchorage Caucus about which the Caucus wishes to take a collective position and have that position communicated to those most concerned; and

WHEREAS, one such matter is the construction of the Susitna Hydroelectric Power Project; and

WHEREAS, the significant facts relating to this proposal are as follows:

(a) The Susitna Hydroelectric Power Project is one of the largest and most significant projects for the State of Alaska for the remainder of this century, and

(b) The benefits and consequences of the construction of this project are vital to the continued growth and development of the citizens living in Alaska's Interior and Southcentral areas, and

(c) The amount already spent on this Project is approaching \$100,000,000 with at least \$30,000,000 more being budgeted for the coming fiscal year, and

(d) The construction of the Project is estimated by the Alaska Power Authority to save over \$1,000,000,000 in costs to supply the power needs of Central Alaska when compared with the least costly alternative method for meeting these power needs, and

(e) \$460 million has been spent on the "Four-Dam Pool" hydroelectric projects in the Energy Program for Alaska, which serve less than 10% of the State's population, and

(f) This Project will directly benefit most of the population of the State of Alaska and will indirectly benefit the remaining people of the State, and

(g) The Anchorage-Fairbanks intertie will be completed this year and will be able to distribute Susitna power to 70% of Alaska's citizens, and will be substantially more useful than if Susitna were not built, and

(h) The Alaska Power Authority, in implementing the Energy Program for Alaska, has negotiated power sales agreements for power from the four hydroelectric projects, and those contracts are conditional on repeal of the Susitna Equity Clause.

NOW THEREFORE, BE IT RESOLVED that it is the position of the Anchorage Caucus that the Susitna Hydroelectric Power Project be expedited to the utmost and that the Governor of the State of Alaska, the President of the Senate, and the Speaker of the House of Representatives use the power of their offices to provide the funds and manpower to complete the Project at the earliest possible date.

AND, BE IT RESOLVED the members of the Anchorage Caucus, to advance the unity of purpose of all Alaskans in developing the total electrical power potential of our State, while implementing safeguards to assure construction of a needed and feasible Susitna Hydro Project, will accede to the repeal of the Susitna Equity Clause, only if funds for major hydroelectric projects are constitutionally assured, Susitna is included in the Energy Program for Alaska, and members of the existing "Four-Dam Pool" are contractually obligated to their participation in the program through executed power sales agreements.

BE IT FURTHER RESOLVED that this Resolution be delivered to the Governor, the President of the Senate, and the Speaker of the House in order to impress upon them the urgency of the need for the Project and the unified nature of the support and backing for its early completion.

SUSITNA EQUITY

Fact:

1. \$260 million in grants has already been appropriated by the state for four dams;
2. \$200 million is due on short-term notes in the next 12 months.

Policy Decision: A decision is necessary on the interim financing retirement.

Options:

1. Pay off the \$200 million from general funds and/or the Undistributed Income Account of the Permanent Fund:
 - A. 4 dam customers will pay operations and maintenance only to Alaska Power Authority which, in turn, is deposited into the General Fund (state law allows APA to collect only O&M and debt service);
 - B. Susitna Equity clause remains intact;
 - C. No additional revenues are generated into the General Fund, except operations and maintenance.
2. Pay off the \$200 million with long term bonding:
 - A. 4 dam customers will pay O&M and debt service to APA which is deposited into the General Fund;
 - B. Additional revenues are generated for the Alaska Power Authority to retire future added debt, for projects added to the Energy Program.
 - C. Dams will be fully financed without additional General Fund monies;
 - D. Creates a "bonding base" to add other projects eg. Bradley Lake and Susitna;
 - E. For 30 to 35 year bonds with a 50 year power sales agreement means 4 dam customers will be paying off the bonded indebtedness of new projects -- by paying debt service, will help pay for other projects.
 - F. Leverages the state's equity into larger amount of power development;
 - G. Removes the Susitna Equity clause to insure power sales agreements
 - H. Can keep the Susitna Equity clause intact which will provide more costly long term financing, but communities will not voluntarily execute power sales agreements with the clause in place.

RATE STABILIZATION FUND

Policy Decision:

Why \$35 million or \$49 million?

Fact:

APA wants power sales agreements to both protect and realize a return on \$460 million (\$260 million appropriated and \$200 million debt). APA's goal is to have power sale agreements that provide hydro power at no higher cost than the best thermal alternative in those communities.

Why \$35 Million?

Based on computer analysis of load forecasts, \$35 million goes to the bank for a Rate Stabilization Fund. APA will borrow an additional \$12 million (maximum allowed by federal law) for a total of \$47 million in the bank which will be used to subsidize each rate payer so that their electricity equals the projected cost of the thermal alternative.

Why \$49 million?

The additional \$14 million will make the rate payers' electricity approximately 1 1/2¢ lower than thermal alternative.

Susitna Equity Clause not involved in this dialogue -- the Rate Stabilization Fund is demanded by the 4 dam communities.

4 DAM POOL PRICE OF POWER COMPUTATION

Cost of O&M and Inspections
+
Debt Service

X

less Rate Stabilization Fund (state subsidy to balance thermal alternative)

X - Rate Stabilization Fund = cost of electricity 4 dam pool

POLICY DECISION: Constitutional Amendment

As currently written, the proposed constitutional amendment does the following:

1. Allows a dedicated fund (establishing an income stream consisting of 10% of the total revenues generated from non-renewable resources) for specific purposes which are revenue generating and are therefore paid back.

Pros

Makes Susitna easier to build:

A. By providing a source of income for projects meeting specific criteria (for example, 1.2 billion has been appropriated for capital projects this year of which none is for hydro)

B. Can be written to be biased towards Susitna

C. Avoids the spending limit because it would be restricted revenues

D. Isolates a revenue stream consisting of money from both the Legislature and the Governor

E. Makes building Susitna less political year after year

F. Money would be paid back by future generations of Alaskans

G. Isolates a block of money for hydro construction.

Con

A. Establishes a dedicated fund which takes funding decisions away from the Legislature

2. Power Cost Assistance Clause which will make it possible to get reasonable power cost in rural Alaska.

A. Needed for rural support of the amendment

B. Locks the existing Power Cost Assistance statute into the Constitution

C. Legislature maintains control by establishing appropriation level

3. \$100,000.0 threshold for projects.

CURRENT STATUTORY PROVISIONS

Under existing statutes, the following alternatives are possible:

1. Authorize Susitna under the Energy Program for Alaska (no other hydro projects are currently authorized and funded.).

This commits the state to building Susitna (also requires OMB review, power sales agreements, economic feasibility analysis, FERC licenses. It, however, clarifies the commitment to this process).

2. Power Development Fund. This is a state account for building hydro projects (appropriations for the 4 dam pool and intertie have already been deposited into the fund).

Option: Appropriate money into Power Development Fund for building Susitna which will begin building the equity needed to make electricity economically viable for consumers. It will also make possible a combination of long term bonding and state equity (by legislative appropriation).

For example, the Legislature could authorize a deposit of \$1.5 billion into the Power Development Fund and immediately authorize the appropriation of \$200 million from the General Fund. This would be similar to the current deposit arrangement for contributions into the Permanent Fund.

Article 7. Susitna River Hydroelectric Project.

Section	Section
300. Description of project	340. Annual report
310. Purpose of project	350. Legislative and executive oversight
320. Preliminary reports	360. Project financing
325. Restrictions on contracting	
330. Construction, maintenance and operation of project	

Sec. 44.83.300. Description of project. The Susitna River hydroelectric project consists of dams and related reservoirs, and power plants located in the Upper Susitna River Basin, and related transmission lines, facilities, and load centers, as described in the Alaska Power Authority's report required by AS 44.83.320(b). (§ 2 ch 169 SLA 1980)

Sec. 44.83.310. Purpose of project. The primary purpose of the Susitna River hydroelectric project is to generate, transmit and distribute electric power in a manner which will

- (1) minimize market area electrical power costs;
- (2) minimize adverse environmental and social impacts while enhancing environmental values to the extent possible; and
- (3) safeguard both life and property. (§ 2 ch 169 SLA 1980)

Sec. 44.83.320. Preliminary reports. (a) By March 30, 1981, the authority shall prepare and submit to the governor and to the legislature a preliminary report recommending whether work should continue on the Susitna River hydroelectric project, and, if the recommendation is to continue on the project, the report shall explain in detail

(1) economic evaluations and preliminary environmental impact assessments for the Susitna River hydroelectric project and all viable alternatives;

(2) the federal and state permits required to be obtained before construction can begin and the expected construction start date; and

(3) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(b) By April 30, 1982, the authority shall prepare and submit to the governor and to the legislature a preliminary report recommending whether work should continue on the Susitna River hydroelectric project, and other viable alternatives. If the recommendation is to continue on the Susitna River hydroelectric project, the report shall explain in detail

(1) the proposed conceptual design and phases of construction of the Susitna River hydroelectric project;

(2) the expected completion date of each phase of construction;

(3) the expected cost of each phase of construction;

(4) the costs to the state and consumers of the project under alternative methods of project financing, including revenue bonds, general obligation bonds, and general fund appropriations; and

(5) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(c) The preliminary reports required under (a) and (b) of this section are in addition to any reports required under AS 44.83.180 — 44.83.224. (§ 2 ch 169 SLA 1980)

Sec. 44.83.325. Restrictions on contracting. The authority may not enter into contracts under AS 44.83.300 — 44.83.360 other than those contracts necessary to complete (1) feasibility studies, (2) the preliminary reports required by AS 44.83.320, or (3) construction of the Anchorage-Fairbanks intertie, until the legislature approves by law the preliminary report required under AS 44.83.320(b). (§ 2 ch 169 SLA 1980)

Editor's note. — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.300 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be

completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

Sec. 44.83.330. Construction, maintenance and operation of project. Within one year after approval of its preliminary report submitted under AS 44.83.320(b), the authority may enter into a contract for the construction of the Susitna River hydroelectric project in a manner consistent with the purpose of the project as described in AS 44.83.310. (§ 2 ch 169 SLA 1980)

Sec. 44.83.340. Annual report. (a) If the Susitna River hydroelectric project is approved by the legislature under AS 44.83.320(d), beginning in 1983 the authority shall prepare an annual report which explains in detail

(1) the status of construction on the Susitna River hydroelectric project;

(2) the completion date of any phase of the Susitna River hydroelectric project which has been completed and the reasons for any deviation between the completion date and the expected completion date stated in the preliminary report required under AS 44.83.320(b);

(3) the actual cost of any phase of the Susitna River hydroelectric project which has been completed and the reasons for any deviation between the actual cost and the expected cost stated in the preliminary report required under AS 44.83.320(b);

(4) the federal and state permits necessary to begin or continue construction of the Susitna River hydroelectric project, the actual dates on which the federal and state permits necessary to begin or continue construction were obtained, and the reasons for any deviation between the actual dates and the expected dates stated in the preliminary report required under AS 44.83.320(a) or in the earlier annual reports required under this section;

(5) any other information the authority considers appropriate or necessary to adequately inform the governor and the legislature of the status of the Susitna River hydroelectric project.

(b) The annual report required under (a) of this section is in addition to any reports required under AS 44.83.180 — 44.83.224 and shall be submitted, by March 30 of each year, to the governor and to each member of the legislature. (§ 2 ch 169 SLA 1980)

Sec. 44.83.350. Legislative and executive oversight. The legislature or the governor may provide for ongoing oversight, review and selected in-depth analysis of the Susitna River hydroelectric project plan of study. The authority shall provide all data, analyses, reports, and other information to whomever conducts the oversight, review, or analysis activities. Selected in-depth analyses shall include assessments of the power alternatives, financing, and power marketing sections of the Susitna River hydroelectric project plan of study. (§ 2 ch 169 SLA 1980)

Sec. 44.83.360. Project financing. The Susitna River hydroelectric project shall be financed by general fund appropriations, general obligation bonds, revenue bonds, or other plans of finance as approved by the legislature. (§ 2 ch 169 SLA 1980)

Article 8. Rural Electrification Revolving Loan Fund.

Section

361. Rural electrification revolving loan fund

363. Loan advisory committee

Sec. 44.83.361. Rural electrification revolving loan fund. (a) The rural electrification revolving loan fund is established in the Alaska Power Authority. The fund consists of

(1) appropriations made to the fund; and

(2) AS 44.83.361(a)(2) is amended to read:

this section. (2) principal (AND INTEREST) payments on loans made under

(b) The authority may make loans from the rural electrification revolving loan fund to electric utilities certified by the Alaska Public Utilities Commission. A loan from the fund may be made only for the purpose of extending new electric service into an area of the state that an electric utility may serve under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission. A loan may be made from the fund to an electric utility if the utility invests the money necessary to provide one pole, one span of line, one transformer, and one service drop for each consumer for whom immediate service would be provided by the extension of electric service. However, a loan may not be made from the fund unless

(1) the loan is recommended by a loan advisory committee appointed under AS 44.83.363; and

(2) the extension of electric service would provide immediate service to at least three consumers.

Original sponsor: Rules/Governor

NOT ADOPTED

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 589 (Resources)

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; and
7 providing for an effective date."

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

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

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

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

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

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

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

25 (1) The authority shall establish and maintain a separate
26 wholesale power rate applicable to each power project that it has
27 acquired or constructed under the energy program for Alaska, other
28 than a project described in (f) of this section. The wholesale power
29 rate established by the authority for the initial project must be a

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

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

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

14 (C) safety inspections and investigations of the power
15 project by the authority.

16 [(2) IF, BY JULY, 1, 1991, THE LEGISLATURE HAS NOT APPRO-
17 PRIATED AT LEAST \$5,000,000,000 TO THE FUND, IN ADDITION TO APPRO-
18 PRIATIONS TO THE FUND OF INTEREST EARNED ON MONEY IN THE FUND, THE
19 AUTHORITY SHALL, BEGINNING ON THAT DATE, ESTABLISH AND MAINTAIN A
20 SEPARATE WHOLESALE POWER RATE APPLICABLE TO EACH POWER PROJECT THAT IS
21 ACQUIRED OR CONSTRUCTED UNDER THE ENERGY PROGRAM FOR ALASKA. THE
22 WHOLESALE POWER RATE SHALL BE COMPUTED BY THE AUTHORITY ANNUALLY, OR
23 MORE FREQUENTLY AS MAY BE NECESSARY, AND SHALL BE THE GREATER OF

24 (A) 10 PERCENT OF THE AMOUNT THE AUTHORITY HAS INVEST-
25 ED IN THE POWER PROJECT, INCLUDING LOANS AND GRANTS MADE BY THE
26 STATE; OR

27 (B) THE RATE THAT THE AUTHORITY ESTIMATES IS NECESSARY
28 TO PRODUCE REVENUE SUFFICIENT TO PAY

29 (i) OPERATION, MAINTENANCE, AND EQUIPMENT

1 REPLACEMENT COSTS OF THE POWER PROJECT;

2 (ii) THE POWER PROJECT'S PROPORTIONATE SHARE OF
3 DEBT SERVICE ON STATE LOANS AND BONDS FOR ALL POWER PROJECTS
4 IN THE ENERGY PROGRAM FOR ALASKA, DETERMINED IN ACCORDANCE
5 WITH (g) OF THIS SECTION: AND

6 (iii) SAFETY INSPECTIONS AND INVESTIGATIONS OF THE
7 POWER PROJECT BY THE AUTHORITY.]

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

13 * Sec. 3. AS 44.83.398(e) is amended to read:

14 (e) After determining the wholesale power rate for a power
15 project under the provisions of this section, the authority may adjust
16 the rate or change the rate provisions to insure that the revenue
17 derived from that power project and the aggregate revenues of the
18 authority will be adequate to comply with the rate covenants and other
19 agreements contained in any trust indenture or trust agreement entered
20 into by the authority for the security of the holders of bonds issued
21 to finance power projects in the Energy Program for Alaska. The
22 authority may agree with a purchaser of power to limit rate increases
23 caused by debt service payable by the authority on subsequent proj-
24 ects.

25 * Sec. 4. AS 44.83.398(g) is amended to read:

26 (g) For the purposes of (b)(1)(B) [AND (b)(2)(B)(ii)] of this
27 section, a power project's proportionate share of debt service on
28 state loans and bonds for all power projects in the energy program for
29 Alaska is equal to the state's investment in the power project divided

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

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

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

14 * Sec. 5. AS 44.83.398(d) is repealed.

15 * Sec. 6. The Bradley Lake hydroelectric project is approved as a state
16 project in the energy program for Alaska.

17 * Sec. 7. The Susitna hydroelectric project is approved as a state
18 project in the energy program for Alaska.

19 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).

Original sponsor: Rules/Governor

Funding Information

General Fund	\$275,000,000
Other Funds	-0-
	<u>\$275,000,000</u>

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 684(Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Power Authority; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$49,000,000 is appropriated from the general
11 fund to the Alaska Power Authority for the purpose of rate stabilization in
12 accordance with the terms of power sales agreements and bond covenants for
13 the issuance of revenue bonds for the Lake Tye, Swan Lake, Terror Lake,
14 and Solomon Gulch hydroelectric facilities.

15 * Sec. 2. The sum of \$200,000,000 is appropriated from the general fund
16 to the power development fund for the purpose of financing the Watana Dam
17 phase of the Susitna hydroelectric project.

18 * Sec. 3. The sum of \$26,000,000 is appropriated from the general fund
19 for the power cost assistance program.

20 * Sec. 4. The appropriations made in secs. 1 - 3 of this Act are not
21 one-year appropriations and do not lapse under AS 37.25.010.

22 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 57 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska creating a
7 fund to provide a source of financing
8 for capital projects.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Constitution of the State of Alaska, is amend-
11 ed by adding a new section to read:

12 SECTION 17. MAJOR PROJECTS FUND. (a) There is created in the
13 State treasury a major projects fund. The purpose of the major proj-
14 ects fund is to finance the construction of capital projects that
15 exceed \$100,000,000 in cost. The unexpended balance of the fund shall
16 be invested in the manner specified in section 16 of this article for
17 the general fund. The major projects fund consists of

18 (1) an annual deposit of 25 percent of state revenue earned
19 during the period beginning July 1, 1985, and ending November 30,
20 1990, from the following sources:

- 21 (A) mineral lease rentals;
22 (B) royalties;
23 (C) royalty sale proceeds;
24 (D) federal mineral revenue-sharing payments; and
25 (E) state bonuses;

26 (2) interest earned each fiscal year from investment of
27 money in the major projects fund;

28 (3) revenue dedicated to the major projects fund in accor-
29 dance with (c) of this section; and

1 (4) appropriations made by the legislature to the major
2 projects fund.

3 (b) Money shall not be expended from the major projects fund for
4 a capital project unless

5 (1) the expenditure is in accordance with an appropriation
6 bill passed by the legislature;

7 (2) a plan for financing the project has been approved by
8 the governor and the legislature that identifies the source of all
9 money necessary to complete construction of the project;

10 (3) the capital project is estimated to earn enough revenue
11 during the useful life of the project to pay the costs of operations
12 and maintenance of the project and to repay the money appropriated
13 from the major projects fund and other money to finance the project;
14 and

15 (4) the capital project is owned by the state.

16 (c) The legislature shall dedicate by law sufficient revenue
17 earned by a capital project financed by the major projects fund so
18 that the amount expended from the fund to finance the project is re-
19 paid during the useful life of the project.

20 (d) The legislature may appropriate revenue dedicated under this
21 section to meet a state of disaster declared by the governor as pre-
22 scribed by law.

23 * Sec. 2. Article IX, sec. 7, Constitution of the State of Alaska is
24 amended to read:

25 SECTION 7. DEDICATED FUNDS. The proceeds of any state tax or
26 license shall not be dedicated to any special purpose, except as pro-
27 vided in sections [SECTION] 15 and 17 of this article or when required
28 by the federal government for state participation in federal programs.
29 This provision shall not prohibit the continuance of any dedication

1 for special purposes existing upon the date of ratification of this
2 section by the people of Alaska.

3 * Sec. 3. Article IX, sec. 16, Constitution of the State of Alaska is
4 amended to read:

5 SECTION 16. APPROPRIATION LIMIT. Except for appropriations for
6 Alaska permanent fund dividends, appropriations from the major proj-
7 ects fund established by section 17 of this article, appropriations of
8 revenue bond proceeds, appropriations required to pay the principal
9 and interest on general obligation bonds, and appropriations of money
10 received from an non-State source in trust for a specific purpose, in-
11 cluding revenues of a public enterprise or public corporation of the
12 State that issues revenue bonds, appropriations from the treasury made
13 for a fiscal year shall not exceed \$2,500,000,000 by more than the
14 cumulative change, derived from federal indices as prescribed by law,
15 in population and inflation since July 1, 1981. Within this limit, at
16 least one-third shall be reserved for capital projects and loan appro-
17 priations. The legislature may exceed this limit in bills for appro-
18 priations to the Alaska permanent fund and in bills for appropriations
19 for capital projects, whether of bond proceeds or otherwise, if each
20 bill is approved by the governor, or passed by affirmative vote of
21 three-fourths of the membership of the legislature over a veto or item
22 veto, or becomes law without signature, and is also approved by the
23 voters as prescribed by law. Each bill for appropriations for capital
24 projects in excess of the limit shall be confined to capital projects
25 of the same type, and the voters shall, as provided by law, be in-
26 formed of the cost of operations and maintenance of the capital proj-
27 ects. No other appropriation in excess of this limit may be made ex-
28 cept to meet a state of disaster declared by the governor as pre-
29 scribed by law. The governor shall cause any unexpended and

1 unappropriated balance to be invested so as to yield competitive
2 market rates to the treasury.

3 * Sec. 4. Article IX, sec. 17(a), Constitution of the State of Alaska,
4 is amended to read:

5 SECTION 17. MAJOR PROJECTS FUND. (a) There is created in the
6 State treasury a major projects fund. The purpose of the major proj-
7 ects fund is to finance the construction of capital projects which
8 exceed \$100,000,000 cost. The unexpended balance of the the fund
9 shall be invested in the manner specified in section 16 of this
10 article for the general fund. The major projects fund consists of

11 (1) an annual deposit of 25 percent of state revenue earned
12 after [DURING THE PERIOD BEGINNING] July 1, 1985 [, AND ENDING NOVEM-
13 BER 30, 1990,] from the following sources:

- 14 (A) mineral lease rentals;
15 (B) royalties;
16 (C) royalty sale proceeds;
17 (D) federal mineral revenue-sharing payments;
18 (E) state bonuses;

19 (2) interest earned each fiscal year from investment of
20 money in the major projects fund; and

21 (3) revenue dedicated to the major projects fund in accor-
22 dance with (c) of this section; and

23 (4) appropriations made by the legislature to the Major
24 Projects Fund.

25 * Sec. 5. Article XV, Sec. 17(a), Constitution of the State of Alaska
26 is amended by adding a new section to read:

27 Section 29. EXTENSION OF CONTRIBUTION TO MAJOR PROJECT FUND. If
28 the 1984 amendment creating the major projects fund (Article IX,
29 section 17) is adopted, the lieutenant governor shall cause a ballot

1 title and proposition for Article IX, section 17(a), as amended in
2 section i of this resolution to be placed on the ballot at the general
3 election in 1990. If a majority of those voting on the proposition in
4 1990 approves the amendment, it shall be adopted.

5 * Sec. 6. The amendments proposed by this resolution shall be placed
6 before the voters of the state at the next general election in conformity
7 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
8 tion laws of the state.
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

Alaska State Legislature

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



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

SCS CSHB 589 (Fin) am
RELATING TO THE ALASKA POWER AUTHORITY; AUTHORIZING THE CONSTRUCTION OF THE WATANA AND BRADLEY LAKE HYDROELECTRIC PROJECTS.

Sec. 1 Combines the Lake Tyee, Swan Lake, Solomon Gulch and Terror Lake hydroelectric projects into one power project for the purpose of the wholesale power rate calculation. Eliminates the restriction on industrial power rates.

Sec. 2 Specifies that in determining wholesale power rates for the 4-dam pool projects the facilities will share the debt service. Operating and maintenance costs will be determined separately. Repeals the Susitna "equity clause".

Sec. 3 Allows the AFA 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.

Sec. 4 Conforming amendment per repeal of Susitna "equity clause".

Sec. 5 Conforming amendment per elimination of restriction on industrial power rates.

Sec. 6 Repeals the provision that construction contracts for Susitna are contingent upon legislative approval of the project's preliminary report, and the mandate that contracts be entered into within one year after report approval.

Sec. 7 Signing of construction contracts would be contingent on legislative approval of power projects.

Sec. 8 Authorizes the Bradley Lake project at a construction cost of \$300 million in July 1983 dollars.

Sec. 9 Authorizes the Watana project at a construction cost of \$3.75 billion in January 1983 dollars.

Sec. 10 Immediate effective date.

CHANGES FROM HOUSE-PASSED VERSION:

Amends current statute governing construction contracts for Susitna. Contracts could be entered into upon legislative approval of the Sustina project, rather than upon legislative approval of the preliminary report.

Revises the construction cost for Bradley Lake and Watana, per information from the Alaska Power Authority.

Susitna "equity clause" is repealed in the body of the bill (Section 2) rather than in a separate repealer.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 **SCS** 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
7 authorizing the construction of the Watana and
8 Bradley Lake hydroelectric projects; and providing
9 for an effective date."

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
13 acquired or constructed under the energy program for Alaska. For
14 purposes of this section, Lake Tyee, Swan Lake, Solomon Gulch, and
15 Terror Lake hydroelectric facilities are considered to be one power
16 project. This power project is referred to as the initial project [A
17 UTILITY THAT PURCHASES POWER PRODUCED BY A POWER PROJECT OF THE AU-
18 THORITY SHALL AGREE WITH THE AUTHORITY

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

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

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

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

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

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(d) is repealed.

17 * Sec. 6 AS 44.83.330 is repealed.

18 * Sec. 7 AS 44.83.325 is amended to read: The authority may not
19 enter into contracts under AS 44.83.300 - AS 44.83.360 other than those
20 contracts necessary to complete (1) feasibility studies, (2) the prelim-
21 inary reports required by AS 44.83.320, or (3) construction of the
22 Anchorage-Fairbanks Intertie, until the Legislature [approves by law the
23 preliminary report required under AS 44.83.320(b).] enacts a law
24 approving the project in accordance with AS 44.83.185(c).
25
26
27

* Sec. 8 The Bradley Lake hydroelectric project is authorized for
construction under AS 44.83.185(c) and 44.83.384(c) at a construction
cost of \$300,000,000 in July 1983 dollars.

* Sec. 9 The Watana Dam project in the Susitna River hydro-
electric project is authorized for construction under AS 44.83.185(c) at
a construction cost of \$3,750,000,000 in January 1983 dollars.

* Sec. 10 This Act takes effect immediately in accordance
with AS 01.10.070(c).

Adopted by 4 communities
in Anchorage 3/12/84.

FOUR DAM POOL COMMUNITIES
REQUESTED RESPONSE TO THE ALASKA POWER AUTHORITY

The communities comprising the Four Dam Pool have each previously made separate proposals to the APA for power sales agreements that they believe meet the needs of the communities and the APA. The APA has declined to agree with certain terms of those proposals and in addition has expressed frustration in being unable to reconcile the differences among the proposals made by the communities. Accordingly, and because time is of the essence, the APA has requested the five communities to resolve their differences and to prepare a common proposal for presentation to the APA on the issues that remain unresolved. Pursuant to this request, representatives of the communities in the Four Dam Pool did meet to agree on a coordinated position, which they are willing to recommend to their governing bodies, on a number of issues that the power sales agreements must address. The positions arrived at are described below.

1. Severability

The communities recognize the APA's legitimate interest that the invalidation of a minor provision of the contracts should not automatically void the contracts entirely. The communities believe APA should also recognize their legitimate interest in not having the contract enforced if material provisions essential to the intent of the contract are invalidated. Thus, the communities are willing to accept a severability clause if the clause is modified to accommodate this distinction between judicial invalidation of "minor" as distinct from "material" provisions.

2. Displacement of APA Power

The communities believe Ketchikan's situation presents no problem for the other communities. Wrangell and Petersburg will resolve Petersburg's situation on the basis of Crystal Lake's average energy production (the 11.0 gigawatthours used in the projections), and will suggest appropriate contractual language to effect that resolution. Thus, the existing language of § 7(e) of the contract is acceptable to the communities as generic language for that section.

3. Subordination of Future Debt

As previously discussed with APA, the intent of the communities (reflected in Forrest Walls's redraft of the counsel's opinion letter) is that (a) the communities' obligations to pay the APA will not be placed above their obligations to pay the holders of their currently outstanding bonds, (b) the communities' obligations to pay the APA would not be subordinated to future debt issued by the communities, and (c) future debt of the communities may be issued on a parity with the communities' obligations to pay the APA under the conditions contained in

§ 7(d) of the March 6, 1984, draft contract. We understand this resolution is acceptable to APA.

4. Tax-exemption of APA Bonds

The communities will accept § 14(d) of the existing draft contract (covenant not to impair tax-exempt status) as part of this proposal.

5. Amount of Bonds in Rate Stabilization Fund

If the Fund is constituted subject to the other constraints set forth below, the communities do not object to minor increases in the size of the bond component of the Fund that may be necessary to achieve the results intended.

6. Debt Service on Additional Projects prior to Completion

If the System Increment provision is adopted in the form proposed by the communities, the communities are willing in principle to accept the sharing of debt service on New Projects prior to their Date of Commercial Operation within the limits of the System Increment provision. However, counsel for the communities will not issue an opinion letter indicating that inclusion of such debt service in the communities' payment obligations to the APA is lawful unless AS 44.83.092(4) is amended to authorize the communities to pay such debt service.

7. Permanent Reduction In Project Capability (Damp Hole)

The communities have not yet reviewed changes to the March 6, 1984 contract to determine whether it incorporates all the concepts orally agreed upon. The communities are willing, however, to accept the current APA proposal in terms of distribution of risk for project failure, reduced project capability, and interruptions of deliveries.

8. Marketing of Excess Power

The communities will be entitled to undertake, and will be solely responsible for, the marketing of all excess power from the projects. Wrangell and Petersburg will do so jointly in the case of excess Tyee power, and will propose contractual language to recognize and effectuate this result.

9. Dispute Resolutio:

The communities will accept, for budget matters, the procedures of § 6(c)(2) of the present contract draft for purposes of exhausting their administrative remedies in the Annual Budget process. The contract must, however, establish a Contract Administration Committee that includes representatives of the Purchasers to assist in resolving such disputes and other issues

of contract administration. In addition, the communities insist that they be entitled to de novo adjudication of all contract disputes based on a record made in court, free of any presumptions in favor of the agency, as provided in Ketchikan's proposed "Section 19".

10. Payment of MGT Note & Release of Ketchikan

The communities agree with Ketchikan that payment of this note and Ketchikan's release from any obligation with respect thereto must be a condition precedent to the effectiveness of the contracts (unless the State assumes Ketchikan's obligations under the proposed power sales contracts in the manner described in Paragraph 14 below).

11. Project Litigation Judgment Recoveries

The communities insist that the proceeds of any judgment obtained in any Project-related litigation must be applied to reduce the cost of the Initial Project to the communities, and that the contract must expressly ensure this result.

12. Insurance Coverage and Repair/Reconstruction Decisions

The Contract Administration Committee, among its other responsibilities, will determine the following: (a) the extent of casualty insurance coverage in excess of that required by the Bond Resolution, (b) business interruption insurance coverage for the Purchasers, and (c) the application of insurance proceeds in the event of casualty (e.g., whether to repair, rebuild, or abandon the project and retire debt).

13. Acquisition Agreements

The communities have not had time to review fully APA's proposed changes in the Acquisition Agreements. The communities will do so and will respond as quickly as possible. The final version of the amendments to those Agreements must be agreed upon and placed in writing.

14. "All or None" Provision

The communities are willing to have the contracts be effective if all communities sign, or if the State steps into the shoes of any community that does not sign, provided that (a) the State assumes the financial obligations of the absent community to the extent of that community's forecasted power purchases, and (b) the State does so in a manner that provides equivalent security for the bondholders as the security that would have been provided had the absent community signed.

15. Rate Stabilization

The size of the Fund must be increased, and must be subject to certain constraints, as follows:

- (a) The Fund must be sufficient in amount to permit the projected unit wholesale cost of Project power to be set at a level 1.5 cents per kwh less than the currently projected "Diesel Alternative" for each community in each year.
- (b) APA will present the communities with a plan for the Fund which will:
 - (i) consist of appropriated funds, bond proceeds, and earnings;
 - (ii) contain no higher percentage of bond proceeds than the percentage of bond proceeds in the current proposal; and
 - (iii) permit issuance of bonds at a true interest cost (TIC) no higher than 11.5 percent, with approximately level debt service over 35 years.

An appropriation of at least \$49 million will be needed to accomplish this result.

- (c) If the communities accept APA's plan, the size of the necessary appropriation and sale of the bonds within the above limitations will be conditions precedent to the effectiveness of the contracts.
- (d) The schedule of annual entitlements from the Fund for each Purchaser will be determined at the time bond sale terms and reinvestment rates are known.

2-16. System Increment

Using the method outlined in § 9 of the APA draft (but excluding from the Allocated Debt Service base any increase in Debt Service imposed because of § 6(f) events), the debt service share to be borne by the Purchasers shall not increase:

- (a) In the first ten years;
- (b) More than 5 percent per year;
- (c) More than 20 percent in 10 years.

17. Other Changes

The communities have not yet had an opportunity to review the APA's March 7, 1984, redraft of the proposed contracts, and reserve the right to continue to make additional suggestions for the improvement of that draft (and related documents) consistent with the positions set forth above and below and the previously expressed intent of the parties. In addition, the communities have not had an opportunity to present to the APA oral and

written comments on the proposed O & M Agreements and Interconnection Agreements. Finally, certain oral agreements with respect to the contract and related documents have not yet been placed in writing by the APA. The communities reserve the right to review and comment fully on all such matters. Agreement must be reached on such comments and placed in writing.

Alaska State Legislature

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



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

April 1, 1984

HOUSE-PASSED VERSION OF HB 589

"AN ACT RELATING TO THE ALASKA POWER AUTHORITY AND AUTHORIZING THE CONSTRUCTION OF THE WATANA AND BRADLEY LAKE HYDROELECTRIC PROJECTS."

Sec. 1 Combines the Lake Tye, Swan Lake, Solomon Gulch and Terror Lake hydroelectric projects into one power project for the purpose of the wholesale power rate calculation.

Eliminates the restriction on industrial power rates.

Sec. 2 Specifies that in determining wholesale power rates for the 4-dam pool projects the facilities will share the debt service. Operating and maintenance costs will be determined separately.

Sec. 3 Allows the APA 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.

Sec. 4 Conforming amendment per repeal of Susitna equity clause.

Sec. 5 Repeals Susitna equity clause.

Sec. 6 Conforming amendment per elimination of restriction on industrial power rates.

Sec. 7 Authorizes the Bradley Lake project at a construction cost of \$350 million.

Sec. 8 Authorizes the Watana project at a construction cost of \$1.5 billion, and approves the preliminary report on the Susitna project.

Sec. 9 Immediate effective date.

HOUSE BILL 589

- I. Amendments necessary to properly authorize Bradley Lake and Watana.

Section 7. In accordance with AS 44.83.185, the Bradley Lake hydroelectric project is authorized at a construction cost of \$300,000,000 in July 1983 dollars.

Section 8. In accordance with AS 44.83.185, the Watana phase of the Susitna hydroelectric project is authorized at a construction cost of \$3,750,000,000 in January 1983 dollars.

- II. Amendments necessary to keep interest earnings in the Power Development Fund.

AS 44.83.382 (b) is repealed and reenacted to read:

(b) The power development fund consists of appropriations made by the legislature and interest earned each fiscal year from investment of money in the fund.

AS 44.83.388 (b) is repealed.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

April 11, 1984

Honorable Bettye Fahrenkamp, Chair
Senate Resources Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Fahrenkamp:

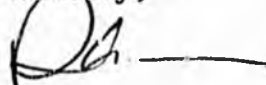
Re: Letter of Intent
CS for HB 589 (Finance) am

The committee substitute for HB 589 (Finance) am, which is currently before the Senate Resources Committee, authorizes the construction of the Bradley Lake hydroelectric project and the Watana dam project in the Susitna River hydroelectric project in accordance with AS 44.83.185 and other statutory provisions. This letter serves to inform the committee of the Alaska Power Authority's intentions with regard to expenditures for the detailed design and construction of these projects.

The authority has spent, and will continue to spend, appropriated funds necessary for preliminary design work related to the FERC license applications for both of these projects. However, the authority will not spend money 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, and a plan of finance has been approved by the Board of Directors. This approach is consistent with the authority's proposed policy to require conditional power sales agreements prior to approval of a plan of finance by the board.

The Legislature will have to appropriate funds for the construction of both of these projects. This requirement will give the Legislature an additional opportunity to review these projects and determine whether additional money should be spent.

Sincerely,



Richard A. Lyon, Chairman
Alaska Power Authority

RAL/cw#25M8
41184a

Alaska State Legislature

APR 10 1984

Advisory Council Members
Senator Kerttula, Chairman
Senator Bennett
Senator Fahrenkamp
Senator Vic Fischer



Pouch V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

SENATE ADVISORY COUNCIL

MEMORANDUM

*cc: Comm. ke
members*

TO: Senator Sturgulewski
FROM: Kurt S. Dzinich *KSD*
DATE: April 10, 1984
RE: CSHB589 (Fin) am

Following up our discussion of today, I am providing you my thoughts on the HB589 Sections of concern to you.

Section 3. One of the assurances the four-dam pool participants have demanded in order to sign the power sale agreements has been a System Increment Cap. This cap sets a ceiling to future debt service increases due to subsequent new projects by APA. While this provision could be perceived as constraining the APA's and Legislature's ability to finance future projects, the fact remains that the four-dam pool participants demand it. Whether, in fact, this cap becomes a significant handicap on future projects will probably depend on the rate of escalation of the thermal alternative i.e. if thermal rates escalated dramatically, the participants would be better off while in the case of declining thermal rates the APA would be better off.

In any case, it would probably be very difficult to totally quantify the exact impact of this section on future projects because of the complex interrelationship among the key variables such as load growth, thermal alternative costs, inflation, interest, and amount of state equity. The impact of eliminating the amendment on the other hand would probably be to negate the proposed power sale agreements or as a minimum create a legal uncertainty. At this stage of the game, I believe we have more to gain than lose with passage of the amendment.

Section 7. As written, this section has two problems. First, referencing AS44.83.384(c) applies only to projects that are, or were, either constructed or owned by the Federal Government. Since that is not the case now i.e. Bradley is a State project, there is no point in referencing this section.

The second problem deals with the construction cost estimate. By not indicating whether the cost is in nominal or real dollars, there is potential for misunderstanding.

In order to eliminate the above problems, I recommend the following new Section 7:

In accordance with AS44.83.185(c), the Bradley Lake Hydroelectric Project is authorized at a construction cost of \$300,000,000 in July 1983 dollars.

Section 8. Again, there are two problems with this section as it is written. The indicated construction cost of \$1,500,000,000 is not even close even if it is in real dollars. The figure should be \$3,750,000,000 in January 1983 dollars.

The second problem deals with the approval of the "preliminary report" the submittal of which is required by AS44.83.320(b) to the Governor and the Legislature by April 30, 1982. Again, AS44.83.320(b) required only the submittal of the report and there is no requirement for approval in it.

On the other hand, AS44.83.330 provides that within one year after approval of the "preliminary report" by the Legislature, the APA may initiate construction of the project. Given that construction can not start without the FERC license (now expected in March of 1987) and that the project still must meet the requirements of AS44.83.180 - 44.83.224 (feasibility study and plan of finance, and OMB review) it does not make much sense to now approve the "preliminary report" two years after its submittal.

I believe that it would make much more sense to repeal AS44.83.330 and to amend 44.83.325 as follows:

The authority may not enter into contracts under AS44.83.300 - 44.83.360 other than those contracts necessary to complete (1) feasibility studies, (2) the preliminary reports required by AS44.83.320, or (3) construction of the Anchorage-Fairbanks Intertie, until the Legislature [approves by law the preliminary report required under AS44.83.320(b).] enacts a law approving the project in accordance with AS44.83.185(c).

The above change would eliminate the confusion and place the continuing development of the Susitna project on ~~the~~ more rational basis being utilized on any other new State project.

The new Section 8 would read: In accordance with AS44.83.185(c), the Watana Dam phase of the Susitna Hydroelectric Project is authorized at a construction cost of \$3,750,000,000 in January 1983 dollars.

Needless to say, authorizing Watana prior to receipt of the feasibility study and the plan of finance, as well as the OMB's recommendation, in accordance with the existing statutes (AS44.83.181 and AS44.83.183) could result in a substantial controversy. I believe that the Legislature clearly has the authority to approve a project without waiting for the arrival of these documents. The issue becomes one of: What is a reasonable waiting period by the Legislature for these documents? For example, in the case of

Susitna, the previous APA Board ordered the feasibility study update around October of 1982 and it still has not been approved by this Board! In the case of Bradley, the previous APA Board voted to make that a State project back in October of 1982 and the documentation is apparently only now being submitted.

What exactly would the project authorizations at this stage mean? In the case of Bradley, it would authorize APA to initiate the final engineering and design concurrently with the FERC licensing process thereby avoiding further delays to this project. Current APA Board policy is not to initiate the design until power sale agreements have been concluded. At some future point, probably FY86, APA will still have to come to the Legislature for appropriations for construction.

With respect to Susitna, the Board specifically forbade APA staff to engage in any design at this time. If they follow the same policy as on Bradley above, then no design would be authorized prior to the power sale agreements. It is clear, however, that if a construction start is contemplated in early 1987, then the design would have to start in FY86 at the latest.

For your information, the Federal Government routinely authorizes projects years before they are actually built -- if ever. For example, Snettisham and Bradley were both authorized in 1962. The Congress finally appropriated initial construction funds for Snettisham around 1968 while Bradley was eventually de-authorized around December 1982.

I would recommend against a conditional type authorization for Bradley because it would be redundant. A better solution would be to invite OMB to testify on the merits of the Bradley feasibility study and plan of finance and leave the authorization language neat and clean as proposed earlier. OMB's written recommendation could be considered by the next Legislature, when they address appropriations for construction of the project. In any case, the Legislature will probably want to review the key criteria one last time before appropriating initial construction funds.



Senate

MEMORANDUM

April 10, 1984

TO: Senator Bettye Fahrenkamp, Chairman
Senate Resources Committee

FROM: Senator Arliss Sturgulewski
Senate District F, Seat A

RE: SCR 32, HB 589, HB 684

I would like to make a few comments regarding the above bills.

SCR 32 -- I would appreciate seeing some of the computer runs showing how much would accrue under the proposed legislation and also what impact that would have on available dollars for operating and capital allocation after meeting permanent fund and capital projects fund commitments. Although the legislation speaks to "Earn enough revenue during useful life to repay" it shows only that repayment may be specified. I think this item needs discussion.

HB 589 -- I think there should be discussion re section 3 in which the Alaska Power Authority is given ability to contractually limit the amount of debt service payable by power purchasers. Although I can understand the need for this in terms of the 4-dam pool, I question a permanent grant of authority. As I've indicated to you, I feel that OMB should be on hand to speak directly to the feasibility study and plan of finance regarding Bradley. The statutes are very clear that OMB needs to respond in writing to the legislature on the feasibility study and the plan of finance prior to legislative authorization for construction of Bradley. I am concerned that section 8 in no way shows the construction cost of the Watana project. In the case of both Bradley and Watana, I think we need to speak in terms of real dollars as of a specific date.

HB 684 calls for making a \$200 million appropriation to Watana with none for Bradley. This item needs discussion.

I am enclosing a copy of a memo from Kurt Dzinich who responded to specific questions raised by me.

Enclosure

Alaska State Legislature

Advisory Council Members
Senator Kerttula, Chairman
Senator Bennett
Senator Fahrenkamp
Senator Vic Fischer



Pouch V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

SENATE ADVISORY COUNCIL

MEMORANDUM

TO: Senator Fahrenkamp
FROM: Kurt S. Dzinich *KSD*
DATE: April 6, 1984
RE: CSHB589 (Fin) am

In preparation for your upcoming hearing on HB589, I am providing you with some comments that might be useful.

Section 7. As written, this section has two problems. First, referencing AS44.83.384(c) applies only to projects that are, or were, either constructed or owned by the Federal Government. Since that is not the case now i.e. Bradley is a State project, there is no point in referencing this section.

The second problem deals with the construction cost estimate. By not indicating whether the cost is in nominal or real dollars, there is potential for misunderstanding.

In order to eliminate the above problems, I recommend the following new Section 7:

In accordance with AS44.83.185(c), the Bradley Lake Hydroelectric Project is authorized at a construction cost of \$300,000,000 in July 1983 dollars.

Section 8. Again, there are two problems with this section as it is written. The indicated construction cost of \$1,500,000,000 is not even close even if it is in real dollars. The figure should be \$3,750,000,000 in January 1983 dollars.

The second problem deals with the approval of the "preliminary report" the submittal of which is required by AS44.83.320(b) to the Governor and the Legislature by April 30, 1982. Again, AS44.83.320(b) required only the submittal of the report and there is no requirement for approval in it.

On the other hand, AS44.83.330 provides that within one year after approval of the "preliminary report" by the Legislature, the APA may initiate construction of the project. Given that construction can not start without the FEREC license (now expected in March of 1987) and that the project still must meet the requirements of AS44.83.180 - 44.83.224 (feasibility study and plan of finance, and OMB review) it does not make much sense to now approve the "preliminary report" two years after its submittal.

I believe that it would make much more sense to repeal AS44.83.330 and to amend 44.83.325 as follows:

The authority may not enter into contracts under AS44.83.300 - 44.83.360 other than those contracts necessary to complete (1) feasibility studies, (2) the preliminary reports required by AS44.83.320, or (3) construction of the Anchorage-Fairbanks Intertie, until the Legislature [approves by law the preliminary report required under AS44.83.320(b).] enacts a law approving the project in accordance with AS44.83.185(c).

The above change would eliminate the confusion and place the continuing development of the Susitna project on a more rational basis being utilized on any other new State project.

The new Section 8 would read: In accordance with AS44.83.185(c), the Watana Dam phase of the Susitna Hydroelectric Project is authorized at a construction cost of \$3,750,000,000 in January 1983 dollars.

Needless to say, authorizing Watana prior to receipt of the feasibility study and the plan of finance, as well as the OMB's recommendation, in accordance with the existing statutes (AS44.83.181 and AS44.83.183) could result in a substantial controversy. I believe that the Legislature clearly has the authority to approve a project without waiting for the arrival of these documents. The issue becomes one of: What is a reasonable waiting period by the Legislature for these documents? For example, in the case of Susitna, the previous APA Board ordered the feasibility study update around October of 1982 and it still has not been approved by this Board! In the case of Bradley, the previous APA Board voted to make that a State project back in October of 1982 and the documentation is apparently only now being submitted.

What exactly would the project authorizations at this stage mean? In the case of Bradley, it would authorize APA to initiate the final engineering and design concurrently with the FEREC licensing process thereby avoiding further delays to this project. Current APA Board policy is not to initiate the design until power sale agreements have been concluded. At some future point, probably FY86, APA will still have to come to the Legislature for appropriations for construction.

With respect to Susitna, the Board specifically forbade APA staff to engage in any design at this time. If they follow the same policy as on Bradley above, then no design would be authorized prior to the power sale agreements. It is clear, however, that if a construction start is contemplated in early 1987, then the design would have to start in FY86 at the latest.

Senator Vic Fischer

Alaska State Legislature
1024 W. 6th Avenue, Suite 204C
Anchorage, Alaska 99501 (907) 278-3654
During Session • Pouch V • Juneau, Alaska 99811 (907) 465-4954



TO: Senator Bettye Fahrenkamp
Chair, Senate Resources Committee

FROM: Senator Vic Fischer

A handwritten signature in black ink, appearing to read "Vic Fischer", written over the printed name.

DATE: April 4, 1984

RE: SCR 32, HB 589, HB 684

You requested comments from committee members on the above bills. Mine follow:

SCR 32 -- As you know, I will not support any version of a major projects fund that constitutionally dedicates a revenue stream. (However, I would consider a statutory fund and am currently looking at possible legislation.)

HB 589 -- I support sections 1-6, as they are necessary to enable the APA to get signed power sales contracts with the four-dam pool communities.

I have some serious reservations about sections 7 and 8, which fully authorize the Bradley Lake project and the Watana portion of Susitna. Such premature approval sidesteps the provisions in law that require submittal of finance plans to the legislature and OMB. I would have thought that the need to follow the statutory process for project selection and approval would have been one of the lessons learned from the four dam pool debacle. Instead, some legislators seem to believe that previous mistakes justify additional ones.

Should these sections be retained I suggest that they be made conditional, specifically upon a finding of the APA board that the projects are both economically and financially feasible and upon OMB approval. As you know, the APA board has never endorsed the Susitna project and only recently completed a draft update that will go to public hearings before finalization. Although "financing options" for both Bradley and Susitna have been put together by APA staff, they have not been approved by the APA board or OMB, and finance plans have not been completed. It is, moreover, the APA's determination that the Watana phase of the Susitna project is not economically justified by itself. It would, therefore, make little sense to commit to the single, unfeasible stage without considering the total financing required.

Additionally, I note that HB 598 authorizes Watana at a cost of \$1.5 billion. That cost is inadequate and grossly misleading, and it would be totally irresponsible for the legislature to authorize a project at a cost at which it cannot possibly be constructed. The cost of Watana in 1983

dollars is \$3.75 billion, and the cost of the entire Susitna project \$5.4 billion. In nominal dollars these are \$9.5 billion for Watana alone and \$17 billion for the whole project. These are the numbers given in the APA March update.

The bill should include accurate numbers for both Bradley and Susitna and should state what kind of dollars they are (1983, 1985, nominal, or whatever.)

HB 684 -- I support the decrease for Susitna funding in the draft CS from \$1.4 billion to \$200 million. I do not support expenditure of any of that amount for construction prior to the completion of project financing. I assume that the APA would not expend any of it prior to FERC licensure, full project financing, and the signing of power sales contracts.

I previously supplied to you a legal opinion by Billy Berrier concerning the \$1.4 billion House appropriation and its relationship to the spending limit. Please make use of it as you see fit.

Thank you for the chance to comment.

cc: Senate Resources Committee members
Senator Jay Kerttula

Alaska State Legislature

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



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Bettye

FROM: Sandra

RE: Effect of approving Watana and Bradley Lake projects in
HB 589

DATE: April 10, 1984

AS. 44.83.185 provides that no money can be spent on final design and construction until a project is approved by the legislature. Legislative approval at this point ignores the statutory procedures set up to ensure that only economically and financially feasible projects will be approved and built. However, the statute doesn't absolutely require completion of a feasibility study and plan of finance before legislative approval, and all expenditures of appropriated money after approval appear to be permissive, not mandatory. In addition, current APA policy is to not spend money on final design and construction until a final plan of finance, which includes power sales agreements, is completed.

POWER PROJECTS GENERALLY (AS 44.83):

Reconnaissance study (.177)
Reconnaissance study reviewed by OMB (.179)
Feasibility study and plan of finance (.181)
 Out in draft for Susitna project now (submitted 3/84)
 Final plan of finance for Bradley submitted 4/84
OMB review study and plan (.183) and make recommendation within 60 days.

Although legislative ^{approval} doesn't need to wait for all of the above, it must be forthcoming before money can be spent on engineering and design (.185)

IN ADDITION, FOR SUSITNA SPECIFICALLY:

Preliminary report (.320)
Update (.320) Out in draft now (submitted 3/84)
In addition, AS 44.83.330 requires approval of the update prior to entering into construction contracts.

APA Board policy on project approval process is attached.

Alaska Power Authority
 Project Approval Process
 Sequence of Events

All significant power projects that are undertaken by the Alaska Power Authority will follow the sequence of events listed below unless modified by Board on a project specific basis. Some events may be concurrent.

Step No.	Description	Approved By			
		Staff	Board	OMB	Leg
1.	Annual Plan for Reconnaissance Studies		X		
2.	Appropriation Request for Reconnaissance Studies		X	X	X
3.	Award Contract for Reconnaissance Study	X			
4.	Authorization to submit Reconnaissance Study to OMB		X		
5.	Approval of Reconnaissance Study			X*	
6.	Annual Plan for Feasibility Studies		X		
7.	Appropriation Request for Feasibility Study		X	X	X
8.	Approve conditional Power Sales Agreements		X		
9.	Authorization to submit feasibility study, and preliminary plan of finance to OMB		X		
10.	Recommend Project Approval or Disapproval to Governor and Legislature			X*	
11.	Authorization of Projects and Construction Cost				X*
12.	Annual Plan for Design		X		
13.	Appropriation Request for Design		X	X	X
14.	Approval of Initiation of Detailed Design, updated Power Sales Agreements, and Updated Plan of Finance		X		
15.	Award Contract for Detailed Design	X			
16.	Annual Plan for Construction		X		
17.	Appropriation for Construction		X	X	X
18.	Approval of Final Plan of Finance and Power Sales Agreements		X		
19.	Approval of Start of Project Construction		X		
20.	Award Construction Contracts	X			

*approval of submit
 to FERC Board*

* Statutory requirements.

Note:

OMB's review is required for new projects that are larger than \$1.5 MW for generation projects or cost more than \$3,000,000 for transmission projects.

Alaska State Legislature

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

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835



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 44.83.195 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 44.83.193 and AS 44.83.195, 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
Bettye Fahrenkamp, Chairman
Senate Resources Committee