

S B

206

- (A) The Fund will be established and held by the Committee in an interest-bearing account in trust for the benefit of the Initial Project.
- (B) The monies in the Fund shall consist of the Purchasers' contributions under Section 5(b)(i)(C) of this Agreement, any contributions to the Fund from sources other than the Purchasers, and interest earned on all such contributions.
- (C) Proposed expenditures from the Fund shall be subject to approval by the Committee and consistent with criteria the Committee shall adopt.
- (D) In order to permit the Fund balance to increase as rapidly as possible, the Authority agrees that before expenditures are made from the Fund the Authority will use for renewal and replacement purposes, as necessary, all available and previously unexpended proceeds from the loan used to finance the Initial Project under AS 44.33.
- (E) The Fund and the Purchasers' contributions shall continue during the term of this Agreement and any period for which this Agreement is renewed. Thereafter, the Committee shall pay over to the Authority the unexpended balance of the Fund.

SECTION 7. Project Management Committee; Formation and Duties.

(a) The Parties hereby establish a Project Management Committee (the "Committee") to implement the provisions of this Agreement. The Committee shall consist of one representative of each Party.

(b) Each Party shall notify all other Parties in writing of its designated representative and of an alternate representative. Any Party may change its representative or alternate representative at any time and shall promptly provide written notice of such change to all other Parties.

(c) The Committee shall meet at least quarterly. Written minutes shall be kept for all meetings of the Committee.

(d) The Committee shall adopt, by majority approval, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, the periodic selection of Committee officers, procedures for the conduct of

Committee meetings, procedures for dispute resolution, and, to the extent not otherwise specified in this Agreement, voting requirements for approval of matters to be decided by the Committee.

(e) The following matters shall be determined by the Committee:

(i) Annual budgets for items comprising the total Power Production Cost;

(ii) The creation and administration of the R & R Fund, the Initial Project Revenue Fund, and any other funds created by the Committee;

(iii) Provision for insurance of Initial Project facilities, including determination of coverage limits, choice of insurers, and disposition of insurance claim proceeds;

(iv) Procedures and standards for budgeting and billing;

(v) Auditing standards and procedures;

(vi) Technical, operating, and maintenance standards;

(vii) Calculation of the estimated Wholesale Power Rate pursuant to Section 5(c) of this Agreement and any revision of the estimated Wholesale Power Rate pursuant to Section 5(d);

(viii) Load estimates as required under this Agreement, or as determined by the Committee to be necessary;

(ix) Determination of standards for capital asset acquisition and accounting;

(x) Standards for expenditures requiring the agreement of all Parties; and

(xi) Such other matters as required by this Agreement or that a majority of the Committee determines appropriate, provided that the Committee shall have no authority to modify or amend the terms or conditions of the Agreement.

(f) Notwithstanding Sections 7(d) and 7(e) of this Agreement, the following matters shall require the concurrence of the Committee representatives of both the Authority and a majority of the Purchasers:

(i) Adoption of procedural rules pursuant to Section 7(d) of this Agreement;

(ii) Annual budgets for items comprising the total Power Production Cost;

(iii) Minimum levels of insurance on the Initial Project facilities; and

(iv) Technical, operation, and maintenance standards for the Initial Project facilities.

(g) The Committee shall provide for the annual audit of all Power Production Costs, pursuant to procedures and standards adopted by the Committee.

(h) The Committee may create special purpose committees as appropriate, provided that the Committee may not delegate its decision-making duties to any such special purpose committees.

SECTION 8. Performance Pending Dispute Resolution.

(a) After adjudication by the Project Management Committee or by a body appointed pursuant to rules and procedures adopted by the Project Management Committee, any Party may file an action in the superior court of the State of Alaska with respect to the matter in dispute to obtain a decision resolving such dispute and to obtain any other remedy permitted by law. Unless the Parties to the dispute determine otherwise, such action shall be an original action on the merits in which each Party shall have the right to introduce testimony or other evidence concerning any such matter in dispute, including without limitation, the result of the adjudication, and each Party shall be entitled to a full hearing on the matter.

(b) Pending resolution of any disputed matter, the Parties shall continue performance of their respective obligations under this Agreement. The existence of an unresolved dispute shall not excuse the Authority from delivering power hereunder or excuse the Purchasing Utilities from making payment for such power. Rather, the Parties shall continue to perform while pursuing other remedies, including judicial remedies, available to them under this Agreement.

(c) Upon the failure of any Purchaser to make any payment under this Agreement, the Authority may bring any suit, action, or proceeding at law or in equity, including mandamus, injunction, and actions for specific performance, as may be necessary or appropriate to enforce that Purchaser's payment obligation.

(d) No remedy conferred upon or reserved the Parties is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute, or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

SB 206
STEVE COWPER, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501-1934
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701-4679

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99511-0300
PHONE: (907) 465-3600

April 29, 1988

Honorable Sam Cotton
House Resources Committee
Pouch V
Juneau, Alaska 99811

Re: SB 206

Dear Chairman Cotton:

Ned Farquhar has asked on your behalf for an opinion regarding an amendment to the legislation establishing the power project loan fund, AS 44.83.170. You have asked whether the legislature needs to appropriate to the fund the principal and interest repayments on outstanding loans previously made from the power project fund. No. If the legislature passes HCSCSSB 206, that act will adequately direct repayments on outstanding loans from the fund to the new "revolving revenue bond fund."

The legislature established the power project fund in the Alaska Power Authority to lend money to eligible borrowers for the construction of power projects. AS 44.83.170(a). At present the fund includes only money appropriated by the legislature. Id. Repayments of principal and interest on loans from the current fund must be deposited in the general fund. AS 44.83.170(g).

Section 4 of HCSCSSB 206 would change the primary method by which the power project fund is capitalized from legislative appropriations to bond financing. The APA would issue bonds to make loans to finance the construction or acquisition of power projects. The APA could pledge the principal and interest repayments on loans made with the proceeds of the bond sale as well as the principal and interest repayments on outstanding loans as security for the bonds. The effect of section 4 of HCSCSSB 206 would be to create a revolving revenue bond fund to meet the APA's bond obligations. 1/

In an earlier opinion from this office, Attorney General Wilson L. Condon concluded that there is an implied exception to the dedicated fund prohibition for bond obligations. 1982 Op. Atty. Gen. No. 13 (Nov. 30) at 26. Thus, the creation

1/ Revolving loan funds provide for the return to the fund of repayments by borrowers so that new loans can be made on a continuing basis. 1982 Op. Atty. Gen. No. 13 (November 30), at 12.

Honorable Sam Cotton
House Resources Committer
SB 206

April 29, 1988
Page 2

of a revolving revenue bond fund to meet the APA's bond obligations is legally defensible.

As you correctly noted, section 4 of HCSCSSB 206 does more than create a revolving fund to secure bonds with the repayments from loans using the proceeds of bond sales. It also augments the fund by detouring loan repayments on outstanding loans destined to the general fund to this revolving revenue bond fund. I do not believe that a separate appropriation is necessary to achieve this result.

The APA already has the statutory authority to pledge these repayments as security for its bonds. AS 44.83.100(a) provides, in part, that

The authority may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable (1) exclusively from the income and receipts or other money derived from the project financed with the proceeds of the bonds; (2) exclusively from the income and receipts or other money derived from designated projects whether or not they are financed in whole or in part with the proceeds of the bonds; (3) from its income and receipts or other assets generally, or a designated part or parts of them; or (4) from one or more revenue-producing contracts including a contract providing for the security of the bonds made by the authority with any person.

(emphasis supplied).

While I cannot say with certainty that a revolving fund will withstand all legal challenges, this revolving fund raises no legal issues not common to all revolving loan funds. This office has already said that it will defend any legal challenges to the concept of revolving funds. 1982 Op. Atty. Gen. No. 13 at 26-27.

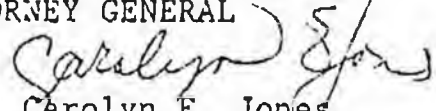
In conclusion, HCSCSSB 206 is an appropriate vehicle to establish a revolving revenue bond fund in the APA. No other action by the legislature is necessary.

Please let me know if I can be of further help.

Very truly yours,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:


Carolyn E. Jones

Assistant Attorney General

CEJ:mmm

HOUSE COMMITTEE REPORT

(9)

Date referred: 5/14/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 5-5-88

The Resources Committee has considered CSSB 206(R1s)am

"An Act relating to the Alaska Power Authority; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 206 (Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: Hs. Res letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Sen GTE
[Signature]
Heinrich Springs
Adelheid Herrmann

SIGNING OTHER RECOMMENDATIONS:

Mike Varant - no rec -
[Signature] - no rec
True Bear - no rec
Clay Davidson no rec

Sen GTE
 Chairman's signature

REQUEST: HCS CSSB 206

FISCAL NOTE

Revision Date: _____
 Title: "An Act relating to the Alaska
 Power Authority; and providing for an
 Sponsor: House Res. Comm. _____ eff. date"
 Requestor: Orig. Sponsors: Coghill & Fajks

Agency Affected: Alaska Power Authority
 BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Millions of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Millions of Dollars)

	FY89	FY90	FY91	FY92
GENERAL FUND	(12.9)	(12.2)	(11.6)	(11.0)
FEDERAL FUNDS				
OTHER				
TOTAL	(12.9)	(12.2)	(11.6)	(11.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Robert E. LeResche

Prepared by: Robert E. LeResche Phone: 465-3575
 Division: Alaska Power Authority Date: 4/26/88

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

The fiscal note for the proposed HCS CSSB 206 is based on the assumption that the net effect to the general fund, with the exception of Section 4, is zero. Section 4 provides the Power Authority with sufficient security to fund future projects and loans through revenue bonds instead of general fund appropriations. Assuming no loan defaults (all existing power project loan repayments are current), the savings to the general fund would be as follows:

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Appropriations not incurred *	14.1	14.7	15.4	16.1
Less: Debt Service on Appropriations **	(1.2)	(2.5)	(3.8)	(5.1)
Net Savings	<u>12.9</u>	<u>12.2</u>	<u>11.6</u>	<u>11.0</u>

* Based on the 1981-86 average of capital project appropriations excluding Susitna, Bradley Lake, Four Dam Pool, City of Sitka, and PCA. Escalated at an assumed annual inflation rate of 4.5 percent.

** Assumes appropriations on the above line are made as 30-year loans at an 8 percent interest rate.



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

PCUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

HOUSE RESOURCES COMMITTEE

LETTER OF INTENT

HCS CSSB 206 (Res)

By adding school districts, regional educational attendance areas, and regional housing authorities to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that they will be eligible to receive loans for bulk fuel storage, energy conservation, and waste heat projects. It is not the intent that they would receive loans for electric generation projects if an electric utility is certificated under AS 42.05.221 to serve the area in which such entities are located.

ADOPTED:

Jim Galt, Co-Chair

DATE:

5/5/88

Original sponsors: Coghill and Faiks

1 IN THE SENATE BY THE RESOURCES COMMITTEE
 2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 (Resources)
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA
 4 FIFTEENTH 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 44.83.092 is amended by adding a new subsection to
 10 read:

11 (b) A contract that the authority enters into under (a) of this
 12 section relating to the sale of electric power from a power project to
 13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
 14 program for Alaska) may create a project management committee. The
 15 committee shall consist of representatives of the contracting parties
 16 as specified in the contract. The contract shall determine the powers
 17 of the committee with respect to the power project. The powers may
 18 include responsibility for the management, operation, and maintenance
 19 of the project. To the extent provided in the contract, the committee
 20 has separate legal existence and other powers necessary to its pur-
 21 poses.

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) Except as provided in (i) of this section, the [THE] author-
 24 ity may make loans from the power project fund

25 (1) to electric utilities, regional electric authorities,
 26 municipalities, [CITIES, BOROUGHS,] regional and village corporations,
 27 village councils, school districts, regional educational attendance
 28 areas, regional housing authorities, and nonprofit marketing coopera-
 29 tives to pay the costs of

1 (A) reconnaissance studies, feasibility studies,
2 license and permit applications, preconstruction engineering, and
3 design of power projects;

4 (B) constructing, acquiring, equipping, modifying,
5 improving, and expanding [SMALL-SCALE] power projects [PRODUCTION
6 FACILITIES], conservation facilities, bulk fuel storage facili-
7 ties, and transmission and distribution facilities, including
8 energy production, transmission and distribution, and waste
9 energy conservation facilities which depend on fossil fuel, wind
10 power, tidal, geothermal, biomass, hydroelectric, solar or other
11 nonnuclear [NON-NUCLEAR] energy sources; [AND]

12 (C) reconnaissance studies, preconstruction engineer-
13 ing, design, construction, equipping, modification, and expansion
14 of potable water supply including surface storage and groundwater
15 sources and transmission of water from surface storage to exist-
16 ing distribution systems;

17 (D) acquisitions of bulk fuel or proven reserves of
18 gas, oil, coal, geothermal, or other energy resources; and

19 (E) consumer end-use improvements to reduce demand for
20 energy;

21 (2) to a borrower for a power project if

22 (A) the loan is entered into under a leveraged lease
23 financing arrangement;

24 (B) the party which will be responsible for the power
25 project is an electric utility, regional electric authority,
26 municipality, [CITY, BOROUGH,] regional or village corporation,
27 village council, school district, regional educational attendance
28 area, regional housing authority, or nonprofit marketing coopera-
29 tive; and

1 (C) the borrower seeking the loan demonstrates to the
2 authority that the financing arrangement for the power project
3 will reduce project financing costs below costs of comparable
4 public power projects.

5 * Sec. 3. AS 44.83.170(g) is amended to read:

6 (g) Loans repayments and interest earned by loans from the power
7 project fund shall be deposited in the state general fund. Notwith-
8 standing AS 44.83.100(a), the authority may not pledge the principal
9 or interest payments of a loan from the power project fund to secure
10 the issue of bonds unless the legislature has approved the project or
11 projects to be financed by the proceeds of the sale of the bonds.

12 * Sec. 4. AS 44.83.170 is amended by adding a new subsection to read:

13 (i) The authority may not issue a loan in an amount greater than
14 \$500,000 unless the legislature has approved the loan. If a borrower
15 has borrowed a total of more than \$500,000 from the power project fund
16 for a single project during the past 24 months, the authority may not
17 issue a loan in any amount to the borrower unless the legislature
18 approves the loan.

19 * Sec. 5. AS 44.83 is amended by adding a new section to read:

20 Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
21 has approved the amount of the bonds to be issued, the authority may
22 borrow money and issue bonds to make or refinance loans for projects
23 authorized under AS 44.83.170. Loans made or refinanced with the
24 proceeds of bonds authorized by this section are subject to AS 44.83.-
25 170(a) - (e). However, the authority may not issue bonds to make or
26 refinance a loan entered into under a leveraged lease financing
27 arrangement under AS 44.83.170(b)(2)(A).

28 (b) To enhance the credit-worthiness of bonds issued under this
29 section, the authority may pledge the principal and interest received

1 from loan repayments to the power project fund and the interest earned
2 on those amounts for bonds issued under this section. If the authori-
3 ty has pledged these amounts, they may not be deposited in the general
4 fund.

5 (c) The authority may notify the head of a department or agency
6 of the state in writing that a municipality is in default on the
7 repayment of principal or interest on amounts borrowed under this
8 section. After the notice is given, and notwithstanding any other
9 provision of law, to the extent that a department or agency of the
10 state is the custodian of money payable to the municipality, the
11 department or agency shall withhold payment of the money from the
12 municipality and pay over the money to the authority to pay principal
13 and interest on bonds of the authority issued under this section.

14 * Sec. 6. AS 44.83.361(b) is amended to read:

15 (b) The authority may make loans from the rural electrification
16 revolving loan fund to electric utilities certified by the Alaska
17 Public Utilities Commission. A loan from the fund may be made only
18 for the purpose of extending new electric service into an area of the
19 state that an electric utility may serve under a certificate of public
20 convenience and necessity issued by the Alaska Public Utilities Com-
21 mission. A loan may be made from the fund to an electric utility if
22 the utility invests the money necessary to provide one pole, one span
23 of line, one transformer, and one service drop for each consumer for
24 whom immediate service would be provided by the extension of electric
25 service. Applications for loans to extend service along state roads
26 or highways shall be given priority for up to one-fourth of the funds
27 available for loans under this section. However, a loan may not be
28 made from the fund unless

29 (1) the loan is recommended by a loan advisory committee

1 appointed under AS 44.83.363; and

2 (2) the extension of electric service would provide immedi-
3 ate service to at least three consumers.

4 * Sec. 7. AS 44.83.363 is amended to read:

5 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
6 for a rural electrification loan is submitted to the authority under
7 AS 44.83.361, the authority shall appoint a local advisory committee
8 from persons residing in the area that the applicant utility is certi-
9 fied to serve. The loan advisory committee shall consider the loan
10 application, and shall recommend whether the loan application is to be
11 approved or disapproved. A favorable recommendation from the loan
12 advisory committee shall be based on a determination that development
13 in the area of the proposed extension of electric service is likely to
14 provide for full repayment of the loan under AS 44.83.361(d) within 20
15 [10] years. In making that determination the committee shall consider

16 (1) permanence of the premises to be served by the exten-
17 sion;

18 (2) land use patterns in the area;

19 (3) access for the line that would be installed with loan
20 proceeds;

21 (4) availability of other utility service in the area; and

22 (5) the financial [ECONOMIC] feasibility of the extension
23 of electric service with the proceeds of the loan.

24 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
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MASTER

WORK DRAFT

WORK DRAFT

WORK DRAFT

5-0881J
Cramer
5/6/88

This copy includes new language on legislative authorization of bonding + loans. APA's recommendations on the ~~the~~ 4/25 draft are penned in.

Original sponsors: Coghill and Faiks

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority; and
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15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
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27 village councils, school districts, regional educational attendance
28 areas, ~~business enterprises~~ and nonprofit marketing cooperatives to
29 pay the costs of

APA
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(B) constructing, ^{acquiring} equipping, modifying, improving, and expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES], conservation facilities, bulk fuel storage facilities, and transmission and distribution facilities, including energy production, transmission and distribution, and waste energy conservation facilities which depend on fossil fuel, wind power, tidal, geothermal, biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR] energy sources; [AND]

(C) reconnaissance studies, preconstruction engineering, design, construction, equipping, modification, and expansion of potable water supply including surface storage and groundwater sources and transmission of water from surface storage to existing distribution systems;

(D) acquisitions of bulk fuel or proven reserves of gas, oil, coal, geothermal, or other energy resources; and

(E) consumer end-use improvements to reduce demand for energy;

(2) to a borrower for a power project if

(A) the loan is entered into under a leveraged lease financing arrangement;

(B) the party which will be responsible for the power project is an electric utility, regional electric authority, municipality, [CITY, BOROUGH,] regional or village corporation, village council, school district, regional educational attendance area, ^{regional housing authorities, business enterprises} or nonprofit marketing cooperative; and

✓ APA

(C) the borrower seeking the loan demonstrates to the

1 authority that the financing arrangement for the power project
2 will reduce project financing costs below costs of comparable
3 public power projects.

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*new
legis
authoriz*

11 * Sec. 4. AS 44.83.170 is amended by adding new subsections to read:

12 (i) The authority may not issue a loan in an amount greater than
13 \$500,000 unless the legislature has approved the loan. If a borrower
14 has borrowed a total of more than \$500,000 from the power project fund
15 for a single project during the past 24 months, the authority may not
16 issue a loan in any amount to the borrower unless the legislature
17 approves the loan.

new

18 (j) In this section "business enterprise" has the meaning given
19 in AS 44.88.220.

20 * Sec. 5. AS 44.83 is amended by adding a new section to read:

21 *new* Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
22 has approved the amount of the bonds to be issued, the authority may
23 borrow money and issue bonds to make or refinance loans ~~for the acqui-~~
24 ~~sition or construction of power projects~~ ^{for projects,} authorized under ^{AS 44.83.170.} ~~the power~~
25 ~~project fund~~. Loans made or refinanced with the proceeds of bonds
26 authorized by this section are ^{only} subject ^{to} AS 44.83.170(a) - (e).
27 However, the authority may not issue bonds to make or refinance a loan
28 entered into under a leveraged lease financing arrangement under
29 AS 44.83.170(b)(2)(A).

APA

1 (b) To enhance the credit-worthiness of bonds issued under this
2 section, the authority may pledge the principal and interest received
3 ^{to the Power Project Fund} from ~~the~~ loan repayments and the interest earned on those amounts for
4 bonds issued under this section. If the authority has pledged these
5 amounts, they may not be deposited in the general fund.

6 (c) The authority may notify the head of a department or agency
7 of the state in writing that a municipality is in default on the
8 repayment of principal or interest on amounts borrowed under this
9 section. After the notice is given, and notwithstanding any other
10 provision of law, to the extent that a department or agency of the
11 state is the custodian of money payable to the municipality, the
12 department or agency shall withhold payment of the money from the
13 municipality and pay over the money to the authority to pay principal
14 and interest on bonds of the authority issued under this section.

15 * Sec. 6. AS 44.83.361(b) is amended to read:

16 (b) The authority may make loans from the rural electrification
17 revolving loan fund to electric utilities certified by the Alaska
18 Public Utilities Commission. A loan from the fund may be made only
19 for the purpose of extending new electric service into an area of the
20 state that an electric utility may serve under a certificate of public
21 convenience and necessity issued by the Alaska Public Utilities Com-
22 mission. A loan may be made from the fund to an electric utility if
23 the utility invests the money necessary to provide one pole, one span
24 of line, one transformer, and one service drop for each consumer for
25 whom immediate service would be provided by the extension of electric
26 service. Applications for loans to extend service along state roads
27 or highways shall be given priority for up to ^(was one-half) one-fourth of the funds
28 available for loans under this section. However, a loan may not be
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3 (2) the extension of electric service would provide immedi-
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10 fied to serve. The loan advisory committee shall consider the loan
11 application, and shall recommend whether the loan application is to be
12 approved or disapproved. A favorable recommendation from the loan
13 advisory committee shall be based on a determination that development
14 in the area of the proposed extension of electric service is likely to
15 provide for full repayment of the loan under AS 44.83.361(d) within 20
16 [10] years. In making that determination the committee shall consider

17 (1) permanence of the premises to be served by the exten-
18 sion;

19 (2) land use patterns in the area;

20 (3) access for the line that would be installed with loan
21 proceeds;

22 (4) availability of other utility service in the area; and

23 (5) the financial [ECONOMIC] feasibility of the extension
24 of electric service with the proceeds of the loan.

25 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29

APA

MASTER

5-08810
Cramer
4/25/88

Original sponsors: Coghill and Faiks

1 IN THE SENATE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH 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 44.83.092 is amended by adding a new subsection to
10 read:

*LeR - this authorizes exj. proj. ut. & this people want this
spec. author. sets budget annually - in PSA's -*

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee

Sam?

20 has separate legal existence and other powers necessary to its pur-
21 poses. *LeR - maintain a ret. right for owner in contract [how about here?]*

22 * Sec. 2. AS 44.83.170(b) is amended to read: *Power Proj. Fund.*

23 (b) The authority may make loans from the power project fund

*Sam. ch. del
24-27/10*

24 (1) to electric utilities, regional electric authorities,
25 municipalities, [CITIES, BOROUGHS,] regional and village corporations,
26 village councils, school districts, regional educational attendance
27 areas, regional housing authorities, business enterprises, and nonprofit marketing cooperatives] to

28 pay the costs of

29 (A) reconnaissance studies, feasibility studies,

Geo Sullivan

andmt re gaslines

Ken, ABCCA Supp's Sec. 5/6
2) 9th or - shd be only where there isn't an existing utility
or whatever - amend to say cert'd utility, etc

get irrid
defined in statute

1 license and permit applications, preconstruction engineering, and
2 design of power projects;

3 (B) constructing ^{acquiring} equipping, modifying, improving, and
4 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
5 conservation facilities, bulk fuel storage facilities, and trans-
6 mission and distribution facilities, including energy production,
7 transmission and distribution, and waste energy conservation
8 facilities which depend on fossil fuel, wind power, tidal, geo-
9 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
10 NUCLEAR] energy sources; [AND]

11 (C) reconnaissance studies, preconstruction engineer-
12 ing, design, construction, equipping, modification, and expansion
13 of potable water supply including surface storage and groundwater
14 sources and transmission of water from surface storage to exist-
15 ing distribution systems;

16 (D) acquisitions of bulk fuel or proven reserves of
17 gas, oil, coal, geothermal, or other energy resources; and

18 (E) consumer end-use improvements to reduce demand for
19 energy;

20 (2) to a borrower for a power project if

21 (A) the loan is entered into under a leveraged lease
22 financing arrangement;

23 (B) the party which will be responsible for the power
24 project is an electric utility, regional electric authority,
25 municipality, [CITY, BOROUGH,] regional or village corporation,
26 village council, school districts, regional educational atten-
27 regional housing authorities, business enterprises
dance areas, or nonprofit marketing cooperative; and

28 (C) the borrower seeking the loan demonstrates to the
29 authority that the financing arrangement for the power project

1 will reduce project financing costs below costs of comparable
2 public power projects.

3 * Sec. 3. AS 44.83.170 is amended by adding a new subsection to read:

4 (i) In this section "business enterprise" has the meaning
5 given in AS 44.88.220. *Sam - leg's appeal for a bond issuance w/ list of projects*
LeR. - "umbrella bonds"

6 * Sec. 4. AS 44.83 is amended by adding a new section to read:

7 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
8 borrow money and issue bonds to make or refinance loans ^{delete} ~~for the acquisition or construction of power projects~~ ^{for projects} authorized under ^{AS 44.83.170.} ~~the power~~
9 ~~project fund.~~ Loans made or refinanced with the proceeds of bonds
10 authorized by this section are subject ^{only} to AS 44.83.170(a) - (e).
11 However, the authority may not issue bonds to make or refinance a loan
12 entered into under a leveraged lease financing arrangement under
13 AS 44.83.170(b)(2)(A).
14

15 (b) To enhance the credit-worthiness of bonds issued under this
16 section, the authority may pledge the principal and interest received
17 from ^{delete} ~~the~~ loan repayments ^{to the Power Project Fund} and the interest earned on those amounts ^{as security} for
18 bonds issued under this section. If the authority has pledged these
19 amounts, they may not be deposited in the general fund.

20 (c) The authority may notify the head of a department or agency
21 of the state in writing that a municipality is in default on the
22 repayment of principal or interest on amounts borrowed under this
23 section. After the notice is given, and notwithstanding any other
24 provision of law, to the extent that a department or agency of the
25 state is the custodian of money payable to the municipality, the
26 department or agency shall withhold payment of the money from the
27 municipality and pay over the money to the authority to pay principal
28 and interest on bonds of the authority issued under this section.

29 * Sec. 5. AS 44.83.361(b) is amended to read:

LeR.
** 128 m in requests outstanding.*
want to do 10-12 m/yr

Sam - RERLF -
Le.R. - int. → g.f.
prime → fund
2% - ~ grant fund.
+ 1.9 m avail. / 4.9 m in loans outstanding

1 (b) The authority may make loans from the rural electrification
2 revolving loan fund to electric utilities certified by the Alaska
3 Public Utilities Commission. A loan from the fund may be made only
4 for the purpose of extending new electric service into an area of the
5 state that an electric utility may serve under a certificate of public
6 convenience and necessity issued by the Alaska Public Utilities Com-
7 mission. A loan may be made from the fund to an electric utility if
8 the utility invests the money necessary to provide one pole, one span
9 of line, one transformer, and one service drop for each consumer for
10 whom immediate service would be provided by the extension of electric
11 service. Applications for loans to extend service along state roads
12 or highways shall be given priority for up to one-half of the funds
13 available for loans under this section. However, a loan may not be
14 made from the fund unless

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

17 (2) the extension of electric service would provide immedi-
18 ate service to at least three consumers.

19 * Sec. 6. AS 44.83.363 is amended to read:

20 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
21 for a rural electrification loan is submitted to the authority under
22 AS 44.83.361, the authority shall appoint a local advisory committee
23 from persons residing in the area that the applicant utility is certi-
24 fied to serve. The loan advisory committee shall consider the loan
25 application, and shall recommend whether the loan application is to be
26 approved or disapproved. A favorable recommendation from the loan
27 advisory committee shall be based on a determination that development
28 in the area of the proposed extension of electric service is likely to
29 provide for full repayment of the loan under AS 44.83.361(d) within 20

1 [10] years. In making that determination the committee shall consider

2 (1) permanence of the premises to be served by the exten-
3 sion;

4 (2) land use patterns in the area;

5 (3) access for the line that would be installed with loan
6 proceeds;

7 (4) availability of other utility service in the area; and

8 (5) the financial [ECONOMIC] feasibility of the extension
9 of electric service with the proceeds of the loan.

10 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

PURPOSE STATEMENT

SB 206

The purpose of SB 206 is to consolidate various energy-related loan programs into one multi-purpose revolving loan fund. This fund would eventually become self-sustaining. The Alaska Power Authority would administer the fund with legislative oversight and the revenues would come from loan repayments, interest earnings or sale of revenue bonds secured by the loan repayments and/or the earnings stream.

The new fund would be used for various energy-related projects and programs to include generation, transmission, distribution, conservation and power cost equalization.

W

Senator John B. (Jack) Coghill
Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

MEMORANDUM

TO: All Members of the State Energy Policy Task Force

FROM: Senator John B. Coghill

RE: CSSB 206 sectional analysis

DATE: October 20, 1987

The purpose of CSSB 206 is to create a revolving fund and combine six other energy related funds. All debt service repayments and earnings would be retained in the fund (Power Project Revolving Fund) and the legislature would retain control of income due to interest and other earnings of the fund. The bill also clears up the legal ambiguity on whether transmission and distribution lines are subject to the project approval process like power projects. The following is a section by section analysis.

SEC. 1: Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

SEC. 2: Allows APA to issue bonds under the Power Project Revolving Fund in lieu of the power development fund that it replaces.

SEC. 3: Changes power cost equalization from fund to program.

SEC. 4: Converts existing power project fund into power project revolving fund and allocates portion of loan repayments that is attributable to repayment of principal to the fund. Before only legislative appropriations were used.

SEC. 5: Adds school districts and regional educational attendance areas to entities that qualify for loans from the Power Project Revolving Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of

gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 6: Designates all debt service repayments and fund earnings into the Power Project Revolving Fund. Allows APA to make new loans from the principal portion of loan repayments. Spending or encumbering the interest repayments or other earnings of the fund (PPRF) requires legislative appropriation.

SEC. 7: Sets up a Railbelt Loan Advisory Committee, composed of the Railbelt utilities, to review all Railbelt energy-related project loan applications and provide non-binding recommendations to APA.

Requires APA to report to the legislature by the 10th day of session to make recommendations on allocation of funds in the fund (PPRF). The first priority of unrestricted funds is to fully fund the Power Cost Equalization Program.

Creates a new loan program through which the Alaska Power Authority may borrow funds, without interest, appropriated by the legislature for feasibility studies, design, and construction of transmission projects. The APA is required to repay the principal amount of loans made under this subsection from revenue identified at the time the loan is made.

SEC. 8: Allows APA to issue bonds for any of the programs, activities, or projects allowed by the fund (PPRF) as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

SEC. 9: Clarifies ambiguity in statutes by exempting electrical transmission and distribution lines from the power project approval process.

SEC. 10: Converts Rural Electrification Revolving Loan Fund into a program.

SEC. 11: Allows above program to be funded from the Power Project Revolving Fund. Loan criteria are modified to allocate half of funds available to extend service along state highways.

SEC. 12: Designates loan repayments and interest from above loans into the fund (PPRF) and allows for loan forgiveness after 10 years.

SEC. 13: Modifies existing rural electrification statute to conform with previous changes above.

SEC. 14: Changes loan evaluation criteria from economic to financial feasibility.

SEC. 15: Allows use of the fund (PPRF) for energy program for Alaska projects that are not fully funded by legislative

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

October 22, 1987

SUBJECT: Question of dedicated funds in
CSSB 206 (Rules) amended
(Alaska Power Authority)

TO: Senator Jack Coghill

FROM: Teresa B. Cramer *JBC*
Legislative Counsel

You have asked whether CSSB 206 (Rules) amended violates the prohibition against dedicated funds contained in Article IX, Section 7 of the state constitution. In my opinion, although the law is not clear on the question, the bill probably does not.

Under secs. 4 and 5 of CSSB 206(Rls) am, amending AS 44.83.170(a) and (b), the Alaska Power Authority is authorized to make loans from the power project revolving fund, which consists of appropriations and the portion of loan repayments attributable to principal. Several sections throughout the bill require that both principal repayments and the interest received on a loan be deposited in the power project revolving fund. (See sections 6, 12, and 17)

Article IX, section 7 of the state constitution provides:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [the Alaska Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

The Supreme Court of Alaska has interpreted the scope of a "state tax or license" broadly. In State v. Alex, 646 P.2d 203 (Alaska 1982), the court held that a mandatory tax

assessment to be paid directly to private aquaculture associations fell within the prohibition and therefore was invalid. The court cited a 1975 Alaska Opinion of the Attorney General No. 9 with approval:

... it is our conclusion that the dedication of any source of public revenue: tax, license, rental, sale, bonus-royalty, royalty, or whatever is limited by the state Constitution to those existing when the Constitution was ratified or required for participation in federal programs.

Alex, supra, at 210. Given this broad view of the kinds of revenue subject to the prohibition, there is a strong possibility that the interest payments and earnings on deposited funds in a revolving loan fund would be subject to the constitutional limitation. However, while the bill requires that those amounts be deposited in the fund, it does not permit the Alaska Power Authority to use them unless the legislature appropriates the money to the authority. This retains the legislative control of state funds, the principal objective of the dedicated funds section.

While it is not clear how the court would treat a revolving loan fund consisting of the repayments of principal from prior loans, there is authority that suggests such programs are constitutional. In an opinion issued November 30, 1982, the attorney general discussed the proper application of the dedicated funds prohibition to money appropriated to a revolving loan fund and concluded that

We believe the better view is that the dedication prohibition does not apply to money once appropriated by the legislature, regardless of whether the appropriation contemplates that the money will be expended. Usually appropriations authorize money to be spent. In other cases, however, the legislature may prefer to establish by general law a continuing loan program and finance it through a one-time appropriation or to reserve money in a special fund or account for future use for limited purposes. A strong argument can be made that money once appropriated, regardless of the mechanism utilized, loses its character as revenue for the purpose of the dedicated funds prohibition because the purpose of the prohibition, i.e., that the

Senator Coghill
Page 3
October 22, 1987

legislature retain control over state revenues, has been satisfied. (Emphasis in original)

Under this reasoning there would be no unlawful dedication involved in the return to a revolving loan fund of principal repayments on loans.

1982 Alaska Op. Atty. Gen. (November 30), 12 - 13. While there may be some difficulty with the placement of interest and earnings in the power project revolving fund, the requirement of legislative appropriation may save those provisions. The use of principal amounts, previously appropriated, probably does not violate the dedicated funds prohibition.

If I may be of further assistance, please advise.

TC:mkr
m13/044

EXISTING FUNDS

TITLE OF FUND	MANAGED BY	STATUTE	TYPE	PURPOSE	FUNDING SOURCES
POWER DEVELOPMENT REVOLVING LOAN FUND P D R L F	DCEED	44.83.600	LOANS	LOANS TO APA FOR POWER PROJECTS UNDER ENERGY PROGRAM FOR ALASKA AS PER 44.83.380 - .425	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND - INTEREST ON LOANS FROM FUND - EARNINGS OF FUND
POWER PROJECT FUND P P F	APA	44.83.170	LOANS	LOANS TO UTILITIES, MUNICIPALITIES, REGIONAL & VILLAGE CORPORATIONS, & VILLAGE COUNCILS FOR STUDY, DESIGN, PERMITTING AND CONSTRUCTION OF POWER PROJECTS OR POTABLE WATER AS NOTED IN 44.83.170	- APPROPRIATIONS FROM LEGISLATURE (LOAN REPAYMENTS & INTEREST EARNED FROM LOANS GOES TO G.F.) - (MIN. INTEREST RATE IS 5%) (EXCEPT SITKA AT 4.00%)
POWER DEVELOPMENT FUND P D F	APA	44.83.382	GRANTS	CARRY OUT PURPOSES OF ENERGY PROGRAM FOR ALASKA PER 44.83.380 - .425 I.E. TO STUDY, DESIGN, LICENSE AND OPERATE POWER PROJECTS. INCLUDES FINANCING/BONDING OF POWER PROJECTS.	- APPROPRIATIONS FROM LEGISLATURE - REVENUE BONDS
RURAL ELECTRIFICATION REVOLVING LOAN FUND R E R L F	APA	44.83.361	LOANS	TO EXTEND NEW ELECTRICAL SERVICE AS LONG AS IMMEDIATE SERVICE IS PROVIDED TO AT LEAST 3 CONSUMERS. UTILITIES MUST BE CERTIFIED BY APUC.	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND (INTEREST RATE IS 2%)
POWER COST EQUALIZATION FUND	APA	44.83.162	GRANTS	TO EQUILIBRATE POWER COSTS EQUAL TO MEAN OF COSTS IN ANCHORAGE, JUNEAU & FAIRBANKS	- APPROPRIATIONS FROM LEGISLATURE
RAILBELT ENERGY FUND R E F	DOR LEGISLATURE	CH 29 SLA 86 (HB 699)	LOANS OR GRANTS	TO FINANCE ENERGY PROJECTS IN THE RAILBELT	APPROPRIATION FROM THE LEGISLATURE
<u>PROPOSED FUND</u>					
POWER PROJECT REVOLVING FUND P P R F	APA	44.83.170	LOANS & GRANTS	TO FUND/FINANCE ALL OF THE ABOVE	- APPROPRIATIONS FROM LEGISLATURE TO INCLUDE INTEREST ON LOANS AND EARNINGS OF THE FUND - REPAYMENTS OF PRINCIPAL TO FUND - REVENUE BONDS

ORIGINAL LOAN	PRINC. BALANCE 6/30/86	NO. OF LOANS	INTEREST RATE	LOAN REPAYMENTS IN FY88		
				PRINCIPAL	INTEREST	TOTAL
188,905,099.	185,104,130.	1	EST. AT 4.5%	- 0 -	BASED ON SALE EST. 6,373,792.	6,373,792.
36,317,336.	29,685,226.	26	4.00% TO 13.23%	696,857.	2,222,007.	2,918,864.
NA						NA
4,955,803.	3,830,508.	11	2.00%	22,832.	99,116.	121,948.
NA						NA

SB 206

from
AIRECA

Letter of Intent for SB 206

By adding school districts, regional educational attendance areas, and regional housing authorities to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that they will be eligible to receive loans for bulk fuel storage, energy conservation, and waste heat projects. It is not the intent that they would receive loans for electric generation projects if an electric utility is certificated under AS 42.05.221 to serve the area in which such entities are located.

By adding business enterprises to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that such loans to business enterprises be used for wholesale power supply projects. It is not the intent of the legislature that loans to business enterprises be used to provide retail power to consumers located within the service area or otherwise reduce the retail load of an electric utility certificated under AS 42.05.221.

5-0881J
Cramer
5/4/80

This copy includes new language on legislative authorization of bonding + loans. APA's recommendations on the ~~bill~~ 4/25 draft are penned in.

Original sponsors: Coghill and Faiks

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH 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 44.83.092 is amended by adding a new subsection to
10 read:

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) Except as provided in (i) of this section, the [THE] author-
24 ity may make loans from the power project fund

25 (1) to electric utilities, regional electric authorities,
26 municipalities, [CITIES, BOROUGHs,] regional and village corporations,
27 village councils, school districts, regional educational attendance
28 areas, ^{APA} regional housing authorities, and nonprofit marketing cooperatives to
29 pay the costs of

1 (A) reconnaissance studies, feasibility studies,
2 license and permit applications, preconstruction engineering, and
3 design of power projects;

4 *APA* (B) constructing, ^{acquiring} equipping, modifying, improving, and
5 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
6 conservation facilities, bulk fuel storage facilities, and trans-
7 mission and distribution facilities, including energy production,
8 transmission and distribution, and waste energy conservation
9 facilities which depend on fossil fuel, wind power, tidal, geo-
10 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
11 NUCLEAR] energy sources; [AND]

12 (C) reconnaissance studies, preconstruction engineer-
13 ing, design, construction, equipping, modification, and expansion
14 of potable water supply including surface storage and groundwater
15 sources and transmission of water from surface storage to exist-
16 ing distribution systems;

17 (D) acquisitions of bulk fuel or proven reserves of
18 gas, oil, coal, geothermal, or other energy resources; and

19 (E) consumer end-use improvements to reduce demand for
20 energy;

21 (2) to a borrower for a power project if

22 (A) the loan is entered into under a leveraged lease
23 financing arrangement;

24 (B) the party which will be responsible for the power
25 project is an electric utility, regional electric authority,
26 municipality, [CITY, BOROUGH,] regional or village corporation,
27 village council, school district, regional educational attendance
28 *APA* regional housing authorities, business enterprises,
area, or nonprofit marketing cooperative; and

29 (C) the borrower seeking the loan demonstrates to the

1 authority that the financing arrangement for the power project
2 will reduce project financing costs below costs of comparable
3 public power projects.

4 * Sec. 3. AS 44.83.170 is amended to read:

new
legis
authoriz

5 (g) Loan repayments and interest earned by loans from the power
6 project fund shall be deposited in the state general fund. Notwith-
7 standing AS 44.83.100(a), the authority may not pledge the principal
8 or interest payments of a loan from the power project fund to secure
9 the issue of bonds unless the legislature has approved the project or
10 projects to be financed by the proceeds of the sale of the bonds.

11 * Sec. 4. AS 44.83.170 is amended by adding new subsections to read:

new

12 (i) The authority may not issue a loan in an amount greater than
13 \$500,000 unless the legislature has approved the loan. If a borrower
14 has borrowed a total of more than \$500,000 from the power project fund
15 for a single project during the past 24 months, the authority may not
16 issue a loan in any amount to the borrower unless the legislature
17 approves the loan.

18 (j) In this section "business enterprise" has the meaning given
19 in AS 44.88.220.

20 * Sec. 5. AS 44.83 is amended by adding a new section to read:

new
APA

21 Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
22 has approved the amount of the bonds to be issued, the authority may
23 borrow money and issue bonds to make or refinance loans ~~for the acqui-~~
24 ~~sition or construction of power projects~~ ^{for projects} authorized under ~~the power~~
25 ~~project fund~~ ^{AS 44.83.170.} Loans made or refinanced with the proceeds of bonds
26 authorized by this section are subject ^{only} to AS 44.83.170(a) - (e).
27 However, the authority may not issue bonds to make or refinance a loan
28 entered into under a leveraged lease financing arrangement under
29 AS 44.83.170(b)(2)(A).

1 (b) To enhance the credit-worthiness of bonds issued under this
 2 section, the authority may pledge the principal and interest received
 3 ^{to the Power Project Fund} from ~~the~~ loan repayments and the interest earned on those amounts for
 4 bonds issued under this section. If the authority has pledged these
 5 amounts, they may not be deposited in the general fund.

6 (c) The authority may notify the head of a department or agency
 7 of the state in writing that a municipality is in default on the
 8 repayment of principal or interest on amounts borrowed under this
 9 section. After the notice is given, and notwithstanding any other
 10 provision of law, to the extent that a department or agency of the
 11 state is the custodian of money payable to the municipality, the
 12 department or agency shall withhold payment of the money from the
 13 municipality and pay over the money to the authority to pay principal
 14 and interest on bonds of the authority issued under this section.

15 * Sec. 6. AS 44.83.361(b) is amended to read:

16 (b) The authority may make loans from the rural electrification
 17 revolving loan fund to electric utilities certified by the Alaska
 18 Public Utilities Commission. A loan from the fund may be made only
 19 for the purpose of extending new electric service into an area of the
 20 state that an electric utility may serve under a certificate of public
 21 convenience and necessity issued by the Alaska Public Utilities Com-
 22 mission. A loan may be made from the fund to an electric utility if
 23 the utility invests the money necessary to provide one pole, one span
 24 of line, one transformer, and one service drop for each consumer for
 25 whom immediate service would be provided by the extension of electric
 26 service. Applications for loans to extend service along state roads
 27 or highways shall be given priority for up to ^(was one-half) one-fourth of the funds
 28 available for loans under this section. However, a loan may not be
 29 made from the fund unless

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

3 (2) the extension of electric service would provide immedi-
4 ate service to at least three consumers.

5 * Sec. 7. AS 44.83.363 is amended to read:

6 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
7 for a rural electrification loan is submitted to the authority under
8 AS 44.83.361, the authority shall appoint a local advisory committee
9 from persons residing in the area that the applicant utility is certi-
10 fied to serve. The loan advisory committee shall consider the loan
11 application, and shall recommend whether the loan application is to be
12 approved or disapproved. A favorable recommendation from the loan
13 advisory committee shall be based on a determination that development
14 in the area of the proposed extension of electric service is likely to
15 provide for full repayment of the loan under AS 44.83.361(d) within 20
16 [10] years. In making that determination the committee shall consider

17 (1) permanence of the premises to be served by the exten-
18 sion;

19 (2) land use patterns in the area;

20 (3) access for the line that would be installed with loan
21 proceeds;

22 (4) availability of other utility service in the area; and

23 (5) the financial [ECONOMIC] feasibility of the extension
24 of electric service with the proceeds of the loan.

25 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29

SB 206

A M E N D M E N T

Offered in the HOUSE

TO: CSSB 206 (Rules) am

Page 6, following line 3:

Insert new bill sections to read:

"* Sec. 9. AS 44.83.177(b) is amended to read:

(b) A reconnaissance study shall

(1) identify the present and anticipated [ELECTRICAL AND THERMAL] energy requirements of a community or region;

(2) survey all electrical, [AND] thermal, and natural gas energy sources and combinations of sources available to the community or region and evaluate the relative economic merits of alternative sources of power and heat, including energy conservation;

(3) assess the effect of development of alternative sources of power and heat on the environment; and

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

* Sec. 10. AS 44.83.187(a) is repealed and reenacted to read:

(a) The provisions of AS 44.83.177 - 44.83.185 and 44.83.189 apply only to

(1) a proposed new project that will generate more than 1.5 megawatts of power that

(A) requires an appropriation from the state general fund, from the power project fund, or from the renewable

resources funds; or

(B) is based on a plan of finance that requires the issuance of general obligation bonds or other pledge of the credit of the state;

(2) a proposed new project for the transmission of natural gas for resale by a qualified gas distribution utility."

Renumber subsequent bill sections accordingly.

Page 6, following line 10:

Insert new bill sections to read:

"* Sec. 12. AS 44.83.230(4) is amended to read:

(4) "power project" or "project" means a plant, works, system, or facility, together with related or necessary facilities and appurtenances, including a divided or undivided interest in or a right to the capacity of a power project or project, that is used or is useful for the purpose of

(A) electrical or thermal energy production other than nuclear energy production;

(B) waste energy utilization and energy conservation;
or

(C) transmission, purchase, sale, exchange, and interchange of electrical or thermal energy, including district heating or interties; or

(D) transmission of natural gas for resale by a qualified gas distribution utility;

* Sec. 13. AS 44.83.230 is amended by adding a new paragraph to read:

(10) "qualified gas distribution utility" means a utility that has been issued a certificate of public convenience and necessity under AS 42.05.221 to sell and distribute natural gas in all or part of a market area that is served or will be served by the power project, and that is, in the judgment of the authority, capable of operating and maintaining the power project."

Renumber subsequent bill sections accordingly.

Page 10, following line 25:

Insert a new bill section to read:

"* Sec. 23. AS 44.83 is amended by adding new sections to read:

ARTICLE 10. RAILBELT GASLINE PROJECT.

Sec. 44.83.500. DESCRIPTION OF PROJECT. The Railbelt gasline project consists of a high pressure gas transmission line to transport natural gas between a point in the vicinity of Wasilla and a point in the vicinity of Fairbanks.

Sec. 44.83.510. PURPOSES OF PROJECT. (a) The primary purpose of the Railbelt gasline project is to transport natural gas between Wasilla and Fairbanks, and to intermediate communities, for sale to a qualified gas distribution utility. The qualified gas distribution utility may sell the gas for space heating, the generation of electricity, and other purposes.

(b) The secondary purpose of the Railbelt gasline project is to transport natural gas for nonutility use if the transportation of the

natural gas does not displace gas being transported for sale by a qualified gas distribution utility.

Sec. 44.83.520. USE OF THE PROJECT. (a) In the operation and management of the Railbelt gasline project, the authority shall give first priority to use of the gas transmission line by one or more qualified gas distribution utilities. The annual charge for use of the gas transmission line may not exceed the annual cost to the authority of operating and maintaining the Railbelt gasline project, exclusive of interest and depreciation.

(b) In addition to the use made under (a) of this section, the authority may allow users other than a qualified gas distribution utility to transport natural gas in the gas transmission line. The authority may not approve use of the gas transmission line by a user other than a qualified gas distribution utility if that use would

(1) displace gas transported by a qualified gas distribution utility; or

(2) interfere with the operations of a qualified gas distribution utility.

Sec. 44.83.530. OPERATION AND MAINTENANCE OF THE PROJECT. (a) If the Railbelt gasline project is approved under AS 44.83.185, the project may be operated for the authority under a contract or lease entered into by a qualified gas distribution utility and the authority.

(b) If the authority permits a qualified gas distribution utility to operate the Railbelt gasline project under a contract or lease, the authority shall

(1) adopt regulations to determine the manner of selecting a qualified gas distribution utility to operate the Railbelt gasline project under a contract or lease when there is more than one qualified gas distribution utility to be served directly by the power project; and

(2) assure that the project is being operated efficiently and in a manner that is consistent with

(A) national standards for the industry; and

(B) agreements with bondholders, if any.

Sec. 44.83.540. PROJECT FINANCING. The authority may finance the Railbelt gasline project by appropriations from the general fund, including the Railbelt energy fund created under AS 37.05.153, general obligation bonds, revenue bonds, or other plans of finance as approved by the legislature."

Renumber subsequent bill sections accordingly.

Page 11, lines 15 - 20:

Delete all material.

Insert new bill sections to read:

"* Sec. 28. Sections 2 - 6, 14 - 22, and 24 - 27 of this Act take effect July 1, 1988, if an Act transferring appropriations for energy programs to the power project revolving fund and making appropriations to the power project revolving fund is enacted on or before July 1, 1988.

* Sec. 29. Sections 9, 10, 12, 13, and 23 of this Act take effect July 1, 1988.

* Sec. 30. Sections 1, 7, 8, and 11 of this Act take effect immediately under AS 01.10.070(c)."

A M E N D M E N T

By Cotten

TO: HCS CSSB 206()
draft 4/25/88

Page 3, line 3:

Delete "a new subsection"

Insert "new subsections"

Page 3, line 4, after "(i)":

Insert "Notwithstanding AS 44.83.100(a), the authority may not borrow money and issue bonds on which the principal and interest are payable from money derived from a project financed by a loan issued under this section unless the legislature has approved the project to be financed by the bond proceeds.

(j)"

Page 3, line 9, after "projects":

Insert "approved by the legislature and"

Page 3, line 10, after ".":

Insert "The authority shall submit to the legislature the name, location, and the proposed cost of each power project that it proposes to finance from the proceeds of the sale of bonds under this section."

with the Authority's obligation to finance and construct the Project pursuant to Section 6(b) and the Authority's obligation under Section 6(d) to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practices and with the provisions of the Bond Resolution. The Authority shall consult with the Purchasers regarding the provisions to be included in such supplemental Bond Resolutions, and shall use its reasonable best efforts to comply with the requests of the Purchasers with respect thereto. Unless otherwise approved in accordance with Section 11(a)(i), such supplemental Bond Resolutions shall:

(a) provide that the total amounts required for the payment of Debt Service when due shall be, on an annual basis, as nearly equal as practicable;

(b) provide that the final maturity of Bonds issued pursuant to such supplemental Bond Resolutions shall not be earlier than twenty-five (25) years from the date when the first of such Bonds is issued;

(c) be substantially in the form attached hereto as Exhibit E, except to the extent that the Authority finds that modifications are necessary to sell the Bonds on a tax-exempt basis; and

(d) be adopted no earlier than January 1, 1989.

Section 13. Establishment Of The Committee.

(a) Formation and composition of the Committee. The parties agree that a Project Management Committee ("Committee") shall be established on January 15, 1988, or on such earlier date as may be agreed to by the parties. The Committee shall consist of the Authority and the Purchasers (including as Purchasers for this purpose both Homer Electric Association, Inc., and Matanuska Electric Association, Inc., for themselves and for AEG&T as a Purchaser represented by and through those utilities). No Committee member shall obtain an additional vote through merger with, acquisition of, or assignment from any other Committee member, and AEG&T shall have no direct vote, but shall be represented by and through Homer Electric Association, Inc., and Matanuska Electric Association, Inc., each of which shall be entitled to vote as a Purchaser member for purposes of Committee procedure. Each Committee member entitled to vote shall name one representative to serve on the Committee and one designated alternate for that representative. Each such member shall notify all other members in writing of the names, addresses, and telephone numbers of its representative and designated alternate. After it is established, the Committee shall meet not less than once each quarter. Costs of the Committee (other than costs incurred by the Authority) which

are incurred prior to the Date of Commercial Operation shall be borne by the Purchasers in accordance with the Percentage Shares of each.

(b) Adoption of rules of procedure. The Committee shall adopt, by the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, procedures for the periodic selection of Committee officers, the conduct of Committee meetings, dispute resolution, the approval (including possible pre-approval) of Consultants, and modification of the Committee's procedural rules, and, to the extent not otherwise specified in this Agreement, such rules shall also specify the applicable voting requirements for approval of matters to be decided by the Committee. Committee approval of operations and maintenance arrangements for the Project, the sufficiency of the annual budget and wholesale power rates, and the undertaking of Optional Project Work shall require the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority.

(c) Committee responsibilities; approval by the Authority.

(i) As the legal owner and licensee of the Project, the issuer of Project debt, and the agency charged by statute with various duties affecting or affected by the Project, the Authority has certain non-delegable rights, duties, and responsibilities with respect to the Project. Subject to such non-delegable rights, duties, and responsibilities, the Committee shall be responsible for the management, operation, maintenance, and improvement of the Project, in recognition that as take-or-pay purchasers of Project Capacity after the Date of Commercial Operation, the Purchasers have substantial long-term financial interests in, and service and planning responsibilities affected by, the Project.

(ii) The Committee shall take the following actions, subject to the provisions of the Bond Resolution, federal and state law, the requirements of licensing and regulatory agencies, and the rights of the Authority and the Purchasers under other provisions of this Agreement:

(A) Arrange for the operation and maintenance of the Project, and the scheduling, production, and dispatch of Project power;

(B) Establish procedures for the use of each Purchaser's Water Allocation in a manner

consistent with the needs and desires of other Purchasers and the capabilities of the Project;

(C) Adopt in each Fiscal Year (and revise as necessary or prudent during such Fiscal Year) a budget of Annual Project Costs for that Fiscal Year, which budget shall be in an amount estimated by the Committee to be sufficient to pay all Annual Project Costs;

(D) Establish for each Fiscal Year the estimated Annual Payment Obligation of each Purchaser, together with a schedule for each Purchaser of equal monthly payments that such Purchaser shall be required to make during that Fiscal Year, which payment schedule shall be (I) designed to recover such estimated Annual Payment Obligation from that Purchaser during the Fiscal Year, and (II) revised during such Year to reflect any revisions to the budget of Annual Project Costs for that Fiscal Year;

(E) Determine after the conclusion of each Fiscal Year the actual Annual Project Costs for that Fiscal Year, the actual Annual Payment Obligation of each Purchaser for that Fiscal Year, and the amount of any additional payment required from (or the amount of any refund to be returned to) each Purchaser to ensure that the total of all payments received from each Purchaser for each Fiscal Year is equal to that Purchaser's actual Annual Payment Obligation for that Fiscal Year;

(F) Evaluate and select among alternative methods (if any) of carrying out and funding (including through issuance of bonds) Required Project Work;

(G) Adopt provisions to evaluate and approve Optional Project Work, and to determine the compensation (if any) to be provided in accordance with Section 4(d) of this Agreement if the Committee approves any such Optional Project Work;

(H) Adopt procedures consistent with Section 13(f) for the resolution of disputes that may arise between or among the Purchasers and the Authority concerning the interpretation of this Agreement, the obligations created by this Agreement, or the performance of such obligations;

(I) Make an initial determination of "customary" insurance within the meaning of Section 714 of the Bond Resolution and determine the appropriate amount of, and obtain, insurance for or related to the Project, in addition to such insurance as may be required by the Bond Resolution;

(J) Adopt maintenance schedules for the Project that do not interfere unreasonably with the operations of the Purchasers;

(K) Adopt and implement procedures relating to electric power reserves for the Project in accordance with Section 5; and

(L) Consider the need for and approve any additional amount to be added to the Renewal and Contingency Reserve Fund over and above the Renewal and Contingency Reserve Requirement provided under the Bond Resolution.

(iii) If and when no Bonds are outstanding under the Bond Resolution, and the Bond Resolution is therefore no longer effective, the Committee shall provide for the establishment of such accounts and the taking of such actions as may be necessary to manage the Project.

(d) Payment obligation unimpaired. Notwithstanding any Committee action or inaction under this Agreement, each Purchaser's obligation to make the monthly payments necessary to pay its Purchaser's Percentage Share of Debt Service, costs of operation and maintenance, and all other amounts to be paid by Purchasers under this Agreement shall be absolute and unimpaired.

(e) The Authority's ability to take Required Action. In the event the Committee fails to take any of the actions set forth in Section 13(c)(ii)(C)-(E) in a timely fashion, or fails to take any other action which the Authority believes to be a Required Action, and as a result the Authority determines that it will be unable to meet any of its obligations imposed by statute, by the Bond Resolution, by this Agreement, or by any licensing or regulatory agency, then the Authority may (i) adopt a budget of Annual Project Costs, (ii) estimate the Annual Payment Obligation of each Purchaser, (iii) require each Purchaser to make payments on the basis of such estimated Annual Payment Obligation, and (iv) take such other action as the Authority deems necessary to meet such obligations. Failure of the Committee to adopt an Annual Project Budget by the ninetieth (90th) day prior to the beginning of a Fiscal Year shall permit the Authority to adopt an Annual

Project Budget pursuant to this subsection. All actions and determinations under this Section 13(e) shall be taken and made in accordance with Prudent Utility Practice.

(f) Purchasers' duties and rights of review. Each Purchaser shall make payment as required by the Authority as a result of any action taken by the Authority under Section 13(e), but such payment shall not constitute a waiver of any Purchaser's rights under this Agreement. Any Purchaser may seek review of such action in accordance with the dispute resolution procedures adopted by the Committee, or may seek to enforce this Agreement judicially in accordance with Section 9(d) if no applicable dispute resolution procedures have been adopted.

Section 14. End Of Project

(a) Authority's declaration. The Authority shall declare the Project ended, and the Authority's obligations to make power available to the Purchasers and to operate and maintain (or to assure the operation and maintenance of) the Project shall also end, if and when (i) such a declaration is required under Section 14(b), or (ii) the Project can no longer be operated in accordance with Prudent Utility Practice.

(b) Consultant's report. The Authority shall make the declaration described in Section 14(a) if all of the following conditions are met:

(i) the Project cannot be operated at full capacity in a manner consistent with Prudent Utility Practice absent repairs, modifications, or additions ("Repairs") to the Project;

(ii) a Consultant retained by the Committee concludes that such Repairs are not cost-effective in comparison with other power supply alternatives then available to the Purchasers; and

(iii) Committee members who are Purchasers and whose Percentage Shares total eighty percent (80%) vote that such Repairs should not be undertaken.

(c) Consequences of Authority's declaration. After the Authority has declared the Project ended, each Purchaser shall complete its payment obligation for Project Capacity and associated energy delivered to such Purchaser before the Project ended, and shall do so by paying its Percentage Share of Annual Project Costs until all Bonds have been paid or provision has been made for the payment of the Bonds in accordance with the Bond Resolution; provided, that from the date on which the Authority

SB 206
language drafted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(y) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

*Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

**ALASKA POWER AUTHORITY
POWER PROJECT FUND LOANS**

Loan Date	Borrower	Approved Amount
4/78	AEL&P (Juneau)	\$ 500,000
8/80	City of King Cove	200,000
10/80	INNEC (Iliamna area)	300,000
10/80	AEL&P (Juneau)	1,000,000
3/81	AEL&P (Juneau)	200,000
8/81	Bethel Co-generation Utility	1,000,000
12/81	AEL&P (Juneau)	2,300,000
8/82	City of Sitka	15,000,000
8/82	AEL&P (Juneau)	1,700,000
8/83	AEL&P (Juneau)	1,000,000
8/83	AEL&P (Juneau)	2,000,000
4/84	AEL&P (Juneau)	500,000
4/84	AEL&P (Juneau)	2,000,000
4/84	AEL&P (Juneau)	2,000,000
8/85	Tanana Power Company	130,000
9/85	G & K, Inc. (Cold Bay)	1,283,836
8/85	Levelock Electric Coop.	30,000
11/85	Middle Kuskokwim Electrical Coop.	250,000
11/85	Far North Utilities (Central)	200,000
8/86	City of King Cove	120,000
9/86	City of Clarks Point	177,000
9/86	G & K, Inc. (Cold Bay)	1,000,000
9/86	Chitina Electric, Inc.	101,500
5/87	Cordova Electric Coop.	1,950,000
2/87	City of Galena	1,350,000
2/87	Kwig Power Company	25,000
6/87	City of Galena	245,000
8/87	City of Ouzinkie	50,000
6/87	Coffman Cove Utility Association	70,000
8/87	City of Larsen Bay	493,694
9/87	Middle Kuskokwim Electric Coop.	153,000
11/87	City of Nenana	323,000
		<u>\$ 37,652,030</u>

Power Project Loan Fund

The Power Project Loan Fund (PPLF) provides State assistance to local utilities and other eligible government units for the development of new small-scale power production facilities, facilities for conservation, bulk fuel storage, transmission and distribution lines, or potable water supply projects. There is no limit on the amount that can be borrowed from the fund; the amount is based on the borrower's need and the fund's balance. Loans are issued for a maximum term of 50 years at an interest rate not less than 5 percent and not more than the 52-week

average of municipal bond yield rates. Unless a borrower is regulated by the Alaska Public Utilities Commission and has a substantial history of repaying long-term loans, collateral may be required to protect the loan.

Thirty-five loans totaling \$38 million have been approved to date. No delinquencies have occurred. Fiscal year 1987 interest income to the State from this program is approximately \$2 million, with an average interest rate of about 8.5 percent. During fiscal year 1988, the estimated interest income is expected to be \$2.25 million.

resident per month for community facilities whose operations are not paid for by the state or federal government or by private commercial interests. The PCE rate for each participating utility is established by the Alaska Public Utilities Commission. Program funding is appropriated to the Power Authority for disbursement to the eligible utility.

Ninety-nine utilities serving 167 communities are participating in the PCE program. Twenty-eight of these utilities are regulated; 71 are unregulated. Six of the utilities received the maximum PCE rate of 41.8¢ per kilowatt hour. During fiscal year 1987, a total of \$17.5 million was disbursed under this program. No new utilities have joined the program since October 1986.

Rural Electrification Revolving Loan Fund

The Rural Electrification Revolving Loan Fund (RERLF) is a 2 percent loan program designed to assist local utilities in extending electrical service into previously unserved areas. RERLF loans are made only to electrical utilities holding a Certificate of Public Convenience and Necessity issued by the Alaska Public Utilities Commission. The maximum amount that may be borrowed is \$500,000, or \$250,000 if the fund balance is less than \$3 million at the time of application.

To be eligible for an RERLF loan, the utility must make a minimum investment in the project, which equals the cost for acquisition and installation of one transformer, one span of line, one pole and one service drop for each initial customer. Additionally, there must be at least three new customers served by the project to make it eligible for a RERLF loan. Principal on a RERLF loan is repaid based on a formula which considers the rate at which new customers are added to the extension and may be deferred indefinitely. RERLF loans are made only if a repayment analysis projects that repayment of the principal is likely to occur within ten years. A Loan Advisory Committee, consisting of local residents, must recommend approval of each loan. Once a completed loan application is received and reviewed by the Power Authority for the project's financial, technical and economical feasibility, the application is submitted to the Power Authority Board of Directors for approval.

Since inception of the program in July 1982 to December 1987, 11 RERLF loans

ALASKA POWER AUTHORITY RURAL ELECTRIFICATION REVOLVING LOAN FUND

Loan Date	Borrower	Approved Amount
7/82	INNEC (Iliamna area)	\$ 1,340,000
1/83	Andreanof Electric Company	200,000
7/83	INNEC (Iliamna area)	230,202
10/83	Egegik Light and Power	130,000
11/83	Yakutat Light and Power	134,000
12/83	City of Unalaska	250,000
11/83	City of Unalaska	1,560,486
7/84	Egegik Light and Power	83,830
7/85	City of Saint Paul	687,285
9/86	City of Clarks Point	250,000
6/87	Golden Valley Electric Association	90,000
		<u>\$ 4,955,803</u>

ALASKA POWER AUTHORITY LOANS FROM THE GOVERNOR'S DISASTER FUND

Loan Date	Borrower	Approved Amount
8/84	G & K, Inc. (Cold Bay)	\$ 500,000
3/86	Venetie Village Council	50,000
2/87	Venetie Village Council	65,000
		<u>\$ 615,000</u>

totaling almost \$5 million have been approved. None of the existing loans are delinquent. The interest income to the State from this program during fiscal year 1987 is \$84,000; during FY88 it is estimated to be \$82,000.

Alaska Power Authority



P.O. Box 190869
701 E. Tudor Road
Anchorage, AK 99519
(907) 561-7877

Power Project Fund

In 1976 the Alaska Legislature established the Power Project Fund to provide financing for small-scale power and potable water projects. Loans from the fund can be used to finance all phases of project development from feasibility studies, licensing and permit applications, design and engineering to construction and expansion. Virtually any power project that uses non-nuclear fuels, or waste heat would qualify for a loan, including transmission and distribution lines and bulk fuel storage facilities.

Eligibility

The Alaska Power Authority administers the Power Project Fund. Eligibility and conditions for Power Project Fund loans are established by Alaska Statute (AS 44.83.170) and regulation (3 AAC 94.070.110). Organizations that are eligible for Power Project Fund loans include electric utilities, regional electric authorities, municipalities, cities, boroughs, regional and village corporations, village councils and non-profit marketing cooperatives. The principal guidelines used to determine eligible projects are that they be small-scale and non-nuclear.

Terms

Terms for Power Project Fund loans are established by statute. These are:

- The term is not to exceed 50 years.

- The interest rate is established by the average yield on municipal bond rates for the past 12 months or a rate that allows the project to be financially feasible, whichever is less, but not less than 5%.
- Loans can be unsecured if the borrower is regulated by the Alaska Public Utilities Commission and has a good credit history.
- Loan repayment can be deferred until the project has sufficient earnings but cannot be deferred by more than 10 years.
- The Legislature may forgive a loan for a reconnaissance or a feasibility study if the project is not feasible.

There is no limit on the size of a Power Project Fund loan, pending available funds. The Power Authority is investigating alternative funding sources which may affect interest rates and loan repayment terms for the program.

For more information on the Power Project Fund or to obtain a loan application, contact the:

Alaska Power Authority
Attention: Loans Officer
P.O. Box 190869
701 E. Tudor Road
Anchorage, AK 99519

Telephone: (907) 561-7877

The Alaska Power Authority is a corporation of the State of Alaska. To help reduce electrical costs for residents of the State, the agency constructs, finances and operates power projects, administers loan programs and provides technical assistance to Alaskan communities and utilities.

Assumptions

General Inflation	4.5%
Bond Interest Rate	8.0%
Reinvestment Rate	6.5%
Average Loan Life	25 years

	1988	1989	1990	1991	1992
Beginning of Year Cash Balance.....	0	2,389	2,454	2,698	1,998
Program Receipts:					
Existing PPLF/RERLF Loans (1)					
Principal.....	747	861	929	1,082	1,884
Interest.....	2,354	2,463	2,486	2,337	2,266
Four-Dam Pool (2).....	6,374	7,212	8,528	8,763	9,876
Four-Dam Pool Operations (3).....	3,798	3,969	4,148	4,334	4,529
Existing Waste Heat (4).....	130	140	140	150	160
CP Dev. Reimbursement (5).....	0	0	888	835	875
Loan Commitment Fees (6).....	113	100	310	175	640
Realized Savings from Efficiency					
Investments (7).....	0	1,889	3,480	4,988	6,288
Interest Income (8).....	13,400	8,340	4,720	2,250	2,650
Total Receipts.....	26,917	24,884	25,372	24,746	27,481
Program Expenses:					
Administrative (9).....	1,130	1,180	1,230	1,290	1,350
Operations & Maintenance (3).....	3,798	3,969	4,148	4,334	4,529
Capital Projects Development (9)..	1,600	1,670	1,750	1,830	1,910
Total Expenses.....	6,528	6,819	7,128	7,454	7,789
Net Surplus (Deficit).....	20,389	18,065	18,245	17,292	19,692
Power Cost Equalization (10).....	18,000	18,000	18,000	18,000	18,000
Net Surplus (Deficit).....	2,389	65	245	(708)	1,692
End of Year Cash Balance.....	2,389	2,454	2,698	1,998	3,681

Capital Requirements (11)

Power Project Loan Fund	2,500	3,050	3,170	3,310	3,460
Efficiency Improvements:					
Waste Heat	2,300	—	2,500	3,500	—
Small Inerties	1,000	6,000	—	—	—
End-user Improvements	500	750	1,000	750	500
Rural System Upgrades	1,000	1,000	1,000	750	500
Small Hydro:					
King Cove	5,900	—	—	—	—
Larsen Bay	600	—	—	—	—
Akutan	—	2,200	—	—	—
Black Bear	—	—	25,500	—	—
Tazimina	—	—	—	9,500	—
Unalaska Geothermal	—	—	—	—	60,000
Other	—	—	—	3,000	3,000
Total Capital Requirements.....	11,300	9,950	31,000	17,500	64,000

Investment Funds

Debt Service Reserve (12).....	1,130	2,125	5,225	6,975	13,375
Railbelt Loan Fund (13).....	25,000	25,000	25,000	25,000	25,000
Railbelt Intertie Fund (14).....	100,000	100,000	40,000	0	0
Prev Yr Avg Cash Balance (15).....	0	1,194	2,421	2,576	2,344
Total Investment Funds.....	206,130	128,319	72,646	34,551	40,719

FOOTNOTES

- (1) Payment of principal and interest on existing PPLF, RERLF and special loans.
- (2) ~~Assumes~~ actual sales equal to Contract Sales specified in contract.
- (3) Operating costs of Four-Dam Pool; receipts equal to expenses.
- (4) Based on anticipated amount that can be received from projects already built.
- (5) Assumes that capital development costs are recovered if a project is built.
Based on one half of projects investigated being built with a two-year lag before being reimbursed.
- (6) Equal to one percent of the amount borrowed for capital requirements.
- (7) Estimated.
- (8) Assumed interest earnings on the investment funds at a reinvestment rate of 6.5%.
- (9) Based on the FY88 budget and escalated at general inflation.
- (10) Assumes reduction through efficiency improvements.
- (11) Estimated amounts shown are for year capital first required. Project may become operational in a later year.
- (12) Assumes a 10 percent reserve margin on amount borrowed.
- (13) Assumed amount left over from Kailbelt Interties and Bradley Lake.
- (14) Based on a \$280 million construction cost and the draw-down shown.
- (15) Average cash balance of the previous year's operations.

A

(A)

IT IS THE PROPER ROLE OF STATE GOVERNMENT TO ASSIST IN THE PROVISION AND USE OF ENERGY BY PROVIDING INFORMATION AND TECHNICAL ASSISTANCE TO PRODUCERS IN PRIVATE INDUSTRY AND OTHERS, AND TO PROMOTE THE PRODUCTION OF ENERGY WITHOUT DIRECT FISCAL INVOLVEMENTS THAT GO MUCH BEYOND THE COSTS OF THESE SERVICES.

(B)

THE PRIMARY RESPONSIBILITY FOR THE PRODUCTION AND DELIVERY OF ENERGY IS NOT WITHIN THE REALM OF FEDERAL OR STATE GOVERNMENT, RATHER IT IS A SHARED RESPONSIBILITY OF USER-OWNED CO-OPS, PRIVATE INDUSTRY AND LOCAL GOVERNMENT.

(C) STATE GOVERNMENT'S ACTIONS (IN ENERGY) SHOULD BE SUCH AS TO STRONGLY ENCOURAGE INDIVIDUAL, FAMILY AND COMMUNITY SELF-RELIANCE.

(D) STATE GOVERNMENT SHOULD (WITH THE EXCEPTION OF REGULATION) MINIMIZE MODIFICATION OF FREE-MARKET FORCES THAT AFFECT THE PRODUCTION, DELIVERY AND USE OF ENERGY

(E) STATE GOVERNMENT SHOULD ATTEMPT TO REMOVE ITSELF FROM CONTINUING OWNERSHIP OF A) GENERATING FACILITIES; B) TRANSMISSION FACILITIES OR IT SHOULD MAINTAIN ITS CURRENT OWNERSHIPS AND TAKE A VERY CONSERVATIVE APPROACH TO INCREASING NEW OWNERSHIPS

(F) STATE GOVERNMENT SHOULD NOT TRY TO OPERATE SUCH GENERATING AND TRANSMISSION FACILITIES THAT IT MIGHT OWN IN FULL OR IN PART

(G) STATE GOVERNMENT SHOULD RESTRICT ITS OWNERSHIP (IF ANY) OF GENERATING FACILITIES TO FIXED-LOCATION, FUEL-LESS SOURCES. [THAT MIGHT PROVIDE ELECTRICAL AND PERHAPS HEAT ENERGY] (SERVING MULTIPLE USERS)

(J)
(K) IN THE CONDUCT OF ITS ACTIVITIES IN THE ENERGY ARENA, STATE GOVERNMENT SHOULD TAKE STRONG ACCOUNT OF REGIONAL AND LOCAL CONSIDERATIONS AND ATTEMPT TO DECENTRALIZE DECISION MAKING TO THE REGIONAL AND LOCAL LEVELS AS MUCH AS POSSIBLE

[H, I, K DEAL WITH ORGANIZATIONAL ISSUES]

(L) STATE GOVERNMENT SHOULD TRY TO FISCALLY STRUCTURE ITS ENERGY PROGRAMS TO BE AS SELF-~~SUSTAINING~~ SUSTAINING AS POSSIBLE.

(M) WITH REGARD TO INFORMATION GENERATION AND INFORMATION TRANSFER ACTIVITIES RELATED TO ENERGY AND TO THE DEVELOPMENT OF ENERGY TECHNOLOGY APPROPRIATE TO ALASKA STATE GOVERNMENT SHOULD MAINTAIN A MODERATE TO HIGH LEVEL OF EFFORT. [SOME PREFER NO INVOLVEMENT, OR A LOWER LEVEL OF EFFORT]

- C.
- (N) STATE GOVERNMENT SHOULD REGULATE UTILITY RATES SO THAT CUSTOMERS PAY THE FULL COST OF PRODUCTION AND DELIVERY PLUS THE BUILD-UP OF RESERVES FOR FUTURE CAPITAL INVESTMENTS
 - (O) [DEALS WITH STATE GOVERNMENT'S INVOLVEMENT IN END-USE CONSIDERATIONS] NO GENERAL AGREEMENT; NEEDS DISCUSSION
 - (P) WITH REGARD TO THE CONSTRUCTION OF INTERTIES THE STATE GOVERNMENT SHOULD EITHER TAKE A HANDS-OFF POLICY STANCE OR PROMOTE THE CONSTRUCTION. IF IT DOES PROMOTE, IT SHOULD FINANCE OR OTHERWISE FOSTER RELATED INFORMATIONAL GATHERING ACTIVITIES.
 - (Q) STATE GOVERNMENT SHOULD TAKE INTO ACCOUNT THE POTENTIAL GLOBAL ENVIRONMENTAL PROBLEMS ASSOCIATED WITH THE BURNING OF FOSSIL FUELS.
 - (R) WITH REGARD TO THE INVESTMENT IN NEW GENERATING AND TRANSMISSION FACILITIES, STATE GOVERNMENT SHOULD TAKE A MORE CONSERVATIVE APPROACH THAN IT HAS DURING PAST YEARS.

D

(S) ALASKA STATE GOVERNMENT'S CURRENT POLICY STANCE TOWARD THE USE OF NUCLEAR ENERGY FOR ELECTRICAL POWER GENERATION SHOULD STAY
[HOWEVER, 1/3 OF TASK FORCE CALLS FOR REVIEW]

(T) WHILE IT MAY BE A PROPER ROLE OF STATE GOVERNMENT TO PROMOTE ECONOMIC DEVELOPMENT BY VARIOUS MEANS, IT SHOULD AVOID THE USE OF FISCAL INCENTIVES IN THE FORM OF SUBSIDIES AND TAX INCENTIVES.

5-08810
Cramer
4/25/88

DRAFT BY COGHILL

Original sponsors: Coghill and Faiks

1 IN THE SENATE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH 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 44.83.092 is amended by adding a new subsection to
10 read:

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) The authority may make loans from the power project fund
24 (1) to electric utilities, regional electric authorities,
25 municipalities, [CITIES, BOROUGHs,] regional and village corporations,
26 village councils, school districts, regional educational attendance
27 areas, business enterprises, and nonprofit marketing cooperatives to
28 pay the costs of

29 (A) reconnaissance studies, feasibility studies,

1 license and permit applications, preconstruction engineering, and
2 design of power projects;

3 (B) constructing, equipping, modifying, improving, and
4 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
5 conservation facilities, bulk fuel storage facilities, and trans-
6 mission and distribution facilities, including energy production,
7 transmission and distribution, and waste energy conservation
8 facilities which depend on fossil fuel, wind power, tidal, geo-
9 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
10 NUCLEAR] energy sources; [AND]

11 (C) reconnaissance studies, preconstruction engineer-
12 ing, design, construction, equipping, modification, and expansion
13 of potable water supply including surface storage and groundwater
14 sources and transmission of water from surface storage to exist-
15 ing distribution systems;

16 (D) acquisitions of bulk fuel or proven reserves of
17 gas, oil, coal, geothermal, or other energy resources; and

18 (E) consumer end-use improvements to reduce demand for
19 energy;

20 (2) to a borrower for a power project if

21 (A) the loan is entered into under a leveraged lease
22 financing arrangement;

23 (B) the party which will be responsible for the power
24 project is an electric utility, regional electric authority,
25 municipality, [CITY, BOROUGH,] regional or village corporation,
26 village council, school districts, regional educational atten-
27 dance areas, or nonprofit marketing cooperative; and

28 (C) the borrower seeking the loan demonstrates to the
29 authority that the financing arrangement for the power project

1 will reduce project financing costs below costs of comparable
2 public power projects.

3 * Sec. 3. AS 44.83.170 is amended by adding a new subsection to read:

4 (i) In this section "business enterprise" has the meaning
5 given in AS 44.88.220.

6 * Sec. 4. AS 44.83 is amended by adding a new section to read:

7 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
8 borrow money and issue bonds to make or refinance loans for the acqui-
9 sition or construction of power projects authorized under the power
10 project fund. Loans made or refinanced with the proceeds of bonds
11 authorized by this section are subject to AS 44.83.170(a) - (e).
12 However, the authority may not issue bonds to make or refinance a loan
13 entered into under a leveraged lease financing arrangement under
14 AS 44.83.170(b),(2)(A).

15 (b) To enhance the credit-worthiness of bonds issued under this
16 section, the authority may pledge the principal and interest received
17 from the loan repayments and the interest earned on those amounts for
18 bonds issued under this section. If the authority has pledged these
19 amounts, they may not be deposited in the general fund.

20 (c) The authority may notify the head of a department or agency
21 of the state in writing that a municipality is in default on the
22 repayment of principal or interest on amounts borrowed under this
23 section. After the notice is given, and notwithstanding any other
24 provision of law, to the extent that a department or agency of the
25 state is the custodian of money payable to the municipality, the
26 department or agency shall withhold payment of the money from the
27 municipality and pay over the money to the authority to pay principal
28 and interest on bonds of the authority issued under this section.

29 * Sec. 5. AS 44.83.361(b) is amended to read:

1 (b) The authority may make loans from the rural electrification
2 revolving loan fund to electric utilities certified by the Alaska
3 Public Utilities Commission. A loan from the fund may be made only
4 for the purpose of extending new electric service into an area of the
5 state that an electric utility may serve under a certificate of public
6 convenience and necessity issued by the Alaska Public Utilities Com-
7 mission. A loan may be made from the fund to an electric utility if
8 the utility invests the money necessary to provide one pole, one span
9 of line, one transformer, and one service drop for each consumer for
10 whom immediate service would be provided by the extension of electric
11 service. Applications for loans to extend service along state roads
12 or highways shall be given priority for up to one-half of the funds
13 available for loans under this section. However, a loan may not be
14 made from the fund unless

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

17 (2) the extension of electric service would provide immedi-
18 ate service to at least three consumers.

19 * Sec. 6. AS 44.83.363 is amended to read:

20 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
21 for a rural electrification loan is submitted to the authority under
22 AS 44.83.361, the authority shall appoint a local advisory committee
23 from persons residing in the area that the applicant utility is certi-
24 fied to serve. The loan advisory committee shall consider the loan
25 application, and shall recommend whether the loan application is to be
26 approved or disapproved. A favorable recommendation from the loan
27 advisory committee shall be based on a determination that development
28 in the area of the proposed extension of electric service is likely to
29 provide for full repayment of the loan under AS 44.83.361(d) within 20

1 [10] years. In making that determination the committee shall consider
2 (1) permanence of the premises to be served by the exten-
3 sion;
4 (2) land use patterns in the area;
5 (3) access for the line that would be installed with loan
6 proceeds;
7 (4) availability of other utility service in the area; and
8 (5) the financial [ECONOMIC] feasibility of the extension
9 of electric service with the proceeds of the loan.

10 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).
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SB 206
language lifted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(g) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

*Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

REQUEST:

Revision Date: 5/4/88
Title: "An Act relating to the Alaska Power Auth.; and providing for an eff. date"
Sponsor: House Res. Comm.
Requestor: Orig. Sponsors: Coghill & Faiks

Agency Affected: Alaska Power Authority
BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No changes from 4/26/88 version of fiscal note.

Prepared by: Robert E. LeResche Phone: 55/88
Division: Alaska Power Authority Date: _____

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

M E M O R A N D U M

To: Representative Sam Cotton, Co-Chair House Resources
Representative Adelheid Herrmann, Co-Chair House Resources

From: Senator John B. Coghill

Re: SB 206

Date: April 27, 1988

A large, stylized handwritten signature in dark ink, likely belonging to Senator John B. Coghill, written over the "From" and "Re" lines of the memorandum.

This version of SB 206 allows the Alaska Power Authority to function more efficiently and effectively without a continual drain of the general fund.

While this committee substitute does not do nearly half as much as my original version, it is a concise bill which achieves two important purposes: assists rural energy consumers and gives needed bonding authority to the APA.

Sect. 1 Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

Sect. 2 Amends the existing statute by adding school districts, regional education attendance areas and business enterprises to entities that qualify for loans from the power project fund. Also allows the loan fund to be used for consumer end-use conservation improvements and for acquisitions of bulk fuel other energy resources.

Sect. 3 Defines "business enterprise" as defined by the Alaska Industrial Development Authority.

Sect. 4 Allows APA to issue bonds for any programs, activities or projects allowed by the power project fund as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

Sect. 5 Allows Rural Electrification Revolving Loan Fund to be funded from the power project fund. Loan criteria are modified

to allocate half of the funds available to extend service along state highways.

Sect. 6 Changes loans evaluation criteria from economic to financial feasibility.

Sect. 7 Effective date clause

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 29, 1988

Honorable Sam Cotton
House Resources Committee
Pouch V
Juneau, Alaska 99811

Re: SB 206

Dear Chairman Cotton:

Ned Farquhar has asked on your behalf for an opinion regarding an amendment to the legislation establishing the power project loan fund, AS 44.83.170. You have asked whether the legislature needs to appropriate to the fund the principal and interest repayments on outstanding loans previously made from the power project fund. No. If the legislature passes HCSCSSB 206, that act will adequately direct repayments on outstanding loans from the fund to the new "revolving revenue bond fund."

The legislature established the power project fund in the Alaska Power Authority to lend money to eligible borrowers for the construction of power projects. AS 44.83.170(a). At present the fund includes only money appropriated by the legislature. Id. Repayments of principal and interest on loans from the current fund must be deposited in the general fund. AS 44.83.170(g).

Section 4 of HCSCSSB 206 would change the primary method by which the power project fund is capitalized from legislative appropriations to bond financing. The APA would issue bonds to make loans to finance the construction or acquisition of power projects. The APA could pledge the principal and interest repayments on loans made with the proceeds of the bond sale as well as the principal and interest repayments on outstanding loans as security for the bonds. The effect of section 4 of HCSCSSB 206 would be to create a revolving revenue bond fund to meet the APA's bond obligations. 1/

In an earlier opinion from this office, Attorney General Wilson L. Condon concluded that there is an implied exception to the dedicated fund prohibition for bond obligations. 1982 Op. Atty. Gen. No. 13 (Nov. 30) at 26. Thus, the creation

1/ Revolving loan funds provide for the return to the fund of repayments by borrowers so that new loans can be made on a continuing basis. 1982 Op. Atty. Gen. No. 13 (November 30), at 12.

STEVE COWPER, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 100
FAIRBANKS, ALASKA 99701-4679

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

of a revolving revenue bond fund to meet the APA's bond obligations is legally defensible.

As you correctly noted, section 4 of HCSCSSB 206 does more than create a revolving fund to secure bonds with the repayments from loans using the proceeds of bond sales. It also augments the fund by detouring loan repayments on outstanding loans destined to the general fund to this revolving revenue bond fund. I do not believe that a separate appropriation is necessary to achieve this result.

The APA already has the statutory authority to pledge these repayments as security for its bonds. AS 44.83.100(a) provides, in part, that

The authority may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable (1) exclusively from the income and receipts or other money derived from the project financed with the proceeds of the bonds; (2) exclusively from the income and receipts or other money derived from designated projects whether or not they are financed in whole or in part with the proceeds of the bonds; (3) from its income and receipts or other assets generally, or a designated part or parts of them; or (4) from one or more revenue-producing contracts including a contract providing for the security of the bonds made by the authority with any person.

(emphasis supplied).

While I cannot say with certainty that a revolving fund will withstand all legal challenges, this revolving fund raises no legal issues not common to all revolving loan funds. This office has already said that it will defend any legal challenges to the concept of revolving funds. 1982 Op. Atty. Gen. No. 13 at 26-27.

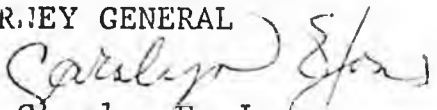
In conclusion, HCSCSSB 206 is an appropriate vehicle to establish a revolving revenue bond fund in the APA. No other action by the legislature is necessary.

Please let me know if I can be of further help.

Very truly yours,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:


Carolyn E. Jones

Assistant Attorney General

SB 206



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

P O BOX 45 GLENNALLEN, ALASKA 99588-0045

Glennallen (907) 822-3211
Valdez (907) 835-4301
Telefax # (907) 822-5586

April 26, 1988

Alaska State Legislature
P.O. Box V (MS 3100)
House Resources Committee
The Honorable Sam Cotten
Room 124, Capitol
Juneau, Alaska 99811


Dear Representative Cotten:

I understand that the House Resources Committee is, or will be considering SB 206. A part of SB 206 would be very helpful to Copper Valley Electric Association (CVEA) in that it would allow CVEA to extend service to many area residences and small communities which don't presently enjoy central station electric service.

I would encourage you to consider SB 206. Similar legislation was passed last year only to be vetoed. The objectional portions have been removed and I understand SB 206 will be acceptable to the Governor.

Thank you.

Sincerely,


R.D. (Doug) Bursey
General Manager

sb206.rdb

SERVING MEMBER-OWNERS IN THE COPPER RIVER BASIN AND VALDEZ

Alaska Power Authority

TO: Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair

FROM: Robert E. LeResche
Executive Director
Alaska Power Authority

DATE: April 27, 1988

RE: HCS CSSB 206
Section Analysis

SEC. 1: Provides legislative recognition and statutory authority to the creation, under contract, of a project management committee. Project management committees, under current contracts with the Alaska Power Authority, operate and manage APA power projects. The powers of a project management, with respect to the power project, are to be determined by the contract and may include the responsibility for the management, operation and maintenance of the project. Allows the committee, as provided for in the contract, to have a separate legal existence and other powers necessary for its purposes.

SEC. 2: Adds school districts, regional educational attendance areas and business enterprises to entities that qualify for loans from the Power Project Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 3: Provides for the definition of "business enterprise" as having the same meaning as defined under AS 44.88.220" "Business enterprise means a single proprietorship, cooperative, corporation, firm, partnership, or other association of persons organized in any manner, for any credit worthy purpose."

SEC. 4: Allows the APA to issue bonds for any of the revenue producing programs, activities, or projects authorized under the Power Project Fund as enumerated in the statutes. Allows the APA to pledge a portion of the principal and interest from loan repayments to the Power Project Fund and other earnings as security for the bonds. Enhances the credit worthiness of power project bonds.

SEC. 5: Adds new language to existing statute relating to the types of loans the APA may make from the Rural Electrification Revolving Loan Fund (RERLF). Stipulates that RERLF applications for loans to extend service along state roads or highways shall be given priority for up to one-half of the funds available for RERLF loans.

SEC. 6: changes RERLF loan evaluation criteria from economic to financial feasibility.

89/J08/1

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: CSSB 206 (Fin)

Bill Version : _____
Publish Date : _____

Revision Date: 5/11/87

Agency Affected : _____

Title: Relating to the Alaska Power

BRU: _____

Authority _____

Sponsor: Coghill and Falks

Components : _____

Requestor: Senate Rules

EXPENDITURES/REVENUES: (Millions of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

(Millions of Dollars)		FY88	FY89	FY90	FY91	FY92	FY2021-41
FUNDING:							
GENERAL FUND		(13.5)	(12.9)	(12.2)	(11.6)	(11.0)	
FEDERAL FUNDS							
OTHER *		15	59	57	33	34	(310.0)**
TOTAL		1.5	46.1	44.8	21.4	23	(310.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*RAILBELT ENERGY FUND

**Will be repaid annually at net debt service requirement of Bradley Lake from year 31 through year 50 of the power sales agreement.

Prepared by: Robert E. LeResche Phone: 465-3575
Division: Alaska Power Authority Date: 5/11/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

The fiscal note for CSSB 206 (5/1/87) is based on the assumption that the net effect to the general fund, with the exception of Section 8, is zero. Section 8 provides the Power Authority with sufficient security to fund future projects and loans through revenue bonds instead of general fund appropriations. Assuming no loan defaults (all existing power project loan repayments are current), the savings to the general fund would be as follows:

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Appropriations not incurred ¹	13.5	14.1	14.7	15.4	16.1
Less: Debt Service on Appropriations		<u>(1.2)</u>	<u>(2.5)</u>	<u>(3.8)</u>	<u>(5.1)</u>
Net Savings	<u>13.5</u>	<u>12.9</u>	<u>12.2</u>	<u>11.6</u>	<u>11.0</u>

¹ Based on the 1981-86 average of capital project appropriations excluding Susitna, Bradley Lake, Four Dam Pool, City of Sitka, and PCA. Escalated at an assumed annual inflation rate of 4.5 percent.

² Assumes appropriations on the above line are made as 30-year loans at an 8 percent interest rate.

POSSIBLE ISSUES THAT MAJOR ENERGY POLICY STATEMENTS
MIGHT ADDRESS

* * *

PRIVATE SECTOR DEVELOPMENT OF ENERGY RESOURCES

USE OF ENERGY ACTIVITIES OR FACILITIES AS A TOOL FOR
PROMOTING GROWTH OR ECONOMIC STABILITY

EQUITY INVESTMENT VERSUS BORROWING AGAINST COLLATERAL
(Buy now, pay now versus buy now, pay later)

URBAN AND RURAL EMPHASES

ENVIRONMENTAL CONSIDERATIONS

CONSERVATION OF ENERGY RESOURCES

APPROACH TO PLANNING FOR THE FUTURE; LEVEL OF PUBLIC RISK

EQUITABLE DISTRIBUTION OF BENEFITS OF ENERGY RESOURCES

STATE GOVERNMENT ROLE IN OWNERSHIP OF GENERATING AND
DISTRIBUTION FACILITIES

ORGANIZATIONAL PHILOSOPHY FOR STATE GOVERNMENT'S ENERGY
RELATED ACTIVITIES (Maybe some sort of generalized
statement regarding coordination, integration or the
like.)

POLICY ON USE OF NUCLEAR ENERGY (Keep what we have or not?)

DEGREE OF CENTRALIZATION OF DECISIONS (Central, Regional,
Local)

INFORMATION GATHERING AND INFORMATION TRANSFER ACTIVITIES

FINANCIAL STRUCTURING OF ACTIVITIES (Should they pay for
themselves or not?)

SUBSIDIES: (Direct subsidy payments, Low-interest loans,
Loan forgiveness, Grants, Tax incentives)

REGULATORY ACTIVITIES (Are there dangers in over-
regulating, under-regulating?)

ENCOURAGEMENT OF USE OF A DIVERSITY OF RESOURCES

TECHNICAL VERSUS ADMINISTRATIVE APPROACHES TO PROBLEMS

(Should one have priority over the other?)

END-USE CONSERVATION, EMPHASIS ON END-USE CONSIDERATIONS

USE OF FUELED VERSUS FUEL-LESS RESOURCES

STATE OWNERSHIP OF FUELED OR FUEL-LESS GENERATING FACILITIES

TECHNICAL ASSISTANCE TO USERS AND PRIVATE INDUSTRY

ADMINISTRATIVE ASSISTANCE TO USERS AND PRIVATE INDUSTRY

TECHNOLOGY DEVELOPMENT

FISCAL ASSISTANCE (Such as consolidation of fiscal needs for the purpose of revenue bonding at lowest market rates)

FOSTERING OF INDIVIDUAL, COMMUNITY OR REGIONAL SELF-RELIANCE

FOSTERING OF RELIANCE ON LOCAL ENERGY RESOURCES

PUBLIC EDUCATION IN ENERGY CONSERVATION AND USE

ACCEPTANCE OF FEDERAL ASSISTANCE PROGRAMS (To what extent should they be allowed to drive state activities or be accepted if they appear to run counter to or do not augment existing programs? Does this problem even come up?)

INVENTORYING OF RESOURCES (Categorizing as financially feasible versus "promising" or unpromising in the near future--akin to the Northwest Power Plan)

POSSIBLE ELEMENTS OF GOAL STATEMENTS

1. PROMOTE ECONOMIC STABILITY
2. PROMOTE ECONOMIC GROWTH
3. PROMOTE INDIVIDUAL AND COMMUNITY SELF-RELIANCE
4. PROMOTE EXTENSIVE USE OF ENERGY
5. PROMOTE CONSERVATION OF ENERGY
6. PROMOTE USE OF RENEWABLE RESOURCES
7. PROMOTE USE OF A DIVERSITY OF ENERGY RESOURCES
8. PROMOTE PROTECTION OF ENVIRONMENT
9. PROMOTE AVAILABILITY OF LOW-COST ENERGY NOW
10. PROMOTE AVAILABILITY OF LOW-COST ENERGY IN FUTURE
11. PROMOTE ALASKA'S INDEPENDENCE OF ENERGY IMPORTS
12. PROMOTE USE OF LOCALLY AVAILABLE ENERGY RESOURCES
13. PROMOTE PRIVATE OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
14. PROMOTE USER OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
15. PROMOTE PUBLIC OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
16. PROMOTE PUBLIC OWNERSHIP OF ENERGY FACILITIES
17. PROMOTE PRIVATE OWNERSHIP OF ENERGY FACILITIES
18. PROMOTE USE OF LOCAL RESOURCES
19. PROMOTE LOCAL AND REGIONAL UNIFORMITY IN RATES
20. PROMOTE STATEWIDE UNIFORMITY IN RATES
21. PROMOTE USE OF ALTERNATIVE ENERGY TECHNOLOGIES
22. PROMOTE USE OF APPROPRIATE ENERGY TECHNOLOGIES
23. PROMOTE DEVELOPMENT OF ENERGY TECHNOLOGIES APPROPRIATE TO ALASKA
24. PROMOTE ENERGY EDUCATION

POSSIBLE GOAL STATEMENTS

ALASKA

THE GOAL FOR ALASKA'S OVERALL ENERGY POLICY IS TO SEEK TO ASSURE THAT ALL ALASKANS HAVE AN ADEQUATE SUPPLY OF ENERGY AT THE LOWEST REASONABLE COSTS TO THE CUSTOMER, THE ENVIRONMENT AND THE STATE.--From the 1986 Long-Term Energy Plan.

ALASKA

THE GOAL OF THE STATE IS TO FOSTER AN ENVIRONMENT WHICH WILL ENCOURAGE THE ADEQUATE, ECONOMICAL, AND RELIABLE PROVISION OF ENERGY SERVICE AND SUPPLY TO ALL TYPES OF IN-STATE CONSUMERS.--From the Governor's Interim Committee, Special Issues Subcommittee, Interim Report Supplement, December 8, 1986.

ALASKA

THE GOAL OF ALASKA'S OVERALL ENERGY POLICY IS TO ENCOURAGE THE USE OF THE STATE'S RENEWABLE AND NON-RENEWABLE ENERGY RESOURCES IN WAYS OF MAXIMUM LONG-TERM BENEFIT TO ALL ALASKANS; **TO PROMOTE ECONOMIC STABILITY IN ALASKA**; AND TO ASSURE THE AVAILABILITY OF ENERGY SUPPLIES AT THE LOWEST COST TO INDUSTRIAL AND RESIDENTIAL CONSUMERS, TO THE PUBLIC AT LARGE, AND TO THE ENVIRONMENT.--Strawman Goal Statement I, Energy Policy Task Force, August 1987.

ALASKA

THE GOAL OF ALASKA'S OVERALL ENERGY POLICY IS TO ENCOURAGE THE USE OF THE STATE'S RENEWABLE AND NON-RENEWABLE ENERGY RESOURCES IN WAYS OF MAXIMUM LONG-TERM BENEFIT TO ALL ALASKANS; **TO PROMOTE ECONOMIC GROWTH WITHIN ALASKA**; AND TO ASSURE THE AVAILABILITY OF ENERGY SUPPLIES AT THE LOWEST COST TO INDUSTRIAL AND RESIDENTIAL CONSUMERS, TO THE PUBLIC AT LARGE, AND TO THE ENVIRONMENT.--Strawman Goal Statement II, Energy Policy Task Force August 1987.

* * *

NORTHWEST CONSERVATION AND ELECTRIC POWER PLAN (Washington, Oregon, Idaho, Montana)

THE GOAL OF THIS NORTHWEST POWER PLAN IS TO PRESERVE AND ENHANCE THIS VALUABLE ASSET (low-cost electrical power) BY IDENTIFYING THE STEPS THAT NEED TO BE TAKEN TO ENSURE THE LOWEST COST ELECTRICAL ENERGY FUTURE FOR THE PACIFIC NORTHWEST.--Statement synthesized from the 1986 Power Plan, Volume I, page 1-1.

CHARACTERISTICS OF MAJOR POLICY STATEMENTS
(Level I Statements)

THEY SHOULD BE CONSISTENT WITH THE GOALS STATEMENT

THEY SHOULD BE MUTUALLY COMPATIBLE--NOT IN CONFLICT WITH
EACH OTHER

THEY SHOULD REPRESENT GENERAL PHILOSOPHIES, NOT STRATEGIES

THEY SHOULD BE INDEPENDENT OF CIRCUMSTANCES OF THE MOMENT
SUCH AS AVAILABLE FUNDING LEVELS

THEY SHOULD BE PHRASED, TO THE EXTENT POSSIBLE, SO AS TO BE
BE FREE OF SHORT-TERM POLITICAL CONSIDERATIONS--They are, in
one respect, long-term political statements.

* * *

CHARACTERISTICS OF STRATEGIC POLICY STATEMENTS
(Level II Statements)

EACH SHOULD BE COMPATIBLE WITH ALL MAJOR POLICY STATEMENTS

EACH SHOULD OUTLINE SOME SPECIFIC STRATEGIC COURSE TO BE PURSUED, BUT SHOULD NOT NECESSARILY DICTATE THE STEPS BY WHICH THE COURSE IS TO BE FOLLOWED

THE STRATEGIC POLICY STATEMENTS MAY CHANGE WITH TIME, DEPENDING ON THE CIRCUMSTANCES OF THE MOMENT

THE STRATEGIC POLICY STATEMENTS MAY BE DEPENDENT ON SHORT-TERM POLITICAL CONSIDERATIONS

THE STRATEGIC POLICY STATEMENTS MAY INFLUENCE AND BE INFLUENCED BY AVAILABLE FUNDING LEVELS

* * *

CHARACTERISTICS OF PROGRAMS (or Projects)

EACH PROGRAM (or Project) SHOULD BE DRIVEN BY ONE OR MORE STRATEGIC POLICY STATEMENTS, IT SHOULD BE COMPATIBLE WITH ALL MAJOR POLICY STATEMENTS, AND NOT INCOMPATIBLE WITH OTHER PROGRAMS

DESCRIPTIONS OF PROGRAMS ARE LIKELY TO BE EMBODIED, IN FULL OR IN PART, IN STATE STATUTES

PROGRAMS ARE TOTALLY DEPENDENT ON AVAILABLE FUNDING AND ARE CONDUCTED WITH THE APPROVAL OF THE LEGISLATURE

PROGRAMS MUST BE CONDUCTED IN COMPLIANCE WITH THE ALASKA CONSTITUTION AND ALL RELEVANT STATE STATUTES

PROGRAMS MAY OR MAY NOT BE SHORT-TERM; THEY MAY COME AND GO

* * *

NORTHWEST CONSERVATION AND ELECTRIC POWER PLAN
(Washington, Oregon, Idaho, Montana)

THE GOAL OF THIS NORTHWEST POWER PLAN IS TO PRESERVE AND ENHANCE THIS VALUABLE ASSET (low-cost electrical power) BY IDENTIFYING THE STEPS THAT NEED TO BE TAKEN TO ENSURE THE LOWEST COST ELECTRICAL ENERGY FUTURE FOR THE PACIFIC NORTHWEST.--Statement synthesized from the 1986 Power Plan, Volume I, page 1-1.

CHARACTERISTICS OF MAJOR POLICY STATEMENTS
(Level I Statements)

THEY SHOULD BE CONSISTENT WITH THE GOALS STATEMENT

THEY SHOULD BE MUTUALLY COMPATIBLE--NOT IN CONFLICT WITH EACH OTHER

THEY SHOULD REPRESENT GENERAL PHILOSOPHIES, NOT STRATEGIES

THEY SHOULD BE INDEPENDENT OF CIRCUMSTANCES OF THE MOMENT SUCH AS AVAILABLE FUNDING LEVELS

THEY SHOULD BE PHRASED, TO THE EXTENT POSSIBLE, SO AS TO BE FREE OF SHORT-TERM POLITICAL CONSIDERATIONS--They are, in one respect, long-term political statements.

* * *

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THE STRATEGIC POLICY STATEMENTS MAY CHANGE WITH TIME, DEPENDING ON THE CIRCUMSTANCES OF THE MOMENT

THE STRATEGIC POLICY STATEMENTS MAY BE DEPENDENT ON SHORT-TERM POLITICAL CONSIDERATIONS

THE STRATEGIC POLICY STATEMENTS MAY INFLUENCE AND BE INFLUENCED BY AVAILABLE FUNDING LEVELS

* * *

From Sackett

came in
after bill
moved

Sec 44.83.170 (h) The Legislature shall (may) forgive the repayment of a loan made from the power project fund for a reconnaissance study of a feasibility study when the authority finds that the power project for which the loan was made is not feasible

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(g) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

*Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SB 206
language drafted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund

EXISTING FUNDS

TITLE OF FUND	MANAGED BY	STATUTE	TYPE	PURPOSE	FUNDING SOURCES	ORIGINAL LOAN	PRINC. BALANCE 6/30/86	NO. OF LOANS	INTEREST RATE	LOAN REPAYMENTS IN FY88		
										PRINCIPAL	INTEREST	TOTAL
POWER DEVELOPMENT REVOLVING LOAN FUND P D R L F	DC&ED	44.83.600	LOANS	LOANS TO APA FOR POWER PROJECTS UNDER ENERGY PROGRAM FOR ALASKA AS PER 44.83.380 - .425	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND - INTEREST ON LOANS FROM FUND - EARNINGS OF FUND	188,905,099.	185,104,130.	1	EST. AT 4.5%	- 0 -	BASED ON SALE EST. 6,373,792.	6,373,792.
POWER PROJECT FUND P P F	APA	44.83.170	LOANS	LOANS TO UTILITIES, MUNICIPALITIES, REGIONAL & VILLAGE CORPORATIONS, VILLAGE COUNCILS FOR STUDY, DESIGN, PERMITTING AND CONSTRUCTION OF POWER PROJECTS OR POTABLE WATER AS NOTED IN 44.83.170	- APPROPRIATIONS FROM LEGISLATURE (LOAN REPAYMENTS & INTEREST EARNED FROM LOANS GOES TO G.F.) - (MIN. INTEREST RATE IS 5%) (EXCEPT SITKA AT 4.00%)	36,317,336.	29,685,226.	26	4.00% TO 13.23%	696,857.	2,222,007.	2,918,864.
POWER DEVELOPMENT FUND P D F	APA	44.83.382	GRANTS	CARRY OUT PURPOSES OF ENERGY PROGRAM FOR ALASKA PER 44.83.380 - .425 I.E. TO CONDUCT STUDY, DESIGN, LICENSE AND OPERATE POWER PROJECTS. INCLUDES FINANCING/BONDING OF POWER PROJECTS.	- APPROPRIATIONS FROM LEGISLATURE - REVENUE BONDS	NA						NA
RURAL ELECTRIFICATION REVOLVING LOAN FUND R E R L F	APA	44.83.361	LOANS	TO EXTEND NEW ELECTRICAL SERVICE AS LONG AS IMMEDIATE SERVICE IS PROVIDED TO AT LEAST 3 CONSUMERS. UTILITIES MUST BE CERTIFIED BY APUC.	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND (INTEREST RATE IS 2%)	4,955,803.	3,830,508.	11	2.00%	22,832.	99,116.	121,948.
POWER COST EQUILIZATION FUND	APA	44.83.162	GRANTS	TO EQUILIZE POWER COSTS EQUAL TO MEAN OF COSTS IN ANCHORAGE, JUNEAU & FAIRBANKS	- APPROPRIATIONS FROM LEGISLATURE	NA						NA
RAILBELT ENERGY FUND R E F	DO R LEGISLATURE	CH 29 SLA 86 (HB 699)	LOANS OR GRANTS	TO FINANCE ENERGY PROJECTS IN THE RAILBELT	APPROPRIATION FROM THE LEGISLATURE		230 MILLION PLUS					
<u>PROPOSED FUND</u> (As in CSSB 206 (RULES) am)												
POWER PROJECT REVOLVING FUND P P R F	APA	44.83.170	LOANS & GRANTS	TO FUND/FINANCE ALL OF THE ABOVE	- APPROPRIATIONS FROM LEGISLATURE TO INCLUDE INTEREST ON LOANS AND EARNINGS OF THE FUND - REPAYMENTS OF PRINCIPAL TO FUND - REVENUE BONDS							

SB 206

- Sam - get The PSA's + check on proj. mgmt ct. (Sec 1)
- ABO re ~~the~~ appropriation at p. 3/15-19 - disposition of state assets
not req'd as appropriation? (Sec 4)
- limit amt. bondable ~~#~~ (Sec. 4)
- copy of L.R.'s list of proj's sugg'd by util's. (Sec 4)
- [statute bonding, max?] (Sec. 4)
- [need bill if hr. lev approval of bond issues ea. yr., proj's] (Sec. 4)

LONG-TERM POWER SALES AGREEMENT
FOUR DAM POOL - INITIAL PROJECT
OF THE ALASKA POWER AUTHORITY

THIS AGREEMENT is entered into by and among the CITY OF KETCHIKAN, the CITY OF WRANGELL, the CITY OF PETERSBURG, the COPPER VALLEY ELECTRIC ASSOCIATION, INC., and the KODIAK ELECTRIC ASSOCIATION, INC., hereafter referred to as PURCHASING UTILITIES, and the ALASKA POWER AUTHORITY to provide for the sale, delivery, and purchase of electric power from the Solomon Gulch, Swan Lake, Lake Tyee, and Terror Lake Hydroelectric facilities, collectively known as the Four Dam Pool or the Initial Project.

WITNESSETH

WHEREAS, the Alaska Power Authority (the "Authority") is a public corporation of the State of Alaska duly created, organized and existing pursuant to AS 44.83, and authorized by law to sell electric power generated by the facilities of the Initial Project; and

WHEREAS, the Purchasing Utilities are qualified utilities within the meaning of AS 44.83.425(5), and are authorized to operate, and entitled to purchase power at wholesale from, a power project acquired or constructed by the Authority; and

WHEREAS, this Agreement is for the sale of power from the Initial Project, financed with a loan under AS 44.33, and is fully consistent with the provisions thereof;

NOW THEREFORE, IN CONSIDERATION of the mutual covenants set forth herein, the parties hereto agree as follows:

SECTION 1. Parties, Facilities, and Authorities.

(a) The parties to this Agreement ("Parties") are:

(i) the Alaska Power Authority ("Authority");

(ii) the City of Ketchikan ("Ketchikan"), d.b.a. Ketchikan Public Utilities, a home rule municipality of the State of Alaska;

(iii) the City of Wrangell ("Wrangell"), d.b.a. Wrangell Municipal Light and Power, a home rule municipality of the State of Alaska;

(iv) the City of Petersburg ("Petersburg"), d.b.a. Petersburg Municipal Power and Light, a home rule municipality of the State of Alaska;

(v) Copper Valley Electric Association, Inc. ("Copper Valley"), an electric cooperative corporation of the State of Alaska; and

(vi) Kodiak Electric Association, Inc. ("Kodiak"), an electric cooperative corporation of the State of Alaska.

(b) The Parties shall include the respective successors and assigns of the above Parties, except as limited by Section 13.

(c) The Parties are also referred to herein as follows:

(i) Ketchikan, Wrangell, Petersburg, Copper Valley, and Kodiak are referred to as "Purchasing Utilities" or "Purchasers".

(ii) Ketchikan, Wrangell, and Petersburg are referred to as "Municipal Utilities".

(iii) Copper Valley and Kodiak are referred to as "Cooperative Utilities".

(iv) Wrangell and Petersburg are referred to as "Interconnected Utilities".

(d) Reference in this Agreement to any of the Parties shall include such officers or agents as may from time to time lawfully exercise responsibility and authority for and on behalf of such Parties, unless the context clearly requires otherwise.

(e) Each Party hereto warrants to the others that it is authorized and has taken all steps necessary pursuant to law to enter into this Agreement and to comply fully with its terms.

(f) Electric Power sold pursuant to this Agreement is Power from the Initial Project as defined in this Agreement. The Parties recognize that additional physical facilities may be constructed in the future and considered for addition to the Initial Project, but the Parties agree that facilities not included in the Initial Project as defined in this Agreement may not be added to the Initial Project for purposes of this Agreement except by subsequent agreement of the Parties.

SECTION 2. Term of Agreement.

(a) This Agreement shall take effect upon execution by the

authorized representatives of all Parties. The Parties recognize that execution by the Cooperative Utilities is subject to written approval by the Administrator of REA.

(b) The term of this Agreement shall be forty-five (45) years from the date on which it takes effect.

(c) No Party may terminate this Agreement except with the written consent of all other Parties.

(d) The Purchasing Utilities may renew this Agreement on the same terms and conditions as provided herein for any period, but not to exceed the remaining useful life of the Initial Project as reasonably determined by the Authority. There will be no Debt Service Component of the Wholesale Power Rate charged by the Authority for Power from the Initial Project under any such renewal of this Agreement. In the event that any Purchasing Utility elects not to renew this Agreement, the Wholesale Power Rate for those Purchasing Utilities which do elect to renew this Agreement shall be based on the Power Production Costs of those Dedicated Facilities for which at least one Purchasing Utility has elected to renew this Agreement.

SECTION 3. Sale and Purchase of Power.

(a) The Authority agrees to sell to each Purchasing Utility, and each Purchasing Utility agrees to buy, Electric Power in the amount of each Purchaser's Operating Demand.

(b) Each Purchaser shall pay for such Electric Power on the basis of its Billing Energy, at rates established in accordance with Section 5 of this Agreement.

(c) Each Party has a direct financial interest in ensuring the maximum practicable sale of power from the Initial Project under this Agreement. Therefore, to the extent that energy and capacity available to a Purchaser from the Initial Project are sufficient to meet that portion of the Purchaser's electric power load requirements that exceeds the capability of the Purchaser's existing hydroelectric resources (as shown on Exhibit C attached hereto), the Purchaser shall not meet that portion of its electric power load requirements or any part thereof with power generated by other electric power resources. This prohibition shall not apply to the extent that (i) the Authority and at least two of the other Purchasing Utilities consent in writing to the Purchaser's use of such other electric power resources, or (ii) the Purchaser is required by law to purchase power generated by such other resource.

(d) Any and all sales of Surplus Power as defined herein shall be subject to the following conditions and procedures:

(i) The Authority shall not sell Surplus Power except to a qualified utility as defined in AS 44.83.425(5). If a qualified utility other than a Purchasing Utility applies to the Authority to purchase power, the Authority shall notify the Purchasing Utilities of the application, and afford each Purchasing Utility, as appropriate, an opportunity to file a competing application to purchase power.

In the event that the Authority receives competing or conflicting applications for Surplus Power, the Authority shall give preference and priority to Purchasing Utilities in the sale of such Power.

(ii) The Authority shall not sell Surplus Power except with the written consent of the Purchaser or Purchasers at whose Dedicated Facility or Facilities the Surplus Power would be generated, unless the Authority sells such Surplus Power under terms and conditions that permit withdrawal of the Power to meet the actual electric power load requirements of such Purchaser or Purchasers.

(iii) Except with the written consent of the Purchasers, the Authority shall not sell Surplus Power on terms more favorable, or at rates which are lower, than those which apply to sales of Power to the Purchasers under this Agreement.

(iv) Revenue from sales of Surplus Power shall be used only to defray costs of the Initial Project under this Agreement. Specifically:

(A) A portion of such revenues shall be used to meet Power Production Costs and thereby to reduce the costs borne by the Purchasers. Such portion shall not be less in total dollar amount than the product of the Surplus Sales (in kilowatthours) multiplied by the Power Production Cost Component of the Wholesale Power Rate (in cents per kilowatthour) for the Contract Year(s) in which delivery of the Surplus Power occurs.

(B) The Authority shall use any remaining Surplus Power sales revenues to meet costs borne by the Authority under this Agreement, including (if the remainder is sufficient for this purpose) the cost of debt service on loans made to the Authority to finance the Initial Project.

(v) Before agreeing to make any sale of Surplus Power, the Authority shall afford the Purchasers a reasonable period of time in which to review and comment on the proposed sale and the proposed terms and conditions of that sale. The Authority shall not unreasonably refuse to implement suggestions for sales conditions, or unreasonably refuse to honor objections to proposed sales, that it receives from Purchasers.

(e) This Agreement is not intended to prevent the Purchasing Utilities from receiving the benefit of any legislative actions that permit the Purchasing Utilities to receive power from the Initial Project on terms more favorable than those set forth in this Agreement.

(f) The payment obligations of the Municipal Utilities under this Agreement are obligations payable solely out of the revenues of said Purchasing Utilities' Systems and are not general obligations of said Purchasers. In the event that any Purchasing Utility fails to perform its payment obligations under this Agreement, the Authority shall proceed to enforce such obligations against such Purchasing Utility in accordance with the provisions of Section 8 of this Agreement.

SECTION 4. Continuity Of Service.

(a) The Authority shall at all times, except when prevented by a cause or event not within the control of the Authority, make Power continuously available to each Purchasing Utility at that Utility's Delivery Point in the amount of that Purchaser's Operating Demand, subject to the following limitations:

(i) Interruptions or restrictions of deliveries caused by the reasonable need of the Authority or a Purchasing Utility to inspect, maintain, repair, test, or otherwise service its facilities or equipment in accordance with Prudent Utility Practice and standards shall excuse the Authority from its obligation to meet that Purchasing Utility's Operating Demand to the extent of such interruptions or restrictions, but such interruptions or restrictions shall be of reasonable duration, and shall, whenever practicable, be scheduled during light load hours or periods. All parties shall give the others as much notice as is reasonable and practicable of any planned interruption or restriction, the reasons therefor, and the probable duration thereof.

(ii) In order to protect facilities and equipment that might otherwise be damaged when service is restored or increased following an interruption or substantial restriction, all parties shall notify the others as reasonable, in advance, of an intent to resume or increase deliveries of or demand for Power from a Dedicated Facility, and the time of such resumption or increase.

(iii) This Agreement shall not create on the part of the Purchasing Utilities or the Authority any legal duty to maintain continuity of electric power service to any Purchaser's retail customers.

(b) All parties shall at all times construct, maintain and repair their respective facilities and equipment in accordance with Prudent Utility Practice and standards in order to prevent, minimize, or correct any failures or partial failures of such facilities or equipment.

(c) All parties shall operate, maintain and use their Utility Systems and related protective relays to minimize electric disturbances which may interfere with the System of another

party or any Interconnected System, or which may reduce the efficiency or increase the cost of operation of any Dedicated Facility.

(d) The Purchasing Utilities shall bear no risk of uninsured Facility failures, substandard Facility performance, inadequacy of the R & R Fund, or failure of any Purchasing Utility to make payments required by this Agreement. This agreed distribution of risk shall not excuse any Purchasing Utility's failure to perform its obligations under this Agreement, and the Authority shall enforce such obligations in accordance with the provisions of Section 8.

(e) If a Purchasing Utility reasonably determines that service from its Dedicated Facility is so erratic or unreliable as to (i) interfere substantially with the continuous delivery of electric Power to that Utility's retail customers, or (ii) threaten damage to its facilities or equipment, the Purchasing Utility may, upon notice to the Project Management Committee and the Authority, refuse to accept Power from its Dedicated Facility until reliability has been restored to industry standards. If such reliability problems are not so resolved within twelve (12) months after such notice, the Utility may terminate purchases pursuant to this Agreement and may meet its load requirements with any resources it deems appropriate, irrespective of the provisions of Sections 2(c) and 3(c) of this Agreement. The Authority and the Purchasing Utility may thereafter agree to resumption of purchases of power. In the event that purchases are so terminated, the Authority shall hold the remaining Purchasing Utilities harmless from any resulting increase in Wholesale Power Rates.

Section 5. Rates and Billing.

(a) Payment obligation and general billing practices.

(i) The payment obligation of each Purchaser in each Contract Year shall be the product of the Wholesale Power Rate for that Year (expressed in cents per kilowatt-hour) multiplied by that Purchaser's Billing Energy (expressed in kilowatthours) for that Year, each as finally determined after the end of that Year.

(ii) The Parties recognize that in practice neither the actual Wholesale Power Rate nor the actual Billing Energy of any Purchaser is capable of final determination for any Contract Year until after that Year has ended. Therefore, during each Contract Year each Purchaser will pay, on a monthly basis, amounts equal to the Purchaser's Billing Energy multiplied by the estimated Wholesale Power Rate then in effect.

(iii) Each Purchaser may offset against and deduct from its monthly payments all or a portion of the Facility

Operating Costs the Purchaser has incurred which are among the Facility Operating Costs included in and used to compute the Power Production Component of the Wholesale Power Rate, but all such costs shall be subject to audit and approval and to such other procedures as the Project Management Committee may from time to time prescribe.

(iv) The estimated Wholesale Power Rate may include separately identified surcharges or refunds that are estimated to be sufficient to collect from or to repay to the Purchasers within twelve months any revenue deficiency or surplus that results from a difference between (A) the Purchasers' total payment obligations as finally determined for a prior Contract Year, and (B) the total amount for which the Purchasers were actually billed for Power received during that prior Year. The final such deficiency or surplus, which can be determined only after the last Contract Year of this Agreement, shall constitute a continuing obligation to be collected or repaid during a reasonable period of time following such final Year, the provisions of Section 2(d) of this Agreement notwithstanding.

(b) The Wholesale Power Rate. The Wholesale Power Rate for each Contract Year shall be the sum of two components, a Power Production Cost Component and a Debt Service Component. The formula for computing the Wholesale Power Rate is set forth in Exhibit E.

(i) The Power Production Cost Component. The Power Production Cost Component of the Wholesale Power Rate for each Contract Year shall be the quotient of the total Power Production Costs for that Contract Year divided by the total of the kilowatthours of Billing Energy received by the Purchasers in that Contract Year plus the kilowatthours of Surplus Power sales, if any, in that Contract Year. The total Power Production Costs for any Contract Year shall be the sum of the following, in dollars:

- (A) the Facility Operating Costs in that Contract Year;
- (B) the Joint Costs of the Initial Project in that Contract Year, which shall include:
 - (I) Joint Insurance Costs,
 - (II) project-specific administrative and general costs of the Authority, and
 - (III) the costs of the Committee; and
- (C) Five hundred thousand dollars (\$500,000.00),

an amount which the Parties agree shall be the Purchasers' fixed contribution (paid in monthly installments) to the R & R Fund in each Contract Year. If the first or last Contract Year of this Agreement is less than twelve calendar months in duration, the Purchasers' contribution to the R & R Fund in such Year shall equal \$500,000.00 multiplied by a fraction, the numerator of which is the number of calendar months in such Year and the denominator of which is twelve.

(ii) The Debt Service Component. Subject to the Rate Reopener provisions of Section 9, the Debt Service Component of the Wholesale Power Rate in each Contract Year shall be the weighted average of the Debt Service Component for Contracted Forecast Sales and the Debt Service Component for Additional Sales set forth in the schedule attached hereto as Exhibit D. The formula for computing the Debt Service Component for any given Contract Year is set forth in Exhibit E.

(c) Estimated Wholesale Power Rates. An estimated Wholesale Power Rate, based on estimated Power Production Costs and estimated Power sales, shall be established for each Contract Year and used for billing purposes during that Year. Such estimated Rates may include the separately identified surcharges and refunds described in Section 5(a)(iv) above, including any Additional Sales Rebate accrued in prior Contract Years.

(d) Mid-Year revision of estimated Wholesale Power Rates. Estimated Wholesale Power Rates may be revised if necessary during a Contract Year, if more recent estimates of costs and sales indicate that failure to revise the estimated Rates is likely to produce an unacceptably large revenue deficiency or surplus for that Contract Year. Recognizing that mid-Year revisions of such Rates may produce (among other problems) inequities among Purchasers and among retail consumers because of differing seasonal load patterns, the Parties agree that such mid-Year revisions should be made sparingly, that substantial mid-Year revisions should be avoided, and that surcharges and refunds should apply for twelve month periods whenever practicable, even though this may require that such surcharges and refunds span portions of a Contract Year and the succeeding Contract Year.

(e) Application of revenues by the Project Management Committee. Each Purchaser in each month shall make payment to the Project Management Committee in the amount of that Purchaser's bill for the prior month, net of any costs deducted as specified in Section 5(a)(iii) above. The Committee shall promptly establish, and deposit such payments in, the Initial Project Revenue Fund. From that Fund the Committee shall pay or reimburse or deposit, as appropriate, any remaining Facility Operating Costs, the R & R Fund contribution of the Purchasers, and the Joint

Costs of the Initial Project. Thereafter, the Committee shall pay over to the Authority at least annually any amount remaining in the Initial Project Revenue Fund, except in the circumstance described in the final sentence of Section 6(a) below. Amounts so paid over shall be available to the Authority to meet the Authority Debt Service Obligation.

(f) Statutory requirements. The Wholesale Power Rate established for the Initial Project pursuant to this Agreement is, as required by law, a Rate estimated to produce sufficient revenue to meet the Authority Debt Service Obligation and to pay the Initial Project's operation, maintenance, equipment replacement, safety inspection, and investigation costs.

SECTION 6. Risks and Reserves.

(a) Risks. The Authority's obligation to bear the risks set forth in Section 4(d) above is not contingent on the availability of funds to meet such obligation. The Parties recognize, however, that as a practical matter the interests of the Authority and of the Purchasers under this Agreement would be difficult if not impossible to protect if the Authority lacks immediate or at least prompt access to needed funds. Therefore, the Authority will take all steps reasonably necessary to obtain funds from any legally available source, including without limitation the State of Alaska. If the Authority fails to obtain promptly the funds needed to meet its Section 4(d) obligations, the Project Management Committee shall be entitled to provide all or a portion of the needed funds from the Initial Project Revenue Fund and to reduce accordingly the amounts paid under Section 5(e) above to the Authority from such Fund.

(b) The R & R Fund.

(i) Promptly after the effective date of this Agreement, the Project Management Committee shall establish the R & R Fund, which Fund shall have the features described below.

(ii) The R & R Fund shall not be used as a source of monies to deal with the risks borne by the Authority under Section 4(d), including the risk that facilities and equipment fail prematurely or fail to perform adequately, which risks are foreseeable but not expected to materialize. Instead, the R & R Fund shall be used as one source of monies for the routine renewal and replacement of existing facilities and equipment of the Initial Project, including reimbursement of the Authority for its Initial Project renewal and replacement expenditures.

(iii) The R & R Fund shall have the following features, and use of monies in the Fund shall be subject to the following conditions:

- (A) The Fund will be established and held by the Committee in an interest-bearing account in trust for the benefit of the Initial Project.
- (B) The monies in the Fund shall consist of the Purchasers' contributions under Section 5(b)(i)(C) of this Agreement, any contributions to the Fund from sources other than the Purchasers, and interest earned on all such contributions.
- (C) Proposed expenditures from the Fund shall be subject to approval by the Committee and consistent with criteria the Committee shall adopt.
- (D) In order to permit the Fund balance to increase as rapidly as possible, the Authority agrees that before expenditures are made from the Fund the Authority will use for renewal and replacement purposes, as necessary, all available and previously unexpended proceeds from the loan used to finance the Initial Project under AS 44.33.
- (E) The Fund and the Purchasers' contributions shall continue during the term of this Agreement and any period for which this Agreement is renewed. Thereafter, the Committee shall pay over to the Authority the unexpended balance of the Fund.

SECTION 7. Project Management Committee; Formation and Duties.

(a) The Parties hereby establish a Project Management Committee (the "Committee") to implement the provisions of this Agreement. The Committee shall consist of one representative of each Party.

(b) Each Party shall notify all other Parties in writing of its designated representative and of an alternate representative. Any Party may change its representative or alternate representative at any time and shall promptly provide written notice of such change to all other Parties.

(c) The Committee shall meet at least quarterly. Written minutes shall be kept for all meetings of the Committee.

(d) The Committee shall adopt, by majority approval, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, the periodic selection of Committee officers, procedures for the conduct of

Committee meetings, procedures for dispute resolution, and, to the extent not otherwise specified in this Agreement, voting requirements for approval of matters to be decided by the Committee.

(e) The following matters shall be determined by the Committee:

- (i) Annual budgets for items comprising the total Power Production Cost;
- (ii) The creation and administration of the R & R Fund, the Initial Project Revenue Fund, and any other funds created by the Committee;
- (iii) Provision for insurance of Initial Project facilities, including determination of coverage limits, choice of insurers, and disposition of insurance claim proceeds;
- (iv) Procedures and standards for budgeting and billing;
- (v) Auditing standards and procedures;
- (vi) Technical, operating, and maintenance standards;
- (vii) Calculation of the estimated Wholesale Power Rate pursuant to Section 5(c) of this Agreement and any revision of the estimated Wholesale Power Rate pursuant to Section 5(d);
- (viii) Load estimates as required under this Agreement, or as determined by the Committee to be necessary;
- (ix) Determination of standards for capital asset acquisition and accounting;
- (x) Standards for expenditures requiring the agreement of all Parties; and
- (xi) Such other matters as required by this Agreement or that a majority of the Committee determines appropriate, provided that the Committee shall have no authority to modify or amend the terms or conditions of the Agreement.

(f) Notwithstanding Sections 7(d) and 7(e) of this Agreement, the following matters shall require the concurrence of the Committee representatives of both the Authority and a majority of the Purchasers:

- (i) Adoption of procedural rules pursuant to Section 7(d) of this Agreement;

(ii) Annual budgets for items comprising the total Power Production Cost;

(iii) Minimum levels of insurance on the Initial Project facilities; and

(iv) Technical, operation, and maintenance standards for the Initial Project facilities.

(g) The Committee shall provide for the annual audit of all Power Production Costs, pursuant to procedures and standards adopted by the Committee.

(h) The Committee may create special purpose committees as appropriate, provided that the Committee may not delegate its decision-making duties to any such special purpose committees.

SECTION 8. Performance Pending Dispute Resolution.

(a) After adjudication by the Project Management Committee or by a body appointed pursuant to rules and procedures adopted by the Project Management Committee, any Party may file an action in the superior court of the State of Alaska with respect to the matter in dispute to obtain a decision resolving such dispute and to obtain any other remedy permitted by law. Unless the Parties to the dispute determine otherwise, such action shall be an original action on the merits in which each Party shall have the right to introduce testimony or other evidence concerning any such matter in dispute, including without limitation, the result of the adjudication, and each Party shall be entitled to a full hearing on the matter.

(b) Pending resolution of any disputed matter, the Parties shall continue performance of their respective obligations under this Agreement. The existence of an unresolved dispute shall not excuse the Authority from delivering power hereunder or excuse the Purchasing Utilities from making payment for such power. Rather, the Parties shall continue to perform while pursuing other remedies, including judicial remedies, available to them under this Agreement.

(c) Upon the failure of any Purchaser to make any payment under this Agreement, the Authority may bring any suit, action, or proceeding at law or in equity, including mandamus, injunction, and actions for specific performance, as may be necessary or appropriate to enforce that Purchaser's payment obligation.

(d) No remedy conferred upon or reserved the Parties is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute, or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

SECTION 9. Rate Reopeners.

(a) Fifteen years after the effective date of this Agreement, and at fifteen-year intervals thereafter until expiration of this Agreement, any Party may initiate renegotiation of the scheduled Debt Service Component of the Wholesale Power Rate. Such renegotiation shall be referred to as a "Rate Reopener". There shall be two "Reopener Periods", respectively commencing on the fifteen and thirtieth anniversaries of the effective date of this Agreement.

(b) In renegotiating the Debt Service Component, the Parties shall consider:

(i) the costs, during the Reopener Period, of alternative sources of power generation;

(ii) the effect of the Wholesale Power Rate on the retail power costs of the Purchasing Utilities;

(iii) the long-term benefits to consumers and the communities of the Purchasing Utilities of stable power costs;

(iv) the affordability of the wholesale power costs;

(v) the gradual change in payment schedule necessary to avoid significant rate increases to the consumer;

(vi) the excess capacity of the Initial Project at the time of the Rate Reopener;

(vii) the effects of increased capacity utilization, inflation, and alternative energy production costs over the remaining life of the Initial Project; and

(viii) the extent to which the Authority has been able to meet its obligations under Section 4(d) of this Agreement without requiring the Project Management Committee to take action under Section 6(a) of this Agreement.

Any decreases in the scheduled Debt Service Component shall require the consent of the Authority, and any increases in the scheduled Debt Service Component shall be limited in accordance with subsection (i) of this Section.

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after 3...
30 Oct 1997*

(c) At least two years prior to each Rate Reopener, each Purchaser shall submit to the Committee a forecast of its sales for the remainder of the term of this Agreement. The forecast shall be developed under standards adopted by the Committee and approved by the Authority, and shall be accompanied by supporting data and assumptions. If the Authority disagrees with any such forecast, that forecast shall be finally determined by a nationally recognized expert in electric power demand forecasting designated by the Authority and the Purchasers. The

forecasts as finally determined shall be incorporated in a revised schedule of Contracted Forecast Sales for the remainder of the term of this Agreement, in a new Exhibit D to be attached hereto. The total kilowatthour sales from the Initial Project projected for each Reopener Period shall be referred to, respectively, as "First Reopener Period Sales" and "Second Reopener Period Sales".

(d) The Project Management Committee shall compute the annual level debt service that would be necessary to amortize the Capital Component by means of monthly payments at eight percent (8%) interest over a period extending from the date of the Rate Reopener until the forty-fifth anniversary of the effective date of this Agreement. That annual payment amount, multiplied by fifteen (15), shall be referred to as the "Maximum Flat Revenue Total" for the appropriate Reopener Period.

(e) The Maximum Flat Revenue Total shall be divided by the Reopener Period Sales to obtain the "Maximum Computed Debt Service Rate" for a given Reopener Period.

(f) The Project Management Committee shall then calculate the weighted average retail rate (the quotient of total power sales revenues divided by total kilowatthour sales) of the Purchasing Utilities collectively which would be necessary to meet the Purchasers' collective revenue requirements if the Maximum Computed Debt Service Rate were to become the Debt Service Component of the Wholesale Power Rate at the time of the Rate Reopener. Such average retail rate shall be referred to as the "Computed Average Retail Rate".

(g) The Project Management Committee shall similarly calculate the weighted average retail rate for all electric power sold by utilities in the State of Alaska, including the Purchasers, at the time of the Rate Reopener (hereinafter referred to as the "Average Statewide Retail Rate"). If the Computed Average Retail Rate exceeds the Average Statewide Retail Rate, then the Committee shall calculate a "Revised Maximum Debt Service Component of the Wholesale Power Rate" designed to produce a weighted average retail rate for the Purchasing Utilities equal to the Average Statewide Retail Rate. If the Computed Average Retail Rate is less than the Average Statewide Retail Rate, then the Maximum Computed Debt Service Rate shall become the Revised Maximum Debt Service Component.

(h) A Revised Maximum Debt Service Rate Schedule shall be established in which the Debt Service Component of the Wholesale Power Rate shall be increased in equal increments over a five year period until it equals the Revised Maximum Debt Service Component, after which time it shall not be increased throughout the remainder of the Reopener Period.

(i) Any increases in the Debt Service Component of the Wholesale Power Rate established as a result of the Rate

Reopener shall not exceed the amounts stated in the Revised Maximum Debt Service Rate Schedule.

SECTION 10. Records.

In addition to meter records, the Parties shall keep log sheets and other records as may be needed for the purposes of this Agreement to the extent required to comply with FERC licensing requirements. In keeping books of account, the Parties shall, to the extent that different rules are not prescribed by this Agreement, federal and state laws, follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission, except that if and so long as a Purchasing Utility is a borrower from REA then it shall follow the system of accounts prescribed by REA for its electric borrowers.

SECTION 11. Inspection of Facilities.

For purposes of this Agreement, each Party may, but shall not be obligated to, inspect any other party's facilities at any time, but such inspection or failure to inspect shall not render the inspecting Party, its officers, agents or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such facilities.

SECTION 12. Covenants to Maintain Integrity of Agreement.

(a) The Cooperative Utilities shall affirmatively and promptly pursue all administrative and judicial remedies necessary to secure Alaska Public Utility Commission approval of retail rates required to meet the terms of this Agreement where Commission approval is required.

(b) The Purchasing Utilities shall take all necessary steps to comply with applicable federal and state laws and regulations, licenses and permits relating to the use and operation of the Purchasing Utilities' Systems.

(c) Each Purchasing Utility agrees to continue to operate its electric utility properties for the term of this Agreement and renewal thereof in a sound and businesslike manner to provide electric services within its service area. Each Purchaser agrees to make its retail electric rates in accordance with generally accepted accounting principles, applicable regulatory requirements, and customary utility practice.

(d) Each Purchasing Utility covenants and agrees that it will establish, maintain, and collect rates or charges for Power and other services, facilities, and commodities sold, furnished, or supplied by it through any of its electric properties which shall be adequate to provide revenues sufficient to enable such Purchasing Utility to make the payments required under this

Agreement and to pay all other charges and obligations payable from or constituting a charge against or lien on such revenues.

(e) The Parties shall take all necessary steps within their control to comply with applicable federal and state laws, regulations, licenses and permits relating to the use and operation of the Dedicated Facilities, and without limitation, to comply with the terms of the Federal Energy Regulatory Commission licenses applicable to said Facilities. The Authority shall take all necessary steps to cause the Federal Energy Regulatory Commission license to be renewed, if necessary, so that it is in effect during the term of this Agreement or any extension thereof.

(f) This Agreement shall supersede and replace any power sales agreement currently in effect between any Purchasing Utility and the Authority and any reference to a power sales agreement in agreements currently in effect between the Parties hereto shall refer to this Agreement except where the context clearly requires otherwise.

SECTION 13. Assignment.

(a) This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the Parties to this Agreement; provided, however, that (i) neither this Agreement nor any interest herein shall be transferred or assigned by a Purchasing Utility to any other person unless prior consent of the Project Management Committee, which shall not be unreasonably withheld, has been obtained and the assignee or successor in interest complies with the statutory requirements for a purchaser of power under applicable statutes, and (ii) although the Authority may assign its rights under this Agreement to another party, the Authority may not assign its obligations under this Agreement to any party other than a party authorized and able to perform those obligations. Notwithstanding the provisions of clause (i) of the preceding sentence, the Cooperative Utilities may assign this Agreement, together with all of their rights and obligations thereunder, (i) to or in trust for any secured lender(s) of the Cooperative Utilities acceptable to REA, including without limitation, REA, for the purpose of securing obligations for borrowed money, or (ii) pursuant to the exercise by any secured lender(s) of the Cooperative Utilities of any of the rights, powers, or privileges provided for by the mortgages or other security instruments of the Cooperative Utilities for borrowed money; provided, that if any of the secured lender(s) of the Cooperative Utilities exercises any of the rights, powers, or privileges of said mortgages or other security instruments with respect to this Agreement, then and only then shall said secured lender(s) of the Cooperative Utilities assume the payment obligations and rights to purchase power of said Cooperative Utilities as provided for in this Agreement; provided further, that in the event any such secured lender exercises any of its rights, powers, or privileges under

said mortgages or other security agreements with respect to this Agreement, such secured lender may thereafter assign this Agreement, together with all the rights and obligations thereunder, to a third party authorized and able to perform the obligations and duties under this Agreement, which third party shall assume all the rights and obligations under this Agreement; and such assignment and assumption shall release such secured lender from any further liability, obligations, or duties under this Agreement.

(b) The Purchasers agree that for the purpose of increasing the security the Authority is able to offer to purchasers of bonds, notes, or other evidences of indebtedness used to finance future projects of the Authority, the Authority may assign to such purchasers, to other future lenders, or to other third parties acting as trustees for such purchasers or future lenders, by subordination or otherwise, its rights to receive payments under this Agreement.

SECTION 14. Notices and Computation of Time.

Any notice required by this Agreement to be given to any Party shall be effective when it is received by such Party. Whenever this Agreement calls for notice to (unless otherwise specifically provided) or notification by any Party, the same shall be in writing directed to the Authority's executive director or an official designated by the Purchaser.

SECTION 15. Availability of Information.

To the extent required for any calculation or determination to be made pursuant to this Agreement, the Parties shall make available to each other, for inspection and copying during business hours, all books, records, plans and other information relating to or supporting such calculation or determination.

SECTION 16. Waiver Not Continuing.

Any waiver at any time by any Party to this Agreement of its rights with respect to any default of any other Party hereto, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default, right or matter.

SECTION 17. Section Headings.

The section headings in this Agreement are for convenience only, and do not purport to and shall not be deemed to define, limit or extend the scope or intent of the section to which they pertain.

SECTION 18. Multiple Copies.

This Agreement shall be executed in several counterparts,

each of which shall be an original, but all of which shall constitute one and the same instrument.

SECTION 19. Severability.

(a) If any section, paragraph, clause, or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such adjudication and all the remaining provisions of this Agreement shall remain in full force and effect as if such section, paragraph, clause, or provision or any part thereof so adjudicated to be invalid had not been included herein, unless such invalidity or unenforceability materially impairs the benefit of the remainder of this Agreement.

(b) If any section, paragraph, clause, or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, then and in such event the Parties agree that they shall exercise their best efforts to correct such invalidation and substitute appropriate agreements and contractual arrangements to achieve the intent of this Agreement.

SECTION 20. Definitions.

(a) "Additional Sales" means any kilowatthours sold to the Purchasers from the Initial Project in excess of Contracted Forecast Sales as set forth in Exhibit D. Such Contracted Forecast Sales are subject to revision at fifteen year intervals as provided in Section 9 of this Agreement.

(b) "Additional Sales Rebate" means a discount, refund, or credit of one cent per kilowatthour applicable to the Debt Service Component of the Wholesale Power Rate for all Additional Sales and shared among the Purchasers pro rata on the basis of Billing Energy.

(c) "Agreement" means this Long-Term Power Sales Agreement.

(d) "Authority" or means the Alaska Power Authority.

(e) "Authority Debt Service Obligation" means the payment obligations of the Authority under one or more agreements for loans from the Power Development Revolving Loan Fund used to finance the Initial Project and payable in accordance with terms established pursuant to AS 44.33.600-630.

(f) "Billing Energy" means the amount of electric energy, measured in kilowatthours, actually delivered to and taken by a Purchaser from the Initial Project in accordance with Sections 3 and 4 of this Agreement, on the basis of which that Purchaser's

payment obligations are computed in accordance with Sections 3 and 5 of this Agreement.

(g) "Capital Component" means, for purposes of this Agreement, \$192,000,000.00, except that for purposes of Section 9 such Capital Component shall be adjusted in the following manner:

(i) If the Authority or the State of Alaska recovers any amount from engineers, contractors, or others (net of any amount which such engineers, contractors, or others recover from the Authority or the State of Alaska) in disputes concerning the design or construction of any Dedicated Facility, the \$192,000,000.00 Capital Component shall be reduced for purposes of Section 9 by an amount equal to that percentage of the recovery amount which equals the percentage of debt financing used in the design and construction of the Initial Project.

(ii) Any reduction in the Capital Component pursuant to paragraph (i) above shall, however, be offset for purposes of Section 9 by the amount, if any, by which the Authority's unreimbursed expenditures for renewal and replacement of facilities and equipment of the Initial Project exceeds the total of the funds available to the Authority for such purposes from the R & R Fund and from the specific loan proceeds referenced in Section 6(b)(iii)(D) of this Agreement.

(h) "Committee" means the Project Management Committee.

(i) "Contract Year" means, except for the first and last Contract Years, the twelve-month period used for budgeting and ratemaking purposes. The second through forty-fourth Contract Years shall each start on July 1 and shall end on June 30 of the next calendar year. The first Contract Year shall be that portion of the 12-month period between the effective date of this Agreement and the following June 30. The last Contract Year shall be that portion of the 12-month period between the end of the last full (i.e., 12 month) Contract Year and the expiration of this Agreement.

(j) "Contracted Forecast Sales" means the agreed forecast of sales from the Initial Project as set forth in the schedule in Exhibit D, which forecast is subject to revision at fifteen year intervals as provided in Section 9 of this Agreement.

(k) "Cooperative Utilities" means Copper Valley and Kodiak.

(l) "Debt Service Component of the Wholesale Power Rate" means the weighted average of the debt service components set forth in Exhibit D for Contracted Forecast Sales and for

Additional Sales, subject to the Rate Reopener provisions of Section 9.

(m) "Dedicated Facility" means, for each Purchaser, that power generation facility which is included in the Initial Project and which, at the time of this Agreement, is dedicated to the service of that Purchaser's electric power load requirements. For purposes of this Agreement, the Dedicated Facilities are as follows:

(i) The Swan Lake Hydroelectric facility shall be referred to as the Dedicated Facility of Ketchikan;

(ii) The Lake Tye Hydroelectric facility shall be referred to as the Dedicated Facility of the Interconnected Utilities;

(iii) The Solomon Gulch Hydroelectric facility shall be referred to as the Dedicated Facility of Copper Valley; and

(iv) The Terror Lake Hydroelectric facility shall be referred to as the Dedicated Facility of Kodiak.

(n) "Delivery Point" means the point or points designated in Exhibit A attached hereto and made a part hereof where

(i) electric power may actually be metered, or, if no meter exists at that point, the equivalent point adjusted mathematically for line losses from the nearest point of such actual metering; and

(ii) delivery normally occurs.

(o) "Facility Operator" means a qualified public utility or electric operating entity with responsibility for operating and maintaining a Dedicated Facility pursuant to this Agreement or a separate operating agreement.

(p) "Facility Operating Cost" means a cost actually and allowably incurred under the provisions of this Agreement in operating and maintaining a Dedicated Facility or Facilities.

(q) "Initial Project" or "Project" means, collectively, the Terror Lake, Solomon Gulch, Lake Tye and Swan Lake Hydroelectric facilities as described in Exhibit B attached hereto and made a part hereof, together with associated equipment and facilities owned by the Authority that are used or useful for the delivery of electric power from the Project to a Purchaser.

(r) "Initial Project Revenue Fund" means a trust fund established and administered by the Project Management Committee pursuant to Section 5(e) of this Agreement, on behalf of the Purchasers as owners of the monies in the Fund.

(s) "Interconnected System" means a Purchasing Utility's System, the Dedicated Facility of that Purchasing Utility, and any other system for the generation, transmission or distribution of electric power which is physically interconnected with the Purchasing Utility's System or its Dedicated Facility.

(t) "Interconnected Utilities" means Wrangell and Petersburg.

(u) "Joint Costs of the Initial Project" means those costs identified in Section 5(b)(i)(B) of this Agreement.

(v) "Joint Insurance Costs" means the Initial Project insurance costs collectively incurred in accordance with the provisions of this Agreement.

(w) "Municipal Utilities" means Ketchikan, Petersburg, and Wrangell.

(x) "Operating Demand" means a Purchaser's instantaneous demand for Electric Power (capacity and energy) from its Dedicated Facility at any and all times during the term of this Agreement.

(y) "Party" or "Parties" are terms that refer to parties named in Section 1(a) of this Agreement.

(z) "Power" or "Electric Power" means electric energy or electric capacity, or both, except where the context requires a distinction, in which case electric energy is expressed as such or in kilowatthours, and electric capacity is expressed as such or in kilowatts.

(aa) "Power Production Cost" means those costs of the Initial Project set forth in Section 5(b)(i) of this Agreement.

(bb) "Project Management Committee" means the committee established pursuant to Section 7 of this Agreement.

(cc) "Prudent Utility Practice" means, at any particular time, any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry prior thereto. In applying the standard of Prudent Utility Practice to any matter under this Agreement, equitable consideration should be given to the circumstances, requirements, and obligations of each of the Purchasing Utilities, and the fact that the Purchasing Utilities are cooperative corporations, public corporations, or political subdivisions of the State of Alaska. It is recognized that Prudent Utility Practice is not intended to be limited to the

optimum practices, methods, or acts to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Initial Project, but also to appropriate structures, landscaping, painting, signs, lighting, and other facilities.

(dd) "Purchaser" or "Purchasing Utility" means Ketchikan, Wrangell, Petersburg, Copper Valley, or Kodiak, or any of them.

(ee) "Purchasing Utility's System" means a Purchaser's public utility system for the generation, transmission and distribution of electric power.

(ff) "REA" means the Rural Electrification Administration, an agency of the United States Department of Agriculture.

(gg) "R & R Fund" means the fund established pursuant to Section 6(b) of this Agreement, on behalf of the Purchasers as owners of the monies in the Fund, for renewals and replacements of facilities and equipment of the Initial Project.

(hh) "Surplus Power" means Power from the Initial Project other than power sold to a Purchasing Utility from that Purchasing Utility's Dedicated Facility.

(ii) "Wholesale Power Rate" means the rate, expressed in cents per kilowatthour, charged by the Authority to the Purchasers for Billing Energy, computed for each Contract Year in accordance with the provisions of this Agreement.

SECTION 21. Exhibits.

The following exhibits attached hereto are incorporated by reference herein:

- Exhibit A, Delivery Points and Single Line Diagrams
- Exhibit B, Description of the Initial Project
- Exhibit C, Description of Each Purchaser's Existing Hydroelectric Resources
- Exhibit D, Agreed Schedule of Forecast Sales and Debt Service Component of Wholesale Power Rates
- Exhibit E, Rate Formulas

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed, each on the date written below.

CITY OF KETCHIKAN

By

Charles E. Furrer

Title

MAYOR

Date


10-7-85

[S E A L]

A T T E S T:

Karen Miles
-City Clerk

CITY OF WRANGELL

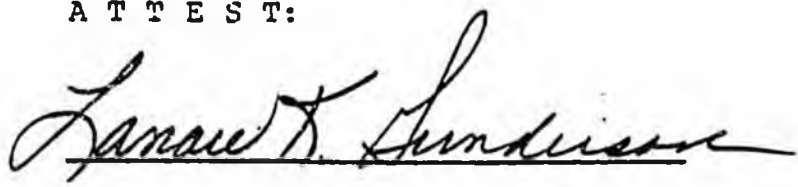
By 

Title William B. Privett, Mayor

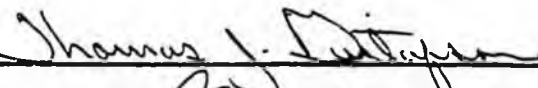
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A T T E S T:



CITY OF PETERSBURG

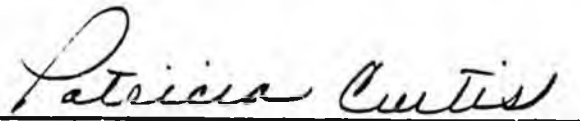
By 

Title Mayor

Date 10/17/85

[S E A L]

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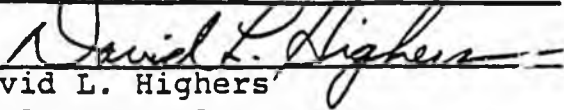


COPPER VALLEY ELECTRIC ASSOCIATION, INC.

By 

Title President

Date 10-10-85

[S E A L] By 

A T T E S T: Title General Manager

Date 10-11-85

KODIAK ELECTRIC ASSOCIATION, INC.

By Gene Sundberg
Gene Sundberg
Title President, Board of Directors
Date October 14, 1985

[S E A L]

A T T E S T:

Marion H. Soule
Marion H. Soule, Secretary-Treasurer

ALASKA POWER AUTHORITY

By Paul D. Keith
Title Executive Director
Date 10/28/85

APPROVED:

Carolyn S. Jones
Assistant Attorney General

EXHIBIT A

Delivery Points and Single Line Diagrams

The Delivery Points shown in this Exhibit may be changed, and additional Delivery Points may be added, by agreement between the Authority and individual Purchasing Utilities.

SWAN LAKE PROJECT

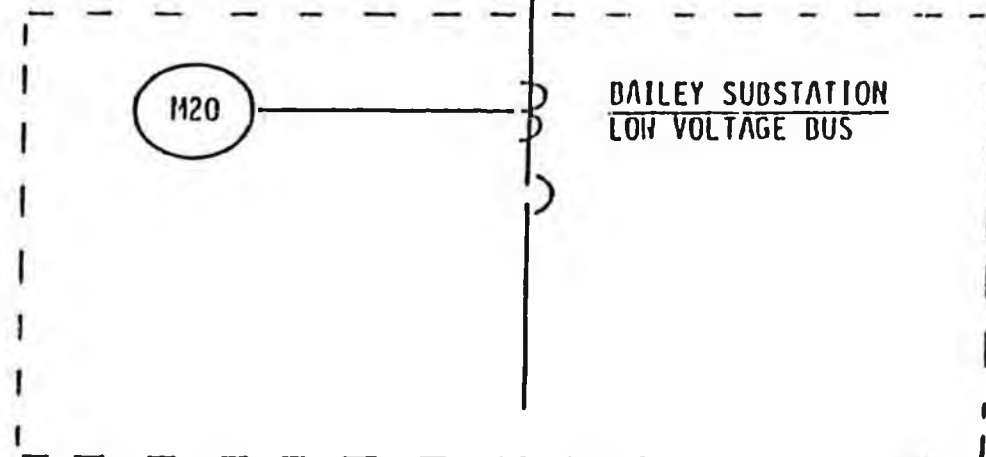
TURBINE NO. 1



TURBINE NO. 2



115 KV TRANSMISSION LINE



BAILEY SUBSTATION
LOW VOLTAGE BUS

DELIVERY POINTS AND SINGLE-LINE DIAGRAM

DELIVERY POINTS: ALL POWER IS DELIVERED ON THE KPU SIDE OF THE BAILEY SUBSTATION LOW VOLTAGE CIRCUIT BREAKERS.

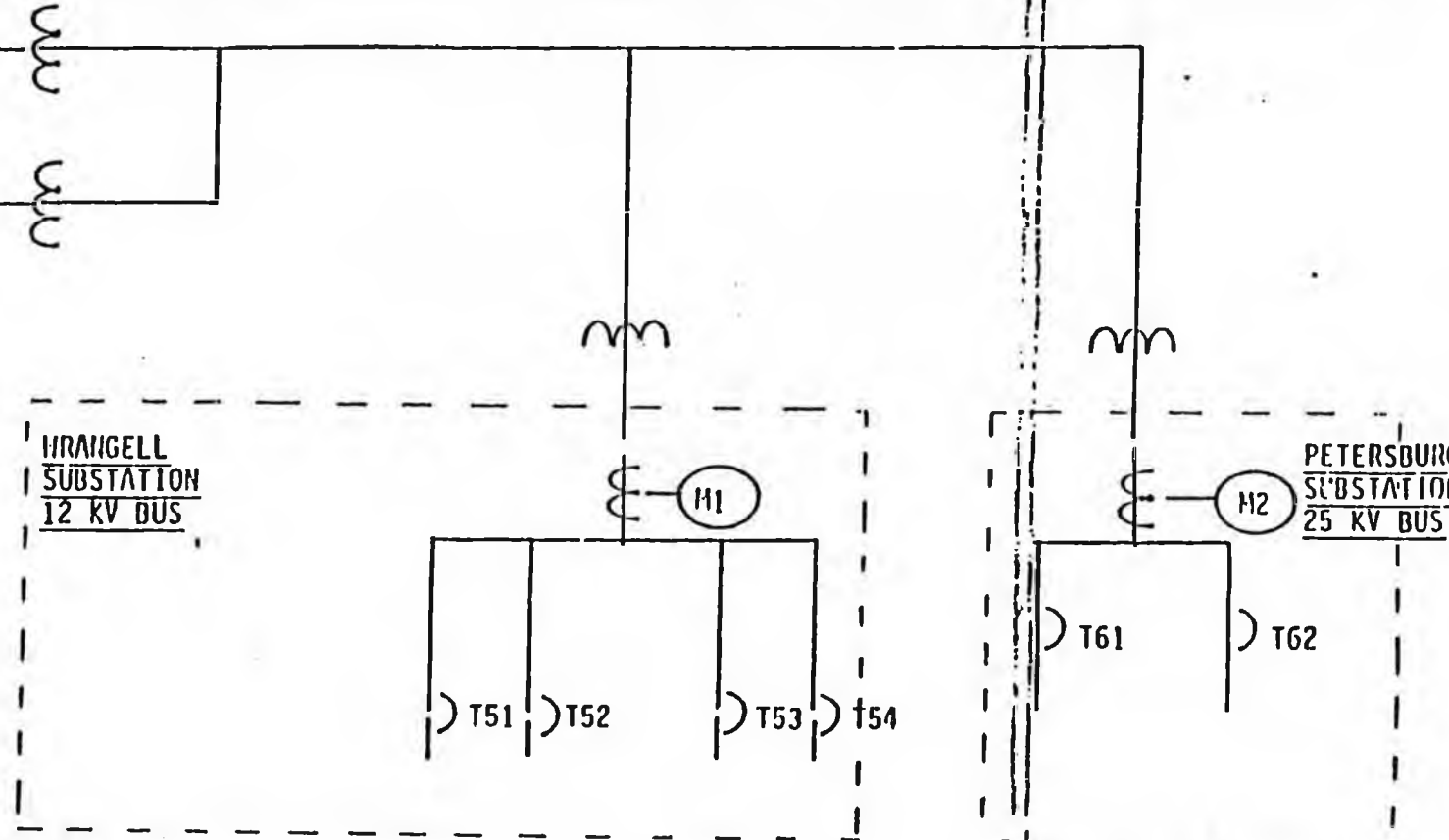
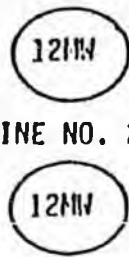
REVENUE METER LOCATION: FOR POWER DELIVERED TO KPU REVENUE METERING IS LOCATED AT POSITION M20.

TYEE PROJECT

TURBINE NO. 1

69,000 VOLT TRANSMISSION

TURBINE NO. 2



DELIVERY POINTS AND SINGLE-LINE DIAGRAM.

DELIVERY POINTS:

WRANGELL

POWER IS DELIVERED ON THE CUSTOMER SIDE OF WRANGELL SUBSTATION 12KV BUS BREAKERS T51, T52, T53, T54

PETERSBURG

POWER IS DELIVERED ON THE CUSTOMER SIDE OF PETERSBURG SUBSTATION 25 KV RECLOSERS T61, T62

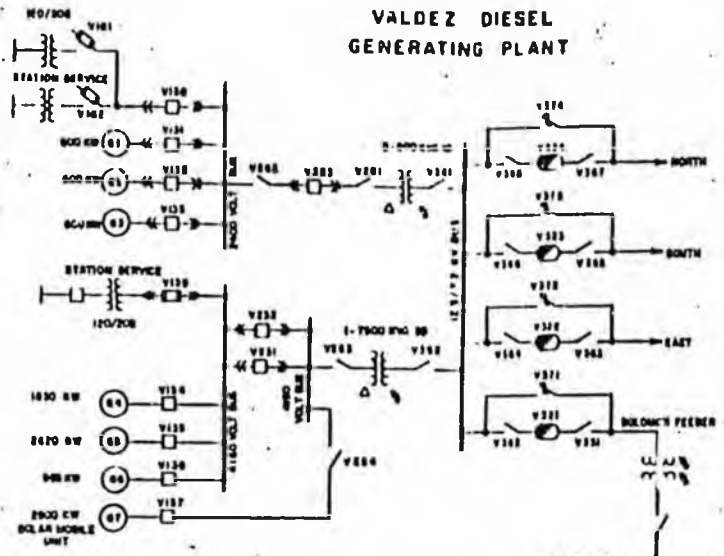
REVENUE METER LOCATION:

FOR POWER DELIVERED TO WRANGELL REVENUE METERING IS LOCATED AT POSITION M1

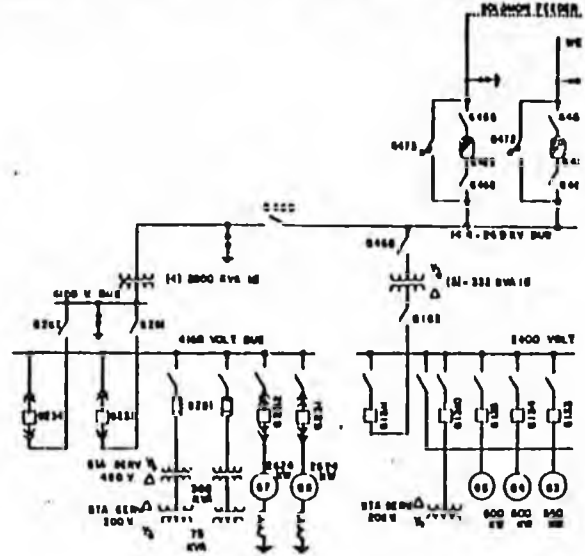
FOR POWER DELIVERED TO PETERSBURG REVENUE METERING IS LOCATED AT POSITION M2

FYRIBIT A 04

VALDEZ DIESEL GENERATING PLANT

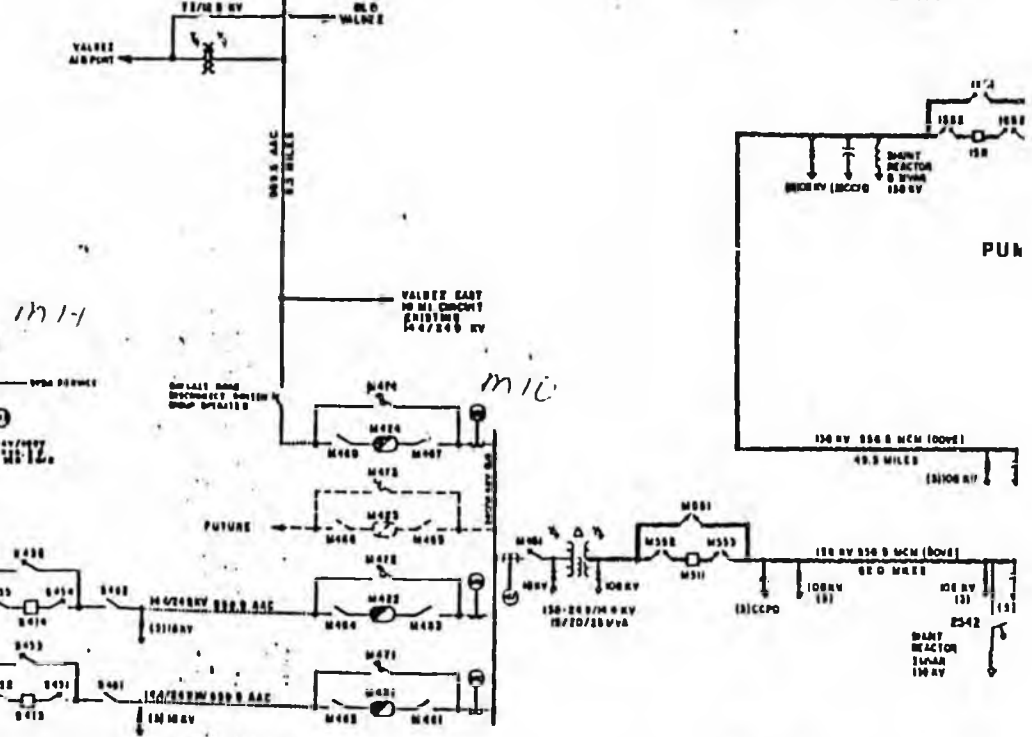


GLENNALLEN DIESEL GENERATING PLANT



LEGEND

- OIL CIRCUIT BREAKER
- AIR CIRCUIT BREAKER
- DRAW OUT TYPE AIR CIRCUIT BREAKER
- DISCONNECT SWITCH, GROUP OPERATED
- DISCONNECT SWITCH, INDIVIDUAL OPERATED
- FUSE BREAK GROUP OPERATED BY DISCONNECT SWITCH
- CIRCUIT SWITCHER, 120 V
- OIL CIRCUIT RECLOSER, 30
- OIL CIRCUIT RECLOSER, 48
- RECLOSER BY-PASS FUSED DISCONNECT SWITCH OPERATED
- FUSED DISCONNECT SWITCH
- METERING POINT
- LIGHTNING ARRESTOR
- COUPLING CAPACITOR POTENTIAL DEVICE



SOLOMON GULCH HYDRO-ELECTRIC GENERATING PLANT

MEALS SUBSTATION

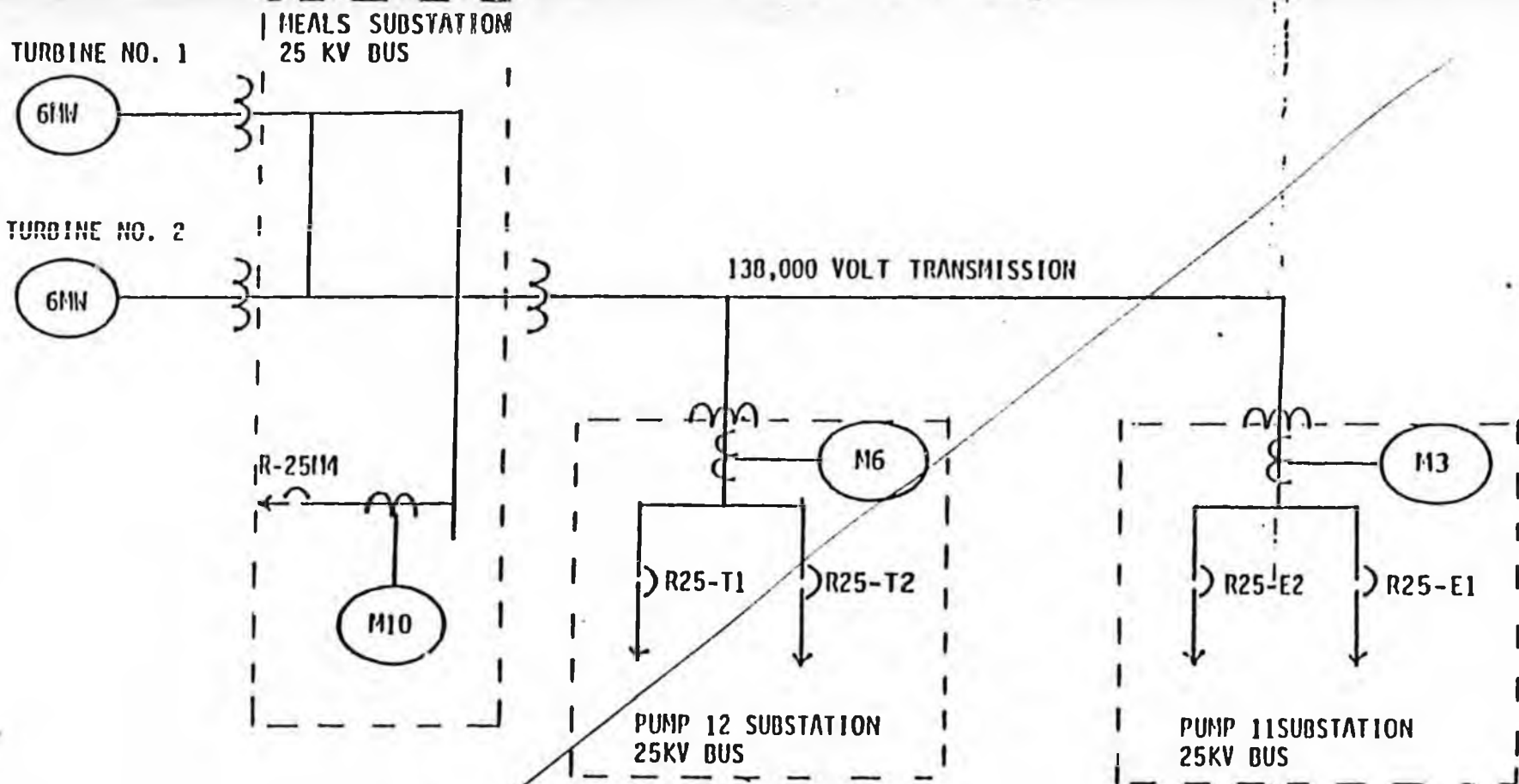


DATE	BY	REVISION	NAME AND TITLE	DATE	APPROVED
11-20-61	J. L. B.	1	COMPUTING ENGINEER	11-20-61	J. L. B.
11-20-61	J. L. B.	2	COMPUTING ENGINEER	11-20-61	J. L. B.
11-20-61	J. L. B.	3	COMPUTING ENGINEER	11-20-61	J. L. B.

ALASKA POWER AND LIGHT COMPANY

SOLOMON GULCH PROJECT

DELIVERY POINTS AND SINGLE-LINE DIAGRAM

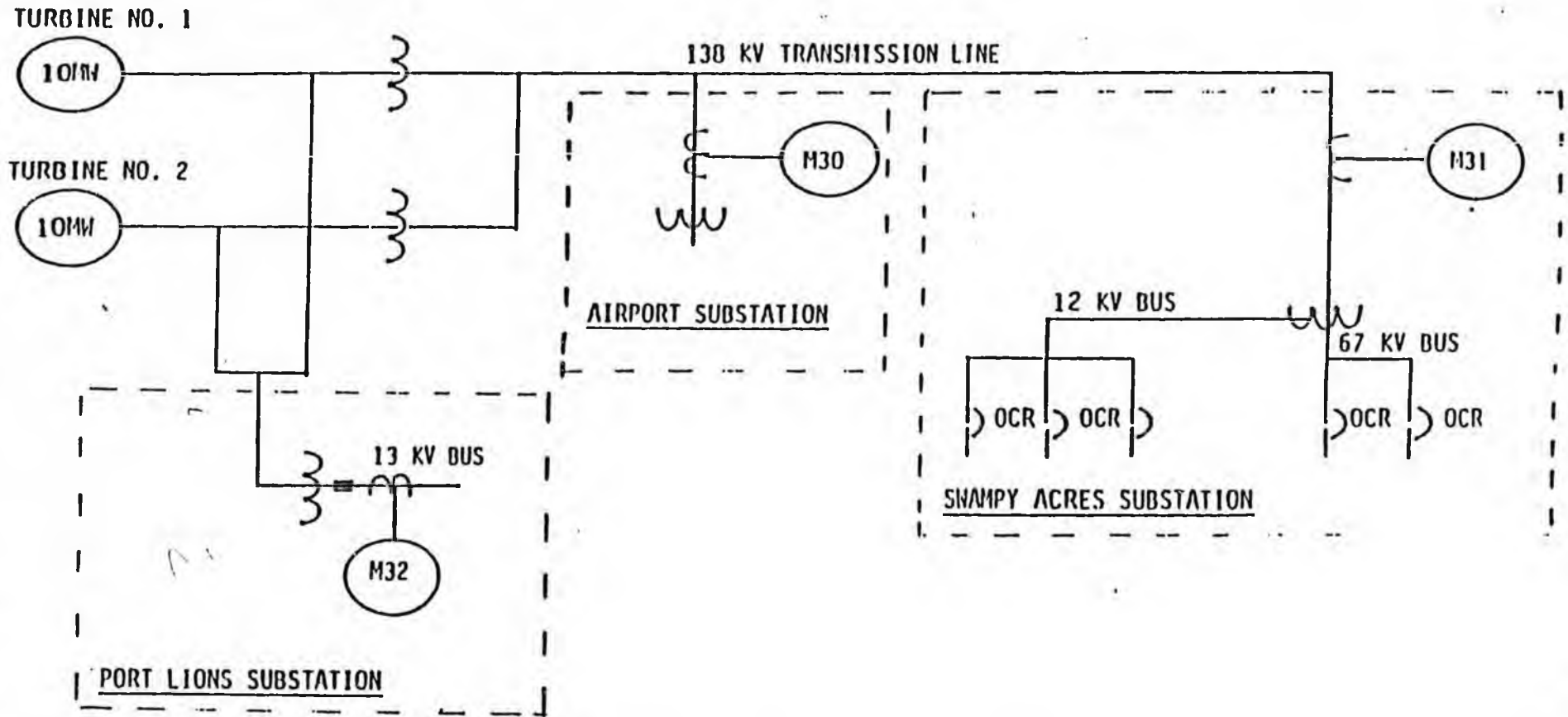


DELIVERY POINTS: ALL POWER IS DELIVERED ON THE CVEA SIDE OF THE FOLLOWING 25KV RECLOSERS R25-M4, R25-T1, R25-T2, R25-E1, R25-E2.

REVENUE METER LOCATIONS: FOR POWER DELIVERED TO CVEA, REVENUE METERING IS LOCATED AT POSITIONS M3, M6, AND M10.

TERROR LAKE PROJECT

DELIVERY POINTS AND SINGLE-LINE DIAGRAM



DELIVERY POINTS: ALL POWER IS DELIVERED ON THE KEA SIDE OF THE FOLLOWING LOCATIONS-

- 1) 13 KV SIDE OF THE PORT LIONS SUBSTATION SWITCH.
- 2) THE 138 KV TERMINALS OF THE AIRPORT SUBSTATION TRANSFORMER
- 3) THE SWAMPY ACRES SUBSTATION 67 KV AND 12 KV OIL CIRCUIT RECLOSERS AND BREAKERS.

REVENUE METER LOCATIONS: FOR POWER DELIVERED TO KEA, REVENUE METERING IS LOCATED AT POSITIONS M30, M31, AND M 32.

EXHIBIT B

Description of the Initial Project

Swan Lake	Page 2
Lake Tyee	Page 3
Solomon Gulch	Page 4
Terror Lake	Page 5

Description of Swan Lake Hydroelectric Project

The Swan Lake Hydroelectric Project located in the vicinity of Ketchikan, Alaska consists primarily of:

(1) All lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license;

(2) Project works consisting of: (a) a concrete arch dam, 174 feet high and 430 feet long at its crest, located approximately 3/4 mile downstream from the mouth of the original Swan Lake and having an uncontrolled ogee spillway section, 100 feet long, with a crest elevation of 330 feet; (b) Swan Lake Reservoir, with a surface of 1,500 acres at normal maximum reservoir elevation and usable storage capacity of 80,000 acre-feet between elevations 330 and 271.5 feet; (c) a power tunnel, 2,200 feet long and 11 feet in diameter, leading from intake structure at the north abutment upstream of the dam to the powerhouse where it divides into two steel-lined penstocks, 5.5 feet in diameter; (d) an indoor-type, remotely controlled, concrete powerhouse containing two generating units with a total rated capacity of 22,000 kw and located at Carroll Inlet immediately north of the mouth of Falls Creek and also containing the Authority's one-half interest in the SCADA system; (e) a 13.8/115-kv substation to the extent of the Authority's interest therein located adjacent to the powerhouse; and (f) access facilities comprised of port facilities 1,000 feet north of the powerhouse, a staging area adjacent to the port facilities, and access roads from the port facilities to the powerhouse and dam;

(3) A 115-kv transmission line extending from the powerhouse substation 30.5 miles to the existing S.W. Bailey Substation; and

(4) All equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing all as specified in plans and specifications therefor now on file with the Authority.

Description of Lake Tvee Hydroelectric Project

The Lake Tvee Hydroelectric Project located approximately 40 miles east-southeast of Wrangell, Alaska, consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a tunnel from the Lake, a powerhouse on the south side of the Bradfield River Valley and a switchplant adjacent to the powerhouse, and a 138-kv transmission system, approximately 81 miles long to the Cities of Wrangell and Petersburg, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Solomon Gulch Hydroelectric Project

The Solomon Gulch Hydroelectric Project consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a hydroelectric generating plant with associated dam, reservoir, dike, spillway and penstocks located approximately 4 miles south of Valdez, Alaska; approximately 5.50 miles of 14.4/24.9 KV new transmission and feeder lines; approximately 105.9 miles of 138 KV transmission line connecting the Valdez and Copper River Basin service districts of Copper Valley Electric Association, Inc.; three substations; system control and data acquisition facilities; and associated access roads, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Solomon Gulch Hydroelectric Project

The Solomon Gulch Hydroelectric Project consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a hydroelectric generating plant with associated dam, reservoir, dike, spillway and penstocks located approximately 4 miles south of Valdez, Alaska; approximately 1.75 miles of 14.4/24.9 KV new transmission and feeder lines; approximately a 105.9 miles of 138 KV transmission line connecting the Valdez and Copper River Basin service districts of Copper Valley Electric Association, Inc.; three substations; system control and data acquisition facilities; and associated access roads, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Terror Lake Hydroelectric Project

The Terror Lake Hydroelectric Project located on Kodiak Island approximately 25 miles southwest of the City of Kodiak, Alaska, consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a compacted-rockfill, concrete faced dam having a structural height of approximately 193 feet; a power tunnel approximately 26,300 feet in length from the dam site to the slopes of the Kizhuyak Valley; an inclined steel penstock approximately 3,100 feet in length, a powerhouse located in the Kizhuyak Valley consisting of two vertical-axis, 15,000-hp Pelton-type impulse turbines, each connected to a 10 MW generator; and an 18 mile long 138-kv transmission line from said powerhouse to the City of Kodiak together with related dock facilities at Kizhuyak Bay and all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

EXHIBIT C

Description of Each Purchaser's Existing Hydroelectric Resources

<u>Purchaser</u>	<u>Existing Hydroelectric Resources</u>
Ketchikan	1) Beaver Falls/Silvas Lake (FERC Proj. No. 1922) 2) Ketchikan Lakes Project (FERC Proj. No. 420)
Wrangell	None
Petersburg	Crystal Lake Hydroelectric Project (the Blind Slough Project) (FERC Proj. No. 201)
Copper Valley	None
Kodiak	None

181,496,000 kWh x
 @ 0.0149/kwh =
 \$ 2,701,290.4

F-86

191,437,000 kWh
 x @ 0.0149/kwh
 = \$ 2,852,411.3

F-87

EXHIB

Agreed Schedule of
and
Debt Service Component of Wholesale Power Rates

<u>YEAR*</u>	<u>CONTRACTED FORECAST SALES (MWH)</u>	<u>DEBT SERVICE COMPONENT FOR FORECAST SALES (CENTS/KWH)</u>	<u>DEBT SERVICE COMPONENT FOR ADDITIONAL SALES (CENTS/KWH)</u>
July 1 1985 thru June 30, 1986	181,496	2.6	1.6
1987	191,437	2.8	1.8
1988	199,181	3.2	2.2
1989	206,042	3.5	2.5
1990	212,994	4.0	3.0
1991	219,067	4.0	3.0
1992	226,907	4.0	3.0
1993	236,183	4.0	3.0
1994	245,893	4.0	3.0
1995	255,439	4.0	3.0
1996	260,533	4.0	3.0
1997	265,897	4.0	3.0
1998	271,482	4.0	3.0
1999	277,343	4.0	3.0
2000	283,488	4.0	3.0
2001	288,220	4.0	3.0
2002	290,043	4.0	3.0
2003	291,926	4.0	3.0
2004	293,889	4.0	3.0
2005	295,935	4.0	3.0
2006	298,067	4.0	3.0
2007	300,290	4.0	3.0
2008	302,608	4.0	3.0
2009	305,023	4.0	3.0
2010	307,541	4.0	3.0
2011	310,165	4.0	3.0
2012	312,901	4.0	3.0
2013	315,753	4.0	3.0
2014	318,725	4.0	3.0
2015	321,824	4.0	3.0
2016	325,053	4.0	3.0
2017	328,420	4.0	3.0
2018	331,929	4.0	3.0
2019	335,587	4.0	3.0
2020	339,400	4.0	3.0
2021	343,375	4.0	3.0
2022	347,518	4.0	3.0
2023	351,836	4.0	3.0
2024	356,338	4.0	3.0

<u>YEAR*</u>	<u>CONTRACTED FORECAST SALES (MWH)</u>	<u>DEBT SERVICE COMPONENT FOR FORECAST SALES (CENTS/KWH)</u>	<u>DEBT SERVICE COMPONENT FOR ADDITIONAL SALES (CENTS/KWH)</u>
2025	361,030	4.0	3.0
2026	365,921	4.0	3.0
2027	371,019	4.0	3.0
2028	376,334	4.0	3.0
2029	378,607	4.0	3.0
2030	378,607	4.0	3.0
2031	378,607	4.0	3.0

* Contract Years end on June 30 of the Years shown (except the final Contract Year, which ends on the 45th anniversary of the effective date of the Agreement). The Contracted Forecast Sales set forth in this schedule for the first and last Contract Years shall be prorated based upon the duration of those Contract Years.

EXHIBIT E

Rate Formulas

A. Wholesale Power Rate for a given Contract Year

The formula for computing the Wholesale Power Rate for any given Contract Year shall be:

$$R = P/E + D$$

Where:

- R = The Wholesale Power Rate, expressed in cents per kilowatthour;
- P = The total Power Production Cost for that Contract Year, expressed in dollars;
- E = The total kilowatthours of Billing Energy sold to the Purchasers plus Surplus Power sold in that Contract Year; and
- D = The Debt Service Component of the Wholesale Power Rate for that Contract Year, expressed in cents per kilowatthour.

B. The Debt Service Component of the Wholesale Power Rate

Subject to the Rate Reopener provisions of Section 9, the formula for computing the Debt Service Component of the Wholesale Power Rate for any given Contract Year in which actual Billing Energy exceeds Contracted Forecast Sales shall be:

$$D = \frac{(D_g \times E_f) + ((D_g - 1¢) \times (E - E_f))}{E}$$

Where:

- D = The Debt Service Component of the Wholesale Power Rate,
- D_g = The Debt Service Component for Contracted Forecast Sales (expressed in cents per kilowatthour) for that Contract Year, as set forth in Exhibit D,
- E_f = Contracted Forecast Sales in kilowatthours for that Contract Year as set forth in Exhibit D, and
- E = The total kilowatthours of Billing Energy sold to the Purchasers in the Contract Year.

C. Sequential steps in the Rate Reopener process

1. Develop a total sales forecast for the Reopener Period in accordance with Section 9(c) of this Agreement, and set forth that forecast in a new Exhibit D.

2. Calculate the Maximum Computed Debt Service Rate for the Reopener Period in accordance with Sections 9(d) and (e) of this Agreement. This calculation is represented by the following formula:

$$D_m = \frac{C \times CR_p}{\text{Average } E_f}$$

Where:

D_m = The Maximum Computed Debt Service Rate, expressed in cents per kilowatthour;

C = Capital Component, as defined in Section 20(g) of this Agreement, expressed in dollars;

CR_p = The capital recovery factor for the Reopener Period, calculated in accordance with Section 9(d) of this Agreement, namely 0.088052 for the first Reopener Period and 0.114678 for the second Reopener Period (derived by using 8%/12 months as the interest rate per month, and 360 months and 180 months as the number of months in the respective Reopener Periods); and

Average E_f = One-fifteenth of the sum of Contracted Forecast Sales for the Reopener Period as set forth in the new Exhibit D;

3. Calculate the Computed Average Retail Rate of the Purchasers in accordance with Section 9(f) of this Agreement by substituting, as provided in that Section, the Maximum Computed Debt Service Rate for the then-existing Debt Service Component of the Wholesale Power Rate, projecting an average retail rate that would be required as a result of such substitution.

4. Estimate the Average Statewide Retail Rate in accordance with Section 9(g) of this Agreement.

5. Select a Revised Maximum Debt Service Component of the Wholesale Power Rate, in accordance with Section 9(g) of this Agreement, after comparing the Computed Average and the Average Statewide Retail Rates.

6. Draw up a schedule in accordance with Section 9(h) of this Agreement, showing the maximum Debt Service Component of the Wholesale Power Rate for each year of the Reopener Period.

This schedule is referred to in Section 9(g) as the Revised Maximum Debt Service Rate Schedule.

7. Negotiate increases or decreases in the Debt Service Component of the Wholesale Power Rate, based on the considerations listed in Section 9(b) of this Agreement.

8. Finally, express the agreed increases or decreases in the new Exhibit D, or, in the absence of such agreement, the Authority may impose and may incorporate in the new Exhibit D increases that do not exceed in any year the amounts shown in the Revised Maximum Debt Service Rate Schedule.

BRADLEY LAKE HYDROELECTRIC PROJECT

AGREEMENT FOR THE SALE AND PURCHASE OF ELECTRIC POWER
("POWER SALES AGREEMENT")

by and among

THE ALASKA POWER AUTHORITY,
An Agency Of The State Of Alaska,
("Seller"),

and

The CHUGACH ELECTRIC ASSOCIATION, INC.,
The GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.,
The MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER,
The CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM,
and
The ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.,
("Purchasers")

and

The HOMER ELECTRIC ASSOCIATION, INC.,
and
The MATANUSKA ELECTRIC ASSOCIATION, INC.,
(Additional Parties)

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Exhibit "A", Bond Resolution

Exhibit "B", Delivery Point

Exhibit "C", Description Of The Project

Exhibit "D", Purchasers' Percentage Shares Of Project Capacity
And Of Annual Project Costs

Exhibit "E", Form Of Certain Supplemental Bond Resolutions

POWER SALES AGREEMENT

THIS AGREEMENT dated as of December 8, 1987, is entered into by and among the ALASKA POWER AUTHORITY (the "Authority") and the CHUGACH ELECTRIC ASSOCIATION, INC., the GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., the MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER, the CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM, and the ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC. (individually a "Purchaser," and collectively the "Purchasers"), and the HOMER ELECTRIC ASSOCIATION, INC., and the MATANUSKA ELECTRIC ASSOCIATION, INC. (as additional Parties with some, but not all, of the rights and responsibilities of Purchasers).

W I T N E S S E T H:

The Authority recites, agrees, represents and covenants as follows:

(1) The Authority is a public corporation of the State of Alaska duly created, organized and existing pursuant to AS 44.83;

(2) The Authority is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and the regulations and by-laws of the Authority, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Authority desires to fulfill its legislatively established duty of providing residents of the State of Alaska with long-term, stable, and economic sources of power and an adequate, economic, and reliable long-term supply of power; and

(4) The Authority's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Authority, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Authority is subject at the time the Authority executes this Agreement.

Each Cooperative Purchaser (as hereinafter defined) and the Homer Electric Association, Inc. ("HEA") and the Matanuska Electric Association, Inc. ("MEA") recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted electric cooperative under the laws of the State of Alaska and is currently a borrower from the Rural Electrification Administration, United States Department of Agriculture, under the Rural Electrification Act of 1936 (7 U.S.C. § 901 et seq.);

(2) The Purchaser is authorized, and has taken all steps necessary pursuant to its articles of incorporation and by-laws and applicable laws and regulations, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

Each Municipal Purchaser (as hereinafter defined) recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted municipal corporation under the Constitution and laws of the State of Alaska;

(2) The Purchaser is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and other applicable laws and regulations, and pursuant to its charter and ordinances, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other charter, ordinance, resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions. For the purposes of this Agreement, the following definitions apply:

(a) "Act" or references to AS 44.83 mean Title 44, Chapter 83 of the Alaska Statutes (AS 44.83) as the same may be amended or supplemented from time to time.

(b) "Agreement" means this Power Sales Agreement.

(c) "Annual Payment Obligation" means the total amount payable by a Purchaser in or for a Fiscal Year pursuant to this Agreement.

(d) "Annual Project Budget" means the budget for the Project as adopted or in effect for a particular Fiscal Year, and amended or supplemented from time to time, pursuant to Section 13.

(e) "Annual Project Costs" shall have the meaning given it in Section 8 of this Agreement.

(f) "Authority" means the Alaska Power Authority as established by the Act, and any successor agency thereto.

(g) "Bond Resolution" means (i) the document attached as Exhibit "A", or a resolution adopted by the Authority substantially in the form of Exhibit "A", as supplemented and amended from time to time in a manner consistent with Section 11 of this Agreement and with the provisions of the Act, or (ii) a further bond resolution, consistent with Section 11, adopted in connection with the issuance of bonds to refund the Bonds.

(h) "Bonds" means bonds, notes or other evidences of indebtedness (including refunding bonds) issued pursuant to the Bond Resolution, the proceeds of which are used to pay or reimburse Costs of Acquisition and Construction and Required or Optional Project Work.

(i) "Committee" means the Project Management Committee established pursuant to Section 13.

(j) "Consultant" means an independent individual or firm (i) of nationwide and favorable reputation, having demonstrated expertise in the field or the matter or the item referred to it under various specific provisions of this Agreement, and (ii) approved by the Authority and the Committee in accordance with rules of procedure to be adopted by the Committee to govern such approval, which approval shall not be unreasonably withheld.

(k) "Cooperative Purchasers" means Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., and Alaska Electric Generation & Transmission Cooperative, Inc. The term "Cooperative Purchasers" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.

(l) "Cost of Acquisition and Construction" means the Cost of Acquisition and Construction (as defined in Section 101 of the Bond Resolution) of the Project; provided, that for purposes of this Agreement the Cost of Acquisition and Construction of the Project shall not include the Cost of Acquisition and Construction of Capital Improvements (as defined in Section 101 of the Bond Resolution).

(m) "Date of Commercial Operation" means the date on which engineers retained for this purpose by the Authority have reasonably declared that the Project is fully available to be operated at not less than ninety megawatts (90 MW), and its output can be scheduled on a commercial basis.

(n) "Debt Service" means amounts that the Authority is required to set aside for the payment of principal of, premium, if any, sinking fund payments, and interest on the Bonds, as the same are scheduled to become due under the Bond Resolution, and not by reason of any acceleration.

(o) "Delivery Point" means the Bradley Junction facilities, as identified and further described in Exhibit B.

(p) "Electric power" or "power" means electric energy or electric capacity or both. Where the context of this Agreement requires a distinction, electric energy is specified and/or expressed in kilowatthours or megawatt-hours and electric capacity is specified and/or expressed in kilowatts or megawatts.

(q) "Excess Payment Amount" means the amounts, if any, computed as provided in Section 29 and included in Annual Project Costs.

(r) "Fiscal Year" means that twelve-month period starting July 1 of a calendar year through and including June 30 of the succeeding calendar year. The initial Fiscal Year for purposes of this Agreement is that portion of the twelve-month period starting on the Date of Commercial Operation through and including the following June 30. If the portion of the period is shorter than 90 days the parties shall determine the initial Fiscal Year, which must end on a June 30 and may not be longer than 456 days. The last Fiscal Year for purposes of this Agreement shall be that portion of the twelve-month period between the end of the last full (i.e., twelve month) Fiscal Year and the expiration of this Agreement.

(s) "Municipal Purchaser" means the Municipality of Anchorage d/b/a/ Municipal Light and Power, and the

City of Seward d/b/a Seward Electrical System.

(t) "Optional Project Work" means Project repairs, renewals and replacements, improvements, betterments, additions, or expansions that do not constitute Required Project Work.

(u) "Percentage Share" means the fraction, expressed as a percent and set forth for each Purchaser in Exhibit D as that Exhibit may be amended from time to time, used to compute the amount of each Purchaser's entitlement to Project Capacity and obligation to pay Annual Project Costs.

(v) "Project" means the Bradley Lake Hydroelectric Project as described in Exhibit C.

(w) "Project Capacity" means the amount of electric capacity capable of being produced by the Project (including capacity attributable to Required or Optional Project Work) at any and all times from the Date of Commercial Operation until the termination of this Agreement (or any renewal thereof) under the operating conditions that exist during such times, including periods when the Project may be not operating or inoperable or the operation thereof is suspended, interrupted, interfered with, reduced, or curtailed, in each case in whole or in part for any reason whatsoever, after corrections for station and Project use, and depletions required under any federal license for the Project.

(x) "Prudent Utility Practice" shall mean at a particular time any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry at such time, or which, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and reasonable expedition. Prudent Utility Practice is not required to be the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of a Project, but also to appropriate structures, landscaping, painting, signs, lighting and other facilities. In evaluating whether any matter conforms to Prudent Utility Practice, the parties shall take into account (i) the nature of the parties

hereto under the laws of the State of Alaska and their statutory duties and responsibilities, and (ii) the objective of integrating Project Capacity with the generating resources of the Purchasers, including resources available under contract, to achieve optimum utilization of the resources and achieve efficient and economical operation of each Purchaser's System. For purposes of this Agreement, "national standards for the industry" means Prudent Utility Practice.

(y) "Purchaser" means, as of any particular time, such of the Municipality of Anchorage d/b/a Municipal Light and Power, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., the City of Seward as have executed this Agreement, and the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"). The term "Purchaser" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.

(z) "Purchaser's System" means a Purchaser's electric utility system for the distribution, transmission, and generation of electrical power and which is owned and operated by the Purchaser. If Purchaser's electric utility system is combined with other utilities of the Purchaser, then "Purchaser's System" includes only those facilities, activities, and revenues properly allocable to Purchaser's electric utility service. "Purchaser's System" does not include the Project, regardless of whether the Purchaser operates the Project under a separate agreement with the Authority.

(aa) "Purchaser's Water Allocation" means the number of acre feet of water from the Project allocated for generation purposes by the Committee to a Purchaser from time to time, based on that Purchaser's Percentage Share.

(bb) "Railbelt" means the geographic area served by the Purchasers.

(cc) "Railbelt Energy Fund" means a fund created by the legislature, the use of which is intended only for approved power supply and transmission projects in the Railbelt.

(dd) "REA" means the Rural Electrification Administration, an agency of the United States Department of Agriculture.

(ee) "Recoverable Construction Cost" means an amount equal to \$175,000,000 less one half the amount, if

any, by which \$350,000,000 exceeds the Cost of Acquisition and Construction, plus the principal amount of additional Bonds (if any) issued pursuant to Section 31.

(ff) "Renewal and Contingency Reserve Fund" means the Renewal and Contingency Reserve Fund established pursuant to Section 502 of the Bond Resolution.

(gg) "Required Action" means an action that must be taken in order for the Authority to comply with federal or state law, the orders of licensing and regulatory agencies, the Bond Resolution, or this Agreement.

(hh) "Required Project Work" means repairs, maintenance, renewals, replacements, improvements or betterments required by federal or state law, a licensing or regulatory agency with jurisdiction over the Project, or this Agreement, or otherwise necessary to keep the Project in good and efficient operating condition, consistent with (1) sound economics for the Project and the Purchasers, and (2) national standards for the industry.

(ii) "Revenue Fund" means the Revenue Fund established pursuant to Section 502 of the Bond Resolution.

(jj) "Trustee" means the trustee appointed pursuant to Article IX of the Bond Resolution, or that Trustee's successor or successors and any other corporation which may at any time be substituted in that Trustee's place under the Bond Resolution.

Section 2. Term Of Agreement.

(a) Effectiveness. This Agreement shall become effective on the first date when (i) the Agreement has been executed and delivered by all Purchasers and by the Authority, and (ii) each Purchaser has obtained all necessary approvals of this Agreement and of all transmission and/or services agreements for the transmission of Project power to the Purchasers. An approval shall not be considered "necessary" for purposes of this Section 2(a) unless, prior to or contemporaneously with delivery of this Agreement, the person or entity from which such approval must be obtained has been identified to the other parties in writing by the Purchaser requiring such approval. It is the intent of each Purchaser to take all steps reasonably within its power to obtain all necessary approvals from its governing body no later than December 1, 1987.

(b) Commencement of payment obligations. The payment obligations of each Purchaser under this Agreement shall commence on the Date of Commercial Operation; provided, that the Purchasers shall be obligated to pay those Committee costs referenced in the last sentence of Section

13(a) regardless of whether the Date of Commercial Operation occurs.

(c) Termination. This Agreement shall terminate (i) 50 years after the Date of Commercial Operation, or (ii) when no Bonds are Outstanding under the Bond Resolution and all payment obligations under this Agreement (other than any payment obligations under Section 29) have been satisfied or provided for, whichever occurs later; provided, that if the Date of Commercial Operation does not occur before January 1, 1996, then this Agreement shall terminate on January 1, 1996. The parties may mutually agree to terminate or to renew this Agreement prior to termination, subject, however, to the written approval of the Administrator of REA if such written approval is then required, and the terms and conditions of covenants and agreements between the Authority and holders of Bonds. If such approval is then required, no amendment of this Agreement shall take effect without the written approval of the Administrator of REA.

(d) Renewal. Any Purchaser may renew this Agreement on the same terms and conditions as provided herein for successive additional terms (such terms to equal forty (40) years or, if shorter, the remaining useful life of the Project), upon written notice to the Authority by the Purchaser given no less than six and no more than twenty-four months prior to the end of the term of this Agreement. Purchasers electing to renew this Agreement shall be entitled to have their Percentage Shares adjusted pro rata, based on their Percentage Shares as set forth in Exhibit D as that Exhibit exists twenty-four months prior to the end of the initial term of this Agreement, so that the adjusted Percentage Shares of the Purchasers renewing this Agreement total one hundred percent (100%). No renewing Purchaser shall be required to accept the entirety of the Percentage Share to which that Purchaser becomes entitled, but if the Percentage Shares of all renewing Purchasers do not total one hundred percent, the Authority may sell to any other utility that is a qualified purchaser of power under the Act any remaining Percentage Share or portion thereof upon the same terms and conditions applicable to the renewing Purchasers, if the Authority reasonably determines that such utility is able to carry out the obligations of a Purchaser under this Agreement and that such sale to such utility will not adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis. The Authority shall not be obligated to renew this Agreement if, after reasonable notice to the renewing Purchasers, Percentage Shares that total one hundred percent have not been sold to such Purchasers or to other qualified utility purchasers.

Section 3. Exhibits. The following exhibits are incorporated by reference into this Agreement:

- (a) Exhibit "A", Bond Resolution,
- (b) Exhibit "B", Delivery Point,
- (c) Exhibit "C", Description of the Project,
- (d) Exhibit "D", Purchasers' Percentage Shares of Project Capacity and of Annual Project Costs, and
- (e) Exhibit "E", Form Of Certain Supplemental Bond Resolutions.

Section 4. Electric Service To be Furnished.

(a) Sale and purchase. The Authority hereby sells, and each Purchaser hereby purchases, that Purchaser's Percentage Share of Project Capacity (together with associated energy) from the Project in accordance with this Agreement. The actual delivery (if any) of electric capacity and associated energy to Purchasers from the Project shall be made in accordance with scheduling procedures adopted by the Committee.

(b) Available Power. The Authority shall at all times, except when prevented by a cause or event not within the control of the Authority, make power available to the Purchasers from the Project in an amount equal to the amount the Purchasers may schedule from the Project, within the limitations imposed by available Project capability, available water, and the scheduling procedures adopted by the Committee.

(c) Required Project Work. The Authority shall make or cause to be made all Required Project Work, provided that funds are legally available to the Authority for this purpose. The costs of Required Project Work shall be included in Annual Project Costs in the manner set forth in Section 8(a)(iv). The Authority shall give reasonable notification to all Purchasers prior to making or causing to be made any Required Project Work. Alternative methods (if any) of carrying out and funding Required Project Work shall be subject to approval by the Committee under rules of procedure to be adopted pursuant to Section 13.

(d) Optional Project Work. The Authority shall not make or cause to be made Optional Project Work unless such Optional Project Work is approved by the Committee. Any Optional Project Work shall be at the expense of the benefitted Purchaser(s), as determined in advance by the Committee, in proportion to the value of the benefit conferred upon each such Purchaser. If such Optional Project Work has an adverse impact upon the operations or finances of a Purchaser as determined by the Committee, the benefitted Purchaser(s) shall compensate the adversely affected Purchaser(s) for the increased costs and reduced benefits resulting from such impact. In the event the Purchasers are unable to agree as to how any increased costs or compensation will be apportioned, or as to the amount of any increased costs or appropriate compensation, the parties shall submit the question to dispute resolution in accordance with the dispute resolution procedures adopted by the Committee under Section 13.

Section 5. Electric Power Reserves For The Project

(a) Need for reserves. The parties recognize that (i) electric power from the Project may be unavailable periodically because of generation and transmission outages, repairs, maintenance, inspections, testing, and similar events, and (ii) under the Alaska Intertie Agreement or otherwise, each Purchaser is responsible for maintaining (or contracting for the use of) generation reserves in amounts sufficient to protect its own loads in the event that Project power is unavailable.

(b) Reserve procedures. Promptly after its establishment, the Committee shall adopt and implement procedures under which, in as cost-effective a manner as possible:

(i) the Authority shall have the right to require the operation of specific amounts of generating capacity owned by a Purchaser and made available to the Authority, and to use the power produced by such operation to provide reserves to requesting Purchasers for some or all Project power, to the extent such capacity would otherwise be idle or its output would otherwise not be needed by the owner of that capacity to enable that Purchaser to meet its own loads or to make power sales to other utilities;

(ii) the additional costs incurred by any Purchaser in making such capacity available to the Authority and in operating the same for the Authority shall be computed equitably and reimbursed promptly to such Purchaser by the Authority; and

(iii) the costs of so reimbursing any Purchaser shall be included in Annual Project Costs.

(c) Alternative reserves. Nothing in Section 5(b) shall:

(i) relieve any Purchaser of the responsibility set forth in Section 5(a)(ii);

(ii) require any Purchaser to make reserve capacity available to the Authority under Section 5(b)(i); or

(iii) require any Purchaser to avail itself of reserve power available from the Authority under Section 5(b)(i), or to bear any of the costs of such power if the Purchaser does not avail itself of such power, if the Purchaser chooses and is able to rely upon its own reserves to meet its loads when Project power is unavailable.

Section 6. Obligations Under Bond Resolution; Completion of Project.

(a) Assignment or payment to Trustee. The parties recognize and agree that (i) the Authority may assign its rights to receive payments under this Agreement as security for the payment of the Bonds to the Trustee under the Bond Resolution for the benefit of the holders of the Bonds, and (ii) the Authority may direct that amounts payable to it under this Agreement be paid directly to the Trustee.

(b) Project funding. The Authority shall issue Bonds, or otherwise obtain funds (including appropriations), sufficient to pay or reimburse the Cost of Acquisition and Construction. Annual Project Costs shall include Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost. The Authority may estimate the Recoverable Construction Cost and issue Bonds at any time in amounts up to the amount of such estimate. As soon as practicable after the Date of Commercial Operation, the Authority shall adjust (and re-adjust when necessary) Annual Project Costs to reflect actual Recoverable Construction Cost.

(c) Covenants of the Authority. The Authority covenants that it will not cause rates for Project Power to increase by reason of any bond resolution, covenant or agreement contained in any trust indenture or trust agreement entered into by the Authority in connection with a power project other than the Project, nor on account of any inadequacy in its actual or projected aggregate

revenues, other than revenues from the Project, nor will the Authority include in Annual Project Costs debt service payable on debt incurred for any purpose except in respect of the Project as provided herein.

(d) Project completion and operation. The Authority agrees to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practice and with the provisions of the Bond Resolution. The Authority shall also use its best efforts consistent with Prudent Utility Practice to construct and complete, and to operate and maintain the Project (or to arrange for such operation and maintenance) to provide power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

(e) Best efforts by Committee members. To the extent that the cost of Project power is or may be affected by actions of the Committee under Section 13, each Purchaser in its capacity as a member of the Committee agrees to use its best efforts consistent with Prudent Utility Practice to assist in assuring that the Project provides power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

Section 7. Payment Obligation.

(a) Payment Obligation. Each Purchaser agrees to pay its Percentage Share of Annual Project Costs for each Fiscal Year. The procedures for determining the amount of and for making such payments are set forth in Section 13 of this Agreement.

(b) Purchaser's Obligations. Each Purchaser shall make payments in the amounts and at the times required by this Agreement notwithstanding a suspension or reduction in the amount of power supplied by the Project. Such payments shall not be subject to any reduction, by offset or otherwise. The parties intend and interpret the foregoing two sentences to mean that the obligation to make such payments shall be absolute and unconditional and unaffected by any interruption, interference, or curtailment in whole or in part of power supplied by the Project. In the event that (i) the Project is no longer operable, or its operation is interrupted or curtailed for any reason whatsoever in whole or in part, and (ii) the Authority does not restore the Project to full operation within a reasonable time, then the Purchasers may upon reasonable notice to the Authority and at their own expense take such action as they deem necessary to so restore the Project.

The taking of such action by the Purchasers shall not alter each Purchaser's obligation to pay its Percentage Share of Annual Project Costs.

Section 8. Annual Project Costs

(a) Annual Project Costs defined. Annual Project Costs means all of the costs resulting from the ownership, operation, maintenance of and renewals and replacements to the Project, properly incurred or paid during each Fiscal Year, including:

(i) Amounts required to be set aside by the Authority for the payment of Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost;

(ii) Amounts required to be set aside for the payment of Debt Service on other Bonds and debt service on other obligations approved in accordance with Sections 11 and 13;

(iii) Amounts required to restore the funds established under the Bond Resolution to the levels required by the Bond Resolution to be maintained therein;

(iv) Amounts which may be required to pay for Required Project Work, to the extent that such costs are not covered by insurance or Bond proceeds or by the Renewal and Contingency Reserve Fund;

(v) Other amounts determined by the Committee to be necessary or appropriate to supplement and to be paid into the Funds established under the Bond Resolution;

(vi) Excess Payment Amounts, if any, computed in accordance with Section 29;

(vii) All other costs of producing and delivering Project power (excluding depreciation) not accounted for by the payments out of funds and reserves specified in the foregoing sections and properly chargeable to the Project under the Uniform System of Accounts, less any credits against said costs by reason of revenues from sources other than the direct sale of power to Purchasers, and also less any credits for interest earned during construction and available for Project purposes; provided, that income from interest earned on reserve funds shall be used at least annually to accumulate and maintain said reserve funds in the amounts required under the Bond

Resolution or in such greater amounts as may be determined by the Committee, or to reduce Annual Project Costs. Such other costs shall include:

(A) Project operating and maintenance costs, in accordance with the Annual Budget adopted in accordance with Section 13;

(B) Costs of Project-related insurance, and, to the extent permitted with respect to each Purchaser under Section 5, the costs of electric power reserves for the Project;

(C) Project-specific administrative and general expenses of the Authority, such as costs of safety inspections and investigations;

(D) Costs of the Committee, whether incurred by the Authority or incurred by a Purchaser on behalf of the Committee; and

(E) Such other Project costs as the Committee may from time to time approve for inclusion in Annual Project Costs in accordance with procedures to be adopted by the Committee.

(b) Proceeds of a taking. Any payment received by the Authority as a result of a taking of the whole or any portion of the capacity, facilities, available water, or output of the Project by any state or federal government agency shall be used by the Authority, after consultation with the Committee, to (i) reduce Annual Project Costs, (ii) retire Bonds, or (iii) reimburse the State of Alaska for a portion of the State's capital contribution to the Project (recognizing the separate sources of Project funding under Section 6(b)), whichever of these uses or combination of such uses shall be equitable and proper under the circumstances existing at the time of the taking.

Section 9. Obligations In The Event Of Default.

(a) Enforcement. Upon failure of a Purchaser to perform any obligation herein, the Authority may bring any suit, action or proceeding at law or in equity ("Suit"), including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against that Purchaser. The Authority may bring such Suit (i) thirty days after giving the Purchaser a written demand for performance, in the case of default by the Purchaser on any obligation other than a payment obligation and (ii) immediately, in the case of default by the Purchaser on any payment obligation. Each Purchaser

shall continue to make payments in the event of any dispute regarding performance of any obligation by any party under this Agreement or in the event of any dispute under the Bond Resolution, and this obligation of continued payment pending resolution of disputes shall be immediately enforceable by any party upon application to any court of competent jurisdiction.

(b) Additional rights and remedies. In addition to the Authority's rights under Section 9(a), if a Purchaser has for any reason suspended or reduced, or has failed to make or has been prevented from making, payments required under this Agreement, the Authority may terminate or suspend the delivery of power to that non-paying Purchaser if, after consulting with the other Purchasers, the Authority reasonably determines that such termination or suspension is more effective than other available alternatives in minimizing adverse impacts on such other Purchasers.

(i) If the Authority so terminates or suspends deliveries, the Authority shall:

(A) offer to other Purchasers, on terms and conditions applicable to other power sold under this Agreement, any power not delivered to the non-paying Purchaser, and if necessary allocate such power pro rata on the basis of Percentage Shares among Purchasers accepting such offer;

(B) offer any power not sold under Section 9(b)(i)(A) to any qualified utility (including the other Purchasers) on terms and conditions deemed favorable by the Authority after consultation with the Committee; and

(C) if the Authority projects that the amounts to be deposited into the Revenue Fund will nonetheless be insufficient to pay Annual Project Costs, increase every other Purchaser's Percentage Share of Annual Project Costs and Project Capacity pro rata to the extent and for the period necessary to compensate for such insufficiency; provided, that no Purchaser's Percentage Share shall be increased by more than twenty-five (25) percent above the amount set forth in Exhibit D without the written consent of that Purchaser.

(ii) If the Authority determines that the process of offering power to others under Sections 9(b)(i)(A) or (B) would delay exercise of the Authority's rights under Section 9(b)(i)(C), and that as a

result the Authority will be unable to make deposits when required under the Bond Resolution, the Authority may exercise its rights under (C) immediately and take the actions required under (A) and (if necessary) under (B) as soon as practicable thereafter. No exercise by the Authority of any of its rights (or any failure by the Authority to exercise any of its rights) under this Section 9(b) shall relieve any non-paying Purchaser of any payment obligation under this Agreement or relieve such Purchaser of any liability for damages resulting from non-payment. In particular, sales of power under Section 9(b)(i)(A) and (B) are intended to reduce the financial impact of any Purchaser's non-payment on other, paying Purchasers. Such sales are not intended to, nor shall they, reduce the payment obligations of the non-paying Purchaser or the damages for which such non-paying Purchaser may be liable.

(iii) To the extent that the Authority uses Project reserve funds to permit it to make timely payments under the Bond Resolution following non-payment by a Purchaser, the amount needed to replenish such reserve funds shall be added to the Annual Payment Obligation of the non-paying Purchaser, and if the non-paying Purchaser fails to make payment of its Annual Payment Obligation as so increased, the Authority may exercise any of the rights available to it under this Section 9(b).

(c) Litigation. If Purchasers' Percentage Shares are increased pursuant to Section 9(b)(i)(C), then the Authority shall, and any other Purchaser(s) may, immediately initiate and diligently pursue litigation in any court of competent jurisdiction to compel full and timely payment by the non-paying Purchaser, to recover amounts needed to compensate Purchasers whose Percentage Shares have been increased, and to obtain such other relief as shall be fair and equitable. The same or similar litigation against any non-paying Purchaser may also be initiated and pursued by the Authority and/or by any paying Purchaser if in response to any non-payment the Authority takes action pursuant to Sections 9(b)(i)(A) or (B).

(d) Default by the Authority. In the event of any default by the Authority under any covenant, agreement or obligation under this Agreement with respect to a Purchaser, that Purchaser may, upon thirty (30) days written notice to the Authority, bring any suit, action or proceeding, at law or in equity, including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against the Authority. No

payment obligation of a Purchaser under this Agreement is subject to offset, however.

Section 10. Purchasers' Systems.

(a) Character of expense. The amounts payable under this Agreement are operating expenses of each Purchaser's System, and are valid and binding obligations of each Purchaser, payable only from the gross revenues of said Purchaser's System as a cost of purchased electric power, and not payable from any taxes.

(b) Purchasers' rate covenants. In order to afford, permit, and make timely payments as specified in this Agreement, each Purchaser agrees that it will establish, charge and collect rates, fees, and charges with respect to that Purchaser's System in accordance with applicable law to provide revenues sufficient to meet its obligations under this Agreement and sufficient to pay, together with any other funds or monies available therefor, any and all other amounts payable from or which constitute or may constitute a charge and lien upon such revenues including, but not limited to, amounts sufficient to meet obligations to service debt incurred by the Purchaser to finance the Purchaser's System.

(c) Operation and maintenance of Purchasers' Systems. Each Purchaser covenants and agrees that it will operate and maintain its System in good repair, working order and condition, and in accordance with Prudent Utility Practice.

(d) Limitation on certain contracts. Each Purchaser covenants and agrees not to enter voluntarily into any contract or agreement to take or to take or pay for power, other than this Agreement, payable from the revenues of the Purchaser's System on a parity with or superior to the payment of its obligations under this Agreement, except that a Purchaser may enter into such a contract or agreement of not to exceed two years' duration under which the Purchaser's payment obligation is on a parity with the payment of its obligations under this Agreement. The limitations of this Section 10(d) shall not apply to contracts or agreements creating obligations on a parity with obligations under this Agreement if a written opinion from a Consultant is rendered that (i) the contract or agreement is reasonably expected to contribute to the conduct of the business of the Purchaser's System in an efficient and economical manner consistent with Prudent Utility Practice, and (ii) the contract or agreement will not impair the ability of the Purchaser to raise revenues sufficient to meet its obligations under this Agreement.

Section 11. Bond Resolution.

(a) Amendment or supplementation of Bond Resolution. Except as provided in Section 12, the Authority will not amend or supplement the Bond Resolution in any manner, or adopt a new Bond Resolution in connection with the refunding of the Bonds, which would materially adversely affect the ability of a Purchaser to fulfill the terms of this Agreement or impose any increased burden or obligation, financial or otherwise, on a Purchaser, without the consent of the Purchaser, unless:

(i) the Committee has approved the Authority's proposed action by a resolution adopted by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs; or

(ii) the Committee by majority vote of the Purchasers requests that Required Project Work be paid for out of the proceeds of Bonds, and such Work is projected to cost in excess of the amount of money then available in the Renewal and Contingency Reserve Fund established pursuant to the Bond Resolution, plus available insurance proceeds, in which event, if such Bonds can then be legally issued and can be sold, the Authority shall issue such Bonds, payable from the Revenues of the Project (as defined in the Bond Resolution), to pay the portion of such costs which exceed insurance proceeds, if any, and to restore said Reserve Fund to its required level.

(b) Insurance. The Authority will maintain physical loss insurance to the extent required by the Bond Resolution, and the Authority will consult with the Committee as provided in Sections 12 and 13 with respect to the disposition of proceeds of said insurance received as a consequence of physical destruction or impairment of the Project, including but not limited to disposition for the purpose of redemption of Bonds, replacement of the Project, or replacement of power. The Committee shall advise the Authority from time to time as to the appropriate extent of insurance coverage.

(c) Information. The Authority shall provide each Purchaser a copy of any report, certificate, letter, or other communication which the Authority is required to furnish to the Trustee under the Bond Resolution or that the Trustee furnishes to the Authority.

Section 12. Purchasers' Consent To Supplemental Bond Resolutions To Construct The Project. The Purchasers hereby consent to the adoption by the Authority of supplemental Bond Resolutions pursuant to Section 11(a), as necessary to comply

with the Authority's obligation to finance and construct the Project pursuant to Section 6(b) and the Authority's obligation under Section 6(d) to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practices and with the provisions of the Bond Resolution. The Authority shall consult with the Purchasers regarding the provisions to be included in such supplemental Bond Resolutions, and shall use its reasonable best efforts to comply with the requests of the Purchasers with respect thereto. Unless otherwise approved in accordance with Section 11(a)(i), such supplemental Bond Resolutions shall:

(a) provide that the total amounts required for the payment of Debt Service when due shall be, on an annual basis, as nearly equal as practicable;

(b) provide that the final maturity of Bonds issued pursuant to such supplemental Bond Resolutions shall not be earlier than twenty-five (25) years from the date when the first of such Bonds is issued;

(c) be substantially in the form attached hereto as Exhibit E, except to the extent that the Authority finds that modifications are necessary to sell the Bonds on a tax-exempt basis; and

(d) be adopted no earlier than January 1, 1989.

Section 13. Establishment Of The Committee.

(a) Formation and composition of the Committee. The parties agree that a Project Management Committee ("Committee") shall be established on January 15, 1988, or on such earlier date as may be agreed to by the parties. The Committee shall consist of the Authority and the Purchasers (including as Purchasers for this purpose both Homer Electric Association, Inc., and Matanuska Electric Association, Inc., for themselves and for AEG&T as a Purchaser represented by and through those utilities). No Committee member shall obtain an additional vote through merger with, acquisition of, or assignment from any other Committee member, and AEG&T shall have no direct vote, but shall be represented by and through Homer Electric Association, Inc., and Matanuska Electric Association, Inc., each of which shall be entitled to vote as a Purchaser member for purposes of Committee procedure. Each Committee member entitled to vote shall name one representative to serve on the Committee and one designated alternate for that representative. Each such member shall notify all other members in writing of the names, addresses, and telephone numbers of its representative and designated alternate. After it is established, the Committee shall meet not less than once each quarter. Costs of the Committee (other than costs incurred by the Authority) which

are incurred prior to the Date of Commercial Operation shall be borne by the Purchasers in accordance with the Percentage Shares of each.

(b) Adoption of rules of procedure. The Committee shall adopt, by the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, procedures for the periodic selection of Committee officers, the conduct of Committee meetings, dispute resolution, the approval (including possible pre-approval) of Consultants, and modification of the Committee's procedural rules, and, to the extent not otherwise specified in this Agreement, such rules shall also specify the applicable voting requirements for approval of matters to be decided by the Committee. Committee approval of operations and maintenance arrangements for the Project, the sufficiency of the annual budget and wholesale power rates, and the undertaking of Optional Project Work shall require the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority.

(c) Committee responsibilities: approval by the Authority.

(i) As the legal owner and licensee of the Project, the issuer of Project debt, and the agency charged by statute with various duties affecting or affected by the Project, the Authority has certain non-delegable rights, duties, and responsibilities with respect to the Project. Subject to such non-delegable rights, duties, and responsibilities, the Committee shall be responsible for the management, operation, maintenance, and improvement of the Project, in recognition that as take-or-pay purchasers of Project Capacity after the Date of Commercial Operation, the Purchasers have substantial long-term financial interests in, and service and planning responsibilities affected by, the Project.

(ii) The Committee shall take the following actions, subject to the provisions of the Bond Resolution, federal and state law, the requirements of licensing and regulatory agencies, and the rights of the Authority and the Purchasers under other provisions of this Agreement:

(A) Arrange for the operation and maintenance of the Project, and the scheduling, production, and dispatch of Project power;

(B) Establish procedures for the use of each Purchaser's Water Allocation in a manner

consistent with the needs and desires of other Purchasers and the capabilities of the Project;

(C) Adopt in each Fiscal Year (and revise as necessary or prudent during such Fiscal Year) a budget of Annual Project Costs for that Fiscal Year, which budget shall be in an amount estimated by the Committee to be sufficient to pay all Annual Project Costs;

(D) Establish for each Fiscal Year the estimated Annual Payment Obligation of each Purchaser, together with a schedule for each Purchaser of equal monthly payments that such Purchaser shall be required to make during that Fiscal Year, which payment schedule shall be (I) designed to recover such estimated Annual Payment Obligation from that Purchaser during the Fiscal Year, and (II) revised during such Year to reflect any revisions to the budget of Annual Project Costs for that Fiscal Year;

(E) Determine after the conclusion of each Fiscal Year the actual Annual Project Costs for that Fiscal Year, the actual Annual Payment Obligation of each Purchaser for that Fiscal Year, and the amount of any additional payment required from (or the amount of any refund to be returned to) each Purchaser to ensure that the total of all payments received from each Purchaser for each Fiscal Year is equal to that Purchaser's actual Annual Payment Obligation for that Fiscal Year;

(F) Evaluate and select among alternative methods (if any) of carrying out and funding (including through issuance of bonds) Required Project Work;

(G) Adopt provisions to evaluate and approve Optional Project Work, and to determine the compensation (if any) to be provided in accordance with Section 4(d) of this Agreement if the Committee approves any such Optional Project Work;

(H) Adopt procedures consistent with Section 13(f) for the resolution of disputes that may arise between or among the Purchasers and the Authority concerning the interpretation of this Agreement, the obligations created by this Agreement, or the performance of such obligations;

(I) Make an initial determination of "customary" insurance within the meaning of Section 714 of the Bond Resolution and determine the appropriate amount of, and obtain, insurance for or related to the Project, in addition to such insurance as may be required by the Bond Resolution;

(J) Adopt maintenance schedules for the Project that do not interfere unreasonably with the operations of the Purchasers;

(K) Adopt and implement procedures relating to electric power reserves for the Project in accordance with Section 5; and

(L) Consider the need for and approve any additional amount to be added to the Renewal and Contingency Reserve Fund over and above the Renewal and Contingency Reserve Requirement provided under the Bond Resolution.

(iii) If and when no Bonds are outstanding under the Bond Resolution, and the Bond Resolution is therefore no longer effective, the Committee shall provide for the establishment of such accounts and the taking of such actions as may be necessary to manage the Project.

(d) Payment obligation unimpaired. Notwithstanding any Committee action or inaction under this Agreement, each Purchaser's obligation to make the monthly payments necessary to pay its Purchaser's Percentage Share of Debt Service, costs of operation and maintenance, and all other amounts to be paid by Purchasers under this Agreement shall be absolute and unimpaired.

(e) The Authority's ability to take Required Action. In the event the Committee fails to take any of the actions set forth in Section 13(c)(ii)(C)-(E) in a timely fashion, or fails to take any other action which the Authority believes to be a Required Action, and as a result the Authority determines that it will be unable to meet any of its obligations imposed by statute, by the Bond Resolution, by this Agreement, or by any licensing or regulatory agency, then the Authority may (i) adopt a budget of Annual Project Costs, (ii) estimate the Annual Payment Obligation of each Purchaser, (iii) require each Purchaser to make payments on the basis of such estimated Annual Payment Obligation, and (iv) take such other action as the Authority deems necessary to meet such obligations. Failure of the Committee to adopt an Annual Project Budget by the ninetieth (90th) day prior to the beginning of a Fiscal Year shall permit the Authority to adopt an Annual

Project Budget pursuant to this subsection. All actions and determinations under this Section 13(e) shall be taken and made in accordance with Prudent Utility Practice.

(f) Purchasers' duties and rights of review. Each Purchaser shall make payment as required by the Authority as a result of any action taken by the Authority under Section 13(e), but such payment shall not constitute a waiver of any Purchaser's rights under this Agreement. Any Purchaser may seek review of such action in accordance with the dispute resolution procedures adopted by the Committee, or may seek to enforce this Agreement judicially in accordance with Section 9(d) if no applicable dispute resolution procedures have been adopted.

Section 14. End Of Project

(a) Authority's declaration. The Authority shall declare the Project ended, and the Authority's obligations to make power available to the Purchasers and to operate and maintain (or to assure the operation and maintenance of) the Project shall also end, if and when (i) such a declaration is required under Section 14(b), or (ii) the Project can no longer be operated in accordance with Prudent Utility Practice.

(b) Consultant's report. The Authority shall make the declaration described in Section 14(a) if all of the following conditions are met:

(i) The Project cannot be operated at full capacity in a manner consistent with Prudent Utility Practice absent repairs, modifications, or additions ("Repairs") to the Project;

(ii) a Consultant retained by the Committee concludes that such Repairs are not cost-effective in comparison with other power supply alternatives then available to the Purchasers; and

(iii) Committee members who are Purchasers and whose Percentage Shares total eighty percent (80%) vote that such Repairs should not be undertaken.

(c) Consequences of Authority's declaration. After the Authority has declared the Project ended, each Purchaser shall complete its payment obligation for Project Capacity and associated energy delivered to such Purchaser before the Project ended, and shall do so by paying its Percentage Share of Annual Project Costs until all Bonds have been paid or provision has been made for the payment of the Bonds in accordance with the Bond Resolution; provided, that from the date on which the Authority

declares the Project ended, Annual Project Costs shall no longer include (except with Committee approval) costs other than those set forth in Sections 8(a)(i), 8(a)(ii), 8(a)(iii), 8(a)(vii)(C), and 8(a)(vii)(D).

Section 15. Records. In addition to meter records, the parties shall keep log sheets and other records as may be needed for the purposes of this Agreement. In keeping books of account, each Purchaser will, to the extent that different rules are not prescribed by this Agreement or by federal and state laws or agencies, follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission, except that as long as a Purchaser is a borrower from REA then it shall follow the system of accounts prescribed by REA for its electric borrowers.

Section 16. Inspection Of Facilities. For purposes of this Agreement, each party may, but shall not be obligated to, inspect any other party's facilities relating to the Project at any time upon reasonable notice, but such inspection or failure to inspect shall not render the inspecting party, its officers, agents or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this Agreement.

Section 17. Covenants To Maintain Integrity Of Agreement.

(a) Retail rate approval. Each Purchaser will affirmatively and promptly pursue all administrative and judicial remedies necessary to secure Alaska Public Utility Commission approval of retail rates required to meet the terms of this Agreement where Commission approval is required.

(b) Compliance with law. Each Purchaser will take all necessary steps to comply with applicable federal and state laws and regulations, licenses and permits relating to the use and operation of the Purchaser's System.

(c) Sales, mergers, and assignments. No Purchaser shall abandon, sell, mortgage, lease or otherwise dispose of the Purchaser's System or any assets of that System (including by sale to or merger with any other utility), or assign this Agreement or any interest thereunder to any assignee or successor in interest, unless:

(1) such disposal or assignment accords with the terms of any of the Purchaser's covenants or agreements with the holders of the Purchaser's bonds, notes or other evidences of indebtedness relating to the abandonment, sale, mortgage, lease or other disposition of property of the Purchaser's System; and

(2) such disposal or assignment is:

(A) consented to in writing by a majority of the Committee, including the Authority's representative; or

(B) made to another utility that is already a Purchaser under this Agreement and is able to meet the obligations resulting from the disposal or assignment; or

(C) limited to assets that the Purchaser determines to be surplus to the needs of that Purchaser's System, but the depreciated value of assets so disposed of or assigned in any given year shall not exceed five percent (5%) of the depreciated value of the assets of the Purchaser's System prior to the disposal or assignment; or

(D) evaluated by a Consultant and that Consultant certifies that, taking into account the other obligations of the Purchaser or of the assignee or successor in interest (as the case may be), the Purchaser or the assignee or successor in interest will have (A) substantially the same or greater ability to produce sufficient revenues to meet its payment obligations as would the Purchaser absent the transaction, and (B) the ability to perform all obligations under this Agreement.

Any assignee of this Agreement must assume in writing all of the assigning Purchaser's obligations hereunder, must pay any amounts due and owing from the assigning Purchaser hereunder, and (unless the assignee is already a Purchaser) must provide the Authority and the Purchasers with an opinion of counsel that this Agreement is enforceable against the assignee.

(d) Status of Bonds. The parties will not take any action, including entry into power sales agreements, which would cause the interest on any Bond which is originally issued on a tax-exempt basis to become taxable under the Internal Revenue Code of 1986, as the same may be amended from time to time.

(e) Licenses and permits. The parties will take all necessary steps within their control to comply with applicable federal and state laws and regulations, and to obtain and thereafter comply with all applicable licenses and permits relating to the use and operation of the Project, including without limitation, the Federal Energy Regulatory Commission license applicable to the

Project. The Authority will take all necessary steps to cause the Federal Energy Regulatory Commission license to be renewed, if necessary, so that it is in effect during the term of this Agreement or any renewal hereof.

Section 18. Assignment.

(a) Assignment generally. This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this Agreement; provided, that this Agreement or any interest herein may be transferred or assigned by a Purchaser only in accordance with the provisions of Section 17(c).

(b) Specific rights and transactions. Notwithstanding Sections 17(c) and 18(a):

(1) A Cooperative Purchaser shall have the right to assign its assets, including its rights under this Agreement for security purposes to REA, or to a lender or guarantor in connection with loans to such Cooperative Purchaser where the proceeds of such loans are used to refinance obligations of such Cooperative Purchaser to REA or the Federal Financing Bank under Section 311 of the Rural Electrification Act or otherwise; provided, however, that (A) neither REA nor any secured lender or guarantor exercising any rights, powers or privileges with respect to this Agreement under any mortgage, deed of trust or other security agreement shall be entitled to exercise the rights of the Cooperative Purchaser under this Agreement unless the obligations of such Cooperative Purchaser hereunder shall have been performed, (B) no such assignment shall in any way relieve such Cooperative Purchaser of any obligations hereunder, and (C) no assignment shall be permitted hereunder if such assignment would adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis.

(2) A Purchaser's agreement to resell power from the Project shall not be deemed a transfer or assignment of this Agreement, but neither shall any such resale of Project power relieve the Purchaser of any payment obligation under this Agreement.

Section 19. Notices, Computation Of Time And Holidays. Any notice required by this Agreement to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 12:01 p.m. prevailing time at the place of receipt on the date of receipt of such notice. Whenever this Agreement calls for notice to or notification by any party the

same (unless otherwise specifically provided) shall be in writing directed to the Authority's executive director or a Purchaser's general manager. If the date for making any payment or performing any act is a day on which banking institutions are closed in the place where payment is to be made or a legal holiday, payment may be made or the act performed on the next succeeding day which is neither a legal holiday nor a day when banking institutions are closed in such place.

Section 20. Applicable Law. The laws of the State of Alaska (including without limitation the equal opportunity laws set forth in AS 18.80.220, as the same may be amended from time to time) shall govern the interpretation and application of this Agreement and the actions of the parties hereunder.

Section 21. Availability Of Information. The parties shall make available to each other, for inspection and copying during business hours, all books, records, plans and other information relating to any calculation or determination to be made pursuant to this Agreement.

Section 22. Severability.

(a) Severability generally. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such adjudication and all the remaining provisions of this Agreement shall remain in full force and effect as if such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

(b) Correction and substitution. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, then and in such event the parties agree that they shall exercise their best efforts to correct such invalidation and substitute appropriate agreements and contractual arrangements to achieve the intent of this Agreement.

(c) References to REA. From and after the time any Cooperative Purchaser is no longer indebted to REA under any mortgage or other security agreement with REA, all references to REA and required approvals of the Administrator of REA provided for in this Agreement shall be of no further force and effect with respect to that Cooperative Purchaser.

Section 23. Remedies Cumulative. No remedy conferred upon or reserved to the parties hereto is intended to be

exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

Section 24. Waiver Not Continuing. Any waiver at any time by either party to this Agreement of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default, right or matter.

Section 25. Section Headings. The section headings in this Agreement are for convenience only, and do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the section to which they pertain.

Section 26. Multiple Copies. This Agreement shall be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 27. Covenant To Act In Good Faith. In order to permit this Agreement, throughout its term, to be fully effective in accordance with the original intent of the parties, each party agrees that it shall at all times act in good faith in performing its obligations and in exercising its rights under this Agreement.

Section 28. No Third Party Beneficiaries. Notwithstanding that the operation of this Agreement may and is intended to confer benefits on third parties who are not signatories to this Agreement, this Agreement shall be enforceable only in accordance with its provisions expressly governing enforcement. In promising performance to one another under this Agreement, the parties intend to create binding legal obligations to and rights of enforcement in (a) one another, and (b) such assignees or successors in interest of the parties as may enjoy a right to enforce this Agreement by virtue of provisions of this Agreement that expressly create such a right in such assignees or successors in interest. By entering into this Agreement, the parties expressly do not intend to create any obligation or promise any performance to any other third party, nor have the parties created for any other third party any right to enforce this Agreement.

Section 29. Excess Payments.

(a) Payments in Recognition of Efforts to Obtain Intertie. In recognition of the Railbelt Energy Council's commitment to continue efforts to obtain a satisfactory transmission intertie between Fairbanks and the Kenai Peninsula, and the Railbelt Energy Council's recognition of the importance of such an intertie to the well-

being of the Railbelt region and the Purchasers' ratepayers, and in anticipation of legislative funding of such an intertie, the Purchasers agree to make the payments described below in excess of actual debt service required for retirement of Bonds issued to pay Recoverable Construction Costs. The Purchasers' obligations to make payment under this Section 29 are not contingent upon the success of such continued efforts to obtain a satisfactory transmission intertie between Fairbanks and the Kenai Peninsula.

(b) Calculation of Excess Payment Amount. Subject to the limitations set forth in Sections 29(e) and 29(f), upon the retirement of all Bonds issued to pay Recoverable Construction Costs (and of all Bonds issued to refund such Bonds) and the consequent reduction of Debt Service includable in Annual Project Costs, there shall be added to and included in Annual Project Costs an amount (the "Excess Payment Amount") calculated as follows:

(i) The average annual Debt Service on such retired Bonds, less

(ii) any debt service included in Annual Project Costs that is associated with bonds or other debt issued to fund Required Project Work.

In no event shall the Excess Payment Amount be negative.

(c) Payment of Excess Payment Amount. Each Purchaser shall pay its Percentage Share of the Excess Payment Amount as part of that Purchaser's Annual Payment Obligation so long as that Purchaser continues to purchase Project power under this Agreement or any renewal thereof.

(d) Disposition of Payments. All Excess Payment Amounts received from Purchasers, and all additional charges paid pursuant to Section 29(b), shall be paid to the Authority for deposit into the Railbelt Energy Fund.

(e) Limitation. Notwithstanding any other provision of this Section 29, no Purchaser's Annual Payment Obligation shall include a charge with respect to any Excess Payment Amount in excess of four cents (\$0.04) per kilowatthour of Project power delivered to such Purchaser.

(f) Duration. The provisions of this Section 29 shall not serve to extend the term of this Agreement or any renewal thereof, and shall cease to be effective upon the expiration or termination of this Agreement (as the same may be extended through any renewal thereof).

Section 30. Special Arrangements Regarding AEG&T.

(a) Contracts acknowledged. The parties recognize that Homer Electric Association, Inc. ("HEA") and Matanuska Electric Association, Inc. ("MEA"), have previously entered into contracts with the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"), and that under such contracts AEG&T is to sell and HEA and MEA are to buy electric power in amounts necessary to meet the full requirements of HEA and MEA, such power to be generated by AEG&T or to be purchased by AEG&T from other suppliers. Under this Agreement, therefore, AEG&T is a Purchaser on behalf of HEA and MEA, and AEG&T's payment obligations are secured by HEA's and MEA's respective obligations to provide at all times the monies necessary for the performance of AEG&T's payment obligations, as more fully described in Section 30(b).

(b) Treatment of HEA and MEA as Purchasers for certain purposes. HEA and MEA shall have all the rights and obligations of individual Purchasers and/or Cooperative Purchasers with respect to Sections 2(a), 4(d), 6(e), 8(a)(vii)(D), 10, 13(c), 13(d), 15, 17, 18, 31, and 32, unless the context otherwise requires. If AEG&T at any time fails to meet its payment obligations under this Agreement, then to the extent of such failure by AEG&T and for so long as such failure continues, HEA and MEA shall each be obligated to meet directly its respective share of AEG&T's payment obligations in the same manner as if HEA and MEA were individual Purchasers obligated to make payment in accordance with Section 7 and Section 9. All rights and remedies available to the Authority and/or to the other Purchasers against AEG&T shall also be available to the Authority and the other Purchasers against HEA and MEA to the extent of the respective individual share of HEA and/or MEA, as applicable. For purposes of this Section 30(b), HEA's share shall be a Percentage Share of Project Capacity equal to 12.0 percent, and MEA's share shall be a Percentage Share of Project Capacity equal to 13.8 percent.

(c) Arrangements among HEA, MEA, and AEG&T. In accordance with the provisions of Section 30(a) and subject to the provisions of Section 30(b), AEG&T as a Purchaser hereunder shall act on behalf of HEA and MEA for purposes of power deliveries, billing, payment, notification, and other communications under this Agreement. AEG&T shall be, on behalf of HEA and/or MEA, the Purchaser from the Authority and the re-seller to HEA and/or MEA of power to be taken by HEA and/or by MEA under this Agreement. Further, AEG&T will receive, on behalf of HEA and/or MEA, all billings and other communications under

this Agreement, and AEG&T will be required to pay such bills for and on behalf of HEA and/or MEA from funds made available to AEG&T by HEA and/or MEA for this purpose.

Section 31. Capitalization Of Certain Costs Of Purchasers.

(a) Promptly after the Committee is formed, and before the Authority first issues Bonds, the Purchaser members of the Committee shall determine by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs:

(i) whether and to what extent the costs borne by the Purchasers pursuant to the last sentence of Section 13(a) should be capitalized through issuance of additional Bonds, with the costs of debt service on those additional Bonds to be added to Annual Project Costs; and

(ii) whether and to what extent the costs incurred by the individual Purchasers in conjunction with this Agreement prior to the Date of Commercial Operation should be capitalized and reimbursed through issuance of additional Bonds, and whether and to what extent the costs of debt service on those additional Bonds should be added to Annual Project Costs and allocated among Purchasers either in accordance with their respective Percentage Shares or in some other manner.

(b) If the Purchasers provide the Authority with a written determination that additional Bonds should be issued for either or both of the foregoing purposes, then notwithstanding any other provision of this Agreement, the Authority shall issue additional Bonds in the requisite principal amount, allocate the proceeds of such additional Bonds among the appropriate Purchasers in accordance with such written determination, and include the costs of debt service on such additional Bonds in Annual Project Costs; provided, that the Authority shall not be obligated to issue such additional Bonds unless the Authority is reasonably able to do so in conjunction with the issuance of other Bonds; and provided further, that the allocation among Purchasers of the costs of debt service on additional Bonds issued for the purpose set forth in Section 31(a)(ii) shall be made in the manner specified in such written determination.

Section 32. Efforts To Obtain Intertie. The Purchasers recognize the importance of the completion of a satisfactory high-capacity Fairbanks to Kenai Peninsula transmission

intertie, and of full \$218 million funding for the Project, and agree to continue all reasonable efforts to obtain sufficient state funding for such transmission intertie and Bradley Lake.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

THE ALASKA POWER AUTHORITY

By _____

As _____

ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.

By _____

As _____

CHUGACH ELECTRIC ASSOCIATION, INC.

By _____

As _____

HOMER ELECTRIC ASSOCIATION, INC.

By _____

As _____

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By _____

As _____

MATANUSKA ELECTRIC ASSOCIATION, INC.

By _____

As _____

By _____

As _____

THE MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER

By _____

As _____

THE CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM

By _____

As _____

Senator John B. (Jack) Coghill
Alaska State Legislature




Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

M E M O R A N D U M

To: Representative Sam Cotton, Co-Chair House Resources
Representative Adelheid Herrmann, Co-Chair House Resources

From: Senator John B. Coghill 

Re: SB 206

Date: April 27, 1988

This version of SB 206 allows the Alaska Power Authority to function more efficiently and effectively without a continual drain of the general fund.

While this committee substitute does not do nearly half as much as my original version, it is a concise bill which achieves two important purposes: assists rural energy consumers and gives needed bonding authority to the APA.

Sect. 1 Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

Sect. 2 Amends the existing statute by adding school districts, regional education attendance areas and business enterprises to entities that qualify for loans from the power project fund. Also allows the loan fund to be used for consumer end-use conservation improvements and for acquisitions of bulk fuel other energy resources.

Sect. 3 Defines "business enterprise" as defined by the Alaska Industrial Development Authority.

Sect. 4 Allows APA to issue bonds for any programs, activities or projects allowed by the power project fund as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

Sect. 5 Allows Rural Electrification Revolving Loan Fund to be funded from the power project fund. Loan criteria are modified

to allocate half of the funds available to extend service along state highways.

Sect. 6 Changes loans evaluation criteria from economic to financial feasibility.

Sect. 7 Effective date clause

Alaska Power Authority

TO: Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair

FROM: Robert E. LeResche
Executive Director
Alaska Power Authority

DATE: April 27, 1988

RE: HCS CSSB 206
Section Analysis

SEC. 1: Provides legislative recognition and statutory authority to the creation, under contract, of a project management committee. Project management committees, under current contracts with the Alaska Power Authority, operate and manage APA power projects. The powers of a project management, with respect to the power project, are to be determined by the contract and may include the responsibility for the management, operation and maintenance of the project. Allows the committee, as provided for in the contract, to have a separate legal existence and other powers necessary for its purposes.

SEC. 2: Adds school districts, regional educational attendance areas and business enterprises to entities that qualify for loans from the Power Project Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 3: Provides for the definition of "business enterprise" as having the same meaning as defined under AS 44.88.220" "Business enterprise means a single proprietorship, cooperative, corporation, firm, partnership, or other association of persons organized in any manner, for any credit worthy purpose."

SEC. 4: Allows the APA to issue bonds for any of the revenue producing programs, activities, or projects authorized under the Power Project Fund as enumerated in the statutes. Allows the APA to pledge a portion of the principal and interest from loan repayments to the Power Project Fund and other earnings as security for the bonds. Enhances the credit worthiness of power project bonds.

SEC. 5: Adds new language to existing statute relating to the types of loans the APA may make from the Rural Electrification Revolving Loan Fund (RERLF). Stipulates that RERLF applications for loans to extend service along state roads or highways shall be given priority for up to one-half of the funds available for RERLF loans.

SEC. 6: changes RERLF loan evaluation criteria from economic to financial feasibility.

89/J08/1

4/27 SB 472

Josephson

Karen Lee - will need an ARLF loan for purchasing the receivables of The Dairy - \$1 m accy but there's a limit for price fac's of \$250k - Karen Lee wants to buy the business assets - maybe w/ to go borrow pvt \$ -

→ will someone end up owning the corp? by using loans etc.?

Mark Weaver -

→ Sam asks for financial stmt on the company -

11/22/12

At 10:00 AM

10:00 AM

10:00 AM

10:00 AM

10:00 AM



Alaska State Legislature

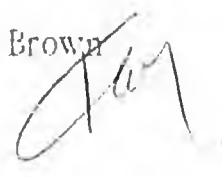
HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Representative Sam Cotten

FROM: Representative Kay Brown 

DATE: April 21, 1988

SUBJ: HB 483/Bradley Loan Legislation
and HB 238/Integrated Resource Planning

As you know, HB 238 was recently reported out of the Resources Committee in a greatly compromised form which provides for the Railbelt utilities to prepare integrated resource plans which adequately address both supply-side and demand-side energy development opportunities.

During the evolution of HB 238 the utilities have argued that while they support integrated resource planning, they would urge an incentive-based approach. In the spirit of compromise, I have supported amendments to the bill which eliminated the enforcement mechanism originally included in the bill (ie, APUC pre-project approval). Accordingly, as the bill now stands, the quality of the planning process will largely depend on the good-faith efforts and self-interest of the utilities involved.

As I have noted to you previously and consistent with the utility position that integrated resource planning should be incentive-based, I would like to ask your support to ensure that the utilities have a sufficient incentive to prepare the integrated resource plans called for under the plan. To accomplish this, I would propose to condition the availability of future state subsidies for the Railbelt utilities upon having an approved integrated resource plan.

Specifically, I propose to attach the planning requirements of HB 238 as a condition of gaining access to state subsidies from the "Railbelt energy account" that would be established by HB 483. Conceptually, the loan for Bradley would be made as provided for in HB 483, but future borrowing or

financing from the fund would be conditioned by the necessity of having an approved integrated resource plan.

From a policy perspective, this would ensure that future state subsidies (in the form of low interest loans or public bond financing) would be consistent with a comprehensive planning effort. At the same time, attaching the planning requirements to HB 483 and making future subsidies contingent upon an approved plan would ensure that the planning requirements were taken seriously by the utilities. Again, this approach would be consistent with the utilities general philosophy of having the planning requirements based on incentives (ie, access to state financing or subsidies).

If you are receptive to this approach, please so indicate to Representative Adams as soon as possible so that we can schedule HB 238 and 239 for consideration in Representative Pourchot's subcommittee, which is considering HB 482 and 485.

Thank you.

SOME DRAFT LANGUAGE WHICH WOULD
TIE INTEGRATED RESOURCE PLANNING
TO FUTURE STATE FINANCING OR PROJECT
AMENDMENT DEVELOPMENT

5-0638Xa
Cramer

Offered in the HOUSE

By Brown

TO: CSHB 238()

Page 1, line 7:

Delete "reports"

Insert "plans; limiting construction of certain power projects; and providing for an effective date"

Page 6, line 18:

Delete "a new section"

Insert "new sections"

Page 6, after line 22:

Insert the following new material to read:

"Sec. 44.83.087. COMPLIANCE WITH INTEGRATED RESOURCE PLAN. The authority may not participate in the financing, acquiring, or constructing of a power project that is intended to provide electricity to an electric utility that is subject to AS 42.05.294 unless the project is consistent with the utility's approved integrated resource plan.

* Sec. 4. AS 44.83.230(4) is amended to read:

(4) "power project" or "project" means a plant, works, system, or facility, together with related or necessary facilities and appurtenances, including a divided or undivided interest in or a right

to the capacity of a power project or project, that

(A) is used or is useful for the purpose of

(i) [(A)] electrical or thermal energy production other than nuclear energy production;

(ii) [(B)] waste energy utilization and energy conservation; or

(iii) [(C)] transmission, purchase, sale, exchange, and interchange of electrical or thermal energy, including district heating or interties; and

(B) meets the requirement of AS 44.83.087, if applicable;"

Renumber remaining bill section accordingly.

Page 6, after line 25:

Insert a new bill section to read:

"* Sec. 6. AS 44.83.087, enacted by sec. 3 of this Act, and the amendment to AS 44.83.230(4) made by sec. 4 of this Act take effect May 15, 1991."

MEMORANDUM

State of Alaska

Office of the Governor
Division of Policy

TO: The Honorable Steve Cowper
Governor

DATE: May 8, 1987

FROM: Mary Halloran *MH*
Director

PHONE: 465-3568

Jack Kreinheder *JK*
Senior Analyst

SUBJECT: CSSB 206 (Finance) and Railbelt Interties

The Senate Finance Committee substitute for SB 206 raises major policy issues concerning the proposed Railbelt transmission intertie project, the consolidation of several energy loan funds, and funding for the Power Cost Equalization program. We need to confirm the administration's position on each of these issues. The bill is now in Senate Rules awaiting scheduling for a floor vote.

The Finance Committee substitute is a much expanded version of the original SB 206. The original bill, sponsored by Sens. Coghill and Faiks, was intended mainly to facilitate construction of the Railbelt intertie projects by exempting interties from the project approval process required under current law. The Finance Committee substitute would also combine six existing funds, including the Railbelt Energy Fund, into a new "power project revolving fund," with the income of the fund to be used for the Power Cost Equalization program and to make loans for future power projects.

This memorandum focuses on the major policy issues cited above and does not discuss each section in the bill. A sectional analysis has already been prepared by Senator Coghill's office; this analysis is attached.

The Railbelt Interties and the Project Approval Process

Section 9 of the bill amends AS 44.83.187(d) to provide that transmission interties are not subject to the project approval process required by AS 44.83.177 - 44.83.185. This legislation has been requested by the Railbelt utilities because they want a final,

irrevocable commitment to construct the Railbelt interties from the legislature this session, in order to meet their requirements for signing power sales agreements for the Bradley Lake project. Apparently, the utilities are concerned that if the interties must complete the project approval process, there is a possibility that the Legislature could later revoke its approval of the interties if the detailed feasibility studies prove to be less promising than the preliminary studies completed to date. The utilities would already have committed to purchase Bradley Lake power by that time.

There is currently a difference of opinion between the Department of Law and the Legislative Division of Legal Services on the applicability of the project approval process to transmission interties. The Department of Law has issued an opinion that interties are subject to the requirements of the approval process, while the Division of Legal Services recently issued an opinion to the contrary. The sponsors of SB 206 maintain that the legislation is intended to resolve this ambiguity. Note, however, that the Anchorage-Fairbanks intertie, which was constructed in 1984 did complete the full project approval process and this issue was not raised at that time.

From a policy standpoint, the key issues concerning Section 9 of SB 206 are the following:

- Is it fiscally responsible to exempt an intertie project which is estimated to cost approximately \$200 million and is proposed to be financed entirely by State funds from the careful study and review required by the project approval process?
- Do the preliminary reconnaissance-level studies which have been completed by the Power Authority to date provide an adequate basis for the State to now make an irrevocable commitment to construct the interties, as the Railbelt utilities have requested?

We believe that the answer to both of these questions is no. The project approval process was enacted by the legislature, with support from the Hammond Administration, to ensure that State investments in power projects are economically and fiscally sound, with minimum risk of cost overruns, rate impacts, and other potential liabilities. These objectives are as valid and as necessary today as they were in 1980 when the legislation was enacted. The "fast-track" project development process recommended by the intertie advocates does not fulfill these objectives.

At its April 22nd meeting, the Power Authority Board of Directors passed a motion opposing this provision of SB 206, arguing that exempting the interties from detailed studies and review was not a

prudent project development strategy. The board noted that this statement did not reflect any view on the merits of the intertie project, but rather a position that completing the project approval process was an essential prerequisite to construction of the interties.

The Executive Director of the Power Authority has stated that even if SB 206 is enacted, the Authority will be required by its own regulations and policies to complete the approval process for the interties. Therefore, it is unclear what the Railbelt utilities would gain from the intertie exemption, other than some intangible assurance that the legislature would ignore the results of the detailed feasibility studies and OMB's review.

The proponents of the Railbelt interties cite several arguments in favor of exempting the interties from the project approval process:

- The Railbelt Energy Council was established by the legislature to recommend the best use of the Railbelt Energy Fund, and the Council determined that the intertie project was the most beneficial project;
- The preliminary intertie studies completed by the APA show positive economic benefits from the project;
- The Railbelt interties have benefits which are difficult to quantify, such as increased competition among fuel suppliers. Therefore, the interties must be evaluated on public policy grounds, rather than strictly on the basis of economic feasibility;
- If the legislature does not enact this provision and commit to construction of the interties this session, the Railbelt utilities will not sign power sales agreements for the Bradley Lake project, requiring the project to be delayed for a year or more while detailed feasibility and design studies are completed.

While each of these arguments has some merit, we believe that none of them outweigh the State's responsibility to verify the need for the interties, their expected benefits and construction costs, and related issues before committing to a \$200 million capital expenditure. The intertie studies which have been completed under contract by the APA were competently done considering the severe time and fiscal constraints on the studies, but they represent a fraction of the effort which would ordinarily be completed before the Power Authority Board or OMB would recommend project construction. Less than \$500,000 has been spent on these studies to date, of which just \$25,000 was devoted to evaluating the economic feasibility of the interties. This limited budget did

Governor Steve Cowper
May 8, 1987
Page 4

not allow any sensitivity analysis of the effect of changes in fuel prices, load growth, or other factors on project feasibility.

Under the statutory project approval process, these preliminary studies would be reviewed by OMB to determine if the project warranted further study. If OMB approved the preliminary studies, approximately \$15 - 20 million would then be spent on detailed design, cost estimation, and feasibility analysis before any recommendation to construct the projects would be made. Committing to the construction of the Railbelt interties before these detailed studies are undertaken presents an unacceptable risk of higher construction costs, lower economic benefits, and other liabilities.

If the utilities were required to fund a major portion of the interties, rather than relying entirely on State financing, they would probably require more detailed feasibility studies before agreeing to pay for their share of the project. With full State financing of the interties, there is no "market test" for the projects, because the utilities have no capital at risk. For this reason, the interties should perhaps be evaluated more carefully than the Power Authority's previous hydro projects, in which the utilities do have financial participation.

As you know, an appropriation of \$200 million for the Railbelt interties was recently added to the Senate budget. At a minimum, we recommend opposing exemption of the interties from the project approval process and seeking legislative intent language to accompany the appropriation which would state that the interties must complete the approval process. As long as the appropriation is not binding and the approval process is followed, it is probably not necessary to take a position on the appropriation itself.

The Railbelt utilities may respond to this approach by refusing to sign power sales agreements for the Bradley Lake project. We will then be faced with the choice of delaying or shutting down the project. We feel that the additional \$6 - 10 million cost of a one-year delay for Bradley Lake is preferable to a premature commitment to construction of the interties.

Consolidation of Energy Funds / PCE Funding

The second major element of SB 206, which was added in the Finance Committee substitute, would consolidate six existing energy funds into a new "power project revolving fund" (See attached chart for list of funds, loan terms, and earnings). Repayments of loan principal and interest would be retained in the fund, while the interest earnings of the fund itself would revert to the general fund. A key provision of the bill is that the first priority for use of the moneys in the new fund would be to fully fund the Power

Governor Steve Cowper
May 8, 1987
Page 5

Cost Equalization program. It appears that this provision is simply a bargaining chip to secure support of rural legislators for the Railbelt intertie appropriation.

However, the cash flows which would be deposited in the new fund are insufficient to meet even half of the long-term funding requirements for Power Cost Equalization, much less other power projects. In FY 88, only about \$9.4 million would flow into the fund -- about \$6.4 million from the 4-dam pool loan, an additional \$1.9 million from the power project fund, and \$0.12 million from the rural electrification revolving loan fund. An additional \$23 - 25 million may be available from the balance of the Railbelt Energy Fund that is not required for the interties and Bradley Lake; however, this amount would only fund PCE for 1 - 2 years.

Therefore, all of the fund's income (plus other appropriations) would be required to partially fund PCE for the foreseeable future, with no remaining money for other power projects. This approach does not seem to be a viable method for funding Alaska's energy needs, which include rural electrification and waste heat and other efficiency projects.

A related policy issue is that this proposal conflicts with the Administration's position as reflected by HB 120, which would return the income from the 4-dam pool loan to the general fund (HB 120 was passed by the House and is now in Senate Resources). SB 206 would commit a significant source of revenue for the State to the Power Project Revolving fund and appears to raise the same dedicated fund issue which we have addressed through HB 120. In addition, SB 206 would further limit the State's flexibility in dealing with revenue fluctuations by reducing available general funds.

Please let us know if you would like additional information on these issues.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box Y, State Capitol
Juneau, Alaska 99811-3106
Mail Stop 3100
(907) 465-3991

file
SB206

January 12, 1988

TO: Representative Max Gruenberg
ATTN: Mark Handley
FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst
RE: Railbelt Energy Fund: Status and Legislation
Research Request 88.115

You requested this agency to provide a summary of the Railbelt Energy Fund including the following: 1) the current fund balance and investment portfolio; and 2) all legislation relating to its creation and use.

The Railbelt Energy Fund (REF) was established in 1986 as a separate fund within the State's General Fund. According to AS 37.05.153, the Department of Revenue manages the fund, interest earned on the balance can be appropriated into the fund annually, and the legislature may appropriate money from the fund to ... "assist in meeting Railbelt energy needs."

As of January 4, 1988, the REF balance was \$227.7 million. The REF is invested primarily in U.S. Treasury obligations along with other moneys in the State's General Fund. The current yield of all General Fund investments equals roughly 7.9 percent. To date, the legislature has not appropriated the earnings of the REF into the fund. We estimate accumulated interest earnings by the end of FY 88 to be roughly \$44 million.¹

¹According to Milt Barker, Deputy Commissioner of the Department of Revenue, the exact amount of interest earnings can be calculated for any previous period or estimated through FY 88 if you so desire.

Legislation relating to the Railbelt Energy Fund is summarized below.

1986 Legislation. (Attachment A):

The Railbelt Energy Fund was created (HB 699; 29 SLA 86).

The Railbelt Energy Council was established to, in part, ... "recommend the best options for planning, financing, constructing, and managing electric power facilities in the Railbelt area;..." (HCS CSSB 468; 30 SLA 86.) The council was disbanded as of June 30, 1987.

An initial appropriation of \$200 million, plus reappropriations of unexpended portions of prior Susitna Hydroelectric project appropriations (from 1979 - 1985), were made to the Railbelt Energy Fund (CSHB 477; 41 SLA 86). The original fund balance was roughly \$283 million.

A \$2.5 million appropriation was made from the Railbelt Energy Fund to the Alaska Power Authority for ... "a review and evaluation of Railbelt electric power alternatives including coal-based generation, natural gas-based generation, conservation, the Devil Canyon hydroelectric project and other hydroelectric alternatives." (CSHB 477; 42 SLA 86).

1987 Legislation. (Attachment B):

A \$50 million appropriation was made from the Railbelt Energy Fund to the Alaska Power Authority for the Bradley Lake Hydroelectric Project (SB 159; 96 SLA 87).

The \$2.5 million appropriation in 1986 for Railbelt electric power alternatives was amended to allow the money to be spent ... "preparing studies required under AS 44.83.177 - .185 for electric interties between the Kenai Peninsula and Fairbanks." [CCSHB 29 (Section 150); 3 FSSLA 87.]

Two bills are pending before the 1988 legislature in the House Resources Committee: (Attachment C):

SCS CSHB 284 would make two appropriations from the Railbelt Energy Fund to the Alaska Power Authority including: 1) \$100 million to upgrade the Anchorage-Fairbanks intertie; and 2) \$100 million to upgrade the Anchorage-Kenai Peninsula intertie.

Representative Gruenberg
January 12, 1988
Page 3

CSSB 206 would replace the Power Development Fund with a new Power Project Revolving Fund (PPRF) within the Alaska Power Authority. The bill, as passed by the Senate, would establish a financing mechanism whereby loans and grants could be made annually from this fund for various projects, with full funding of the Power Cost Equalization program being the first priority. Under last year's proposal, the PPRF would be initially funded by the balance of the Railbelt Energy Fund after the \$200 million appropriation to the Railbelt interties (under SCS CSHB 284 above) and \$50 million appropriation to the Bradley Lake Hydroelectric project.

For additional history of the origins of the Railbelt Energy Fund, please refer to House Research Agency Memorandum 87.152 (Attachment D). If you have any questions on this information, please contact me.

Attachments

ATTACHMENT A
1986 Legislation

§ 37.05.152

§ 37.05.153

PUBLIC FINANCE

§ 37.05.156

Revisor's notes. — Enacted as AS SLA 1986, makes this section effective
37.05.156. Renumbered in 1986. April 24, 1986, in accordance with AS
Effective dates. — Section 2, ch. 17. 01.10.070(c).

Sec. 37.05.153. Railbelt energy fund. There is established in the general fund the Railbelt energy fund. The fund consists of money appropriated to it by the legislature. The Department of Revenue shall manage the fund. Interest received on money in the fund shall be accounted for separately and may be appropriated into the fund annually. The legislature may appropriate money from the fund to assist in meeting Railbelt energy needs. (§ 1 ch 29 SLA 1986)

Revisor's notes. — Enacted as AS Effective dates. — Section 2, ch. 29,
44.25.050. Renumbered in 1986. SLA 1986, makes this section effective
Cross references. — For railbelt en- May 24, 1986, in accordance with AS
ergy council formed to review railbelt en- 01.10.070(c).
ergy problems and needs, see ch. 30, SLA
1986, in the Temporary and Special Acts.

Sec. 37.05.155. [Renumbered as AS 37.05.151]

Sec. 37.05.156. Budget reserve fund; appropriation limit.
(a) There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate of population by the Department of Labor. The determination of the change in inflation for purposes of this subsection shall be based on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation

AN ACT

Creating the Railbelt energy council; and providing for an effective date.

* Section 1. FINDINGS. The legislature finds that

(1) state energy policy should change from a policy of the state assuming responsibility for providing electric power to a policy of the state assisting the private sector and public utilities to provide adequate electric power at reasonable cost;

(2) state funds available for energy development should be used to assist in financing projects that utilities cannot finance themselves;

(3) utilities should be encouraged to assume the responsibility of regional power generation and transmission rather than relying on the state;

(4) energy planning and financing must be efficient and cost-effective;

(5) the Railbelt energy fund should be used if necessary to develop power projects that will meet market investment criteria;

(6) the Railbelt area generally consists of the region of the state extending from Fairbanks to Homer and served by the Golden Valley Electric Association, the Fairbanks Municipal Utilities System, the Matanuska Electric Association, the Chugach Electric Association, Anchorage Municipal Light and Power, the Seward Electric System, and the Homer Electric Association utilities.

* Sec. 2. COUNCIL CREATED. (a) The Railbelt energy council is



Chapter 30

Source

SB 475 in

AN ACT

Designating the woolly mammoth (Mammuthus) as the state fossil.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

THE ACT FOLLOWS ON PAGE 1, LINE 1

Approved by the Governor: May 24, 1986
Actual Effective Date: August 22, 1986

1 established to

2 (1) recommend the best options for planning, financing, con-

3 structing, and managing electric power facilities in the Railbelt area;

4 (2) examine all alternatives and recommend the best method for

5 meeting projected Railbelt electrical energy demand;

6 (3) recommend alternative financing plans for assisting the

7 private sector and public utilities to meet the future energy needs of the

8 Railbelt area;

9 (4) determine whether a regional generation and transmission

10 utility organization can operate to the best interests of utility con-

11 sumers;

12 (5) cooperate with the Alaska Power Authority to examine the

13 feasibility and desirability of energy projects.

14 (b) Membership on the council consists of two members appointed by

15 the governor; two senators appointed by the president of the senate; two

16 members of the house of representat. is appointed by the speaker of the

17 house; and one representative from each of the seven Railbelt utilities.

18 (c) By February 15, 1987, the council shall report its recom- ds-

19 tions to the legislature.

20 * Sec. 3. This Act is repealed June 30, 1987.

21 * Sec. 4. This Act takes effect immediately in accordance with AS 01-

22 10.070(c).

AN ACT

Making, amending, and repealing appropriations for energy programs; and providing for an effective date.

- * Section 1. Section 3, ch. 96, SLA 1985, page 8, line 17 (Susitna Hydroelectric Project Financing - \$200,000,000) is repealed.
- * Sec. 2. Section 3, ch. 96, SLA 1985, page 9, line 5 (Bradley Lake Hydroelectric Financing - \$50,000,000) is repealed.
- * Sec. 3. Section 26, ch. 98, SLA 1985, page 59, line 18 (Power Cost Equalization - \$21,700,000) is repealed.
- * Sec. 4. The sum of \$200,000,000 is appropriated from the general fund to the Railbelt energy fund (AS 44.25.050) for the purpose of Railbelt energy development.
- * Sec. 5. The sum of \$50,000,000 is appropriated from the general fund to the power development fund (AS 44.83.167) for the purpose of financing the Bradley Lake hydroelectric project.
- * Sec. 6. The sum of \$21,700,000 is appropriated from the general fund to the power cost equalization fund (AS 44.83.167) for the purpose of providing power cost equalization assistance to utilities.
- * Sec. 7. AS 44.83.165 is amended to read:

Sec. 44.83.165. (CONTINUING) APPROPRIATION FOR POWER COST EQUALIZATION. The sum of \$16,300,000 is appropriated on July 1, 1987, and the sum of \$21,700,000 is appropriated on July 1 of each subsequent fiscal year from the general fund to the power cost equalization fund

(AS 44.63.167).

* Sec. 8. AS 44.63.410 is amended to read:

Sec. 44.63.410. [CONTINUING] APPROPRIATION FOR RAILBELT ENERGY DEVELOPMENT [SUSITNA RIVER HYDROELECTRIC PROJECT]. The sum of \$100,000,000 is appropriated on July 1, 1984, [AND THE SUM OF \$200,000,000 IS APPROPRIATED ON JULY 1 OF EACH SUBSEQUENT FISCAL YEAR] from the general fund to the authority for deposit in the power development fund (AS 44.63.382) for the purpose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR, THE SUSITNA RIVER HYDROELECTRIC PROJECT].

* Sec. 9. AS 44.63.420 is amended to read:

Sec. 44.63.420. [CONTINUING] APPROPRIATION FOR BRADLEY LAKE HYDROELECTRIC PROJECT. The sum of \$50,000,000 is appropriated on July 1, 1984, [OF EACH FISCAL YEAR] from the general fund to the authority for deposit in the power development fund (AS 44.63.382) for the purpose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,] the Bradley Lake hydroelectric project.

* Sec. 10. The unexpended, unobligated, and unencumbered balance of the appropriation in sec. 8 of this Act is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 11. Obligations, encumbrances, and expenditures incurred against appropriations repealed or amended in secs. 1 - 3 and 7 - 9 of this Act are considered. Obligations, encumbrances, and expenditures of the appropriations enacted in secs. 4 - 6 of this Act. The appropriations enacted in secs. 8 - 10 and 12 of this Act do not appropriate any more money than was previously appropriated by the appropriations amended or repealed in secs. 1 - 3 and 7 - 9 of this Act.

* Sec. 12. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 1, ch. 26, SIA 1979 (Office of the Governor for

feasibility studies - \$6,178,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 13. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 786, ch. 50, SIA 1980, page 67, line 7 of the project fund, feasibility analysis, Upper Susitna - \$7,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 14. Section 6, ch. 90, SIA 1981, as amended by sec. 81, ch. 141, SIA 1982, sec. 94, ch. 106, SIA 1983, and sec. 193, ch. 165, SIA 1985 is amended to read:

Sec. 6. The sum of \$12,713,200 (\$50,000,000) is appropriated from the general fund to the Alaska River Authority for feasibility studies, preconstruction design, and engineering, to be allocated to the following proposed projects:

Project	Amount
(1) Black Bear Lake	\$ 1,500,000
(2) Chester Lake	1,000,000
(3) Chakachamna Lake	997,000
(4) Grant Lake	1,000,000
(5) Bethel regional study/feasibility	1,000,000
(6) Power Creek	992,200
(7) [SUSITNA]	16,100,000
(8) Tazimina Lake	2,000,000
(9) West Creek	1,000,000
(10) Rural community feasibility studies: Ahtna, Akutan, Zebler, Alyson, Alca, Chignik, Chignik Lagoon, Chignik Lake, Chukchi, Gardiner, Elm, False Pass, Gulkana Bay, Grayling, Gustavus, Ivanoff Pass, Kaktovik, Karluk, Klana, King Cove, Larsen Bay,	

Bikanski, Old Harbor, Petryville,

Swanson Bay, Shungnak, Tenakee Springs,

Ugalek, Unalaska 3,615,000

* Sec. 15. The unexpended, unobligated and unencumbered balance of the appropriation and allocation repealed by sec. 14 of this Act (Susitna - \$16,000,000) is reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 16. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 73, ch. 101, SIA 1982, (Alaska Power Authority, Susitna studies - \$25,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 17. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 34, ch. 107, SIA 1983, page 69, line 25 (Alaska Power Authority, Susitna - \$28,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 18. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 319, ch. 171, SIA 1984, page 53, line 11 (Alaska Power Authority, Susitna - \$32,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 19. The appropriations in secs. 4, 5, 6, 7, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100 of this Act are for capital projects, and do not lapse, in accordance with AS 44.25.050.

* Sec. 20. Sections 1 - 3 and 5 - 9 of this Act are retroactive to January 1, 1985.

* Sec. 21. This Act takes effect on the effective date of an Act creating the Railbelt energy fund.



LAWS OF ALASKA

1986

Source

CSSB 477(Fin)

Chapter No.

42

AN ACT

Making a special appropriation to the Alaska Power Authority for reviewing and evaluating Railbelt electric power alternatives, and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

Approved by the Governor: May 24, 1986
Actual Effective Date: May 24, 1986

AN ACT

Making a special appropriation to the Alaska Power Authority for reviewing and evaluating Railbelt electric power alternatives; and providing for an effective date

Section 1. The sum of \$2,500,000 is appropriated from the Railbelt energy fund in the general fund to the Alaska Power Authority for preparing review and evaluation of Railbelt electric power alternatives including oil-based generation, natural gas-based generation, conservation, the Klondike Canyon hydroelectric project, and other hydroelectric alternatives.

Sec. 2. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

Sec. 3. This Act takes effect on the effective date of an Act that transfers at least \$2,500,000 to the Railbelt energy fund.

ATTACHMENT B
1987 Legislation

AN ACT

Amending an appropriation to the Alaska Power Authority
for the Bradley Lake Hydroelectric Project.

* Section 1. Section 3, ch. 128, SLA 1986, page 3, line 7, is amended
to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Alaska Power Authority			
- Bradley Lake Hydro-			
electric Project	\$50,000,000	(\$50,000,000)	<u>\$50,000,000</u>

* Sec. 2. The funding source of this amended appropriation is the
Milbelc Energy Fund (AS 37.05.153).



LAWS OF ALASKA

1987

First Special Session

Source

CCSHB 29

Chapter No.

1

AN ACT

Making, amending, transferring, and repealing operating and capital appropriations; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: July 23, 1987
Actual Effective Date: July 24, 1987; sections 3, 4, 5, 9, 17,
24, 34, 36, 57, 75, 79-81, 89, 100, 113, 147, and 148 are
retroactive to June 30, 1987.

Chapter 3

* Sec. 150. Section 1, ch. 42, SLA 1986 is amended to read:

Section 1. The sum of \$2,500,000 is appropriated from the Railbelt energy fund in the general fund to the Alaska Power Authority for preparing studies required under AS 44.83.177 - 44.83.185 for electric interties between the Kenai Peninsula and Fairbanks (A REVIEW OR EVALUATION OF RAILBELT ELECTRIC POWER ALTERNATIVES INCLUDING COAL-BASED GENERATION, NATURAL GAS-BASED GENERATION, CONSERVATION, THE DEVIL CANYON HYDROELECTRIC PROJECT, AND OTHER HYDROELECTRIC ALTERNATIVES).

* Sec. 151. The sum of \$2,700,000 is appropriated from the power development revolving loan fund (AS 44.33.600) to the power project for (AS 44.83.170) for a loan to the City of Nenana for a feasibility study for a coal-fired electric generation facility.

* Sec. 152. The sum of \$85,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.115 to the City of Noorvik for erosion control.

* Sec. 153. The sum of \$375,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.115 to the City of Ambler for erosion control.

* Sec. 154. The sum of \$2,000,000 is appropriated from the general fund to the Department of Education for the purpose of mitigating adverse consequences to small single site schools and REAAs that may arise from the implementation of the new school foundation formula. It is the intent of the legislature that proposed expenditures from this appropriation be brought to the Legislative Budget and Audit Committee for approval before disbursement. The department shall bring a recommendation for the disbursement of the funds to the committee by September 1, 1987.

* Sec. 155. The sum of \$400,000 is appropriated from the general fund to the Department of Education to reimburse for a period of one fiscal

year, communities that incorporate as boroughs and have a local tax structure.

* Sec. 156. The appropriations made by secs. 151 and 152 are for capital projects and are subject to AS 37.05.120, and do not lapse under AS 37.25.010.

* Sec. 157. The sum of \$1,000,000 is appropriated to the Department of Commerce and Economic Development loan fund (AS 6.10.305), for a loan for the State (Section 158 of this Act follows beginning

ATTACHMENT C
1988 Pending Legislation

Original sponsor: Finance Committee

Funding Information

General Fund	\$	-0-
Other Funds		200,000,000
		<u>\$200,000,000</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 284 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making appropriations for capital projects;

7

and providing for an effective date."

8

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

9

* Section 1. The sum of \$100,000,000 is appropriated from the Railbelt energy fund (AS 37.05.153) to the Department of Commerce and Economic Development, Alaska Power Authority, to upgrade the Anchorage to Fairbanks transmission intertie to 345kv.

13

* Sec. 2. The sum of \$100,000,000 is appropriated from the Railbelt energy fund (AS 37.05.153) to the Department of Commerce and Economic Development, Alaska Power Authority, to construct the Anchorage to Kenai Peninsula transmission intertie at 230kv.

17

* Sec. 3. The appropriations made by this Act are for capital projects and are subject to AS 37.25.020.

19

* Sec. 4. This Act takes effect July 1, 1987.

Original sponsors: Coghill and Faiks

1 IN THE SENATE BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 206 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST 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 44.83.092 is amended by adding a new subsection to
10 read:

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.105 is amended to read:

23 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PRO-
24 GRAM FOR ALASKA. The authority may borrow money and issue its bonds
25 for the acquisition or construction of power projects to be acquired
26 or constructed under the energy program for Alaska. The principal of
27 and interest on the bonds are payable from money derived from the sale
28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska [FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST EQUALI-
20 ZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolv-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

22 (D) acquisitions of bulk fuel or proven reserves of
23 gas, oil, coal, geothermal, or other energy resources; and

24 (E) consumer end-use improvements to reduce demand for
25 energy;

26 (2) to a borrower for a power project if

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.83.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 (k) The authority may make loans from the power project re-
5 volving fund to the authority to pay the cost of feasibility studies,
6 design, and construction of transmission projects. The authority
7 shall repay the principal amount of loans made under this subsection
8 to the fund from revenue identified at the time that the loan is made.
9 The authority may not charge interest on a loan under this subsection.

10 * Sec. 3. AS 44.83 is amended by adding a new section to read:

11 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
12 borrow money and issue bonds to make or refinance loans from the power
13 project revolving fund for a revenue producing program, activity, or
14 project authorized under the power project revolving fund. However,
15 the authority may not issue bonds to make or refinance a loan entered
16 into under a leveraged lease financing arrangement.

17 (b) Loans made or refinanced with the proceeds of bonds authori-
18 zed by this section for projects under AS 44.83.170(b) are subject to
19 AS 44.83.170(a) - (e).

20 (c) With respect to loans made or refinanced with the proceeds
21 of bonds, the authority may pledge the principal and interest received
22 from the loan repayments and the interest earned on those amounts in
23 the power project revolving fund for bonds issued under this section.

24 (d) The authority may notify the head of a department or agency
25 of the state in writing that a borrower is in default on the repayment
26 of principal or interest on loans made or refinanced with the proceeds
27 of bonds issued under this section. Notwithstanding any other pro-
28 vision of law, to the extent that a department or agency of the state
29 is the custodian of money payable to the borrower, the department or

1 agency shall withhold payment of the money from the borrower and pay
2 over the money to the authority to pay principal and interest on bonds
3 of the authority issued under this section.

4 * Sec. 9. AS 44.83.187(d) is amended to read:

5 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to
6 (1) an addition, modification, repair, reconstruction,
7 design, acquisition or construction for the purpose of completing a
8 project;

9 (2) the construction of an electrical transmission or dis-
10 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

11 * Sec. 10. AS 44.83.361(a) is amended to read:

12 (a) The rural electrification program [REVOLVING LOAN FUND] is
13 established in the Alaska Power Authority. [THE FUND CONSISTS OF

14 (1) APPROPRIATIONS MADE TO THE FUND; AND

15 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

16 * Sec. 11. AS 44.83.361(b) is amended to read:

17 (b) The authority may make loans from the power project revolv-
18 ing fund under AS 44.83.170 for the rural electrification program
19 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
20 Public Utilities Commission. A loan under the program [FROM THE FUND]
21 may be made only for the purpose of extending new electric service
22 into an area of the state that an electric utility may serve under a
23 certificate of public convenience and necessity issued by the Alaska
24 Public Utilities Commission. A loan may be made under the program
25 [FROM THE FUND] to an electric utility if the utility invests the
26 money necessary to provide one pole, one span of line, one trans-
27 former, and one service drop for each consumer for whom immediate
28 service would be provided by the extension of electric service.
29 Applications for loans to extend service along state roads or highways

1 shall be given priority for up to one-half of the funds available for
2 loans under this section. However, a loan may not be made [FROM THE
3 FUND] unless

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

6 (2) the extension of electric service would provide immedi-
7 ate service to at least three consumers.

8 * Sec. 12. AS 44.83.361(c) is amended to read:

9 (c) A loan under [FROM] the rural electrification program [RE-
10 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
11 cent of the unpaid balance of the loan. Loan repayments and interest
12 [INTEREST] received on a loan made under this section shall be de-
13 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
14 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
15 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
16 ing on a loan made under this section after 20 years.

17 * Sec. 13. AS 44.83.361(e) is amended to read:

18 (e) The authority shall

19 (1) adopt regulations necessary to carry out the provisions
20 of this section;

21 (2) administer the rural electrification program [REVOLVING
22 LOAN FUND]; and

23 (3) submit to the legislature within the first 10 days of
24 each regular legislative session a report of actions taken by the
25 authority under this section and an accounting of the rural electri-
26 fication program [REVOLVING LOAN FUND].

27 * Sec. 14. AS 44.83.363 is amended to read:

28 Sec. 44.83.363. LOAN ADVISORY COMMITTEE When an application
29 for a rural electrification loan is submitted to the authority under

1 AS 44.83.361, the authority shall appoint a local advisory committee
2 from persons residing in the area that the applicant utility is certi-
3 fied to serve. The loan advisory committee shall consider the loan
4 application, and shall recommend whether the loan application is to be
5 approved or disapproved. A favorable recommendation from the loan
6 advisory committee shall be based on a determination that development
7 in the area of the proposed extension of electric service is likely to
8 provide for full repayment of the loan under AS 44.83.361(d) within 20
9 [10] years. In making that determination the committee shall consider

10 (1) permanence of the premises to be served by the exten-
11 sion;

12 (2) land use patterns in the area;

13 (3) access for the line that would be installed with loan
14 proceeds;

15 (4) availability of other utility service in the area; and

16 (5) the financial [ECONOMIC] feasibility of the extension
17 of electric service with the proceeds of the loan.

18 * Sec. 15. AS 44.83.380(b) is amended to read:

19 (b) The energy program for Alaska is a program by which the
20 authority may acquire or construct power projects with money appropri-
21 ated by the legislature to the power project revolving fund under
22 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
23 A power project may be acquired or constructed as part of the energy
24 program for Alaska only if the project is submitted to and approved by
25 the legislature in accordance with procedures set out in AS 44.83.-
26 177 - 44.83.187.

27 * Sec. 16. AS 44.83.384 is amended to read:

28 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM [BALANCE]. (a)
29 The authority may use money in the power project revolving fund under

1 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
2 PROVIDE MONEY] for

3 (1) reconnaissance and feasibility studies and power proj-
4 ect finance plans prepared under AS 44.83.177 - 44.83.181;

5 (2) the cost of a power project, including but not limited
6 to costs of acquiring necessary licenses, preparing engineering de-
7 signs, obtaining land, and constructing the power project;

8 (3) the defeasance of bonds, or the payment of debt service
9 on loans for or on an issue of bonds sold in connection with a power
10 project;

11 (4) the cost of operating and maintaining power projects;
12 and

13 (5) debt service on power projects.

14 (b) In addition to the purposes authorized by (a) of this sec-
15 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
16 OF THIS SECTION ONLY] for a power project under the energy program for
17 Alaska if the project [THAT]

18 (1) is economically feasible; and

19 (2) provides the lowest reasonable power cost to utility
20 customers in the market area for the estimated life of the power
21 project, whether operated by itself or in conjunction with other power
22 projects in the market area, and [THAT] operates or will operate on
23 one or more of the following:

24 (A) renewable energy resources, including but not
25 limited to hydroelectric power, wind, biomass, geothermal, tidal
26 or solar energy, or a method that uses temperature differentials
27 or other physical properties of the ocean;

28 (B) coal or peat;

29 (C) energy derived from waste heat; or

1 (D) fossil fuel, including oil or natural gas.

2 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
3 44.83.398, the fund may be used by the authority to provide money for
4 the cost of a power project under the energy program for Alaska that
5 is or was either constructed or owned by the United States government
6 if the requirements of this subsection are met. The provisions of
7 AS 44.83.177 - 44.83.187 do not apply to a power project financed
8 under this subsection. The authority may use money in the fund for
9 the cost of a power project under this subsection if

10 (1) the legislature enacts a law approving the project;

11 (2) the office of management and budget in the Office of
12 the Governor reviews a feasibility study and a plan of finance for the
13 project and determines that the feasibility study complies with the
14 requirements for a feasibility study submitted under AS 44.83.181(b)
15 and that the plan of finance complies with the requirements for a plan
16 of finance submitted under AS 44.83.181(c); and

17 (3) the project meets the other requirements of this chap-
18 ter.

19 * Sec. 17. AS 44.83.398(c) is amended to read:

20 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
21 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
22 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
23 for money it has pledged or otherwise covenanted to secure bonds.

24 * Sec. 18. AS 44.83.425(3) is amended to read:

25 (3) "fund" means the power project revolving [DEVELOPMENT]
26 fund established by AS 44.83.170 [AS 44.83.382];

27 Sec. 19 A loan made under AS 44.83.170(k), added by sec. 7 of this
28 Act, before January 1, 1989, to the authority for the Fairbanks-Kenai
29 Peninsula Intertie shall be repaid from revenue from the Bradley Lake

1 hydroelectric project after the revenue bonds for that project are retired.

2 * sec. 20. To be consistent with the change made by sec. 4 of this Act,
3 wherever in the Alaska Statutes and in regulations adopted under those
4 statutes "power project fund" is used, it shall be read as referring to the
5 power project revolving fund. Under AS 01.05.031 the revisor of statutes
6 shall implement this section in the statutes, and, under AS 44.62.125(b)-
7 (6), the regulations attorney shall implement this section in the adminis-
8 trative regulations.

9 * Sec. 21. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
10 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.382, 44.83.386, and
11 44.83.388(b) are repealed

12 * Sec. 22. Obligations, encumbrances, and expenditures incurred against
13 funds amended or repealed by this Act are considered obligations, encum-
14 brances, and expenditures of the power project revolving fund (AS 44.83.-
15 170).

16 * Sec. 23. Sections 2 - 6, and 10 - 22 of this Act take effect July 1,
17 1987, if an Act transferring appropriations for energy programs to the
18 power project revolving fund and making appropriations to the power project
19 revolving fund is enacted on or before July 1, 1987.

20 * Sec. 24. Sections 1 and 7 - 9 of this Act take effect immediately
21 under AS 01.10.070(c).

ATTACHMENT D
House Research Memorandum 87.152

STATE OF ALASKA 1987 LEGISLATIVE SESSION

FISCAL NOTE

SENATE

No. 352

Bill Version: CSSB 206(Rules)

Publish Date: 5/11/87

REQUEST: CSSB 206 (Fin)

Revision Date: 5/11/87

Agency Affected: _____

Title: Relating to the Alaska Power

BRU: _____

Authority: _____

Sponsor: Coghill and Faiks

Components: _____

Requestor: Senate Rules

EXPENDITURES/REVENUES: (Millions of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

REVENUE	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

FUNDING:	(Millions of Dollars)	FY88	FY89	FY90	FY91	FY92	FY2021-41
GENERAL FUND		(13.5)	(12.9)	(12.2)	(11.6)	(11.0)	
FEDERAL FUNDS							
OTHER *		15	59	57	33	34	(310.0)**
TOTAL		1.5	46.1	44.8	21.4	23	(310.0)

POSITIONS:

FULL-TIME	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PART-TIME						
TEMPORARY						

ANALYSIS :

*RAILBELT ENERGY FUND

**Will be repaid annually at net debt service requirement of Bradley Lake from year 31 through year 50 of the power sales agreement.

Prepared by: Robert E. LeResche Phone: 465-3575
 Division: Alaska Power Authority Date: 5/11/87

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer):

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

CSSB 206 Res

The fiscal note for CSSB 206 (5/1/87) is based on the assumption that the net effect to the general fund, with the exception of Section 8, is zero. Section 8 provides the Power Authority with sufficient security to fund future projects and loans through revenue bonds instead of general fund appropriations. Assuming no loan defaults (all existing power project loan repayments are current), the savings to the general fund would be as follows:

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Appropriations not incurred ¹	13.5	14.1	14.7	15.4	16.1
Less: Debt Service of Appropriations		<u>(1.2)</u>	<u>(2.5)</u>	<u>(3.8)</u>	<u>(5.1)</u>
Net Savings	<u>13.5</u>	<u>12.9</u>	<u>12.2</u>	<u>11.6</u>	<u>11.0</u>

- ¹ Based on the 1981-86 average of capital project appropriations excluding Susitna, Bradley Lake, Four Dam Pool, City of Sitka, and PCA. Escalated at an assumed annual inflation rate of 4.5 percent.
- ² Assumes appropriations on the above line are made as 30-year loans at an 8 percent interest rate.



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Sam Cotten
FROM: Senator John B. (Jack) Coghill
DATE: May 12, 1987
RE: CSSB 206 (Rules)

CSSB 206 is a complex bill, the purpose of which is to create a revolving fund and combine six other funds. All debt service repayments and earnings would be retained in the fund (Power Project Revolving Fund) and the legislature would retain control of income due to interest and other earnings of the fund. The bill also clears up the legal ambiguity on whether transmission and distribution lines are subject to the project approval process like power projects. The following is a section by section analysis.

*not allow
APA to duplicate
as quantity
proj. mgr.?*

SEC. 1: Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers concerns.

SEC. 2: Allows APA to issue bonds under the Power Project Revolving Fund in lieu of the power development fund that it replaces.

SEC. 3: Changes power cost equalization from fund to program.

constituted

SEC. 4: Converts existing power project fund into power project revolving fund and allocates portion of loan repayments that is attributable to repayment of principal to the fund. Before only legislative appropriations were used.

SEC. 5: Adds school districts and regional educational attendance areas to entities that qualify for loans from the Power Project Revolving Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of

gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 6: Designates all debt service repayments and fund earnings into the Power Project Revolving Fund. Allows APA to make new loans from the principal portion of loan repayments. Spending or encumbering the interest repayments or other earnings of the fund (PPRF) requires legislative appropriation.

SEC. 7: Sets up a Railbelt Loan Advisory Committee, composed of the Railbelt utilities, to review all Railbelt energy-related project loan applications and provide non-binding recommendations to APA.

Requires APA to report to the legislature by the 10th day of session to make recommendations on allocation of funds in the fund (PPRF). The first priority of unrestricted funds is to fully fund the Power Cost Equalization Program.

Creates a new loan program through which the Alaska Power Authority may borrow funds, without interest, appropriated by the legislature for feasibility studies, design, and construction of transmission projects. The APA is required to repay the principal amount of loans made under this subsection from revenue identified at the time the loan is made.

SEC. 8: Allows APA to issue bonds for any of the programs, activities, or projects allowed by the fund (PPRF) as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

SEC. 9: Clarifies ambiguity in statutes by exempting electrical transmission and distribution lines from the power project approval process.

SEC. 10: Converts Rural Electrification Revolving Loan Fund into a program.

SEC. 11: Allows above program to be funded from the Power Project Revolving Fund. Loan criteria are modified to allocate half of funds available to extend service along state highways.

SEC. 12: Designates loan repayments and interest from above loans into the fund (PPRF) and allows for loan forgiveness after 20 years.

SEC. 13: Modifies existing rural electrification statute to conform with previous changes above.

SEC. 14: Changes loan evaluation criteria from economic to financial feasibility.

SEC. 15: Allows use of the fund (PPRF) for energy program for Alaska projects which were previously funded by legislative

appropriations through the power development fund. Projects must comply with the statutory project approval process.

SEC. 16: Amends existing power development fund criteria on use of the fund to conform with change in SEC. 15.

SEC. 17: Directs APA to deposit all revenues from the sale of power into the fund (PPRF) unless pledged or covenanted to secure bonds.

SEC. 18: Changes definition of "fund" to mean the "power project revolving fund."

SEC. 19: This section identifies the Bradley Lake revenue stream as the source of funds from which the loan for the Railbelt interties will be repaid.

SEC. 20: Corrects pertinent statutes and regulations to be consistent with changes made.

SEC. 21: Repeals statutes to be consistent with changes proposed.

37.05.153 Department of Revenue to manage Railbelt-Energy Fund

44.25.020(5) Department of Revenue to manage Power Development Revolving Loan Fund

44.33.600 Creation of the Power Development Revolving Loan Fund

.610 Powers and duties to administer Power Development Revolving Loan Fund

.620(a) Loan repayment terms of the Power Development Revolving Loan Fund

.620(d) Description of "initial project" i.e. 4 dam pool

44.83.162(o)(6) Definition of fund is Power Cost Equalization Fund

44.83.382 Establishes Power Development Fund

44.83.386 Department of Revenue invests monies in fund (PDF), interest to general fund.

44.83.388(b) Income from investments of fund goes to general fund.

SEC. 22: Changes needed for consistency

SEC. 23: Effective date clauses tied to appropriations into the fund (PPRF)

SEC. 24: Effective data clause

SB 206

Differences between CSSB 206 (Finance) and the newly proposed CS
(Kramer Draft)

1. On page 5, lines 4-9 are new. This new subsection (k) in AS 44.83.170 creates a new loan program through which the Alaska Power Authority may borrow funds, without interest, appropriated by the legislature for feasibility studies, design, and construction of transmission projects. The APA is required to repay the principal amount of loans made under this subsection from revenue identified at the time the loan is made.
2. Section 19 is new. This section identifies the Bradley Lake revenue stream as the source of funds from which the loan for the Railbelt interties will be repaid.

Handwritten signature:
Neil
Jan 1988

Original sponsors: Coghill and Faiks

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 206 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST EQUALI-
20 ZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolve-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

22 (D) acquisitions of bulk fuel or proven reserves of
23 gas, oil, coal, geothermal, or other energy resources; and

24 (E) consumer end-use improvements to reduce demand for
25 energy;

26 (2) to a borrower for a power project if

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.33.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 (k) The authority may make loans from the power project re-
5 volving fund to the authority to pay the cost of feasibility studies,
6 design, and construction of transmission projects. The authority
7 shall repay the principal amount of loans made under this subsection
8 to the fund from revenue identified at the time that the loan is made.
9 The authority may not charge interest on a loan under this subsection.

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

11 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
12 borrow money and issue bonds to make or refinance loans from the power
13 project revolving fund for a revenue producing program, activity, or
14 project authorized under the power project revolving fund. However,
15 the authority may not issue bonds to make or refinance a loan entered
16 into under a leveraged lease financing arrangement.

17 (b) Loans made or refinanced with the proceeds of bonds authori-
18 zed by this section for projects under AS 44.83.170(b) are subject to
19 AS 44.83.170(a) - (e).

20 (c) With respect to loans made or refinanced with the proceeds
21 of bonds, the authority may pledge the principal and interest received
22 from the loan repayments and the interest earned on those amounts in
23 the power project revolving fund for bonds issued under this section.

24 (d) The authority may notify the head of a department or agency
25 of the state in writing that a borrower is in default on the repayment
26 of principal or interest on loans made or refinanced with the proceeds
27 of bonds issued under this section. Notwithstanding any other pro-
28 vision of law, to the extent that a department or agency of the state
29 is the custodian of money payable to the borrower, the department or

1 agency shall withhold payment of the money from the borrower and pay
2 over the money to the authority to pay principal and interest on bonds
3 of the authority issued under this section.

4 * Sec. 9. AS 44.83.187(d) is amended to read:

5 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to

6 (1) an addition, modification, repair, reconstruction,
7 design, acquisition or construction for the purpose of completing a
8 project;

9 (2) the construction of an electrical transmission or dis-
10 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

11 * Sec. 10. AS 44.83.361(a) is amended to read:

12 (a) The rural electrification program [REVOLVING LOAN FUND] is
13 established in the Alaska Power Authority. [THE FUND CONSISTS OF

14 (1) APPROPRIATIONS MADE TO THE FUND; AND

15 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

16 * Sec. 11. AS 44.83.361(b) is amended to read:

17 (b) The authority may make loans from the power project revolv-
18 ing fund under AS 44.83.170 for the rural electrification program
19 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
20 Public Utilities Commission. A loan under the program [FROM THE FUND]
21 may be made only for the purpose of extending new electric service
22 into an area of the state that an electric utility may serve under a
23 certificate of public convenience and necessity issued by the Alaska
24 Public Utilities Commission. A loan may be made under the program
25 [FROM THE FUND] to an electric utility if the utility invests the
26 money necessary to provide one pole, one span of line, one trans-
27 former, and one service drop for each consumer for whom immediate
28 service would be provided by the extension of electric service.
29 Applications for loans to extend service along state roads or highways

1 shall be given priority for up to one-half of the funds available for
2 loans under this section. However, a loan may not be made [FROM THE
3 FUND] unless

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

6 (2) the extension of electric service would provide immedi-
7 ate service to at least three consumers.

8 * Sec. 12. AS 44.83.361(c) is amended to read:

9 (c) A loan under [FROM] the rural electrification program [RE-
10 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
11 cent of the unpaid balance of the loan. Loan repayments and interest
12 [INTEREST] received on a loan made under this section shall be de-
13 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
14 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
15 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
16 ing on a loan made under this section after 20 years.

17 * Sec. 13. AS 44.83.361(e) is amended to read:

18 (e) The authority shall

19 (1) adopt regulations necessary to carry out the provisions
20 of this section;

21 (2) administer the rural electrification program [REVOLVING
22 LOAN FUND]; and

23 (3) submit to the legislature within the first 10 days of
24 each regular legislative session a report of actions taken by the
25 authority under this section and an accounting of the rural electri-
26 fication program [REVOLVING LOAN FUND].

27 * Sec. 14. AS 44.83.363 is amended to read:

28 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
29 for a rural electrification loan is submitted to the authority under

1 AS 44.83.361, the authority shall appoint a local advisory committee
2 from persons residing in the area that the applicant utility is certi-
3 fied to serve. The loan advisory committee shall consider the loan
4 application, and shall recommend whether the loan application is to be
5 approved or disapproved. A favorable recommendation from the loan
6 advisory committee shall be based on a determination that development
7 in the area of the proposed extension of electric service is likely to
8 provide for full repayment of the loan under AS 44.83.361(d) within 20
9 [10] years. In making that determination the committee shall consider

10 (1) permanence of the premises to be served by the exten-
11 sion;

12 (2) land use patterns in the area;

13 (3) access for the line that would be installed with loan
14 proceeds;

15 (4) availability of other utility service in the area; and

16 (5) the financial [ECONOMIC] feasibility of the extension
17 of electric service with the proceeds of the loan.

18 * Sec. 15. AS 44.83.380(b) is amended to read:

19 (b) The energy program for Alaska is a program by which the
20 authority may acquire or construct power projects with money appropri-
21 ated by the legislature to the power project revolving fund under
22 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
23 A power project may be acquired or constructed as part of the energy
24 program for Alaska only if the project is submitted to and approved by
25 the legislature in accordance with procedures set out in AS 44.83.-
26 177 - 44.83.187.

27 * Sec. 16. AS 44.83.384 is amended to read:

28 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM BALANCE. (a)
29 The authority may use money in the power project revolving fund under

1 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
2 PROVIDE MONEY] for

3 (1) reconnaissance and feasibility studies and power proj-
4 ect finance plans prepared under AS 44.33.177 - 44.33.187;

5 (2) the cost of a power project, including but not limited
6 to costs of acquiring necessary licenses, preparing engineering de-
7 signs, obtaining land, and constructing the power project;

8 (3) the defeasance of bonds, or the payment of debt service
9 on loans for or on an issue of bonds sold in connection with a power
10 project;

11 (4) the cost of operating and maintaining power projects;
12 and

13 (5) debt service on power projects.

14 (b) In addition to the purposes authorized by a of this sec-
15 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
16 OF THIS SECTION ONLY] for a power project under the energy program for
17 Alaska if the project [THAT]

18 (1) is economically feasible; and

19 (2) provides the lowest reasonable power cost to utility
20 customers in the market area for the estimated life of the power
21 project, whether operated by itself or in conjunction with other power
22 projects in the market area, and [THAT] operates or will operate on
23 one or more of the following:

24 (A) renewable energy resources, including but not
25 limited to hydroelectric power, wind, biomass, geothermal, tidal
26 or solar energy, or a method that uses temperature differentials
27 or other physical properties of the ocean;

28 (B) coal or peat;

29 (C) energy derived from waste.

1 (D) fossil fuel, including oil or natural gas.

2 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
3 44.83.398, the fund may be used by the authority to provide money for
4 the cost of a power project under the energy program for Alaska that
5 is or was either constructed or owned by the United States government
6 if the requirements of this subsection are met. The provisions of
7 AS 44.83.177 - 44.83.187 do not apply to a power project financed
8 under this subsection. The authority may use money in the fund for
9 the cost of a power project under this subsection if

10 (1) the legislature enacts a law approving the project;

11 (2) the office of management and budget in the Office of
12 the Governor reviews a feasibility study and a plan of finance for the
13 project and determines that the feasibility study complies with the
14 requirements for a feasibility study submitted under AS 44.83.181(b)
15 and that the plan of finance complies with the requirements for a plan
16 of finance submitted under AS 44.83.181(c); and

17 (3) the project meets the other requirements of this chap-
18 ter.

19 * Sec. 17. AS 44.83.398(c) is amended to read:

20 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
21 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
22 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
23 for money it has pledged or otherwise covenanted to secure bonds.

24 * Sec. 18. AS 44.83.425(3) is amended to read:

25 (3) "Fund" means the power project revolving [DEVELOPMENT]
26 fund established by AS 44.83.170 [AS 44.83.382];

27 * Sec. 19. A loan made under AS 44.83.170(k), added by sec. 7 of this
28 Act, before January 1, 1989, to the authority for the Fairbanks-Renai
29 Peninsula Intertie shall be repaid from revenue from the Bradley Lake

1 hydroelectric project after the revenue bonds for that project are retired.

2 * Sec. 20. To be consistent with the change made by sec. 4 of this Act,
3 wherever in the Alaska Statutes and in regulations adopted under those
4 statutes "power project fund" is used, it shall be read as referring to the
5 power project revolving fund. Under AS 01.05.031 the revisor of statutes
6 shall implement this section in the statutes, and, under AS 44.62.125(b)-
7 (6), the regulations attorney shall implement this section in the adminis-
8 trative regulations.

9 * Sec. 21. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
10 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.362, 44.83.386, and
11 44.83.388(b) are repealed.

12 * Sec. 22. Obligations, encumbrances, and expenditures incurred against
13 funds amended or repealed by this Act are considered obligations, encum-
14 brances, and expenditures of the power project revolving fund (AS 44.33.-
15 170).

16 * Sec. 23. Sections 2 - 6, and 10 - 22 of this Act take effect July 1,
17 1987, if an Act transferring appropriations for energy programs to the
18 power project revolving fund and making appropriations to the power project
19 revolving fund is enacted on or before July 1, 1987.

20 * Sec. 24. Sections 1 and 7 - 9 of this Act take effect immediately
21 under AS 01.10.070(c).
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