

SB

5

STATE OF ALASKA  
 1992 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO. CSSB3

Revision Date: April 28, 1992

Department Affected: DCED/Alaska Energy Monthly

Title: An Act relating to the Energy Authority Revolving Loan

BRU: \_\_\_\_\_

Fund and powers of the AEA and providing for an effective date.

Component: \_\_\_\_\_

Sponsor: Zharoff

Requestor: Senate Labor and Commerce Committee

COMPONENT SERIAL NO. 

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EXPENDITURE/REVENUE: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

* CAPITAL *Secs 21,22,23	8,000.0	14,000.0	100,000.0	45,000.0
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REVENUE FUND SOURCE:				
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FUNDING: (Thousands of Dollars)

GENERAL FUND				
FEDERAL FUNDS				
OTHER FUND SOURCE:				
Railbelt Inertile Reserve	114,300.0			
Railbelt Energy Fund	2,500.0			
Greely Lake Surplus	11,000.0			
TOTAL	129,100.0			

POSITIONS:

FULL-TIME	0			
PART-TIME	0			
TEMPORARY	0			

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.) The CS establishes a revolving fund in AEA similar to the revolving fund for AIDEA and expands the purposes and eligible borrowers from AEA loan programs. Sections 21 and 22 authorize instruction of two railbelt interties at a total cost of \$171 million and Section 23 requires the utilities to pay all construction costs above \$90 million. Appropriation bills 8B204 or 8B429 would provide the funds to meet the \$90 million.

Prepared By: Charlie Russell *Charlie Russell*

Phone: 561-7877

Division: Alaska Energy Authority

Date: April 28, 1992

Approved By Commissioner: Glenn Olds *Glenn Olds*

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 5

Revision Date: \_\_\_\_\_ Department Affected: DCED/Alaska Energy Authority  
 Title: "An Act relating to the power project revolving loan fund and to the powers of AEA to finance & make loans and sell waste heat"  
 Sponsor: Zharoff Component: \_\_\_\_\_  
 Requestor: Zharoff/Rules Committee COMPONENT SERIAL NO. 

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

*Sue White for*  
 Prepared By: Charlie Bussell, Executive Director Phone: 465-3575  
 Division: Alaska Energy Authority Date: 2/27/92  
 Approved by Commissioner: Glenn A. Olds  
 Agency: Department of Commerce and Economic Development Date: 2.28.92



SENATOR FRED F. ZHAROFF  
ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 00615 (007) 486-5250

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 00811 • (007) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

MEMORANDUM

TO: SENATOR DRUE PEARCE, CHAIR  
LABOR & COMMERCE COMMITTEE

FROM: SENATOR FRED F. ZHAROFF *Fred F. Zharoff*

DATE: FEBRUARY 11, 1992

SUBJ: SB 5 SCHEDULING

I would like to request that SB 5, "An Act Relating to the power project revolving loan fund, and to the powers of the Alaska Energy Authority to finance and make loans from the power project revolving loan fund and to sell waste heat; and providing for an effective date." be scheduled for a hearing before the Labor & Commerce Committee.

The bill has two main components: First it converts the power project fund from a fund supported by the general fund to a revolving loan fund that can be financed by bonds. Secondly, the bill allows the Alaska Energy Authority to sell waste heat directly to retail customers.

This bill has the support of the Alaska Energy Authority and a similar version (SB 238) passed the Senate during the 16th legislature, but died in the House.

Your consideration of this request would be greatly appreciated.

Attachments

## SB 5 SECTIONAL

SECTION 1: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 2: Allows AEA to sell waste heat to retail customers.

SECTION 3: Delineates what the Power Project Revolving Loan Fund consists of.

SECTION 4: Delineates the types of things money borrowed from the Power Project Revolving Loan Fund can be used for and what types of entities can borrow from the fund.

SECTION 5: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 6: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 7: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 8: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 9: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 10: Adds new language to allow the AEA to issue bonds to make or refinance loans under the Power Project Revolving Loan Fund.

SECTION 11: Clarifies language by referring to the Power Project Revolving Loan fund.

SECTION 12: Deletes language that would allow large projects of more than 1.5 megawatts to utilize the Power Project fund or Renewable Resources fund as funding sources for the project.

SECTION 13: Requires a comprehensive report to be submitted to the governor and legislature detailing the finances of the Power Project Revolving Loan fund.

SECTION 14: Adds a new definition of "business enterprise" for purposes of clarifying who can borrow from the Power Project Revolving Loan fund.

SECTION 15: Repeals two sections in statute. 44.83.170(g) requires loan repayments and interest from the power project fund be deposited into the general fund. 44.83.990(9) is the definition of "small scale power production facility."

SECTION 16 Provides for an immediate effective date.

# SENATE AMENDMENT

BY: Senate Labor and Commerce Committee

TO: \_\_\_\_\_ SENATE BILL NO. 5

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

PAGE 1, LINE 1: Replace "power project revolving loan fund" with the words "energy authority revolving fund"

PAGE 1, LINES 2-3: Delete "to finance and make loans from the power project revolving loan fund to sell waste heat"

PAGE 1, LINE 5 TO END OF BILL: Replace all language with the attached.

(TURN IN ORIGINAL AMENDMENT TO SENATE SECRETARY'S OFFICE.  
THE AMENDMENT WILL BE NUMBERED, COPIED AND DISTRIBUTED.)

**SENATE BILL NO. 5**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY SENATOR ZHAROFF**

**Introduced: 1/21/91**

**Referred: L&C and Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the power project revolving loan fund, and to the powers of the  
2 Alaska Energy Authority to finance and make loans from the power project revolving loan  
3 fund and to sell waste heat; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

\* Section 1. AS 37.05.146 is amended to read:

Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142 - 37.05.146 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other state money received by a state agency in connection with the performance of its functions; all program receipts except the following are general fund program receipts:

- (1) federal receipts;
- (2) University of Alaska receipts (AS 14.40.491);
- (3) individual, foundation, or corporation gifts, grants or bequests that by their terms are restricted to a specific purpose;

(4) receipts of the following funds:

(A highway working capital fund  
(AS 44.68.210);

(B correctional industries fund  
(AS 33.32.020);

(C) loan funds;

(D) international airport revenue fund  
(AS 37.15.430);

(E) funds managed by Alaska Aerospace Development Corporation (AS 14.40.821), Alaska State Housing Authority (AS 18.55.020), the Alaska Housing Finance Corporation (AS 18.56.020), the Alaska Railroad

Corporation (AS 42.40.010), the Municipal Bond Bank Authority (AS 44.85.020), [OR] the Alaska Industrial Development and Export Authority (AS 44.88.020), or the Alaska Energy Authority (AS 44.83.020):

- (F) fish and game fund (AS 16.05.100);
- (G) school fund (AS 43.50.140);
- (H) training and building fund (AS 23.20.130);
- (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and former AS 39.37);
- (J) permanent fund (art. IX, sec. 15, Alaska Constitution);
- (K) public school trust fund (AS 37.14.110);
- (L) second injury fund (AS 23.30.040);
- (M) fishermen's fund (AS 23.35.060);
- (N) FICA administration fund (AS 39.30.050);
- (O) mental health trust fund (AS 37.14.031).

\* Section 2. AS 44.83.080 is amended by adding a new section to read:

(17) to charge fees or other forms of remuneration for services or recovery of equity investments or capital costs for projects and activities described in (5), (6), and (8) of this section in accordance with agreements described in (7), (8), (9), (10), and (11) of this section, or in accordance with other agreements pertaining to the projects, covenants, or representations made in bond documents pertaining to the projects or loan programs.

\* Section 3. AS 44.83.090 is amended by adding a new subsection to read:

(c) Notwithstanding the provisions of (a) of this section, the authority may sell waste heat directly to retail consumers.

\* Section 4. AS 44.83 is amended by adding a new section to Article 3 to read:

Sec. 44.83.107. ENERGY AUTHORITY REVOLVING FUND. (a) The energy authority revolving fund is established in the authority. The revolving fund consists of appropriations made to the revolving fund by the legislature, money or other assets transferred to the revolving fund by the authority, unrestricted payments on loans made or purchased by the authority, the income and interest on amounts in the fund and all revenues of the authority not otherwise required to pay the expenses of authority projects. The board of directors may establish operations and self insurance reserve accounts within the revolving fund. Unless otherwise expressly stated, the funds created in this chapter, including the power project fund, are accounts of the revolving fund. The authority may create additional funds or accounts either within the revolving fund or outside the fund. Subject to agreements made with the holders of the authority's bonds or with other persons, the authority may transfer amounts in a fund or account in the revolving fund to another fund or account in the revolving fund. The Authority has the powers and

responsibilities established in AS 37.10.071 with respect to the investment of amounts held in the revolving fund.

(b) The authority may pledge amounts in the revolving fund, or enter into agreements with respect to the fund that it considers necessary to secure its bonds.

(c) Amounts may be expended from the revolving fund by the authority for any purpose authorized by this chapter. However, not more than ten percent of the balance in the fund, determined as of the end of the preceding fiscal year, may be used from the revolving fund for equity investment in projects or programs unless the project or program is expressly authorized by the legislature pursuant to AS 44.83.185 or unless the amount has been appropriated to the fund for a specific purpose.

(d) Amounts in the energy authority revolving fund may be appropriated to the authority for the costs of administering the fund.

\* Section 5. AS 44.83.170 (a) is amended to read:

(a) There is established [AS A SEPARATE FUND] the power project fund. [THAT SHALL BE DISTINCT FROM ANY OTHER MONEY OR FUNDS OF THE AUTHORITY, AND THAT INCLUDES ONLY MONEY APPROPRIATED BY THE LEGISLATURE] The fund consists of:

(1) appropriations to the fund;

(2) the repayment to the fund of principal on loans made from the fund;

(3) payments of interest on loans made from the

fund:

(4) income from investment of money in the fund:

and

(5) the proceeds of bonds issued under AS 44.83.171;

(6) and other money deposited in the fund or provided in a resolution adopted by the board of directors.

\* Section 6. AS 44.83.170 (b) is amended to read:

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

(1) to electric utilities, <sup>gas utilities,</sup> regional electric authorities, municipalities, [CITIES, BOROUGH], regional and village corporations, village councils, and nonprofit marketing cooperatives to pay the costs of

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

(B) constructing, acquiring, equipping, modifying, improving, and expanding [SMALL SCALE] power projects [PRODUCTION FACILITIES], conservation facilities, bulk fuel storage facilities, and <sup>electr.</sup> transmission and distribution facilities, including <sup>or gas</sup> energy production, transmission and distribution, and waste energy conservation facilities that depend on fossil fuel, wind power, tidal, geothermal, biomass, hydroelectric, solar or other 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) acquisition of bulk fuel reserves 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 which the authority considers satisfactory for repayment;

(B) the party that will be responsible for the power project is an electric utility, <sup>gas utility,</sup> regional electric authority, municipality, [CITY, BOROUGH,] regional or village corporation, village council, municipal school district, regional educational attendance area, regional housing authority, business enterprise, or nonprofit marketing cooperative; and

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

(3) to municipal school districts, regional educational attendance areas, regional housing authorities, and business enterprises to pay the cost of

(A) waste energy conservation facilities:

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

(C) acquisition, construction, or repair of bulk fuel storage facilities and acquisition of fuel reserves;

(D) electric <sup>or gas</sup> distribution facilities for housing developments by regional housing authorities:

(E) power generation facilities if the facilities provide wholesale power or emergency reserve power for a community and if the utility certified to serve that community formally recommends approval of the loan application;

\* Section 7. AS 44.83.179 is repealed and reenacted to read:

AS 44.83.179. REVIEW OF RECONNAISSANCE STUDY BY BOARD OF DIRECTORS. The board of directors shall review reconnaissance studies of proposed projects of the authority and shall make findings and recommendations. The findings and recommendations shall include recommendations on whether to start, terminate, delay, modify, or continue a project and shall consider the costs of such actions. The authority shall maintain a record of decision with respect to reconnaissance studies as part of its formal archives of board actions.

\* Section 8. AS 44.83.181(a) is amended to read:

(a) For projects approved [UNLESS THE RECONNAISSANCE STUDY HAS BEEN DISAPPROVED BY THE OFFICE OF MANAGEMENT AND BUDGET] under AS 44.83.179, the authority shall complete a feasibility study and plan of finance for each proposed project.

\* Section 9. AS 44.83.181(b) is amended to read:

(b) a feasibility study must include

(1) information about the proposed project, including but not limited to estimates of total project construction costs, total project operating costs, the costs of transmission systems, a comparison of the economic costs and benefits affecting project feasibility, [RESERVE POWER REQUIREMENTS, THE TIMING AND AMOUNT OF ANTICIPATED RETURNS FROM THE COMPLETED PROJECT, A BENEFIT-TO-COST RATIO,] and the potential effect of the project on the environment of the area that will be served by the project when completed[, AND THE AVAILABILITY OF ALTERNATIVE GOVERNMENT FINANCING];

(2) a statement of all assumptions that affect the economic feasibility of the project, including but not limited to the discount rate to be used for project evaluation [AND INTEREST RATE OF AMOUNTS OF MONEY TO BE USED FOR THE PROJECT], anticipated fuel prices, [AN ESCALATION RATE, STATE AND LOCAL] anticipated electric loads in the affected project area. [LOAD GROWTH] and estimates of indirect costs and benefits; and

(3) a comparative analysis of all reasonable

alternatives to construction of the proposed project. [; AND  
[(4) INFORMATION BASED ON ENGINEERING AND DESIGN  
WORK THAT MEETS THE REQUIREMENTS FOR SUBMISSION OF A LICENSE  
APPLICATION FOR THE PROJECT TO THE FEDERAL ENERGY REGULATORY  
COMMISSION]

\* Section 10. AS 44.83.181(c) is amended to read:

(c) The plan of finance must include an estimate of the total cost of the project, and a description of the sources of money that will be used to finance the total cost of the project. The finance plan must include an estimate of the operating costs of the project and a description of the source of money that is to be used to pay these costs.

[RECOMMENDATIONS OF THE MOST APPROPRIATE MEANS TO FINANCE A PROJECT, INCLUDING, BUT NOT LIMITED TO,

- (1) THE ISSUANCE OF REVENUE BONDS OF THE AUTHORITY;
- (2) THE ISSUANCE OF
  - (A) GENERAL OBLIGATION BONDS OF THE STATE; OR
  - (B) REVENUE BONDS OF THE AUTHORITY THAT ARE GUARANTEED OR PARTIALLY GUARANTEED BY THE STATE;
- (3) AN APPROPRIATION FROM THE GENERAL FUND
  - (A) TO PAY DEBT SERVICE ON BONDS OR FOR OTHER PROJECT PURPOSES; OR
  - (B) TO REDUCE THE AMOUNT OF DEBT FINANCING FOR THE PROJECT;
- (4) A LOAN FROM THE GENERAL FUND;
- (5) FINANCING ARRANGEMENTS WITH OTHER ENTITIES USED

LEVERAGED LEASES OR OTHER FINANCING METHODS;

(6) ASSISTANCE FROM ANY FEDERAL AGENCY, INCLUDING, BUT NOT LIMITED TO, THE RURAL ELECTRIFICATION ADMINISTRATION;

(7) A LOAN FROM THE POWER PROJECT FUND UNDER AS 44.83.170(A); OR

(8) ANY COMBINATION OF FINANCING ARRANGEMENTS LISTED IN THIS SUBSECTION.]

\* Section 11. AS 44.83.187 (d) is amended to read

(d) The provisions of AS 44.83.177 - 44.83.185 do not apply to

(1) an addition, modification, repair reconstruction, design, acquisition, or construction for the purpose of completing a project;

(2) the construction of an electrical transmission or distribution facility ~~or distribution facility~~ that is estimated to ~~cost~~ <sup>cost</sup> \$10,000,000 or less [THAN \$3,000,000.]; ~~or~~

(3) ~~to construction of an electrical transmission line or distribution facility that requires no state~~ <sup>to construction of an electrical transmission line or distribution facility that requires no state</sup>

\* Section 12. AS 44.83.187 is amended by adding a new section to read:

(e) For the purpose of this section a new project does not include

(1) an addition or modification to an existing project unless the total cost of the addition or modification exceeds \$10,000,000;

(2) repair or reconstruction of a project; or

(3) design, acquisition or construction necessary to complete a project for which bonds have been issued.

\* Section 13. AS 44.83.500(a) is amended to read:

Sec. 44.83.500 Creation of Fund. (a) there is established in the Alaska Energy Authority the power development revolving loan fund [TO CARRY OUT THE PURPOSE OF AS 44.83.500 - 44.83.530. THE FUND MAY BE USED FOR NO OTHER PURPOSE].

\* Section 14. AS 44.83.940 is amended to read:

Sec. 44.83.940. ANNUAL REPORT. Before March 1 of each year, the authority shall submit to the governor and the legislature a comprehensive report describing operations, income and expenditures, including a detailed accounting of the loans and investments made from the income received by the energy authority revolving fund for the preceding 12-month period.

\* Sec. 15. AS 44.83.950 (a) is amended to read:

(a) Notwithstanding any other provision in this chapter, only the operating budget of the authority is subject to provisions of AS 37.07 (Executive Budget Act).

\* Section 16. AS 44.83.990 is amended by adding a new paragraph to read:

(10) "business enterprise" means a single proprietorship, corporation, firm, partnership, or other association of persons organized in any manner, for any business purpose, other than on a nonprofit basis, that sells or transports electricity or waste heat in compliance with all

applicable federal and state statutes and regulations.

\*Sec. 17. In accordance with AS 44.83.185(c) and contingent upon sec. 19 of this Act, the Alaska Energy Authority is authorized to design and construct a 138 kilovolt electric transmission line between Anchorage and the Kenai Peninsula at a cost of \$89,000,000 in 1992 dollars.

\*Sec. 18. In accordance with AS 44.83.185(c) and contingent upon sec. 19 of this Act, the Alaska Energy Authority is authorized to design and construct a 138 kilovolt electric transmission line between Healy and Fairbanks at a cost of \$82,000,000 in 1992 dollars.

\*Sec. 19. The authorizations made in sec. 17 and sec. 18 of this Act are contingent upon written agreements between the Alaska Energy Authority and participating electric utilities providing that the participating utilities agree to pay

(1) the design and construction costs, that are in excess of \$90,000,000, for the electric transmission lines authorized by this Act; and

(2) the operation and maintenance costs of the electric transmission lines authorized by this Act.

\*Sec. 20. AS 44.83.170(h); 44.83.189; 44.83.060(16)(G); 44.83.361; 44.83.363; 44.83.386; 44.83.388(b); 44.83.390; 44.83.392; 44.83.398(c); 44.83.920; 44.83.990(9) are repealed.

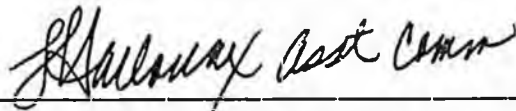
\*Sec. 21. This Act takes effect July 1, 1992.

SB 5: "An Act relating to the power project revolving loan fund, and to the powers of the Alaska Energy Authority to finance and make loans from the power project revolving loan fund and to sell waste heat; and providing for an effective date."

SB 5 establishes as a separate fund the power project revolving loan fund. The fund will consist of (1) appropriations to the fund; (2) repayments to the fund of principal on loans from the fund; (3) payments of interest on loans made from the fund; (4) income from investment of money in the fund; and (5) the proceeds of bonds issued under AS 44.83.171.

With the reduction of direct grants to communities and utilities for electrification purposes, the Authority has come under increasing pressure to provide loan funds to fill their needs. This bill would authorize the recapitalization of this loan fund through the sale of revenue bonds. Previously the loan program has been funded only through appropriations from the General Fund.

The bill is consistent with the corporation's objectives and the mandate of the Alaska Energy Authority. This bill should be enacted.



Glenn A. Olds, Commissioner  
Department of Commerce and  
Economic Development

Date: 2.28.92