

SB

106

HFIN

FILE

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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MEMORANDUM

May 8, 1993

SUBJECT: Sectional Summary of HCS CSSB 106 (FIN) (Power projects and interties, relating to the Alaska Energy Authority, AIDEA bonds for energy resource projects)

TO: Representative Ramona Barnes
Speaker of the House of Representatives

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill is not considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 makes legislative findings and expresses the legislative intent.

Sec. 2 identifies additional uses for which money in the Railbelt energy fund may be appropriated.

Sec. 3 changes, in a statute concerning the Alaska Public Utilities Commission (APUC), an internal reference to the power cost equalization program to reflect changes made by this bill.

Sec. 4 requires the APUC, when setting or reviewing rates for a public utility that sends or receives power over the Fairbanks-Healy or the Anchorage-Kenai intertie, to consider certain costs as costs incurred for the existing system.

Sec. 5 enacts a new chapter, giving the Department of Community and Regional Affairs responsibility for programs and projects now within the jurisdiction of the Alaska Energy Authority.

Sec. 42.45.010 establishes the power project fund in the department. This section is similar to existing AS 44.83.170. The department may make loans from the fund to the entities listed in (b)(1) for the purposes listed in (b)(1)(A) and (b)(1)(B). Under subsection (f)(2)(B), the department may make zero interest loans.

Sec. 42.45.020 establishes the rural electrification revolving loan fund in the department. The fund may be used for extending new electric service. This section is taken from AS 44.83.361.

Sec. 42.45.030 establishes a loan advisory committee for loans from the rural electrification revolving loan fund. This section is taken from AS 44.83.363.

Sec. 42.45.040 establishes the Southeast energy fund (SEF) consisting of money transferred to it from the four dam pool transfer fund, created in the next section. The department may use the SEF for grants to utilities participating in the Swan Lake-Tyee Lake intertie. This is a new section.

Sec. 42.45.050 establishes the four dam pool transfer fund, which consists of repayments of principal and income from the power development revolving loan fund. Subsection (b) sets out how money in the fund is to be transferred to other departmental funds. This is a new section.

Sec. 42.45.060 establishes a loan committee composed of commissioners, the director of management and budget, and four public members to review loans, other than loans from the bulk fuel revolving loan fund. Subsections (f) and (g) set out the committee powers and responsibilities with respect to loans. This is a new section.

Sec. 42.45.100 - 42.45.150 establish the power cost equalization program in the department. These sections are similar to existing AS 44.83.162 - 44.83.164, with some restructuring of the statutes and some changes.

Sec. 42.45.100 establishes the power cost equalization and rural electric capitalization fund to provide power cost equalization and to make grants to eligible utilities. It is taken partly from AS 44.83.162(a).

Sec. 42.45.110 addresses entitlement to power cost equalization and is taken from AS 44.83.162(b) - (j). Note that in subsection (c), minimum power costs of more than 9.5 cents per kilowatt-hour qualify. In subsection (d), state and federal offices and facilities other than schools are not entitled to receive power cost equalization.

Sec. 42.45.120 sets out the notice that an electric utility receiving power cost equalization must give its customers. It is taken from AS 44.83.162(k).

Sec. 42.45.130 requires utilities to make an effort to minimize costs. It is taken from AS 44.83.162(l).

Sec. 42.45.140 permits customers to petition for inclusion in the power cost equalization program. It is taken from AS 44.83.162(m).

Sec. 42.45.150 sets out definitions for Secs. 42.45.110 - 42.45.150, taken from AS 44.83.162(p).

Sec. 42.45.160 permits the Alaska Public Utilities Commission to adjust the power cost equalization per kilowatt-hour payable to an electric utility. It is taken from AS 44.83.163.

Sec. 42.45.170 permits electric utilities exempt from regulation by the APUC to participate in the power cost equalization program. It is taken from AS 44.83.164.

Sec. 42.45.180 permits the Department of Community and Regional Affairs to make grants from the power cost equalization and rural electric capitalization fund

Representative Ramona Barnes

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to utilities receiving power cost equalization for small power projects that will reduce the costs of the utility. This is a new section.

Sec. 42.45.190 is a definition section for AS 42.45.100 - 42.45.190.

Sec. 42.45.200 establishes the electrical service extension fund in the department. It is taken from AS 44.83.370.

Sec. 42.45.250 establishes the bulk fuel revolving loan fund in the department. It is taken from AS 44.83.600 - 44.83.650. The amount for which a loan may be made is increased from \$50,000 to \$100,000.

Sec. 42.45.300 permits two or more public utilities to form a joint action agency for participating in a power project and to secure financing for the project. A joint action agency may request the Alaska Industrial Development and Export Authority (AIDEA) to issue revenue bonds. This is a new section.

Sec. 42.45.400 directs the department to provide rural utilities with technical assistance as set out in the section. This is a new section.

Sec. 42.45.410 directs the department to delegate as much as possible to the private sector. This is a new section.

Sec. 42.45.990 sets out definitions for the chapter and is taken, in part, from AS 44.83.990.

Sec. 6 amends the powers of the Department of Community and Regional Affairs to include the powers and duties assigned under AS 42.45, enacted by sec. 5 of the bill.

Sec. 7 changes the membership of the Alaska Energy Authority (AEA) to be the members of the Alaska Industrial Development and Export Authority (AIDEA).

Sec. 8 directs that the chair and vice-chair of AIDEA serve as officers of AEA.

Secs. 9, 10, and 14 restrict the powers of AEA, removing authority for acquiring or constructing power projects. Many of the statutes affecting the AEA are repealed in sec. ___ of the bill.

Secs. 11 - 13, and 15 - 22 make technical changes to reflect the reduced scope of operation of the AEA.

Sec. 23 includes capital reserve funds that secure bonds for power transmission interties in the definition of "capital reserve fund" for that subsection.

Sec. 24 permits AIDEA to issue bonds for power transmission interties in amounts greater than AIDEA otherwise could issue and for a longer period of time.

Sec. 25 permits AIDEA to waive or modify requirements of the enterprise development account to finance a power transmission intertie project.

Sec. 26 amends the definition of "project" in the chapter pertaining to AIDEA to include plants and facilities for the generation, transmission, development, transportation, conversion, or use of energy resources.

Sec. 27 repeals statutes relating to the Alaska Energy Authority board of directors and employees.

Sec. 28 repeals a number of provisions relating to AEA, to reflect the transfer of programs to the Department of Community and Regional Affairs and the elimination of the ability of AEA to acquire or construct power projects.

Sec. 29 gives legislative authorization to AIDEA to issue bonds, not exceeding \$60,000,000, for a power transmission intertie between Healy and Fairbanks to be owned, for the benefit of all of the utilities participating in the intertie, by Golden Valley Electric Association.

Sec. 30 gives legislative authorization to AIDEA to issue bonds, not exceeding \$60,000,000, for a power transmission intertie between Anchorage and the Kenai Peninsula to be owned, for the benefit of all of the utilities participating in the intertie, by Chugach Electric Association, Inc.

Sec. 31 gives legislative authorization to AIDEA to issue bonds, not exceeding \$40,000,000, for a power transmission intertie between the Swan Lake and Tyee Lake hydroelectric projects and owned, for the benefit of all of the utilities participating in the intertie, by Ketchikan Public Utilities.

Sec. 32 gives legislative authorization to AIDEA to issue bonds, not exceeding \$25,000,000, for a power transmission intertie between Sutton and Glennallen and owned, for the benefit of all of the utilities participating in the intertie, by Copper Valley Electric Association.

Sec. 33 states that the repeal of the Alaska Energy Authority statutes does not affect existing bonds or actions that have been taken under the repealed statutes.

Sec. 34 transfers the proceedings, activities, and property of the Alaska Energy Authority to the Department of Community and Regional Affairs to the extent that the project or program has been transferred to the department by the bill.

Sec. 35 addresses the transfer of employees from the AEA to DCRA.

Sec. 36 sets out the initial terms of the loan committee, established in Sec. 42.45.060.

Sec. 37 directs the AEA to enter into contracts with private sector entities to the maximum extent possible.

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Sec. 38 directs that various agencies of state government work together to ensure an orderly transfer of functions as required under the bill.

Sec. 39 is a severability clause for the bill.

TC:pl

93-359.plm

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 7, 1993

FURTHER REFERRALS:

Date of Committee Action: 5/8/93

The FINANCE Committee considered:

CSSB 106(FIN) am(efd fld)

CSSB 106(FIN) AM(EFD FLD)

AUTHORIZING POWER TRANSMISSION INTERTIES

"An Act transferring certain projects of and amending and transferring programs of the Alaska Energy Authority to the Department of Community and Regional Affairs; relating to the Alaska Energy Authority; permitting the
TITLE CONTINUED ON PAGE 2

RECOMMENDATIONS:

be replaced with HCS CSSB 106(FIN) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) _____

3 zero fiscal note CRA, CED(a)

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>EP Macken</u>	<input checked="" type="checkbox"/>	<u>Ronald Larson</u>		<input checked="" type="checkbox"/>	
		<u>Mark Hatley</u>		<input checked="" type="checkbox"/>	
		<u>Terry Martin</u>		<input checked="" type="checkbox"/>	
		<u>John Farrell</u>		<input checked="" type="checkbox"/>	
		<u>Ben Grussendorf</u>		<input checked="" type="checkbox"/>	
		<u>Mike Navarre</u>		<input checked="" type="checkbox"/>	
		<u>Tan Brown</u>		<input checked="" type="checkbox"/>	
		<u>Jim Theriault</u>			<input checked="" type="checkbox"/>
		<u>Richard Staley</u>		<input checked="" type="checkbox"/>	
		<u>J Foster</u>			

EP Macken
CHAIRMAN'S SIGNATURE

**STATE OF ALASKA
1993 LEGISLATIVE SESSION**

FISCAL NOTE

BILL NO: CSSB
106(FIN)am
(efd fld)

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: An Act transferring certain projects BRU: _____
from the Alaska Energy Authority to DCRA Component: _____
 Sponsor: Senator Sharp
 Requestor: House Finance **COMPONENT SERIAL NO.** _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

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

Estimate of current (FY93) impact \$ none

ANALYSIS: (Attach a separate page if necessary)

A zero fiscal note is presented assuming the balances of appropriations and obligations remaining in AEA's rural program functions and AEA's owned assets at the time of transfer are transferred to the Department of Community & Regional Affairs. The actual cost to DCRA of running AEA programs as restructured by this bill will be determined in the interim.

*note: assumes the transfer of AEA's "rural owned assets" only not other AEA owned assets.

Prepared by: Remond Henderson Phone: 465-4708
 Division: Administrative Services Date: 5/8/93
 Approved by Commissioner: Ed Bentley Date: 5-2-93
 Agency: Community & Regional Affairs

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HCSCSSB106 (FIN)

Revision Date: 5/8/93 Dept. Affected: Commerce & Economic Develop.
 Title: An Act Transferring Certain BRU: Alaska Energy Authority
programs of the Alaska Energy Authority Component: Operations
 Sponsor: Sharp
 Requestor: House Finance Committee COMPONENT SERIAL NO. 1232

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Guy Bell
 Division: Administrative Services
 Approved by Commissioner: Paul Fuhs *(Signature)*
 Agency: Commerce & Economic Development

Phone: 465-2506
 Date: 5/8/93
 Date: 5-2-93

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HCS CS SB106 (FIN)
Fiscal Note Analysis

This bill would transfer certain functions of the Alaska Energy Authority (AEA) to the Alaska Industrial Development and Export Authority (AIDEA). The anticipated total operating costs of the projects and functions of the AEA are included in the FY 94 operating budget. All monetary costs to AIDEA that are associated with this transfer will follow the transfer of the functions from the AEA. When the AEA's functions are split up and transferred, so will the corresponding appropriations.

Section 6 of SB 126 makes an appropriation in the amount of \$3,900.0 to the Department of Community and Regional Affairs for operating costs for carrying out its powers and duties under AS 42.45 and AS 44.47.050(19) and (20). A portion of this appropriation will likely be required for transition expenses.

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HCSCSSB106(FIN)

Revision Date: 5/7/93 Dept. Affected: Commerce & Economic Dev.
 Title: An Act Transferring certain BRU: AIDEA
programs of the Alaska Energy Authority Component: Operations
 Sponsor: Senator Sharp
 Requestor: House Finance Committee COMPONENT SERIAL NO. 1234

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS:

(Attach a separate page if necessary)

See Attached Analysis.

Prepared by: Guy Bell
 Division: Administrative Services
 Approved by Commissioner: Paul Fuhs *(Signature)*
 Agency: Commerce & Economic Development

Phone: 465-2506
 Date: 5/8/93
 Date: 5-8-93

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HCS CS SB106 (FIN)
Fiscal Note Analysis

This bill changes the membership of the Board of the Alaska Energy Authority. The same members of the Board of Directors of the Alaska Industrial Development and Export Authority (AIDEA) become the board members of the AEA. The anticipated total operating costs of the projects and functions of the AEA are included in the FY 94 operating budget. All funding associated with the scaled down AEA will remain with the AEA.

**Alaska Energy Authority**

A Public Corporation

May 7, 1993

The Honorable Eileen MacLean, Co-Chair
House Finance Committee
Capitol, Room 507
Juneau, Alaska 99801-1182

Subject: CSSB 106 and 126

Dear Representative MacLean:

In reply to your inquiry, following is our understanding of the impact of CSSB 106 and 126 (as passed again by the Senate this date) on the expected availability of Power Development Revolving Loan Fund revenues for Power Cost Equalization, rural capital projects, and the newly created Southeast Energy Fund:

1. CSSB 106 allocates 30% of "PDRLF" revenues to a "Power Cost Equalization and Rural Electric Capitalization Fund," another 30% to the Power Project Fund to be used as loans for statewide utility projects, and 40% to the "Southeast Energy Fund."
2. Our projections assume that PDRLF revenues in FY 1994 will be about \$10.4 million, increasing gradually to about \$12.0 million in FY 2002. The bill would therefore allocate the following amounts in FY 1994:
 - a. \$3.1 million for "PCE/Rural Cap" Fund.
 - b. \$3.1 million for Power Project Fund loans.
 - c. \$4.2 million for "Southeast Energy Fund."
3. Section 8 of CSSB 126 appropriates a \$66.9 million beginning balance in the "PCE/Rural Cap" Fund. CSSB 106 provides that up to 3% of the balance in the fund can be allocated for rural project grants in any one year. As shown in the attached spreadsheet (Case P3), this suggests that funds would be available to fully fund PCE for perhaps 4 to 5 years, after which the only funds available would be the continuing 30% allocation from "PDRLF" (i.e. Four Dam Pool) revenues. Similarly, 3% of the "PCE/Rural Cap" Fund balance for rural project grants begins at about \$1.8 million, but declines to less than \$100,000 after 5 years.
4. The 30% allocation for Power Project Fund loans may provide some additional support for rural utility projects, though we cannot project the rural/urban allocation that would ultimately occur.

SENT BY: 3074633241
The Honorable Eileen MacLean
May 7, 1993
Page 2

5. The 40% allocation for the "Southeast Energy Fund" supplements the \$20 million, 15-year, 3 percent loan provided for the Tyee-Swan intertie in CSSB 126. This annual allocation appears to be enough to pay the debt service on revenue bonds that would be issued for the remainder of Tyee-Swan project costs. For example, the annual debt service on \$40 million issued for 30 years at 7% would be about \$3.2 million, which is less than the \$4.2 million allocated in the initial year to the Southeast Energy Fund.

Three major differences between the earlier versions of CSSB 106 and 126 passed by the Senate in April vs. the versions passed out today are:

1. The earlier version provided an estimated 20 years of PCE funding at the \$17 million level as well as 20 years of funding for rural technical assistance. In today's version, full funding for PCE is provided for only 4 to 5 years along with very limited funding for rural capital projects.
2. State financial support was allocated to the four major interties in roughly even proportions in the earlier version. In today's version, State support is much more favorable for the Tyee-Swan intertie than for the other three, assuming the Southeast Energy Fund is used primarily for payment of Tyee-Swan intertie costs. The allocation of 40% of PDRLF revenues to the Southeast Energy Fund accounts for the additional State support for Tyee-Swan.
3. In today's version the Alaska Energy Authority is eliminated. There may be transitional issues that are not adequately addressed. For example, we are advised by our bond counsel and financial advisor that AIDEA statutes will require amendment in order to provide comparable financing capability. Without such amendment, revenue bond financing for projects such as interties may be more costly.

Please contact me if we can provide additional information.

Sincerely,

Ronald A. Garzini/bnp

Ronald A. Garzini
Executive Director

Attachment

ALASKA ENERGY AUTHORITY
(All Dollars in Thousands)

page 1 of 1
8-May-93

PCE and Rural Electric Fund

	6/30/93	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
PCE and Rural Electric Fund	\$66,800	\$55,581	\$43,065	\$29,256	\$14,060	\$3,730	\$3,557	\$3,608	\$3,659	\$3,689	\$3,717
Revenue											
PCE/RE Fund Investment Income		4,314	3,450	2,486	1,445	519	138	131	133	135	137
Debt Service from 4-Dam Pool		10,396	10,667	10,809	11,156	11,405	11,584	11,768	11,932	12,064	12,121
30% of ADP Debt Service		3,119	3,200	3,273	3,347	3,422	3,475	3,530	3,580	3,619	3,636
Total		7,433	6,650	5,788	4,791	3,941	3,613	3,661	3,713	3,754	3,773
Expenditure											
PCE Outlay		\$17,000	\$17,765	\$18,564	\$19,400	\$14,060	\$3,730	\$3,557	\$3,608	\$3,659	\$3,699
Rural Electric Grants (3% of balance)		1,752	1,401	1,013	587	211	56	53	54	55	55
Total		18,752	19,166	19,578	19,988	14,271	3,786	3,610	3,662	3,714	3,755
Surplus (Shortage)		(\$11,319)	(\$12,516)	(\$13,810)	(\$15,196)	(\$10,330)	(\$173)	\$ 51	\$ 51	\$ 41	\$ 18

PCE/RE Fund Beginning Balance		Assumptions	
Railbelt Energy Fund	\$0	Annual Inflation Rate	4.5 %
Railbelt Inter tie Reserve Fund	0	Return on Fund	7.5 % of fund balance
Interest on Rbit Inter tie Reserve	0		
Bradley State Fund Surplus	0		
Additional State Contribution	66,900		
Total	\$66,900		

Case P3

3074633241

**1993
ENERGY PROGRAM FOR ALASKA**

* **AEA to become subsidiary corporation of AIDEA**

- All AEA bonds, bond related assets, and unobligated assets will transfer with AEA.
- AEA will maintain a separate accounting system to protect the AEA and AIDEA bond holders.
- AEA to arrange for contracting operation and maintenance of Bradley Lake to utilities prior to December 31, 1993.
- AIDEA to have authority to issue bonds for utility projects.
- Joint Action Agencies authorized and given same authority as that of utilities.

* **Rural programs and functions of the AEA to be transferred to the Department of Community and Regional Affairs with emphasis on contracting with the private sector.**

* **Provides grants to Chugach Electric and Golden Valley Electric for Northern and Southern interties for the benefit of all participating utilities.**

- AIDEA given authority to bond for amounts necessary over the grant amount.
- Provisions in bill for assured access to interties.
- Cost to be distributed proportionate to peak demand.

* **Provides loans to Ketchikan Public Utility and Copper Valley Utility for Swan-Tyee Intertie and Sutton-Glenallen intertie.**

- Swan-Tyee loan to be 15 years at 3% interest.
- Sutton-Glenallen to be 50 years at 0% interest.
- Repayment of these loans goes into the Railbelt Energy Fund and becomes available for appropriation future Railbelt energy projects.
- Provide authorization for AIDEA to issue bonds for amounts needed over the loan amounts.

* **Appropriates \$5,000,000 grant for Tazimina Hydro project.**

* **Appropriates \$3,000,000 loan for City of Seward for completion of Seward-Lawing Substation intertie.**

* **Establishes the Power Cost Equalization and Rural Capitalization Fund to fund PCE and to fund rural energy upgrades to reduce power cost in the rural areas of the state to equal those of urban Alaska.**

- Fund to be capitalized with a portion of the accrued but unappropriated interest on the Railbelt Energy Fund.
- Annual PCE to be appropriated from this fund beginning FY 95.
- Funding source for grants to rural communities for small energy projects to reduce the cost of power in these rural areas so as to more closely equal the cost of energy in urban Alaska and eliminate the need for PCE.

* **Distributes the revenue stream from the 4-Dam Pool to all areas of the state for energy projects.**

- 30% of 4-Dam pool revenues to the Power Project Fund for loans statewide for energy projects.
- 30% of 4-Dam pool revenues to the PCE/REC Fund.
- 40% of 4-Dam pool revenues to SE for 4-Dam pool reserves and SE energy projects.



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

POSITION PAPER POWER TRANSMISSION INTERTIES

The Alaska Environmental Lobby opposes HB 50/51 and SB 106/126 which authorize and appropriate funds to build power transmission interties. The interties would connect Fairbanks-Healy, Anchorage-Kenai, Swan Lake-Tyee Lake and Sutton-Glennallen. The proposed interties are a costly and inefficient means of supplying power. More economical and environmentally sensible alternatives exist.

Progressive energy policies recognize that energy conservation is the cheapest and most cost effective way to increase the amount of power available for other uses. By lowering the "demand," that is, by reducing the amount of energy consumed, the need for generating additional power is eliminated. For example, an Alaska Energy Authority study found eight specific conservation measures to be more cost effective in producing additional available energy than the construction of interties. These measures included converting from incandescent to fluorescent light bulbs and converting to more efficient hot water heaters, dryers, refrigerators and dryers. Golden Valley Electric Association also evaluated "demand side" investments and concluded: "Conservation appears to be the least-cost resource available to GVEA."

AEL believes that the most effective way to provide for Alaska's future energy needs would be to require utilities to implement an integrated resource (or "least-cost") planning process. This process requires utilities to examine both demand side as well as supply side options to determine the most cost effective means of providing power. All but a handful of states now use this process. It is a progressive step towards an economically and environmentally sustainable energy policy.

The Alaska Environmental Lobby urges legislators to require utilities to implement least-cost planning, to appropriate funds for conservation projects, and to reconsider the proposed interties. The increased demand for power in those communities may well be solved more cheaply and beneficially with effective conservation measures.

