

SB

350

SFIN

FILE

SB 350

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

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Senator Gary Stevens

Alaska State Legislature

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Sponsor Statement CS Senate Bill 350 (L&C)

"An Act allowing a joint action agency to encumber property interests for security purposes; declaring certain joint action agencies to be political subdivisions for certain purposes; restricting the sale of property of the joint action agency; allowing the joint action agency to transfer property to security interest holders under a security interest or to other parties without legislative approval; and providing for an effective date."

The legislation will enable the Four Dam Pool Power Agency (FDPPA -- the first agency formed under the statute allowing "Joint Action Agencies" -- JAA's) to refinance the approximately \$73 million loan owed to AIDEA.

This legislation will thus return \$73 million liquid cash to AIDEA's coffers while at the same time benefiting electricity consumers in Ketchikan, Petersburg, Wrangell, the Kodiak area and the Valdez-Glennallen areas. These benefits will flow from the FDPPA's borrowing at lower interest rates and shedding many of the administrative burdens and arbitrage losses on reserve funds inherent in the complex state financing.

The bill includes three highly technical corrections to the existing joint action agency statute. Neither of these corrections changes the essential nature of such agencies under state law. However, Bond Counsel and AIDEA counsel deem it necessary to re-state these principals in specific language to allow the financing to proceed in a way most beneficial to the agency and its member/citizen-customers, and to give specific authorization to change the MOU between AIDEA and the agency that was referenced in previous legislation.

First, the legislation states in explicit language that JAA's are political subdivisions of the state *for the purposes of securities law*. This language is necessary if the FDPPA is to avoid certain expensive and damaging hurdles having to do with registration of securities under some bond sale circumstances.

Second, the legislation explicitly allows the agency to mortgage the four dam pool assets. Such a mortgage will likely be necessary in order to sell the bonds as contemplated. The facilities are presently mortgaged to AIDEA, just as it is contemplated they would be mortgaged to the new lenders under the new financing. The legislation re-states the important principal established by the legislature that the four dam pool assets may not be sold to a party outside the FDPPA without legislative approval; however, it makes it clear that mortgaging the assets -- or a foreclosure under the terms of that mortgage -- does not constitute a sale under this restriction, providing that certain requirements are met.

Finally, the legislation allows amendment of the MOU to accommodate the contemplated mortgage.

None of these technical changes alters the previous legislative treatment of JAA's. The changes; however, are required to allow a smooth and beneficial refinancing.

When this refinancing occurs and the AIDEA loan is retired, the State and consumers in a large part of Alaska will benefit by:

- Allowing the FDPPA to return approximately \$73 million to AIDEA for other uses,
- Helping consumers of Four Dam Pool power by lowering interest, arbitrage costs, and administrative costs associated with the acquisition; and,
- Enhancing options available to the FDPPA and its members concerning interties and other activities.



CITY OF PETERSBURG

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March 5, 2004

Senator Gary Stevens
Mail Stop 3100
State Capitol
Juneau, AK 99801-1182

Subject: HB495 and SB350 re: Joint Action Agencies

Dear Senator Stevens:

The City of Petersburg is writing in support for HB495 and SB350 and ask your continued support in passage of this proposed legislation.

HB495, introduced by Representative Bill Williams and SB350, introduced by yourself, provide certain technical corrections to earlier legislation authorizing the sale of the state's interest in four hydroelectric projects that constituted the Four Dam Pool Power to a joint action agency formed by the participants in the Pool. The City of Petersburg is a member of the agency, along with the cities of Wrangell and Ketchikan, the Kodiak Electric Association and the Copper Valley Electric Association. The acquisition was financed with a loan from AIDEA, at interest rates currently in excess of those available from other sources. This legislation:

- Clarifies the ability of the joint action agency to refinance the AIDEA debt and lower the cost of power for citizens of Alaska;
- Returns up to \$74 million to the State of Alaska;
- Provides for the use of the hydroelectric resources as security for new debt; and
- Assures that the resources will continue to serve the members of the Pool, as intended by original authorizing legislation.

We urge your continued support in the passage of this important legislation.

Sincerely,

Theodore M. Smith, Mayor

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Anchorage, Alaska 99503
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March 31, 2004

Senator Gary Wilken, Co-Chair
Senate Finance Committee
Capitol Building, Room 532
Juneau, Alaska 99801

Subject: Alaska Power Association's Support of Senate Bill 350

Dear Senator Wilken:

Alaska Power Association (APA), which represents electric utilities from Barrow to Metlakatla providing approximately 90 percent of the power in our State, strongly supports passage of Senate Bill 350.

The association unanimously supports the changes to the charter of the Four Dam Pool Power Agency, comprised of utilities serving consumers in Southeast Alaska, the Copper Basin area and Kodiak Island. SB 350 will allow the Four Dam Pool Power Agency to use its assets as security for the issuance of bonds and other securities, and to function as a political subdivision only in regard to acquisition and operation of its assets. Except in limited situations involving foreclosures or other security-interest issues, SB 350 will require legislative approval before the agency could sell any of its assets.

SB 350 will significantly strengthen the Four Dam Pool Agency's operating abilities, and APA urges your support of the passage of this bill.

Sincerely,

A handwritten signature in black ink that reads "Eric P. Yould".

Eric P. Yould
Executive Director

SENATE FINANCE COMMITTEE

SIGN-IN

SB 350-4 DAM POOL JOINT ACTION AGENCY

NAME: Ron Miller Subject/Bill No: SB 350
Co./Dept./Title: Executive Director / AIDEA-REG Phone: 269-3000
Address: 813 W. Northw Light, Anchorage Zip: 99503
Do you wish to testify? Yes No Respond To Questions

NAME: Tom LOVAS Subject/Bill No: SB 350
Co./Dept./Title: CEO, FOUR DAM POOL POWER AGENCY Phone: 258-2281
Address: 203 W. TUDOR RD. SR 102 ANCH. Zip: 99503
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

