

SB

301

<target><bill>SB 301</bill><subject>SB
301</subject><comm>HFIN26</comm></target>

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 4**CORRECTED**
 Bill Version: SB 301
 (S) Publish Date: 3/8/10

Identifier (file name): SB301-CED-AEA-3-2-10 Dept. Affected: DCCED
 Title: Power Project Fund Loan Portfolio Sale RDU: 453
 Component: Statewide Project Development
 Sponsor: Rules by Request of the Governor
 Requester: Senate Resources Committee Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()	**							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund (PPF.) Currently, AEA only collects funds from applicants relating to the direct cost of analyzing the feasibility of a project. All fees would be deposited into the general fund; however, AEA will request an annual appropriation to have collected fees be deposited into the PPF. A similar annual appropriation is requested for fees collected from bulk fuel loans. ** Estimated fees are indeterminate until regulations are adopted; however, as a reference, AEA charges a \$25 application fee and a .5% origination fee for loans from the Bulk Fuel Revolving Loan Fund.

In addition to authorizing the collection of fees, this bill allows AEA to sell and the Alaska Industrial Development (continued on page 2)

Prepared by: Sara Fisher-Goad, Deputy Director-Operations Phone 907-771-3012
 Division: Alaska Energy Authority Date/Time 2/17/10 12:00 AM
 Approved by: Emil Notti, Commissioner Date 3/2/2010
Department of Commerce, Community and Economic Development

FISCAL NOTE 4 ****CORRECTED****

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 301

ANALYSIS CONTINUATION

and Export Authority to make a one-time purchase of substantially all loans from the PPF loan portfolio. AEA and AIDEA have developed a memorandum of understanding outlining the terms of the sale. AIDEA will purchase outstanding loans at a discount rate equivalent to 6.02%, its return on investments for the 3-year period ended September 30, 2009. To maximize the price paid, AEA agrees to repurchase from AIDEA loans which later default. Estimated sale proceeds are approximately \$20.6 million. The closing date of the sale is anticipated to be in July 2010.

No additional operating costs are anticipated with this legislation.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3 **CORRECTED**
 Bill Version: SB 301
 (S) Publish Date: 3/8/10

Identifier (file name): SB301-CED-AIDEA-3-2-10 Dept. Affected: DCCED
 Title Power Project Fund Loan Portfolio Sale RDU 125
 Component AIDEA Operations
 Sponsor Rules by Request of the Governor
 Requester Senate Resources Committee Component Number 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
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	0.0	0.0
CAPITAL EXPENDITURES								
CHANGE IN REVENUES ()								

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund (PPF.) See AEA's fiscal note for details.

In addition to authorizing the collection of fees, this bill allows AEA to sell and the Alaska Industrial Development and Export Authority to make a one-time purchase of substantially all loans from the PPF loan portfolio.

Prepared by: Sara Fisher-Goad, Deputy Director-Operations
 Division: Alaska Industrial Development and Export Authority
 Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development

Phone 907-771-3012
 Date/Time 2/17/10 12:00 AM
 Date 3/2/2010

FISCAL NOTE 3 ****CORRECTED****

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 301

ANALYSIS CONTINUATION

AEA and AIDEA have developed a memorandum of understanding outlining the terms of the sale. AIDEA will purchase outstanding loans at a discount rate equivalent to 6.02%, its return on investments for the 3-year period ended September 30, 2009. To maximize the price paid, AEA agrees to repurchase from AIDEA loans which later default. Estimated sale proceeds are approximately \$20.6 million. The closing date of the sale is anticipated to be in July 2010.

No additional operating costs are anticipated with this legislation.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 301
(S) Publish Date: 2/26/10

Identifier (file name): 0974-REV-TRS-1-6-10 Dept. Affected: Revenue
Title: AIDEA Power Project Fund RDU: Taxation and Treasury
Sponsor: Rules Component: Treasury
Requester: Request of Governor Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

The Department of Revenue anticipates no fiscal impact as a result of this legislation.

Prepared by: Ginger Blaisdell for Jerry Burnett, Deputy Commissioner
Division: Treasury Division
Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone 465-3669
Date/Time 1/5/10; 9:48am
Date 1/6/10; 1:49pm

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 301
(S) Publish Date: 2/26/10

Identifier (file name): 0974-DOT-CO-01-04-10 Dept. Affected: DOT&P
Title: Power Project Fund RDU: Administration and Support Services
Component: Commissioner's Office
Sponsor: _____
Requester: _____ Component Number: 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill has no fiscal impact on the Department of Transportation and Public Facilities

Prepared by: Mary Siroky, Legislative Liaison
Division: DOT&PF, Commissioner's Office
Approved by: Frank Richards
Deputy Commissioner, DOT&PF

Phone 465-4772
Date/Time 1/4/10 5:25 PM
Date 1/4/2010

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



Governor Sean Parnell
STATE OF ALASKA

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

February 25, 2010

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the power project fund; authorizing the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund; authorizing AEA to sell and authorizing the Alaska Industrial Development and Export Authority (AIDEA) to purchase loans of the power project fund; and providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010.

This bill deals with the power project fund (AS 42.45.010) and would accomplish two things. First, the bill would authorize the sale of power project fund loans from AEA to AIDEA as an investment of AIDEA's revolving fund. The sale of loans will recapitalize the power project fund and be accomplished under a memorandum of understanding. Second, the bill would authorize AEA to charge fees related to administration of the power project fund.

AEA can make loans out of the power project fund to help finance energy generation and transmission projects, or to fund the bulk fuel revolving loan fund under AS 42.45.250(). Borrowers currently use loans from the power project fund as a financing tool to help finance match requirements of renewable energy projects funded by the renewable energy grant fund (AS 42.45.045). The power project fund currently holds less than \$4.2 million, an amount inadequate to fund all reasonable loan needs arising out of the renewable energy grant fund and recommendation program and other purposes of the power project fund. The proposed sale of existing loans in the power project fund will recapitalize the fund with an additional sum, estimated to be approximately \$21 million.

To maximize the price paid to AEA for the sale of loans of the power project fund, the bill and memorandum of understanding include provisions for AEA to repurchase from AIDEA loans which later default. This repurchase provision substantially reduces financial risk to AIDEA from default, and enables AIDEA to purchase the loans without significant discount for such risk. The result is that AEA will obtain more from the sale to capitalize the power project fund.

The Honorable Gary Stevens
February 25, 2010
Page 2

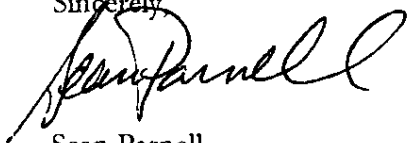
Several sections of the bill authorize the sale of power project fund loans from AEA to AIDEA. Section 1 of the bill would amend AS 42.45.010(a) and allow proceeds from the sale of power project loans to be deposited into the power project fund. Section 3 of the bill would add a new subsection (l) to AS 42.45.010, and authorize AEA to sell power project fund loans with legislative approval, allow AEA to repurchase defaulted loans, and direct that sale proceeds be deposited into the power project fund. Section 4 of the bill would add a new paragraph (30) to AS 44.88.080 and authorize AIDEA to purchase loans of the power project fund with legislative approval. And, sec. 5 of the bill would provide necessary legislative approval for AEA to sell and AIDEA to purchase the loans under the memorandum of understanding dated February 17, 2010. A copy of this memorandum of understanding is available on both AEA and AIDEA internet websites.

The bill would also authorize AEA to charge and collect fees in administering the power project fund, similar to authority that AEA has under AS 42.45.250(j) and (k) for the bulk fuel revolving loan fund. Section 2 of the bill would amend AS 42.45.010(d) which currently provides statutory authority for AEA to adopt regulations regarding the power project fund, and specifically authorize AEA to establish reasonable fees for applications and loan origination, and charges for reimbursement of the costs of analyzing the feasibility of a project. Section 3 of the bill would add subsection (k) to AS 42.45.010, and authorize AEA to collect the power project fund fees and charges established in the regulations, and direct deposit of those fees and charges into the general fund. Currently, AEA only requires an applicant to pay the costs of analyzing the feasibility of a project.

Finally, Sec. 6 of the bill would make the bill immediately effective, if it is enacted into law.

I urge your prompt and favorable action on this bill.

Sincerely,



Sean Parnell
Governor

Enclosure

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

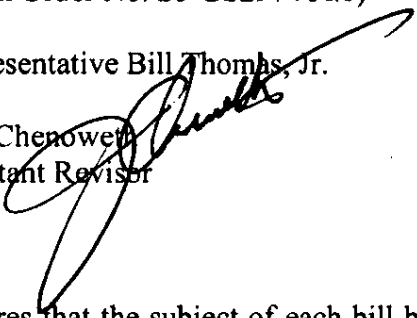
MEMORANDUM

April 12, 2010

SUBJECT: Amendment A.1 to Senate Bill 301, relating to loan approval from the power project fund for the Reynolds Creek hydro project (Work Order No. 26-GS2974\A.1)

TO: Representative Bill Thomas, Jr.

FROM: Jack Chenoweth
Assistant Revisor



The state constitution requires that the subject of each bill be expressed in its title. The draft amendment that accompanies this memo proposes adding to the contents of the measure as it is to be considered in the second house that require a change in the bill title; the change is made in the title of the accompanying amendment draft.

The proposed bill addition is disallowed by the second sentence of Uniform Rule 35: "A motion or proposition on a subject that requires a change in the title of the bill as enacted in the house of origin, other than a clerical or technical change, is not in order in the second house." The addition that you propose to make in the draft is substantive, not a clerical or technical change, and does not fall within the exception that is set within the text of the rule. The addition you propose is, by the terms of the rule, out of order.

If you offer the amendment for committee consideration, please remind the committee chair(s) of the rule and the need for the committee to offer a concurrent resolution waiving the limitation of Uniform Rule 35 and other appropriate provisions that would accommodate the proposed addition to the bill, including the title change, as set out in the amendment.

JBC:plm
10-227.plm

Enclosure

Adopted
4/13/10

26-GS2974\A.1
Kane
4/12/10

AMENDMENT

OFFERED IN THE HOUSE
TO: SB 301

BY REPRESENTATIVE THOMAS

1 Page 1, line 6, following "2010;":

2 Insert "providing legislative approval for a loan from the power project fund for
3 the Reynolds Creek hydroelectric project;"

4
5 Page 3, following line 11:

6 Insert a new bill section to read:

7 "** Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 LEGISLATIVE APPROVAL OF LOAN FROM THE POWER PROJECT FUND.
10 Provided the Alaska Energy Authority approves a loan for the Reynolds Creek hydroelectric
11 project, the legislature authorizes the Alaska Energy Authority to loan \$9,000,000 from the
12 power project fund (AS 42.45.010) for the Reynolds Creek hydroelectric project. This section
13 constitutes legislative approval under AS 42.45.010(j) for a loan from the fund that exceeds
14 \$5,000,000."

15
16 Renumber the following bill section accordingly.

Exhibit A

Alaska Energy Authority
Power Project Loans
as of 2/9/10

Payment Period	Loan #	Loan Name	Outstanding Commitment	Current Balance	Next Due Date	Interest Rate	Payment Amount	Maturity Date
Annually								
	40901044	QINARMIUT CORP	\$0.00	\$84,841.03	10/1/10	0.00	\$12,266.17	10/1/16
	40901045	CORDOVA ELEC CO OP	\$0.00	\$742,857.13	6/11/10	0.00	\$28,571.43	6/11/35
	40901047	ST PAUL, CITY OF	\$0.00	\$97,306.42	10/1/10	3.00	\$8,614.18	10/1/23
	40901048	WRANGELL, CITY OF	\$0.00	\$78,553.50	7/1/10	2.00	\$27,238.92	7/1/12
	40901050	PELICAN UTILITY DISTRICT	\$0.00	\$15,161.70	7/1/10	5.61	\$2,191.43	7/1/19
	40901057	ST PAUL, CITY OF	\$0.00	\$1,260,000.00	10/1/10	0.00	\$90,000.00	10/1/23
Total for Annually				\$2,278,719.78			\$168,882.13	
SemiAnnually								
	40901009	SITKA, CITY OF	\$0.00	\$9,178,074.93	7/1/10	4.00	\$307,037.96	1/1/33
	40901049	GWITCHYAA ZHEE UTILITY	\$0.00	\$145,384.29	7/1/10	6.16	\$9,844.52	1/1/20
	40901051	AP&T TOK DOT LAKE	\$0.00	\$232,837.77	7/1/10	0.00	\$12,254.63	7/1/19
	40901052	AP&T (TETLIN)	\$0.00	\$172,614.56	7/1/10	4.20	\$11,121.71	7/1/19
	40901059	AP&T (PRINCE OF WALES PROJECT)	\$0.00	\$893,333.30	7/1/10	0.00	\$20,000.00	1/1/37
	40901060	ELFIN COVE, COMMUNITY OF	\$0.00	\$550,325.15	7/1/10	0.00	\$13,102.98	1/1/31
	40901061	SOUTHERN ENERGY	\$0.00	\$517,673.38	7/1/10	5.60	\$21,480.18	7/1/30
	40901062	YAKUTAT, CITY & BOROUGH OF	\$0.00	\$125,792.95	7/1/10	3.00	\$7,325.59	1/1/20
	40901065	AVEC NIGHTMUTE	\$0.00	\$205,283.22	7/1/10	0.00	\$10,804.38	7/1/19
	40901068	AP&T (SKAGWAY)DYEA LINE EXTENSION	\$0.00	\$114,153.48	7/1/10	2.00	\$6,052.95	7/1/20
	40901071	TUNTUTULIAK COMMUNITY SERVICES A	\$0.00	\$129,509.64	7/1/10	0.00	\$5,396.23	1/1/22
	40901072	GUSTAVUS ELECTRIC COMPANY	\$0.00	\$118,626.84	7/1/10	5.40	\$10,288.01	1/1/17
	40901076	NAPASKIAK ELEC UTILITY	\$0.00	\$6,304.97	7/1/10	5.80	\$1,669.45	1/1/12
	40901079	TDX SAND POINT GENERATING INC	\$0.00	\$203,984.12	7/1/10	4.00	\$10,109.49	1/1/23
	40901080	AK POWER CO-POW SWITHGEAR PROJ.	\$0.00	\$167,889.70	7/1/10	5.45	\$7,639.46	1/1/27
	40901081	AK POWER CO-SKAGWAY LINE EXT	\$0.00	\$187,093.47	7/1/10	5.45	\$6,660.67	1/1/37
	40901084	AK POWER CO-SOUTH FORK HYDRO	\$0.00	\$1,576,590.23	7/1/10	5.45	\$57,000.66	1/1/36
	40901085	ADAK, CITY OF (DOWNSIZE GEN)	\$0.00	\$85,577.88	7/1/10	5.39	\$6,648.22	1/1/18
	40901086	TDX NORTH SLOPE GENERATING INC	\$0.00	\$796,539.85	7/1/10	3.00	\$34,972.27	1/1/24
	40901090	TDX NORTH SLOPE GENERATING INC	\$0.00	\$746,334.45	7/1/10	5.15	\$35,901.66	1/1/25
	40901091	TDX SAND POINT GENERATING INC	\$0.00	\$120,251.45	7/1/10	5.11	\$5,454.25	7/1/26
	40901092	AK POWER CO	\$0.00	\$63,010.57	7/1/10	5.11	\$2,912.94	1/1/26
	40901093	PORT HEIDEN, CITY OF	\$0.00	\$38,730.34	7/1/10	5.09	\$2,403.24	7/1/20
	40901094	YAKUTAT, CITY & BOROUGH OF	\$0.00	\$224,977.15	7/1/10	4.92	\$17,225.39	1/1/18
	40901095	TDX NORTH SLOPEGENERATING, INC	\$0.00	\$1,193,582.30	7/1/10	4.92	\$53,356.61	7/1/26
	40901096	CHENA POWER LLC	\$0.00	\$530,138.84	7/1/10	5.02	\$23,729.86	7/1/26
	40901097	CRAIG, CITY OF	\$0.00	\$482,653.23	7/1/10	5.05	\$19,908.31	1/1/29
	40901100	GUSTAVUS ELECTRIC, INC	\$0.00	\$928,029.76	7/1/10	4.69	\$29,659.32	7/1/38
	40901102	CHIGNIK LAGOON POWER UTILITY	\$0.00	\$30,920.85	7/1/10	4.62	\$5,599.19	1/1/13
	40901104	ALASKA WIND POWER, LLC	\$0.00	\$143,502.81	7/1/10	4.88	\$7,176.84	1/1/14
	40901106	NUSHAGAK ELECTRIC & TELEPHONE CO	\$0.00	\$12,010.97	7/1/10	4.99	\$4,820.30	1/1/15
	40901107	TDX NORTH SLOPE GENERATING, INC.	\$0.00	\$2,500,000.00	7/1/10	5.46	\$104,892.75	1/1/30
Total for SemiAnnually				\$22,421,732.45			\$872,450.02	
Grand Total				\$24,700,452.23				

Prepared by AEA

Memorandum of Understanding

This Memorandum of Understanding ("MOU") is entered into this 17th day of February, 2010, between the Alaska Energy Authority ("AEA") and the Alaska Industrial Development and Export Authority ("AIDEA").

Recitals

- A. The power project fund ("PPF") is established as a separate fund of AEA under AS 42.45.010(a).
- B. AEA may make PPF loans for financing various activities related to the development of energy generation and transmission projects, bulk fuel storage facilities, waste energy, energy conservation, or alternative energy facilities, or may make loans to the bulk fuel revolving loan fund for the purposes described in AS 42.45.250(l).
- C. The Renewable Energy Grant Fund was established under AS 42.45.045 to finance certain energy projects in Alaska, with an emphasis on feasible energy projects that provide a cost benefit to Alaska ratepayers, and projects that will serve areas in which the average cost of energy exceeds the average cost of energy in other areas of the state.
- D. AEA makes PPF loans available to assist project developers meet their matching fund obligations under the Renewable Energy Fund Grant Recommendation Program. By doing so, AEA is able to leverage the funding available from each program to better promote the development of cost efficient, renewable energy projects for the benefit of Alaska ratepayers.
- E. The PPF currently has less than \$5,000,000 available for serving the purposes of the fund.
- F. AEA desires to sell, and AIDEA desires to purchase, the outstanding PPF loans identified in the attached Exhibit A.
- G. In this MOU, in order to maximize the amount AIDEA would be willing to pay for the PPF loans identified in Exhibit A and minimize financial risk to AIDEA from purchasing the PPF loans, AEA agrees to repurchase from AIDEA any outstanding loan if the borrower has a payment default after the sale.
- H. The outstanding PPF loans identified in Exhibit A have a combined current balance as of February 9, 2010, of \$24,700,452.23, and earn interest at annual rates that range from 0% to 6.16%.

- I. AEA and AIDEA agree that the outstanding loans identified in Exhibit A have a projected present value as of the closing date (expected to be in July 2010) of approximately \$20.6 million. This present value is the value of projected loan payments over the life of the outstanding loans, discounted at 6.02%, which was AIDEA's return on investments for the three year period ended September 30, 2009.
- J. AEA and AIDEA agree that the sale and purchase of the outstanding PPF loans identified in Exhibit A at the present value of the loans will both adequately capitalize the Power Project Fund and provide a reasonable investment for the revolving fund of AIDEA.
- K. The sale and purchase of the outstanding PPF loans identified in Exhibit A will require, among other things, the enactment of legislation approving the sale and purchase.
- L. This MOU is intended to set forth the principal terms and conditions under which AEA would sell, and AIDEA would purchase, the outstanding PPF loans identified in Exhibit A. The parties intend that this MOU be incorporated into legislation to be submitted to the Alaska State Legislature authorizing the sale and purchase of the loans.

NOW, THEREFORE, in exchange for the mutual promises contained herein and for other consideration the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. AEA agrees to sell, and AIDEA agrees to purchase, the outstanding PPF loans identified in Exhibit A on the closing date, expected to be in July 2010, for a purchase price equal to the present value as of the closing date of all PPF loans identified in Exhibit A.
2. In this MOU, the "present value" of a PPF loan means the present value of all scheduled loan payments on the PPF loan over the entire remaining life of the PPF loan, using a discount rate of 6.02%.
3. Based upon the definition of "present value," AIDEA and AEA estimate that the purchase price of all PPF loans identified in Exhibit A on the closing date will be approximately \$20.6 million.
4. AEA shall repurchase from AIDEA any outstanding PPF loan if the borrower defaults on payment after the sale. The repurchase price shall equal the present value of the loan determined on the date of the payment default by the borrower, less any payments received by AIDEA after the payment default date. AIDEA may exercise the right to have AEA repurchase a PPF loan by sending notice to AEA of the payment default.

AEA shall pay AIDEA within 30 days of the notice of payment default from unencumbered and uncommitted funds in the Power Project Fund. If the PPF has an inadequate amount of unencumbered and uncommitted funds to repurchase the PPF loan from AIDEA within 30 days of the notice of default, AEA shall make payments to AIDEA with unencumbered and uncommitted funds as they become available in the Power Project Fund (through repayments from other PPF loans or otherwise), with interest on the unpaid balance at the annual rate of four percent (4%) from the date 30 days after the notice of default. Nothing in this paragraph precludes AIDEA from rescinding a notice of default.

WHEREFORE the parties have executed this Agreement as of the date first written above.

Alaska Energy Authority


by: Steve Haagenson
Executive Director

Alaska Industrial Development and Export Authority


by: Ted Leonard
Executive Director

HB 411 and SB 301

An Act relating to the power project fund

Sectional Analysis

Section	Analysis
1	AS 42.45.010(a) is amended to allow proceeds from the sale of power project loans to be deposited into the power project fund (PPF).
2	AS 42.45.010(d) repeals and reenacts AEA authority to adopt regulations relating to the loan program by specifically allowing AEA to establish fees for applications and loan originations.
3	AS 42.45.010 is amended by adding new subsections – (k) to provide that fees collected will be deposited into the general fund. (l) provides authority to AEA to sell loans of the PPF with legislative approval, allows AEA to repurchase loans sold under this subsection which default, allows proceeds received to be deposited into the fund.
4	AS 44.88.080 is amended by adding new subsection (30) allowing AIDEA to purchase from AEA, as an investment of the revolving fund, PPF loans.
5	Uncodified law is amended by adding a new section providing for legislative approval for AEA to sell and AIDEA to purchase certain power project fund loans. This section references the 2/17/10 MOU between AIDEA and AEA that memorializes the proposed terms of the sale and purchase.
6	Provides for an immediate effective date

Prepared by AEA

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 13, 2010

SUBJECT: Appropriations for proceeds in HCS SB 301(FIN)
(Work Order No. 26-GS2974R)

TO: Representative Mike Hawker
Representative Bill Stoltze
Co-Chairs of the House Finance Committee

FROM: Brian J. Kane *BJK*
Legislative Counsel

I have prepared a House CS for SB 301 as you requested, but there is one point I would like to call to your attention. The bill contains a provision in sec. 1 stating that proceeds from the sale of loans are included in the fund. I am not sure that the Alaska Energy Authority can deposit the proceeds into the fund without the formality of an appropriation. Any money going into the fund for the AEA to use should be appropriated at some point -- so you may want to consider adding language to sec. 1 recognizing that an appropriation is needed in order for the proceeds to be used by AEA.

If I may be of further assistance, please advise.

BJK:ljw
10-267.ljw

Enclosure