

LEG. FINANCE - BILLS 1975 - 1976 469

HB 778 thru HE 779 469

COMMITTEE REPORT

HOUSE

2/17/76

Mr. Speaker:

Date March 16 1976

The Committee on FINANCE has had HB 778

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR TELS AND THAT
CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

THAT IT BE REPLACED WITH CS HB 778 AND

(X) reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

J. Malone Do Pass
E. N. ... Do Pass
B.T. ... Do Pass
J. Newman Do Pass

Members NOT concurring in the Majority report:

Cowder recommends: NO REC
Wahgan recommends: no rec
Long recommends: no rec
T. Buchheit recommends: No rec
_____ recommends:

J. Malone Chairman

"An Act making a special appropriation to the governor's office of telecommunications; and providing for an effective date."

COMMITTEE REPORT

HOUSE

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The Committee on FINANCE has had HB 778

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recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR 1725 AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

THAT IT BE REPLACED WITH CS HB 778 AND

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

H. Malone _____

E. ... DO PASS _____

B.T. ... DO PASS _____

... DO PASS _____

Members NOT concurring in the majority report:

... R recommends: NO REC

... recommends: no rec

... recommends: no rec

Buchheit recommends: No rec

_____ recommends: _____

H. Malone Chairman

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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS For HOUSE BILL NO. 778

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

NINTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the governor's office of telecommunications; and providing for an effective date."

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

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* Section 1. The sum of \$43,000 is appropriated from the general fund to the governor's office of telecommunications for the purpose of two-way audio transmission by satellite of selected legislative sessions and committee hearings.

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* Sec. 2. The sum of \$1,500,000 is appropriated from the general fund to the governor's office of telecommunications for the purpose of establishing a satellite television project for the State of Alaska.

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* Sec. 3. This Act takes effect July 1, 1976

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3/16/76
CS ordered
from L.A.A.
yew

Introduced: 2/17/76
Referred: Finance

1 IN THE HOUSE

BY BROWN AND DUNCAN

2 HOUSE BILL NO. 778

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the governor's
7 office of telecommunications; and providing for an ef-
8 fective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$150,000 is appropriated from the general fund
11 to the governor's office of telecommunications for the purpose of televising
12 legislative sessions and committee meetings and for transmission across the
13 state by satellite.

14 * Sec. 2. This Act takes effect July 1, 1976.
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Alaska State Legislature

Senate

JUNEAU, ALASKA

The Honorable Chancy Croft

It is the intent of the Senate Health, Education, and Social Services committee in introducing and passing Senate bill #696 to provide a pilot satellite television project for the state of Alaska.

The \$1.5 million appropriation is designed to provide a full-time satellite transponder leased for one year. This will provide one channel of television for selected villages, and bring live satellite coverage to the urban areas. The transponder may also be used to implement Health and Education video services to Alaska.

The appropriation goes to the Governor's Office of Telecommunications (GOT). The GOT is responsible for the completion of the project, however they have the authority to contract with any other state agency or private contractor for assistance with the project.

The village site selections shall be made by the Alaska Federation of Natives telecommunications committee, with the concurrence of the GOT. The AFN committee will work with the GOT and the AEBC in determining programming.

Commercial and Public broadcast stations with access to a large earth station will have the opportunity to receive network programs via the state-leased transponder. This will offer same-day viewing for many network programs, and allow live satellite broadcast for public affairs and special events state-wide.

This pilot program will offer the opportunity to determine the best technical and administrative procedure for a state-wide program. The GOT shall report to the next legislative session their recommendations for the implementation of a state-wide satellite television system.

SATELLITE TELEVISION PROJECT

This project will enable us to satisfy immediate demands at a minimum cost and to obtain the experience necessary to establish policies that would encourage the development of a stable, self-supporting television system which will meet the needs of the rural areas, be of value to the commercial operators, and be available for education and social service.

Bush

1. Purchase TV receive equipment for 24 small earth stations.
\$10,000 each = \$240,000.
2. Purchase TV distribution equipment for 24 rural villages.
\$10,000 each = \$240,000
3. Provide 5 hours/day of TV transmission to bush stations plus educational programming.
 - a. live
 - b. from lower 48 delay center
 - c. from Alaska programming center

Urban

1. Make transponder available to broadcasters when not transmitting to the bush. Two TV channels can be transmitted simultaneously into large earth stations. If this mode of operation were used 16 hours per day, 32 hours of programming could be imported for urban broadcasters, i.e., 8 hours per network each day.
 - a. urban broadcasters make delay arrangements
 - b. urban broadcasters work out schedule arrangements among themselves

Urban/Bush

1. Programs could be broadcast real time to both urban and bush locations on single channel per transponder operation.

Most origination for bush would come from stateside delay center, with supplemental or occasional broadcasts originated from Alaskan stations.

Preliminary Budget Estimate

| | |
|--|----------------------|
| full-time non backed up transponder | \$500,000 |
| 24 earth station receivers, 10k each | 240,000 |
| 24 mini transmitters, 10k each | 240,000 |
| delay center and miscellaneous charges | 520,000 |
| | <u>\$1.5 million</u> |

Notes

For part-time transponder for bush transmission

1 year at 5 hours/day = 1825 hours

hourly rate: \$800 hr x 1825 = \$1.46 million

conclusion--cheaper to lease full-time transponder at
500k per year

Earth station receivers are budgeted at 10k each installed

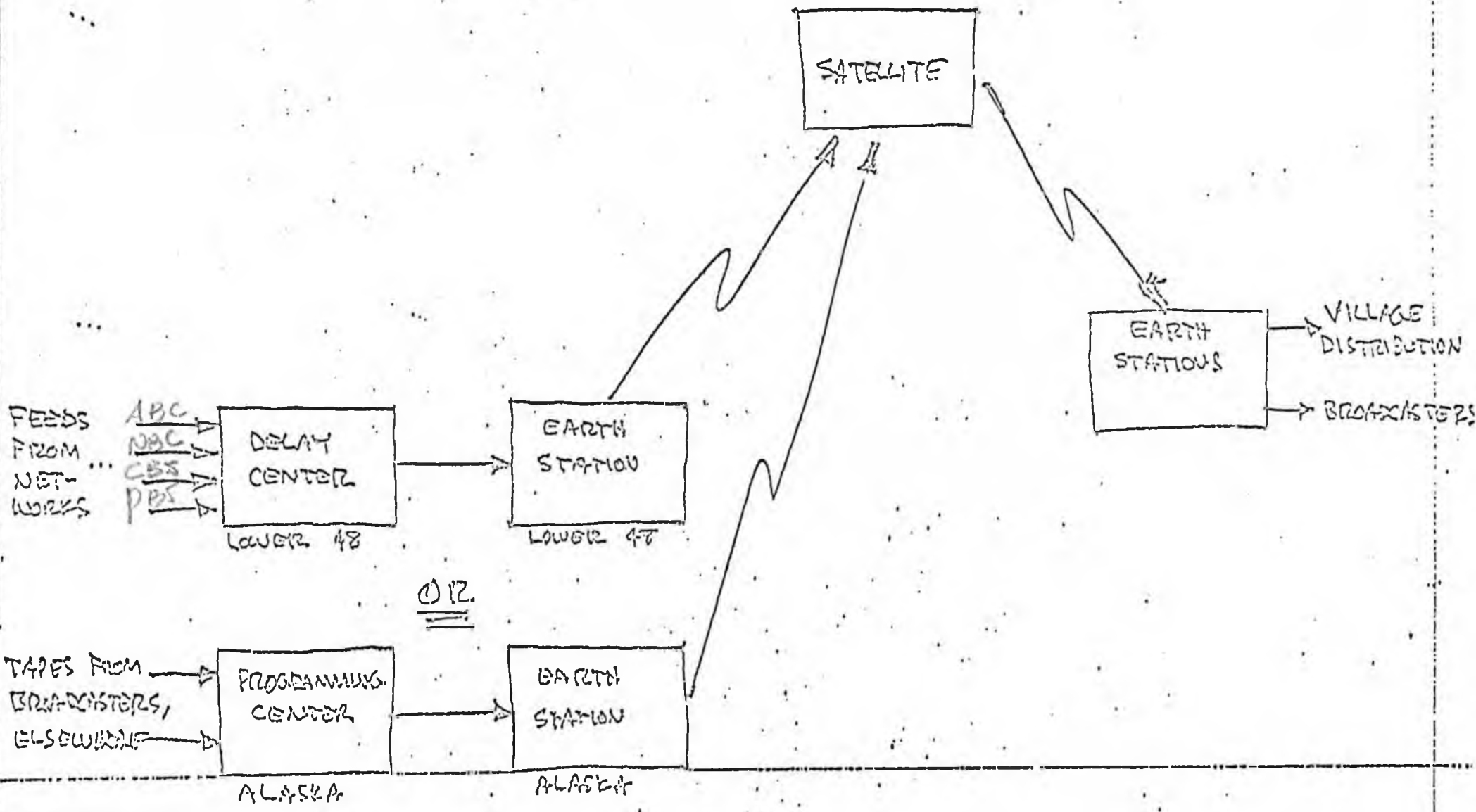
Mini TV transmitters are budgeted at 10k each installed.

This includes applications and license fees.

\$520,000 for delay center and miscellaneous charges allows
for operating expenses of \$60 per hour on the basis of 24
hours per day.

4 MARCH 1976

DEMONSTRATION TV CONCEPT



Note 1

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 778

Title: Act making a special appropriation to Governor's Office of Telecom: & providing

Requested by: Legislative Finance Date:

Return Date Requested: March 12, 1976

Agency: Office of Telecommunications Program: Television Production Studio

Title (cont'd): for an effective date.

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Office of Telecommunications

A. EXPENDITURES: (Thousands of dollars)

| OBJECT | FY 76 | FY 77 | FY 78 | FY 79 | FY 80 | FY 81 |
|--------------------------|-------|-----------|-------|-------|-------|-------|
| 100 PERSONAL SERVICES | | 18,100 | | | | |
| 200 TRAVEL | | 2,500 | | | | |
| 300 CONTRACTUAL | | 108,600 | | | | |
| 400 COMMODITIES | | 3,250 | | | | |
| 500 EQUIPMENT | | 17,550 | | | | |
| 600 LAND & STRUCTURES | | -0- | | | | |
| 700 GRANTS, CLAIMS, ETC. | | -0- | | | | |
| TOTAL | | \$150,000 | | | | |

B. FUNDING: (Thousands of dollars)

| | | | | | | |
|---------------|--|-----------|--|--|--|--|
| GENERAL FUND | | \$150,000 | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |

C. POSITIONS:

| | | | | | | |
|---------------------|---|-----|---|---|---|---|
| PERMANENT/TEMPORARY | / | /2 | / | / | / | / |
| MAN MONTHS (P./T.) | / | /10 | / | / | / | / |

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- A. Assumptions: 1) That production studio be located in Capitol Bldg. so that televising of sessions and hearings can be easily accomodated.
 2) Production Studio will be operated by the University of Alaska, Southeast, since Office of Telecommunications is confining its role to that of telecommunications plans and policy. The Office of Telecommunications will transfer the studio facility to the University of Alaska, Southeast, on June 30, 1976. The University will continue to provide the same services to the Legislature and other state agencies (see attached narrative and budget request for basic operations of studio).
 3) That basic operation of the production studio is funded at the level set forth in the attached document.

IV. ATTACHMENTS

- A. Summary: Transference of Television Production from the Office of Telecommunications to the University of Alaska, Southeast.
 B. Transfer of property and resources of the Office of Telecommunications to the University of Alaska, Southeast.
 C. Budget the proposed transfer of TV Production facility.
 V. DATE: PREPARED BY:

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

III. ANALYSIS (Cont'd)

B. Program Survey

1. **Positions:** The basic staff needed to carry out this program will be in place if the basic studio operational budget request is approved. Two additional ½ time temporary positions will be needed:
 - a. Clerk typist III for correspondence with broadcast stations, cable systems and legislators; record keeping and filing of video tape rating. 5 months @ \$998/mo + 210 benefits = \$6,037.00.
 - b. Administrator/scheduler for liaison with legislative leadership and broadcast stations and cable systems; schedules productions of selected hearings and sessions; contracts with longlines carrier for satellite time; supervises tape mailing and return system. \$1994/mo + 418/mo benefits for 5 months = \$12,063.00.
2. **Other Expenditures**
 - a. **Contractual Services**
 1. Audio transmission satellite time. Two-way circuit from Juneau to Anchorage, Fairbanks, Bethel, Nome, Valdez, Sitka and Ketchikan. \$27,000.
 2. Television transmission satellite time. One-way satellite transmission of ½ hour of highlights plus local loop connections for 100 legislative days. \$80,000.
 3. Additional graphics support. \$1,300.
 4. Postage. \$300.00.
 - b. **Travel**

One installation trip to each location plus reserve for maintenance. \$2,500.
 - c. **Commodities**
 1. Video-tape for mastertaping four hours per day x 100 days = \$210.00 per day x 10 (2 week suply-reuseable). \$2,100.00.
 2. Video-cassette stock for mailing longer segments on request. 30 hours x \$25.00 = \$750.00.
 3. Audio tape stock. \$400.00.
 - d. **Equipment**
 1. Character Generator - for fast lettering, titles, etc. during live coverage. \$11,000.00.
 2. Office equipment for two temporary employees. \$1,450.00.
 3. Audio origination (two mixers; eight microphones; two speakers and amplifiers; two tape recorders; cabinets for housing same). \$3,200.00.
 4. Audio reception and feedback equipment for seven sites. \$1,900.00.
3. **Funding** - from General Fund as outlined in HB778.

SUMMARY: TRANSFERENCE OF TELEVISION PRODUCTION FROM THE
OFFICE OF TELECOMMUNICATIONS TO THE
UNIVERSITY OF ALASKA, SOUTHEAST

Fiscal Year 1977 will see the elimination of the television production function from the Governor's Office of Telecommunications because of a change in priorities and mission. The OTC was initially funded in 1974 to support the ATS-6 experiment. In addition it has served to provide media services to the Legislature, the Office of the Governor, other State Agencies, and other local groups. The need for such professionally produced programming is evident from the current level of utilization and the projected increases of the various consumers. New uses are being developed as the availability of this communications service becomes better known and as its informational and training activities increase. After studying a number of alternatives, the Office of Telecommunications is recommending the transfer of equipment and the production function to the University of Alaska, Southeast. This makes sense for a number of reasons: The University has a mandate to provide public service; within UASE Public Service, the unit which would logically assume administrative responsibility for this operation, there is an existing, appropriate professional network with wide experience with contractual services to other agencies, and a capable support system. Public Service currently conducts studies, provides training programs, and supplies outreach services for various agencies.

The University will continue current consultation and production services to the State by maintaining a full-time, professionally staffed service center, responsive to the needs of the public agencies. In addition,

the University will substantially increase media services to its regular instructional programs, programs for outlying areas, and the general citizenry through integration with and expansion of its current activities.

Television production is not inexpensive. Start-up, upgrading, maintenance costs and skilled production personnel are costly. However, to lose current impetus achieved by the OTC and other State Agencies through inactivity or transfer to an inappropriate agency would be far more costly. Transfer of equipment and first year transitional support of an accessible production facility is a cost effective decision in terms of much needed improved communication for the State of Alaska.

The budget summary below indicates the replacement cost of equipment on hand, FY 76 funding and estimated FY 77 costs, assuming the suggested transfer.

Non-depreciated value of equipment: \$100,000

| <u>Budget Item</u> | <u>FY 76</u> | <u>Transition FY 77</u> |
|---------------------|--------------|-------------------------|
| Personnel | 133,000 | 167,000 |
| Equipment | 20,000 | 47,500 |
| Services and Travel | 20,500 | 33,500 |
| Supplies | 24,000 | 26,000 |
| Removal/Remodel | <u>--</u> | <u>20,000</u> |
| | 197,000 | 294,000 |

The benefits to the State might be briefly summarized:

- continued access to television and radio production facilities by Legislators,
- increased access to consultation and production facilities for information and training by State Agencies,

--continued access to television and radio production facilities
by the Office of the Governor,

--drastically increased access to and use of media production by
the University of Alaska, Southeast, for instructional and com-
munications purposes,

--development of access to production facilities by the local community.

A more complete statement of background information, and a detailed
budget are available from the Office of Telecommunications, 465-3550.

TRANSFER OF PROPERTY AND RESOURCES OF THE
OFFICE OF TELECOMMUNICATIONS TO THE
UNIVERSITY OF ALASKA, SOUTHEAST

For the past two years, television coverage of key legislative events and videotaped information about State Government has been provided by a production studio operated by the Governor's Office of Telecommunications. On June 30 of this year that capability will no longer be available unless action is taken now to assure continuation.

The Governor's Office of Telecommunications has determined that it should confine its role to that of a communications planning and policy office, provide advice to the Governor and assume a public interest advocacy role with communications suppliers and the Alaska Public Utilities Commission. The operation of a TV studio does not fit into the planning and policy making role the office feels it must fulfill. Accordingly, the Office of Telecommunications made no budgetary provision for the operation of the studio in FY 1977. Instead the office recommends that some other agency assume responsibility for the studio and its continued operation.

Services Now Provided

The Office of Telecommunications studio is a full-color, video facility that was designed, funded, and staffed to support the Alaska ATS-6 Health/Education Telecommunications Experiment. When the satellite experiment ended, the Office of Telecommunications made its facilities available to all state agencies for the production of television programming.

The studio equipment includes two color video cameras capable of recording on 1" helical or 3/4" cassette color tape. Both 35mm slides and 16mm film can be used in video productions through a film chain and a third color camera. The studio is operated by a crew including a Producer/Director, two camera operators, an audio technician, a switcher and a production engineer. Chroma key and other special effects are also available. Video tape cassettes of all productions can be dubbed for distribution.

The studio production staff provides users with consultation on all technical aspects of preparing materials and scripts.

Camera-ready graphics, photographs, lettering, credits and drawing are prepared to specifications, to illustrate and highlight every production.

A sampling of the types of material produced by the studio is attached to this document. In summary the uses to which the studio has been put fall into five categories:

1. Service to the Legislature. Periodic reports on legislative activity are provided to television stations and cable systems throughout the State. Individual or partisan use of the facility is available (and has been) by paying a standard hourly fee for studio use.
2. Service to the Office of the Governor. Coverage of Gubernatorial addresses to joint sessions of the Legislature is provided. The Governor also pays the standard hourly fee for the use of facilities for news releases or press conferences.
3. Service to Other State Agencies. The Departments of Education, Community and Regional Affairs, Highways, Environmental Conservation and others have used and are using the facility. Several series of programs have been produced, but simple dubbing of already produced material has also been provided. The demand for these services is constantly increasing.
4. Service to the Office of Telecommunications. A series of videotapes on modern telecommunication practices and devices and how these developments effect Alaskans, particularly those living in rural areas, is being produced. Simple slide shows and overhead transparencies have also been created. These activities have been paid for out of State General Fund monies.
5. Service to the Federal Telecommunications Project. The studio is producing on videotape, a series of programs that highlight how telecommunications can be used to help Alaska Educators in their task of providing the best educational services to all of the State's citizens. This project is Federally funded.

Since the Office of Telecommunications has definitely not budgeted or planned for studio operation after June 30, 1976, a suitable agency must be found to assume this responsibility. Similarly, funds must be appropriated to assure continuation of the services being provided.

The Alaska Educational Broadcasting Commission has stated that it does not want to operate the studio. By legislation, the Commission can only provide such services where no other agency can be located. It appears that other State Agencies do not, by themselves, generate sufficient production needs to ensure full operation of such a studio.

Function of the University of Alaska, Southeast

The University of Alaska, Southeast is able, through its Division of Public Services, to continue and supplement the services offered by the production facility of the Office of Telecommunications. Given the mandate for public service, the existant service network, and the previous experience with contractual services it is anticipated that the most cost effective and responsive location will be the University of Alaska, Southeast.

Clearly the primary questions are level of service and access. The University is committed to continuing and significantly upgrading the services

to the Legislature and the State through a fully staffed and centrally located production facility. Access is increased by providing a full time, year around service that is professionally operated. The needs of the Legislature, the State Agencies and the University, because of their non-competitive nature, can be easily meshed.

The overall costs of television production are not cheap. It is unlikely that sufficient fee-for-service work can be generated in Juneau to interest a commercial firm over a long period. Contractual one-time services increase costs spectacularly. This proposal argues that individual service costs are substantially reduced as the amount of production and the size of the audience increase. In this case by merging the needs of the legislature, the State Agencies, and the University, it is possible to justify a full time, broad spectrum production facility. Intelligent and realistic cost sharing of personnel, quipment and facilities encourages (and makes possible) more production of a higher quality.

In addition to continuation of the service functions of the studio, the University is most interested in upgrading and increasing its ability to deliver educational services to its students and the community at large. Heavy use of films, filmstrips and audio tape is a part of the teaching/ learning approach at the University of Alaska, Southeast. The demand for such materials continues to increase and is met through a variety of sources.

At this time the University has no capacity to produce or duplicate videotaped material for its instructional program. The one portable unit is for limited use in non-standard recording and playback. Considerable demand has been generated for increasing our recording and playback capacity and the faculty and staff in all locations are requesting professional level programming in order to increase their teaching effectiveness and disseminate the results.

Outreach units (Petersburg, Wrangell, Haines) are extremely limited in the offerings they can provide because of budget and travel limitations. Video recording is the most economical way to distribute the resources of the Community Colleges in Juneau-Douglas, Sitka, Ketchikan and the Senior College in Juneau. It is our intention to facilitate the flow of our resources and increase the access of the public to them through distribution of recorded materials.

The Public Service function has rapidly increasing demands made on it for training sessions, workshops and other short but intensive skill building offerings. They too are severely limited in the services they can provide because of the absence of high quality production facilities.

The University anticipates, as other experience indicates, that considerable internal and external demands will be created by the addition of such a facility. Other segments of the University and other educational institutions have found that the presence of a facility creates new demands, new approaches and is in general synergetic.

The University is committed to meeting these needs and could make extremely good use of such a facility. Such a transfer is the needed stimulus to propel the University into new service areas.

Increased Capabilities

The University of Alaska, Southeast intends to add to the capability of the production studio primarily through a vastly increased utilization rate and by combining it with its current media services. It is anticipated that the utilization rate (studio production hours) would increase by a factor of three because of new community oriented and based production, extension of activities through outreach centers, the development of a needed media training facility, and the rapid expansion of the public information function.

Currently the media services of the University are roughly half for instructional services and half for community use. Little change is expected in that ratio, but the gap between what the University ought to provide and realistically can provide is rapidly diverging.

Through this mechanism the University intends to provide a pool of skilled talent that would be made available to the State Government and the citizenry in a new way. Access to information and skill building activities has been and will continue to be a problem for Alaskans. The experience of the Office of Telecommunications has been that media production capability is a necessary and truly important factor in the development of the Alaskan future.

Under the leadership of the Chancellor the University of Alaska, Southeast/ Public Service is willing and capable to develop and implement new services to the Legislature, State Agencies and the citizenry. It is our sense that a collaborative approach is most efficient, effective and desirable.

The Future

Access to media production facilities creates its own demand. We cannot read the future but we can expect increased demand from the Legislature, the State Agencies, the University community, and an informed citizenry. A public TV station, local "storefront" operations and/or a regional production facility might be anticipated based on the continuation of a Juneau based, professionally operated facility.

The Costs

It is important to look at what the State has already invested, what hard and soft money the Office of Telecommunications and other State Agencies spent this year, and what the real dollar cost of continuation are. The budget sheets that follow offer data for that purpose.

Proposed Steps

1. The Office of Telecommunications and other appropriate State Agencies sign over the video production equipment to the University of Alaska, Southeast under a memorandum of agreement.
2. The Legislature consider and endorse a work plan and authorize funds for one year to carry out the work plan.

3. The University of Alaska, Southeast establishes and operates a Capitol Area Media Production Facility.
4. Full operation begins July 1, 1976.

Attachments:

1. Current Equipment List
2. Current State Expenditures
3. Proposed Operating Budget
4. Materials/Productions by the OTC

BUDGET FOR PROPOSED TRANSFER OF TV PRODUCTION FACILITY

| <u>Item</u> | <u>FY '76 Office of Telecommunications General Fund Expenditure</u> | <u>FY '76 Office of Telecommunications Federal Expenditure</u> | <u>FY '76 Univ. of Alaska, Southeast Expenditure</u> | <u>FY '76 Total</u> | <u>FY '77 Request</u> |
|----------------------------------|---|--|--|-------------------------|---------------------------|
| <u>PERSONEL:</u> | | | | | |
| Media Services Director (1/3) | 13,600 | -- | -- | 13,600 | (1/2) 13,600 |
| Studio Manager | 11,500 | 6,375 | -- | 17,875 | 18,000 |
| Studio Engineer | 11,500 | 7,444 | -- | 18,944 | 20,000 |
| Graphic Artist | 2,000 | -- | -- | 2,000 | (1/2) 7,500 |
| Photographer | -- | -- | -- | -- | (1/2) 7,500 |
| Scriptwriter | 11,600 | 5,459 | -- | 17,059 | 16,200 |
| Production Crew | 7,500 | 7,500 | -- | 15,000 | 18,000 |
| AV Library Asst. I | -- | -- | 15,000 | 15,000 | 15,000 |
| AV Clerk/Spec. I | -- | -- | -- | -- | 13,500 |
| Secretary II | -- | 10,574 | -- | 10,574 | 12,000 |
| | <u>57,700</u> | <u>37,352</u> | <u>15,000</u> | <u>110,052</u> | <u>141,300</u> |
| Benefits | 12,117 | 7,844 | 2,700 | 22,661 | 25,506 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| Subtotal - | <u>69,817</u> | <u>45,196</u> | <u>17,700</u> | <u>132,713</u> | <u>166,806</u> |

| <u>Item</u> | <u>FY '76 Office of Telecommunications General Fund Expenditure</u> | <u>FY '76 Office of Telecommunications Federal Expenditure</u> | <u>FY '76 Univ. of Alaska, Southeast Expenditure</u> | <u>FY '76 Total</u> | <u>FY '77 Request</u> |
|--|---|--|--|-------------------------|---------------------------|
| <u>TRAVEL:</u> | | | | | |
| Outside - 2 trips | 818 | 510 | -- | 1,328 | 1,200 |
| Inside - 6 trips | 962 | 315 | -- | 1,277 | 1,800 |
| Subtotal - | <u>1,780</u> | <u>825</u> | <u>--</u> | <u>2,605</u> | <u>3,000</u> |
| <u>SERVICES:</u> | | | | | |
| Communications | 2,500 | -- | 500 | 3,000 | 2,500 |
| Printing and Advertising | -- | 500 | -- | 500 | 500 |
| Space Rental | 6,480 | -- | -- | 6,480 | 15,000 |
| Office Machines | -- | 3,000 | -- | 3,000 | 1,000 |
| Xerox | 800 | -- | -- | 800 | 3,000 |
| Transfer and Freight | -- | -- | 1,000 | 1,000 | 1,500 |
| Film Processing | -- | 1,000 | 200 | 1,200 | 2,000 |
| Factory Repair of Equip. | -- | -- | 100 | 100 | 2,000 |
| Background Music and Sound Effects | -- | -- | -- | -- | 1,000 |
| Talent Fees, Special Art Work, Live Music | -- | 4,500 | -- | 4,500 | 2,000 |
| Relocation Expense (one time) | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>20,000</u> |
| Subtotal - | <u>9,780</u> | <u>9,000</u> | <u>1,800</u> | <u>20,580</u> | <u>50,500</u> |

| <u>Item</u> | <u>FY '76 Office of Telecommunications General Fund Expenditure</u> | <u>FY '76 Office of Telecommunications Federal Expenditure</u> | <u>FY '76 Univ. of Alaska, Southeast Expenditure</u> | <u>FY '76 Total</u> | <u>FY '77 Request</u> |
|--|---|--|--|-------------------------|---------------------------|
| <u>SUPPLIES:</u> | | | | | |
| Audio and Video Tape | 7,000 | 2,539 | -- | 9,589 | 10,000 |
| Maintenance Supplies | 7,200 | 3,000 | 500 | 10,700 | 10,000 |
| Photo Supplies | -- | 500 | 200 | 700 | 2,000 |
| Graphic Supplies | -- | 1,000 | -- | 1,000 | 2,000 |
| Set Construction Supplies | -- | 411 | -- | 411 | 500 |
| Office Supplies | <u>350</u> | <u>1,488</u> | <u>--</u> | <u>1,838</u> | <u>1,500</u> |
| Subtotal | <u>14,550</u> | <u>8,988</u> | <u>700</u> | <u>24,238</u> | <u>26,000</u> |
| <u>EQUIPMENT:</u> | | | | | |
| Tape Duplication (video cassette recorders and editor) | 20,000 | -- | -- | 20,000 | 2,000 |
| 3 Portable VTR's | -- | -- | -- | -- | 6,000 |
| Film Chain Improvement | -- | -- | -- | -- | 12,000 |
| Time Base Corrector | -- | -- | -- | -- | 15,000 |
| Lighting Equipment | -- | -- | -- | -- | 2,000 |

| <u>Item</u> | <u>FY '76 Office of Telecommunications General Fund Expenditure</u> | <u>FY '76 Office of Telecommunications Federal Expenditure</u> | <u>FY '76 Univ. of Alaska, Southeast Expenditure</u> | <u>FY '76 Total</u> | <u>FY '77 Request</u> |
|--------------------------------------|---|--|--|-------------------------|---------------------------|
| Additional Audio Equip. | -- | -- | -- | -- | 3,000 |
| Test Equipment | -- | -- | -- | -- | 7,500 |
| Subtotal - | 20,000 | -- | -- | 20,000 | 47,500 |
| GRAND TOTAL - | <u>115,927</u> | <u>64,009</u> | <u>*20,200</u> | <u>200,135</u> | <u>293,806</u> |
| *Included in UASE '77 Budget Request | | | | | <u>20,000</u> |
| TOTAL, TRANSFER BUDGET REQUEST | | | | | <u>273,806</u> |



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/6/90
Date

*Not taken up.
R*

A M E N D M E N T

OFFERED IN THE HOUSE:

BY: FINANCE COMMITTEE

To: SENATE CS FOR HOUSE BILL No. 779

SENATE BILL No. _____

1) PAGE: 5

LINE: 11

Change "Sec. 44.62.090" to "Sec. 44.56.090" on this line and where it appears elsewhere in the bill.

2) 5, 9

25, 9

Delete "and costs of renewals, replacements and improvements of it"

3) 16

3

Add a new paragraph "(3) "person" includes a public agency, a corporation, company, partnership, firm, association, organization, business trust, or society, as well as a natural person;"

Renumber paragraphs which follow.

A M E N D M E N T

#1

OFFERED IN THE HOUSE:

BY: STATE AFFAIRS

To: _____ HOUSE BILL No. 779

SENATE BILL No. _____

PAGE: 11

LINE: 11

Delete sentence starting with "If", and ending with "resolution".

Insert new sentence: "The commissioner shall submit the general design, demonstration of financial feasibility, and maximum amount of bonds estimated to be necessary to the legislature, together with his recommendation requesting approval by concurrent resolution."

file copy

Kent Miller

Consultant

Post Office Box 897
Ketchikan, Alaska 99901
Telephone (907) 225-3382

April 13, 1976

Honorable Hugh Malone, Chairman
Finance Committee
Alaska House of Representatives
Pouch WF
Juneau, Alaska 99811

Dear Mr. Malone:

As requested, I am submitting the attached comments on the
Alaska Power Authority.

Sincerely yours,



Kent Miller

jkn

Attachment

Electric Power Project Sponsorship

by the

State of Alaska:

Comments on the Role of the Alaska Power Authority

Prepared for the
Alaska House of Representatives
Finance Committee

by:

Kent Miller
Ketchikan, Alaska
April 1976

The establishment of the Alaska Power Authority, as provided in H. B. 779, will mark the first time a single public agency has had the opportunity to plan and develop electric power systems in a broad range of types and scales for all areas of the State. Other agencies now in existence have been limited either geographically, by community size, by the type of generation or energy transmission they are authorized to develop, or by the availability of funds for capital-intensive projects. It will now be possible to implement optimized power system development programs for Alaska which utilize the best available regional energy resources and applicable technologies, and which can serve the needs of virtually any Alaskan community. Such programs can respond in an adequate and timely manner to the requirement for large scale interconnected generation and transmission systems in the Anchorage-Fairbanks-Southcentral region, and can also plan and develop small isolated systems for communities such as Naknek-Dillingham and Petersburg-Wrangell. It is especially significant first that the Alaska Power Authority will be a resident agency capable of shared insight and sensitive response to community goals, and second that its principal financing mode will be revenue bonds, the marketability of which will be based primarily on a give project's financial outlook, corresponding directly to local demand, rather than to arbitrary criteria for allocation of funds.

It is hoped that the Alaska Power Authority will address the power system development options and priorities outlined in the Alaska Electric Power Study, submitted to the House Finance Committee in

March 1976. However, in doing so, it must be recognized that the University study was not intended to specify development of individual projects; that study was focused on the project level only to the extent necessary to establish survey level scale and cost comparisons. Therefore the work of the Authority must begin with definitive analysis and selection of project alternatives, consistent with the characteristics of local systems.

A very brief review of the University study's conclusions is as follows:

1. The Anchorage-Fairbanks-Southcentral region is expected to account for 94% to 97% of Alaska's electrical load growth through 1995. Large scale capacity additions will be required to serve this load, and it is probable that a regional generation and interconnected transmission system will be technically and economically desirable. It is expected that existing municipal and REA utilities will not be able to organize and finance adequate power system expansion in this region, and that large scale Federal assistance, which in any case would be confined to the Susitna Hydroelectric Project, may not be approved by Congress. Therefore a high priority should be given to the State development initiatives for this region; regional power markets should be capable of fully supporting the cost of an optimal State sponsored system development program. The Kodiak and Prince William Sound areas of the Southcentral region have characteristics more closely resembling Southeast, which is described below, although

Prince William Sound has substantially higher expected load growth and a long term potential for regional interconnection with Anchorage and/or Fairbanks.

2. The Southeast region is expected to have a moderate load growth rate, consistent with continuing development of its extensive small scale hydroelectric resources. It is probable that local communities may continue to play a substantial role in the development and financing of capacity additions. The State may elect to confine its activities in this region to planning, technical assistance, and interim financing, although this certainly does not rule out the possibility of State development of self supporting projects.
3. In other regions of the State, excluding Barrow and the North Slope Borough, which have a local natural gas resource and a strong local financing capability, the absence of relatively low-cost local energy resources and weakness in communities' financing capabilities may indicate the need for small scale State sponsored capacity additions. In part this may involve a guarantee program for villages which are sub-economic for REA participation via AVEC, however, larger relatively fast-growing load centers such as Bethel, Kotzebue, and others may require more extensive State commitments. Again State planning, technical assistance and possible interim financing would appear desirable even if a minimal level of State participation is chosen for these regions.

4. The State has available to it a set of financing and administration alternatives which can enable a very substantial sponsorship role in the power sector, either on a regional or statewide basis. Conservation of the State's financial resources nevertheless requires that maximum emphasis be placed on the most economical projects, and that most State-sponsored projects be financially self-supporting.

Following these conclusions, in developing the State's power sector activities, it will be necessary for the Authority to prepare definitive system development programs for individual load centers, specifying projects, or sets of projects, capable of satisfying their short to long term needs. Projects selected must be optimized to the load centers' requirements in terms of technical feasibility, scale, schedule, and cost. For most areas this will require a multi-stage development program; for some areas this program may include more than one mode of generation.

The Anchorage-Fairbanks-Southcentral region may serve as an example: For this region the resource and technology options identified by the University include short term reliance on expanded gas-turbine and small scale coal-fired steam generation, which are the present modes in Anchorage and Fairbanks respectively. This will be necessary through the early 1980s, due to the long lead times for projects which require opening of large new coal mines or development of major hydroelectric sites. The University study recommends caution in long term planning for the use of gas turbines for base loading due to the possibility that natural gas prices may escalate more rapidly than projected, that gas availability may be curtailed due to competing

demands of export markets, or that Federal regulation may restrict use of gas as power fuel. Nevertheless the gas turbine mode, with appropriate near term acquisition of gas supplies, should have long term potential for peaking, system reserve, and to satisfy load growth contingencies. The long term alternatives to use of gas turbines for base loading generation are hydro power and large scale coal-fired steam. It is possible that these options may be best realized in the next twenty years by development of the upper Susitna River, Bradley Lake, and possibly other Kenai Peninsula hydro sites, and/or development of mine mouth generation at Beluga, Matanuska Valley, or Nenana Valley coal fields.

At the present time, it must be emphasized that the Susitna Hydroelectric Project as proposed by the Corps of Engineers has not been established as the optimal alternative for State sponsorship in this region, or that it is the only project in this region which may require State development and funding through 1995. The University study indicates that under most financing assumptions coal-fired generation would be more economical than the Corps version of Susitna. The study also indicates that only the most conservative load growth forecast falls wholly within the Susitna project's capacity through 1995; higher load growth rates will require development of other projects as well.

Therefore, at the present time, State planning for the Anchorage-Fairbanks-Southcentral region should not be confined to the Susitna project, and particularly not to the Corps of Engineers version. Cost estimates for the Corps development scheme are \$1.5 billion in 1975 dollars, including \$1.1 billion for Stage 1. The University's

estimate of interest during construction and escalation for this project increases the total to \$3.5 billion by 1992, including \$2.3 billion to be expended on Stage 1 through 1986; these figures are acknowledged to be reasonable by the Corps. Such capital outlays would result in electric power costs higher than estimated for coal-fired alternatives. On the other hand, the Henry J. Kaiser Company, in a conceptual study prepared for the State in 1974, estimated \$640 million for an equivalent Susitna Stage 1, including interest during construction and escalation through its completion in early 1983. This estimate results in generation costs for Susitna which are less than both gas-fired and coal-fired alternatives.

Both the Corps of Engineers and Kaiser development plans were prepared by experienced professionals, but their project cost estimates are radically different. Therefore it is indicated that the State should prepare a definitive preliminary engineering report to firmly establish the Susitna development plan which is most competitive with alternative modes of generation, and which is therefore in the best interest of regional electricity consumers. Such a report should satisfy a substantial portion of the FPC licensing criteria for the project, and should cost less than \$1 million. In addition to this evaluation of Susitna, it is necessary for the State to establish the comparative feasibility of coal as a generation alternative, and to also evaluate possible development of other Southcentral region hydro sites. This must be done both for the purpose of selecting the most economical development program, and also to establish contingency plans to satisfy at least mid-range load growth forecasts through 1995. It is probable that initially about \$750,000 will be required for this purpose.

The results of this planning effort can give the State an independent and proven basis for proceeding with electric power system development in the Anchorage-Fairbanks-Southcentral region.

A planning effort similar in scope but smaller in scale may provide detailed guidelines for State project development options in other regions. Again, it is necessary to emphasize that definitive preliminary system studies must be made prior to the selection of individual projects for State sponsorship, or for State-assisted local development. It is believed that approximately \$500,000 should initially be allocated for this purpose. Although this figure is disproportionately high in terms of the ratio of demand between regions, it is necessary due to the level of preliminary engineering effort which is required to establish firm planning criteria for even very small projects.

It is suggested that all system development alternatives for individual load centers be subjected to the following project analysis sequence:

1. Load growth forecasting for the specific load center, using a standardized rigorous statistical methodology, similar to or based on that used in the University's regional forecasts, and consistent with its general conclusions.
2. Demand-capacity balance analysis, directly relating load growth forecasts to existing systems' capacity, energy capability, and plant obsolescence schedule, indicating future demand-capacity deficits as criteria for the scale and scheduling of system expansion.

3. Survey of alternative costs for available resources and technologies for system expansion, resulting in pre-selection of the better alternatives for further study.
4. Preliminary engineering of selected better alternatives for system expansion, including geological and hydrological studies, conceptual design, power system studies and scheduling, and order of magnitude or better capital and operating cost estimates. These studies will establish the technical feasibility of alternative projects.
5. Economic comparison of selected technically feasible alternatives, including discounted cash flow comparison of all incremental system costs attributable to each alternative through the life cycle of the longest-lived project. The results of this comparison, expressed as a set of internal rates of return $\frac{1}{}$ will provide economic criteria for selection of an optimal system development program.
6. Financial analysis of best system development programs, indicating operating ratios, debt service coverage and other financial feasibility indicators, over a probable range of power sales and rates.

1/ Internal rate of return is defined as the discount rate which equalizes present worth of comparable capital and operating cost streams throughout a system's life cycle. The use of this method in cost-benefit analysis requires that corresponding benefit streams, in this case electricity produced, be set equal.

This project analysis method would resemble that used by the International Bank for Reconstruction and Development (World Bank). This system has been developed during the Bank's thirty years of trial and error experience in the financing of electric power projects. World Bank criteria provide both for selection of comparatively economical projects and project features, consistent with overall system characteristics, and also for rationing available capital between many competing regional development schemes. Several texts and numerous case studies have been prepared to document this system. Although the World Bank's activities are exclusively outside the United States, this approach is believed uniquely suited to the Alaska Power Authority's projected role in selecting self-supporting projects for revenue bond financing, and is consistent with the requirements of the revenue bond market.

It can be expected that the initial planning work of the Alaska Power Authority, in responding to expressions of local needs, will produce an array of technically and economically feasible projects which is greater than it can finance immediately or even in the foreseeable future. It may be anticipated that this ratio may diminish over time, due to the satisfaction of long deferred needs by the Authority, and its own growth; however it is believed that throughout its life the Authority will be compelled to continually ration its financial resources between competing projects. It is suggested that the first step in determining the magnitude of the Authority's operations should be a definitive analysis of its

financial capability. The primary focus of this analysis should be the revenue bond market, and the financial guidelines which would enable the Authority to achieve the greatest volume of revenue bond sales. However, supplementary financing options should also be evaluated: Both leveraged lease financing of equipment and foreign export bank loans for imported materials, equipment, and construction services are available on terms roughly similar to revenue bonds, and are used in power system financing in the U. S. and overseas. Both of these methods have previously been proposed for partial financing of the Susitna project. These supplementary sources of funds may ease the Authority's demands on the revenue bond market and possibly could enable a somewhat larger scale of operations. In addition, the Authority should analyze the financial capabilities of existing utilities and communities, and should establish guidelines for local participation in generation and transmission, consistent with local resources. In particular the Authority should identify utilities and communities which have sufficiently favorable ratios between demand and financial resources that State project sponsorship would be unnecessary.

Following definition of the Authority's financial capability, a method must be developed to equitably ration available capital between competing projects. It is suggested that this method should be based on statewide comparison of internal rates of return yielded by proposed projects, versus their most economical alternatives. The selection of projects with the highest internal rates of return should then normally yield greatest power cost savings

to the consumers who are able to purchase Authority power. Initially, however, strong local demand for State project sponsorship could suggest that the Authority consider financing only the least capital intensive modes of generation, in order to widely spread some initial benefit of its operations across the State. This assumes that the Authority could estimate the maximum level of benefits to be produced by all potential projects throughout the State at a given time, and model its financial commitments accordingly consistent with its resources. It is suggested first that this would be an extremely difficult and expensive task, second that it could result in extensive suboptimal use of resources, and third that it would yield a very low ratio of benefits, compared to exclusive reliance on local financing resources; the least capital intensive modes of generation are generally capable of unassisted local sponsorship, particularly under the local participation guidelines indicated above. It is believed therefore that except in contingency situations the Authority's key role should be in the planning, financing, and development of technically and economically optimal projects, which individually will result in least cost new generation for their target load centers. It is believed that in many, but certainly not all, cases these projects will represent the more capital-intensive alternatives, for which local resources are most often inadequate.

Administered in this way, the role of the Authority would be that of the businesslike supplier of a single service - least cost electricity. Obviously, communities which are selected for its projects will benefit from the economic spinoff of comparatively

large construction programs. On the local level, particularly in small towns, this factor may be a key inducement for seeking Authority projects; in fact the value of least cost electricity to the community may be of negligible concern to many local project promoters and interested firms. For the Authority, however, a key test of competence will be its ability to resist pressures to spread public works benefits throughout the State at the expense of its customers.

The above comments may suggest a simplistic view of the Authority's role, assuming that it involves only a straightforward technical and financial response to well accepted community needs. In practice, this response is likely to be significantly complicated by the requirement that the Authority, to conserve its own resources, must market power to local distribution utilities. At least some currently self sufficient Alaskan utilities have their own short to long term system development goals, and may resist purchasing Authority power on suitable terms. This problem may occur in the Anchorage-Southcentral region, where the Authority may not be capable of offering long term base loading power as cheaply as some utilities can hope to generate it using existing natural gas reserves. The utilities may be much more optimistic than the Authority, at least for bargaining purposes, about the future availability of low cost gas. The Authority's only unilateral option in such cases will be to develop facilities capable of serving only those utilities which in the short term are willing to meet its terms. This could compel the choice of sub-optimal development programs by the Authority, regardless of its own

decisions as to the most economical mode and scale of generation and/or transmission for the region. In such cases, regulatory intervention may be required to weigh the public interest against the positions of the Authority and individual utilities. A similar problem may also occur in Southeast Alaska, where some utilities have invested substantial sums in preliminary studies for hydro projects which may not be selected for development by the Authority. It is possible that these utilities may not accept the Authority's standardized project analysis criteria unless it is indicated that no alternative means of project selection is acceptable. It is also recognized that at least a few Alaskan utilities have chronic operating problems, such as severe distribution losses and faulty methods of operating existing plant; problems such as these could partially jeopardize the effectiveness of Authority-sponsored system expansions. In these cases the Authority may be compelled to recommend improvements in local utilities' facilities, operations or management practices; these criteria for project sponsorship by the Authority could be regarded as onerous by some utilities. Therefore it is believed that operations of the Authority may not always, or even normally, be met with general agreement and acceptance, and that as a result its short term progress toward its goals may often be frustrated. Probably this sort of problem must be accepted as a normal hindrance to the operation of such an agency.

It is clear that in all its activities, the role of the Authority's directors, management and senior staff will be the key to its achievement of worthwhile goals; only technically competent, broadly experienced, politically sophisticated, and critical individuals can

be expected to organize and operate such an enterprise for the public benefit. The process of management selection for the Authority should recognize that the agency is expected to become involved in the planning, financing and development of \$1 billion or more in fixed assets in its first ten years of operation, and that it must accomplish this in a manner consistent with achieving \$100-500 million in annual revenues following project commissioning. This scale of operations is that of a major public utility or industrial firm. Because the Authority must obtain the confidence of the revenue bond market, its senior personnel must have stature comparable to key management in major U. S. firms and public enterprises.

In summary, it is believed that the establishment of the Alaska Power Authority has an excellent opportunity to develop greatly improved electric power systems in the State. The Authority's success nevertheless depends heavily on careful and objective planning of its project analysis methodology, financial capability, and marketing and utility relations strategy. Management selection will be a key first step in this process.

HB 779

Greater Juneau Chamber of Commerce

"SERVING ALASKA'S CAPITAL"

200 N. Franklin Street

(907) 586-2201

Juneau, Alaska 99801

April 3, 1976

Honorable Hugh Malone
Chairman, House Finance Committee
The Capitol
Pouch V
Juneau, Alaska 99811

Dear Hugh:

RE: C.S.H.B. 779

I enjoyed being able to attend your hearing on the Alaska Power Authority Bill in Wednesday, 31 March. Here are some suggestions which may be beneficial:

1. AS 44.55.030. The directors should serve for fixed terms. This is a big business. Not only will these men have to raise the money for building the projects, they will have to run them for the indefinite future. There ought to be an assurance of some continuity. I am not aware of any corporate board whose directors "serve at the pleasure of" anybody. Business continuity and judgement demand fixed terms. Millions of dollars worth of power a year will be sold under the authority of the board. Of course, the Commissioner of Commerce would be at the pleasure of the Governor.
2. AS 44.56.040. Because of the immensity of the business, if not now, then later on, the directors are going to have to be full-time or at least as many of them as are officers of the corporation. During the hearing it was said rather fleetingly that in private enterprise directors do not serve full-time. The truth is that the officers of a corporation are directors, and in that dual capacity they do serve full-time. There are additional directors who attend director's meetings but do not serve full-time. It seems to me that the directors who are officers of the authority should be full-time.
3. AS 44.56.050. One of the worst things that could be done is to put the employees of the authority under AS 39.25 in the classified service. With this provision remaining in the bill they will all have to be classified by the Department of Administration and governed by all the numerous rules and regulations that pertain to such classified employees. Not only should they not be under AS 39, the bill should probably contain a specific reference to the fact that they are not

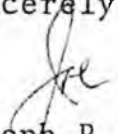
Honorable Hugh Malone
April 3, 1976
Page Two

under the Public Employment Relations Act, AS 23.40. Let the authority take care of its own employees. The most that might be said is that hiring, promotions and severances would be in accordance with merit principles.

4. AS 44.56.170. The Commissioner of Commerce is a member of the board of the authority; he should be able to make his views known in the deliberations of the board. I do not see the sense of giving him another shot at the desirability of a project. If the report is not unanimous, a minority view could be tendered to the Legislature.
5. AS 44.56.210. Under the provisions that the authority budget must go through the Executive Budget Act (AS 37.07), the Department of Administration would have a major voice in the conduct of the authority. This is a big business, it ought to be able to conduct its own budgetary affairs. If it needs to obtain an appropriation from the Legislature, that request should certainly be budgeted as other requests are. But that is a far cry from having the Department of Administration and the Legislature do every bit of the authority's budget. Certainly the Legislature and the Department of Administration should be able to audit the workings of the authority, but it should not be hamstrung by the public budgeting process regarding moneys that are not appropriated from the General Fund. It will have millions of dollars of revenues from its operations, which it should be able to budget in accordance with its legislative charter.

Thank you for the opportunity to comment on the bill. It will be a great thing for Alaska to start utilizing the abundant power potential we have. With kind regards, I remain

Sincerely yours,


Joseph R. Henri
President

cc: Honorable Bill Ray

TO: Jalmar Kerttula, Chairman
Senate Commerce Committee
Alaska State Legislature

FROM: James B. Rhode
AA to Rep. Malone, Chairman
House Finance Committee

DATE: 24 May 1976

At your request, Representative Duncan asked that I prepare a brief analysis of the key sections of Senate CS for HB 779 (Commerce) - the Alaska Power Authority.

Sec. 44.56.080 (10) [P. 4, L. 13] permits the authority to contract with the United States, any legal person, or a foreign country to construct, acquire, and operate " . . . all or any part . . ." of a power project. Firstly, this enables the authority to enter joint ventures with public and private utilities, a concept that has wide and growing support in the power industry and the bond market. (The complete hand over of projects to local utilities involves uncertainties that hamper bond sales.) As for participation with the "United States", the act originally read "Corps of Engineers", but the House Finance Committee was opposed to restricting the State to any particular Federal agency. Although the phrase "United States" was inserted to accomodate the Susitna proposal of U.S. Senator Gravel, the authority is not in any way committed or limited to his approach. Specifically, paragraph (13) of this section [P. 5, L. 3] in providing for feasibility studies of hydroelectric and fossil fuel projects, looks to the authority to weigh various alternatives to the Gravel proposal, including the Kaiser plan for Sustina or large scale coal-fired steam plants. The latter possibilities are given preliminary review in papers that have been made a part of your Committee's record.

Sec. 44.62.090 [P. 5, L. 11] empowers the authority to wholesale power to local distribution systems and sets out the kinds of costs that can be charged to retail consumers.

Secs. 44.62.100 and 110 [P. 6, L. 22] contain standard provisions for the issuing of revenue bonds for the authority's work. Sub-section (c) [P. 9, L. 12] permits special "capital reserve funds", set up with bond proceeds or appropriations, equal to no more than 10% of total bonds outstanding. The act declares, however, that these funds will be created ". . . only if . . ." they ". . . would enhance the marketability of the

24 May 1976

bonds." This language was added to acknowledge the possibility that the funds might be perceived as "near moral obligations" of the kind that have found disfavor as the result of the bond problems of New York State. Sec. 44.62.130 [P. 11, L. 27] clearly affirms that the bondholders security is that of the authority's income and assets, not the credit of the State or its subdivisions.

Sec. 44.62.170 [P. 13, L. 19] establishes a separate "Power Project Revolving Fund" in the authority for feasibility studies, all phases of pre-construction, and for construction (including, of course, the purchase of diesel, gas, and coal-fired plant and equipment). By its letter of intent, the House Finance Committee expressed its preference for providing \$2.7 million for this revolving fund out of the \$3 million appropriated to the Water Resources Revolving Loan Fund (with the balance of \$300,000 reserved for water supply projects and studies). This appropriation transfer is agreeable to supporters of both measures.

Sec. 44.62.180 [P. 14, L. 6] requires the approval of all new projects, including any Susitna agreement with the United States, by concurrent resolution of the Legislature. However, should \$1 million or less be needed to modify or complete a project that was previously approved, further legislative action would not be required. This provision is to guard against delays from relatively small project changes and, especially, delays in revenues for the repayment of bondholders.

To forstall difficulties of the kind that have arisen in the Alaska State Housing Authority, the act binds the authority to submit an annual, independent audit [P. 15, L. 7], an annual comprehensive report on its activities [P. 15, L. 12], and an annual budget [P. 15, L. 16].

Your Committee is assured that all technical aspects of this act have been reviewed and agreed upon by Mr. Eric Wohlforth, bond attorney of Wohlforth & Flint, Anchorage, by financial advisors and bond counsel of White, Weld & Co., New York and San Francisco, and by the Commissioner of Revenue.

ERIC E. WOHLFORTH
ROBERT D. FLINT
TIMOTHY G. MIDDLETON

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A PROFESSIONAL CORPORATION
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AREA CODE 907
274-2519
272-9499

April 20, 1976

Honorable Jalmar Kerttula
Chairman, Senate Commerce Committee
Pouch V
State Capitol Building
Juneau, Alaska 99811

Re: CS for HB 779 ("An Act Creating the Alaskan
Power Authority")

Dear Senator Kerttula:

Subsequent to its passage by the House, comments were received on the above bill by the investment banking firm of White, Weld & Co. of New York. The comments were largely technical in nature, directed toward permitting a wider variety of financing arrangements including joint financings of projects with other entities. The additional sentence in paragraph 10 is designed to insure that a capital reserve fund is created only if the authority determines that such creation would enhance the marketability of bonds (although White, Weld feels that this fund and the legislative statement to make up deficiencies has no substantial merit - a position I respect but do not agree with). The change in paragraph 12 is designed to assure that the authority can covenant with bondholders to complete projects. Of the White, Weld suggestions I commend the following (with some personal revisions) to your consideration in deliberations on the bill:

(New matter is underlined; deleted matter bracketted)

1. AS 44.56.070. PURPOSE OF THE AUTHORITY. The purpose of the authority is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska by providing a means of constructing, acquiring, financing and operating hydroelectric and fossil fuel generating projects.

2. AS 44.56.080(6) to issue bonds [to pay the cost of acquiring by construction, or improving and equipping, a power project and to secure payment of the bonds as provided in this chapter] to carry out any of its corporate purposes and powers, including the acquisition or construction of any project to be owned or leased, as lessor or lessee, by the authority, or the

acquisition of any interest therein or any right to capacity thereof, the establishment or increase of reserves to secure or to pay such bonds or interest thereon, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

3. AS 44.56.080(7) to sell, lease as lessor or lessee, exchange, donate, convey or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority, the action is in furtherance of its corporate purposes;

4. AS 44.56.080(10) to enter into contracts with the United States or any [of its agencies or with any political subdivision of this state] person, and subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, acquisition, operation and maintenance of all or any part of a power project, either inside or outside the state, and for the [marketing of the power produced from it] sale or transmission of power from any project or any right to the capacity thereof, or for the security of any bonds of the authority issued or to be issued for such project;

5. AS 44.56.080(11) to enter into contracts for the purchase, sale, exchange, transmission, or use of power [or falling water] generated by any project, or any right to the capacity thereof with any person[,firm or corporation,] and with the United States [or any of its agencies, with any political subdivision of this state], and subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies;

6. AS 44.56.090. POWER CONTRACTS. The authority shall, in addition to other methods which it may find advantageous, provide that municipal electric, rural electric, cooperative electric, or private electric utilities and regional electric authorities or other persons authorized by law to engage in the distribution of [electric] power may secure a reasonable share of the power generated by a project, or any interest therein, or for any right to the capacity thereof, and shall sell the power or cause the power to be sold at prices representing cost of generation, plus capital and operating charges, plus a fair cost of transmission, all as determined by the directors, and subject to conditions which assure the resale of the power to

[domestic and rural] retail consumers at the lowest possible price. A contract for the sale, transmission and distribution of power generated by a project or any right to the capacity thereof shall provide

(1) for payment of all operating and maintenance expenses of a project and costs of renewals, replacements and improvements thereof;

(2) for interest on and amortization charges sufficient to retire bonds of the authority issued for the project and reserves therefor, plus a debt service coverage factor as may be determined by the authority, to be necessary for the marketability of its bonds;

(3) for continuous control and operation of the project by the authority or its agents;

(4) for full and complete disclosure to the authority of all factors of cost in the transmission and distribution of power, so that rates to [consumers] any persons may be fixed initially in the contract and may be adjusted from time to time on the basis of true cost data;

(5) for periodic revisions of the service and rates to [consumers] persons on the basis of accurate cost data obtained by the accounting methods and systems approved by the directors and in furtherance and effectuation of the policy declared in this [paragraph] chapter;

(6) for the cancellation and termination of a contract upon violation of its terms by [the power distributor or company, or its subsidiary or associate] any person;

(7) for such security for performance as the authority may consider practicable and advisable, including provisions assuring the continuance of [service by the power distributors or companies] the distribution and transmission of power generated by a project by any person, the use of their facilities for [the service] such purposes, and the continuance of an outlet and adequate market for the power generated by the project;

(8) other terms not inconsistent with the provisions and policy of this chapter as the authority may consider advisable.

7. AS 44.56.100. BONDS OF THE AUTHORITY. (a) 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; [or] (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 such bonds made by the authority with any person. The authority may issue bonds to pay, fund or refund the principal of, or interest or redemption premiums on, bonds issued by it, whether or not the bonds or interest to be funded or refunded have become due.

8. AS 44.56.110(a). In Line 11, page 7, after corporate trustee add (herein called "trust agreement"). In Line 19, page 7, after rentals, add charges. In Line 3, page 8, after lease add power contract. In Line 9, page 8, after other, add rights or.

9. AS 44.56.110(b) Notwithstanding any other provisions of this chapter, the trust agreement shall contain a covenant by the authority that it will at all times maintain rates, fees or charges sufficient to pay, and that a contract entered into by the authority for the sale, transmission or distribution of power shall contain rates, fees or charges sufficient to pay the costs of operation and maintenance of the project, the principal of and interest on bonds issued under the trust agreement as the same severally become due and payable, to provide for debt service coverage as deemed necessary by the authority for the marketing of its bonds and to provide for renewals, replacements and improvements of the project and to maintain reserves required by the terms of the trust agreement.

10. AS 44.56.110(c) For the purpose of securing any one or more issues of its bonds, the authority may establish one or more special funds, called "capital reserve funds", and shall pay into those capital reserve funds the proceeds of the sale of its bonds and any other money which may be made available to the authority for the purposes of those funds from any other source. The funds shall be established only if the authority determines that such establishment would enhance the marketability of the bonds. All money held in a capital reserve fund, except as provided in this section, shall be used as required, solely for (1) the payment of the principal of, and interest on, bonds or of the sinking fund payments with respect to those bonds, (2) the purchase or redemption of bonds, or (3)

the payment of a redemption premium required to be paid when those bonds are redeemed before maturity; however, money in a fund may not be withdrawn from it at any time in an amount which would reduce the amount of that fund to less than the capital reserve requirement set out in (2) of this subsection, except for the purpose of making, with respect to those bonds, payment, when due, of principal, interest, redemption premiums and the sinking fund payments for the payment of which other money of the [corporation] authority is not available. Income or interest earned by, or increment to, a capital reserve fund, due to the investment of the fund or any other amounts in it, may be transferred by the authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

11. AS 44.56.150. TAX EXEMPTION. All property of the authority is public property devoted to an essential public and governmental function and purpose and is exempt from all taxes of the state or a political subdivision of the state. All bonds [or notes] issued under this chapter are issued by a body corporate and public of this state and for an essential public and governmental purpose and the bonds [and notes], and the interest and income on and from the bonds [and notes], and all income of the authority are exempt from taxation except for transfer, inheritance and estate taxes.

12. AS 44.56.180. CONSTRUCTION OF PROJECTS. The authority shall submit a statement outlining the general design, demonstration of financial feasibility, and maximum amount of bonds estimated to be necessary for each new project to the legislature and the commissioner of commerce and economic development together with a statement that the authority intends to design, acquire and construct the project itself or that it intends that the project be designed, acquired or constructed by the United States or another person under agreement with the authority providing for ownership of all or a portion of the project by the authority [on completion] or of a right to the capacity thereof. If the legislature adopts a concurrent resolution approving the general design and maximum amount of bonds, the authority shall, in accordance with the terms of the concurrent resolution, (1) proceed to design, acquire and construct the new project, or (2) agree with the United States or other person for design, acquisition and construction of the project by the United States, for payments to the United States or other person for such design, acquisition and construction, reimbursement by the United States or other person in certain events, and otherwise on the terms and conditions as may be set out in such agreement.

If the new project is to be designed, acquired and constructed by the authority, it shall be designed, acquired and constructed as a public work of the state except that public bidding shall not be required, if the authority so determines. For the purpose of this section a new project does not include an addition or modification to an existing project if the total cost of the addition or modification does not exceed \$1,000,000 [or], to any repair or reconstruction of a project or to any design, acquisition or construction necessary to complete a project for which bonds have been issued, previously authorized by the legislature. [An] Any such addition [or], modification [or], repair, reconstruction, design, acquisition or construction may be undertaken by the authority without any of the approvals necessary for a new project.

13. AS 44.56.230. DEFINITIONS. In this chapter, unless the context requires otherwise,

(1) "authority" means the Alaska Power Authority established by this chapter;

(2) "bonds" means bonds, notes, or other obligations of the authority issued under this chapter;

(3) "person" means a public agency or a natural person or a private corporation, firm, partnership, or business trust of any nature whatsoever, organized and existing under the laws of any state or of the United States.

(4) "power" includes any and all electrical energy generated, distributed, bought or sold for purposes of lighting, heating, power and every other useful purpose;

[(4) "power project" or "project" includes any and all real or personal property or any interest in it including, without limitation, dams, powerhouses, and transmission lines owned, used or operated, or useful for operation, in the generation by means of water or fossil fuel power, and the transmission of electrical power and also including channels, locks, canals, and other navigational, reclamation, flood control and fisheries facilities and environmental protective measures as may be necessary or desirable in connection with it.]

(5) "power project" or "project" means any plant, works, system, facilities, water rights, fuel deposits or sources and real estate and personal property of any nature whatsoever, together with all facilities and appurtenances related thereto or necessary for the purposes thereof, used or

Senator Jalmar Kerttula
April 20, 1976
Page 7

useful in the generation by means of water or fossil fuel of electric power and the production, transmission, purchase, sale, exchange and interchange of electric power thereof, and shall include any interest therein, whether divided or undivided, or any right to the capacity thereof.

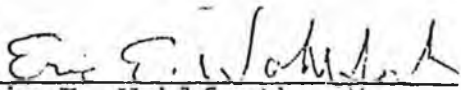
(6) "public agency" means any city or other municipal corporation, political subdivision, governmental unit, or public corporation created by or pursuant to the laws of this state or of another state of the United States, and any state or the United States, and any person, board or other body declared by the laws of any state or the United States to be a department, agency, or instrumentality thereof.

Please let me know if I can assist further on the matter.

Very truly yours,

WOHLFORTH & FLINT

By


Eric E. Wohlforth

EEW/am

cc: Mr. Langhorne A. Motley
Commissioner of Commerce and
Economic Development
Mr. Sterling Gallagher
Commissioner of Revenue
Mr. James Rhodes
Representative James Duncan

Original sponsors: Duncan and Swanson

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 779

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska Power Authority."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 44 is amended by adding a new chapter to read:

9 CHAPTER 56. ALASKA POWER AUTHORITY.

10 ARTICLE 1. CREATION AND ORGANIZATION.

11 Sec. 44.56.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-
12 lature finds, determines and declares that

13 (1) there exist numerous potential hydroelectric and fossil
14 fuel generating sites in the state;

15 (2) the establishment of power projects at those sites is
16 necessary to supply lower cost power to the state's municipal electric,
17 rural electric, cooperative electric, and private electric utilities,
18 and regional electric authorities, and thereby to the consumers of the
19 state, as well as to supply existing or future industrial needs;

20 (3) the achievement of the goals of lower consumer power
21 costs and long-term economic growth and of establishing, operating and
22 developing power projects in the state will be accelerated and facili-
23 tated by the creation of an instrumentality of the state with powers to
24 incur debt for constructing, and with powers to operate, power projects.

25 (b) It is declared to be the policy of the state, in the interests
26 of promoting the general welfare of all the people of the state, and
27 public purposes, to reduce consumer power costs and otherwise to en-
28 courage the long-term economic growth of the state, including the
29 development of its natural resources, through the establishment of

1 power projects by creating the public corporation with powers, duties
2 and functions as provided in this chapter.

3 Sec. 44.56.020. CREATION OF AUTHORITY. There is created the
4 Alaska Power Authority. The authority is a public corporation of the
5 state in the Department of Commerce and Economic Development but with
6 separate and independent legal existence.

7 Sec. 44.56.030. MEMBERSHIP OF THE AUTHORITY. The authority con-
8 sists of the commissioner of commerce and economic development and four
9 public members appointed by the governor. The appointment of each
10 director other than the commissioner of commerce and economic develop-
11 ment is subject to confirmation by the legislature.. The directors must
12 be residents of the state and qualified voters at the time of appoint-
13 ment and shall comply with the requirements of AS 39.50 (conflict of
14 interest). The term of office of each director appointed by the gover-
15 nor is four years except that the directors first appointed shall have
16 terms of one, two, three, and four years, respectively. A vacancy in a
17 directorship occurring other than by expiration of term shall be filled
18 in the same manner as the original appointment but for the unexpired
19 term only.

20 Sec. 44.56.040. OFFICERS AND QUORUM. The directors shall elect
21 one of the public members as chairman and other officers they determine
22 desirable. The powers of the authority are vested in the directors, and
23 three directors of the authority constitute a quorum. Action may be
24 taken and motions and resolutions adopted by the authority at a meeting
25 by the affirmative vote of at least three directors. The directors of
26 the authority serve without compensation, but they shall receive the
27 same travel pay and per diem as provided by law for board members.

28 Sec. 44.56.050. STAFF. The authority shall employ an executive
29 director who may with the approval of the authority select and employ

1 additional staff as necessary. In addition to its staff of regular em-
2 ployees, the authority may contract for and engage the services of the
3 bond counsel, consultants, experts, and financial advisors the authority
4 considers necessary for the purpose of developing information, or con-
5 ducting studies, investigations, hearings, or other proceedings.

6 ARTICLE 2. PURPOSE AND POWERS.

7 Sec. 44.56.070. PURPOSE OF THE AUTHORITY. The purpose of the
8 authority is to promote, develop and advance the general prosperity and
9 economic welfare of the people of Alaska by providing a means of finan-
10 cing and operating hydroelectric and fossil fuel generating projects.

11 Sec. 44.56.080. POWERS OF THE AUTHORITY. In furtherance of its
12 corporate purposes, the authority has the following powers in addition
13 to its other powers:

- 14 (1) to sue and be sued;
- 15 (2) to have a seal and alter it at pleasure;
- 16 (3) to make and alter bylaws for its organization and inter-
17 nal management;
- 18 (4) to make rules and regulations governing the exercise of
19 its corporate powers;
- 20 (5) to acquire, whether by construction, purchase, gift or
21 lease, and to improve, equip and operate power projects;
- 22 (6) to issue bonds to pay the cost of acquiring by construc-
23 tion, or improving and equipping, a power project and to secure payment
24 of the bonds as provided in this chapter;
- 25 (7) to sell, exchange, donate, convey or encumber in any
26 manner by mortgage or by creation of any other security interest, real
27 or personal property owned by it, or in which it has an interest, when,
28 in the judgment of the authority, the action is in furtherance of its
29 corporate purposes;

1 (8) to accept gifts, grants or loans from, and enter into
2 contracts or other transactions regarding them, with a federal agency or
3 an agency or instrumentality of the state, municipality, private organ-
4 ization or other source;

5 (9) to deposit or invest its funds, subject to agreements
6 with bondholders;

7 (10) to enter into contracts with the United States or any of
8 its agencies or with any political subdivision of this state, and sub-
9 ject to the laws of the United States and subject to concurrence of the
10 legislature, with a foreign country or its agencies, for the construc-
11 tion, acquisition, operation and maintenance of all or any part of a
12 power project, either inside or outside the state, and for the marketing
13 of the power produced from it;

14 (11) to enter into contracts for the purchase, sale, exchange,
15 transmission, or use of power or falling water with any person, firm or
16 corporation, and with the United States or any of its agencies, with any
17 political subdivision of this state, and subject to the laws of the
18 United States and subject to the concurrence of the legislature, with a
19 foreign country or its agencies;

20 (12) to apply to the appropriate agencies of the state, the
21 United States and to a foreign country and any other proper agency for
22 the permits, licenses, or approvals as may be necessary, and to con-
23 struct, maintain and operate power projects in accordance with the
24 licenses or permits, and to obtain, hold and use the licenses and per-
25 mits in the same manner as any other person or operating unit;

26 (13) to perform feasibility studies with respect to hydro-
27 electrical and fossil fuel power generating projects;

28 (14) to enter into contracts or agreements with respect to the
29 exercise of any of its powers, and do all things necessary or convenient

1 to carry out its corporate purposes and exercise the powers granted in
2 this chapter;

3 (15) to exercise the power of eminent domain in accordance
4 with AS 09.55.250 - 09.55.410.

5 Sec. 44.62.090. POWER CONTRACTS. The authority shall, in addition
6 to other methods which it may find advantageous, provide that municipal
7 electric, rural electric, cooperative electric, or private electric
8 utilities and regional electric authorities authorized by law to engage
9 in the distribution of electric power may secure a reasonable share of
10 the power generated by a project, and shall sell the power or cause the
11 power to be sold at prices representing cost of generation, plus capital
12 and operating charges, plus a fair cost of transmission, all as deter-
13 mined by the directors, and subject to conditions which assure the
14 resale of the power to domestic and rural consumers at the lowest
15 possible price. A contract for the sale, transmission and distribution
16 of power generated by a project shall provide

17 (1) for continuous control and operation of the project by
18 the authority;

19 (2) for full and complete disclosure to the authority of all
20 factors of cost in the transmission and distribution of power, so that
21 rates to consumers may be fixed initially in the contract and may be
22 adjusted from time to time on the basis of true cost data;

23 (3) for periodic revisions of the service and rates to con-
24 sumers on the basis of accurate cost data obtained by the accounting
25 methods and systems approved by the directors and in furtherance and
26 effectuation of the policy declared in this paragraph;

27 (4) for the cancellation and termination of a contract upon
28 violation of its terms by the power distributor or company, or its
29 subsidiary or associate;

1 (5) for such security for performance as the authority may
2 consider practicable and advisable, including provisions assuring the
3 continuance of service by the power distributors or companies, the use
4 of their facilities for the service, and the continuance of an outlet
5 and adequate market for the power generated by the project;

6 (6) other terms not inconsistent with the provisions and
7 policy of this chapter as the authority may consider advisable.

8 ARTICLE 3. FINANCIAL PROVISIONS.

9 Sec. 44.62.100. BONDS OF THE AUTHORITY. (a) The authority may
10 borrow money and may issue bonds, including but not limited to bonds on
11 which the principal and interest are payable (1) exclusively from the
12 income and receipts or other money derived from the project financed
13 with the proceeds of the bonds; (2) exclusively from the income and
14 receipts or other money derived from designated projects whether or not
15 they are financed in whole or in part with the proceeds of the bonds; or
16 (3) from its income and receipts or other assets generally, or a desig-
17 nated part or parts of them. The authority may issue bonds to pay, fund
18 or refund the principal of, or interest or redemption premiums on, bonds
19 issued by it, whether or not the bonds or interest to be funded or
20 refunded have become due.

21 (b) Bonds shall be authorized by resolution of the authority, and
22 shall be dated and shall mature as the resolution may provide, except
23 that no bond may mature more than 50 years from the date of its issue.
24 Bonds shall bear interest at the rates, be in the denominations, be in
25 the form, either coupon or registered, carry the registration privi-
26 leges, be executed in the manner, be payable in the medium of payment,
27 at the places, and be subject to the terms of redemption which the
28 resolution or a subsequent resolution may provide.

29 (c) All bonds, regardless of form or character, shall be negotia-

1 ble instruments for all the purposes of the Uniform Commercial Code.

2 (d) All bonds may be sold at public or private sale in the manner,
3 for the price or prices, and at the time or times which the authority
4 may determine.

5 Sec. 44.62.110. TRUST INDENTURES AND TRUST AGREEMENTS. (a) In
6 the discretion of the authority, an issue of bonds may be secured by a
7 trust indenture or trust agreement between the authority and a corporate
8 trustee (which may be a trust company, bank, or national banking associ-
9 ation, with corporate trust powers, located inside or outside the state)
10 or by a secured loan agreement or other instrument or under a resolution
11 giving powers to a corporate trustee by means of which the authority may

12 (1) make and enter into any and all the covenants and agree-
13 ments with the trustee or the holders of the bonds which the authority
14 may determine to be necessary or desirable, including, without limita-
15 tion, covenants, provisions, limitations and agreements as to

16 (A) the application, investment, deposit, use and dis-
17 position of the proceeds of bonds of the authority or of money or
18 other property of the authority or in which it has an interest;

19 (B) the fixing and collection of rentals, fees or other
20 consideration for, and the other terms to be incorporated in,
21 contracts with respect to a project;

22 (C) the assignment by the authority of its rights in
23 contracts with respect to a project or in a mortgage or other
24 security interest created with respect to a project to a trustee
25 for the benefit of bondholders;

26 (D) the terms and conditions upon which additional bonds
27 of the authority may be issued;

28 (E) the vesting in a trustee of rights, powers, duties,
29 funds or property in trust for the benefit of bondholders, includ-

1 ing, without limitation, the right to enforce payment, performance,
2 and all other rights of the authority or of the bondholders, under
3 a lease, contract of sale, mortgage, security agreement, or trust
4 agreement with respect to a project by mandamus or other proceeding
5 or by taking possession of by agent or otherwise and operating a
6 project and collecting rents or other consideration and applying
7 the same in accordance with the trust agreement;

8 (2) pledge, mortgage or assign money, leases, agreements,
9 property or other assets of the authority either presently in hand or to
10 be received in the future, or both; and

11 (3) provide for any other matters of like or different
12 character which in any way affect the security or protection of the
13 bonds.

14 (b) Notwithstanding any other provisions of this chapter, the
15 trust agreement shall contain a covenant by the authority that it will
16 at all times maintain rates, fees or charges sufficient to pay, and that
17 a contract entered into by the authority for the sale, transmission or
18 distribution of power shall contain rates, fees or charges sufficient to
19 pay the costs of operation and maintenance of the project, the principal
20 of and interest on bonds issued under the trust agreement as the same
21 severally become due and payable, and to maintain reserves required by
22 the terms of the trust agreement.

23 (c) For the purpose of securing any one or more issues of its
24 bonds, the authority may establish one or more special funds, called
25 "capital reserve funds", and shall pay into those capital reserve funds
26 the proceeds of the sale of its bonds and any other money which may be
27 made available to the authority for the purposes of those funds from
28 any other source. All money held in a capital reserve fund, except as
29 provided in this section, shall be used as required, solely for (1) the

1 payment of the principal of, and interest on, bonds or of the sinking
2 fund payments with respect to those bonds, (2) the purchase or redemp-
3 tion of bonds, or (3) the payment of a redemption premium required to be
4 paid when those bonds are redeemed before maturity; however, money in a
5 fund may not be withdrawn from it at any time in an amount which would
6 reduce the amount of that fund to less than the capital reserve require-
7 ment set out in (2) of this subsection, except for the purpose of making,
8 with respect to those bonds, payment, when due, of principal, interest,
9 redemption premiums and the sinking fund payments for the payment of
10 which other money of the corporation is not available. Income or inter-
11 est earned by, or increment to, a capital reserve fund, due to the
12 investment of the fund or any other amounts in it, may be transferred by
13 the authority to other funds or accounts of the authority to the extent
14 that the transfer does not reduce the amount of the capital reserve fund
15 below the capital reserve fund requirement.

16 (d) If the authority decides to issue bonds secured by such a
17 capital reserve fund, the bonds may not be issued if the amount in the
18 capital reserve fund is less than such a per cent, not exceeding 10 per
19 cent of the principal amount of all of those bonds secured by that
20 capital reserve fund then to be issued and then outstanding in accor-
21 dance with their terms, as may be established by resolution of the
22 authority (called the "capital reserve fund requirement"), unless the
23 authority, at the time of issuance of the obligations, deposits in the
24 capital reserve fund from the proceeds of the obligations to be issued
25 or from other sources, an amount which, together with the amount then in
26 the fund, will not be less than the capital reserve fund requirement.

27 (e) In computing the amount of a capital reserve fund for the
28 purpose of this section, securities in which all or a portion of the
29 funds are invested shall be valued by some reasonable method established

1 by the authority by resolution. Valuation on a particular date shall
2 include the amount of any interest earned or accrued to that date.

3 (f) The chairman of the authority shall annually, no later than
4 January 2, make and deliver to the governor and the legislature his
5 certificate stating the sum, if any, required to restore any capital
6 reserve fund to the capital reserve fund requirement. The legislature
7 may appropriate such a sum, and all sums appropriated during the then
8 current fiscal year by the legislature for such restoration shall be
9 deposited by the authority in the proper capital reserve fund. Nothing
10 in this section creates a debt or liability of the state.

11 (g) When the authority has created and established a capital
12 reserve fund, the commissioner of revenue may lend surplus money in the
13 general fund to the authority for deposit in a capital reserve fund in
14 an amount equal to the capital reserve fund requirement. The loans
15 shall be made on such terms and conditions as may be agreed upon by the
16 commissioner of revenue and the authority, including without limitation
17 terms and conditions providing that the loans need not be repaid until
18 the obligations of the authority secured and to be secured by the
19 capital reserve fund are no longer outstanding.

20 Sec. 44.62.120. VALIDITY OF PLEDGE. It is the intention of the
21 legislature that a pledge made in respect of bonds shall be valid and
22 binding from the time the pledge is made; that the money or property so
23 pledged and thereafter received by the authority shall immediately be
24 subject to the lien of the pledge without physical delivery or further
25 act; and that the lien of the pledge shall be valid and binding as
26 against all parties having claims of any kind in tort, contract or
27 otherwise against the authority irrespective of whether the parties have
28 notice. Neither the resolution, trust agreement nor any other instru-
29 ment by which a pledge is created need be recorded or filed under the

1 provisions of the Uniform Commercial Code to be valid, binding or effec-
2 tive against the parties.

3 Sec. 44.62.130. NONLIABILITY ON BONDS. (a) Neither the members
4 of the authority nor a person executing the bonds is liable personally
5 on the bonds or is subject to personal liability or accountability by
6 reason of the issuance of the bonds.

7 (b) The bonds issued by the authority do not constitute an in-
8 debtedness or other liability of the state or of a political subdivision
9 of the state, except the authority, but shall be payable solely from the
10 income and receipts or other funds or property of the authority. The
11 authority may not pledge the faith or credit of the state or of a
12 political subdivision of the state, except the authority, to the payment
13 of a bond and the issuance of a bond by the authority does not directly
14 or indirectly or contingently obligate the state or a political sub-
15 division of the state to apply money from, or levy or pledge any form of
16 taxation whatever to the payment of the bond.

17 Sec. 44.62.140. PLEDGE OF THE STATE. The state pledges to and
18 agrees with the holders of bonds issued under this chapter and with the
19 federal agency which loans or contributes funds in respect to a project,
20 that the state will not limit or alter the rights and powers vested in
21 the authority by this chapter to fulfill the terms of a contract made by
22 the authority with the holders or federal agency, or in any way impair
23 the rights and remedies of the holders until the bonds, together with
24 the interest on them with interest on unpaid installments of interest,
25 and all costs and expenses in connection with an action or proceeding by
26 or on behalf of the holders, are fully met and discharged. The author-
27 ity is authorized to include this pledge and agreement of the state,
28 insofar as it refers to holders of bonds of the authority, in a contract
29 with the holders, and insofar as it relates to a federal agency, in a

1 contract with the federal agency.

2 Sec. 44.62.150. TAX EXEMPTION. All property of the authority is
3 public property devoted to an essential public and governmental function
4 and purpose and is exempt from all taxes of the state or a political
5 subdivision of the state. All bonds or notes issued under this chapter
6 are issued by a body corporate and public of this state and for an
7 essential public and governmental purpose and the bonds and notes, and
8 the interest and income on and from the bonds and notes, and all income
9 of the authority are exempt from taxation except for transfer, inheri-
10 tance and estate taxes.

11 Sec. 44.62.160. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
12 bonds of the authority are securities in which all public officers and
13 bodies of the state and all municipalities and municipal subdivisions,
14 all insurance companies and associations and other persons carrying on
15 any insurance business, all banks, bankers, trust companies, savings
16 banks, savings associations, including savings and loan associations and
17 building and loan associations, investment companies and other persons
18 carrying on a banking business, all administrators, guardians, execu-
19 tors, trustees and other fiduciaries, and all other persons whatsoever
20 who are now or may hereafter be authorized to invest in bonds or other
21 obligations of the state, may properly and legally invest funds in-
22 cluding capital in their control or belonging to them. Notwithstanding
23 any other provisions of law, the bonds of the authority are also secur-
24 ities which may be deposited with and may be received by all public
25 officers and bodies of this state and all municipalities and municipal
26 subdivisions for any purpose for which the deposit of bonds or other
27 obligations of the state is now or may hereafter be authorized.

28 ARTICLE 4. POWER PROJECT REVOLVING FUND.

29 Sec. 44.62.170. FUND ESTABLISHED. (a) There is established as a

1 separate fund the power project revolving fund which shall be adminis-
2 tered by the authority as a trust fund separate and distinct from any
3 other money or funds of the authority.

4 (b) The authority may make loans from the fund, at such interest
5 rate or rates as it determines, to eligible borrowers to pay the costs
6 of feasibility studies, preconstruction engineering, design and con-
7 struction of hydroelectric and fossil fuel power projects.

8 (c) Repayment of the loans shall be secured in such manner as the
9 authority determines is feasible to assure repayment under a loan agree-
10 ment entered into with the borrower. Under a loan agreement repayment
11 may be deferred until the project with respect to which a loan is made
12 has achieved earnings from its operations sufficient to pay the loan.

13 (d) As used in this section an "eligible borrower" is a munici-
14 pality or public utility as defined in AS 42.05.701(2)(A).

15 ARTICLE 5. GENERAL PROVISIONS.

16 Sec. 44.62.180. CONSTRUCTION OF PROJECTS. The authority shall
17 submit a statement outlining the general design, demonstration of finan-
18 cial feasibility, and maximum amount of bonds estimated to be necessary
19 for each new project to the legislature and the commissioner of commerce
20 and economic development together with a statement that the authority
21 intends to design, acquire and construct the project itself or that it
22 intends that the project be designed, acquired or constructed by the
23 United States under agreement with the authority providing for ownership
24 of the project by the authority on completion. If the legislature
25 adopts a concurrent resolution approving the general design and maximum
26 amount of bonds, the authority shall, in accordance with the terms of
27 the concurrent resolution, (1) proceed to design, acquire and construct
28 the new project, or (2) agree with the United States for design, acqui-
29 sition and construction of the project by the United States, for pay-

1 ments to the United States for such design, acquisition and construc-
2 tion, reimbursement by the United States in certain events, and other-
3 wise on the terms and conditions as may be set out in such agreement.
4 If the new project is to be designed, acquired and constructed by the
5 authority, it shall be designed, acquired and constructed as a public
6 work of the state except that public bidding shall not be required, if
7 the authority so determines. For the purpose of this section a new
8 project does not include an addition or modification to an existing
9 project if the total cost of the addition or modification does not
10 exceed \$1,000,000 or to any repair of a project. An addition or modi-
11 fication or repair may be undertaken by the authority without any of the
12 approvals necessary for a new project.

13 Sec. 44.62.190. ANNUAL AUDIT. The authority shall have its finan-
14 cial records audited annually by a certified public accountant. The
15 legislative auditor may prescribe the form and content of the financial
16 records of the authority and shall have access to these records at any
17 time.

18 Sec. 44.62.200. ANNUAL REPORT. Before March 1 of each year, the
19 authority shall submit to the governor and the legislature a comprehen-
20 sive report describing operations, income and expenditures for the
21 preceding 12-month period.

22 Sec. 44.62.210. BUDGET AND APPROPRIATIONS. The authority shall
23 submit its annual budget to the legislature through the governor as
24 provided for state agencies by the Executive Budget Act (AS 37.07). It
25 may expend money directly appropriated by the legislature only as
26 authorized by the legislature.

27 Sec. 44.62.220. PUBLIC RECORDS; OPEN MEETINGS. The provisions of
28 AS 09.25.110 - 09.25.120 and AS 44.62.310 - 44.62.312 apply to the
29 authority. The authority shall publish a proposed agenda of its meet-

1 ings and afford the public an opportunity to be heard in accordance with
2 AS 44.62.312.

3 Sec. 44.62.23C. DEFINITIONS. In this chapter, unless the context
4 requires otherwise,

5 (1) "authority" means the Alaska Power Authority established
6 by this chapter;

7 (2) "bonds" means bonds, notes, or other obligations of the
8 authority issued under this chapter;

9 (3) "power" includes any and all electrical energy generated,
10 distributed, bought or sold for purposes of lighting, heating, power and
11 every other useful purpose;

12 (4) "power project" or "project" includes any and all real or
13 personal property or any interest in it including, without limitation,
14 dams, powerhouses, and transmission lines owned, used or operated, or
15 useful for operation, in the generation by means of water or fossil fuel
16 power, and the transmission of electrical power and also including
17 channels, locks, canals, and other navigational, reclamation, flood
18 control and fisheries facilities and environmental protective measures
19 as may be necessary or desirable in connection with it.

20 Sec. 44.62.240. SHORT TITLE. This chapter may be cited as the
21 Alaska Power Authority Act.
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24
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29

From A. Tussing

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The need for new generating facilities in the Anchorage area alone is shown by the following conclusion reached by consultants hired by a legislative committee: the Anchorage area, which had a 1975 peak load of 270 Mw, is expected to have a peak of more than 1,500 Mw in 1985 and possibly as much as 4,500 Mw by 1995. The Alaska House finance committee, which commissioned the report from the Institute of Social, Economic and Government Research at the University of Alaska, heard testimony early this month on the results of the four-and-a-half-month-long effort. Economists from the institute, engineers from Stefano Mesplay & Associates and from Robert W. Retherford Associates, consultant Kent Miller and financial consultants from National Economic Research Associates worked on the study.

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The "options are limited" in meeting the needs of the rural area, a University of Alaska professor who worked on the study noted. Those areas will have to rely on diesel generators, with "a few small hydro plants," the professor, Oliver Goldsmith, explained in a telephone interview. Arlon Tussing, a United States Senate committee staffer with special Alaska expertise, added that about 20 potential hydro sites have been identified near small rural towns and that he and others who worked on the study believe projects at those sites should be "scaled to the loads." He explained that some officials and others had been proposing "too-big pet projects" for the rural areas.

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increasing load are 200-300-Mw dual-fuel (gas or coal) steam units and hydro development of the Susitna River. For the short-run, Tussing added, "the low front-end cost" of gas turbines makes additional gas-turbine units attractive "if gas is available and allowed and the cost is in line." But he said the study projects "the price of gas rising to 75% of the world oil price." The U.S. Army Corps of Engineers has already proposed a 699-Mw, two-stage hydro project on the Susitna River, and if Congress approves it this year the first stage (350 Mw) would open in 1986. But, Tussing said, "the latest prognosis is not very good" for Congressional approval.

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The commissioners were watched closely—their questions came in bursts, mostly in the early part of the day—for signs of their leanings. One public-power attorney thought he detected a 2-2 split, with Democratic commissioners John Holloman and Don Smith showing serious CWIP reservations and Republicans Richard Dunham (chairman) and James Watt going the other way. But later he wasn't sure—although Holloman and Smith probed hardest for CWIP justification, Holloman was also concerned about the need for "industrial expansion" that could create jobs for the poor in Mississippi, his home state.

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CONSULTING ENGINEERS

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ELECTRICAL, P.E.

G. L. HENDERSON
CHEMICAL, P.E.

April 2, 1976

Representative Hugh Malone
Chairman House Finance Committee
Pouh "V"
Juneau, Alaska 99801

Dear Hugh:

In accordance with our telephone conversation with Jim Rhode on the statements recently made by Senator Gravel regarding the cost of Susitna Dam Power project and the Railbelt Energy requirements for the future, we do not agree with the Senators' statements entirely for the following reasons:

1. The Senator's costs do not agree with any previously published costs we know of for hydro projects in Alaska.
2. The support of the dam project does not consider the power needs of the railbelt during the estimated 17 year construction period.
3. We agree a hydro power project should be initiated immediately. Concurrently, coal fired power plants to serve the railbelt areas should be constructed for 1980 production of electrical energy. This will serve the interim power needs of the railbelt until the dam project is operational in 1990. These mine mouth coal fired power plants can be located at Healy, Susitna-Baluga and Sutton.

The above opinion reflects a summary of the state power study we recently completed in association with ISEGR at the University of Alaska.

This study indicates the Susitna Dam will cost \$5,052 per KW in 1985 dollars. This represents a total project cost of \$3.5 billion.

We are not aware of the Senator's source for his costs which are reported at 1.5 billion for the same project. If the reported costs represents 1975 dollars, the KW cost is equal to \$17,698/KW when escalated to 1990. If this reported construction cost is based on 1990 dollars, then 1975 construction dollars would be \$190/KW.

Representative Hugh Malone
April 2, 1976
Page 2

The above obviously tells this writer there is something wrong with the reported project cost of 1.5 billion dollars. We suspect this may be correct for a portion of the project capitalization but the total project cost may not have been reported accurately.

It is interesting to note that when the hydro project of 699 MW (firm) is compared with a coal fired mine mouth plant of 650 MW (firm) the following costs are apparent based on 1985 dollars:

| | | |
|-----------------------|------------|--------------|
| Susitna Hydro | \$5,052/KW | =3.5 billion |
| Mine Mouth Coal Plant | \$3,000/KW | =1.9 billion |

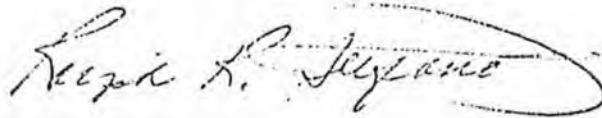
The savings for a coal fired plant is substantial and the first unit can be "on the line" by 1980.

Since the coal fired plant can be completed by 1980, whereas the hydro plant cannot be completed until 1990, a realistic dollar comparison is not possible; therefore, if we can consider 1980 dollars for the coal fired plant this results in a firm cost of \$1,500/KW for coal fired generation. This means the coal fired plant can be constructed on the first 6 years interest cost of the 3.5 billion dollar hydro project.

If we can be of additional assistance, or you require more detailed information regarding hydro vs. coal, please call on me.

Very truly yours,

STEFANO/MESPLAY & ASSOCIATES
CONSULTING ENGINEERS



Ralph R. Stefano, P.E.

RKS:pa

Copy Ad-1 Alaska file

WW-1523-HG1-1EX
3101

March 3, 1976

Mr. Richard Ballard, President
Thomas Bay Power Commission
Post Office Box 758
Wrangell, Alaska 99929

Dear Dick:

Subject: Thomas Bay Project

In accordance with my telephone conversation with you and Dick Olson on February 24, 1976, enclosed are copies of several documents which have a bearing on the future of the Thomas Bay Project.

The first item is a letter dated January 29, 1976 from Bill Boardman to Jim Williamson. The letter reflects the thinking of Commissioner Motley of the Department of Commerce and Economic Development. Jim Williamson has the copy of the preliminary "Energy Task Force" report with him this week in Juneau. I will forward a copy when he returns.

The second letter dated February 14, 1976 from Bill Boardman encloses copies of HB700 and SB622 which are companion Bills that have been introduced to appropriate the \$3 million this year to the Water Resources Revolving Loan Fund. The letter from Bill Boardman pretty much describes the support for this funding and the copies of the Bills indicate the geographical support by the sponsorship. Also enclosed are two pages outlining the support information on Alaska Water Resources Projects provided the legislature for the \$3 million appropriation request. This information was prepared by us and was essentially the same data that was presented at the Southeast Conference in Ketchikan this year.

The last item is a newspaper article from the Ketchikan News dated February 10, 1976 with reference to hydroelectric funding and feasibility studies. It makes reference to the University of Alaska Study which was to have been ready in February. However, it is now scheduled for presentation on March 4, 1976. Jim Williamson, Bill Boardman, H. D. Scougal, "Rocky" Gutierrez and perhaps several others will be at that hearing and will be working on a rebuttal presentation to be made the following day on March 5th.

March 3, 1976

The newspaper article also makes reference to the Department of Commerce and Economic Development Study of hydro turbines. The Department has not received a formal report from the Consultant retained to do this work. The Department also makes reference to this work within the "Energy Task Force" report. The problem here is that with the hydro turbine concept the power developed is not dependable and can only be considered as replacement energy for diesel generation when water is available. It has been incorrectly stated that the hydro turbines eliminate very costly dams and reservoirs required for hydroelectric projects when in fact the cost for these regulating facilities is small with respect to the total project cost for a hydroelectric project that develops firm power. In the case of the Thomas Bay Project the cost of the regulating facilities is less than 10 percent of the project cost.

In addition, as we discussed by telephone and as was contained in the Appraisal Report on the Thomas Bay Project, we recommend the Commission investigate and study alternative projects to the Thomas Bay Project for re-evaluation of the economics of the Thomas Bay Project against these alternatives. This study would firm up the decision to proceed with further more detailed evaluation investigations of the Thomas Bay Project as the most viable and economic project for the Petersburg-Wrangell area or identify another project which might be more economical. The study could identify a smaller local hydroelectric project that might satisfy more immediate power need and yet not involve as large a commitment by the Petersburg-Wrangell people.

We feel that if the Commission is going to proceed with the more detailed evaluation investigations this year as indicated on the enclosed schedule submitted to the legislature, it is essential to complete the appraisal investigation and study of the alternative projects to the Thomas Bay Project as soon as possible this spring. This would allow the field work to be completed this summer for completion of the Evaluation Report as shown on the schedule. As such, we recommend consideration of an appraisal investigation and study of Virginia Lake, Thomas Lake, and Kunk Lake. It is estimated that the study cost for the three projects, depending upon the scope of the study, would range from about \$35,000 to \$45,000. To completely cover all alternative projects within a reasonable geographical area, consideration could also be given to the investigation and study of the Goat Creek and Tyce Lake Projects. This of course would involve additional study expenditures.

We would be pleased to meet with the Commission to discuss a program and scope of services to investigate the feasibility of alternative hydroelectric projects to the Thomas Bay Project. Should you have any questions or desire our attendance at a Commission Meeting, please let us know.

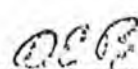
Very truly yours,

R. W. DECK AND ASSOCIATES, INC.

DEB/cg

Enclosures

cc: Richard Olson w/encl.


Donald E. Bowes
Executive Engineer

Stuyck

11B 779

R.W. BECK AND ASSOCIATES, INC.
CONSULTANTS

A SUBSIDIARY OF R. W. BECK AND ASSOCIATES

PLANNING
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SEATTLE, WASHINGTON 98101 USA

CABLE: BECKSEA
TELEPHONE:
206-622-5000

WW-0000-BD-AM

March 18, 1976

Representative Ernie Haugen
Pouch V
Juneau, Alaska 98111

Dear Ernie:

Subject: Budget and Audit Committee Report

As discussed here is a copy of the news release in the national technical publication, Electric Week of March 15, 1976, apparently given out by Arlon Tussing. It makes a definite point of downgrading larger projects; I am sure particularly Thomas Bay. One thing it means we will have to consider all small projects in the future even though we know they are obviously uneconomical or impractical.

Also, for your information enclosed is a copy of our letter of March 3, 1976 to the Thomas Bay Power Commission concerning the need to investigate smaller projects in the Wrangell area.

Very truly yours,

R. W. BECK AND ASSOCIATES, INC.

J. W.

James V. Williamson
Assistant Manager
Western Design Office

JW/jgd

Enclosure

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STATE OF ALASKA
DEPARTMENT OF COMMERCE
& ECONOMIC DEVELOPMENT
OFFICE OF THE COMMISSIONER
JUNEAU

March 23, 1976

Dear Mike:

I have attached a redraft of the Corps drafted bill regarding the "Hydroelectric Power Development Act of 1976." The redraft was as a result of the meeting held with you, Bob Mitchell, Jim Rhodes from Legislative Affairs, Representative Duncan, Sterling Gallagher, Eric Wohlforth and myself. Subsequent to our Saturday morning meeting, Wohlforth, Gallagher, Rhodes, Duncan and I met for two hours to finalize those points we all discussed. The product I think you will find in the attached redraft.

You will find that we used the traditional legislative method of putting deletions in brackets, and new insertions underlined. Further, I think we all recognize that this is a very quick first look at this proposed bill. I am sure that there more than likely will be further refinements as we go along, but I think it is fair to state that we have addressed most of the major points.

I will be looking forward to your comments.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Langhorne A. Motley".

Langhorne A. Motley
Commissioner

cc: Ann Garrabrant
Sterling Gallagher
Jim Rhodes ✓
Representative Duncan
Eric Wohlforth
Bob Mitchell

A BILL

To facilitate and expedite the provision of hydroelectric power at water resources development projects to be constructed by the Department of the Army, Corps of Engineers.

1 Be it enacted by the Senate and House of Representatives of
2 the United States of America in Congress Assembled, that this Act
3 may be cited as the "Hydroelectric Power Development Act of 1976"
4 and is to be administered by the Secretary of the Army, acting
5 through the Chief of Engineers, to facilitate and expedite the
6 construction of water resources development projects to be con-
7 structed by the Corps of Engineers with hydroelectric power
8 generation as a project purpose which the Chief of Engineers
9 estimates, prior to the commencement of construction of the
10 project, will yield 50 per centum or more of the benefits to be
11 attributable to the project when it is fully operational.

12 SEC.2 /In connection with water resources development projects
13 which meet the criteria established by section 1 of this Act and
14 which are to be constructed by the Corps of Engineers in accord-
15 ance with an authorization occurring on or subsequent to the date
16 of enactment of this act/or which have been authorized for con-
17 struction previous to the date of enactment of this Act if their
18 construction has not commenced as of the date of enactment of
19 this Act, the Secretary of the Army, acting through the Chief of
20 Engineers (hereafter referred to in this Act as the "Secretary")
21 is authorized to construct such projects including any activities
22 for engineering and designing, land acquisition, site development
23 and off-site improvement necessary for the authorized construction
24 by making expenditures from the Hydroelectric Power Development
25 Fund established in section 6 of this act and from payments of
26 non-Federal funds as provided for in this and other pertinent
27 Acts as well as from appropriated Federal funds for the project
28 in accordance with its authorization.

29 SEC. 3 As a condition of the Secretary making any expendi-
30 tures from the Hydroelectric Power Development Fund for a project
31 as authorized in section 2 of this Act and prior to his making
32 any such expenditures, an appropriate non-Federal public

1 authority(ies), [approved by the Secretary,] shall agree with the
2 Secretary, in writing, to pay the Secretary for all the separable
3 and joint costs of preparing for the construction and constructing
4 the project attributed by the Chief of Engineers to the provision
5 of hydroelectric power generation and to assume ownership of the
6 project and responsibility for performing and paying for its
7 operation and maintenance as well as necessary replacements.

8 SEC. 4(a). Non-Federal obligation[s] for payment of the
9 hydroelectric construction costs of a project in accordance with
10 section 3 of this Act shall include repayment to the Secretary
11 without interest, for any expenditures the Secretary makes to
12 defray such costs from the Hydroelectric Power Development Fund
13 established in section 6 of this Act or from any other source
14 of Federal funding as well as payment for any other such costs
15 prior to their occurrence or as they occur which the Secretary
16 determines are not to be initially funded from a Federal source.
17 This total non-Federal obligation[s] shall be completely dis-
18 charged on or prior to the date the Chief of Engineers estimates,
19 in the agreement to be entered into as provided in section 3 of
20 this Act, that the project concerned will be available for actual
21 generation of all or a substantial portion of the authorized
22 hydroelectric power of the project. The Secretary shall require
23 the non-Federal obligor[s] to make installment payments to the
24 Secretary, in accordance with the agreement and during its term,
25 scheduled to insure complete payment by this deadline as well as
26 to serve the best interests of the program authorized by this
27 Act and the project and non-Federal obligor[s] concerned. The
28 agreement shall provide for an initial determination of feasibility
29 and compliance of the project with law and a further determination
30 if the requirements of feasibility and compliance with law are
31 met to construct the project.

32 (b) In consideration of the obligations to be assumed by

1 non-Federal public authorities under the provisions of this
2 section and this Act and in recognition of the substantial in-
3 vestments which will be made in and by those authorities in
4 reliance on the program established by this Act, the United
5 States shall assume the responsibility for paying for all in-
6 creased costs over the estimates fixed in the agreement of any
7 non-Federal public authorities, under agreement with the Secre-
8 tary in accordance with this Act, if such costs are occasioned by
9 any delay in the availability of the project concerned for actual
10 generation of all or a substantial portion of the authorized
11 hydroelectric power of the project beyond the date estimated by
12 the Chief of Engineers in accordance with subsection (a) of this
13 section or are attributable to any cause other than the action
14 or inaction of the public non-Federal authority, its agents or
15 assignees. The Secretary, pursuant to the agreement, may singly
16 or in combination extend affected payment schedules, forgive pay-
17 ments due him, in whole or in part, or pay the expenses of
18 authorities and the obligations due their investors as [he deems
19 advisable to discharge this responsibility] may be fixed pursuant
20 to the agreement. A determination [by the Secretary at any time
21 subsequent to entering into an agreement] pursuant to the agree-
22 ment in accordance with this Act that the project concerned will
23 not be [constructed to generate] available for actual generation
24 of all or a substantial portion of its authorized hydroelectric
25 power will result in discharging non-Federal public authorities
26 from any further obligations under such agreement. In connection
27 with such a determination, the Secretary shall pursuant to the
28 agreement take such actions and make such payments to the author-
29 ities or their investors as [he finds] are necessary to defray
30 or prevent any losses to the authorities and their investors for
31 their obligations and investments made in reliance upon the agree-
32 ment.

1 (c) Notwithstanding the provisions of subsection (b) of
2 this section, the United States shall not assume any responsibility
3 for paying for any increased costs or defraying or preventing
4 the expense or any losses of any non-Federal public authority
5 (or its investors) under agreement with the Secretary in accord-
6 ance with this Act if and to the extent that such costs or losses
7 are attributable to delays in construction of or failure to
8 construct a project occasioned by the action or inaction of the
9 non-Federal public authority, its agents, or assignees.

10 SEC. 5. The Secretary is authorized pursuant to the
11 agreement to convey all title, rights, and interests of the
12 United States to any project, its lands and water areas, and
13 appurtenant facilities to any non-Federal public authority[ies]
14 which is obliged to assume ownership of the project and re-
15 sponsibility for performing and paying for its operation and
16 maintenance as well as necessary replacements in accordance
17 with section 3 of this Act. Such conveyance shall, pursuant
18 to the agreement, to the maximum extent possible, occur prior
19 to or at the time the project concerned is available for actual
20 generation of all or a substantial portion of the authorized
21 hydroelectric power of the project and shall include such Federal
22 requirements, reservations, and provisions for access rights to
23 the project and its records as the Secretary finds advisable to
24 complete any portion of project construction remaining at the
25 time of conveyance and protect the Federal interest and invest-
26 ment in the project over the life of the project and insure that
27 it will be operated and maintained in a responsible and safe
28 manner to accomplish, as nearly as may be possible, all of the
29 authorized purposes of the project including, but not restricted
30 to, hydroelectric power generation. Any non-Federal obligations
31 to pay the Federal government under the provisions of this
32 or any other Act for work, services, or facilities at a project

6

1 at the time of its conveyance under the provisions of this Act
2 shall remain as obligations to the Federal government unaffected
3 by the conveyance.

4 SEC. 6. There is hereby established in the Treasury of
5 the United States a Hydroelectric Power Development Fund (here-
6 after referred to in this Act as the "fund") to be and remain
7 available for use by the Secretary to make the expenditures he is
8 authorized to make by section 2 of this Act. The fund shall
9 consist of (1) all receipts and collections by the Secretary of
10 repayments to the Secretary by non-Federal public authorities for
11 the Secretary's expenditures from the fund or from any other
12 source of Federal funding for hydroelectric construction costs
13 of projects in accordance with this Act and which the Secretary
14 is hereby directed to deposit in the fund as they are received
15 and (2) any appropriations made by the Congress for the fund.

16 SEC. 7 (a) If the Secretary determines that moneys in the
17 fund are in excess of current needs, he may request the invest-
18 ment of such amounts as he deems advisable by the Secretary of
19 the Treasury in direct, general obligations of, or obligations
20 guaranteed as to both principal and interest by, the United
21 States.

22 (b) With the approval of the Secretary of the Treasury,
23 the Secretary may deposit moneys of the fund in any Federal Re-
24 serve bank or other depository for funds of the United States,
25 or in such other banks and financial institutions and under such
26 terms and conditions as the Secretary and the Secretary of the
27 Treasury may mutually agree.

28 SEC. 8. There is authorized to be appropriated to the
29 Secretary for deposit in the fund established by section 6 of this
30 Act for expenditures by the Secretary as authorized by this Act,
31 the sum of \$25 million and such sums, if any, after this initial
32 appropriation that the Secretary may annually require to maintain