

Section 5. This section adds the authority to "maintain" power projects, and is suggested in the interest of certainty and uniform specificity.

Section 6. This section reflects appropriate wording changes given the definition of "person" in section 19, below.

Section 7. This section proposes stylistic changes for clarity.

Section 9. Wording is inserted in AS 44.56.090 to allow industrial purchasers to contract directly with the authority. This change is desirable because any industrial project outside of an existing utility distribution system would be able to purchase power directly from the authority, rather than through a utility.

For clarity, a subsection is added regarding the relationship between the authority and the Alaska Public Utilities Commission (APUC). Under this amendment, while the APUC would not have jurisdiction over the authority, the APUC would retain all existing jurisdiction over public utilities.

Further wording is inserted to assure that pricing policies cover full costs as defined in the chapter.

Section 10. This section adds clarification.

Section 11. This amendment eliminates the upper limit on the size of capital reserve funds, allowing the authority greater flexibility to adjust to changing market conditions.

Section 12. This section requires payment in place of taxes to local subdivisions.

Section 13. This amendment insures that uniform and acceptable standards are established before any loans are made by the Power Project Revolving Fund and seeks to integrate the fund with the other activities and responsibilities of the authority.

Sections 14 and 15. These sections provide gubernatorial review and approval of the executive-branch functions performed by the Alaska Power Authority. Proposals are to be reviewed by all effected agencies and the resultant views, comments, and findings forwarded to the legislature along with the project proposal. The attorney general's office is concerned about the constitutionality of the existing requirement that individual project proposals be submitted to the legislature for approval. I think it is important to insure that many perspectives and individuals have an opportunity to contribute to the decision-making process. However, to the extent that there may be a constitutional problem with the legislative-approval requirement, I urge your review of it. The amendments proposed in this bill do not change the legislative approval provision.

Section 16. This amendment clarifies the intention that the authority be subject to the Executive Budget Act. Further, it is required that the authority make an annual detailed report to the legislature of the status of each of its projects.

Section 17. A new section is added to increase the accountability of, and public input to, the authority. Also, a long-term electric development plan is to be the responsibility of the Department of Commerce and Economic Development.

Sections 18 and 19. These sections, respectively, make the changes in the technology wording consistent with sections 4 and 8 and add a definition of "person".

Section 20. This section repeals a provision for the sake of consistency, and repeals a subsection dealing with trust agreement covenants.

Sincerely,

Jay S. Hammond
Governor

Eric P. Yould
Executive Director
Alaska Power Authority
Testimony before House Finance Committee
April 10, 1978

Mr. Chairman:

When Governor Hammond signed the enacting legislation of the Alaska Power Authority in June, 1976, he did so with concern about the Authority's accountability to the people of Alaska, and hence, he indicated that he may be submitting amendments to the Power Authority Act in the next Legislative session. In ~~the~~^{that} next session, those amendments were offered through the Rules Committee and were assigned to the House Finance Committee. Your Committee further amended the administration amendments but did not pass them out of committee. During this period of time, the Power Authority was in the process of being structured as originally intended, but it was in no position to offer its own opinions on the amendments to the Power Authority Act. Now, with the securing of legal bond counsel and financial advisors and with the recent appointment of an executive director, the Power Authority believes that amendments ~~is~~^{to} its enacting legislation are indeed necessary. During the early period of this legislative session the Power Authority submitted its views to the Administration which had in turn developed additional amendments of its own. After meetings between the Authority and the Administration, Governor Hammond submitted the consolidated amendments of the Authority and the Administration to the Legislature.

~~Pursuant to~~^{With} the unanimous approval of its Board of Directors,

the Alaska Power Authority supports House Bill 442 as amended. *by the Gov's Intef. submission*

Realizing, however, that the House Finance Committee may choose to further amend HB 442, I would like to take this opportunity to indicate which portions of the bill are important to the operation of the Power Authority to allow it to function as originally envisioned. While I will subsequently point out which portions in the text of HB 442 are of importance to the Power Authority, I would first like to summarize our main requirements: (1) The Power Authority should be charged with developing reasonable cost power rather than lower cost power; (2) clarification needs to be made to provide for financing of projects independent of ownership by the Authority; (3) the Authority should be allowed to develop any feasible energy technology rather than being restricted to hydroelectric and fossil fuel generation; (4) the ^{Act} Power Authority should be removed ^{AS TO} from the jurisdiction of the Alaska Public Utilities Commission; (5) the Authority should be allowed to operate as a tax exempt entity; (6) the Authority should have the jurisdiction to develop power projects for which the maximum amount of bonds is estimated not to exceed \$50,000,000 and; (7) a "grandfather" clause should be adopted which would preclude certain reporting requirements for those projects which the Power Authority decides to finance before July 1, 1978.

Mr. Chairman, if we could now refer to the amended version of HB 442, I would like to point out some of the important sections of the bill.

Section 1 on Page 1: provides for reasonable cost power and clarifies that we may finance exclusive of ownership. The financing clarification is crucial to our being able to sell revenue bonds for those projects in which we would not hold an ownership interest.

Section ⁵~~4~~ on Page 3: would allow the Authority to develop any economically feasible technology in lieu of being limited to hydroelectric and fossil fuel fired generation.

Section 8 on Page 4: further clarifies the Authority's authority to provide financing for power projects.

Section ¹¹~~10~~ on Page 5: extends the authority to conduct feasibility studies with respect to all power generation.

Section ¹²~~11~~ on Page 5 & 6: clarifies the relationship between the Alaska Public Utilities Commission (APUC) and the Alaska Power Authority. This section is important from the standpoint of marketing revenue bonds. The uncertainty in the eyes of the investor as a result of regulation by APUC could preclude favorable project financing. *The APUC's jurisdiction over electric utilities and its ability to regulate their contracts to purchase power continues undisturbed.*

Section ¹⁴~~13~~ on Page 9: provides that the Authority may make payments in lieu of taxes. Similar to Section 11 this negotiable position will clarify the investment risk and is very important

to optimum financing.

Mr. Chairman, it is my understanding that Section ¹⁶15 on page 10 is being considered for further amendment, and hence, I may wish to be recognized for further testimony at a later time.

Section ¹⁷16 on Page 11: Sec. 44.56.180 (a) allows the Authority discretion for the development or financing of new projects for which the maximum amount of bonds estimated is less than \$50,000,000. The Power Authority feels strongly that it needs this flexibility to be responsive to small utility needs. Furthermore there are virtually no restrictions on such existing bonding institutions as the Municipal Bond Bank and the Alaska Industrial Development Authority. Thus reporting requirements and attendant delays could force communities to other lending institutions with no apparent power development expertise. Furthermore this would allow the Authority to act when the legislature is not in session.

Section 44.56.180 (c) on Pages 13 and 14: require that load projections be consistent with a Long-Term-Plan as provided for under Section ²⁰19 of HB 442. Since the Long Term Plan has not yet been developed, I think that the Finance Committee should address the manner in which those projects which may be ready for development prior to the long range plan are to be handled.

Section 44.56.180 (d) on Page 14: provides a "grandfather" clause for those projects which the Power Authority determines to finance prior to July 1, 1978. At the present time, the Power Authority is contemplating the financing of the Healy II coal fired steam plant for Fairbanks (estimated cost^{up to} \$300,000,000) and forty percent of the financing of the Soloman Gulch hydro-electric project^{NOR VALLEY} (estimated Authority cost \$15,000,000). If the amendments under Section 44.56.180 (a) are adopted, the "grandfather" clause would apply only to the Healy project. It has been estimated by Mr. Bob Hufman, General Manager of Golden Valley Electrical Association, that over the life of the Healy project, Power Authority financing will save his utility customers roughly \$100,000,000 in electricity bills. ~~If we don't "grandfather" the Healy II project, then the Legislature will have to adopt a Joint Resolution enabling the Power Authority to proceed with the project.~~

#

Mr. Chairman, I would like to thank the Finance Committee for the opportunity to testify and would be happy to answer any questions which you may have.

Section 90

Bulk Industrial Purchaser
or other persons authorized by law to engage in dist of power

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

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Mr. Chairman, I would like to thank the Finance Committee for the opportunity to testify and would be happy to answer any questions which you may have.

Section 90

Bulk Industrial Purchaser
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ALASKA POWER AUTHORITY

333 WEST 4th - SUITE 31 - ANCHORAGE ALASKA 99501

March 15, 1978

The Honorable Clark Gruening
State Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Gruening:

You have requested information on the level of appropriation which should be made to the Power Project Revolving Loan Fund. As you know, previous appropriations to the Fund have been earmarked by the Legislature for application to specific projects with the terms of the loans established by the Board of Directors of the Power Authority. This procedure would appear to be an unnecessary drain of the Legislators time, and an inefficient and untimely means of assisting the communities. The Power Authority should be entrusted with the full responsibility that it was intended when its statutory being was promulgated.

The Power Project Revolving Loan Fund should be appropriated an amount commensurate with community needs and should be fully administered by the Board of Directors of the Power Authority. For this purpose, the Power Authority is establishing Rules and Regulations necessary for the administration of the Loan program. These rules and regulations will be presented to the Board of Directors at the next public meeting of the Authority which is scheduled for March 17, 1978. A first draft of these rules and regulations is attached for your review.

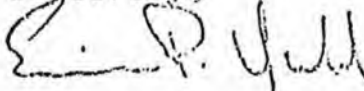
Through correspondence with the various communities and their engineering consultants, the Authority is aware of at least \$3.0 million needed for various hydropower studies alone. To this, an estimated \$2.0 million should be added to provide for the conventional power needs of communities which have not had the opportunity to make their needs known. A breakdown of the communities which would appear to have a legitimate need for planning funds is contained on the attached list. This information is intended for back-up information and should not be construed as the actual dollar amounts that the communities will ultimately request, nor is it necessarily the amount that the Power Authority would actually loan for the individual projects. These decisions should be left to the discretion of the Power Authority after it has been supplied with additional information from the applicants.

The Honorable Clark Gruening
March 15, 1978
Page Two

You have also requested my views on the Green Lake Hydropower Project. I would like to refrain from answering at this time as our financial advisors are presently reviewing the project. I have had the opportunity to contact the Federal Energy Regulatory Commission and other State and Federal agencies regarding the Green Lake project. Everyone is giving it top priority. The Federal Energy Regulatory Commission indicates that it should be in a position to render a decision on the license application by March, 1979 if there is no external protest to the project. My main concern is that an avenue actually exists by which the project can be financed. It was assumed in the license application that financing would be available through state appropriations or the bond market. Our financial advisor is in the process now of evaluating the possibility of the latter mode of financing. The \$10.6 million request would be for access road construction, ordering of mechanical equipment, and final design and specifications. If these funds are made available, the Power Authority could administer their disbursement if you desire.

If you feel that additional back-up information for the Power Project Revolving Loan Fund is needed, please call upon me.

Sincerely,



Eric P. Yould
Executive Director

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 442
 Title Amendments to the Alaska Power Authority Act
 Requested by Office of the Governor Date 3/29/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Development
 Budget Request Unit(s) Affected Alaska Power Authority/Division of Energy & Power Development

EXPENDITURES (Thousands of Dollars)

	NONE					
	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL						

FUNDING (Thousands of Dollars)

	NONE					
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	NONE					
FULL TIME						
PART TIME						
TEMPORARY						

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

If the Division of Energy and Power Development is retained, there will be no fiscal impact.

IV. DATE 3/29/77

PREPARED BY William I. McConkey, Director
 AGENCY Division of Energy & Power Development
 PHONE 272-0527

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

Fiscal Note Letter

Original sponsor: Rules Committee by
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 442 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority; and
7 providing for an effective date."

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

9 * Section 1. AS 44.56.010(a)(2) and (3) are amended to read:

10 (2) the establishment of power projects at those sites is
11 necessary to supply [LOWER COST] power at the lowest reasonable cost to
12 the state's municipal electric, rural electric, cooperative electric,
13 and private electric utilities, and regional electric authorities, and
14 thereby to the consumers of the state, as well as to supply existing or
15 future industrial needs;

16 (3) the achievement of the goals of lowest reasonable [LOWER
17 consumer power costs and beneficial long-term economic growth and of
18 establishing, operating and developing power projects in the state will
19 be accelerated and facilitated by the creation of an instrumentality of
20 the state with powers to construct, acquire, finance, and [INCREASE
21 FOR CONSTRUCTING, AND WITH POWERS TO] operate[,] power projects.

22 * Sec. 2. AS 44.56.030 is repealed and re-enacted to read:

23 Sec. 44.56.030. MEMBERSHIP OF THE AUTHORITY. (a) The authority
24 shall consist of the following directors:

25 (1) four directors at large to be appointed by the governor
26 and confirmed by the legislature;

27 (2) the commissioner of commerce and economic development.

28 (b) The commissioners of community and regional affairs, natural
29 resources, transportation and public facilities, and revenue shall have

1 the rights and privileges of directors except for the right to vote and
2 may not be considered for purposes of quorum or voting.

3 * Sec. 3. AS 44.56.040 is amended to read:

4 Sec. 44.56.040. OFFICERS AND QUORUM. The directors shall elect
5 one of the directors at large [PUBLIC MEMBERS] as chairman and other
6 officers they determine desirable. The powers of the authority are
7 vested in the directors, and three directors of the authority constitute
8 a quorum. Action may be taken and motions and resolutions adopted by
9 the authority at a meeting by the affirmative vote of at least three
10 directors. The directors of the authority serve without compensation,
11 but they shall receive the same travel pay and per diem as provided by
12 law for board members.

13 * Sec. 4. AS 44.56 is amended by adding a new section to read:

14 Sec. 44.56.045. QUALIFICATIONS, POWERS, AND DUTIES OF OFFICERS AND
15 DIRECTORS. (a) The directors at large must be residents and qualified
16 voters of Alaska and shall comply with the requirements of AS 39.50
17 (conflict of interests). The directors at large shall serve four-year
18 terms. The four original directors at large have terms of one, two,
19 three, and four years, respectively.

20 (b) A vacancy in a directorship occurring other than by expiration
21 of a term shall be filled in the same manner as the original appoint-
22 ment, but for the unexpired portion of the term only.

23 (c) The authority shall employ an executive director who may, with
24 the approval of the authority, employ additional staff as necessary. In
25 addition to its staff of regular employees, the authority may contract
26 for and engage the services of legal and bond counsel, consultants,
27 experts, and financial and technical advisors the authority considers
28 necessary for the purpose of conducting studies, investigations, hear-
29 ings, or other proceedings. The board of directors shall establish the

1 compensation of the executive director. The executive director and
2 other personnel of the authority are exempt from the provisions of AS
3 39.25.

4 * Sec. 5. AS 44.56.070 is amended to read:

5 Sec. 44.56.070. PURPOSE OF THE AUTHORITY. The purpose of the
6 authority is to promote, develop and advance the general prosperity and
7 economic welfare of the people of Alaska by providing a means of con-
8 structing, acquiring, financing and operating power production facil-
9 ities limited to fossil fuel, wind power, tidal, geothermal, hydro-
10 electric, or solar energy production and waste energy conservation
11 facilities [HYDROELECTRIC AND FOSSIL FUEL GENERATING PROJECTS].

12 * Sec. 6. AS 44.56.080(5) is amended to read:

13 (5) to acquire, whether by construction, purchase, gift or
14 lease, and to improve, equip, [AND] operate, and maintain power pro-
15 jects;

16 * Sec. 7. AS 44.56.080(6) is amended to read:

17 (6) to issue bonds to carry out any of its corporate purposes
18 and powers, including the acquisition or construction of a project to be
19 owned or leased, as lessor or lessee, by the authority, or by another
20 person, or the acquisition of any interest in a project [IT] or any
21 right to capacity of a project [IT], the establishment or increase of
22 reserves to secure or to pay the bonds or interest on them, and the
23 payment of all other costs or expenses of the authority incident to and
24 necessary or convenient to carry out its corporate purposes and powers;

25 * Sec. 8. AS 44.56.080(8) is amended to read:

26 (8) to accept gifts, grants or loans from, and enter into
27 contracts or other transactions regarding them, with any person [A
28 FEDERAL AGENCY OR AN AGENCY OR INSTRUMENTALITY OF THE STATE, MUNICIPA-
29 LITY, PRIVATE ORGANIZATION OR OTHER SOURCE];

1 * Sec. 9. AS 44.56.080(10) is amended to read:

2 (10) to enter into contracts with the United States or any
3 person and, subject to the laws of the United States and subject to
4 concurrence of the legislature, with a foreign country or its agencies,
5 for the financing, construction, acquisition, operation and maintenance
6 of all or any part of a power project, either inside or outside the
7 state, and for the sale or transmission of power from a project or any
8 right to the capacity of it or for the security of any bonds of the
9 authority issued or to be issued for the project;

10 * Sec. 10. AS 44.56.080(11) is amended to read:

11 (11) to enter into contracts [FOR THE PURCHASE, SALE, EX-
12 CHANGE, TRANSMISSION, OR USE OF POWER GENERATED BY A PROJECT, OR ANY
13 RIGHT TO THE CAPACITY OF IT] with any person and with the United States,
14 and, subject to the laws of the United States and subject to the con-
15 currence of the legislature, with a foreign country or its agencies for
16 the purchase, sale, exchange, transmission, or use of power from a
17 project, or any right to the capacity of it:

18 * Sec. 11. AS 44.56.080(13) is amended to read:

19 (13) to perform feasibility studies with respect to [HY-
20 DROELECTRICAL AND FOSSIL FUEL] power [GENERATING] projects;

21 * Sec. 12. AS 44.56.090 is repealed and re-enacted to read:

22 Sec. 44.56.090. POWER CONTRACTS AND THE ALASKA PUBLIC UTILITIES
23 COMMISSION. (a) The authority shall, in addition to the other methods
24 which it may find advantageous, provide a method by which municipal
25 electric, rural electric, cooperative electric, or private electric
26 utilities and regional electric authorities, or other persons authorized
27 by law to engage in the distribution of electricity may secure a
28 reasonable share of the power generated by a project, or any interest in
29 a project, or for any right to the power and shall sell the power or

1 cause the power to be sold at the lowest reasonable prices which cover
2 the full cost of the electricity or services, including capital and
3 operating costs, debt coverage as considered appropriate by the autho-
4 rity, and other charges that may be authorized by this chapter. A
5 contract for the sale, transmission and distribution of power generated
6 by a project or any right to the capacity of it shall provide for full
7 and complete disclosure to the authority of all factors of cost in the
8 transmission and distribution of power.

9 (b) The authority is not subject to the jurisdiction of the Alaska
10 Public Utilities Commission. Nothing in this chapter grants the autho-
11 rity any jurisdiction over the services or rates of any public utility
12 or diminishes or otherwise alters the jurisdiction of the Alaska Public
13 Utilities Commission with respect to any public utility, including any
14 right the commission may have to review and approve or disapprove con-
15 tracts for the purchase of electricity by a public utility.

16 * Sec. 13. AS 44.56.110(a)(1) is amended to read:

17 (1) make a d enter into any and all the covenants and agree-
18 ments with the trustee or the holders of the bonds which the authority
19 may determine to be necessary or desirable, including, without limita-
20 tion, covenants, provisions, limitations and agreements as to

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

24 (B) the fixing and collection of rentals, charges, fees
25 or other consideration for, and the other terms to be incorporated
26 in, contracts with respect to a project or to generated power;

27 (C) the assignment by the authority of its rights in
28 contracts with respect to a project or to generated power or in a
29 mortgage or other security interest created with respect to a

1 project or generated power to a trustee for the benefit of bond-
2 holders;

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

5 (E) the vesting in a trustee of rights, powers, duties,
6 funds or property in trust for the benefit of bondholders, in-
7 cluding, without limitation, the right to enforce payment, perfor-
8 mance, and all other rights of the authority or of the bondholders,
9 under a lease, power of contract, contract of sale, mortgage,
10 security agreement, or trust agreement with respect to a project by
11 injunction [MANDAMUS] or other proceeding or by taking possession
12 of by agent or otherwise and operating a project and collecting
13 rents or other consideration and applying the same in accordance
14 with the trust agreement;

15 * Sec. 14. AS 44.56.110(d) is amended to read:

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 an amount [A PER CENT, NOT EX-
19 CEEDING 10 PER CENT OF THE PRINCIPAL AMOUNT OF ALL OF THOSE BONDS SE-
20 CURED BY THAT CAPITAL RESERVE FUND THEN TO BE ISSUED AND THEN OUT-
21 STANDING IN ACCORDANCE WITH THEIR TERMS,] as may be established by
22 resolution of the authority (called the "capital reserve fund require-
23 ment"), unless the authority, at the time of issuance of the obliga-
24 tions, deposits in the capital reserve fund from the proceeds of the
25 obligations to be issued or from other sources, an amount which, to-
26 gether with the amount then in the fund, will not be less than the
27 capital reserve fund requirement.

28 * Sec. 15. AS 44.56.150 is amended to read:

29 Sec. 44.56.150. TAX EXEMPTION. All property of the authority is

1 public property devoted to an essential public and governmental function
2 and purpose and is exempt from all taxes of the state or a political
3 subdivision of the state; however, the authority may make payments in
4 place of taxes in amounts equal to the real and personal property taxes
5 which would be assessed on its real and personal property by each poli-
6 tical subdivision in which its property is located to the same extent as
7 if that property were private property and the authority were a non-
8 public corporation. All bonds issued under this chapter are issued by a
9 body corporate and public of this state and for an essential public and
10 governmental purpose and the bonds and the interest and income on and
11 from the bonds and all income of the authority are exempt from taxation
12 except for transfer, inheritance and estate taxes.

13 * Sec. 16. AS 44.56.170 is repealed and re-enacted to read:

14 Sec. 44.56.170. FUND ESTABLISHED; LOANS. (a) There is estab-
15 lished as a separate fund the power project revolving fund which shall
16 be administered by the authority as a trust fund separate and distinct
17 from any other money or funds of the authority, and which shall be com-
18 posed of appropriated funds and interest earned on loans by the fund.

19 (b) The authority may make loans from the fund to electric utili-
20 ties, cities, boroughs, ^{regional and} village corporations, village councils, and non-
21 profit marketing cooperatives to pay the costs of

22 (1) feasibility studies, preconstruction engineering, and
23 design of any power projects;

24 (2) constructing, equipping, modifying, and expanding small-
25 scale power production facilities or conservation facilities, limited to
26 fossil fuel, wind power, tidal, geothermal, hydroelectric, or solar
27 energy production and waste energy conservation facilities; and

28 (3) feasibility studies, preconstruction engineering, design,
29 construction, equipping, modification, and expansion of potable water

1 supply including surface storage and groundwater sources and transmis-
2 sion of water from surface storage to existing distribution systems.

3 (c) Before making any loans from the power project revolving fund
4 the authority shall by regulation specify the standards for those loans
5 with respect to the following:

6 (1) criteria regarding the eligibility of borrowers and of
7 types of projects;

8 (2) standards regarding the technical and economic viability
9 and revenue self-sufficiency of eligible projects;

10 (3) interest rates and other terms and conditions, and col-
11 lateral or any other security required for loans; and

12 (4) other relevant criteria, standards, or procedures.

13 (d) Any loan made by the authority must be made according to the
14 standards, criteria, and procedures established by regulation under th
15 section.

16 (e) Repayment of the loans shall be secured in such manner as th
17 authority determines is feasible to assure repayment under a loan agre
18 ment entered into with the borrower. Under a loan agreement, repayme
19 nt may be deferred until the project for which a loan is made has achieve
20 earnings from its operations sufficient to pay the loan.

21 * Sec. 17. AS 44.56.180 is amended to read:

22 Sec. 44.56.180. ASSESSMENT, PROPOSAL, AND CONSTRUCTION OF PRO-
23 JECTS. (a) The authority shall, for each new project, determine the
24 most appropriate means by which to finance a project which may includ
25 but is not limited to,

26 (1) the issuance of revenue bonds;

27 (2) a guarantee of indebtedness by the Alaska Permanent Fu
28 Corporation in accordance with AS 37.13.200;

29 (3) an appropriation from the general fund; or

1 (4) any combination of (1), (2), and (3) of this subsection.

2 (b) Upon completion of the reconnaissance study, the authority
3 shall submit to the governor and the legislature a statement of its
4 recommended plans for financing each new project. The financing plan may
5 include a recommendation for a guarantee of indebtedness or a general
6 fund appropriation only when necessary to supplement private financing
7 in order to make a project financially feasible. If the recommended
8 financing for the project includes a guarantee of indebtedness by the
9 permanent fund or an appropriation from the general fund, the legisla-
10 ture must first give its approval by concurrent resolution before the
11 authority may proceed with the engineering or design phase of the pro-
12 ject. The legislative approval required in this subsection may not be
13 considered the approval required under AS 37.13.230 for granting of a
14 permanent fund guarantee.

15 (c) The authority shall submit a statement outlining the general
16 design, demonstration of financial feasibility, and maximum amount of
17 bonds and appropriations estimated to be necessary for each new project
18 for which the maximum estimated total cost is \$50,000,000 or greater to
19 the governor and the legislature [AND THE COMMISSIONER OF COMMERCE AND
20 ECONOMIC DEVELOPMENT], together with a statement that the authority
21 intends to design, acquire, [AND] construct or finance the project
22 itself or that it intends that the project be designed, acquired, [OR]
23 constructed or financed by the United States or another person under
24 agreement with the authority which may provide [PROVIDING] for ownership
25 of all or a portion of the project by the authority or of a right to the
26 capacity of it. If the legislature adopts a concurrent [JOINT] reso-
27 lution approving the general design and maximum amount of bonds, the
28 authority shall, in accordance with the terms of the concurrent [JOINT]
29 resolution, (1) proceed to design, acquire and construct the new pro-

1 ject, or (2) agree with the United States or other person for design,
2 acquisition and construction of the project by the United States, for
3 payments to the United States or other person for such design, acqui-
4 sition and construction, reimbursement by the United States or other
5 person in certain events, and otherwise on the terms and conditions as
6 may be set out in such agreement.

7 (d) If the new project is to be designed, acquired and constructed
8 by the authority, it shall be designed, acquired and constructed as a
9 public work of the state except that public bidding shall not be re-
10 quired, if the authority so determines on projects in excess of
11 \$50,000,000. For the purpose of this section a new project does not
12 include (1) an addition or modification to an existing project if the
13 total cost of the addition or modification does not exceed \$1,000,000;
14 (2) [, TO] any repair or reconstruction of a project; [,] or (3) [TO]
15 any design, acquisition or construction necessary to complete a project
16 for which bonds previously authorized by the legislature have been
17 issued. Any such addition, modification, repair, reconstruction, de-
18 sign, acquisition or construction may be undertaken by the authority
19 without any of the approvals necessary for a new project.

20 * Sec. 18. AS 44.56.180 is amended by adding a new subsection to read:

21 (e) Any power project proposal requiring approval by the legis-
22 lature under this chapter, together with supporting data, analyses, and
23 findings of the authority, shall be submitted to the governor for re-
24 view. The governor shall make an evaluation of the proposal which shall
25 include, but not be limited to, an analysis of the balance of benefits
26 and costs to Alaska, including environmental and social costs, and the
27 ability of the project to generate sufficient revenues to be self-
28 supporting. The governor shall submit the results of the evaluation,
29 his recommendations, if any, and a statement as to whether the project

1 is consistent with the long-term plan^{if any} to the legislature.

2 * Sec. 19. AS 44.56.210 is repealed and re-enacted to read:

3 Sec. 44.56.210. APPROPRIATIONS AND REPORTS. (a) Notwithstanding
4 any other provision in this chapter, the authority is subject to the
5 provisions of the Executive Budget Act (AS 37.07).

6 (b) The authority shall, by the 15th day of each regular legis-
7 lative session, present to the legislature a report detailing project
8 status, original costs and projected costs, particularly highlighting
9 any costs in excess of the original cost estimates submitted for each
10 project when that project was originally approved by the legislature.

11 * Sec. 20. AS 44.56 is amended by adding a new section to read:

12 Sec. 44.56.224. LONG-TERM PLAN. The Department of Commerce and
13 Economic Development, assisted by the authority, shall prepare, after
14 public hearings, and, as appropriate, revise a long-term electrical
15 power development plan for meeting projected electrical energy demand in
16 Alaska at the lowest reasonable cost, including environmental and social
17 costs, consistent with acceptable standards of reliability. The plan
18 must include, but is not limited to, considerations specified in sec.
19 180(c) of this chapter. The plan and any revision of it shall be sub-
20 mitted to the governor for his approval and shall be reviewed by all
21 appropriate state agencies. After approval by the governor the plan
22 shall be submitted to the legislature.

23 * Sec. 21. AS 44.56.230(4) is amended to read:

24 (4) "power project" or "project" means a plant, works, sys-
25 tem, facility, water rights, fuel deposits or sources, and real estate
26 and personal property of any nature whatsoever, together with all faci-
27 lities and appurtenances related to them or necessary for the purposes
28 of them used or useful in power production limited to fossil fuel, wind

1 waste energy conservation [THE GENERATION BY MEANS OF WATER OR FOSSIL
2 FUEL OF ELECTRIC POWER] and the [PRODUCTION,] transmission, purchase,
3 sale, exchange and interchange of energy [ELECTRIC POWER], and shall
4 include any interest in them, whether divided or undivided, or any right
5 to the capacity of them; [.]

6 * Sec. 22. AS 44.56.230 is amended by adding new paragraphs to read:

7 (6) "person" includes a public agency in addition to the en-
8 tities set out in AS 01.10.060(7);

9 (7) "reconnaissance study" means a study conducted for the
10 purpose of establishing, with reasonable certainty, the economic merit
11 of developing a certain project and includes, without relying on costly
12 data collection, an environmental assessment so as to insure that no
13 adverse environmental impacts exist of such magnitude as to render the
14 project inadvisable, an assessment of a community's present economy and
15 power needs, an estimate of the community's future economy and power
16 needs, a determination of alternative energy costs, and an estimate of
17 the project cost.

18 * Sec. 23. AS 44.56.050 is repealed.

19 * Sec. 24. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).



"WE ARE NOT HERE TO MAKE A LIVING. WE ARE HERE TO MAKE A LIFE."
W. E. RUSSELL

ALASKA CENTER FOR THE ENVIRONMENT
913 WEST 6TH AVENUE ANCHORAGE, ALASKA 99501 (907) 274-3621

April 14, 1978

Rep. Steve Cowper, Chairman
House Finance Committee
Pouch V
Juneau, Alaska 99801

Dear Steve:

We would like to make several observations on amendments to CSHB 442 submitted by Gov. Hammond and the Alaska Power Authority (APA) now before your committee.

In Section 1 (3) "lower consumer power costs" has been changed to "reasonable consumer power costs". This is the most important revision and bears investigation by your committee as it could have a great effect on consumer prices. The APA would not be legally required to provide the lowest cost energy and the incentive would be removed. The term "reasonable" replaces "lowest" again in Section 9 (a).

The idea to use the term "reasonable" undoubtedly comes from the Battelle Study "Alaskan Electric Power: An Analysis of Future Requirements and Supply Alternatives for the Railbelt Region". In Section 10.1.1 of this study (Alaska's Perception of "Need" for Power), Battelle cites a court case which distinguishes "need" from "demand". According to the Battelle study, "if the Authority perceived demand in excess of the near term needs, power costs may exceed the criteria of achieving lower power costs because of reduced revenues.... This standard could cause a conflict with responsibilities by other state agencies when they have trustee duties for allocation of resources."

Consequently the Battelle study recommends the "Authority should seek revision of the standard in Alas. Stat. 44.56.010 (a) (3) so that it reads "reasonable power costs". While the Battelle recommendations are in the best interest of the APA,

-page two-

it's questionable whether they're in the best interest of the consumer.

Section 9 (b) states the APA is not subject to the jurisdiction of the Alaska Public Utilities Commission (APUC). However the APUC regulates utilities so power costs are as low as possible. This should apply to the APA as well in order to protect consumer interests.

Section 44.56.130 doesn't require legislative approval of projects for which the maximum amount of bonds estimated is \$50,000,000 or greater. Isn't this excessive in spite of today's costs? According to Gov. Hammond, "these amendments were designed to improve the Authority through increased public accountability and breadth of input". This section doesn't seem to fulfill his criteria.

We're most interested in your impressions of these particular sections of the amendments to CSHB 442.

Sincerely,

Liz Holloway
Liz Holloway

cc.Gov. Jay Hammond
Thelma Buchholdt
Oral Freeman
Clark Gruening
Russ Meekins
Tina Stonorov, Alaska Conservation Society
Virginia dal Piaz, Alaska Conservation Society
Jaime Love, Alaska Public Interest Research Group
George Matz, Fairbanks Environmental Center
Ron Hawk, Southeast Alaska Conservation Council
Jim Barnett, Sierra Club

YOULD AMENDMENT 4-18-78:

~~Page 11,~~

"The requirements of Sec. (e) of this section do not apply to any project which the Authority has determined to finance and in which it will not maintain an ownership interest upon completion and for which the Legislature has adopted a ^{TELETYPE} concurrent resolution of approval prior to the conclusion of the Tenth Legislature."

Add to:

Section 17, AS 44.56.180(c)

Electrical Bills Rating Study

By LOUISE COOK
Associated Press Writer

Steadily rising electric bills have focused new attention on the way utility rates are calculated and on possible changes in the traditional system under which big customers pay proportionately less money.

Proposals pending in Congress would require state utility commissions to consider new and controversial ways of setting rates and distributing power. Among the alternatives are "lifeline" systems to provide a minimum amount of electricity at rock-bottom prices for the poor and variable rates keyed to the time of day or season of the year.

A recent report by the Cooperative Extension Service of New York State showed that electricity costs have increased by 78 percent over the past 10 years. The recent coal strike and settlement boosted prices still further.

More and more of the fuel used to produce energy in the United States goes to generate

Consumer Watch

electricity. The National Conference of State Legislatures says 15 percent of all energy consumed in 1950 was used to generate electricity; by 1976, 29 percent of all energy wound up as electricity.

High consumption can be traced to the days when fuel was abundant. People were encouraged to use lots of electricity. "The more electricity demanded, the lower the per-kilowatt costs of production,"

said the Cooperative Extension Service.

This situation led most utilities to establish what is known as a declining block rate structure — the more electricity you use the less you pay per kilowatt hour (kwh).

Supporters of the declining rate structure, including large in-

dustrial users, note that it still costs less to deliver 1,000 kwh to one large user than to deliver 100 kwh to 10 small customers.

"Rates must reflect cost of service," said Jay B. Kennedy, executive director of the Electricity Consumers Resource Council, an organization of industrial users.

SE Alaska Empire 2/10/77 pg. 8

4-18-78
Adopted

P R O P O S E D A M E N D M E N T S

Offered in the HOUSE

TO: HOUSE BILL NO. 442(Finance)

By Southeast Communities
Presented by: J. Williamson
K.W. Beck & Associates

Page 8, line 20:

After "loan." add a new subsection to read:

(f) Persons with loans outstanding from the water re-
sources revolving loan fund (AS 45.86) on the effective date
of this Act may borrow from the power project revolving loan
fund for a term not exceeding 50 years and at an interest rate
of not less than three nor more than five per cent per year
on the unpaid balance. Repayment of loan ^{principal and interest} shall commence on
the date of commercial operation of the project funded by the
loan or 10 years from the date the loan is granted, whichever
is earlier.

Page 8, line 3:

After "loans" add the following language:

, except loans made under (f) of this section,

Page 10, line 22:

After "chapter," add the following language:

except on projects with a complete reconnaissance study on
the effective date of this Act,

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/5/77
Referred: Finance

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 442

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

8 * Section 1. AS 44.56.010(a)(3) is amended to read:

9 (3) the achievement of the goals of lower consumer power
10 costs and beneficial long-term economic growth and of establishing,
11 operating and developing power projects in the state will be accelerated
12 and facilitated by the creation of an instrumentality of the state with
13 powers to construct, acquire, finance, and [INCUR DEBT FOR CONSTRUCTING,
14 AND WITH POWERS TO] operate[,] power projects.

15 * Sec. 2. AS 44.56.030 is repealed and re-enacted to read:

16 Sec. 44.56.030. MEMBERSHIP OF THE AUTHORITY. (a) The authority
17 shall consist of the following directors:

18 (1) four directors at large to be appointed by the governor
19 for four-year terms;

20 (2) the commissioner of commerce and economic development.

21 (b) The commissioners of community and regional affair natural
22 resources, transportation and public facilities, and revenue shall serve
23 as nonvoting members of the board of directors of the authority.

24 * Sec. 3. AS 44.56 is amended by adding a new section to read:

25 Sec. 44.56.045. QUALIFICATIONS, POWERS, AND DUTIES OF OFFICERS
26 AND DIRECTORS. (a) The directors at large must be residents and
27 qualified voters of Alaska, shall comply with the requirements of AS
28 39.50 (conflict of interests), and shall be selected for their expertise
29 relevant to the authority. The four original directors at large have

1 terms of one, two, three, and four years, respectively.

2 (b) A vacancy in a directorship occurring other than by expiration
3 of a term shall be filled in the same manner as the original appointment,
4 but for the unexpired portion of the term only.

5 (c) The authority shall employ a general manager who may, with
6 the approval of the authority, employ additional staff as necessary.
7 In addition to its staff of regular employees, the authority may con-
8 tract for and engage the services of legal and bond counsel, consul-
9 tants, experts, and financial and technical advisors the authority
10 considers necessary for the purpose of conducting studies, investiga-
11 tions, hearings, or other proceedings. The board of directors shall
12 establish the compensation of the general manager. The general manager
13 and other personnel of the authority are exempt from the provisions of
14 AS 39.25.

15 * Sec. 4. AS 44.56.070 is amended to read:

16 Sec. 44.56.070. PURPOSE OF THE AUTHORITY. The purpose of the
17 authority is to promote, develop and advance the general prosperity
18 and economic welfare of the people of Alaska by providing a means of
19 constructing, acquiring, financing and operating power [HYDROELECTRIC
20 AND FOSSIL FUEL GENERATING] projects employing any feasible technology.

21 * Sec. 5. AS 44.56.080(5) is amended to read:

22 (5) to acquire, whether by construction, purchase, gift or
23 lease, and to improve, equip, [AND] operate, and maintain power pro-
24 jects;

25 * Sec. 6. AS 44.56.080(8) is amended to read:

26 (8) to accept gifts, grants or loans from, and enter into
27 contracts or other transactions regarding them, with a public agency
28 or other person [FEDERAL AGENCY OR AN AGENCY OR INSTRUMENTALITY OF THE
29 STATE, MUNICIPALITY, PRIVATE ORGANIZATION OR OTHER SOURCE];

1 * Sec. 7. AS 44.56.080(11) is amended to read:

2 (11) to enter into contracts [FOR THE PURCHASE, SALE,
3 EXCHANGE, TRANSMISSION, OR USE OF POWER GENERATED BY A PROJECT, OR ANY
4 RIGHT TO THE CAPACITY OF IT] with any person and with the United
5 States, and, subject to the laws of the United States and subject to
6 the concurrence of the legislature, with a foreign country or its
7 agencies for the purchase, sale, exchange, transmission, or use of
8 power from a project, or any right to capacity of it;

9 * Sec. 8. AS 44.56.080(13) is amended to read:

10 (13) to perform feasibility studies with respect to [HY-
11 DROELECTRICAL AND FOSSIL FUEL] power generating projects;

12 * Sec. 9. AS 44.56.090 is amended to read:

13 Sec. 44.56.090. POWER CONTRACTS AND THE ALASKA PUBLIC UTILITIES
14 COMMISSION. (a) The authority shall, in addition to other methods
15 which it may find advantageous, provide that municipal electric, rural
16 electric, cooperative electric, or private electric utilities and
17 regional electric authorities, [OR] other persons authorized by law to
18 engage in the distribution of electricity, or bulk industrial purchasers
19 of electricity outside the distribution area of any such utility or
20 authority [POWER] may secure a reasonable share of the power generated
21 by a project, or any interest in a project [IT], or for any right to
22 the power [CAPACITY OF IT] and shall, except for bulk industrial
23 purchasers, sell the power or cause the power to be sold at the lowest
24 practicable prices which cover the full cost of the electricity or
25 services, including capital and operating costs, debt coverage as
26 considered appropriate by the authority, and other charges that may be
27 authorized by this chapter [PRICES REPRESENTING COST OF GENERATION,
28 PLUS CAPITAL AND OPERATING CHARGES, PLUS A FAIR COST OF TRANSMISSION,
29 ALL AS DETERMINED BY THE DIRECTORS, AND SUBJECT TO CONDITIONS WHICH

1 ASSURE THE RESALE OF THE POWER TO RETAIL CONSUMERS AT THE LOWEST
2 POSSIBLE PRICE]. A contract for the sale, transmission and distribu-
3 tion of power generated by a project or any right to the capacity of
4 it shall provide

5 (1) for payment of the proportionate share of [ALL] operat-
6 ing and maintenance expenses of a project and costs of renewals,
7 replacements and improvements of it;

8 (2) for payment of the proportionate share of interest on
9 and amortization charges sufficient to retire bonds of the authority
10 issued for the project and reserves for them, plus a debt service
11 coverage factor as may be determined by the authority to be necessary
12 for the marketability of its bonds;

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

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

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

23 (6) for the cancellation and termination of a contract upon
24 violation of its terms by any person;

25 (7) for security for performance as the authority may
26 consider practicable and advisable, including provisions assuring the
27 continuance of the distribution and transmission of power generated by
28 a project, the use of their facilities for these purposes, and the
29 continuance of an outlet and adequate market for the power generated

1 by the project;

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

4 [CONTRACTS TO SELL POWER ARE SUBJECT TO REVIEW BY THE ALASKA PUBLIC
5 UTILITIES COMMISSION.]

6 (b) The authority is not subject to the jurisdiction of the
7 Alaska Public Utilities Commission. Nothing in this chapter grants
8 the authority any jurisdiction over the services or rates of any
9 public utility or diminishes or otherwise alters the jurisdiction of
10 the Alaska Public Utilities Commission with respect to any public
11 utility, including any right the commission may have to review and
12 approve or disapprove contracts for the purchase of electricity by a
13 public utility.

14 * Sec. 10. AS 44.56.110(a) is amended to read:

15 (a) In the discretion of the authority, an issue of bonds may be
16 secured by a trust indenture or trust agreement between the authority
17 and a corporate trustee (which may be a trust company, bank, or national
18 banking association, with corporate trust powers, located inside or
19 outside the state) or by a secured loan agreement or other instrument
20 or under a resolution giving powers to a corporate trustee by means of
21 which the authority may

22 (1) make and enter into any and all the covenants and
23 agreements with the trustee or the holders of the bonds which the
24 authority may determine to be necessary or desirable, including,
25 without limitation, covenants, provisions, limitations and agreements
26 as to

27 (A) the application, investment, deposit, use and
28 disposition of the proceeds of bonds of the authority or of money
29 or other property of the authority or in which it has an interest;

1 (B) the fixing and collection of rentals, charges,
2 fees or other consideration for, and the other terms to be incor-
3 porated in, contracts with respect to a project or to generated
4 power;

5 (C) the assignment by the authority of its rights in
6 contracts with respect to a project or to generated power or in
7 a mortgage or other security interest created with respect to a
8 project or generated power to a trustee for the benefit of
9 bondholders;

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

12 (E) the vesting in a trustee of rights, powers, duties,
13 funds or property in trust for the benefit of bondholders,
14 including, without limitation, the right to enforce payment,
15 performance, and all other rights of the authority or of the
16 bondholders, under a lease, power of contract, contract of sale,
17 mortgage, security agreement, or trust agreement with respect to
18 a project by injunction [MANDAMUS] or other proceeding or by
19 taking possession of by agent or otherwise and operating a project
20 and collecting rents or other consideration and applying the same
21 in accordance with the trust agreement;

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

25 (3) provide for any other matters of like or different
26 character which in any way affect the security or protection of the
27 bonds.

28 * Sec. 11. AS 44.56.110(d) is amended to read:

29 (d) If the authority decides to issue bonds secured by such a

1 by the project;

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

4 [CONTRACTS TO SELL POWER ARE SUBJECT TO REVIEW BY THE ALASKA PUBLIC
5 UTILITIES COMMISSION.]

6 (b) The authority is not subject to the jurisdiction of the
7 Alaska Public Utilities Commission. Nothing in this chapter grants
8 the authority any jurisdiction over the services or rates of any
9 public utility or diminishes or otherwise alters the jurisdiction of
10 the Alaska Public Utilities Commission with respect to any public
11 utility, including any right the commission may have to review and
12 approve or disapprove contracts for the purchase of electricity by a
13 public utility.

14 * Sec. 10. AS 44.56.110(a) is amended to read:

15 (a) In the discretion of the authority, an issue of bonds may be
16 secured by a trust indenture or trust agreement between the authority
17 and a corporate trustee (which may be a trust company, bank, or national
18 banking association, with corporate trust powers, located inside or
19 outside the state) or by a secured loan agreement or other instrument
20 or under a resolution giving powers to a corporate trustee by means of
21 which the authority may

22 (1) make and enter into any and all the covenants and
23 agreements with the trustee or the holders of the bonds which the
24 authority may determine to be necessary or desirable, including,
25 without limitation, covenants, provisions, limitations and agreements
26 as to

27 (A) the application, investment, deposit, use and
28 disposition of the proceeds of bonds of the authority or of money
29 or other property of the authority or in which it has an interest;

1 capital reserve fund, the bonds may not be issued if the amount in the
2 capital reserve fund is less than such an amount [A PER C. INT, NOT
3 EXCEEDING 10 PER CENT OF THE PRINCIPAL AMOUNT OF ALL OF THOSE BONDS
4 SECURED BY THAT CAPITAL RESERVE FUND THEN TO BE ISSUED AND THEN OUT-
5 STANDING IN ACCORDANCE WITH THEIR TERMS,] as may be established by
6 resolution of the authority (called the "capital reserve fund require-
7 ment"), unless the authority, at the time of issuance of the obliga-
8 tions, deposits in the capital reserve fund from the proceeds of the
9 obligations to be issued or from other sources, an amount which,
10 together with the amount then in the fund, will not be less than the
11 capital reserve fund requirement.

12 * Sec. 12. AS 44.56.150 is amended to read:

13 Sec. 44.56.150. TAX EXEMPTION. All property of the authority is
14 public property devoted to an essential public and governmental func-
15 tion and purpose and is exempt from all taxes of the state or a politi-
16 cal subdivision of the state; however, the authority shall make payments
17 in place of taxes in amounts equal to the real and personal property
18 taxes which would be assessed on its real and personal property by
19 each political subdivision in which its property is located to the
20 same extent as if that property were private property and the authority
21 were a non-public corporation. All bonds issued under this chapter
22 are issued by a body corporate and public of this state and for an
23 essential public and governmental purpose and the bonds and the
24 interest and income on and from the bonds and all income of the autho-
25 rity are exempt from taxation except for transfer, inheritance and
26 estate taxes.

27 * Sec. 13. AS 44.56.170 is repealed and re-enacted to read:

28 Sec. 44.56.170. FUND ESTABLISHED; LOANS. (a) There is estab-
29 lished as a separate fund the power project revolving fund which shall

1 be administered by the authority as a trust fund separate and distinct
2 from any other money or funds of the authority, and which shall be com-
3 posed of appropriated funds and interest earned on loans by the fund.

4 (b) The authority may make loans from the fund to electric
5 utilities, cities, boroughs, village corporations, village councils,
6 and nonprofit marketing cooperatives to pay the costs of feasibility
7 studies, preconstruction engineering, design, construction, equipping,
8 modification and expansion of power projects and for other energy re-
9 quirements or conservation including but not limited to geothermal,
10 solar, hydroelectric or wind power energy production, and waste energy
11 conservation.

12 (c) Before making any loans from the power project revolving
13 fund, the authority shall by regulation specify the standards for
14 those loans with respect to the following:

15 (1) criteria regarding the eligibility of borrowers and of
16 types of projects;

17 (2) standards regarding the technical and economic viability
18 and revenue self-sufficiency of eligible projects;

19 (3) interest rates and other terms and conditions, and col-
20 lateral or any other security required for loans; and

21 (4) other relevant criteria, standards, or procedures.

22 (d) Regulations proposed for adoption under this section shall
23 be submitted to the governor for his review and for review by other
24 appropriate agencies.

25 (e) Any loan made by the authority must be made according to the
26 standards, criteria, and procedures established by regulation under
27 this section.

28 * Sec. 14. AS 44.56.180 is amended to read:

29 Sec. 44.56.180. PROPOSAL AND CONSTRUCTION OF PROJECTS. (a) The

1 authority shall submit a statement outlining the general design,
2 demonstration of financial feasibility, and maximum amount of bonds
3 estimated to be necessary for each new project to the governor and the
4 legislature [AND THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT],
5 together with a statement that the authority intends to design, acquire
6 and construct the project itself or that it intends that the project
7 be designed, acquired or constructed by the United States or another
8 person under agreement with the authority providing for ownership of
9 all or a portion of the project by the authority or of a right to the
10 capacity of it. If the legislature adopts a joint resolution approving
11 the general design and maximum amount of bonds, the authority shall, in
12 accordance with the terms of the joint resolution, (1) proceed to
13 design, acquire and construct the new project, or (2) agree with the
14 United States or other person for design, acquisition and construction
15 of the project by the United States, for payments to the United States
16 or other person for such design, acquisition and construction, reimburse-
17 ment by the United States or other person in certain events, and other-
18 wise on the terms and conditions as may be set out in such agreement.
19 If the new project is to be designed, acquired and constructed by the
20 authority, it shall be designed, acquired and constructed as a public
21 work of the state except that public bidding shall not be required, if
22 the authority so determines on projects in excess of \$50,000,000. For
23 the purpose of this section a new project does not include an addition
24 or modification to an existing project if the total cost of the addition
25 or modification does not exceed \$1,000,000, to any repair or reconstruc-
26 tion of a project, or to any design, acquisition or construction neces-
27 sary to complete a project for which bonds previously authorized by the
28 legislature have been issued. Any such addition, modification, repair,
29 reconstruction, design, acquisition or construction may be undertaken by

1 the authority without any of the approvals necessary for a new project.

2 * Sec. 15. AS 44.56.180 is amended by adding new subsections to read:

3 (b) Any power project proposal requiring approval by the legis-
4 lature under this chapter, together with supporting data, analyses,
5 and findings of the authority, must be submitted to the governor for
6 review as provided in this chapter. The proposal shall contain find-
7 ings of fact by the authority regarding the following items:

8 (1) the consistency of the project or action with the long-
9 term electric power development plan and with relevant state laws and
10 policies;

11 (2) the balance of benefits and costs to Alaska, including
12 environmental and social costs, and the ability of the project to
13 generate sufficient revenues to be self-supporting;

14 (3) whether a project which will physically impinge upon a
15 park, wildlife refuge, registered historic site, critical habitat area,
16 or state land classified for public recreation, has a feasible alter-
17 native project design or site;

18 (4) whether any alternative to the project or action which
19 would result in comparable volumes of power at a lower cost has been
20 rejected because the authority finds that social, cultural, or environ-
21 mental considerations justify rejection; and

22 (5) the way in which the authority's policies and its pro-
23 posed action affect the following policy areas:

24 (A) the use of power development, power pricing, and
25 marketing policies to achieve the social, economic, and energy
26 conservation goals of the state;

27 (B) policies concerning the allocation of state fossil
28 fuels, land, water resources, and other natural resources to power
29 development;

1 (C) facility siting policies and the conformity of
2 project proposals to federal, state, and local land use and
3 community development plans and policies;

4 (D) rural electrification policies as they affect
5 regional growth;

6 (E) reliability standards and quality-of-service
7 policies of the authority including reserve capacity levels and
8 back-up system capabilities;

9 (F) authority environmental policies to insure that
10 project proposals conform to state environmental policies; and

11 (G) any other policy matters relevant to the actions of
12 the authority.

13 (c) Recognizing the crucial role of power demand estimates in
14 analyses and project evaluations, any estimates or projections of
15 future electrical power demands produced or used by the authority must
16 be submitted to the governor for his review and the review of appro-
17 priate state agencies.

18 * Sec. 16. AS 44.56.210 is amended by adding a new subsection to read:

19 (b) The authority shall, by the 15th day of each regular legis-
20 lative session, present to the legislature a report detailing project
21 status, original costs and projected costs, particularly highlighting
22 any costs in excess of the original cost estimates submitted for each
23 project when that project was originally approved by the legislature.

24 * Sec. 17. AS 44.56 is amended by adding a new section to read:

25 Sec. 44.56.224. LONG-TERM PLAN. The Department of Commerce and
26 Economic Development, assisted by the authority, shall prepare, and as
27 appropriate revise, a long-term electrical power development plan for
28 meeting projected electrical energy demand in Alaska at the lowest
29 feasible cost, including environmental and social costs, consistent

1 with acceptable standards of reliability. The plan must include, but
2 is not limited to, considerations specified in sec. 180(b) of this
3 chapter. In preparing and revising the plan, the department shall
4 obtain and consider, through appropriate public input processes, the
5 expertise and views of local governments, electrical utilities, industry,
6 labor, consumer, and environmental advocacy groups and other interested
7 members of the public. The plan and any revision of it must be sub-
8 mitted to the governor for his review and for review by all appropriate
9 state agencies. The department shall adopt the plan if it is shown to
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11 The plan shall be submitted to the legislature for information immediately
12 following adoption.

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15 system, facility, water rights, fuel deposits or sources, and real
16 estate and personal property of any nature whatsoever, together with
17 all facilities and appurtenances related to them or necessary for the
18 purposes of them used or useful in the generation, by means of any
19 feasible technology, [WATER OR FOSSIL FUEL] of electric power and the
20 production, transmission, purchase, sale, exchange and interchange of
21 electric power, and shall include any interest in them, whether divided
22 or undivided, or any right to the capacity of them; [.]

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Introduced: 4/6/77
Referred: Commerce and
Finance

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BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 442

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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19 for four-year terms, one of whom shall be appointed as chairman;

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16 the concurrence of the legislature, with a foreign country or its
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28 engage in the distribution of electricity, or bulk industrial purchasers
29 of electricity outside the distribution area of any such utility or

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3 the power [CAPACITY OF IT] and shall, except for bulk industrial
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5 practicable prices which cover the full cost of the electricity or
6 services, including capital and operating costs, debt coverage as
7 considered appropriate by the authority, and other charges that may be
8 authorized by this chapter [PRICES REPRESENTING COST OF GENERATION,
9 PLUS CAPITAL AND OPERATING CHARGES, PLUS A FAIR COST OF TRANSMISSION,

10 ALL AS DETERMINED BY THE DIRECTORS, AND SUBJECT TO CONDITIONS WHICH

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15 (1) for payment of the proportionate share of [ALL] operat-

16 ing and maintenance expenses of a project and costs of renewals,

17 replacements and improvements of it;

18 (2) for payment of the proportionate share of interest on

19 and amortization charges sufficient to retire bonds of the authority

20 issued for the project and reserves for them, plus a debt service

21 coverage factor as may be determined by the authority to be necessary

22 for the marketability of its bonds;

23 (3) for continuous control and operation of the project by

24 the authority or its agents;

25 (4) for full and complete disclosure to the authority of

26 all factors of cost in the transmission and distribution of power, so

27 that rates to any persons may be fixed initially in the contract and

28 may be adjusted from time to time on the basis of true cost data;

29 (5) for periodic revisions of the services and rates to

1 persons on the basis of accurate cost data obtained by the accounting
2 methods and systems approved by the directors and in furtherance and
3 effectuation of the policy declared in this chapter;

4 (6) for the cancellation and termination of a contract upon
5 violation of its terms by any person;

6 (7) for security for performance as the authority may
7 consider practicable and advisable, including provisions assuring the
8 continuance of the distribution and transmission of power generated by
9 a project, the use of their facilities for these purposes, and the
10 continuance of an outlet and adequate market for the power generated
11 by the project;

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

14 [CONTRACTS TO SELL POWER ARE SUBJECT TO REVIEW BY THE ALASKA PUBLIC
15 UTILITIES COMMISSION.]

16 (b) The authority is not subject to the jurisdiction of the
17 Alaska Public Utilities Commission. Nothing in this chapter grants
18 the authority any jurisdiction over the services or rates of any
19 public utility or diminishes or otherwise alters the jurisdiction of
20 the Alaska Public Utilities Commission with respect to any public
21 utility, including any right the commission may have to review and
22 approve or disapprove contracts for the purchase of electricity by a
23 public utility.

24 * Sec. 10. AS 44.56.110(a) is amended to read:

25 (a) In the discretion of the authority, an issue of bonds may be
26 secured by a trust indenture or trust agreement between the authority
27 and a corporate trustee (which may be a trust company, bank, or national
28 banking association, with corporate trust powers, located inside or
29 outside the state) or by a secured loan agreement or other instrument

1 or under a resolution giving powers to a corporate trustee by means of
2 which the authority may

3 (1) make and enter into any and all the covenants and
4 agreements with the trustee or the holders of the bonds which the
5 authority may determine to be necessary or desirable, including,
6 without limitation, covenants, provisions, limitations and agreements
7 as to

8 (A) the application, investment, deposit, use and
9 disposition of the proceeds of bonds of the authority or of money
10 or other property of the authority or in which it has an interest;

11 (B) the fixing and collection of rentals, charges,
12 fees or other consideration for, and the other terms to be incor-
13 porated in, contracts with respect to a project or to generated
14 power;

15 (C) the assignment by the authority of its rights in
16 contracts with respect to a project or to generated power or in
17 a mortgage or other security interest created with respect to a
18 project or generated power to a trustee for the benefit of
19 bondholders;

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

22 (E) the vesting in a trustee of rights, powers, duties,
23 funds or property in trust for the benefit of bondholders,
24 including, without limitation, the right to enforce payment,
25 performance, and all other rights of the authority or of the
26 bondholders, under a lease, power of contract, contract of sale,
27 mortgage, security agreement, or trust agreement with respect to
28 a project by injunction [MANDAMUS] or other proceeding or by
29 taking possession of by agent or otherwise and operating a project

1 and collecting rents or other consideration and applying the same
2 in accordance with the trust agreement;

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

6 (3) provide for any other matters of like or different
7 character which in any way affect the security or protection of the
8 bonds.

9 * Sec. 11. AS 44.56.110(d) is amended to read:

10 (d) If the authority decides to issue bonds secured by such a
11 capital reserve fund, the bonds may not be issued if the amount in the
12 capital reserve fund is less than such an amount [A PER CENT, NOT
13 EXCEEDING 10 PER CENT OF THE PRINCIPAL AMOUNT OF ALL OF THOSE BONDS
14 SECURED BY THAT CAPITAL RESERVE FUND THEN TO BE ISSUED AND THEN OUT-
15 STANDING IN ACCORDANCE WITH THEIR TERMS,] as may be established by
16 resolution of the authority (called the "capital reserve fund require-
17 ment"), unless the authority, at the time of issuance of the obliga-
18 tions, deposits in the capital reserve fund from the proceeds of the
19 obligations to be issued or from other sources, an amount which,
20 together with the amount then in the fund, will not be less than the
21 capital reserve fund requirement.

22 * Sec. 12. AS 44.56.150 is amended to read:

23 Sec. 44.56.150. TAX EXEMPTION. All property of the authority is
24 public property devoted to an essential public and governmental func-
25 tion and purpose and is exempt from all taxes of the state or a politi-
26 cal subdivision of the state; however, the authority shall make payments
27 in place of taxes in amounts equal to the real and personal property
28 taxes which would be assessed on its real and personal property by
29 each political subdivision in which its property is located to the

1 same extent as if that property were private property and the authority
2 were a non-public corporation. All bonds issued under this chapter
3 are issued by a body corporate and public of this state and for an
4 essential public and governmental purpose and the bonds and the
5 interest and income on and from the bonds and all income of the autho-
6 rity are exempt from taxation except for transfer, inheritance and
7 estate taxes.

8 * Sec. 13. AS 44.56.170 is repealed and re-enacted to read:

9 Sec. 44.56.170. FUND ESTABLISHED; LOANS. (a) There is estab-
10 lished as a separate fund the power project revolving fund which shall
11 be administered by the authority as a trust fund separate and distinct
12 from any other money or funds of the authority, and which shall be
13 composed of appropriated funds and interest earned on loans by the
14 fund.

15 (b) The authority may make loans from the fund to electric
16 utilities, cities, boroughs, village corporations, village councils,
17 and nonprofit marketing cooperatives to pay the costs of feasibility
18 studies, preconstruction engineering, design, and construction of
19 power projects.

20 (c) Before making any loans from the power project revolving
21 fund, the authority shall by regulation specify the standards for
22 those loans with respect to the following:

23 (1) criteria regarding the eligibility of borrowers and of
24 types of projects;

25 (2) standards regarding the technical and economic viability
26 and revenue self-sufficiency of eligible projects;

27 (3) interest rates and other terms and conditions, and col-
28 lateral or any other security required for loans; and

29 (4) other relevant criteria, standards, or procedures.

1 (d) Regulations proposed for adoption under this section shall
2 be submitted to the governor for his review and for review by other
3 appropriate agencies. The regulations shall be adopted if they are
4 shown to be consistent with the long-term electric power development
5 plan and with state policy and if they are approved by the governor.

6 (e) Any loan made by the authority must be made according to the
7 standards, criteria, and procedures established by regulation under
8 this section, and must be consistent with the long-term electric power
9 development plan and state policy.

10 (f) Any single loan, or group of loans to a single borrower,
11 proposed to be made from the fund under this section exceeding
12 \$1,000,000 must be submitted to the governor for review and approval.

13 * Sec. 14. AS 44.56.180 is amended to read:

14 Sec. 44.56.180. PROPOSAL AND CONSTRUCTION OF PROJECTS. (a) The
15 authority shall submit a statement outlining the general design,
16 demonstration of financial feasibility, and maximum amount of bonds
17 estimated to be necessary for each new project to the governor and the
18 legislature [AND THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT],
19 together with a statement that the authority intends to design, acquire
20 and construct the project itself or that it intends that the project
21 be designed, acquired or constructed by the United States or another
22 person under agreement with the authority providing for ownership of
23 all or a portion of the project by the authority or of a right to the
24 capacity of it. If the governor approves the project upon making
25 specific findings under (b) of this section, and if the legislature
26 adopts a joint resolution approving the general design and maximum
27 amount of bonds, the authority shall, in accordance with the terms of
28 the joint resolution, (1) proceed to design, acquire and construct
29 the new project, or (2) agree with the United States or other person

1 for design, acquisition and construction of the project by the United
2 States, for payments to the United States or other person for such
3 design, acquisition and construction, reimbursement by the United
4 States or other person in certain events, and otherwise on the terms
5 and conditions as may be set out in such agreement. If the new project
6 is to be designed, acquired and constructed by the authority, it shall
7 be designed, acquired and constructed as a public work of the state
8 except that public bidding shall not be required, if the authority so
9 determines on projects in excess of \$50,000,000. For the purpose of
10 this section a new project does not include an addition or modification
11 to an existing project if the total cost of the addition or modification
12 does not exceed \$1,000,000, to any repair or reconstruction of a
13 project, or to any design, acquisition or construction necessary to
14 complete a project for which bonds previously authorized by the legis-
15 lature have been issued. Any such addition, modification, repair,
16 reconstruction, design, acquisition or construction may be undertaken
17 by the authority without any of the approvals necessary for a new
18 project.

19 * Sec. 15. AS 44.56.180 is amended by adding new subsections to read:

20 (b) Any power project proposal requiring approval by the legis-
21 lature under this chapter, together with supporting data, analyses,
22 and findings of the authority, must be submitted to the governor for
23 review as provided in this chapter at least 60 days before submission
24 of these materials to the legislature. No project may be undertaken
25 without the written approval of the governor in which writing the
26 governor makes findings of fact regarding the items listed in this
27 subsection and transmits those findings to the legislature:

28 (1) the consistency of the project or action with the long-
29 term electric power development plan and with relevant state laws and

1 policies;

2 (2) the balance of benefits and costs to Alaska, including
3 environmental and social costs, and the ability of the project to
4 generate sufficient revenues to be self-supporting;

5 (3) whether a project which will physically impinge upon a
6 park, wildlife refuge, registered historic site, critical habitat area,
7 or state land classified for public recreation, has a feasible alter-
8 native project design or site;

9 (4) whether any alternative to the project or action which
10 would result in comparable volumes of power at a lower cost has been
11 rejected because the authority finds that social, cultural, or environ-
12 mental considerations justify rejection; and

13 (5) the way in which the authority's policies and its pro-
14 posed action affect the following policy areas:

15 (A) the use of power development, power pricing, and
16 marketing policies to achieve the social, economic, and energy
17 conservation goals of the state;

18 (B) policies concerning the allocation of state fossil
19 fuels, land, water resources, and other natural resources to power
20 development;

21 (C) facility siting policies and the conformity of
22 project proposals to federal, state, and local land use and
23 community development plans and policies;

24 (D) rural electrification policies as they affect
25 regional growth;

26 (E) reliability standards and quality-of-service
27 policies of the authority including reserve capacity levels and
28 back-up system capabilities;

29 (F) authority environmental policies to insure that

1 project proposals conform to state environmental policies; and

2 (G) any other policy matters relevant to the actions of
3 the authority.

4 (c) Recognizing the crucial role of power demand estimates in
5 analyses and project evaluations, any estimates or projections of
6 future electrical power demands produced or used by the authority must
7 be submitted to the governor for his review and the review of appro-
8 priate state agencies. No projection which is not approved by the
9 governor may be used to justify and support a project proposal.

10 * Sec. 16. AS 44.56.210 is repealed and re-enacted to read:

11 Sec. 44.56.210. APPROPRIATIONS AND REPORTS. (a) Notwithstanding
12 any other provision in this chapter, the authority is subject to the
13 provisions of the Executive Budget Act (AS 37.07).

14 (b) The authority shall, by the 15th day of each regular legis-
15 lative session, present to the legislature a report detailing project
16 status, original costs and projected costs, particularly highlighting
17 any costs in excess of the original cost estimates submitted for each
18 project when that project was originally approved by the legislature.

19 * Sec. 17. AS 44.56 is amended by adding a new section to read:

20 Sec. 44.56.224. LONG-TERM PLAN. The Department of Commerce and
21 Economic Development, assisted by the authority, shall prepare, and as
22 appropriate revise, a long-term electrical power development plan for
23 meeting projected electrical energy demand in Alaska at the lowest
24 feasible cost, including environmental and social costs, consistent
25 with acceptable standards of reliability. The plan must include, but
26 is not limited to, considerations specified in sec. 180(b) of this
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29 expertise and views of local governments, electrical utilities,

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18 (2) for payment of the proportionate share of interest on
19 and amortization charges sufficient to retire bonds of the authority
20 issued for the project and reserves for them, plus a debt service
21 coverage factor as may be determined by the authority to be necessary
22 for the marketability of its bonds;

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

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

29 (5) for periodic revisions of the services and rates to

1 persons on the basis of accurate cost data obtained by the accounting
2 methods and systems approved by the directors and in furtherance and
3 effectuation of the policy declared in this chapter;

4 (6) for the cancellation and termination of a contract upon
5 violation of its terms by any person;

6 (7) for security for performance as the authority may
7 consider practicable and advisable, including provisions assuring the
8 continuance of the distribution and transmission of power generated by
9 a project, the use of their facilities for these purposes, and the
10 continuance of an outlet and adequate market for the power generated
11 by the project;

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

14 [CONTRACTS TO SELL POWER ARE SUBJECT TO REVIEW BY THE ALASKA PUBLIC
15 UTILITIES COMMISSION.]

16 (b) The authority is not subject to the jurisdiction of the
17 Alaska Public Utilities Commission. Nothing in this chapter grants
18 the authority any jurisdiction over the services or rates of any
19 public utility or diminishes or otherwise alters the jurisdiction of
20 the Alaska Public Utilities Commission with respect to any public
21 utility, including any right the commission may have to review and
22 approve or disapprove contracts for the purchase of electricity by a
23 public utility.

24 * Sec. 10. AS 44.56.110(a) is amended to read:

25 (a) In the discretion of the authority, an issue of bonds may be
26 secured by a trust indenture or trust agreement between the authority
27 and a corporate trustee (which may be a trust company, bank, or national
28 banking association, with corporate trust powers, located inside or
29 outside the state) or by a secured loan agreement or other instrument

1 or under a resolution giving powers to a corporate trustee by means of
2 which the authority may

3 (1) make and enter into any and all the covenants and
4 agreements with the trustee or the holders of the bonds which the
5 authority may determine to be necessary or desirable, including,
6 without limitation, covenants, provisions, limitations and agreements
7 as to

8 (A) the application, investment, deposit, use and
9 disposition of the proceeds of bonds of the authority or of money
10 or other property of the authority or in which it has an interest;

11 (B) the fixing and collection of rentals, charges,
12 fees or other consideration for, and the other terms to be incor-
13 porated in, contracts with respect to a project or to generated
14 power;

15 (C) the assignment by the authority of its rights in
16 contracts with respect to a project or to generated power or in
17 a mortgage or other security interest created with respect to a
18 project or generated power to a trustee for the benefit of
19 bondholders;

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

22 (E) the vesting in a trustee of rights, powers, duties,
23 funds or property in trust for the benefit of bondholders,
24 including, without limitation, the right to enforce payment,
25 performance, and all other rights of the authority or of the
26 bondholders, under a lease, power of contract, contract of sale,
27 mortgage, security agreement, or trust agreement with respect to
28 a project by injunction [MANDAMUS] or other proceeding or by
29 taking possession of by agent or otherwise and operating a project

1 and collecting rents or other consideration and applying the same
2 in accordance with the trust agreement;

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

6 (3) provide for any other matters of like or different
7 character which in any way affect the security or protection of the
8 bonds.

9 * Sec. 11. AS 44.56.110(d) is amended to read:

10 (d) If the authority decides to issue bonds secured by such a
11 capital reserve fund, the bonds may not be issued if the amount in the
12 capital reserve fund is less than such an amount [A PER CENT, NOT
13 EXCEEDING 10 PER CENT OF THE PRINCIPAL AMOUNT OF ALL OF THOSE BONDS
14 SECURED BY THAT CAPITAL RESERVE FUND THEN TO BE ISSUED AND THEN OUT-
15 STANDING IN ACCORDANCE WITH THEIR TERMS,] as may be established by
16 resolution of the authority (called the "capital reserve fund require-
17 ment"), unless the authority, at the time of issuance of the obliga-
18 tions, deposits in the capital reserve fund from the proceeds of the
19 obligations to be issued or from other sources, an amount which,
20 together with the amount then in the fund, will not be less than the
21 capital reserve fund requirement.

22 * Sec. 12. AS 44.56.150 is amended to read:

23 Sec. 44.56.150. TAX EXEMPTION. All property of the authority is
24 public property devoted to an essential public and governmental func-
25 tion and purpose and is exempt from all taxes of the state or a politi-
26 cal subdivision of the state; however, the authority shall make payments
27 in place of taxes in amounts equal to the real and personal property
28 taxes which would be assessed on its real and personal property by
29 each political subdivision in which its property is located to the

1 same extent as if that property were private property and the authority
2 were a non-public corporation. All bonds issued under this chapter
3 are issued by a body corporate and public of this state and for an
4 essential public and governmental purpose and the bonds and the
5 interest and income on and from the bonds and all income of the autho-
6 rity are exempt from taxation except for transfer, inheritance and
7 estate taxes.

8 * Sec. 13. AS 44.56.170 is repealed and re-enacted to read:

9 Sec. 44.56.170. FUND ESTABLISHED; LOANS. (a) There is estab-
10 lished as a separate fund the power project revolving fund which shall
11 be administered by the authority as a trust fund separate and distinct
12 from any other money or funds of the authority, and which shall be
13 composed of appropriated funds and interest earned on loans by the
14 fund.

15 (b) The authority may make loans from the fund to electric
16 utilities, cities, boroughs, village corporations, village councils,
17 and nonprofit marketing cooperatives to pay the costs of feasibility
18 studies, preconstruction engineering, design, and construction of
19 power projects.

20 (c) Before making any loans from the power project revolving
21 fund, the authority shall by regulation specify the standards for
22 those loans with respect to the following:

23 (1) criteria regarding the eligibility of borrowers and of
24 types of projects;

25 (2) standards regarding the technical and economic viability
26 and revenue self-sufficiency of eligible projects;

27 (3) interest rates and other terms and conditions, and col-
28 lateral or any other security required for loans; and

29 (4) other relevant criteria, standards, or procedures.

1 (d) Regulations proposed for adoption under this section shall
2 be submitted to the governor for his review and for review by other
3 appropriate agencies. The regulations shall be adopted if they are
4 shown to be consistent with the long-term electric power development
5 plan and with state policy and if they are approved by the governor.

6 (e) Any loan made by the authority must be made according to the
7 standards, criteria, and procedures established by regulation under
8 this section, and must be consistent with the long-term electric power
9 development plan and state policy.

10 (f) Any single loan, or group of loans to a single borrower,
11 proposed to be made from the fund under this section exceeding
12 \$1,000,000 must be submitted to the governor for review and approval.

13 * Sec. 14. AS 44.56.180 is amended to read:

14 Sec. 44.56.180. PROPOSAL AND CONSTRUCTION OF PROJECTS. (a) The
15 authority shall submit a statement outlining the general design,
16 demonstration of financial feasibility, and maximum amount of bonds
17 estimated to be necessary for each new project to the governor and the
18 legislature [AND THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT],
19 together with a statement that the authority intends to design, acquire
20 and construct the project itself or that it intends that the project
21 be designed, acquired or constructed by the United States or another
22 person under agreement with the authority providing for ownership of
23 all or a portion of the project by the authority or of a right to the
24 capacity of it. If the governor approves the project upon making
25 specific findings under (b) of this section, and if the legislature
26 adopts a joint resolution approving the general design and maximum
27 amount of bonds, the authority shall, in accordance with the terms of
28 the joint resolution, (1) proceed to design, acquire and construct
29 the new project, or (2) agree with the United States or other person

1 for design, acquisition and construction of the project by the United
2 States, for payments to the United States or other person for such
3 design, acquisition and construction, reimbursement by the United
4 States or other person in certain events, and otherwise on the terms
5 and conditions as may be set out in such agreement. If the new project
6 is to be designed, acquired and constructed by the authority, it shall
7 be designed, acquired and constructed as a public work of the state
8 except that public bidding shall not be required, if the authority so
9 determines on projects in excess of \$50,000,000. For the purpose of
10 this section a new project does not include an addition or modification
11 to an existing project if the total cost of the addition or modification
12 does not exceed \$1,000,000, to any repair or reconstruction of a
13 project, or to any design, acquisition or construction necessary to
14 complete a project for which bonds previously authorized by the legis-
15 lature have been issued. Any such addition, modification, repair,
16 reconstruction, design, acquisition or construction may be undertaken
17 by the authority without any of the approvals necessary for a new
18 project.

19 * Sec. 15. AS 44.56.180 is amended by adding new subsections to read:

20 (b) Any power project proposal requiring approval by the legis-
21 lature under this chapter, together with supporting data, analyses,
22 and findings of the authority, must be submitted to the governor for
23 review as provided in this chapter at least 60 days before submission
24 of these materials to the legislature. No project may be undertaken
25 without the written approval of the governor in which writing the
26 governor makes findings of fact regarding the items listed in this
27 subsection and transmits those findings to the legislature:

28 (1) the consistency of the project or action with the long-
29 term electric power development plan and with relevant state laws and

1 policies;

2 (2) the balance of benefits and costs to Alaska, including
3 environmental and social costs, and the ability of the project to
4 generate sufficient revenues to be self-supporting;

5 (3) whether a project which will physically impinge upon a
6 park, wildlife refuge, registered historic site, critical habitat area,
7 or state land classified for public recreation, has a feasible alter-
8 native project design or site;

9 (4) whether any alternative to the project or action which
10 would result in comparable volumes of power at a lower cost has been
11 rejected because the authority finds that social, cultural, or environ-
12 mental considerations justify rejection; and

13 (5) the way in which the authority's policies and its pro-
14 posed action affect the following policy areas:

15 (A) the use of power development, power pricing, and
16 marketing policies to achieve the social, economic, and energy
17 conservation goals of the state;

18 (B) policies concerning the allocation of state fossil
19 fuels, land, water resources, and other natural resources to power
20 development;

21 (C) facility siting policies and the conformity of
22 project proposals to federal, state, and local land use and
23 community development plans and policies;

24 (D) rural electrification policies as they affect
25 regional growth;

26 (E) reliability standards and quality-of-service
27 policies of the authority including reserve capacity levels and
28 back-up system capabilities;

29 (F) authority environmental policies to insure that

1 project proposals conform to state environmental policies; and

2 (G) any other policy matters relevant to the actions of
3 the authority.

4 (c) Recognizing the crucial role of power demand estimates in
5 analyses and project evaluations, any estimates or projections of
6 future electrical power demands produced or used by the authority must
7 be submitted to the governor for his review and the review of appro-
8 priate state agencies. No projection which is not approved by the
9 governor may be used to justify and support a project proposal.

10 * Sec. 16. AS 44.56.210 is repealed and re-enacted to read:

11 Sec. 44.56.210. APPROPRIATIONS AND REPORTS. (a) Notwithstanding
12 any other provision in this chapter, the authority is subject to the
13 provisions of the Executive Budget Act (AS 37.07).

14 (l) The authority shall, by the 15th day of each regular legis-
15 lative session, present to the legislature a report detailing project
16 status, original costs and projected costs, particularly highlighting
17 any costs in excess of the original cost estimates submitted for each
18 project when that project was originally approved by the legislature.

19 * Sec. 17. AS 44.56 is amended by adding a new section to read:

20 Sec. 44.56.224. LONG-TERM PLAN. The Department of Commerce and
21 Economic Development, assisted by the authority, shall prepare, and as
22 appropriate revise, a long-term electrical power development plan for
23 meeting projected electrical energy demand in Alaska at the lowest
24 feasible cost, including environmental and social costs, consistent
25 with acceptable standards of reliability. The plan must include, but
26 is not limited to, considerations specified in sec. 180(b) of this
27 chapter. In preparing and revising the plan, the department shall
28 obtain and consider, through appropriate public input processes, the
29 expertise and views of local governments, electrical utilities,

1 industry, labor, consumer, and environmental advocacy groups and other
2 interested members of the public. The plan and any revision of it
3 must be submitted to the governor for his review and for review by all
4 appropriate state agencies. The department shall adopt the plan if it
5 is shown to be consistent with state policy and if it is approved by
6 the governor.

7 * Sec. 18. AS 44.56.230(4) is amended to read:

8 (4) "power project" or "project" means a plant, works,
9 system, facility, water rights, fuel deposits or sources, and real
10 estate and personal property of any nature whatsoever, together with
11 all facilities and appurtenances related to them or necessary for the
12 purposes of them used or useful in the generation, by means of any
13 economically feasible technology, [WATER OR FOSSIL FUEL] of electric
14 power and the production, transmission, purchase, sale, exchange and
15 interchange of electric power, and shall include any interest in them,
16 whether divided or undivided, or any right to the capacity of them;

17 * Sec. 19. AS 44.56.230 is amended by adding a new paragraph to read:

18 (6) "person" includes a public agency in addition to the
19 entities set out in AS 01.10.060(7).

20 * Sec. 20. AS 44.56.050 and 44.56.110(b) are repealed.
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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 442
 Title Amendments to the Alaska Power Authority Act
 Requested by Office of the Governor Date 3/29/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Development
 Budget Request Unit(s) Affected Alaska Power Authority/Division of Energy & Power Development

EXPENDITURES (Thousands of Dollars)

NONE

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

If the Division of Energy and Power Development is retained, there will be no fiscal impact.

IV. DATE 3/29/77

PREPARED BY William McConkey, Director
 AGENCY DIVISION OF Energy & Power Development
 PHONE 272-0527

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

Handwritten signature/initials

ALASKA POWER AUTHORITYBack-up Information on Funding Level for the
Power Project Revolving Loan Fund

1.	Completion of detailed design and FERC License application for rehabilitation of the Lower Salmon Creek hydroelectric project in Juneau.	\$ <u>200,000</u>
2.	Reconnaissance grade feasibility study of the Chilkat River Tributary Project near Haines	\$ <u>50,000</u>
3.	Reconnaissance grade feasibility study of Port Lions Hydro Projects and Geologic Investigation.	\$ <u>80,000</u>
4.	Reconnaissance grade feasibility study and geologic investigation of Grant Lake Project at Seward.	\$ <u>70,000</u>
5.	Reconnaissance grade feasibility study and Advanced Engineering and Design of the Run-of-the-River hydropower project on Power Creek at Cordova.	\$ <u>550,000</u>
6.	Advanced Engineering and Design and license application for the most feasible project in the Petersburg/Wrangell area.	\$ <u>200,000</u>
7.	Reconnaissance grade study for Gartina Creek near Hoonah, Gunnak Creek near Kake, Thayer Creek near Angoon, and Black Bear Lake near Klawock.	\$ <u>120,000</u>
8.	Studies to include capital improvements to the Beaver Falls hydroelectric project, and explorations, final design and license application for the Swan Lake hydropower project at Ketchikan.	\$ <u>1,400,000</u>
9.	Reconnaissance grade study of Lake Elva project near Dillingham.	\$ <u>80,000</u>
10.	Reconnaissance grade study and geologic mapping of Chakachamna project near Anchorage	<u>150,000</u>
11.	Reassessment of Bradley Lake Project near Homer.	\$ <u>100,000</u>
	SUBTOTAL	\$2,910,000
12.	Funds sufficient to provide for needs of communities not previously contacted.	\$ <u>2,090,000</u>
	TOTAL	\$5,000,000

WHITE, WELD & CO. INC.

March 28, 1978

Representative Jim Duncan,

Attention: James Rhode

Gentlemen:

At your request we have examined various amendments to the Alaska Power Authority Act, Chapter No. 276. These amendments have been incorporated into a document prepared by Eric Wohlforth, Esq. of Wohlforth and Flint, a copy of which you have, and we have assumed that it accurately reflects the suggested amendments.

We believe the proposed amendments strengthen the act and present no significant problems for financing the Authority's projects in the national market place.

However, there are three areas which may raise questions as to interpretation. Specifically, Sec. 44.56.180 Proposal and Construction of Projects paragraph a) could be interpreted as either allowing or not allowing completion bonds to be sold for a project which had received the necessary approvals by the governor and legislature. It is important that the investor does not take the liability for unforeseen cost overruns which would prevent the financing of the additional costs for the completion of a project. To make such additional costs of a defined project subject to subsequent legislative action would create a financial uncertainty that might be very costly to the marketing of bonds for the project in question.

This paragraph requires a legal interpretation as to whether it permits completion bonds to be sold. If it does not, the language should be amended to provide for sale of completion bonds without prior approval.

Sec. 44.56.110 b) This unamended section provides for a covenant to maintain rates and charges sufficient for debt service purposes but refers to such covenant as being only in a trust agreement. To make it consistent with the use of the word "resolution" in other parts of the act the words or resolution should be added after the two places where trust agreement appears.

Lastly, there is the general question as to whether the Authority should be called a political subdivision of the State as well as a public corporation. It may be a legal style appropriate to Alaska to call the Authority a public corporation and not a political subdivision.

The resolution of the "completion bond" question is essential but the other two points are of lesser importance.

Sincerely yours,

Theodore P. Swick

MEMORANDUM

To: Steve Cowper, Chairman
House Finance Committee

March 23, 1978

From: Terry Gardiner

Re: CSIB442 and related amendments

I would like to take this opportunity to share my views concerning the amendments proposed for the Alaska Power Authority. I strongly support the amendments contained in CSIB442. While I will not take up the Committee's time by going over each amendment in this bill, I would like to make a few comments on several key issues presented in Attachment I of the Governor's letter to the Committee on March 8th, 1978. I would like to express my support for his statements and the amendments which cover these points. However, I do have some reservations about several of the amendments which appear in Attachment II of the governor's letter. I also have a few additional amendments to offer.

The four major issues covered in Attachment I of the governor's letter are:

1. Financing: Several amendments are proposed which expand the Authority's power to serve solely as a financing vehicle for power projects. I think these changes are desirable.
2. Review and findings - Several amendments are proposed which would require the governor to evaluate independently power projects proposed to the legislature by the authority. While this change would not increase the governor's control over the authority, it would increase the information available to the legislature to decide on projects proposed by the authority. The amendments would also require projects receiving financing to be economically efficient and to conform to the state's long-term electrical power development plan.
3. APUC jurisdiction - This amendment clarifies the relationship between the APA and the APUC. While I agree that the existing language is ambiguous, I would go farther than the governor and require that all APA activities be subject to APUC jurisdiction. I will have more to say about this later.
4. Financial Accountability - The existing language in the statute is again ambiguous. According to legislative counsel, the APA is not clearly subject to the Executive Budget Act. As a result there is no budgetary control for revenues received from the sale of power or from interest earned on reserve accounts. While the governor's proposed amendments may remedy this situation, I will offer an alternative amendment covering this problem below. The governor's amendments also provide a mechanism for informing the legislature about cost over-runs on projects.

I would like to reiterate that I think that almost all of the above amendments are important and desirable.

There are a few amendments in Attachment II of the governor's letter which are of considerable concern to me. These are:

1. Tax Exemption - "page 7, line 16 (point 16). Delete " the authority shall" and insert "the authority may". " This amendment would leave it up to the authority whether they make payments in lieu of taxes. It is my view that the APA and its power consumers should be required to share the fiscal impacts arising from power projects with the communities in which projects occur. I oppose the proposed change.
2. Minimum size projects for legislative review - "page 9, line 3 (point 18). Following project insert " for which the maximum amount of bonds estimated is \$50 million or greater". " This amendment would permit the authority to design, acquire, and construct power projects costing under \$50 million , for itself or for another entity, without the review and approval of the governor or the legislature as presently required by the Act for all projects. While I appreciate the desire of the authority to avoid what they see as costly delays from exposing projects to the political process, I do not see the logic of exempting smaller projects from review by elected officials. The significance of small projects to small communities is no different than large projects for large communities or to power development in the state as a whole. I oppose this amendment.
3. Critical Areas - "page 10, line 14 (point 22). Delete paragraphs (3) and (4)." This amendment would eliminate the provisions presently in CSFB442 which 1) would require the authority to identify feasible alternatives to projects which impinge on "critical areas" (parks, wildlife refuges, historical areas, etc.) and 2) would enable the authority to select higher cost alternatives to avoid impacting such areas. It is important for the legislature to give some policy guidance to the authority concerning the siting of facilities, and I think these sections provide a minimum of such guidance. I oppose this amendment.
4. Grandfather clause - "page 11, between lines 17 and 18 (point 28). Insert the following: (d) the requirements of parts (b) and (c) of this section shall not apply to any projects which the authority has determined to finance and in which it will not maintain an ownership interest upon completion and which the authority has adopted a resolution determining to finance the projects prior to July 1, 1978." This amendment would relieve grandfathered projects from the governor's review process and from the requirement that demand projections used to justify the projects conform to the state's long-term electrical development plan. If these requirements, which I support, are adopted by the legislature, they should apply to all APA projects. I oppose this amendment.

I would like now to address three other issues which I think the Committee should address.

1. The first issue concerns the pricing policies of the APA. If the legislature adopts the governor's amendment concerning APUC jurisdiction, the authority will have considerable influence over power pricing for utilities buying power from them which are not under APUC jurisdiction (municipalities, etc.). The authority will also have sole jurisdiction over direct APA retail power sales occurring outside existing distribution systems. As a result, the authority will have

wide latitude in spreading project costs among project users, depending on rate differentials. It can also price its power to encourage the use of electricity (declining block rates) or to encourage energy conservation (increasing block rates and peak load pricing).

Since much of the future economic development of Alaska is tied to the availability and price of energy, the authority will have considerable influence over such development through its pricing policies. Therefore I think it is important for the legislature to provide some means for both protecting APA consumers and for guiding the authority's pricing policies as they affect state economic development policies. I suggest that the Committee consider either subjecting all APA activity to APUC jurisdiction or providing policy guidance to the APA in this area. I offer the following amendments if the latter course is chosen.

page 4, line 5. Sec.44.56.090. is amended by adding an additional section:

(b) the authority shall price its power so as to encourage energy conservation and the efficient use of the state's energy resources. The authority shall adopt such pricing policies, including but not limited to peak load pricing and increasing block rates, to achieve these purposes.

page 10, line 9. After the word "laws" add and the pricing policies stated in Sec.44.56.090 (b).

2. The second issue I would like to bring to the Committee's attention concerns forecasting the demand for electricity. Demand forecasting is critically important in power development because it drives the system. The decision to construct a facility, and its location and scale, is determined by how much power one expects will be needed, where, and when. Demand forecasting is in essence planning.

One of the amendments in CSIB442 would require that any demand estimates used to justify a project by the authority be consistent with the long-term electrical development plan of the Division of Energy and Power Development. I support this amendment but would take this concept one step farther and recommend that the Committee consider the following amendment:

page 9, line 2. After the word "feasibility" add including a detailed presentation of the assumptions used to generate the demand forecasts justifying the project,

The effect of this amendment would be to open to legislative scrutiny the economic development policies and assumptions which underlie the need for additional electric generating capacity.

3. New budget section covering revenue surpluses and interest from capital reserve accounts (slush funds) coming from Berrier soon.

ALASKA POWER AUTHORITY

333 WEST 4th - SUITE 31 - ANCHORAGE ALASKA 99501

March 14, 1978

The Honorable Clark Gruening
State Representative
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Gruening:

At your request, this letter is an attempt to outline some of the procedures which would be envisioned for the administration of financing power projects through a combination of the bond market and the auspices of the permanent fund. It must be realized that these procedures are a little premature since there has been no decision made on how the earnings of the permanent fund are to be used. As you are aware, the legal counsel for the Power Authority questions the legality of using the permanent fund earnings for bond guarantee purposes. Consequently, the procedures outlined herein are based on the assumption that the Power Authority would manage the necessary permanent fund proceeds for power development rather than the Permanent Fund Trustees. On the other hand, should a decision be forthcoming which would allow the earnings to be used for guarantees, the Power Authority could still play a significant role as lead agency for the state in advising the Permanent Fund Trustees on the optimum means of financing the projects. In either case, the Power Authority could insure that the power projects are technically and environmentally sound, that they are the optimum means for providing for the communities needs, and that there is a financing vehicle by which the projects can be brought to inception. While the Power Authority is given the statutory requirement to provide for hydroelectric as well as fossil fuel fired generation, because of the capital intensive nature of the hydroelectric projects, the procedures outline herein will be aimed specifically at water resources development. This is not to say that similar procedures would not be established for the fossil fuel fired generation component. Although many of the procedures are the same, the bent of this letter is toward hydroelectric development.

There are a number of means of financing projects. Federal sources include the Rural Electrification Administration, and direct financing through federal appropriations. This latter method is generally administered by one of the federal water resources development agencies such as the Corps of Engineers or the Bureau

The Honorable Clark Gruening
March 14, 1978
Page Two

of Reclamation and usually leads to federal ownership. The federal development agencies are becoming encumbered by institutional and bureaucratic constraints and should not be relied upon for a timely solution. The REA program administered by the Department of Agriculture is designed to make low interest loans available to rural communities for power development. The REA is an excellent program for those communities that qualify. In fact, it appears that the Copper Valley Electrical Association will be granted 5% 35 year, financial terms for 60 percent of the cost of the Soloman Gulch Hydroelectric project. The remainder of the financing could conceivably be obtained through the bond market or from a loaning institution. Generally this source of financing will not be available for hydropower projects. Outside of federal financing, state and private sources are available. The cities and boroughs have access to tax-exempt private financing or they can obtain Alaska Power Authority financing or State funds, if available. The Power Authority is an excellent source for those project which can be developed on the strength of their own merits. Projects for which full financing through the bond market cannot be obtained would require the balance from some other source. It is doubtful that the communities could provide this financing and hence their best alternative would be State funds, presumably from earnings of the permanent fund.

Three steps are necessary for the development of hydroelectric projects. Each step requires funding which could be provided through the Power Authority. The first two steps consisting of Reconnaissance Studies, and Advanced Engineering and Design could be funded from the Power Project Revolving Loan Fund administered by the Power Authority. The third step consists of Construction for which long term financing would be obtained from the Power Authority or the Permanent Fund or a combination of the two.

The Reconnaissance Studies are generally conducted for the purpose of establishing, with reasonable certainty, the economic merit of developing a specific project. In addition, environmental assessments are made to insure that there are no adverse environmental impacts of such magnitude that the project should not be considered further. The Reconnaissance Studies usually do not include costly data collection, such as is necessary for foundation explorations, but instead, utilize existing data. The studies would entail at least an assessment of the community's present economy and an estimate of its future, a determination of future energy and power needs, reservoir regulation studies, a determination of alternate energy costs, and a cost estimate for developing the hydroelectric project. Then, based on the cost and a specific interest rate, the economics of the project would be determined. At this time it would be important to explore means by which financing could be made available. This alone might determine whether the project should proceed to the next level of analysis. Perhaps the most difficult task of the recon-

The Honorable Clark Gruening
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naissance studies is the rendering of a true assessment of the intangible benefits which might accrue to the power recipients. This step is generally missing from most engineering studies and perhaps could best be conducted by one of the State Agencies. The cost of the reconnaissance studies is generally in the \$50,000 to \$100,000 range depending on the complexity of the study and the amount of available data. The Advanced Engineering and Design Studies would entail detailed environmental assessments, site specific foundation explorations, detailed design, and, if feasible, arrangement of financing. It is at this time that the relationship between the Power Authority and the permanent fund should be established. Completion of these studies would be sufficient for the license application to the Federal Energy Regulatory Commission. These studies could cost up to \$500,000. Finally, design contracts and specifications would be developed which would then lead to construction.

As mentioned earlier, the Power Authority could either act as a technical advisor to the Trustees of the Permanent Fund, or it could assist in managing the funds. If the Authority becomes the fund manager, it would have the ability to provide total financing for all three steps necessary for development. This could be accomplished through the restructuring of the Power Project Revolving Fund. The Fund could provide for the loans necessary for the first two steps of development and ultimately for construction financing of approved power projects to be financed on a long term basis by the Power Authority. It could also be used to provide a reserve fund to secure payment of outstanding long term Authority debt; and it could be used to provide a loan fund to purchase junior lien revenue bonds of municipalities when the Authority can issue only a portion of debt necessary for permanent financing.

Should a community desire to pursue its particular power project, loan funds could be made available for the Reconnaissance and Detailed Studies. Assuming the request is for reconnaissance grade studies, the applicant should provide sufficient information to allow for review by the Authority. At this time, the Executive Director would provide a preliminary evaluation to the community making the loan request. The Authority would evaluate the present and future energy needs of the community, the probable future cost of fossil fuel generation, and an assessment of the minimum cost of the hydroelectric generation needed to break even when compared to the thermal generation alternative. This assessment would be made available to the community and to the Board of Directors as well should the community wish to proceed with their loan request. When the loan is secured, the community would retain the services of a private engineering firm to conduct the reconnaissance studies. As a minimum, the reconnaissance study should include a description and evaluation of all energy alternatives considered, a geologic mapping of the site of the proposed hydro project if found to be the best alternative, a

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hydrologic analysis which would serve as the basis for establishing the historic streamflow record for the proposed project, reservoir regulation studies for a range of potential project developments, a general assessment of the environmental impact associated with all energy alternatives considered, a more detailed environmental assessment of the proposed plan of development, a detailed cost estimate for the optimum plan, an economic evaluation based on a number of financial scenarios and the most feasible fossil fuel generation alternative, the most recent financial audit of the community, and an assessment of the most likely financing modes. With this information, the community would be in a position to determine if they should proceed to the Detailed Engineering and Design phase of their project. Furthermore, the Authority would then have sufficient information to determine the financability of the project. The Authority would provide the community with its assessment of the most promising means by which the project would be brought to inception.

Should the community desire to proceed with the project, it would apply to the Authority for a loan necessary for accomplishing the Advanced Engineering and Design based on input from their consulting engineers. If the loan is granted, the community would contract for the necessary foundation explorations, detailed design, detailed environmental assessment, necessary state permits, refined cost estimates, other supporting data, and Federal Energy Regulatory Commission license application. The geologic evaluation of the site should include drilling logs showing sufficient density of test holes and sufficient lithological details to indicate that a suitable development site has been selected. Reservoir regulation studies should include delineation of the elevation and capacity of the dead and active storage zones. These would be accompanied by a graphical reservoir regulation analysis showing the firm and secondary energy, the elevation and capacity of the reservoir, and the inflow and outflow of the reservoir for the historical period of record in monthly time increments. With this new information, the Authority would determine if the project could be financed through the conventional money market. The Authority would once again provide the community with its determination of the most probable means of financing and the community would decide if it still desired to pursue the project. If the community should proceed, the Executive Director would provide to the Board of Directors the community's application along with the comments of the Power Project Revolving Loan Fund Manager concerning the best method of making financial assistance available. The applicant and other interested parties would be notified of the time and place of the meeting and would be invited to participate. The Executive Director's recommendation to the Board would be supported by a digest of the community's application. The digest would contain information on economic feasibility, engineering

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feasibility, the ability of the project to meet the statewide energy plan, the relative need of the project, a summation of the findings regarding the project amenability to the environmental guidelines, and the conclusions and recommendations of the Revolving Fund Manager.

Recommendations of the Revolving Fund Manager will be based on the opinions and analysis of the Power Authority's financial counsel to consist of its Executive Director, Principal Economist, Financial Advisor, Senior Underwriter, Revolving Fund Manager, and Legal Bond Counsel. The economic analysis would consist of an assessment of the alternative cost of power should the hydropower project not be built. This analysis would entail a life cycle analysis of the physical plant and an assessment of the present worth of future fuel costs. These assessments will be based on energy and power demand projections to be adopted by the Power Authority, and on a multitude of discount rates. The hydropower alternative will be converted to an average annual cost by amortizing the project over realistic times and a multitude of interest rates based on usable energy. The comparative analysis will indicate the financing needed to insure the project is economically feasible. The advisors will assess the financial records of the community to determine its eligibility to the normal money market. Should the needed financial terms for the hydro project not be obtainable through the money market or if only a portion or none of the project is determined to be financable on the money market as a result of the financial audit of the community, the advisors will determine the necessary assistance needed through the permanent fund. The local utility would be required to enter into "take-or-pay" contracts for any financing through the Power Authority. This information will be made a matter of public record. Authorization to proceed with the project may require legislative approval. Should the decision and authorization be granted to finance the project, the community would be given permission to proceed into final design and construction.

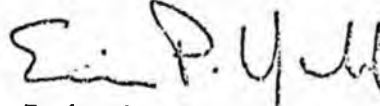
The Power Authority would retain the right to review the final contract drawings and specifications and to monitor and approve construction material and techniques. It would have the authority to reject faulty material or construction and would be the approving agency for contract modifications. Payments to the contractor would be paid in installments as the construction work progresses, and the payments would not exceed 90 percent of the amount due as determined by the community's consulting engineer. Upon completion of the contract to the full satisfaction of the State, the Community and the Consulting Engineer, the remaining 10 percent would be paid to the contractor.

Repayment for the cost of the project would come from the sale of power to the local users.

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These procedures represent a quick outline of that which would be required to fully implement our proposed program. Because of the large amount of dollars that will be spent on power development in the future I feel it is imperative that guidelines be established that will serve to protect both the State and local communities. While I have tailored my thoughts around Authority management of funds, this could obviously be altered to allow us to act as technical advisors to the Trustees of the Permanent Fund if this would be your desire. If you have any suggestions, comments or questions please do not hesitate to call on me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eric P. Yould". The signature is written in a cursive style with a large, prominent "E" and "Y".

Eric P. Yould
Executive Director