

LEG. FINANCE - BILLS 1985 - 1986 2379

HB 219 cont. - CSHB 219

2379

Table 1
Electric Rates and Production Costs For Selected Utilities
1983

Utility	Production Cost (cents/kwh)	Retail Rate (cents/kwh)	Difference (Rate-Cost)
<u>Regulated</u>			
Alaska Electric (AEL&P)	3.5	5.9	2.4
Alaska Power (AP&T)	12.4	16.1	3.7
Alaska Villages (AVEC)	29.6	44.8	15.2
Anchorage (AML&P)	3.6	5.5	1.9
Aniak (APC)	28.3	33.9	5.6
Barrow (BU&EC)	2.7	9.0	6.3
Bethel (BUC)	15.7	18.1	2.4
Bottles (BL&P)	25.5	49.1	23.6
Chugach Electric (CEA)*	3.0	6.5	3.5
Cold Bay (NP&E)	16.4	19.3	2.9
Copper Valley (CVEA)	8.3	13.3	5.0
Ft. Yukon (FYU)	24.5	34.3	9.8
Galena (M&DE)	30.2	38.1	7.9
Golden Valley (GVEA)	6.4	10.0	3.6
Haines (HL&P)	13.7	16.4	2.7
Kodiak (KdEA)	12.1	16.4	4.3
Kotzebue (KtEA)	18.0	23.4	5.4
McGrath (MGL&P)	24.5	32.0	7.5
Northway (NP&L)	18.9	26.5	7.6
Pelican (PUC)	8.3	10.6	2.3
Sandpoint (PUC)	15.5	17.3	1.8
Tanana (TPC)	24.6	31.8	7.2
Tlingit-Haida (THREA)	25.3	38.4	13.1
Yakutat (YPI)	13.3	18.1	4.8
<u>Unregulated</u>			
Cordova (CEC)	14.6	20.4	5.8
Fairbanks (FMU)	6.6	7.5	.9
Glacier Highway (GHEA)	5.2	11.1	5.9
Ketchikan (KPU)	5.9	9.0	3.1
Metlakatla (MP&L)	5.6	8.2	2.6

Table 1 (continued)
Electric Rates and Production Costs For Selected Utilities
1983

Utility	Production Cost (cents/kwh)	Retail Rate (cents/kwh)	Difference (Rate-Cost)
Naknek (NEA)	14.7	22.8	8.1
Nome (NTUB)	17.7	20.4	2.7
Petersburg (PMP&L)	10.4	13.3	2.9
Sitka (SED) [†]	8.0	6.8	-1.2
Wrangell (WML&P)	10.5	14.6	4.1

* Homer Electric Association, Matanuska Electric Association and the City of Seward are combined with Chugach Electric. Seward is an unregulated utility.

† According to John McCracken, Finance Director for the City and Borough of Sitka, the utility did show a paper loss of approximately \$69,000 in 1983; however, this does not account for the large negative difference between the retail rate and the production cost. This difference is the result of not counting substantial income from interest on cash reserves and on overlapping financing, while apportioning the interest expense of this financing to production costs.

Source: Alaska Power Authority, Advisory Committee Report on Statewide Power Production Costs, December 15, 1984.

Table prepared by the House Research Agency, February 1985.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Commerce & Economic D	DIVISION Alaska Pwr. Authority	BILL NUMBER HB 219	SPONSOR SUND
DEPARTMENT POSITION			
PREPARED BY William H. Batt	DATE 3/8/85	COMMISSIONER'S SIGNATURE	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Alaska Public Utilities Commission	CONSTITUENT GROUP(S) AFFECTED BY BILL
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Background: Introduced to clarify previous legislation, AS 44.33.620, regarding the Four Dam Pool Department of Commerce/Alaska Power Authority Loan and to establish a regional electric authority as a qualified utility exempt from certain provisions of Title 42. AS 42.05.711(b) adds regional electric authorities as recognized utilities exempt from APUC jurisdiction. AS 44.33.620 defines terms and conditions of the Department of Commerce/Alaska Power Authority Loan and adds regional electric authorities to the definition of qualified utilities.

ANALYSIS OF BILL/PROGRAM EFFECTS

SEE ATTACHED SHEET

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

PROGRAM EFFECTS OF BILL

Section 1: Amends AS 42.05.711(b) to include regional electric authorities established as an instrumentality of two or more public utilities owned and operated by a political subdivision of the state and ~~exempt~~ the regional electric authorities from provisions of Title 42 other than sections 42.05.221 - 42.05.281 which pertains to the need for Certificates of Convenience and Necessity.

Section 2: Amends AS 44.33.620(a) to include the language (a) Except as provided in (d) of this section, a [A] loan from the fund must be repaid in accordance with the terms that the department determines to be appropriate. . .

Section 3: Amends AS 44.33.620 by adding a new subsection (d) which describes the terms of the loan as follows:

- interest rate not to exceed four percent
- a term not to exceed 50 years; and
- a 40 year amortization period.

The Bill establishes the manner in which the amount of principal that interest is paid on is determined, and a ramp on debt service is included which is lower initially and increases gradually over the first five years of the loan then remains fixed at the same rate over the next 35 years.

Principal deferred on estimated unused capacity is repaid with interest in equal installments during the last 10 years of the loan.

The definition of "qualified utility" is amended to include a regional electric authority established as an instrumentality of two or more electric utilities.

ANALYSIS

HB 219 fiscal impact is based on the repayment schedule of debt service computed in accordance with the terms and conditions in the bill for repayment of the Department of Commerce/Alaska Power Authority loan authorized by AS 44.33.600. The approach utilizes a comparison of lost opportunity cost to the State assuming a yield of 7.5% which is based on the investment goal of the State Permanent Fund. The Permanent Fund investment goal is to earn three percent above the general rate of inflation which is currently running at approximately 4.5% resulting in a 7.5% overall rate of return. It should be recognized, however, that the Permanent Fund portfolio is currently earning considerably in excess of their investment goal.

Total payments for principal and interest by the Four Dam Pool Communities over the life of the Department of Commerce loan per terms and conditions of HB 219 is approximately \$348,000,000 and equates to a negative 1.3% rate of return on the approximate \$488,000,000 construction cost of the Four Dam Pool Projects.

Had the \$488,000,000 been invested by the State at the rate of 7.5%, discussed above, over the life of the loan as provided for in HB 219, the principal and interest would be approximately \$16,900,000,000.

Estimated earnings at 7.5%	\$16,900,000,000
Principal and Interest repayment under HB 219	<u>348,000,000</u>
Lost opportunity cost to the State	\$16,552,000,000

The lost opportunity cost to the State of Alaska by using the \$488,000,000 to construct the Four Dams, considering the implications of HB 219, is approximately \$16.5 billion.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: HB 219
Title: ~~ALL ALL FUNDING TO THE ADMIN~~
ability of the Alaska Public . . .
Sponsor: Sund
Requestor: _____
Date of Request: _____

FISCAL DETAIL DCED/Alaska Power Authority
Agency Affected: Alaska Public Utilities Commiss
Program Category Affected: LUDIS

Bill, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES				NOT APPLICABLE		
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER				NOT APPLICABLE		
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY				NOT APPLICABLE		

ANALYSIS: Attach a separate page if necessary

SEE ATTACHED PAGE "ANALYSIS"

Prepared By: William H. Batt Phone: 276-0001
Division: Alaska Power Authority Date: 3/8/85

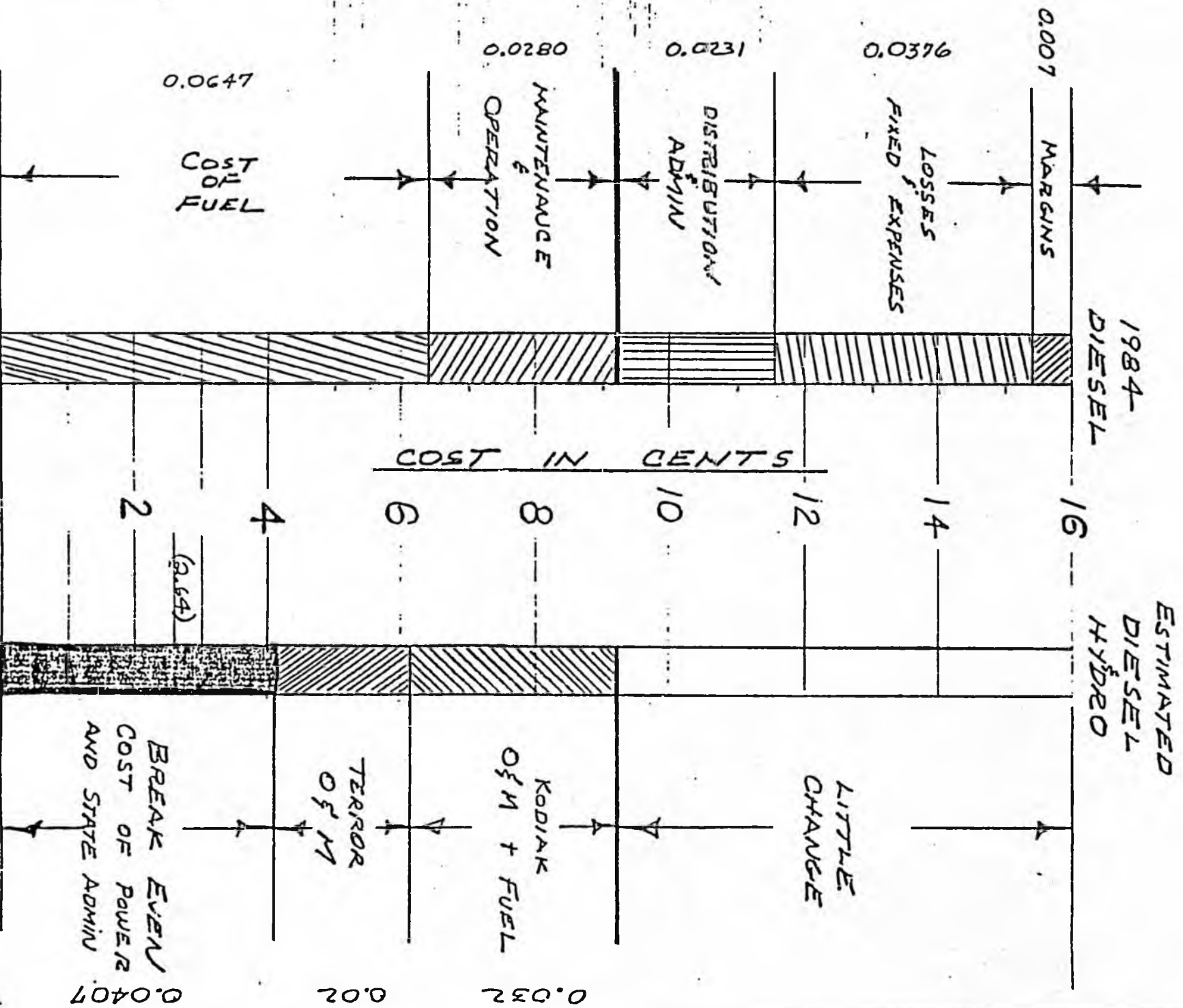
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

KODIAK ELECTRIC ASSN
 AVERAGE COST OF POWER
 (AT CONSUMER METER)



ALASKA POWER AUTHORITY
FOUR DAM POOL
OBJECTIVES IN NEGOTIATIONS

- 1) Form the foundation for a statewide energy program for Alaska;
- 2) Establish debt service so that rate shock is not experienced by the communities;
- 3) Establish entry rates for the communities at no higher than their avoided cost; and
- 4) Establish long-term rates which benefit the communities as well as provide a return to the state.

LETTER OF UNDERSTANDING

The negotiating team representing APA, Ketchikan, Copper Valley Electric Association, Kodiak Electric Association, Petersburg and Wrangell have agreed on the terms and conditions of a power sales agreement incorporating the following:

1. The written and oral understandings of the parties heretofore reached shall be placed in writing in agreed final form, and remaining comments of the parties will be mutually and expeditiously resolved and also incorporated in the agreement.
2. A rate stabilization fund shall be established as proposed in the communities' 17 point proposal funded in part by a State appropriation of \$49,000,000.
3. The system increment proposal of the communities shall also be incorporated in such agreement.

We mutually recognize that certain statutory amendments are required to implement the agreements reached to date.

We expect to conclude draft O & M agreements and interconnection agreements following a mutual review of proposed contract revisions.

We will recommend to our respective boards and councils that the agreements be adopted and that we be authorized to execute them and to assist in the steps necessary to complete the financing.

DATED March 20, 1984

ALASKA POWER AUTHORITY

By: Larry R Crawford

CITY OF KETCHIKAN

By: John Newland

COPPER VALLEY ELECTRIC ASSOCIATION

By: J. A. Killigames

CITY OF WRANGELL

By: John R. Rusk

KODIAK ELECTRIC ASSOCIATION

By: David H. Nease

CITY OF PETERSBURG

By: Don Koenigs

SENATE FINANCE COMMITTEE

MAY 26, 1984

9:20 A.M.

CALL TO ORDER

CO-CHAIRMAN DON BENNETT CONVENED THE MEETING AT APPROXIMATELY 9:20 A.M.

PRESENT

MEMBERS PRESENT: SENATORS BENNETT, FERGUSON, MULCAHY, SACKETT, AND V. FISCHER. SENATORS JOSEPHSON AND FAIKS CAME IN LATER.

OTHERS PRESENT: MIKE GREANY, DIRECTOR, LEGISLATIVE FINANCE; P.S. DHILLON, REVENUE ANALYST, LEGISLATIVE FINANCE; MILT BARKER, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE; COMMISSIONER HEATH, DEPARTMENT OF REVENUE; COMMISSIONER LYON, DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT; REPRESENTATIVE HURLBERT; SENATOR KERTTULA; RICH UNDERKOFER, CITY MANAGER, CITY OF PETERSBURG; DON KOENIGS, MAYOR, CITY OF PETERSBURG; KURT DZINICH, SENIOR ADVISOR, SENATOR ADVISORY COUNCIL; SUSAN WHITE, EXECUTIVE ASSISTANT, ALASKA POWER AUTHORITY; MARTHA FOX, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW; TERRY ELDER, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT; AND STAFF FROM STATE OFFICES AND LEGISLATIVE OFFICES.

SUMMARY INFO

CSHB 684(FIN) AM AN ACT MAKING SPECIAL APPROPRIATIONS TO THE ALASKA POWER AUTHORITY; AND PROVIDING FOR AN EFFECTIVE DATE. DISCUSSION AND HELD IN COMMITTEE.

SENATOR FERGUSON WALKED THE COMMITTEE THROUGH THE PROPOSED SCS FOR CS FOR HB 684(FINANCE). HE THEN ASKED MR. LARRY CRAWFORD AND BILL BATT TO COME FORWARD AND DISCUSS THE PROPOSAL WITH THE COMMITTEE.

LARRY CRAWFORD

MR. LARRY CRAWFORD, EXECUTIVE DIRECTOR OF THE ALASKA POWER AUTHORITY CAME FORWARD TO TESTIFY AND INTRODUCED MR. BILL BATT, DIRECTOR OF FINANCE. SENATOR MULCAHY ASKED WHAT THE INTENT WAS OF THE ALASKA POWER AUTHORITY WITH REGARD TO SECTION 1, THE \$210,000,000 AND THE POWER CONTRACTS. MR. CRAWFORD SAID THE INTENT OF THE POWER AUTHORITY WAS TO USE THE RENEGOTIATED AGREEMENTS AS THE BASIS FOR THE LOAN AND THE COMMUNITIES WOULD HAVE RATES BASED ON THOSE RENEGOTIATED AGREEMENTS. HE SAID THE ONLY TIME THEY WOULD ENFORCE THE EXISTING AGREEMENT WOULD BE WHERE THEY DID NOT HAVE A NEW RENEGOTIATED AGREEMENT.

SENATOR MULCAHY ASKED ABOUT CLARIFICATION ON SECTION 1. HE FELT THE APPROACH BEING TAKEN WOULD DO AWAY WITH THE RATE STABILIZATION APPROPRIATION THAT HAD BEEN LOOKED AT BEFORE WHEN GOING OUT TO THE BOND MARKET. HE SAID IT WAS HIS UNDERSTANDING THAT THE RATE STABILIZATION APPROPRIATION WOULD NOT BE NEEDED BECAUSE OF THE USE OF GENERAL FUNDS AND BECAUSE THE LANGUAGE IN THE AUTHORIZING BILL IS SUCH THAT THE INTEREST RATE CAN BE "BACKED IN."

MR. CRAWFORD SAID THIS WAS CORRECT, THAT THEY ARE LOOKING AT WHAT THE DEBT SERVICE PAYMENTS WOULD HAVE BEEN UNDER THE RENEGOTIATED AGREEMENT AND THEN THEY WILL BE RETURNING THE MONEY TO THE STATE IN ACCORDANCE WITH THOSE DEBT SERVICE PAYMENTS. THE INTEREST RATE IS THE DERIVED NUMBER AND LOOKS TO BE ABOUT AN 8% YIELD TO THE STATE ON THE \$210,000,000 OVER THE LIFE OF THE LOAN. HE SAID THE PAYMENTS IN THE EARLY YEARS WILL BE LESS THAN IN THE LATER YEARS AND THEY CAN DO AWAY WITH THE RATE STABILIZATION FUND.

SCS FOR CSHB 589(FINANCE)

SENATOR FERGUSON WALKED THE COMMITTEE THROUGH THIS LEGISLATION. SECTIONS 1 THROUGH 3, CREATE THE POWER DEVELOPMENT REVOLVING FUND FOR THE PURPOSE OF IMPLEMENTING THE \$210,000,000 LOAN FOR THE FOUR-DAM POOL PAY OUT. SECTION 4 ALLOWS THE CREATION FOR THE FOUR-DAM POOL.

ALASKA POWER AUTHORITY PROJECTED COST OF POWER TO WMLP (CENTS/KWH)

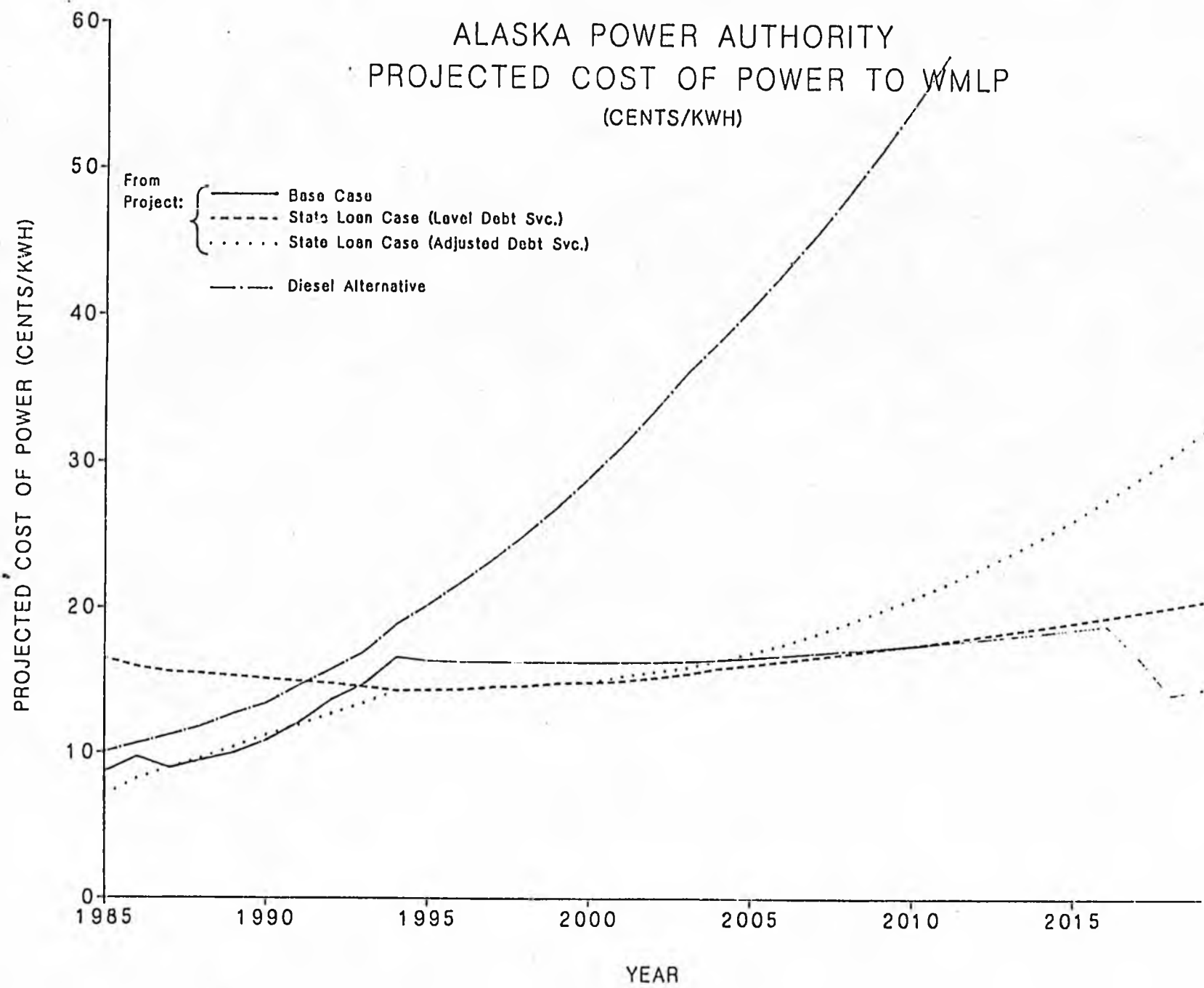


Figure 5

1 The following exchange illustrates the point made earlier that
2 Congress' primary concern was only that the overall revenue derived
3 from rates be sufficient to repay the Federal investment in the
4 power project.

5 "Mr. KING. There may be some provision in the bill,
6 but I have failed to discover any--and I may say that
7 I have had the bill which passed the House, instead
8 of the Senate committee bill--which will provide for
9 reimbursement to the Government of the United States
10 of the enormous sums which are to be appropriated
11 under the provisions of the bill. I ask the Senator
12 whether or not it is contemplated that the Government
13 is to be reimbursed, and what provisions are found in
14 the bill to effectuate that purpose?

15 "Mr. McNARY. Mr. President, that is a very natural
16 question. On page 12 the bill provides:

17 'Rate schedules shall be drawn having regard to
18 the recovery (upon the basis of the application
19 of such rate schedules to the capacity of the
20 electric facilities at Bonneville project) of
21 the cost of producing and transmitting such
22 electric energy, including the amortization of
23 the capital investment over a reasonable period
24 of years... .'

25 "Mr. ELLENDER. While the Senator is considering
26 section 7 of this bill will he explain the meaning of
27 the language which appears in parenthesis on lines 18
28 and 19, page 12?

29 "Beginning at line 13, I find this language in
30 parenthesis:

31 'Upon the basis of the application of such rate
32 schedules to the capacity of the electric
33 facilities of Bonneville project.'

34 "Mr. STEINER. Mr. President, there is some language
35 included in the parenthesis on page 12, line 18, to
36 which the Senator from Louisiana directs attention,
37 and with the permission of my colleague I will
38 undertake to answer the question by saying that in
39 figuring the amortization of the capital investment
40 it is necessary, of course, to have a formula of
41 revenue. That formula consists of the rate
42 multiplied by the amount of energy which presumably
43 will be offered for sale.

016390

1 The rate of recovery, of course, will be dependent
2 upon the market and the amount of energy sold." 81
3 Cong. Rec. 8524 (1937).

4 One final argument conclusively refutes the California
5 utilities' contention that BPA's NF-2 rate must be cost-based, and
6 that is that one of the Act's primary objectives would not have
7 been achieved had the rates been required to have been cost-based.

8 The Bonneville Project Act emphasized the objective "to
9 encourage the widest possible use of all electric power . . ." The
10 widespread use policy appears three times in sections of the Act
11 authorizing building of transmission lines, requiring preference
12 for public and cooperative systems, and as guidance for setting
13 wholesale rates (Sections 2, 4, and 6).

14 Widely debated during the drafting of the bill was whether a
15 postage stamp or uniform rate would encourage widespread use more
16 than a zone rate, which is lowest at the dam and increases with
17 distance.

18 A zone rate reflects the actual power and transmission costs
19 associated with a particular user while the uniform rate does not.
20 It was thought at the time that if zone rates were charged, those
21 domestic and rural consumers farthest from the dam would not be
22 able to afford the actual cost of service, and thus the objective
23 of widespread use would not be attained.

24 As explained by the following exchange in the House Hearings on
25 H.R. 7642, Congress was concerned that rates not reflect the actual
26 cost of providing service, for to do so would price out those
27 farthest from the dam and allow big industry to locate near the dam
28 and buy up all the available power:

016892

CORRECTION

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

1 The following exchange illustrates the point made earlier that
2 Congress' primary concern was only that the overall revenue derived
3 from rates be sufficient to repay the Federal investment in the
4 power project.

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39 figuring the amortization of the capital investment
40 it is necessary, of course, to have a formula of
41 revenue. That formula consists of the rate
42 multiplied by the amount of energy which presumably
43 will be offered for sale.

016390

"Mr. ELLENDER. Will that take into consideration the cost of the entire project?

"Mr. STEIWER. Ultimately it will. The parenthesis is merely to state the formula. It uses the words 'upon the basis of the application of such rate schedules to the capacity of the electric facilities of Bonneville project.'

"Mr. ELLENDER. Suppose the capacity of the plant is not used; how will the rate then be fixed so as to amortize the entire cost of the project in a given period?

"Mr. STEIWER. The rate will be figured on the capacity. It necessarily must be so, or we never could initiate the use of that power. The rate will be figured on the capacity; but, of course, the amortization will proceed more slowly, for the project is only partly completed, and only part of the energy is being sold.

"Mr. ELLENDER. Suppose the time for amortization is fixed. How would that language then be applicable? Am I to understand that the rate is fixed on a basis of the full capacity of the entire plant?

14
"Mr. STEIWER. That is correct.

"Mr. ELLENDER. Suppose the entire production is not sold and the time for amortization has been fixed. Would not the number of years in which the cost of the plant is to be repaid be changed, or would it not be necessary to increase the rates?

"Mr. STEIWER. It would have the practical effect of doing what the Senator first suggested, because the rate, being a fixed amount, if less capacity than anticipated should develop, of course, it would tend to postpone the time of complete repayment to the Treasury.

"Mr. ELLENDER. Does the Senator from Oregon understand from the language in section 7 that the Government will eventually get back operating expenses and also the entire amount of money spent for erecting the plant?

"Mr. STEIWER. Yes, the Government would get the entire amount, less the charge-off for navigation. Our government never recovers money expended for the building of rivers and harbors. The amount charged off for navigation, therefore, will not be recovered; but the amount that is charged for the development of hydroelectric power will be recovered eventually.

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28 and buy up all the available power:

016892



KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

KETCHIKAN, ALASKA 99901

TELEPHONE 907-226-3111

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

November 27, 1984

ANALYSIS FOUR DAM POOL PROPOSAL

The Four Dam Pool proposal addresses, within existing law, several problems of the energy Program as currently structured and administered. I emphasize that these problems arise largely out of the statutory framework within which the APA operates. All prior contract negotiations with the APA have attempted to deal with these statutory structures. I believe our proposal simply does so more effectively than prior proposals. The problems we encounter are as follows:

- Uncertainty Under the Energy Program, we do not know the cost of power before we buy. Because power is priced according to the amount sold, a reduction or termination anywhere in the system could raise the price of power and force us to "true up" our bill after the fact.
- Unbearable Risks Unless otherwise limited, the Program makes each Purchaser jointly and severally responsible for the entire debt of the APA. A longterm contract on these terms could lock a small community into a fifty-year, open-ended obligation to pay off billions of dollars in debt.
- Guaranteed Inflation In order to pay for projects that are too big and too expensive for the communities' current needs, the APA has had to borrow money and accept a repayment schedule that includes "negative amortization" and periodic increases in debt service. These increases are purportedly based on predicted increases in the cost of diesel fuel. Even if these predictions were accurate, which we dispute, how can we benefit from hydropower if we aim for the diesel price? In fact, while diesel prices have been dropping, the only certainty about the APA's payment obligation is that it will increase.
- Unequal Benefits The Energy Program has been based on the idea that each community would pay according to the cost of APA facilities available to serve it. This formula ignores other variables such as whether the facilities are entirely necessary to that community and

Mayor Charles Freeman
November 27, 1984
Page Two

whether such costs would result in large disparities between the retail rates of that and other communities. Anomalies result. For example, one community could end up paying a "system increment" increase in order to subsidize a project in another community that already enjoys lower rates. Likewise, a community could find itself ultimately worse off by gaining the "benefits" of hydropower and thereby losing its power cost assistance entitlement.

- Out-of-Reach Prices No matter how theoretically elegant, a power cost formula fails if ratepayers cannot afford the power. In the best of circumstances, prices under the current Program are projected at or just above what the communities estimate they can afford to pay without suffering serious economic dislocation. If assumptions underlying the projections are wrong -- if loads do not materialize, for example -- the results could be disastrous.

- Uncontrollable Costs Finally the existing Program gives the purchasers of power little ability to learn about, much less to control, the debt service obligations and operations, maintenance, and administrative overhead costs incurred by the APA. Yet these costs are passed directly through to the purchasers. Such unanticipated costs can add substantially to the unpredictability discussed above. Since utilities cannot easily recover previously incurred costs from their ratepayers, the result could be extremely disruptive to a utility's ability to plan. As I have emphasized before, long-term planning is essential to the proper management of an electric utility.

The Four Dam Pool proposal is aimed at overcoming the problems described above, without the need for statutory change. The principles behind our proposal are applicable to the Energy Program state-wide, although possibly not without new legislation. Those principles are as follows:

- Certainty The creation of a Power Development Revolving Loan Fund enables the APA to borrow money upon very flexible terms from the Department of Commerce and Economic Development. We propose terms that would permit the APA to charge a fixed rate for power. Purchasers would thereby know the price of power before they buy.

- Acceptable Risks Our proposal is that debt service

Mayor Charles Freeman
November 27, 1984
Page Three

on the state loan be related to project usage, with power priced as though projects were fully utilized. This would place the risks of over-capacity and reduction in sales upon the State. Such a risk allocation is appropriate, since excess electric capacity is part of the infrastructure used to promote economic development throughout the State.

- Flat Rates Except for a brief initial "ramp up" to ease the rate shock for some utilities, we propose that debt service costs be flat throughout the contract period. This would assure that the benefits of hydropower are passed on to the citizens of the State, and that utilities would achieve a measure of predictability necessary for long-term planning.

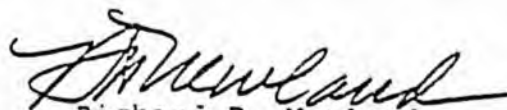
- Equity Our proposal entails equal debt service costs for each member of the Four Dam Pool. Applied statewide, this principle might mean equality per kilowatthour for debt service, wholesale power costs, or total system revenue requirements.

.. Affordability The ultimate wholesale power rate proposed by the Four Dam Pool was derived from what the communities believe they can afford. In most cases, that amount results in rates to the consumer at or near what those rates are today. We believe that no community in the State should be forced beyond its means to purchase power.

- Cost Control The role of the APA should be limited to helping finance the Energy Program. The only way operations and maintenance costs can be held in check is if they are placed within the control of those who must ultimately pay them. All APA borrowing, expenditures, and administrative overhead should be subject to strict audit, and should be governed at least in part with the active participation of the power purchasers.

Very truly yours,

KETCHIKAN PUBLIC UTILITIES


Richard D. Newland
Utilities Manager

§ 42.05.671

§ No. 4587, 613

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§ 42.05.681

PUBLIC UTILITIES AND CARRIERS

§ 42.05.711

(d) In this section, "record" means a report, file, book, account, paper, or application, and the facts and information contained in it. (§ 6 ch 113 SLA 1970; am § 8 ch 110 SLA 1981)

Effect of amendments. — The 1981 amendment rewrote this section.

NOTES TO DECISIONS

Narrow construction. — The privilege reflected by this section should be construed narrowly so that it does not conflict with the constitutional requirements of due process. *City of Fairbanks v. Alaska Pub. Utils. Comm'n & Wire Communications, Inc.*, Sup. Ct. Op. No. 2079 (File No. 3977), 611 P.2d 493 (1980).

Due process controls over section. — The requirement of this section that infor-

mation not be withheld if "required in the interests of the public" will normally prevent a conflict with due process requirements. If a conflict nevertheless occurs, due process must control. *City of Fairbanks v. Alaska Pub. Utils. Comm'n & Wire Communications, Inc.*, Sup. Ct. Op. No. 2079 (File No. 3977), 611 P.2d 493 (1980).

Sec. 42.05.681. Validity of certain certificates. A certificate issued before July 29, 1968, to a public utility for the generation, transmission, or distribution of electric energy and power, or for the furnishing of telecommunications may not be considered as terminated, or voided, for the sole reason that the utility did not or would not produce an annual gross income in excess of \$25,000. (§ 6 ch 113 SLA 1970)

Sec. 42.05.691. Utility classes. The commission may by regulation provide for the classification of public utilities based upon differences in annual revenue, assets, nature of ownership and other appropriate distinctions and as between these classifications, by regulation, provide for different reporting, accounting and other regulatory requirements. (§ 6 ch 113 SLA 1970)

Article 10. General Provisions.

Section	Section
711. Exemptions	720. Definitions
712. Deregulation ballot	721. Short title

Sec. 42.05.701. [Renumbered as AS 42.05.720.]

Sec. 42.05.711. Exemptions. (a) The provisions of this chapter do not apply to a person who furnishes water, gas or petroleum or petroleum products by tank, wagon, or similar conveyance, unless the person is thereby supplying water, gas, petroleum or petroleum products to a public utility in which the person has an "affiliated interest."

(b) Public utilities owned and operated by a political subdivision of the state and none of whose utilities is in competition with any other utility, are exempt from the provisions of this chapter, other than the provisions of AS 42.05.221 — 42.05.281, unless the owner and operator elects to be subject to all provisions of this chapter.

(c) The ownership in whole or part, of the corporate stock of a public utility does not make the owner a public utility.

(d) The commission, on a finding that no legitimate public interest will be served, may exempt a utility from all or any portion of this chapter.

(e) Notwithstanding any other provisions of this chapter, any electric or telephone utility that does not gross \$50,000 annually is exempt from regulation under this chapter unless 25 percent of the subscribers petition the commission for regulation.

(f) Notwithstanding any other provisions of this chapter, an electric or telephone utility that does not gross \$325,000 annually may elect to be exempt from the provisions of this chapter other than AS 42.05.221 — 42.05.281 under the procedure described in AS 42.05.712.

(g) A utility, other than a telephone or electric utility, that does not gross \$100,000 annually may elect to be exempt from the provisions of this chapter other than AS 42.05.221 — 42.05.281 under the procedure described in AS 42.05.712.

(h) A cooperative organized under AS 10.25 may elect to be exempt from the provisions of this chapter, other than AS 42.05.221 — 42.05.281, under the procedure described in AS 42.05.712.

(i) A utility which furnishes collection and disposal service of garbage, refuse, trash, or other waste material and has annual gross revenues of \$200,000 or less is exempt from the provisions of this chapter, other than the certification provisions of AS 42.05.221 — 42.05.281, unless 25 percent of the subscribers or subscribers representing 25 percent of the gross revenue of the utility petition the commission for regulation.

(j) The provisions of this chapter do not apply to sales, exchanges or gifts of energy to an electric utility certificated under this chapter when the energy which is the subject of the sale, exchange or gift is waste heat, electricity, or other energy which is surplus or the by-product of an industrial process. In an area in which no electric utility is certificated for service, energy provided by sale, exchange or gift may be provided to any utility which is certificated for service to that area. A contract for the sale, exchange or gift of energy exempt under this subsection does not make the supplier a public utility, and does not transfer the responsibility to provide utility services from a certificated utility to any other person.

(k) A utility which furnishes cable television service is exempt from the provisions of this chapter other than AS 42.05.221 — 42.05.281 unless 25 percent of the subscribers petition the commission for regulation.

42.05.711

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§ 42.05.712

PUBLIC UTILITIES AND CARRIERS

§ 42.05.712

(l) A person, utility, or cooperative that is exempt from regulation under AS 42.05.711(a) or (d) — (k) is not subject to regulation by a municipality under AS 29.48.060 — 29.48.090. (§ 6 ch 113 SLA 1970; am § 3 ch 76 SLA 1973; am § 8 ch 83 SLA 1980; am §§ 7-9 ch 136 SLA 1980; am § 89 ch 59 SLA 1982; am § 1 ch 30 SLA 1983)

Cross references. -- For limitations on these exemptions, see AS 42.05.321(b) and AS 42.05.381(c).

Effect of amendments. — The first 1980 amendment added subsection (j).

The second 1980 amendment deleted "excepting the furnishing of collection and disposal service of garbage, refuse, trash or other waste material" following "none of whose utilities" near the beginning of subsection (b), deleted the former second sentence in subsection (b), which read: "Notwithstanding any other provisions of this chapter, municipalities providing collection and disposal service of garbage, refuse, trash or other waste material within their corporate boundaries are not subject to regulation by the Alaska Public Utilities Commission unless the municipality elects to be subject to the provisions of this chapter," substituted "\$50,000" for "\$25,000" following "does not gross" near the middle of subsection (e), substituted

"under this chapter" for "hereunder" following "exempt from regulation" near the middle of subsection (e), and added subsections (f) through (i).

The 1982 amendment, effective May 28, 1982, deleted "on June 30, 1980" preceding "a utility," and inserted "annual" preceding "gross revenue" in subsection (i).

The 1983 amendment added subsections (k) and (l).

Opinions of attorney general. — An electrical utility owned and operated by a regional electrical authority would continue to qualify for the broad exemption from this chapter, available to political subdivisions under subsection (b) of this section once the regional electrical authority had completed its proposed organization as a nonprofit corporation pursuant to AS 10.20.005 et seq. June 7, 1976, Op. Att'y Gen.

NOTES TO DECISIONS

Municipally owned utilities in competition with other utilities subjected to full gamut of regulation pertaining to other utilities, with exception

relating to bond covenants. — See Alaska Pub. Utils. Comm'n v. Municipality of Anchorage, Sup. Ct. Op. No. 1326 (File No. 2940), 555 P.2d 262 (1976).

Sec. 42.05.712. Deregulation ballot. (a) A utility or cooperative which may elect to be exempt from the provisions of this chapter shall poll its subscribers or members in the manner described in this section.

(b) The votes of a majority of those voting in an election in which at least 15 percent of the eligible subscribers or members return ballots are required for a utility or cooperative to elect exemption under (a) of this section.

(c) Each subscriber or member of the utility or cooperative shall receive notice of an election under this section with the subscriber's or member's regular bill for service at least 60 days before the date set for the election. The notice shall contain impartial language informing the subscribers or members that an election on the option of deregulation or regulation by the Alaska Public Utilities Commission will be held within 60 days and that a ballot to participate in that election will be mailed or delivered to each subscriber or member of the utility or cooperative with the regular bill for service. The notice shall also state

FOUR-DAM POOL DEBT SERVICE

ALASKA POWER AUTHORITY

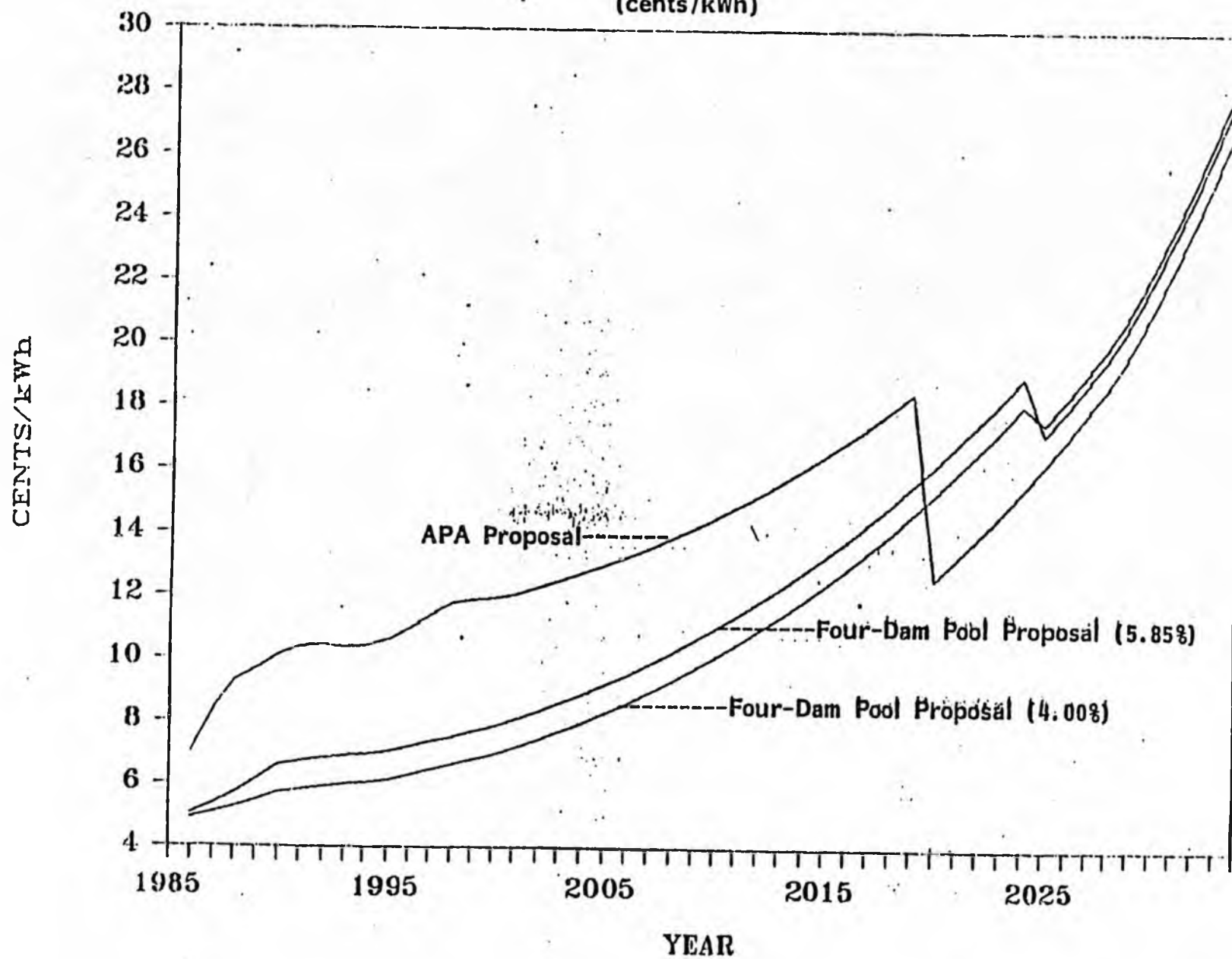
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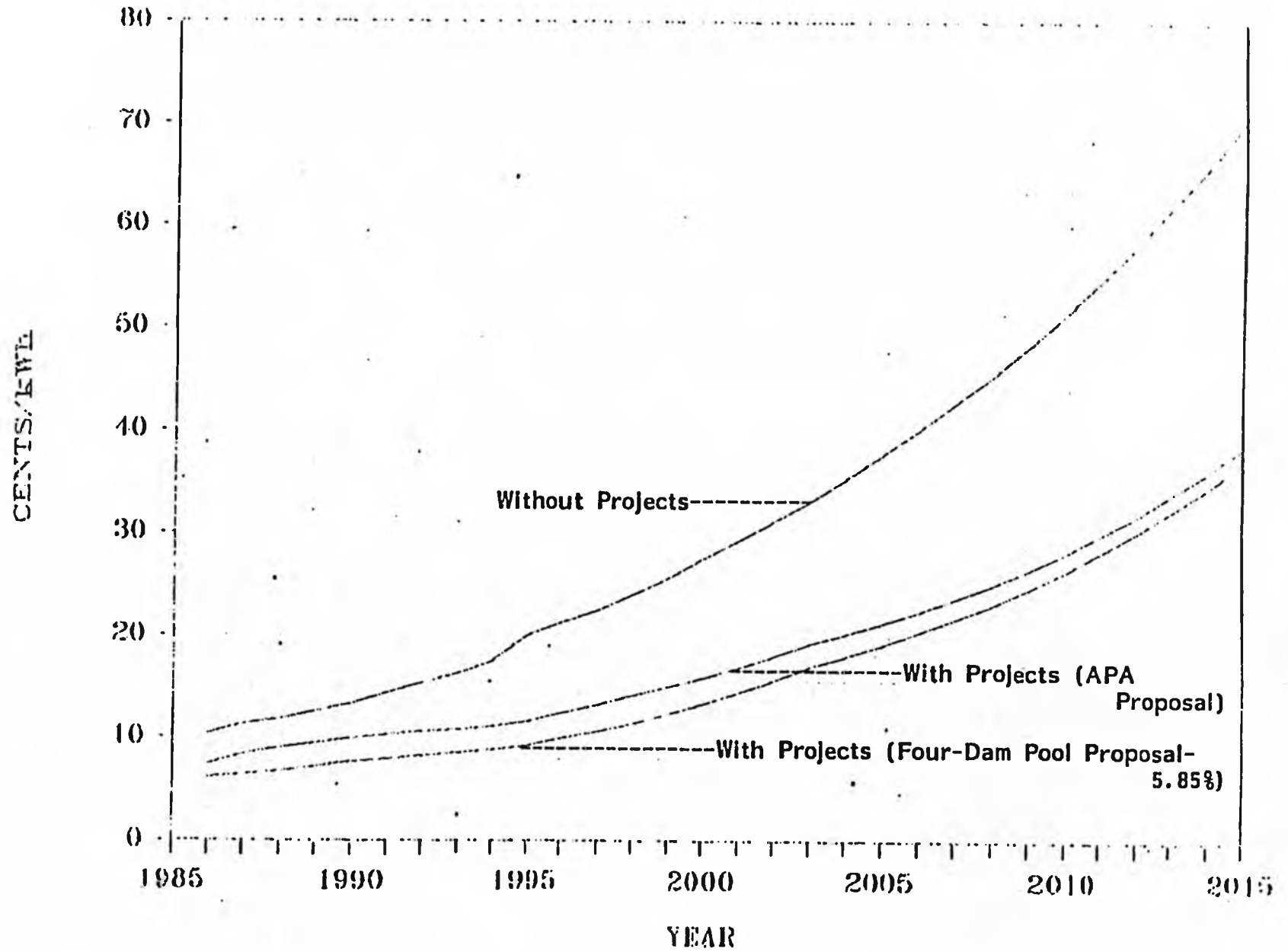
**Comparison of Major Issues
Alaska Power Authority Proposal vs. 4-Dam Pool Proposal**

<u>Issue</u>	<u>Alaska Power Authority</u>	<u>4-Dam Pool</u>
Interest Rate	- 8% Yield on Total Loan	- 5.8% (3.3% Yield on Total Loan)
Amortization Period	- 35 Years	- 40 years
Annual Debt Service	- Level Debt Service With Ramp Features.	- Level debt service with Purchasers to pay amount in proportion to energy usage; Ramp features included.
Ramp Features	- Initially 2¢/KWH below alternative cost (2.5¢ for CVEA) decreasing to 0¢ at the point where Project costs without ramp and alternative costs cross.	- Defer part of principal and interest payments in years 1-5 and repay, with interest, in years 6-40.
Deferred Payments	- All payments deferred in Ramp features are repayed with interest by the end of 35 years.	- Principal amount deferred due to unused Project capability is repaid, without interest, in years 41-50. Principal and interest deferred due to ramp features is repayed, with interest, in years 6-40.

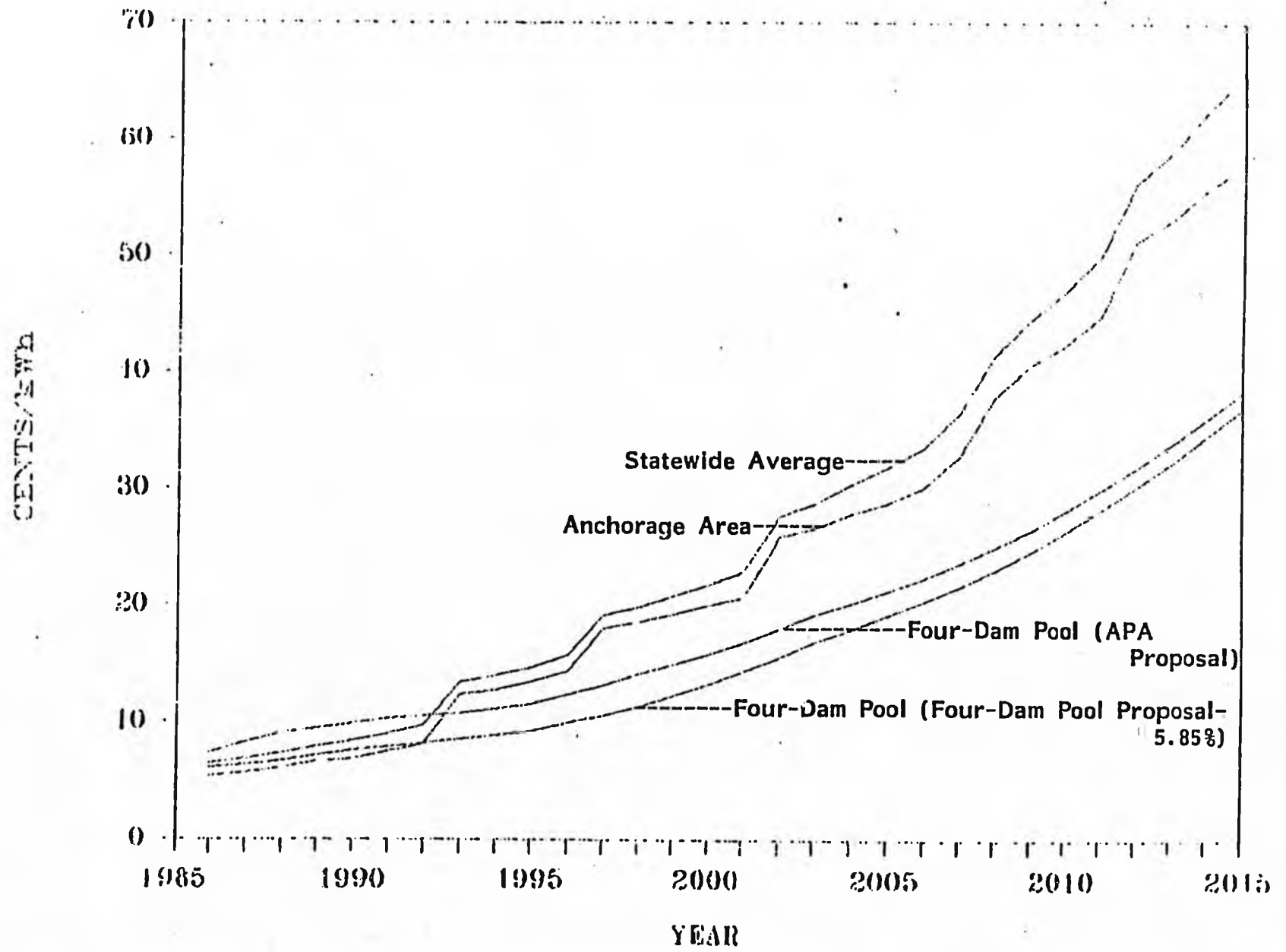
ALASKA POWER AUTHORITY
FOUR-DAM POOL ANALYSIS
PROJECT COSTS
(cents/kWh)



ALASKA POWER AUTHORITY
FOUR-DAM POOL ANALYSIS
PARTICIPANT PRODUCTION COSTS
WITH AND WITHOUT PROJECTS
(cents/kWh)



ALASKA POWER AUTHORITY
FOUR-DAM POOL ANALYSIS
PRODUCTION COSTS
(cents/kWh)



YEAR	(1) (2) (3) (4) (5) APA PROPOSAL					(6) (7) (8) (9) (10) FOUR-DAM POOL PROPOSAL - 5.85X					(11) (12) (13) (14) W/O PROJECT				(15) (16)	(17) (18) (19) (20) *****PROJECT COSTS ONLY***** FOUR-DAM POOL PROPOSAL - 4.85X PROJ COSTS				
	DEBT SERVICE (1000)	O & M (1000)	OTHER COSTS (1000)	TOTAL NOMINAL (C/KWh)	TOTAL 1986 (C/KWh)	DEBT SERVICE (c/kWh)	O & M (1000)	OTHER COSTS (1000)	TOTAL NOMINAL (C/KWh)	TOTAL 1986 (C/KWh)	W/O EXIST DS & O/M (c/kWh)	OTHER (1000)	TOTAL (c/kWh)	1986 (C/KWh)	GENERATION (Bh)	PROJ SALES (C/kWh)	DEBT SERVICE (1000)	SERVICE (C/KWh)	O/M (1000)	PROJ COSTS (C/KWh)
1986	7713	5027	8513	7.4	7.4	4079	5027	8513	6.1	6.1	9.7	1802	10.3	10.3	287.6	181.5	3850	2.12	5027	4.9
1987	18622	5354	8865	8.3	7.8	4835	5354	8865	6.4	6.0	10.7	1810	11.3	10.6	298.9	191.4	4306	2.25	5354	5.0
1988	12810	5702	9159	9.0	8.0	5653	5702	9159	6.7	5.9	11.2	1778	11.0	10.4	389.9	199.2	4751	2.39	5702	5.3
1989	13802	6072	10186	9.4	7.8	6571	6072	10186	7.1	5.9	12.0	1758	12.6	10.4	319.6	206.0	5212	2.53	6072	5.5
1990	15096	6467	11055	9.9	7.7	7633	6467	11055	7.6	5.9	12.0	1754	13.3	10.4	329.1	213.0	5714	2.68	6467	5.7
1991	15942	6887	12021	10.3	7.5	7851	6887	12021	7.9	5.8	13.9	1756	14.4	10.5	337.7	219.1	5877	2.68	6887	5.8
1992	16351	7335	13109	10.6	7.3	8132	7335	13109	8.2	5.6	14.8	1766	15.3	10.5	347.4	226.9	6088	2.68	7335	5.9
1993	16660	7812	14245	10.8	7.0	8464	7812	14245	8.5	5.5	15.0	1694	16.3	10.5	358.4	236.2	6336	2.68	7812	6.0
1994	17320	8320	15770	11.2	6.7	8812	8320	15770	8.9	5.4	17.0	1867	17.5	10.6	370.8	245.9	6597	2.68	8320	6.1
1995	18248	8860	17488	11.6	6.6	9154	8860	17488	9.2	5.2	19.6	1455	20.0	11.3	384.8	255.4	6853	2.68	8860	6.1
1996	19189	9436	20838	12.4	6.6	9338	9436	20838	9.9	5.3	20.9	1556	21.3	11.3	398.7	260.6	6991	2.68	9436	6.3
1997	20211	10050	24148	13.2	6.6	9529	10050	24148	10.6	5.3	22.2	1197	22.5	11.2	412.3	265.9	7134	2.68	10050	6.5
1998	21316	10703	28285	14.1	6.6	9729	10703	28285	11.4	5.4	23.7	1153	24.0	11.3	426.5	271.5	7283	2.68	10703	6.6
1999	21646	11399	33068	15.0	6.6	9939	11399	33068	12.3	5.4	25.3	1138	25.6	11.3	440.7	277.3	7441	2.68	11399	6.8
2000	21774	12140	38485	15.9	6.6	10159	12140	38485	13.3	5.5	27.3	1058	27.5	11.4	455.8	283.5	7606	2.68	12140	7.0
2001	21882	12929	44707	16.9	6.6	10329	12929	44707	14.4	5.6	29.1	1052	29.3	11.4	471.0	288.2	7732	2.68	12929	7.2
2002	21982	13769	51763	18.0	6.6	10394	13769	51763	15.6	5.7	31.0	1054	31.2	11.4	485.8	298.0	7781	2.68	13769	7.4
2003	21882	14664	59761	19.2	6.6	10462	14664	59761	17.0	5.8	33.0	1053	33.2	11.4	500.0	291.9	7832	2.68	14664	7.7
2004	21882	15617	68687	20.2	6.5	10532	15617	68687	18.0	5.8	35.1	1053	35.3	11.4	516.2	293.9	7885	2.68	15617	8.0
2005	21882	16632	74404	21.2	6.4	10605	16632	74404	19.1	5.8	37.4	1053	37.6	11.4	532.1	295.9	7939	2.68	16632	8.3
2006	21882	17713	82995	22.3	6.3	10682	17713	82995	20.3	5.8	39.8	1053	40.0	11.4	548.6	298.1	7997	2.68	17713	8.6
2007	21892	18865	92564	23.6	6.3	10761	18865	92564	21.6	5.8	42.4	1053	42.6	11.4	565.5	302.3	8056	2.68	18865	9.0
2008	21882	20091	103215	24.9	6.2	10844	20091	103215	23.0	5.8	45.2	1053	45.4	11.4	583.0	302.6	8118	2.68	20091	9.3
2009	21882	21397	115440	26.4	6.2	10931	21397	115440	24.6	5.8	48.1	1053	48.3	11.3	601.0	305.0	8183	2.68	21397	9.7
2010	21882	22788	129666	28.0	6.2	11021	22788	129666	26.3	5.8	51.2	1053	51.4	11.3	619.6	307.5	8251	2.68	22788	10.1
2011	21882	24269	144245	29.8	6.2	11115	24269	144245	28.1	5.8	54.6	1053	54.7	11.3	638.8	310.2	8321	2.68	24269	10.5
2012	21882	25846	161151	31.7	6.2	11213	25846	161151	30.1	5.9	58.1	1053	58.3	11.3	658.6	312.9	8395	2.68	25846	10.9
2013	21882	27526	179978	33.8	6.2	11315	27526	179978	32.2	5.9	61.9	1053	62.1	11.3	679.1	315.0	8471	2.68	27526	11.4
2014	21882	29316	200939	36.0	6.2	11422	29316	200939	34.5	5.9	65.9	1053	66.1	11.3	700.1	318.7	8559	2.68	29316	11.9
2015	21882	31221	224272	38.4	6.2	11533	31221	224272	37.0	6.0	70.2	1053	70.4	11.3	721.9	321.8	8634	2.68	31221	12.4
2016	21882	33250	238850	39.5	6.0	11649	33250	238850	38.1	5.8	74.8	1053	74.9	11.3	744.3	325.1	8721	2.68	33250	12.9
2017	21882	35412	254375	40.6	5.8	11769	35412	254375	39.3	5.6	79.6	1053	79.8	11.3	767.3	328.4	8811	2.68	35412	13.5
2018	21882	37713	270989	41.8	5.6	11895	37713	270989	40.5	5.4	84.8	1053	84.9	11.3	791.1	331.9	8905	2.68	37713	14.0
2019	21882	40165	288518	43.0	5.4	12026	40165	288518	41.8	5.2	90.3	1053	90.5	11.3	815.7	335.6	9003	2.68	40165	14.6
2020	0	42776	307272	41.6	4.9	12163	42776	307272	43.1	5.1	96.2	1053	96.3	11.3	840.9	339.4	9106	2.68	42776	15.3
2021	0	45556	327245	43.0	4.7	12305	45556	327245	44.4	4.9	102.4	1053	102.6	11.3	867.0	343.4	9212	2.68	45556	15.9
2022	0	48517	348516	44.4	4.6	12454	48517	348516	45.8	4.7	109.1	1053	109.2	11.3	893.9	347.5	9323	2.68	48517	16.6
2023	0	51671	371169	45.9	4.5	12609	51671	371169	47.2	4.6	116.2	1053	116.3	11.3	921.6	351.0	9439	2.68	51671	17.4
2024	0	55029	395295	47.4	4.3	12770	55029	395295	48.7	4.5	123.8	1053	123.9	11.3	950.2	356.3	9560	2.68	55029	18.1
2025	0	58606	420989	49.0	4.2	13522	58606	420989	49.3	4.2	131.8	1053	131.9	11.3	979.6	361.0	9686	1.34	58606	17.6
2026	0	62416	448354	50.6	4.1	13522	62416	448354	50.9	4.1	140.4	1053	140.5	11.3	1010.0	365.9	9826	1.32	62416	18.4
2027	0	66473	477497	52.2	4.0	13522	66473	477497	52.6	4.0	149.5	1053	149.6	11.3	1041.3	371.0	9986	1.30	66473	19.2
2028	0	70793	508534	54.0	3.8	13522	70793	508534	54.3	3.9	159.2	1053	159.3	11.3	1073.6	376.3	10166	1.28	70793	20.1
2029	0	75395	541589	55.7	3.7	13522	75395	541589	56.1	3.7	169.6	1053	169.6	11.3	1106.9	378.6	10366	1.27	75395	21.2
2030	0	80296	576792	57.6	3.6	13522	80296	576792	57.9	3.6	180.6	1053	180.7	11.3	1141.2	378.6	10586	1.27	80296	22.5
2031	0	85515	614203	59.5	3.5	13522	85515	614203	59.8	3.5	192.3	1053	192.4	11.3	1176.6	378.6	10826	1.27	85515	23.9
2032	0	91073	654212	61.4	3.4	13522	91073	654212	61.7	3.4	204.8	1053	204.9	11.3	1213.0	378.6	11086	1.27	91073	25.3
2033	0	96993	696736	63.5	3.3	13522	96993	696736	63.7	3.3	218.1	1053	218.2	11.3	1250.6	378.6	11366	1.27	96993	26.9
2034	0	103298	742023	65.6	3.2	13522	103298	742023	65.8	3.2	232.3	1053	232.4	11.3	1289.4	378.6	11666	1.27	103298	28.6

NOTES

<u>Column No.</u>	<u>Explanation</u>
(1)	Debt service per Commerce Loan Agreement.
(2)	Estimated by APA and inflated at the assumed general inflation rate (6.5% per year).
(3)	Other power production costs of the Participants including diesel generation and transmission (estimated by R. W. Beck and Associates).
(4)	$(\text{Col. (1)} + \text{Col. (2)} + \text{Col. (3)}) / \text{Col. (15)} / 10$. Total production costs with the Projects.
(5)	Discounted at 6.5% per year.
(6)	Per January 23, 1985, memorandum from the Four-Dam Pool to the APA Board of Directors - Tab D.
(7)	Same as Col. (2).
(8)	Same as Col. (3).
(9)	$(\text{Col. (6)} + \text{Col. (7)} + \text{Col. (8)}) / \text{Col. (15)} / 10$. Total production costs with the Projects.
(10)	Same as Col. (5).
(11)	Weighted average "avoided cost" of Participants and includes some fixed costs. Estimated by R. W. Beck and Associates.
(12)	Existing debt service of Participants. Estimated by R. W. Beck.
(13)	$\text{Col. (12)} / \text{Col. (15)} / 10 + \text{Col. (11)}$. Total production costs without the Projects.
(14)	Same as Col. (5).
(15)	Total generation of Participants including the Projects and other generation. Estimated by R. W. Beck.
(16)	Generation of Projects utilized by the Participants. Estimated by the Participants.
(17)	Per proposal by the Participants utilizing 4.0% interest on loans.
(18)	$\text{Col. (17)} / \text{Col. (16)} / 10$.
(19)	Same as Col. (2).
(20)	$(\text{Col. (17)} + \text{Col. (19)}) / \text{Col. (16)} / 10$. Project costs only and CANNOT be compared with Cols. (4), (9), and (13).

- (3) access for the line that would be insured with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the economic feasibility of the extension of electric service with the proceeds of the loan. (§ 1 ch 118 SLA 1981)

Article 9. Energy Program for Alaska.

Section	Section
380. Program established	400. Energy conservation
382. Power development fund established	410. Continuing appropriation for Susitna River hydroelectric project [Repealed effective June 30, 1991]
384. Use of fund balance	420. Continuing appropriation for Bradley Lake hydroelectric project [Repealed effective June 30, 1988]
386. Investment of fund	425. Definitions
388. Allotment to projects	
390. Reappropriation of fund balance	
392. Lapse of excess appropriations	
396. Operation of power project	
398. Sale of power from power project	

Sec. 44.83.380. Program established. (a) The energy program for Alaska is established. The program shall be administered by the Alaska Power Authority.

(b) The energy program for Alaska is a program by which the authority may acquire or construct power projects with money appropriated by the legislature to the power development fund established in AS 44.83.382. A power project may be acquired or constructed as part of the energy program for Alaska only if the project is submitted to and approved by the legislature in accordance with procedures set out in AS 44.83.177 — 44.83.187.

(c) The provisions of AS 36.10.010 — 36.10.125 apply to power projects constructed by the authority under AS 44.83.380 — 44.83.425. (§ 1 ch 118 SLA 1981)

Revisor's notes. — Enacted as AS 44.83.400. Renumbered in 1981.

Sec. 44.83.382. Power development fund established. (a) A power development fund is established in the Alaska Power Authority to carry out the purposes of the energy program for Alaska (AS 44.83.380 — 44.83.425).

- (b) The fund includes
 - (1) money appropriated to it by the legislature; and
 - (2) [Repealed, § 27 ch 89 SLA 1983.] (§ 1 ch 118 SLA 1981; am § 27 ch 89 SLA 1983)

Revisor's notes. — Enacted as AS 44.83.410. Renumbered in 1981. Effect of amendments. — The 1983 amendment, repealed paragraph (2) of subsection (b).

§ 44.83.382

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§ 44.83.384

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Sec. 44.83.384. Use of fund balance. (a) The fund may be used by the authority to provide money for

(1) reconnaissance and feasibility studies and power project finance plans prepared under AS 44.83.177 — 44.83.181;

(2) the cost of a power project, including but not limited to costs of acquiring necessary licenses, preparing engineering designs, obtaining land, and constructing the power project;

(3) the defeasance of bonds, or the payment of debt service on loans for or on an issue of bonds sold in connection with a power project;

(4) the cost of operating and maintaining power projects; and

(5) debt service on power projects.

(b) Money in the fund may be used under (a) of this section only for a power project that

(1) is economically feasible; and

(2) provides the lowest reasonable power cost to utility customers in the market area for the estimated life of the power project, whether operated by itself or in conjunction with other power projects in the market area, and that operates or will operate on one or more of the following:

(A) renewable energy resources, including but not limited to hydroelectric power, wind, biomass, geothermal, tidal or solar energy, or a method that uses temperature differentials or other physical properties of the ocean;

(B) coal or peat;

(C) energy derived from waste heat; or

(D) fossil fuel, including oil or natural gas.

(c) Notwithstanding (b)(1) of this section and AS 44.83.396 — 44.83.398, the fund may be used by the authority to provide money for the cost of a power project that is or was either constructed or owned by the United States government if the requirements of this subsection are met. The provisions of AS 44.83.177 — 44.83.187 do not apply to a power project financed under this subsection. The authority may use money in the fund for the cost of a power project under this subsection if

(1) the legislature enacts a law approving the project;

(2) the office of management and budget in the Office of the Governor reviews a feasibility study and a plan of finance for the project and determines that the feasibility study complies with the requirements for a feasibility study submitted under AS 44.83.181(b) and that the plan of finance complies with the requirements for a plan of finance submitted under AS 44.83.181(c); and

(3) the project meets the other requirements of this chapter. (§ 1 ch 118 SLA 1981; am § 12 ch 133 SLA 1982; am § 28 ch 63 SLA 1983; am §§ 14, 15 ch 39 SLA 1983)

Revisor's notes. — Enacted as AS 44.83.420. Renumbered in 1981.

Effect of amendments. — The 1982 amendment added subsection (c).

The first 1983 amendment, substituted "office of management and budget" for "division of budget and management" in paragraph (c)(2).

The second 1983 amendment, rewrote paragraph (1) of subsection (b) and substituted "AS 44.83.396 — 44.83.398" for "AS 44.83.394 — 44.83.398" and "or was either constructed or owned" for "constructed and owned" in the first sentence of subsection (c).

Sec. 44.83.386. Investment of fund. The Department of Revenue shall invest the money in the fund in accordance with AS 37.10.070 and 37.10.075. The Department of Revenue shall provide money in the fund to the authority only after costs have been incurred or amounts in the fund have been otherwise obligated under contracts for the acquisition and construction of a project. Amounts that have been obligated, but for which costs have not yet been incurred, may be segregated by the Department of Revenue or transferred to the authority only with the prior approval or agreement of the commissioner of revenue. Interest received on money that is segregated or transferred under this section must be deposited in the general fund. (§ 1 ch 118 SLA 1981; am § 16 ch 89 SLA 1983)

Revisor's notes. — Enacted as AS 44.83.430. Renumbered in 1981.

Effect of amendments. — The 1983 amendment, substituted the language

beginning "costs have been incurred" for "a cost for a project is incurred" at the end of the second sentence and added the third and fourth sentences.

Sec. 44.83.388. Allotment to projects. (a) The authority shall maintain records of power project allocations from the fund for each power project

(1) approved in accordance with AS 44.83.185; and

(2) for which an allocation is made from an appropriation made by the legislature without specifying an appropriation to a project.

(b) Income earned from investment of money appropriated to the fund shall be deposited in the general fund and may be appropriated to the fund by the legislature. (§ 1 ch 118 SLA 1981)

Revisor's notes. — Enacted as AS 44.83.440. Renumbered in 1981.

Sec. 44.83.390. Reappropriation of fund balance. (a) If a power project designated by the legislature by law is not constructed, the amount appropriated to it may be reappropriated to other power projects by the legislature.

(b) The legislature may reappropriate money under (a) of this section only for a power project that is economically feasible under AS 44.83.191(b) and only if the project will serve the market area that would have been served by the power project designated by the legislature and not constructed. (§ 1 ch 118 SLA 1981)

§ 44.83.390

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§ 44.83.392

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§ 44.83.396

Revisor's notes. — Enacted as AS
44.83.450. Renumbered in 1981.

Sec. 44.83.392. Lapse of excess appropriations. If at the end of construction of a power project appropriations for the power project exceed the amount required for construction of it, the excess lapses into the general fund. (§ 1 ch 118 SLA 1981)

Revisor's notes. — Enacted as AS
44.83.460. Renumbered in 1981.

Sec. 44.83.394. Revenue requirements. [Repealed, § 27 ch 89 SLA 1983.]

Sec. 44.83.396. Operation of power project. (a) A power project that is acquired or constructed as part of the energy program for Alaska is owned, and shall be administered, by the authority.

(b) When a power project has been acquired or constructed by the authority, the project may be operated for the authority under a contract or lease entered into by a qualified utility and the authority.

(c) The authority shall enter into a contract or lease under reasonable terms and conditions to permit the applicant utility to operate the power project when the applicant utility is the only wholesale power customer to be served directly by the power project unless the authority determines a utility making application for a contract or lease to operate a power project is not a qualified utility or is not capable of operating that power project efficiently and in a manner that is consistent with national standards for the industry and with agreements with bondholders.

(d) The authority shall adopt regulations to determine the manner of selecting a qualified utility to operate a power project under a contract or lease when there is more than one wholesale power customer to be served directly by the power project.

(e) When the authority permits a power project to be operated by a qualified utility under a contract or lease, the authority shall

(1) review and approve the annual budget for the operation and maintenance of the power project; and

(2) assure that the project is being operated efficiently and in a manner that is consistent with national standards for the industry and agreements with bondholders. (§ 1 ch 118 SLA 1981; am §§ 17 — 19 ch 89 SLA 1983)

Revisor's notes. — Enacted as AS
44.83.480. Renumbered in 1981.

Effect of amendments. — The 1983 amendment, deleted "by the state" following "is owned" in subsection (a), inserted "a qualified utility or is not" near the end of subsection (c), added the lan-

guage beginning "efficiently and in a manner that is consistent" to the end of subsection (c), added "and" to the end of paragraph (1) of subsection (e), and added "and agreements with bondholders" to the end of paragraph (2) of subsection (e).

Sec. 44.83.398. Sale of power from power project. (a) The authority shall sell power produced from power project acquired or constructed under the energy program for Alaska. For purposes of this section, Lake Tyee, Swan Lake, Solomon Gulch, and Terror Lake hydroelectric facilities are considered to be one power project. This power project is referred to as the initial project

(b) The authority shall establish a wholesale power rate structure applicable to sales of power to the customers of a power project as follows:

(1) The authority shall establish and maintain a separate wholesale power rate applicable to each power project that it has acquired or constructed under the energy program for Alaska, other than a project described in (f) of this section. The wholesale power rate established by the authority for the initial project shall be a rate calculated under this paragraph except that the portion of the rate applicable to (A) and (C) of this paragraph shall be adjusted for the hydroelectric facilities in the initial project as set out in (3) of this subsection. The wholesale power rate shall be computed by the authority annually, or more frequently as may be necessary, and shall equal the rate that the authority estimates is necessary to produce revenue that is sufficient to pay

(A) operation, maintenance, and equipment replacement costs of the power project;

(B) the power project's proportionate share of the debt service on state loans and bonds for all power projects in the energy program for Alaska, determined in accordance with (g) of this section;

(C) safety inspections and investigations of the power project by the authority.

(2) *[Repealed, § 7 ch 169 SLA 1984.]*

(3) For the purposes of determining amounts to be allocated to each hydroelectric facility in the initial project under (1)(A) and (1)(C) of this subsection, the authority shall determine for each hydroelectric facility its individual operation, maintenance, equipment replacement, safety inspection, and investigation costs.

(c) The authority shall transmit all the money that it receives under (a) of this section to the commissioner of revenue for deposit in the state general fund except for money it has pledged or otherwise covenanted to secure bonds.

(d) *[Repealed, § 8 ch 169 SLA 1984.]*

(e) After determining the wholesale power rate for a power project under the provisions of this section, the authority may adjust the rate or change the rate provisions to insure that the revenue derived from that power project and the aggregate revenues of the authority will be adequate to comply with the rate covenants and other agreements contained in any trust indenture or trust agreement entered into by the authority for the security of the holders of bonds issued to finance power projects in the energy program for Alaska. The authority may agree with a purchaser of power to limit rate increases caused by debt service payable by the authority on subsequent projects.

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(f) The provisions of (b) of this section do not apply to an intertie that is authorized as a separate project under AS 44.83.380. The authority shall establish and maintain separate power rate schedules applicable to each intertie that it has acquired or constructed as a separate power project under the energy program for Alaska. The power rate schedules shall produce sufficient revenue from utilities connected by the intertie to pay (1) operation, maintenance, and equipment replacement costs of the intertie; (2) debt service of the intertie; and (3) safety inspections and investigations of the intertie by the authority. If the authority determines that an intertie has ceased to function as a separate project and has become a part of one or more other power projects and has become a part of one or more other power projects as a transmission line, the power rate schedules established under this subsection shall be terminated and a wholesale power rate applicable to the former intertie shall be calculated under (b) of this section for the project or projects of which it has become a part.

(g) For the purposes of (b)(1)(B) of this section, a power project's proportionate share of debt service on state loans and bonds for all power projects in the energy program for Alaska is equal to the state's investment in the power project divided by the state's investment in all power projects in the energy program for Alaska and multiplied by the debt service on state loans and bonds for all power projects in the energy program for Alaska. In this subsection

(1) "state's investment in the power project" includes all state money invested in a power project, including loans, grants, and proceeds from bonds, less the principal repayments on the project's proportionate share of debt service on state loans and bonds;

(2) "state's investment in all power projects in the energy program for Alaska" includes all state money invested in the power projects, other than interties, in the energy program for Alaska, including loans, grants, and proceeds from bonds, less the principal repayments on bonds and state loans issued for the power projects.

(h) Notwithstanding (g) of this section, in the 1983 state fiscal year the proportionate share of debt service under (b) of this section, expressed as a rate, for a power project for which a construction contract has been awarded before June 25, 1982 may not exceed the average debt service component of the wholesale power rate for all power projects in the energy program for Alaska. The limit imposed by this subsection shall be increased in the 1984 state fiscal year to four percent above the average debt service component of the wholesale power rate for all power projects in the energy program for Alaska and by an additional four percent above that average in each succeeding state fiscal year. If application of this subsection results in the production of insufficient revenue to pay the total debt service for all projects in the energy program for Alaska, a project that does not have its share of debt service limited under this subsection shall be subject to a rate

in addition to the rate established under (b) of this section. The additional rate is the rate that the authority estimates is necessary to produce revenue that is sufficient to pay the difference between the total debt service for all projects in the energy program for Alaska and the revenue actually produced to pay that debt service, multiplied by a fraction whose numerator is the total cost of the project and whose denominator is the total cost of all of the projects that are subject to the additional rate. In this subsection, "projects in the energy program for Alaska" does not include an intertie that is authorized as a separate project as described in (f) of this section:

(i) The authority may place in a separate interest bearing account money appropriated to the authority as a loan for the purpose of meeting the operating expenses of a facility in the initial project. The money may be used to replace amounts which were expected to be paid by a utility potentially served by a facility in the initial project, which has not entered into a power sales agreement with the authority. Repayment of the amount loaned must be made from revenues attributable to power sales from that facility, as limited by the terms of power sales agreements with power purchasers from that facility. A loan made in accordance with this subsection is not a state loan for purposes of calculating the wholesale power rate under (b)(1) of this section. (§ 1 ch 118 SLA 1981; am §§ 13 — 16 ch 133 SLA 1982; am §§ 20 — 23 ch 89 SLA 1983; am § 125 ch 6 SLA 1984; am §§ 2-8 ch 169 SLA 1984)

Revisor's notes. — Enacted as AS 44.83.490. Renumbered in 1981.

Effect of amendments. — The 1982 amendment, in subsection (b), substituted "a power project" for "the power project" in the introductory language, substituted "separate" for "single" and "each power project" for "all power projects" in the first sentence of paragraph (1), added "other than a project described in (f) of this section" to the end of the first sentence of paragraph (1), inserted "or more frequently as may be necessary" in the introductory language of the second sentence of paragraph (1), substituted "power project" for "power projects" in subparagraph (1)(A) and (C), added "the power project's proportionate share of the" to the beginning of subparagraph (1)(B), substituted the language beginning "on state loans and bonds" for "of the power projects" in subparagraph (1)(B), substituted "separate" for "single" and "each power project that is" for "all power projects that it has" in the first sentence of paragraph (2), inserted "or more frequently as may be necessary" in the introductory language of the second sen-

tence of paragraph (2), substituted "power project" for "power projects" in subparagraph (2)(A) and (2)(B)(iii), and substituted the present provisions of subparagraph (2)(B)(ii) for the former provisions, which read: "debt service of power projects by the authority; and." In subsection (c), the amendment substituted "under (a) of this section" for "under (b) of this section" and "money it has pledged to secure bonds in accordance with contracts with bondholders" for "the money it receives under (b)(1)(A) and (B) and (b)(2)(B)(i) and (ii), or the money it would have received under (b)(1)(A) and (B) and (b)(2)(B)(i) and (ii) of this section if those items had been used in part to establish the wholesale power rate in effect at the time the money is received by the authority." In subsection (e), the amendment substituted "a wholesale" for "the wholesale" and "or (f)" in the first sentence and added the second sentence. The amendment also added subsections (f) — (h).

The 1983 amendment, substituted "July 1, 1991" for "July 1, 1986" near the beginning of paragraph (2) of subsection (b), substituted "or otherwise covenanted

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to secure bonds" for "to secure bonds in
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rewrote subsection (e), and added the last
sentence of subsection (h).

The first 1984 amendment made a technical
change in the last sentence in subsection
(f).

The second 1984 amendment added sub-
section (i), repealed former paragraph (2)
of subsection (b), relating to a separate
wholesale power rate beginning July 1,
1991, and repealed former subsection (d),
relating to industrial consumer rates. The
1984 amendment also, in subsection (a),
deleted former paragraphs (1) and (2) and
the former last sentence in the

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introductory paragraph, relating to a utility
that purchases power produced by a
power project of the authority, and, in the
remaining language, added the last two
sentences; in subsection (b), substituted
"the customers" for "its customers at the
busbar" in the introductory language,
inserted the second sentence in the
introductory paragraph of paragraph (1),
and added paragraph (3); in subsection (e),
added the second sentence and substituted
"energy program" for "Energy Program"
in the first sentence; and changed the
internal reference in the first sentence in
the introductory paragraph of subsection
(g).

Sec. 44.83.400. Energy conservation. The authority shall ensure

(1) that communities that benefit from the energy program for
Alaska implement cost-effective energy conservation measures for
residences, commercial and public buildings, and industries; and

(2) that communities shall fulfill their responsibilities under (1) of
this section by cooperating with state agencies concerned with
development and conservation of energy, including but not limited to

(A) the Alaska Public Utilities Commission;

(B) the Department of Community and Regional Affairs; and

(C) the division of business loans, Department of Commerce and
Economic Development. (§ 1 ch 118 SLA 1981; am § 5 ch 79 SLA 1983)

Revisor's notes. — Enacted as AS
44.83.500. Renumbered in 1981.

Effect of amendments. — The 1983
amendment, substituted "Department of
Community and Regional Affairs" for

"division of energy and power
development, Department of Commerce
and Economic Development" in paragraph
(2)(B).

Sec. 44.83.410. Continuing appropriation for Susitna River
Hydroelectric project. [Repealed effective June 30, 1991] The sum
of \$100,000,000 is appropriated on July 1, 1984 and the sum of
\$200,000,000 is appropriated on July 1 of each subsequent fiscal year
from the general fund to the authority for deposit in the power
development fund (AS 44.83.382) for the purpose of equity investment
in, and rate stabilization for, the Susitna River hydroelectric project.
(§ 314 ch 171 SLA 1984; r § 317 ch 171 SLA 1984)

Postponed repeal. — This section is
repealed effective June 30, 1991.

Editor's notes. — Section 316, ch. 171,
SLA 1984, provides that the appropria-

tions made in §§ 313—315 and 319 of ch.
171, SLA 1984, which enacted this section,
are not one-year appropriations and do not
lapse under AS 37.25.010.

Sec. 44.83.420. Continuing appropriation for Bradley Lake
hydroelectric project. [Repealed effective June 30, 1988.] The sum

of \$50,000,000 is appropriated on July 1, of each fiscal year from the general fund to the authority for deposit in the power development fund (AS 44.83.382) for the purpose of equity investment in, and rate stabilization for, the Bradley Lake hydroelectric project. (§ 314 ch 171 SLA 1984; r § 318 ch 171 SLA 1984)

Postponed repeal. — This section is repealed effective June 30, 1988.

Editor's notes. — Section 316, ch. 171, SLA 1984, provides that the appropria-

tions made in §§ 313—315 and 319 of ch. 171, SLA 1984, which enacted this section, are not one-year appropriations and do not lapse under AS 37.25.010.

Sec. 44.83.425. Definitions. In AS 44.83.380 — 44.83.425,

(1) "bus bar" means the substation that serves as the delivery point from the generation and transmission system of the authority to the transmission and distribution system of the utility;

(2) "debt service" means the amounts covenanted with respect to, or pledged to pay, bonds under a trust agreement securing bonds;

(3) "fund" means the power development fund established by AS 44.83.382;

(4) "industrial consumer" means a customer of a utility which customer has a peak power demand in excess of 500 kilowatts and uses the power principally for

(A) manufacturing;

(B) pipeline transportation;

(C) the recovery or processing of minerals;

(D) the processing of timber, agricultural, or seafood products or their by-products; or

(E) the operation of facilities owned by the federal government;

(5) "qualified utility" means an electric utility that is certified by the Alaska Public Utilities Commission to serve all or part of a market area that is served or will be served by the power project, and that the authority determines is capable of operating and maintaining the power project. (§ 1 ch 118 SLA 1981; am § 24 ch 89 SLA 1983)

Revisor's notes. — Enacted as AS 44.83.510. Renumbered in 1981.

Effect of amendments. — The 1983

amendment, rewrote the definition of "debt service" in paragraph (2).

Chapter 85. Alaska Municipal Bond Bank Authority.

- Section
- 05. Legislative findings
- 10. Legislative policy
- 20. Municipal Bond Bank Authority
- 30. Membership and vacancies
- 40. Officers, quorum, and meetings
- 50. Bonding of members
- 60. Compensation and expenses

- Section:
- 70. Staff
- 80. Powers of bond bank authority
- 90. Limitations
- 95. Regulations
- 100. Annual report and audit
- 110. Annual budget
- 120. Care and custody of bonds

Article 9. Power Development Revolving Loan Fund.

Section	Section
600. Creation of fund	620. Loan terms
610. Powers and duties of department in administering the fund	630. Definitions

Sec. 44.33.600. Creation of fund. (a) There is established in the Department of Commerce and Economic Development the power development revolving loan fund to carry out the purpose of AS 44.33.600 — 44.33.630. The fund may be used for no other purpose.

(b) The fund consists of

- (1) appropriations to the fund by the legislature;
- (2) repayments of principal to the fund; and
- (3) income from investment of money in the fund and from loans made from the fund. (§ 1 ch 169 SLA 1984)

Sec. 44.33.610. Powers and duties of department in administering the fund. (a) The department may make a loan from the power development revolving loan fund to the Alaska Power Authority for the purpose of financing a power project acquired or constructed by the authority under the energy program for Alaska (AS 44.83.380 — 44.83.425). Repayment of a loan from the fund must be made with the proceeds from the sale of power from projects in the energy program for Alaska. Except as provided in AS 44.83.398(i), the payments required to be made by the authority on a loan from the fund constitute debt service for the purpose of calculating the wholesale power rate in AS 44.83.398(b)(1).

(b) After completion of a final plan of finance and approval of a project under AS 44.83.185(c), a loan may be made from the fund for

- (1) the cost or a portion of the cost of final design, acquisition, and construction of a power project;
- (2) defeasance or payment of bonds or notes of the authority issued for a power project;
- (3) the establishment of a reserve fund for renewals and replacements for the operation of a completed power project; and
- (4) any other project related expenses including those described in AS 44.83.398(i). (§ 1 ch 169 SLA 1984)

Sec. 44.33.620. Loan terms. (a) A loan from the fund must be repaid in accordance with the terms that the department determines to be appropriate. In establishing the terms, including provision for a return to the state of an amount in excess of the principal amount of the loan, the department shall consider the revenue that the authority could reasonably derive from the sale of power from the projects based upon

- (1) the market rate of interest for a loan of comparable size and duration at the time the loan is made; and

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(2) the estimated costs of alternative sources of energy generation for utilities purchasing power from a project financed with a loan from the fund.

(b) The department may agree with the authority to defer repayment of a loan. However, the loan must be repaid in full during the period of the loan agreement.

(c) A loan to the authority from the fund may not exceed 50 years. (§ 1 ch 169 SLA 1984)

Sec. 44.33.630. Definitions. In AS 44.33.600 — 44.33.630

(1) "authority" means the Alaska Power Authority;

(2) "department" means the Department of Commerce and Economic Development;

(3) "fund" means the power development revolving loan fund;

(4) "power project" means a project acquired or constructed under the energy program for Alaska, AS 44.83.380 — 44.83.425. (§ 1 ch 169 SLA 1984)

Chapter 35. Department of Military and Veterans' Affairs.

Section

10. Adjutant general
20. Duties of department

Section

30. Construction of memorials to Alaskan veterans ;

Sec. 44.35.010. Adjutant general. The principal executive officer of the Department of Military and Veterans' Affairs is the adjutant general. (§ 15 ch 64 SLA 1959; am E.O. No. 58, § 20 (1984))

Effect of amendments. — The 1984 amendment inserted "and Veterans".
Collateral references. — 53 Am. Jur.

2d, Military, and Civil Defense, § 4.30, 33, 37.
57 C.J.S., Militia, § 11.

Sec. 44.35.020. Duties of department. The Department of Military and Veterans' Affairs shall

(1) conduct the military affairs of the state as prescribed by the Military Code; and

(2) cooperate with the federal government in matters of mutual concern pertaining to the welfare of Alaskan veterans, including establishing, extending, or strengthening services for veterans in Alaska. (§ 15 ch 64 SLA 1959; am E.O. No. 58, § 21 (1984))

Effect of amendments. — The 1984 amendment rewrote and restructured this section, which formerly read "The Department of Military Affairs shall conduct the military affairs of the state as prescribed

by the Military Code."

Editor's notes. — For the Military Code of Alaska, see AS 26.05.

Collateral references. — 53 Am. Jur. 2d, Military, and Civil Defense, § 1 et seq.

Introduced: 2/20/85
Referred: House Special Committee
on State Loans, Resources and
Finance

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the applicability of the Alaska
7 Public Utilities Commission Act to certain electric
8 utilities; power development loans; and the energy
9 program for Alaska."

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

11 * Section 1. AS 42.05.711(b) is amended to read:

12 (b) Public utilities owned and operated by a political subdivi-
13 sion of the state and regional electric authorities established as an
14 instrumentality of two or more public utilities owned and operated by
15 a political subdivision of the state, none of whose utilities is in
16 competition with any other utility, are exempt from the provisions of
17 this chapter, other than the provisions of AS 42.05.221 - 42.05.281,
18 unless the owner and operator elects to be subject to all provisions
19 of this chapter.

20 * Sec. 2. AS 44.33.620(a) is amended to read:

21 (a) Except as provided in (d) of this section, a [A] loan from
22 the fund must be repaid in accordance with the terms that the depart-
23 ment determines to be appropriate. In establishing the terms, includ-
24 ing provision for a return to the state of an amount in excess of the
25 principal amount of the loan, the department shall consider the reve-
26 nue that the authority could reasonably derive from the sale of power
27 from the projects based upon

28 (1) the market rate of interest for a loan of comparable
29 size and duration at the time the loan is made; and

1 (2) the estimated costs of alternative sources of energy
2 generation for utilities purchasing power from a project financed with
3 a loan from the fund.

4 * Sec. 3. AS 44.33.620 is amended by adding a new subsection to read:

5 (d) A loan from the fund to finance the initial project, as
6 described in AS 44.83.398(a), shall be subject to the following terms:

7 (1) the loan must be amortized based on an annual interest
8 rate not to exceed four percent, a term not to exceed 50 years, and a
9 40-year amortization period;

10 (2) the annual debt service payment per kilowatt hour for
11 energy purchased by utilities from the initial project equals the
12 total annual payment needed to amortize the loan on the terms set out
13 in (1) of this subsection divided by the long-term average annual
14 kilowatt hour capability of the initial project;

15 (3) repayment may be adjusted so that the debt service
16 payment per kilowatt hour, as determined under (2) of this subsection,
17 increases gradually over the first five years of the loan and remains
18 fixed over the next 35 years; and

19 (4) deferred principal shall be repaid with interest in
20 equal annual installments during the last 10 years of the loan.

21 * Sec. 4. AS 44.83.425(5) is amended to read:

22 (5) "qualified utility" means an electric utility or a
23 regional electric authority established as an instrumentality of two
24 or more electric utilities [THAT IS] certified by the Alaska Public
25 Utilities Commission to serve all or part of a market area that is
26 served or will be served by the power project, [AND] that the author-
27 ity determines is capable of operating and maintaining the power
28 project.

Introduced: 2/22/85
Referred: Transportation
and Finance

1 IN THE HOUSE

BY HERRMANN

2

HOUSE BILL NO. 223

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to designation of the Dillingham to

7

Aleknagik road."

8

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

9

* Section 1. PURPOSE. The Wood-Tikchik State Park comprises fully
10 one-half of the Alaska State Park system. The area is unique in its sharp
11 contrasts from the steep mountains rising from the 11 deep parallel lakes,
12 to the forested beaches, islands, and expansive marshes. The park is
13 becoming increasingly popular to local residents and a rapidly growing
14 tourist industry. Both subsistence and recreational users depend upon the
15 access provided by the Dillingham to Aleknagik road. It is therefore the
16 intent of the legislature to designate the Dillingham to Aleknagik road as
17 the Gateway to the Wood-Tikchik State Park.

18

* Sec. 2. AS 35.40 is amended by adding a new section to read:

19

Sec. 35.40.025. DILLINGHAM TO ALEKNAGIK ROAD. The road from

20

Dillingham to Aleknagik is designated the Gateway to the Wood-Tikchik

21

State Park.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 223
 Title: Designation of the Dillingham
to Aleknagik Road
 Sponsor: Herrmann
 Requestor: House Transportation
 Date of Request: 3-19-85

FISCAL DETAIL

Agency Affected: DOT&PF
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

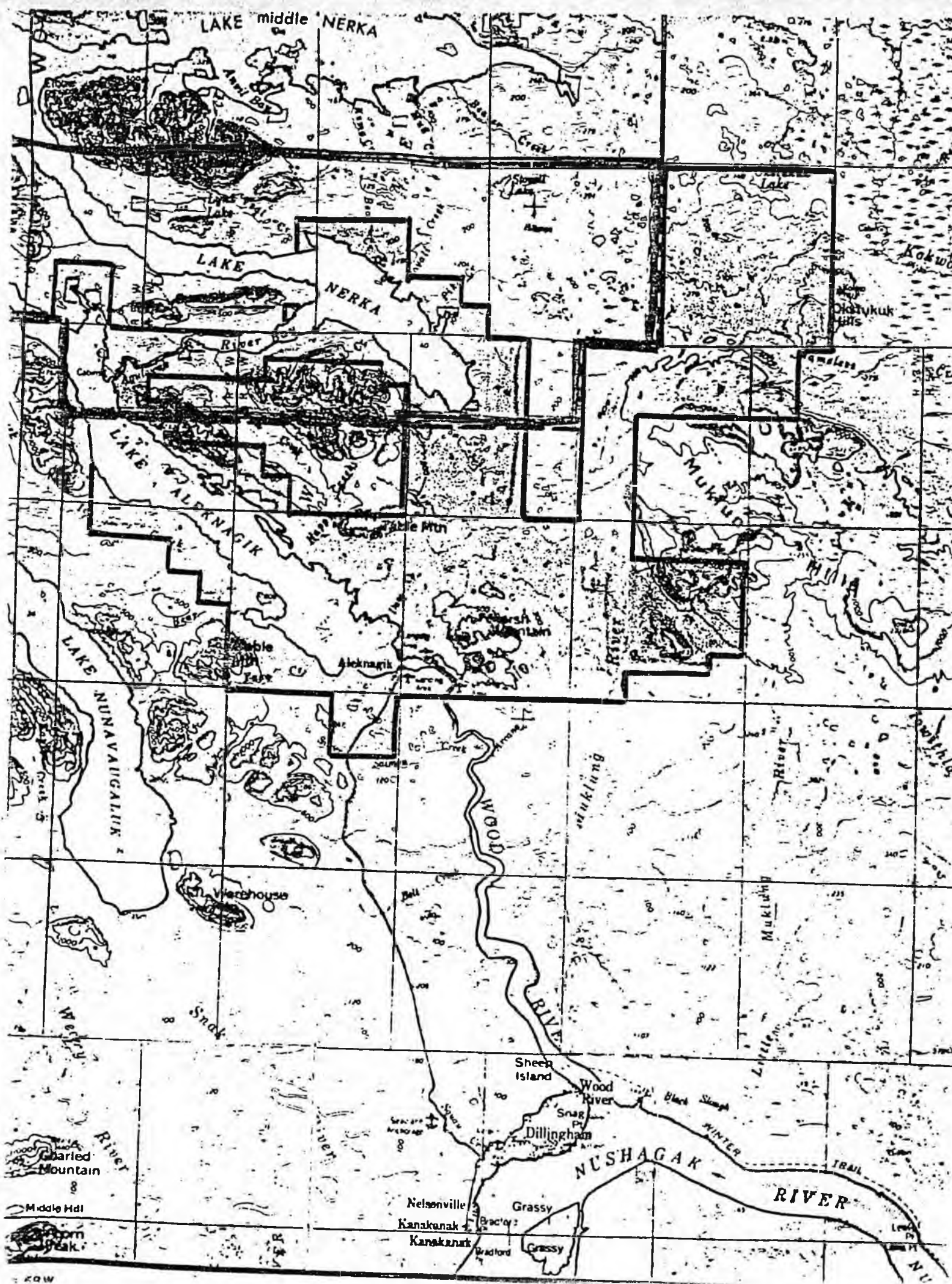
HB 223 has no impact on the Department of Transportation
and Public Facilities.

Prepared By: William R. Snell (signed) Phone: 266-1462
 Division: Central Region Planning Date: 3-19-85
 Approved by Commissioner: *Richard...* Date: 3-19-85
 Agency: DOT&PF

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84



BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF PARKS AND OUTDOOR RECREATION

225A CORDOVA STREET
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-2653

MAILING ADDRESS:
POUCH 7001
ANCHORAGE, ALASKA 99510

March 19, 1985

The Honorable Bette Cato
Chair, House Transportation Committee
Alaska House of Representatives
Pouch V (MS 3100)
Juneau, AK 99811

Dear Representative Cato:

The creation of the Wood-Tikchik State Park in 1978 was a significant step to protect the waters in which one-third of the Bristol Bay Sockeye Salmon spawn, an area of unique and outstanding scenic grandeur and to enhance our state's important tourism industry. At 1.5 million acres, this state recreation unit comprises one-half of the acreage of the entire state park system. It is the largest state park in America, and was popularly received by local residents.

House Bill 223 by Representative Herrmann is a fine bill, which I wholly support. The road between Dillingham and Aleknagik receives increasing recreation and subsistence user traffic to gain access to this outstanding park. To name the road "Gateway to Wood-Tikchik State Park" is a proper and appropriate action and I hope the House Transportation Committee supports the passage of Representative Herrmann's bill.

Sincerely,



Neil C. Johannsen
Director

cc: Members, House Transportation Committee
The Honorable Esther C. Wunnicke

MAR 19 1985

CITY OF ALEKNAGIK
P.O. Box 88
ALEKNAGIK, ALASKA 99556
(907) 842-5953

March 18, 1985

Representative Adelheid Herrmann
House of Representatives
District 26
Fouch V
Juneau, AK 99811

Dear Representative Herrmann:

At the most recent City Council meeting, consideration was given to your proposed Bill to designate the road between Dillingham and Aleknagik, the gateway to Wood-Tikchik State Park.

The City Council supports this proposal, especially in light of the increased use this road is experiencing. As you know, the road provides a vital link between the regions largest City (Dillingham), and the Park.

Sincerely,

CITY OF ALEKNAGIK

Helen M. Chythlook

Helen M. Chythlook
City Administrator

cc: City Mayor
City Council



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: HB 223

APPROVED: R. J. Knapp
Commissioner

TITLE: Designation of the Dillingham
to Aleknagik Road

DATE: March 19, 1985

The Department of Transportation and Public Facilities takes no position on this bill except to encourage coordination with local governments to ensure acceptance of this designation.

For further information call Susan Fleischhauer at 465-3900.

COMMITTEE REPORT
SENATE

FURTHER:

4/25/85

Date 5/1/85

Mr. President

The Committee on FINANCE considered CSHB 219(Fin) applicability of the Alaska Public Utilities Commission Act to certain electric utilities; power development loans; and the energy program for Alaska.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt 5 CS for CS 113-219 (Finance)
- new title
- same title and recommends amendment to the bill
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]

[Signature]

Carl Foster Mc...

Chairman

Chairman recommendation

Offered: 4/14/85
Referred: Rules

Original sponsor: House Special Committee
on State Loans

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

515401
CS FOR HOUSE BILL NO. 219 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the applicability of the Alaska
Public Utilities Commission Act to certain electric
utilities; power development loans; and the energy
program for Alaska."

7

8

9

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

11 * Section 1. AS 42.05.711(b) is amended to read:

12

13

14

15

16

17

18

19

(b) Public utilities owned and operated by a political subdivi-
sion of the state and electric operating entities established as an
instrumentality of two or more public utilities owned and operated by
a political subdivision of the state, none of whose utilities is in
competition with any other utility, are exempt from the provisions of
this chapter, other than the provisions of AS 42.05.221 - 42.05.281,
unless the owner and operator elects to be subject to all provisions
of this chapter.

20

* Sec. 2. AS 44.33.620(a) is amended to read:

21

22

23

24

25

26

(a) A loan from the fund shall [MUST] be repaid in accordance
with the terms that the department determines to be appropriate. In
establishing the terms, including provision for a return to the state
of an amount in excess of the principal amount of the loan, the de-
partment shall consider the revenue that the authority could reason-
ably derive from the sale of power from the projects based upon

27

28

29

(1) [THE MARKET RATE OF INTEREST FOR A LOAN OF COMPARABLE
SIZE AND DURATION AT THE TIME THE LOAN IS MADE; AND

(2)] the [ESTIMATED] costs, at the time the power sales

1 agreement is initially negotiated or renegotiated, of alternative
2 sources of energy generation for utilities purchasing power from a
3 project financed with a loan from the fund;

4 (2) the effect of the loan terms on the wholesale power
5 costs to all utilities purchasing power from the initial project;

6 (3) the long-term benefits to consumers and communities of
7 stable wholesale power costs;

8 (4) the affordability of initial wholesale power costs that
9 result from the loan terms with utilities purchasing power from the
10 initial project;

11 (5) increasing repayment, not to exceed five years, of debt
12 service payment per kilowatt hour gradually over the initial period of
13 a loan repayment schedule to the extent necessary to avoid significant
14 rate increases to the consumer;

15 (6) the existing excess capacity of power projects; and

16 (7) the effects of increased capacity utilization, infla-
17 tion, and alternative energy production costs over the life of the
18 initial project.

19 * Sec. 3. AS 44.33.620 is amended by adding a new subsection to read:

20 (d) In (a) of this section "initial project" means the project
21 described in AS 44.83.398(a).

22 * Sec. 4. AS 44.33 is amended by adding a new section to read:

23 Sec. 44.33.625. RATE REOPENERS. A power sales agreement for the
24 sale of power from the initial project, as described in AS 44.83.-
25 398(a), financed with a loan under AS 44.33.610 may include among its
26 provisions an agreed schedule of wholesale power rates notwithstanding
27 the provisions of AS 44.83.398, but must include a provision for a
28 rate reopener. *at least every 15 years.*

29 * Sec. 5. AS 44.83.425(5) is amended to read:

1 (5) "qualified utility" means an electric utility or an
2 electric operating entity established as an instrumentality of two or
3 more electric utilities [THAT IS] certified by the Alaska Public
4 Utilities Commission to serve all or part of a market area that is
5 served or will be served by the power project, [AND] that the author-
6 ity determines is capable of operating and maintaining the power
7 project.

May 11, 1985

The Honorable Jan Faiks, Chair
Senate Finance Committee
Pouch V
Juneau, Alaska 99811

Dear Madam Chair:

My name is Jim Franzel. I am a member of the Petersburg City Council and it is my signature that appears on the Four Dam Pool/APA memorandum of understanding, dated May 8, 1985. I would like to briefly comment on several items, mostly related to the M.O.U., for the record.

(1) I believe that Petersburg would have preferred not to have a rate reopener, but if we must have one, we will be negotiating for some tight limitations.

(2) The mention of Bradley Lake in the M.O.U. has been difficult to assess in the limited time we have had to work with it. Comparing the APA forecast loads and projected project construction costs for Bradley Lake versus the Four Dam Pool projects, it looks like the Four Dam Pool will have higher electric rates. I want to emphasize that, since Bradley Lake has not been constructed, it is my understanding that if there are construction cost overruns (as there were with Tyee,) the Petersburg rate payers will not eventually be penalized for something that isn't their fault.

(3) If HB 219 becomes law, the Four Dam Pool communities will have among the most expensive residential electrical rates in Alaska at present. I think this will be a concern to the voters of Petersburg.

(4) The Petersburg City Council intends to put the negotiated contract to a vote of the people.

I would like to express that I feel we have made significant progress with the M.O.U. agreement. However, we still have a long way to go.

I pledge that I will support the M.O.U. to my governing body.

Finally, I think that it is to everyone's advantage to settle this issue. Thank You.

Sincerely,



Jim Franzel
Petersburg City Council

Alaska State Legislature



House of Representatives

REPRESENTATIVE
JOHN L. SUND

Box 8440
KETCHIKAN, ALASKA 99901
(907) 225-5552

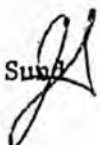
WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4919

CHAIR, HOUSE SPECIAL COMMITTEE ON LOANS
VICE-CHAIR, JUDICIARY COMMITTEE
MEMBER, SPECIAL COMMITTEE ON OIL AND GAS
MEMBER, RESOURCES COMMITTEE

5/10/85

MEMORANDUM

TO: Sen. Jan Faiks, Co-Chair
Sen. John Sackett, Co-Chair
Senate Finance Committee
Sen Dick Eliason
Sen. Frank Ferguson
Sen. Paul Fischer
Sen. Rick Halford
Sen. Jay Kerttula

FROM: Rep. John Sund 

RE: HB 219 "An act relating to the applicability of the Alaska
Public Utilities Commission Act to certain electric utilities;
power development loans; and the energy program for Alaska."

Attached please find a package of backup information on HB 219, the
four-dam-pool bill. Please let me know if there is any further
information I can provide you.

The package contains:

- The Finance Committee Substitute for the bill
- A Memorandum of Understanding dated May 8, 1985
- Schedule of debt service charges for the project
- Schedule of retail electric rates
- Memo to Senate Resources with sectional analysis HB 219
- Spreadsheet of debt repayment

Offered: 4/14/85
Referred: Rules

Original sponsor: House Special Committee
on State Loans

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 219 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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23 establishing the terms, including provision for a return to the state
24 of an amount in excess of the principal amount of the loan, the de-
25 partment shall consider the revenue that the authority could reason-
26 ably derive from the sale of power from the projects based upon

27 (1) [THE MARKET RATE OF INTEREST FOR A LOAN OF COMPARABLE
28 SIZE AND DURATION AT THE TIME THE LOAN IS MADE; AND

29 (2)] the [ESTIMATED] costs, at the time the power sales

1 agreement is initially negotiated or renegotiated, of alternative
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4 (2) the effect of the loan terms on the wholesale power
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4 Utilities Commission to serve all or part of a market area that is
5 served or will be served by the power project, [AND] that the author-
6 ity determines is capable of operating and maintaining the power
7 project.

MEMORANDUM OF UNDERSTANDING

Between the Alaska Power Authority
and
Representatives of the Four Dam Pool Communities.
governing
Power Sales Contracts for the Four Dam Pool

Representatives of the APA and the Four Dam Pool utilities (Ketchikan, Kodiak, Copper Valley, Wrangell, and Petersburg) have reached agreement in principle on the terms and conditions of a power sales contract for the sale of power from the Solomon Gulch, Swan Lake, Lake Tyee, and Terror Lake hydroelectric projects (the "Initial Project"). Although the specific details of such a contract must still be resolved and drafted, the undersigned representatives hereby agree to recommend to their governing bodies the approval of power sales contracts embodying, among other things, the principles set forth in this Memorandum.

1. The Alaska Power Authority ("APA") and the purchasing utilities of the Four-Dam Pool communities ("Purchasing Utilities") agree to enter into a power sales agreement that will run for 50 years, subject to periodic renegotiations and other conditions set forth below.
2. At the end of the contract period, there will be no debt service component of the wholesale rate charged by the APA for power from the four projects. Debt service payments that may be required to pay for additions and expansions of the four projects that are made subsequent to the execution of these agreements will be governed by future agreements.
3. The Purchasing Utilities agree to pay a wholesale rate for energy purchased from the APA that is generated by the four projects that has a debt service component, and a component relevant to all other annual costs.
4. The annual costs exclusive of the debt service component shall include costs of on-site operations and maintenance, safety inspections and investigations, insurance, project-specific administrative and general expenses, and renewals and replacements.
5. Annual costs referred to in Section 4 will be based on prudent utility practice, and will be subject to mutual agreement arrived at through an annual process that establishes an operating budget for the coming year. An O&M

oversight committee composed of all parties to the agreement will be established. In the event disputes over these annual costs cannot be resolved by the parties, the matter will be referred to arbitration by a certified engineer mutually agreeable to the parties.

6. All annual costs referred to in Section 4 will be pooled and divided by the total annual sales from the four projects, so that all Purchasing Utilities pay the same annual cost component of the wholesale rate.
7. The debt service component of the wholesale rate has two elements: an element paid for energy shown in Schedule A as "forecast sales," and an element paid for energy in addition to the "forecast sales," which is referred to as "additional sales."
8. The "additional sales" debt service element in Schedule A will be charged only after the total annual sales from all four projects exceed the "forecast sales" for that year; that is, the distinction between "forecast sales" and "additional sales" applies to the entire four dam system (as configured at the time this agreement is executed).
9. The purchasing utilities will schedule the energy produced by the projects into their load ahead of energy from other sources, except from existing hydroelectric projects.
10. Upon the initiation of either party, the debt service rates shown in Schedule A may be renegotiated after 15 years. The contract shall require reasonable notice of intent to renegotiate rates, and the contract may direct the parties to consider certain factors and conditions in establishing a new rate schedule.
11. The parties to this agreement do not expect that the composite wholesale rate that results from this agreement will be less than the composite wholesale rate charged by the APA for energy produced from the Bradley Lake hydroelectric project.
12. The APA shall bear the risk of uninsured project failures, substandard project performance, and failure of any Purchasing Utility to make payments required by the contract.

DATED May 8, 1985

ALASKA POWER AUTHORITY

By: Robert D. Vent

CITY OF KETCHIKAN

By: Charles E. Fournier

COPPER VALLEY ELECTRIC ASSOCIATION

By: Andrew E. Hoze

KODIAK ELECTRIC ASSOCIATION

By: William E. Shepherd

CITY OF WRANGELL

By: James R. [unclear]

CITY OF PETERSBURG

By: John Samuel

SCHEDULE A

<u>YEAR</u>	<u>FORECAST SALES (MWH)</u>	<u>DEBT SERVICE RATE FOR FORECAST SALES (CENTS/KWH)</u>	<u>DEBT SERVICE RATE FOR ADDITIONAL SALES (CENTS/KWH)</u>
1986	181,496	2.6	1.6
1987	191,437	2.8	1.8
1988	199,181	3.2	2.2
1989	206,042	3.5	2.5
1990	212,994	4.0	3.0
1991	219,067	4.0	3.0
1992	226,907	4.0	3.0
1993	236,183	4.0	3.0
1994	245,893	4.0	3.0
1995	255,439	4.0	3.0
1996	260,533	4.0	3.0
1997	265,897	4.0	3.0
1998	271,482	4.0	3.0
1999	277,343	4.0	3.0
2000	283,488	4.0	3.0
2001	288,220	4.0	3.0
2002	290,043	4.0	3.0
2003	291,926	4.0	3.0
2004	293,889	4.0	3.0
2005	295,935	4.0	3.0
2006	298,067	4.0	3.0
2007	300,290	4.0	3.0
2008	302,608	4.0	3.0
2009	305,023	4.0	3.0
2010	307,541	4.0	3.0
2011	310,165	4.0	3.0
2012	312,901	4.0	3.0
2013	315,753	4.0	3.0
2014	318,725	4.0	3.0
2015	321,824	4.0	3.0
2016	325,053	4.0	3.0
2017	328,420	4.0	3.0
2018	331,929	4.0	3.0
2019	335,587	4.0	3.0
2020	339,400	4.0	3.0
2021	343,375	4.0	3.0
2022	347,518	4.0	3.0
2023	351,836	4.0	3.0
2024	356,338	4.0	3.0
2025	361,030	4.0	3.0
2026	365,921	4.0	3.0
2027	371,019	4.0	3.0

TMP57

<u>YEAR</u>	<u>FORECAST SALES (MWH)</u>	<u>DEBT SERVICE RATE FOR FORECAST SALES (¢1 KWH)</u>	<u>DEBT SERVICE RATE FOR ADDITIONAL SALES (¢1 KWH)</u>
2028	376,334	4.0	3.0
2029	378,607	4.0	3.0
2030	378,607	4.0	3.0
2031	378,607	4.0	3.0
2032	378,607	4.0	3.0
2033	378,607	4.0	3.0
2034	378,607	4.0	3.0
2035	378,607	4.0	3.0
2036	378,607	4.0	3.0
2037	378,607	4.0	3.0

RETAIL RATES
(cents per kwh)

<u>Community</u>	<u>@ 200 kwh/month</u>	<u>@ 500 kwh/month</u>	<u>@ 700 kwh/month</u>
Copper Valley			
-Glenallen	23.5	20.1	18.8
-Valdez	21.3	16.0	14.7
Kodiak	19.0	18.1	17.5
Wrangell	19.1	16.3	15.7
Petersburg	13.9	11.7	11.2
Ketchikan	14.3	10.8	10.2

COMPONENTS OF THE RATES
(cents per kwh)

<u>Community</u>	<u>APA O&M</u>	<u>APA Debt Service</u>	<u>Other^{*/}</u>	<u>Total (@ 700 kwh/month)</u>
Copper Valley				
-Glenallen	2.76	2.64	13.4	18.8
-Valdez	2.76	2.64	9.3	14.7
Kodiak	2.00	2.64	12.86	17.5
Wrangell	4.59	2.64	8.47	15.7
Petersburg	4.59	2.64	3.97	11.2
Ketchikan	2.26	2.64	5.3	10.2

^{*/} "Other" includes distribution, administrative and general, reserve generation, and other generation (other hydro as well as diesel in the case of Ketchikan and Petersburg.)

Alaska State Legislature



House of Representatives

REPRESENTATIVE
JOHN L. SUND

Box 6440
KETCHIKAN, ALASKA 99901
(907) 225-5552

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4819

CHAIR, HOUSE SPECIAL COMMITTEE ON LOANS
VICE-CHAIR, JUDICIARY COMMITTEE
MEMBER, SPECIAL COMMITTEE ON OIL AND GAS
MEMBER, RESOURCES COMMITTEE

4/22/85

MEMORANDUM

TO: Sen. Arliss Sturgulewski, Chair,
Senate Resources Committee

FROM: Rep. John Sund *JS*

RE: HB 219 "An act relating to the applicability of the Alaska Public Utilities Commission Act to certain electric utilities; power development loans; and the energy program for Alaska."

The purpose of this bill is to resolve the problems holding up four-dam-pool power sales agreements and to provide for payback of the \$196 million appropriation made last year to complete the hydroelectric projects. The Alaska Power Authority and the six communities served by the four dams have been negotiating power sales agreements for 2½ years without success. The goal is a long-term power sales agreement that provides affordable electricity for the communities and a maximum return on the state's investment.

\$210 million was appropriated last year; \$196 million has been spent to complete the dams and pay off short-term construction financing issued by the APA. This appropriation was structured as a loan from the Department of Commerce and Economic Development to the APA to be paid off through power sales from the project. AS 44.33.620 sets terms for the loan.

As in existing law, the Finance Committee Substitute does not set in law exact terms for the loan, nor does it set power rates. These are left open for further negotiation. The bill provides specific guidelines for resolving the issue under a plan developed by Gordon Harrison of the APA board.

The APA and the six communities report recent significant progress in power sales agreement negotiations; the plan they are now working with requires the passage of CSHB 219 (Fin). Action is required this session to permit sales agreements which will capture additional loads for the under-utilized hydroelectric capacity.

The bill is supported by both the APA and the four-dam-pool communities. Bob Heath, Executive Director of the APA and representatives of the communities are expected to testify before the Resources Committee.

Sectional analysis:

Section 1:

Sections 1 and 5, propose a change in law to allow two communities to get together for joint operation of a dam. The main purpose is to allow the Thomas Bay Power Authority to operate the Tyee Dam. Tyee serves two communities (Wrangell and Petersburg); Current law requires one or the other to operate the dam. This section corrects that by adding "electric operating entities established as an instrumentality of two or more public utilities owned and operated by a political subdivision of the state" to the APUC statutes. Like the communities, the 'joint operating entity' would not be subject to APUC regulation.

Section 2:

This section amends the loan terms for the Power Development Revolving Loan Fund (AS 44.33.620). This fund was created last session and the statutory loan terms give little direction to the APA. The added language sets clear guidelines for the agencies to work with. Deleted is the requirement that the loan terms be set considering market rates of interest.

Section 3 adds a definition: "initial project" means the four dams.

Section 4 adds a provision for power sales contract rate reopeners. This protects the state in times of inflation when the power sales rate could not provide sufficient loan repayment in real terms and protects the communities should the price of alternate power generation drop significantly. An important provision is added allowing an agreed schedule of wholesale power rates to be included in the contracts. This allows a contract to be reached through negotiation which will provide for certainty in power rates as needed by utility planners. This also will provide for a greater return to the state in debt service from the project.

Section 5 adds joint operating entities to the definition of "qualified utilities" which may purchase power from the APA. (See explanation of Section 1)

EXHIBIT A: WHOLESALe POWER RATE SCHEDULE
 Alaska Power Authority--Four Dam Pool
 Memorandum of Understanding

YEAR	SCHEDULED DEBT SERVICE (CENTS/KWH)	ESTIMATED O & M COST (CENTS/KWH)	PROJECTED WHOLESALE POWER RATE (CENTS/KWH)
--A--	----B----	----C----	----D----
1986	2.60	2.72	5.32
1987	2.80	2.72	5.52
1988	3.20	2.76	5.96
1989	3.50	2.81	6.31
1990	4.00	2.87	6.87
1991	4.00	2.94	6.94
1992	4.00	3.00	7.00
1993	4.00	3.04	7.04
1994	4.00	3.08	7.08
1995	4.00	3.13	7.13
1996	4.00	3.24	7.24
1997	4.00	3.36	7.36
1998	4.00	3.47	7.47
1999	4.00	3.59	7.59
2000	4.00	3.72	7.72
2001	4.00	3.86	7.86
2002	4.00	4.00	8.06
2003	4.00	4.27	8.27
2004	4.00	4.48	8.48
2005	4.00	4.71	8.71
2006	4.00	4.94	8.94
2007	4.00	5.19	9.19
2008	4.00	5.45	9.45
2009	4.00	5.72	9.72
2010	4.00	6.01	10.01
2011	4.00	6.30	10.30
2012	4.00	6.61	10.61
2013	4.00	6.94	10.94
2014	4.00	7.28	11.28
2015	4.00	7.63	11.63
2016	4.00	8.00	12.00
2017	4.00	8.38	12.38
2018	4.00	8.78	12.78
2019	4.00	9.20	13.20
2020	4.00	9.63	13.63
2021	4.00	10.08	14.08
2022	4.00	10.55	14.55
2023	4.00	11.04	15.04
2024	4.00	11.54	15.54
2025	4.00	12.07	16.07
2026	4.00	12.61	16.61
2027	4.00	13.18	17.18
2028	4.00	13.76	17.76
2029	4.00	14.50	18.50
2030	4.00	15.36	19.36
2031	4.00	16.27	20.27
2032	4.00	17.24	21.24
2033	4.00	18.27	22.27
2034	4.00	19.35	23.35
2035	4.00	20.51	24.51

Notes:

1. O & M based on forecast loads without Additional Sales.
2. O & M includes \$500,000 per year capital cost for Renewals and Replacements.
3. O & M inflation assumed to be 6% per year.
4. Additional Sales to be charged for Debt Service at 1 Cent/kwh less than Scheduled Debt Service.

Case Number 2
 Loan Principal (\$=000's) \$196,000
 O&M Cost Inflation Rate 6.00%

EXHIBIT B: PROJECTED OPERATING RESULTS AND RATES OF RETURN
 Alaska Power Authority--Four Dam Pool
 Memorandum of Understanding

Average Rate of Return:
 Without Additional Sales 5.47%
 With Additional Sales 6.10%

YEAR	PROJECTED			OPERATIONS & MAINTENANCE						
	SCHEDULED DEBT SVC. (CENTS/KWH)	O & M COST (CENTS/KWH)	WHL. POWER RATE (CENTS/KWH)	SALES (MWH)	GROSS REVENUES (\$=000's)	NET REVENUES (\$=000's)	ADMIN (\$=000's)	ON-SITE (\$=000's)	R & R (\$=000's)	TOTAL O & M (\$=000's)
A	B	C	D	E	F	G	H	I	J	K
1986	2.60	2.72	5.32	181,496	9,658	5,219	863	3,576	500	4,939
1987	2.80	2.72	5.52	191,437	10,566	5,860	915	3,791	500	5,205
1988	3.20	2.76	5.96	199,181	11,861	6,874	970	4,018	500	5,488
1989	3.50	2.81	6.31	206,042	12,998	7,711	1,028	4,259	500	5,787
1990	4.00	2.87	6.87	212,994	14,624	9,020	1,090	4,515	500	6,104
1991	4.00	2.94	6.94	219,067	15,203	9,263	1,155	4,785	500	6,440
1992	4.00	3.00	7.00	226,907	15,873	9,576	1,224	5,073	500	6,797
1993	4.00	3.04	7.04	236,183	16,622	9,947	1,298	5,377	500	7,175
1994	4.00	3.08	7.08	245,893	17,411	10,336	1,375	5,700	500	7,575
1995	4.00	3.13	7.13	255,439	18,217	10,718	1,458	6,042	500	8,000
1996	4.00	3.24	7.24	260,533	18,871	10,921	1,546	6,404	500	8,450
1997	4.00	3.36	7.36	265,897	19,562	11,136	1,638	6,788	500	8,927
1998	4.00	3.47	7.47	271,482	20,291	11,359	1,737	7,196	500	9,432
1999	4.00	3.59	7.59	277,343	21,062	11,594	1,841	7,627	500	9,968
2000	4.00	3.72	7.72	283,488	21,876	11,840	1,951	8,085	500	10,536
2001	4.00	3.86	7.86	288,220	22,667	12,029	2,068	8,570	500	11,138
2002	4.00	4.06	8.06	290,043	23,378	12,102	2,192	9,084	500	11,777
2003	4.00	4.27	8.27	291,926	24,130	12,177	2,324	9,629	500	12,453
2004	4.00	4.48	8.48	293,889	24,926	12,256	2,463	10,207	500	13,170
2005	4.00	4.71	8.71	295,935	25,768	12,337	2,611	10,820	500	13,931
2006	4.00	4.94	8.94	298,067	26,659	12,423	2,768	11,469	500	14,736
2007	4.00	5.19	9.19	300,290	27,602	12,512	2,934	12,157	500	15,591
2008	4.00	5.45	9.45	302,608	28,600	12,604	3,110	12,886	500	16,496
2009	4.00	5.72	9.72	305,023	29,657	12,701	3,296	13,659	500	17,456
2010	4.00	6.01	10.01	307,541	30,775	12,802	3,494	14,479	500	18,473
2011	4.00	6.30	10.30	310,165	31,958	12,907	3,704	15,348	500	19,552
2012	4.00	6.61	10.61	312,901	33,211	13,016	3,926	16,269	500	20,695
2013	4.00	6.94	10.94	315,753	34,537	13,130	4,162	17,245	500	21,906
2014	4.00	7.28	11.28	318,725	35,940	13,249	4,411	18,279	500	23,191
2015	4.00	7.63	11.63	321,824	37,425	13,373	4,676	19,376	500	24,552
2016	4.00	8.00	12.00	325,053	38,997	13,502	4,957	20,539	500	25,995
2017	4.00	8.38	12.38	328,420	40,662	13,637	5,254	21,771	500	27,525
2018	4.00	8.78	12.78	331,929	42,424	13,777	5,569	23,077	500	29,147
2019	4.00	9.20	13.20	335,587	44,289	13,923	5,903	24,462	500	30,865
2020	4.00	9.63	13.63	339,400	46,263	14,076	6,258	25,930	500	32,687
2021	4.00	10.08	14.08	343,375	48,354	14,235	6,633	27,485	500	34,619
2022	4.00	10.55	14.55	347,518	50,566	14,401	7,031	29,135	500	36,666
2023	4.00	11.04	15.04	351,836	52,909	14,573	7,453	30,883	500	38,836
2024	4.00	11.54	15.54	356,338	55,389	14,754	7,900	32,736	500	41,136
2025	4.00	12.07	16.07	361,030	58,015	14,941	8,374	34,700	500	43,574
2026	4.00	12.61	16.61	365,921	60,795	15,137	8,877	36,782	500	46,158
2027	4.00	13.18	17.18	371,019	63,739	15,341	9,409	38,989	500	48,898
2028	4.00	13.76	17.76	376,334	66,855	15,553	9,974	41,328	500	51,802
2029	4.00	14.50	18.50	378,607	70,024	15,644	10,572	43,808	500	54,880
2030	4.00	15.36	19.36	378,607	73,287	15,644	11,206	46,436	500	58,143
2031	4.00	16.27	20.27	378,607	76,745	15,644	11,879	49,222	500	61,601
2032	4.00	17.24	21.24	378,607	80,411	15,644	12,592	52,176	500	65,267
2033	4.00	18.27	22.27	378,607	84,297	15,644	13,347	55,306	500	69,153
2034	4.00	19.35	23.35	378,607	88,417	15,644	14,148	58,624	500	73,272
2035	4.00	20.51	24.51	378,607	92,783	15,644	14,997	62,142	500	77,679

-----ADDITIONAL SALES TRUE-UP CALCULATION-----

YEAR	ADDITIONAL SALES (MWH)	GROSS REVENUE (\$=000'S)	DEBT SVC. TRUE-UP (\$=000'S)	O & M TRUE-UP (\$=000'S)	NET REVENUE (\$=000'S)	MELDED RATE (CENTS/KWH)	YEAR
A	L	M	N	O	P	Q	R
1986	10,828	10,234	108	295	5,392	5.11	1986
1987	21,656	11,761	217	589	6,250	5.14	1987
1988	32,484	13,796	325	895	7,588	5.43	1988
1989	42,312	15,668	423	1,188	8,769	5.66	1989
1990	54,140	18,341	541	1,552	10,644	6.08	1990
1991	54,140	18,960	541	1,592	10,887	6.16	1991
1992	54,140	19,660	541	1,622	11,200	6.23	1992
1993	54,140	20,432	541	1,645	11,572	6.28	1993
1994	54,140	21,244	541	1,668	11,960	6.34	1994
1995	54,140	22,078	541	1,696	12,342	6.41	1995
1996	54,140	22,792	541	1,756	12,546	6.51	1996
1997	54,140	23,546	541	1,818	12,760	6.62	1997
1998	54,140	24,338	541	1,881	12,983	6.73	1998
1999	54,140	25,173	541	1,946	13,218	6.84	1999
2000	54,140	26,053	541	2,012	13,464	6.96	2000
2001	54,140	26,925	541	2,092	13,653	7.10	2001
2002	54,140	27,742	541	2,198	13,726	7.26	2002
2003	54,140	28,605	541	2,310	13,801	7.44	2003
2004	54,140	29,518	541	2,426	13,880	7.63	2004
2005	54,140	30,482	541	2,549	13,962	7.82	2005
2006	54,140	31,501	541	2,677	14,047	8.03	2006
2007	54,140	32,579	541	2,811	14,136	8.25	2007
2008	54,140	33,717	541	2,951	14,229	8.47	2008
2009	54,140	34,921	541	3,098	14,325	8.71	2009
2010	54,140	36,193	541	3,252	14,426	8.96	2010
2011	54,140	37,537	541	3,413	14,531	9.22	2011
2012	54,140	38,957	541	3,581	14,640	9.49	2012
2013	54,140	40,458	541	3,756	14,754	9.78	2013
2014	54,140	42,045	541	3,939	14,873	10.07	2014
2015	54,140	43,721	541	4,130	14,997	10.39	2015
2016	53,554	45,422	536	4,283	15,109	10.72	2016
2017	50,187	46,876	502	4,206	15,142	11.14	2017
2018	46,678	48,390	467	4,099	15,177	11.58	2018
2019	43,020	49,966	430	3,957	15,214	12.04	2019
2020	39,207	51,608	392	3,776	15,252	12.53	2020
2021	35,232	53,315	352	3,552	15,292	13.05	2021
2022	31,089	55,090	311	3,280	15,333	13.60	2022
2023	26,771	56,935	268	2,955	15,377	14.19	2023
2024	22,269	58,851	223	2,571	15,422	14.81	2024
2025	17,577	60,840	176	2,121	15,469	15.46	2025
2026	12,686	62,903	127	1,600	15,517	16.16	2026
2027	7,588	65,042	76	1,000	15,568	16.90	2027
2028	2,273	67,259	23	313	15,622	17.68	2028
2029	0	70,024	0	0	15,644	18.50	2029
2030	0	73,287	0	0	15,644	19.36	2030
2031	0	76,745	0	0	15,644	20.27	2031
2032	0	80,411	0	0	15,644	21.24	2032
2033	0	84,297	0	0	15,644	22.27	2033
2034	0	88,417	0	0	15,644	23.35	2034
2035	0	92,783	0	0	15,644	24.51	2035

Note: Rates of Return are based upon Net Revenues (columns G and P), which include Debt Service payments and capital contributions to the Renewals and Replacements Fund, plus interest on reserves.

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

4/18/85

Date

4/24/85

Mr. President

The Committee on RESOURCES considered CSHB 219(Fin) applicability of the Alaska Public Utilities Commission Act to certain electric utilities; power development loans; and the energy program for Alaska.

and (a majority of the committee) ~~(the committee)~~ reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
 Chairman
Do Pass
 Chairman recommendation