

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 206, SB 209 75

SR

206

SENATE COMMITTEE REPORT

FURTHER: FINANCE

4/13/87

DATE TURNED INTO OFFICE 5/4/87

Mr. President:

FINANCE Committee considered SB 206

Alaska Power Authority; efd.

and recommended:

replace with CS FOR SB 206 (FIX)) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Just L. Shaff
Stan Olson
Walter Henderson

Paul Finley No Rec
Rich Uehly No Rec
Don Blumfield No Rec
W. Heurly No Rec

John B. ... Do Pass
Chairman signature and recommendation

Committee Backup Attached

LETTER OF INTENT

CSSB 206(Fin)

It is the intent of the Legislature that the availability of funds in the power project revolving fund AS 44.83.170 not become a cap or upper limit on the power cost equalization program AS 44.83.162 and that additional funds if required come from the general fund.

Senator John Binkley

Alaska State Senate
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985



Finance Committee
Co-Chairman

5-5-87

TO SENATE FINANCE
COMMITTEE MEMBERS

ATTACHED IS A COPY OF THE INTENT
LANGUAGE FOR CSSB 206 (FIN).

IF YOU HAVE ANY QUESTIONS OR CONCERNS
PLEASE CONTACT ME A.S.A.P.

John

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

9075618584-

9074533565:4 3 1/3

CS SB 206 Res
4-14-87

Revision Date: _____

REQUEST

Bill/Resolution No.: Senate Bill 206
Title: An act relating to the Alaska Power Authority; and providing for an effective date.
Sponsor: Coghill and Faiks
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Alaska Power Authority
BRU: Department of Commerce and Economic Development

Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		(2,900)	(2,800)	(2,600)	(2,400)	(2,300)
FEDERAL FUNDS						
OTHER						
TOTAL		(2,900)	(2,800)	(2,600)	(2,400)	(2,300)

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

General Fund savings based on estimated loan demand of Power Project Loan Fund. Savings are net of principal and interest payments on loans that would have been deposited in General Fund had the loans been funded with appropriations. Assumes no delinquencies, and payments on existing loans that are used as security for bonds are not required for replenishment in debt service.

Prepared by: Robert E. LeResche
Division: Alaska Power Authority

Phone: 465-3575
Date: April 7, 1987

Approved by Commissioner: _____
Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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



OS5B 206 (Finance) 5/4/88

Page 6, line 24

Terry Cramer

Suggested alternative

language:

"for as much as"

be substituted for

"up to"

Change cleared through
Sen. Binkley's office.

Original sponsors: Coghill and Faiks

*See changes
p. 6*

Finance Committee

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 206 (Fin)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.83.092 is amended by adding a new subsection to
10 read:

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.105 is amended to read:

23 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PRO-
24 GRAM FOR ALASKA. The authority may borrow money and issue its bonds
25 for the acquisition or construction of power projects to be acquired
26 or constructed under the energy program for Alaska. The principal of
27 and interest on the bonds are payable from money derived from the sale
28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska [FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST
20 EQUALIZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolv-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

22 (D) acquisitions of bulk fuel or proven reserves of
23 gas, oil, coal, geothermal, or other energy resources; and

24 (E) consumer end-use improvements to reduce demand for
25 energy;

26 (2) to a borrower for a power project if

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.83.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 * Sec. 8. AS 44.83 is amended by adding a new section to read:

5 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
6 borrow money and issue bonds to make or refinance loans from the power
7 project revolving fund for a revenue producing program, activity, or
8 project authorized under the power project revolving fund. However,
9 the authority may not issue bonds to make or refinance a loan entered
10 into under a leveraged lease financing arrangement.

11 (b) Loans made or refinanced with the proceeds of bonds authori-
12 zed by this section for projects under AS 44.83.170(b) are subject to
13 AS 44.83.170(a) - (e).

14 (c) With respect to loans made or refinanced with the proceeds
15 of bonds, the authority may pledge the principal and interest received
16 from the loan repayments and the interest earned on those amounts in
17 the power project revolving fund for bonds issued under this section.

18 (d) The authority may notify the head of a department or agency
19 of the state in writing that a borrower is in default on the repayment
20 of principal or interest on loans made or refinanced with the proceeds
21 of bonds issued under this section. Notwithstanding any other pro-
22 vision of law, to the extent that a department or agency of the state
23 is the custodian of money payable to the borrower, the department or
24 agency shall withhold payment of the money from the borrower and pay
25 over the money to the authority to pay principal and interest on bonds
26 of the authority issued under this section.

27 * Sec. 9. AS 44.83.187(d) is amended to read:

28 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to

29 (1) an addition, modification, repair, reconstruction,

1 design, acquisition or construction for the purpose of completing a
2 project;

3 (2) the construction of an electrical transmission or dis-
4 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

5 * Sec. 10. AS 44.83.361(a) is amended to read:

6 (a) The rural electrification program [REVOLVING LOAN FUND] is
7 established in the Alaska Power Authority. [THE FUND CONSISTS OF

8 (1) APPROPRIATIONS MADE TO THE FUND; AND

9 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

10 * Sec. 11. AS 44.83.361(b) is amended to read:

11 (b) The authority may make loans from the power project revolv-
12 ing fund under AS 44.83.170 for the rural electrification program
13 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
14 Public Utilities Commission. A loan under the program [FROM THE FUND]
15 may be made only for the purpose of extending new electric service
16 into an area of the state that an electric utility may serve under a
17 certificate of public convenience and necessity issued by the Alaska
18 Public Utilities Commission. A loan may be made under the program
19 [FROM THE FUND] to an electric utility if the utility invests the
20 money necessary to provide one pole, one span of line, one trans-
21 former, and one service drop for each consumer for whom immediate
22 service would be provided by the extension of electric service.
23 Applications for loans to extend service along state ^{roads or} highways shall be
24 given priority ^{up to} ~~on~~ one-half of the funds available for loans under this
25 section. However, a loan may not be made [FROM THE FUND] unless

26 (1) the loan is recommended by a loan advisory committee
27 appointed under AS 44.83.363; and

28 (2) the extension of electric service would provide immedi-
29 ate service to at least three consumers.

1 * Sec. 12. AS 44.83.361(c) is amended to read:

2 (c) A loan under [FROM] the rural electrification program [RE-
 3 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
 4 cent of the unpaid balance of the loan. Loan repayments and interest
 5 [INTEREST] received on a loan made under this section shall be de-
 6 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
 7 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
 8 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
 9 ing on a loan made under this section after 20 years.

10 * Sec. 13. AS 44.83.361(e) is amended to read:

11 (e) The authority shall

12 (1) adopt regulations necessary to carry out the provisions
 13 of this section;

14 (2) administer the rural electrification program [REVOLVING
 15 LOAN FUND]; and

16 (3) submit to the legislature within the first 10 days of
 17 each regular legislative session a report of actions taken by the
 18 authority under this section and an accounting of the rural electri-
 19 fication program [REVOLVING LOAN FUND].

20 * Sec. 14. AS 44.83.363 is amended to read:

21 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
 22 for a rural electrification loan is submitted to the authority under
 23 AS 44.83.361, the authority shall appoint a local advisory committee
 24 from persons residing in the area that the applicant utility is certi-
 25 fied to serve. The loan advisory committee shall consider the loan
 26 application, and shall recommend whether the loan application is to be
 27 approved or disapproved. A favorable recommendation from the loan
 28 advisory committee shall be based on a determination that development
 29 in the area of the proposed extension of electric service is likely to

1 provide for full repayment of the loan under AS 44.83.361(d) within 20
2 [10] years. In making that determination the committee shall consider

3 (1) permanence of the premises to be served by the exten-
4 sion;

5 (2) land use patterns in the area;

6 (3) access for the line that would be installed with loan
7 proceeds;

8 (4) availability of other utility service in the area; and

9 (5) the financial [ECONOMIC] feasibility of the extension
10 of electric service with the proceeds of the loan.

11 * Sec. 15. AS 44.83.380(b) is amended to read:

12 (b) The energy program for Alaska is a program by which the
13 authority may acquire or construct power projects with money appropri-
14 ated by the legislature to the power project revolving fund under
15 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
16 A power project may be acquired or constructed as part of the energy
17 program for Alaska only if the project is submitted to and approved by
18 the legislature in accordance with procedures set out in AS 44.83.-
19 177 - 44.83.187.

20 * Sec. 16. AS 44.83.384 is amended to read:

21 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM [BALANCE]. (a)
22 The authority may use money in the power project revolving fund under
23 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
24 PROVIDE MONEY] for

25 (1) reconnaissance and feasibility studies and power proj-
26 ect finance plans prepared under AS 44.83.177 - 44.83.181;

27 (2) the cost of a power project, including but not limited
28 to costs of acquiring necessary licenses, preparing engineering de-
29 signs, obtaining land, and constructing the power project;

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

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

6 (5) debt service on power projects.

7 (b) In addition to the purposes authorized by (a) of this sec-
 8 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
 9 OF THIS SECTION ONLY] for a power project under the energy program for
 10 Alaska if the project [THAT]

11 (1) is economically feasible; and

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

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

21 (B) coal or peat;

22 (C) energy derived from waste heat; or

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

24 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
 25 44.83.398, the fund may be used by the authority to provide money for
 26 the cost of a power project under the energy program for Alaska that
 27 is or was either constructed or owned by the United States government
 28 if the requirements of this subsection are met. The provisions of
 29 AS 44.83.177 - 44.83.187 do not apply to a power project financed

1 under this subsection. The authority may use money in the fund for
2 the cost of a power project under this subsection if

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

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

10 (3) the project meets the other requirements of this chap-
11 ter.

12 * Sec. 17. AS 44.83.398(c) is amended to read:

13 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
14 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
15 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
16 for money it has pledged or otherwise covenanted to secure bonds.

17 * Sec. 18. AS 44.83.425(3) is amended to read:

18 (3) "fund" means the power project revolving [DEVELOPMENT]
19 fund established by AS 44.83.170 [AS 44.83.382];

20 * Sec. 19. To be consistent with the change made by sec. 4 of this Act,
21 wherever in the Alaska Statutes and in regulations adopted under those
22 statutes "power project fund" is used, it shall be read as referring to the
23 power project revolving fund. Under AS 01.05.031 the revisor of statutes
24 shall implement this section in the statutes, and, under AS 44.62.125(b)-
25 (6), the regulations attorney shall implement this section in the adminis-
26 trative regulations.

27 * Sec. 20. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
28 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.382, 44.83.386, and
29 44.83.388(b) are repealed.

1 * Sec. 21. Obligations, encumbrances, and expenditures incurred against
2 funds amended or repealed by this Act are considered obligations, encum-
3 brances, and expenditures of the power project revolving fund (AS 44.83.-
4 170).

5 * Sec. 22. Sections 2 - 6, and 10 - 21 of this Act take effect July 1,
6 1987, if an Act transferring appropriations for energy programs to the
7 power project revolving fund and making appropriations to the power project
8 revolving fund is enacted on or before July 1, 1987.

9 * Sec. 23. Sections 1 and 7 - 9 of this Act take effect immediately
10 under AS 01.10.070(c).

Senator John B. (Jack) Coghill
Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862



April 21, 1987

MEMORANDUM

To: Members of the Senate Finance Committee
From: Senator Coghill
Re: CSSB 206

CSSB 206 makes pertinent changes to existing law relating to the Alaska Power Authority.

Section 1 amends AS 44.83.092 by adding a new subsection (b) which recognizes the project management committee being established by the power sale agreements. The purpose is to allay the concerns of the bond buyers as to the exact function and authority of these committees.

Section 2 amends AS 44.83.170 by adding a new subsection (i) setting up a loan advisory committee, composed of Railbelt utilities, to review all loan applications for Railbelt-energy related projects and advise APA of their recommendations. The purpose is to obtain Railbelt utility input on pertinent loans.

Section 3 amends the Power Project Fund statutes (AS 44.83.170) by adding a new section, AS 44.83.172, which will allow APA to issue revenue bonds secured by the loan repayments and moral obligation of the State. This APA loan program has been a success and currently has 23 outstanding loans valued at \$30,239,000, with a zero delinquency or default rate. The interest rate is set by APA but cannot be less than 5%. In the past, the loan funds have come from General Fund appropriations. These appropriations are expected to be severely curtailed or eliminated. In short, the borrower would have access to loan funds obtained from revenue bonds at market rates not available to individual small borrowers.

Section 4 amends AS 44.83.187(d) by eliminating the applicability of AS 44.83.177-44.83.185 to electrical transmission or distribution facilities. Present statutes are somewhat ambiguous as evidenced by opposing legal opinions from the AG and LAA Legal Services. While the transmission line projects are different from power generation projects, they would still have to comply with the APA's project approval process policy.

EXISTING FUNDS

5/7/81

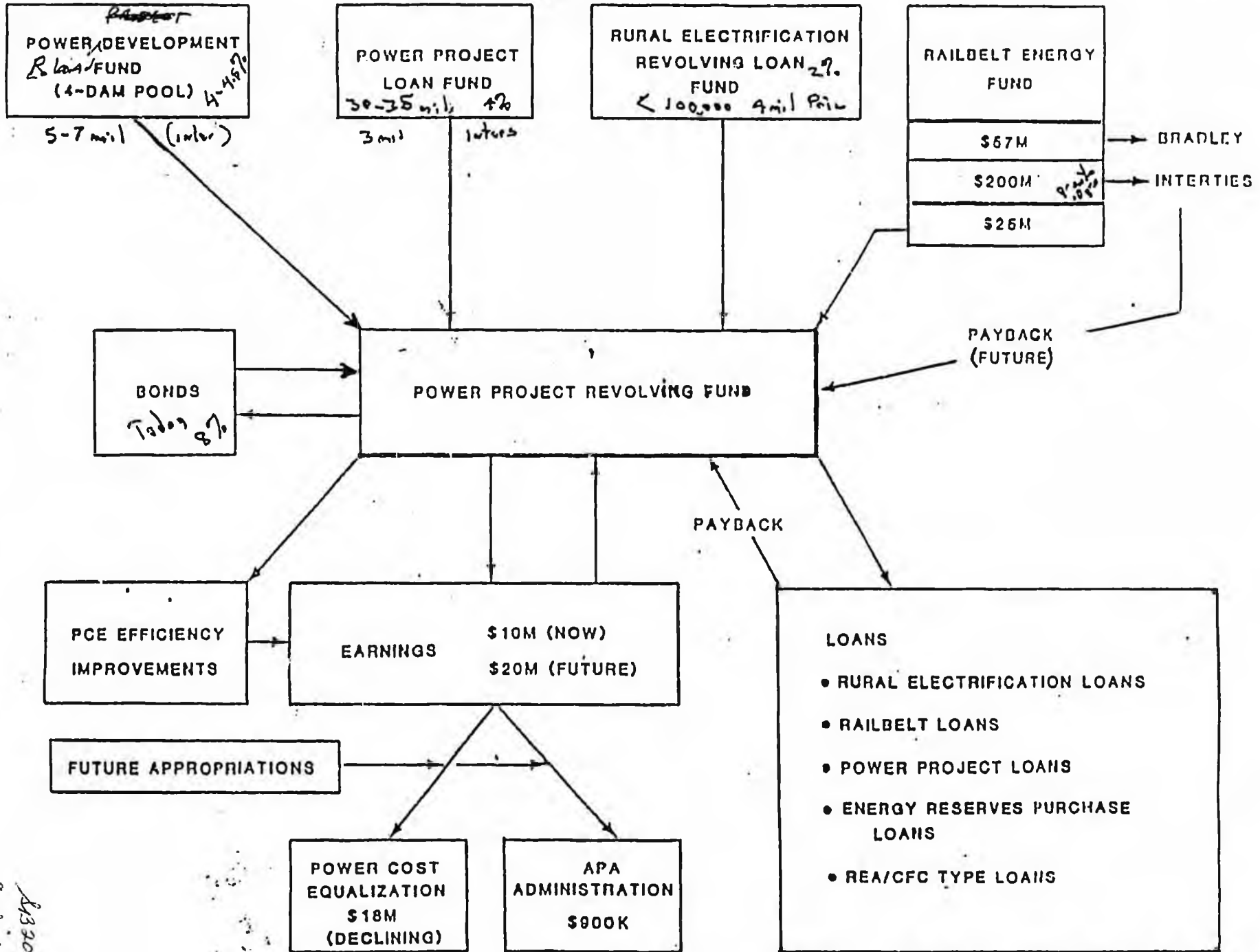
TITLE OF FUND	MANAGED BY	STATUTE	TYPE	PURPOSE	FUNDING SOURCES
POWER DEVELOPMENT REVOLVING LOAN FUND P D R L F	DC&ED	44.33.600	LOANS	LOANS TO APA FOR POWER PROJECTS UNDER ENERGY PROGRAM FOR ALASKA AS PER 44.83.380 - .425	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND - INTEREST ON LOANS FROM FUND - EARNINGS OF FUND
POWER PROJECT FUND P P F	APA	44.83.170	LOANS	LOANS TO UTILITIES, MUNICIPALITIES, REGIONAL & VILLAGE CORPORATIONS, & VILLAGE COUNCILS FOR STUDY, DESIGN, PERMITTING AND CONSTRUCTION OF POWER PROJECTS OR POTABLE WATER AS NOTED IN 44.83.170	- APPROPRIATIONS FROM LEGISLATURE (LOAN REPAYMENTS & INTEREST EARNED FROM LOANS GOES TO G.F.) - (MIN. INTEREST RATE IS 5%)
POWER DEVELOPMENT FUND P D F	APA	44.83.382	GRANTS	CARRY OUT PURPOSES OF ENERGY PROGRAM FOR ALASKA PER 44.83.380 - .425 I.E. TO STUDY, DESIGN, LICENSE AND OPERATE POWER PROJECTS. INCLUDES FINANCING/BONDING OF POWER PROJECTS.	- APPROPRIATIONS FROM LEGISLATURE - REVENUE BONDS
RURAL ELECTRIFICATION REVOLVING LOAN FUND R E R L F	APA	44.83.361	LOANS	TO EXTEND NEW ELECTRICAL SERVICE AS LONG AS IMMEDIATE SERVICE IS PROVIDED TO AT LEAST 3 CONSUMERS. UTILITIES MUST BE CERTIFIED BY APUC.	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND (INTEREST RATE IS 2%)
POWER COST EQUILIZATION FUND	APA	44.83.162	GRANTS	TO EQUILIBRE POWER COSTS EQUAL TO MEAN OF COSTS IN ANCHORAGE, JUNEAU & FAIRBANKS	- APPROPRIATIONS FROM LEGISLATURE
RAILBELT ENERGY FUND R E F	DOR LEGISLATURE	CH 29 SLA 86 (HB 699)	LOANS OR GRANTS	TO FINANCE ENERGY PROJECTS IN THE RAILBELT	APPROPRIATION FROM THE LEGISLATURE
<u>PROPOSED FUND</u>					
POWER PROJECT REVOLVING FUND P P R F	APA	44.83.170	LOANS & GRANTS	TO FUND/FINANCE ALL OF THE ABOVE	- APPROPRIATIONS FROM LEGISLATURE TO INCLUDE INTEREST ON LOANS AND EARNINGS OF THE FUND - REPAYMENTS OF PRINCIPAL TO FUND - REVENUE BONDS

APA LOAN PROGRAMS--PROJECTS FUNDED (Prepared 09-Mar-87)

5B206

Loan Date	House Dist	Borrower	Original Amount	Interest Rate (%)	Purpose	Princ. Bal. @ 6/30/86	Est. FY87 Income	Avg. Fund Return
POWER PROJECT FUND LOANS:								
4/78	04	AEL&P (Juneau)	500,000	6.50	Automate Annex Creek hydro	313,000	20,345	
8/80	26	City of King Cove	200,000	7.00	Acquire 2 300 kw generators	173,256	12,128	
10/80	26	INNEC (Iliamna area)	300,000	8.60	Initial electrification	374,350	32,194	
10/80	04	AEL&P (Juneau)	1,000,000	8.60	Substation & 69 kv trans line	947,227	81,462	
8/81	25	Bethel Cogen. Util.	1,000,000	5-11	Construct waste heat system	835,000	41,750	
12/81	04	AEL&P (Juneau)	2,300,000	11.80	Upgrade trans & dist system	2,170,238	256,088	
8/82	04	AEL&P (Juneau)	1,700,000	13.23	Upgrade trans & dist system	1,633,411	216,100	
8/83	04	AEL&P (Juneau)	1,000,000	9.95	Upgrade Lwr Salm Crk hydro	990,500	98,555	
8/83	04	AEL&P (Juneau)	2,000,000	9.29	Upgrade trans & dist system	1,900,992	176,602	
4/84	04	AEL&P (Juneau)	500,000	9.95	Upgrade Lwr Salm Crk hydro	497,290	49,480	
4/84	04	AEL&P (Juneau)	2,000,000	9.95	Upgrade trans & dist system	1,989,158	197,921	
4/84	04	AEL&P (Juneau)	2,000,000	9.29	Upgrade trans & dist system	1,943,310	180,533	
8/85	24	Tanana Power Co.	130,000	9.55	Finance new powerhouse	127,672	12,193	
9/85	26	G&K Inc. (Cold Bay)	1,283,836	9.80	Upgrade system-phase 1	800,000	78,400	
8/85	26	Levelock Elect. Coop.	30,000	8.90	Acquire new diesel generator	29,039	2,584	
11/85	24	Middle Kusk. Elec. Coop.	250,000	5.00	Initial electrif (Red Devil)	128,890	6,445	
8/86	26	City of King Cove	120,000	7.95	Acquire new diesel generator	120,000	9,540	
9/86	26	City of Clarks Point	177,000	7.50	Initial electrification	0		
*/86	26	G&K Inc. (Cold Bay)	1,000,000	*	Upgrade system-phases 2 & 3	0		
9/86	06	Chitina Electric, Inc.	101,500	7.65	Complete constr. of mini-hydro	0		
*/87	06	Cordova Elec. Coop.	1,950,000	*	Desg & Constr Humpback Crk Hydro	0		
*/37	24	City of Galena	1,350,000	7.71	Expansion to serve Air Force	0		
*/87	25	Kwig Power Company	25,000	5.00	Acquire new diesel generator	0		
			20,917,336			14,973,333	1,472,321	9.83%
RURAL ELECTRIFICATION REVOLVING LOAN FUND:								
7/82	26	INNEC (Iliamna area)	1,340,000	2.00	Initial electrification	1,340,000	26,800	
1/83	26	Andreanof Elec. Co.	200,000	2.00	Initial electrif (Atka)	143,828	2,877	
7/83	26	INNEC (Iliamna area)	230,202	2.00	Initial electrification	210,942	4,219	
10/83	26	Egegik Light & Power	130,000	2.00	Cnct 12 new homes(& 36 future)	130,000	2,600	
11/83	02	Yakutat Power, Inc.	134,000	2.00	ASHA subdivision extension	49,611	992	
1/84	26	City of Unalaska	250,000	2.00	Cnct harbor, dock & airport	250,000	5,000	
1/84	26	City of Unalaska	1,560,486	2.00	Feeder-cnct Unak. & Amknk.Ph's	1,560,486	31,210	
7/84	26	Egegik Light & Power	83,830	2.00	Phase 2 of 1983 project (above)	83,830	1,677	
7/85	26	City of Saint Paul	687,285	2.00	ElranHgts,wndfr,USCG,arprt;Dock	61,811	1,236	
9/86	26	City of Clarks Point	250,000	2.00	Initial electrification	0		
*/87	19	BVEA (Fairbanks)	90,000	2.00	Tungsten Subdivision extension	0		
			4,955,803			3,830,508	76,610	2.00%
GOVERNOR'S DISASTER FUND LOANS:								
8/84	26	G&K, Inc. (Cold Bay)	500,000	6.00	repl gen's destroyed by fire	500,000	30,000	
3/86	24	Venetie Village Council	50,000	5.00	repl gen lost to mjr break-down	45,000	2,250	
2/87	24	Venetie Village Council	65,000	5.00	repi gen's destroyed by fire	0		
			615,000			545,000	32,250	5.92%
LOANS AUTHORIZED BY SPECIFIC APPROPRIATION:								
3/81	04	AEL&P (Juneau)	200,000	7.00	Automate Upr Salm Crk Ph	179,367	12,556	
8/82	03	City of Sitka	15,000,000	4.00	Finance Green Lake Hydro	14,369,095	574,764	
11/85	19	Far North Util.(Central)	200,000	9.05	Initial electrification	163,431	14,791	
			15,400,000			14,711,893	602,110	4.09%
Total Loans Administered			41,888,139			34,060,734	2,183,291	6.41%

* loan approved by Board, agreement not yet completed



8/30/86
 Log Hill
 5/1/87

Energy Policy Task Force: on PEEP
 8-10

Commerce

~~PDRLF~~
 POWER DEVELOPMENT
 REVOLVING LOAN FUND
 44.83.600 - .630
 IN COMMERCE
 -4 Dam Pool - Loan Fund -

(5-8 million - % income)
 400 million in Loans

- APA -

~~PPT~~
 POWER PROJECT FUND
 44.83.170 M
 IN APA
 Loan - UTILITIES - All Projects
 Const. Fund

To UTILITIES Projects
 32 million - Loans
 3 million % income

- APA -

~~PDF~~
 POWER DEVELOPMENT
 FUND
 44.83.382 - 392
 IN APA from
 PASS thru leg 4

Inhouse APA Projects
 - 0 -

APA

~~RERLF~~
 RURAL ELECTRIFICATION
 REVOLVING LOAN FUND
 44.83.361 - .363
 IN APA

To Utilities for Service
 4 million in Loans -
 100 thousand % income

- APA -

~~PEEF~~
 POWER COST
 EQUALIZATION FUND
 44.83.162 - .165
 IN APA

PASS THRU

- Rev -

REF
 RAILBELT ENERGY
 FUND Ch 29 S.A 86
 (HD 693)

(New Fund
 By SB 206 -)

PPRF
 POWER PROJECT REVOLVING FUND
 44.83.170
 IN APA

30 million income

Original sponsors: Coghill and Faiks

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 206 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.83.092 is amended by adding a new subsection to
10 read:

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.170 is amended by adding a new subsection to read:

23 (i) The Railbelt advisory committee, composed of one member from
24 each electric utility in the Railbelt, is established. The authority
25 may not make a loan under this section for an energy-related project
26 that is located in the Railbelt until the Railbelt advisory committee
27 has had an opportunity to review the loan application. The authority
28 shall consider the written comments and recommendations of the commit-
29 tee before acting on the loan application.

1 * Sec. 3. AS 44.83 is amended by adding a new section to read:

2 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
3 borrow money and issue bonds to make or refinance loans from the power
4 project fund for the acquisition or construction of power projects
5 under AS 44.83.170(b)(1). Loans made or refinanced with the proceeds
6 of bonds authorized by this section are subject to AS 44.83.170(a) -
7 (e). However, the authority may not issue bonds to make or refinance
8 a loan entered into under a leveraged lease financing arrangement.
9 The authority may issue bonds if the borrower is an entity that may
10 borrow from the fund under AS 44.83.170.

11 (b) With respect to loans made or refinanced with the proceeds
12 of bonds, the authority may pledge the principal and interest received
13 from the loan repayments and the interest earned on those amounts in
14 the power project fund for bonds issued under this section. Notwith-
15 standing AS 44.83.170(g), if the authority pledges these amounts, they
16 may not be deposited into the general fund.

17 (c) The authority may notify the head of a department or agency
18 of the state in writing that a municipality is in default on the
19 repayment of principal or interest on loans made or refinanced with
20 the proceeds of bonds issued under this section. Notwithstanding any
21 other provision of law, to the extent that a department or agency of
22 the state is the custodian of money payable to the municipality, the
23 department or agency shall withhold payment of the money from the
24 municipality and pay over the money to the authority to pay principal
25 and interest on bonds of the authority issued under this section.

26 * Sec. 4. AS 44.83.187(d) is amended to read:

27 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to
28 (1) an addition, modification, repair, reconstruction,
29 design, acquisition or construction for the purpose of completing a

1 project;

2 (2) the construction of an electrical transmission or dis-
3 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

4 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Coghill and Faiks

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 206 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
14 program for Alaska) may create a project management committee. The
15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
17 of the committee with respect to the power project. The powers may
18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee
20 has separate legal existence and other powers necessary to its pur-
21 poses.

22 * Sec. 2. AS 44.83.105 is amended to read:

23 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PRO-
24 GRAM FOR ALASKA. The authority may borrow money and issue its bonds
25 for the acquisition or construction of power projects to be acquired
26 or constructed under the energy program for Alaska. The principal of
27 and interest on the bonds are payable from money derived from the sale
28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska [FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST
20 EQUALIZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolv-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

22 (D) acquisitions of bulk fuel or proven reserves of
23 gas, oil, coal, geothermal, or other energy resources; and

24 (E) consumer end-use improvements to reduce demand for
25 energy;

26 (2) to a borrower for a power project if

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.83.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 * Sec. 8. AS 44.83 is amended by adding a new section to read:

5 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
6 borrow money and issue bonds to make or refinance loans from the power
7 project revolving fund for a revenue producing program, activity, or
8 project authorized under the power project revolving fund. However,
9 the authority may not issue bonds to make or refinance a loan entered
10 into under a leveraged lease financing arrangement.

11 (b) Loans made or refinanced with the proceeds of bonds authori-
12 zed by this section for projects under AS 44.83.170(b) are subject to
13 AS 44.83.170(a) - (e).

14 (c) With respect to loans made or refinanced with the proceeds
15 of bonds, the authority may pledge the principal and interest received
16 from the loan repayments and the interest earned on those amounts in
17 the power project revolving fund for bonds issued under this section.

18 (d) The authority may notify the head of a department or agency
19 of the state in writing that a borrower is in default on the repayment
20 of principal or interest on loans made or refinanced with the proceeds
21 of bonds issued under this section. Notwithstanding any other pro-
22 vision of law, to the extent that a department or agency of the state
23 is the custodian of money payable to the borrower, the department or
24 agency shall withhold payment of the money from the borrower and pay
25 over the money to the authority to pay principal and interest on bonds
26 of the authority issued under this section.

27 * Sec. 9. AS 44.83.187(d) is amended to read:

28 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to
29 (1) an addition, modification, repair, reconstruction,

1 design, acquisition or construction for the purpose of completing a
2 project;

3 (2) the construction of an electrical transmission or dis-
4 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

5 * Sec. 10. AS 44.83.361(a) is amended to read:

6 (a) The rural electrification program [REVOLVING LOAN FUND] is
7 established in the Alaska Power Authority. [THE FUND CONSISTS OF

8 (1) APPROPRIATIONS MADE TO THE FUND; AND

9 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

10 * Sec. 11. AS 44.83.361(b) is amended to read:

11 (b) The authority may make loans from the power project revolv-
12 ing fund under AS 44.83.170 for the rural electrification program
13 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
14 Public Utilities Commission. A loan under the program [FROM THE FUND]
15 may be made only for the purpose of extending new electric service
16 into an area of the state that an electric utility may serve under a
17 certificate of public convenience and necessity issued by the Alaska
18 Public Utilities Commission. A loan may be made under the program
19 [FROM THE FUND] to an electric utility if the utility invests the
20 money necessary to provide one pole, one span of line, one trans-
21 former, and one service drop for each consumer for whom immediate
22 service would be provided by the extension of electric service.
23 Applications for loans to extend service along state roads or highways
24 shall be given priority for up to one-half of the funds available for
25 loans under this section. However, a loan may not be made [FROM THE
26 FUND] unless

27 (1) the loan is recommended by a loan advisory committee
28 appointed under AS 44.83.363; and

29 (2) the extension of electric service would provide

1 immediate service to at least three consumers.

2 * Sec. 12. AS 44.83.361(c) is amended to read:

3 (c) A loan under [FROM] the rural electrification program [RE-
4 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
5 cent of the unpaid balance of the loan. Loan repayments and interest
6 [INTEREST] received on a loan made under this section shall be de-
7 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
8 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
9 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
10 ing on a loan made under this section after 20 years.

11 * Sec. 13. AS 44.83.361(e) is amended to read:

12 (e) The authority shall

13 (1) adopt regulations necessary to carry out the provisions
14 of this section;

15 (2) administer the rural electrification program [REVOLVING
16 LOAN FUND]; and

17 (3) submit to the legislature within the first 10 days of
18 each regular legislative session a report of actions taken by the
19 authority under this section and an accounting of the rural electri-
20 fication program [REVOLVING LOAN FUND].

21 * Sec. 14. AS 44.83.363 is amended to read:

22 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
23 for a rural electrification loan is submitted to the authority under
24 AS 44.83.361, the authority shall appoint a local advisory committee
25 from persons residing in the area that the applicant utility is certi-
26 fied to serve. The loan advisory committee shall consider the loan
27 application, and shall recommend whether the loan application is to be
28 approved or disapproved. A favorable recommendation from the loan
29 advisory committee shall be based on a determination that development

1 in the area of the proposed extension of electric service is likely to
2 provide for full repayment of the loan under AS 44.83.361(d) within 20
3 [10] years. In making that determination the committee shall consider

4 (1) permanence of the premises to be served by the exten-
5 sion;

6 (2) land use patterns in the area;

7 (3) access for the line that would be installed with loan
8 proceeds;

9 (4) availability of other utility service in the area; and

10 (5) the financial [ECONOMIC] feasibility of the extension
11 of electric service with the proceeds of the loan.

12 * Sec. 15. AS 44.83.380(b) is amended to read:

13 (b) The energy program for Alaska is a program by which the
14 authority may acquire or construct power projects with money appropri-
15 ated by the legislature to the power project revolving fund under
16 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
17 A power project may be acquired or constructed as part of the energy
18 program for Alaska only if the project is submitted to and approved by
19 the legislature in accordance with procedures set out in AS 44.83.-
20 177 - 44.83.187.

21 * Sec. 16. AS 44.83.384 is amended to read:

22 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM [BALANCE]. (a)
23 The authority may use money in the power project revolving fund under
24 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
25 PROVIDE MONEY] for

26 (1) reconnaissance and feasibility studies and power proj-
27 ect finance plans prepared under AS 44.83.177 - 44.83.181;

28 (2) the cost of a power project, including but not limited
29 to costs of acquiring necessary licenses, preparing engineering

1 designs, obtaining land, and constructing the power project;

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

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

7 (5) debt service on power projects.

8 (b) In addition to the purposes authorized by (a) of this sec-
9 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
10 OF THIS SECTION ONLY] for a power project under the energy program for
11 Alaska if the project [THAT]

12 (1) is economically feasible; and

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

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

22 (B) coal or peat;

23 (C) energy derived from waste heat; or

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

25 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
26 44.83.398, the fund may be used by the authority to provide money for
27 the cost of a power project under the energy program for Alaska that
28 is or was either constructed or owned by the United States government
29 if the requirements of this subsection are met. The provisions of

1 AS 44.83.177 - 44.83.187 do not apply to a power project financed
2 under this subsection. The authority may use money in the fund for
3 the cost of a power project under this subsection if

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

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

11 (3) the project meets the other requirements of this chap-
12 ter.

13 * Sec. 17. AS 44.83.398(c) is amended to read:

14 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
15 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
16 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
17 for money it has pledged or otherwise covenanted to secure bonds.

18 * Sec. 18. AS 44.83.425(3) is amended to read:

19 (3) "fund" means the power project revolving [DEVELOPMENT]
20 fund established by AS 44.83.170 [AS 44.83.382];

21 * Sec. 19. To be consistent with the change made by sec. 4 of this Act,
22 wherever in the Alaska Statutes and in regulations adopted under those
23 statutes "power project fund" is used, it shall be read as referring to the
24 power project revolving fund. Under AS 01.05.031 the revisor of statutes
25 shall implement this section in the statutes, and, under AS 44.62.125(b)-
26 (6), the regulations attorney shall implement this section in the adminis-
27 trative regulations.

28 * Sec. 20. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
29 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.382, 44.83.386, and

1 44.83.388(b) are repealed.

2 * Sec. 21. Obligations, encumbrances, and expenditures incurred against
3 funds amended or repealed by this Act are considered obligations, encum-
4 brances, and expenditures of the power project revolving fund (AS 44.83.-
5 170).

6 * Sec. 22. Sections 2 - 6, and 10 - 21 of this Act take effect July 1,
7 1987, if an Act transferring appropriations for energy programs to the
8 power project revolving fund and making appropriations to the power project
9 revolving fund is enacted on or before July 1, 1987.

10 * Sec. 23. Sections 1 and 7 - 9 of this Act take effect immediately
11 under AS 01.10.070(c).

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SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

3/23/87
Mr. President:

DATE TURNED INTO OFFICE 4/14/87

RESOURCES Committee considered SB 206

Alaska Power Authority; efd.

and recommended:

[X] replace with CS SB 206 (res) [X] same title
[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[X] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee [X] attached or [] adopted fiscal note(s)
[] zero [X] fiscal impact

MEMBERS SIGNING DO PASS

Handwritten signatures

OTHER RECOMMENDATIONS

Handwritten: No Rec

Handwritten signature
Chairman signature and recommendation
do pass

[] Committee Backup Attached

ALASKA POWER AUTHORITY
 FY88 RURAL ELECTRIFICATION REVOLVING LOAN FUND ANALYSIS
 MARCH 19, 1987

AVAILABLE FUNDING^(a)

Prior Year Carry-Over	\$ 1,434.1
Repaid Principal	15.0
	<u>\$ 1,449.1</u>

FUNDING REQUIREMENTS^(b)

Unfunded FY87 Loan Applications	\$ 363.9
Nome Joint Utility System (3 projects)	399.0
Thorne Bay	100.0
Coffman Cove	75.0
Kodiak Electric Association	500.0
Matanuska Electric Association	500.0
Middle Kuskokwim Electric Cooperative	125.0
Northway Power & Light	185.0
Chignik Lake	300.0
Manokotak Heights	100.0
Other Rural Areas	750.0
APA Administration	52.5
TOTAL	<u>\$ 3,450.4</u>

PROJECTED SURPLUS (SHORTFALL) \$ (2,001.3)

(a) Governor's Budget

(b) APA Request

ALASKA POWER AUTHORITY
 FY87 RURAL ELECTRIFICATION REVOLVING LOAN FUND ANALYSIS
 MARCH 19, 1987

Prior Years Carry-Forward Funding	\$ 2,264.2
FY87 Appropriations	0.0
Repaid Principal	11.1
Total Funding	<u>\$ 2,275.3</u>
Less: Funding Restriction	(1,434.1)
Net Amount Available for FY87	<u>\$ 841.2</u>
APA Administrative Costs	(15.1)
Amount Available for FY87 Loans	<u>\$ 826.1</u>

Loans Approved Through 3-19-87:

Clarks Point	(250.0)
Golden Valley Electric Association	(90.0)
Available Balance	<u>\$ 486.1</u>

PROJECTED ADDITIONAL LOAN DEMAND FOR FY87

Applications Received and In Process

Keyes Point (INNEC)	\$ 500.0
---------------------	----------

Applications Received But Returned for
 More Information

King Cove	140.0
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Applications Expected

Saint George	60.0
Golden Valley Electric Association - Rosie Creek	150.0
Total Projected Additional FY87 Loan Demand	<u>\$ 850.0</u>

PROJECTED FY87 FUNDS SURPLUS (SHORTAGE)	<u>\$ (363.9)</u>
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1 IN THE SENATE BY COGHILL AND FAIKS

2 SENATE BILL NO. 206

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.83 is amended by adding a new section to read:

10 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
11 borrow money and issue bonds to make or refinance loans from the power
12 project fund for the acquisition or construction of power projects
13 under AS 44.83.170(b)(1). Loans made or refinanced with the proceeds
14 of bonds authorized by this section are subject to AS 44.83.170(a) -
15 (e). However, the authority may not issue bonds to make or refinance
16 a loan entered into under a leveraged lease financing arrangement.
17 The authority may issue bonds if the borrower is an entity that may
18 borrow from the fund under AS 44.83.170.

19 (b) The authority may pledge the principal and interest on loan
20 repayments and the interest earned by loans from the power project
21 fund for bonds issued under this section. If the authority pledges
22 these amounts, they may not be deposited into the general fund.

23 (c) The authority may notify the head of a department or agency
24 of the state in writing that a municipality is in default on the
25 repayment of principal or interest on loans made or refinanced with
26 the proceeds of bonds issued under this section. Notwithstanding any
27 other provision of law, to the extent that a department or agency of
28 the state is the custodian of money payable to the municipality, the
29 department or agency shall withhold payment of the money from the

1 municipality and pay over the money to the authority to pay principal
2 and interest on bonds of the authority issued under this section.

3 * Sec. 2. AS 44.83.187(d) is amended to read:

4 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to
5 (1) an addition, modification, repair, reconstruction,
6 design, acquisition or construction for the purpose of completing a
7 project;

8 (2) the construction of an electrical transmission or dis-
9 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

10 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SB

209

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 5/1/87 (5/5/87)

Mr. President:

FINANCE

Committee considered SB 209

mortgage loans purchased by the Alaska Housing Finance Corporation;
relating to bonds issued by the Alaska Housing Finance Corporation;
efd.

and recommended:

[] replace with _____ CS FOR SB 509 (Jud)) [] same title
[] or adopt _____ CS FOR _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures: Paul F. Cook, David ...]

[Handwritten signature: Dale B. ...] No Rec.
Chairman signature and recommendation

[] Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: SB209
Publish Date: _____

Revision Date: _____
Title: An Act relating to mortgage loans
purchased by Alaska Housing Finance Corp.
Sponsor: _____
Requestor: Governor

Agency Affected: Revenue
ARU: Alaska Housing Finance Corporation

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

*Reported Out
5/1/87
as HB 209 (old)*

Prepared by: Ron Lehr
Division: Alaska Housing Finance Corporation

99
6, 1987

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE JUDICIARY COMMITTEE
2 CS FOR SENATE BILL NO. 209 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to mortgage loans purchased or made
7 by the Alaska Housing Finance Corporation; relating
8 to bonds issued by the Alaska Housing Finance Corpo-
9 ration; and providing for an effective date."

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

11 * Section 1. AS 18.56.096(b) is amended to read:

12 (b) The loan-to-value limitation established in (a)(4) of this
13 section does not apply to a mortgage [QUALIFIED] loan that is feder-
14 ally insured or guaranteed. The loan-to-value limitations established
15 in (a)(1) and (4) of this section do not apply to a mortgage loan that
16 is a refinancing mortgage loan under AS 18.56.102.

17 * Sec. 2. AS 18.56.098(a) is amended to read:

18 (a) The corporation shall establish a special mortgage loan
19 purchase program. Under the special mortgage loan purchase program,
20 the corporation may purchase [REFINANCING LOANS OR] first or second
21 mortgage loans. A first or second mortgage loan purchased under this
22 subsection must be [, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS,]
23 made for the purchase, improvement, or rehabilitation of a residence
24 or must be a refinancing loan. First or second mortgage loans pur-
25 chased under this subsection may include graduated payment mortgage
26 loans and adjustable rate mortgage loans [RESIDENCES].

27 * Sec. 3. AS 18.56.098(g) is amended by adding a new paragraph to read:

28 (7) The corporation shall determine the interest rate on a
29 mortgage loan that is an adjustable rate mortgage loan as provided in

1 this subsection. The corporation shall recalculate the interest rate
2 from time to time based on changes in the cost to the corporation of
3 the funds used to purchase the adjustable rate mortgage loan. Howev-
4 er, the corporation may establish a minimum interest rate applicable
5 to an adjustable rate mortgage loan, and the interest rate on the
6 adjustable rate mortgage loan may not be less than the minimum inter-
7 est rate so established regardless of the cost of funds to the corpo-
8 ration.

9 * Sec. 4. AS 18.56 is amended by adding a new section to read:

10 Sec. 18.56.102. SIMPLIFIED REFINANCING MORTGAGE LOAN PURCHASE
11 PROGRAM. (a) The corporation shall establish a simplified refinanc-
12 ing mortgage loan purchase program. Under the simplified refinancing
13 mortgage loan purchase program, the corporation may purchase refinanc-
14 ing mortgage loans to provide relief to borrowers under circumstances
15 described by regulations adopted by the corporation.

16 (b) AS 18.56.098(c), (e), and (k) apply to refinancing mortgage
17 loans purchased under (a) of this section.

18 (c) Subject to (d) of this section, the interest rate on a
19 refinancing mortgage loan purchased under (a) of this section is three
20 percent less than the cost to the corporation of the money used to
21 purchase the refinancing mortgage loan, except that if the cost of
22 money

23 (1) is 10 percent or less, the interest rate is equal to
24 the cost of money; and

25 (2) is more than 10 percent, the interest rate may not be
26 less than 10 percent.

27 (d) If the refinancing mortgage loan is an adjustable rate
28 mortgage loan, the corporation shall establish the initial interest
29 rate as provided in (c) of this section and shall recalculate the

1 interest rate from time to time in accordance with (c) of this sec-
2 tion. However, notwithstanding (c)(1) of this section, the corpo-
3 ration may establish a minimum interest rate applicable to an adjust-
4 able rate refinancing mortgage loan; the interest rate on the adjust-
5 able rate refinancing mortgage loan may not be less than the minimum
6 interest rate so established, regardless of the cost of money to the
7 corporation. The corporation may adopt regulations to implement this
8 section, including regulations to define "cost of money" for purposes
9 of this section. The regulations may provide for recalculation of the
10 cost of money under this subsection at the times and frequencies the
11 corporation considers appropriate. The time and frequency for a
12 recalculation under this subsection is not required to match the time
13 or frequency of a change in the cost of money to the corporation.

14 (e) Equity extraction may not be allowed under this program.

15 (f) In this section, "refinancing mortgage loan" means a loan
16 refinancing another mortgage loan owned by the corporation.

17 * Sec. 5. AS 18.56.106(b) is amended to read:

18 (b) The corporation shall adopt regulations under this section
19 that establish conditions and terms for nonconforming housing loans
20 including terms and conditions relating to owner and nonowner occu-
21 pancy, the number of loans that may be made to a single borrower, and
22 borrower eligibility requirements. The corporation shall permit loans
23 under this section for nonconforming housing located on land to which
24 a borrower has agricultural rights.

25 * Sec. 6. AS 18.56.110(g) is amended to read:

26 (g) Notwithstanding AS 18.56.090(12) and (a) of this section,
27 the corporation may not issue bonds [, OTHER THAN REFUNDING BONDS,] in
28 any 12-month period beginning after June 30, 1983, in an amount that
29 exceeds the amount of bonds authorized to be issued during the

1 preceding period, unless a different amount is authorized by the
2 legislature. This subsection does not apply to the issuance by the
3 corporation of refunding bonds or to the issuance by the corporation
4 of bonds the proceeds of which are intended to be used to refinance
5 mortgage loans held by the corporation.

6 * Sec. 7. AS 18.56.900 is amended by adding a new paragraph to read:

7 (13) "adjustable rate mortgage loan" means a mortgage loan with
8 respect to which the interest rate varies or is expected to vary from
9 time to time by reference to an index or formula or other reference
10 point.

11 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

Alaska HOUSING FINANCE CORPORATION



April 28, 1987

The Honorable Fran Ulmer
Representative, State of Alaska
Post Office Box A
Juneau, AK 99811

Dear Representative Ulmer:

The purpose of this letter is to provide the information you requested on AHFC's proposed Simplified Refinance Program. Specifically, you wanted to know what the financial effect on AHFC would be both in terms of total resources and liquidity. As I explained, because the actual interest rates of the proposed program are, of course, unknown, and because the existing loans and bond issues that would be affected by this program cover such a wide range, it is impossible to provide an exact description of what will happen. However, I believe that it is possible to provide a representative example that can be used to understand the financial impact of this program on AHFC.

My procedure will involve the comparison of a representative "old" loan versus a "new" loan, under two different circumstances, and then a comparison of an "old" versus a "new" bond issue. The following assumptions will be used:

Old Loans

These are intended to represent the existing loans that would be refinanced by the proposed program. Assume that the loan rate is 10% and the total cost of funds (bond costs plus servicing and other costs) is 13%. Hence, there would be a 3% subsidy on these loans. Please note that this hypothetical loan (and bond) are intended to represent an average example of those loans which we believe would refinance under this program. In fact, the Corporation has loan rates ranging from under 7% to over 18%, and subsidies ranging from 0% to over 7%.

Also, assume these loans all have the Alaskan's Building Equity (ABE) graduated payment structure, hence average loan length about 17 years. Finally, assume the average loan balance is \$87,000.

New Loans

These are intended to represent the new loan that would be made under the Simplified Refinance Program. Since these loans would be adjustable rate mortgages based upon floating rate debt, calculation of a potential subsidy is much more problematical. For purposes here, assume the WORST case, that is the loan rate to the borrower is at 10% throughout the 20 year life of the loan. The total cost of funds, in this worst case, is assumed to be 10% for the first three years, and then 13% for the remaining life of the loan. Again, assume an \$87,000 loan.

Case 1: Loans stay out their entire stated maturity

Subsidy for old loan - \$18,121

Maximum subsidy for new loan - \$11,992

Case 2: Loans are paid off after five years (based on expected average life)

Subsidy for old loan - \$10,001

Maximum subsidy for new loan - \$3,346

Case 3: Overcollateralization for bond issues

Financial considerations require that the maximum possible amount needed for subsidy be made available at the time of a bond issue in the form of "overcollateralization". That is, it requires a greater dollar amount of loans than there are bonds, based upon the presumption that the interest rate is lower on the loans than it is on the bonds. Other up-front costs for bond issues are the various issuance costs, which must be paid at the time of issuance, and which are recovered from the borrowers as part of their interest rate. The following values are based upon the subsidy calculations of Case 1, assuming a \$100 million bond issue, and bond issuance costs and reserves not related to possible subsidies.

Overcollateralization for

old bond issue - \$20.8 million, or approximately 21%

Overcollateralization for

new bond issue - \$18.8 million, or approximately 19%

The Honorable Fran Ulmer
April 29, 1987
Page Three

One point is essential with respect to all of these figures. The examples for the old loans represent guaranteed subsidies, whereas the examples for the new loans represent the worst possible case of subsidies. It is far more likely that for the new loans there will be either no subsidies, or very little subsidies. Furthermore, as the years go by and the subsidy is not needed (for the new loans) the excess collateral can be freed up from the bond issues so that it can be used for other corporate purposes, such as supporting future bond issues.

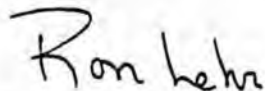
Finally, as new loans are made, and old loans are (simultaneously) paid off, the old bond issues that were the source of funds for the old loans can also be paid off. As the old bond issues are paid off, this frees up the excess overcollateralization that was pledged to support the old bond issue. This collateral can be used as the source of overcollateralization for new bond issues - that is, it can be recycled, so to speak. Hence, the net effect on AHFC with respect to overcollateralization from the Simplified Refinance would be nil.

Two further questions are obvious. First, how representative is the example? We believe it is quite valid, since, using a 10% loan rate as a floor, AHFC then has loan rates ranging from 10% to over 18%, with accompanying subsidies ranging from 1% to over 7% - so this represents a middle ground. Second, won't there be a time when both the old and new bond issues are out, that is, before the old bond issue can be totally called. Yes, there will be, but we believe that for the most part this "double bond issue" situation will be resolved within one year from the start of the program.

I hope this answers the questions that you raised about the proposed program. Please pardon me for using this opportunity to advertise on behalf of the program, however I think it is important to stress that the significance of this program runs far beyond expected levels of overcollateralization. Assuming the program works as intended, it will lower house payments for thousands of Alaskans, it will pump millions of dollars into the Alaskan economy, and it will save AHFC millions of dollars in subsidies.

Please let me know if I can provide any further information on the Simplified Refinance Program.

Sincerely,



Dr. Ronald D. Lehr
Executive Director

RDL:de

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 209

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to mortgage loans purchased by the
7 Alaska Housing Finance Corporation; relating to bonds
8 issued by the Alaska Housing Finance Corporation; and
9 providing for an effective date."

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

11 * Section 1. AS 18.56.096(b) is amended to read:

12 (b) The loan-to-value limitation established in (a)(4) of this
13 section does not apply to a mortgage [QUALIFIED] loan that is federal-
14 ly insured or guaranteed. The loan-to-value limitations established
15 in (a)(1) and (4) of this section do not apply to a mortgage loan that
16 is a refinancing mortgage loan under AS 18.56.102.

17 * Sec. 2. AS 18.56.098(a) is amended to read:

18 (a) The corporation shall establish a special mortgage loan
19 purchase program. Under the special mortgage loan purchase program,
20 the corporation may purchase [REFINANCING LOANS OR] first or second
21 mortgage loans. A first or second mortgage loan purchased under this
22 subsection must be [, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS,]
23 made for the purchase, improvement, or rehabilitation of a residence
24 or must be a refinancing loan. First or second mortgage loans pur-
25 chased under this subsection may include graduated payment mortgage
26 loans and adjustable rate mortgage loans [RESIDENCES].

27 * Sec. 3. AS 18.56.098(g) is amended by adding a new paragraph to read:

28 (7) The corporation shall determine the interest rate on a
29 mortgage loan that is an adjustable rate mortgage loan as provided in

1 this subsection. The corporation shall recalculate the interest rate
2 from time to time based on changes in the cost to the corporation of
3 the funds used to purchase the adjustable rate mortgage loan. Howev-
4 er, the corporation may establish a minimum interest rate applicable
5 to an adjustable rate mortgage loan, and the interest rate on the
6 adjustable rate mortgage loan may not be less than the minimum inter-
7 est rate so established regardless of the cost of funds to the corpo-
8 ration.

9 * Sec. 4. AS 18.56 is amended by adding a new section to read:

10 Sec. 18.56.102. SIMPLIFIED REFINANCING MORTGAGE LOAN PURCHASE
11 PROGRAM. (a) The corporation shall establish a simplified refinanc-
12 ing mortgage loan purchase program. Under the simplified refinancing
13 mortgage loan purchase program, the corporation may purchase refinanc-
14 ing mortgage loans to provide relief to borrowers under circumstances
15 described by regulations adopted by the corporation.

16 (b) AS 18.56.098(c), (e), and (k) apply to refinancing mortgage
17 loans purchased under (a) of this section.

18 (c) Subject to (d) of this section, the interest rate on a
19 refinancing mortgage loan purchased under (a) of this section is three
20 percent less than the cost to the corporation of the money used to
21 purchase the refinancing mortgage loan, except that

22 (1) if the cost of money is 10 percent or less, the inter-
23 est rate is equal to the cost of money; and

24 (2) if the cost of money is more than 10 percent, the
25 interest rate may not be less than 10 percent.

26 (d) If the refinancing mortgage loan is an adjustable rate
27 mortgage loan, the corporation shall establish the initial interest
28 rate as provided in (c) of this section and shall recalculate the
29 interest rate from time to time in accordance with (c) of this

1 section. However, notwithstanding (c)(1) of this section, the corpo-
2 ration may establish a minimum interest rate applicable to an adjust-
3 able rate refinancing mortgage loan; the interest rate on the adjust-
4 able rate refinancing mortgage loan may not be less than the minimum
5 interest rate so established, regardless of the cost of money to the
6 corporation. The corporation may adopt regulations to implement this
7 section, including regulations to define "cost of money" for purposes
8 of this section. The regulations may provide for recalculation of the
9 cost of money under this subsection at the times and frequencies the
10 corporation considers appropriate. The time and frequency for a
11 recalculation under this subsection is not required to match the time
12 or frequency of a change in the cost of money to the corporation.

13 (e) Equity extraction may not be allowed under this program.

14 (f) In this section, "refinancing mortgage loan" means a loan
15 refinancing another mortgage loan owned by the corporation.

16 * Sec. 5. AS 18.56.110(g) is amended to read:

17 (g) Notwithstanding AS 18.56.090(12) and (a) of this section,
18 the corporation may not issue bonds [, OTHER THAN REFUNDING BONDS,] in
19 any 12-month period beginning after June 30, 1983, in an amount that
20 exceeds the amount of bonds authorized to be issued during the preced-
21 ing period, unless a different amount is authorized by the legisla-
22 ture. This subsection does not apply to the issuance by the corpo-
23 ration of refunding bonds or to the issuance by the corporation of
24 bonds the proceeds of which are intended to be used to refinance
25 mortgage loans held by the corporation.

26 * Sec. 6. AS 18.56.900 is amended by adding a new paragraph to read:

27 (13) "adjustable rate mortgage loan" means a mortgage loan with
28 respect to which the interest rate varies or is expected to vary from
29 time to time by reference to an index or formula or other reference

1 point.

2 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

wo1327sL ✓
Levy
4/30/87

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 209 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to mortgage loans purchased or made
7 by the Alaska Housing Finance Corporation; relating
8 to bonds issued by the Alaska Housing Finance Corporation;
9 and providing for an effective date."

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

11 * Section 1. AS 18.56.096(b) is amended to read:

12 (b) The loan-to-value limitation established in (a)(4) of this
13 section does not apply to a mortgage [QUALIFIED] loan that is feder-
14 ally insured or guaranteed. The loan-to-value limitations established
15 in (a)(1) and (4) of this section do not apply to a mortgage loan that
16 is a refinancing mortgage loan under AS 18.56.102.

17 * Sec. 2. AS 18.56.098(a) is amended to read:

18 (a) The corporation shall establish a special mortgage loan
19 purchase program. Under the special mortgage loan purchase program,
20 the corporation may purchase [REFINANCING LOANS OR] first or second
21 mortgage loans. A first or second mortgage loan purchased under this
22 subsection must be [, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS,]
23 made for the purchase, improvement, or rehabilitation of a residence
24 or must be a refinancing loan. First or second mortgage loans pur-
25 chased under this subsection may include graduated payment mortgage
26 loans and adjustable rate mortgage loans [RESIDENCES].

27 * Sec. 3. AS 18.56.098(g)(1) is amended to read:

28 (1) The interest rate on the first \$90,000 of a mortgage
29 loan purchased with the issue of taxable bonds of the

CSSB 209(Fin)

As / This version never considered SFC members do not have copies

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4/30/87

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Original sp

CS SB 209 (Fin)

*This version
never considered*

1 IN THE SENATE

*SFC members do
not have copies*

BY THE FINANCE COMMITTEE

209 (Finance)

3 E STATE OF ALASKA

4 - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to mortgage loans purchased or made
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21 mortgage loans. A first or second mortgage loan purchased under this
22 subsection must be [, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS,]
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29 loan purchased with the proceeds of an issue of taxable bonds of the

wo 1327sL ✓
 Levy
 4/30/87

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 209 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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 7 by the Alaska Housing Finance Corporation; relating
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 21 mortgage loans. A first or second mortgage loan purchased under this
 22 subsection must be [, INCLUDING GRADUATED PAYMENT MORTGAGE LOANS,]
 23 made for the purchase, improvement, or rehabilitation of a residence
 24 or must be a refinancing loan. First or second mortgage loans pur-
 25 chased under this subsection may include graduated payment mortgage
 26 loans and adjustable rate mortgage loans [RESIDENCES].

27 * Sec. 3. AS 18.56.098(g)(1) is amended to read:

28 (1) The interest rate on the first \$90,000 of a mortgage
 29 loan purchased with the proceeds of an issue of taxable bonds of the

1 corporation is one and one-half [THREE] percent less than the cost of
2 funds of that issue, except that

3 (A) if the cost of funds of that issue is less than 10
4 percent, the interest rate is equal to the cost of funds; and

5 (B) if the cost of funds of that issue is more than 10
6 percent, the interest rate may not be less than 10 percent.

7 * Sec. 4. AS 18.56.098(g) is amended by adding a new paragraph to read:

8 (7) The corporation shall determine the interest rate on a
9 mortgage loan that is an adjustable rate mortgage loan as provided in
10 this subsection. The corporation shall recalculate the interest rate
11 from time to time based on changes in the cost to the corporation of
12 the funds used to purchase the adjustable rate mortgage loan. Howev-
13 er, the corporation may establish a minimum interest rate applicable
14 to an adjustable rate mortgage loan, and the interest rate on the
15 adjustable rate mortgage loan may not be less than the minimum inter-
16 est rate so established regardless of the cost of funds to the corpo-
17 ration.

18 * Sec. 5. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.102. SIMPLIFIED REFINANCING MORTGAGE LOAN PURCHASE
20 PROGRAM. (a) The corporation shall establish a simplified refinanc-
21 ing mortgage loan purchase program. Under the simplified refinancing
22 mortgage loan purchase program, the corporation may purchase refinanc-
23 ing mortgage loans to provide relief to borrowers under circumstances
24 described by regulations adopted by the corporation.

25 (b) AS 18.56.098(c), (e), and (k) apply to refinancing mortgage
26 loans purchased under (a) of this section.

27 (c) Subject to (d) of this section, the interest rate on a
28 refinancing mortgage loan purchased under (a) of this section is three
29 percent less than the cost to the corporation of the money used to

1 purchase the refinancing mortgage loan, except that if the cost of
2 money

3 (1) is 10 percent or less, the interest rate is equal to
4 the cost of money; and

5 (2) is more than 10 percent, the interest rate may not be
6 less than 10 percent.

7 (d) If the refinancing mortgage loan is an adjustable rate
8 mortgage loan, the corporation shall establish the initial interest
9 rate as provided in (c) of this section and shall recalculate the
10 interest rate from time to time in accordance with (c) of this sec-
11 tion. However, notwithstanding (c)(1) of this section, the corpo-
12 ration may establish a minimum interest rate applicable to an adjust-
13 able rate refinancing mortgage loan; the interest rate on the adjust-
14 able rate refinancing mortgage loan may not be less than the minimum
15 interest rate so established, regardless of the cost of money to the
16 corporation. The corporation may adopt regulations to implement this
17 section, including regulations to define "cost of money" for purposes
18 of this section. The regulations may provide for recalculation of the
19 cost of money under this subsection at the times and frequencies the
20 corporation considers appropriate. The time and frequency for a
21 recalculation under this subsection is not required to match the time
22 or frequency of a change in the cost of money to the corporation.

23 (e) Equity extraction may not be allowed under this program.

24 (f) In this section, "refinancing mortgage loan" means a loan
25 refinancing another mortgage loan owned by the corporation.

26 * Sec. 6. AS 18.56.106(b) is amended to read:

27 (b) The corporation shall adopt regulations under this section
28 that establish conditions and terms for nonconforming housing loans
29 including terms and conditions relating to owner and nonowner

1 occupancy, the number of loans that may be made to a single borrower,
2 and borrower eligibility requirements. The corporation shall permit
3 loans under this section for nonconforming housing located on land to
4 which a borrower has agricultural rights.

5 * Sec. 7. AS 18.56.110(g) is amended to read:

6 (g) Notwithstanding AS 18.56.090(12) and (a) of this section,
7 the corporation may not issue bonds [, OTHER THAN REFUNDING BONDS,] in
8 any 12-month period beginning after June 30, 1983, in an amount that
9 exceeds the amount of bonds authorized to be issued during the preced-
10 ing period, unless a different amount is authorized by the legislature.
11 This subsection does not apply to the issuance by the corporation of
12 refunding bonds or to the issuance by the corporation of bonds the
13 proceeds of which are intended to be used to refinance mortgage loans
14 held by the corporation.

15 * Sec. 8. AS 18.56.900 is amended by adding a new paragraph to read:

16 (13) "adjustable rate mortgage loan" means a mortgage loan
17 with respect to which the interest rate varies or is expected to vary
18 from time to time by reference to an index or formula or other refer-
19 ence point.

20 * Sec. 9. This Act takes effect immediately under AS 01.10.070(c).
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STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 24, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of mortgage loans by the Alaska Housing Finance Corporation (AHFC) and to the issuance of refinancing mortgage bonds by AHFC. The bill enables AHFC to establish a new program for AHFC purchase of refinancing mortgage loans. It also clarifies AHFC's ability to purchase adjustable rate mortgage loans.

Existing AS 18.56.096 imposes a number of limitations with respect to the terms of mortgage loans that AHFC may purchase. Existing AS 18.56.096(a)(1) and (4) set out loan-to-value ratio limits applicable to first mortgages for two- to four-unit houses and single-family houses, respectively. Existing AS 18.56.096(b) waives the loan-to-value ratio limit for single-family houses if the mortgage loan is federally insured or guaranteed. The amendment proposed in sec. 1 of the bill also waives the loan-to-value ratio limit for both single-family houses and two- to four-unit houses if the mortgage loan is a refinancing mortgage loan purchased under the new program established in proposed AS 18.56.102 (in sec. 4 of the bill).

Most of AHFC's loan purchasing activities have been carried out under the special mortgage loan purchase program established in AS 18.56.098. The amendment to AS 18.56.098(a), proposed in sec. 2 of the bill, (1) reorganizes some of the language of that subsection to clarify its meaning, (2) preserves AHFC's ability to purchase refinancing loans under the special mortgage loan purchase program notwithstanding the addition of the new program for that purpose in sec. 4 of the bill, and (3) makes it clear that AHFC may purchase an adjustable rate mortgage loan.

Section 3 of the bill adds a new paragraph (7) to AS 18.56.-098(g), the subsection that deals with the setting of interest rates on mortgage loans purchased under the special mortgage loan purchase program. The new paragraph directs

that the interest rate for an adjustable rate mortgage loan be established as with any other mortgage loan except that (1) AHFC is to periodically review those interest rates, and (2) AHFC may establish a minimum interest rate for adjustable rate mortgage loans.

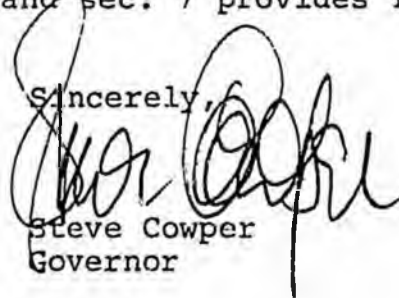
Section 4 of the bill adds AS 18.56.102, which establishes the simplified refinancing mortgage loan purchase program. The new program is intended to provide relief to borrowers under circumstances described by regulations to be adopted by AHFC. The interest rate for a mortgage loan purchased under the new program is set according to the cost to AHFC of the money used to purchase the mortgage loan. The interest rate is equal to the cost of the money if that cost is 10 percent or less; if the cost of the money is greater than 10 percent, the interest rate is 3 percent below the cost of the money, but may not be less than 10 percent. AHFC may purchase adjustable rate mortgage loans under the new program. The interest rates for the adjustable rate mortgage loans are to be periodically reviewed and are subject to a minimum interest rate if one is established by AHFC.

Certain provisions of the special mortgage loan purchase program in AS 18.56.098 will be applicable to the new refinancing mortgage loan purchase program, including the ability to pledge mortgage loans to bonds issued for the purposes of the program (AS 18.56.098(c)), the duty to adopt regulations with respect to the program and with respect to the ability to prepay mortgage loans purchased under the program (AS 18.56.098(e)), and a waiver of the application of the state usury limitation to loans purchased by AHFC (AS 18.56.098(k)).

Section 5 of the bill proposes an amendment to AS 18.56.110(g), to exempt bonds for the purchase of refinancing mortgage loans from the limitation, set in that subsection, on the amount of bonds that AHFC may issue during a 12-month period.

Section 6 of the bill adds to AS 18.56.900 a definition of "adjustable rate mortgage loan," and sec. 7 provides for an immediate effective date.

Sincerely,



Steve Cowper
Governor

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3-26-85 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below) **Gov. Fiscal Note attached**

3/24/87 DATE TURNED INTO OFFICE _____

Mr. President:

JUDICIARY Committee considered SB 209

mortgage loans purchased by the Alaska Housing Finance Corporation;
relating to bonds issued by the Alaska Housing Finance Corporation;
efd.

and recommended:

replace with CS 209 (JUD) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Joe P. Josephson
William Stungeler

Committee Backup Attached

J. Keith ...
Chairman signature and recommendation