

**HB**

**4 1 1**

<target><bill>HB 411</bill><subject>HB  
411</subject><comm>HENE26</comm></target>

STATE CAPITOL  
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Governor Sean Parnell  
STATE OF ALASKA

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February 25, 2010

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

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

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

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

To maximize the price paid to AEA for the sale of loans of the power project fund, the bill and memorandum of understanding include provisions for AEA to repurchase from AIDEA loans which later default. This repurchase provision substantially reduces financial risk to AIDEA from default, and enables AIDEA to purchase the loans without significant

The Honorable Mike Chenault  
February 25, 2010  
Page 2

discount for such risk. The result is that AEA will obtain more from the sale to capitalize the power project fund.

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

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

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

I urge your prompt and favorable action on this bill.

Sincerely,



Sean Parnell  
Governor

Enclosure

## Memorandum of Understanding

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

### Recitals

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

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

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

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

7

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

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

Alaska Energy Authority

  
by: Steve Haagenson  
Executive Director

Alaska Industrial Development and Export Authority

  
by: Ted Leonard  
Executive Director

# Exhibit A

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

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

Prepared by AEA



March 8, 2010

The Honorable Charisse Millett  
The Honorable Bryce Edgmon  
Co-Chairs, House Special Committee on Energy  
Alaska State Legislature  
State Capitol, Room 412  
Juneau, Alaska 99801-1182

RE: HB 411, "An Act relating to the Power Project Fund"

Dear Representatives Millett and Edgmon:

On February 26, 2010, HB 411 (Companion Bill SB 301) was introduced by the Governor through the House Rules committee and referred to your committee. Thank you for scheduling this bill for a hearing on Tuesday, March 9, 2010. This legislation is intended to allow the Alaska Energy Authority (AEA) to charge and collect fees relating to the Power Project Fund (PPF) and authorize AEA to sell and authorize the Alaska Industrial Development and Export Authority (AIDEA) to purchase loans of the PPF.

HB 411 allows AEA to charge and collect fees in administering the PPF, similar to the authority AEA has to charge and collect fees in administering the Bulk Fuel Revolving Loan Fund (BFRLF.) AEA charges an application fee and an origination fee for a loan of the BFRLF; AEA proposes to charge similar fees for a PPF loan application and loan.

HB 411 also authorizes AEA to sell and AIDEA to purchase certain loans from the PPF. The proposed sale of existing loans will recapitalize the PPF with approximately \$20.6 million. To maximize the price paid to AEA for the sale of the loans, the bill includes provisions for AEA to repurchase from AIDEA loans which later default. This repurchase provision substantially reduces financial risk to AIDEA and allows AIDEA to purchase the loans without significant discount.

We appreciate your scheduling HB 411 this week and we urge favorable action on this bill. A copy of HB 411, the related Memorandum of Understanding between AIDEA and AEA, fiscal notes and sectional analysis are attached. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

ALASKA ENERGY AUTHORITY

Steve Haagenon  
Executive Director

Attachments (5)

cc: Ted Leonard, AIDEA Executive Director

HB 411

An Act relating to the power project fund

Sectional Analysis

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

Prepared by AEA

## Overview of Federal Energy Funding for Alaska

The Alaska Housing Finance Corporation (AHFC) has been operating energy efficiency programs since the merger with the Alaska State Housing Authority (ASHA) in 1992. At that time, the Weatherization Assistance Program and the State Energy Conservation Program were moved to AHFC under 1992 HB 595- sec 144. Also included in this were Petroleum Violation Escrow funds, Stripper Well, Diamond Shamrock and other oil overcharge funds.

In 1996 the US Department of Energy (US DOE) began to merge two federal programs. These were the Institutional Conservation Program (ICP) and the State Energy Conservation Program, (SECP). The US DOE asked the Governor of the State of Alaska to designate one agency as lead to receive the State Energy Program funding. On June 18, 1996, then Governor Tony Knowles designated AHFC as the lead agency to receive the combined funding of these programs, now named the State Energy Program (SEP). **This designation is only applicable for funds received through the State Energy Program and has usually only included approximately two hundred thousand dollars of federal funds annually.**

Subsequently, on November 25, 1996, AHFC and the Department of Community and Regional Affairs (DCRA) Energy Division signed a memorandum of agreement acknowledging AHFC as lead agency and agreeing to split funding. This agreement was revised in 2001 after DCRA was dissolved and the division of energy programs was transferred to the Alaska Energy Authority (AEA).

Since that time, AEA and AHFC have equally split funding between the two agencies. AEA can receive direct grants from US DOE for renewable energy and power systems, but competitive renewable energy and energy efficiency /conservation grants would be applied for through AHFC. This has been done successfully several times, with several Rebuild America grants, and some wind power and geothermal projects.

Although the 2001 Memorandum of Agreement is still in place, the increase in federal energy funds under ARRA has reallocated the available SEP funds to address specific program initiatives. This resulted in \$28.2 million in State Energy Program funding specifically to address program priorities. HB223 was introduced to take advantage of the additional federal funds. \$18 million of the federal stimulus funds will be used to develop a loan program to address energy efficiency needs of public buildings throughout the state.

Prepared by AHFC, AEA, and OMB  
March 16, 2010

## State of Alaska Energy-Related Divisions and Programs

| Agency                                 | Division, Program, or Individual   | Function   |
|--|--|--|
| <b>Administration</b>                  | Office of Administrative Hearings  | Adjudicates energy-related matters, including oil and gas producer tax disputes.   |
|  | Division of General Services   | Facilities section manages a number of State facilities, including energy efficiency improvements to these facilities.   |
|  | Oil and Gas Conservation Commission  | Protects the public interest in exploration and development of oil and gas resources, ensuring conservation practices, and increasing ultimate recovery, while protecting health, safety, the environment, and property rights.  |
| <b>Commerce</b>                        | Division of Community and Regional Affairs   | Works with communities and rural villages to provide technical and financial assistance on a variety of issues. Manages the Community Energy Assistance Program and the Rural Utility Business Advisor program.  |
|  | Alaska Industrial Development and Export Authority (AIDEA)                               | Provides financing for power production projects.  |
|  | Alaska Energy Authority (AEA)  | Primary mission is to reduce the cost of energy in Alaska. AEA projects and programs: 1) provide for the operation and maintenance of existing Authority-owned projects with maximum utility control, 2) assist in the development of safe, reliable, and efficient energy systems throughout Alaska, which are sustainable and environmentally sound, 3) reduce the cost of electricity for residential customers and community facilities in rural Alaska, and 4) respond quickly and effectively to electrical emergencies. |
|  | Regulatory Commission of Alaska (RCA)  | Regulates electric and gas utilities.  |
| <b>Environmental Conservation</b>      | Divisions of Air Quality, Environmental Health, Water, and Spill Prevention and Response | Regulates oil and gas production and transportation facilities and systems, and energy production facilities.  |
| <b>Fish and Game</b>                   | Division of Habitat  | Issues permits for construction of energy production and transportation facilities.  |
| <b>Office of the Governor</b>          |  | Provides Executive Branch oversight, policy direction and coordination of energy-related programs.   |
|  | Gene Therriault  | Senior Policy Advisor: in-state energy issues. Assists the Governor with monitoring and coordination of energy programs and issues.  |
|  | Joe Balash   | Special Assistant: Energy-related assignments include Cook Inlet Gas, GRETC (Railbelt electric utilities), Gas Line Team, and the RCA (Regulatory Commission of Alaska).   |
| <b>Health &amp; Social Services</b>    | Division of Public Assistance  | Manages the low-income home energy assistance program.   |
| <b>Military &amp; Veterans Affairs</b> | Division of Emergency Services   | Provides funding for energy-related disaster response, such as rural power plant fires and flooding.   |
| <b>Natural Resources</b>               | Division of Oil and Gas  | Oversees leasing and permitting activity for oil and gas development, royalty revenue collection, resource evaluation, and ensures appropriate oversight and maintenance of oil and gas equipment, facilities, and infrastructure.   |
|  | Division of Mining, Land and Water   | Assists with permitting of oil and gas, and other energy related developments.   |
|  | Division of Geological and Geophysical Surveys   | Maps and inventories energy resources on state land.   |
|  | State Pipeline Coordinator's Office  | Oversees the trans-Alaska pipeline and other common carrier pipelines.   |
| <b>Revenue</b>                         | Tax Division   | Administers oil and gas tax laws and collects associated revenues.   |
|  | Alaska Housing Finance Authority (AHFC)  | Manages the following energy programs: Weatherization Program, Home Energy Rebate program, State Energy Program, the Research and Information Center, Building Energy Efficiency Standards (BEES), and the Builder and Rater Education program.  |
|  | Alaska Natural Gas Development Authority   | Primary mission is to develop a natural gas pipeline from Prudhoe Bay to tidewater on Prince William Sound, and a spur line to the gas distribution grid in southcentral Alaska.   |
| <b>Transportation</b>                  |  | Plans and develops transportation access to energy resources.  |

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 411  
 () Publish Date: \_\_\_\_\_

Identifier (file name): HB411-CED-AEA-3-2-10 Dept. Affected: DCCED  
 Title Power Project Fund Loan Portfolio Sale RDU 453  
 Component Statewide Project Development  
 Sponsor Rules by Request of the Governor  
 Requester House Energy Committee Component Number 2888

**Expenditures/Revenues** (Thousands of Dollars)

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

|                               | Appropriation<br>Required | Information |            |            |            |            |            |            |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|------------|
|                               |                           | FY 2011     | FY 2011    | FY 2012    | FY 2013    | FY 2014    | FY 2015    | FY 2016    |
| <b>OPERATING EXPENDITURES</b> |                           |             |            |            |            |            |            |            |
| Personal Services             |                           |             |            |            |            |            |            |            |
| Travel                        |                           |             |            |            |            |            |            |            |
| Contractual                   |                           |             |            |            |            |            |            |            |
| Supplies                      |                           |             |            |            |            |            |            |            |
| Equipment                     |                           |             |            |            |            |            |            |            |
| Land & Structures             |                           |             |            |            |            |            |            |            |
| Grants & Claims               |                           |             |            |            |            |            |            |            |
| Miscellaneous                 |                           |             |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b>        | <b>0.0</b>                | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|--|

|                              |           |  |  |  |  |  |  |  |
|------------------------------|-----------|--|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ()</b> | <b>**</b> |  |  |  |  |  |  |  |
|------------------------------|-----------|--|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                            |            |            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts      |            |            |            |            |            |            |            |            |
| 1003 GF Match              |            |            |            |            |            |            |            |            |
| 1004 GF                    |            |            |            |            |            |            |            |            |
| 1005 GF/Program Receipts   |            |            |            |            |            |            |            |            |
| 1037 GF/Mental Health      |            |            |            |            |            |            |            |            |
| Other Interagency Receipts |            |            |            |            |            |            |            |            |
| <b>TOTAL</b>               | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

|           |  |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

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

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

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

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

FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

ANALYSIS CONTINUATION

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

No additional operating costs are anticipated with this legislation.

Page \_ of \_

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB 411  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB411-CED-AIDEA-3-2-10 Dept. Affected: DCCED  
Title: Power Project Fund Loan Portfolio Sale RDU: 125  
Component: AIDEA Operations  
Sponsor: Rules by Request of the Governor  
Requester: House Energy Committee Component Number: 1234

**Expenditures/Revenues** (Thousands of Dollars)

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

| OPERATING EXPENDITURES | Appropriation Required | Information |            |            |            |            |            |
|------------------------|------------------------|-------------|------------|------------|------------|------------|------------|
|                        | FY 2011                | FY 2011     | FY 2012    | FY 2013    | FY 2014    | FY 2015    | FY 2016    |
| Personal Services      |                        |             |            |            |            |            |            |
| Travel                 |                        |             |            |            |            |            |            |
| Contractual            |                        |             |            |            |            |            |            |
| Supplies               |                        |             |            |            |            |            |            |
| Equipment              |                        |             |            |            |            |            |            |
| Land & Structures      |                        |             |            |            |            |            |            |
| Grants & Claims        |                        |             |            |            |            |            |            |
| Miscellaneous          |                        |             |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b>             | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

|                             |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|                            |            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts      |            |            |            |            |            |            |            |
| 1003 GF Match              |            |            |            |            |            |            |            |
| 1004 GF                    |            |            |            |            |            |            |            |
| 1005 GF/Program Receipts   |            |            |            |            |            |            |            |
| 1037 GF/Mental Health      |            |            |            |            |            |            |            |
| Other Interagency Receipts |            |            |            |            |            |            |            |
| <b>TOTAL</b>               | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

**ANALYSIS:** (Attach a separate page if necessary)

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

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

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

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

**FISCAL NOTE**

**STATE OF ALASKA  
2010 LEGISLATIVE SESSION**

**BILL NO.** \_\_\_\_\_

**ANALYSIS CONTINUATION**

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

No additional operating costs are anticipated with this legislation.

Page \_ of \_

