

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1330 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

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

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

MEMORANDUM

RECEIVED

State of Alaska

APR 5 1985

DATE

April 3, 1985

TO: William H. Batt
Assoc. Executive Director
Finance/Administration
Alaska Power Authority

ALASKA POWER AUTHORITY
FILE NO

TELEPHONE NO 276-3550

FROM: Norman C. Gorsuch
Attorney General
By:

SUBJECT: Swan Lake Project,
City of Ketchikan

Carolyn E. Jones
Carolyn E. Jones
Assistant Attorney General

I have reviewed the materials you sent with me with regard to the transfer of leftover construction moneys. I can find nowhere in this packet a written request for the funds with directions as to how the funds are to be transferred or a refusal by KPU to transfer the funds. The September, 1984 Crawford letter is more advisory than directory and suggests that several more steps still needed to be taken, e.g., "We will be in touch with you tomorrow regarding transactional details."

What is needed now is a letter from the APA to Ketchikan Public Utilities requesting that the Utility turn over the money, and setting out the procedural steps relating to the transfer. That is an administrative matter which I leave you to draft as you wish the request and process to take place.

If you wish to discuss in this letter the informal signals you have received regarding KPU's demand that its legal fees be paid, then I offer the following paragraph to be included in your demand letter: [Note to typist: the following paragraph should be inserted in the letter immediately following the text requesting transfer and setting out the procedure for the transfer.]

We have learned informally that Ketchikan Public Utilities believes that moneys from the construction fund and reserve account should be used to pay for KPU's legal costs in negotiating the power sales agreement. We believe that any legal fees related to negotiating KPU's negotiations in the context of purchasing energy from the project are not covered by the terms of the acquisition agreement.

Section 10 of the acquisition agreement provides that the Alaska Power Authority will reimburse the City of Ketchikan for its project costs including legal fees related to the cost of management and construction. The section reads,

Compensation for Management and Construction Services. The City shall be compensated for

William H. Batt
Alaska Power Authority
Swan Lake Project

April 3, 1985
Page 2

management of the project and for work performed by the city personnel in relation to the project, by payment of the following cost on a monthly basis:

(b) the cost and expenses of attorneys, consultants, engineers or other consultants, whether or not such persons are employees of the city, and any and all other out-of-pocket expenses incurred by the city in administration or management of, or in connection with the project;

We believe that the intent of the acquisition agreement was to cover KPU's costs vis-a-vis construction and management of the project on the APA's behalf. When KPU negotiated with the APA for the right to purchase power from the project, KPU stood in an arms-length relationship with the APA-- as any buyer and seller do. In those circumstances, KPU's activities and legal fees were not covered by the contract. Indeed, the APA is not paying comparable legal expenses to the other communities that are negotiating with us to buy power from the Four Dam Pool project.
(end of letter)

CEJ:cmh

Alaska State Legislature



House of Representatives

REPRESENTATIVE
JOHN L. SUND

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

5/10/85

MEMORANDUM

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

FROM: Rep. John Sund

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

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

The package contains:

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

Offered: 4/14/85
Referred: Rules

Original sponsor: House Special Committee
on State Loans

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 219 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

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

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

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

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

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

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(1) [THE MARKET RATE OF INTEREST FOR A LOAN OF COMPARABLE
SIZE AND DURATION AT THE TIME THE LOAN IS MADE; AND
(2)] the [ESTIMATED] costs, at the time the power sales

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

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

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

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

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

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

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

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

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

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

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

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

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

MEMORANDUM OF UNDERSTANDING

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

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

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

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

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

DATED May 8, 1985

ALASKA POWER AUTHORITY

By: [Signature]

CITY OF KETCHIKAN

By: [Signature]

COPPER VALLEY ELECTRIC ASSOCIATION

By: Andrew Hoge

KODIAK ELECTRIC ASSOCIATION

By: William E. Erickson

CITY OF WRANGELL

By: Charles E. ...

CITY OF PETERSBURG

By: John E. ...

SCHEDULE A

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

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

RETAIL RATES
(cents per kwh)

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

COMPONENTS OF THE RATES
(cents per kwh)

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

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

Alaska State Legislature



House of Representatives

REPRESENTATIVE
JOHN L. SUNO

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

4/22/85

MEMORANDUM

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

FROM: Rep. John Suno

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

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

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

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

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

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

Sectional analysis:

Section 1:

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

Section 2:

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

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

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

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

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

YEAR	SCHEDULED DEBT SERVICE (CENTS/KWH)	ESTIMATED O & M COST (CENTS/KWH)	PROJECTED WHOLESALE POWER RATE (CENTS/KWH)
A	B	C	D
1986	2.50	2.72	5.32
1987	2.80	2.72	5.52
1988	3.20	2.76	5.96
1989	3.50	2.81	6.31
1990	4.00	2.97	6.87
1991	4.00	2.94	6.94
1992	4.00	3.00	7.00
1993	4.00	3.04	7.04
1994	4.00	3.08	7.08
1995	4.00	3.13	7.13
1996	4.00	3.24	7.24
1997	4.00	3.36	7.36
1998	4.00	3.47	7.47
1999	4.00	3.59	7.59
2000	4.00	3.72	7.72
2001	4.00	3.86	7.86
2002	4.00	4.06	8.06
2003	4.00	4.27	8.27
2004	4.00	4.48	8.48
2005	4.00	4.71	8.71
2006	4.00	4.94	8.94
2007	4.00	5.19	9.19
2008	4.00	5.45	9.45
2009	4.00	5.72	9.72
2010	4.00	6.01	10.01
2011	4.00	6.30	10.30
2012	4.00	6.61	10.61
2013	4.00	6.94	10.94
2014	4.00	7.28	11.28
2015	4.00	7.63	11.63
2016	4.00	8.00	12.00
2017	4.00	8.38	12.38
2018	4.00	8.78	12.78
2019	4.00	9.20	13.20
2020	4.00	9.63	13.63
2021	4.00	10.08	14.08
2022	4.00	10.55	14.55
2023	4.00	11.04	15.04
2024	4.00	11.54	15.54
2025	4.00	12.07	16.07
2026	4.00	12.61	16.61
2027	4.00	13.18	17.18
2028	4.00	13.76	17.76
2029	4.00	14.50	18.50
2030	4.00	15.36	19.36
2031	4.00	16.27	20.27
2032	4.00	17.24	21.24
2033	4.00	18.27	22.27
2034	4.00	19.35	23.35
2035	4.00	20.51	24.51

Notes:

1. O & M based on forecast loads without Additional Sales.
2. O & M includes \$500,000 per year capital cost for Renewals and Replacements.
3. O & M inflation assumed to be 0% per year.
4. Additional Sales to be charged for Debt Service at 1 Cent/kWh less than Scheduled Debt Service.

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

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

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

YEAR	PROJECTED			OPERATIONS & MAINTENANCE						
	SCHEDULED DEBT SVC. (CENTS/KWH)	O & M COST (CENTS/KWH)	WHL. POWER RATE (CENTS/KWH)	SALES (MMH)	GROSS REVENUES (\$=000's)	NET REVENUES (\$=000's)	ADMIN (\$=000's)	ON-SITE (\$=000's)	R & R (\$=000's)	TOTAL O & M (\$=000's)
A	B	C	D	E	F	G	H	I	J	K
1986	2.60	2.72	5.32	191,496	9,658	5,219	863	3,576	500	4,939
1987	2.80	2.72	5.52	191,437	10,566	5,860	915	3,791	500	5,205
1988	3.20	2.76	5.96	199,181	11,861	6,874	970	4,018	500	5,488
1989	3.50	2.81	6.31	206,042	12,998	7,711	1,028	4,259	500	5,787
1990	4.00	2.87	6.87	212,994	14,624	9,020	1,090	4,515	500	6,104
1991	4.00	2.94	6.94	219,067	15,203	9,263	1,155	4,785	500	6,440
1992	4.00	3.00	7.00	226,907	15,873	9,576	1,224	5,073	500	6,797
1993	4.00	3.04	7.04	236,183	16,622	9,947	1,298	5,377	500	7,175
1994	4.00	3.08	7.08	245,893	17,411	10,336	1,375	5,700	500	7,575
1995	4.00	3.13	7.13	255,439	18,217	10,718	1,458	6,042	500	8,000
1996	4.00	3.24	7.24	260,533	18,871	10,921	1,546	6,404	500	8,450
1997	4.00	3.36	7.36	265,897	19,562	11,136	1,638	6,788	500	8,927
1998	4.00	3.47	7.47	271,482	20,291	11,359	1,737	7,196	500	9,432
1999	4.00	3.59	7.59	277,343	21,062	11,594	1,841	7,627	500	9,968
2000	4.00	3.72	7.72	283,488	21,876	11,840	1,951	8,085	500	10,536
2001	4.00	3.86	7.86	288,220	22,667	12,029	2,068	8,570	500	11,138
2002	4.00	4.06	8.06	290,043	23,378	12,102	2,192	9,084	500	11,777
2003	4.00	4.27	8.27	291,926	24,130	12,177	2,324	9,629	500	12,453
2004	4.00	4.48	8.48	293,889	24,926	12,256	2,463	10,207	500	13,170
2005	4.00	4.71	8.71	295,935	25,768	12,337	2,611	10,820	500	13,931
2006	4.00	4.94	8.94	298,067	26,659	12,423	2,768	11,469	500	14,736
2007	4.00	5.19	9.19	300,290	27,602	12,512	2,934	12,157	500	15,591
2008	4.00	5.45	9.45	302,608	28,600	12,604	3,110	12,886	500	16,496
2009	4.00	5.72	9.72	305,023	29,657	12,701	3,296	13,659	500	17,456
2010	4.00	6.01	10.01	307,541	30,775	12,802	3,494	14,479	500	18,473
2011	4.00	6.30	10.30	310,165	31,958	12,907	3,704	15,348	500	19,552
2012	4.00	6.61	10.61	312,901	33,211	13,016	3,926	16,269	500	20,695
2013	4.00	6.94	10.94	315,753	34,537	13,130	4,162	17,245	500	21,906
2014	4.00	7.28	11.28	318,725	35,940	13,249	4,411	18,279	500	23,191
2015	4.00	7.63	11.63	321,824	37,425	13,373	4,676	19,376	500	24,552
2016	4.00	8.00	12.00	325,053	38,997	13,502	4,957	20,539	500	25,995
2017	4.00	8.38	12.38	328,420	40,662	13,637	5,254	21,771	500	27,525
2018	4.00	8.78	12.78	331,929	42,424	13,777	5,569	23,077	500	29,147
2019	4.00	9.20	13.20	335,587	44,289	13,923	5,903	24,462	500	30,865
2020	4.00	9.63	13.63	339,400	46,263	14,076	6,258	25,930	500	32,687
2021	4.00	10.08	14.08	343,375	48,354	14,235	6,633	27,485	500	34,619
2022	4.00	10.55	14.55	347,518	50,566	14,401	7,031	29,135	500	36,666
2023	4.00	11.04	15.04	351,836	52,909	14,573	7,453	30,883	500	38,836
2024	4.00	11.54	15.54	356,338	55,389	14,754	7,900	32,736	500	41,136
2025	4.00	12.07	16.07	361,030	58,015	14,941	8,374	34,700	500	43,574
2026	4.00	12.61	16.61	365,921	60,795	15,137	8,877	36,782	500	46,158
2027	4.00	13.18	17.18	371,019	63,739	15,341	9,409	38,989	500	48,898
2028	4.00	13.76	17.76	376,334	66,855	15,553	9,974	41,328	500	51,802
2029	4.00	14.50	18.50	378,607	70,024	15,644	10,572	43,808	500	54,880
2030	4.00	15.36	19.36	378,607	73,287	15,644	11,206	46,436	500	58,143
2031	4.00	16.27	20.27	378,607	76,745	15,644	11,879	49,222	500	61,601
2032	4.00	17.24	21.24	378,607	80,411	15,644	12,592	52,176	500	65,267
2033	4.00	18.27	22.27	378,607	84,297	15,644	13,347	55,306	500	69,153
2034	4.00	19.35	23.35	378,607	88,417	15,644	14,148	58,624	500	73,272
2035	4.00	20.51	24.51	378,607	92,783	15,644	14,997	62,142	500	77,639

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

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

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

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

Article 9. Energy Program for Alaska.

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

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

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

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

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

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

(b) The fund includes

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

Revisor's notes. — Enacted as AS 44.83.410. Renumbered in 1981.

Effect of amendments. — The 1983

amendment, repealed paragraph (2) of subsection (b).

§ 44.83.382

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

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

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

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

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

(5) debt service on power projects.

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

(1) is economically feasible; and

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

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

(B) coal or peat;

(C) energy derived from waste heat; or

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

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

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

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

(3) the project meets the other requirements of this chapter. (§ 1 ch 118 SLA 1981; am § 12 ch 133 SLA 1982; am § 28 ch 63 SLA 1983; am §§ 14, 15 ch 89 SLA 1983)

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

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

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

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

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

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

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

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

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

(1) approved in accordance with AS 44.83.185; and

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

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

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

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

(b) The legislature may reappropriate money under (a) of this section only for a power project that is economically feasible under AS 44.83.181(b) and only if the project will serve the market area that would have been served by the power project designated by the legislature and not constructed. (§ 1 ch 118 SLA 1981)

§ 44.83.390

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

§ 44.83.398

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

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

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

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

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

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

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

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

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

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

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

ection. The addition is necessary to the agreement between the state for Alaska and the federal government, multiplied by the project and whose revenues are subject to the energy program for the project as a separate

bearing account for the purpose of the project. The project is to be paid for by the project, which is the authority. From revenues derived by the terms of that facility. A state loan for the project of this SLA 1982; amended §§ 2-8 ch

substituted "power projects" in subparagraph (iii), and substituted provisions of the former project service of power and." In subsection substituted "for" under (b) of it has pledged to the money it and (B) and the money it would (A) and (B) and section if those part to establish an effect at the by the authority amendment substituted "the wholesale" sentence and added amendment also substituted "July 1986" near the (2) of subsection wise covenanted

to secure bonds" for "to secure bonds in accordance with contracts with bondholders" at the end of subsection (c), rewrote subsection (e), and added the last sentence of subsection (h).

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

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

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

Sec. 44.83.400. Energy conservation. The authority shall ensure

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

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

(A) the Alaska Public Utilities Commission;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) manufacturing;

(B) pipeline transportation;

(C) the recovery or processing of minerals;

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

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

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

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

Effect of amendments. — The 1983

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

Chapter 85. Alaska Municipal Bond Bank Authority.

Section

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

Section

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

Article 9. Power Development Revolving Loan Fund.**Section**

600. Creation of fund

610. Powers and duties of department in administering the fund

Section

620. Loan terms

630. Definitions

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

(b) The fund consists of

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

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

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

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

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

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

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Loan Fund.

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

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

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

Sec. 44.33.630. Definitions. In AS 44.33.600 — 44.33.630

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

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

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

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

Chapter 35. Department of Military and Veterans' Affairs.

Section

10. Adjutant general
20. Duties of department

Section

30. Construction of memorials to Alaskan veterans

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

Effect of amendments. — The 1984 amendment inserted "and Veterans'." 2d, Military, and Civil Defense, § 4.30, 33, 37.

Collateral references. — 53 Am. Jur. 57 C.J.S., Militia, § 11.

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

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

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

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

by the Military Code."

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

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

§ 42.05.671

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§ 42.05.681

PUBLIC UTILITIES AND CARRIERS

§ 42.05.711

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

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

NOTES TO DECISIONS

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

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

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

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

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

Article 10. General Provisions.

Section

711. Exemptions

712. Deregulation ballot

Section

720. Definitions

721. Short title

Sec. 42.05.701. [Renumbered as AS 42.05.720.]

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

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

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

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

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

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

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

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

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

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

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

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PUBLIC UTILITIES AND CARRIERS

§ 42.05.712

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

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

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

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

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

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

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

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

NOTES TO DECISIONS

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

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

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

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

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

Article 9. Power Development Revolving Loan Fund.

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

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

(b) The fund consists of

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

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

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

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

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

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

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

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

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

Sec. 44.33.630. Definitions. In AS 44.33.600 — 44.33.630

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

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

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

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

Chapter 35. Department of Military and Veterans' Affairs.

Section

- 10. Adjutant general
- 20. Duties of department

Section

- 30. Construction of memorials to Alaska veterans

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

Effect of amendments. — The 1984 amendment inserted "and Veterans'." 2d, Military, and Civil Defense, §§ 4, 30, 33, 37.

Collateral references. — 53 Am. Jur. 57 C.J.S., Militia, § 11.

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

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

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

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

by the Military Code."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

§ 44.83.398

tion. The addition is necessary to the agreement between the state and the local authority for Alaska and the local authority, multiplied by the local authority and whose project and whose project are subject to the energy program for the project as a separate

bearing account the purpose of the project. The project is to be paid for the project, which is the authority. The project is from revenues from the project. The project is by the terms of the project. A project is that facility. A project is state loan for the project (b)(1) of this SLA 1982; am § 2-8 ch

substituted "power projects" in subparagraph (a), and substituted provisions of the former project for the former project service of power and. In subsection (b) substituted for "under (b) of the project has pledged to the project with contracts the money it the project and (B) and the money it would the project (A) and (B) and the project if those the project to establish the project in effect at the project by the authority amendment substituted "the wholesale" the project and added amendment also the project substituted "July 1986" near the project of subsection the project wise covenanted

§ 44.83.400

STATE GOVERNMENT

§ 44.83.420

to secure bonds" for "to secure bonds in accordance with contracts with bondholders" at the end of subsection (c), rewrote subsection (e), and added the last sentence of subsection (h).

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

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

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

Sec. 44.83.400. Energy conservation. The authority shall ensure

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

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

- (A) the Alaska Public Utilities Commission;
- (B) the Department of Community and Regional Affairs; and
- (C) the division of business loans, Department of Commerce and Economic Development. (§ 1 ch 118 SLA 1981; am § 5 ch 79 SLA 1983)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) manufacturing;

(B) pipeline transportation;

(C) the recovery or processing of minerals;

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

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

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

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

Effect of amendments. — The 1983

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

Chapter 85. Alaska Municipal Bond Bank Authority.

Section

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

Section

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

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

Article 9. Energy Program for Alaska.

Section

- 380. Program established
- 382. Power development fund established
- 384. Use of fund balance
- 386. Investment of fund
- 388. Allotment to projects
- 390. Reappropriation of fund balance
- 392. Lapse of excess appropriations
- 396. Operation of power project
- 398. Sale of power from power project

Section

- 400. Energy conservation
- 410. Continuing appropriation for Susitna River hydroelectric project [Repealed effective June 30, 1991]
- 420. Continuing appropriation for Bradley Lake hydroelectric project [Repealed effective June 30, 1988]
- 425. Definitions

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

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

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

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

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

(b) The fund includes

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

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

Effect of amendments. — The 1983

§ 44.83.382

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§ 44.83.384

STATE GOVERNMENT

§ 44.83.384

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

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

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

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

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

(5) debt service on power projects.

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

(1) is economically feasible; and

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

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

(B) coal or peat;

(C) energy derived from waste heat; or

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

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

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

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

(3) the project meets the other requirements of this chapter. (§ 1 ch 118 SLA 1981; am § 12 ch 133 SLA 1982; am § 28 ch 63 SLA 1983; am §§ 14, 15 ch 89 SLA 1983)

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

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

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

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

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

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

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

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

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

(1) approved in accordance with AS 44.83.185; and

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

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

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

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

(b) The legislature may reappropriate money under (a) of this section only for a power project that is economically feasible under AS 44.83.181(b) and only if the project will serve the market area that would have been served by the power project designated by the legislature and not constructed. (§ 1 ch 118 SLA 1981)

§ 44.83.390

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§ 44.83.392

STATE GOVERNMENT

§ 44.83.396

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 9. Power Development Revolving Loan Fund.**Section**

600. Creation of fund

610. Powers and duties of department in administering the fund

Section

620. Loan terms

630. Definitions

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

(b) The fund consists of

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

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

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

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

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

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

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Revolving Loan Fund.

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Loan terms

Definitions

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the revenue that the authority
may borrow from the projects based

loan of comparable size and
and

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

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

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

Sec. 44.33.630. Definitions. In AS 44.33.600 — 44.33.630

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

(2) "department" means the Department of Commerce and Eco-
nomic Development;

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

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

Chapter 35. Department of Military and Veterans' Affairs.

Section

19. Adjutant general

20. Duties of department

Section

30. Construction of memorials to Alaska
veterans

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

Effect of amendments. — The 1984 2d, Military, and Civil Defense, §§ 4, 30,
amendment inserted "and Veterans'." 33, 37.

Collateral references. — 53 Am. Jur. 57 C.J.S., Militia, § 11.

Sec. 44.35.020. Duties of department. The Department of Mil-
itary and Veterans' Affairs shall

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

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

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

by the Military Code."

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

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

Original sponsor: House Special Committee
on State Loans

IN THE HOUSE

CS FOR HOUSE BILL NO. 219 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Sec. 44.33.625. PRICE REOPENERS. A power sales agreement for
25 the sale of power from a power project financed with a loan under
26 AS 44.33.610 must include a provision for periodic price reopeners.

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

28 (5) "qualified utility" means an electric utility or an
29 electric operating entity established as an instrumentality of two or
more electric utilities [THAT IS] certified by the Alaska Public

1
2 Utilities Commission to serve all or part of a market area that is
3 served or will be served by the power project, [AND] that the author-
4 ity determines is capable of operating and maintaining the power
5 project.
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Sen. Zeigler
5/10/85 comments
For Sen. France

HB219

THE COMMUNITIES OF PETERSBURG, WRANGELL AND KETCHIKAN, ALONG WITH THE COPPER VALLEY AND KODIAK ELECTRIC COOPERATIVES, HAVE BEEN WORKING WITH THE STATE FOR THREE YEARS TO SECURE WORKABLE LONG TERM POWER SALES AGREEMENTS FOR THE STATE'S FIRST FOUR HYDROELECTRIC PROJECTS. TODAY YOU HAVE BEFORE YOU A BILL AND A MEMORANDUM OF UNDERSTANDING THAT REPRESENT A SOLUTION TO THIS PROBLEM.

NEGOTIATORS REPRESENTING FOUR OF THE COMMUNITIES HAVE SIGNED A MEMORANDUM OF UNDERSTANDING WHICH YOU SEE BEFORE YOU TODAY. THE CITY COUNCIL OF PETERSBURG HAS ALSO AUTHORIZED THE SIGNING OF THIS DOCUMENT THRU CONSULTATION WITH THEIR REPRESENTATIVE, PETERSBURG CITY COUNCILMAN, JIM FRENZELL. THE MEMORANDUM OF UNDERSTANDING PROVIDES THE FRAMEWORK ABOUT WHICH LONG TERM POWER SALES AGREEMENTS CAN BE CONSTRUCTED.

THE FOUR DAM POOL REPRESENTATIVES REPORT TO ME THAT AN EXCELLENT WORKING RELATIONSHIP WITH BOB HEATH HAS DEVELOPED SINCE HIS RECENT APPOINTMENT TO THE APA'S TOP POST. THIS RELATIONSHIP WILL ASSIST IN BRINGING THESE NEGOTIATIONS TO A CLOSE WITH A MUTUALLY ACCEPTABLE AND MUTUALLY BENEFICIAL CONTRACT FOR THE SALE OF HYDROELECTRIC POWER IN THESE SOUTH CENTRAL AND SOUTHEASTERN COMMUNITIES.

HB219 REPRESENTS GUIDING AND ENABLING LEGISLATION THAT MAKES IT POSSIBLE TO NEGOTIATE A CONTRACT USING THE GUIDELINES FOUND IN THE MEMORANDUM OF UNDERSTANDING. HB219 ALLOWS FOR THE ARBITRATION OF THE PRINCIPALS OF REASONABLE AND PREDICTABLE RATES TO THE COMMUNITIES AND A FAIR RETURN TO THE STATE. WITHOUT PASSAGE OF HB219 IT IS VERY UNLIKELY THAT LONG TERM POWER SALES AGREEMENTS CAN BE NEGOTIATED.

WITHOUT LONG TERM CONTRACTS IT IS CERTAIN THAT SIGNIFICANT POWER SALES TO THE COMMUNITIES' COMMERCIAL AND INDUSTRIAL CUSTOMERS WILL BE LOST TO THE DETRIMENT OF THE STATE, THE CUSTOMERS AND THE COMMUNITIES. IF THIS ISSUE IS NOT SETTLED THIS SESSION, IT IS ALSO LIKELY THAT THE PRICE THE COMMUNITIES ARE WILLING TO PAY FOR POWER WILL DROP WITH FALLING OIL PRICES AND MAKE THE NEGOTIATION OF POWER SALES CONTRACTS EVEN MORE DIFFICULT.

THE UNDERSTANDING BOB HEATH AND THE COMMUNITIES HAVE AGREED TO IN THE MEMORANDUM OF UNDERSTANDING HAS THE VIRTUE OF SIMPLICITY. EACH COMMUNITY WOULD PAY FOR OPERATIONS AND MAINTENANCE AT THE ACTUAL POOLED AVERAGE RATE FOR ALL FOUR PROJECTS, AND THUS BEAR MUCH OF THE RISK AND BENEFIT OF FLUCTUATIONS IN LOAD AND COST. AN AMOUNT FOR DEBT SERVICE WOULD BE CHARGED AT 2.6¢ PER KWH IN 1986, RISING TO 4.0¢ PER KWH BY 1990 FOR ALL SALES UP TO A PARTICULAR COMBINED FORECAST LOAD. THESE AMOUNTS FOR DEBT SERVICE WOULD BE IN ADDITION TO OPERATIONS AND MAINTENANCE COSTS. SALES ABOVE THE FORECAST WOULD BE DEEMED "INCENTIVE SALES" AND WOULD BE CHARGED AT 1.0¢ PER KWH LESS THAN THE REGULAR DEBT SERVICE AMOUNT. THIS LOWER RATE WOULD MAKE IT POSSIBLE TO ATTRACT LARGE INDUSTRIAL LOADS, AND WOULD GIVE THE COMMUNITIES AN ADDITIONAL INCENTIVE TO INCREASE PROJECT UTILIZATION. FINALLY, THE COMMUNITIES WOULD CONTRIBUTE A TOTAL OF \$500,000 PER YEAR IN ADDITION TO OPERATIONS AND MAINTENANCE TO BUILD A FUND FOR RENEWALS AND REPLACEMENTS.

BECAUSE BOTH OPERATIONS AND MAINTENANCE AND DEBT SERVICE WOULD BE POOLED, THE WHOLESALE POWER RATE WOULD BE IDENTICAL FOR ALL COMMUNITIES. THIS MAKES IT POSSIBLE TO MARKET THE POWER FROM PROJECTS WITH HIGH UNIT COSTS OF OPERATIONS AND MAINTENANCE. THE POOLING OF OPERATIONS AND MAINTENANCE IS ONE REASON THAT A STATUTORY CHANGE IS REQUIRED IN ORDER TO IMPLEMENT THIS PROPOSAL. BY PASSING ON THE BENEFITS OF AN INCENTIVE RATE, THE COMMUNITIES CAN MARKET SUBSTANTIAL AMOUNTS OF POWER TO LARGE COMMERCIAL AND INDUSTRIAL LOADS THAT WOULD OTHERWISE DEVELOP THEIR OWN DIESEL GENERATION. THE INCENTIVE SALES INCREASE THE RATE OF RETURN TO THE STATE FROM 5+% TO OVER 6%. INCENTIVE SALES ALSO LOWER THE EFFECTIVE MELDED WHOLESALE POWER RATE TO THE COMMUNITIES. WITHOUT INCENTIVE SALES, THE FORECAST WHOLESALE POWER RATE WOULD FACE STIFF COMPETITION FROM ALTERNATIVE FORMS OF GENERATION , AND THE RETURN TO THE STATE WOULD BE SUBSTANTIALLY LOWER.

THEREFORE, I REQUEST THE FINANCE COMMITTEE GIVE THIS BILL FAVORABLE CONSIDERATION TODAY AND SUPPORT IT ON THE FLOOR IN THE NEXT FEW DAYS. IF YOU HAVE ANY TECHNICAL QUESTIONS BOB HEATH AND REPRESENTATIVES FROM THE COMMUNITIES ARE HERE TO ANSWER THEM.

SENATE FINANCE COMMITTEE

MAY 26, 1984

9:20 A.M.

CALL TO ORDER

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

PRESENT

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

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

SUMMARY INFO

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

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

LARRY CRAWFORD

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

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

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

SCS FOR CSHB 589(FINANCE)

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

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MEMORANDUM

State of Alaska

TO: Jay Hogan, Associate Director
Division of Budget Review
Office of Management and Budget

DATE: May 1, 1985

FILE NO:

THRU: Lois Cook, Director
Division of Administrative Services
XXXXOM: Department of Commerce and Economic
Development

TELEPHONE NO:

SUBJECT: CSHB 195 (Fin.) Section 120
(page 29) Power Development
Revolving Loan Fund

FROM: Margaret I. Hamley, Director
Division of Accounting and Collections
Department of Commerce and Economic
Development

The Alaska Power Authority (APA) has identified \$9,036,000 in reserves for claims as available for lapse in the Power Development RLF; See CSHB 195 (Fin.) Section 120.

The \$9,036,000 identified by the APA is not currently on deposit in the PDRLF, nor does the APA have control over the entire sum. I am told that up to \$7,194,803 will be available to the APA on May 15, 1985 when the variable rate demand notes mature for Terror Lake. That amount less any claims or expenses incurred from March 29, 1985 through May 15, 1985 is to be transferred back to the PDRLF by the APA and then would be available for reappropriation to the General Fund.

However, \$1,841,197 in reserves for claims is on deposit with the Ketchikan Power Utility (KPU) as agent for the APA on the Swan Lake Project. The APA has requested those funds be returned and KPU has refused to do so.

I am not at all confident that this \$9,036,000 will be available for reappropriation to the General Fund by July 1, 1985.

We understand that the Governor can veto a portion of the line item reappropriation, if necessary, but he would have to veto a corresponding project then as well to balance this bill. This could be avoided by correcting CSHB 195 before it is sent to the Governor.

LC/MIH/me0210
050185B

OFFICE OF
MANAGEMENT & BUDGET

~~APR 25 1985~~
BUDGET REVIEW

OFFICE OF
MANAGEMENT & BUDGET

MAY 1 1985

BUDGET REVIEW

Initial Loan Principal	\$196,000,000	Ramp Period (Years)	5	4-DAM POOL
Loan Interest Rate	4.00%	D. S. Entry Rate (c/kW.h)	2.00	LOAN REPAYMENT SCHEDULE
Loan Term (Years)	40	Entry Rate Annual Escalation	6.05%	
Total Energy Capability (GW.h/yr)	378,607	D. S. Rate Ceiling (c/kW.h)	2.682840	CASE 4-A

Year	DEBT SERV COMPONENT (c/kW.h)	PAYMENT FROM ELEC REVENUE	ENERGY SALES (GW.h)	UTILIZ- ATION	CURRENT PRINCIPAL BALANCE	INTEREST DUE FROM 4-DAM POOL	ACTUAL PAY- MENT LESS INT. DUE	PRINCIPAL REPAYMENT DEFERRED	DEFERRED PRINCIPAL BALANCE
1965	2.00	3,104,120	155,206	40.99%	196,000,000	3,213,926	(109,806)	1,217,061	1,217,061
1966	2.12	3,849,550	181,496	47.94%	194,892,746	3,756,990	92,561	1,116,790	2,333,851
1967	2.25	4,306,077	191,437	50.56%	193,683,395	3,954,721	351,356	1,102,885	3,436,735
1968	2.39	4,751,347	199,181	52.61%	192,229,154	4,095,753	655,589	1,099,544	4,536,279
1969	2.53	5,212,358	206,042	54.42%	190,474,021	4,205,259	1,007,139	1,099,799	5,636,078
1970	2.68	5,714,288	212,994	56.25%	188,367,883	4,320,727	1,413,561	1,097,712	6,733,790
1971	2.68	5,877,217	219,067	57.86%	185,855,810	4,361,163	1,516,054	1,099,757	7,833,547
1972	2.68	6,087,552	226,987	59.93%	183,239,999	4,449,374	1,638,178	1,087,542	8,921,089
1973	2.68	6,336,412	236,183	62.38%	180,514,278	4,557,324	1,779,108	1,061,884	9,982,973
1974	2.68	6,596,916	245,893	64.55%	177,673,286	4,664,816	1,932,100	1,029,068	11,012,041
1975	2.68	6,853,020	255,439	67.47%	174,712,118	4,760,231	2,092,789	993,250	12,005,291
1976	2.68	6,990,569	260,566	68.82%	171,625,080	4,767,619	2,222,950	989,981	12,995,272
1977	2.68	7,133,591	265,897	70.23%	168,413,149	4,771,637	2,361,954	983,082	13,978,354
1978	2.68	7,283,428	271,482	71.71%	165,068,112	4,772,574	2,510,854	971,743	14,950,097
1979	2.68	7,440,669	277,343	73.25%	161,585,516	4,770,144	2,670,525	955,320	15,905,417
2000	2.68	7,605,529	283,488	74.88%	157,959,671	4,763,757	2,841,772	933,243	16,838,660
2001	2.68	7,732,481	288,220	76.13%	154,184,656	4,725,569	3,006,912	922,288	17,760,948
2002	2.68	7,781,390	290,043	76.61%	150,255,456	4,633,629	3,147,761	933,834	18,700,782
2003	2.68	7,831,907	291,926	77.11%	146,167,861	4,536,197	3,295,720	956,646	19,657,428
2004	2.68	7,884,572	293,889	77.62%	141,915,495	4,433,170	3,451,401	972,381	20,629,809
2005	2.68	7,939,463	295,935	78.16%	137,491,713	4,324,205	3,615,257	986,853	21,616,662
2006	2.68	7,996,661	298,067	78.73%	132,889,602	4,208,891	3,787,773	999,859	22,616,521
2007	2.68	8,056,300	300,290	79.31%	128,101,973	4,086,822	3,969,478	1,011,153	23,627,674
2008	2.68	8,118,488	302,608	79.93%	123,121,342	3,957,546	4,160,942	1,020,474	24,648,147
2009	2.68	8,183,279	305,023	80.56%	117,939,925	3,820,549	4,362,730	1,027,568	25,675,716
2010	2.68	8,250,833	307,541	81.23%	112,549,627	3,675,330	4,575,503	1,032,102	26,707,818
2011	2.68	8,321,231	310,165	81.92%	106,942,022	3,521,308	4,799,922	1,033,753	27,741,570
2012	2.68	8,394,633	312,901	82.55%	101,108,347	3,357,895	5,036,738	1,032,125	28,773,696
2013	2.68	8,471,148	315,753	83.40%	95,039,483	3,184,428	5,286,719	1,026,818	29,800,514
2014	2.68	8,550,882	318,725	84.18%	88,725,946	3,000,199	5,550,683	1,017,397	30,817,911
2015	2.68	8,634,023	321,824	85.00%	82,157,866	2,804,469	5,829,554	1,003,334	31,821,245
2016	2.68	8,720,652	325,053	85.85%	75,324,978	2,596,405	6,124,247	984,130	32,805,376
2017	2.68	8,810,983	328,420	86.74%	68,216,601	2,375,152	6,435,831	959,147	33,764,523
2018	2.68	8,905,124	331,929	87.67%	60,821,622	2,139,753	6,765,371	927,759	34,692,291
2019	2.68	9,003,262	335,587	88.64%	53,128,483	1,889,200	7,114,062	889,265	35,581,556
2020	2.68	9,105,559	339,400	89.64%	45,125,156	1,622,397	7,483,162	842,864	36,424,421
2021	2.68	9,212,202	343,375	90.69%	36,799,130	1,338,166	7,874,035	787,707	37,212,128
2022	2.68	9,323,352	347,518	91.79%	28,137,388	1,035,234	8,288,118	722,882	37,935,010
2023	2.68	9,439,197	351,836	92.93%	19,126,387	712,229	8,726,968	647,379	38,582,389
2024	2.68	9,559,978	356,338	94.12%	9,752,841	367,680	9,192,299	560,052	39,142,441
2025	1.34	4,825,870	361,030	95.36%	(310)	1,565,665	3,260,185		35,881,945
2026	1.32	4,825,870	365,921	96.65%		1,435,278	3,390,592		32,491,353
2027	1.30	4,825,870	371,019	98.00%		1,299,654	3,526,216		28,965,137
2028	1.28	4,825,870	376,334	99.40%		1,158,605	3,667,265		25,297,872
2029	1.27	4,825,870	378,607	100.00%		1,011,915	3,813,955		21,483,917
2030	1.27	4,825,870	378,607	100.00%		859,357	3,966,514		17,517,403
2031	1.27	4,825,870	378,607	100.00%		700,696	4,125,174		13,391,227
2032	1.27	4,825,870	378,607	100.00%		535,689	4,290,181		9,102,048
2033	1.27	4,825,870	378,607	100.00%		364,082	4,461,788		4,640,260
2034	1.27	4,825,870	378,607	100.00%		185,610	4,640,260		(0)
TOTALS		347,628,986	15,046,933			151,628,986	196,000,000	39,142,441	



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

SERVING VALDEZ AND THE COPPER RIVER BASIN

HEADQUARTERS:
P.O. BOX 45
GLENNALLEN, AK 99588
(907) 822-3211

DISTRICT OFFICE:
P.O. BOX 927
VALDEZ, AK 99686
(907) 835-4301

April 12, 1985

Telecopied to John Hartle,
Legislative Aide to
Representative Sund and
also mailed

Representative John L. Sund
Room 411-C
Juneau, AK 99802

Dear Representative Sund:

The purpose of this letter is to explain the status of the unappropriated funds for the Solomon Gulch Project. These funds were appropriated to complete the acquisition and construction for the Solomon Gulch Hydroelectric Project. I understand that as of March 31, 1985, there is \$1,153,594 committed for expenditures remaining yet to be expended. A justification on an item-by-item basis for this money is as indicated below:

(nearest \$100)

1. ASC (Contractors) claim by Powerhouse Contractor including consultants fees, costs, attorneys fees: \$ 200,000
This claim and related costs are expected to be settled at or under this amount. Both CVEA and APA have committed to a settlement in the amount of \$205,000; the remaining funds are for completion of the settlement agreement, necessary close-out documents, final payment of consultants costs and attorney's fees. \$50,000 of the claim will be reimbursed to APA by other parties to the litigation. This reimbursement is included in the above figure.
2. Claim for access to mine: \$ 50,000
There is presently pending a lawsuit regarding alleged denial of access to mine. The claim involves the use of an old trail or road which has, as far as we can tell, not been used for several years. Since it is unknown what, if any claim claimant has, we have set this figure as an estimate for litigation and related expenses.
3. Condemnation action: \$ 5,000
As part of the completion of the transmission line between the Solomon Gulch Power House and

Glennallen, Alaska, there needs to be removed, certain "danger trees". In one area, two persons have been unwilling to allow us to cut these trees and thus a condemnation action has been necessitated before those trees can be cut.

4. Miscellaneous attorneys fees and costs: \$ 10,000
From time to time APA and/or CVEA must meet various regulatory requirements on the project. This is an estimate for legal fees associated with those requirements.
5. Reactor installation: \$ 245,300
As part of the original construction project there remains a reactor to be installed at a location near Pumpstation No. 12 of the Trans-Alaska Pipeline. This reactor will improve the efficiency and produce more net useable generation from the Solomon Gulch Hydroelectric Project. The reactor has been ordered and paid for, except for \$15,300 retainage included above, however, these funds are needed to install the reactor which is planned for this summer.
6. SCADA-System for remote operation: \$ 10,000
In order to efficiently operate the project a SCADA system was contemplated. This figure represents the study funds needed for this years operation and it is part of the original construction. Once a final system has been selected, a request will be made for an appropriate capital expenditure.
7. Feeder relocation design: \$ 4,000
This is the estimated remaining design cost needed to pay the outstanding feeder relocation design bill.
8. Reactor design: \$ 10,000
This is the estimated design cost for the reactor (see item 5 above).
9. Penstock flow monitoring, final dam inspection, final drawings and studies necessary to close project: \$ 150,000
As you are probably aware, the Federal Energy Regulatory Commission (FERC) project, requires a board of consultants to review the construction and then completion of each dam. We have reached the point now where the final completion meeting should occur. Additionally, it has been

determined that there are a number of studies and projects that need to be completed to finally close out the project.

10. APA administration costs: \$ 70,000
Most of this amount is for APA administration costs relating to the projects listed in this letter and it has been estimated to be \$70,000.
11. As-built survey and right-of-way for transmission line: \$ 240,000
The transmission line needs an as-built survey completion of some minor right-of-way items. This estimate was received from Landfield Services who has been retained to do this work since they were involved with the original land acquisition on the project. An additional \$2,000 has been added for other costs that may be incurred with regard to this work.
12. Transmission line and generator spare parts: \$ 20,000
Most of the spare parts needed to operate the project have been acquired, however, it is estimated by CVEA and APA that in order to finally complete the necessary spare parts inventory, funds in this amount will have to be expended within the next year.
13. Metering: \$ 10,000
To coordinate all metering on the project, a new meter needs to be installed which is considered part of the original construction; which is estimated to cost \$10,000.
14. Pumpstation 11 reactor: \$ 10,000
This represents the deductible on the insurance proceeds necessary to repair the Pumpstation 11 reactor. Repair is presently taking place.
15. Pumpstation 11 reactor protection scheme: \$ 50,000
This upgrades the protection system for the Pumpstation 11 reactor which helps prevent future damage similar to what was experienced.
16. Oil for Pumpstation 11 reactor: \$ 16,000
Oil is needed for the repaired reactor.
17. Miscellaneous: \$ 1,200
Snow survey equipment.

18. Other Items

Study to raise level of dam and spillway: \$ 50,000

Various studies were done by consultants regarding construction claims and studies contemplated during the acquisition phase regarding the efficiency of the project. It has been determined that it is possible to raise the level of the spillway, thus creating a greater impoundment of water for a longer period of time resulting in more useable energy from the project. Initial studies indicated that an additional one million kwh per year of sellable energy could be obtained for what is believed to be a relatively small investment. The amount requested is an amount for study in order to determine how best to accomplish this. If the study proves that the initial reviews of this project were as indicated, it could well be the most economical investment by the state for additional generation. This item is not directly part of the correct original acquisition and construction cost, however, it is an outgrowth of studies done to close out the acquisition and completion of the construction of the project and is accordingly related thereto.

Total Expenditures: \$1,151,500

I wish to stress that despite the controversy surrounding the Four Dam Pool Power Sale Agreement and Negotiations, both APA and CVEA have tried to operate, maintain and complete both the acquisition and construction phase of the project in the most economical means possible.

Both APA and CVEA believe the hydroelectric projects should be operated and maintained in the best possible manner so that the maximum energy, with due regard for safety and efficiency are realized. At least from the standpoint of CVEA when the project was acquired by APA, these items generally were recognized as items that needed to be completed or finalized to bring the project in compliance with FERC standards and obtain the maximum energy and efficiency out of this project. CVEA had loan funds committed to perform this work. When the APA acquired these projects, it was understood this work would be completed by APA.

Accordingly, CVEA relinquished these loan commitments. Both CVEA and I believe APA have relied upon these appropriations

Representative John Sund
April 12, 1985
Page 5

and made commitments in one form or another for each of the items noted above.

I have tried to coordinate our budget with the State budget's format. Unfortunately, that is not possible because of the manner in which the state classifies its amounts. However, this letter should clearly indicate the requirements necessary to complete the budget, based on the best information available to me today. Thank you for your attention to this very important matter. Please call me if you have any questions.

Very truly yours,

David L. Highers 1/94

David L. Highers
General Manager
Copper Valley Electric Assoc. Inc.

DH/jy/AEHIV61

cc: Mr. Bill Batt, APA Finance Director

ACM2220-R01

CURRENT YEAR AUTHORIZATION BALANCES

PAGE1226

FISCAL YEAR TO DATE 03/31/85

AUTHORIZATION DISBURSEMENTS TRANSFERS OUT EXPENDITURES RESTRICTIONS BALANCE

OMMERCE

5-73-4-581 ENERGY DEVELOPMENT COMMERCE & EC DEVLMT

SOLOMON GULCH

FUND 100 ACCOUNT 7200 BUDGET COMPONENT 07.73.04.58.01 AK POWER AUTHORITY SOLOMON GULCH SLA81 CH92 FY82

00	PERSONAL SERVICES	15,000.58					
	TOTAL PERSONAL SERVICES	15,000.58					15,000.58
00	TRAVEL AND MOVING	11,771.43					
211	INSTATE TRANSPORTATN		1,736.25		1,736.25		
212	INSTATE PER DIEM		1,343.00		1,343.00		
213	OUTSIDE TRANSPORTATN		84.00		84.00		
214	OUTSIDE PER DIEM		45.00		45.00		
221	INSTATE TRANSPORTATN		75.00		75.00		
	TOTAL TRAVEL AND MOVING	11,771.43	3,283.25		3,283.25		8,488.18
00	CONTRACTUAL SERVICES	1,983,674.57					
311	LONG DISTANCE TELE		80.16		80.16		
312	LOCAL SERVICE TELE		8.67		8.67		
316	MESSENGER SERVICE		37.50		37.50		
321	PHOTO PROCESSING		220.53		220.53		
322	PRINTING & BINDING		291.28		291.28		
325	ADVERTISING		210.93		210.93		
382	DATA PROCESSING SVC		1,137.35		1,137.35		
389	PROFESSIONAL SVC NCE		853,010.93	13,340.15	866,351.08	281,170.46	
391	INSURANCE & BONDS			1,491.82	1,491.82		
	TOTAL CONTRACTUAL SERVICES	1,983,674.57	854,997.35	14,831.97	869,829.32	281,170.46	832,674.79
00	SUPPLIES & MATERIALS	6,023.92					
484	PHOTOGRAPHIC SUPPLYS		31.11		31.11		
	TOTAL SUPPLIES & MATERIALS	6,023.92	31.11		31.11		5,992.81
00	MACHINERY/EQUIPMENT	11,013.29					
517	CONSTRUCTION/MAINT					1,192.49	
521	COMMUNICATIONS		744.60		744.60		
	TOTAL MACHINERY/EQUIPMENT	11,013.29	744.60		744.60	1,192.49	9,076.20
UBF	TOTAL SOLOMON GULCH	2,027,483.79	859,056.31	14,831.97	873,888.28	282,362.95	871,232.56
LEMENT							
GROUP 100		15,000.58					15,000.58
GROUP 200		11,771.43	3,283.25		3,283.25		8,488.18
GROUP 300		1,983,674.57	854,997.35	14,831.97	869,829.32	281,170.46	832,674.79
GROUP 400		6,023.92	31.11		31.11		5,992.81
GROUP 500		11,013.29	744.60		744.60	1,192.49	9,076.20
LEM	TOTAL SOLOMON GULCH	2,027,483.79	859,056.31	14,831.97	873,888.28	282,362.95	871,232.56

Original sponsor: House Special Committee
on State Loans

1
2 IN THE HOUSE

3 CS FOR HOUSE BILL NO. 219 ()
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

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

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

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

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

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

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

28 (1) [THE MARKET RATE OF INTEREST FOR A LOAN OF COMPARABLE

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

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

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

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

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

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

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

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

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

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

24 Sec. 44.33.625. PRICE REOPENERS. A power sales agreement for
25 the sale of power from a power project financed with a loan under
26 AS 44.33.610 must include a provision for periodic price reopeners.

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

28 (5) "qualified utility" means an electric utility or an

1
2 Utilities Commission to serve all or part of a market area that is
3 served or will be served by the power project, [AND] that the author-
4 ity determines is capable of operating and maintaining the power
5 project.
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Original sponsor: House Special Committee
on State Loans

1
2 IN THE HOUSE

3 CS FOR HOUSE BILL NO. 219 ()
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

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

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

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

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

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

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

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

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

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

8 (1) the loan must be amortized based on an annual interest
9 rate not to exceed four percent, a term not to exceed 50 years, and a
10 40-year amortization period;

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

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

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

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

23 Sec. 44.33.625. PRICE REOPENERS. A power sales agreement for
24 the sale of power from a power project financed with a loan under
25 AS 44.33.610 must include a provision for a price opener after 15
26 years.

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

28 (5) "qualified utility" means an electric utility or an

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2 Utilities Commission to serve all or part of a market area that is
3 served or will be served by the power project, [AND] that the author-
4 ity determines is capable of operating and maintaining the power
5 project.
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50 percent

Alaska Department of Revenue Mean Forecast
World Oil Price -- Saudi Medium
(\$1983/bbl)

<u>Fiscal Year</u>	<u>December 1984 Forecast</u>
1985	\$25.70
1986	24.36
1987	23.24
1988	22.81
1989	22.71
1990	23.08
1991	22.99
1992	23.13
1993	23.28
1994	23.43
1995	23.60
1996	23.76
1997	24.16
1998	24.56
1999	24.99
2000	25.42
2001	25.86

AMENDMENT

TO: "Discussion Draft" HB 219

Page 2, Line 23:

Replace Section 4 with:

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

Sec. 44.33.33. PRICE REOPENERS. A power sales agreement for the sale of power from a power project financed with a loan under AS 44.33.610 may include among its provisions an agreed schedule of wholesale power rates notwithstanding any other provisions of law and must include a provision for a price reopener after the first 15 years.

AMENDMENT

TO: HB 219

Page 2, Line 21:

Add a new section:

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

Sec. 44.33.33. PRICE REOPENERS. A power sales agreement for the sale of power from a power project financed with a loan under AS 44.33.610 may include among its provisions an agreed schedule of wholesale power rates notwithstanding any other provisions of law and must include a provision for a price reopener after the first 15 years.

Renumber following sections accordingly

Original sponsor: House Special Committee
on State Loans

DISCUSSION DRAFT

IN THE HOUSE

CS FOR HOUSE BILL NO. 219 ()

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

* Section 1. AS 42.05.11(b) is amended to read:

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

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

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

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

(2)] the [ESTIMATED] costs, ^{power sales agreement} at the time the ~~loan~~ is ini-

1 tially negotiated ^{or} ~~[and at the time it]~~ is renegotiated, of alternative
2 sources of energy generation for utilities purchasing power from a
3 project financed with a loan from the fund;

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

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

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

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

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

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

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

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

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

23 Sec. 44.33.625. PRICE REOPENERS. A power sales agreement for
24 the sale of power from a power project financed with a loan under
25 AS 44.33.610 ^{Sec. 620} must include a provision for periodic price reopeners.

26 * Sec. 5. AS 44.83.425(5) is amended to read: ^{after the first 15 years.}

27 (5) "qualified utility" means an electric utility or a
28 regional electric authority established as an instrumentality of two
29 or more electric utilities [THAT IS] certified by the Alaska Public

1
2 Utilities Commission to serve all or part of a market area that is
3 served or will be served by the power project, [AND] that the author-
4 ity determines is capable of operating and maintaining the power
5 project.
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The initial project offers a unique opportunity to share the infrastructure development in a sensible and equitable manner. the state or Federal Government has traditionally taken the responsibility for the infrastructure necessary to encourage statewide and/or regional economic development. The initial project has an excess capacity of approximately 59% at the present time. Of that 59% excess, approximately 49% is to be found in the Tyee project. The Tyee project, as an example, was built with excess capability because it is geographically well placed to aid regional and statewide energy and economic development. However, the interest on the excess capacity should be carried at state expense until such time as it is needed.

The current situation offers a unique opportunity for the communities and the state to share the burden of infrastructure development in a sensible and equitable manner. The provisions of HB 219 provide for the complete repayment of the principal and the maximum affordable interest rate which can be repaid under current conditions.

Repayment of the APA loan is computed at a fixed interest rate over a set term in order to yield a levelized debt service payment per kilowatt hour. Actual debt service is, in each year, the result of the payment of that portion of the levelized debt service amount corresponding to the fraction of the initial project's total capability which is actually sold in that year. The portion of the debt service amount not paid that year would have a principal component and an interest component. The principal component would be deferred to the end of the amortization period, to be repaid over the contract term remaining thereafter. The interest component is cancelled or treated as simply

unearned. The effect of this structure would be to establish a debt service rate which assumes the initial project is fully utilized and which remains level throughout the period of the loan.

ESSENTIAL LOAN CONDITIONS:

1. Interest rate of 4% on the fraction of the principal which corresponds to the fraction of initial project which is utilized in each contract year.
2. Principal amount of approximately \$196 million.
3. Term of the loan is 50 years with a 40 year amortization period.
4. Annual debt service during the amortization period to be computed payment amount multiplied by a fraction, the numerator of which is the actual amount of energy sold that year, and the denominator of which is the total 378,607,000 kwh capability of the initial project.
5. Principal amounts of the loan not paid during the amortization period because of unsold capability shall be deferred until the fortieth year, and then repaid in equal installments without interest over the remaining ten years.

DISCUSSION DRAFT CSHB 219 (Finance)

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

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

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

at the time of entering into a contract + renegotiating

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

change to mean current at time of making loan
(1) the current [estimated] costs of alternative sources of energy generation for utilities purchasing power from a project financed with a loan from the fund . ;

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

(3) the affordability of initial wholesale power costs resulting from the loan terms on utilities purchasing power from the initial project;

(4) the benefits to consumers and communities of stable, certain wholesale power costs;

(5) existing or anticipated wholesale power prices for other state hydroelectric projects;

(6) increasing repayment of debt service payment per kilowatt hour gradually over the initial period of a loan repayment schedule to avoid significant rates increases to consumers (above existing levels); *~ 1/2 the cost of*

(7) the current existing excess capacity of projects; *5 yrs*

* (8) the long-term benefits to utilities and consumers of stable hydroelectric power costs;

* (9) the effects of increased capacity utilization, inflation, and alternative energy production costs over the life of the initial project;

* (10) power sale contracts no more than 35 years in duration with periodic price reopeners;

Sec. 3. AS 44.83.425(5) is amended to read:(same)

AMENDMENT

OFFERED IN THE HOUSE:

By: SUND

To: _____ HOUSE BILL No. 219

SENATE BILL No. _____

PAGE: _____

LINE: _____

Page 1, line 13

Delete "regional electric authorities"

Replace with "electric operating entities"

Page 2, line 22, 23

Delete "a regional electric authority"

Replace with "an electric operating entity"

Purpose of amendment:

A term of art "regional electric authority" was inadvertantly used; the effect of using this term would be to deregulate an existing electric authority. The amendment would clarify the legislative intent and leave unchanged existing APUC regulation.

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

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

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

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

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

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

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

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

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

*add Price Regulators
New section*

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

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

1 IN THE HOUSE

2 HOUSE BILL NO. 219

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

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

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

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

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

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on State Loans, Resources and
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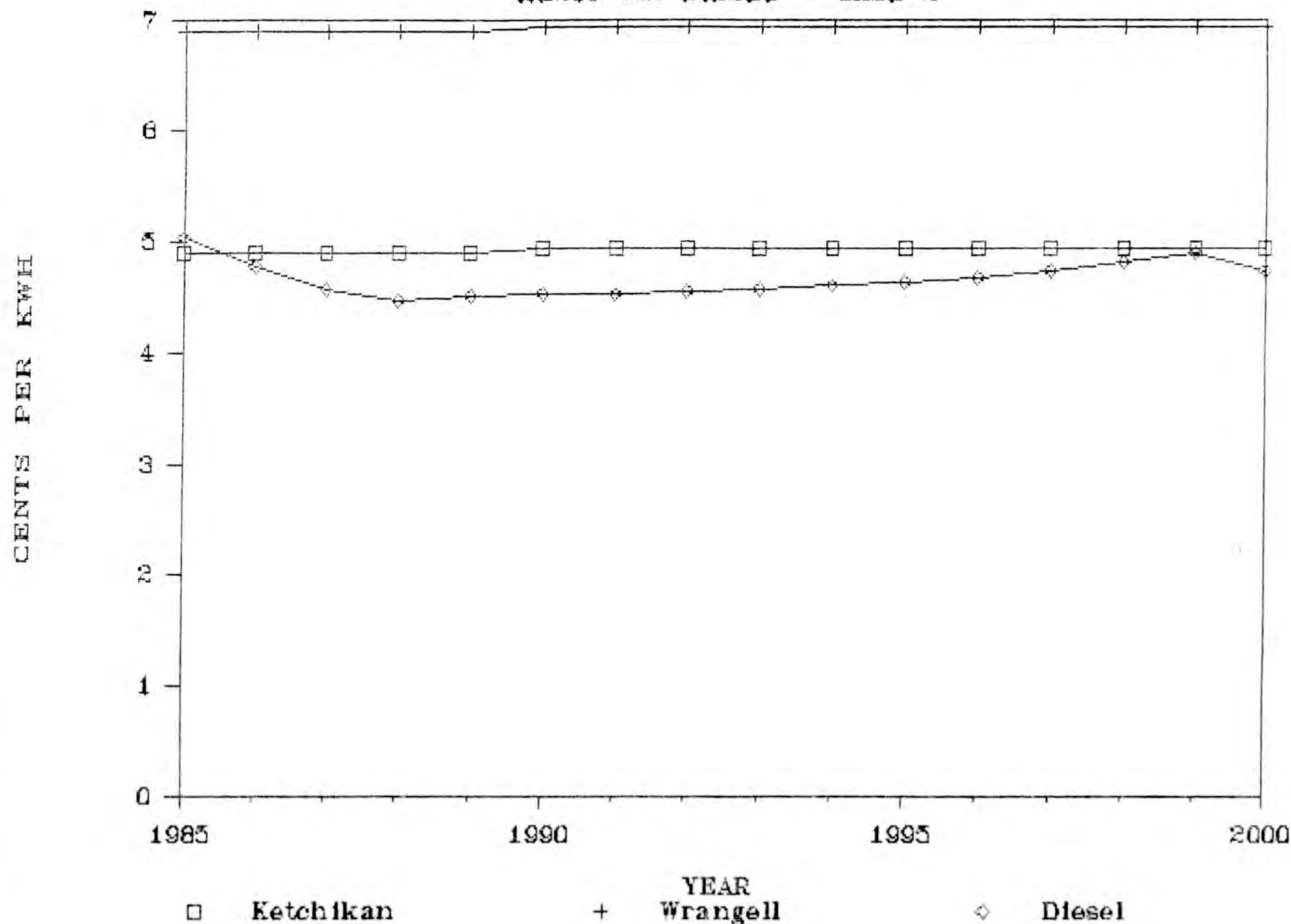
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WHOLESALE POWER COST ALTERNATIVES

HB219 VS. DIESEL - CASE 2



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