

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982

1852

HRES

SB 25

802

A M E N D M E N T ~~III~~

Pages 10-11, Section 8:

Delete all material from Page 10, line ~~8~~<sup>23</sup>, to Page 11, line 8;  
and insert in its place:

\*Sec. 8. AS 44.83.181(b) is amended to read:

(2) a statement of all assumptions which affect the economic feasibility of the project, including but not limited to the discount rate and interest rate of amounts of money to be used for the project, anticipated fuel prices, an escalation rate based on the estimated life of the project, projection of state and local electric load growth, estimates of indirect costs and benefits, quantified estimates of indirect and external costs, and employment and economic impact on the area served by the project when completed;

####

A M E N D M E N T

IV

Add a new Section to the bill, to read:

AS 44.83.181(b) is amended by adding a new subsection to read:

(5) The preferred plan shall include the projects which, taken together, minimize the cost of energy over the estimated life of the projects for the area which will be served, exclusive of operating and capital subsidies.

###

A M E N D M E N T

Page 10, line 22 to Page 11, line 8:

Delete all of \*Section 8.

Renumber succeeding sections accordingly.

VI

A M E N D M E N T

Page 6, line 4:

delete "not to exceed five percent of the amount"

A M E N D M E N T

VII

Page 5, line 5:

after the word "fund" add "for each project"

Page 5, line 6:

After (1) and before "until" add:

"from the effective date of this Act"

Page 5, line 9:

change "may" to "shall"

Page 5, line 12:

change the semi-colon to a comma, and add language to the intent:

"including loans made and give by the state under (various statutes and sections as listed in SB 244);"

VIII

A M E N D M E N T

Page 2, following line 10:

add a new subsection (4), to read:

(4) defeasance of bonds sold against the project."

A M E N D M E N T

IX

Page 2, line 22:

In subsection (D) delete all language following "fossil fuel"  
and place a period (.);

so that subsection (D) would read:

(D) on fossil fuel.

A M E N D M E N T

X

Page 4, line 17:

following the first word "(con)tract", add: "or lease"

A M E N D M E N T

XI

Page 2, following line 10:

Add a new subsection (4), the intent to be as follows:

"(4) the defeasance of bonds, or the payment of debt service on an issue of bonds sold in connection with a power project."

A M E N D M E N T

XII

Page 3, line 16:

Prior to the word "amount" insert the word "unexpended"

A M E N D M E N T

XIII

In the HOUSE

By Gardiner

TO: HCS CSSSSB 25 (res)

Page 1, following line 23, insert the following:

"(c) The provisions of AS 36.10.010 - 36.10.125 apply to power projects constructed by the Alaska Power Authority under AS 44.83.400 - 44.83.500."

- P. 2 Lines 19 through 23. Reinsert language from Senate version of SB-25.
- P. 3 Line 16. ...percentage of the total unexpended amount appropriated by the legislature to the fund.
- P. 4 & 5 Section 44.83.490 (b) Delete and reinsert language from House Resources Draft I.
- P. 5 Line 6. Add (1) Until July 1, 1986, the authority shall establish and maintain a wholesale power rate for each power project which rate will return to the authority, on an annual basis, not less than five percent of the amount which the authority has invested in the power project from the fund for that portion of the project in use;
- P. 5 Line 6. Renumber (1) to (2).
- P. 5 Line 13. Renumber (2) to (3).
- P. 6 Lines 3 and 4. (d) The legislature may appropriate to the authority the amount required under AS 44.85.470 from the amount collected under [an amount not to exceed five percent of the amount determined under]
- P. 7 Line 22. (1) four [two (four)] directors at large to be appointed by the governor and confirmed by the legislature representing Alaska Judicial Districts;
- P. 7 Line 24. (2) The Commissioners of Commerce and Economic Development, Revenue, and Natural Resources [three persons appointed by the governor from among the heads of the principal departments of the executive branch of the State government]
- P. 8 Line 6. ...the authority are vested in the directors, and four [three] directors of the...
- P. 8 Line 9. ...vote of at least four [three] directors...
- P. 10 Line 11. ...on which the principle and interest are payable [exclusively] from money derived from the sale of wholesale power from power projects financed [with the proceeds of the bonds for a power project]
- P. 11 Line 12. Delete Section 10.

AMENDMENT

~~XV~~

OFFERED IN THE HOUSE:

BY: Rep. Eric Sutcliffe

TO: House Resources HOUSE BILL No. \_\_\_\_\_

SENATE BILL No. HCS CSSSSB 25

PAGE: 4

LINE: 29

Add before if:

When money is appropriated to the Alaska Power Authority for a power project, the Alaska Power Authority shall enter into a contract with the utilities which will purchase the power. The contract shall include the responsibility of the utilities to return annually to the Alaska Power Authority 10% (if Section 1. below applies) or 5% (if section 2. below applies) of the amount appropriated for the project. This return shall be assessed commencing on the date that the contract is in effect.

A M E N D M E N T

Page 10, line 22 to Page 11, line 8:

Delete all of \*Section 8.

Renumber succeeding sections accordingly.

A M E N D M E N T

Page 6, line 4:

delete "not to exceed five percent of the amount"

A M E N D M E N T

Page 5, line 5:

after the word "fund" add "for each project"

Page 5, line 6:

After (1) and before "until" add:

"from the effective date of this Act"

Page 5, line 9:

change "may" to "shall"

Page 5, line 12:

change the semi-colon to a comma, and add language to the intent:

"including loans made and give by the state under (various statutes and sections as listed in SB 244);"

A M E N D M E N T

Page 2, following line 10:

add a new subsection (4), to read:

(4) defeasance of bonds sold against the project."

A M E N D M E N T

Page 2, line 22:

In subsection (D) delete all language following "fossil fuel"  
and place a period (.);

so that subsection (D) would read:

(D) on fossil fuel.

AMENDMENT

XV

OFFERED IN THE HOUSE:

BY: Rep. Eric Sutcliffe

TO: House Resources HOUSE BILL No. \_\_\_\_\_

SENATE BILL No. HCS CSSSSB 25

PAGE: 4

LINE: 29

Add before if:

When money is appropriated to the Alaska Power Authority for a power project, the Alaska Power Authority shall enter into a contract with the utilities which will purchase the power. The contract shall include the responsibility of the utilities to return annually to the Alaska Power Authority 10% (if Section 1. below applies) or 5% (if section 2. below applies) of the amount appropriated for the project. This return shall be assessed commencing on the date that the contract is in effect.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

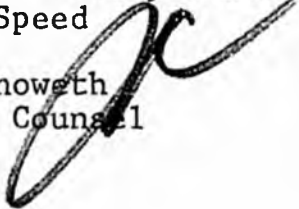
MEMORANDUM

May 4, 1981

SUBJECT: Amendment to 3rd draft  
HCS CSSB 25 (Resources)

TO: Representative Terry Gardiner  
Attn: Bob Speed

FROM: John B. Chenoweth  
Legislative Counsel



The request for insertion of a cross-reference to the provisions of AS 36.10 relating to "resident hire" came too late to be inserted in the draft before typing. An amendment is enclosed.

I read AS 36.10.010 - 36.10.125 as applicable to projects of the Alaska Power Authority under current law. AS 36.10 says that the provisions of the chapter apply to contracts let by the state, and AS 44.83 establishes the Alaska Power Authority as a corporation of the state. I find it difficult to believe that current law exempts the Power Authority from the provisions of AS 36.10.

If you offer the provision, be advised that the reasoning of the U.S. Supreme Court's decision in Hicklin v. Orbeck, 437 U.S. 518, 57 L.Ed.2d 397 (1978) [a case which addressed local hire requirements on projects involving state leases], almost certainly invalidates the mandatory employment provisions of AS 36.10 with respect to state residents.

JBC:ljb

Enclosure



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

May 8, 1981

The Honorable Terry Gardiner  
Co-Chairman  
The Honorable Fred Zharoff  
Co-Chairman  
House Resources Committee  
Alaska State House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Co-Chairmen:

At your request, the following sets forth my understanding of terms and conditions relating to energy legislation.

As you know, I am committed to establishing a comprehensive energy financing program for the State during this Legislature. Toward that end, I introduced House Bills 310 and 461, as well as an appropriations bill, HB 462, earlier in the session. These measures were designed to promote efficient and effective solutions to our energy problems at the least cost to the consumer and the State.

In an effort to expedite legislative action and promote favorable consideration this year on other crucial legislation, I tentatively agreed to certain basic legislative proposals regarding energy financing on the presumption that the leadership of both Houses had signed off on them.

This should in no way cause any to presume I find such approach preferable to the Administration's proposal. Moreover, if agreement on the above basics has not been met, as I had been lead to believe, then, of course, there was in fact no such "agreement" to which I, in turn, might agree.

Should there in fact be such an agreement, there are several issues which must be addressed in the energy legislation this year. These are as follows:

- A. Ensure that the APA Board of Directors is comprised of a majority of members directly accountable to the Legislature and Governor. I would prefer a five member board, with three agency heads and two public members. As you know, the restructuring of the APA Board in such

The Honorable Terry Gardiner  
The Honorable Fred Zharoff  
May 8, 1981

Page Two

a manner would parallel similar action taken by the Legislature last year regarding the AIDA and AHDC Boards.

I understand the Committee is concerned about making certain that regional concerns are considered by the APA. I suggest that a citizens advisory committee be created to accommodate these concerns. Perhaps two citizens from each judicial district would be appropriate.

- B. Ensure that all funds appropriated to the APA are received only as expenditures require, and are otherwise under the control of and invested by the Commissioner of Revenue as is required of funds appropriated to other State entities.
- C. Ensure that income earned from the investment of money appropriated to the power development fund be appropriated annually by law.
- D. Ensure that the numerical factors used to determine the feasibility of a project not be set by statute. The numerical factors used to assess project feasibility must be sensitive to changes which reflect actual economic conditions.

Additionally, I believe it appropriate that ultimately all projects have keyed into their rate structure an equity return on true costs. Lacking some such "market test" to screen out the "lemons" it would behoove every community to strive for a project no matter the cost. However, with the understanding that this feature will be addressed over the interim, I am willing, again conditionally, to forgo addressing this issue at this time. Meanwhile, at the very least, however, a minimal 5% return on equity as proposed in the original "agreement" must be retained. I want to make clear that it is my intent -- and, as I understand it, also the intent of the leadership -- to carefully study this issue during the interim and develop options for legislative actions next session.

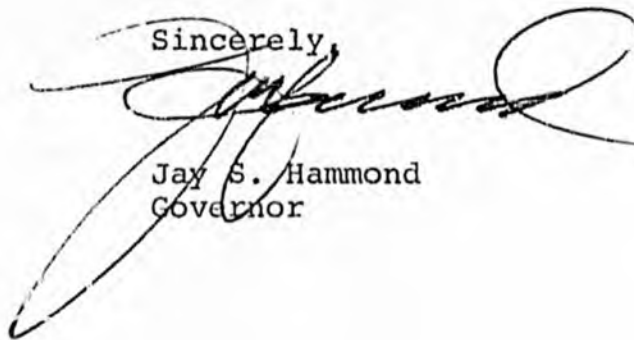
The Honorable Terry Gardiner  
The Honorable Fred Zharoff  
May 8, 1981

Page Three

Additionally, on the presumption that the basic hydroelectric proposal allegedly agreed upon by both houses prevails, in the interest of equity I indicated that within the parameters of appropriate funds available and dependent upon other legislative accommodations, I would therefore consider an expansion of power production assistance to cover usage above the 200 kwh proposed so long as this did not exceed 600 kwh so long as the cap was no greater than 40¢. To go beyond this without first experiencing actual costs would be most imprudent.

It should be made clear that while I am ready to work out a compromise on SB 25, I have not made any commitments on companion funding legislation, SB 26.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond". The signature is written over the typed name and title.

Jay S. Hammond  
Governor

85% assistance on power costs between  
12¢ and 60¢ per kWh for 600 kWh/mo.

Sec 3

(c) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than \_\_\_\_\_ kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility. The amount of power cost assistance provided per month for the fiscal year ending June 30, 1982 is 85 percent of the average power costs per kilowatt-hour of the utility, as determined by the commission, which exceed 12 cents per kilowatt-hour but ~~per~~ do ~~not~~ exceed 10 cents per kilowatt-hour for the number of kilowatt-hours eligible for assistance. The minimum power cost ~~that~~ ~~is~~ eligible for assistance shall increase by one cent per kilowatt-hour for each fiscal year thereafter.

# AVEC

Power Production Cost	= 27¢/kWh
Power Cost	= 39.6¢/kWh
Retail Rate	= 44¢/kWh

Typical AVEC consumption	= 180 kWh/mo
High AVEC consumption	= 500 kWh/mo

Plan	<u>Typical Consumer</u>		<u>High Use Consumer</u>
Existing Law	\$79.20	bill	\$220.00
<del>Existing Law</del>	<del>79.20</del> 27.5¢	assistance	<del>220.00</del> 76.50
	<del>79.20</del> 51.66	net bill	143.50
HB 359	79.20	bill	220.00
(conservation credit included)	76.08	assistance	110.40
	3.12	net bill	109.60
(conservation credit not included)	79.20 49.68 <u>29.52</u>		
12¢ - 300 kWh	79.20	bill	220.00
15¢ - 600 kWh	49.68	assistance	132.00
	29.52	net bill	88.00
85% - 600 kWh	79.20	bill	220.00
	42.23	assistance	117.30
	36.97	net bill	102.70
90% - 600 kWh	79.20	bill	220.00
	44.71	assistance	124.30
	34.49	net bill	95.80
95% - 600 kWh	79.20	bill	220.00
	49.20	assistance	131.10
	30.00	net bill	88.90

### Sec. 3

(C) An eligible electric utility is entitled to receive power cost assistance for sales of power to local community facilities for not more than 100 kilowatt-hours for each resident in the most recent federal decennial census and for not more than 600 kilowatt-hours per month sold to each customer in all other classes served by the utility. The amount of power cost assistance provided per month is the amount by which the average power cost per kilowatt-hour of the utility, as determined by the commission, exceeds the adjusted power costs of ~~the~~ the utility multiplied by the number of kilowatt-hours eligible for assistance sold in each assistance category in this subsection. The adjusted power costs of an eligible electric utility are

(1) for sales for local community facilities not exceeding 50 kilowatt-hours per resident per month and for sales to all other classes of consumers not exceeding 300 kilowatt-hours per month

(A) the power costs which do not exceed 12 cents per kilowatt-hour; plus

(B) the power costs which exceed 60 cents per kilowatt-hour; plus

(C) one cent per kilowatt-hour for the fiscal year ending June 30, 1985,

plus one cent per kilowatt-hour for each fiscal year thereafter; and

(2) for sales for local community facilities between 50 and 100 ~~and~~ kilowatt-hours per ~~month~~ resident per month and for sales to all other classes of consumers between 300 and 600 kilowatt-hours per month

(A) the power costs which do not exceed 15 cents per kilowatt-hour, plus

(B) the power costs which exceed 60 cent: per kilowatt-hour; plus

(C) ~~the~~ one cent per kilowatt-hour for the fiscal year ending Jun 30, 1983, plus one cent per kilowatt-hour for each fiscal year thereafter.

New Section 14      Transition Provision

The Alaska Power Authority is authorized to continue accepting and making payment on claims from eligible utilities under the power production cost assistance program until it determines

(a) the utility has had sufficient time to apply for assistance under this act; and

(b) the Alaska Public Utilities Commission has had sufficient time to act upon such ~~an~~ an application; or

(c) the utility is not eligible for assistance under this act.



# Alaska State Legislature

## House of Representatives

### Committee on Resources

Terry Gardiner, Co-Chairman

Fred F. Zharoff, Co-Chairman

465-3715 MEMO: May 6, 1981

Booth V

State Capitol

Juneau, Alaska 99811

TO: Rep. Terry Gardiner, co-chairman  
Rep. Fred Zharoff, co-chairman  
Members of the Committee

FROM: Bob Speed, A.A.

RE: Governor's requested amendments to HCS CSSSSB 25 (Res)

Attached are five amendments to HCS CSSSSB 25 (Resources) which Gov. Hammond has requested the Committee to consider for adoption by the Committee.

They are numbered separately, in order of position in the bill (Draft III). I have included short explanations of each one on the page of this memo on which each amendment appears.

A M E N D M E N T # 1

Page 2, line 24-29 (INVESTMENT OF FUND):

Section 44.83.430 is amended to read:

Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue shall invest 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 after the amount of an expenditure for a project is determined.

---

This amendment deletes the requirement for Revenue to provide appropriations to APA at the beginning of the fiscal year, and instead requires funds to be disbursed only as costs are incurred.

###

A M E N D M E N T # 2

Page 3, lines 9-17 (ALLOTMENT TO PROJECTS):

Amending Sec. 44.83.440(b)

Delete all language after "fund shall be" to line 17; and in its place add the following:

"deposited in the general fund and may be annually appropriated to the fund by the legislature."

Subsection (b) would then read:

"(b) Income earned from investment of money appropriated to the fund shall be deposited in the general fund and may be annually appropriated to the fund by the legislature."

---

This amendment requires that income earned from investment of money appropriated to the Power Development Fund be appropriated annually by law, instead of being allotted to projects without appropriation.

##

A M E N D M E N T # 3

Page 4, line (REVENUE REQUIREMENTS):

Amend Section 44.83.470

On line 3

After "unless, add ", after conducting a feasibility study  
under AS 44.83, " and continue with succeeding bill language.

On line 9:

delete "and"

On line 11:

change the period to a semi-colon, and add "and"

Following line 11:

add a new subsection (4), to read:

"(4) the rate of return specified in AS 44.83.490."

---

This amendment specifies that the authority must determine that a proposed project will provide revenue sufficient to cover certain specified expenses. It also requires that revenues be sufficient to guarantee the State's return on its investment under Subsec. 490.

####

A M E N D M E N T # 11

Page 4, line 18 (SALE OF POWER FROM POWER PROJECT):

Amending Sec. 44.83.490.

delete all of existing subsection 490 (a) and reletter existing subsection (b) as (a).

Starting on page 4, line 29, delete all of existing subsec. (b) (new subsec. (a)) following the words "power project."

A new sentence is then added after "power project." to read:

"The wholesale power rate shall be established as follows:"

On line 9:

change "may" to "shall"

on line 10-12:

delete all language after "which" and add in its place:

"provides annual revenue sufficient to pay

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

(B) debt service costs of the power project;

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

(D) a rate of return on the amount invested in the power project by the authority of five percent."

(explanation follows next page)

(AMENDMENT #4, continued)....  
(explanation only)

The first part of the amendment deleting subsection (a) deletes the APA's authority to set industrial rates.

The second part of the amendment requires the authority to establish wholesale rates necessary to provide a rate of return on the State's investment in projects in addition to meeting other costs such as operation and maintenance. The rate of return shall not be less than five percent annually from each project of the amount (adjusted annually for inflation) which is invested in the project before total production capacity exceeds 500 megawatts. The rate of return shall be not less than three percent annually from all projects of the amount (adjusted for inflation) invested, after total production capacity exceeds 500 megawatts.

The above deletes all reference to \$5 billion and preserves a rate of return on investment after 500 MW, but reduced from 5% to 3%. The revenues required from projects after 500 MW is no longer tied to funding of power production cost assistance.

####



Official Business

# Alaska State Legislature

## House of Representatives

### Office of the Speaker

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MEMORANDUM

TO: Bob Speed  
FROM: Peter Freer *PF*  
DATE: May 11, 1981  
RE: Technical Amendment to  
HCS CSSSB 25 (Resources)

Add "E" below:

- (4) "qualified utility" means any of the following which the authority determines is capable of operating and maintaining a power project of the kind and magnitude which has been constructed or is to be constructed to provide power for a market area:
- (A) A corporation organized under the Alaska Non-Profit Corporation Act (AS 10.20);
  - (B) An electric cooperative organized under the Electric and Telephone Cooperative Act (AS 10.25);
  - (C) A public utility which generates, transmits, or distributes electrical service to the public;
  - (D) A regional electric authority (AS 18.57); or
  - (E) A private, for-profit utility (AS 42.05.701)

PF:jp



# Alaska State Legislature

## House of Representatives

### Committee on Resources

Terry Gardiner, Co-Chairman  
Fred F. Zharoff, Co-Chairman  
465-3715

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### A M E N D M E N T

A new section is added to HCS CSSSSB 25 (Resources), providing intent that:

\*Sec. \_\_\_\_ . Communities served by projects build under the  
(1)  
Power Development Fund shall cooperate with appropriate state agencies including, but not limited to, the Alaska Public Utilities Commission, the Alaska Power Authority, the Alaska Energy Center, the division of energy and power development in the Department of Commerce and Economic Development, and the division of business loans in the Department of Commerce and Economic Development, to implement cost-effective energy conservation measures for residences, commercial and public buildings, and industries;

(2) shall work with appropriate state agencies, including the division of energy and power development and the Alaska Energy Center, to develop comprehensive local and regional energy plans to develop a data base for future energy development and energy conservation based on energy end use including, but not limited to, electrical needs, space heating needs, utilization of waste heat, energy conservation and transportation fuel needs.



# Alaska State Legislature

## House of Representatives

### Committee on Resources

Tony Gardiner, Co-Chairman  
Fred F. Zharoff, Co-Chairman  
465-3715 HCS CSSSSB 25 (Res)

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### AMENDMENTS

1. Page 5, line 28. Add:

(e) annual costs of energy conservation programs, alternative energy systems, energy research and development.

2. Page 6, line 3 - 13 are amended to read:

(d) The legislature may appropriate to the authority the amount required under AS.85.470 from the amount collected under (b) (1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b) (1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production costs assistance fund and to pay the costs of energy conservation programs, alternative energy systems, energy research and development.

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 4-81-126

A RESOLUTION OF THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, URGING PASSAGE OF COMMITTEE SUBSTITUTE FOR SPONSOR SUBSTITUTE FOR SENATE BILL No. 25 (FINANCE) and AND COMMITTEE SUBSTITUTE FOR SENATE BILL No. 26 (FINANCE) BY THE STATE HOUSE OF REPRESENTATIVES.

WHEREAS, the Council of the City of Wrangell, Alaska, recognized the tremendously high cost of producing electricity by diesel generation and actively pursued Tyee Lake Hydroelectric Project through Thomas Bay Power Commission and Alaska Power Authority; and

WHEREAS, Senate Bill No. 25 and Senate Bill No. 26, which would provide the necessary funding for Tyee Lake Hydroelectric Project as well as other hydroelectric projects in Alaska, passed the Alaska State Senate with overwhelming support; and

WHEREAS, Senate Bill No. 25 and Senate Bill No. 26 have been held in the House Resources Committee since March 12, 1981, even though a majority of House members have indicated their support of the Senate versions of the Bills, which would provide consumers with an economical source of electric power; and

WHEREAS, the House Resource Committee Hearings held on Senate Bill No. 25 and Senate Bill No. 26 received outstanding support from residents and groups throughout Alaska.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF WRANGELL, ALASKA, that the City of Wrangell supports the Senate versions of Senate Bill No. 25 and Senate Bill No. 26. Be it further resolved that the State House be urged to expedite passage of the Bills without committee substitutes that would dilute the long range benefite Alaska residents will receive in present form, as passed by the State Senate.

PASSED AND APPROVED: \_\_\_\_\_, APRIL 14, \_\_\_\_\_, 1981.

*Robert G. D.*  
\_\_\_\_\_  
Mayor

ATTEST: *Jacqueline Sice*  
\_\_\_\_\_  
City Clerk



*City of Petersburg*  
*P. O. Box 329*  
*Petersburg, Alaska 99833*

April 8, 1981

Representative Fred F. Zharoff  
Pouch V  
Juneau, Alaska 99811

Dear Representative Zharoff:

The City Council of the City of Petersburg, at their regular meeting of April 6, 1981, unanimously passed a motion in support of Senate Bill 25 and 26, as amended.

The City would like to go on record in support of these bills and urges the legislature to pass SB 25 and 26 establishing a power project development fund in the Alaska Power Authority and amending the Alaska Power Authority Act and making special appropriations to the Alaska Power Authority for energy projects and for the power production cost assistance program.

Sincerely,

*Thomas H. Wood*

Tom Wood, Acting Mayor  
City of Petersburg

/plc

AMENDMENTS

BY VASKA

1. Page 5, lines 13 - 28 are amended to read:

(2) beginning July 1 of the first fiscal year following the date on which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a single wholesale power rate applicable to all power projects which it has acquired or constructed under the energy program for Alaska; the wholesale power rate shall ~~be~~<sup>be</sup> computed by the authority annually, and shall ~~be~~<sup>return</sup> not less than five percent of the amount which the authority has invested in the power project from the fund or the rate which the authority estimates is necessary to produce revenue which is sufficient to pay

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

(B) debt service costs of the power projects;

(C) safety inspections and investigations of the power projects by the authority; and

(D) annual costs of the power production cost assistance program (AS 44.83.162).

whichever is greater.

2. Page 6, lines 3 - 13 are amended to read:

(d) The legislature may appropriate to the authority the amount required under AS 44.85.470 from the amount collected

under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production costs assistance fund and to pay the costs of energy conservation programs, alternative energy systems, energy research and development, and costs related to energy production and use, including but not limited to electricity, space heating and transportation.

###

Halford  
proposal

POWER PRODUCTION ASSISTANCE FORMULA

Problem - existing scenario provides little or no incentive for utilities in the 15¢ - 40¢ cost range to hold utility costs down, particularly when most customers consumption level is below the subsidy ceiling. This incentive is currently provided because the subsidy is only applied to the production portion of the power cost to the consumer. The local consumer is the best watchdog for local level efficiency and incentive is needed to encourage efficiency.

Proposal - Subsidy based on the following formula:

Floor - 12¢, increasing 2¢ annually for inflation.

Subsidy provided on costs over 12¢.

Subsidy = 100% of cost or formula, whichever is lower.

Subsidy Formula -  $110\% - (C-F) = \% \text{ Subsidy}$

C = cost in cents

F = Floor in cents

Example - Consumer Cost - 25¢

Floor Cost - 12¢

$110 - (25-12) = 97\% \text{ subsidy}$

EXPANSION

110% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0	100%	12¢
25	-12.6	97%	12.4¢
30	-16.6	92%	13.4¢
35	-20.1	87%	14.9¢
40	-23.0	82%	17.0¢
45	-25.4	77%	19.6¢
50	-27.4	72%	22.6¢
60	-29.8	62%	30.2¢

115% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-08.0		12¢
22	-10.0		12¢
25	-13.0		12¢
30	-17.5	97%	12.5¢
35	-21.2	92%	13.8¢
40	-24.4	87%	15.6¢
45	-27.1	82%	17.9¢
50	-29.3	77%	20.7¢
60	-29.8	67%	30.2¢

120% - (C-F)

Cost	Subsidy	Percentage	Net Cost
20	-09.0		11¢
22	-11.0		11¢
25	-13.9		11.1¢
30	-18.4		11.6¢
35	-22.3	97%	12.7¢
40	-25.8	92%	14.2¢
45	-28.7	87%	16.3¢
50	-31.2	82%	18.8¢
60	-34.6	72%	25.4¢

A M E N D M E N T

AS 44.83.177 (a) and (b) are amended to read:

Sec. 44.83.177. Reconnaissance study. (a) To identify power project alternatives and energy needs and consumption patterns for a community, the authority shall, after consultation with other state agencies and after review of information on alternative sources of power, complete a reconnaissance study for each proposed new power project.

(b) A reconnaissance study shall

(1) survey all energy [power] sources available to the community and adjacent area and evaluate the relative economic merits of alternative sources of energy, including energy conservation and capture and utilization of waste energy as provided for in Sec. 170 (1)(B).

(A) for potential hydroelectric sites, the study shall include one-year data collection on water flow

(B) the study shall include one-year evaluation collection of data on wind speed, direction and other information valuable to development of wind generation.

(2) include an assessment of the total energy needs of the community, including but not limited to, electricity, space heating, and transportation fuels based on end use of the energy;

(3) include an assessment of the effect of the development of alternative sources of energy [power] on the environment so as to assure that there is no adverse effect to the environment which would make the project inadvisable;

(4) include public comment from residents of the community and adjacent areas.

(c) Remains the same as existing law.

(d) the authority shall consult with the division of energy and power development in the department of Commerce and Economic Development, and with the Alaska Energy Center of the Department of Administration to determine the information needed for their respective

purposes for energy planning and technology development, as part of the reconnaissance study.

(e) the reconnaissance study shall be part of the energy planning process leading to development of a comprehensive energy plan as provided for under AS 44.83.224.

*governors  
amendments*

Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-  
7 ing the Alaska Power Authority Act, and providing for  
8 the investment of money appropriated for power project  
9 of the Alaska Power Authority; and providing for an  
10 effective date."

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

12 \* Section 1. AS 44.83 is amended by adding new sections to read:

13 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for  
15 Alaska is established. The program shall be administered by the author-  
16 ity.

17 (b) The energy program for Alaska is a program by which the  
18 authority may acquire or construct power projects with money appro-  
19 priated by the legislature to the power development fund established in  
20 AS 44.83.410. A power project may be acquired or constructed as part  
21 of the energy program for Alaska only if the project is submitted to  
22 and approved by the legislature in accordance with procedures set out  
23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power  
25 development fund is established in the Alaska Power Authority to carry  
26 out the purposes of the energy program for Alaska (AS 44.83.400 -  
27 44.83.500).

28 (b) The fund includes

29 *(1)* all money appropriated to it by the legislature; *and*

1 ~~(2) interest earned by investment of money in the fund by~~  
2 ~~the Department of Revenue.~~

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used  
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162)

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

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate

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

19 (B) on coal or peat;

20 (C) on energy derived from waste heat from thermal  
21 generating plants; or

22 (D) on fossil fuel if none of the other resources or  
23 fuels listed in this subsection are economically feasible.

24 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue  
25 shall invest <sup>money in</sup> ~~the balance of~~ the fund which exceeds the amount the  
26 ~~authority determines is necessary to meet requirements of AS 44.83.420~~  
27 ~~during the current fiscal year. An investment by the Department of~~  
28 ~~Revenue under this subsection shall be made~~ in accordance with AS 37.-  
29 10.070 and 37.10.075. *The Department of Revenue shall provide*

1           Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall  
2 maintain records of power project allocations from the fund for each  
3 power project

4           (1) approved in accordance with AS 44.83.185; and

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

8           (b) Income earned from investment of money appropriated to the  
9 fund shall be ~~deposited in the general fund and may be annually~~  
10 ~~appropriated to the fund by the legislature.~~  
11 ~~appropriations have been made by law. The allotment shall be based on~~  
12 ~~the amount of investment income earned during each state fiscal year~~  
13 ~~during or after which the legislature appropriated money to the fund.~~  
14 ~~An allotment of income under this subsection shall be made to each~~  
15 ~~power project for which a specific appropriation has been made in~~  
16 ~~proportion to the unexpended amount appropriated for that project as a~~  
17 ~~percentage of the total amount appropriated by the legislature to the~~  
18 ~~fund.~~

19           Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power  
20 project designated by the legislature by law is not constructed, the  
21 amount appropriated to it may be reappropriated to other power project  
22 by the legislature.

23           (b) The legislature may reappropriate money under (a) of this  
24 section only for a power project which is economically feasible under  
25 AS 44.83.181(b) and only if the project will serve the market area that  
26 would have been served by the power project designated by the legisla-  
27 ture and not constructed.

28           Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of  
29 construction of a power project appropriations for the power project  
exceed the amount required for construction of it, the excess lapses

(4) the rate of return specified in AS 44.83.490.

1 into the general fund.

2 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use  
3 money in the fund for a power project unless, <sup>after making a feasibility study under</sup> the authority determines  
4 that, after construction, operation of the power project will provide  
5 revenue sufficient to cover

6 (1) operation, maintenance, and equipment replacement costs  
7 of the power project;

8 (2) debt service costs associated with the power project;  
9 ~~and~~

10 (3) the costs of safety inspections and investigations of  
11 the power project by the authority; and

12 → Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project  
13 which is acquired or constructed as part of the energy program for  
14 Alaska is owned by the state and shall be administered by the authority

15 (b) When a power project has been acquired or constructed by the  
16 authority, the project may be operated for the authority under a con-  
17 tract between a qualified utility and the authority.

18 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. ~~(a) The~~  
19 ~~authority shall sell power produced from power projects acquired or~~  
20 ~~constructed under the energy program for Alaska. A utility which~~  
21 ~~purchases power produced by a power project of the authority shall~~  
22 ~~agree with the authority~~

23 ~~(1) to give preference in the sale of power at retail to all~~  
24 ~~classes of consumers of power except industrial consumers;~~

25 ~~(2) to charge industrial consumers of power a rate determined~~  
26 ~~by the authority in accordance with (d) of this section.~~

27 <sup>a</sup>  
28 (b) The authority shall establish a wholesale power rate structure  
29 applicable to sales of power to its customers at the busbar of the  
power project. ~~If, by July 1, 1986, the legislature has not appro-~~

- costs of the power project;
- (B) debt service costs of the power <sup>DRAFT</sup> <sub>LAW</sub> project;
- (C) safety inspections and investigations of the power project by the authority; and
- (D) a rate of return on the amount invested in the power project by the authority of five percent.

~~priated at least \$5,000,000,000 to the power development fund, the authority shall, beginning on that date, establish and maintain a wholesale power rate for each power project which rate will return to the authority, on an annual basis, 10 percent of the amount appropriated to the power development fund. In addition, the wholesale power rate shall be established as follows:~~

(1) until June 30 of the fiscal year in which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority <sup>shall</sup> ~~may~~ establish and maintain a wholesale power rate for each power project <sup>provides annual revenue sufficient to pay</sup> ~~which rate will return to the authority, on an annual basis, not less than five percent of the amount which the authority has invested in the power project from the fund;~~

(2) beginning July 1 of the first fiscal year following the date on which the production capacity of all power projects acquired or constructed by the authority under the energy program for Alaska exceeds 500 megawatts, the authority shall establish and maintain a single wholesale power rate applicable to all power projects which it has acquired or constructed under the energy program for Alaska; the wholesale power rate shall be computed by the authority annually, and shall equal the rate which the authority estimates is necessary to produce revenue which is sufficient to pay

- (A) operation, maintenance, and equipment replacement costs of the power projects;
- (B) debt service costs of the power projects;
- (C) safety inspections and investigations of the power projects by the authority; and

(D) <sup>a rate of return on all amounts invested in</sup> ~~annual costs of the power production cost assistance~~ the power projects by the authority of three percent.  
program (AS 44.83.162)

(d) The authority shall transmit the money which it receives from

The authority shall annually <sup>Law</sup> adjust the rate of return specified in (a)(1)(D) and (a)(2)(D) of this section according to changes in the consumer price index for the state compiled by the Bureau of Labor Statistics, United States Department of Labor. The index for November 1980 is the reference base index.

sales of power at rates determined under (b) of this section to the commissioner of revenue for deposit in the state general fund.

~~(d) The legislature may appropriate to the authority an amount not to exceed five percent of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund for paying costs of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount determined under (b)(1) and (2) of this section which the commissioner of revenue estimates will be deposited into the general fund may be appropriated by the legislature to the power production cost assistance fund. The estimates of amounts required for each of the appropriations shall be provided to the governor in the budget submitted under AS 37.07.~~

~~(e) A rate for an industrial consumer under (e)(2) of this section (1) may exceed the wholesale power rate determined under (b) of this section; (2) may not be less than the rate charged residential consumers.~~

d (f) The legislature may, by law, annul or change the wholesale power rate for sales of power which the authority adopts under (b) of this section. (e) The authority shall estimate the appropriations necessary for the purposes specified in (a)(1)(A)-(C) or (a)(2)(A)-(C) of this section. The estimates required by this subsection shall be provided to the governor in the budget submitted under Sec. 44.83.500. DEFINITIONS. In AS 44.83.400 - 44.83.500,

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

(2) "fund" means the power development fund;

~~(3) "industrial consumer" means a customer of a utility which customer has a peak power demand in excess of 500 kilowatts per month and uses the power principally for~~

- 1                   ~~(A) manufacturing;~~  
2                   ~~(B) pipeline transportation;~~  
3                   ~~(C) the recovery or processing of minerals;~~  
4                   ~~(D) the processing of timber, agricultural, or seafood~~  
5 ~~products or their by products, or~~  
6                   ~~(E) the operation of facilities owned by the federal~~  
7 ~~government;~~

8                   <sup>3</sup>(4) "qualified utility" means any of the following which the  
9 authority determines is capable of operating and maintaining a power  
10 project of the kind and magnitude which has been constructed or is to  
11 be constructed to provide power for a market area:

- 12                   (A) a corporation organized under the Alaska Nonprofit  
13 Corporation Act (AS 10.20);  
14                   (B) an electric cooperative organized under the Electric  
15 and Telephone Cooperative Act (AS 10.25);  
16                   (C) a public utility which generates, transmits, or  
17 distributes electrical service to the public; and  
18                   (D) a regional electrical authority (AS 18.57).

19 \* Sec. 2. AS 44.83.030 is amended to read:

20                   Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-  
21 ity shall consist of the following directors:

22                   (1) two [FOUR] directors at large to be appointed by the  
23 governor and confirmed by the legislature;

24                   (2) three persons appointed by the governor from among the  
25 heads of the <sup>state agencies</sup> principal departments of the executive branch of the  
26 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT

27                   (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL  
28 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE  
29 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND

1 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

2 \* Sec. 3. AS 44.83.040 is amended to read:

3 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]  
4 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman  
5 and may elect other officers they determine desirable. The powers of  
6 the authority are vested in the directors, and three directors of the  
7 authority constitute a quorum. Action may be taken and motions and  
8 resolutions adopted by the authority at a meeting by the affirmative  
9 vote of at least three directors. The directors of the authority serve  
10 without compensation, but they shall receive the same travel pay and  
11 per diem as provided by law for board members.

12 \* Sec. 4. AS 44.83.045(a) is amended to read:

13 (a) The directors at large shall [MUST] be residents and qualified  
14 voters of Alaska and shall comply with the requirements of AS 39.50  
15 (conflict of interests). The directors at large shall serve over-  
16 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE  
17 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

18 \* Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to  
19 read:

20 (G) an appropriation for a power project acquired or  
21 constructed under the energy program for Alaska (AS 44.83.400 -  
22 44.83.500);

23 (H) appropriations for the power production cost assis-  
24 tance fund (AS 44.83.162), and for operation and maintenance of  
25 power projects developed under the energy program for Alaska  
26 (AS 44.83.400 - 44.83.500).

27 \* Sec. 6. AS 44.83.090(a) is amended to read:

28 (a) The authority shall, in addition to the other methods which  
29 it may find advantageous, provide a method by which municipal electric

1 rural electric, cooperative electric, or private electric utilities and  
2 regional electric authorities, or other persons authorized by law to  
3 engage in the distribution of electricity may secure a reasonable share  
4 of the power generated by a project, or any interest in a project, or  
5 for any right to the power and shall sell the power or cause the power  
6 to be sold at the lowest reasonable prices which cover the full cost of  
7 the electricity or services, including capital and operating costs,  
8 debt coverage as considered appropriate by the authority, and other  
9 charges that may be authorized by this chapter. Except for a contract  
10 entered into under AS 44.83.400 - AS 44.83.500, a [A] contract for the  
11 sale, transmission and distribution of power generated by a project or  
12 any right to the capacity of it shall provide:

13 (1) for payment of all operating and maintenance expenses of  
14 a project and costs of renewals, replacements and improvements of it;

15 (2) for interest on and amortization charges sufficient to  
16 retire bonds of the authority issued for the project and reserves for  
17 them, plus a debt service coverage factor as may be determined by the  
18 authority to be necessary for the marketability of its bonds;

19 (3) for monitoring of the project by the authority or its  
20 agents;

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

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

29 (6) for the cancellation and termination of a contract upon

1 violation of its terms by any person;

2 (7) for security for performance as the authority may con-  
3 sider practicable and advisable, including provisions assuring the  
4 continuance of the distribution and transmission of power generated by  
5 a project and the use of its facilities for these purposes; and

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

8 \* Sec. 7. AS 44.83 is amended by adding a new section to read:

9 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM  
10 FOR ALASKA. The authority shall borrow money and shall issue its bonds  
11 on which the principal and interest are payable exclusively from money  
12 derived from the power project financed with the proceeds of the bonds  
13 for a power project financed under AS 44.83.400 - 44.83.500 from the  
14 power development fund if

15 (1) appropriations to the power development fund for the  
16 power project, and interest earned on those appropriations, are insuf-  
17 ficient to cover the cost of acquiring or constructing the power  
18 project; and

19 (2) the amount of interest which the authority will pay on  
20 its bonds is not more than alternative costs of securing money to pay  
21 for the acquisition or construction of the power project.

22 \* Sec. 8. AS 44.83.181(b) is amended by adding a new paragraph to read:

23 (5) a recommendation as to whether the proposed project is  
24 economically feasible; a power project is "economically feasible" if  
25 the authority determines that the total costs of the power project are  
26 cheaper for the estimated life of the project than other alternatives;  
27 in making a determination of economic feasibility under this paragraph  
28 the authority shall evaluate the estimated life of the power project  
29 and its alternatives applying the following standard factors:

1 (A) a general inflation factor for construction and  
2 operating costs ~~of seven percent annually;~~

3 (B) an interest rate ~~of 10 percent~~ for money borrowed  
4 for the power project; and

5 (C) an escalation factor for measuring the comparative  
6 cost of oil, gas or coal; ~~the rate to be applied for oil is 11~~  
7 ~~percent annually, and the rate shall be applied to the fuel cost~~  
8 on the date of determination of economic feasibility.

9 \* Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

10 (5) invest and manage the balance of the power project  
11 development fund in accordance with AS 44.83.430.

12 \* Sec. 10. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office  
13 of all members of the Board of Directors of the Alaska Power Authority  
14 serving on the effective date of this Act terminate on the effective date of  
15 this Act.

16 (b) The governor shall appoint two members at large. When making his  
17 appointments under this subsection, the governor shall specify the length of  
18 the term of office of each member he appoints. Of the members at large first  
19 appointed by the governor under this subsection,

20 (1) one member shall serve a two-year term;

21 (2) one member shall serve a four-year term.

22 \* Sec. 11. This Act takes effect immediately in accordance with AS 01.-  
23 10.070(c).

Chenoweth /  
5-11

Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

*House*



BY THE RESOURCES COMMITTEE

1  
2 IN THE SENATE

3 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-  
8 ing the Alaska Power Authority Act, and providing for  
9 the investment of money appropriated for power projects  
10 of the Alaska Power Authority; and providing for an  
11 effective date."

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

13 \* Section 1. AS 44.83 is amended by adding new sections to read:

14 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

15 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for  
16 Alaska is established. The program shall be administered by the [Alaska  
17 Power Authority.

18 (b) The energy program for Alaska is a program by which the  
19 authority may acquire or construct power projects with money appro-  
20 priated by the legislature to the power development fund established in  
21 AS 44.83.410. A power project may be acquired or constructed as part  
22 of the energy program for Alaska only if the project is submitted to  
23 and approved by the legislature in accordance with procedures set out  
24 in AS 44.83.177 - 44.83.185.]

25 [(c) The provisions of AS 36.10.010 - 36.10.125 apply to power  
26 projects constructed by the authority under AS 44.83.400 - 44.83.510.]

27 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power  
28 development fund is established in the Alaska Power Authority to carry  
29 out the purposes of the energy program for Alaska (AS 44.83.400 -  
44.83.510).]

1 (b) The fund includes

2 (1) all money appropriated to it by the legislature; and

3 (2) interest earned by investment of money in the fund by  
4 the Department of Revenue.

5 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used  
6 by the authority to provide money for

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

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

12 [(3) the defeasance of bonds, or the payment of debt service  
13 on an issue of bonds sold in connection with a power project; and]

14 (4) the power production cost assistance fund (AS 44.83.162).

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

17 (1) meets the revenue requirements of AS 44.83.470; and

18 (2) operates or will operate [using one or more of the follow-  
19 ing:]

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

24 (B) [or] coal or peat;

25 (C) [or] energy derived from waste heat from [the] thermal gener-  
26 ating plants; or

27 (D) [or] fossil fuel if none of the other resources or fuels  
28 listed in this subsection are economically feasible.

29 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue

1 shall invest <sup>money in</sup> ~~the balance of the fund which exceeds the amount the~~  
 2 ~~authority determines is necessary to meet requirements of AS 44.83.420~~  
 3 ~~during the current fiscal year. An investment by the Department of~~  
 4 ~~Revenue under this subsection shall be made in accordance with AS 37.-~~  
 5 10.070 and 37.10.075. <sup>The Department of Revenue shall provide money in the</sup>  
 6 ~~A fund to the authority after a cost for a project is incurred~~

7 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall  
 8 maintain records of power project allocations from the fund for each  
 9 power project

10 (1) approved in accordance with AS 44.83.185; and

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

14 (b) Income earned from investment of money appropriated to the  
 15 fund shall be <sup>deposited in the general fund and may be annually appro-</sup>  
 16 ~~prorated to the fund by the legislature.~~ <sup>prorated to the fund by the legislature.</sup>  
 17 ~~appropriations have been made by law. The allotment shall be based on~~  
 18 ~~the amount of investment income earned during each state fiscal year~~  
 19 ~~during or after which the legislature appropriated money to the fund.~~  
 20 ~~An allotment of income under this subsection shall be made to each~~  
 21 ~~power project for which a specific appropriation has been made in~~  
 22 ~~proportion to the unexpended amount appropriated for that project as a~~  
 23 ~~percentage of the total unexpended amount appropriated by the legis-~~  
 24 ~~lature to the fund.~~

25 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power  
 26 project designated by the legislature by law is not constructed, the  
 27 amount appropriated to it may be reappropriated to other power projects  
 28 by the legislature.

29 (b) The legislature may reappropriate money under (a) of this  
 section only for a power project which is economically feasible under  
 AS 44.83.181(b) and only if the project will serve the market area that

1 would have been served by the power project designated by the legisla-  
2 ture and not constructed.

3 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of  
4 construction of a power project appropriations for the power project  
5 exceed the amount required for construction of it, the excess lapses  
6 into the general fund.

7 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use  
8 money in the fund for a power project unless, <sup>after making a feasibility study under AS 44.83.181,</sup> the authority determines  
9 that, after construction, operation of the power project will provide  
10 revenue sufficient to cover, <sup>the requirements set out in AS 44.83.490.</sup>

11 ~~(1) operation, maintenance, and equipment replacement costs~~  
12 ~~of the power project;~~

13 ~~(2) debt service costs associated with the power project;~~  
14 ~~and~~

15 ~~(3) the costs of safety inspections and investigations of~~  
16 ~~the power project by the authority.~~

17 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project  
18 which is acquired or constructed as part of the energy program for  
19 Alaska is owned by the state and shall be administered by the authority.

20 (b) When a power project has been acquired or constructed by the  
21 authority, the project may be operated for the authority under a con-  
22 tract <sup>between</sup> [or lease entered into by] a qualified utility and the authority.

23 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The  
24 authority shall sell power produced from power projects acquired or  
25 constructed under the energy program for Alaska. A utility which  
26 purchases power produced by a power project of the authority shall  
27 agree with the authority

28 (1) to give preference in the sale of power at retail to all  
29 classes of consumers of power except industrial consumers;

1 (2) to charge industrial consumers of power a rate determined  
2 by the authority in accordance with (d) of this section.

3 (b) The authority shall establish a wholesale power rate structure  
4 applicable to sales of power to its customers at the busbar of the  
5 power project as follows:

6 [(1)] If, by July 1, 1986, the legislature has not appro-  
7 priated at least \$5,000,000,000 to the power development fund, the  
8 authority shall, beginning on that date, establish and maintain a  
9 wholesale power rate for each power project which rate will return to  
10 the authority on an annual basis, 10 percent of the amount appropriated  
11 to the power development fund [for each project.] [In addition,]

12 [(1)] [(2)] After the effective date of this Act and ] until June 30  
13 of the fiscal year in which the production capacity of all power pro-  
14 jects acquired or constructed by the authority under the energy program  
15 for Alaska exceeds 500 megawatts, the authority shall establish and  
16 maintain a wholesale power rate for each power project which rate will  
17 return to the authority, on an annual basis, not less than five percent  
18 of the amount which the authority has invested in the power project  
19 from the fund [for each project, including loans and grants made by the  
20 state.] ; ]

21 [(2)] [(3)] Beginning July 1 of the first fiscal year following the  
22 date on which the production capacity of all power projects acquired or  
23 constructed by the authority under the energy program for Alaska exceeds  
24 500 megawatts, the authority shall establish and maintain a single  
25 wholesale power rate applicable to all power projects which it has  
26 acquired or constructed under the energy program for Alaska; the whole-  
27 sale power rate shall be computed by the authority annually, and shall  
28 equal the rate which the authority estimates is necessary to produce  
29 revenue which is sufficient to pay the greater of:

(A) an annual return in the state of not less than five percent of the amount which the authority has spent from the fund for all projects;  
 or  
 (B) an amount equal to the sum of;

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

- (A) operation, maintenance, and equipment replacement costs of the power projects;
- (B) debt service costs of the power projects;
- (C) safety inspections and investigations of the power projects by the authority; and
- (D) annual costs of the power production cost assistance program (AS 44.83.162).

(c) The authority shall transmit the money which it receives from sales of power at rates determined under (b) of this section to the commissioner of revenue for deposit in the state general fund.

(d) [From the amount collected under (b)(2) and (3) of this section which the commissioner of revenue estimates will be deposited into the general fund,] <sup>can</sup> the legislature may appropriate to the authority <sup>the</sup> amount <sup>not to exceed five percent of the amount determined under (b)(1) and (2) which the</sup> <sup>commissioner of revenue estimates will be deposited in the general fund for paying</sup> <sup>costs</sup> of operating and maintaining power projects which it acquired or constructed as part of the energy program for Alaska. The balance of the amount <sup>[determined]</sup> <sup>collected</sup> under (b) <sup>(1)</sup> <sup>(2)</sup> and <sup>(3)</sup> of this section <sup>[which]</sup> <sup>and estimated by</sup> the commissioner of revenue <sup>[to]</sup> <sup>be deposited</sup> into the general fund may be appropriated by the legislature to the power production cost assistance fund. The estimates of amounts required for each of the appropriations shall be provided to the governor in the budget submitted under AS 37.07.

(e) A rate for an industrial consumer under (a)(2) of this section

(1) may exceed the wholesale power rate determined under (b) of this section;

(2) may not be less than the rate charged residential consumers.

(f) The legislature may, by law, annul or change the wholesale power rate for sales of power which the authority adopts under (b) of this section.

1           Sec. 44.83.500. [ENERGY CONSERVATION. The authority shall ensure

2           (1) that communities served by energy projects built from  
3 amounts appropriated to the power development fund implement cost-effec-  
4 tive energy conservation measures for residences, commercial and public  
5 buildings, and industries; and

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

10           (A) the Alaska Public Utilities Commission;

11           (B) the Alaska Energy Center;

12           (C) the division of energy and power development,  
13 Department of Commerce and Economic Development; and

14           (D) the division of business loans, Department of  
15 Commerce and Economic Development.

16           Sec. 44.83.510. ] DEFINITIONS. In AS 44.83.400 - 44.83.510,

17           (1) "busbar" means the substation which serves as the de-  
18 livery point from the generation and transmission system of the author-  
19 ity to the transmission and distribution system of the utility;

20           (2) "fund" means the power development fund;

21           (3) "industrial consumer" means a customer of a utility  
22 which customer has a peak power demand in excess of 500 kilowatts per  
23 month and uses the power principally for

24           (A) manufacturing;

25           (B) pipeline transportation;

26           (C) the recovery or processing of minerals;

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

29           (E) the operation of facilities owned by the federal

1 government;

2 (4) "qualified utility" means any of the following which the  
3 authority determines is capable of operating and maintaining a power  
4 project of the kind and magnitude which has been constructed or is to  
5 be constructed to provide power for a market area:

6 (A) a corporation organized under the Alaska Nonprofit  
7 Corporation Act (AS 10.20);

8 (B) an electric cooperative organized under the Electric  
9 and Telephone Cooperative Act (AS 10.25);

10 (C) a public utility which generates, transmits, or  
11 distributes electrical service to the public; and

12 (D) a regional electrical authority (AS 19.57).

13 \* Sec. 2. AS 44.83.030 is amended to read:

14 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-  
15 ity shall consist of the following directors:

16 (1) two [FOUR] directors at large to be appointed by the  
17 governor and confirmed by the legislature;

18 (2) three persons appointed by the governor from among the  
19 heads of <sup>state agencies</sup> ~~the principal departments~~ of the executive branch of the  
20 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

21 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL  
22 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE  
23 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND  
24 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

25 \* Sec. 3. AS 44.83.040 is amended to read:

26 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]  
27 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman  
28 and may elect other officers they determine desirable. The powers of  
29 the authority are vested in the directors, and three directors of the

1 authority constitute a quorum. Action may be taken and motions and  
2 resolutions adopted by the authority at a meeting by the affirmative  
3 vote of at least three directors. The directors of the authority serve  
4 without compensation, but they shall receive the same travel pay and  
5 per diem as provided by law for board members.

6 \* Sec. 4. AS 44.83.045(a) is amended to read:

7 (a) The directors at large shall [MUST] be residents and qualified  
8 voters of Alaska and shall comply with the requirements of AS 39.50  
9 (conflict of interests). The directors at large shall serve over-  
10 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE  
11 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

12 \* Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to  
13 read:

14 (G) an appropriation for a power project acquired or  
15 constructed under the energy program for Alaska (AS 44.83.400 -  
16 44.83.<sup>[500]</sup>[510]);

17 (H) appropriations for the power production cost assis-  
18 tance fund (AS 44.83.162), and for operation and maintenance of  
19 power projects developed under the energy program for Alaska  
20 (AS 44.83.400 - 44.83.<sup>[500]</sup>[510]).

21 \* Sec. 6. AS 44.83.090(c) is amended to read:

22 (a) The authority shall, in addition to the other methods which  
23 it may find advantageous, provide a method by which municipal electric,  
24 rural electric, cooperative electric, or private electric utilities and  
25 regional electric authorities, or other persons authorized by law to  
26 engage in the distribution of electricity may secure a reasonable share  
27 of the power generated by a project, or any interest in a project, or  
28 for any right to the power and shall sell the power or cause the power  
29 to be sold at the lowest reasonable prices which cover the full cost of

1 the electricity or services, including capital and operating costs,  
2 debt coverage as considered appropriate by the authority, and other  
3 charges that may be authorized by this chapter. Except for a contract  
4 entered into under AS 44.83.400 - AS 44.83.510, a [A] contract for the  
5 sale, transmission and distribution of power generated by a project or  
6 any right to the capacity of it shall provide:

7 (1) for payment of all operating and maintenance expenses of  
8 a project and costs of renewals, replacements and improvements of it;

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

13 (3) for monitoring of the project by the authority or its  
14 agents;

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

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

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

25 (7) for security for performance as the authority may con-  
26 sider practicable and advisable, including provisions assuring the  
27 continuance of the distribution and transmission of power generated by  
28 a project and the use of its facilities for these purposes; and

29 (8) other terms not inconsistent with the provisions and

1 policy of this chapter as the authority may consider advisable.

2 \* Sec. 7. AS 44.83 is amended by adding a new section to read:

3 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM  
4 FOR ALASKA. The authority shall borrow money and shall issue its bonds  
5 on which the principal and interest are payable exclusively from money  
6 derived from the power project financed with the proceeds of the bonds  
7 for a power project financed under AS 44.83.400 - 44.83.510 from the  
8 power development fund if

9 (1) appropriations to the power development fund for the  
10 power project, and interest earned on those appropriations, are insuf-  
11 ficient to cover the cost of acquiring or constructing the power  
12 project; and

13 (2) the amount of interest which the authority will pay on  
14 its bonds is not more than alternative costs of securing money to pay  
15 for the acquisition or construction of the power project.

16 [ \* 8 (AS 44.83.181(b)) was crossed out ]  
\* Sec. 8. AS 44.83.177(a) is amended to read:

17 (a) To identify power project alternatives and energy needs and  
18 consumption patterns for a community, the authority shall, after  
19 consultation with other state agencies and after review of information  
20 on alternative sources of power, complete a reconnaissance study for  
21 each proposed new power project.

22 \* Sec. 9. AS 44.83.177(b) is repealed and reenacted to read:

23 (b) A reconnaissance study shall  
24 (1) survey all energy sources available to the community and  
25 adjacent area and evaluate the relative economic merits of alternative  
26 sources of energy, including energy conservation and capture and  
27 utilization of waste energy as provided for in AS 44.83.170(b)(1); if  
28 the study surveys

29 (A) potential hydroelectric sites, the study shall

*all new*

Handwritten mark resembling a stylized 'J' or '7'.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

↑

include one-year data collection on water flow;

(B) wind energy, the study shall include a one-year collection and evaluation of data on wind speed, direction, and other information valuable to development of wind generation;

(2) include an assessment of the total energy needs of the community, including but not limited to, electricity, space heating, and transportation fuels based on the nature and amount of energy use and the purpose of its use;

(3) include an assessment of the effect of the development of alternative sources of energy on the environment so as to assure that there is no adverse effect to the environment which would make the project inadvisable;

(4) include public comment from residents of the community and adjacent areas.

\* Sec. 10. AS 44.83.177 is amended by adding a new subsection to read:

(d) In completing a reconnaissance study, the authority shall consult with the division of energy and power development in the Department of Commerce and Economic Development, and with the Alaska Energy Center to determine the information which each may require for energy planning and the development of technology.

all new

\* Sec. 11. AS 44.83.224 is amended by adding a new subsection to read:

(b) Each reconnaissance study completed in accordance with AS 44.83.177 shall become part of the long-term energy plan provided for under (a) of this section.

\* Sec. 12. AS 44.25.020 is amended by adding a new paragraph to read:

(5) invest and manage the balance of the power project development fund in accordance with AS 44.83.430.

\* Sec. 13. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office of all members of the Board of Directors of the Alaska Power Authority

1 serving on the effective date of this Act terminate on the effective date of  
2 this Act.

3 (b) The governor shall appoint two <sup>[members]</sup> directors of the Ala. Power  
4 Authority] at large. When making his appointments under this subsection, the  
5 governor shall specify the length of the term of office of each member he  
6 appoints. Of the members at large first appointed by the governor under  
7 this subsection,

8 (1) one member shall serve a two-year term;

9 (2) one member shall serve a four-year term.

10 \* Sec. 14. This Act takes effect immediately in accordance with AS 01.-  
11 10.070(c).

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

DRAFT II

Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-  
7 ing the Alaska Power Authority Act, and providing for  
8 the investment of money appropriated for power project  
9 of the Alaska Power Authority; and providing for an  
10 effective date."

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

12 \* Section 1. AS 44.83 is amended by adding new sections to read:

13 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for  
15 Alaska is established. The program shall be administered by the author  
16 ity.

17 (b) The energy program for Alaska is a program by which the  
18 authority may acquire or construct power projects with money appro-  
19 priated by the legislature to the power development fund established in  
20 AS 44.83.410. A power project may be acquired or constructed as part  
21 of the energy program for Alaska only if the project is submitted to  
22 and approved by the legislature in accordance with procedures set out  
23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power  
25 development fund is established in the Alaska Power Authority to carry  
26 out the purposes of the energy program for Alaska (AS 44.83.400 -  
27 44.83.500).

28 (b) The fund includes

29 (1) all money appropriated to it by the legislature; and

1 (2) interest earned by investment of money in the fund by  
2 the Department of Revenue.

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used  
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162).

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

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate

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

19 (B) on coal or peat if the authority determines that

20 (i) the source of the fuel for the project is  
21 abundant; and

22 (ii) renewable energy resources to produce power  
23 for the market area of the power project are not available or  
24 are not economically feasible,

25 (C) on energy derived from waste heat from thermal  
26 generating plants; or

27 (D) on fossil fuel if none of the other resources or  
28 fuels listed in this subsection are economically feasible.

29 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue

1 shall invest the balance of the fund which exceeds the amount the  
2 authority determines is necessary to meet requirements of AS 44.83.420  
3 during the current fiscal year. An investment by the Department of  
4 Revenue under this subsection shall be made in accordance with AS 37.-  
5 10.070 and 37.10.075.

6 Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall  
7 maintain records of power project allocations from the fund for each  
8 power project

9 (1) approved in accordance with AS 44.83.185; and

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

13 (b) Income earned from investment of money appropriated to the  
14 fund shall be allotted by the authority to power projects for which  
15 appropriations have been made by law. The allotment shall be based on  
16 the amount of investment income earned during each state fiscal year  
17 during or after which the legislature appropriated money to the fund.  
18 An allotment of income under this subsection shall be made to each  
19 power project for which a specific appropriation has been made in  
20 proportion to the unexpended amount appropriated for that project as a  
21 percentage of the total amount appropriated by the legislature to the  
22 fund.

23 Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power  
24 project designated by the legislature by law is not constructed, the  
25 amount appropriated to it may be reappropriated to other power projects  
26 by the legislature.

27 (b) The legislature may reappropriate money under (a) of this  
28 section only for a power project which is economically feasible under  
29 AS 44.83.181(b) and only if the project will serve the market area that

1 would have been served by the power project designated by the legisla-  
2 ture and not constructed.

3 Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of  
4 construction of a power project appropriations for the power project  
5 exceed the amount required for construction of it, the excess lapses  
6 into the general fund.

7 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use  
8 money in the fund for a power project unless the authority determines  
9 that, after construction, operation of the power project will provide  
10 revenue sufficient to cover

11 (1) operation, maintenance, and equipment replacement costs  
12 of the power project;

13 (2) debt service costs associated with the power project;  
14 and

15 (3) the costs of safety inspections and investigations of  
16 the power project by the authority.

17 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project  
18 which is acquired or constructed as part of the energy program for  
19 Alaska is owned by the state and shall be administered by the authority

20 (b) When a power project has been acquired or constructed by the  
21 authority, the project may be operated for the authority under a con-  
22 tract between a qualified utility and the authority.

23 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The  
24 authority shall sell power produced from power projects acquired or  
25 constructed under the energy program for Alaska. A utility which  
26 purchases power produced by a power project of the authority shall  
27 agree with the authority

28 (1) to give preference in the sale of power at retail to all  
29 classes of consumers of power except industrial consumers;

1 (2) to charge industrial consumers of power a rate determined  
2 by the authority in accordance with (d) of this section.

3 (b) The authority shall establish a wholesale power rate structure  
4 applicable to sales of power to its customers at the busbar of the  
5 power project as follows:

6 (1) If, by July 1, 1986, the legislature has not appropriated  
7 at least \$5,000,000,000 to the power development fund, the authority  
8 shall, beginning on that date, establish and maintain a wholesale power  
9 rate for each power project which rate will return to the authority, on  
10 an annual basis, 10 percent of the amount appropriated to the power  
11 development fund.

12 (2) If, by July 1, 1986, the legislature has appropriated at  
13 least \$5,000,000,000 to the power development fund,

14 (A) until June 30 of the fiscal year in which the  
15 production capacity of all power projects acquired or constructed  
16 by the authority under the energy program for Alaska exceeds 500  
17 megawatts, the authority may establish and maintain a wholesale  
18 power rate for each power project which rate will return to the  
19 authority, on an annual basis, not less than five percent of the  
20 amount which the authority has invested in the power project from  
21 the fund;

22 (B) beginning July 1 of the first fiscal year following  
23 the date on which the production capacity of all power projects  
24 acquired or constructed by the authority under the energy program  
25 for Alaska exceeds 500 megawatts, the authority shall establish  
26 and maintain a single wholesale power rate applicable to all power  
27 projects which it has acquired or constructed under the energy  
28 program for Alaska; the wholesale power rate shall be computed by  
29 the authority annually, and shall equal the rate which the author-

1 ity estimates is necessary to produce revenue which is sufficient  
2 to pay

3 (i) operation, maintenance, and equipment replace-  
4 ment costs of the power projects;

5 (ii) debt service costs of the power projects;

6 (iii) safety inspections and investigations of the  
7 power projects by the authority; and

8 (iv) annual costs of the power production cost  
9 assistance program (AS 44.83.162).

10 (c) The authority shall transmit the revenues which exceed actual  
11 expenditures for operation, maintenance, equipment costs, and debt  
12 service costs of the power projects to the commissioner of revenue for  
13 deposit in the state general fund. The commissioner of revenue shall  
14 estimate the annual deposits into the general fund under this sub-  
15 section, and that revenue is available to the legislature for appro-  
16 priation to the authority for safety inspections and investigations of  
17 the power projects and for annual costs of the the power production  
18 cost assistance program.

19 (d) A rate for an industrial consumer under (a)(2) of this  
20 section

21 (1) may exceed the wholesale power rate determined under (b)  
22 of this section;

23 (2) may not be less than the rate charged residential con-  
24 sumers.

25 (e) The legislature may, by law, annul or change the wholesale  
26 power rate for sales of power which the authority adopts under (b) of  
27 this section.

28 Sec. 44.83.500. DEFINITIONS. In AS 44.83.400 - 44.83.500,

29 (1) "busbar" means the substation which serves as the de-

1 livery point from the generation and transmission system of the  
2 authority to the transmission and distribution system of the utility;

3 (2) "fund" means the power development fund;

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

7 (A) manufacturing;

8 (B) pipeline transportation;

9 (C) the recovery or processing of minerals;

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

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

14 (4) "qualified utility" means any of the following which the  
15 authority determines is capable of operating and maintaining a power  
16 project of the kind and magnitude which has been constructed or is to  
17 be constructed to provide power for a market area:

18 (A) a corporation organized under the Alaska Nonprofit  
19 Corporation Act (AS 10.20);

20 (B) an electric cooperative organized under the Electric  
21 and Telephone Cooperative Act (AS 10.25);

22 (C) a public utility which generates, transmits, or  
23 distributes electrical service to the public; and

24 (D) a regional electrical authority (AS 18.57).

25 \* Sec. 2. AS 44.83.030 is amended to read:

26 Sec. 44.83.030. MEMBERSHIP OF THE AUTHORITY. [(a)] The author-  
27 ity shall consist of the following directors:

28 (1) two [FOUR] directors at large to be appointed by the  
29 governor and confirmed by the legislature;

1 (2) three persons appointed by the governor from among the  
2 heads of the principal departments of the executive branch of the  
3 state government [THE COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT.

4 (b) THE COMMISSIONERS OF COMMUNITY AND REGIONAL AFFAIRS, NATURAL  
5 RESOURCES, TRANSPORTATION AND PUBLIC FACILITIES, AND REVENUE SHALL HAVE  
6 THE RIGHTS AND PRIVILEGES OF DIRECTORS EXCEPT FOR THE RIGHT TO VOTE AND  
7 MAY NOT BE CONSIDERED FOR PURPOSES OF QUORUM OR VOTING].

8 \* Sec. 3. AS 44.83.040 is amended to read:

9 Sec. 44.83.040. OFFICERS AND QUORUM. The directors [DIRECTOR]  
10 shall elect one of their number [THE DIRECTORS AT LARGE] as chairman  
11 and may elect other officers they determine desirable. The powers of  
12 the authority are vested in the directors, and three directors of the  
13 authority constitute a quorum. Action may be taken and motions and  
14 resolutions adopted by the authority at a meeting by the affirmative  
15 vote of at least three directors. The directors of the authority serve  
16 without compensation, but they shall receive the same travel pay and  
17 per diem as provided by law for board members.

18 \* Sec. 4. AS 44.83.045(a) is amended to read:

19 (a) The directors at large shall [MUST] be residents and qualified  
20 voters of Alaska and shall comply with the requirements of AS 39.50  
21 (conflict of interests). The directors at large shall serve over-  
22 lapping four-year terms. [THE FOUR ORIGINAL DIRECTORS AT LARGE HAVE  
23 TERMS OF ONE, TWO, THREE, AND FOUR YEARS, RESPECTIVELY.]

24 \* Sec. 5. AS 44.83.080(16) is amended by adding new subparagraphs to  
25 read:

26 (G) an appropriation for a power project acquired or  
27 constructed under the energy program for Alaska (AS 44.83.400 -  
28 44.83.500);

29 (H) appropriations for the power production cost assis-

1 tance fund (AS 44.83.162), and for operation and maintenance of  
2 power projects developed under the energy program for Alaska  
3 (AS 44.83.400 - 44.83.500).

4 \* Sec. 6. AS 44.83.090(a) is amended to read:

5 (a) The authority shall, in addition to the other methods which  
6 it may find advantageous, provide a method by which municipal electric,  
7 rural electric, cooperative electric, or private electric utilities and  
8 regional electric authorities, or other persons authorized by law to  
9 engage in the distribution of electricity may secure a reasonable share  
10 of the power generated by a project, or any interest in a project, or  
11 for any right to the power and shall sell the power or cause the power  
12 to be sold at the lowest reasonable prices which cover the full cost of  
13 the electricity or services, including capital and operating costs,  
14 debt coverage as considered appropriate by the authority, and other  
15 charges that may be authorized by this chapter. Except for a contract  
16 entered into under AS 44.83.400 - AS 44.83.500, a [A] contract for the  
17 sale, transmission and distribution of power generated by a project or  
18 any right to the capacity of it shall provide:

19 (1) for payment of all operating and maintenance expenses of  
20 a project and costs of renewals, replacements and improvements of it;

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

25 (3) for monitoring of the project by the authority or its  
26 agents;

27 (4) for full and complete disclosure to the authority of all  
28 factors of cost in the transmission and distribution of power, so that  
29 rates to any persons may be fixed initially in the contract and may be

1 adjusted from time to time on the basis of true cost data;

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

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

8 (7) for security for performance as the authority may con-  
9 sider practicable and advisable, including provisions assuring the  
10 continuance of the distribution and transmission of power generated by  
11 a project and the use of its facilities for these purposes; and

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

14 \* Sec. 7. AS 44.83 is amended by adding a new section to read:

15 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PROGRAM  
16 FOR ALASKA. The authority shall borrow money and shall issue its bonds  
17 on which the principal and interest are payable exclusively from money  
18 derived from the power project financed with the proceeds of the bonds  
19 for a power project financed under AS 44.83.400 - 44.83.500 from the  
20 power development fund if

21 (1) appropriations to the power development fund for the  
22 power project, and interest earned on those appropriations, are insuf-  
23 ficient to cover the cost of acquiring or constructing the power  
24 project; and

25 (2) the amount of interest which the authority will pay on  
26 its bonds is not more than alternative costs of securing money to pay  
27 for the acquisition or construction of the power project.

28 \* Sec. 8. AS 44.83.181(b) is amended by adding a new paragraph to read:

29 (5) a recommendation as to whether the proposed project is

1 economically feasible; a power project is "economically feasible" if  
2 the authority determines that the total costs of the power project are  
3 cheaper for the estimated life of the project than other alternatives;  
4 in making a determination of economic feasibility under this paragraph,  
5 the authority shall evaluate the estimated life of the power project  
6 and its alternatives applying the following standard factors:

7 (A) a general inflation factor for construction and  
8 operating costs of seven percent annually;

9 (B) an interest rate of 10 percent for money borrowed  
10 for the power project; and

11 (C) an escalation factor for measuring the comparative  
12 cost of oil, gas or coal; the rate to be applied for oil is 11  
13 percent annually, and the rate shall be applied to the fuel cost  
14 on the date of determination of economic feasibility.

15 \* Sec. 9. AS 44.25.020 is amended by adding a new paragraph to read:

16 (5) invest and manage the balance of the power project  
17 development fund in accordance with AS 44.83.430.

18 \* Sec. 10. APPLICABILITY OF ACT TO DIRECTORS. (a) The terms of office  
19 of all members of the Board of Directors of the Alaska Power Authority  
20 serving on the effective date of this Act terminate on the effective date of  
21 this Act.

22 (b) The governor shall appoint two members at large. When making his  
23 appointments under this subsection, the governor shall specify the length of  
24 the term of office of each member he appoints. Of the members at large first  
25 appointed by the governor under this subsection,

26 (1) one member shall serve a two-year term;

27 (2) one member shall serve a four-year term.

28 \* Sec. 11. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

DRAFT III

Original sponsors: Kerttula, Dankworth,  
Ziegler, et al

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
 2 HOUSE CS FOR CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (Resources)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 TWELFTH LEGISLATURE - FIRST SESSION  
 5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Power Authority, amend-  
 7 ing the Alaska Power Authority Act, and providing for  
 8 the investment of money appropriated for power projects  
 9 of the Alaska Power Authority; and providing for an  
 10 effective date."

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

12 \* Section 1. AS 44.83 is amended by adding new sections to read:

13 ARTICLE 8. ENERGY PROGRAM FOR ALASKA.

14 Sec. 44.83.400. PROGRAM ESTABLISHED. (a) The energy program for  
 15 Alaska is established. The program shall be administered by the author-  
 16 ity.

17 (b) The energy program for Alaska is a program by which the  
 18 authority may acquire or construct power projects with money appro-  
 19 priated by the legislature to the power development fund established in  
 20 AS 44.83.410. A power project may be acquired or constructed as part  
 21 of the energy program for Alaska only if the project is submitted to  
 22 and approved by the legislature in accordance with procedures set out  
 23 in AS 44.83.177 - 44.83.187.

24 Sec. 44.83.410. POWER DEVELOPMENT FUND ESTABLISHED. (a) A power  
 25 development fund is established in the Alaska Power Authority to carry  
 26 out the purposes of the energy program for Alaska (AS 44.83.400 -  
 27 44.83.500).

28 (b) The fund includes

29 (1) all money appropriated to it by the legislature; and

1 (2) interest earned by investment of money in the fund by  
2 the Department of Revenue.

3 Sec. 44.83.420. USE OF FUND BALANCE. (a) The fund may be used  
4 by the authority to provide money for

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

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

10 (3) the power production cost assistance fund (AS 44.83.162).

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

13 (1) meets the revenue requirements of AS 44.83.470; and

14 (2) operates or will operate on one or more of the following. <sup>am # 3</sup>

15 (A) on renewable energy resources, including but not  
16 limited to hydroelectric power, wind, biomass, <sup>geo-thermal, am # 2</sup> tidal or solar  
17 energy, or a method which uses temperature differentials or other  
18 physical properties of the ocean;

19 (B) on coal ~~or~~ peat; or wood <sup># 4</sup>

20 (C) on energy derived from waste heat from thermal  
21 generating plants; or

22 (D) on fossil fuel if none of the other resources or  
23 fuels listed in this subsection are economically <sup>and financially am # 1</sup> feasible.

24 Sec. 44.83.430. INVESTMENT OF FUND. The Department of Revenue  
25 shall invest the balance of the fund which exceeds the amount the  
26 authority determines is necessary to meet requirements of AS 44.83.420  
27 during the current fiscal year. An investment by the Department of  
28 Revenue under this subsection shall be made in accordance with AS 37.-  
29 10.070 and 37.10.075.

1           Sec. 44.83.440. ALLOTMENT TO PROJECTS. (a) The authority shall  
2 maintain records of power project allocations from the fund for each  
3 power project

4                   (1) approved in accordance with AS 44.83.185; and

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

8           (b) Income earned from investment of money appropriated to the  
9 fund shall be allotted by the authority to power projects for which,  
10 appropriations have been made by law. The allotment shall be based on  
11 the amount of investment income earned during each state fiscal year  
12 during or after which the legislature appropriated money to the fund.  
13 An allotment of income under this subsection shall be made to each  
14 power project for which a specific appropriation has been made in  
15 proportion to the unexpended amount appropriated for that project as a  
16 percentage of the total amount <sup>unexpended</sup> appropriated by the legislature to the  
17 fund.

18           Sec. 44.83.450. REAPPROPRIATION OF FUND BALANCE. (a) If a power  
19 project designated by the legislature by law is not constructed, the  
20 amount appropriated to it may be reappropriated to other power projects  
21 by the legislature.

22           (b) The legislature may reappropriate money under (a) of this  
23 section only for a power project which is economically feasible under  
24 AS 44.83.181(b) and only if the project will serve the market area that  
25 would have been served by the power project designated by the legisla-  
26 ture and not constructed.

27           Sec. 44.83.460. LAPSE OF EXCESS APPROPRIATIONS. If at the end of  
28 construction of a power project appropriations for the power project  
29 exceed the amount required for construction of it, the excess lapses

1 into the general fund.

2 Sec. 44.83.470. REVENUE REQUIREMENTS. The authority may not use  
3 money in the fund for a power project unless the authority determines  
4 that, after construction, operation of the power project will provide  
5 revenue sufficient to cover

6 (1) operation, maintenance, and equipment replacement costs  
7 of the power project;

8 (2) debt service costs associated with the power project;  
9 and

10 (3) the costs of safety inspections and investigations of  
11 the power project by the authority.

12 Sec. 44.83.480. OPERATION OF POWER PROJECT. (a) A power project  
13 which is acquired or constructed as part of the energy program for  
14 Alaska is owned by the state and shall be administered by the authority.

15 (b) When a power project has been acquired or constructed by the  
16 authority, the project may be operated for the authority under a con-  
17 tract between a qualified utility and the authority.

18 Sec. 44.83.490. SALE OF POWER FROM POWER PROJECT. (a) The  
19 authority shall sell power produced from power projects acquired or  
20 constructed under the energy program for Alaska. A utility which  
21 purchases power produced by a power project of the authority shall  
22 agree with the authority

23 (1) to give preference in the sale of power at retail to all  
24 classes of consumers of power except industrial consumers;

25 (2) to charge industrial consumers of power a rate determined  
26 by the authority in accordance with (d) of this section.

27 (b) The authority shall establish a wholesale power rate structure  
28 applicable to sales of power to its customers at the busbar of the  
29 power project. If, by July 1, 1986, the legislature has not appro-

1 priated at least \$5,000,000,000 to the power development fund, the  
2 authority shall, beginning on that date, establish and maintain a  
3 wholesale power rate for each power project which rate will return to  
4 the authority, on an annual basis, 10 percent of the amount appropriated  
5 to the power development fund. In addition, *for each project including loans and grants made by the state*

6 (1) until June 30 of the fiscal year in which the production  
7 capacity of all power projects acquired or constructed by the authority  
8 under the energy program for Alaska exceeds 500 megawatts, the authority  
9 *shall* may establish and maintain a wholesale power rate for each power project  
10 which rate will return to the authority, on an annual basis, not less  
11 than five percent of the amount which the authority has invested in the  
12 power project from the fund; *for each project including loans and grants made by the state*

13 (2) beginning July 1 of the first fiscal year following the  
14 date on which the production capacity of all power projects acquired or  
15 constructed by the authority under the energy program for Alaska exceeds  
16 500 megawatts, the authority shall establish and maintain a single  
17 wholesale power rate applicable to all power projects which it has  
18 acquired or constructed under the energy program for Alaska; the whole-  
19 sale power rate shall be computed by the authority annually, and shall  
20 equal the rate which the authority estimates is necessary to produce  
21 revenue which is sufficient to pay

- 22 (A) operation, maintenance, and equipment replacement
- 23 costs of the power projects;
- 24 (B) debt service costs of the power projects;
- 25 (C) safety inspections and investigations of the power
- 26 projects by the authority; and
- 27 (D) annual costs of the power production cost assistance
- 28 program (AS 44.83.162).

29 (c) The authority shall transmit the money which it receives from