

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

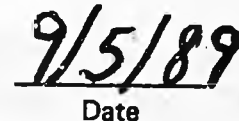
3547 HRES HB 193 - HB 219 423



RECORDS CERTIFICATION

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Signature of Camera Operator


Date

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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-2900

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

House Resources Committee 4/12/1985, 8:30 am

Analysis of CSHB 193 (Resources)

This bill establishes a program that will help to alleviate the heavy debt load of Alaska's farmers and encourage them to bring their farms into full and economic production. The program allows farmers to receive credits for farm product sales that can be used to meet interest payments on state agriculture related loans. The program will assist only producing farmers that are actively engaged in selling farm products. Farmers who do not produce and sell farm products will gain nothing.

Under this program, a farmer will provide a copy of federal income tax Form F, which lists his total farm product sales income for the year, to the Division of Agriculture. The division will then provide the farmer with a letter of credit equal to ten percent of the farmer's total yearly sales. The farmer may apply the letter of credit to the interest due on an Agricultural Revolving Loan Fund loan or an agricultural land sale contract. The program will last for five years, and an individual farmer would be allowed to participate in the program every year if he continues to produce and sell farm products.

The production credit program requires no additional staff or funding for the Department of Natural Resources, but will, if it is successful, result in the state foregoing some amount of interest. Yet not instituting a program that assists producing farmers could mean the loss of millions of dollars in ag loan defaults, as well as the loss of numerous farm related jobs.

Alaska grown commodities are currently filling only a small portion of the available Alaska market, but a lack of cash prevents many farmers from increasing farm production. The production credit program would allow these farmers to put some of the cash receipts from farm product sales into expansion of their farm operations. As farms become fully producing, farming will become more economic and farmers will be able to meet their debt obligations.

We admit that there were mistakes made in developing Alaska's agricultural programs in the past, but farming can become a stable part of Alaska's economy. The Department of Natural Resources has taken a long hard look at where Alaska agriculture is today and has determined that with some assistance from the state and a lot of hard work from farmers, the farming industry in Alaska can survive and prosper.

According to legislative research, other loan programs have higher percentage of delinquency than ARLF on much higher dollar amounts

TABLE II
LOAN PROGRAMS FY 81 - FY 86
Interest Rates and Delinquency Rates *

Program / Statute		Delinquency Rate (\$ 100)	Rate Pct	Interest Rate
Econ Development:				
→ Agriculture Rev Loans	03.10	6,953.5	15.6	8.0
AIDA Enterprise Fund	44.88	15,270.2	4.7	varies
AIDA Eco Dev Fund	44.88	n/a	n/a	varies
Ak Resources Corp 1)	37.12	n/a	n/a	varies
Commercial Fishing	16.10	11,551.3	14.4	10.5
Fish Enhancement	16.10	.0	.0	9.5
Fish Mortgage & Note 2)	16.10	n/a	n/a	n/a
Grain Reserves Loans	03.12	.0	.0	8.0
← Mining Loan Fund	27.09	10,621.0	55.9	10.0
← Small Business	45.95	34,198.0	48.1	9.5
Tourism Rev Loans	45.90	1,034.0	16.3	9.5
Education:				
Scholarship Loans	14.43	12,470.1	6.7	5.0
Teacher Loans	14.43	n/a	n/a	5.0
Energy:				
Alternative Tech 3)	45.88	2,408.0	22.3	5.0/15.0
Residential Energy 4)	45.89	1,039.2	19.8	5.0
Rural Electrification	44.83	.0	.0	2.0
Housing:				
C&RA Housing Asst	44.47	1,977.2	2.0	varies
AHFC Programs	18.56	113,615.0	3.0	varies
Medical & Child Care:				
Child Care Facility	44.33	103.0	15.4	7.0
Res Care Facility 2)	44.33	n/a	n/a	n/a
Med Malpractice 5)	21.88	.0	.0	6.0/7.0
Municipal Assistance:				
Bulk Fuels	45.87	148.0	.7	varies
Historical District	45.98	.0	.0	7.5

* Delinquency rates are from State Loan Program: Quarterly Activity Report, Fourth Qtr FY 84; House Research Agency, October 1984.

- 1). Repealed effective July 1, 1989.
- 2). Repealed during 1982 session.
- 3). Interest rate is 5.0% on the first \$15,000 and 15% on the excess.
- 4). On loans made after 12-31/83 the interest rate is the average weekly municipal bond yield rates.
- 5). Interest rate is 6.0% if the borrower is unable to procure re-insurance from a private casualty insurer.

AGRICULTURAL REVOLVING LOAN FUND

December 31, 1984

Loans outstanding - \$ 48,454,644.47

Borrowers - 266

Loans - 759

Average loan size - \$ 60,850

Average borrower - \$ 173,630

Delinquency rate is three times more in the Delta area than in the Matanuska area -

15.52%	vs	47.92%
old farmers		new farmers

The delinquency rates are divided evenly between short term, chattel and development loans.

National level - Farmers Home Administration has a 35% delinquency rate.

Total ARLF is 68.5 million.

Assumptions

1. 2500 acre farm
2. 1500 acres planted in barley
3. Production of 1 ton per acre - sells for \$125 per ton
4. Chattel loan of \$208,000 at 8%, first payment due in 1985.
5. Farm development loan of \$119,000 at 8% - first payment due in 1985
6. Land purchased for \$180 per acre at 12% interest - with moratorium, first payment due in 1989
7. Land clearing loan of \$300,000 at 8% interest - with moratorium, first payment due in 1989

illustration

Table 1. THE AFFECT OF PRODUCTION CREDITS ON LOAN PAYMENTS - FARMER BROWN Sales- \$187,500/ year

Total Loan Payment ³	Interest Portion of Loans ⁴	Credits Available	%	Interest Payment Following Credit Deduction	Total Loan Payment Following Credit Deduction
\$ 56,571	\$ 30,660	\$18,750	10	\$11,910	\$37,821
\$ 56,571	\$ 28,586	\$18,750	10	\$9,836	\$37,821
\$ 56,571	\$ 26,340	\$18,750	10	\$7,598	\$37,821
\$ 56,571	\$ 23,929	\$18,750	10	\$5,179	\$37,821
\$ 129,136	\$ 90,726	\$18,750	10	\$71,976	\$110,386

Payments for land clearing and land purchase begin, chattel loan is paid-off in this year.
 Do not include operating loan.
 Includes annual operating loan interest of \$4,500.

Total interest forgiven \$93,750

Total Loans \$897,000 (principal)

UNDER FARMERS' FIGURES

		Sales	Credits
1984	10%	\$11,945,000	\$1,194,500
1985	10%	14,320,000	1,432,000
1986	10%	17,200,000	1,720,000
1987	10%	20,640,000	2,064,000
1988	10%	24,285,000	2,428,500

5 year Total \$8,887,000

Our fiscal note estimated about \$12 million in foregone interest, but farmers have complained that our estimates of rising production are too high.

Probably best to estimate foregone interest over the 5-year period at from \$8 to \$12 million

- NO Markets -

ACTUAL DELTA I FARMER

<u>Loan Type</u>	<u>Total Loan</u>	<u>Annual Loan Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
- Land Purchase	\$ 0	\$ 0	\$ 0	\$ 0
- Land Clearing	370,600	24,590	3,018	21,572
- Chattel	300,000	57,621	45,741	11,879
- Farm Development	154,000	15,685	4,578	11,106
- Operating	<u>101,000</u>	<u>109,080</u>	<u>101,000</u>	<u>8,080</u>
TOTAL	\$925,600	\$206,976	\$154,337	\$52,637

ACTUAL DELTA II FARMER

- Land Purchase	\$324,000	\$ 43,376	\$ 4,496	\$38,880
- Land Clearing	307,000	25,745	1,612	24,132
- Chattel	181,000	34,765	27,597	7,167
- Farm Development	95,000	9,675	2,824	6,851
- Operating	<u>117,000</u>	<u>126,360</u>	<u>117,000</u>	<u>9,360</u>
TOTAL	\$1,024,000	\$239,921	\$153,529	\$86,390

ACTUAL POINT MACKENZIE FARMER

Land Purchase	\$ 62,900	\$ 8,420	\$ 872	\$ 7,548
Land Clearing	94,200	7,899	494	7,404
Chattel	265,000	50,899	40,475	10,493
Farm Development	656,000	66,815	19,502	47,312
Operating	<u>70,000</u>	<u>75,600</u>	<u>70,000</u>	<u>5,600</u>
TOTAL	\$1,148,100	\$209,633	\$131,273	\$78,357

An average Delta I or Delta II farmer could expect a gross income (total sales) of approximately \$100,000 to \$125,000 per year, depending on weather conditions, market conditions and many other factors. A Point MacKenzie farmer could expect a gross income of approximately \$427,500 per year.

Based on these estimated yearly incomes and the terms of SB 40, the following amounts would be available each year for credit towards loan interest payments.

1984	20%	x	\$100,000	=	\$20,000
1985	20%	x	\$100,000	=	\$20,000
1986	20%	x	\$100,000	=	\$20,000
1987	20%	x	\$100,000	=	\$20,000
1988	20%	x	\$100,000	=	\$20,000
1989	18%	x	\$100,000	=	\$18,000
1990	16%	x	\$100,000	=	\$16,000
1991	14%	x	\$100,000	=	\$14,000
1992	12%	x	\$100,000	=	\$12,000
1993	10%	x	\$100,000	=	\$10,000

1984	20%	x	\$427,500	=	\$85,500
1985	20%	x	\$427,500	=	\$85,500
1986	20%	x	\$427,500	=	\$85,500
1987	20%	x	\$427,500	=	\$85,500
1988	20%	x	\$427,500	=	\$85,500
1989	18%	x	\$427,500	=	\$76,950
1990	16%	x	\$427,500	=	\$68,400
1991	14%	x	\$427,500	=	\$59,850
1992	12%	x	\$427,500	=	\$51,300
1993	10%	x	\$427,500	=	\$42,750

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 1-22-86

REQUEST

Bill/Resolution No. : CSHB 193
 Title : Agricultural Production Credits

 Sponsor : Rep. Shultz
 Requestor : Senate Finance Committee
 Date of Request : January 22, 1986

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Agricultural Management

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE **	(2,626.5)	(1,720.0)	(2,064.0)	(2,476.5)		
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FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

**The proposed program could reduce State revenues, in the amounts shown, by reducing the amount of interest paid on State agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of farm products according to the attached schedule. If sales do not increase as projected, the amount of revenue lost will decrease.

Prepared by: Carol Wilson *[Signature]* Phone: 465-2400
 Division: Commissioner's Office Date: January 22, 1986

Approved by Commissioner: *[Signature]* Deputy Date: 1-2-86
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

The amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Projected Credits
1984	\$15,925,000	\$11,945,000	10	\$1,194,500
1985	19,110,000	14,320,000	10	1,432,000
1986	22,932,000	17,200,000	10	1,720,000
1987	27,518,000	20,640,000	10	2,064,000
1988	33,022,000	24,765,000	10	2,476,500
Total				\$8,887,000

* Projected sales reduced by 25% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,00 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 million	\$23 million	\$15 million	\$8 million
Clear. Land	17.5 million	8 million	0	8 million
	10 million	5 million	3 million	2 million

Interest on \$18 million loss at 8% x 5 years = \$7.2 million

Total estimated loss to the state = \$25.2 million

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 193

Title: Agricultural Production

Credits

Sponsor: Shultz

Requestor: House Resources Committee

Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: Natural Resources

Program Category Affected: Agricultural

Management

BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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REVENUE **	(\$1,274.0)	(2,004.2)	(2,547.5)	(3,090.8)	(\$3,634.2)	-0-
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

**The proposed program could reduce state revenues, in the amounts shown, by reducing the amount of interest paid on state agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of Alaska farm products according to the attached schedule. If sales do not increase, the amount of revenue lost to the state would decrease.

Prepared By: Bill Heim, Director of Agriculture

Phone: 745-7200

Division: Division of Agriculture

Date: March 25, 1985

Approved by Commissioner: *Memo D. Arnold*

Date: 7/12/85

Agency: Department of Natural Resources

Distribution (by Agency preparing fiscal note):

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

Continuation of Analysis for CSEB 193

The proposed production credit program could, if successful, reduce state revenues by reducing the total amount of interest paid on state agricultural loans. However, without a program of this type that provides some measure of debt relief to farmers, the state will lose millions of dollars through loan defaults.

The total amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Estimated Credits
1984	\$15,925,000	\$12,740,000	10	\$1,274,000
1985	\$25,053,000	\$20,042,400	10	2,004,240
1986	\$31,844,000	\$25,475,200	10	2,547,520
1987	\$38,635,000	\$30,908,000	10	3,090,800
1988	\$45,427,000	\$36,341,600	10	3,634,160
Five Year Total				\$12,550,720

* Projected sales reduced by 20% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,000 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 mill.	\$23 mill.	\$15 mill.	\$8 mill.
Clearing	\$17.5 mill.	\$ 8 mill.	0	\$8 mill.
Land	\$10 mill.	\$ 5 mill.	\$ 3 mill.	\$2 mill.

Interest on \$18 million loss at 8% x 5 years = \$7.2 mill.

Total estimated loss to state = \$25.2 million.

Assumptions

1. 2500 acre farm
2. 1500 acres planted in barley
3. Production of 1 ton per acre - sells for \$125 per ton
4. Chattel loan of \$208,000 at 8%, first payment due in 1985.
5. Farm development loan of \$119,000 at 8% - first payment due in 1985
6. Land purchased for \$180 per acre at 12% interest - with moratorium, first payment due in 1989
7. Land clearing loan of \$300,000 at 8% interest - with moratorium, first payment due in 1989

Table 1. THE AFFECT OF PRODUCTION CREDITS ON LOAN PAYMENTS - FARMER BROWN Sales- \$187,500/ year

Year	Total Loan Payment ³	Interest Portion of Loans ⁴	Credits Available	90	Interest Payment Following Credit Deduction	Total Loan Payment Following Credit Deduction
1985	\$ 56,571	\$ 30,660	\$ 18,750	10	\$ 11,910	\$ 37,821
1986	\$ 56,571	\$ 28,586	\$ 18,750	10	\$ 9,836	\$ 37,821
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1988	\$ 56,571	\$ 23,929	\$ 18,750	10	\$ 5,179	\$ 37,821
1989	\$ 129,136	\$ 90,726	\$ 18,750	10	\$ 71,976	\$ 110,386

Payments for land clearing and land purchase begin.
 Chattel loan is paid-off in this year.
 Does not include operating loan.
 Includes annual operating loan interest of \$4,500.

Total interest forgiven \$ 93,750

Total Loans \$897,000 (principal)

Levy
4/11/85 ✓

Original sponsor: Shultz

1
2 IN THE HOUSE

BY THE RESOURCES COMMITTEE

3 CS FOR HOUSE BILL NO. 193 (Resources)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act allowing agricultural production credits; and
8 providing for an effective date."

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

10 * Section 1. AS 03.05 is amended by adding a new section to read:

11 Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The
12 commissioner of natural resources shall establish a program of agri-
13 cultural production credits to be applied against interest due on
14 agricultural loans made under this title and AS 44 and interest due on
15 the sale of agricultural land under AS 38.05. The credits shall be
16 based on agricultural products grown or raised in the state.

17 (b) The annual credit for the years 1984 - 1988 is 10 percent of
18 the total sales as documented by the farmer on Internal Revenue Ser-
19 vice Schedule F (form 1040).

20 (c) A credit granted under this section may not be transferred.

21 * Sec. 2. AS 03.05.015 is repealed December 31, 1989.

22 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

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Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

FOUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

MEMORANDUM

April 12, 1985

TO: HOUSE RESOURCES COMMITTEE

FROM: Committee Staff

SUBJ: CSHB 193 (Res) "An Act allowing agricultural production credits; and providing for an effective date."

Committee Substitute for House Bill 193 (Resources) would establish a program of agricultural production credits to be applied against interest on agricultural land loans and interest on loans through the Alaska Revolving Loan Fund.

The credit applicable to the years 1984 - 1988 is 10% of the documented sales on IRS Schedule F (Form 1040).

This credit would be repealed December 31, 1989.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 193
Title: Agricultural Production Credits

Sponsor: Shultz

Requestor: House Resources Committee

Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: Natural Resources

Program Category Affected: Agricultural Management

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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REVENUE **	(\$1,274.0)	(2,004.2)	(2,547.5)	(3,090.8)	(\$3,634.2)	-0-
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FUNDING: (Thousands of Dollars)

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POSITIONS:

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FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

**The proposed program could reduce state revenues, in the amounts shown, by reducing the amount of interest paid on state agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of Alaska farm products according to the attached schedule. If sales do not increase, the amount of revenue lost to the state would decrease. If the program is not established, the state could lose over \$25 million from loan defaults during the next few years. (See attached analysis.)

Prepared By: Bill Heim, Director of Agriculture

Division: Division of Agriculture

Phone: 745-7200

Date: March 25, 1985

Approved by Commissioner: _____

Agency: Department of Natural Resources

Date: _____

Distribution (by Agency preparing fiscal note):

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Continuation of Analysis for CSHB 193

The proposed production credit program could, if successful, reduce state revenues by reducing the total amount of interest paid on state agricultural loans. However, without a program of this type that provides some measure of debt relief to farmers, the state will lose millions of dollars through loan defaults.

The total amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

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1987	\$38,635,000	\$30,908,000	10	3,090,800
1988	\$45,427,000	\$36,341,600	10	3,634,160
Five Year Total				\$12,550,720

* Projected sales reduced by 20% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,000 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 mill.	\$23 mill.	\$15 mill.	\$8 mill.
Clearing	\$17.5 mill.	\$ 8 mill.	0	\$8 mill.
Land	\$10 mill.	\$ 5 mill.	\$ 3 mill.	\$2 mill.

Interest on \$18 million loss at 8% x 5 years = \$7.2 mill.

Total estimated loss to state = \$25.2 million.



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

9/5/89
Date

H B

208



Official Business

Alaska State Legislature

House of Representatives

Special Committee on Fisheries

Pouch V
Juneau, Alaska 99811

Phone:
(907) 465-4924

MEMORANDUM

February 28, 1985

TO: Members
Special Committee on Fisheries

FROM: Representative Peter Goll *Peter*
Chairman

SUBJECT: HB 208 (Salmon Classics)

The purpose of this memorandum is to clear up any confusion that might exist over whether the proposed Salmon Classics will be a contest of skill or a game of chance. The following figures show how the "experts" in the Alaska Department of Fish and Game's Division of Commercial Fisheries have fared in predicting statewide salmon harvests over the past 15 years.

<u>Year</u>	<u>Projected Harvest</u>	<u>Actual Harvest</u>	<u>Error</u>
1970	95,500,000	68,500,000	+39%
1971	41,500,000	47,500,000	-13%
1972	46,700,000	32,000,000	+46%
1973	30,000,000	22,300,000	+35%
1974	15,600,000	21,900,000	-29%
1975	19,900,000	26,200,000	-24%
1976	37,100,000	44,400,000	-16%
1977	34,700,000	50,800,000	-32%
1978	62,900,000	82,300,000	-24%
1979	72,000,000	88,800,000	-19%
1980	102,600,000	110,000,000	-7%
1981	74,500,000	113,300,000	-34%
1982	135,000,000	109,100,000	+24%
1983	94,000,000	127,200,000	-26%
1984	103,560,000	132,505,000	-22%
1985	108,241,000		



Official Business

Alaska State Legislature

House of Representatives

Special Committee on Fisheries

Pouch V
Juneau, Alaska 99811

Phone:
(907) 465-4924

February 27, 1985

SECTIONAL ANALYSIS OF HB 208
"An Act authorizing salmon classics."

Section One: Amends existing statutes to allow the commissioner of revenue to issue permits to municipalities or nonprofit organizations for "salmon classics."

Section Two: Adds "salmon classics" to the list of authorized games of chance that didn't exist prior to January 1, 1959.

Section Three: Defines "salmon classics" as a game of chance where prize money is awarded for the most accurate guess of the statewide commercial salmon harvest.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST
 Bill/Resolution No: HB208
 Title: An Act authorizing
Salmon Classics
 Sponsor: CATO
 Requestor: Finance Committee
 Date of Request: 2/20/85

FISCAL DETAIL
 Agency Affected: Revenue
 Program Category Affected: Games of
Chance/Licensing
 BRU, Program or Subprogram(s) Affected: Public Services BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Sally Smith
 Division: Public Services

Phone: 465-2392
 Date: 2/20/85

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

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

COMMITTEE REPORT

HOUSE

RESOURCES

(7)

FURTHER: FINANCE

2/18/85

Date: 3-5-85

Mr. Speaker:

The Committee on HOUSE SPECIAL COMMITTEE ON FISHERIES has had HB 208

"An Act authorizing salmon classics."

under consideration and reports it back as follows:

do pass [] do not pass

[] do pass with attached amendments(s)

[] replace with CS for _____ [] same title [] new title

and recommends _____

[] AND attaches a "Letter of Intent" [] New Fiscal Note

[] reports it back without recommendation [] Zero Fiscal Note Attached

[] referred to the _____ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

David W. Thompson

George I. L. King with amendment

Andy M.

Kate M.

John Gamm

Pete Pace

Pete Pace

CHAIRMAN




RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

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

SUMMARY

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

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

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

ANALYSIS OF BILL/PROGRAM EFFECTS

SEE ATTACHED SHEET

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

PROGRAM EFFECTS OF BILL

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

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

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

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

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

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

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

ANALYSIS

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

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

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

Estimated earnings at 7.5%	\$16,900,000,000
Principal and Interest repayment under HB 219	<u>48,000,000</u>
Lost opportunity cost to the State	\$16,552,000,000

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST
Bill/Resolution No.: HB 219
Title: All the remaining to the supply ability of the Alaska Public . . .
Sponsor: Sund
Requestor: _____
Date of Request: _____

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

BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS				NOT APPLICABLE		
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME				NOT APPLICABLE		
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

SEE ATTACHED PAGE "ANALYSIS"

Prepared By: William H. Batt Phone: 276-0001
Division: Alaska Power Authority Date: 7/8/85

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

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

7/1/84

Table 6. Hydroelectric Projects Operating in Alaska

<u>REGION</u>	<u>SERVICE AREA</u>	<u>PROJECT</u>	<u>INSTALLED CAPACITY (MW)</u>	<u>AVERAGE ANNUAL GENERATION (MWh)</u>	<u>DATE CONSTRUCTED</u>
South Central	Anchorage	Cooper Lake	15.0	42,000	1961
	Anchorage	Eklutna	30.0	147,875	1955
	Kodiak	*Terror Lake	20.0	139,700	1984
	Valdez	*Solomon Gulch	12.0	55,000	1982
Southeast	Juneau	Annex Creek	3.5	27,500	1915
	Juneau	Gold Creek	1.6	6,000	1904
	Juneau	Snettisham	46.7	211,000	1973
	Juneau	Upper Salmon Creek	2.8	14,000	1914
	Ketchikan	Beaver Falls	5.4	36,200	1947
	Ketchikan	Ketchikan Lakes	4.2	16,400	1957
	Ketchikan	Silvis	2.2	11,000	1974
	Ketchikan	*Swan Lake	22.0	88,000	1984
	Metlakatla	Purple Lake	3.0	15,800	1956
	Pelican	Pelican Creek	0.5	2,500	1940
	Petersburg	Crystal Lake	1.6	11,000	1956
	Petersburg/ Wrangell	*Tye Lake	20.0	133,000	1984
	Sitka	Blue Lake	8.0	39,800**	1961
	Sitka	Green Lake	18.5	46,500**	1982
	Skagway	Dewey Lakes	0.7	700	1909

* APA Projects.

** Firm energy rather than average annual generation.

3/4/85

MEMORANDUM

TO: Rep. John Sund, Chair
House Special Committee on Loans

FROM: J. Hartle, AA *JH*

RE: Electric power rates for four dam pool communities (HB 219)

	KEA	CVEA	KPU	Petersburg	Wrangell
Operations and Maintenance	2.0	2.76	2.91	4.59	4.59
Debt Service	2.68	2.68	2.68	2.68	2.68
Total APA	4.68	5.44	5.59	7.27	7.27
Retail Rate [*]	16.6	19.1 ^{**} 15.1	10.0	11.1	14.9

* Per KWH at 750 KWH/Month, as of 2/16/85

** 19.1 = Copper River; 15.1 = Valdez

KEA = Kodiak
CVEA = Copper Valley
KPU = Ketchikan

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

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

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

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

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

Table prepared by the House Research Agency, February 1985.

Table 1
Electric Rates and Production Costs For Selected Utilities
1983

Utility	Production Cost (cents/kwh)	Retail Rate (cents/kwh)	Difference (Rate-Cost)
<u>Regulated</u>			
Alaska Electric (AEL&P)	3.5	5.9	2.4
Alaska Power (AP&T)	12.4	16.1	3.7
Alaska Villages (AVEC)	29.6	44.8	15.2
Anchorage (AML&P)	3.6	5.5	1.9
Aniak (APC)	28.3	33.9	5.6
Barrow (BU&EC)	2.7	9.0	6.3
Bethel (BUC)	15.7	18.1	2.4
Bettles (BL&P)	25.5	49.1	23.6
Chugach Electric (CEA)*	3.0	6.5	3.5
Cold Bay (NP&E)	16.4	19.3	2.9
Copper Valley (CVEA)	8.3	13.3	5.0
Ft. Yukon (FYU)	24.5	34.3	9.8
Galena (M&DE)	30.2	38.1	7.9
Golden Valley (GYEA)	6.4	10.0	3.6
Haines (HL&P)	13.7	16.4	2.7
Kodiak (KdEA)	12.1	16.4	4.3
Kotzebue (KtEA)	18.0	23.4	5.4
McGrath (MGL&P)	24.5	32.0	7.5
Northway (NP&L)	10.9	26.5	7.6
Pelican (PUC)	8.3	10.6	2.3
Sandpoint (PUC)	15.5	17.3	1.8
Tanana (TPC)	24.6	31.8	7.2
Tlingit-Haida (THREA)	25.3	38.4	13.1
Yakutat (YPI)	13.3	18.1	4.8
<u>Unregulated</u>			
Cordova (CEC)	14.6	20.4	5.8
Fairbanks (FMU)	6.6	7.5	.9
Glacier Highway (GHEA)	5.2	11.1	5.9
Ketchikan (KPU)	5.9	9.0	3.1
Metlakatla (MP&L)	5.6	8.2	2.6

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

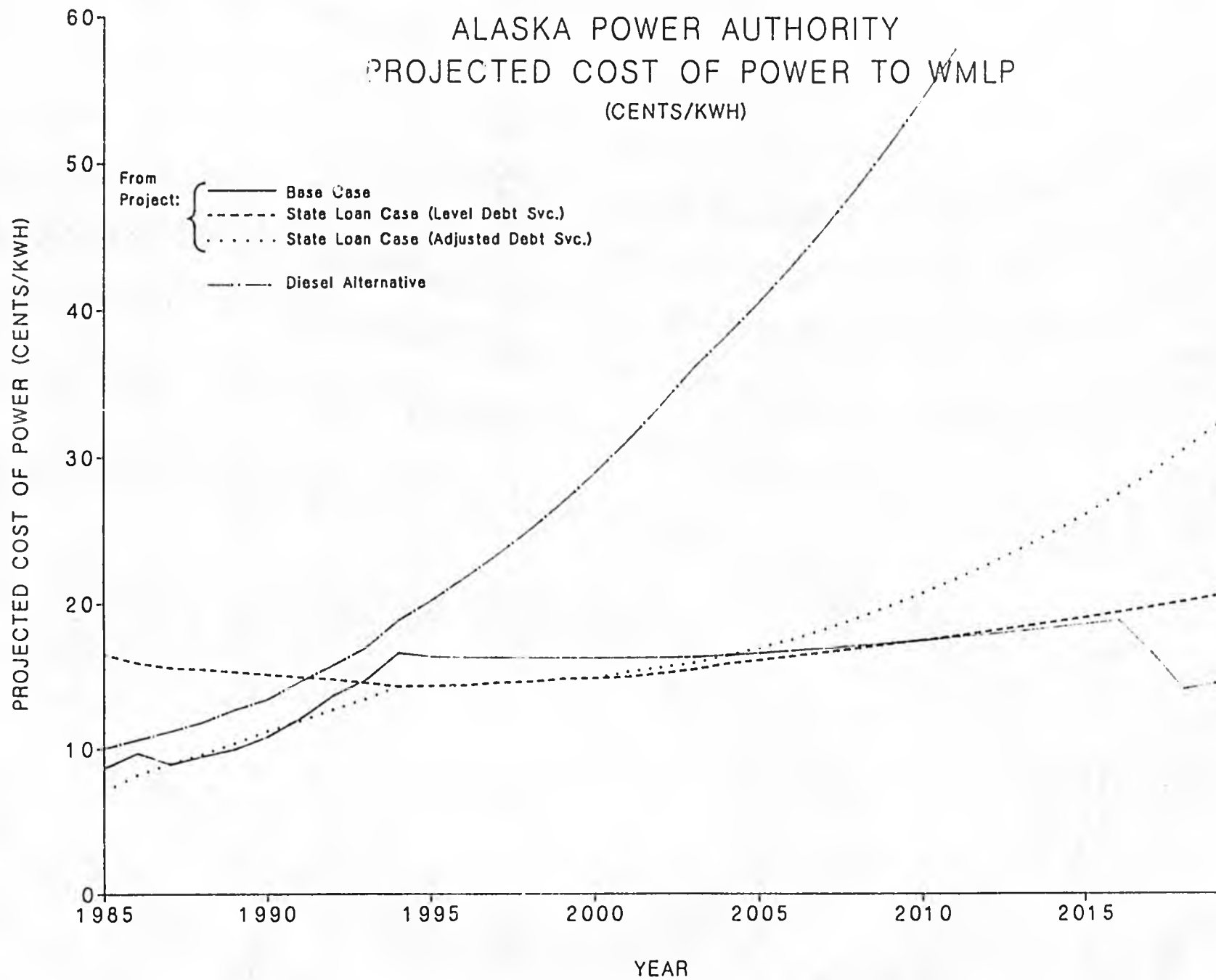


Figure 5

SENATE FINANCE COMMITTEE

MAY 26, 1984

9:20 A.M.

CALL TO ORDER

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

PRESENT

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

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

SUMMARY INFO

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

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

LARRY CRAWFORD

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

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

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

SCS FOR CSHB 589(FINANCE)

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

LETTER OF UNDERSTANDING

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

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

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

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

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

DATED March 20, 1984

ALASKA POWER AUTHORITY

By: Larry H. Crawford

CITY OF KETCHIKAN

By: Tom Newland

COPPER VALLEY ELECTRIC ASSOCIATION

By: J. A. Fillinganes

CITY OF WRANGELL

By: Tom Rush

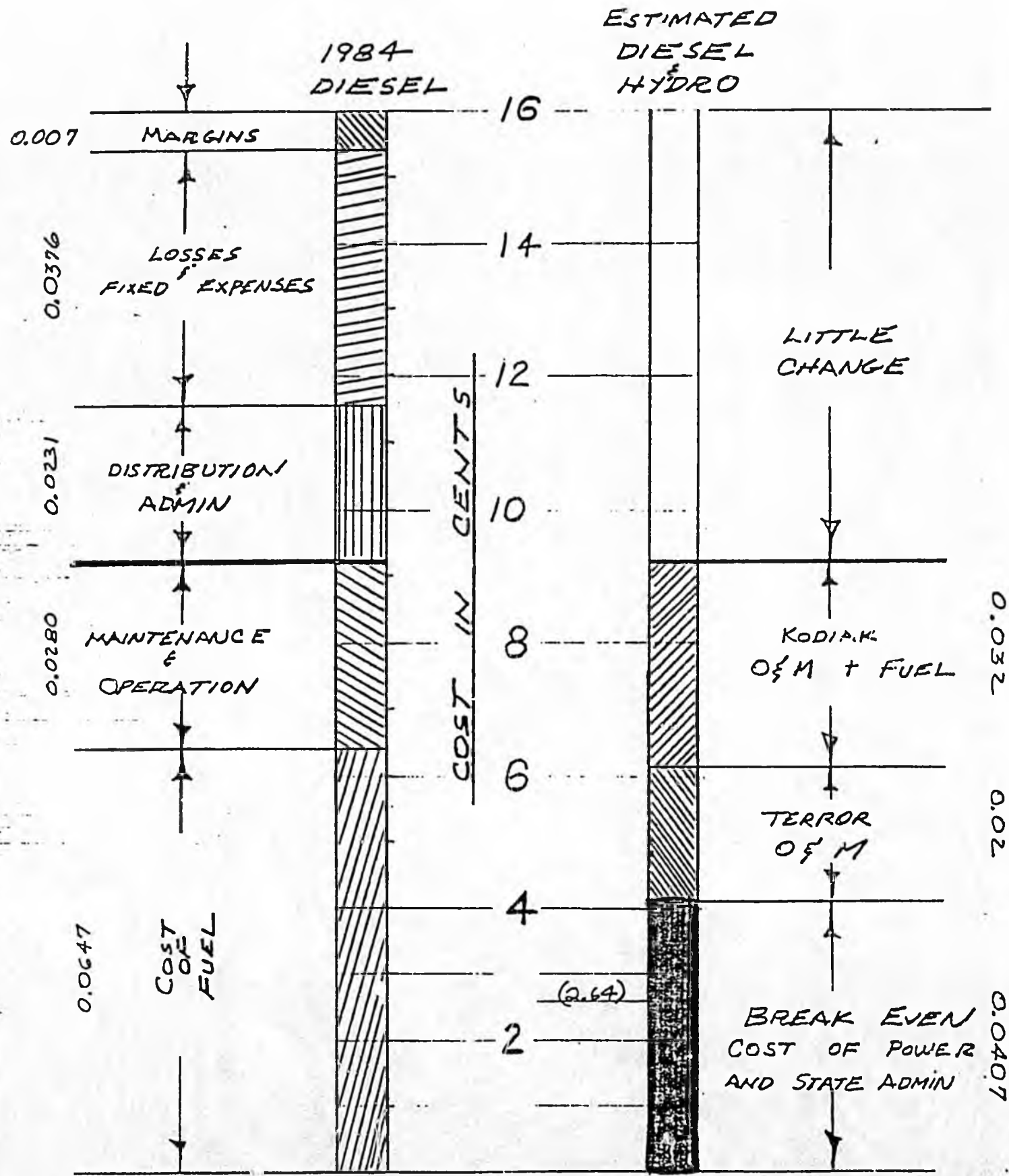
KODIAK ELECTRIC ASSOCIATION

By: David H. Nease

CITY OF PETERSBURG

By: Don Koenigs

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



ALASKA POWER AUTHORITY
FOUR DAM POOL
OBJECTIVES IN NEGOTIATIONS

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

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

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

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

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

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

1 "Beginning at line 18, I find this language in
2 parenthesis:

3 'Upon the basis of the application of such rate
4 schedules to the capacity of the electric
5 facilities of Bonneville project.'

6 "Mr. STEIWER. Mr. President, there is some language
7 included in the parenthesis on page 12, line 18, to
8 which the Senator from Louisiana directs attention,
9 and with the permission of my colleague I will
10 undertake to answer the question by saying that in
11 figuring the amortization of the capital investment
12 it is necessary, of course, to have a formula of
13 revenue. That formula consists of the rate
14 multiplied by the amount of energy which presumably
15 will be offered for sale.

016890

1 The rate of recovery, of course, will be dependent
2 upon the market and the amount of energy sold." 81
3 Cong. Rec. 3524 (1937).

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

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

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

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

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

016892

CORRECTION

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

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

5 "Mr. KING. There may be some provision in the bill,
6 but I have failed to discover any--and I may say that
7 I have had the bill which passed the House, instead
8 of the Senate committee bill--which will provide for
9 reimbursement to the Government of the United States
10 of the enormous sums which are to be appropriated
11 under the provisions of the bill. I ask the Senator
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21 the cost of producing and transmitting such
22 electric energy, including the amortization of
23 the capital investment over a reasonable period
24 of years. . . .'

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

29 "Beginning at line 18, I find this language in
30 parenthesis:

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

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

44 016890

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

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

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

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

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

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

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KETCHIKAN PUBLIC UTILITIES

334 FRONT STREET

KETCHIKAN, ALASKA 99801

TELEPHONE 807-226-3111

MUNICIPALLY OWNED
ELECTRIC WATER PHONE

November 27, 1984

ANALYSIS FOUR DAM POOL PROPOSAL

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

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

Mayor Charles Freeman
November 27, 1984
Page Two

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

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

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

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

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

- Acceptable Risks Our proposal is that debt service

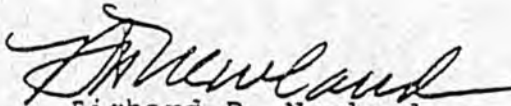
Mayor Charles Freeman
November 27, 1984
Page Three

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

- Flat Rates Except for a brief initial "ramp up" to ease the rate shock for some utilities, we propose that debt service costs be flat throughout the contract period. This would assure that the benefits of hydropower are passed on to the citizens of the State, and that utilities would achieve a measure of predictability necessary for long-term planning.
- Equity Our proposal entails equal debt service costs for each member of the Four Dam Pool. Applied statewide, this principle might mean equality per kilowatthour for debt service, wholesale power costs, or total system revenue requirements.
- Affordability The ultimate wholesale power rate proposed by the Four Dam Pool was derived from what the communities believe they can afford. In most cases, that amount results in rates to the consumer at or near what those rates are today. We believe that no community in the State should be forced beyond its means to purchase power.
- Cost Control The role of the APA should be limited to helping finance the Energy Program. The only way operations and maintenance costs can be held in check is if they are placed within the control of those who must ultimately pay them. All APA borrowing, expenditures, and administrative overhead should be subject to strict audit, and should be governed at least in part with the active participation of the power purchasers.

Very truly yours,

KETCHIKAN PUBLIC UTILITIES


Richard D. Newland
Utilities Manager

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

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

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

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

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

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

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

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

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

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

§ 42.05.671

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§ 42.05.681

PUBLIC UTILITIES AND CARRIERS

§ 42.05.711

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

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

NOTES TO DECISIONS

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

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

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

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

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

Article 10. General Provisions.

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

Sec. 42.05.701. [Renumbered as AS 42.05.720.]

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

42.05.711
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§ 42.05.712

PUBLIC UTILITIES AND CARRIERS

§ 42.05.712

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

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

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

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

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

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

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

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

NOTES TO DECISIONS

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

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

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

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

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

Initial Loan Principal \$195,000,000
 Loan Interest Rate 4.20%
 Loan Term (Years) 40
 Total Energy Capability (GW.h/yr) 378,607

Ramp Period (Years) 5
 D. S. Entry Rate (c/kW.h) 2.20
 Entry Rate Annual Escalation 6.35%
 D. S. Rate Ceiling (c/kW.h) 2.682840

4-DAM POOL
 LOAN REPAYMENT SCHEDULE
 CASE 4-A

Year	DEBT SERV COMPONENT (c/kW.h)	PAYMENT FROM ELEC REVENUE	ENERGY SALES (GW.h)	UTILIZ- ATION	CURRENT PRINCIPAL BALANCE	INTEREST DUE FROM 4-DAM POOL	ACTUAL PAY- MENT LESS INT. DUE	PRINCIPAL REPAYMENT DEFERRED	DEFERRED PRINCIPAL BALANCE
1965	2.20	3,104,120	155,206	40.99%	195,000,000	3,213,925	(109,806)	1,217,061	1,217,061
1966	2.12	3,349,550	181,496	47.94%	194,892,746	3,755,390	92,551	1,116,790	2,333,851
1967	2.25	4,306,077	191,437	50.56%	193,683,395	3,954,721	351,356	1,102,865	3,436,735
1968	2.39	4,751,347	199,181	52.61%	192,229,154	4,095,753	655,589	1,099,544	4,535,279
1969	2.53	5,212,390	206,042	54.42%	190,474,021	4,205,259	1,007,139	1,099,799	5,636,078
1970	2.68	5,714,280	212,994	55.25%	188,367,083	4,300,727	1,413,561	1,097,712	6,733,790
1971	2.68	5,877,217	219,067	57.36%	185,855,810	4,361,163	1,516,054	1,099,757	7,833,547
1972	2.68	6,087,552	225,907	59.93%	183,239,999	4,449,374	1,638,178	1,087,542	8,921,089
1973	2.68	6,336,412	236,183	62.38%	180,514,278	4,557,394	1,779,108	1,061,894	9,982,973
1974	2.68	6,596,916	245,893	64.35%	177,673,236	4,664,816	1,932,100	1,029,068	11,012,041
1975	2.68	6,853,020	255,439	67.47%	174,712,118	4,760,231	2,092,789	993,250	12,005,291
1976	2.68	7,114,569	265,566	68.32%	171,525,080	4,867,619	2,222,950	989,981	12,995,272
1977	2.68	7,383,591	275,897	70.23%	168,413,149	4,971,637	2,361,954	983,082	13,978,354
1978	2.68	7,660,428	286,402	71.71%	165,068,112	5,072,574	2,510,854	971,743	14,950,097
1979	2.68	7,945,659	297,343	73.25%	161,585,516	5,170,144	2,670,525	955,320	15,915,417
1980	2.68	8,239,529	308,708	74.68%	157,959,571	5,263,757	2,841,772	933,243	16,878,660
1981	2.68	8,542,481	320,220	76.13%	154,184,556	5,353,559	3,006,912	922,288	17,830,948
1982	2.68	8,854,390	332,043	76.61%	150,255,456	5,439,629	3,147,761	939,834	18,780,782
1983	2.68	9,175,907	344,126	77.11%	146,167,661	5,522,187	3,295,720	956,646	19,727,428
1984	2.68	9,506,572	356,489	77.62%	141,915,495	5,601,170	3,451,401	972,381	20,669,809
1985	2.68	9,846,963	369,135	78.16%	137,491,713	5,676,205	3,615,257	986,853	21,606,662
1986	2.68	10,197,651	382,067	78.73%	132,809,602	5,747,891	3,787,770	999,859	22,536,521
1987	2.68	10,558,700	395,290	79.31%	128,861,973	5,815,622	3,969,478	1,011,153	23,457,674
1988	2.68	10,930,488	408,808	79.93%	124,642,342	5,879,546	4,160,342	1,020,474	24,368,147
1989	2.68	11,313,279	422,623	80.56%	119,959,325	5,939,549	4,362,720	1,027,568	25,267,716
1990	2.68	11,706,533	436,741	81.23%	114,915,527	6,000,330	4,575,503	1,032,102	26,157,018
1991	2.68	12,110,731	451,165	81.92%	109,514,022	6,062,308	4,799,922	1,033,753	27,037,170
1992	2.68	12,526,433	465,901	82.55%	103,755,347	6,125,895	5,036,731	1,032,125	27,907,656
1993	2.68	12,954,148	480,953	83.14%	97,642,483	6,190,428	5,286,719	1,025,818	28,769,514
1994	2.68	13,393,482	496,325	83.78%	91,172,946	6,256,199	5,550,633	1,017,397	29,623,111
1995	2.68	13,844,823	512,024	84.43%	84,352,666	6,323,469	5,829,554	1,003,334	30,462,245
1996	2.68	14,308,652	528,053	85.08%	77,182,978	6,392,405	6,124,247	984,130	31,286,376
1997	2.68	14,785,483	544,420	85.74%	69,671,601	6,462,152	6,435,831	959,147	32,105,523
1998	2.68	15,275,824	561,129	86.41%	61,821,522	6,532,753	6,765,371	927,769	32,920,291
1999	2.68	15,779,262	578,187	87.08%	53,538,483	6,604,280	7,114,062	889,265	33,731,556
2000	2.68	16,295,559	595,600	87.76%	44,862,156	6,676,397	7,483,162	842,864	34,538,421
2001	2.68	16,825,202	613,375	88.44%	35,895,130	6,749,166	7,874,035	787,707	35,341,128
2002	2.68	17,368,352	631,518	89.12%	26,533,388	6,822,234	8,288,118	722,882	36,140,010
2003	2.68	17,925,197	650,036	89.80%	16,772,387	6,895,712	8,725,968	647,379	36,934,389
2004	2.68	18,495,978	668,938	90.48%	6,611,241	6,969,680	9,192,299	560,252	37,724,441
2005	1.34	4,825,870	361,230	95.36%	(310)	1,565,665	3,250,185		35,881,945
2006	1.32	4,825,870	365,321	96.65%		1,435,278	3,390,592		32,491,352
2007	1.30	4,825,870	371,019	98.00%		1,299,554	3,526,216		28,965,137
2008	1.28	4,825,870	376,334	99.40%		1,158,605	3,667,265		25,297,872
2009	1.27	4,825,870	378,637	100.00%		1,011,315	3,813,355		21,483,517
2010	1.27	4,825,870	378,637	100.00%		859,357	3,966,514		17,517,403
2011	1.27	4,825,870	378,637	100.00%		700,696	4,125,174		13,392,229
2012	1.27	4,825,870	378,637	100.00%		535,689	4,290,181		9,102,048
2013	1.27	4,825,870	378,637	100.00%		364,082	4,461,788		4,640,260
2014	1.27	4,825,870	378,637	100.00%		185,610	4,640,260		(0)
TOTALS		347,628,986	15,046,933			151,528,956	196,000,000	39,142,441	

FOUR-DAM POOL DEBT SERVICE

ALASKA POWER AUTHORITY

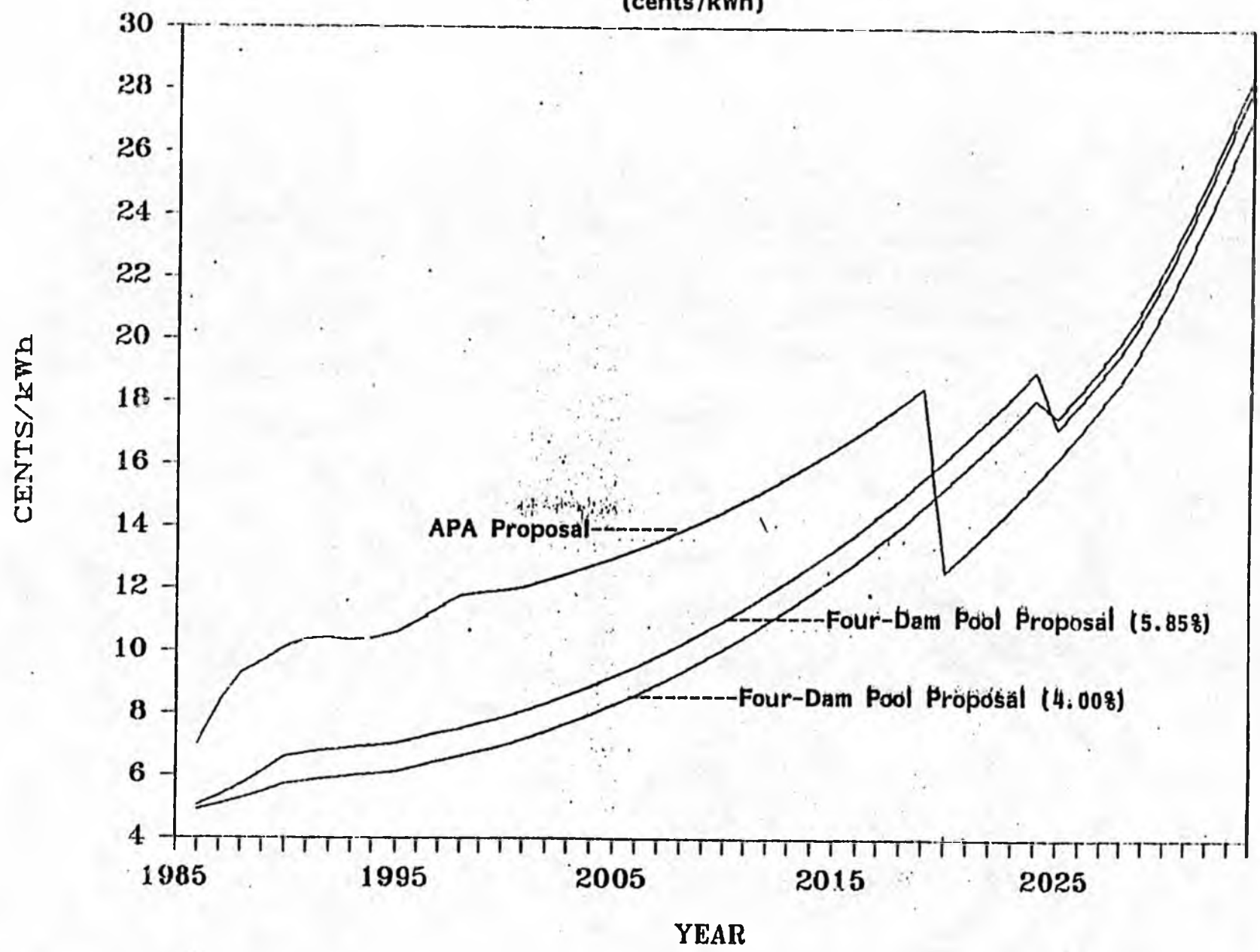
VERSUS

PARTICIPANTS' PROPOSAL

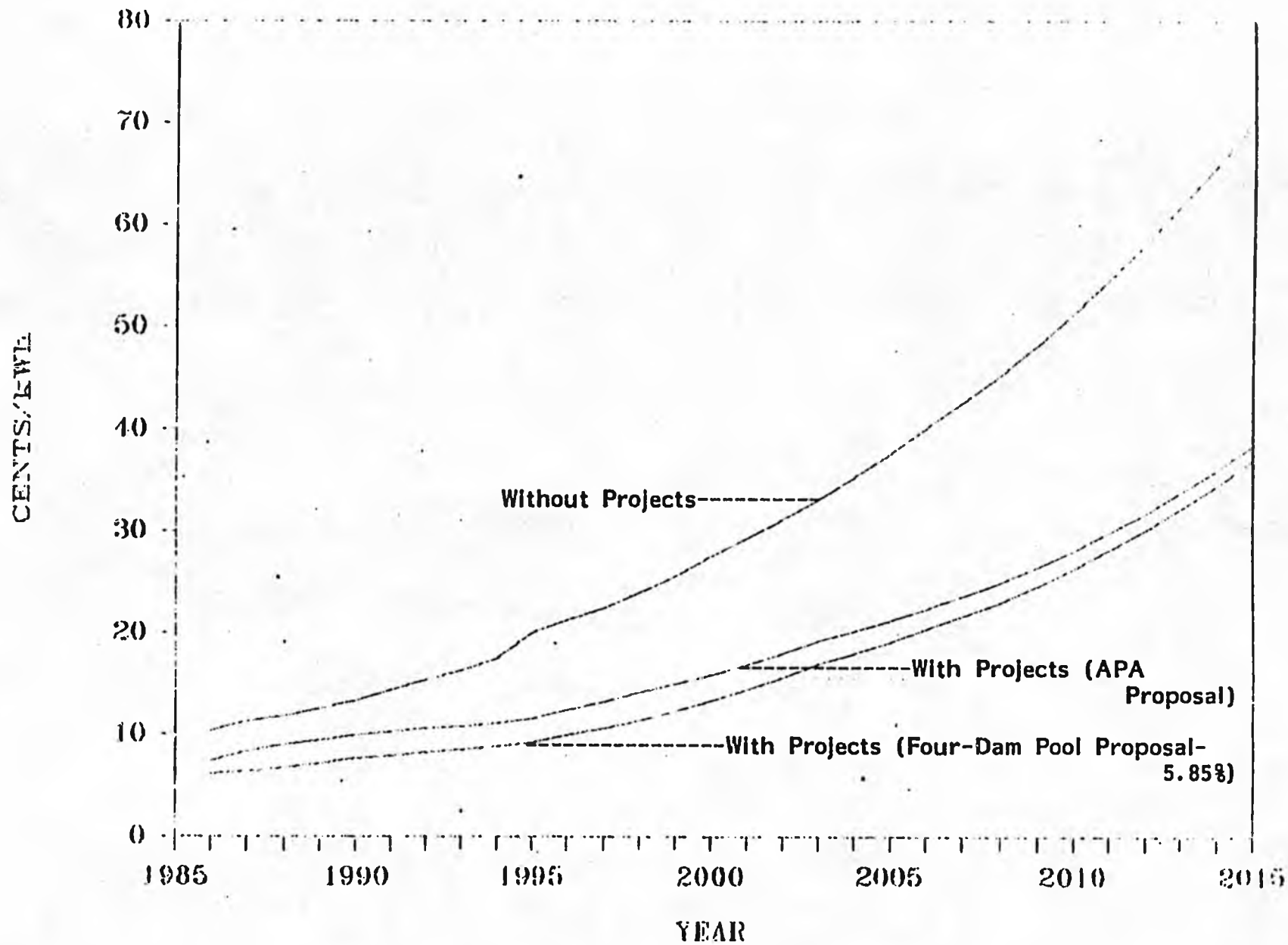
**Comparison of Major Issues
Alaska Power Authority Proposal vs. 4-Dam Pool Proposal**

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

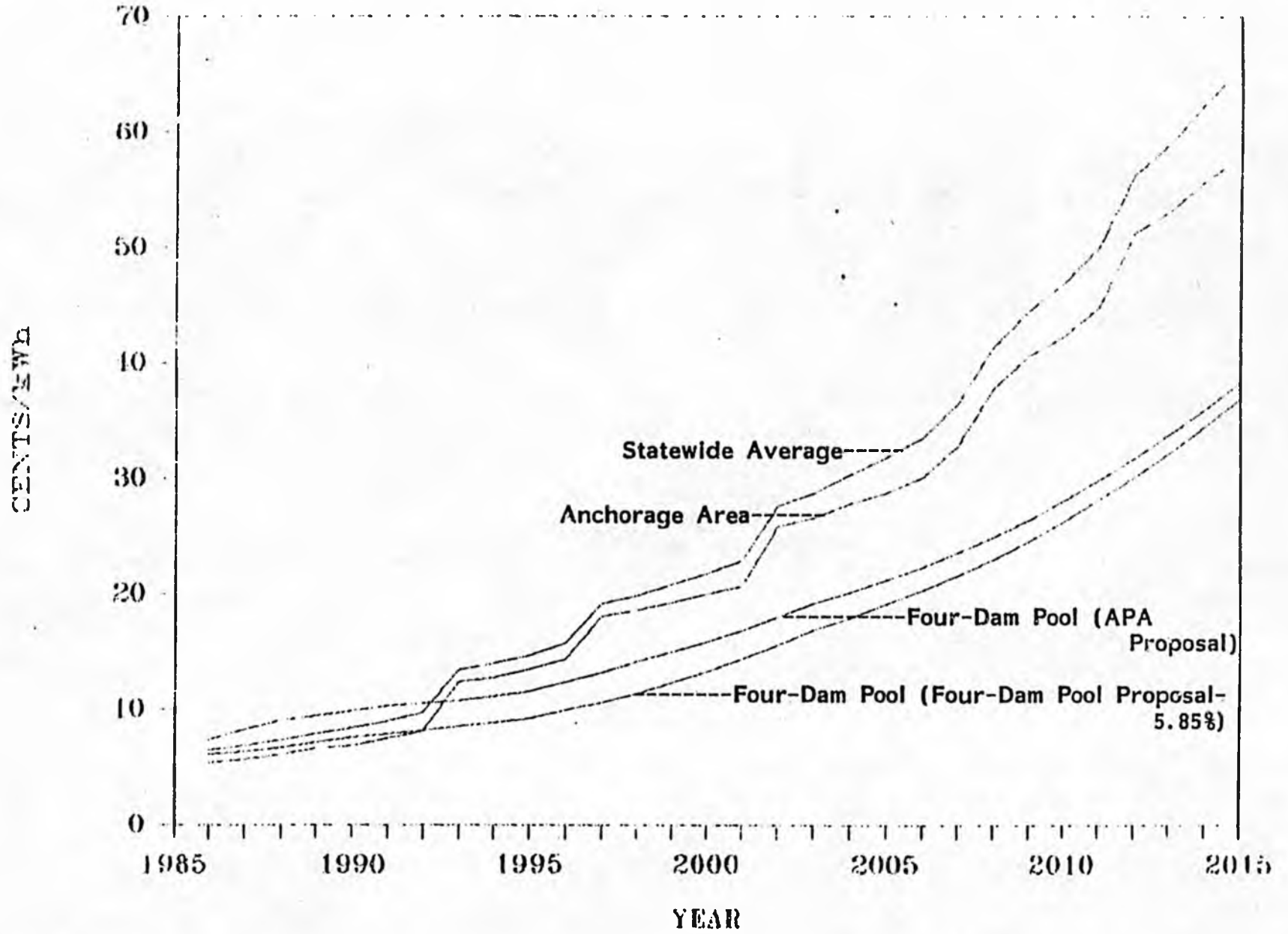
ALASKA POWER AUTHORITY
FOUR-DAM POOL ANALYSIS
PROJECT COSTS
(cents/kWh)



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



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



YEAR	(1) (2) (3) (4) (5) AFA PROPOSAL					(6) (7) (8) (9) (10) FOUR-DAM POOL PROPOSAL - 5.85%					(11) (12) (13) (14) W/O PROJECT				(15) (16) PROJ SALES		(17) (18) (19) (20) *****PROJECT COSTS ONLY***** FOUR-DAM POOL PROPOSAL - 4.00%			
	DEBT SERVICE	O & M	OTHER COSTS	TOTAL NOMINAL	1986%	DEBT SERVICE	O & M	OTHER COSTS	TOTAL NOMINAL	1986%	W/O EXIST DS & O/M	OTHER	TOTAL	1986%	GENERATION	PROJ SALES	DEBT SERVICE	O & M	PROJ COSTS	
	(1000)	(1000)	(1000)	(C/KWh)	(C/KWh)	(C/KWh)	(1000)	(1000)	(C/KWh)	(C/KWh)	(C/KWh)	(1000)	(C/KWh)	(C/KWh)	(BWh)	(BWh)	(1000)	(C/KWh)	(1000)	(C/KWh)
1986	7713	5237	8513	7.4	7.4	4879	5027	8513	6.1	6.1	9.7	1002	10.3	10.3	287.6	181.5	3050	2.12	5027	4.9
1987	10622	5354	8865	8.3	7.8	4835	5354	8865	6.4	6.0	10.7	1040	11.3	10.6	290.9	191.4	4306	2.25	5354	5.0
1988	12810	5702	9459	9.0	8.0	5653	5702	9459	6.7	5.9	11.2	1770	11.0	10.4	309.9	199.2	4751	2.39	5702	5.3
1989	13082	6072	10106	9.4	7.8	6571	6072	10106	7.1	5.9	12.0	1750	12.6	10.4	319.6	206.0	5212	2.53	6072	5.5
1990	15036	6467	11053	9.9	7.7	7633	6467	11053	7.6	5.9	12.0	1754	13.3	10.4	329.1	213.0	5714	2.68	6467	5.7
1991	15902	6807	12021	10.3	7.5	7851	6807	12021	7.9	5.8	13.9	1756	14.4	10.5	337.7	219.1	5077	2.60	6807	5.8
1992	16351	7335	13109	10.6	7.3	8132	7335	13109	8.2	5.6	14.0	1766	15.3	10.5	347.4	226.9	6000	2.60	7335	5.9
1993	16650	7812	14245	10.8	7.0	8464	7812	14245	8.5	5.5	15.0	1694	16.3	10.5	350.4	236.2	6336	2.60	7812	6.0
1994	17300	8320	15770	11.2	6.7	8812	8320	15770	8.9	5.4	17.0	1867	17.5	10.6	370.0	245.9	6597	2.60	8320	6.1
1995	18240	8860	17400	11.6	6.6	9154	8860	17400	9.2	5.2	19.6	1455	20.0	11.3	384.0	255.4	6833	2.60	8860	6.1
1996	19109	9436	20030	12.4	6.6	9338	9436	20030	9.9	5.3	20.9	1556	21.3	11.3	390.7	260.6	6991	2.60	9436	6.3
1997	20211	10050	21140	13.2	6.6	9529	10050	21140	10.6	5.3	22.2	1197	22.5	11.2	412.3	265.9	7134	2.60	10050	6.5
1998	21316	10703	22825	14.1	6.6	9729	10703	22825	11.4	5.4	23.7	1153	24.0	11.3	426.5	271.5	7283	2.60	10703	6.6
1999	21646	11399	33060	15.0	6.6	9939	11399	33060	12.3	5.4	25.3	1130	25.6	11.3	440.7	277.3	7441	2.60	11399	6.8
2000	21774	12140	38485	15.9	6.6	10159	12140	38485	13.3	5.3	27.3	1050	27.5	11.4	455.0	283.5	7606	2.60	12140	7.0
2001	21802	12929	44707	16.9	6.6	10329	12929	44707	14.4	5.6	29.1	1052	29.3	11.4	471.0	288.2	7732	2.60	12929	7.2
2002	21802	13769	51763	18.0	6.6	10394	13769	51763	15.6	5.7	31.0	1054	31.2	11.4	485.0	290.0	7781	2.60	13769	7.4
2003	21802	14664	59761	19.2	6.6	10462	14664	59761	17.0	5.8	33.0	1053	33.2	11.4	500.0	291.9	7832	2.60	14664	7.7
2004	21802	15617	66687	20.2	6.5	10532	15617	66687	18.0	5.8	35.1	1053	35.3	11.4	516.2	293.9	7885	2.60	15617	8.0
2005	21802	16632	74404	21.2	6.4	10605	16632	74404	19.1	5.8	37.4	1053	37.6	11.4	532.1	295.9	7939	2.60	16632	8.3
2006	21802	17713	82995	22.3	6.3	10682	17713	82995	20.3	5.8	39.8	1053	40.0	11.4	548.6	298.1	7997	2.60	17713	8.6
2007	21802	18865	92564	23.6	6.3	10761	18865	92564	21.6	5.8	42.4	1053	42.6	11.4	565.5	300.3	8056	2.60	18865	9.0
2008	21802	20091	103215	24.9	6.2	10844	20091	103215	23.0	5.8	45.2	1053	45.4	11.4	583.0	302.6	8110	2.60	20091	9.3
2009	21802	21397	115440	26.4	6.2	10931	21397	115440	24.6	5.8	48.1	1053	48.3	11.3	601.0	305.0	8183	2.60	21397	9.7
2010	21802	22780	129066	28.0	6.2	11021	22780	129066	26.3	5.8	51.2	1053	51.4	11.3	619.6	307.5	8251	2.60	22780	10.1
2011	21802	24269	144245	29.8	6.2	11115	24269	144245	28.1	5.8	54.6	1053	54.7	11.3	638.0	310.2	8321	2.60	24269	10.5
2012	21802	25816	161151	31.7	6.2	11213	25816	161151	30.1	5.9	58.1	1053	58.3	11.3	658.6	312.9	8395	2.60	25816	10.9
2013	21802	27526	179970	33.8	6.2	11315	27526	179970	32.2	5.9	61.9	1053	62.1	11.3	679.1	315.0	8471	2.60	27526	11.4
2014	21802	29316	200939	36.0	6.2	11422	29316	200939	34.5	5.9	65.9	1053	66.1	11.3	700.1	318.7	8559	2.60	29316	11.9
2015	21802	31221	224272	38.4	6.2	11533	31221	224272	37.0	6.0	70.2	1053	70.4	11.3	721.9	321.0	8634	2.60	31221	12.4
2016	21802	33250	238050	39.5	6.0	11649	33250	238050	38.1	5.8	74.0	1053	74.9	11.3	744.3	325.1	8721	2.60	33250	12.9
2017	21802	35412	254375	40.6	5.8	11769	35412	254375	39.3	5.6	79.6	1053	79.0	11.3	767.3	328.4	8811	2.60	35412	13.5
2018	21802	37713	270909	41.8	5.6	11895	37713	270909	40.5	5.4	84.8	1053	84.9	11.3	791.1	331.9	8905	2.60	37713	14.0
2019	21802	40165	288510	43.0	5.4	12026	40165	288510	41.8	5.2	90.3	1053	90.5	11.3	815.7	335.6	9003	2.60	40165	14.6
2020	0	42776	307272	41.6	4.9	12163	42776	307272	43.1	5.1	96.2	1053	96.3	11.3	840.9	339.4	9106	2.60	42776	15.3
2021	0	45556	327245	43.0	4.7	12305	45556	327245	44.4	4.9	102.4	1053	102.6	11.3	867.0	343.4	9212	2.60	45556	15.9
2022	0	48517	348516	44.4	4.6	12454	48517	348516	45.8	4.7	109.1	1053	109.2	11.3	893.9	347.5	9323	2.60	48517	16.6
2023	0	51671	371169	45.9	4.5	12609	51671	371169	47.2	4.6	116.2	1053	116.3	11.3	921.6	351.0	9439	2.60	51671	17.4
2024	0	55029	395295	47.4	4.3	12770	55029	395295	48.7	4.5	123.0	1053	123.9	11.3	950.2	356.3	9560	2.60	55029	18.1
2025	0	58606	420989	49.0	4.2	3522	58606	420989	49.3	4.2	131.0	1053	131.9	11.3	979.6	361.0	9626	1.34	58606	17.6
2026	0	62416	448354	50.6	4.1	3522	62416	448354	50.9	4.1	140.4	1053	140.5	11.3	1010.0	365.9	9826	1.32	62416	18.4
2027	0	66473	477497	52.2	4.0	3522	66473	477497	52.6	4.0	149.5	1053	149.6	11.3	1041.3	371.0	9826	1.30	66473	19.2
2028	0	70793	508534	54.0	3.8	3522	70793	508534	54.3	3.9	159.2	1053	159.3	11.3	1073.6	376.3	9826	1.28	70793	20.1
2029	0	75395	541589	55.7	3.7	3522	75395	541589	56.1	3.7	169.6	1053	169.6	11.3	1106.9	378.6	9826	1.27	75395	21.2
2030	0	80296	576792	57.6	3.6	3522	80296	576792	57.9	3.6	180.6	1053	180.7	11.3	1141.2	378.6	9826	1.27	80296	22.5
2031	0	85515	614283	59.7	3.5	3522	85515	614283	59.8	3.5	192.3	1053	192.4	11.3	1176.6	378.6	9826	1.27	85515	23.9
2032	0	91073	654212	61.4	3.4	3522	91073	654212	61.7	3.4	204.8	1053	204.9	11.3	1213.0	378.6	9826	1.27	91073	25.3
2033	0	96993	696736	63.5	3.3	3522	96993	696736	63.7	3.3	218.1	1053	218.2	11.3	1250.6	378.6	9826	1.27	96993	26.9
2034	0	103298	742023	65.6	3.2	3522	103298	742023	65.0	3.2	232.3	1053	232.4	11.3	1289.4	378.6	9826	1.27	103298	28.6

N O T E S

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

PARTICIPANTS' TOTAL PRODUCTION COSTS

PROJECT COSTS ONLY

YEAR	APA PROPOSAL		4 DP PROPOSAL		A.T. COSTS		SU AVG ANCHORAGE		PROJECT COSTS ONLY		
	NOMINAL (C/KWh)	1986\$ (C/KWh)	NOMINAL (C/KWh)	1986\$ (C/KWh)	NOMINAL (C/KWh)	1986\$ (C/KWh)	(C/KWh)	(C/KWh)	APA	4-DP (5.85%)	4-DP (4.00%)
1985	7.4	7.4	6.1	6.1	10.3	10.3	6.5	5.4	7.0	5.0	4.9
	8.3	7.8	6.4	6.0	11.3	10.6	6.9	5.7	8.3	5.3	5.0
	9.0	8.0	6.7	5.9	11.8	10.4	7.4	6.1	9.3	5.7	5.3
	9.4	7.8	7.1	5.9	12.6	10.4	7.9	6.6	9.7	6.1	5.5
1990	9.9	7.7	7.6	5.9	13.3	10.4	8.4	6.9	10.1	6.6	5.7
	10.3	7.5	7.9	5.8	14.4	10.5	9.0	7.5	10.4	6.7	5.8
	10.6	7.3	8.2	5.6	15.3	10.5	9.7	8.1	10.4	6.8	5.9
	10.8	7.0	8.5	5.5	16.3	10.5	13.4	12.4	10.4	6.9	6.0
1995	11.2	6.7	8.9	5.4	17.5	10.6	14.0	12.8	10.4	7.0	6.1
	11.6	6.6	9.2	5.2	28.0	11.3	14.7	17.5	10.6	7.1	6.1
	12.4	6.6	9.9	5.3	21.3	11.3	15.8	14.4	11.0	7.2	6.3
	13.2	6.6	10.6	5.3	22.5	11.2	19.2	18.1	11.4	7.4	6.5
2000	14.1	6.6	11.4	5.4	24.0	11.3	19.9	18.6	11.8	7.5	6.6
	15.0	6.6	12.3	5.4	25.6	11.3	20.9	19.2	11.9	7.7	6.8
	15.9	6.6	13.3	5.5	27.5	11.4	21.8	20.0	12.0	7.9	7.0
	16.9	6.6	14.4	5.6	29.3	11.4	22.9	20.7	12.1	8.1	7.2
2005	18.0	6.6	15.6	5.7	31.2	11.4	27.7	25.9	12.3	8.3	7.4
	19.2	6.6	17.0	5.8	33.2	11.4	28.8	26.6	12.5	8.6	7.7
	20.2	6.5	18.0	5.8	35.3	11.4	30.4	27.9	12.8	8.9	8.0
	21.2	6.4	19.1	5.8	37.6	11.4	31.8	28.8	13.0	9.2	8.3
2010	22.3	6.3	20.3	5.8	40.0	11.4	33.5	30.1	13.3	9.5	8.6
	23.6	6.3	21.6	5.8	42.6	11.4	36.5	32.8	13.6	9.9	9.0
	24.9	6.2	23.0	5.8	45.4	11.4	41.4	37.8	13.9	10.2	9.3
	26.4	6.2	24.6	5.8	48.3	11.3	44.5	40.6	14.2	10.6	9.7
2015	28.0	6.2	26.3	5.8	51.4	11.3	46.9	42.3	14.5	11.0	10.1
	29.8	6.2	28.1	5.8	54.7	11.3	49.9	44.8	14.9	11.4	10.5
	31.7	6.2	30.1	5.9	58.3	11.3	56.3	51.3	15.3	11.8	10.9
	33.8	6.2	32.2	5.9	62.1	11.3	59.0	53.1	15.6	12.3	11.4
2020	35.8	6.2	34.5	5.9	66.1	11.3	62.5	55.8	16.1	12.8	11.9
	38.4	6.2	37.0	6.0	70.4	11.3	65.7	58.0	16.5	13.3	12.4
	39.5	6.0	38.1	5.8	74.9	11.3			17.0	13.8	12.9
	40.6	5.8	39.3	5.6	79.8	11.3			17.4	14.4	13.5
2025	41.7	5.6	40.5	5.4	84.9	11.3			18.0	14.9	14.0
	43.0	5.4	41.8	5.2	90.5	11.3			18.5	15.6	14.6
	41.6	4.9	43.1	5.1	96.3	11.3			12.6	16.2	15.3
	43.0	4.7	44.4	4.9	102.6	11.3			13.3	16.9	15.9
2030	44.4	4.6	45.8	4.7	109.2	11.3			14.0	17.5	16.6
	45.9	4.5	47.2	4.6	116.3	11.3			14.7	18.3	17.4
	47.4	4.3	48.7	4.5	123.9	11.3			15.4	19.0	18.1
	49.0	4.2	49.3	4.2	131.9	11.3			16.2	17.2	17.6
2035	50.6	4.1	50.9	4.1	140.5	11.3			17.1	18.0	18.1
	52.2	4.0	52.6	4.0	149.6	11.3			17.9	18.9	19.2
	54.0	3.8	54.3	3.9	159.3	11.3			18.8	19.7	20.1
	55.7	3.7	56.1	3.7	169.6	11.3			19.9	20.8	21.2
2040	57.6	3.6	57.9	3.6	180.7	11.3			21.2	22.1	22.5
	59.5	3.5	59.8	3.5	192.4	11.3			22.6	23.5	23.9
	61.4	3.4	61.7	3.4	204.9	11.3			24.1	25.0	25.3
	63.5	3.3	63.7	3.3	218.2	11.3			25.6	26.5	26.9
				232.4	11.3			27.3	28.2	28.6	

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

Article 9. Energy Program for Alaska.

Section

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

Section

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

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

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

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

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

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

(b) The fund includes

- (1) money appropriated to it by the legislature; and
- (2) [Repealed, § 27 ch 89 SLA 1982.] (§ 1 ch 118 SLA 1981; am § 27 ch 89 SLA 1983)

Revisor's notes. — Enacted as AS 44.83.410. Renumbered in 1981.
Effect of amendments. — The 1983

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

§ 44.83.382

loan proceeds;
and
electric service with

1.

appropriation for
hydroelectric project
effective June 30, 1991]
appropriation for Brad-
hydroelectric project
effective June 30, 1988]

program for
administered by the

by which the
money appro-
priated and established
and constructed as
it is submitted
procedures set

apply to power
projects — 44.83.425.

issued. (a) A
Board of
Alaska (AS

1981; am § 27

Paragraph (2) of

§ 44.83.384

STATE GOVERNMENT

§ 44.83.384

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

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

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

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

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

(5) debt service on power projects.

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

(1) is economically feasible; and

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

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

(B) coal or peat;

(C) energy derived from waste heat; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) approved in accordance with AS 44.83.185; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The first 1984 amendment made a tech-
nical change in the last sentence in subsec-
tion (f).

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

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

Sec. 44.83.400. Energy conservation. The authority shall ensure

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

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

(A) the Alaska Public Utilities Commission;

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

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

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

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

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

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

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

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

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

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

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

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

Editor's notes. — Section 316, ch. 171, SLA 1984, provides that the appropriations made in §§ 313—315 and 319 of ch. 171, SLA 1984, which enacted this section, are not one-year appropriations and do not lapse under AS 37.25.010.

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

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

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

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

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

- (A) manufacturing;
- (B) pipeline transportation;
- (C) the recovery or processing of minerals;
- (D) the processing of timber, agricultural, or seafood products or their by-products; or
- (E) the operation of facilities owned by the federal government;

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

Revisor's notes. — Enacted as AS 44.83.510. Renumbered in 1981. amendment, rewrote the definition of "debt service" in paragraph (2).

Effect of amendments. — The 1983

Chapter 85. Alaska Municipal Bond Bank Authority.

Section	Section
05. Legislative findings	70. Staff
10. Legislative policy	80. Powers of bond bank authority
20. Municipal Bond Bank Authority	90. Limitations
30. Membership and vacancies	95. Regulations
40. Officers, quorum, and meetings	100. Annual report and audit
50. Bonding of members	110. Annual budget
60. Compensation and expenses	120. Care and custody of bonds

Article 9. Power Development Revolving Loan Fund.

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

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

(b) The fund consists of

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

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

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

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

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

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

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

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

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

Sec. 44.33.630. Definitions. In AS 44.33.600 — 44.33.630

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

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

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

(4) "power project" means a project acquired or constructed under the energy program for Alaska, AS 44.82.380 — 44.82.425. (§ 1 ch 169 SLA 1984)

Chapter 35. Department of Military and Veterans' Affairs.

Section

10. Adjutant general
20. Duties of department

Section

30. Construction of memorials to Alaskan veterans

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

Effect of amendments. — The 1984 amendment inserted "and Veterans'." 2d, Military, and Civil Defense, § 4.36, 33, 37.
Collateral references. — 53 Am. Jur. 57 C.J.S., Militia, § 11.

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

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

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

Effect of amendments. — The 1984 amendment rewrote and restructured this section, which formerly read "The Department of Military Affairs shall conduct the military affairs of the state as prescribed by the Military Code."
Editor's notes. — For the Military Code of Alaska, see AS 26.05.
Collateral references. — 53 Am. Jur. 2d, Military, and Civil Defense, § 1 et. seq.