

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5020 HRES SB 206

592

Honorable Sam Cotton
House Resources Committer
SB 206

April 29, 1988
Page 2

of a revolving revenue bond fund to meet the APA's bond obligations is legally defensible.

As you correctly noted, section 4 of HCSCSSB 206 does more than create a revolving fund to secure bonds with the repayments from loans using the proceeds of bond sales. It also augments the fund by detouring loan repayments on outstanding loans destined to the general fund to this revolving revenue bond fund. I do not believe that a separate appropriation is necessary to achieve this result.

The APA already has the statutory authority to pledge these repayments as security for its bonds. AS 44.83.100(a) provides, in part, that

The authority may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable (1) exclusively from the income and receipts or other money derived from the project financed with the proceeds of the bonds; (2) exclusively from the income and receipts or other money derived from designated projects whether or not they are financed in whole or in part with the proceeds of the bonds; (3) from its income and receipts or other assets generally, or a designated part or parts of them; or (4) from one or more revenue-producing contracts including a contract providing for the security of the bonds made by the authority with any person.

(emphasis supplied).

While I cannot say with certainty that a revolving fund will withstand all legal challenges, this revolving fund raises no legal issues not common to all revolving loan funds. This office has already said that it will defend any legal challenges to the concept of revolving funds. 1982 Op. Atty. Gen. No. 13 at 26-27.

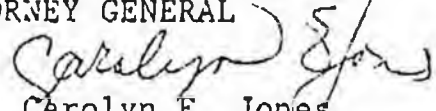
In conclusion, HCSCSSB 206 is an appropriate vehicle to establish a revolving revenue bond fund in the APA. No other action by the legislature is necessary.

Please let me know if I can be of further help.

Very truly yours,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:


Carolyn E. Jones

Assistant Attorney General

CEJ:mmm

HOUSE COMMITTEE REPORT

(9)

Date referred: 5/14/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 5-5-88

The Resources Committee has considered CSSB 206(RIs) am

"An Act relating to the Alaska Power Authority; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 206 (Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: Hs. Res letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Sen GTE
[Signature]
Heinrich Springs
Adelheid Herrmann

SIGNING OTHER RECOMMENDATIONS:

Mike Varant - no rec -
[Signature] - no rec
True Bear - no rec
Clay Davidson no rec

Sen GTE
 Chairman's signature

REQUEST: HCS CSSB 206

FISCAL NOTE

Revision Date: _____
 Title: "An Act relating to the Alaska
 Power Authority; and providing for an
 Sponsor: House Res. Comm. _____ eff. date"
 Requestor: Orig. Sponsors: Coghill & Fajks

Agency Affected: Alaska Power Authority
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Millions of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Millions of Dollars)

	FY89	FY90	FY91	FY92
GENERAL FUND	(12.9)	(12.2)	(11.6)	(11.0)
FEDERAL FUNDS				
OTHER				
TOTAL	(12.9)	(12.2)	(11.6)	(11.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Robert E. LeResche

Prepared by: Robert E. LeResche Phone: 465-3575
 Division: Alaska Power Authority Date: 4/26/88

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer) :
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

The fiscal note for the proposed HCS CSSB 206 is based on the assumption that the net effect to the general fund, with the exception of Section 4, is zero. Section 4 provides the Power Authority with sufficient security to fund future projects and loans through revenue bonds instead of general fund appropriations. Assuming no loan defaults (all existing power project loan repayments are current), the savings to the general fund would be as follows:

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Appropriations not incurred *	14.1	14.7	15.4	16.1
Less: Debt Service on Appropriations **	(1.2)	(2.5)	(3.8)	(5.1)
Net Savings	<u>12.9</u>	<u>12.2</u>	<u>11.6</u>	<u>11.0</u>

* Based on the 1981-86 average of capital project appropriations excluding Susitna, Bradley Lake, Four Dam Pool, City of Sitka, and PCA. Escalated at an assumed annual inflation rate of 4.5 percent.

** Assumes appropriations on the above line are made as 30-year loans at an 8 percent interest rate.



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

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

HOUSE RESOURCES COMMITTEE

LETTER OF INTENT

HCS CSSB 206 (Res)

By adding school districts, regional educational attendance areas, and regional housing authorities to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that they will be eligible to receive loans for bulk fuel storage, energy conservation, and waste heat projects. It is not the intent that they would receive loans for electric generation projects if an electric utility is certificated under AS 42.05.221 to serve the area in which such entities are located.

ADOPTED:

Jim Galt, Co-Chair

DATE:

5/5/88

Original sponsors: Coghill and Faiks

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) Except as provided in (i) of this section, the [THE] author-
24 ity may make loans from the power project fund

25 (1) to electric utilities, regional electric authorities,
26 municipalities, [CITIES, BOROUGHs,] regional and village corporations,
27 village councils, school districts, regional educational attendance
28 areas, regional housing authorities, and nonprofit marketing coopera-
29 tives to pay the costs of

1 (A) reconnaissance studies, feasibility studies,
2 license and permit applications, preconstruction engineering, and
3 design of power projects;

4 (B) constructing, acquiring, equipping, modifying,
5 improving, and expanding [SMALL-SCALE] power projects [PRODUCTION
6 FACILITIES], conservation facilities, bulk fuel storage facili-
7 ties, and transmission and distribution facilities, including
8 energy production, transmission and distribution, and waste
9 energy conservation facilities which depend on fossil fuel, wind
10 power, tidal, geothermal, biomass, hydroelectric, solar or other
11 nonnuclear [NON-NUCLEAR] energy sources; [AND]

12 (C) reconnaissance studies, preconstruction engineer-
13 ing, design, construction, equipping, modification, and expansion
14 of potable water supply including surface storage and groundwater
15 sources and transmission of water from surface storage to exist-
16 ing distribution systems;

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

19 (E) consumer end-use improvements to reduce demand for
20 energy;

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

22 (A) the loan is entered into under a leveraged lease
23 financing arrangement;

24 (B) the party which will be responsible for the power
25 project is an electric utility, regional electric authority,
26 municipality, [CITY, BOROUGH,] regional or village corporation,
27 village council, school district, regional educational attendance
28 area, regional housing authority, or nonprofit marketing coopera-
29 tive; and

1 (C) the borrower seeking the loan demonstrates to the
2 authority that the financing arrangement for the power project
3 will reduce project financing costs below costs of comparable
4 public power projects.

5 * Sec. 3. AS 44.83.170(g) is amended to read:

6 (g) Loan repayments and interest earned by loans from the power
7 project fund shall be deposited in the state general fund. Notwith-
8 standing AS 44.83.100(a), the authority may not pledge the principal
9 or interest payments of a loan from the power project fund to secure
10 the issue of bonds unless the legislature has approved the project or
11 projects to be financed by the proceeds of the sale of the bonds.

12 * Sec. 4. AS 44.83.170 is amended by adding a new subsection to read:

13 (i) The authority may not issue a loan in an amount greater than
14 \$500,000 unless the legislature has approved the loan. If a borrower
15 has borrowed a total of more than \$500,000 from the power project fund
16 for a single project during the past 24 months, the authority may not
17 issue a loan in any amount to the borrower unless the legislature
18 approves the loan.

19 * Sec. 5. AS 44.83 is amended by adding a new section to read:

20 Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
21 has approved the amount of the bonds to be issued, the authority may
22 borrow money and issue bonds to make or refinance loans for projects
23 authorized under AS 44.83.170. Loans made or refinanced with the
24 proceeds of bonds authorized by this section are subject to AS 44.83.-
25 170(a) - (e). However, the authority may not issue bonds to make or
26 refinance a loan entered into under a leveraged lease financing
27 arrangement under AS 44.83.170(b)(2)(A).

28 (b) To enhance the credit-worthiness of bonds issued under this
29 section, the authority may pledge the principal and interest received

1 from loan repayments to the power project fund and the interest earned
2 on those amounts for bonds issued under this section. If the authori-
3 ty has pledged these amounts, they may not be deposited in the general
4 fund.

5 (c) The authority may notify the head of a department or agency
6 of the state in writing that a municipality is in default on the
7 repayment of principal or interest on amounts borrowed under this
8 section. After the notice is given, and notwithstanding any other
9 provision of law, to the extent that a department or agency of the
10 state is the custodian of money payable to the municipality, the
11 department or agency shall withhold payment of the money from the
12 municipality and pay over the money to the authority to pay principal
13 and interest on bonds of the authority issued under this section.

14 * Sec. 6. AS 44.83.361(b) is amended to read:

15 (b) The authority may make loans from the rural electrification
16 revolving loan fund to electric utilities certified by the Alaska
17 Public Utilities Commission. A loan from the fund may be made only
18 for the purpose of extending new electric service into an area of the
19 state that an electric utility may serve under a certificate of public
20 convenience and necessity issued by the Alaska Public Utilities Com-
21 mission. A loan may be made from the fund to an electric utility if
22 the utility invests the money necessary to provide one pole, one span
23 of line, one transformer, and one service drop for each consumer for
24 whom immediate service would be provided by the extension of electric
25 service. Applications for loans to extend service along state roads
26 or highways shall be given priority for up to one-fourth of the funds
27 available for loans under this section. However, a loan may not be
28 made from the fund unless

29 (1) the loan is recommended by a loan advisory committee

1 appointed under AS 44.83.363; and

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

4 * Sec. 7. AS 44.83.363 is amended to read:

5 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
6 for a rural electrification loan is submitted to the authority under
7 AS 44.83.361, the authority shall appoint a local advisory committee
8 from persons residing in the area that the applicant utility is certi-
9 fied to serve. The loan advisory committee shall consider the loan
10 application, and shall recommend whether the loan application is to be
11 approved or disapproved. A favorable recommendation from the loan
12 advisory committee shall be based on a determination that development
13 in the area of the proposed extension of electric service is likely to
14 provide for full repayment of the loan under AS 44.83.361(d) within 20
15 [10] years. In making that determination the committee shall consider

16 (1) permanence of the premises to be served by the exten-
17 sion;

18 (2) land use patterns in the area;

19 (3) access for the line that would be installed with loan
20 proceeds;

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

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

24 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
25
26
27
28
29

MASTER

WORK DRAFT

WORK DRAFT

WORK DRAFT

5-0881J
Cramer
5/6/88

This copy includes new language on legislative authorization of bonding + loans. APA's recommendations on the ~~the~~ 4/25 draft are penned in.

Original sponsors: Coghill and Faiks

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BY THE RESOURCES COMMITTEE

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15 committee shall consist of representatives of the contracting parties
16 as specified in the contract. The contract shall determine the powers
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20 has separate legal existence and other powers necessary to its pur-
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27 village councils, school districts, regional educational attendance
28 areas, ~~business enterprises~~ and nonprofit marketing cooperatives to
29 pay the costs of

APA
✓

1 (A) reconnaissance studies, feasibility studies,
 2 license and permit applications, preconstruction engineering, and
 3 design of power projects;

APA

4 (B) constructing, ^{acquiring} equipping, modifying, improving, and
 5 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
 6 conservation facilities, bulk fuel storage facilities, and trans-
 7 mission and distribution facilities, including energy production,
 8 transmission and distribution, and waste energy conservation
 9 facilities which depend on fossil fuel, wind power, tidal, geo-
 10 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
 11 NUCLEAR] energy sources; [AND]

12 (C) reconnaissance studies, preconstruction engineer-
 13 ing, design, construction, equipping, modification, and expansion
 14 of potable water supply including surface storage and groundwater
 15 sources and transmission of water from surface storage to exist-
 16 ing distribution systems;

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 18 gas, oil, coal, geothermal, or other energy resources; and

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 20 energy;

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 23 financing arrangement;

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 25 project is an electric utility, regional electric authority,
 26 municipality, [CITY, BOROUGH,] regional or village corporation,
 27 village council, school district, regional educational attendance
 28 area, ^{regional housing authorities, business enterprises} or nonprofit marketing cooperative; and

✓ APA

29 (C) the borrower seeking the loan demonstrates to the

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2 will reduce project financing costs below costs of comparable
3 public power projects.

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9 the issue of bonds unless the legislature has approved the project or
10 projects to be financed by the proceeds of the sale of the bonds.

*new
legis
authoriz*

11 * Sec. 4. AS 44.83.170 is amended by adding new subsections to read:

12 (i) The authority may not issue a loan in an amount greater than
13 \$500,000 unless the legislature has approved the loan. If a borrower
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15 for a single project during the past 24 months, the authority may not
16 issue a loan in any amount to the borrower unless the legislature
17 approves the loan.

new

18 (j) In this section "business enterprise" has the meaning given
19 in AS 44.88.220.

20 * Sec. 5. AS 44.83 is amended by adding a new section to read:

21 *new* Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
22 has approved the amount of the bonds to be issued, the authority may
23 borrow money and issue bonds to make or refinance loans ~~for the acqui-~~
24 ~~sition or construction of power projects~~ ^{for projects,} authorized under ^{AS 44.83.170.} ~~the power~~
25 ~~project fund~~. Loans made or refinanced with the proceeds of bonds
26 authorized by this section are ^{only} subject ~~to~~ AS 44.83.170(a) - (e).
27 However, the authority may not issue bonds to make or refinance a loan
28 entered into under a leveraged lease financing arrangement under
29 AS 44.83.170(b)(2)(A).

APA

1 (b) To enhance the credit-worthiness of bonds issued under this
2 section, the authority may pledge the principal and interest received
3 ^{to the Power Project Fund} from ~~the~~ loan repayments and the interest earned on those amounts for
4 bonds issued under this section. If the authority has pledged these
5 amounts, they may not be deposited in the general fund.

6 (c) The authority may notify the head of a department or agency
7 of the state in writing that a municipality is in default on the
8 repayment of principal or interest on amounts borrowed under this
9 section. After the notice is given, and notwithstanding any other
10 provision of law, to the extent that a department or agency of the
11 state is the custodian of money payable to the municipality, the
12 department or agency shall withhold payment of the money from the
13 municipality and pay over the money to the authority to pay principal
14 and interest on bonds of the authority issued under this section.

15 * Sec. 6. AS 44.83.361(b) is amended to read:

16 (b) The authority may make loans from the rural electrification
17 revolving loan fund to electric utilities certified by the Alaska
18 Public Utilities Commission. A loan from the fund may be made only
19 for the purpose of extending new electric service into an area of the
20 state that an electric utility may serve under a certificate of public
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25 whom immediate service would be provided by the extension of electric
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27 or highways shall be given priority for up to ^(was one-half) one-fourth of the funds
28 available for loans under this section. However, a loan may not be
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17 (1) permanence of the premises to be served by the exten-
18 sion;

19 (2) land use patterns in the area;

20 (3) access for the line that would be installed with loan
21 proceeds;

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

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

25 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29

APA

MASTER

5-08810
Cramer
4/25/88

Original sponsors: Coghill and Faiks

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7 providing for an effective date."

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

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

*LeR - this authorizes exj. proj. ut. & this people want this
spec. author. sets budget annually - in PSA's -*

11 (b) A contract that the authority enters into under (a) of this
12 section relating to the sale of electric power from a power project to
13 be acquired or constructed under AS 44.83.380 - 44.83.425 (energy
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18 include responsibility for the management, operation, and maintenance
19 of the project. To the extent provided in the contract, the committee

Sam?

20 has separate legal existence and other powers necessary to its pur-
21 poses. *LeR - maintain a ret. right for owner in contract [how about here?]*

22 * Sec. 2. AS 44.83.170(b) is amended to read: *Power Proj. Fund.*

23 (b) The authority may make loans from the power project fund

*Sam. ch. del
24-27/10*

24 (1) to electric utilities, regional electric authorities,
25 municipalities, [CITIES, BOROUGHS,] regional and village corporations,
26 village councils, school districts, regional educational attendance
27 areas, regional housing authorities, business enterprises, and nonprofit marketing cooperatives] to

28 pay the costs of

29 (A) reconnaissance studies, feasibility studies,

Geo Sullivan

andmt re gaslines

Ken, ABCCA Supp's

Sec. 5/6

(Sec. 2)

2) 9th or elig. entities for loan (See. 2)
- shd be only where there isn't an existing utility
or whatever - amend to say cert'd utility, etc)
- get irrid defined in statute

1 license and permit applications, preconstruction engineering, and
2 design of power projects;

3 (B) constructing ^{acquiring} equipping, modifying, improving, and
4 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
5 conservation facilities, bulk fuel storage facilities, and trans-
6 mission and distribution facilities, including energy production,
7 transmission and distribution, and waste energy conservation
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9 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
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13 of potable water supply including surface storage and groundwater
14 sources and transmission of water from surface storage to exist-
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27 regional housing authorities, business enterprises
dance areas, or nonprofit marketing cooperative; and

28 (C) the borrower seeking the loan demonstrates to the
29 authority that the financing arrangement for the power project

1 will reduce project financing costs below costs of comparable
2 public power projects.

3 * Sec. 3. AS 44.83.170 is amended by adding a new subsection to read:

4 (i) In this section "business enterprise" has the meaning
5 given in AS 44.88.220. *Sam - leg's appeal for a bond issuance w/ list of projects*
LeR. - "umbrella bonds"

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

7 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
8 borrow money and issue bonds to make or refinance loans ^{delete} ~~for the acquisition or construction of power projects~~ ^{for projects} authorized under ^{AS 44.83.170.} ~~the power~~
9 ~~project fund.~~ Loans made or refinanced with the proceeds of bonds
10 authorized by this section are subject ^{only} to AS 44.83.170(a) - (e).
11 However, the authority may not issue bonds to make or refinance a loan
12 entered into under a leveraged lease financing arrangement under
13 AS 44.83.170(b)(2)(A).
14

15 (b) To enhance the credit-worthiness of bonds issued under this
16 section, the authority may pledge the principal and interest received
17 from ^{delete} ~~the~~ loan repayments ^{to the Power Project Fund} and the interest earned on those amounts ^{as security} for
18 bonds issued under this section. If the authority has pledged these
19 amounts, they may not be deposited in the general fund.

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24 provision of law, to the extent that a department or agency of the
25 state is the custodian of money payable to the municipality, the
26 department or agency shall withhold payment of the money from the
27 municipality and pay over the money to the authority to pay principal
28 and interest on bonds of the authority issued under this section.

29 * Sec. 5. AS 44.83.361(b) is amended to read:

LeR.
** 128 m in requests outstanding.*
want to do 10-12 m/yr

Sam - RERLF -
Le.R. - int. → g.f.
prime → fund
2% - ~ grant fund.
+ 1.9 m avail. / 4.9 m in loans outstanding

1 (b) The authority may make loans from the rural electrification
2 revolving loan fund to electric utilities certified by the Alaska
3 Public Utilities Commission. A loan from the fund may be made only
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6 convenience and necessity issued by the Alaska Public Utilities Com-
7 mission. A loan may be made from the fund to an electric utility if
8 the utility invests the money necessary to provide one pole, one span
9 of line, one transformer, and one service drop for each consumer for
10 whom immediate service would be provided by the extension of electric
11 service. Applications for loans to extend service along state roads
12 or highways shall be given priority for up to one-half of the funds
13 available for loans under this section. However, a loan may not be
14 made from the fund unless

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

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

19 * Sec. 6. AS 44.83.363 is amended to read:

20 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
21 for a rural electrification loan is submitted to the authority under
22 AS 44.83.361, the authority shall appoint a local advisory committee
23 from persons residing in the area that the applicant utility is certi-
24 fied to serve. The loan advisory committee shall consider the loan
25 application, and shall recommend whether the loan application is to be
26 approved or disapproved. A favorable recommendation from the loan
27 advisory committee shall be based on a determination that development
28 in the area of the proposed extension of electric service is likely to
29 provide for full repayment of the loan under AS 44.83.361(d) within 20

1 [10] years. In making that determination the committee shall consider

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

4 (2) land use patterns in the area;

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

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

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

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

Senator John B. (Jack) Coghill
Alaska State Legislature



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

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

PURPOSE STATEMENT

SB 206

The purpose of SB 206 is to consolidate various energy-related loan programs into one multi-purpose revolving loan fund. This fund would eventually become self-sustaining. The Alaska Power Authority would administer the fund with legislative oversight and the revenues would come from loan repayments, interest earnings or sale of revenue bonds secured by the loan repayments and/or the earnings stream.

The new fund would be used for various energy-related projects and programs to include generation, transmission, distribution, conservation and power cost equalization.

W

Senator John B. (Jack) Coghill
Alaska State Legislature

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MEMORANDUM

TO: All Members of the State Energy Policy Task Force

FROM: Senator John B. Coghill

RE: CSSB 206 sectional analysis

DATE: October 20, 1987

The purpose of CSSB 206 is to create a revolving fund and combine six other energy related funds. All debt service repayments and earnings would be retained in the fund (Power Project Revolving Fund) and the legislature would retain control of income due to interest and other earnings of the fund. The bill also clears up the legal ambiguity on whether transmission and distribution lines are subject to the project approval process like power projects. The following is a section by section analysis.

SEC. 1: Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

SEC. 2: Allows APA to issue bonds under the Power Project Revolving Fund in lieu of the power development fund that it replaces.

SEC. 3: Changes power cost equalization from fund to program.

SEC. 4: Converts existing power project fund into power project revolving fund and allocates portion of loan repayments that is attributable to repayment of principal to the fund. Before only legislative appropriations were used.

SEC. 5: Adds school districts and regional educational attendance areas to entities that qualify for loans from the Power Project Revolving Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of

gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 6: Designates all debt service repayments and fund earnings into the Power Project Revolving Fund. Allows APA to make new loans from the principal portion of loan repayments. Spending or encumbering the interest repayments or other earnings of the fund (PPRF) requires legislative appropriation.

SEC. 7: Sets up a Railbelt Loan Advisory Committee, composed of the Railbelt utilities, to review all Railbelt energy-related project loan applications and provide non-binding recommendations to APA.

Requires APA to report to the legislature by the 10th day of session to make recommendations on allocation of funds in the fund (PPRF). The first priority of unrestricted funds is to fully fund the Power Cost Equalization Program.

Creates a new loan program through which the Alaska Power Authority may borrow funds, without interest, appropriated by the legislature for feasibility studies, design, and construction of transmission projects. The APA is required to repay the principal amount of loans made under this subsection from revenue identified at the time the loan is made.

SEC. 8: Allows APA to issue bonds for any of the programs, activities, or projects allowed by the fund (PPRF) as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

SEC. 9: Clarifies ambiguity in statutes by exempting electrical transmission and distribution lines from the power project approval process.

SEC. 10: Converts Rural Electrification Revolving Loan Fund into a program.

SEC. 11: Allows above program to be funded from the Power Project Revolving Fund. Loan criteria are modified to allocate half of funds available to extend service along state highways.

SEC. 12: Designates loan repayments and interest from above loans into the fund (PPRF) and allows for loan forgiveness after 10 years.

SEC. 13: Modifies existing rural electrification statute to conform with previous changes above.

SEC. 14: Changes loan evaluation criteria from economic to financial feasibility.

SEC. 15: Allows use of the fund (PPRF) for energy program for Alaska projects; projects are primarily funded by legislative

appropriations through the power development fund. Projects must comply with the statutory project approval process.

SEC. 16: Amends existing power development fund criteria on use of the fund to conform with change in SEC. 15.

SEC. 17: Directs APA to deposit all revenues from the sale of power into the fund (PPRF) unless pledged or covenanted to secure bonds.

SEC. 18: Changes definition of "fund" to mean the "power project revolving fund."

SEC. 19: This section identifies the Bradley Lake revenue stream as the source of funds from which the loan for the Railbelt interties will be repaid.

SEC. 20: Corrects pertinent statutes and regulations to be consistent with changes made.

SEC. 21: Repeals statutes to be consistent with changes proposed.

27.05.153 Department of Revenue to manage Railbelt-Energy Fund
44.25.020(5) Department of Revenue to manage Power Development
Revolving Loan Fund
44.33.600 Creation of the Power Development Revolving Loan
Fund
.610 Powers and duties to administer Power Development
Revolving Loan Fund
.620(a) Loan repayment terms of the Power Development
Revolving Loan Fund
.620(d) Description of "initial projects" i.e. Wren coal
44.33.160(c)(6) Definition of fund as Power Loan Qualification
Fund
44.33.160(d) Transfers Power Development Fund
44.33.360 Department of Revenue charges and fee in fund (PPRF),
interest on general fund
44.33.370(b) Income from investments of fund loan to general
fund.

SEC. 22: Changes needed for general power

SEC. 23: Effective date clause tied to appropriations into the
fund (PPRF)

SEC. 24: Effective date clause

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

October 22, 1987

SUBJECT: Question of dedicated funds in
CSSB 206 (Rules) amended
(Alaska Power Authority)

TO: Senator Jack Coghill

FROM: Teresa B. Cramer *JBC*
Legislative Counsel

You have asked whether CSSB 206 (Rules) amended violates the prohibition against dedicated funds contained in Article IX, Section 7 of the state constitution. In my opinion, although the law is not clear on the question, the bill probably does not.

Under secs. 4 and 5 of CSSB 206(Rls) am, amending AS 44.83.170(a) and (b), the Alaska Power Authority is authorized to make loans from the power project revolving fund, which consists of appropriations and the portion of loan repayments attributable to principal. Several sections throughout the bill require that both principal repayments and the interest received on a loan be deposited in the power project revolving fund. (See sections 6, 12, and 17)

Article IX, section 7 of the state constitution provides:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [the Alaska Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

The Supreme Court of Alaska has interpreted the scope of a "state tax or license" broadly. In State v. Alex, 646 P.2d 203 (Alaska 1982), the court held that a mandatory tax

assessment to be paid directly to private aquaculture associations fell within the prohibition and therefore was invalid. The court cited a 1975 Alaska Opinion of the Attorney General No. 9 with approval:

... it is our conclusion that the dedication of any source of public revenue: tax, license, rental, sale, bonus-royalty, royalty, or whatever is limited by the state Constitution to those existing when the Constitution was ratified or required for participation in federal programs.

Alex, supra, at 210. Given this broad view of the kinds of revenue subject to the prohibition, there is a strong possibility that the interest payments and earnings on deposited funds in a revolving loan fund would be subject to the constitutional limitation. However, while the bill requires that those amounts be deposited in the fund, it does not permit the Alaska Power Authority to use them unless the legislature appropriates the money to the authority. This retains the legislative control of state funds, the principal objective of the dedicated funds section.

While it is not clear how the court would treat a revolving loan fund consisting of the repayments of principal from prior loans, there is authority that suggests such programs are constitutional. In an opinion issued November 30, 1982, the attorney general discussed the proper application of the dedicated funds prohibition to money appropriated to a revolving loan fund and concluded that

We believe the better view is that the dedication prohibition does not apply to money once appropriated by the legislature, regardless of whether the appropriation contemplates that the money will be expended. Usually appropriations authorize money to be spent. In other cases, however, the legislature may prefer to establish by general law a continuing loan program and finance it through a one-time appropriation or to reserve money in a special fund or account for future use for limited purposes. A strong argument can be made that money once appropriated, regardless of the mechanism utilized, loses its character as revenue for the purpose of the dedicated funds prohibition because the purpose of the prohibition, i.e., that the

Senator Coghill
Page 3
October 22, 1987

legislature retain control over state revenues, has been satisfied. (Emphasis in original)

Under this reasoning there would be no unlawful dedication involved in the return to a revolving loan fund of principal repayments on loans.

1982 Alaska Op. Atty. Gen. (November 30), 12 - 13. While there may be some difficulty with the placement of interest and earnings in the power project revolving fund, the requirement of legislative appropriation may save those provisions. The use of principal amounts, previously appropriated, probably does not violate the dedicated funds prohibition.

If I may be of further assistance, please advise.

TC:mkr
m13/044

EXISTING FUNDS

TITLE OF FUND	MANAGED BY	STATUTE	TYPE	PURPOSE	FUNDING SOURCES
POWER DEVELOPMENT REVOLVING LOAN FUND P D R L F	DCEED	44.83.600	LOANS	LOANS TO APA FOR POWER PROJECTS UNDER ENERGY PROGRAM FOR ALASKA AS PER 44.83.380 - .425	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND - INTEREST ON LOANS FROM FUND - EARNINGS OF FUND
POWER PROJECT FUND P P F	APA	44.83.170	LOANS	LOANS TO UTILITIES, MUNICIPALITIES, REGIONAL & VILLAGE CORPORATIONS, & VILLAGE COUNCILS FOR STUDY, DESIGN, PERMITTING AND CONSTRUCTION OF POWER PROJECTS OR POTABLE WATER AS NOTED IN 44.83.170	- APPROPRIATIONS FROM LEGISLATURE (LOAN REPAYMENTS & INTEREST EARNED FROM LOANS GOES TO G.F.) - (MIN. INTEREST RATE IS 5%) (EXCEPT SITKA AT 4.00%)
POWER DEVELOPMENT FUND P D F	APA	44.83.382	GRANTS	CARRY OUT PURPOSES OF ENERGY PROGRAM FOR ALASKA PER 44.83.380 - .425 I.E. TO STUDY, DESIGN, LICENSE AND OPERATE POWER PROJECTS. INCLUDES FINANCING/BONDING OF POWER PROJECTS.	- APPROPRIATIONS FROM LEGISLATURE - REVENUE BONDS
RURAL ELECTRIFICATION REVOLVING LOAN FUND R E R L F	APA	44.83.361	LOANS	TO EXTEND NEW ELECTRICAL SERVICE AS LONG AS IMMEDIATE SERVICE IS PROVIDED TO AT LEAST 3 CONSUMERS. UTILITIES MUST BE CERTIFIED BY APUC.	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND (INTEREST RATE IS 2%)
POWER COST EQUALIZATION FUND	APA	44.83.162	GRANTS	TO EQUILIBRATE POWER COSTS EQUAL TO MEAN OF COSTS IN ANCHORAGE, JUNEAU & FAIRBANKS	- APPROPRIATIONS FROM LEGISLATURE
RAILBELT ENERGY FUND R E F	DOR LEGISLATURE	CH 29 SLA 86 (HB 699)	LOANS OR GRANTS	TO FINANCE ENERGY PROJECTS IN THE RAILBELT	APPROPRIATION FROM THE LEGISLATURE
<u>PROPOSED FUND</u>					
POWER PROJECT REVOLVING FUND P P R F	APA	44.83.170	LOANS & GRANTS	TO FUND/FINANCE ALL OF THE ABOVE	- APPROPRIATIONS FROM LEGISLATURE TO INCLUDE INTEREST ON LOANS AND EARNINGS OF THE FUND - REPAYMENTS OF PRINCIPAL TO FUND - REVENUE BONDS

ORIGINAL LOAN	PRINC. BALANCE 6/30/86	NO. OF LOANS	INTEREST RATE	LOAN REPAYMENTS IN FY88		
				PRINCIPAL	INTEREST	TOTAL
188,905,099.	185,104,130.	1	EST. AT 4.5%	- 0 -	BASED ON SALE EST. 6,373,792.	6,373,792.
36,317,336.	29,685,226.	26	4.00% TO 13.23%	696,857.	2,222,007.	2,918,864.
NA						NA
4,955,803.	3,830,508.	11	2.00%	22,832.	99,116.	121,948.
NA						NA

SB 206

from
AIRECA

Letter of Intent for SB 206

By adding school districts, regional educational attendance areas, and regional housing authorities to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that they will be eligible to receive loans for bulk fuel storage, energy conservation, and waste heat projects. It is not the intent that they would receive loans for electric generation projects if an electric utility is certificated under AS 42.05.221 to serve the area in which such entities are located.

By adding business enterprises to the list of entities in AS 44.83.170(b) authorized to receive loans, it is the intent of the legislature that such loans to business enterprises be used for wholesale power supply projects. It is not the intent of the legislature that loans to business enterprises be used to provide retail power to consumers located within the service area or otherwise reduce the retail load of an electric utility certificated under AS 42.05.221.

5-0881J
Cramer
5/4/80

This copy includes new language on legislative authorization of bonding + loans. APA's recommendations on the ~~bill~~ 4/25 draft are penned in.

Original sponsors: Coghill and Faiks

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) Except as provided in (i) of this section, the [THE] author-
24 ity may make loans from the power project fund

25 (1) to electric utilities, regional electric authorities,
26 municipalities, [CITIES, BOROUGHES,] regional and village corporations,
27 village councils, school districts, regional educational attendance
28 areas, ^{APA} regional housing authorities, and nonprofit marketing cooperatives to
29 pay the costs of

1 (A) reconnaissance studies, feasibility studies,
2 license and permit applications, preconstruction engineering, and
3 design of power projects;

4 *APA* (B) constructing, ^{acquiring} equipping, modifying, improving, and
5 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
6 conservation facilities, bulk fuel storage facilities, and trans-
7 mission and distribution facilities, including energy production,
8 transmission and distribution, and waste energy conservation
9 facilities which depend on fossil fuel, wind power, tidal, geo-
10 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
11 NUCLEAR] energy sources; [AND]

12 (C) reconnaissance studies, preconstruction engineer-
13 ing, design, construction, equipping, modification, and expansion
14 of potable water supply including surface storage and groundwater
15 sources and transmission of water from surface storage to exist-
16 ing distribution systems;

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

19 (E) consumer end-use improvements to reduce demand for
20 energy;

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

22 (A) the loan is entered into under a leveraged lease
23 financing arrangement;

24 (B) the party which will be responsible for the power
25 project is an electric utility, regional electric authority,
26 municipality, [CITY, BOROUGH,] regional or village corporation,
27 village council, school district, regional educational attendance
28 area, ^{regional housing authorities, business enterprises} or nonprofit marketing cooperative; and

29 (C) the borrower seeking the loan demonstrates to the

1 authority that the financing arrangement for the power project
2 will reduce project financing costs below costs of comparable
3 public power projects.

4 * Sec. 3. AS 44.83.170 is amended to read:

new
legis
authoriz

5 (g) Loan repayments and interest earned by loans from the power
6 project fund shall be deposited in the state general fund. Notwith-
7 standing AS 44.83.100(a), the authority may not pledge the principal
8 or interest payments of a loan from the power project fund to secure
9 the issue of bonds unless the legislature has approved the project or
10 projects to be financed by the proceeds of the sale of the bonds.

11 * Sec. 4. AS 44.83.170 is amended by adding new subsections to read:

new

12 (i) The authority may not issue a loan in an amount greater than
13 \$500,000 unless the legislature has approved the loan. If a borrower
14 has borrowed a total of more than \$500,000 from the power project fund
15 for a single project during the past 24 months, the authority may not
16 issue a loan in any amount to the borrower unless the legislature
17 approves the loan.

18 (j) In this section "business enterprise" has the meaning given
19 in AS 44.88.220.

20 * Sec. 5. AS 44.83 is amended by adding a new section to read:

new

APA

21 Sec. 44.83.172. POWER PROJECT BONDS. (a) If the legislature
22 (has approved the amount of the bonds to be issued, the authority may
23 borrow money and issue bonds to make or refinance loans ~~for the acqui-~~
24 ~~sition or construction of power projects~~ ^{for projects} authorized under ~~the power~~
25 ~~project fund~~ ^{AS 44.83.170.} Loans made or refinanced with the proceeds of bonds
26 authorized by this section are subject ^{only} to AS 44.83.170(a) - (e).
27 However, the authority may not issue bonds to make or refinance a loan
28 entered into under a leveraged lease financing arrangement under
29 AS 44.83.170(b)(2)(A).

1 (b) To enhance the credit-worthiness of bonds issued under this
 2 section, the authority may pledge the principal and interest received
 3 ~~from the~~ ^{to the Power Project Fund} loan repayments and the interest earned on those amounts for
 4 bonds issued under this section. If the authority has pledged these
 5 amounts, they may not be deposited in the general fund.

6 (c) The authority may notify the head of a department or agency
 7 of the state in writing that a municipality is in default on the
 8 repayment of principal or interest on amounts borrowed under this
 9 section. After the notice is given, and notwithstanding any other
 10 provision of law, to the extent that a department or agency of the
 11 state is the custodian of money payable to the municipality, the
 12 department or agency shall withhold payment of the money from the
 13 municipality and pay over the money to the authority to pay principal
 14 and interest on bonds of the authority issued under this section.

15 * Sec. 6. AS 44.83.361(b) is amended to read:

16 (b) The authority may make loans from the rural electrification
 17 revolving loan fund to electric utilities certified by the Alaska
 18 Public Utilities Commission. A loan from the fund may be made only
 19 for the purpose of extending new electric service into an area of the
 20 state that an electric utility may serve under a certificate of public
 21 convenience and necessity issued by the Alaska Public Utilities Com-
 22 mission. A loan may be made from the fund to an electric utility if
 23 the utility invests the money necessary to provide one pole, one span
 24 of line, one transformer, and one service drop for each consumer for
 25 whom immediate service would be provided by the extension of electric
 26 service. Applications for loans to extend service along state roads
 27 or highways shall be given priority for up to ^(was one-half) one-fourth of the funds
 28 available for loans under this section. However, a loan may not be
 29 made from the fund unless

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

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

5 * Sec. 7. AS 44.83.363 is amended to read:

6 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
7 for a rural electrification loan is submitted to the authority under
8 AS 44.83.361, the authority shall appoint a local advisory committee
9 from persons residing in the area that the applicant utility is certi-
10 fied to serve. The loan advisory committee shall consider the loan
11 application, and shall recommend whether the loan application is to be
12 approved or disapproved. A favorable recommendation from the loan
13 advisory committee shall be based on a determination that development
14 in the area of the proposed extension of electric service is likely to
15 provide for full repayment of the loan under AS 44.83.361(d) within 20
16 [10] years. In making that determination the committee shall consider

17 (1) permanence of the premises to be served by the exten-
18 sion;

19 (2) land use patterns in the area;

20 (3) access for the line that would be installed with loan
21 proceeds;

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

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

25 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29

SB 206

A M E N D M E N T

Offered in the HOUSE

TO: CSSB 206 (Rules) am

Page 6, following line 3:

Insert new bill sections to read:

"* Sec. 9. AS 44.83.177(b) is amended to read:

(b) A reconnaissance study shall

(1) identify the present and anticipated [ELECTRICAL AND THERMAL] energy requirements of a community or region;

(2) survey all electrical, [AND] thermal, and natural gas energy sources and combinations of sources available to the community or region and evaluate the relative economic merits of alternative sources of power and heat, including energy conservation;

(3) assess the effect of development of alternative sources of power and heat on the environment; and

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

* Sec. 10. AS 44.83.187(a) is repealed and reenacted to read:

(a) The provisions of AS 44.83.177 - 44.83.185 and 44.83.189 apply only to

(1) a proposed new project that will generate more than 1.5 megawatts of power that

(A) requires an appropriation from the state general fund, from the power project fund, or from the renewable

resources funds; or

(B) is based on a plan of finance that requires the issuance of general obligation bonds or other pledge of the credit of the state;

(2) a proposed new project for the transmission of natural gas for resale by a qualified gas distribution utility."

Renumber subsequent bill sections accordingly.

Page 6, following line 10:

Insert new bill sections to read:

"* Sec. 12. AS 44.83.230(4) is amended to read:

(4) "power project" or "project" means a plant, works, system, or facility, together with related or necessary facilities and appurtenances, including a divided or undivided interest in or a right to the capacity of a power project or project, that is used or is useful for the purpose of

(A) electrical or thermal energy production other than nuclear energy production;

(B) waste energy utilization and energy conservation;
or

(C) transmission, purchase, sale, exchange, and interchange of electrical or thermal energy, including district heating or interties; or

(D) transmission of natural gas for resale by a qualified gas distribution utility;

* Sec. 13. AS 44.83.230 is amended by adding a new paragraph to read:

(10) "qualified gas distribution utility" means a utility that has been issued a certificate of public convenience and necessity under AS 42.05.221 to sell and distribute natural gas in all or part of a market area that is served or will be served by the power project, and that is, in the judgment of the authority, capable of operating and maintaining the power project."

Renumber subsequent bill sections accordingly.

Page 10, following line 25:

Insert a new bill section to read:

** Sec. 23. AS 44.83 is amended by adding new sections to read:

ARTICLE 10. RAILBELT GASLINE PROJECT.

Sec. 44.83.500. DESCRIPTION OF PROJECT. The Railbelt gasline project consists of a high pressure gas transmission line to transport natural gas between a point in the vicinity of Wasilla and a point in the vicinity of Fairbanks.

Sec. 44.83.510. PURPOSES OF PROJECT. (a) The primary purpose of the Railbelt gasline project is to transport natural gas between Wasilla and Fairbanks, and to intermediate communities, for sale to a qualified gas distribution utility. The qualified gas distribution utility may sell the gas for space heating, the generation of electricity, and other purposes.

(b) The secondary purpose of the Railbelt gasline project is to transport natural gas for nonutility use if the transportation of the

natural gas does not displace gas being transported for sale by a qualified gas distribution utility.

Sec. 44.83.520. USE OF THE PROJECT. (a) In the operation and management of the Railbelt gasline project, the authority shall give first priority to use of the gas transmission line by one or more qualified gas distribution utilities. The annual charge for use of the gas transmission line may not exceed the annual cost to the authority of operating and maintaining the Railbelt gasline project, exclusive of interest and depreciation.

(b) In addition to the use made under (a) of this section, the authority may allow users other than a qualified gas distribution utility to transport natural gas in the gas transmission line. The authority may not approve use of the gas transmission line by a user other than a qualified gas distribution utility if that use would

(1) displace gas transported by a qualified gas distribution utility; or

(2) interfere with the operations of a qualified gas distribution utility.

Sec. 44.83.530. OPERATION AND MAINTENANCE OF THE PROJECT. (a) If the Railbelt gasline project is approved under AS 44.83.185, the project may be operated for the authority under a contract or lease entered into by a qualified gas distribution utility and the authority.

(b) If the authority permits a qualified gas distribution utility to operate the Railbelt gasline project under a contract or lease, the authority shall

(1) adopt regulations to determine the manner of selecting a qualified gas distribution utility to operate the Railbelt gasline project under a contract or lease when there is more than one qualified gas distribution utility to be served directly by the power project; and

(2) assure that the project is being operated efficiently and in a manner that is consistent with

(A) national standards for the industry; and

(B) agreements with bondholders, if any.

Sec. 44.83.540. PROJECT FINANCING. The authority may finance the Railbelt gasline project by appropriations from the general fund, including the Railbelt energy fund created under AS 37.05.153, general obligation bonds, revenue bonds, or other plans of finance as approved by the legislature."

Renumber subsequent bill sections accordingly.

Page 11, lines 15 - 20:

Delete all material.

Insert new bill sections to read:

"* Sec. 28. Sections 2 - 6, 14 - 22, and 24 - 27 of this Act take effect July 1, 1988, if an Act transferring appropriations for energy programs to the power project revolving fund and making appropriations to the power project revolving fund is enacted on or before July 1, 1988.

* Sec. 29. Sections 9, 10, 12, 13, and 23 of this Act take effect July 1, 1988.

* Sec. 30. Sections 1, 7, 8, and 11 of this Act take effect immediately under AS 01.10.070(c)."

A M E N D M E N T

By Cotten

TO: HCS CSSB 206()
draft 4/25/88

Page 3, line 3:

Delete "a new subsection"

Insert "new subsections"

Page 3, line 4, after "(i)":

Insert "Notwithstanding AS 44.83.100(a), the authority may not borrow money and issue bonds on which the principal and interest are payable from money derived from a project financed by a loan issued under this section unless the legislature has approved the project to be financed by the bond proceeds.

(j)"

Page 3, line 9, after "projects":

Insert "approved by the legislature and"

Page 3, line 10, after ".":

Insert "The authority shall submit to the legislature the name, location, and the proposed cost of each power project that it proposes to finance from the proceeds of the sale of bonds under this section."

with the Authority's obligation to finance and construct the Project pursuant to Section 6(b) and the Authority's obligation under Section 6(d) to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practices and with the provisions of the Bond Resolution. The Authority shall consult with the Purchasers regarding the provisions to be included in such supplemental Bond Resolutions, and shall use its reasonable best efforts to comply with the requests of the Purchasers with respect thereto. Unless otherwise approved in accordance with Section 11(a)(i), such supplemental Bond Resolutions shall:

(a) provide that the total amounts required for the payment of Debt Service when due shall be, on an annual basis, as nearly equal as practicable;

(b) provide that the final maturity of Bonds issued pursuant to such supplemental Bond Resolutions shall not be earlier than twenty-five (25) years from the date when the first of such Bonds is issued;

(c) be substantially in the form attached hereto as Exhibit E, except to the extent that the Authority finds that modifications are necessary to sell the Bonds on a tax-exempt basis; and

(d) be adopted no earlier than January 1, 1989.

Section 13. Establishment Of The Committee.

(a) Formation and composition of the Committee. The parties agree that a Project Management Committee ("Committee") shall be established on January 15, 1988, or on such earlier date as may be agreed to by the parties. The Committee shall consist of the Authority and the Purchasers (including as Purchasers for this purpose both Homer Electric Association, Inc., and Matanuska Electric Association, Inc., for themselves and for AEG&T as a Purchaser represented by and through those utilities). No Committee member shall obtain an additional vote through merger with, acquisition of, or assignment from any other Committee member, and AEG&T shall have no direct vote, but shall be represented by and through Homer Electric Association, Inc., and Matanuska Electric Association, Inc., each of which shall be entitled to vote as a Purchaser member for purposes of Committee procedure. Each Committee member entitled to vote shall name one representative to serve on the Committee and one designated alternate for that representative. Each such member shall notify all other members in writing of the names, addresses, and telephone numbers of its representative and designated alternate. After it is established, the Committee shall meet not less than once each quarter. Costs of the Committee (other than costs incurred by the Authority) which

are incurred prior to the Date of Commercial Operation shall be borne by the Purchasers in accordance with the Percentage Shares of each.

(b) Adoption of rules of procedure. The Committee shall adopt, by the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, procedures for the periodic selection of Committee officers, the conduct of Committee meetings, dispute resolution, the approval (including possible pre-approval) of Consultants, and modification of the Committee's procedural rules, and, to the extent not otherwise specified in this Agreement, such rules shall also specify the applicable voting requirements for approval of matters to be decided by the Committee. Committee approval of operations and maintenance arrangements for the Project, the sufficiency of the annual budget and wholesale power rates, and the undertaking of Optional Project Work shall require the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority.

(c) Committee responsibilities; approval by the Authority.

(i) As the legal owner and licensee of the Project, the issuer of Project debt, and the agency charged by statute with various duties affecting or affected by the Project, the Authority has certain non-delegable rights, duties, and responsibilities with respect to the Project. Subject to such non-delegable rights, duties, and responsibilities, the Committee shall be responsible for the management, operation, maintenance, and improvement of the Project, in recognition that as take-or-pay purchasers of Project Capacity after the Date of Commercial Operation, the Purchasers have substantial long-term financial interests in, and service and planning responsibilities affected by, the Project.

(ii) The Committee shall take the following actions, subject to the provisions of the Bond Resolution, federal and state law, the requirements of licensing and regulatory agencies, and the rights of the Authority and the Purchasers under other provisions of this Agreement:

(A) Arrange for the operation and maintenance of the Project, and the scheduling, production, and dispatch of Project power;

(B) Establish procedures for the use of each Purchaser's Water Allocation in a manner

consistent with the needs and desires of other Purchasers and the capabilities of the Project;

(C) Adopt in each Fiscal Year (and revise as necessary or prudent during such Fiscal Year) a budget of Annual Project Costs for that Fiscal Year, which budget shall be in an amount estimated by the Committee to be sufficient to pay all Annual Project Costs;

(D) Establish for each Fiscal Year the estimated Annual Payment Obligation of each Purchaser, together with a schedule for each Purchaser of equal monthly payments that such Purchaser shall be required to make during that Fiscal Year, which payment schedule shall be (I) designed to recover such estimated Annual Payment Obligation from that Purchaser during the Fiscal Year, and (II) revised during such Year to reflect any revisions to the budget of Annual Project Costs for that Fiscal Year;

(E) Determine after the conclusion of each Fiscal Year the actual Annual Project Costs for that Fiscal Year, the actual Annual Payment Obligation of each Purchaser for that Fiscal Year, and the amount of any additional payment required from (or the amount of any refund to be returned to) each Purchaser to ensure that the total of all payments received from each Purchaser for each Fiscal Year is equal to that Purchaser's actual Annual Payment Obligation for that Fiscal Year;

(F) Evaluate and select among alternative methods (if any) of carrying out and funding (including through issuance of bonds) Required Project Work;

(G) Adopt provisions to evaluate and approve Optional Project Work, and to determine the compensation (if any) to be provided in accordance with Section 4(d) of this Agreement if the Committee approves any such Optional Project Work;

(H) Adopt procedures consistent with Section 13(f) for the resolution of disputes that may arise between or among the Purchasers and the Authority concerning the interpretation of this Agreement, the obligations created by this Agreement, or the performance of such obligations;

(I) Make an initial determination of "customary" insurance within the meaning of Section 714 of the Bond Resolution and determine the appropriate amount of, and obtain, insurance for or related to the Project, in addition to such insurance as may be required by the Bond Resolution;

(J) Adopt maintenance schedules for the Project that do not interfere unreasonably with the operations of the Purchasers;

(K) Adopt and implement procedures relating to electric power reserves for the Project in accordance with Section 5; and

(L) Consider the need for and approve any additional amount to be added to the Renewal and Contingency Reserve Fund over and above the Renewal and Contingency Reserve Requirement provided under the Bond Resolution.

(iii) If and when no Bonds are outstanding under the Bond Resolution, and the Bond Resolution is therefore no longer effective, the Committee shall provide for the establishment of such accounts and the taking of such actions as may be necessary to manage the Project.

(d) Payment obligation unimpaired. Notwithstanding any Committee action or inaction under this Agreement, each Purchaser's obligation to make the monthly payments necessary to pay its Purchaser's Percentage Share of Debt Service, costs of operation and maintenance, and all other amounts to be paid by Purchasers under this Agreement shall be absolute and unimpaired.

(e) The Authority's ability to take Required Action. In the event the Committee fails to take any of the actions set forth in Section 13(c)(ii)(C)-(E) in a timely fashion, or fails to take any other action which the Authority believes to be a Required Action, and as a result the Authority determines that it will be unable to meet any of its obligations imposed by statute, by the Bond Resolution, by this Agreement, or by any licensing or regulatory agency, then the Authority may (i) adopt a budget of Annual Project Costs, (ii) estimate the Annual Payment Obligation of each Purchaser, (iii) require each Purchaser to make payments on the basis of such estimated Annual Payment Obligation, and (iv) take such other action as the Authority deems necessary to meet such obligations. Failure of the Committee to adopt an Annual Project Budget by the ninetieth (90th) day prior to the beginning of a Fiscal Year shall permit the Authority to adopt an Annual

Project Budget pursuant to this subsection. All actions and determinations under this Section 13(e) shall be taken and made in accordance with Prudent Utility Practice.

(f) Purchasers' duties and rights of review. Each Purchaser shall make payment as required by the Authority as a result of any action taken by the Authority under Section 13(e), but such payment shall not constitute a waiver of any Purchaser's rights under this Agreement. Any Purchaser may seek review of such action in accordance with the dispute resolution procedures adopted by the Committee, or may seek to enforce this Agreement judicially in accordance with Section 9(d) if no applicable dispute resolution procedures have been adopted.

Section 14. End Of Project

(a) Authority's declaration. The Authority shall declare the Project ended, and the Authority's obligations to make power available to the Purchasers and to operate and maintain (or to assure the operation and maintenance of) the Project shall also end, if and when (i) such a declaration is required under Section 14(b), or (ii) the Project can no longer be operated in accordance with Prudent Utility Practice.

(b) Consultant's report. The Authority shall make the declaration described in Section 14(a) if all of the following conditions are met:

(i) the Project cannot be operated at full capacity in a manner consistent with Prudent Utility Practice absent repairs, modifications, or additions ("Repairs") to the Project;

(ii) a Consultant retained by the Committee concludes that such Repairs are not cost-effective in comparison with other power supply alternatives then available to the Purchasers; and

(iii) Committee members who are Purchasers and whose Percentage Shares total eighty percent (80%) vote that such Repairs should not be undertaken.

(c) Consequences of Authority's declaration. After the Authority has declared the Project ended, each Purchaser shall complete its payment obligation for Project Capacity and associated energy delivered to such Purchaser before the Project ended, and shall do so by paying its Percentage Share of Annual Project Costs until all Bonds have been paid or provision has been made for the payment of the Bonds in accordance with the Bond Resolution; provided, that from the date on which the Authority

SB 206
language drafted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(y) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

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

**ALASKA POWER AUTHORITY
POWER PROJECT FUND LOANS**

Loan Date	Borrower	Approved Amount
4/78	AEL&P (Juneau)	\$ 500,000
8/80	City of King Cove	200,000
10/80	INNEC (Iliamna area)	300,000
10/80	AEL&P (Juneau)	1,000,000
3/81	AEL&P (Juneau)	200,000
8/81	Bethel Co-generation Utility	1,000,000
12/81	AEL&P (Juneau)	2,300,000
8/82	City of Sitka	15,000,000
8/82	AEL&P (Juneau)	1,700,000
8/83	AEL&P (Juneau)	1,000,000
8/83	AEL&P (Juneau)	2,000,000
4/84	AEL&P (Juneau)	500,000
4/84	AEL&P (Juneau)	2,000,000
4/84	AEL&P (Juneau)	2,000,000
8/85	Tanana Power Company	130,000
9/85	G & K, Inc. (Cold Bay)	1,283,836
8/85	Levelock Electric Coop.	30,000
11/85	Middle Kuskokwim Electrical Coop.	250,000
11/85	Far North Utilities (Central)	200,000
8/86	City of King Cove	120,000
9/86	City of Clarks Point	177,000
9/86	G & K, Inc. (Cold Bay)	1,000,000
9/86	Chitina Electric, Inc.	101,500
5/87	Cordova Electric Coop.	1,950,000
2/87	City of Galena	1,350,000
2/87	Kwig Power Company	25,000
6/87	City of Galena	245,000
8/87	City of Ouzinkie	50,000
6/87	Coffman Cove Utility Association	70,000
8/87	City of Larsen Bay	493,694
9/87	Middle Kuskokwim Electric Coop.	153,000
11/87	City of Nenana	323,000
		<u>\$ 37,652,030</u>

Power Project Loan Fund

The Power Project Loan Fund (PPLF) provides State assistance to local utilities and other eligible government units for the development of new small-scale power production facilities, facilities for conservation, bulk fuel storage, transmission and distribution lines, or potable water supply projects. There is no limit on the amount that can be borrowed from the fund; the amount is based on the borrower's need and the fund's balance. Loans are issued for a maximum term of 50 years at an interest rate not less than 5 percent and not more than the 52-week

average of municipal bond yield rates. Unless a borrower is regulated by the Alaska Public Utilities Commission and has a substantial history of repaying long-term loans, collateral may be required to protect the loan.

Thirty-five loans totaling \$38 million have been approved to date. No delinquencies have occurred. Fiscal year 1987 interest income to the State from this program is approximately \$2 million, with an average interest rate of about 8.5 percent. During fiscal year 1988, the estimated interest income is expected to be \$2.25 million.

resident per month for community facilities whose operations are not paid for by the state or federal government or by private commercial interests. The PCE rate for each participating utility is established by the Alaska Public Utilities Commission. Program funding is appropriated to the Power Authority for disbursement to the eligible utility.

Ninety-nine utilities serving 167 communities are participating in the PCE program. Twenty-eight of these utilities are regulated; 71 are unregulated. Six of the utilities received the maximum PCE rate of 41.8¢ per kilowatt hour. During fiscal year 1987, a total of \$17.5 million was disbursed under this program. No new utilities have joined the program since October 1986.

Rural Electrification Revolving Loan Fund

The Rural Electrification Revolving Loan Fund (RERLF) is a 2 percent loan program designed to assist local utilities in extending electrical service into previously unserved areas. RERLF loans are made only to electrical utilities holding a Certificate of Public Convenience and Necessity issued by the Alaska Public Utilities Commission. The maximum amount that may be borrowed is \$500,000, or \$250,000 if the fund balance is less than \$3 million at the time of application.

To be eligible for an RERLF loan, the utility must make a minimum investment in the project, which equals the cost for acquisition and installation of one transformer, one span of line, one pole and one service drop for each initial customer. Additionally, there must be at least three new customers served by the project to make it eligible for a RERLF loan. Principal on a RERLF loan is repaid based on a formula which considers the rate at which new customers are added to the extension and may be deferred indefinitely. RERLF loans are made only if a repayment analysis projects that repayment of the principal is likely to occur within ten years. A Loan Advisory Committee, consisting of local residents, must recommend approval of each loan. Once a completed loan application is received and reviewed by the Power Authority for the project's financial, technical and economical feasibility, the application is submitted to the Power Authority Board of Directors for approval.

Since inception of the program in July 1982 to December 1987, 11 RERLF loans

ALASKA POWER AUTHORITY RURAL ELECTRIFICATION REVOLVING LOAN FUND

Loan Date	Borrower	Approved Amount
7/82	INNEC (Iliamna area)	\$ 1,340,000
1/83	Andreanof Electric Company	200,000
7/83	INNEC (Iliamna area)	230,202
10/83	Egegik Light and Power	130,000
11/83	Yakutat Light and Power	134,000
12/83	City of Unalaska	250,000
11/83	City of Unalaska	1,560,486
7/84	Egegik Light and Power	83,830
7/85	City of Saint Paul	687,285
9/86	City of Clarks Point	250,000
6/87	Golden Valley Electric Association	90,000
		<u>\$ 4,955,803</u>

ALASKA POWER AUTHORITY LOANS FROM THE GOVERNOR'S DISASTER FUND

Loan Date	Borrower	Approved Amount
8/84	G & K, Inc. (Cold Bay)	\$ 500,000
3/86	Venetie Village Council	50,000
2/87	Venetie Village Council	65,000
		<u>\$ 615,000</u>

totaling almost \$5 million have been approved. None of the existing loans are delinquent. The interest income to the State from this program during fiscal year 1987 is \$84,000; during FY88 it is estimated to be \$82,000.

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Alaska Power Authority



P.O. Box 190869
701 E. Tudor Road
Anchorage, AK 99519
(907) 561-7877

Power Project Fund

In 1976 the Alaska Legislature established the Power Project Fund to provide financing for small-scale power and potable water projects. Loans from the fund can be used to finance all phases of project development from feasibility studies, licensing and permit applications, design and engineering to construction and expansion. Virtually any power project that uses non-nuclear fuels, or waste heat would qualify for a loan, including transmission and distribution lines and bulk fuel storage facilities.

Eligibility

The Alaska Power Authority administers the Power Project Fund. Eligibility and conditions for Power Project Fund loans are established by Alaska Statute (AS 44.83.170) and regulation (3 AAC 94.070.110). Organizations that are eligible for Power Project Fund loans include electric utilities, regional electric authorities, municipalities, cities, boroughs, regional and village corporations, village councils and non-profit marketing cooperatives. The principal guidelines used to determine eligible projects are that they be small-scale and non-nuclear.

Terms

Terms for Power Project Fund loans are established by statute. These are:

- The term is not to exceed 50 years.

- The interest rate is established by the average yield on municipal bond rates for the past 12 months or a rate that allows the project to be financially feasible, whichever is less, but not less than 5%.
- Loans can be unsecured if the borrower is regulated by the Alaska Public Utilities Commission and has a good credit history.
- Loan repayment can be deferred until the project has sufficient earnings but cannot be deferred by more than 10 years.
- The Legislature may forgive a loan for a reconnaissance or a feasibility study if the project is not feasible.

There is no limit on the size of a Power Project Fund loan, pending available funds. The Power Authority is investigating alternative funding sources which may affect interest rates and loan repayment terms for the program.

For more information on the Power Project Fund or to obtain a loan application, contact the:

Alaska Power Authority
Attention: Loans Officer
P.O. Box 190869
701 E. Tudor Road
Anchorage, AK 99519

Telephone: (907) 561-7877

The Alaska Power Authority is a corporation of the State of Alaska. To help reduce electrical costs for residents of the State, the agency constructs, finances and operates power projects, administers loan programs and provides technical assistance to Alaskan communities and utilities.

Assumptions

General Inflation 4.5%
 Bond Interest Rate 8.0%
 Reinvestment Rate 6.5%
 Average Loan Life 25 years

	1988	1989	1990	1991	1992
Beginning of Year Cash Balance.....	0	2,389	2,454	2,698	1,998
Program Receipts:					
Existing PPLF/RERLF Loans (1)					
Principal.....	747	861	929	1,082	1,884
Interest.....	2,354	2,463	2,486	2,337	2,266
Four-Dam Pool (2).....	6,374	7,212	8,528	8,763	9,876
Four-Dam Pool Operations (3).....	3,798	3,969	4,148	4,334	4,529
Existing Waste Heat (4).....	130	140	140	150	160
CP Dev. Reimbursement (5).....	0	0	888	835	875
Loan Commitment Fees (6).....	113	100	310	175	640
Realized Savings from Efficiency					
Investments (7).....	0	1,889	3,480	4,988	6,288
Interest Income (8).....	13,400	8,340	4,720	2,250	2,650
Total Receipts.....	26,917	24,884	25,372	24,746	27,481
Program Expenses:					
Administrative (9).....	1,130	1,180	1,230	1,290	1,350
Operations & Maintenance (3).....	3,798	3,969	4,148	4,334	4,529
Capital Projects Development (9)..	1,600	1,670	1,750	1,830	1,910
Total Expenses.....	6,528	6,819	7,128	7,454	7,789
Net Surplus (Deficit).....	20,389	18,065	18,245	17,292	19,692
Power Cost Equalization (10).....	18,000	18,000	18,000	18,000	18,000
Net Surplus (Deficit).....	2,389	65	245	(708)	1,692
End of Year Cash Balance.....	2,389	2,454	2,698	1,998	3,681

Capital Requirements (11)

Power Project Loan Fund	2,500	3,050	3,170	3,310	3,460
Efficiency Improvements:					
Waste Heat	2,300	—	2,500	3,500	—
Small Inerties	1,000	6,000	—	—	—
End-user Improvements	500	750	1,000	750	500
Rural System Upgrades	1,000	1,000	1,000	750	500
Small Hydro:					
King Cove	5,900	—	—	—	—
Larsen Bay	600	—	—	—	—
Akutan	—	2,200	—	—	—
Black Bear	—	—	25,500	—	—
Tazimina	—	—	—	9,500	—
Unalaska Geothermal	—	—	—	—	60,000
Other	—	—	—	3,000	3,000
Total Capital Requirements.....	11,300	9,950	31,000	17,500	64,000

Investment Funds

Debt Service Reserve (12).....	1,130	2,125	5,225	6,975	13,375
Railbelt Loan Fund (13).....	25,000	25,000	25,000	25,000	25,000
Railbelt Intertie Fund (14).....	100,000	100,000	40,000	0	0
Prev Yr Avg Cash Balance (15).....	0	1,194	2,421	2,576	2,344
Total Investment Funds.....	206,130	128,319	72,646	34,551	40,719

FOOTNOTES

- (1) Payment of principal and interest on existing PPLF, RERLF and special loans.
- (2) ~~Assumes~~ actual sales equal to Contract Sales specified in contract.
- (3) Operating costs of Four-Dam Pool; receipts equal to expenses.
- (4) Based on anticipated amount that can be received from projects already built.
- (5) Assumes that capital development costs are recovered if a project is built.
Based on one half of projects investigated being built with a two-year lag before being reimbursed.
- (6) Equal to one percent of the amount borrowed for capital requirements.
- (7) Estimated.
- (8) Assumed interest earnings on the investment funds at a reinvestment rate of 6.5%.
- (9) Based on the FY88 budget and escalated at general inflation.
- (10) Assumes reduction through efficiency improvements.
- (11) Estimated amounts shown are for year capital first required. Project may become operational in a later year.
- (12) Assumes a 10 percent reserve margin on amount borrowed.
- (13) Assumed amount left over from Kailbelt Interties and Bradley Lake.
- (14) Based on a \$280 million construction cost and the draw-down shown.
- (15) Average cash balance of the previous year's operations.

A

(A)

IT IS THE PROPER ROLE OF STATE GOVERNMENT TO ASSIST IN THE PROVISION AND USE OF ENERGY BY PROVIDING INFORMATION AND TECHNICAL ASSISTANCE TO PRODUCERS IN PRIVATE INDUSTRY AND OTHERS, AND TO PROMOTE THE PRODUCTION OF ENERGY WITHOUT DIRECT FISCAL INVOLVEMENTS THAT GO MUCH BEYOND THE COSTS OF THESE SERVICES.

(B)

THE PRIMARY RESPONSIBILITY FOR THE PRODUCTION AND DELIVERY OF ENERGY IS NOT WITHIN THE REALM OF FEDERAL OR STATE GOVERNMENT, RATHER IT IS A SHARED RESPONSIBILITY OF USER-OWNED CO-OPS, PRIVATE INDUSTRY AND LOCAL GOVERNMENT.

(C) STATE GOVERNMENT'S ACTIONS (IN ENERGY) SHOULD BE SUCH AS TO STRONGLY ENCOURAGE INDIVIDUAL, FAMILY AND COMMUNITY SELF-RELIANCE.

(D) STATE GOVERNMENT SHOULD (WITH THE EXCEPTION OF REGULATION) MINIMIZE MODIFICATION OF FREE-MARKET FORCES THAT AFFECT THE PRODUCTION, DELIVERY AND USE OF ENERGY

(E) STATE GOVERNMENT SHOULD ATTEMPT TO REMOVE ITSELF FROM CONTINUING OWNERSHIP OF A) GENERATING FACILITIES; B) TRANSMISSION FACILITIES OR IT SHOULD MAINTAIN ITS CURRENT OWNERSHIPS AND TAKE A VERY CONSERVATIVE APPROACH TO INCREASING NEW OWNERSHIPS

(F) STATE GOVERNMENT SHOULD NOT TRY TO OPERATE SUCH GENERATING AND TRANSMISSION FACILITIES THAT IT MIGHT OWN IN FULL OR IN PART

(G) STATE GOVERNMENT SHOULD RESTRICT ITS OWNERSHIP (IF ANY) OF GENERATING FACILITIES TO FIXED-LOCATION, FUEL-LESS SOURCES. [THAT MIGHT PROVIDE ELECTRICAL AND PERHAPS HEAT ENERGY] (SERVING MULTIPLE USERS)

(J)
(K) IN THE CONDUCT OF ITS ACTIVITIES IN THE ENERGY ARENA, STATE GOVERNMENT SHOULD TAKE STRONG ACCOUNT OF REGIONAL AND LOCAL CONSIDERATIONS AND ATTEMPT TO DECENTRALIZE DECISION MAKING TO THE REGIONAL AND LOCAL LEVELS AS MUCH AS POSSIBLE

[H, I, K DEAL WITH ORGANIZATIONAL ISSUES]

(L) STATE GOVERNMENT SHOULD TRY TO FISCALLY STRUCTURE ITS ENERGY PROGRAMS TO BE AS SELF-~~SUSTAINING~~ SUSTAINING AS POSSIBLE.

(M) WITH REGARD TO INFORMATION GENERATION AND INFORMATION TRANSFER ACTIVITIES RELATED TO ENERGY AND TO THE DEVELOPMENT OF ENERGY TECHNOLOGY APPROPRIATE TO ALASKA STATE GOVERNMENT SHOULD MAINTAIN A MODERATE TO HIGH LEVEL OF EFFORT. [SOME PREFER NO INVOLVEMENT, OR A LOWER LEVEL OF EFFORT]

- C.
- (N) STATE GOVERNMENT SHOULD REGULATE UTILITY RATES SO THAT CUSTOMERS PAY THE FULL COST OF PRODUCTION AND DELIVERY PLUS THE BUILD-UP OF RESERVES FOR FUTURE CAPITAL INVESTMENTS
 - (O) [DEALS WITH STATE GOVERNMENT'S INVOLVEMENT IN END-USE CONSIDERATIONS] NO GENERAL AGREEMENT; NEEDS DISCUSSION
 - (P) WITH REGARD TO THE CONSTRUCTION OF INTERTIES THE STATE GOVERNMENT SHOULD EITHER TAKE A HANDS-OFF POLICY STANCE OR PROMOTE THE CONSTRUCTION. IF IT DOES PROMOTE, IT SHOULD FINANCE OR OTHERWISE FOSTER RELATED INFORMATIONAL GATHERING ACTIVITIES.
 - (Q) STATE GOVERNMENT SHOULD TAKE INTO ACCOUNT THE POTENTIAL GLOBAL ENVIRONMENTAL PROBLEMS ASSOCIATED WITH THE BURNING OF FOSSIL FUELS.
 - (R) WITH REGARD TO THE INVESTMENT IN NEW GENERATING AND TRANSMISSION FACILITIES, STATE GOVERNMENT SHOULD TAKE A MORE CONSERVATIVE APPROACH THAN IT HAS DURING PAST YEARS.

D

(S) ALASKA STATE GOVERNMENT'S CURRENT POLICY STANCE TOWARD THE USE OF NUCLEAR ENERGY FOR ELECTRICAL POWER GENERATION SHOULD STAY
[HOWEVER, 1/3 OF TASK FORCE CALLS FOR REVIEW]

(T) WHILE IT MAY BE A PROPER ROLE OF STATE GOVERNMENT TO PROMOTE ECONOMIC DEVELOPMENT BY VARIOUS MEANS, IT SHOULD AVOID THE USE OF FISCAL INCENTIVES IN THE FORM OF SUBSIDIES AND TAX INCENTIVES.

5-08810
Cramer
4/25/88

DRAFT BY COGHILL

Original sponsors: Coghill and Faiks

1 IN THE SENATE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 206 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

22 * Sec. 2. AS 44.83.170(b) is amended to read:

23 (b) The authority may make loans from the power project fund
24 (1) to electric utilities, regional electric authorities,
25 municipalities, [CITIES, BOROUGHs,] regional and village corporations,
26 village councils, school districts, regional educational attendance
27 areas, business enterprises, and nonprofit marketing cooperatives to
28 pay the costs of

29 (A) reconnaissance studies, feasibility studies,

1 license and permit applications, preconstruction engineering, and
2 design of power projects;

3 (B) constructing, equipping, modifying, improving, and
4 expanding [SMALL-SCALE] power projects [PRODUCTION FACILITIES],
5 conservation facilities, bulk fuel storage facilities, and trans-
6 mission and distribution facilities, including energy production,
7 transmission and distribution, and waste energy conservation
8 facilities which depend on fossil fuel, wind power, tidal, geo-
9 thermal, biomass, hydroelectric, solar or other nonnuclear [NON-
10 NUCLEAR] energy sources; [AND]

11 (C) reconnaissance studies, preconstruction engineer-
12 ing, design, construction, equipping, modification, and expansion
13 of potable water supply including surface storage and groundwater
14 sources and transmission of water from surface storage to exist-
15 ing distribution systems;

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

18 (E) consumer end-use improvements to reduce demand for
19 energy;

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

21 (A) the loan is entered into under a leveraged lease
22 financing arrangement;

23 (B) the party which will be responsible for the power
24 project is an electric utility, regional electric authority,
25 municipality, [CITY, BOROUGH,] regional or village corporation,
26 village council, school districts, regional educational atten-
27 dance areas, or nonprofit marketing cooperative; and

28 (C) the borrower seeking the loan demonstrates to the
29 authority that the financing arrangement for the power project

1 will reduce project financing costs below costs of comparable
2 public power projects.

3 * Sec. 3. AS 44.83.170 is amended by adding a new subsection to read:

4 (i) In this section "business enterprise" has the meaning
5 given in AS 44.88.220.

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

7 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
8 borrow money and issue bonds to make or refinance loans for the acqui-
9 sition or construction of power projects authorized under the power
10 project fund. Loans made or refinanced with the proceeds of bonds
11 authorized by this section are subject to AS 44.83.170(a) - (e).
12 However, the authority may not issue bonds to make or refinance a loan
13 entered into under a leveraged lease financing arrangement under
14 AS 44.83.170(b),(2)(A).

15 (b) To enhance the credit-worthiness of bonds issued under this
16 section, the authority may pledge the principal and interest received
17 from the loan repayments and the interest earned on those amounts for
18 bonds issued under this section. If the authority has pledged these
19 amounts, they may not be deposited in the general fund.

20 (c) The authority may notify the head of a department or agency
21 of the state in writing that a municipality is in default on the
22 repayment of principal or interest on amounts borrowed under this
23 section. After the notice is given, and notwithstanding any other
24 provision of law, to the extent that a department or agency of the
25 state is the custodian of money payable to the municipality, the
26 department or agency shall withhold payment of the money from the
27 municipality and pay over the money to the authority to pay principal
28 and interest on bonds of the authority issued under this section.

29 * Sec. 5. AS 44.83.361(b) is amended to read:

1 (b) The authority may make loans from the rural electrification
2 revolving loan fund to electric utilities certified by the Alaska
3 Public Utilities Commission. A loan from the fund may be made only
4 for the purpose of extending new electric service into an area of the
5 state that an electric utility may serve under a certificate of public
6 convenience and necessity issued by the Alaska Public Utilities Com-
7 mission. A loan may be made from the fund to an electric utility if
8 the utility invests the money necessary to provide one pole, one span
9 of line, one transformer, and one service drop for each consumer for
10 whom immediate service would be provided by the extension of electric
11 service. Applications for loans to extend service along state roads
12 or highways shall be given priority for up to one-half of the funds
13 available for loans under this section. However, a loan may not be
14 made from the fund unless

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

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

19 * Sec. 6. AS 44.83.363 is amended to read:

20 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
21 for a rural electrification loan is submitted to the authority under
22 AS 44.83.361, the authority shall appoint a local advisory committee
23 from persons residing in the area that the applicant utility is certi-
24 fied to serve. The loan advisory committee shall consider the loan
25 application, and shall recommend whether the loan application is to be
26 approved or disapproved. A favorable recommendation from the loan
27 advisory committee shall be based on a determination that development
28 in the area of the proposed extension of electric service is likely to
29 provide for full repayment of the loan under AS 44.83.361(d) within 20

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[10] years. In making that determination the committee shall consider

- (1) permanence of the premises to be served by the extension;
- (2) land use patterns in the area;
- (3) access for the line that would be installed with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the financial [ECONOMIC] feasibility of the extension of electric service with the proceeds of the loan.

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

SB 206
language lifted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(g) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

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

FISCAL NOTE

REQUEST:

Revision Date: 5/4/88
Title: "An Act relating to the Alaska Power Auth.; and providing for an eff. date"
Sponsor: House Res. Comm.
Requestor: Orig. Sponsors: Coghill & Faiks

Agency Affected: Alaska Power Authority
BRU: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No changes from 4/26/88 version of fiscal note.

Prepared by: Robert E. LeResche Phone: 55/88
Division: Alaska Power Authority Date: _____

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Senator John B. (Jack) Coghill
Alaska State Legislature



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

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

M E M O R A N D U M

To: Representative Sam Cotton, Co-Chair House Resources
Representative Adelheid Herrmann, Co-Chair House Resources

From: Senator John B. Coghill

Re: SB 206

Date: April 27, 1988

A handwritten signature in dark ink, appearing to read "J. Coghill", with a long horizontal line extending to the right.

This version of SB 206 allows the Alaska Power Authority to function more efficiently and effectively without a continual drain of the general fund.

While this committee substitute does not do nearly half as much as my original version, it is a concise bill which achieves two important purposes: assists rural energy consumers and gives needed bonding authority to the APA.

Sect. 1 Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

Sect. 2 Amends the existing statute by adding school districts, regional education attendance areas and business enterprises to entities that qualify for loans from the power project fund. Also allows the loan fund to be used for consumer end-use conservation improvements and for acquisitions of bulk fuel other energy resources.

Sect. 3 Defines "business enterprise" as defined by the Alaska Industrial Development Authority.

Sect. 4 Allows APA to issue bonds for any programs, activities or projects allowed by the power project fund as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

Sect. 5 Allows Rural Electrification Revolving Loan Fund to be funded from the power project fund. Loan criteria are modified

to allocate half of the funds available to extend service along state highways.

Sect. 6 Changes loans evaluation criteria from economic to financial feasibility.

Sect. 7 Effective date clause

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 29, 1988

Honorable Sam Cotton
House Resources Committee
Pouch V
Juneau, Alaska 99811

Re: SB 206

Dear Chairman Cotton:

Ned Farquhar has asked on your behalf for an opinion regarding an amendment to the legislation establishing the power project loan fund, AS 44.83.170. You have asked whether the legislature needs to appropriate to the fund the principal and interest repayments on outstanding loans previously made from the power project fund. No. If the legislature passes HCSCSSB 206, that act will adequately direct repayments on outstanding loans from the fund to the new "revolving revenue bond fund."

The legislature established the power project fund in the Alaska Power Authority to lend money to eligible borrowers for the construction of power projects. AS 44.83.170(a). At present the fund includes only money appropriated by the legislature. Id. Repayments of principal and interest on loans from the current fund must be deposited in the general fund. AS 44.83.170(g).

Section 4 of HCSCSSB 206 would change the primary method by which the power project fund is capitalized from legislative appropriations to bond financing. The APA would issue bonds to make loans to finance the construction or acquisition of power projects. The APA could pledge the principal and interest repayments on loans made with the proceeds of the bond sale as well as the principal and interest repayments on outstanding loans as security for the bonds. The effect of section 4 of HCSCSSB 206 would be to create a revolving revenue bond fund to meet the APA's bond obligations. 1/

In an earlier opinion from this office, Attorney General Wilson L. Condon concluded that there is an implied exception to the dedicated fund prohibition for bond obligations. 1982 Op. Atty. Gen. No. 13 (Nov. 30) at 26. Thus, the creation

1/ Revolving loan funds provide for the return to the fund of repayments by borrowers so that new loans can be made on a continuing basis. 1982 Op. Atty. Gen. No. 13 (November 30), at 12.

STEVE COWPER, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 100
FAIRBANKS, ALASKA 99701-4679

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600

of a revolving revenue bond fund to meet the APA's bond obligations is legally defensible.

As you correctly noted, section 4 of HCSCSSB 206 does more than create a revolving fund to secure bonds with the repayments from loans using the proceeds of bond sales. It also augments the fund by detouring loan repayments on outstanding loans destined to the general fund to this revolving revenue bond fund. I do not believe that a separate appropriation is necessary to achieve this result.

The APA already has the statutory authority to pledge these repayments as security for its bonds. AS 44.83.100(a) provides, in part, that

The authority may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable (1) exclusively from the income and receipts or other money derived from the project financed with the proceeds of the bonds; (2) exclusively from the income and receipts or other money derived from designated projects whether or not they are financed in whole or in part with the proceeds of the bonds; (3) from its income and receipts or other assets generally, or a designated part or parts of them; or (4) from one or more revenue-producing contracts including a contract providing for the security of the bonds made by the authority with any person.

(emphasis supplied).

While I cannot say with certainty that a revolving fund will withstand all legal challenges, this revolving fund raises no legal issues not common to all revolving loan funds. This office has already said that it will defend any legal challenges to the concept of revolving funds. 1982 Op. Atty. Gen. No. 13 at 26-27.

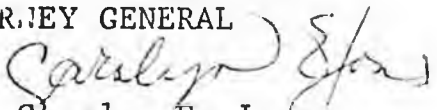
In conclusion, HCSCSSB 206 is an appropriate vehicle to establish a revolving revenue bond fund in the APA. No other action by the legislature is necessary.

Please let me know if I can be of further help.

Very truly yours,

GRACE BERG SCHAIBLE
ATTORNEY GENERAL

By:


Carolyn E. Jones

Assistant Attorney General



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

P O BOX 45 GLENNALLEN, ALASKA 99588-0045

Glennallen (907) 822-3211
Valdez (907) 835-4301
Telefax # (907) 822-5586

April 26, 1988

Alaska State Legislature
P.O. Box V (MS 3100)
House Resources Committee
The Honorable Sam Cotten
Room 124, Capitol
Juneau, Alaska 99811


Dear Representative Cotten:

I understand that the House Resources Committee is, or will be considering SB 206. A part of SB 206 would be very helpful to Copper Valley Electric Association (CVEA) in that it would allow CVEA to extend service to many area residences and small communities which don't presently enjoy central station electric service.

I would encourage you to consider SB 206. Similar legislation was passed last year only to be vetoed. The objectional portions have been removed and I understand SB 206 will be acceptable to the Governor.

Thank you.

Sincerely,


R.D. (Doug) Bursey
General Manager

sb206.rdb

Alaska Power Authority

TO: Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair

FROM: Robert E. LeResche
Executive Director
Alaska Power Authority

DATE: April 27, 1988

RE: HCS CSSB 206
Section Analysis

SEC. 1: Provides legislative recognition and statutory authority to the creation, under contract, of a project management committee. Project management committees, under current contracts with the Alaska Power Authority, operate and manage APA power projects. The powers of a project management, with respect to the power project, are to be determined by the contract and may include the responsibility for the management, operation and maintenance of the project. Allows the committee, as provided for in the contract, to have a separate legal existence and other powers necessary for its purposes.

SEC. 2: Adds school districts, regional educational attendance areas and business enterprises to entities that qualify for loans from the Power Project Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 3: Provides for the definition of "business enterprise" as having the same meaning as defined under AS 44.88.220" "Business enterprise means a single proprietorship, cooperative, corporation, firm, partnership, or other association of persons organized in any manner, for any credit worthy purpose."

SEC. 4: Allows the APA to issue bonds for any of the revenue producing programs, activities, or projects authorized under the Power Project Fund as enumerated in the statutes. Allows the APA to pledge a portion of the principal and interest from loan repayments to the Power Project Fund and other earnings as security for the bonds. Enhances the credit worthiness of power project bonds.

SEC. 5: Adds new language to existing statute relating to the types of loans the APA may make from the Rural Electrification Revolving Loan Fund (RERLF). Stipulates that RERLF applications for loans to extend service along state roads or highways shall be given priority for up to one-half of the funds available for RERLF loans.

SEC. 6: changes RERLF loan evaluation criteria from economic to financial feasibility.

89/J08/1

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

REQUEST: CSSB 206 (Fin)

Bill Version : _____
Publish Date : _____

Revision Date: 5/11/87

Agency Affected : _____

Title: Relating to the Alaska Power

BRU: _____

Authority _____

Sponsor: Coghill and Falks

Components : _____

Requestor: Senate Rules

EXPENDITURES/REVENUES: (Millions of Dollars)

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

CAPITAL						
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REVENUE						
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(Millions of Dollars)		FY88	FY89	FY90	FY91	FY92	FY2021-41
FUNDING:							
GENERAL FUND		(13.5)	(12.9)	(12.2)	(11.6)	(11.0)	
FEDERAL FUNDS							
OTHER *		15	59	57	33	34	(310.0)**
TOTAL		1.5	46.1	44.8	21.4	23	(310.0)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*RAILBELT ENERGY FUND

**Will be repaid annually at net debt service requirement of Bradley Lake from year 31 through year 50 of the power sales agreement.

Prepared by: Robert E. LeResche Phone: 465-3575
Division: Alaska Power Authority Date: 5/11/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

The fiscal note for CSSB 206 (5/1/87) is based on the assumption that the net effect to the general fund, with the exception of Section 8, is zero. Section 8 provides the Power Authority with sufficient security to fund future projects and loans through revenue bonds instead of general fund appropriations. Assuming no loan defaults (all existing power project loan repayments are current), the savings to the general fund would be as follows:

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
Appropriations not incurred ¹	13.5	14.1	14.7	15.4	16.1
Less: Debt Service on Appropriations		<u>(1.2)</u>	<u>(2.5)</u>	<u>(3.8)</u>	<u>(5.1)</u>
Net Savings	<u>13.5</u>	<u>12.9</u>	<u>12.2</u>	<u>11.6</u>	<u>11.0</u>

¹ Based on the 1981-86 average of capital project appropriations excluding Susitna, Bradley Lake, Four Dam Pool, City of Sitka, and PCA. Escalated at an assumed annual inflation rate of 4.5 percent.

² Assumes appropriations on the above line are made as 30-year loans at an 8 percent interest rate.

POSSIBLE ISSUES THAT MAJOR ENERGY POLICY STATEMENTS
MIGHT ADDRESS

* * *

PRIVATE SECTOR DEVELOPMENT OF ENERGY RESOURCES

USE OF ENERGY ACTIVITIES OR FACILITIES AS A TOOL FOR
PROMOTING GROWTH OR ECONOMIC STABILITY

EQUITY INVESTMENT VERSUS BORROWING AGAINST COLLATERAL
(Buy now, pay now versus buy now, pay later)

URBAN AND RURAL EMPHASES

ENVIRONMENTAL CONSIDERATIONS

CONSERVATION OF ENERGY RESOURCES

APPROACH TO PLANNING FOR THE FUTURE; LEVEL OF PUBLIC RISK

EQUITABLE DISTRIBUTION OF BENEFITS OF ENERGY RESOURCES

STATE GOVERNMENT ROLE IN OWNERSHIP OF GENERATING AND
DISTRIBUTION FACILITIES

ORGANIZATIONAL PHILOSOPHY FOR STATE GOVERNMENT'S ENERGY
RELATED ACTIVITIES (Maybe some sort of generalized
statement regarding coordination, integration or the
like.)

POLICY ON USE OF NUCLEAR ENERGY (Keep what we have or not?)

DEGREE OF CENTRALIZATION OF DECISIONS (Central, Regional,
Local)

INFORMATION GATHERING AND INFORMATION TRANSFER ACTIVITIES

FINANCIAL STRUCTURING OF ACTIVITIES (Should they pay for
themselves or not?)

SUBSIDIES: (Direct subsidy payments, Low-interest loans,
Loan forgiveness, Grants, Tax incentives)

REGULATORY ACTIVITIES (Are there dangers in over-
regulating, under-regulating?)

ENCOURAGEMENT OF USE OF A DIVERSITY OF RESOURCES

TECHNICAL VERSUS ADMINISTRATIVE APPROACHES TO PROBLEMS

CORRECTION

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

POSSIBLE ISSUES THAT MAJOR ENERGY POLICY STATEMENTS
MIGHT ADDRESS

* * *

PRIVATE SECTOR DEVELOPMENT OF ENERGY RESOURCES

USE OF ENERGY ACTIVITIES OR FACILITIES AS A TOOL FOR
PROMOTING GROWTH OR ECONOMIC STABILITY

EQUITY INVESTMENT VERSUS BORROWING AGAINST COLLATERAL
(Buy now, pay now versus buy now, pay later)

URBAN AND RURAL EMPHASES

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ORGANIZATIONAL PHILOSOPHY FOR STATE GOVERNMENT'S ENERGY
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statement regarding coordination, integration or the
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FINANCIAL STRUCTURING OF ACTIVITIES (Should they pay for
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SUBSIDIES: (Direct subsidy payments, Low-interest loans,
Loan forgiveness, Grants, Tax incentives)

REGULATORY ACTIVITIES (Are there dangers in over-
regulating, under-regulating?)

ENCOURAGEMENT OF USE OF A DIVERSITY OF RESOURCES

TECHNICAL VERSUS ADMINISTRATIVE APPROACHES TO PROBLEMS

(Should one have priority over the other?)

END-USE CONSERVATION, EMPHASIS ON END-USE CONSIDERATIONS

USE OF FUELED VERSUS FUEL-LESS RESOURCES

STATE OWNERSHIP OF FUELED OR FUEL-LESS GENERATING FACILITIES

TECHNICAL ASSISTANCE TO USERS AND PRIVATE INDUSTRY

ADMINISTRATIVE ASSISTANCE TO USERS AND PRIVATE INDUSTRY

TECHNOLOGY DEVELOPMENT

FISCAL ASSISTANCE (Such as consolidation of fiscal needs for the purpose of revenue bonding at lowest market rates)

FOSTERING OF INDIVIDUAL, COMMUNITY OR REGIONAL SELF-RELIANCE

FOSTERING OF RELIANCE ON LOCAL ENERGY RESOURCES

PUBLIC EDUCATION IN ENERGY CONSERVATION AND USE

ACCEPTANCE OF FEDERAL ASSISTANCE PROGRAMS (To what extent should they be allowed to drive state activities or be accepted if they appear to run counter to or do not augment existing programs? Does this problem even come up?)

INVENTORYING OF RESOURCES (Categorizing as financially feasible versus "promising" or unpromising in the near future--akin to the Northwest Power Plan)

POSSIBLE ELEMENTS OF GOAL STATEMENTS

1. PROMOTE ECONOMIC STABILITY
2. PROMOTE ECONOMIC GROWTH
3. PROMOTE INDIVIDUAL AND COMMUNITY SELF-RELIANCE
4. PROMOTE EXTENSIVE USE OF ENERGY
5. PROMOTE CONSERVATION OF ENERGY
6. PROMOTE USE OF RENEWABLE RESOURCES
7. PROMOTE USE OF A DIVERSITY OF ENERGY RESOURCES
8. PROMOTE PROTECTION OF ENVIRONMENT
9. PROMOTE AVAILABILITY OF LOW-COST ENERGY NOW
10. PROMOTE AVAILABILITY OF LOW-COST ENERGY IN FUTURE
11. PROMOTE ALASKA'S INDEPENDENCE OF ENERGY IMPORTS
12. PROMOTE USE OF LOCALLY AVAILABLE ENERGY RESOURCES
13. PROMOTE PRIVATE OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
14. PROMOTE USER OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
15. PROMOTE PUBLIC OWNERSHIP OF ENERGY SUPPLY AND DISTRIBUTION FACILITIES
16. PROMOTE PUBLIC OWNERSHIP OF ENERGY FACILITIES
17. PROMOTE PRIVATE OWNERSHIP OF ENERGY FACILITIES
18. PROMOTE USE OF LOCAL RESOURCES
19. PROMOTE LOCAL AND REGIONAL UNIFORMITY IN RATES
20. PROMOTE STATEWIDE UNIFORMITY IN RATES
21. PROMOTE USE OF ALTERNATIVE ENERGY TECHNOLOGIES
22. PROMOTE USE OF APPROPRIATE ENERGY TECHNOLOGIES
23. PROMOTE DEVELOPMENT OF ENERGY TECHNOLOGIES APPROPRIATE TO ALASKA
24. PROMOTE ENERGY EDUCATION

POSSIBLE GOAL STATEMENTS

ALASKA

THE GOAL FOR ALASKA'S OVERALL ENERGY POLICY IS TO SEEK TO ASSURE THAT ALL ALASKANS HAVE AN ADEQUATE SUPPLY OF ENERGY AT THE LOWEST REASONABLE COSTS TO THE CUSTOMER, THE ENVIRONMENT AND THE STATE.--From the 1986 Long-Term Energy Plan.

ALASKA

THE GOAL OF THE STATE IS TO FOSTER AN ENVIRONMENT WHICH WILL ENCOURAGE THE ADEQUATE, ECONOMICAL, AND RELIABLE PROVISION OF ENERGY SERVICE AND SUPPLY TO ALL TYPES OF IN-STATE CONSUMERS.--From the Governor's Interim Committee, Special Issues Subcommittee, Interim Report Supplement, December 8, 1986.

ALASKA

THE GOAL OF ALASKA'S OVERALL ENERGY POLICY IS TO ENCOURAGE THE USE OF THE STATE'S RENEWABLE AND NON-RENEWABLE ENERGY RESOURCES IN WAYS OF MAXIMUM LONG-TERM BENEFIT TO ALL ALASKANS; **TO PROMOTE ECONOMIC STABILITY IN ALASKA**; AND TO ASSURE THE AVAILABILITY OF ENERGY SUPPLIES AT THE LOWEST COST TO INDUSTRIAL AND RESIDENTIAL CONSUMERS, TO THE PUBLIC AT LARGE, AND TO THE ENVIRONMENT.--Strawman Goal Statement I, Energy Policy Task Force, August 1987.

ALASKA

THE GOAL OF ALASKA'S OVERALL ENERGY POLICY IS TO ENCOURAGE THE USE OF THE STATE'S RENEWABLE AND NON-RENEWABLE ENERGY RESOURCES IN WAYS OF MAXIMUM LONG-TERM BENEFIT TO ALL ALASKANS; **TO PROMOTE ECONOMIC GROWTH WITHIN ALASKA**; AND TO ASSURE THE AVAILABILITY OF ENERGY SUPPLIES AT THE LOWEST COST TO INDUSTRIAL AND RESIDENTIAL CONSUMERS, TO THE PUBLIC AT LARGE, AND TO THE ENVIRONMENT.--Strawman Goal Statement II, Energy Policy Task Force August 1987.

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NORTHWEST CONSERVATION AND ELECTRIC POWER PLAN (Washington, Oregon, Idaho, Montana)

THE GOAL OF THIS NORTHWEST POWER PLAN IS TO PRESERVE AND ENHANCE THIS VALUABLE ASSET (low-cost electrical power) BY IDENTIFYING THE STEPS THAT NEED TO BE TAKEN TO ENSURE THE LOWEST COST ELECTRICAL ENERGY FUTURE FOR THE PACIFIC NORTHWEST.--Statement synthesized from the 1986 Power Plan, Volume I, page 1-1.

CHARACTERISTICS OF MAJOR POLICY STATEMENTS
(Level I Statements)

THEY SHOULD BE CONSISTENT WITH THE GOALS STATEMENT

THEY SHOULD BE MUTUALLY COMPATIBLE--NOT IN CONFLICT WITH
EACH OTHER

THEY SHOULD REPRESENT GENERAL PHILOSOPHIES, NOT STRATEGIES

THEY SHOULD BE INDEPENDENT OF CIRCUMSTANCES OF THE MOMENT
SUCH AS AVAILABLE FUNDING LEVELS

THEY SHOULD BE PHRASED, TO THE EXTENT POSSIBLE, SO AS TO BE
BE FREE OF SHORT-TERM POLITICAL CONSIDERATIONS--They are, in
one respect, long-term political statements.

* * *

CHARACTERISTICS OF STRATEGIC POLICY STATEMENTS
(Level II Statements)

EACH SHOULD BE COMPATIBLE WITH ALL MAJOR POLICY STATEMENTS

EACH SHOULD OUTLINE SOME SPECIFIC STRATEGIC COURSE TO BE PURSUED, BUT SHOULD NOT NECESSARILY DICTATE THE STEPS BY WHICH THE COURSE IS TO BE FOLLOWED

THE STRATEGIC POLICY STATEMENTS MAY CHANGE WITH TIME, DEPENDING ON THE CIRCUMSTANCES OF THE MOMENT

THE STRATEGIC POLICY STATEMENTS MAY BE DEPENDENT ON SHORT-TERM POLITICAL CONSIDERATIONS

THE STRATEGIC POLICY STATEMENTS MAY INFLUENCE AND BE INFLUENCED BY AVAILABLE FUNDING LEVELS

* * *

CHARACTERISTICS OF PROGRAMS (or Projects)

EACH PROGRAM (or Project) SHOULD BE DRIVEN BY ONE OR MORE STRATEGIC POLICY STATEMENTS, IT SHOULD BE COMPATIBLE WITH ALL MAJOR POLICY STATEMENTS, AND NOT INCOMPATIBLE WITH OTHER PROGRAMS

DESCRIPTIONS OF PROGRAMS ARE LIKELY TO BE EMBODIED, IN FULL OR IN PART, IN STATE STATUTES

PROGRAMS ARE TOTALLY DEPENDENT ON AVAILABLE FUNDING AND ARE CONDUCTED WITH THE APPROVAL OF THE LEGISLATURE

PROGRAMS MUST BE CONDUCTED IN COMPLIANCE WITH THE ALASKA CONSTITUTION AND ALL RELEVANT STATE STATUTES

PROGRAMS MAY OR MAY NOT BE SHORT-TERM; THEY MAY COME AND GO

* * *

NORTHWEST CONSERVATION AND ELECTRIC POWER PLAN
(Washington, Oregon, Idaho, Montana)

THE GOAL OF THIS NORTHWEST POWER PLAN IS TO PRESERVE AND ENHANCE THIS VALUABLE ASSET (low-cost electrical power) BY IDENTIFYING THE STEPS THAT NEED TO BE TAKEN TO ENSURE THE LOWEST COST ELECTRICAL ENERGY FUTURE FOR THE PACIFIC NORTHWEST.--Statement synthesized from the 1986 Power Plan, Volume I, page 1-1.

CHARACTERISTICS OF MAJOR POLICY STATEMENTS
(Level I Statements)

THEY SHOULD BE CONSISTENT WITH THE GOALS STATEMENT

THEY SHOULD BE MUTUALLY COMPATIBLE--NOT IN CONFLICT WITH EACH OTHER

THEY SHOULD REPRESENT GENERAL PHILOSOPHIES, NOT STRATEGIES

THEY SHOULD BE INDEPENDENT OF CIRCUMSTANCES OF THE MOMENT SUCH AS AVAILABLE FUNDING LEVELS

THEY SHOULD BE PHRASED, TO THE EXTENT POSSIBLE, SO AS TO BE FREE OF SHORT-TERM POLITICAL CONSIDERATIONS--They are, in one respect, long-term political statements.

* * *

CHARACTERISTICS OF STRATEGIC POLICY STATEMENTS
(Level II Statements)

EACH SHOULD BE COMPATIBLE WITH ALL MAJOR POLICY STATEMENTS

EACH SHOULD OUTLINE SOME SPECIFIC STRATEGIC COURSE TO BE PURSUED, BUT SHOULD NOT NECESSARILY DICTATE THE STEPS BY WHICH THE COURSE IS TO BE FOLLOWED

THE STRATEGIC POLICY STATEMENTS MAY CHANGE WITH TIME, DEPENDING ON THE CIRCUMSTANCES OF THE MOMENT

THE STRATEGIC POLICY STATEMENTS MAY BE DEPENDENT ON SHORT-TERM POLITICAL CONSIDERATIONS

THE STRATEGIC POLICY STATEMENTS MAY INFLUENCE AND BE INFLUENCED BY AVAILABLE FUNDING LEVELS

* * *

From Sackett

came in
after bill
moved

Sec 44.83.170 (h) The Legislature shall (may) forgive the repayment of a loan made from the power project fund for a reconnaissance study of a feasibility study when the authority finds that the power project for which the loan was made is not feasible

pursuant to AS 44.83.170(b)(1). The provisions of AS 44.83.170 except for (i) AS 44.83.170(b)(2)(A) (leveraged leasing arrangements), (ii) AS 44.83.170(f) (Interest rates and other loan terms), (iii) AS 44.83.170(g) (deposit or repayments in the general fund and (iv) AS 44.83.170(h) (loan forgiveness), shall apply to the loans made or refinanced with the proceeds of bonds.

(b) In order to enhance the credit-worthiness of bonds issued under this section, the authority may pledge principal and interest on loan repayments and interest earned by loans made by the authority and in this event these amounts shall not be deposited in the state general fund.

(c) Notwithstanding any provisions of law, to the extent that any department or agency of the state is the custodian of money payable to a municipality, at any time after written notice to the department or agency head from the authority that the municipality is in default on the payment of principal or interest on amounts borrowed under this section, the department or agency shall withhold the payment of that money from that municipality and pay over the money to the authority for the purpose of paying principal of and interest on bonds of the authority issued pursuant to this section.

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

SB 206
language drafted
by A.P.A.

Proposed language to permit the use of the power project loan fund for energy conservation measures and to provide additional security for bond issues:

AS 44.83.170(b)(1) is amended to read by adding a new section to read:

(D) energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83.170(b) is amended by adding a new subsection to read:

(3) to rural education attendance areas and regional housing authorities to pay the costs of constructing, equipping, modifying, improving, and expanding bulk fuel storage facilities or energy and power projects requiring the installation of energy conservation measures or the use of more efficient energy technology.

AS 44.83. is amended by adding a new section to read:

Sec. 44.83.171 POWER PROJECT BONDS. (a) The authority may borrow money and issue its bonds for the purpose of making or refinancing loans for the acquisition or construction of energy and power projects for which money may be or has been loaned from the power project fund