

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5022 HRES SB 206 - SB 289

594

to the capacity of a power project or project, that

(A) is used or is useful for the purpose of

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

(ii) [(B)] waste energy utilization and energy conservation; or

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

(B) meets the requirement of AS 44.83.087, if applicable;"

Renumber remaining bill section accordingly.

Page 6, after line 25:

Insert a new bill section to read:

"* Sec. 6. AS 44.83.087, enacted by sec. 3 of this Act, and the amendment to AS 44.83.230(4) made by sec. 4 of this Act take effect May 15, 1991."

MEMORANDUM

State of Alaska

Office of the Governor
Division of Policy

TO: The Honorable Steve Cowper
Governor

DATE: May 8, 1987

FROM: Mary Halloran *MH*
Director

PHONE: 465-3568

Jack Kreinheder *JK*
Senior Analyst

SUBJECT: CSSB 206 (Finance) and Railbelt Interties

The Senate Finance Committee substitute for SB 206 raises major policy issues concerning the proposed Railbelt transmission intertie project, the consolidation of several energy loan funds, and funding for the Power Cost Equalization program. We need to confirm the administration's position on each of these issues. The bill is now in Senate Rules awaiting scheduling for a floor vote.

The Finance Committee substitute is a much expanded version of the original SB 206. The original bill, sponsored by Sens. Coghill and Faiks, was intended mainly to facilitate construction of the Railbelt intertie projects by exempting interties from the project approval process required under current law. The Finance Committee substitute would also combine six existing funds, including the Railbelt Energy Fund, into a new "power project revolving fund," with the income of the fund to be used for the Power Cost Equalization program and to make loans for future power projects.

This memorandum focuses on the major policy issues cited above and does not discuss each section in the bill. A sectional analysis has already been prepared by Senator Coghill's office; this analysis is attached.

The Railbelt Interties and the Project Approval Process

Section 9 of the bill amends AS 44.83.187(d) to provide that transmission interties are not subject to the project approval process required by AS 44.83.177 - 44.83.185. This legislation has been requested by the Railbelt utilities because they want a final,

irrevocable commitment to construct the Railbelt interties from the legislature this session, in order to meet their requirements for signing power sales agreements for the Bradley Lake project. Apparently, the utilities are concerned that if the interties must complete the project approval process, there is a possibility that the Legislature could later revoke its approval of the interties if the detailed feasibility studies prove to be less promising than the preliminary studies completed to date. The utilities would already have committed to purchase Bradley Lake power by that time.

There is currently a difference of opinion between the Department of Law and the Legislative Division of Legal Services on the applicability of the project approval process to transmission interties. The Department of Law has issued an opinion that interties are subject to the requirements of the approval process, while the Division of Legal Services recently issued an opinion to the contrary. The sponsors of SB 206 maintain that the legislation is intended to resolve this ambiguity. Note, however, that the Anchorage-Fairbanks intertie, which was constructed in 1984 did complete the full project approval process and this issue was not raised at that time.

From a policy standpoint, the key issues concerning Section 9 of SB 206 are the following:

- Is it fiscally responsible to exempt an intertie project which is estimated to cost approximately \$200 million and is proposed to be financed entirely by State funds from the careful study and review required by the project approval process?
- Do the preliminary reconnaissance-level studies which have been completed by the Power Authority to date provide an adequate basis for the State to now make an irrevocable commitment to construct the interties, as the Railbelt utilities have requested?

We believe that the answer to both of these questions is no. The project approval process was enacted by the legislature, with support from the Hammond Administration, to ensure that State investments in power projects are economically and fiscally sound, with minimum risk of cost overruns, rate impacts, and other potential liabilities. These objectives are as valid and as necessary today as they were in 1980 when the legislation was enacted. The "fast-track" project development process recommended by the intertie advocates does not fulfill these objectives.

At its April 22nd meeting, the Power Authority Board of Directors passed a motion opposing this provision of SB 206, arguing that exempting the interties from detailed studies and review was not a

prudent project development strategy. The board noted that this statement did not reflect any view on the merits of the intertie project, but rather a position that completing the project approval process was an essential prerequisite to construction of the interties.

The Executive Director of the Power Authority has stated that even if SB 206 is enacted, the Authority will be required by its own regulations and policies to complete the approval process for the interties. Therefore, it is unclear what the Railbelt utilities would gain from the intertie exemption, other than some intangible assurance that the legislature would ignore the results of the detailed feasibility studies and OMB's review.

The proponents of the Railbelt interties cite several arguments in favor of exempting the interties from the project approval process:

- The Railbelt Energy Council was established by the legislature to recommend the best use of the Railbelt Energy Fund, and the Council determined that the intertie project was the most beneficial project;
- The preliminary intertie studies completed by the APA show positive economic benefits from the project;
- The Railbelt interties have benefits which are difficult to quantify, such as increased competition among fuel suppliers. Therefore, the interties must be evaluated on public policy grounds, rather than strictly on the basis of economic feasibility;
- If the legislature does not enact this provision and commit to construction of the interties this session, the Railbelt utilities will not sign power sales agreements for the Bradley Lake project, requiring the project to be delayed for a year or more while detailed feasibility and design studies are completed.

While each of these arguments has some merit, we believe that none of them outweigh the State's responsibility to verify the need for the interties, their expected benefits and construction costs, and related issues before committing to a \$200 million capital expenditure. The intertie studies which have been completed under contract by the APA were competently done considering the severe time and fiscal constraints on the studies, but they represent a fraction of the effort which would ordinarily be completed before the Power Authority Board or OMB would recommend project construction. Less than \$500,000 has been spent on these studies to date, of which just \$25,000 was devoted to evaluating the economic feasibility of the interties. This limited budget did

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not allow any sensitivity analysis of the effect of changes in fuel prices, load growth, or other factors on project feasibility.

Under the statutory project approval process, these preliminary studies would be reviewed by OMB to determine if the project warranted further study. If OMB approved the preliminary studies, approximately \$15 - 20 million would then be spent on detailed design, cost estimation, and feasibility analysis before any recommendation to construct the projects would be made. Committing to the construction of the Railbelt interties before these detailed studies are undertaken presents an unacceptable risk of higher construction costs, lower economic benefits, and other liabilities.

If the utilities were required to fund a major portion of the interties, rather than relying entirely on State financing, they would probably require more detailed feasibility studies before agreeing to pay for their share of the project. With full State financing of the interties, there is no "market test" for the projects, because the utilities have no capital at risk. For this reason, the interties should perhaps be evaluated more carefully than the Power Authority's previous hydro projects, in which the utilities do have financial participation.

As you know, an appropriation of \$200 million for the Railbelt interties was recently added to the Senate budget. At a minimum, we recommend opposing exemption of the interties from the project approval process and seeking legislative intent language to accompany the appropriation which would state that the interties must complete the approval process. As long as the appropriation is not binding and the approval process is followed, it is probably not necessary to take a position on the appropriation itself.

The Railbelt utilities may respond to this approach by refusing to sign power sales agreements for the Bradley Lake project. We will then be faced with the choice of delaying or shutting down the project. We feel that the additional \$6 - 10 million cost of a one-year delay for Bradley Lake is preferable to a premature commitment to construction of the interties.

Consolidation of Energy Funds / PCE Funding

The second major element of SB 206, which was added in the Finance Committee substitute, would consolidate six existing energy funds into a new "power project revolving fund" (See attached chart for list of funds, loan terms, and earnings). Repayments of loan principal and interest would be retained in the fund, while the interest earnings of the fund itself would revert to the general fund. A key provision of the bill is that the first priority for use of the moneys in the new fund would be to fully fund the Power

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Cost Equalization program. It appears that this provision is simply a bargaining chip to secure support of rural legislators for the Railbelt intertie appropriation.

However, the cash flows which would be deposited in the new fund are insufficient to meet even half of the long-term funding requirements for Power Cost Equalization, much less other power projects. In FY 88, only about \$9.4 million would flow into the fund -- about \$6.4 million from the 4-dam pool loan, an additional \$1.9 million from the power project fund, and \$0.12 million from the rural electrification revolving loan fund. An additional \$23 - 25 million may be available from the balance of the Railbelt Energy Fund that is not required for the interties and Bradley Lake; however, this amount would only fund PCE for 1 - 2 years.

Therefore, all of the fund's income (plus other appropriations) would be required to partially fund PCE for the foreseeable future, with no remaining money for other power projects. This approach does not seem to be a viable method for funding Alaska's energy needs, which include rural electrification and waste heat and other efficiency projects.

A related policy issue is that this proposal conflicts with the Administration's position as reflected by HB 120, which would return the income from the 4-dam pool loan to the general fund (HB 120 was passed by the House and is now in Senate Resources). SB 206 would commit a significant source of revenue for the State to the Power Project Revolving fund and appears to raise the same dedicated fund issue which we have addressed through HB 120. In addition, SB 206 would further limit the State's flexibility in dealing with revenue fluctuations by reducing available general funds.

Please let us know if you would like additional information on these issues.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box Y, State Capitol
Juneau, Alaska 99811-3106
Mail Stop 3100
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file
SB206

January 12, 1988

TO: Representative Max Gruenberg
ATTN: Mark Handley
FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst
RE: Railbelt Energy Fund: Status and Legislation
Research Request 88.115

You requested this agency to provide a summary of the Railbelt Energy Fund including the following: 1) the current fund balance and investment portfolio; and 2) all legislation relating to its creation and use.

The Railbelt Energy Fund (REF) was established in 1986 as a separate fund within the State's General Fund. According to AS 37.05.153, the Department of Revenue manages the fund, interest earned on the balance can be appropriated into the fund annually, and the legislature may appropriate money from the fund to ... "assist in meeting Railbelt energy needs."

As of January 4, 1988, the REF balance was \$227.7 million. The REF is invested primarily in U.S. Treasury obligations along with other moneys in the State's General Fund. The current yield of all General Fund investments equals roughly 7.9 percent. To date, the legislature has not appropriated the earnings of the REF into the fund. We estimate accumulated interest earnings by the end of FY 88 to be roughly \$44 million.¹

¹According to Milt Barker, Deputy Commissioner of the Department of Revenue, the exact amount of interest earnings can be calculated for any previous period or estimated through FY 88 if you so desire.

Legislation relating to the Railbelt Energy Fund is summarized below.

1986 Legislation. (Attachment A):

The Railbelt Energy Fund was created (HB 699; 29 SLA 86).

The Railbelt Energy Council was established to, in part, ... "recommend the best options for planning, financing, constructing, and managing electric power facilities in the Railbelt area;..." (HCS CSSB 468; 30 SLA 86.) The council was disbanded as of June 30, 1987.

An initial appropriation of \$200 million, plus reappropriations of unexpended portions of prior Susitna Hydroelectric project appropriations (from 1979 - 1985), were made to the Railbelt Energy Fund (CSHB 477; 41 SLA 86). The original fund balance was roughly \$283 million.

A \$2.5 million appropriation was made from the Railbelt Energy Fund to the Alaska Power Authority for ... "a review and evaluation of Railbelt electric power alternatives including coal-based generation, natural gas-based generation, conservation, the Devil Canyon hydroelectric project and other hydroelectric alternatives." (CSHB 477; 42 SLA 86).

1987 Legislation. (Attachment B):

A \$50 million appropriation was made from the Railbelt Energy Fund to the Alaska Power Authority for the Bradley Lake Hydroelectric Project (SB 159; 96 SLA 87).

The \$2.5 million appropriation in 1986 for Railbelt electric power alternatives was amended to allow the money to be spent ... "preparing studies required under AS 44.83.177 - .185 for electric interties between the Kenai Peninsula and Fairbanks." [CCSHB 29 (Section 150); 3 FSSLA 87.]

Two bills are pending before the 1988 legislature in the House Resources Committee: (Attachment C):

SCS CSHB 284 would make two appropriations from the Railbelt Energy Fund to the Alaska Power Authority including: 1) \$100 million to upgrade the Anchorage-Fairbanks intertie; and 2) \$100 million to upgrade the Anchorage-Kenai Peninsula intertie.

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CSSB 206 would replace the Power Development Fund with a new Power Project Revolving Fund (PPRF) within the Alaska Power Authority. The bill, as passed by the Senate, would establish a financing mechanism whereby loans and grants could be made annually from this fund for various projects, with full funding of the Power Cost Equalization program being the first priority. Under last year's proposal, the PPRF would be initially funded by the balance of the Railbelt Energy Fund after the \$200 million appropriation to the Railbelt interties (under SCS CSHB 284 above) and \$50 million appropriation to the Bradley Lake Hydroelectric project.

For additional history of the origins of the Railbelt Energy Fund, please refer to House Research Agency Memorandum 87.152 (Attachment D). If you have any questions on this information, please contact me.

Attachments

ATTACHMENT A
1986 Legislation

§ 37.05.152

§ 37.05.153

PUBLIC FINANCE

§ 37.05.156

Revisor's notes. — Enacted as AS 37.05.156. Renumbered in 1986. Effective dates. — Section 2, ch. 17.

SLA 1986, makes this section effective April 24, 1986, in accordance with AS 01.10.070(c).

Sec. 37.05.153. Railbelt energy fund. There is established in the general fund the Railbelt energy fund. The fund consists of money appropriated to it by the legislature. The Department of Revenue shall manage the fund. Interest received on money in the fund shall be accounted for separately and may be appropriated into the fund annually. The legislature may appropriate money from the fund to assist in meeting Railbelt energy needs. (§ 1 ch 29 SLA 1986)

Revisor's notes. — Enacted as AS 44.25.050. Renumbered in 1986.

Effective dates. — Section 2, ch. 29, SLA 1986, makes this section effective May 24, 1986, in accordance with AS 01.10.070(c).

Cross references. — For railbelt energy council formed to review railbelt energy problems and needs, see ch. 30, SLA 1986, in the Temporary and Special Acts.

Sec. 37.05.155. [Renumbered as AS 37.05.151]

Sec. 37.05.156. Budget reserve fund; appropriation limit. (a) There is established as a separate fund in the state treasury the budget reserve fund. The budget reserve fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under (b) of this section and that exceeds that limit, may be appropriated to the budget reserve fund.

(b) Except for appropriations to the permanent fund or for Alaska permanent fund dividends, appropriations to the budget reserve fund, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a nonstate source in trust for a specific purpose, including revenue of a public enterprise or public corporation of the state that issues revenue bonds, appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year. For purposes of applying this limit an appropriation is considered to be made in the fiscal year in which it is enacted and a reappropriation remains attributed to the fiscal year in which the original appropriation is enacted. The determination of the change in population for purposes of this subsection shall be based on an annual estimate of population by the Department of Labor. The determination of the change in inflation for purposes of this subsection shall be based on the Consumer Price Index for all urban consumers for Anchorage prepared by the United States Bureau of Labor Statistics. The amount of money received by the state that is subject to the appropriation

AN ACT

Creating the Railbelt energy council; and providing for an effective date.

* Section 1. FINDINGS. The legislature finds that

(1) state energy policy should change from a policy of the state assuming responsibility for providing electric power to a policy of the state assisting the private sector and public utilities to provide adequate electric power at reasonable cost;

(2) state funds available for energy development should be used to assist in financing projects that utilities cannot finance themselves;

(3) utilities should be encouraged to assume the responsibility of regional power generation and transmission rather than relying on the state;

(4) energy planning and financing must be efficient and cost-effective;

(5) the Railbelt energy fund should be used if necessary to develop power projects that will meet market investment criteria;

(6) the Railbelt area generally consists of the region of the state extending from Fairbanks to Homer and served by the Golden Valley Electric Association, the Fairbanks Municipal Utilities System, the Matanuska Electric Association, the Chugach Electric Association, Anchorage Municipal Light and Power, the Seward Electric System, and the Homer Electric Association utilities.

* Sec. 2. COUNCIL CREATED. (a) The Railbelt energy council is



Chapter 30

established to

(1) recommend the best options for planning, financing, constructing, and managing electric power facilities in the Railbelt area;

(2) examine all alternatives and recommend the best method for meeting projected Railbelt electrical energy demand;

(3) recommend alternative financing plans for assisting the private sector and public utilities to meet the future energy needs of the Railbelt area;

(4) determine whether a regional generation and transmission utility organization can operate to the best interests of utility consumers;

(5) cooperate with the Alaska Power Authority to examine the feasibility and desirability of energy projects.

(b) Membership on the council consists of two members appointed by the governor; two senators appointed by the president of the senate; two members of the house of representatives appointed by the speaker of the house; and one representative from each of the seven Railbelt utilities.

(c) By February 15, 1987, the council shall report its recommendations to the legislature.

* Sec. 3. This Act is repealed June 30, 1987.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

Source

SB 475 in

AN ACT

Designating the woolly mammoth (Mammuthus) as the state fossil.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

THE ACT FOLLOWS ON PAGE 1, LINE 1

Approved by the Governor: May 24, 1986
Actual Effective Date: August 22, 1986

AN ACT

Making, amending, and repealing appropriations for energy programs; and providing for an effective date.

- * Section 1. Section 3, ch. 96, SLA 1985, page 8, line 17 (Susitna Hydroelectric Project Financing - \$200,000,000) is repealed.
- * Sec. 2. Section 3, ch. 96, SLA 1985, page 9, line 5 (Bradley Lake Hydroelectric Financing - \$50,000,000) is repealed.
- * Sec. 3. Section 26, ch. 98, SLA 1985, page 59, line 18 (Power Cost Equalization - \$21,700,000) is repealed.
- * Sec. 4. The sum of \$200,000,000 is appropriated from the general fund to the Railbelt energy fund (AS 44.25.050) for the purpose of Railbelt energy development.
- * Sec. 5. The sum of \$50,000,000 is appropriated from the general fund to the power development fund (AS 44.83.167) for the purpose of financing the Bradley Lake hydroelectric project.
- * Sec. 6. The sum of \$21,700,000 is appropriated from the general fund to the power cost equalization fund (AS 44.83.167) for the purpose of providing power cost equalization assistance to utilities.
- * Sec. 7. AS 44.83.165 is amended to read:

Sec. 44.83.165. (CONTINUING) APPROPRIATION FOR POWER COST EQUALIZATION. The sum of \$16,300,000 is appropriated on July 1, 1987, and the sum of \$21,700,000 is appropriated on July 1 of each subsequent fiscal year from the general fund to the power cost equalization fund

(AS 44.63.167).

* Sec. 8. AS 44.63.410 is amended to read:

Sec. 44.63.410. [CONTINUING] APPROPRIATION FOR RAILBELT ENERGY DEVELOPMENT [SUSITNA RIVER HYDROELECTRIC PROJECT]. The sum of \$100,000,000 is appropriated on July 1, 1984, [AND THE SUM OF \$200,000,000 IS APPROPRIATED ON JULY 1 OF EACH SUBSEQUENT FISCAL YEAR] from the general fund to the authority for deposit in the power development fund (AS 44.63.382) for the purpose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR, THE SUSITNA RIVER HYDROELECTRIC PROJECT].

* Sec. 9. AS 44.63.420 is amended to read:

Sec. 44.63.420. [CONTINUING] APPROPRIATION FOR BRADLEY LAKE HYDROELECTRIC PROJECT. The sum of \$50,000,000 is appropriated on July 1, 1984, [OF EACH FISCAL YEAR] from the general fund to the authority for deposit in the power development fund (AS 44.63.382) for the purpose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,] the Bradley Lake hydroelectric project.

* Sec. 10. The unexpended, unobligated, and unencumbered balance of the appropriation in sec. 8 of this Act is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 11. Obligations, encumbrances, and expenditures incurred against appropriations repealed or amended in secs. 1 - 3 and 7 - 9 of this Act are considered. Obligations, encumbrances, and expenditures of the appropriations enacted in secs. 4 - 6 of this Act. The appropriations enacted in secs. 8 - 10 and 12 of this Act do not appropriate any more money than was previously appropriated by the appropriations amended or repealed in secs. 1 - 3 and 7 - 9 of this Act.

* Sec. 12. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 1, ch. 26, SIA 1979 (Office of the Governor for

feasibility studies - \$6,178,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 13. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 786, ch. 50, SIA 1980, page 67, line 7 of the project fund, feasibility analysis, Upper Susitna - \$7,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 14. Section 6, ch. 90, SIA 1981, as amended by sec. 81, ch. 141, SIA 1982, sec. 94, ch. 106, SIA 1983, and sec. 193, ch. 165, SIA 1985 is amended to read:

Sec. 6. The sum of \$12,713,200 (\$50,000,000) is appropriated from the general fund to the Alaska River Authority for feasibility studies, preconstruction design, and engineering, to be allocated to the following proposed projects:

Project	Amount
(1) Black Bear Lake	\$ 1,500,000
(2) Chester Lake	1,000,000
(3) Chakachamna Lake	997,000
(4) Grant Lake	1,000,000
(5) Bethel regional study/feasibility	1,000,000
(6) Power Creek	992,200
(7) [SUSITNA]	16,100,000
(8) Tazimina Lake	2,000,000
(9) West Creek	1,000,000
(10) Rural community feasibility studies: Ahtna, Akutan, Zebler, Alyona, Alca, Chignik, Chignik Lagoon, Chignik Lake, Chukchi, Gum Bay, Elio, False Pass, Gulkana Bay, Grayling, Gustavus, Ivanoff Bay, Kaktovik, Karluk, Klana, King Cove, Lacey Bay,	

Bikanski, Old Harbor, Petryville,

Swanson Bay, Shungnak, Tenakee Springs,

Ugalek, Unalaska 3,615,000

* Sec. 15. The unexpended, unobligated and unencumbered balance of the appropriation and allocation repealed by sec. 14 of this Act (Susitna - \$16,000,000) is reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 16. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 73, ch. 101, SIA 1982, (Alaska Power Authority, Susitna studies - \$25,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 17. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 34, ch. 107, SIA 1983, page 69, line 25 (Alaska Power Authority, Susitna - \$28,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 18. The unexpended, unobligated and unencumbered balance of the appropriation made by sec. 319, ch. 171, SIA 1984, page 53, line 11 (Alaska Power Authority, Susitna - \$32,000,000) is repealed and reappropriated to the Railbelt energy fund (AS 44.25.050).

* Sec. 19. The appropriations in secs. 4, 5, 6, 7, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100 of this Act are for capital projects, and do not lapse, in accordance with AS 44.25.050.

* Sec. 20. Sections 1 - 3 and 5 - 9 of this Act are retroactive to January 1, 1985.

* Sec. 21. This Act takes effect on the effective date of an Act creating the Railbelt energy fund.



LAWS OF ALASKA

1986

Source

CSSB 477(Fin)

Chapter No.

42

AN ACT

Making a special appropriation to the Alaska Power Authority for reviewing and evaluating Railbelt electric power alternatives, and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 11

Approved by the Governor: May 24, 1986
Actual Effective Date: May 24, 1986

AN ACT

Making a special appropriation to the Alaska Power Authority for reviewing and evaluating Railbelt electric power alternatives; and providing for an effective date

Section 1. The sum of \$2,500,000 is appropriated from the Railbelt energy fund in the general fund to the Alaska Power Authority for preparing review and evaluation of Railbelt electric power alternatives including oil-based generation, natural gas-based generation, conservation, the Klondike Canyon hydroelectric project, and other hydroelectric alternatives.

Sec. 2. The appropriation made by this Act is for a capital project and is subject to AS 37.25.020.

Sec. 3. This Act takes effect on the effective date of an Act that transfers at least \$2,500,000 to the Railbelt energy fund.

ATTACHMENT B
1987 Legislation

AN ACT

Amending an appropriation to the Alaska Power Authority
for the Bradley Lake Hydroelectric Project.

* Section 1. Section 3, ch. 128, SLA 1986, page 3, line 7, is amended
to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Alaska Power Authority - Bradley Lake Hydro- electric Project	\$50,000,000	(\$50,000,000)	<u>\$50,000,000</u>

* Sec. 2. The funding source of this amended appropriation is the
Milbelc Energy Fund (AS 37.05.153).



LAWS OF ALASKA

1987

First Special Session

Source

CCSHB 29

Chapter No.

1

AN ACT

Making, amending, transferring, and repealing operating and capital appropriations; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: July 23, 1987
Actual Effective Date: July 24, 1987; sections 3, 4, 5, 9, 17,
24, 34, 36, 57, 75, 79-81, 89, 100, 113, 147, and 148 are
retroactive to June 30, 1987.

Chapter 3

* Sec. 150. Section 1, ch. 42, SLA 1986 is amended to read:

Section 1. The sum of \$2,500,000 is appropriated from the Railbelt energy fund in the general fund to the Alaska Power Authority for preparing studies required under AS 44.83.177 - 44.83.185 for electric interties between the Kenai Peninsula and Fairbanks (A REVIEW OR EVALUATION OF RAILBELT ELECTRIC POWER ALTERNATIVES INCLUDING COAL-BASED GENERATION, NATURAL GAS-BASED GENERATION, CONSERVATION, THE DEVIL CANYON HYDROELECTRIC PROJECT, AND OTHER HYDROELECTRIC ALTERNATIVES).

* Sec. 151. The sum of \$2,700,000 is appropriated from the power development revolving loan fund (AS 44.33.600) to the power project for (AS 44.83.170) for a loan to the City of Nenana for a feasibility study for a coal-fired electric generation facility.

* Sec. 152. The sum of \$85,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.115 to the City of Noorvik for erosion control.

* Sec. 153. The sum of \$375,000 is appropriated from the general fund to the Department of Administration for payment as a grant under AS 37.05.115 to the City of Ambler for erosion control.

* Sec. 154. The sum of \$2,000,000 is appropriated from the general fund to the Department of Education for the purpose of mitigating adverse consequences to small single site schools and REAAs that may arise from the implementation of the new school foundation formula. It is the intent of the legislature that proposed expenditures from this appropriation be brought to the Legislative Budget and Audit Committee for approval before disbursement. The department shall bring a recommendation for the disbursement of the funds to the committee by September 1, 1987.

* Sec. 155. The sum of \$400,000 is appropriated from the general fund to the Department of Education to reimburse for a period of one fiscal

year, communities that incorporate as boroughs and have a local tax structure.

* Sec. 156. The appropriations made by secs. 151-155 are for capital projects and are subject to AS 37.05.120, and do not lapse under AS 37.25.010.

* Sec. 157. The sum of \$1,000,000 is appropriated to the Department of Commerce and Economic Development loan fund (AS 6.10.305), for a loan for the State (Section 158 of this Act follows beginning

ATTACHMENT C
1988 Pending Legislation

Original sponsor: Finance Committee

Funding Information

General Fund	\$	-0-
Other Funds		200,000,000
		<u>\$200,000,000</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

SENATE CS FOR CS FOR HOUSE BILL NO. 284 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making appropriations for capital projects;

7

and providing for an effective date."

8

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

9

* Section 1. The sum of \$100,000,000 is appropriated from the Railbelt energy fund (AS 37.05.153) to the Department of Commerce and Economic Development, Alaska Power Authority, to upgrade the Anchorage to Fairbanks transmission intertie to 345kv.

13

* Sec. 2. The sum of \$100,000,000 is appropriated from the Railbelt energy fund (AS 37.05.153) to the Department of Commerce and Economic Development, Alaska Power Authority, to construct the Anchorage to Kenai Peninsula transmission intertie at 230kv.

17

* Sec. 3. The appropriations made by this Act are for capital projects and are subject to AS 37.25.020.

19

* Sec. 4. This Act takes effect July 1, 1987.

Original sponsors: Coghill and Faiks

1 IN THE SENATE BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 206 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST 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 44.83.105 is amended to read:

23 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PRO-
24 GRAM FOR ALASKA. The authority may borrow money and issue its bonds
25 for the acquisition or construction of power projects to be acquired
26 or constructed under the energy program for Alaska. The principal of
27 and interest on the bonds are payable from money derived from the sale
28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska [FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST EQUALI-
20 ZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolv-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

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

24 (E) consumer end-use improvements to reduce demand for
25 energy;

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

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.83.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 (k) The authority may make loans from the power project re-
5 volving fund to the authority to pay the cost of feasibility studies,
6 design, and construction of transmission projects. The authority
7 shall repay the principal amount of loans made under this subsection
8 to the fund from revenue identified at the time that the loan is made.
9 The authority may not charge interest on a loan under this subsection.

10 * Sec. 3. AS 44.83 is amended by adding a new section to read:

11 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
12 borrow money and issue bonds to make or refinance loans from the power
13 project revolving fund for a revenue producing program, activity, or
14 project authorized under the power project revolving fund. However,
15 the authority may not issue bonds to make or refinance a loan entered
16 into under a leveraged lease financing arrangement.

17 (b) Loans made or refinanced with the proceeds of bonds authori-
18 zed by this section for projects under AS 44.83.170(b) are subject to
19 AS 44.83.170(a) - (e).

20 (c) With respect to loans made or refinanced with the proceeds
21 of bonds, the authority may pledge the principal and interest received
22 from the loan repayments and the interest earned on those amounts in
23 the power project revolving fund for bonds issued under this section.

24 (d) The authority may notify the head of a department or agency
25 of the state in writing that a borrower is in default on the repayment
26 of principal or interest on loans made or refinanced with the proceeds
27 of bonds issued under this section. Notwithstanding any other pro-
28 vision of law, to the extent that a department or agency of the state
29 is the custodian of money payable to the borrower, the department or

1 agency shall withhold payment of the money from the borrower and pay
2 over the money to the authority to pay principal and interest on bonds
3 of the authority issued under this section.

4 * Sec. 9. AS 44.83.187(d) is amended to read:

5 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to
6 (1) an addition, modification, repair, reconstruction,
7 design, acquisition or construction for the purpose of completing a
8 project;

9 (2) the construction of an electrical transmission or dis-
10 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

11 * Sec. 10. AS 44.83.361(a) is amended to read:

12 (a) The rural electrification program [REVOLVING LOAN FUND] is
13 established in the Alaska Power Authority. [THE FUND CONSISTS OF

14 (1) APPROPRIATIONS MADE TO THE FUND; AND

15 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

16 * Sec. 11. AS 44.83.361(b) is amended to read:

17 (b) The authority may make loans from the power project revolv-
18 ing fund under AS 44.83.170 for the rural electrification program
19 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
20 Public Utilities Commission. A loan under the program [FROM THE FUND]
21 may be made only for the purpose of extending new electric service
22 into an area of the state that an electric utility may serve under a
23 certificate of public convenience and necessity issued by the Alaska
24 Public Utilities Commission. A loan may be made under the program
25 [FROM THE FUND] to an electric utility if the utility invests the
26 money necessary to provide one pole, one span of line, one trans-
27 former, and one service drop for each consumer for whom immediate
28 service would be provided by the extension of electric service.
29 Applications for loans to extend service along state roads or highways

1 shall be given priority for up to one-half of the funds available for
2 loans under this section. However, a loan may not be made [FROM THE
3 FUND] unless

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

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

8 * Sec. 12. AS 44.83.361(c) is amended to read:

9 (c) A loan under [FROM] the rural electrification program [RE-
10 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
11 cent of the unpaid balance of the loan. Loan repayments and interest
12 [INTEREST] received on a loan made under this section shall be de-
13 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
14 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
15 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
16 ing on a loan made under this section after 20 years.

17 * Sec. 13. AS 44.83.361(e) is amended to read:

18 (e) The authority shall

19 (1) adopt regulations necessary to carry out the provisions
20 of this section;

21 (2) administer the rural electrification program [REVOLVING
22 LOAN FUND]; and

23 (3) submit to the legislature within the first 10 days of
24 each regular legislative session a report of actions taken by the
25 authority under this section and an accounting of the rural electri-
26 fication program [REVOLVING LOAN FUND].

27 * Sec. 14. AS 44.83.363 is amended to read:

28 Sec. 44.83.363. LOAN ADVISORY COMMITTEE When an application
29 for a rural electrification loan is submitted to the authority under

1 AS 44.83.361, the authority shall appoint a local advisory committee
2 from persons residing in the area that the applicant utility is certi-
3 fied to serve. The loan advisory committee shall consider the loan
4 application, and shall recommend whether the loan application is to be
5 approved or disapproved. A favorable recommendation from the loan
6 advisory committee shall be based on a determination that development
7 in the area of the proposed extension of electric service is likely to
8 provide for full repayment of the loan under AS 44.83.361(d) within 20
9 [10] years. In making that determination the committee shall consider

10 (1) permanence of the premises to be served by the exten-
11 sion;

12 (2) land use patterns in the area;

13 (3) access for the line that would be installed with loan
14 proceeds;

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

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

18 * Sec. 15. AS 44.83.380(b) is amended to read:

19 (b) The energy program for Alaska is a program by which the
20 authority may acquire or construct power projects with money appropri-
21 ated by the legislature to the power project revolving fund under
22 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
23 A power project may be acquired or constructed as part of the energy
24 program for Alaska only if the project is submitted to and approved by
25 the legislature in accordance with procedures set out in AS 44.83.-
26 177 - 44.83.187.

27 * Sec. 16. AS 44.83.384 is amended to read:

28 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM [BALANCE]. (a)
29 The authority may use money in the power project revolving fund under

1 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
2 PROVIDE MONEY] for

3 (1) reconnaissance and feasibility studies and power proj-
4 ect finance plans prepared under AS 44.83.177 - 44.83.181;

5 (2) the cost of a power project, including but not limited
6 to costs of acquiring necessary licenses, preparing engineering de-
7 signs, obtaining land, and constructing the power project;

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

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

13 (5) debt service on power projects.

14 (b) In addition to the purposes authorized by (a) of this sec-
15 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
16 OF THIS SECTION ONLY] for a power project under the energy program for
17 Alaska if the project [THAT]

18 (1) is economically feasible; and

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

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

28 (B) coal or peat;

29 (C) energy derived from waste heat; or

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

2 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
3 44.83.398, the fund may be used by the authority to provide money for
4 the cost of a power project under the energy program for Alaska that
5 is or was either constructed or owned by the United States government
6 if the requirements of this subsection are met. The provisions of
7 AS 44.83.177 - 44.83.187 do not apply to a power project financed
8 under this subsection. The authority may use money in the fund for
9 the cost of a power project under this subsection if

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

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

17 (3) the project meets the other requirements of this chap-
18 ter.

19 * Sec. 17. AS 44.83.398(c) is amended to read:

20 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
21 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
22 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
23 for money it has pledged or otherwise covenanted to secure bonds.

24 * Sec. 18. AS 44.83.425(3) is amended to read:

25 (3) "fund" means the power project revolving [DEVELOPMENT]
26 fund established by AS 44.83.170 [AS 44.83.382];

27 Sec. 19 A loan made under AS 44.83.170(k), added by sec. 7 of this
28 Act, before January 1, 1989, to the authority for the Fairbanks-Kenai
29 Peninsula Intertie shall be repaid from revenue from the Bradley Lake

1 hydroelectric project after the revenue bonds for that project are retired.

2 * sec. 20. To be consistent with the change made by sec. 4 of this Act,
3 wherever in the Alaska Statutes and in regulations adopted under those
4 statutes "power project fund" is used, it shall be read as referring to the
5 power project revolving fund. Under AS 01.05.031 the revisor of statutes
6 shall implement this section in the statutes, and, under AS 44.62.125(b)-
7 (6), the regulations attorney shall implement this section in the adminis-
8 trative regulations.

9 * Sec. 21. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
10 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.382, 44.83.386, and
11 44.83.388(b) are repealed

12 * Sec. 22. Obligations, encumbrances, and expenditures incurred against
13 funds amended or repealed by this Act are considered obligations, encum-
14 brances, and expenditures of the power project revolving fund (AS 44.83.-
15 170).

16 * Sec. 23. Sections 2 - 6, and 10 - 22 of this Act take effect July 1,
17 1987, if an Act transferring appropriations for energy programs to the
18 power project revolving fund and making appropriations to the power project
19 revolving fund is enacted on or before July 1, 1987.

20 * Sec. 24. Sections 1 and 7 - 9 of this Act take effect immediately
21 under AS 01.10.070(c).

ATTACHMENT D
House Research Memorandum 87.152

STATE OF ALASKA 1987 LEGISLATIVE SESSION

No. 352

FISCAL NOTE

SENATE

REQUEST: CSSB 206 (Fin)

Bill Version: CSSB 206(Rules)

Publish Date: 5/11/87

Revision Date: 5/11/87

Title: Relating to the Alaska Power

Authority

Sponsor: Coghill and Faiks

Requestor: Senate Rules

Agency Affected:

BRU:

Components:

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	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

REVENUE	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92

FUNDING:	(Millions of Dollars)	FY88	FY89	FY90	FY91	FY92	FY2021-41
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	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PART-TIME						
TEMPORARY						

ANALYSIS :

*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

Division: Alaska Power Authority

Phone: 465-3575

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

CSSB 206 Res

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 of 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.



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Representative Sam Cotten
FROM: Senator John B. (Jack) Coghill
DATE: May 12, 1987
RE: CSSB 206 (Rules)

CSSB 206 is a complex bill, the purpose of which is to create a revolving fund and combine six other 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.

*not allow
APA to duplicate
as quantity
proj. mgr.?*

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.

constituted

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 20 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 which were previously 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.

37.05.153 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 project" i.e. 4 dam pool

44.83.162(o)(6) Definition of fund is Power Cost Equalization Fund

44.83.382 Establishes Power Development Fund

44.83.386 Department of Revenue invests monies in fund (PDF), interest to general fund.

44.83.388(b) Income from investments of fund goes to general fund.

SEC. 22: Changes needed for consistency

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

SEC. 24: Effective data clause

From Sen. Jails

SB 206

Differences between CSSB 206 (Finance) and the newly proposed CS
(Kramer Draft)

1. On page 5, lines 4-9 are new. This new subsection (k) in AS 44.83.170 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.
2. Section 19 is new. This section identifies the Bradley Lake revenue stream as the source of funds from which the loan for the Railbelt interties will be repaid.

Handwritten signature:
Neil
Jan 1988

Original sponsors: Coghill and Faiks

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 206 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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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
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 44.83.105 is amended to read:

23 Sec. 44.83.105. BONDS FOR POWER PROJECTS UNDER THE ENERGY PRO-
24 GRAM FOR ALASKA. The authority may borrow money and issue its bonds
25 for the acquisition or construction of power projects to be acquired
26 or constructed under the energy program for Alaska. The principal of
27 and interest on the bonds are payable from money derived from the sale
28 of wholesale power from power projects financed under AS 44.83.380 -
29 44.83.425 as part of the energy program for Alaska FROM THE POWER

1 DEVELOPMENT FUND] or from a source referred to in AS 44.83.100 as the
2 authority determines. The bonds may be issued if

3 (1) money available from appropriations to the power proj-
4 ect revolving fund for the energy program for Alaska [DEVELOPMENT
5 FUND] for the power project is [ARE] insufficient to cover the cost of
6 acquiring or constructing the power project; and

7 (2) the authority determines that the amount of interest
8 the authority will pay on its bonds is not more than alternative costs
9 of securing money from other sources, except for the general fund, to
10 pay for the acquisition or construction of the power project.

11 * Sec. 3. AS 44.83.162(a) is amended to read:

12 (a) The power cost equalization program [FUND] is established
13 [AS A SEPARATE FUND] for the purpose of equalizing power cost per
14 kilowatt-hour statewide at a cost close or equal to the mean of the
15 cost per kilowatt-hour in Anchorage, Fairbanks, and Juneau [BY PAYING
16 MONEY FROM THE FUND TO ELIGIBLE ELECTRIC UTILITIES IN THE STATE]. The
17 program [FUND] shall be administered by the authority [AS A FUND
18 DISTINCT FROM THE OTHER FUNDS OF THE AUTHORITY. THE FUND IS COMPOSED
19 OF MONEY APPROPRIATED FOR THE PURPOSE OF PROVIDING POWER COST EQUALI-
20 ZATION TO ELIGIBLE ELECTRIC UTILITIES].

21 * Sec. 4. AS 44.83.170(a) is amended to read:

22 (a) There is established as a separate fund the power project
23 revolving fund which shall be distinct from any other money or funds
24 of the authority, and which includes [ONLY] money appropriated by the
25 legislature and the portion of loan repayments from loans made from
26 the fund that is attributable to principal.

27 * Sec. 5. AS 44.83.170(b) is amended to read:

28 (b) The authority may make loans from the power project revolve-
29 ing fund from money available by appropriation or from the repayment

1 of principal

2 (1) to electric utilities, regional electric authorities,
3 municipalities, cities, boroughs, regional and village corporations,
4 village councils, school districts, regional educational attendance
5 areas, and nonprofit marketing cooperatives to pay the costs of

6 (A) reconnaissance studies, feasibility studies,
7 license and permit applications, preconstruction engineering, and
8 design of power projects;

9 (B) constructing, equipping, modifying, improving, and
10 expanding [SMALL-SCALE] power production facilities, conservation
11 facilities, bulk fuel storage facilities, and transmission and
12 distribution facilities, including energy production, trans-
13 mission and distribution, and waste energy conservation facili-
14 ties which depend on fossil fuel, wind power, tidal, geothermal,
15 biomass, hydroelectric, solar or other nonnuclear [NON-NUCLEAR]
16 energy sources; [AND]

17 (C) reconnaissance studies, preconstruction engineer-
18 ing, design, construction, equipping, modification, and expansion
19 of potable water supply including surface storage and groundwater
20 sources and transmission of water from surface storage to exist-
21 ing distribution systems;

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

24 (E) consumer end-use improvements to reduce demand for
25 energy;

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

27 (A) the loan is entered into under a leveraged lease
28 financing arrangement;

29 (B) the party which will be responsible for the power

1 project is an electric utility, regional electric authority,
2 municipality, city, borough, regional or village corporation,
3 village council, school districts, regional educational atten-
4 dance areas, or nonprofit marketing cooperative; and

5 (C) the borrower seeking the loan demonstrates to the
6 authority that the financing arrangement for the power project
7 will reduce project financing costs below costs of comparable
8 public power projects;

9 (3) to fund a project or activity under this chapter.

10 * Sec. 6. AS 44.33.170(g) is repealed and reenacted to read:

11 (g) The authority shall deposit in the power project revolving
12 fund the principal and interest portions of loan repayments and any
13 earnings on the balance in the fund. The authority may make new loans
14 to be financed from the principal portions of loan repayments. The
15 authority may not encumber or spend the interest portions of loan
16 repayments or earnings on the balance in the fund except as authorized
17 by legislative appropriation or as specifically provided in this
18 chapter.

19 * Sec. 7. AS 44.83.170 is amended by adding new subsections to read:

20 (i) The Railbelt advisory committee, composed of one member from
21 each electric utility in the Railbelt, is established. The authority
22 may not make a loan under this section for an energy-related project
23 that is located in the Railbelt until the Railbelt advisory committee
24 has had an opportunity to review the loan application. The authority
25 shall consider the written comments and recommendations of the commit-
26 tee before acting on the loan application.

27 (j) The authority shall submit an annual report to the legisla-
28 ture by the 10th day of the legislative session. The report shall
29 make recommendations concerning the allocation of funds in the power

053662

1 project revolving fund. The first priority for use of the unre-
2 stricted funds shall be to fully fund the power cost equalization
3 program under AS 44.83.162.

4 (k) The authority may make loans from the power project re-
5 volving fund to the authority to pay the cost of feasibility studies,
6 design, and construction of transmission projects. The authority
7 shall repay the principal amount of loans made under this subsection
8 to the fund from revenue identified at the time that the loan is made.
9 The authority may not charge interest on a loan under this subsection.

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

11 Sec. 44.83.172. POWER PROJECT BONDS. (a) The authority may
12 borrow money and issue bonds to make or refinance loans from the power
13 project revolving fund for a revenue producing program, activity, or
14 project authorized under the power project revolving fund. However,
15 the authority may not issue bonds to make or refinance a loan entered
16 into under a leveraged lease financing arrangement.

17 (b) Loans made or refinanced with the proceeds of bonds authori-
18 zed by this section for projects under AS 44.83.170(b) are subject to
19 AS 44.83.170(a) - (e).

20 (c) With respect to loans made or refinanced with the proceeds
21 of bonds, the authority may pledge the principal and interest received
22 from the loan repayments and the interest earned on those amounts in
23 the power project revolving fund for bonds issued under this section.

24 (d) The authority may notify the head of a department or agency
25 of the state in writing that a borrower is in default on the repayment
26 of principal or interest on loans made or refinanced with the proceeds
27 of bonds issued under this section. Notwithstanding any other pro-
28 vision of law, to the extent that a department or agency of the state
29 is the custodian of money payable to the borrower, the department or

1 agency shall withhold payment of the money from the borrower and pay
2 over the money to the authority to pay principal and interest on bonds
3 of the authority issued under this section.

4 * Sec. 9. AS 44.83.187(d) is amended to read:

5 (d) The provisions of AS 44.83.177 - 44.83.185 do not apply to

6 (1) an addition, modification, repair, reconstruction,
7 design, acquisition or construction for the purpose of completing a
8 project;

9 (2) the construction of an electrical transmission or dis-
10 tribution facility [THAT IS ESTIMATED TO COST LESS THAN \$3,000,000].

11 * Sec. 10. AS 44.83.361(a) is amended to read:

12 (a) The rural electrification program [REVOLVING LOAN FUND] is
13 established in the Alaska Power Authority. [THE FUND CONSISTS OF

14 (1) APPROPRIATIONS MADE TO THE FUND; AND

15 (2) PRINCIPAL PAYMENTS ON LOANS MADE UNDER THIS SECTION.]

16 * Sec. 11. AS 44.83.361(b) is amended to read:

17 (b) The authority may make loans from the power project revolv-
18 ing fund under AS 44.83.170 for the rural electrification program
19 [REVOLVING LOAN FUND] to electric utilities certified by the Alaska
20 Public Utilities Commission. A loan under the program [FROM THE FUND]
21 may be made only for the purpose of extending new electric service
22 into an area of the state that an electric utility may serve under a
23 certificate of public convenience and necessity issued by the Alaska
24 Public Utilities Commission. A loan may be made under the program
25 [FROM THE FUND] to an electric utility if the utility invests the
26 money necessary to provide one pole, one span of line, one trans-
27 former, and one service drop for each consumer for whom immediate
28 service would be provided by the extension of electric service.
29 Applications for loans to extend service along state roads or highways

1 shall be given priority for up to one-half of the funds available for
2 loans under this section. However, a loan may not be made [FROM THE
3 FUND] unless

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

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

8 * Sec. 12. AS 44.83.361(c) is amended to read:

9 (c) A loan under [FROM] the rural electrification program [RE-
10 VOLVING LOAN FUND] shall bear an annual rate of interest of two per-
11 cent of the unpaid balance of the loan. Loan repayments and interest
12 [INTEREST] received on a loan made under this section shall be de-
13 posited [MUST BE TRANSFERRED MONTHLY TO THE COMMISSIONER OF REVENUE
14 FOR DEPOSIT] in the power project revolving [GENERAL] fund under
15 AS 44.83.170(g). The authority may forgive the unpaid balance remain-
16 ing on a loan made under this section after 20 years.

17 * Sec. 13. AS 44.83.361(e) is amended to read:

18 (e) The authority shall

19 (1) adopt regulations necessary to carry out the provisions
20 of this section;

21 (2) administer the rural electrification program [REVOLVING
22 LOAN FUND]; and

23 (3) submit to the legislature within the first 10 days of
24 each regular legislative session a report of actions taken by the
25 authority under this section and an accounting of the rural electri-
26 fication program [REVOLVING LOAN FUND].

27 * Sec. 14. AS 44.83.363 is amended to read:

28 Sec. 44.83.363. LOAN ADVISORY COMMITTEE. When an application
29 for a rural electrification loan is submitted to the authority under

1 AS 44.83.361, the authority shall appoint a local advisory committee
2 from persons residing in the area that the applicant utility is certi-
3 fied to serve. The loan advisory committee shall consider the loan
4 application, and shall recommend whether the loan application is to be
5 approved or disapproved. A favorable recommendation from the loan
6 advisory committee shall be based on a determination that development
7 in the area of the proposed extension of electric service is likely to
8 provide for full repayment of the loan under AS 44.83.361(d) within 20
9 [10] years. In making that determination the committee shall consider

10 (1) permanence of the premises to be served by the exten-
11 sion;

12 (2) land use patterns in the area;

13 (3) access for the line that would be installed with loan
14 proceeds;

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

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

18 * Sec. 15. AS 44.83.380(b) is amended to read:

19 (b) The energy program for Alaska is a program by which the
20 authority may acquire or construct power projects with money appropri-
21 ated by the legislature to the power project revolving fund under
22 AS 44.83.170 for power development [FUND ESTABLISHED IN AS 44.83.382].
23 A power project may be acquired or constructed as part of the energy
24 program for Alaska only if the project is submitted to and approved by
25 the legislature in accordance with procedures set out in AS 44.83.-
26 177 - 44.83.187.

27 * Sec. 16. AS 44.83.384 is amended to read:

28 Sec. 44.83.384. USE OF FUND FOR ENERGY PROGRAM BALANCE. (a)
29 The authority may use money in the power project revolving fund under

1 the energy program for Alaska [FUND MAY BE USED BY THE AUTHORITY TO
2 PROVIDE MONEY] for

3 (1) reconnaissance and feasibility studies and power proj-
4 ect finance plans prepared under AS 44.33.177 - 44.33.187;

5 (2) the cost of a power project, including but not limited
6 to costs of acquiring necessary licenses, preparing engineering de-
7 signs, obtaining land, and constructing the power project;

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

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

13 (5) debt service on power projects.

14 (b) In addition to the purposes authorized by a of this sec-
15 tion, the authority may use money in the fund [MAY BE USED UNDER (a)
16 OF THIS SECTION ONLY] for a power project under the energy program for
17 Alaska if the project [THAT]

18 (1) is economically feasible; and

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

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

28 (B) coal or peat;

29 (C) energy derived from waste.

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

2 (c) Notwithstanding (b)(1) of this section and AS 44.83.396 -
3 44.83.398, the fund may be used by the authority to provide money for
4 the cost of a power project under the energy program for Alaska that
5 is or was either constructed or owned by the United States government
6 if the requirements of this subsection are met. The provisions of
7 AS 44.83.177 - 44.83.187 do not apply to a power project financed
8 under this subsection. The authority may use money in the fund for
9 the cost of a power project under this subsection if

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

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

17 (3) the project meets the other requirements of this chap-
18 ter.

19 * Sec. 17. AS 44.83.398(c) is amended to read:

20 (c) The authority shall deposit [TRANSMIT ALL THE] money that it
21 receives under (a) of this section [TO THE COMMISSIONER OF REVENUE FOR
22 DEPOSIT] in the power project revolving [STATE GENERAL] fund except
23 for money it has pledged or otherwise covenanted to secure bonds.

24 * Sec. 18. AS 44.83.425(3) is amended to read:

25 (3) "Fund" means the power project revolving [DEVELOPMENT]
26 fund established by AS 44.83.170 [AS 44.83.382];

27 * Sec. 19. A loan made under AS 44.83.170(k), added by sec. 7 of this
28 Act, before January 1, 1989, to the authority for the Fairbanks-Renai
29 Peninsula Intertie shall be repaid from revenue from the Bradley Lake

1 hydroelectric project after the revenue bonds for that project are retired.

2 * Sec. 20. To be consistent with the change made by sec. 4 of this Act,
3 wherever in the Alaska Statutes and in regulations adopted under those
4 statutes "power project fund" is used, it shall be read as referring to the
5 power project revolving fund. Under AS 01.05.031 the revisor of statutes
6 shall implement this section in the statutes, and, under AS 44.62.125(b)-
7 (6), the regulations attorney shall implement this section in the adminis-
8 trative regulations.

9 * Sec. 21. AS 37.05.153; AS 44.25.020(5); AS 44.33.600, 44.33.610,
10 44.33.620(a), 44.33.620(d); AS 44.83.162(o)(6), 44.83.362, 44.83.386, and
11 44.83.388(b) are repealed.

12 * Sec. 22. Obligations, encumbrances, and expenditures incurred against
13 funds amended or repealed by this Act are considered obligations, encum-
14 brances, and expenditures of the power project revolving fund (AS 44.33.-
15 170).

16 * Sec. 23. Sections 2 - 6, and 10 - 22 of this Act take effect July 1,
17 1987, if an Act transferring appropriations for energy programs to the
18 power project revolving fund and making appropriations to the power project
19 revolving fund is enacted on or before July 1, 1987.

20 * Sec. 24. Sections 1 and 7 - 9 of this Act take effect immediately
21 under AS 01.10.070(c).
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S B

248

HOUSE COMMITTEE REPORT

(9)

Date referred: 4/6/88

FURTHER REFERRALS: Finance

DATE: 5-2-88

The Resources Committee has considered CSSB 248 (Fin)

"An Act relating to the interest rate on state land sale contracts; and providing for an effective date."

RECOMMENDS:

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

ADOPTS: _____ 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:

Jan C. T.
Adelheid Herrmann
Heinrich Sprüger
Cliff Davidson
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

SIGNING OTHER RECOMMENDATIONS:

Jan C. T.

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 4/27/88
Tide: Refinancing of Land
Sale Contracts
Sponsor: Senator Faiks
Requestor: House Resources

Agency Affected: Natural Resources
BRU: Land & Water Management
and Division of Management
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	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The CS for SB 248 applies only to land sale contracts entered into after July 1, 1988; therefore eliminating the need to amend existing contracts. The bill can be implemented using existing staff and resources.

Prepared by: Gary Gustafson Phone: 262-2690
Division: Land and Water Management Date: 4/27/88

Approved by Commissioner: Judith M. Braden Date: 4/27/88
Agency: Natural Resources

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



Alaska State Legislature

SENATE

Office of the President

SB 248 files
P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3755

April 8, 1988

MEMORANDUM

TO: Representative Sam Cotten, Co-Chairman
House Resources Committee

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: Senate Bill 248, an act relating to the
interest rate on state land sale contracts

Currently SB 248 is before the House Resources Committee.
I am the sponsor of this legislation.

Enclosed is background information relating to this bill.
It would be greatly appreciated if you could schedule SB
248 before the Resources Committee at your earliest
possible convenience.

Thank you for your consideration.

BACKGROUND ON SENATE BILL 248

The purpose of Senate Bill 248 is to enable the Department of Natural Resources to issue land sale contracts with interest rates which more closely reflect current market conditions.

Currently AS 38.05.065 requires DNR to charge the prevailing Federal Land Bank (FLB) for the Farm District for Alaska interest rate for land sale contracts. The rate originally charged by DNR has been based upon the FLB rate since 1979. Originally this was done to ensure an objective, conservative index which tracked market loan rates for unimproved land without too much volatility.

Prior to 1979 the statute stated that the rate would be at least 5 percent, and would be set by the director of the Division of Lands. By the late 1970's this broad guideline caused disagreements prior to every land sale, with the purchasers asking for extremely low rates at a time of double-digit inflation. Thus, the rate was then tied to the FLB rate to eliminate the uncertainty by removing the decision out of DNR.

The FLB rate for the Alaska District stayed at 12 3/4 percent between 1984 and May 1987, when it was lowered to 12 1/4 percent. This rate is currently well above the private market rates in Alaska of between 10 and 11 percent.

SB 248 changes the interest rate to 10 percent per year, and requires the commissioner to adjust the interest rate whenever the annual or cumulative change in the Consumer Price Index exceeds 10 percent. SB 248 does not apply to contracts issued prior to July 1, 1988.

S B

267

HOUSE COMMITTEE REPORT

(9)

Date referred: 5/15/87

FURTHER REFERRALS:

5/17
Judiciary

DATE: May 17, 1987

The Resources Committee has considered CSSB 267 (Jud)

"An Act relating to the transfer of limited entry permits upon the death of the permit holder."

RECOMMENDS:

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

ADOPTS: _____ 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:

Adelheid Herrmann Herrmann

Cliff Davidson Davidson

Tom Hoff Hoffman

Lee G. Cotten Cotten

SIGNING OTHER RECOMMENDATIONS:

Springer

Herrmann No Rec.

Sund

Pearce

Navarre No Rec.

SHULTZ No Rec.

Adelheid Herrmann Herrmann
Chairman's signature
Co chair

5-1082L
Hein
5/17/87

Original sponsors: Binkley, Hensley
and Zharoff

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 267 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the transfer of limited entry
7 permits upon the death of the permit holder."

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

9 * Section i. AS 16.43.150(h) is repealed and reenacted to read:

10 (h) Unless an entry permit holder has expressed a contrary
11 intent in a will that is probated, the commission shall, upon the
12 death of the permit holder, transfer the permanent permit by right of
13 survivorship directly to the surviving spouse or, if no spouse sur-
14 vives, to a natural person designated by the permit holder on a form
15 provided by the commission. If no spouse survives and if the person
16 designated on the form, if any, does not survive, the permit passes as
17 part of the permit holder's estate. A designation under this subsec-
18 tion must be made under oath or affirmation before a person authorized
19 to administer an oath under AS 09.63.010 and must be witnessed by two
20 persons who are qualified under AS 13.11.170 to witness the will of
21 the permit holder. Except as provided in AS 16.10.33 - 16.10.337,
22 AS 44.81.210, and 44.81.230 - 44.81.250, the permit is exempt from the
23 claims of creditors of the estate.

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358

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSB 267
Publish Date: 5-13

REQUEST: _____

Revision Date: _____
Title: "An Act relating to the transfer of limited entry permits upon the death"
Sponsor: Binkley, Henslev and Zharoff
Requestor: Kertrula

Agency Affected: Dept. of Fish and Game
BRU: Commercial Fisheries Entry Commission
Components: _____

EXPENDITURES/REVENUES: (Thousands 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	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Commercial Fisheries Entry Commission is currently responsible for responding to requests for permanent transfer of entry permits held by deceased fishermen. This bill would alter the requirements for finalization of these transfers but, other than routine revisions of agency forms, no additional expenditures are anticipated.

Prepared by: Christine Kelly, Licensing Adm. 465-4081

Division: Commercial Fisheries Entry Commission Date: 5/12/87

Approved by Commissioner: _____ Date: 5/2/87

Agency: _____

Distribution (by preparer):

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

200

CS
B

HOUSE COMMITTEE REPORT

(9)

5/16/87

Finance

Date referred:

FURTHER REFERRALS:

DATE: 5/17/87

The Resources Committee has considered SB 289am

"An Act establishing the Arctic National Wildlife Refuge Policy Council; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 289 (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: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published 5/5/87
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Jan Galt

Mike Lavano

Paul Shurt

Heinrich Sprung

True Earce

SIGNING OTHER RECOMMENDATIONS:

Adelheid Herrmann DO NOT PASS!

do not pass

no rec

Jan Galt

Chairman's signature

Apparently Free Conf. has adopted
\$150,000 in Leg. Budget
for Council

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 289 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Arctic National Wildlife

7

Refuge Policy Council; and providing for an effective

8

date."

9

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

10

* Section 1. FINDINGS. The legislature finds that

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(1) state policy supports ^{agency} the [recommendation to the United

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States Congress by the Secretary of the United States Department of the

13

Interior to open ^{civilly (CSP)} the coastal plain of the Arctic National Wildlife Refuge

14

to oil and gas exploration, development, and production; ^{under the 1920 Act}

15

(2) the long term effects that Congressional action will have on

16

the citizens of Alaska requires that the state properly monitor the federal

17

public process through an ad hoc group established for that purpose.

18

* Sec. 2. ARCTIC NATIONAL WILDLIFE REFUGE POLICY COUNCIL. (a) The

19

Arctic National Wildlife Refuge Policy Council is established and consists

20

of the governor, the commissioner of natural resources, one person ap-

21

pointed by the governor, the president of the senate, the chairman of the

22

senate resources committee, one person appointed by the president of the

23

senate, the speaker of the house of representatives, the chairman of the

24

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25

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26

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27

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28

Wildlife Refuge and advocate those positions before the Congress and other

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forum that the council considers desirable.

1 * Sec. 3. This Act is repealed June 30, 1988.

2 * Sec. 4. This Act takes effect immediately under AS 01.1J.070(c).

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 289 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Arctic National Wildlife

7

Refuge Policy Council; and providing for an effective

8

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9

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

10

* Section 1. FINDINGS. The legislature finds that

11

(1) state policy supports the recommendation to the United

12

States Congress by the Secretary of the United States Department of the

13

Interior to open the coastal plain of the Arctic National Wildlife Refuge

14

to oil and gas exploration, development, and production;

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(2) the long term effects that Congressional action will have on

16

the citizens of Alaska requires that the state properly monitor the federal

17

public process, ~~through an ad-hoc group established for that purpose.~~ *Sund*

18

* Sec. 2. ARCTIC NATIONAL WILDLIFE REFUGE POLICY COUNCIL. (a) The

19

Arctic National Wildlife Refuge Policy Council is established and consists

20

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SB0289b

-1-

SB 289 am

*report, 15-14 A.S. legislature
feds. 2nd session of the*

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Brent says the page is still
open although the motion
has been made —

Approp. could be reduced —
they are probably waiting
for the bill —

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

15

Bill Version : SB 289 an
Publish Date : _____

REQUEST: _____

Revision Date: _____
Title: Establishing the ANWR Policy Council
and providing an effective date
Sponsor: Senate Resource Committee
Requestor: _____

Agency Affected: _____
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		62.292	32.292			
TRAVEL		80.0	30.0			
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		5.708				
TOTAL OPERATING		150.300	100.1			
CAPITAL		-0-				
REVENUE		-0-				

FUNDING: (Thousands of Dollars)

GENERAL FUND		150.300				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		2				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Senate Committee on Resource Phone: 465-4797
Division: _____ Date: _____
Approved by Chairman _____ Date: May 5, 1987
Agency: Commissioner _____

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

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Sturgulevski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-4907

MEMORANDUM

TO: Senate Resource Committee Members

FROM: Senate Resource Committee Staff *BRG*

RE: SB 289; An Act establishing the Arctic National Wildlife Refuge Policy Council; and providing for an effective date.

DATE: May 6, 1987

This legislation creates a special ad hoc council to deal with the issues of ANWR and advocate its consensus positions before the Congress of the United States. The Policy Council will also monitor the federal public process on ANWR.

This measure is similar to the railbelt energy council statute. Comparatively this policy council is also sunsetted after a period of one fiscal year, June 30, 1988.

Included in your packet is a memo that Senator Coghill sent to Senators Faiks, Bennett and Binkley, regarding funding for this council.

This bill is also a product of the ANWR subcommittee report, draft joint resolution.

Alaska State Legislature

Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman
Sen. Paul Fischer, Vice-Chairman
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Sen. Arliss Sturgulewski
Sen. Jim Duncan
Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-4007

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Sen. Dick Eason

Box V
Juneau, Alaska 99811
(907) 465-1907

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Sen. Fred Zharoff
Sen. Dick Eliason

Box V
Juneau, Alaska 99811
(907) 465-1007


MEMORANDUM

TO: Senator Jan Faiks
Senator Don Bennett
Senator John Binkley

FROM: Senator Coghill

RE: Arctic National Wildlife Refuge Policy Council;
Budget and Fiscal Note

DATE: May 5, 1987



The Senate Resource Committee has introduced legislation that will establish a special ad hoc policy council to deal with state policy on ANWR.

I have attempted to prepare as complete a budget and fiscal note for this council as possible. Considering the issues this council will be dealing with and the fact that the total membership of the council has not been determined at this point, exact figures could not be produced for travel expenses.

The Resource Committee Fiscal Note and Council Budget are attached.

Legal Services has advised me that the necessary appropriation can be made to the Legislative Council Budget, for the Arctic National Wildlife Refuge Policy Council, rather than to the Governors Office Budget.

Senator Faiks
Senator Bennett
Senator Binkley

May 5, 1987

Senator Coghill

BUDGET ESTIMATE

TOTAL PERSONNEL: 11

Members: 9

Staff:

Aide	12 months @ 2910.00	\$ 34,920
Secretary ...	12 months @ 2531.00	30,372

Total \$ 65,292

MEETING SCHEDULE AND COST ESTIMATE

<u>Month</u>	<u>Location</u>	<u>Cost/Est.</u>
May	Juneau	\$ 0
June	ANWR	10,000
July	Juneau	5,000
Sept.	Wash. D.C.	20,000
Nov	Juneau	5,000
Jan	Juneau	5,000
March	Anchorage	
	Fairbanks	
	Ketchikan	10,000
May	Juneau	5,000
June	Wash. D.C.	20,000
Travel and Per Diem		Total \$ 80,000

MISCELLANEOUS

Office Expenses Total \$ 5,000

TOTAL BUDGET

Travel and Per Diem: for 11 participants	\$ 80,000
Staff: 1 Aide, 1 Secretary/ Transcriptionist	65,292
Miscellaneous (Office Expenses)	5,708
TOTAL	\$ 150,300

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

Bill Version : SB 289
Publish Date : _____

REQUEST: _____

Revision Date: _____

Agency Affected : _____

Title : Establishing the ANWR Policy Council
and providing an effective date

BRU : _____

Sponsor : Senate Resource Committee

Components : _____

Requestor : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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FULL-TIME		2				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Senate Committee on Resource

Phone: 465-4797

Division : _____

Date : _____

Approved by Chairman
XXXXXXXXXX

Date : May 5, 1987

Agency : _____

Distribution (by preparer) :

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

HARZA-



ANCHORAGE, ALASKA 99501 TEL. (907) 272 5585

TELECOPIER COVER LETTER

Date: 29 June 87 Time: 11:15

Total Number of Pages 4 including Cover Sheet

To: Ned Farguhar

Company: Asst. To Rep Cotten

From: Eric Yould (279-0471)

Re: Anwir Resolution for Special Session.

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CALL BACK AS SOON AS POSSIBLE
DOCUMENT CONTROL DEPARTMENT (907-264-9360)

***** MESSAGE *****

** NED FARGUHAR - **
** HERE is the resolution that we propose be **
** adopted during the special session. Note that **
** the "land exchange" clause has been deleted. Sen **
** Coghil has reviewed the resolution and agrees with **
** it. I have sent a copy to Rod Swope and have **
** discussed it with him and he will be in contact with **
** you. The Governor is willing to consider this during **
** the special session if its speedy passage by both **
** houses of the Legislature can be assured. **
** Eric. **

***** MESSAGE *****

INITIAL DATE TIME

INITIAL REPORT
on the
ARCTIC NATIONAL WILDLIFE REFUGE, ALASKA

The Alaska State Senate
Committee on Resources

May 1987

INTRODUCTION

Due to the extensive public record which has been built through public hearings held across the state, this initial report constitutes what would normally be termed an Executive Summary.

The Senate Resources Subcommittee on the Arctic National Wildlife Refuge (ANWR) was established with the purpose of building a public record which the Alaska State Legislature could utilize in making an informed decision on proposed legislation regarding the ANWR. The second objective was to allow the public an opportunity to have input into this decision making process and access to the same information on which the legislature would base its policy decisions.

In order to fulfill these objectives, the subcommittee held public hearings in Fairbanks, Anchorage, Ketchikan and Kodiak. Members of this subcommittee were Senators Arliss Sturgelowski, Jim Duncan, Lloyd Jones, and Chairman Jack Coghill. During these hearings approximately 40 hours of public testimony have been taken and an uncertified transcript of this testimony has been completed.

Additional information in the form of reports, maps, pictures and correspondence, is also contained in this voluminous public record. This initial report does not attempt to footnote or reference any specific documents contained in the public record. This initial report is intended to provide an overview of the issues inherent in potential oil and gas activities conducted in the ANWR, and provide recommendations as to what the State of Alaska's policy should be in this regard.

Further hearings by the full Senate Committee on Resources were held in Juneau. It should also be recognized that the House Committee on Resources also held many public hearings on the subject of the ANWR in Juneau.

This report is assembled in a manner to highlight first the findings of the senate subcommittee; the findings are facts that can be documented in the public record; secondly, conclusions of the subcommittee, these points may or may not be referable summaries or judgements formed by the subcommittee, as a result of the hearing process; lastly this report contains recommendations of the subcommittee, these recommendations are assessments of the facts as they relate to the ANWR and they present policy direction.

It is anticipated that further documentation of the findings, conclusions and recommendations contained in this report will be performed using the public record at a later date.

This initial report was adopted by the full Senate Committee on Resources by unanimous vote on May 4, 1987.

TABLE OF ISSUES

Sections

1. The Arctic National Wildlife Refuge
2. The Potential for Hydrocarbon Discoveries in Economic Quantities
3. The Porcupine Caribou Herd
4. Land Exchanges: Value for Value, Buy Sell Agreements
5. State Oil Royalties: The Mineral Leasing Act of 1920
6. The Work Force: Local Hire
7. National Security Implications

Section 1: The Arctic National Wildlife Refuge

FINDINGS

- * The coastal plain of the Arctic National Wildlife Refuge contains the greatest potential on the North American continent for the United States to discover economic quantities of recoverable oil and gas reserves.
- * The coastal plain of the ANWR contains unique environmental and wildlife qualities which deserve consideration and encourage caution, in any scenario, to explore, develop or produce any hydrocarbon resources which may be present there.
- * The United States government has entered into treaties and agreements with the government of Canada and other countries with regard to the fish and wildlife species that either reside or occasionally frequent the coastal plain of the ANWR.
- * Only the Congress of the United States has the authority at this time to remove the restriction on oil and gas exploration, development and production in the coastal plain of the ANWR.
- * In the establishment of the Arctic National Wildlife Range in 1960, Congress recognized the possibility that hydrocarbon resources might be present in the coastal plain.
- * The indigenous people of Alaska, through their corporate representatives, have recognized the potential of the coastal plain of the ANWR to provide for the well being of future generations of their people as was the intent of Congress in enacting the Alaska Native Claims Settlement Act (ANCSA).
- * The agencies within the U.S. Department of Interior and the State of Alaska, which have contributed to the wealth of information on the ANWR, in concert with the Governor of Alaska, have endorsed the exploration, development and possible production of hydrocarbon reserves which may be present in the coastal plain of the ANWR.

CONCLUSIONS

- * The wildlife resources and the geologic environment have been explored, studied and documented extensively in the coastal plain of the ANWR and in the arctic generally for well over twenty years.
- * There has been cooperation between the federal governments of the U.S. and Canada regarding the wildlife resources dependent on the coastal plain, the geology of the area and the transfer of pertinent information between the agencies of the State of Alaska and these two federal governments.

* The people of Alaska have expressed and demonstrated concern for the environment and wildlife present in the coastal plain of the ANWR, as well as the desire to enhance economic opportunities which may result from activities in the coastal plain of the ANWR.

* The State of Alaska, as well as those federal agencies responsible for protection of the environmental and wildlife resources present in Alaska, has established exemplary records fulfilling its respective responsibilities as related to exploration, development and production of the oil and gas reserves within Alaska and especially in the Arctic.

* There is a need for the U.S. State Department to formalize agreements which do not jeopardize the State of Alaska's position as sovereign and manager of state resources, particularly with regards to arctic resources and environment.

RECOMMENDATIONS

* The Congressional ban on oil and gas exploration, development and production from within the coastal plain of the ANWR should be lifted.

* The ANWR should be opened without a government exploration program.

* The ANWR should be opened to oil and gas exploration, development and production under a leasing program using the authorities of the Minerals Leasing Act of 1920.

* The Governor of Alaska should maximize Alaska's participation in all aspects of the ANWR and in the possible Congressional action to open the coastal plain to oil and gas activities.

* Given the nature and complexity of the issues relating to the ANWR, and given the long term effects any action taken by the Congress will have on Alaska's and the nation's domestic and international affairs and economics, the State of Alaska should establish an ANWR Policy Committee. The membership of this committee should be the Governor of Alaska, the Commissioner of Natural Resources, and one Executive Branch member-at-large; President of the Senate, the Chairman of the Senate Resources Committee, and one Senate member-at-large; and the Speaker of the House, the Chairman of the House Resources Committee and one House member-at-large. The task of the committee should be to forge an Alaskan consensus on the issues relating to the ANWR and advocate these positions before the Congress.

Section 2: The Potential for Hydrocarbon Discoveries in Economic Quantities

FINDINGS

- * The geologic environment exists in the coastal plain of the ANWR to the extent that conditions are favorable for the production of oil and gas reserves in the substrata of the area.
- * The coastal plain of the ANWR lays between the Prudhoe Bay/Kuparuk complex on the North Slope of Alaska and the Beaufort Sea/MacKenzie Delta area in Canada.
- * The North Slope of Alaska contains 9 known significant oil and gas fields with proven and inferred original recoverable reserves of about 15.4 billion barrels of oil and 32.0 trillion cubic feet of gas.
- * The Beaufort/MacKenzie area of Canada contains 39 oil and gas fields with proven and inferred original recoverable reserves of about 8.5 billion barrels of oil and 65.0 trillion cubic feet of gas.
- * The coastal plain of the ANWR in Alaska contains 26 significant geologic structures which have been assessed by the State of Alaska to contain 16 billion barrels of recoverable oil. This figure assumes a recovery factor of 35 percent and compares favorably with the original recoverable oil reserves of about 10 billion barrels in the Prudhoe Bay field.
- * The assessment by the State of Alaska also estimates that 29 trillion cubic feet of gas may also be present in the coastal plain of the ANWR.
- * The Prudhoe Bay field is approximately 13 miles by 16 miles in size, as view from the surface.
- * The ex-State Geologist, who recommended that the State of Alaska select the Prudhoe Bay area in the late 1960's, estimates that the structure referred to in the draft 1002(n) report as prospect 18 could contain 10 times the producing horizon of Prudhoe Bay if the proper conditions are present.
- * It is estimated that a discovery in the coastal plain of the ANWR would have to be at least 350 million barrels to be economic.
- * Kaktovik Inupiat Corporation has drilled the only exploratory well (KIC #1) in the coastal plain of the ANWR. The down hole information from this well is protected by law from public release.
- * KIC #1 was drilled in 1 of 4 geologic formations that are estimated to contain 63 percent of the oil and gas resource distribution of the coastal plain of ANWR. (Draft 1002(h) report)