



# LAWS OF ALASKA

1980

Source

Chapter No.

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83

## AN ACT

Relating to energy: to the conservation of energy, the development and use of alternative energy systems, and modifying state taxes to encourage energy conservation; exempting certain energy transactions from regulation by the Alaska Public Utilities Commission; establishing a power production cost assistance program for electric utilities; providing for assistance in the acquisition of bulk fuel; amending provisions relating to projects of the Alaska Power Authority, and approving the general design and maximum amount of bonds of the Alaska Power Authority for certain power projects; and repealing the water resources revolving loan fund; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 21

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TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.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: June 12, 1980

Actual Effective Date: Sections 1, 3 - 8, 11, 37 - 45, 48 and 52 - 56 effective June 13, 1980; sections 2, 12 - 36, 46, 47 and 49 effective July 1, 1980; sections 9 and 10 effective January 1, 1981; section 51 effective July 1, 1985; section 50 effective January 1, 1986.

AN ACT

Relating to energy: to the conservation of energy, the development and use of alternative energy systems, and modifying state taxes to encourage energy conservation; exempting certain energy transactions from regulation by the Alaska Public Utilities Commission; establishing a power production cost assistance program for electric utilities; providing for assistance in the acquisition of bulk fuel; amending provisions relating to projects of the Alaska Power Authority, and approving the general design and maximum amount of bonds of the Alaska Power Authority for certain power projects; and repealing the water resources revolving loan fund; and providing for an effective date.

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\* Section 1. DECLARATION OF POLICY. It is the policy of the state to encourage and facilitate the implementation of energy conservation measures relating to in-state energy use. This policy shall be implemented by

(1) the state setting an example of wise and efficient energy use, by designing and managing public buildings and their energy systems to meet appropriate standards for energy efficiency;

(2) providing incentives for the design and modification of residential, commercial, and industrial buildings to accomplish maximum energy efficiency; and

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1 (3) establishing mandatory energy efficiency standards for build-  
2 ings purchased or constructed with state financial assistance.

3 \* Sec. 2. AS 14.40.260 is amended by adding a new paragraph to read:

4 (7) develop and offer at one or more of the senior college or  
5 community college campuses a continuing professional education program  
6 for architects, engineers, building officials, and officers and employ-  
7 ees of financial institutions on alternative energy systems and on  
8 energy conservation and solar design and construction methods applicable  
9 to the state.

10 \* Sec. 3. AS 29.33.080 is amended by adding a new subsection to read:

11 (g) Exceptions may be granted to building, housing and related  
12 codes by the planning commission when an applicant for an exception  
13 demonstrates that the exception will result in increased energy effi-  
14 ciency, unless the planning commission determines that the exception  
15 would endanger the health or safety of the public.

16 \* Sec. 4. AS 29.33.090(c) is amended by adding a new paragraph to read:

17 (7) encourage efficiency in the use of energy and the sub-  
18 stitution of energy from renewable sources for energy from fossil fuels.

19 \* Sec. 5. AS 29.48.020 is amended by adding a new paragraph to read:

20 (7) establish or participate in federal and state government  
21 loan programs for housing rehabilitation and improvement for conservation  
22 of energy.

23 \* Sec. 6. AS 29.48.035(14) is amended to read:

24 (14) building, housing and related codes, which may be pro-  
25 vided by cities within cities or, in the manner required in (b) or (c)  
26 of this section, by first or second class boroughs in the borough area  
27 outside cities or areawide, subject to the following: [;]

28 (A) exceptions to requirements of the codes may be made  
29 in the codes among other reasons, in order to provide for the

preservation, maintenance and protection of historic sites, buildings and monuments;

(B) codes may not be used to prohibit or restrict the development or use of solar or wind energy unless the assembly or council finds that the development or use of solar or wind energy would endanger the health or safety of the public;

\* Sec. 7. AS 34.15 is amended by adding a new section to article 1 to read:

Sec. 34.15.145. SOLAR EASEMENT. (a) An easement obtained for the purpose of protecting the exposure of property to the direct rays of the sun must be created in writing and is subject to the recording requirements for other conveyances of real property.

(b) An instrument creating a solar easement must include, but is not limited to,

(1) the vertical and horizontal angles, expressed in degrees, at which the solar easement extends over the real property subject to the solar easement;

(2) any terms or conditions under which the solar easement is granted or under which it will be terminated;

(3) any provisions for compensation of the owner of the property benefiting from the solar easement in the event of interference with the enjoyment of the solar easement, or compensation of the owner of the property subject to the solar easement for maintaining the solar easement.

\* Sec. 8. AS 42.05.711 is amended by adding a new subsection to read:

(f) The provisions of this chapter do not apply to sales, exchanges or gifts of energy to an electric utility certificated under this chapter when the energy which is the subject of the sale, exchange or gift is waste heat, electricity, or other energy which is surplus or the by-

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product of an industrial process. In an area in which no electric utility is certificated for service, energy provided by sale, exchange or gift may be provided to any utility which is certificated for service to that area. A contract for the sale, exchange or gift of energy exempt under this subsection does not make the supplier a public utility, and does not transfer the responsibility to provide utility services from a certificated utility to any other person.

\* Sec. 9. AS 43.20 is amended by adding a new section to read:

Sec. 43.20.037. TRADE OR BUSINESS ENERGY CONSERVATION CREDIT. (a)

A person engaged in a trade or business is allowed as a credit against the tax due under this chapter 35 percent of the cost of

(1) purchasing, constructing, and installing an alternative energy system or an energy conservation improvement; and

(2) the cost of labor for the installation of an alternative energy system or an energy conservation improvement.

(b) The credit granted by (a) of this section is limited to \$5,000.

(c) A credit may not be claimed for an alternative energy system under this section unless the system, when installed, provides

(1) at least 30 percent of the average annual hot water energy needs of the building or structure in which it has been installed; or

(2) at least 10 percent of the average annual thermal, electrical or mechanical energy needs of the building or structure in which it has been installed.

(d) In this section

(1) "alternative energy system"

(A) means a source of thermal, mechanical or electrical energy which is not dependent on oil or gas for the supply of energy for space heating and cooling, refrigeration and cold stor-

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age, electrical power, mechanical power, or the heating of water;

(B) includes

(i) an alternative energy property as defined by sec. 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec. 48(1)-(3)(A));

(ii) a method of architectural design and construction which provides for the collection, storage and use of direct radiation from the sun; and

(iii) any other device approved by the commissioner of commerce and economic development under AS 44.33.040(12);

(2) "energy conservation improvement" means

(A) structural insulation;

(B) thermal windows and doors;

(C) a furnace replacement burner designed to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency;

(D) a device for modifying flue openings designed to increase the efficiency of operation of the heating system;

(E) an electrical or mechanical furnace ignition system which replaces a gas pilot light;

(F) an automatic energy-saving setback thermostat;

(G) a meter which displays the cost of energy usage;

(H) caulking and weatherstripping of doors and windows;

(I) insulating shades and shutters;

(J) air and water recuperators;

(K) any other energy-saving device approved by the commissioner of commerce and economic development under AS 44.33.-040(12).

\* Sec. 10. AS 43.40.100(2) is amended by adding a new subparagraph to

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1 read:

2 (F) fuel which is at least 10 percent alcohol by volume.

3 \* Sec. 11. AS 44.33.040 is amended by adding new paragraphs to read:

4 (12) by regulation,

5 (A) adopt or revise thermal and lighting energy stan-  
6 dards applicable to buildings and structures, except for public  
7 facilities;

8 (B) determine whether a device qualifies as an alter-  
9 native energy system or an energy conservation improvement;

10 (13) direct the development and use of solar energy in the  
11 state;

12 (14) promote the efficient use of energy resources;

13 (15) encourage and aid local programs which promote the effi-  
14 cient use of energy;

15 (16) establish, by regulations adopted in accordance with the  
16 Administrative Procedure Act (AS 44.62), a training and certification  
17 program for persons performing energy audits as defined in AS 46.11.-  
18 900(3);

19 (17) from money appropriated by the legislature,

20 (A) make grants to school districts and regional educa-  
21 tional attendance areas to plan, develop and implement

22 (i) standards for the design, construction and  
23 operation of rural educational facilities;

24 (ii) energy conservation measures for rural educa-  
25 tional facilities;

26 (B) make grants to match grants made by the United  
27 States Department of Energy under the appropriate technology small  
28 grants program for Alaska authorized by Title I of the Department  
29 of Energy Appropriation Authorization Act of 1977, P.L. 95-39 (42

U.S.C. sec. 5907a) and 10 C.F.R. 470.

\* Sec. 12. AS 44.42.020(a) is amended by adding new paragraphs to read:

(14) adopt energy performance standards for public facilities of the state, the construction of which begins after the effective date of this paragraph; the standards shall be based on thermal and lighting energy standards established by the American Society of Heating, Refrigeration and Air Conditioning Engineers as adapted to application in high latitude, cold climate environs;

(15) provide planning assistance, including but not limited to energy audits and related technical services, to school districts and regional educational attendance areas to develop and implement

(A) standards for the design, construction and operation of rural educational facilities; and

(B) energy conservation measures for rural educational facilities.

\* Sec. 13. AS 44.42.055(b)(4)(F) is amended to read:

(F) [THE] relative costs of identified alternatives (life cycle cost analysis) including but not limited to the installation and operation of energy systems which are not dependent on oil or gas for water heating, space heating and cooling requirements, and for the generation of electrical or mechanical power;

\* Sec. 14. AS 44.42 is amended by adding a new section to read:

Sec. 44.42.065. CONSERVATION OF ENERGY IN PUBLIC BUILDINGS. (a) The department shall, as soon as practicable after the effective date of this Act, and at least once every seven years thereafter, perform an energy audit of each public building. A report of the results of the energy audits performed during the preceding year shall be submitted to the legislature not later than February 1 of each year.

(b) The department shall include in the report required in (a) of

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1 this section recommendations for corrective measures to improve the  
2 energy efficiency and to minimize the life-cycle cost of the public  
3 buildings surveyed. These measures may include (1) energy conservation  
4 measures, (2) measures involving solar technology and other alternative  
5 energy systems, (3) energy management, and (4) maintenance and operating  
6 procedures and energy-related modifications. In recommending the cor-  
7 rective measures, the department shall give priority to changes in  
8 maintenance and operating procedures over measures requiring substantial  
9 structural modification or installation of equipment.

10 (c) In this section, "energy audit" means a determination of

11 (1) the energy consumption characteristics of a building,  
12 including the size, type, and rate of energy consumption of major energy  
13 consuming systems of the building and the climate characterizing the  
14 region where the building is located; and

15 (2) a determination of the energy conservation and cost  
16 savings likely to result from appropriate energy-conserving maintenance  
17 and operating procedures and modifications, including the purchase and  
18 installation of energy-related fixtures.

19 \* Sec. 15. AS 44.47.080 is amended to read:

20 Sec. 44.47.080. PLANNING ASSISTANCE TO PLATTING AUTHORITIES. To  
21 facilitate [URBAN] planning in municipalities which exercise planning  
22 and zoning authority [CITIES AND OTHER POLITICAL SUBDIVISIONS], the  
23 department may provide planning assistance, including but not limited to  
24 surveys, land-use studies, urban renewal plans, technical services,  
25 model acts which include regulations designed to encourage development  
26 and use of energy systems not dependent on oil or gas, and other plan-  
27 ning work to a city, borough, or other platting authority. In an area  
28 under the jurisdiction, for planning purposes, of a city, borough, or  
29 other platting authority, the department may not perform the planning

work except at the request or with the consent of the local authority.

\* Sec. 16. AS 44.56.080(13) is amended to read:

(13) to perform reconnaissance studies, feasibility studies, and engineering and design with respect to power projects;

\* Sec. 17. AS 44.56.080 is amended by adding a new paragraph to read:

(16) to recommend to the legislature

(A) the issuance of general obligation bonds of the state to finance the construction of a power project if the authority first determines that the project cannot be financed by revenue bonds of the authority at reasonable rates of interest;

(B) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(C) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(D) an appropriation to the power project fund for a power project;

(E) an appropriation of a part of the income of the renewable resources investment fund for a power project;

(F) development of a project under financing arrangements with other entities using leveraged leases or other financing methods.

\* Sec. 18. AS 44.56.170(a) is amended to read:

(a) There is established as a separate fund the power project [REVOLVING] fund which shall be [ADMINISTERED BY THE AUTHORITY AS A TRUST FUND SEPARATE AND] distinct from any other money or funds of the

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1 authority, and which includes only money appropriated by the legislature  
2 [SHALL BE COMPOSED OF APPROPRIATED FUNDS AND INTEREST EARNED ON LOANS BY  
3 THE FUND].

4 \* Sec. 19. AS 44.56.170(b) is repealed and re-enacted to read:

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

6 (1) to electric utilities, regional electric authorities,  
7 municipalities, cities, boroughs, regional and village corporations,  
8 village councils, and nonprofit marketing cooperatives to pay the costs  
9 of

10 (A) reconnaissance studies, feasibility studies, license  
11 and permit applications, preconstruction engineering, and design of  
12 power projects;

13 (B) constructing, equipping, modifying, improving, and  
14 expanding small-scale power production facilities, conservation  
15 facilities, bulk fuel storage facilities, and transmission and  
16 distribution facilities, including energy production, transmission  
17 and distribution, and waste energy conservation facilities which  
18 depend on fossil fuel, wind power, tidal, geothermal, biomass,  
19 hydroelectric, solar or other non-nuclear energy sources; and

20 (C) reconnaissance studies, preconstruction engineering,  
21 design, construction, equipping, modification, and expansion of  
22 potable water supply including surface storage and groundwater  
23 sources and transmission of water from surface storage to existing  
24 distribution systems;

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

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

28 (B) the party which will be responsible for the power  
29 project is an electric utility, regional electric authority,

1 municipality, city, borough, regional or village corporation,  
2 village council, or nonprofit marketing cooperative; and

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

7 \* Sec. 20. AS 44.56.170(c) is repealed and re-enacted to read:

8 (c) Before making a loan from the power project fund, the authority  
9 shall, by regulation, specify

10 (1) standards for the eligibility of borrowers and the types  
11 of projects to be financed with loans;

12 (2) standards regarding the technical and economic viability  
13 and revenue self-sufficiency of eligible projects;

14 (3) collateral or other security required for loans;

15 (4) the terms and conditions of loans;

16 (5) criteria to establish financial feasibility and to measure  
17 the amount of state assistance necessary for particular projects to meet  
18 the financial feasibility criteria; and

19 (6) other relevant criteria, standards or procedures.

20 \* Sec. 21. AS 44.56.170(e) is amended to read:

21 (e) Repayment of the loans shall be secured in any [SUCH] manner  
22 which [AS] the authority determines is feasible to assure prompt repay-  
23 ment under a loan agreement entered into with the borrower. The author-  
24 ity may make an unsecured loan from the power project fund to a borrower  
25 regulated by the Alaska Public Utilities Commission under AS 42.05 if the  
26 borrower has a substantial history of repaying long-term loans and the  
27 capacity to repay the loan. [THE AUTHORITY MAY FORGIVE REPAYMENTS OF  
28 LOANS MADE FOR RECONNAISSANCE STUDIES IF THE STUDY SHOWS THAT A PROJECT  
29 IS NOT FEASIBLE.] Under a loan agreement, repayment may be deferred for

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1 10 years or until the project for which the loan is made has achieved  
2 earnings from its operations sufficient to pay the loan, whichever is  
3 earlier.

4 \* Sec. 22. AS 44.56.170(f) is repealed and re-enacted to read:

5 (f) Power projects are subject to the following limitations on  
6 interest and specific restrictions:

7 (1) Power projects for which loans are outstanding from the  
8 water resources revolving loan fund (AS 45.86) on July 13, 1978, may  
9 receive additional financing from the power project fund; the additional  
10 financing, if granted,

11 (A) shall be granted for a term not exceeding 50 years;

12 (B) shall be granted at an interest rate of not less  
13 than three or more than five percent a year on the unpaid balance;

14 (C) shall be conditioned on the repayment of loan princi-  
15 pal and interest to begin on the earlier of

16 (i) the date of the start of commercial operation  
17 of the project; or

18 (ii) 10 years from the date the loan is granted.

19 (2) Loans for power projects

20 (A) shall be granted for a term not to exceed 50 years;  
21 and

22 (B) shall be granted at an interest rate which is not  
23 less than five percent and which is the lesser of

24 (i) a rate equal to the percentage which is the  
25 average weekly yield of municipal bonds for the 12 months preceding  
26 the date of the loan, as determined by the authority from municipal  
27 bond yield rates reported in the 30-year revenue index of the  
28 Weekly Bond Buyer; or

29 (ii) a rate determined by the authority which allows

1 the project to meet criteria of financial feasibility established  
2 under AS 44.56.170(c).

3 \* Sec. 23. AS 44.56.170 is amended by adding new subsections to read:

4 (g) Loan repayments and interest earned by loans from the power  
5 project fund shall be deposited in the state general fund.

6 (h) The legislature may forgive the repayment of a loan made from  
7 the power project fund for a reconnaissance study or a feasibility study  
8 when the authority finds that the power project for which the loan was  
9 made is not feasible.

10 \* Sec. 24. AS 44.56 is amended by adding new sections in article 5 to  
11 read:

12 Sec. 44.56.177. RECONNAISSANCE STUDY. (a) To identify power  
13 project alternatives for a community, the authority shall, after consul-  
14 tation with other state agencies and after review of information on  
15 alternative sources of power, complete a reconnaissance study for each  
16 proposed new power project.

17 (b) A reconnaissance study shall

18 (1) survey all power sources available to the community and  
19 adjacent area and evaluate the relative economic merits of alternative  
20 sources of power;

21 (2) include an assessment of the effect of the development of  
22 alternative sources of power on the environment so as to assure that  
23 there is no adverse effect to the environment which would make the  
24 project inadvisable;

25 (3) include public comment from residents of the community  
26 and adjacent area.

27 (c) The authority, in consultation with the division of budget and  
28 management, shall adopt regulations defining

29 (1) the methods which it shall apply to determine that the

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1 information required by (b) of this section is obtained; and

2 (2) standard criteria and measures for comparative analysis  
3 of alternative power sources.

4 Sec. 44.56.179. REVIEW OF RECONNAISSANCE STUDY BY DIVISION OF  
5 BUDGET AND MANAGEMENT. (a) The division of budget and management in  
6 the Office of the Governor shall review reconnaissance studies for  
7 proposed projects of the authority.

8 (b) The review shall examine each reconnaissance study for compli-  
9 ance with the requirements of AS 44.56.177(b) and (c). The division of  
10 budget and management may approve or disapprove a reconnaissance study.  
11 If the division of budget and management disapproves of a reconnaissance  
12 study, it shall return the reconnaissance study to the authority together  
13 with a comprehensive statement of the reasons for its disapproval. The  
14 authority may amend the portions of the reconnaissance study which the  
15 division of budget and management identifies as deficient and resubmit  
16 the reconnaissance study to the division of budget and management for  
17 reconsideration.

18 (c) For purposes of this section, a power project is approved if  
19 the reconnaissance study for the project has not been disapproved by the  
20 division of budget and management within 30 days of submission of the  
21 reconnaissance study for the project to it by the authority.

22 Sec. 44.56.181. FEASIBILITY STUDY AND FINANCE PLAN. (a) Unless  
23 the reconnaissance study has been disapproved by the division of budget  
24 and management under AS 44.56.179, the authority shall complete a feasi-  
25 bility study and plan of finance for each proposed project.

26 (b) A feasibility study shall include

27 (1) information about the proposed project, including but not  
28 limited to estimates of total project construction costs, total project  
29 operating costs, the timing and amount of anticipated returns from the

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1 completed project, a benefit-to-cost ratio, the potential effect of the  
2 project on the environment of the area which will be served by the  
3 project when completed, and the availability of alternative government  
4 financing;

5 (2) a statement of all assumptions which affect the economic  
6 feasibility of the project, including but not limited to the discount  
7 rate and interest rate of amounts of money to be used for the project,  
8 anticipated fuel prices, an escalation rate, state and local electric  
9 load growth, and estimates of indirect costs and benefits;

10 (3) a comparative analysis of all reasonable alternatives to  
11 construction of the proposed project; and

12 (4) information based on engineering and design work which  
13 meets the requirements for submission of a license application for the  
14 project to the Federal Energy Regulatory Commission.

15 (c) The plan of finance shall include recommendations of the most  
16 appropriate means to finance a project, including, but not limited to,

17 (1) the issuance of revenue bonds of the authority;

18 (2) the issuance of

19 (A) general obligation bonds of the state; or

20 (B) revenue bonds of the authority which are guaranteed  
21 or partially guaranteed by the state;

22 (3) an appropriation from the general fund

23 (A) to pay debt service on bonds or for other project  
24 purposes; or

25 (B) to reduce the amount of debt financing for the  
26 project;

27 (4) a loan from the general fund;

28 (5) financing arrangements with other entities using lever-  
29 aged leases or other financing methods;

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1 (6) assistance from any federal agency, including, but not  
2 limited to, the Rural Electrification Administration;

3 (7) a loan from the power project fund (AS 44.56.170(a)), or  
4 from the renewable resources investment fund (AS 37.11.050); or

5 (8) any combination of financing arrangements listed in this  
6 subsection.

7 (d) When financial assistance from the state is necessary for a  
8 project to meet financial feasibility criteria, the plan of finance  
9 shall include an estimate of the minimum amount of financial assistance  
10 required from the state. The plan of finance shall include an estimate  
11 of the present value of the financial assistance from the state, computed  
12 as the difference between

13 (1) a market rate of interest, which is

14 (A) the rate determined under AS 44.56.170(f)(2)(B)(i);

15 or

16 (B) the estimated interest rate for revenue bonds to be  
17 issued by the authority for the project; and

18 (2) the effective rate of interest because of state financial  
19 assistance provided.

20 (e) The authority, in consultation with the division of budget and  
21 management, shall adopt regulations defining

22 (1) the techniques which it shall apply to determine that the  
23 information required by (b) - (d) of this section is obtained; and

24 (2) standard criteria and measures for comparative analysis  
25 of alternative financing arrangements.

26 Sec. 44.56.183. REVIEW OF FEASIBILITY STUDIES AND PLANS OF FINANCE  
27 BY DIVISION OF BUDGET AND MANAGEMENT. (a) The division of budget and  
28 management in the Office of the Governor shall review the feasibility  
29 study and plan of finance for a project of the authority for compliance

1 with the provisions of AS 44.56.181(b) - (d).

2 (b) In its review under this section, the division of budget and  
3 management may obtain an independent evaluation of a feasibility study  
4 and plan of finance to determine compliance with the provisions of  
5 AS 44.56.181(b) - (d).

6 (c) When the division of budget and management has completed a  
7 review of the feasibility study and the plan of finance for a project  
8 under this section, it shall submit a report to the governor. The  
9 report shall examine the feasibility study and plan of finance for  
0 compliance with the requirements of AS 44.56.181(b) - (d). The report  
1 of the division of budget and management shall include a recommendation  
2 to the governor and legislature for approval or disapproval of the pro-  
3 ject based on the division's review of the feasibility study and plan  
4 of finance for compliance with the requirements of AS 44.56.181(b) -  
5 (d).

6 (d) The report required by (c) of this section shall be prepared  
7 and submitted not later than 60 days after the feasibility study and  
8 plan of finance for a proposed project have been received by the  
9 division of budget and management.

0 Sec. 44.56.185. SUBMISSION TO THE LEGISLATURE. (a) The authority  
1 shall submit a feasibility study and plan of finance for a proposed new  
2 project to the legislature. When the report of the division of budget  
3 and management examining the feasibility study and plan of finance is  
4 completed as required by AS 44.56.183, it shall be submitted to the  
5 legislature.

6 (b) The authority may not proceed with work on the engineering or  
7 design phase of a proposed new project for which legislative approval is  
8 required until the legislature approves the proposed new project.  
9 However, the authority may proceed with the engineering or design work

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1 necessary to meet the requirements for submission of a license applica-  
2 tion for the proposed new project to the Federal Energy Regulatory  
3 Commission without obtaining legislative approval of the proposed new  
4 project.

5 (c) The legislature shall consider and must approve all proposed  
6 new projects except proposed new projects that are exempt under AS 44.-  
7 56.187. The legislature may approve a proposed new project only by  
8 enacting law authorizing that project.

9 Sec. 44.56.187. APPLICABILITY OF SECTIONS. (a) The provisions of  
10 AS 44.56.177 - 44.56.185 and 44.56.189 apply only to a proposed new  
11 project which

12 (1) requires an appropriation from the state general fund,  
13 from the power project fund, or from the renewable resources investment  
14 fund and the appropriation exceeds

15 (A) \$3,000,000, for projects for which legislative  
16 approval is sought during 1981;

17 (B) \$3,000,000 multiplied by a factor equal to a ratio  
18 determined by dividing the construction cost index of the Engineer-  
19 ing News Record determined for January of the year during which a  
20 project is submitted for legislative approval, by the construction  
21 cost index of the Engineering News Record for March, 1980, for  
22 projects for which legislative approval is sought after December 31,  
23 1981; or

24 (2) is based on a plan of finance which requires the issuance  
25 of general obligation bonds or other pledge of the credit of the state.

26 (b) The provisions of AS 44.56.177 - 44.56.185 and 44.56.189 apply  
27 to a project which generates more than 25 megawatts of power for which  
28 the authority will issue its revenue bonds for costs of construction.

29 (c) The provisions of AS 44.56.177 - 44.56.183 do not apply when a

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1 reconnaissance study and a feasibility study for a proposed new project  
2 have been prepared by an agency of the federal government, if the  
3 authority determines that the reconnaissance study and the feasibility  
4 study prepared by the agency of the federal government provide informa-  
5 tion sufficient to permit the authority to finance and construct the  
6 proposed new project in accordance with the requirements of this chapter.  
7 When a reconnaissance study and feasibility study are prepared for a  
8 proposed new project by an agency of the federal government and the  
9 authority proposes to finance and construct the proposed new project,  
0 the authority shall provide copies of the studies and a proposed plan of  
1 finance to the division of budget and management in the Office of the  
2 Governor. The division of budget and management shall review the  
3 studies and plan of finance. Within 60 days after its receipt of the  
4 studies and plan of finance, the division of budget and management shall  
5 submit a report to the governor and legislature. The report shall  
6 examine the feasibility study and plan of finance and comment upon  
7 compliance of the feasibility study and plan of finance with the re-  
8 quirements of AS 44.56.181. Approval of the legislature under AS 44.56.-  
9 185 is required for a proposed new project which is exempt from the  
0 requirements of AS 44.56.177 - 44.56.183 under this subsection. The  
1 authority may not proceed with engineering or design work for a project  
2 until legislative approval of the project has been given under AS 44.-  
3 56.185(c), except that the authority may undertake engineering or design  
4 work necessary to submit a license application for the project to the  
5 Federal Energy Regulatory Commission without first obtaining legislative  
6 approval of the project.

7 (d) The provisions of AS 44.56.177 - 44.56.185 do not apply to

8 (1) an addition, modification, repair, reconstruction, de-  
9 sign, acquisition or construction for the purpose of completing a pro-

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1       ject;

2                   (2) the construction of an electrical transmission or dis-  
3       tribution facility which is estimated to cost less than \$3,000,000.

4           Sec. 44.56.189. PROJECT CONSTRUCTION. If a new project is to be  
5       designed, acquired and constructed by the authority, it shall be de-  
6       signed, acquired and constructed as a public work of the state. For  
7       the purpose of this section and AS 44.56.187 a new project does not  
8       include

9                   (1) an addition or modification to an existing project unless  
10       the total cost of the addition or modification exceeds \$1,000,000;

11                   (2) repair or reconstruction of a project; or

12                   (3) design, acquisition or construction necessary to complete  
13       a project for which bonds have been issued.

14           Sec. 44.56.191. LIMITATIONS ON ISSUANCE OF BONDS BY THE AUTHORITY.  
15       The authority may not issue bonds except after 60 days notification of  
16       its intent to issue bonds is given to the governor and to the legisla-  
17       ture, if the legislature is in session, or to the Legislative Budget and  
18       Audit Committee, if the legislature is not in session.

19           Sec. 44.56.195. OPERATION OF PROJECTS. (a) When a project is  
20       operated by the authority, the authority shall enter into one or more  
21       contracts for the sale of electrical power from the project. A contract  
22       entered into under this section shall meet all requirements of AS 44.-  
23       56.090.

24                   (b) If, at the expiration of a contract entered into by the autho-  
25       rity under (a) of this section, revenues earned by the authority under  
26       the contract exceed expenses of the authority for the project, an amount  
27       equal to the excess shall be used by the authority to reduce rates or  
28       improve services to consumers served by the power project.

29       \* Sec. 25. AS 44.56.224 is repealed and re-enacted to read:

1           Sec. 44.56.224. LONG-TERM ENERGY PLAN. The Department of Commerce  
2 and Economic Development, assisted by the authority, shall, after public  
3 hearings, prepare and annually revise a long-term energy plan. The  
4 plan, and its annual revisions, shall be submitted to the commissioners  
5 of the departments of the executive branch of the government for review  
6 and to the governor for his approval. After approval, the plan shall be  
7 submitted to the legislature not later than February 1 of each year.  
8 The plan, and its annual revisions, shall include

9           (1) an "end-use" study examining and reporting on the nature  
10 and amount of energy used and the purpose of its use; and

11           (2) an energy development component for meeting projected  
12 thermal, electrical and transportation energy needs in the state at the  
13 lowest reasonable cost, including environmental and social costs, con-  
14 sistent with acceptable standards of reliability, giving an equal con-  
15 sideration as practicable to all types of energy sources (except those  
16 based on nuclear fuels) which are technologically feasible, and which  
17 promote the efficient use of facilities and fuels consistent with energy  
18 conservation goals, and the considerations specified in AS 44.56.180(e);

19           (3) an energy conservation component, including but not  
20 limited to,

21           (A) conservation goals for reducing consumption of  
22 energy, identifying the region for which applicable, and the source  
23 or type of energy to which the goals are applicable; and

24           (B) specific methods and means for achieving the goals  
25 of (A) of this paragraph;

26           (4) a component for emergency energy conservation measures  
27 applicable during times of emergency; and

28           (5) a report on areas or subjects of research and development  
29 and demonstration projects involving alternative energy systems, local

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energy sources, and energy conservation.

\* Sec. 26. AS 44.56.230(7) is repealed and re-enacted to read:

(7) "reconnaissance study" means a study conducted for the purpose of assessing the present and future power needs of an area under AS 44.56.177;

\* Sec. 27. AS 44.56.230 is amended by adding new paragraphs to read:

(8) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project under AS 44.56.181;

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

(9) "small-scale power production facility" means a facility which, by design, is to produce less than 25 megawatts of power.

\* Sec. 28. AS 45.88.010 is amended to read:

Sec. 45.88.010. FUND ESTABLISHED. There is established in the Department of Commerce and Economic Development the alternative technology and energy [POWER RESOURCE] revolving loan fund to carry out the purposes of this chapter. Loans made under this chapter may be used

(1) to develop means of energy production utilizing energy sources other than fossil or nuclear fuel, including, but not limited to, windmills, water and solar energy [POWER] devices; and

(2) [. IN ADDITION, LOANS MADE UNDER THIS CHAPTER MAY BE USED] to develop and implement methods of energy production, waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, less costly, and less energy intensive than those methods presently utilized and which are appropriate to the Alaska environment [THE FUND MAY BE USED FOR NO

OTHER PURPOSES].

\* Sec. 29. AS 45.88.020(a)(1) is amended to read:

(1) make loans for the purchase, construction, and installation of alternative energy systems [POWER RESOURCES] and for the development and implementation of more efficient, less costly, less energy intensive, and more appropriate technologies;

\* Sec. 30. AS 45.88.030(a) is amended to read:

(a) A loan for the development of an alternative energy system [POWER RESOURCE] or for the development or implementation of a northern technology under this chapter may not exceed \$10,000.

\* Sec. 31. AS 45.88.030(c) is amended to read:

(c) Loans made under this chapter may be used to finance [NO MORE THAN 50 PERCENT OF]

(1) the cost of purchase, construction, and installation of an [THE] alternative energy system which is likely to result in energy conservation or energy cost savings; [POWER RESOURCE] or

(2) the development and implementation of methods of [ENERGY PRODUCTION,] waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, less costly, and less energy intensive than those methods presently utilized and which are appropriate to the Alaska environment.

\* Sec. 32. AS 45.88.030(d) is amended to read:

(d) All principal and interest payments on loans made under this chapter shall be paid into the alternative technology and energy [POWER RESOURCE] revolving loan fund.

\* Sec. 33. AS 45.88.030(e) is amended to read:

(e) The rate of interest

(1) for a loan, other than a loan described in (2) of this subsection, may not exceed nine and one-half percent a year on the

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1 unpaid balance of the loan;

2 (2) for a loan the proceeds of which are used for an alter-  
3 native energy system

4 (A) is five percent, if the loan is made before  
5 January 1, 1984;

6 (B) equals the percentage of the average weekly yield  
7 of municipal bonds for the 12 months preceding the loan, as deter-  
8 mined by the commissioner of commerce and economic development  
9 from municipal bond yield rates reported in the 30-year revenue  
10 index of the Weekly Bond Buyer, for a loan made after December 31,  
11 1983.

12 \* Sec. 34. AS 45.88 is amended by adding a new section to read:

13 Sec. 45.88.050. DEFINITIONS. In this chapter, "alternative energy  
14 system"

15 (1) means a source of thermal, mechanical or electrical  
16 energy which is not dependent on oil or gas or a nuclear fuel for the  
17 supply of energy for space heating and cooling, refrigeration and cold  
18 storage, electrical power, mechanical power, or the heating of water;

19 (2) includes

20 (A) an alternative energy property as defined by sec.  
21 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec. 48(1)-  
22 (3)(A));

23 (B) a method of architectural design and construction  
24 which provides for the collection, storage and use of direct radia-  
25 tion from the sun; and

26 (C) any other device approved by the commissioner of  
27 commerce and economic development under AS 44.33.040(12).

28 \* Sec. 35. AS 45 is amended by adding a new chapter to read:

29 CHAPTER 89. RESIDENTIAL ENERGY CONSERVATION FUND.

1           Sec. 45.89.010. FUND ESTABLISHED. There is established in the  
2 Department of Commerce and Economic Development the residential energy  
3 conservation fund to carry out the purposes of this chapter. Refunds,  
4 grants and loans made under this chapter may be used to purchase, con-  
5 struct, and install an energy conservation improvement in residential  
6 buildings. The fund may be used for no other purpose.

7           Sec. 45.89.020. REFUNDS AND GRANTS. (a) The department may make  
8 refunds or grants for the purchase, construction, and installation of an  
9 energy conservation improvement in a residential building if the person  
10 applying for a refund or grant demonstrates, on the basis of an energy  
11 audit, that the expenditures of the refund or grant for the purchase,  
12 construction or installation of the energy conservation improvement  
13 would be exceeded by reduced energy costs attributable to the purchase,  
14 construction or installation of the energy conservation improvement  
15 within seven years.

16           (b) A refund or grant made under this section may not exceed

17                 (1) \$300 for a single-family dwelling; or

18                 (2) \$200 for each unit in a multi-unit residential building.

19           (c) The department

20                 (1) shall establish simple procedures for the payment of a  
21 refund to an applicant within 30 days of submission to the department of  
22 an application by the applicant, if the application is supported by  
23 receipts for expenditures which comply with the results of an energy  
24 audit;

25                 (2) may establish procedures for the payment of a grant to an  
26 applicant before the purchase, construction or installation of an energy  
27 conservation improvement.

28           Sec. 45.89.030. LOANS. (a) The department may make loans for the  
29 purchase, construction, and installation of an energy conservation

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1 improvement in a residential building.

2 (b) A loan for the purchase, construction, and installation of an  
3 energy conservation improvement under this chapter may not exceed the  
4 lesser of

5 (1) an amount, as determined by an energy audit, which is  
6 equal to the estimated total energy cost saving attributable to the  
7 energy conservation improvement at a date which is 10 years after pur-  
8 chase, construction, or installation of the energy conservation im-  
9 provement; or

10 (2) \$5,000.

11 (c) A loan for the purchase, construction, and installation of an  
12 energy conservation improvement under this chapter may be made for only  
13 an energy conservation improvement which has been recommended, in an  
14 energy audit, as a measure which is likely to result in energy conserva-  
15 tion or energy cost savings.

16 (d) A loan made under this chapter may be used to finance

17 (1) all of the cost of purchasing, constructing, and install-  
18 ing an energy conservation improvement; and

19 (2) the costs of labor for the installation of an energy  
20 conservation improvement.

21 (e) Interest shall be charged on a loan made under this chapter.  
22 If a loan is made before January 1, 1984, interest shall be five  
23 percent. If the loan is made after December 31, 1983, interest shall  
24 equal the percentage of the average weekly yield of municipal bonds for  
25 the 12 months preceding the loan, as determined by the commissioner from  
26 the municipal bond yield rates reported in the 30-year revenue index of  
27 the Weekly Bond Buyer.

28 (f) The duration of repayment of a loan made under this chapter  
29 may not exceed 10 years.

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1 (g) The department may require security for a loan under this  
2 section. When a loan is made under this section, the department may  
3 require the loan applicant to present copies of invoices or billings for  
4 expenses which the proceeds of the loan will be used to pay.

5 (h) Amounts repaid on a loan made under this section shall be  
6 deposited to the residential energy conservation fund.

7 (i) A person who receives a loan under this section and knowingly  
8 uses the loan proceeds for purposes other than those set out in (d) of  
9 this section is guilty of the crime of misapplication of property under  
10 AS 11.46.620.

11 Sec. 45.89.040. SALE OR TRANSFER OF MORTGAGES AND NOTES. The  
12 commissioner may sell or transfer at par value or at a premium or dis-  
13 count to any bank or other private purchaser for cash or other con-  
14 sideration the mortgages and notes held by the department as security  
15 for loans made under this chapter.

16 Sec. 45.89.100. DEFINITIONS. In this chapter

17 (1) "commissioner" means the commissioner of commerce and  
18 economic development;

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

21 (3) "energy audit" means

22 (A) an energy audit completed under AS 46.11.030;

23 (B) an energy audit performed under sec. 215(b)(1)(A) of  
24 the federal residential energy conservation program of the National  
25 Energy Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)); or

26 (C) an energy audit completed before the effective date  
27 of this section which has been approved by the commissioner as an  
28 audit which fairly demonstrates the energy consumption character-  
29 istics of a residence and which indicates likely energy conser-

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1 vation and cost savings measures;

2 (4) "energy conservation improvement" means

3 (A) structural insulation;

4 (B) thermal windows and doors;

5 (C) a furnace replacement burner designed to achieve a  
6 reduction in the amount of fuel consumed as a result of increased  
7 combustion efficiency;

8 (D) a device for modifying flue openings designed to  
9 increase the efficiency of operation of the heating system;

10 (E) an electrical or mechanical furnace ignition system  
11 which replaces a gas pilot light;

12 (F) an automatic energy-saving setback thermostat;

13 (G) a meter which displays the cost of energy usage;

14 (H) caulking and weatherstripping of doors and windows;

15 (I) insulating shades and shutters;

16 (J) air and water recuperators;

17 (K) any other energy-saving device approved by the  
18 commissioner of commerce and economic development under AS 44.33.-  
19 040(12).

20 \* Sec. 36. AS 46 is amended by adding a new chapter to read:

21 TITLE 46. WATER, AIR, ENERGY, AND ENVIRONMENTAL CONSERVATION.

22 CHAPTER 11. CONSERVATION OF ENERGY AND MATERIALS.

23 Sec. 46.11.010. THERMAL AND LIGHTING ENERGY STANDARDS FOR PUBLIC  
24 BUILDINGS. (a) All public facilities of the state, the construction of  
25 which begins after the effective date of this Act, shall be designed to  
26 comply with the thermal and lighting energy standards adopted by the  
27 Department of Transportation and Public Facilities under AS 44.42.-  
28 020(a)(14).

29 (b) By June 30, 1988, all public facilities of the state existing

1 on the effective date of this Act shall be modified, to the extent  
2 economically feasible, to comply with the thermal and lighting energy  
3 standards adopted by the Department of Transportation and Public Facili-  
4 ties under AS 44.42.020(a)(14).

5 Sec. 46.11.020. TRAINING OF PUBLIC BUILDING MAINTENANCE PERSONNEL.  
6 Persons responsible for the maintenance of public buildings designed  
7 with energy conservation or production features shall be trained by the  
8 department in the use and operation of those features.

9 Sec. 46.11.030. ENERGY AUDITS. (a) The Department of Commerce  
0 and Economic Development shall

1 (1) establish criteria for the performance of energy audits  
2 of commercial and industrial buildings located in the state;

3 (2) establish criteria for the performance of energy audits  
4 of residences located in the state;

5 (3) develop a program by which to advise persons certified  
6 under AS 44.33.040(16) to perform energy audits of contracts to be  
7 awarded for performance of energy audits.

8 (b) The commissioner of commerce and economic development may  
9 contract with persons certified under AS 44.33.040(16) to perform energy  
0 audits. The commissioner of commerce and economic development may  
1 negotiate contracts or make contracts on the basis of competitive  
2 bids.

3 (c) The department may contract with a municipality for the per-  
4 formance of energy audits in the municipality.

5 (d) A person requesting an energy audit is required to pay for the  
6 audit. The fee for an audit of a one- or two-family residence is \$10.  
7 The fee for an audit of other residences or of a commercial or indus-  
8 trial building shall be established by regulations adopted, in accord-  
9 ance with the Administrative Procedure Act (AS 44.62), by the commis-  
0

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1 sioner of commerce and economic development.

2 (e) The department shall reimburse persons performing energy  
3 audits in the state for the cost, in excess of fees received, of per-  
4 forming energy audits. In this subsection "cost" includes administra-  
5 tive cost.

6 Sec. 46.11.040. APPLICABILITY OF THERMAL AND LIGHTING ENERGY STAN-  
7 DARDS TO PRIVATE BUILDINGS. State financial assistance may not be ap-  
8 proved or granted for the construction of a new residential or com-  
9 mercial building if construction of the building begins after  
10 December 31, 1980, unless

11 (1) the building is in compliance with thermal and lighting  
12 energy standards;

13 (2) the building is in compliance with the building code of a  
14 municipality and the municipal building code meets or exceeds the ther-  
15 mal and lighting energy standards;

16 (3) the building

17 (A) is constructed under an exception to the municipal  
18 building code granted under AS 29.33.080(g); or

19 (B) is located or is to be located in an area where  
20 thermal and lighting energy standards are not justified because of  
21 the high cost of implementation of the standards, as determined  
22 under regulations adopted by the commissioner of commerce and  
23 economic development; or

24 (4) the applicant agrees, in writing, that the building will  
25 be brought into compliance with thermal and lighting energy standards  
26 within one year of conveyance.

27 Sec. 46.11.050. FINANCING OF ENERGY EFFICIENT HOMES AND BUILDINGS.

28 (a) After December 31, 1980, a financial institution shall take into  
29 consideration the economic benefits of alternative energy systems, life-

1 cycle energy costs, energy efficient building design, and energy conser-  
2 vation when financing homes and buildings with state financial assist-  
3 ance.

4 (b) After December 31, 1980, a financial institution that makes  
5 home mortgage loans with money provided to it by the commissioner  
6 of revenue from surplus state general fund investments authorized  
7 by AS 37.10.070, or a state agency which makes a direct home mortgage  
8 loan to an applicant, shall include estimated heating and lighting  
9 costs as determined by an energy audit in standard principal, interest,  
10 taxes and insurance calculation of the cost of buying a housing  
11 unit. An applicant for a home mortgage loan shall provide the  
12 financial institution or the state agency with a copy of an energy  
13 audit.

14 Sec. 46.11.060. RECYCLING OF MATERIALS BY STATE AGENCIES. (a)  
15 Each state agency shall to the greatest extent practicable recycle  
16 reusable materials, including but not limited to, paper, glass, and  
17 cans.

18 (b) The Department of Environmental Conservation shall encourage,  
19 through cooperative means, the adoption of all available and practicable  
20 methods throughout federal, state and local governments which recycle,  
21 reuse and conserve materials.

22 Sec. 46.11.900. DEFINITIONS. In this chapter

23 (1) "alternative energy system"

24 (A) means a source of thermal, mechanical or electrical  
25 energy which is not dependent on oil or gas or a nuclear fuel for  
26 the supply of energy for space heating and cooling, refrigeration  
27 and cold storage, electrical power, mechanical power, or the  
28 heating of water;

29 (B) includes

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1 (i) an alternative energy property as defined by  
2 sec. 48(1)(3)(A) of the Internal Revenue Code (26 U.S.C. sec.  
3 48(1)(3)(A));

4 (ii) a method of architectural design and construc-  
5 tion which provides for the collection, storage and use of direct  
6 radiation from the sun; and

7 (iii) any other device approved by the commissioner  
8 of commerce and economic development under AS 44.33.040(12);

9 (2) "department" means the Department of Commerce and Econo-  
10 mic Development;

11 (3) "energy audit" means a determination and written summary  
12 prepared under AS 46.11.030 or sec. 215(b)(1)(A) of the National Energy  
13 Conservation Policy Act (42 U.S.C. 8216(b)(1)(A)) of

14 (A) the energy consumption characteristics of a build-  
15 ing, including the size, type, and rate of energy consumption of  
16 major energy consuming systems of the building and the climate  
17 characterizing the region where the building is located; and

18 (B) the energy conservation and cost savings likely to  
19 result from appropriate energy-conserving maintenance and operating  
20 procedures and modifications, including the purchase and installa-  
21 tion of energy-related fixtures; for purposes of this subparagraph  
22 when a fossil fuel is the energy source, the energy cost savings  
23 shall be determined with reference to the projected price of that  
24 fossil fuel over a 10-year period;

25 (4) "financial institution" means a bank, trust company,  
26 savings bank, savings and loan association, or credit union;

27 (5) "life-cycle cost" means the total cost of owning, oper-  
28 ating, and maintaining a building over its useful life, including its  
29 energy and fuel costs, determined on a basis of a systematic evaluation

and comparison of alternative building systems, except that in the case of leased buildings the life-cycle cost shall be calculated over the effective remaining term of the lease:

(6) "new building" means a building the construction of which begins after December 31, 1980;

(7) "public building" means a building owned or controlled and held by the state for government or public use;

(8) "state financial assistance" means a loan, grant, guarantee, insurance, payment, rebate, subsidy, or other form of state assistance (other than aid under AS 43.18) including the purchase by a state agency of a loan to finance the construction of a new residential, commercial, or industrial building;

(9) "thermal and lighting energy standards" means the thermal and lighting energy standards established by the American Society of Heating, Refrigeration, and Air Conditioning Engineers as revised

(A) by the commissioner of transportation and public facilities under AS 44.42.020(a) for public facilities; or

(B) by the commissioner of commerce and economic development under AS 44.33.040(12) for buildings and structures which are not public facilities.

\* Sec. 37. AS 44.19 is amended by adding a new section to read:

ARTICLE 3A. DISASTER AND EMERGENCY RELIEF FUNDS [FUND].

Sec. 44.19.179. FUEL EMERGENCY FUND. There is established in the Office of the Governor the fuel emergency fund. When the governor determines that a shortage of fuel is sufficiently severe to justify state assistance he may make a grant from the fuel emergency fund to a city or borough, or to a village or unincorporated community, to purchase emergency supplies of fuel.

\* Sec. 38. AS 44.47.130 is amended by adding new paragraphs to read:

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(7) make grants to communities for bulk fuel storage facilities;

(8) cooperate with the Department of Environmental Conservation and other agencies to provide technical assistance to communities in the installation, operation and management of bulk fuel storage facilities.

\* Sec. 39. AS 44.47.140 is amended to read:

Sec. 44.47.140. LIMITATIONS. A program [THE PROGRAMS] of the department under AS 44.47.130 in a rural area [ARE SUBJECT TO THE FOLLOWING LIMITATIONS:

(1) NO PROGRAM FOR ANY ONE COMMUNITY] may not exceed \$40,000 in cost a year, except that a grant of not more than \$60,000 may be made under AS 44.47.145 for a bulk fuel storage facility [; AND

(2) NO FIRST CLASS CITY OF OVER 2,000 POPULATION IS ELIGIBLE FOR ASSISTANCE].

\* Sec. 40. AS 44.47 is amended by adding a new section to read:

Sec. 44.47.145. BULK FUEL STORAGE FACILITIES GRANT FUND. (a)

There is established in the Department of Community and Regional Affairs the bulk fuel storage facilities grant fund. Grants may be made by the department from this fund to a community to acquire and install community bulk storage facilities.

(b) Grants made under this section for the acquisition and installation of a bulk fuel storage facility may not exceed \$60,000 per community.

(c) If the governing body of two or more communities determine that their fuel requirements may be served by a single bulk fuel storage facility, the communities may jointly apply for grants to acquire and install a single bulk fuel storage facility. When communities apply jointly under this subsection, the limitation in (b) of this section is

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multiplied by the number of communities which submit the joint application.

(d) Before a grant is made under this section, the city council or, if the community is not incorporated, a responsible representative body in the community shall agree in writing to maintain and operate the bulk storage facility to be constructed with the proceeds of the grant.

\* Sec. 41. AS 45 is amended by adding a new chapter to read:

CHAPTER 87. BULK FUEL.

Sec. 45.87.010. BULK FUEL REVOLVING LOAN FUND ESTABLISHED. There is established in the Department of Commerce and Economic Development the bulk fuel revolving loan fund to assist communities in purchasing bulk fuel. A community, or a private individual who has written endorsement from the governing body of the community, is eligible for a loan from the bulk fuel revolving loan fund for a bulk fuel purchase.

Sec. 45.87.020. LOAN TERMS FOR BULK FUEL PURCHASES. (a) Loans made from the bulk fuel revolving loan fund to one borrower in any fiscal year

(1) may not exceed \$50,000;

(2) shall be repaid in one year or less; and

(3) may not exceed 90 percent of the wholesale price of the fuel purchased.

(b) Interest may be charged on a loan made from the bulk fuel revolving loan fund. Interest shall be charged on a loan at a rate equal to the percentage of the average weekly yield of municipal bonds for the 12 months preceding the date of the loan, as determined by the commissioner of commerce and economic development from municipal bond yield rates reported in the 30-year revenue index of the Weekly Bond Buyer. However, if the commissioner finds that a community cannot afford to repay a portion of interest on a loan, and makes a deter-

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1 mination in writing, he may reduce or eliminate the interest rate appli-  
2 cable to the loan.

3 (c) Repayments of the principal on a loan from the bulk fuel  
4 revolving loan fund shall be paid by the commissioner of commerce and  
5 economic development into the bulk fuel revolving loan fund.

6 Sec. 45.87.030. POWERS OF THE DEPARTMENT. The department may  
7 contract for the administration of the bulk fuel loan program estab-  
8 lished in this chapter.

9 Sec. 45.87.040. DEFINITIONS. In this chapter

10 (1) "bulk fuel storage facility" means a storage tank capable  
11 of holding at least 10,000 gallons of petroleum fuels;

12 (2) "community" means an organized municipality or an unin-  
13 corporated village which is a social unit, with a population under  
14 2,000;

15 (3) "department" means the Department of Commerce and Eco-  
16 nomic Development.

17 \* Sec. 42. AS 44.56 is amended by adding new sections to read:

18 ARTICLE 3A. POWER PRODUCTION COST ASSISTANCE.

19 Sec. 44.56.162. POWER PRODUCTION COST ASSISTANCE. (a) There is  
20 established as a separate fund to provide financial assistance to eli-  
21 gible electric utilities in the state, the power production cost assist-  
22 ance fund which shall be administered by the authority as a fund  
23 distinct from other funds of the authority and which is composed of  
24 money appropriated for the purpose of providing power production cost  
25 assistance to an eligible electric utility.

26 (b) Power production costs which may be paid from the power pro-  
27 duction cost assistance fund include

28 (1) production expenses for generating electricity, consist-  
29 ing of the costs of

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- (A) operation supervision and engineering;
- (B) fuel, oil, gas, coal, and other thermal fuels;
- (C) generation expenses;
- (D) miscellaneous other power generation expenses;
- (E) rents;
- (F) maintenance supervision and engineering;
- (G) maintenance of structures;
- (H) maintenance of generating and electric plant; and
- (I) maintenance of miscellaneous other power generation;

(2) fixed costs relating to generating electricity, consisting of

- (A) depreciation of a generating plant and equipment;
- (B) taxes on a generating plant and equipment;
- (C) insurance on or attributable to a generating plant and equipment;
- (D) interest on indebtedness incurred for a generating plant and equipment;

(3) costs of purchased power, including but not limited to system control and load dispatching expenses;

(4) transmission expenses, consisting of

- (A) transmission operation supervision and engineering;
- (B) transmission load dispatching;
- (C) station expenses;
- (D) overhead line expenses;
- (E) underground line expenses;
- (F) transmission of electricity by others;
- (G) miscellaneous transmission expenses;
- (H) rents; and
- (I) maintenance costs for facilities associated with

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(A) - (E) of this paragraph; and

(5) fixed costs relating to transmission, consisting of

(A) depreciation of transmission lines and equipment;

(B) taxes on transmission lines and equipment;

(C) insurance on or attributable to transmission lines

and equipment; and

(D) interest on debt incurred for transmission lines and equipment.

(c) Power production cost assistance shall be paid to an eligible electric utility if the actual power production costs of the utility exceed its adjusted power production costs, as determined annually by the commission. The adjusted power production costs of an electric utility are

(1) 15 percent of the portion of the actual power production costs which does not exceed 40 cents per kilowatt hour; plus

(2) the base power production cost escalator; the base power production cost escalator is 7.65 cents per kilowatt hour adjusted annually by a percentage equal to the percentage of change in the Anchorage consumer price index for the year.

(d) An eligible electric utility may include as part of its revenue requirement for the purpose of setting rates charged for residential service, local community facilities service, and service to charitable organizations only the adjusted power production cost per kilowatt-hour sold. However, the utility's approved tariff shall show rates based on the actual cost of providing electric utility service and the state assistance derived from the power production cost assistance program under this section.

(e) The power production cost assistance program shall be administered by the authority based on a determination by the commission

1 of adjusted power production cost of each electric utility eligible for  
2 power production cost assistance. An electric utility is eligible for  
3 power production cost assistance if

4 (1) the actual power production costs of the utility exceed  
5 the adjusted power production costs, as determined by the commission  
6 under (c) of this section;

7 (2) at least 15 percent of the total energy sold by an elec-  
8 tric utility during the calendar year preceding the year in which power  
9 production cost assistance may be claimed was for residential use.

10 (f) The adjusted power production cost shall be calculated  
11 annually in the manner prescribed by (c) of this section and shall be  
12 based on the actual power production cost filed with the commission by  
13 each eligible electric utility, as verified by the commission. The  
14 power production cost shall be derived from financial data supporting  
15 the most recently approved permanent rate schedule with adjustments  
16 incorporating the current cost of fuel. The determination of the cost  
17 of fuel by the commission shall be in accordance with the procedure for  
18 approving fuel cost rate adjustments in effect at the time of the  
19 determination. The commission shall review filings and approve an  
20 adjusted power production cost per kilowatt-hour and revised rates based  
21 on the approved adjusted power production cost per kilowatt-hour, as  
22 determined under (c) of this section. The commission may change the  
23 adjusted power production costs if

24 (1) an increase or decrease in a utility's cost of fuel has  
25 resulted in the approval of a fuel cost rate adjustment by the commis-  
26 sion;

27 (2) a permanent or interim rate increase has been approved by  
28 the commission, thereby establishing a higher or lower power production  
29 cost;

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1 (3) the authority has discovered discrepancies in its review  
2 of data submitted, monthly, by the utilities; or

3 (4) the authority determines that appropriations are in-  
4 sufficient to fund full payments to eligible utilities.

5 (g) Each electric utility with a rate schedule and adjusted power  
6 production cost approved by the commission shall report monthly to the  
7 authority within the time and in the form the authority designates (1)  
8 the total actual power production costs of electric power including a  
9 detailed breakdown of those costs as specified by the commission; (2)  
10 the total kilowatt-hours sold during the preceding month; (3) the total  
11 kilowatt-hours sold during the preceding month for service eligible for  
12 power production cost assistance under this section; (4) the total  
13 kilowatt-hours generated during the preceding month; (5) the total power  
14 production cost per kilowatt-hour sold; (6) the total power production  
15 cost per kilowatt-hour generated; and (7) any increase or decrease in  
16 the current unit price of fuel from the base price used by the commis-  
17 sion in the determination of power production costs. The authority  
18 shall review the report and may submit the report to the commission for  
19 additional review before payment.

20 (h) After review and approval by the authority, the authority  
21 shall, subject to appropriation, pay to each eligible electric utility  
22 an amount equal to the difference between the actual power production  
23 costs for the preceding month and the approved adjusted power production  
24 cost per kilowatt-hour times the number of kilowatt-hours sold to resi-  
25 dential customers, local community facility customers, and facilities  
26 owned by charitable organizations during the preceding month. Payment  
27 shall be made by the authority within 30 days of receipt from the  
28 utility of the report required under (g) of this section. However, if  
29 there is a dispute between the authority and the utility relating to the

1 payment, the authority shall submit the report to the commission within  
 2 30 days of receipt of the report by the authority for review before  
 3 payment. When a report is submitted to the commission for review under  
 4 this section, payment shall be made by the authority within 30 days  
 5 after submission. If appropriations are insufficient for payment in  
 6 full, the amount paid to each electric utility is reduced on a pro-rata  
 7 basis.

8 (i) If an electric utility receives a payment under this section,  
 9 the utility shall furnish the following notice to its electric service  
 10 customers eligible under this program for each period for which the  
 11 payment is received:

12 "NOTICE TO CUSTOMER

13 For the current billing period the utility has been paid  
 14 under the State of Alaska's power production cost assistance  
 15 program (AS 44.56.162) to assist the utility and its custo-  
 16 mers in reducing the high cost of generation of electric  
 17 energy.

18	Your total electrical service cost	\$
19	Less state assistance	\$
20	Your charge	\$

21 (j) For the purpose of this section,

22 (1) the terms used in (b)(1) - (4) of this section are  
 23 defined as those items are defined in a recognized system of utility  
 24 accounts designated by the commission;

25 (2) actual power production costs are the expenses and costs  
 26 prescribed in this subsection less any other power production cost  
 27 assistance provided to the electric utility.

28 (k) In this section,

29 (1) "charitable organization" means an organization, not

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1 organized for pecuniary profit, which is operated for the relief of  
2 poverty, distress, or other condition of public concern in the state;  
3 the term includes, but is not limited to, a church or religious organi-  
4 zation;

5 (2) "commission" means the Alaska Public Utilities Commis-  
6 sion;

7 (3) "local community facilities" means water and sewer faci-  
8 lities, public outdoor lighting, and community buildings whose opera-  
9 tions are not paid for by the state, the federal government, or private  
10 commercial interests.

11 Sec. 44.56.164. ASSISTANCE TO UTILITIES NOT REGULATED BY PUBLIC  
12 UTILITIES COMMISSION. (a) A utility which is exempt from regulation  
13 under AS 42.05.711 may receive power production cost assistance under  
14 AS 44.56.162 without becoming subject to the jurisdiction of the Alaska  
15 Public Utilities Commission if the utility is otherwise eligible for  
16 assistance and if the utility

17 (1) files with the commission the audited financial data  
18 necessary to determine the adjusted power production cost in the form  
19 prescribed in a recognized system of utility accounts;

20 (2) makes the reports required in AS 44.56.162(g) required of  
21 an electric utility with a rate schedule approved by the commission  
22 within the time and in the form the Alaska Power Authority designates;

23 (3) sets rates charged for residential services, local  
24 community services, and for services to charitable organizations, by  
25 including as part of its revenue requirements for these services only  
26 the adjusted power production cost per kilowatt-hour sold;

27 (4) allows audits which the commission determines are neces-  
28 sary to insure compliance with this section; and

29 (5) furnishes its electric service customers eligible under

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1 this program the "Notice to Customer" specified in AS 44.56.162(i).

2 (b) The provisions of AS 44.56.162 relating to determination of  
3 the amount of power production cost assistance and payment of the  
4 assistance apply to assistance under this section.

5 \* Sec. 43. AS 42.05.141 is amended by adding a new subsection to read:

6 (b) The commission shall perform the duties assigned to it under  
7 AS 44.56.162. In the establishment of electric service rates under this  
8 chapter the commission shall promote the conservation of resources used  
9 in the generation of electric energy.

10 \* Sec. 44. AS 44.56.180 and AS 45.86 are repealed.

11 \* Sec. 45. The Department of Commerce and Economic Development shall  
12 conduct an education program to inform the public of the contents of this Act  
13 and other government programs relating to energy conservation.

14 \* Sec. 46. A report of the results of the first energy audit completed by  
15 the Department of Transportation and Public Facilities under AS 44.42.065,  
16 added by sec. 14 of this Act, shall be submitted to the legislature not later  
17 than January 31, 1982.

18 \* Sec. 47. TRANSITION: CURRENT PROJECTS OF THE ALASKA POWER AUTHORITY.  
19 All projects authorized in sec. 48 of this Act are exempt from the provisions  
20 of AS 44.56.177 - 44.56.185. For all other projects, unless a proposed pro-  
21 ject is exempt under AS 44.56.187 added by sec. 24 of this Act,

22 (1) if the division of budget and management in the Office of the  
23 Governor determines that the Alaska Power Authority has completed a recon-  
24 naissance study as that term was defined by AS 44.56.230(7) before re-enact-  
25 ment of AS 44.56.230(7) by sec. 26 of this Act, the project for which the  
26 reconnaissance study was done is exempt from the provisions of AS 44.56.177  
27 and 44.56.179, added by sec. 24 of this Act; the Alaska Power Authority shall  
28 proceed with preparation of a feasibility study and plan of finance under  
29 AS 44.56.181 added by sec. 24 of this Act;

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1 (2) if the division of budget and management determines that the  
2 Alaska Power Authority has completed both a reconnaissance study under  
3 AS 44.56.080(13) and a statement under AS 44.56.180(c),

4 (A) and that statement or the project for which it was pre-  
5 pared has been approved by the legislature under AS 44.56.180(c), the  
6 Alaska Power Authority may proceed with that project under AS 44.56.189  
7 added by sec. 24 of this Act;

8 (B) and that statement or the project for which it was pre-  
9 pared has not been approved by the legislature under AS 44.56.180(c),  
10 the division of budget and management shall review the statement for  
11 compliance with the requirements of AS 44.56.183 added by sec. 24 of  
12 this Act before the statement is submitted under AS 44.56.185, added by  
13 sec. 24 of this Act, to the legislature; review by the division of  
14 budget and management may not unreasonably delay submission of the  
15 statement to the legislature;

16 (3) if a proposed new project has been approved by the legis-  
17 lature, or if money has been appropriated by the legislature for a proposed  
18 new project, and the Alaska Power Authority has not completed a reconnais-  
19 sance study under AS 44.56.080(13) or a statement under AS 44.56.180(c), the  
20 project is subject to the provisions of AS 44.56.177 - 44.56.185.

21 \* Sec. 48. APPROVAL OF PENDING PROJECTS OF THE ALASKA POWER AUTHORITY.

22 (a) The Alaska Power Authority has submitted to the governor and the legis-  
23 lature a statement of its recommendations for financing certain power pro-  
24 jects and a statement outlining the general design, demonstration of finan-  
25 cial feasibility, and maximum amounts of revenue bonds and appropriations  
26 necessary for the projects, together with a statement of the design, acquisi-  
27 tion, construction and financing of the projects by the authority or another  
28 person which satisfy the conditions of AS 44.56.180. The legislature has  
29 adopted joint resolutions approving the general design and maximum amount of

1 bonds to be issued for several of the projects and those actions are con-  
2 firmed.

3 (b) Actions taken by the legislature before the effective date of this  
4 Act to approve the general design and maximum amount of bonds for power  
5 projects are confirmed and the Alaska Power Authority is authorized to issue  
6 its bonds for the following power projects in the maximum principal amount  
7 set out after each:

8 (1) Solomon Gulch, \$20,000,000;

9 (2) Terror Lake, \$120,000,000.

0 (c) The general design and maximum amount of bonds for power projects  
1 are approved and the Alaska Power Authority is authorized to issue its bonds  
2 for the following power projects in the maximum principal amount set out  
3 after each:

4 (1) Golden Valley Electric Association waste heat, \$110,000,000;

5 (2) Tyee Lake, \$70,000,000;

6 (3) Swan Lake, \$120,000,000;

7 (4) Glacier Highway Electric Association, \$800,000;

8 (5) Cordova Electric Cooperative, \$6,500,000;

19 (6) Matanuska Electric Association, \$2,500,000;

20 (7) Homer Electric Association, \$3,360,000;

21 (8) Naknek Electric Association, \$730,000;

22 (9) Lake Elva, \$15,000,000; and

23 (10) Black Bear Lake, \$30,000,000.

24 (d) The Alaska Power Authority is authorized to proceed with design  
25 and acquisition of right-of-way of the Anchorage-Fairbanks transmission  
26 intertie. This project may be financed by revenue bonds issued by the  
27 authority, appropriations from the general fund, or other funding sources  
28 approved by the legislature.

29 \* Sec. 49. TRANSITION: WATER RESOURCES REVOLVING LOAN FUND. (a) The

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1 balance of the water resources revolving loan fund (AS 45.86) lapses into the  
2 general fund on the effective date of sec. 44 of this Act.

3 (b) The principal and interest due on obligations created by loans made  
4 from the water resources revolving loan fund shall be repaid to the commis-  
5 sioner of commerce and economic development, and shall be transmitted by him  
6 to the commissioner of revenue for deposit in the state general fund.

7 \* Sec. 50. AS 43.20.037, enacted by sec. 9 of this Act, is repealed.

8 \* Sec. 51. AS 42.05.141(b), added by sec. 43 of this Act, and AS 44.56.-  
9 162 and 44.56.164, added by sec. 42 of this Act, are repealed.

10 \* Sec. 52. Sections 2, 12 - 36, 46, 47 and 49 of this Act take effect  
11 July 1, 1980.

12 \* Sec. 53. Sections 9 and 10 of this Act take effect January 1, 1981.

13 \* Sec. 54. Section 51 of this Act takes effect July 1, 1985.

14 \* Sec. 55. Section 50 of this Act takes effect January 1, 1986.

15 \* Sec. 56. Sections 1, 3 - 8, 11, 37 - 45, 48 and 52 - 56 of this Act  
16 take effect immediately in accordance with AS 01.10.070(c).

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