

Power Project Fund



Diversion structure for South Fork hydro project

For certain energy projects, the **Power Project Fund (PPF)** provides loans to electric utilities, regional electric authorities, municipalities, regional and village corporations,

village councils, independent power producers and nonprofit marketing cooperatives.



Prince of Wales Island, South Fork run-of-the-river hydroelectric project

Projects include constructing, equipping, modifying, improving and expanding small-scale (less than 10 megawatts) power production facilities. Bulk fuel storage facilities, transmission and distribution facilities, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment are also eligible for funding. The loan term is related to the life of the project and interest rates vary between tax-exempt rates at the high end and zero on the low end.



The Chena Chiller and project staff

The Chena Hot Springs geothermal power plant, first in the state, is a major milestone in the utilization of low temperature geothermal resources. Installed in 2006, the 400 kW power plant has pushed the envelope for geothermal resource development for power generation and put Alaska squarely on the map for new geothermal technologies.

The power plant runs off 162.5F hot water from a 700 ft. deep well. The cooling water source is from a cold water well at a higher elevation than the power plant and is delivered via siphon gravity feed. No pump is needed to move the cold water through the power plant, reducing the parasitic load on the plant. The Chena geothermal power plant has reduced the cost of power production from diesel-generated thirty cents per kWhr to less than six cents per kWhr.

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For more information on Chena Hot Springs Resort, visit www.chenahotsprings.com

- (a) The power project fund is established as a separate fund. The fund shall be distinct from any other money or funds of the authority and includes only money appropriated by the legislature and money deposited under (g) of this section.
- (b) The authority may make loans from the power project fund
- (1) to electric utilities, regional electric authorities, municipalities, regional and village corporations, village councils and independent power producers to pay the costs of
 - (A) reconnaissance studies, feasibility studies, license and permit applications, preconstruction engineering, and design of power projects; and
 - (B) constructing, equipping, modifying, improving, and expanding small-scale power production facilities that are designed to produce less than 10 megawatts of power, bulk fuel storage facilities, and transmission and distribution facilities, including energy production, transmission and distribution, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment;
 - (2) to a borrower for a power project or for bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment if
 - (A) the loan is entered into under a leveraged lease financing arrangement;
 - (B) the party that will be responsible for the power project or the bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities is an electric utility, regional electric authority, municipality, regional or village corporation, village council or independent power producer; and
 - (C) the borrower seeking the loan demonstrates to the authority that the financing arrangement for the power project or the bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment will reduce financing costs for the project, facilities, or equipment below costs of comparable public power projects, facilities or equipment;
 - (3) to the bulk fuel revolving loan fund for the purposes described in AS 42.45.250(m) under terms, including interest, that the authority determines are appropriate to maintain the viability of the power project fund and the bulk fuel revolving loan fund; however, the authority may not make a loan under this paragraph if
 - (A) the cumulative outstanding balance of the loans would exceed the lesser of \$2,000,000 or 10 percent of the cash balance of the power project fund on June 30 of the preceding fiscal year; or
 - (B) the cash balance of the power project fund is less than \$5,000,000.
- (c) Before making a loan from the power project fund, the authority shall, by regulation, specify
- (1) standards for the eligibility of borrowers and the types of projects to be financed with loans;
 - (2) standards regarding the technical and economic viability and revenue self-sufficiency of eligible projects; (3) collateral or other security required for loans;
 - (4) the terms and conditions of loans;
 - (5) criteria to establish financial feasibility and to measure the amount of state assistance necessary for particular projects to meet the financial feasibility criteria; and
 - (6) other relevant criteria, standards, or procedures.
- (d) A loan made by the authority shall be made according to the standards, criteria, and procedures established by regulation under this section.
- (e) Repayment of the loans shall be secured in any manner that the authority determines is feasible to assure prompt repayment under a loan agreement entered into with the borrower. The authority may make an unsecured loan from the power project fund to a borrower regulated by the Regulatory Commission of Alaska under AS 42.05 if the borrower has a substantial history of repaying long-term loans and the capacity to repay the loan. Under a loan agreement, repayment may be deferred for 10 years or until the project for which the loan is made has achieved earnings from its operations sufficient to pay the loan, whichever is earlier.
- (f) A loan for power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities or equipment
- (1) may not be granted for a term that exceeds 50 years; and
 - (2) shall be granted at an interest rate that is not less than zero percent and that is the lesser of
 - (A) a rate equal to the percentage that is the average weekly yield of municipal bonds for the 12 months preceding the date of the loan, as determined by the authority from municipal bond yield rates reported in the 30-year revenue index of The Bond Buyer; or
 - (B) a rate determined by the authority that allows the project to meet criteria of financial feasibility established under (c) of this section.
- (g) Loan repayments and interest earned by loans from the power project fund shall be deposited in the power project fund unless an appropriation to fund the loan directs otherwise.
- (h) The legislature may forgive the repayment of a loan made from the power project fund for a reconnaissance study or a feasibility study when the authority finds that the power project for which the loan was made is not feasible.
- (i) Money in the power project fund may be used by the legislature to make appropriations for costs of administering the fund.
- (j) The authority may not enter into a loan from the power project fund for a major project unless it has legislative approval of the project and amount. An appropriation for the loan that names the project constitutes approval required by this subsection. A major project is a project in which the cumulative state monetary involvement, through loans, grants, and bonds, is at least \$5,000,000 or a project for which a loan of more than \$5,000,000 has been requested. (§ 2 ch 36 SLA 2004)