

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

A Bill

HOUSE BILL 1413

5 By: Representatives Childers, P. Bookout, Biggs, Bledsoe, Boyd, Dees, Dobbins, Fite, Goss, Hardwick,
6 Jacobs, Jones, Martin, Parks, Pickett, Roebuck, Scroggin, Sumpter, Thomason, Thyer
7 By: Senators J. Bookout, Baker, Broadway, Bryles, Faris, Higginbothom, Laverty, Malone, Salmon
8

For An Act To Be Entitled

11 THE ARKANSAS MUNICIPAL ELECTRIC UTILITY
12 INTERLOCAL COOPERATION ACT OF 2003; AN ACT TO
13 AUTHORIZE AND GOVERN THE PLANNING, CONSTRUCTION,
14 FINANCING, OWNERSHIP, OPERATION, AND MANAGEMENT
15 OF ELECTRIC PROJECTS THROUGH FORMATION OF
16 SEPARATE POLITICAL SUBDIVISIONS BY MUNICIPALITIES
17 OWNING OR OPERATING ELECTRIC UTILITY SYSTEMS
18 THROUGH THE EXISTING INTERLOCAL AGREEMENT ACT
19 PROCESS; AND FOR OTHER PURPOSES.
20

Subtitle

21 AN ACT TO CREATE ARKANSAS MUNICIPAL
22 ELECTRIC UTILITY CONSOLIDATED
23 AUTHORITIES.
24
25
26

27 WHEREAS, the General Assembly finds that municipally owned electric
28 utility systems are unique in the electric utility industry because
29 municipally owned electric utility systems are owned and operated by
30 municipal governments primarily as a benefit to those who reside within the
31 municipalities and the rates and operating practices thereof have
32 historically been established by the elected officials of the municipalities
33 through their delegated legislative authority; and

34 WHEREAS, Arkansas's municipally owned electric utility systems and
35 their customers have a need for reliable, low cost supplies; and

36 WHEREAS, the ability of municipal electric utility systems to act



1 outside their boundaries or to formally cooperate to acquire, construct and
2 operate generation and transmission facilities, of the sort identified herein
3 as "Electric Projects", has historically been limited.

4
5 NOW THEREFORE,

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

7
8 SECTION 1. Arkansas Code Title 25, Chapter 20 is amended to add an
9 additional subchapter to read as follows:

10 25-20-401. Title.

11 This subchapter shall be known and may be cited as the "Arkansas
12 Municipal Electric Utility Interlocal Cooperation Act of 2003".

13
14 25-20-402. Definitions.

15 As used in this subchapter unless the context otherwise requires:

16 (a) "Authority" means a municipal electric consolidated authority
17 created pursuant to this subchapter;

18 (b) "Electric Project" means:

19 (1) Any plant, works, system, or facilities, and real and personal property
20 of any nature whatsoever associated therewith, together with all parts
21 thereof and appurtenances thereto, which is used or useful in the generation,
22 transmission, coordination, purchase, sale, exchange, or interchange of
23 electric capacity and energy, and provision of ancillary services, including
24 facilities and property for the acquisition, extraction, conversion,
25 transportation, storage, reprocessing, or disposal of fuel and other
26 materials of any kind for such purposes or that may be necessary or advisable
27 for the proper and efficient operation of the authority's facilities;

28 (2) Any interest in or right to the use, services, or electric capacity and
29 energy of any such plant, works, system, or facilities;

30 (3) Any study to determine the feasibility or costs of any of the foregoing,
31 including, but not limited to, engineering, legal, financial, and other
32 services necessary to determine the legality and financial and engineering
33 feasibility of any electric project; and

34 (4) Any contract or agreement associated with generation, transmission,
35 coordination, purchase, sale, exchange, or interchange of electric capacity
36 and energy or ancillary services.

1 (c) "Electric transmission system" and "electric transmission
 2 facility" mean electric utility properties and facilities necessary for
 3 transmitting electricity at 69 kV phase-to-phase or higher and not for
 4 service to a directly tapped, retail, end-use customer or customers;

5 (d) "Governing body of a municipal electric utility" means the city
 6 council, board of directors, improvement district commissioners, or other
 7 elected or appointed authority having the rate-making and debt issuance
 8 authority for the municipal electric utility;

9 (e) "Municipality" means any city of the first class or city of the
 10 second class incorporated under the laws of the State of Arkansas, or any
 11 commission or agency thereof, including any municipally owned or controlled
 12 corporation, or any improvement district, consolidated public or municipal
 13 utility system improvement district, or nonprofit corporation lessee of such
 14 entity;

15 (f) "Municipal electric utility" means any electric generation,
 16 transmission or distribution system owned or operated on the effective date
 17 of this subchapter by any city of the first or second class or a town,
 18 incorporated under the laws of the State of Arkansas, or any commission,
 19 department, division, or agency thereof, including any municipally owned or
 20 controlled corporation, or any improvement district, consolidated public or
 21 municipal utility system improvement district, or nonprofit corporation
 22 lessee of such entity;

23 (g) "Person" means any natural person, firm, corporation, electric
 24 cooperative corporation, energy service provider, nonprofit corporation,
 25 association, or improvement district; and

26 (h) "Public utility" means any person or entity, engaged in the
 27 generation or sale of electric power and energy, which is subject to
 28 regulation by the Arkansas Public Service Commission.

29
 30 25-20-403. Creation.

31 (a)(1) The governing body of any two (2) or more municipal electric
 32 utilities entering into an interlocal agreement under the Interlocal
 33 Cooperation Act, § 25-20-101 et seq. are authorized to create an authority as
 34 a separate legal entity for the purposes set forth in this subchapter.

35 (2) For the purposes of this section, a rural electric
 36 cooperative corporation that is not a member of a generation or transmission

1 cooperative or a municipal electric utility system in another state may join
 2 in the formation of an authority.

3 (b) An authority created under this subchapter shall be referenced as
 4 an Arkansas Municipal Electric Consolidated Authority # 1, #2, #3, and so
 5 forth as determined by the Secretary of State.

6 (c)(1) The governing body of a municipal electric utility wishing to
 7 create an authority under this subchapter shall approve, by ordinance or
 8 resolution or otherwise pursuant to law, an interlocal agreement specifying
 9 the matters set forth in § 25-20-104.

10 (2) An application shall be filed with the Secretary of State.

11 (3) Review by the Secretary of State as contemplated by this
 12 section shall be in addition to those filings required by § 25-20-104(f) and
 13 § 25-20-105(a).

14 (d) An interlocal agreement shall:

15 (1) Specify any limitations on the exercise of the authority's powers,
 16 including such matters, if any, as to which the governing body of the
 17 municipal electric utilities reserve rights to approve, disapprove, or
 18 otherwise participate in any exercise of the authority's powers;

19 (2) Provide for reasonable payments in lieu of taxes, or other payments by
 20 the authority to the participating governing bodies of the municipal electric
 21 utilities, as the governing bodies may deem appropriate;

22 (3) Specify the number of commissioners of the authority, the terms of
 23 office of the commissioners, the manner of appointing or electing the
 24 commissioners, the residency requirements applicable to commissioners, and
 25 the voting rights of each commissioner, which voting rights may vary by
 26 commissioner; and

27 (4) Set forth other matters, not inconsistent with this subchapter, with
 28 respect to the creation and operation of the authority as the governing
 29 bodies of the municipal electric utilities may deem necessary or appropriate.

30 (e)(1) An application to create an authority under this subchapter
 31 shall then be prepared, setting forth:

32 (A) A request that an authority be created under this
 33 subchapter;

34 (B) The proposed name for the authority;

35 (C) The names of the participating governing bodies of
 36 municipal electric utilities;

1 (D) The number of commissioners of the authority;
 2 (E) The manner in which commissioners of the authority will be
 3 appointed or elected and the residency requirements applicable to
 4 commissioners;
 5 (F) The voting rights of each commissioner;
 6 (G) Special procedures for amending the certificate of
 7 incorporation, if any; and
 8 (H) Other matters, not inconsistent with this subchapter, with respect
 9 to the creation and operation of the authority as the governing bodies of the
 10 municipal electric utilities may deem necessary or appropriate.
 11 (2) The application shall be signed on behalf of each governing
 12 body of municipal electric utilities by an authorized official thereof.
 13 (f)(1) In addition to the filing requirements contained in § 25-20-
 14 104(f) and § 25-20-105(a), the Secretary of State shall examine the
 15 application and, if the Secretary of State finds that the name proposed for
 16 the authority is not identical with that of any other corporation, agency, or
 17 instrumentality of the State of Arkansas, so nearly similar as to lead to
 18 confusion and uncertainty, or otherwise deceptively misleading, the Secretary
 19 of State shall:
 20 (A) Receive and file the application;
 21 (B) Record the application in an appropriate book of
 22 record in his or her office;
 23 (C) Make and issue a certificate of incorporation under the seal of
 24 the State of Arkansas setting forth the name of the authority and the names
 25 of the participating municipal electric utilities; and
 26 (D) Record the certificate in an appropriate book of record
 27 in his or her office.
 28 (2) A copy of the certificate of incorporation, certified by the
 29 Secretary of State, shall be admissible in evidence in any suit, action, or
 30 proceeding involving the validity or enforcement of, or relating to, any
 31 contract of the authority and shall be conclusive proof of the filing and
 32 contents of the certificate and the effective creation of the authority
 33 absent fraud in the premises being established.
 34 (g)(1) Any certificate of incorporation issued by the Secretary of
 35 State under this subchapter may be amended from time to time in the manner
 36 provided in the certificate of incorporation then existing or, if the

1 certificate of incorporation does not specify a procedure for its amendment,
 2 with the consent of a majority of the commissioners of the authority who are
 3 entitled to vote.

4 (2)(A) The amendment shall be signed by an officer or other
 5 authorized person of the authority, who shall certify that the certificate of
 6 incorporation has been amended in accordance with the procedures of this
 7 subchapter and, as applicable, in the manner prescribed in the then-existing
 8 certificate of incorporation.

9 (B) Upon filing of the amendment with the Secretary of
 10 State in the manner provided in this section, the Secretary of State shall
 11 make and issue an amendment to the certificate of incorporation.

12
 13 25-20-404. Powers and duties of board of commissioners.

14 (a) All powers of an authority created under this subchapter shall be
 15 exercised by, or under the authority of, and the business and affairs of the
 16 authority managed under the direction of its board of commissioners, subject
 17 to any limitation set forth in the authority's interlocal agreement.

18 (b) The duties of the board of commissioners shall be stated in the
 19 interlocal agreement and may include, but shall not be limited to:

20 (1) Appointing a chief executive officer, who shall not be a
 21 member of the board of commissioners, and setting compensation and other
 22 terms of employment for the chief executive officer;

23 (2) Approving all budgets of the authority;

24 (3) Adopting such rules, regulations, and by-laws as the board
 25 of commissioners may deem necessary and expedient for the proper ownership
 26 and operation of its electric projects, which rules, regulations, and by-laws
 27 may be altered, changed, or amended at its discretion; and

28 (4) Performing other duties as set forth in the interlocal
 29 agreement.

30
 31 25-20-405. Powers of authority.

32 Each authority created under this subchapter shall have the power to:

33 (1) Have perpetual succession as a body politic and corporate;

34 (2) Maintain offices as it may deem appropriate;

35 (3) Execute and perform contracts;

36 (4) Sue and be sued;

1 (5) Apply for and receive permits, licenses, certificates, and
 2 approvals as may be necessary and own and operate facilities in accordance
 3 with this subchapter and the interlocal agreement;

4 (6) Employ the services of all personnel necessary to its
 5 operations and, in connection therewith, adopt and implement such healthcare,
 6 disability, bonus, retirement, and other employee benefit plans as the board
 7 of commissioners shall deem appropriate;

8 (7) Employ the services of professionals;

9 (8) Purchase insurance, maintain reserves for self-insurance,
 10 and become self-insured for the payment of compensation under the Workers'
 11 Compensation Law, § 11-9-101 et seq., and in compliance with the requirements
 12 of § 11-9-404(a)(2), provided that deposit of an indemnity bond, letter of
 13 credit, or securities shall not be required;

14 (9) Plan, purchase, receive, own, hold, improve, use, repair,
 15 lease, sell, convey, exchange, transfer, assign, mortgage, pledge, and
 16 otherwise acquire, dispose of, and deal with real and personal property and
 17 any legal or equitable interest therein in its own name;

18 (10) Apply for, receive, and use loans, grants, taxes,
 19 donations, and contributions from any public agency or other lawful source,
 20 including any proceeds from the sale of bonds;

21 (11) Borrow money on a secured or unsecured basis, and in
 22 connection therewith, issue bonds, promissory notes, or other evidence of
 23 indebtedness and make and deliver indentures, mortgages, pledges, security
 24 agreements, financing statements, and other instruments encumbering assets of
 25 the authority;

26 (12) Make payments to the governing body of the municipal
 27 electric utilities in such amounts as may be required or permitted by the
 28 authority's interlocal agreement and to any political subdivision in which an
 29 electric project is situated in such amounts as may be agreed to by the
 30 authority and the political subdivision;

31 (13) Exercise other powers, privileges, and authorities as the
 32 participating municipal electric utilities shall have delegated to the
 33 authority by their interlocal agreement, subject to restrictions of
 34 applicable law;

35 (14) As specified in the interlocal agreement between the
 36 governing bodies of the municipal electric utilities forming an authority,

1 the authority created under this subchapter shall have full authority to
 2 plan, construct, own, manage, operate, repair, finance, improve, extend,
 3 acquire, reconstruct, equip, sell, lease, contract concerning, deal in,
 4 dispose of, and maintain electric projects;

5 (15) As specified in the interlocal agreement between the
 6 governing bodies of the municipal electric utilities forming an authority,
 7 the authority shall have full authority to fix, charge, and collect, and from
 8 time to time change, the rates for electricity and other goods and services
 9 provided by the authority; and

10 (16) To the extent not inconsistent with applicable law, have
 11 other and further powers relating to the ownership and operation of an
 12 electric project as are now by law given to the governing body of any
 13 municipal electric utilities and do any and all other acts and things
 14 necessary, convenient, or desirable to carry out the purposes of, and to
 15 exercise the powers granted to the authority by this subchapter.

16
 17 25-20-406. Operation.

18 (a) It is the purpose of this subchapter to allow municipal electric
 19 utilities to utilize the provisions of the Interlocal Cooperative Act, § 25-
 20 20-101 et seq., for the purpose of planning, developing, and operating
 21 electric projects.

22 (b)(1) Participating municipal electric utilities are authorized to
 23 contribute to an authority such real and personal property as the governing
 24 body of the municipal electric utility shall deem necessary or appropriate to
 25 the ownership and operation of an electric project, as otherwise allowed by
 26 law.

27 (2) However, any contributions of reserve funds held in trust
 28 under §§ 14-73-101 through 14-73-104 or any official action of the governing
 29 body of a municipal electric utility, or other trust related agreements shall
 30 be made on the condition that the funds may be used only for the purposes
 31 described in the applicable trust agreement and until so used shall remain in
 32 a trust fund complying with the requirements of §§ 14-73-101 through 14-73-
 33 104 or any applicable official action of the governing body of a municipal
 34 electric utility or any other trust agreements.

35 (c) Governing bodies of municipal electric utilities shall have the
 36 power to execute any and all contracts, leases, deeds, bills of sale,

1 easements, assignments, and other instruments of conveyance as may be
2 required or convenient to exercise the powers granted in this subchapter.

3 (d) No authority shall provide electric service at retail, nor enter
4 into contracts for the sale of energy or capacity to another party, other
5 than the authority’s participating municipal electric utilities, for a term
6 of more than one (1) year, except in the event the Arkansas Public Service
7 Commission authorizes a longer period pursuant to § 23-18-531.

8
9 25-20-407. Eminent domain.

10 (a) Any authority may acquire by the exercise of the power of eminent
11 domain any private property that it may deem necessary for its purposes, in
12 the manner prescribed in §§ 18-15-301 through 18-15-309, provided that the
13 power of eminent domain shall not apply to any personal or real property that
14 may be owned or leased by a public utility.

15 (b) An authority shall not be authorized to acquire through
16 condemnation procedures any plant, property, facilities, or business owned or
17 operated by any public utility or pipeline company subject to the
18 jurisdiction of the Arkansas Public Service Commission, but notwithstanding §
19 25-20-108 and subsection (a) of this section, an authority shall be
20 authorized to enter into any contract, agreement, or undertaking to purchase
21 or otherwise acquire and to jointly construct or operate such plant,
22 property, or facilities.

23
24 25-20-408. Financing.

25 (a)(1) An authority is authorized to use any available funds,
26 revenues, and long or short term debt to pay and provide for costs and
27 expenses of accomplishing the purposes authorized by this subchapter.

28 (2) For the purposes of paying the costs of any electric project
29 or the portion thereof pertaining to its interest in the electric project, an
30 authority may issue revenue bonds as provided in this subchapter.

31 (b)(1) Whenever any authority shall elect, consistent with this
32 subchapter, to plan, purchase, construct, acquire, operate, or otherwise
33 participate in an electric project or shall desire to construct improvements,
34 betterments, repairs, and extensions thereto, it may issue revenue bonds
35 under the provisions of this section to pay the costs thereof.

36 (2) The procedure for issuance of bonds shall be as provided in

1 this section.

2 (c)(1) Bonds issued in accordance with this section shall be
 3 authorized by resolution of the board of commissioners.

4 (2) The bonds may be issued as registered bonds and may be
 5 exchangeable for bonds of another denomination or in another form.

6 (3) The bonds may:

7 (A) Be in such form and denominations as the board of
 8 commissioners shall determine;

9 (B) Have such date or dates as the board of commissioners
 10 shall determine;

11 (C) Be stated to mature at such time or times as the board
 12 of commissioners shall determine;

13 (D) Bear interest payable at such times and at such rate
 14 or rates as the board of commissioners shall determine;

15 (E) Be payable at such places within or without the State
 16 of Arkansas as the board of commissioners shall determine;

17 (F) Be subject to such terms of redemption in advance of maturity at
 18 such prices as the board of commissioners shall determine; and

19 (G) Contain such terms and conditions as the board of commissioners
 20 shall determine.

21 (4) The bonds shall have all the qualities of and shall be deemed to be
 22 negotiable instruments under the laws of the State of Arkansas, subject to
 23 provisions as to registration as set forth in this subsection.

24 (5) The authorizing resolution may contain any other terms, covenants, and
 25 conditions that the board of commissioners deems reasonable and desirable,
 26 including, without limitation, those pertaining to the:

27 (A) Maintenance of various funds and reserves;

28 (B) Nature and extent of any security for payment of the
 29 bonds;

30 (C) Priority among successive issues of bonds;

31 (D) Custody and application of the proceeds of the bonds;

32 (E) Collection and disposition of revenues;

33 (F) Investing and reinvesting of any moneys during periods
 34 not needed for authorized purposes; and

35 (G) Rights, duties, and obligations of the authority and the holders
 36 and registered owners of the bonds.

1 (d)(1) The authorizing resolution may provide for the execution of a
 2 trust indenture between the authority and any financial institution or trust
 3 company within or without the State of Arkansas.

4 (2) The trust indenture may contain any terms, covenants, and
 5 conditions that are deemed desirable by the board of commissioners,
 6 including, without limitation, those pertaining to the:

7 (A) Maintenance of various funds and reserves;

8 (B) Nature and extent of any security for the payment of
 9 the bonds;

10 (C) Priority among successive issues of bonds;

11 (D) Custody and application of the proceeds of the bonds;

12 (E) Collection and disposition of revenues;

13 (F) Investing and reinvesting of any moneys during periods not needed
 14 for authorized purposes; and

15 (G) Rights, duties, and obligations of the authority and the holders
 16 and registered owners of the bonds.

17 (e)(1) Any authorizing resolution and any trust indenture relating to
 18 the issuance and security of the bonds shall constitute a contract between
 19 the authority and holders and registered owners of the bonds.

20 (2) The contract and all covenants, agreements, and obligations
 21 therein, shall be promptly performed in strict compliance with the terms and
 22 provisions of the contract, and the covenants, agreements, and obligations of
 23 the authority may be enforced by mandamus or other appropriate proceeding at
 24 law or in equity.

25 (f) The rates, rents, fees, and other charges to be charged for the
 26 services of the electric project or the specified portion of the electric
 27 project with revenues pledged to the payment of the bonds shall be sufficient
 28 to provide:

29 (1) For the payment of all principal of and interest on all bonds as and
 30 when due; and

31 (2) For renewals and replacements and other appropriate costs for the
 32 electric project or the specified portion of the electric project with
 33 revenues pledged to the payment of the bonds.

34 (g)(1) The proceeds derived from the sale of the bonds shall be used
 35 solely for the purpose of:

36 (A) Planning, purchasing, constructing, acquiring, or participating in

1 an electric project, and making betterments, improvements, repairs, and
 2 extensions to an electric project;

3 (B) Paying interest on the bonds during or after the period of
 4 acquisition and construction or establishment of an electric project or
 5 betterments, improvements, and extensions thereto;

6 (C) Establishing any necessary reserves for the bonds;

7 (D) Paying the costs of issuing or refunding bonds; and

8 (E) Paying any other costs and expenditures of whatever
 9 nature incidental to the planning, construction acquisition, establishment,
 10 or operation of an electric project or improvements, repairs, and betterments
 11 thereto.

12 (2) The terms "betterments", "improvements", and "extensions"
 13 include land, as may be necessary or advisable for the proper and efficient
 14 operation of the authority's electric project.

15 (h)(1) Bonds issued under the provisions of this subchapter shall be
 16 payable solely from revenues derived from the electric project or any
 17 specified portion of the electric project.

18 (2) The bonds shall not in any event constitute an indebtedness
 19 of, nor pledge of the faith and credit of, the State of Arkansas or the
 20 participating municipal electric utilities or governing bodies of municipal
 21 electric utilities within the meaning of any constitutional provisions or
 22 limitations.

23 (3) It shall be plainly stated on the face of each bond that it:

24 (A) Is issued under the provisions of this subchapter;

25 (B) Does not constitute an indebtedness of the State of Arkansas or
 26 the participating municipal electric utilities or governing bodies of
 27 municipal electric utilities within the meaning of any constitutional
 28 provisions or limitations; and

29 (C) Is not backed by the full faith and credit of the State of
 30 Arkansas or the participating municipal electric utilities or governing
 31 bodies of municipal electric utilities.

32 (4) Bonds issued under the provisions of this subchapter and the
 33 income therefrom shall be exempt from all state, county, and municipal taxes,
 34 including, without limitation, all income, property, and inheritance taxes.

35 (i)(1) The bonds may be sold in the manner, either at public or
 36 private sale, and upon such terms as the board of commissioners shall

1 determine to be reasonable and expedient for effectuating the purposes of the
 2 authority.

3 (2) The bonds may be sold at any price the board of
 4 commissioners may accept, including sale at discount.

5 (j) The bonds shall be executed in the manner provided for by the
 6 Registered Public Obligations Act of Arkansas, § 19-9-401 et seq., as now or
 7 hereafter amended.

8
 9 25-20-409. Lien in favor of bond holders.

10 (a) The payment of the principal of bonds issued under this subchapter
 11 and the interest thereon may, but need not, be secured by a lien on and
 12 security interest in an electric project or any specified portion of the
 13 electric project.

14 (b) It shall not be necessary to the perfection of the lien and pledge
 15 for such purposes that the trustee in connection with the bond issue or the
 16 holders of the bonds take possession of the collateral security.

17 (c) Subject to whatever restrictions may be contained in the
 18 resolution or indenture governing the bonds, any holder of bonds issued under
 19 the provisions of this subchapter may enforce either at law or in equity the
 20 mortgage lien and may compel by proper suit the performance of the duties of
 21 the officers of the issuing authority set forth in this subchapter.

22 (d) If there be default in the payment of the principal of or interest
 23 on any of the bonds, any court having jurisdiction in any proper action may
 24 appoint a receiver to administer the electric project or the specified
 25 portion of the electric project pledged to the payment of the bonds on behalf
 26 of the authority, with power to charge and collect rates sufficient to
 27 provide for the payment of the bonds and the interest thereon and for the
 28 payment of the operating expenses of the electric project, and to apply the
 29 income and revenues in conformity with this subchapter and the resolution or
 30 indenture providing for the issuance of the bonds.

31
 32 25-20-410. Refunding bonds.

33 (a)(1) Bonds may be issued for the purpose of refunding any
 34 obligations issued under this subchapter.

35 (2) The refunding bonds may be combined with bonds issued under
 36 § 25-20-408 into a single issue.

1 (b)(1) When bonds are issued under this section for refunding
 2 purposes, the bonds may either be sold or delivered in exchange for the
 3 outstanding obligations.

4 (2) If sold, the proceeds may be either applied to the payment
 5 of the obligations refunded or deposited in escrow for the retirement thereof
 6 either at maturity or upon any authorized redemption date.

7 (c)(1) All bonds issued under this section shall in all respects be
 8 authorized, issued, and secured in the manner provided for other bonds issued
 9 under this subchapter and shall have all the attributes of such bonds.

10 (2) The resolution or indenture under which the refunding bonds
 11 are issued may provide that any of the refunding bonds shall have the same
 12 priority of lien on the revenues pledged for their payment as was enjoyed by
 13 the obligations refunded thereby.

14
 15 25-20-411. Security deposit of public funds.

16 Bonds issued under this subchapter shall be eligible to secure the
 17 deposit of public funds.

18
 19 25-20-412. No personal liability.

20 No commissioner or officer of the authority shall be liable personally
 21 for any reason arising from the issuance of bonds under this subchapter
 22 unless he or she shall have acted with a willful and wanton intent.

23
 24 25-20-413. Zoning exemption.

25 Any authority maintaining facilities in an area zoned subsequent to the
 26 construction of the facilities may add to, alter, expand, or change the
 27 facilities upon that land, or upon lands immediately adjacent thereto,
 28 without regard to the zoning regulation for the area, if the board of
 29 commissioners deems the action necessary for the proper operation of an
 30 electric project.

31
 32 25-20-414. Tax exempt status of property owners and income.

33 (a) Each authority created under this subchapter will be performing
 34 public functions and will be a public instrumentality of the participating
 35 municipal electric utilities.

36 (b) Accordingly, all properties at any time owned by the authority,

1 and the income therefrom, shall be exempt from all taxation in the State of
 2 Arkansas.

3
 4 25-20-415. Immunity.

5 (a) This subchapter does not abrogate or in any other manner affect
 6 the immunity under existing law of the participating municipal electric
 7 utilities.

8 (b) The immunity shall extend also to any authority created under this
 9 subchapter and to each commissioner, officer, and employee thereof.

10
 11 25-20-416. No public utility status.

12 No authority created under this subchapter shall be a "public utility"
 13 within the meaning of either §§ 14-200-101 through 14-200-105 or §§ 23-1-101
 14 through 23-4-509, or a "person, company, or corporation which has secured a
 15 franchise from any municipality" within the meaning of § 14-200-102.

16
 17 25-20-417. Annual report and audit.

18 (a) During each calendar year, each authority shall make a public,
 19 written report to the governing bodies of the municipal electric utilities
 20 concerning its activities for the preceding calendar year.

21 (b) Each report shall set forth a complete operating and financial
 22 statement covering its operation during the year, including, without
 23 limitation, an audit of the authority's revenues and expenses performed by an
 24 independent certified public accountant.

25
 26 25-20-418. Provisions supplemental and controlling.

27 This subchapter shall be deemed to provide an additional and
 28 alternative method for the doing of the things authorized hereby and shall be
 29 regarded as supplemental and additional to powers conferred by other laws.

30
 31 25-20-419. Construction.

32 (a)(1) This subchapter shall be liberally construed to accomplish its
 33 intent and purposes and shall be the sole authority required for the
 34 accomplishment of its purposes, and to this end it shall not be necessary to
 35 comply with the provisions of other laws relating to the issuance and sale of
 36 the bonds authorized by this subchapter.

1 (2) This subchapter shall be construed as an additional and
2 alternative method for the issuance and sale of bonds.

3 (b) An authority shall not be subject to Arkansas Public Service
4 Commission regulatory authority except as provided for in the Utility
5 Facility Environmental and Economic Protection Act, § 23-18-501 et seq.

6
7 25-20-420. Use of revenue.

8 Nothing in this subchapter shall modify a governing body of a municipal
9 electric utility’s existing right to use available funds generated by its
10 electric utility operations for other municipal purposes.

11
12 25-20-421. Effect of other laws.

13 The provisions of any other law, except as expressly provided in this
14 subchapter, or in such other law by way of express reference to this
15 subchapter, shall not limit or restrict the operation of this subchapter in any
16 manner.

17
18 25-20-422. Reliability rules and transmission upgrades.

19 (a) An authority shall comply with all requirements of federal law,
20 federal regulation, reliability council rule, or regional transmission
21 organization rule or regulation associated with reliability of electric utility
22 operations that are generally applicable to other similarly situated, publicly-
23 owned electric projects in the region.

24 (b) An authority shall reimburse any entity owning or operating an
25 electrical transmission system for the reasonable costs, as they are incurred
26 and as established by the regulatory authority having jurisdiction, of upgrades
27 to the system necessary to interconnect any generation plant owned, leased, or
28 operated by the authority to the electrical transmission system, and the
29 authority shall support such participant funding principles, if applicable,
30 before the appropriate regulatory agencies.

31
32 25-20-423. Termination or dissolution.

33 The governing bodies of the municipal electric utility forming an
34 authority shall include in their interlocal agreement a provision allowing
35 for the termination or dissolution of the authority, the winding up of the
36 authority’s affairs, and appropriate disposal or distribution of the

1 authority's property.

2
3 25-20-424.

4 (a) An authority created pursuant to this subchapter shall be
5 authorized to and shall join or contract for the control of its electric
6 transmission facilities with an independent transmission system operator,
7 independent transmission company, regional transmission organization, or
8 other independent transmission entity approved by the Federal Energy
9 Regulatory Commission for this state or a larger region of which this state
10 is a part as, if, and when other similarly situated electric transmission
11 systems are so required to join or contract.

12 (b) However, any authority established under this subchapter shall be
13 authorized to and shall join the appropriate reliability council responsible
14 for operations in its geographic area as appropriate.

15
16 25-20-425.

17 (a) An authority created pursuant to this subchapter shall be
18 prohibited from engaging in any sham transaction.

19 (b) For purposes of this section a sham transaction shall be defined
20 as the acquisition or construction of an electric project authorized by this
21 subchapter for the purpose of:

22 (1) A subsequent sale or transfer of the electric project to any
23 municipal electric utility, public utility or other person engaged in the
24 selling or distributing of electricity to consumers other than a municipal
25 electric utility, public utility, or other person engaged in selling or
26 distributing electricity to consumers, that was selling or distributing
27 electricity to consumers on the effective date of the subchapter; or

28 (2) Providing electric service directly to an end user.

29
30 SECTION 2. Arkansas Code § 25-20-103 is amended to read as follows:
31 25-20-103. Definitions.

32 As used in this chapter, unless the context otherwise requires:

33 (1) "Public agency" means any school district, any political
34 subdivision of this state, any agency of the state government or of the
35 United States, any political subdivision of another state, water districts
36 created under the provisions of the Regional Water Distribution Act, Arkansas

1 Code § 14-116-101 et seq., governing bodies of municipal electric utilities
 2 as defined in § 25-20-402, and fire departments organized under the laws of
 3 this state if the fire departments offer fire protection services to
 4 unincorporated areas and have received approval by their quorum courts for
 5 participation in an interlocal cooperation agreement; and

6 (2) "State" means a state of the United States and the District
 7 of Columbia.

8
 9 SECTION 3. Arkansas Code § 14-202-102 (9) is amended to read as follows:

10 (9) "Municipality" means any city of the first class or city of
 11 the second class incorporated under the laws of this state, or any commission
 12 or agency thereof, including any municipally owned or controlled corporations,
 13 or any improvement district, consolidated public or municipal utility system
 14 improvement district, or nonprofit corporation lessee of such entity which owns
 15 or operates an electric system and any authority created under the Arkansas
 16 Municipal Electric Utility Interlocal Cooperation Act of 2003, § 25-20-401 et
 17 seq.;

18
 19 SECTION 4. Arkansas Code § 18-15-301(e)(1)(B) is amended to read as
 20 follows:

21 (B) Any electric utility, ~~as defined by § 23-19-102 (9)~~ or
 22 an independent transmission system operator, independent transmission
 23 company, independent regional transmission group, or other independent
 24 transmission entity operating transmission facilities in this state ~~under §~~
 25 ~~23-19-103 (g)~~; and

26
 27 SECTION 5. Arkansas Code § 14-202-103(d) is amended to read as follows:

28 (d)~~(1)~~ A municipality shall not undertake the acquisition,
 29 construction, enlarging, or equipping of an interest in the project which
 30 will result in the municipality's owning electric power capacity which shall
 31 exceed two hundred fifty percent (250%) of the power requirements of the
 32 municipality.

33 ~~(2) Provided, however, the limitations on resulting power~~
 34 ~~capacity in subdivision (d)(1) of this section shall not apply to the~~
 35 ~~municipality's participating in retail open access pursuant to § 23-19-~~
 36 ~~104(b).~~

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SECTION 6. Arkansas Code § 14-202-103(e) is repealed:

~~(e) A municipality shall not participate in retail competition through a project prior to its governing body adopting enabling legislation to participate in retail open access pursuant to Section 23-19-104(b).~~

SECTION 7. Arkansas Code, Title 23, Chapter 18, Subchapter 5, the Utility Facility Environmental and Economic Protection Act, is amended to add three additional sections to read as follows:

23-18-530. Treatment of major utility facility generating plant - Proposals of authority.

(a) Electric utility systems or facilities owned by a municipal electric consolidated authority created under the Arkansas Municipal Electric Utility Interlocal Cooperation Act of 2003, § 25-20-401 et seq., shall be subject to the Utility Facility Environmental and Economic Protection Act, § 23-18-501 et seq., except with regard to major utility facilities consisting of generating plants as defined in § 23-18-503(5)(A), subsections (b) through (f) of this section shall apply.

(b)(1) Prior to construction by an authority of a major utility facility consisting of generating plant as defined in § 23-18-503(5)(A), the Arkansas Public Service Commission shall determine the needs of the authority for power and energy for the present and a reasonable period in the future as provided for in this section.

(2) Notwithstanding any other provision of this chapter, in determining the desirability of and need for a proposed major utility facility as defined in § 23-18-503(5)(A) to be constructed by an authority, the Arkansas Public Service Commission shall take into account the following:

(A) The economies, efficiencies, and revenues estimated to be achieved in acquiring, constructing, and operating the proposed major utility facility;

(B) The authority's estimated requirements based on a comprehensive resource plan for power and energy, for reserve capacity, and to meet obligations under pooling and reserve sharing agreements reasonably related to the need for the power and energy to which the authority is or is anticipated to become a party;

(C) The cost of existing or alternative power supply

1 sources;

2 (D) The marketability of electric power in excess of the
 3 authority's requirements;

4 (E) The environmental impact of the major utility facility
 5 as required by § 23-18-511(8); and

6 (F) Any likely adverse impact on retail customers of public
 7 utilities subject to the jurisdiction of the Arkansas Public Service
 8 Commission not served by members of the authority.

9 (c) For purposes of subdivision (b)(2)(F) of this section, if the
 10 authority proposes to sell electricity to any municipal electric utility only
 11 a public utility subject to the jurisdiction of the Arkansas Public Service
 12 Commission that supplies or has previously supplied capacity and energy
 13 within the previous five (5) years to the municipal electric utility to which
 14 a sale is proposed shall have standing to raise an objection to the sale
 15 under subsection (b)(2)(F).

16 (d) The Arkansas Public Service Commission shall not issue a
 17 certificate with regard to the authority's major utility facility as defined
 18 in § 23-18-503(5)(A), either as proposed or as modified by the commission,
 19 unless it finds and determines:

20 (1) The authority has adequate financial, technical, and managerial
 21 capability to assure construction and operation of the major utility facility
 22 in continuing compliance with the terms and conditions of the certificate;

23 (2) The major utility facility will not unduly interfere with the orderly
 24 development of the region or with development of the region's integrated
 25 electric transmission system;

26 (3) The major utility facility will not have an unreasonable adverse effect
 27 on aesthetics, historic sites, air and water quality, the natural
 28 environment, and public health and safety; and

29 (4) The factors the commission must consider pursuant to subsection (b) of
 30 this section support the issuance of a certificate.

31 (e) If the commission determines that the location or design of all or
 32 part of the proposed facility should be modified, it may condition its
 33 certificate upon the modification.

34 (f) The commission shall have the authority to review and approve
 35 conveyance of any major utility facility consisting of generating plant as
 36 defined in § 23-18-503(5)(A) by an authority holding a Certificate of

1 Environmental Compatibility and Public Need thereto to any entity other than
2 an authority or a municipal electric utility.

3
4 23-18-531.

5 (a)(1) An authority may, with the consent of the commission, purchase,
6 acquire, or lease all or part of any existing electric generation facility
7 from any entity other than an authority or a municipal electric utility.

8 (2) An authority may, with the consent of the Commission, sell
9 wholesale power and energy to an entity that is not a member of the authority
10 for a term of up to three (3) years.

11 (3) Commission consent shall not be required for a purchase,
12 acquisition, or lease of an existing electric generation facility by an
13 authority from another authority or a municipal electric utility, or for a
14 sale of wholesale power and energy by an authority for a term of one (1) year
15 or less, or for a sale of wholesale power and energy by the authority to a
16 member of the authority.

17 (b)(1) Application for the approval and consent of the commission
18 shall be made by the authority and shall contain a concise statement of the
19 proposed transaction, the reasons therefore, and such other information as
20 may be required by the commission.

21 (2)(A) Upon the filing of an application, the commission shall
22 investigate it, with or without public hearing, and in the case of a public
23 hearing, upon such notice as the commission may require.

24 (B) If it finds that the proposed transaction is
25 consistent with the public interest, it shall give its consent and approval
26 in writing.

27 (3) Any transaction required by this section to be submitted to
28 the commission for its consent and approval shall be void unless the
29 commission shall give its consent and approval thereto in writing.

30 (c) In the event an authority purchases or acquires all or part of an
31 existing generation facility from an entity other than another authority or a
32 municipal electric utility, and the entity paid taxes, or made payments in
33 lieu of taxes, to a political subdivision of the state, the authority
34 purchasing or acquiring the facility shall make payments in lieu of taxes at
35 a rate no less than the rate at which the entity from which the facility is
36 purchased or acquired paid taxes, or made payments in lieu of taxes, would

1 have otherwise have been obligated to make payment.

2
3 23-18-532.

4 Except as provided specifically in the Utility Facility Environmental
5 and Economic Protection Act §§ 23-18-501 et seq., an authority shall not be
6 subject to the jurisdiction or regulatory authority of the Arkansas Public
7 Service Commission.