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Referred: Resources & Finance

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Original sponsors: Coghill and Szymanski

1 IN THE SENATE BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 109 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the rural electrification revolving loan fund."
7

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

9 * Section 1. FINDINGS AND INTENT. (a) Although the rural electrification revolving loan fund has existed since 1981, it has not adequately met
10 the purpose for which it is intended. The principal reason for that failure
11 has been regulations that have, at least in part, opposed the purpose
12 of this program. The purpose of this program is to assist electric utilities
13 and their consumers in extending pioneer electric distribution lines
14 into developing rural areas.
15

16 (b) The legislature finds that

17 (1) the installation of pioneer electric distribution lines is
18 essential to the orderly development of areas that are suitable and appropriate
19 for development; frequently it is prohibitively expensive for the
20 utilities and their consumers to build the necessary distribution lines in
21 anticipation of sufficient development to make the lines feasible;

22 (2) it is in the public interest for the state to assist in
23 financing distribution lines in areas where development is expected; the
24 appropriate role of the state in regard to the lines is that of assuming
25 the risk that the anticipated development will in fact occur;

26 (3) populated areas along state highways that have a source of
27 central station electric service available for distribution are expected to
28 develop further and loans from this program to construct pioneer distribution
29 lines along those state highways are appropriate, and should be given

1 priority for one-half of the funds available.

2 (c) It is the intent of the legislature that all existing regulations
3 relating to this loan program be reconsidered and that they be amended to
4 conform to this Act.

5 * Sec. 2. AS 44.83.361(b) is amended to read:

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

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

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

24 * Sec. 3. AS 44.83.361(c) is amended to read:

25 (c) A loan from the rural electrification revolving loan fund
26 shall bear an annual rate of interest of two percent of the unpaid
27 balance of the loan. Interest received on a loan made under this
28 section must be transferred annually [MONTHLY] to the commissioner of
29 revenue for deposit in the general fund. The unpaid balance on a loan

1 made under this section remaining after 20 years may be forgiven.

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

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

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