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319

ALASKA UTILITIES ASSOCIATION

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May 9, 1977

The Honorable Joe Orsini
Community & Regional Affairs
Alaska State Senate
Pouch V
Juneau, AK 99801

Re: SB No. 319, An act relating
to the debt of public utilities

Dear Senator Orsini:

Upon reviewing the provisions of this bill, I find that although the bill may be well intended--to assure that the utility is not incurring debt at unreasonable rates of interest, or that the debt is reasonably required by the utility, it is unrealistic.

As small utilities can testify (some large ones, too), utility financing in Alaska is very difficult. The utilities, for the most part, are small entities, relatively new, and most have expansion requirements almost unheard of "outside". The Alaska lending institutions are unsophisticated in making utility loans. They expect a utility which oftentimes acquires assets with 20 to 50 year lives to be able to pay the loan in 5 to 7 years. Again, most of our utilities are too small to be of interest to the sophisticated money markets "outside".

The Alaska utilities have to (as in any business) obtain the best terms and conditions for their borrowing. To add a third element--approval by the APUC after a public hearing, further delays the obtaining of financing, quite possibly to the point where such proposed financing "dries up" and is no longer available.

The APUC reviews the fiscal operation of a utility as part of its determination if a proposed rate increase is in the public interest. As part of this review, the APUC would disallow excessive interest being paid on loans, or interest and debt service on loans not necessary for the present and prospective obligations to provide service. I believe this present method is an effective means of protecting the public.

May 9, 1977

Now, however, if you are seriously trying to assist the general public by doing whatever is possible to lower utility rates, why not use a portion of the "Permanent Fund" to create a revolving loan fund for Alaska utilities?

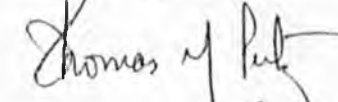
If you offered funds available at a reasonable rate of interest (say 8%) for necessary projects, then I could see the state having an interest in the borrowings of utilities, and possibly requiring APUC consent to borrow elsewhere.

SB 319 offers the public nothing except a delay in the installation of necessary additions or improvements, and the increased cost of government to impose this additional intervention.

If you desire further information, please contact me.

Very truly yours,

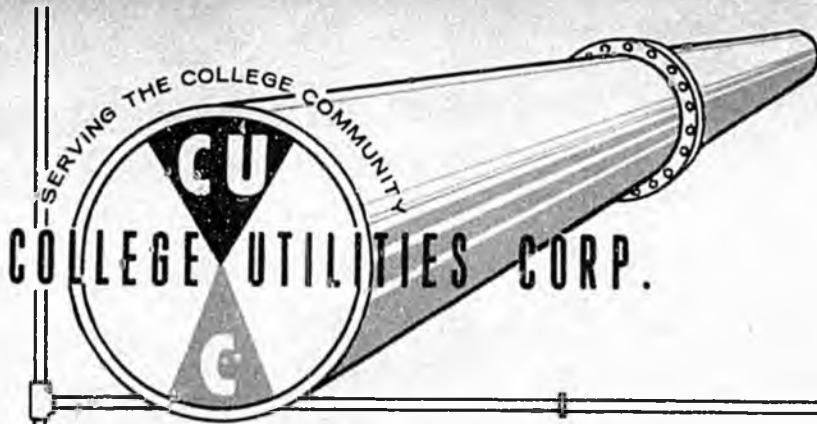
ALASKA UTILITIES ASSOCIATION



Thomas M. Peetz
Secretary-Treasurer

cc: To all members of the
Alaska Utilities Association
w/copy of SB 319

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May 17, 1977

The Honorable Joe Orsini
Community & Regional Affairs
Alaska State Senate
Pouch V
Juneau, Alaska 99801

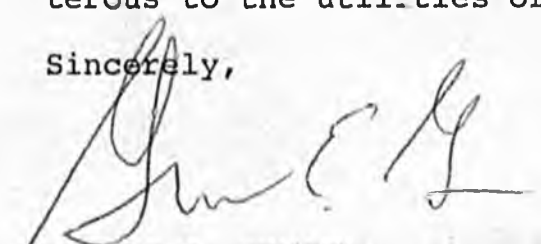
Re: SB #319, An act relating
to the debt of public utilities

Dear Senator Orsini:

The Alaska Public Utilities Commission currently has almost life and death control over all utilities in the State of Alaska. We have proceedings in a rate matter that have been going on for approximately 1½ years. The final resolution and outcome is still in dispute and doubt.

If the Alaska Public Utilities Commission is given control over loans, debts, and financial obligations of utilities to include the possibilities of public hearings, and involvement by the many departments of the Alaska Public Utilities Commission it is doubtful whether any utility shall ever again be able to borrow money in the State of Alaska. We believe that the adoption of this bill would be disastrous to the utilities of this state.

Sincerely,


GEORGE E. GORDON
President

COLLEGE UTILITIES CORPORATION
GEG/cjs