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SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 140

BILL NAME: Establishing the electric cooperative revolving
loan fund

SPONSOR(S): Fabenkamp, Ferguson,
Eliason, Bennett, MOSS

RELATED BILLS PENDING: SB 141

DATE INTRODUCED: 2/23/83

REFERRALS:
Resources
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE: requested 2-24-83,
Katy Waller, Dept Commerce

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED: .

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

Dept Commerce - Energy & Power - Ed Elbach
- Loans Don Hostalk Katy 2/24 says "still working on"

Dave Hutchens/Bill Blessington - OK Rural Electrification Assoc.

Chapter 57. Regional Electrical Authorities.

Section

10. Finding and purpose
20. Creation of authorities
30. Tax exemption
40. Powers of the authority
50. Bonds and notes
60. Validity of pledge

Section

70. Remedies
80. Negotiable instruments
90. Obligations eligible for investment
100. Refunding obligations
110. Credit of state not pledged

Opinions of attorney general. — The legislature, in creating regional electrical authorities under this chapter, anticipated that they might supplant the function of municipal and cooperative utilities in many areas of the state. June 7, 1976, Op. Att'y Gen.

An electrical utility owned and operated by a regional electrical authority would continue to qualify for the broad exemption from the Alaska Public Utilities Commission Act, AS 42.05.010 — 42.05.721,

available to political subdivisions under AS 42.05.711(b) once the regional electrical authority had completed its proposed organization as a nonprofit corporation pursuant to AS 10.20.005 et seq. June 7, 1976, Op. Att'y Gen.

Collateral references. — 26 Am. Jur. 2d. Electricity, Gas and Steam, §§ 10-13, 18-23.

29 C.J.S., Electricity, §§ 6-10(2); 94 C.J.S., Waters, § 319(7).

Sec. 18.57.010. Finding and purpose. The legislature finds that an acute shortage of adequate, safe, reliable electrical facilities exists in the rural areas of the state and that adequate electrical systems cannot be provided by the private sector due to inadequate projected system revenues and economic depression in certain areas or by local governments of the state since the boundaries required for boroughs under art. X, § 3, of the Alaska Constitution and the boundaries of cities necessary to effectively operate as cities would, in many cases, not be adequate to provide economic, adequate, safe and reliable electrical service. The legislature further finds that adequate housing, public facilities and economic development are heavily dependent upon adequate, safe and reliable electrical facilities. These conditions are inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of rural communities. The legislature further finds that a reasonable means of accomplishing the purpose of providing adequate, safe and reliable systems is the creation of regional electrical authorities which are not local governments. It is the purpose and intent of the legislature to provide a means whereby public corporations to serve as regional electrical authorities may be formed. (§ 1 ch 142 SLA 1975; am § 2 ch 274 SLA 1976)

Sec. 18.57.020. Creation of authorities. (a) An association authorized by AS 18.55.996(a) to form a regional housing authority is given the authority to form a regional electrical authority. There is created with respect to each of the associations named in AS 18.55.996(a) a

public body corporate and politic as a political subdivision of the state to function in the operating areas of the individual associations. Each authority may exercise all powers conferred by this chapter.

(b) A regional electrical authority may not transact business or exercise powers granted to it until the governing body of the association has, by resolution, declared there is a need for the authority to function, given it the authority to function and appointed persons to serve as the board of commissioners of the authority. The number of members of the board of commissioners, their terms of office and the filling of vacancies in office shall be determined by resolution of the governing body of the association.

(c) The regional electrical authority has jurisdiction to operate in all or part of the operating area of the individual association as determined by resolution of the governing body of the association. The governing body may, by resolution, add to or subtract from the area served. The authority may operate within the service area of a certificated rural electrical cooperative or within the corporate limits of a municipality only with consent, by resolution, of the governing body of the municipality or cooperative; however, if an authority is operating within an area which becomes part of a municipality or has a certificate of convenience and necessity from the Alaska Public Utility Commission to operate in an area which becomes part of a municipality, no consent is necessary.

(d) A municipality, electrical cooperative or other provider of electrical service may transfer all or part of its electrical system including, without limitation, lands and rights in land, equipment and certificates or franchises, to a regional electrical authority by resolution of the governing board upon terms agreed upon with the authority; however, approval by resolution, of the board of commissioners of the authority shall be obtained. Unless otherwise provided by law no other approvals to transfers are required. (§ 1 ch 142 SLA 1975)

Sec. 18.57.030. Tax exemption. (a) A regional electrical authority is exempt from payment of taxes or assessments on property owned by the authority which is used for generation and transportation of electricity for a period of 20 years from the effective date of this Act.

(b) All obligations issued under this chapter are issued by a body corporate and public which is a political subdivision of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income and other money pledged or available to pay or secure the payment of the obligations or interest are exempt from taxation for a period of 20 years from the effective date of this Act, except for transfer, inheritance and estate taxes.

(c) All obligations or liabilities of a regional electrical authority remain its own and are not obligations or liabilities of the state. (§ 1 ch 142 SLA 1975)

Sec. 18.57.040. authority has

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- (15) exercise 09.55.250 — 09
- (16) do all a carry out the p

Sec. 18.57.040. Powers of the authority. A regional electrical authority has the general power to

- (1) adopt, alter and use a corporate seal;
- (2) prescribe, adopt, amend and repeal bylaws;
- (3) sue and be sued in its own name;
- (4) appoint officers, agents and employees and vest them with powers and duties and to fix, change and pay compensation for their services as the authority may determine;
- (5) borrow money, make and issue bonds, notes and other evidences of indebtedness of the authority for any of its corporate purposes and to secure payment of its bonds and of other obligations by pledge of or lien on all or any of its assets, contracts, revenue and income;
- (6) make and issue bonds for the purpose of funding, refunding, purchasing, paying or discharging any of the outstanding bonds or obligations issued or assumed by it or bonds or obligations the principal or interest of which is payable in whole or in part from its revenue;
- (7) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of its powers and functions, including contracts with any person, firm, corporation, government agency or other entity;
- (8) receive, administer and comply with the conditions and requirements of an appropriation, gift, grant or donation of property or money;
- (9) invest or reinvest money or funds held by the authority in obligations or other securities or investments in which banks or trust companies in the state may legally invest funds held in reserves or sinking funds or funds not required for immediate disbursement, and in certificates of deposits or time deposits;
- (10) acquire, hold, use, lease, sell or otherwise dispose of property of any kind, real, personal or mixed or any interest in it;
- (11) acquire, produce, develop, manufacture, use, transmit, distribute, supply, exchange, sell or otherwise dispose of electric energy and other supplies and services as the authority determines necessary, proper, incidental or convenient in connection with its activities;
- (12) determine, fix, alter, charge and collect rates, fees, rentals and other charges for the use of the facilities of the authority or for the service, electric energy or other commodities sold, rendered, or furnished by it;
- (13) plan, design, construct, reconstruct, extend or improve any facility necessary or convenient in connection with its activities;
- (14) enter on any land, water or premises for the purpose of making surveys, soundings or examinations;
- (15) exercise the powers of eminent domain in accordance with AS 09.55.250 — 09.55.460;
- (16) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter;

(17) adopt, amend and repeal regulations necessary for the exercise and performance of its powers and duties or to govern the rendering of service, sale or exchange of electrical energy. (§ 1 ch 142 SLA 1975)

Sec. 18.57.050. Bonds and notes. (a) The authority, by board resolution, may issue bonds and bond anticipation notes in order to provide funds to carry out and effectuate its purposes.

(b) The principal and interest on these bonds or notes is payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of sale of other bond anticipation notes or, if bond or bond anticipation note proceeds are not available, such notes may be paid from other funds or assets of the authority. Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal or state government, a corporation, association, institution or person, or a pledge of money, income, or revenues of the authority from any source.

(c) Bonds or bond anticipation notes may be issued as provided by board resolution, in one or more series and shall (1) be dated; (2) bear interest at the prescribed rate per year or within the maximum rate; (3) be in a certain denomination or form, either coupon or registered; (4) carry the conversion or registration provisions; (5) have rank or priority; (6) be executed in a certain manner and form; (7) be payable from the sources in the medium of payment and place or places inside or outside the state; (8) be subject to authentication by a trustee or fiscal agent; and (9) be subject to terms of redemption, with or without premium. Bond anticipation notes mature at a time determined by the authority. Bonds mature at a time, not exceeding 50 years from the date of their issuance, as determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when the definitive bonds or bond anticipation notes have been executed and are available for delivery.

(d) Bond or bond anticipation notes may be sold in the manner, on the terms, and at the price the authority determines.

(e) If an officer whose actual or facsimile signature appears on any bonds or notes or coupons attached to them ceases to be an officer before the delivery of the bond, note or coupon, his signature is valid as if he had remained in office until delivery.

(f) In a resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority may, with holders of the bonds or bond anticipation notes,

(1) pledge to any payment or purpose all or any part of revenues to which it is or will be entitled to and similarly pledge the money derived from the revenues, and the proceeds of any bonds or notes;

(2) covenant against pledging all or any part of its revenues or against permitting or suffering a lien on the revenues or its property;

(3) covenant of principal or construction loan;

(4) covenant making of pro reserves or sinking fund;

(5) covenant or otherwise defining the terms and conditions of the proceeds;

(6) covenant limitations on incurring of the bonds or notes;

(7) covenant rank or priority or as to the amount of the bonds or notes;

(8) provide for the bonds or notes or notes or interest on the bonds or notes;

(9) provide for the bonds or notes or notes or interest on the bonds or notes;

(10) covenant of their exchange of their money to be paid or received and as to use of the money;

(11) covenant contract or conditions of the notes may be held by the holders of the notes in the manner in which the notes are to be held;

(12) covenant their insurance monies, their interest on the bonds or notes, or with respect to the loans or construction loans or construction bonds or notes;

(13) provide upon the breach of the events of all of the bonds or notes may be declared conditions upon which the bonds or notes are to be waived;

(14) covenant from enforcement of the bonds or notes or with respect to the loans or construction loans or construction bonds or notes;

(15) provide upon the breach of the events of all of the bonds or notes may be declared conditions upon which the bonds or notes are to be waived;

(16) provide upon the breach of the events of all of the bonds or notes may be declared conditions upon which the bonds or notes are to be waived;

(17) provide upon the breach of the events of all of the bonds or notes may be declared conditions upon which the bonds or notes are to be waived;

(18) provide upon the breach of the events of all of the bonds or notes may be declared conditions upon which the bonds or notes are to be waived;

(3) covenant as to the use and disposition of any and all payments of principal or interest received by the authority on mortgage loans, construction loans or other investments held by the authority;

(4) covenant as to establishment of reserves or sinking funds and the making of provision for and the regulation and disposition of the reserves or sinking funds;

(5) covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;

(6) covenant as to bonds and notes to be issued, and their limitations, terms and conditions, and as to the custody, application and disposition of the proceeds of the bonds and notes;

(7) covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of the other debts;

(8) covenant as to the payment of the principal of or interest on the bonds or notes, as to the sources and methods of the payment, as to the rank or priority of the bonds or notes with respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;

(9) provide for the replacement of lost, stolen, destroyed or mutilated bonds or notes;

(10) covenant against extending the time for the payment of bonds or notes or interest on the bonds or notes;

(11) covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;

(12) covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operation expenses, payment or redemption of bonds or notes, reserves or other purposes, and as to use and disposition of the money held in the funds;

(13) establish the procedure, if any, by which the terms of any contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;

(14) covenant as to the custody of any of its properties or investments, their safekeeping and insurance, and the use and disposition of insurance money;

(15) covenant as to the time or manner of enforcement or restraint from enforcement of any rights of the corporation arising by reason of or with respect to nonpayment of principal or interest of any mortgage loans or construction loans;

(16) provide for the rights and liabilities, powers and duties arising upon the breach of a covenant, condition or obligation, and to prescribe the events of default and the terms and conditions upon which any or all of the bonds, notes or other obligations of the authority become or may be declared due and payable before maturity and the terms and conditions upon which such a declaration and its consequences may be waived;

(17) vest in a trustee or trustees inside or outside the state property, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of a trustee appointed by the holders of bonds or notes, and to limit or abrogate the right of the holders of bonds or notes of the authority to appoint a trustee under this chapter or limit the rights, powers and duties of the trustee;

(18) pay the costs or expenses incident to the enforcement of the bonds or notes or of the provisions of the resolution or of a covenant or agreement of the authority with the holders of its bonds or notes;

(19) agree with a corporate trustee which may be a trust company or bank having the powers of a trust company inside or outside the state as to the pledging or assigning of revenues or funds to which or in which the authority has any rights or interest; and further provide for other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of any bonds or notes of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;

(20) appoint and provide for the duties and obligations of a paying agent or other fiduciary, by resolution, inside or outside the state;

(21) limit the rights of the holders of bonds or notes to enforce a pledge or covenant securing bonds or notes;

(22) make covenants other than expressly authorized in this section, of like or different character, and to make covenants as may be necessary or desirable, to better secure bonds or notes or which, in the discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding the fact that the covenants are not enumerated in this section. (§ 1 ch 142 SLA 1975)

Sec. 18.57.060. Validity of pledge. The pledge of assets or revenues of the authority to the payment of the principal or interest of obligations of the authority is valid and binding from the time the pledge is made and assets or revenues pledged are immediately subject to the lien of the pledge without physical delivery or further action. The lien of a pledge is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge. Nothing prohibits the authority from selling assets subject to a pledge, except that a sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations. (§ 1 ch 142 SLA 1975)

Sec. 18.57.070. Remedies. A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under a trust agreement or resolution authorizing the issuance of the obligations, if not restricted by the trust agreement or resolution, either at law or in equity, may enforce all rights granted under the

coupons or under contract executed and compel the trustee to agree by an officer of

Sec. 18.57.070. interest coupons under the law provisions. (§ 1 ch 142 SLA 1975)

Sec. 18.57.070. issued under the provisions of this chapter, all institutions, investments, other fiduciary interests, and other property deposited with the authority or subdivision of the authority. (1975)

Sec. 18.57.070. provide for the refunding obligations of the authority, the provisions of this chapter, premium on the redemption of the obligations and the right to issue them are governed by the provisions of this chapter. (1975)

(b) Refunding obligations of the authority are applied, in a redemption of the obligations, other available funds, and any redemption if so provided for in the resolution to the payment of the expenses incurred in the investment in the obligations of the United States of America with the option of the

coupons or under the trust agreement or resolution, or under any other contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by an officer of it. (§ 1 ch 142 SLA 1975)

Sec. 18.57.080. Negotiable instruments. All obligations and interest coupons attached to the obligations are negotiable instruments under the laws of this state, subject only to applicable registration provisions. (§ 1 ch 142 SLA 1975)

Sec. 18.57.090. Obligations eligible for investment. Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. These obligations may be deposited with the state or municipal officer of an agency or political subdivision of the state for any purpose for which the deposit of bonds, notes or obligations of the state is authorized by law. (§ 1 ch 142 SLA 1975)

Sec. 18.57.100. Refunding obligations. (a) The authority may provide for the issuance of refunding obligations for the purpose of refunding obligations then outstanding which have been issued under the provisions of this chapter, including the payment of redemption premium on them and interest accrued or to accrue to the date of redemption of the obligations. The issuance of the obligations, the maturities and other details of them, the rights of the holders of them, and the rights, duties and obligations of the authority in respect of them are governed by the provisions of this chapter which relate to the issuance of appropriate obligations.

(b) Refunding obligations may be sold or exchanged for outstanding obligations issued under this chapter. If sold, the proceeds may be applied, in addition to other authorized purposes, to the purchase, redemption or payment of the outstanding obligations. Pending the application of the proceeds of any such refunding obligations, with any other available funds, to the payment of the principal (accrued interest and any redemption premium on the obligations being refunded, and if so provided or permitted in the resolution authorizing the issuance of the refunding obligations or in the trust agreement securing them, to the payment of any interest on the refunding obligations and any expenses in connection with the refunding), the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America which mature or which will be subject to redemption, at the option of the holders of them, not later than the respective dates when

the proceeds, together with the interest accruing on them, will be required for the purposes intended. (§ 1 ch 142 SLA 1975)

Sec. 18.57.110. Credit of state not pledged. Obligations issued under the provisions of this chapter do not constitute a debt, liability or obligation of the state or of any other political subdivision of the state or a pledge of the faith and credit of the state or a political subdivision of the state but are payable solely from the revenues or assets of the authority. Each obligation issued under this chapter shall contain on its face a statement that the authority is not obligated to pay it nor the interest on it except from the revenues or assets pledged for it and that neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of the principal of or interest on the obligation. (§ 1 ch 142 SLA 1975)

Chapter 60. Safety.

Article

- 1. Prevention of Accident and Health Hazards (§§ 18.60.010 — 18.60.105)
- 2. Search and Rescue (§§ 18.60.110 — 18.60.175)
- 3. Boilers (§§ 18.60.180 — 18.60.395)
- 4. Refrigerators and Similar Equipment (§§ 18.60.400 — 18.60.460)
- 5. Radiation Protection (§§ 18.60.475 — 18.60.545)
- 6. Electrical Safety (§§ 18.60.580 — 18.60.660)
- 7. High Voltage Lines (§§ 18.60.670 — 18.60.695)
- 8. Plumbing Code (§§ 18.60.705 — 18.60.740)
- 9. Safety Glazing (§§ 18.60.750 — 18.60.780)
- 10. Elevators (§§ 18.60.800 — 18.60.820)
- 11. Snow Safety (§ 18.60.822)

Article 1. Prevention of Accident and Health Hazards.

Section

- 10. Legislative intent
- 20. Regulations
- 30. Duties of Department of Labor
- 40. Report to legislature
- 50. [Repealed]
- 55. Division of occupational safety and health
- 57. Occupational Safety and Health Review Board
- 58. Reporting of injuries and illnesses
- 59. Legal counsel
- 60. Cooperation by other state agencies
- 70. Control of funds
- 75. Safe employment
- 77. Variance of a standard
- 80. Contributions
- 81. Temporary variance
- 83. Right of entry and inspection
- 85. Prohibition of unauthorized notice of inspection

Section

- 87. Employer and employee participation
- 88. Employee requests for special inspection
- 89. Prohibition against retribution
- 90. [Repealed]
- 91. Citations
- 93. Enforcement procedures
- 95. Penalties
- 96. Imminent dangers
- 97. Judicial review
- 98. Employee compensation for appearances
- 99. Confidentiality of trade secrets
- 100. Nonabrogation of powers of Department of Health and Social Services
- 105. Definitions

Collateral r
2d, Plant and
State Laws, §
56 C.J.S..
§§ 171-481;
Servant. §§ 48
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Article 10. General Provisions.

Section

701. Definitions

711. Exemptions

Section

721. Short title

✓ Sec. 42.05.701. Definitions. In this chapter

(1) "commission" means the Alaska Public Utilities Commission;

(2) "public utility" or "utility" includes every corporation (whether public, cooperative, or otherwise), company, individual, or association of individuals, their lessees, trustees, or receivers appointed by a court, that owns, operates, manages or controls any plant, pipeline or system for

(A) furnishing, by generation, transmission or distribution, electrical service to the public for compensation;

(B) furnishing telecommunications service to the public for compensation;

(C) furnishing water, steam or sewer service to the public for compensation;

(D) furnishing by transmission or distribution of natural or manufactured gas to the Alaska public for compensation;

(E) furnishing for distribution or by distribution petroleum or petroleum products to the Alaska public for compensation when the consumer has no alternative in his choice of supplier of a comparable product and service at an equal or lesser price;

(F) furnishing collection and disposal service of garbage, refuse, trash or other waste material.

(3) "service" means (unless the context indicates otherwise) every commodity, product, use, facility, convenience or other form of service which is offered for and provided by a public utility for the convenience and necessity of the public;

(4) "rate" includes each rate, toll, fare, rental, charge, or other form of compensation demanded, observed, charged or collected by a public utility for its services;

(5) "public" or "general public" means

(A) any group of 10 or more customers that purchase the service or commodity furnished by a public utility as defined in (2) of this section; and

(B) any utility purchasing the product or service or paying for the transmission of electric energy, natural or manufactured gas, or petroleum products which are re-sold to a group included in (A) of this paragraph or which are used to produce the service or commodity sold to the public by the utility.

(6) "affiliated interest" includes:

(A) a person owning or holding directly or indirectly five per cent or more of the voting securities of a public utility engaged in intrastate business in this state;



Official Business

Alaska State Legislature

Senate

Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

RESOURCES COMMITTEE

Bettye Fahrenkamp
Chairman

March 28, 1983
3:10 p.m.

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chair
Senator Ziegler, Vice Chair
Senator Paul Fischer

Senator Vic Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

- SB 32 Relating to rural electrification loans
- SB 128 Establishing certain areas as marine park units of the Alaska state park system
- SB 136 Relating to the operation of stationary fishing gear
- SB 140 Establishing the electric cooperative revolving loan fund
- SB 141 Making a special appropriation to the electric cooperative revolving loan fund

SB 32, SB 140, SB 141

Don Hostak, Department of Commerce & Economic Development, said the department opposes SB 140, because they don't know where the \$20-million needed to fund the bill will come from in light of declining revenues. They would also prefer an interest rate tied to the municipal bond rate or some other market, rather than setting it at 5% by statute. The committee expressed concern that the department had not prepared a more in-depth analysis of the legislation.

Ed Eboch, Director, Division of Energy and Power Development, opposed SB 32 because Alaska Power Authority can now develop regulations to accomplish what the bill would do, so they feel it is unnecessary.

Regarding SB 140 and SB 141, Eboch said the department had discussed the possibility of whether utilities would qualify for other funding, such as AIDA, but had not considered this in depth. Eboch said they had not discussed the bill with the administration for the purpose of taking a position on the bills. Senator Fahrenkamp asked that this be given more priority. Eboch said the department is also concerned about the impact on federal funds available and the possible effect on other programs. Senator Fahrenkamp asked that sewer and water problems be looked at when utility issues were being considered.

Dave Hutchens, Alaska Rural Electrical Cooperative Association (ARECA), said there are two financing programs available to REEA cooperatives: 1) insured loan program, in which each cooperative qualifies for a percentage of its distribution loans from the federal Rural Electrification Association. The percentage varies depending on the financial condition of the cooperative. 2) guaranteed loan program, in which REA guarantees loans for cooperatives if they determine the loan is feasible; the cooperative then goes wherever it can to get the funds, but generally obtains the funds from the Federal Financing Bank, which raises money on the bond market to loan to cooperatives. Hutchens said that the current federal administration is cutting back both loan programs. There was discussion. Hutchens suggested that the interest rate be tied to that of the REA insured loans.

No action was taken on these bills this date.

SB 128

Senator Fahrenkamp referred the committee to a memo dated 3/28/83 from Senate Resources staff to the committee, recommending additional amendments to the Resources committee substitute for SB 128. Senator Vic Fischer offered amendments on page 2, lines 16-19, and on page 9, lines 8-10, to clarify the intent of the legislation that lawful hunting, trapping, fishing, and recreation in marine park units in the state, and reasonable access to these areas, shall not be restricted by the state. These amendments were adopted without objection. Bill was reported out of committee.

SB 136

Senator Mulcahy offered a committee substitute for SB 136. He said the bill addresses a problem in areas of the state where

a unit of fishing gear can be broken into more than one piece, and explained how the bill would correct the problem. He requested a further amendment to line 20 of his proposed committee substitute, adding the word "shelter", which had been recommended by the Department of Public Safety. There being no objection, the amendment was adopted. Senator Mulcahy moved that the committee substitute be reported out of committee with individual recommendations. There was no objection.

The meeting was adjourned at 3:50 p.m.

K

TO: Senate Resources Committee Members
FROM: Senate Resources Committee Staff
RE: March 23rd hearing
DATE: March 25, 1983

On Monday, March 28 at 3:00 pm in the Lertz Room, the following bills will be heard:

SB 32 AN ACT RELATING TO RURAL ELECTRIFICATION LOANS.

SB 32 extends the repayment period for rural electrification loans from 10 to 30 years.

SB 140 AN ACT ESTABLISHING THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 140 establishes the Electric Cooperative Revolving Loan Fund within the Department of Commerce and Economic Development, and authorizes the Department to make loans to electric utilities to finance a capital improvement, plant, or facility; to improve and expand services; or to meet short-term needs while awaiting long-term financing. It outlines limitations on, qualification for, and terms of loans to be compatible with current federal Rural Electrification Administration (REA) loans.

SB 141 AN ACT MAKING A SPECIAL APPROPRIATION TO THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 141 appropriates \$20,000,000 from the general fund to the electric cooperative revolving loan fund.

Copies of the above bills are attached; background information will be distributed as soon as it is received.

Also attached is a copy of CSSI 121, the Marine parks bill, which was adopted by the Committee on 2/13/82. It is hoped that final Committee action could be taken on this bill.

March 31, 1983

Eric Yould
Executive Director
Alaska Power Authority
334 West Fifth Avenue, 2nd Floor
Anchorage, Alaska 99501

Dear Mr. Yould:

I have enclosed copies of two bills that are currently in the Senator Resources Committee. SB 140 would establish an electric cooperative revolving loan fund within the Department of Commerce. Funds, to be loaned at 5% interest for a maximum of 35 years, would be used to improve and expand services, finance capital improvements, and meet short term or interim capital needs. SB 32 would amend the existing rural electrification revolving loan fund by extending the repayment period of loans from 10 to 30 years.

The Resources Committee took testimony March 28 on these bills, and many questions were left unanswered. I would like input from your agency on the following:

Why has the existing rural electrification loan fund not been favorably accepted by the utilities?

What regulatory and statutory changes would be necessary to make this loan program usable and productive?

I understand that the APA, at its recent board meeting, voted to hold public hearings on the current regulations governing the rural electrification loan fund. Have these public hearings been scheduled?

The program proposed in SB 140 has been structured to match the terms of the federal REA program which is facing reductions. Has the APA considered other approaches to meeting the needs currently provided by the REA?

Eric, I would appreciate any other comments or ideas you may be willing to offer on the above-mentioned bills and procedures for financing electrical services throughout the state. Please let me hear from you soon, as I would like to schedule a second hearing on these bills.

Sincerely,



Senator Bettye Fahrenkamp

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835



Senate Committee on Resources

March 31, 1983

David M. Gross, Chairman
Alaska Public Utilities Commission
210 S. Street, Suite 100
Anchorage, Alaska 99501

Dear Mr. Gross:

I have returned a copy of SB 140, which is currently in the Senate Resources Committee. This bill would establish a public utility corporation to be owned and operated by the State of Alaska. The bill would provide for the issuance of 5% interest free bonds of \$10 million, which would be used to improve and expand power lines, transmission, distribution, and most importantly, to provide service to rural areas. This proposed program has been structured to mirror the existing 5% interest free bonds which are issued by the State.

The Senate Resources Committee has reviewed SB 140, and we believe that the bill would provide a significant benefit to the State of Alaska. We are currently reviewing the bill and will report our findings to the Senate in the near future. We would appreciate your comments on this bill, which would provide a significant benefit to the State.

I would like to schedule a meeting to discuss SB 140, and would appreciate hearing from you soon.

Sincerely,

Respectfully,

Senator Robert Mulcahy

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI

POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835



Senate Committee on Resources

April 4, 1983

William E. Davis, Director
Distribution System Division
Rural Electrification Administration
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Davis:

I have enclosed a copy of SB 140, which would establish an electric cooperative revolving loan fund within the State Department of Commerce. This proposed program has been structured to match the terms of the federal Rural Electrification Administration program, which I understand is facing reductions at the federal level.

Would you please provide me with information on the current status of the RIA program, funding reductions that have occurred or are proposed, and also current information as to interest rate, length of term, and purpose of loans.

I would appreciate hearing from you as soon as possible, as I do want to schedule a second hearing on SB 140.

Best regards,

Sincerely,

Bettye Fahrenkamp
Chairman

BW:bs

ENCLOSURE

STATE OF ALASKA
FISCAL NOTE

Revision Date March , 1983

I. REQUEST

Bill/Resolution No.: SR 140
Title: Electric Loan Fund
Sponsor: Fahrenkamp, Ferguson, Eliason
Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
Program Category Affected: Development
BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		77.7				
200 TRAVEL		4.2				
300 CONTRACTUAL		3.1				
400 COMMODITIES		1.0				
500 EQUIPMENT		10.4				
600 LAND & STRUCTURES		5.4				
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		101.8				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		101.8				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		2				
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D.A. Hostak* Phone: 465-2510
Division: Loans & Veterans' Affairs Date: 3/25/83
Approved by Commissioner: Richard A. Ivon Date: 3/25/83
Department: Commerce & Economic Development

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

SB 140 FISCAL NOTE ANALYSIS

Provides for a Loan Examiner III position and an Accounting Tech. I position. This is based on the assumption that the division will be processing approximately 35 to 40 loans per year and that the Division of Energy and Power will be handling the feasibility studies. That fiscal impact is reflected in a separate fiscal note prepared by the Division of Energy and Power.

1.	POSITION TITLE Loan Examiner III				RANGE/STEP 19A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APERDV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEC.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1		2	3						
	PERSONAL SERVICES									
5.	Salary	3,041 P/M		36.5						
6.	Benefits			5.7						
7.	Supplemental Benefits			2.2						
8.	Fixed Benefits			2.9						
9.	TOTAL PERSONAL SERVICES		01	47.3						
10.	Travel		02	4.2						
11.	Contractual		03	3.1						
12.	Commodities		04	.5						
13.	Equipment		05	5.3						
14.	Other			2.7						
15.	TOTAL COST			63.1						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004		63.1						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY 4A KEY NUMBER _____										

13 REQUEST FOR
NEW POSITION

AGENCY COMMERCE & ECONOMIC DEVELOPMENT

PROGRAM ECONOMIC DEVELOPMENT

BRU LOANS & VETERANS' AFFAIRS

COMPONENT _____

FY 84

Page 1 of 2

Revised Date _____

1.	POSITION TITLE Accounting Technician I			RANGE/STEP 12A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPRDV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.	
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION				
4.	TYPE OF EXPENDITURE		AMOUNT						
	1		2	3					
	PERSONAL SERVICES								
5.	Salary		22.7						
6.	Benefits		1.4						
7.	Supplemental Benefits		3.5						
8.	Fixed Benefits		2.9						
9.	TOTAL PERSONAL SERVICES	01		30.5					
10.	Travel	02							
11.	Contractual	03							
12.	Commodities	04		.5					
13.	Equipment	05		5.1					
14.	Other			2.7					
15.	TOTAL COST			38.8					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004		38.8					
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY 4A KEY NUMBER _____									

13 REQUEST FOR
NEW POSITION

AGENCY DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

PROGRAM ECONOMIC DEVELOPMENT

BRU DIVISION OF LOANS & VETERANS' AFFAIRS

COMPONENT _____

Page 2 of 2

Revised Date _____

FY 84

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 140
 Title: Establishing electric coop revolving
 Sponsor: Fahrenkamp
 Requestor: Senate Resources

II. FISCAL DETAIL

Agency Affected: Commerce and Econ. Dev.
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Energy and Power Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	83.6	87.6	93.9	99.2	105.4	111.9
200 TRAVEL	16.0	15.9	17.9	18.2	19.0	20.1
300 CONTRACTUAL	110.0	116.6	117.6	124.6	132.0	139.9
400 COMMODITIES	.5	.3	.3	.3	.4	.4
500 EQUIPMENT	1.0	.4	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	211.1	221.8	229.7	242.3	256.8	272.3

CAPITAL (see SB 141)						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	211.1	221.8	229.7	242.3	256.8	272.3
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Source of funds not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any analysis

Prepared By: Steve Baden
 Division: Energy and Power Development

Phone: 561-4201
 Date: 3/18/83

Approved by Commissioner: Richard A. Lyon
 Department: Commerce and Economic Development

Date: 3/26/83

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

SB 140

Fiscal Note Analysis/Energy and Power Development

The Electric Cooperative Revolving Loan Fund would be administered jointly by the Division of Energy and Power Development and the Division of Loans and Veterans' Affairs of the Department of Commerce and Economic Development.

Utilities would first apply to the Division of Energy and Power Development. The Division would review the application, system studies, economic forecasts, financial data and complete the feasibility study. The Division would work with the Alaska Public Utilities Commission to verify that the utility would be financially self-sustaining.

Once the Division signed off on the application, it would be sent to the Division of Loans and Veterans' Affairs. The Division would determine if the loan would be fully amortized under the conditions of the loan, process the loans and handle the transfer of notes, mortgages and collateral.

It is assumed that between 20 and 35 loans will be processed ranging from \$50,000 to \$2,500,000. For the application review and conduction of the feasibility study, two positions would be needed for the Division of Energy and Power Development: a range 22 engineer, and a range 8 clerk typist III.

The personal services line includes only a .06 increase per year which will absorb potential step increases. The travel line assumes 25 trips to in-state sites and associated per diem annually. The contractual line includes office expenses, equipment rental, and professional services required to assist in feasibility studies at the same level annually. The equipment line includes the cost of office furniture and equipment for one position anticipated only the first year.

1.	POSITION TITLE Power Development Engineer				RANGE/STEP 22A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER Pending	PCN NUMBER Pending	BRU PRIORITY 1	LOCATION Anchorage	ELECTION DISTRICT 7	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				AMOUNT					
	1		2		3					
	PERSONAL SERVICES									
5.	Salary	3,779	45,348							
6.	Benefits		7,029							
7.	Supplemental Benefits		2,240							
8.	Fixed Benefits		2,880							
9.	TOTAL PERSONAL SERVICES		01	67,497						
10.	Travel		02	6,000						
11.	Contractual		03	107,000						
12.	Commodities		04	500						
13.	Equipment		05	1,000						
14.	Other									
15.	TOTAL COST			181,997						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004			181,997					
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER _____										

SB 140 - Electric Cooperative Revolving Fund to be administered properly requires that there be a technical review, inspection of site and facilities, proposal review and feasibility study completion before a loan can be approved.

This position will be responsible for ensuring that a proposed project meets established criteria before recommending approval. This individual must be a graduate/registered professional engineer, preferably of the electric power development field. Must be knowledgeable in power utility construction specification and practices, in particular REA requirements. He must have proven knowledge of the principles and practices of engineering relating to development of power generation, distribution, transmittal and control systems, including power utility economics, codes and standards.

The anticipated workload of this program cannot be handled by the existing DEPD staff. This Division has the technical expertise on board but current workload does not permit the allocation of sufficient manhours to this program for satisfactory results. The estimated workload is for 35 projects requiring a minimum of 2 evaluation or inspection trips away from the office per project.

13 REQUEST FOR
NEW POSITION

AGENCY COMMERCE & ECONOMIC DEVELOPMENT

PROGRAM ENERGY DEVELOPMENT

BRU ENERGY & POWER

COMPONENT ENGINEERING

FY 84

Page 1 of 1

Revised Date _____

1.	POSITION TITLE Clerk Typist III			RANGE/STEP 8A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPRDV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER Pending	PCN. NUMBER Pending	BRU PRIORITY 2	LOCATION Anchorage	ELECTION DISTRICT 7	LEG.	
3.	CONTINUATION LEVEL			ADDITION		JUSTIFICATION			
4.	TYPE OF EXPENDITURE			AMOUNT		SB 140 - Electric Cooperative Revolving Fund to be administered properly will require considerable correspondence, feasibility reports preparation and review, records management and filing. It is estimated that there will be approximately 35 projects annually, all of which will require clerical support beyond the existing DEPD capability. The degree of expertise dictated by the technical aspects of these projects demands Clerk Typist III level of experience.			
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	1,553	18,636						
6.	Benefits		2,888						
7.	Supplemental Benefits		1,142						
8.	Fixed Benefits		2,880						
9.	TOTAL PERSONAL SERVICES	01	25,546						
10.	Travel	02							
11.	Contractual	03	3,000						
12.	Commodities	04							
13.	Equipment	05							
14.	Other								
15.	TOTAL COST		28,546						
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004		28,546					
19.		I-A Receipts 1005							
20.		Program Receipts 1028							
21.		Other							
FOR B&M USE ONLY									
4A KEY NUMBER _____									

13 REQUEST FOR
NEW POSITION

AGENCY COMMERCIAL & ECONOMIC DEVELOPMENT

PROGRAM ENERGY DEVELOPMENT

BRU ENERGY & POWER

COMPONENT ENGINEERING

FY 84

Page 1 of 1

Revised Date _____



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: April 5, 1983

TO: Senator Bettye Fahrenkamp
Chairperson, Resources Committee

FROM: Senator Jay Kerttula
Senate President

RE: Rural Electrification of the Copper Valley.

The attached material was recently received in my office. I am forwarding it to you for your information and the perusal of your committee.



Copper River Native Association
ATNA' TAENE NENE'

Drawer H • Copper Center, Alaska 99573 • Phone (907) 822-5241

March 23, 1983

Mr. Donald Johns, Member
Alaska Regional Energy Association
P.O. Box 3-3908
Anchorage, AK 99501

[Handwritten signature]

Dear Mr. Johns:

Here in the Copper Valley area we have three (3) electrical service areas which do not now have local REA service. These areas are:

Old Edgerton Cutoff 8 miles
Extension to Chitina 18 miles
Extension of Tok Cutoff 80 miles

The three service areas listed above have insufficient patron users to warrant establishment of effective electrical service extensions. Example: the Edgerton cutoff has approximately 18 families. The Tok cutoff from Mile 11 to Mentasta Village 70 to 80 miles, has less than 100 electrical service users.

The Copper Valley Electric Association currently estimates Line Extension Service cost to be approximately \$40,000 per extension mile. As a result, it is not financially feasible to construct the extension service, due to excessive line cost and lack of consumer revenue to justify such extensions. We recognize low interest loans from State or Federal sources would not necessarily have a great benefit for the local REA, unless it was in the form of a grant rather than in a loan.

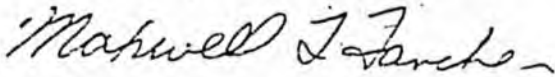
We request your assistance to provide both potential consumers and the Copper Valley Electric Association with information which will yield satisfactory electrification to these areas. We recognize the information contained within this letter is very sketchy but would hope with the assistance of our Alaskan Legislators, communities listed above, Copper Valley Electrical Association, and the Alaska Regional Energy Association, that this central area of our state would be able to move ahead and receive electrical service. At the present time many of the

Mr. Donald Johns
March 23, 1983
Page 2

potential users have their own electrical generators. Unfortunately, not all potential users are even this fortunate to have any electrical service. With our modern technology of industrial computerization this central part of Alaska is denied electrical service. To us, this is a great injustice to our citizens. We solicit your looking at our concerns and trust that together a solution may be found.

Sincerely,

COPPER RIVER NATIVE ASSOCIATION



Maxwell L. Fancher
Program Analyst

MLF:pb

cc: ^{James F} Senator ~~James~~ Fillingame, CVEA
Senator Jalmar Kerttula
Senator Pappy Moss
Representative Dick Schultz
Representative Al Adams

(7) "reconnaissance study" means a study conducted for the purpose of assessing the present and future electrical and thermal energy needs of an area under AS 44.83.177;

(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 44.83.181;

(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. (§ 1 ch 278 SLA 1976; am §§ 21, 22, ch 156 SLA 1978; am §§ 26, 27 ch 83 SLA 1980; am §§ 10, 11 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, substituted the present definition for "power project" or "project" in paragraph (4) for

the definition set out in the main pamphlet and substituted "electrical and thermal energy needs" for "power needs" in paragraph (7).

Article 7. Susitna River Hydroelectric Project

Sec. 44.83.325. Restrictions on contracting.

Editor's note. — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.500 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be

completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

Article 8 Rural Electrification Revolving Loan Fund.

Section

361. Rural electrification revolving loan fund

363. Loan advisory committee

Sec. 44.83.361. Rural electrification revolving loan fund. (a) The rural electrification revolving loan fund is established in the Alaska Power Authority. The fund consists of

- (1) appropriations made to the fund; and
(2) principal and interest payments on loans made under this section.

(b) The authority may make loans from the rural electrification revolving loan fund to electric utilities certified by the Alaska Public

Utilities Commission for the purpose of extending an electric utility and necessity may be made the money necessary to purchase a transformer, a rate service work ever, a loan m

(1) the loan under AS 44.8

(2) the extent to at least thr

(c) A loan f bear an annua the loan.

(d) When a electric utility

(1) shall, in charge the con loan proceeds

(2) shall pay (A) interest

(B) payment each new cons year for which the principal o between the a sumers and th utility before

(e) The aut (1) adopt re section;

(2) adminis

(3) submit to legislative sess section and ar fund. (§ 1 ch

Sec. 44.83.3 for a rural ele 44.83.361, the persons resid serve. The loa and shall recor disapproved. A mittee shall be

Utilities Commission. A loan from the fund may be made only for the purpose of extending new electric service into an area of the state that an electric utility may serve under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission. A loan may be made from the fund to an electric utility if the utility invests the money necessary to provide one pole, one span of line, one transformer, and one service drop for each consumer for whom immediate service would be provided by the extension of electric service. However, a loan may not be made from the fund unless

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

(2) the extension of electric service would provide immediate service to at least three consumers.

(c) A loan from the rural electrification revolving loan fund shall bear an annual rate of interest of two percent of the unpaid balance of the loan.

(d) When a loan is made by the authority under this section, the electric utility receiving the loan

(1) shall, in addition to the rates that it is authorized to charge, charge the consumers served by the electric service extended with the loan proceeds an amount sufficient to pay the interest costs of the loan;

(2) shall pay to the authority annually an amount equal to

(A) interest of two percent on the unpaid balance of the loan; and

(B) payments on the unpaid balance of the principal of the loan for each new consumer served by the electric service during the preceding year for which the loan was made; payments on the unpaid balance of the principal of the loan shall be made at a rate equal to the difference between the actual cost of making the service connection to the consumers and the minimum investment per consumer required of the utility before a loan is made under (b) of this section.

(e) The authority shall

(1) adopt regulations necessary to carry out the provisions of this section;

(2) administer the rural electrification revolving loan fund; and

(3) submit to the legislature within the first 10 days of each regular legislative session a report of actions taken by the authority under this section and an accounting of the rural electrification revolving loan fund. (§ 1 ch 118 SLA 1981)

Sec. 44.83.363. Loan advisory committee. When an application for a rural electrification loan is submitted to the authority under AS 44.83.361, the authority shall appoint a local advisory committee from persons residing in the area that the applicant utility is certified to serve. The loan advisory committee shall consider the loan application, and shall recommend whether the loan application is to be approved or disapproved. A favorable recommendation from the loan advisory committee shall be based on a determination that development in the area

of the proposed extension of electric service is likely to provide for full repayment of the loan under AS 44.83.361(d) within 10 years. In making that determination the committee shall consider

- (1) permanence of the premises to be served by the extension;
- (2) land use patterns in the area;
- (3) access for the line that would be installed with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the economic feasibility of the extension of electric service with the proceeds of the loan. (§ 1 ch 118 SLA 1981)

Article 9. Energy Program for Alaska.

<p>Section</p> <p>380. Program established</p> <p>382. Power development fund established</p> <p>384. Use of fund balance</p> <p>386. Investment of fund</p> <p>388. Allotment to projects</p> <p>390. Reappropriation of fund balance</p>	<p>Section</p> <p>392. Lapse of excess appropriations</p> <p>394. Revenue requirements</p> <p>396. Operation of power project</p> <p>398. Sale of power from power project</p> <p>400. Energy conservation</p> <p>425. Definitions</p>
--	--

Sec. 44.83.380. Program established. (a) The energy program for Alaska is established. The program shall be administered by the Alaska Power Authority.

(b) The energy program for Alaska is a program by which the authority may acquire or construct power projects with money appropriated by the legislature to the power development fund established in AS 44.83.382. A power project may be acquired or constructed as part of the energy program for Alaska only if the project is submitted to and approved by the legislature in accordance with procedures set out in AS 44.83.177 — 44.83.187.

(c) The provisions of AS 36.10.010 — 36.10.125 apply to power projects constructed by the authority under AS 44.83.380 — 44.83.425. (AS 44.83.400; § 1 ch 118 SLA 1981)

Revisor's notes. — A reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Editor's notes. — As enacted, this section was designated AS 44.83.400 and was renumbered by the revisor of statutes under AS 01.05.031.

Sec. 44.83.382. Power development fund established. (a) A power development fund is established in the Alaska Power Authority to carry out the purposes of the energy program for Alaska (AS 44.83.380 — 44.83.425).

- (b) The fund includes
- (1) money appropriated to it by the legislature; and
 - (2) revenues collected from the sale of power that are not required by law to be deposited into the general fund. (AS 44.83.410; § 1 ch 118 SLA 1981)

Revisor's notes. — 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Sec. 44.83.384. Authority to acquire land.

(1) reconnaissance plans prepared under AS 44.83.382

(2) the cost of acquiring necessary land, and construction

(3) the defeasance of bonds issued for or on an issue

(4) the cost of debt service

(5) debt service on a power project

(1) meets the needs of the market area

(2) provides for the market area, and

operated by itself in the market area, and following:

(A) renewable hydroelectric power or a method that takes advantage of the properties of the

(B) coal or petroleum

(C) energy derived from fossil fuel

(D) fossil fuel (AS 44.83.382; § 1 ch 118 SLA 1981)

(c) Notwithstanding AS 44.83.398, the cost of a power project financed under the provisions of AS 44.83.380 — 44.83.425 shall be a fund for the cost of the project

(1) the legislature shall determine the plan of financing and submit the plan to the governor for review and approval

(2) the division of energy shall determine the plan of financing and submit the plan to the governor for review and approval

(3) the division of energy shall determine the plan of financing and submit the plan to the governor for review and approval

(4) the division of energy shall determine the plan of financing and submit the plan to the governor for review and approval

(5) the division of energy shall determine the plan of financing and submit the plan to the governor for review and approval

(6) the division of energy shall determine the plan of financing and submit the plan to the governor for review and approval



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

237 E. FIREWEED LANE • SUITE 301
ANCHORAGE, ALASKA 99503 • (907) 276-3235

Sen. Bettye Fahrenkamp
Alaska State Senate
Pouch V
Juneau, AK 99811

Mar 23, 1983

Dear Senator Fahrenkamp,

Your office has requested a report on the impact of passage of SB 140, the bill to create a state-supported loan bank for electrical cooperatives.

In order to provide this information, we've contacted each of the members of ARECA and asked them to project their financing needs for the next five years and outline major projects that these funds would be used for.

In short, the bulk of the loans needed by electrical cooperatives in Alaska for the foreseeable future are directly attributable to growth and the need of the individual coops to expand into new areas or provide additional generating capacity to cover the power needs of new members.

The creation of a state-supported loan fund to provide supplemental loans to the coops at interest rates of 5% would have varying effects on their rates, depending on the size of the coop and the purpose of the loan. No coops, like Glacier Highway near Juneau, can finance new generation equipment with 5% REA loans. For Glacier Highway to seek what are essentially commercial rates for a \$3 million generator would require power rates for their members to be increased 50%. With 5% money available from the state instead of 11.5% from Cooperative Financing Corporation, this rate increase would be reduced significantly since Glacier Highway would save \$18.5 million in interest over a 20-year period. Since Glacier Highway's membership and revenues are small, it's fairly safe to say that without access to 5% money, this generator won't be built.

At the other extreme, a large coop such as Matanuska or Golden Valley would experience a nominal effect on rates in the short term with the availability of 5% money. This is because of the size of their current indebtedness and the percentages they are already paying on outstanding loans. Compared to their present debt, the percentage savings would be small.

DEMOCRACY IN ACTION

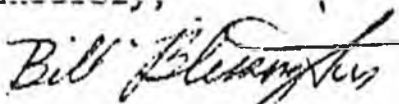
One of the greatest benefits to the coops that would accrue from having 5% state loans available would be in their overall financial health and their ability to borrow money from REA. Coops qualify for loans from REA based on a financial formula that compares their cash flow with their interest expenses (TIER or Times Interest Earned Ratio). Even though a coop might be able to pay all of its debts on high interest rates with few problems, if it is unable to meet this financial reserve requirement, it may be cut off from the loan sources needed to take care of future growth. Every percentage point of interest that a coop can save is therefore reflected in two ways, a lowering of actual cash interest payments and a lowering of on-hand cash reserves so that the coop can meet the requirements of lenders.

The present financial problems being experienced by Chugach Electric are not the result of the coop's inability to pay its bills, rather, it is the coop's financial condition relative to the TIER formula which is the accepted expression of a coop's financial "health".

As to the inherent question regarding immediate reductions in electrical rates given the availability of 5% state loans, the answer is no. Any or all of the loans would be used to finance new construction which represents new expenses for the coops. That's the very reason why Congress created the REA system and provided 2% federal loans to provide electrical service to rural areas throughout the United States. In most cases, these expansion projects would not generate enough new members to offset the cost of the projects - at least for the first few years. What these loans would do is reduce the amount of increase attributable to interest expenses.

Here's a list of the major projects currently being planned by Alaska's electrical coops. I've also attached a schedule of each coop's loan requirements and the percentages of REA financing they have available versus the percentages of "commercial" money they would have to seek from the Cooperative Finance Corporation.

Sincerely,



William K. Blessington
Director of Information

WB:ra

UTILITY

Alaska Village Electric Coop

All funds needed are to provide additional generation, transmission and distribution to service villages served by their system. Major expenses include building and installing generators, building and installing power lines and substations and wiring the village power plants to consumer's homes and businesses.

Chugach Electric

Major expenditures for Chugach include construction of new transmission and distribution systems to connect planned new generation plants with their existing power grid. Chugach also needs to continue to expand their distribution system to handle the normal growth in membership. Within the next five years, Chugach is planning to build or start building three new generation plants and hooking up to the Bradley Lake Project on the Kenai Peninsula. All of these new facilities will require major expenditures for power lines and distribution systems.

Copper Valley Electric

Copper Valley's expansion plans include construction of transmission and distribution systems to connect several areas with the Copper Valley generation and transmission system. These construction programs will bring "power house" electricity to Chistochina and the Tok Cut-Off area, Chitina and the Lower Tonsina area on the Richardson Highway and Edgerton Cut-Off - homes and small businesses that do not now have access to power except from their own generators. The bulk of the funds will be used to build new power lines to these areas and install the distribution system necessary to take power from the high voltage power lines to residences and businesses.

Cordova Electric

Cordova's plans include renovation of the equipment purchased from the old city-operated utility, expansion of service and hardware needed to connect

Cordova with the planned Silver Lake hydro project. Because of Cordova's unique financial situation, they are only able to borrow 25% of their needs from REA at 5%, the rest will have to come from commercial sources.

Glacier Highway

A new generator to serve as a back up unit is planned by Glacier Highway if financing can be obtained. Because of the utility's location in relation to Snettisham and heavy snow loads and high winds common to Southeastern, power outages are frequent. The new back up generator would eliminate that problem. A small portion of the projected loan would also be used to purchase land for the generator plant.

Golden Valley Electric

Loans projected by Golden Valley would be used to expand their present transmission and distribution system to handle the demands of growth in the Interior. Like Chugach and Matanuska Electric, the demands of growth require coops to build new high tension lines, substations, smaller distribution lines and other facilities necessary to connect these areas with the source of power. Golden Valley will also experience costs directly associated with completion of the Anchorage-Fairbanks intertie.

Homer Electric

When the Bradley Lake Hydro Project is completed, Homer Electric will have to build a \$20 Million power line in order to buy power from the dam. They are also planning a major expenditure in five years to construct new transmission and distribution lines in other areas of the Kenai Peninsula to accommodate a growing population and the demand for more power.

Kodiak Electric

Hooking up to the Terror Lake Hydro Project will be the source of most of the loan demand from Kodiak Electric over the next five years. KEA is also planning to expand its services to several smaller villages on Kodiak.

Matanuska Electric

The Matanuska Valley area is one of the fastest growing areas in the state and the demand on MEA to provide electrical services has been great. New areas,

such as the Point MacKenzie Agricultural Project, will need power and to do this major new transmission lines and distribution systems must be built. The growth of new subdivisions in the Susitna Valley has created a similar demand for new transmission and distribution systems, sometimes over long distances.

Kotzebue, Nushagak, Tlingit-Haida and Unalakleet

These coops are anticipating loans to cover construction of new transmission and distribution systems to accommodate growth, replacement of older equipment and expansion of their physical plants. Some of the growth demands are directly associated with state expenditures in these areas such as new schools, airport improvements and other facilities.

ELECTRICAL COOPERATIVE PROJECTED EXPENDITURES AND LOANS, 1983-1987

<u>Coop</u>	<u>REA vs CFC %</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
AVFC	100% REA	\$2 M	\$2.3 M	\$2.7 M	\$3.1 M	\$3.5 M	13.6 M
Chugach	80% REA, 20% CFC CFC Loans - 5%+ Guaranteed Loans 5%+	28 M 5.6 M 52 M	-0- -0- 58.25 M	15 M 300,000 343.25 M	15 M 300,000 43.25 M	15 M 300,000 43.25 M	73 M 6.5 M 540 M
Copper Valley	60% REA, 40% CFC CFC Loans-5%+	60,000 24,000	260,000 104,000	800,000 320,000	1.5 M 600,000	3 M 1.2 M	5.62 M 2.248 M
Cordova	25% REA, 75% CFC CFC Loans-5%+	3 M 2.25 M	1 M 750,000	1 M 750,000	1 M 750,000	1 M 750,000	6 M 5.25 M
Glacier Highway **	70% REA, 30% CFC Guaranteed Loans	-0- 3 M	-0- -0-	-0- -0-	-0- -0-	-0- -0-	-0- 3 M
Golden Valley	90% REA, 10% CFC CFC Loans - 5%+	12 M 1.2 M	14 M 1.4M	15 M 1.5 M	17 M 1.7 M	17 M 1.7 M	75.5 M 7.55 M
Homer Electric	70% REA, 30% CFC CFC Loans - 5%+	-0-	15 M 4.5 M	20 M 6 M	-0-	-0-	35 M 10.5 M
Kodiak Electric	75% REA, 30% CFC CFC Loans - 5%+	2.5 M 750,000	4.875 M 1.463 M	3.289 M 986,700	1.327 M 398,100	1.805 M 541,500	13.796 M 4.14 M
Kotzebue	80% REA, 20% CFC CFC Loans - 5%+	768,000 153,600	500,000 100,000	500,000 100,000	500,000 100,000	500,000 100,000	2.768 M 553,600
Matanuska Electric	80% REA, 20% CFC CFC Loans	12.6 M 2.5 M	10.1 M 2 M	12.5 M 2.5 M	12.9 M 2.6 M	32.9 M 6.6 M	81 M 16.2 M

<u>Coop</u>	<u>REA vs CFC %</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
Naknek		\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Nushagak	70% REA, 30% CFC CFC Loans -5%+	2.2 M 660,000	-0- -0-	-0- -0-	-0- -0-	-0- -0-	2.2 M 660,000
Tlingit-Haida	80% REA, 20% CFC CFC Loans-5%+	-0- -0-	1.8 M 360,000	-0- -0-	-0- -0-	-0- -0-	1.8 M 360,000
Unalakleet *	60% REA, 40% CFC CFC Loans-5%+	1.2 M 500,000	200,000 80,000	200,000 80,000	200,000 80,000	200,000 80,000	2 M 820,000

* Unalakleet Electric Cooperative is anticipating a \$700,000 grant from the state for a new generator.

** Glacier Highway Electric Cooperative's \$3 Million generator loan is not covered by REA financing and must be financed through CFC notes. The current interest rate of 11.25% would require a 50% increase in electrical rates to provide necessary cash flow for loan payments.

<u>TOTAL CFC LOANS BY YEAR</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
	10.638 M	10.757 M	12.537 M	6.529 M	11.272 M	54.733 M
<u>TOTAL GU. ANTICIP. LOANS BY YEAR</u>	55 M	58.250 M	343.25 M	43.25 M	43.25 M	543 M

Major Guaranteed Loans By Project.....

1983

Glacier Highway Electric Cooperative - \$3 Million for new generator.

Chugach Electric - \$37 Million for transmission and distribution, loan pending
\$15 Million for 75 MW gas fired generator

1984

Chugach Electric - \$15 Million for 75 MW gas fired generator
\$43.25 Million for transmission and sub-transmission

1985

Chugach Electric - \$300 Million for 200 MW coal fired plant
\$43.25 Million for transmission and sub-transmission

1986

Chugach Electric - \$43.25 Million for transmission and sub-transmission

1987

Chugach Electric - \$43.25 Million for transmission and sub-transmission

Funding Demands for Alaska Electric Utility Loan Fund by year, 1983-1987.

	1983	1984	1985	1986	1987
Total Loans Applied For.	\$68.638 M	\$69.007 M	\$355.787 M	\$49.779 M	\$54.522 M
Total CFC Loans Applied For.	13.638M	\$10.757 M	\$12.537 M	\$6.529 M	\$11.272 M
Appropriations to Cover CFC Loans (Approximate @ 5%)	\$13.638 M	\$9 M	\$11 M	\$5 M	\$9 M
Appropriations to Cover Guaranteed Loans (Approximate @ 5%)	\$55 M	\$55.7 M	\$330 M	\$20 M	\$18 M

(9)



United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D.C.
20250

JUL 1 1983

SUBJECT: Alaska 00

TO: Ms. Bettye Fahrenkamp, Chairman
Senate Committee on Resources
Pouch V
State Capital
Juneau, Alaska 99811

27 JUN 1983

This is in response to your letter of April 4, 1983, enclosing a copy of the proposed SB 140, establishing an electric cooperative revolving loan fund within the Alaska State Department of Commerce and Economic Development.

For your information we are enclosing copies of REA Bulletins 20-2, 20-6, and 20-14, which relate specifically to loan policies. For Fiscal Year 1983, Congress has authorized REA to make insured loans of no less than \$850,000,000 and no more than \$1.1 billion and guaranteed loans of between \$4.6 billion and \$5.7 billion. Lending authorization for Fiscal Year 1984 is presently being considered by Congress.

We have reviewed the proposed SB 140 and offer the following questions and comments for your consideration:

Section 42.28.020

Most non-REA lenders which provide supplemental financing to REA borrowers also make unsecured short-term loan funds available to cover certain operating expenses. Would the Department consider making this type of loan?

Would the Department consider making loans to refinance existing higher interest loans (such as those made by FFB or CFC)?

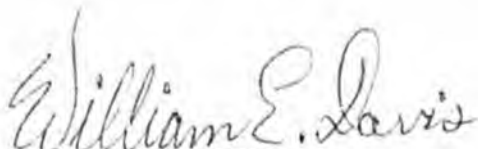
Section 42.28.030 Based on the eligibility requirements outlined in the proposed legislation, it appears that at least one REA borrower, Metlakatla Power & Light, owned by the Metlakatla Indian Community, may not be eligible for loan funds from the Department. You may wish to consider broadening the eligibility requirements to include this type of utility.

Section 42.28-040

The requirements for finding feasibility appear to be unduly detailed for this type of legislation. The Rural Electrification Act requires that loans be self-liquidating (feasible) and adequately secured, but the specific requirements for establishing feasibility and security are set out in agency regulations. This provides the agency with more flexibility to change requirements from/time to time as necessary.

Regarding security, REA would not normally accommodate its lien to provide security for the Department on short-term loans made by it to a borrower. Such loans made by other non-REA lenders are generally unsecured. The proposed legislation indicates that the Department will subordinate its lien on collateral securing a short-term loan, but apparently only if the borrower first "enters into a federal loan agreement" with REA. It is unclear what is meant by the phrase "enters into." Does this refer merely to making application to REA or to having in place an executed loan agreement with REA? In many cases, a borrower may be in need of short-term funds well before it has applied for an REA loan. Such funds may be needed for construction purposes in anticipation of reimbursement from a future long-term loan or may be needed for operating purposes. We suggest that the Department be authorized to make short-term loans that are unsecured. REA will consider providing lien accommodations on intermediate and long-term loans.

If we can be of any further assistance in this matter, please let us know.



WILLIAM E. DAVIS

Director

Western Area - Electric

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

WASHINGTON, D.C. 20250

APR 12 1979

*Reviewed and Approved
For Reprinting July 1982*

SUBJECT: Implement the Conservation Policy
(Supplement to REA Bulletin 20-2,
January 31, 1979)

TO: All Electric Borrowers

The recent supplement to REA Bulletin 20-2 sets forth energy conservation information that will be required to support future loan applications from distribution borrowers. These information requirements are:

1. A copy of the policy approved by the board of directors on energy conservation.
2. A report of the efforts of the borrower to conserve electric energy in the operation of its headquarters and facilities. The activities of the borrower should demonstrate to its members that it has adopted and is carrying out its own in-house program of energy conservation. The report should include the amount that this program has reduced annual operating cost and the necessary capital expenditures, if any, to achieve this reduction.
3. A report describing the efforts of the borrower to assist its members to make the most efficient use of energy. The report should include a conservation work plan and budget which reflects the activities planned and conducted, with related staff time and costs, and a statement of the estimated benefits to the member and the borrower.

For loan applications received during 1979, we cannot expect to receive evidence of accomplishments from those who must initiate new programs or hire new personnel to comply with the policy. However, in most instances, we do expect to receive a board policy, a report on actions planned, and an estimate of resources (both staff time and dollars) to be devoted to energy conservation.

After January 1, 1980, and as appropriate in 1979, the following information should be provided with the loan application:

1. Copy of board policy.
2. Copy of work plan and budget for energy conservation.
3. Names and titles of staff assigned full-time to energy conservation and their major work assignment(s).

4. Names and titles of staff assigned part-time to energy conservation--and percentage of their time devoted to energy conservation activities.

5. Brief description of services offered by the cooperative to assist members in conserving energy (such as energy audits or onpremise assistance and advice).

6. Brief description of other energy conservation activities.

7. Brief description of how the cooperative encourages energy conservation by its members and provides information for them--such as newsletters, brochures, etc.

8. Brief description of efforts with others, such as home contractors, Farmers Home Administration, etc., to promote energy conservation.

9. Brief summary of efforts of the cooperative to conserve electric energy in the operation of its headquarters and facilities--including cost savings and amount of capital expenditures necessary to achieve the reduction.

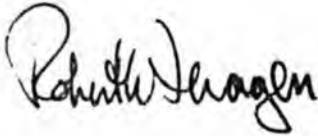
10. Number of members who were provided, onpremise, this type of assistance in last calendar year.

11. Evaluation and comments of the manager on the energy conservation program of the cooperative as it benefits or affects the members and the cooperative.

12. Dollars spent by cooperative in previous calendar year and estimate of dollars to be spent in current calendar year for energy conservation for the following purposes: (Previous year data may not be available until 1981)

	<u>Previous Year</u>	<u>This Year</u>
Personnel	\$	\$
Information Activities		
Capital Expenditures		
Supervision		
In Cooperation With Others		
Other (office space, etc.)		
List:		

As stated in the January 31, 1979, supplement to REA Bulletin 20-2, REA will consider the number of members served, geographic locations, land area served, energy use patterns and the needs of the members in determining the reasonableness of the conservation program.



ROBERT W. FERAGEN
Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

January 31, 1979

SUBJECT: Energy Conservation Policy and Recommendations

TO : All Electric Borrowers

The attached supplement to REA Bulletin 20-2 sets forth the REA Energy Conservation Policy and the information which should accompany loan applications from distribution borrowers. It has been developed after nearly 6 months of study and research by REA which included several opportunities for comment and discussion by all of the electric borrowers.

Because of the varying circumstances due to weather and load patterns of the distribution cooperatives, the policy provides flexibility in planning and conducting energy conservation programs.

The importance of the efforts called for by the policy cannot be overstated. Energy conservation is the best means for the people we serve to reduce their cost of electric energy. The most efficient use of energy by the members can reduce, in the long run, the need for new generating facilities. An aggressive program of conservation which includes energy audits or advice based on visits to homes or businesses provides an excellent and very important opportunity to reestablish or to improve the person-to-person relationships between cooperative staff and members -- relationships on which rural electrification was founded and which are its greatest strength. These visits also provide an opportunity for the cooperative to develop an understanding by the members of the cooperative of important facts concerning operation of the cooperative, such as retail rates, cost of wholesale power, future plans of the cooperative and membership opportunities and obligations.

This policy should not be interpreted as a suggestion of REA to promote "zero growth." REA realizes that revenues of the cooperative, besides providing funds to repay loans, must also provide for sound operation of the cooperative.

The REA recommendations accompanying the policy can serve as a guide in developing energy conservation programs. An REA Energy Conservation Handbook which you will receive under separate cover contains material that will be of further help in planning and carrying out your energy conservation programs. There is no restriction on the use of this material and the material can be reproduced in whole or in part.

REA anticipates that the reports called for by the policy will vary from system to system. To test conformance to the Bulletin, REA will be looking for information that indicates that the cooperative is committed to energy

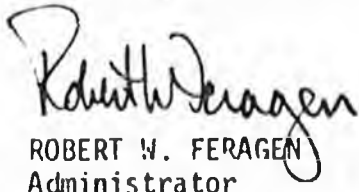
conservation; that measures are planned or underway to conserve energy in cooperative facilities; and that an information and technical assistance program is planned or underway to help consumers conserve energy.

The level of resources indicated in the conservation workplan and budget accompanying the loan application will also serve as an indication of compliance with the intent of the REA policy. The long-term savings to members by energy conservation which result from technical advice and assistance from cooperative personnel should be considered when developing objects of a workplan and budget for this assistance.

REA looks to the directors, managers and staff members of the electric cooperatives to respond to the energy conservation needs of the member-owners with the same dedication and determination which characterized those early days of rural electrification.

The critical need for understanding by the members of the difficulties and costs associated with providing power supply for the future -- and conservation by them as a means to cope, in part, with those higher costs -- is as formidable a challenge as was developing the cooperatives and building the first distribution system.

A decision on the proposed REA Bulletin 120-2 has been delayed. This policy would have required information concerning the diversified demand and other data concerning service to previously unserved cooperative members. It is being delayed because REA is reviewing the entire Power Requirements Survey and Load Forecasting procedures and coordinating this review with similar efforts of the NRECA-CFC Power Supply Study Committee.



ROBERT W. FERAGEN
Administrator

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

January 31, 1979

SUBJECT: Supplement to REA Bulletin 20-2, Electric
Loan Policies and Application Procedures

TO: All Electric Distribution Borrowers

All REA electric distribution borrowers will be required to develop energy conservation programs as a requirement for continued REA financing. The purpose of this supplement is to set forth the energy conservation information to accompany a loan application. To be considered, a loan application must include the following additions:

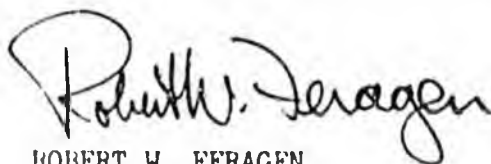
1. A copy of the policy approved by the board of directors on energy conservation.
2. A report of the efforts of the borrower to conserve electric energy in the operation of its headquarters and facilities. The activities of the borrower should demonstrate to its members that it has adopted and is carrying out its own in-house program of energy conservation. The report should include the amount that this program has reduced annual operating cost and the necessary capital expenditures, if any, to achieve this reduction.
3. A report describing the efforts of the borrower to assist its members to make the most efficient use of energy. The report should include a conservation work plan and budget which reflects the activities planned and conducted, with related staff time and costs, and a statement of the estimated benefits to the member and the borrower.

In determining the reasonableness of the conservation program, REA will consider the number of members served, geographic locations, land-area served, energy use patterns and the needs of the members.

An aggressive program to assist members to use energy most efficiently will require staff persons trained for that responsibility with appropriate facilities and materials to perform their assignments. Because of the diversity of REA borrower systems, the allocation of staff time and other resources will vary from system to system.

As a general guideline, REA will consider that a system with 4,000 or more members should devote, as a minimum, the time of one person working full-time, or the equivalent time of several persons, as a reasonable effort to assist its members to conserve energy. In applying this guideline for smaller systems, consideration will be given to pooling of resources with other organizations. In applying this guideline to larger systems, the amount of additional staff time should be appropriate to its work plan and objectives and consistent with the number of members.

The attachment includes suggestions and recommendations for consideration by borrowers in developing board policies for energy conservation and for planning and conducting energy conservation programs. This information is also included in REA's Energy Conservation Handbook.



ROBERT W. FERAGEN
Administrator

RECOMMENDATIONS OF REA

- . . . The energy conservation policy adopted by the board of directors should require, (1) a commitment to an aggressive program to conserve electric energy in the headquarters and other co-op facilities. (2) a commitment to an aggressive program to help consumers conserve and use energy efficiently, and (3) the necessary authority to develop a plan and budget to accomplish the objectives, and to develop appropriate reports to assess results.

- . . . Identify opportunities to promote more efficient use of energy and set priorities for assistance to consumers by analysis of consumer uses of energy, billing records, high bill complaints, delinquent accounts, etc.

- . . . Provide trained personnel to provide--on a "one-to-one" basis-- technical assistance, advice and information for members of the cooperative for the efficient use of electric energy in the home, farm, business or public building, including estimates of the cost of insulation or other expenditure necessary to achieve energy conservation and the estimated savings in electricity costs resulting from any investment or conservation practice.

- . . . Encourage and promote insulation standards as recently adopted by the Farmers Home Administration.

- . . . Cooperate with consumers who want to install alternative energy systems for their own use, such as windmills, biomass facilities, and solar systems for cooling, space and water heating, and wood burning systems.

- . . . Seek assistance and where appropriate, coordinate conservation efforts with NRECA, statewides, other electric cooperatives, power suppliers, state energy offices, Farmers Home Administration, and other organizations with programs or resources that can help the cooperative with its conservation objectives.

- . . . Make arrangements with the Farmers Home Administration, community action agencies, local banks, etc., to finance conservation measures for those consumers in need of such assistance.

- . . . Work with local contractors and suppliers in helping assure that consumers received quality workmanship and proper conservation materials.

- . . . Work with local building contractors to help assure the construction of energy efficient homes.

- . . . In advising electric cooperative members about electric heating or air conditioning, that the cooperative provide estimates of

the longer-range cost of electric service; for example, an estimate of the increased cost of electricity for the next five or ten years.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 13, 1977

REVISED REA BULLETIN 20-2

Attached is a revision of REA Bulletin 20-2, Electric Loan Policies and Application Procedures, superseding the edition of this bulletin dated February 19, 1971, and all amendments thereto.

The revised bulletin removes limitations on the amount which could be approved in a single loan to electric distribution borrowers for their two-year construction requirements.

The bulletin has been brought up-to-date to reflect all amendments to the Rural Electrification Act through October 20, 1976, relating to REA insured electrification loans.

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 13, 1977
Supersedes 2/19/71

REA BULLETIN 20-2

SUBJECT: Electric Loan Policies and Application Procedures

I. General:

- A. This bulletin sets forth REA policy and procedures concerning electrification loans under the Rural Electrification Act (the Act).
- B. REA Bulletin 20-22, Guarantee of Loans for Bulk Power Supply Facilities, sets forth REA policies and requirements concerning loan guarantees for the financing of bulk power supply facilities under Section 306 of the Rural Electrification Act.

II. REA Loans - General Purposes and Eligibility: Generally, rural electrification loans made by REA are insured loans made under Section 305 of the Act for the purposes and on the terms and conditions set forth in Section 4 of the Act. Section 4 provides in part:

- A. "The Administrator is authorized.....to make loans for rural electrification to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service....."
- B. ".....the Administrator, in making such loans shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts, and cooperative, nonprofit, or limited-dividend associations, the projects of which comply with the requirements of this Act."
- C. "Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Administrator shall determine and may be made payable in whole or in part out of the income: Provided further, That all such loans shall be self-liquidating within a period of not to exceed thirty-five years....."

- D. "Loans.....shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loans will be repaid within the time agreed."
- E. ".....no loan for the construction, operation, or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained."

III. Revolving Fund - Insured Loans: Sections 301 and 302 establish a revolving fund in the Treasury of the United States the assets of which are available for the purpose of providing funds for insured loans under Section 305 of the Act. Section 305 provides in part:

- A. "The Administrator is authorized to make insured loans.....to the full extent of the assets of the Rural Electrification and Telephone Revolving Fund, subject only to limitations as to amounts authorized for loans and advances as may be from time to time imposed by the Congress of the United States....."
- B. "Loans made under this section shall be insured by the Administrator when purchased by a lender. As used in this Act, an insured loan is one which is made, held and serviced by the Administrator, and sold and insured by the Administrator hereunder. Such loans shall be sold and insured by the Administrator without undue delay."
- C. "Insured loans.....shall bear interest at either 2 per centum per annum (hereinafter called the "special rate"), or 5 per centum per annum (hereinafter called the "standard rate"). Loans bearing the special rate shall be available only for an electric.....borrower which.....had at the end of the most recent calendar year ending at least six months before approval of the loan, an average consumer density of two or fewer per mile or an average adjusted plant revenue ratio of over 9.0, such ratio being a simple average of the ratios obtained by dividing the sum of its distribution plant and general plant by its annual gross revenue less cost of power for that calendar year and the two immediately preceding calendar years. As used in this subsection the sum of distribution plant and general plant shall be the total of the amounts shown in accounts numbered 360 through and including 399 of the uniform system of accounts approved, as of the effective date of this amendment, by the Administrator, for use by Rural Electrification Administration borrowers; gross revenue shall be the amount shown in account numbered 400 of said system of accounts; and the cost of power shall be the total of amounts shown in accounts numbered 500 through and including 573 of said system of accounts as the same is constituted: Provided, however, That the Administrator may,

in his sole discretion, make a loan to a borrower at the special rate if he finds that the borrower:

"(A) has experienced extenuating circumstances or extreme hardship; or

"(B) cannot, in accordance with generally accepted management and accounting principles, produce net income or margins before interest at least equal to 150 per centum of its total interest requirements on all outstanding and proposed loans with an interest rate greater than 2 per centum per annum on the entire current loan, and still meet the objectives of the Act, or

"(C) cannot, in accordance with generally accepted management and accounting principles and without an excessive increase in the rates charged by such borrowers to their consumers or subscribers, provide service consistent with the objectives of the Act."

IV. Other Financing: Section 307 of the Act provides in part: "When it appears to the Administrator that the loan applicant is able to obtain a loan for part of his credit needs from a responsible cooperative or other credit source at reasonable rates and terms consistent with the loan applicant's ability to pay and the achievement of the Act's objectives, he may request the loan applicant to apply for and accept such a loan concurrently with a loan insured at the standard rate....."

V. Definition of Rural Area: Section 13 of the Act provides in part: "As used in this Act the term 'rural area' shall be deemed to mean any area of the United States not included within the boundaries of any city, village, or borough having a population in excess of fifteen hundred inhabitants, and such term shall be deemed to include both the farm and nonfarm population thereof....."

VI. General REA Policies:

- A. Borrowers are encouraged to use self-generated funds to minimize their requirements for debt capital. Borrowers which can borrow from other sources are encouraged to do so, and may be required to obtain non-REA financing as a supplement to financing available from REA. (See Section IV above and REA Bulletin 20-14 on "Supplemental Financing.")
- B. In accordance with the objectives of the Act and the obligations undertaken in the loan contract, borrowers are obligated to provide electric service on an area coverage basis to the maximum practicable extent. (See REA Bulletin 112-3.)
- C. Loan applications from distribution borrowers for distribution or transmission facilities generally should include the amount

of new loan funds required during the next two years. The proposed loan may be revised downward by REA when necessary to allocate available loan funds to meet borrowers' priority needs.

- D. Loan applications from power supply borrowers for transmission facilities, where no generating unit is included, should not exceed the amount of new loan funds required during the next three years.
- E. Loan applications from distribution or power supply borrowers for generation facilities should include the amount of new loan funds required for transmission facilities to deliver the power from the generating units as needed to support the feasibility of the loan.
- F. In reviewing loan applications, the amount and management of a borrower's general funds will be considered by REA on the basis of the guidelines contained in REA Bulletin 1-7, General Funds.

VII. Facilities and Other Items Which May be Financed: REA loans may be approved for:

- A. Distribution Facilities: The construction of new rural distribution facilities or systems and the net cost of system improvements to meet load growth requirements or improve the quality of electric service. The net cost of system improvements means the cost of construction plus the cost of removal of any property retired, less the salvage value of any materials or equipment recovered in connection with the property retirement. System improvements are defined as the changes or additions in electric plant facilities to improve the quality of electric service or increase the quantity of electric power available to Act beneficiaries. Changes or additions as used in the above definition include replacing units with like units or larger units and rearranging or retiring conductor when such changes are associated with and are a necessary part of a system improvement.
- B. Generation and Transmission Facilities:
 - 1. The initial construction of generation facilities by distribution or power supply borrowers, and of transmission facilities by power supply borrowers, only under the following conditions:
 - a. Where no adequate and dependable source of power is available to meet the consumers' needs, or
 - b. Where the rates offered by existing power sources would result in a higher cost of power to the consumer

than the cost from facilities financed by REA, and the amount of the power cost savings that would result from the REA-financed facilities bears a significant relationship to the amount of the proposed REA loan.

2. Supplemental loans for these purposes, for the net cost of system improvements as defined in A above, and for the construction of transmission facilities by distribution borrowers. Applications for such financing will be considered and evaluated in terms of whether the proposed additional facilities constitute the most effective and economical arrangement for meeting the increasing power requirements of the consumers. (Also see REA Bulletin 20-6.)
- C. Headquarters Facilities: The purchase, remodeling, or construction and related costs of headquarters facilities required for the operation of the borrower's system. (Also see REA Bulletin 86-3.)
- D. Acquisitions: The purchase, rehabilitation and integration of existing electric facilities where the acquisition of such facilities is an incidental and necessary means of providing service to persons in rural areas who are not receiving central station service. (Also see REA Bulletin 27-1.)
- E. General Plant Equipment: The purchase of office, transportation, communication, and working equipment, if requested by the applicant and found necessary.
- F. Interest: Payments of interest during the period preceding the first scheduled principal payment or for a period not to exceed five years, whichever is the shorter, if requested by the borrower and found necessary. (Also see REA Bulletin 20-9.)
- G. Operations: Working capital required for the initial operation of the borrower's system or for the protection of outstanding REA loans.
- H. Ordinary Replacements: The excess of the total cost of ordinary replacements over the original cost of the production, transmission, or distribution plant being replaced, if requested by the applicant and found necessary. For this purpose "ordinary replacements" means replacing units of plant with like or similar units when made necessary by normal wear and tear, damage beyond repair, or obsolescence of the facilities. In order to qualify as an ordinary replacement, the replacement must involve one or more complete "retirement units" as identified in REA Bulletin 181-2.

- I. Reimbursement of General Funds: The reimbursement of general funds, if the borrower establishes that the general plan or program for the expansion of its system is known to REA, and that it received prior REA approval for such expenditure in accordance with REA Bulletin 103-2.

VIII. Loan Terms and Conditions:

- A. Interest Payments: Interest payments will be required in accordance with the terms of the note, bond, or other evidence of debt as set forth in REA Bulletin 20-9.
- B. Scheduled Principal Payments: Principal payments are due in accordance with the terms of the note, bond, or other evidence of debt. Generally, as provided in REA Bulletin 20-9, principal payments will begin three years from the date of the note, but may begin at a later date if there is a demonstrated need. Repayment of principal may be scheduled to begin earlier if the borrower desires or if required by REA. Notes providing funds for the acquisition of facilities already in revenue-producing status generally will require that principal payments begin within a year from the date of the note.
- C. Advance Payments: Payments in advance of the scheduled due date may be made as set forth in Bulletin 20-9. An interest credit is allowed on the amount in the advance payment account or accounts. This interest credit reduces interest charges.
- D. Lien on Borrower's System: A first lien on the borrower's total system normally will be required. It shall be in the form of a mortgage by the borrower to the Government or a deed of trust made by and between the borrower and a trustee, satisfactory to the Administrator.
 1. Where a borrower is unable by reason of pre-existing encumbrances, or otherwise, to furnish a first mortgage lien on its entire system the Administrator may, if he determines such security to be reasonably adequate and the form and nature thereof otherwise appropriate, accept other forms of security.
 2. To facilitate supplemental financing for Act purposes, the Government's first lien may be shared where the Administrator finds that this would be in the best interests of the borrower and the Government.
- E. Other Terms and Conditions: The loan contract, and mortgage or deed of trust, will include such terms and conditions as are appropriately related to loan security.

IX. Application Procedures:

- A. Prior to preparation of an application, except as specified in paragraph B below, a distribution-type applicant should notify the Area Operations Field Representative of its intention to apply for a loan and secure from him the necessary instruction and application forms:
1. A loan application should be based on an approved two-year construction work plan consistent with an acceptable long-range engineering plan, or similar engineering support of the need for the facilities and the amounts to be included in the loan.
 2. Generally, a board-approved current 10-year financial forecast will be required in support of a loan application. To be considered current, the financial forecast should have been prepared within the past year and, since preparation, no wholesale power or retail rate changes or unanticipated downward trends in margins or debt service ratio have occurred.
 3. Additional supporting data usually required will include among other items: board resolutions setting forth the borrower's area coverage and line extension policies, and for cooperatives, the borrower's plan for revolving capital credits; copies of current retail rate schedules; and information summarizing the physical condition of the system and consumer hours outage data.
- B. REA Bulletin 111-3, Power Supply Surveys, should be reviewed by all applicants seeking funds for generation and/or major transmission facilities where the facilities to be constructed would displace existing contractual arrangements with a private power company. Applicants should notify the Area Director of their intention to apply for a loan or loan guarantee for this purpose. No application for this purpose will be accepted for consideration by REA unless (a) a Power Supply Survey has been completed, or (b) it is determined by the Administrator that completion of the survey requires full review of the application.
- C. REA Operations and Engineering Field Representatives are available to advise and assist applicants in the preparation of loan applications. Applications should be reviewed by the Operations Field Representatives prior to transmittal to the Washington office.

X. Availability of Information Pertaining to Loan Applications:

A. REA publishes at the end of each calendar quarter a list of pending applications for loans containing the names of the applicants, the amount of each application, and brief descriptions of the proposed projects. In addition, information on pending applications is given upon request.

B. The Chairmen of the Appropriations Subcommittees on Agriculture, Rural Development and Related Agencies of the Senate and House of Representatives will be notified in writing by REA at least thirty (30) days in advance of approval of the following:

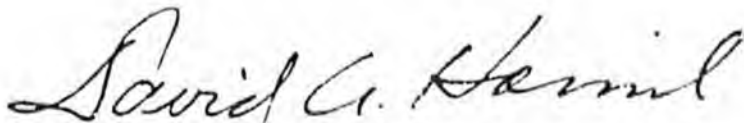
1. All loan guarantee commitments.

2. All insured loans in excess of \$10 million for generation and/or transmission facilities.

No such requests for an insured loan or loan guarantee will be approved by REA unless such notification has been furnished.

XI. Notification of REA Loans: The Chairman of the House Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies will be notified of the amount and purpose of each generation and major transmission loan approved by REA.

XII. Applications Closed Without Loan: If REA determines an application for a loan need not or cannot be processed for approval, or the applicant withdraws or cancels the application, the application shall be considered "closed without loan" and removed from official records of pending applications. The loan applicant and the Committees of Congress notified of the application will be notified accordingly.



Administrator

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DISTRIBUTION FACILITIES:

Loan Policies and Application Procedures

GENERATION FACILITIES:

Loan Policies and Application Procedures

LOANS:

Policies and Application Procedures

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

May 7, 1969
Supersedes 5/31/61

REA BULLETIN 20-6

SUBJECT: Loans for Generation and Transmission

I. Purpose: The purpose of this Bulletin is to set forth Rural Electrification Administration loan policy concerning generation and transmission facilities.

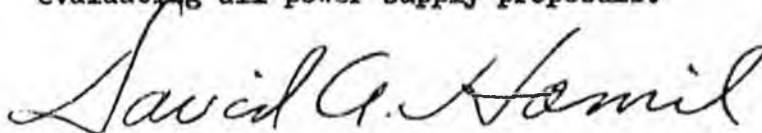
II. Policy:

A. The Rural Electrification Administration will make loans to finance the initial construction of generation facilities by distribution or power supply borrowers, and of transmission facilities by power supply borrowers, only under the following conditions:

1. Where no adequate and dependable source of power is available to meet the consumers' needs, or
2. Where the rates offered by existing power sources would result in a higher cost of power to the consumers than the cost from facilities financed by REA, and the amount of the power cost savings that would result from the REA-financed facilities bears a significant relationship to the amount of the proposed REA loan.

B. Applications for supplemental loans for these purposes, and for the construction of transmission facilities by distribution borrowers, will be considered and evaluated in terms of whether the proposed additional facilities constitute the most effective and economical arrangement for meeting the increasing power requirements of the consumers.

The policy stated in REA Bulletin 111-1, "Wholesale Contracts for Purchase and Sale of Electric Energy," will be considered in evaluating all power supply proposals.



Administrator

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GENERATION FACILITIES: Loans for Generation, Transmission

LOANS: Generation and Transmission Facilities



United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D.C.
20250

:File With REA :
:Bulletin 20-14:

April 13, 1983

SUBJECT: Supplemental Financing

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended by the addition of the following paragraph E to part II, Policy:

- E. Generally, REA shall require that supplemental loans bear the same maturity and be amortized in the same manner as REA loans made concurrently therewith. Except where REA shall determine otherwise, borrowers may select loan maturities of 20, 25, 30 or 35 years and elect to repay the loans either in periodic installments which provide for interest and level amortization of principal over the term of the loan or in periodic installments, including interest and principal payments, which are substantially equal in amount to every other such periodic installment. Supplemental loans shall otherwise be on such terms and conditions as REA shall approve. REA loan terms will generally offer 2-year deferment of principal payments.

The policy set forth above supersedes all previous policies and requirements regarding deferments, loan maturity dates and amortization schedules including but not limited to those set forth in REA Bulletin 20-2, Electric Loan Policies and Application Procedures, paragraph VIII B, and applicable sections of Bulletin 20-9, Loan Payments and Statements.

Effective date: Loan applications received on or after June 1, 1983.


Administrator



June 16, 1982

SUBJECT: Supplemental Financing Criteria, REA Bulletin 20-14

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended by the addition of Attachment C as follows:

ATTACHMENT C

FINANCING FOR ELECTRIC FACILITIES

- I. REA Loans: Effective with applications received after January 26, 1982, except where the Administrator shall determine there are extenuating circumstances, priority will be given to applications for REA insured loans for the following purposes:
 - A. Distribution facilities.
 - B. Subtransmission facilities - those between (1) the high side voltage level of transformation to the applicable primary distribution voltage and (2) the low side of the next higher voltage transformation.

Loan guarantees will be available to borrowers for bulk transmission and generation facilities in accordance with REA Bulletin 20-22, Guarantee of Loans for Bulk Power Supply Facilities.

Warehousing and equipment service-type facilities for distribution or subtransmission related purposes will be considered for insured loans. Except as otherwise determined by the Administrator, borrowers should use general funds or loans from supplemental lenders for other types of headquarters facilities, acquisitions and general plant equipment. REA will consider accommodating the lien of its mortgage to facilitate financing from other lenders for such purposes.

II. Supplemental Loan Proportions:

- A. Distribution Borrowers: Supplemental loan proportions for distribution borrowers are specified in Attachment A (or revisions thereof) of this bulletin.

- B. Power Supply Borrowers: When a power supply borrower requests an insured REA loan, it will be required, unless otherwise determined by the Administrator, to obtain a supplemental loan. The supplemental loan proportion for a power supply system will be the arithmetic mean of the supplemental loan proportions for which its distribution system members would qualify.

Example - A power supply borrower with four members with supplemental loan proportions as follows would have a supplemental loan proportion of 22.5%:

	<u>REA Proportion</u>	<u>Supplemental Proportion</u>
Member A	70%	30%
Member B	70%	30%
Member C	80%	20%
Member D	90%	10%
		<u>90%/4 = 22.5%</u>

Jack Van Mark

Jack Van Mark
Acting
Administrator



April 20, 1982

SUBJECT: Supplemental Financing Criteria, REA Bulletin 20-14

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing For Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended to permit 90 percent/10 percent REA/supplemental financing to former statutory 2 percent REA borrowers affected by the changes in the August 13, 1981, amendment to the RE Act.

Attachment A, Supplemental Loan Criteria For Electric Distribution Borrowers, is amended as follows:

II. Loan Proportions for Concurrent Loans:

- A. The loan proportions for concurrent loans to borrowers, who are eligible for supplemental financing as set forth above, with an average consumer density (DENSITY) of two or fewer per mile or an average adjusted plant revenue ratio (APRR) of over 9.0 as of December 31, 1980, will be 90 percent from REA and 10 percent from supplemental sources.
- B. The loan proportions for concurrent loans to all other borrowers, who are eligible for supplemental financing as set forth above, will be based on the borrower's plant revenue ratio (PRR) as follows:

<u>PRR</u>	<u>REA Percentage</u>	<u>Supplemental Lender Percentage</u>
9.0 and above	90	10
8.01 to 9.0	80	20
8.00 and below	70	30

Harold V. Hunter
 Harold V. Hunter
 Administrator

:File With REA :
:Bulletin 20-14:

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

August 1, 1978

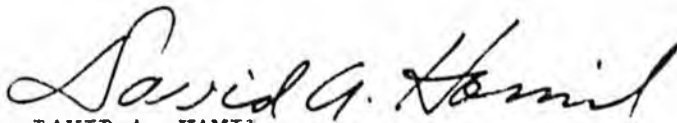
SUBJECT: Supplemental Loan Criteria
REA Bulletin 20-14

TO : All Electric Borrowers

Attached is a revised sample board resolution for use in applying for a concurrent loan which should be substituted for the present version in Attachment B of REA Bulletin 20-14, Supplemental Financing Policies

The change will simplify the calculation of the amounts to be provided by the supplemental lender including any required investments in the supplemental lender. The new method is described in the footnotes to the amounts requested part of the resolution. The same instructions should be applied to calculations on Section B of REA Form 740c, Cost Estimates and Loan Budget for Electric Borrowers.

The change will be effective for all loan applications received after August 31, 1978.



DAVID A. HAMIL,
Administrator

Attachments

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D.C. 20250

July 24, 1972

SUBJECT: Supplemental Loan Criteria
REA Bulletin 20-14, Attachment A

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, provides that the criteria for eligibility and the proportion of supplemental financing that borrowers are expected to obtain are subject to revision.

Recognizing REA borrowers' growing need for capital and the amount of REA loan funds available to meet these needs, the National Rural Utilities Cooperative Finance Corporation proposed a broadening of its participation in loans made concurrently with REA to distribution systems. To fully utilize these and other supplemental financing resources, REA has revised Attachment A to Bulletin 20-14 to provide for increased participation in supplemental financing by non-REA lenders.

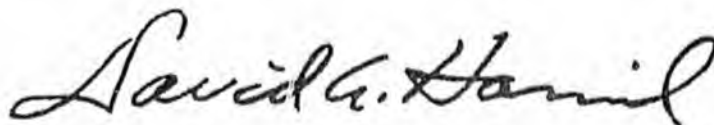
The National Rural Utilities Cooperative Finance Corporation has advised us that it will consider applications for concurrent loans on the basis of the attached criteria.

The revised loan proportions will become effective when the amount of REA loans made after July 1, 1971, totals \$545,000,000.

The TIER and DSC ratios establishing eligibility for supplemental financing have not been changed. Borrowers which have received concurrent loans are responsible for maintaining these minimum financial levels and are expected to continue to obtain supplemental financing.

These criteria will continue to be reviewed at least semiannually, and it is expected that they will be revised as necessary to meet changes in program conditions.

Your continued cooperation in this joint effort is appreciated.



Administrator

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

FEB - 1 1971

REA BULLETIN 20-14

SUBJECT: Supplemental Financing for Loans Considered Under Section 4
of the Rural Electrification Act

- I. Purpose: To establish policy concerning loans from sources other than the Rural Electrification Administration and set forth the conditions under which applicants for REA loans will be expected to obtain a portion of their long-term loan requirements from such other sources. Applicants should also refer to REA Bulletin 20-2, "Electric Loan Policy for Section 4 Loans," which sets forth basic REA policy, terms, conditions, and procedures concerning loans under Section 4 of the Rural Electrification Act.

- II. Policy:
 - A. In order to meet program needs more effectively and conserve REA loan funds, it is the policy of REA that on an ability to pay basis, as determined by the Administrator, applicants obtain a portion of their required long-term loan funds from a supplemental source, on terms and conditions approved by REA, as a prerequisite for obtaining REA loan funds.

 - B. The initial criteria for determining which distribution-type applicants will be required to obtain supplemental loan funds, and the proportion of such supplemental funds to the amount of REA funds to be loaned, are given in Attachment A to this bulletin, "Initial Supplemental Loan Criteria for Electric Distribution Borrowers." The criteria and the proportion of supplemental financing required will be revised from time to time, taking into consideration factors such as the availability of supplemental and REA loan funds, and the status of the rural electrification program.

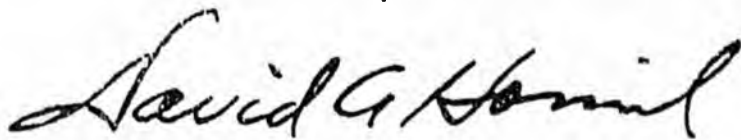
 - C. Loan applicants may request necessary REA approvals to obtain 100% non-REA long-term loans. Each such request will be considered on an individual basis in keeping with procedures outlined in Attachment B.

 - D. Due to the diversity in their circumstances, criteria for supplemental financing for power supply borrowers will be determined on an individual basis.

III. Arrangements Between REA and the Source of Supplemental Funds:

- A. REA approval is required to permit an REA borrower to furnish security for financing from a supplemental source, in accordance with existing mortgage provisions.
- B. In the case of concurrent loans from REA and a supplemental lender, and in the case of 100% non-REA long-term loans, security for the loans will normally be established by a common mortgage. For such loans from a supplemental source, REA will consider sharing its first lien proportionately in accordance with the principal amount of notes outstanding to REA and to the supplemental lender, respectively (pari passu). Such lien accommodation will be granted by REA only on a case-by-case basis, after a determination in each case that such accommodation will be in the interests of, and involve a compensating benefit to, the Government.

- IV. Procedures: Loan procedures applicable particularly to supplemental financing for distribution borrowers are given in Attachment B to this bulletin, "REA Electric Distribution Borrowers' Supplemental Financing Procedure." These procedures are effective on applications received after December 18, 1970. Except as modified by Attachment B, other REA loan procedures remain in force.



Administrator

Attachments:

Attachment A, "Initial Supplemental Loan Criteria for Electric Distribution Borrowers"

Attachment B, "REA Electric Distribution Borrowers' Supplemental Financing Procedure"

Index:

LOANS

Concurrent

Supplemental

SUPPLEMENTAL FINANCING

Application for

Policy

ATTACHMENT A

SUPPLEMENTAL LOAN CRITERIA FOR ELECTRIC
DISTRIBUTION BORROWERS

- I. Borrower Eligibility for Supplemental Financing: Borrowers in either of the following two categories will be expected, unless there are exceptional circumstances as determined by the Administrator, to obtain a portion of their long-term loan funds from a supplemental financing source:
- A. Borrowers which have not previously received a concurrent REA and non-REA loan and which have a:
 - 1. Time Interest Earned Ratio (TIER) (average of highest two ratios in last three years) of 1.5 or more, and
 - 2. Debt Service Coverage (DSC) (average of highest two of last three years) of 1.25 or more.
 - B. Borrowers which have received one or more concurrent REA and non-REA loans.
- II. Loan Proportions for Concurrent Loans: The loan proportions for concurrent loans will be based on the borrower's Plant Revenue Ratio (PRR). The following proportions become effective when the REA electric loans made after July 1, 1971, total \$545,000,000:

<u>PRR</u>	<u>REA Percentage</u>	<u>Supplemental Lender Percentage</u>
9.01 and Above	90	10
8.01 to 9.0	80	20
8.00 and Below	70	30

ELECTRIC DISTRIBUTION BORROWERS' SUPPLEMENTAL
LOAN CRITERIA COMPUTATION SHEET

I. TIMES INTEREST EARNED RATIO (TIER)

$$\text{TIER} = \frac{(A) + (B)}{(B)}$$

(A) PATRONAGE CAPITAL AND MARGINS - line A.22 on both REA Form 7, Rev. 10-65 1/ and REA Form 7, Rev. 10-69 and line A.22 on REA Form 7, Rev. 12-70 1/

(B) INTEREST EXPENSE - line A.14 less line A.15 on REA Form 7

2/ TIER (most recent year) (_____) = _____
 (_____)

TIER (preceding year) (_____) = _____
 (_____)

TIER (next preceding year) (_____) = _____
 (_____)

Average TIER (Average of Two Highest TIER'S) = _____

II. PLANT REVENUE RATIO (PRR)

$$\text{PRR} = \frac{(A)}{(B) - (C)}$$

(A) TOTAL UTILITY PLANT - line B.3 on REA Form 7 _____

(B) OPERATING REVENUE AND PATRONAGE CAPITAL - line A.1 on REA Form 7 1/ _____

(C) COST OF POWER - Sum of lines (A.2, A.3, and A.4) on REA Form 7, Rev. 12-70 - _____

2/ PRR = (_____) = _____
 (_____)

1/ In those instances where borrowers receive contributions from consumers for debt service, these amounts should be added.

2/ Unless otherwise specified by REA, the most recent year data will be the calendar year data preceding the cutoff date of the loan application, except when the cutoff date used is December 31 of a given year, in which case that calendar year's data would be used.

ELECTRIC DISTRIBUTION BORROWERS'
SUPPLEMENTAL LOAN CRITERIA COMPUTATION SHEET

III. DEBT SERVICE COVERAGE (DSC)

$$DSC = \frac{(A) + (B) + (C)}{(D)}$$

- (A) PATRONAGE CAPITAL AND MARGINS - line A.22 on both REA Form 7, Rev. 10-65 1/ and REA Form 7, Rev. 10-69 1/ and line A.23 on REA Form 7, Rev. 12-70 1/
- (B) INTEREST EXPENSE - line A.14 less line A.15 on REA Form 7
- (C) DEPRECIATION AND AMORTIZATION EXPENSE - line A.12 on both REA Form 7, Rev. 10-65 and REA Form 7, Rev. 10-69 and line A.11 on REA Form 7, Rev. 12-70
- (D) REQUIRED PRINCIPAL AND INTEREST PAYMENTS - sum of four Quarterly Statements of Interest and Principal Due, REA Form 694, for each year in question, and the amount of annual interest and principal due on long-term debt of other lenders, if any.

<u>2/</u> DSC (most recent year)	(_____)	=	_____
	(_____)		
DSC (preceding year)	(_____)	=	_____
	(_____)		
DSC (next preceding year)	(_____)	=	_____
	(_____)		

1/ In those instances where borrowers receive contributions from consumers for debt service, the amount should be added.

2/ Unless otherwise specified by REA, the most recent year data will be the calendar year data preceding the cutoff date of the loan application, except when the cutoff date used is December 31 of a given year in which case that calendar year's data would be used.

ATTACHMENT B

REA ELECTRIC DISTRIBUTION BORROWERS'
SUPPLEMENTAL FINANCING PROCEDURES

- I. Application of Supplemental Financing Criteria: Generally, through the use of criteria set forth in Attachment A, a distribution borrower will be able to determine its situation in advance of submitting a loan application as to whether supplemental financing will be required. REA field personnel will be available to advise borrowers regarding the application of REA's supplemental financing criteria.

- II. Preparation of Loan Application: In view of the requirements of the outstanding security documents between the Government and REA borrowers, all secured loans from other sources to existing REA borrowers will be subject to REA approval. All applications for such financing should be reviewed initially with REA.
 - A. Annually a borrower should review and update its long-range financial forecast. Following this, a determination should be made regarding the need for external financing taking into consideration available general funds and funds expected to be realized from operations during the period under consideration.
 - B. When it appears that funds from outside sources will be required, the borrower should consult with the REA field representative or the area office regarding its anticipated needs.
 - C. During the preparation of its application, a borrower should determine the source of any long-term supplemental financing which will be needed.

Where such determinations have not been included in the loan application, REA, after an initial review of the loan request, and application of the supplemental financing criteria, will notify the applicant of the need for such information before further examination of the loan application can be scheduled.

- D. The board of directors in requesting a loan from REA, when supplemental financing will be needed, should include in its resolution the anticipated source of such financing and the approximate amount of non-REA borrowing as determined by the board. (See sample board resolution attached.)

- E. To facilitate the simultaneous processing of loan applications by REA and other lenders, the board of directors upon determining the source and approximate amount of supplemental financing, will need to authorize REA to release appropriate information regarding the application to such other lender. (See sample board resolution attached.)

III. Processing of Loan Applications:

- A. Generally, REA will schedule loan applications for processing in accordance with the applicant's relative priority of need for financing.
- B. During the processing of the loan application, REA will, as appropriate, communicate with the designated source of supplemental financing.
- C. Unusual conditions or significant changes from the applicant's original request for financing, which are identified during the processing of a loan, will be called to the applicant's attention before final approval of a loan.

IV. Loan Approval and Announcement:

- A. REA's loan approval will provide for the withholding of REA loan funds until the Administrator has received evidence that the required supplemental loan is available to the applicant under terms and conditions satisfactory to the Administrator.
- B. The public loan approval announcement by the Administrator will include appropriate reference to any supplemental financing.
- C. Appropriate timely notification of REA loan approvals will also be given to the source of supplemental financing.

V. Loan and Security Documents:

- A. REA loan and security documents and instructions for their execution will be forwarded in accordance with existing procedures. The supplemental lender will be expected to furnish its loan documents to the borrower with instructions for their execution.
- B. When properly executed and recorded, the documents for the Government and the supplemental lender should be returned to REA and the supplemental lender in accordance with their respective instructions.

VI. Budgetary Control and Advance of Funds:

- A. REA's existing budgetary control and advance of funds procedures will be generally applicable to concurrent loans. Borrowers will be notified individually at the time of the forwarding of the loan documents for execution of any special conditions applying to the requisitioning, expenditure, and accounting for funds available as a result of the supplemental financing.

In the case of concurrent loans, advances will normally be requested first from REA until 50 percent of the REA loan has been advanced. Advances will be requested next from the supplemental source. The final 50 percent of the REA loan will not be advanced until the entire supplemental loan has been advanced.

VII. 100% Long-Term Loans From Supplemental Financing Institutions:

- A. Where a borrower desires to obtain 100% long-term financing for facilities from a source other than REA, the borrower should prepare and submit its application to the supplemental financing institution in accordance with instructions supplied by the institution.
- B. The borrower will also be required, under the terms of its existing mortgage to REA, to obtain REA approval of such loans. In order to grant such approval and to provide for any accommodation of the Government's mortgage which may be required by the supplemental lender, REA will need information similar to that developed in support of a loan application for REA funds. The area office or field representative should be contacted before a formal request for REA approval of 100% long-term financing is submitted.

Attachment

Sample Board Resolution Requesting Concurrent Financing

Sample Board Resolution Requesting Concurrent Financing

WHEREAS, It has been determined on the basis of the current two-year construction work plan that financing is needed for electric facilities as shown on REA Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

New Financing Requested for Facilities		\$ _____
REA Loan Requested for Facilities	(%)	\$ _____ a/
Total Supplemental Loan	(%)	\$ _____ b/
Required Investment in Supplemental Lender (CTC's)		\$ _____ c/
Supplemental Loan Requested for Facilities		\$ _____ d/

NOW, THEREFORE BE IT RESOLVED, That _____
(name and address of applicant)

make application to the Rural Electrification Administration for a loan in the approximate amount of \$ _____, to be used in accordance with

-
- a/ Multiply New Financing Requested for Facilities by the approximate percentage of plant financing to be obtained from REA as determined by current PRR. Round to nearest thousand.
 - b/ Multiply New Financing Requested for Facilities by the appropriate percentage of plant financing to be obtained from a supplemental lender. When CFC is the supplemental lender divide the result by 0.95, round to nearest thousand, and
 - c/ Multiply the Total Supplemental Loan by .05 to obtain the amount of Capital Term Certificates (CTC's) required, and
 - d/ Multiply the Total Supplemental Loan by 0.95 to obtain the amount available for facilities.

Adjust: New Financing Requested for Facilities such that it equals the sum of the REA Loan Requested for Facilities and the Supplemental Loan Requested for Facilities (a/ + d/).

August 1, 1978

REA Bulletin 20-2 to finance a portion of the above-mentioned facilities** and that an application be made to _____ (name and address of supplemental source of funds) for a loan in the approximate amount of \$ _____, under terms and conditions satisfactory to the Administrator, to provide the balance of financing needed in connection with the above-mentioned facilities.

BE IT FURTHER RESOLVED, That the REA note shall be in the full amount of the REA loan and provide for the repayment of principal to begin _____ years from the date thereof.

I, _____, Secretary of _____, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the board of directors of the _____, held on the _____ day of _____, 19____, at which meeting a quorum was present.

Signature

(Submit two certified copies to REA, one to supplemental lender.)

**If the source of supplemental financing is not known, substitute the following: on condition that a loan in the approximate amount of \$ _____, be obtained from a supplemental source or sources, under terms and conditions satisfactory to the Administrator, for the balance of the financing needed in connection with the above-mentioned facilities.

August 1, 1978

I, _____, Secretary of

do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the _____, held on the _____ day of _____, 19____, at _____ which meeting a quorum was present.

Signature

(Submit two certified copies to REA)

*if the source of supplemental financing is not known, substitute the following: on condition that a loan in the approximate amount of \$ _____, with the same maturity as provided in the REA loan, be obtained from a supplemental source or sources, under terms and conditions satisfactory to the Administrator, for the balance of the financing needed in connection with the above-described facilities.

**If the source of supplemental financing is not known, this portion should be submitted later as a separate resolution.

(7) "reconnaissance study" means a study conducted for the purpose of assessing the present and future electrical and thermal energy needs of an area under AS 44.83.177;

(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 44.83.181;

(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. (§ 1 ch 278 SLA 1976; am §§ 21, 22, ch 156 SLA 1978; am §§ 26, 27 ch 83 SLA 1980; am §§ 10, 11 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, substituted the present definition for "power project" or "project" in paragraph (4) for

the definition set out in the main pamphlet and substituted "electrical and thermal energy needs" for "power needs" in paragraph (7).

Article 7. Susitna River Hydroelectric Project.

Sec. 44.83.325. Restrictions on contracting.

Editor's note. — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.300 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be

completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

Article 8. Rural Electrification Revolving Loan Fund.

Section

361. Rural electrification revolving loan fund

363. Loan advisory committee

Sec. 44.83.361. Rural electrification revolving loan fund. (a) The rural electrification revolving loan fund is established in the Alaska Power Authority. The fund consists of

(1) appropriations made to the fund; and

(2) principal and interest payments on loans made under this section.

(b) The authority may make loans from the rural electrification revolving loan fund to electric utilities certified by the Alaska Public

Utilities Commission for the purpose of extending an electric utility and necessity is: the money needed for the transformer, and adequate service would be provided. However, a loan may be made for the purpose of extending an electric utility if:

(1) the loan is made under AS 44.83.363

(2) the extension of service is to at least three persons

(c) A loan from the fund shall bear an annual interest rate of not more than the rate on the loan.

(d) When a loan is made to an electric utility for the purpose of extending service:

(1) shall, in addition to the charge for the loan, charge the consumer with the cost of the loan proceeds and

(2) shall pay the interest on the loan.

(A) interest on the loan shall be paid by the utility before a loan is made.

(B) payments on the loan shall be made each new consumer year for which the utility is required to extend service.

(C) the principal of the loan shall be repaid between the actual date of the loan and the date the utility is required to extend service.

(e) The authority shall:

(1) adopt regulations for the revolving loan fund;

(2) administer the revolving loan fund;

(3) submit reports to the legislative session on the revolving loan fund and annual reports on the revolving loan fund. (§ 1 ch 133 SLA 1982)

Sec. 44.83.363. A loan may be made for a rural electric utility under AS 44.83.361, the Alaska Power Authority, to persons residing in the area to be served. The loan shall be repaid and shall be recommissioned if disapproved. A committee shall be

Utilities Commission. A loan from the fund may be made only for the purpose of extending new electric service into an area of the state that an electric utility may serve under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission. A loan may be made from the fund to an electric utility if the utility invests the money necessary to provide one pole, one span of line, one transformer, and one service drop for each consumer for whom immediate service would be provided by the extension of electric service. However, a loan may not be made from the fund unless

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

(2) the extension of electric service would provide immediate service to at least three consumers.

(c) A loan from the rural electrification revolving loan fund shall bear an annual rate of interest of two percent of the unpaid balance of the loan.

(d) When a loan is made by the authority under this section, the electric utility receiving the loan

(1) shall, in addition to the rates that it is authorized to charge, charge the consumers served by the electric service extended with the loan proceeds an amount sufficient to pay the interest costs of the loan;

(2) shall pay to the authority annually an amount equal to

(A) interest of two percent on the unpaid balance of the loan; and

(B) payments on the unpaid balance of the principal of the loan for each new consumer served by the electric service during the preceding year for which the loan was made; payments on the unpaid balance of the principal of the loan shall be made at a rate equal to the difference between the actual cost of making the service connection to the consumers and the minimum investment per consumer required of the utility before a loan is made under (b) of this section.

(e) The authority shall

(1) adopt regulations necessary to carry out the provisions of this section;

(2) administer the rural electrification revolving loan fund; and

(3) submit to the legislature within the first 10 days of each regular legislative session a report of actions taken by the authority under this section and an accounting of the rural electrification revolving loan fund. (§ 1 ch 118 SLA 1981)

Sec. 44.83.363. Loan advisory committee. When an application for a rural electrification loan is submitted to the authority under AS 44.83.361, the authority shall appoint a local advisory committee from persons residing in the area that the applicant utility is certified to serve. The loan advisory committee shall consider the loan application, and shall recommend whether the loan application is to be approved or disapproved. A favorable recommendation from the loan advisory committee shall be based on a determination that development in the area

of the proposed extension of electric service is likely to provide for full repayment of the loan under AS 44.83.361(d) within 10 years. In making that determination the committee shall consider

- (1) permanence of the premises to be served by the extension;
- (2) land use patterns in the area;
- (3) access for the line that would be installed with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the economic feasibility of the extension of electric service with the proceeds of the loan. (§ 1 ch 118 SLA 1981)

Article 9. Energy Program for Alaska.

Section

- 380. Program established
- 382. Power development fund established
- 384. Use of fund balance
- 386. Investment of fund
- 388. Allotment to projects
- 390. Reappropriation of fund balance

Section

- 392. Lapse of excess appropriations
- 394. Revenue requirements
- 396. Operation of power project
- 398. Sale of power from power project
- 400. Energy conservation
- 425. Definitions

Sec. 44.83.380. Program established. (a) The energy program for Alaska is established. The program shall be administered by the Alaska Power Authority.

(b) The energy program for Alaska is a program by which the authority may acquire or construct power projects with money appropriated by the legislature to the power development fund established in AS 44.83.382. A power project may be acquired or constructed as part of the energy program for Alaska only if the project is submitted to and approved by the legislature in accordance with procedures set out in AS 44.83.177 — 44.83.187.

(c) The provisions of AS 36.10.010 — 36.10.125 apply to power projects constructed by the authority under AS 44.83.380 — 44.83.425. (AS 44.83.400; § 1 ch 118 SLA 1981)

Revisor's notes. — A reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Editor's notes. — As enacted this section was designated AS 44.83.400 and was renumbered by the revisor of statutes under AS 01.05.031.

Sec. 44.83.382. Power development fund established. (a) A power development fund is established in the Alaska Power Authority to carry out the purposes of the energy program for Alaska (AS 44.83.380 — 44.83.425).

- (b) The fund includes
- (1) money appropriated to it by the legislature; and
 - (2) revenues collected from the sale of power that are not required by law to be deposited into the general fund. (AS 44.83.410; § 1 ch 118 SLA 1981)

Revisor's notes. 44.83.400 — 44.83.510 was changed to AS 44.83.380 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Sec. 44.83.384. the authority to

- (1) reconnaissance plans prepared
 - (2) the cost of acquiring necessary land, and construction
 - (3) the defeasance for or on an issue
 - (4) the cost of
 - (5) debt service
 - (b) Money in a power project
 - (1) meets the
 - (2) provides the market area operated by itself in the market area, as follows:
 - (A) renewable hydroelectric power or a method that takes advantage of the properties of the
 - (B) coal or petroleum
 - (C) energy derived from
 - (D) fossil fuels
- (c) Notwithstanding AS 44.83.398, the cost of a power project financed under the provisions of AS 44.83.380 — 44.83.425 shall be paid from the power development fund for the cost of
- (1) the legislative
 - (2) the division of labor and error reviews and determinations for a feasibility study of the plan of financing submitted under

	EXISTING STATUTE	Rural Electrification Revolving Loan Fund SB 32	Electric System Revolving Loan Fund SB 140
Administering Agency	Alaska Power Authority (APA)	APA	Department of Commerce
Loan Purpose	Extending new electric service into an area of the state	same as existing statute	<ul style="list-style-type: none"> - finance capital improvement, plant, or facility - improve and expand services - meet short-term or interim capital need while utility is processing a long-term loan
Interest Rate	2%	2%	5%
Maximum Term of Loan	10 years	30 years	35 years
			<p>[To match terms of federal Rural Electrification Administration loans.</p> <p>SB 41 Initial appropriation of \$20,000,000 to the loan fund. Repayment of principal and interest to the loan fund.</p>

NOTE: The Rural Electrification Revolving Loan Fund has had little use by utilities since its inception in 1981. The regulations adopted by the APA regarding term and security are not favorable to the utilities. At its recent Board meeting, it was decided that a series of public hearings would be held for suggestions on how the program could be improved

I. REQUEST

Bill/Resolution No: SB 140
 Title: Est. Electric Cooperative
Revolving Loan Fund
 Sponsor: Fahrenkamp
 Requestor: Senate Resources Committee

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Revenue
Collection & Management
 BRU, Program of Subprogram(s) Affected:
Treasury Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Cathy A. Poe
 Division: Treasury

Phone: 465-2350
 Date: 3/25/83

Approved by Commissioner: Joseph K. Donohue
 Department: Revenue

Date: 3/25/83

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)
 Copy to Department (for Governor introduced bills)
Copy to Sponsor
 Copy to Requestor (if different from Sponsor)

IV. ANALYSIS:

The highest rate of return Department of Revenue would earn on loans in this program would be 4 1/2% due to the terms of the bill. AS 37.10.070(A) presently requires competitive market rates of return be earned on the State's surplus funds. Because present rates of return range from 8-11%, the Department of Revenue would lose the difference in earnings.

This method of funding loan programs without appropriations results in a loss of legislative and executive control.

Purchase of these loans would reduce the liquidity of the general fund because these loans are not readily marketable. With there being significant risk of declines in oil prices and State revenues, this is inadvisable.