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SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 32

BILL NAME: Rural electrification loans.

SPONSOR(S): MOSS

RELATED BILLS PENDING:

DATE INTRODUCED: 1-18-83

REFERRALS: Resources
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

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:

Moss

	EXISTING STATUTE	Rural Electrification Revolving Loan Fund SB 32	Electric Cooperatives 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.

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 CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
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Senate

Committee on Resources

TO: Senate Resources Committee Members
FROM: Senate Resources Committee Staff
RE: March 28th Hearing
DATE: March 25, 1983

On Monday, March 28 at 3:00 pm in the Beltz 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, qualifications 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 electrical 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 CSSB 128, the marine parks bill, which was adopted by the Committee on 3/23/83. It is hoped that final Committee action could be taken on this bill.



Alaska State Legislature

Senate

Resources Committee

Official Business

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 RDA, 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 REAA 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.

(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 may be made from the money needed to purchase a transformer, an adequate service would be provided. However, a loan may be made for

(1) the loan is made under AS 44.83.363

(2) the extension of the loan is to at least three years

(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 the utility, the utility shall, in addition to charge the construction cost of the loan proceeds and interest on the loan

(1) shall, in addition to charge the construction cost of the loan proceeds and interest on the loan

(2) shall pay interest on the loan

(A) interest on the loan

(B) payments on the loan

each new consumer of the utility for which the principal of the loan is repaid between the actual date of construction and the date the utility before a loan is made

(e) The authority shall

(1) adopt regulations for the revolving loan fund

(2) administer the revolving loan fund

(3) submit to the legislature a report on the revolving loan fund and an annual report on the revolving loan fund. (§ 1 ch 11 SLA 1982)

(4) submit to the legislature a report on the revolving loan fund and an annual report on the revolving loan fund. (§ 1 ch 11 SLA 1982)

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

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Sec. 44.83.384. the authority to p

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 - (A) renewable hydroelectric pov or a method th properties of the
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 - (C) energy de
 - (D) fossil fuel
- SLA 1981)

(c) Notwithst 44.83.398, the fu the cost of a pow States governm provisions of AS financed under fund for the cos

- (1) the legis
 - (2) the divisio
- ernor reviews a and determines ments for a feas the plan of finan submitted unde

RELATING TO RURAL ELECTRIFICATION LOANS.

SB 32

MOSS

Extends the repayment period for rural electrification loans from 10 to 30 years.

Intent is to make it easier for rural electrification co-ops to borrow money so they will do necessary upgrading of equipment and extension of lines to outlying areas.

contact: Dave Hutchens, Alaska Rural Electrical Cooperative Association

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 32
 Title: Relating to rural electrification loan
 Sponsor: Moss
 Requestor: Resources

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
 Program Category Affected: Development
 Bill, Program of Subprogram(s) Affected: Alaska Power Authority

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

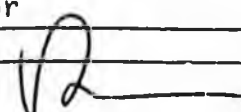
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

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: Eric Yould, Executive Director Phone: 277-7641
 Division: Alaska Power Authority Date: _____
 Approved by Commissioner: Richard A. Lyon  Date: 3/28/83
 Department: Commerce and 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)

3/8/83

(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;

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(1) shall, in charge the cost of the loan proceeds

(2) shall pay (A) interest

(B) payment on each new construction year for which the principal of the loan is between the assumption and the utility before a

(e) The authority (1) adopt regulations

(2) administer

(3) submit to legislative session section and annual fund. (§ 1 ch 1

Sec. 44.83.363 for a rural electric utility under AS 44.83.361, the persons residing in the area shall receive. The board and shall receive disapproval. A committee shall be

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Sec. 44.83.384. Authority to acquire land.

(1) reconnaissance plans prepared by the authority

(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

(b) Money in the fund

(1) meets the needs of the market area

(2) provides for the operation of the market area, and

the 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 fuels

(D) fossil fuels (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 paid from the fund for the cost of

(1) the legislature

(2) the division of energy resources

and the governor reviews and determines the plan of financing submitted and