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Alaska State Legislature



State Senate

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MEMORANDUM

February 23, 1984

SUBJECT: SB 443 - rural electrification loan fund

TO: The Honorable Bettye Fahrenkamp, Chair
Senate Committee on Resources

FROM: Senator H. Pappy Moss 

I would like to request that Senate Bill 443 - an act relating to the rural electrification loan fund, be scheduled in Senate Resources Committee as soon as possible. The bill makes it possible for rural electrical co-ops to provide service to new consumers in a timely and economically feasible manner, and as such is of great interest to rural electrical cooperatives statewide.

Thank you for your consideration.

*problems w/ current
program?
why changes
necessary?*

FEB 23 1984

SB 443

Sectional Analysis

Section 1 states the legislative intent that this program is to help finance pioneer electric distribution lines through developing rural areas.

Section 2 provides that loans may be made to public utilities to build distribution lines into rural areas not receiving electric service if (1) the loan is recommended by a loan advisory committee, (2) the line extension will serve at least three consumers in its first year and (3) the utility has a certificate from the APUC to serve that area.

Section 3 provides that the utility shall collect 2% interest on this loan from its consumers served by the line extension and shall pay that interest to the APA annually with its principal payment. The principal repayment formula is geared to the number of new consumers being served by this line extension rather than to a specific term of years. The cost of the line is divided into units consisting of its average cost per 350 feet (the approximate distance of a span of line). The utility repays one unit of the principal for each new consumer served by the line.

Section 4 vests the administrative authority with the APA and requires an annual report to the legislature.

Section 5 defines the terms used in this legislation.

Section 6 limits the amount of a loan to the amount necessary to build an overhead line, but a more expensive method of construction may be used if the additional cost is financed from some other source. The utility is required to invest from other sources one unit of cost (the average cost for 350 feet of line) for each consumer to be served in the first year.

Section 7 authorizes the executive director of the APA to appoint a loan advisory committee from residents of the assigned service area of the applicant utility. The committee has the responsibility to advise whether or not development of the area in question is likely to occur rapidly enough to provide full repayment of the loan within 20 years.