

HB

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Letter of Intent for SCS CSHB 314 (Fin)

It is the intent of the Senate Finance Committee that duplicative reporting requirements for REA financed electric cooperatives be eliminated. Because of the similarity of the information required in REA quarterly reports, and that required by the APUC in it's annual report, the commission should allow submittal of REA forms for the annual reporting requirements of electric cooperatives.

SCS CSHB 314(fin): Sectional Analysis

- Section 1) Substitutes "municipality" for "city or borough, whether home rule or otherwise" to reflect changes made in the Municipal Code adopted last year, and limits the amount of the fee that a municipality may charge to the actual cost.
- Section 2) Requires the commission to issue a statement of reasons for rejecting a tariff filing, and imposes a time limit of 45 days on the commission's authority to reject a filing that is not consistent with the chapter or the regulations of the commission.
- Section 3) Adds a new section to require the commission to adopt regulations that permit a simplified rate filing procedure for electric cooperatives.
- Section 4) Requires the commission to consider the financial covenants contained in mortgages and other debt instruments of cooperative utilities when setting the rates they may charge.
- Section 5) Subjects wholesale power agreements between public utilities to advance approval by the commission. After a wholesale power agreement is in effect, the commission may not invalidate the agreement; however, if the rates are not just and reasonable, the commission may order the parties to negotiate an amendment to the contract.
- Section 6 Extends the termination date of the APUC for 3 years (1989).
- Section 7) Applicability section
- Section 8) Applicability of wholesale power agreement section
- Section 9) Immediate effective date.

Fred:

The amendment being offered by Sharon Macklin would have the following effect:

- 1) The language which appears on Page 2, lines 26 thru page 3, line 1, pertains to both electric and telephone cooperatives. In essence, it requires the commission to set rates adequate to meet the financial covenants of all (telco and electric) cooperative utilities.
- 2) The sentence following that qualifies the obligation imposed upon the commission to honor those agreements. In effect it allows the commission to disapprove the mortgage or debt instrument, in the event they find it to be excessive.
- 3) The amendment which may be offered by Sen Kerttula on the floor would have the effect of allowing the telco's debt instruments to be approved without further consideration by the commission.

By inserting the word "electric" on page 3, line 1, the APUC would only be able to disapprove the debt instruments of electric coops, and the debt instruments of telco's, even if excessive, would be safe from commission review.

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**ALASKA RURAL ELECTRIC COOPERATIVE
ASSOCIATION, INC.**

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May 12, 1986

Senator Fred Zharoff
Pouch V
Juneau, Alaska 99811

Dear Senator Zharoff:

ARECA was the special interest group that first proposed language requiring the APUC to respect the financial covenants of mortgages entered into by cooperative utilities.

The APUC objected to the language on the grounds they would have no authority to prevent unjust rate increases which might occur due to mortgage agreements.

The language in the Senate Finance CS for HB314 is a compromise agreed to by your association and the APUC.


The proposed amendment by Sharon Macklin of MTA would make telephone cooperatives subject only to the language proposed by ARECA, but not to the compromise agreed to by the APUC.

I have spoken with the commission about this amendment. Like our association, they are opposed to it.

The telephone cooperatives should either be subject to the whole provision or exempted from it.

Thank you for the opportunity to make our comments on this issue.

Respectfully,


Kenneth S. Johnson,
Director of Information

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