

SB

109

Senator John B. (Jack) Coghill
Alaska State Legislature

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MEMORANDUM

To: Members of the Labor and Commerce Committee

From: Senator John B. Coghill

Re: SB 109, "An act relating to the rural electrification revolving loan fund"

In general, the purpose of SB 109 is to make it easier for the Rural Electrification Revolving Loan Fund to accomplish its original intent i.e. extension of electric service to rural areas where the costs are otherwise prohibitively expensive due to sparsity of customers. The ambiguity of the current statute has resulted in regulations which have been more detrimental than helpful.

Sect. 1 is self-explanatory.

Sect. 2 amends AS 44.83.36(b) by allocating one-half of the available funds for projects that will extend the electrical service along state highways.

Sect. 3 amends AS 44.83.361(c) by eliminating the requirement that interest received on the loans be transferred monthly for deposit into the general fund because the interest is not collected on a monthly basis now. The section is further amended by adding a forgiveness clause that forgives any unpaid balance after 20 years. If the projected growth has not occurred in that time frame and the loan repaid, the burden would be unfair to the remaining customers.

Sect. 4 amends AS 44.83.363 by changing the loan evaluation repayment criteria from ten to twenty years in order to be more consistent with

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the actual growth experienced in rural areas after the extension of the electrical service has occurred. Additionally, under the loan evaluation criteria to be considered by the loan advisory committee, financial feasibility is substituted for economic feasibility. Financial feasibility is the more significant and relevant criteria because it evaluates the ability of the parties involved to pay off the loan.