

SB

109

SENATE COMMITTEE REPORT

FURTHER: FINANCE

4/8/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered SB 109

RURAL ELECTRIFICATION REVOLVING LOAN FUND.

and recommended:

[ ] replace with CS FOR \_\_\_\_\_ ) [x] same title  
[x] or adopt \_\_\_\_\_ CS FOR SB 109 (L4C) ) [ ] new title

[ ] attached amendment(s) and

[ ] do pass

[ ] do not pass

[ ] no recommendation

[x] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [ ] attached or [x] adopted fiscal note(s)

[ ] new [ ] updated or [x] previous  
[x] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Paul Frank N. Re*  
*Lord Jones N. Re*  
*Jim Duncan No Rec*

*[Signature]*  
Chairman signature and recommendation  
*Do Pass*

[ ] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3-26-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: RESOURCES  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED X \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

LABOR & COMMERCE Committee considered SB 109  
relating to the rural electrification revolving loan fund.

and recommended:

- replace with CS SB 109 (L+C)  same title
- attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Kelly (No Pass)  
Mike Symonci  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tim Kelly - Do Pass  
Chairman signature and recommendation

Committee Backup Attached

# STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: \_\_\_\_\_

### REQUEST

### FISCAL DETAIL

Bill/Resolution No.: SB109  
 Title: An Act Relating to the Rural Electrification Revolving Loan Fund  
 Requestor: Oil & Gas Comm. (S) Resources Comm.  
 Date of Request: \_\_\_\_\_

Agency Affected: Alaska Power Authority  
 BRU: Department of Commerce & Economic Development  
 Components: \_\_\_\_\_

### EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
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REVENUE	0	0	0	0	0	0
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### FINDINGS (Thousands of Dollars)

TOTAL	0	0	0	0	0	0
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### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

### ANALYSIS : Attach a separate page if necessary

Enactment of SB109 would make available one half of the funds available for loans to extend service along the highway; it does not affect the overall activities of the Rural Electrification Revolving Loan Fund.

Prepared by: Robbie E. LeResche, Executive Director  
 Division: Alaska Power Authority

Phone: 465-3575  
 Date: April 7, 1987

Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Date: \_\_\_\_\_

### Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Coghill and Szymanski

1 IN THE SENATE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 109 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the rural electrification revolving  
7 loan fund."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. FINDINGS AND INTENT. (a) Although the rural electrifica-  
10 tion revolving loan fund has existed since 1981, it has not adequately met  
11 the purpose for which it is intended. The principal reason for that fail-  
12 ure has been regulations that have, at least in part, opposed the purpose  
13 of this program. The purpose of this program is to assist electric util-  
14 ities and their consumers in extending pioneer electric distribution lines  
15 into developing rural areas.

16 (b) The legislature finds that

17 (1) the installation of pioneer electric distribution lines is  
18 essential to the orderly development of areas that are suitable and appro-  
19 priate for development; frequently it is prohibitively expensive for the  
20 utilities and their consumers to build the necessary distribution lines in  
21 anticipation of sufficient development to make the lines feasible;

22 (2) it is in the public interest for the state to assist in  
23 financing distribution lines in areas where development is expected; the  
24 appropriate role of the state in regard to the lines is that of assuming  
25 the risk that the anticipated development will in fact occur;

26 (3) populated areas along state highways that have a source of  
27 central station electric service available for distribution are expected to  
28 develop further and loans from this program to construct pioneer distribu-  
29 tion lines along those state highways are appropriate, and should be given

1 priority for one-half of the funds available.

2 (c) It is the intent of the legislature that all existing regulations  
3 relating to this loan program be reconsidered and that they be amended to  
4 conform to this Act.

5 \* Sec. 2. AS 44.83.361(b) is amended to read:

6 (b) The authority may make loans from the rural electrification  
7 revolving loan fund to electric utilities certified by the Alaska  
8 Public Utilities Commission. A loan from the fund may be made only  
9 for the purpose of extending new electric service into an area of the  
10 state that an electric utility may serve under a certificate of public  
11 convenience and necessity issued by the Alaska Public Utilities  
12 Commission. A loan may be made from the fund to an electric utility  
13 if the utility invests the money necessary to provide one pole, one  
14 span of line, one transformer, and one service drop for each consumer  
15 for whom immediate service would be provided by the extension of  
16 electric service. Applications for loans to extend service along  
17 state highways shall be given priority on one-half of the funds avail-  
18 able for loans under this section. However, a loan may not be made  
19 from the fund unless

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

22 (2) the extension of electric service would provide immedi-  
23 ate service to at least three consumers.

24 \* Sec. 3. AS 44.83.361(c) is amended to read:

25 (c) A loan from the rural electrification revolving loan fund  
26 shall bear an annual rate of interest of two percent of the unpaid  
27 balance of the loan. Interest received on a loan made under this  
28 section must be transferred annually (MONTHLY) to the commissioner of  
29 revenue for deposit in the general fund. The unpaid balance on a loan

made under this section remaining after 20 years may be forgiven.

\* Sec. 4. AS 44.83.363 is amended to read:

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 20 (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 financial (ECONOMIC) feasibility of the extension of electric service with the proceeds of the loan.

# Alaska State Legislature

## Senate Resources Committee



Sen. John B. (Jack) Coghill, Chairman  
Sen. Paul Fischer, Vice-Chairman  
Sen. Lloyd Jones  
Sen. Artiss Stungulewski  
Sen. Jim Duncan  
Sen. Fred Zharoff  
Sen. Dick Elason

Box V  
Juneau, Alaska 99811  
(907) 465-1007

April 2, 1987

### 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

SB 109 cont.

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.

# STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: \_\_\_\_\_

### REQUEST

Bill/Resolution No.: SB109  
Title: An Act Relating to the Rural  
Electrification Revolving Loan Fund  
Requestor: SIT & C Comm., (S) Resources Comm.  
Date of Request: \_\_\_\_\_

### FISCAL DETAIL

Agency Affected: Alaska Power Authority  
BRU: Department of Commerce &  
ECONOMIC DEVELOPMENT  
Components: \_\_\_\_\_

### EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
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REVENUE	0	0	0	0	0	0
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### FINDING (Thousands of Dollars)

TOTAL	0	0	0	0	0	0
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### POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

### ANALYSIS : Attach a separate page if necessary

Enactment of SB109 would make available one half of the funds available for loans to extend service along the highway; it does not affect the overall activities of the Rural Electrification Revolving Loan Fund.

Prepared by: Robert E. LeResche, Executive Director  
Division: Alaska Power Authority

Phone: 465-3575  
Date: April 7, 1987

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

### Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)