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Alaska State Legislature



Chairman
State Affairs
Committee

Legislative Council

Transportation
Committee

Representative Eugene Kubina

During Session:
State Capitol
P.O. Box V
Juneau, Alaska 99811
(907) 465-4859

During Interim:
P.O. Box 2463
Valdez, Alaska 99686
(907) 835-2111

SPONSOR STATEMENT

Sponsor: Representative Gene Kubina
Subject: HB 226 & HB 227: Electrical Extension Grant
Date: 11 April 1991

HB 226 & HB 227 would create and appropriate funds for the creation of an electrical extension grant to extend electrical services into outlying areas of the state currently not served. The intent is that through a matching grant program our electrical utilities would be encouraged to extend their lines into areas not financially viable.

A primary point of the bill is that the grant program would fund only the construction costs. The utilities would have to utilize their own resources for the full cost of planning, study, and design.

Rationale: bringing additional rural families and businesses on line is beneficial to our electrical utilities, good for the development of our rural communities, and more energy efficient than the use of individual generators.

— DISTRICT SIX —

• Chenega Bay • Chitina • Cooper Landing • Cordova • Hope • Moose Pass • Seward • Talitlek • Valdez • Whittier •



Cordova Electric Cooperative, Inc.

P.O. BOX 20 • CORDOVA, ALASKA 99574 • (907) 424-5555 • FAX (907) 424-5527

April 16, 1991

Representative Kubina
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Kubina:

This is in regards to HB 227 of which you are a sponsor. Cordova Electric Cooperative supports the concept of an electrical service extensions fund, as it will help a lot of utilities extend their lines to consumers who cannot afford line extensions. It should be noted that REA Cooperatives have tariffs that require a payback of an extension within a certain time frame. This bill will certainly help lower that cost. However, we would like to obtain clarification on the connection fee as described in the bill.

Again, Cordova Electric Cooperative is in favor of the bill and would like to be kept apprised of any changes as it proceeds through the legislature.

Sincerely,

James H. Roberts, Jr.
General Manager



COPPER VALLEY ELECTRIC ASSOCIATION, INC.

P.O. BOX 45 GLENNALLEN, ALASKA 99588-0045

Glennallen (907) 822-3211
Valdez (907) 835-4301
Telefax # (907) 822-5586

April 17, 1991

Mr. Tom Van Brocklin
%The Honorable Eugene Kubina
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Subject: HB 226 & HB 227 - Electrical Extension Grant

Dear Tom:

I appreciate the opportunity to express my support for the concept expressed in HB 226. Many individuals are near electrical service facilities; however, are not close enough to afford the serving utility with economic feasibility.

I believe that this concept might afford opportunities for a greater number of people to be connected to central station service. I do, however, have some concern with Section I, Item C, which restricts consumer contributions.

I would suggest deletion of that sentence, and in lieu thereof have a sentence which states, "Residential or commercial consumers may enter into a contract for service with the utility for the remaining 50%, provided that the repayment is a minimum billing which provides for energy per standard utility tariff."

If I may provide additional information, I will be happy to do so.

Again, thank you for the opportunity to provide comment.

Sincerely,

R. D. (Doug) Bursey
General Manager

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Proposed REA Borrower Rules Don't Fit Alaska

To rely on generalized income and unemployment statistics while neglecting cost of power figures in any ranking of borrowers under a needs test would be highly detrimental to Alaska rural electric co-ops.

This was the message sent to REA officials by ARECA and several member system in response to the agency's Proposed Rule for Borrow Eligibility published in the Feb. 20, 1991 *Federal Register*.

In a letter to REA last month, ARECA Executive Director David Hutchens said, "The census area data is not at all representative of the income and unemployment levels experienced in the Alaskan villages served by REA borrowers such as Alaska Village Electric

Cooperative and Tlingit-Haida Regional Electrical Authority."

Hutchens pointed out examples of inflated per-capita income figures being used by REA. For example REA relies on an areawide census figure of \$16,641 for Kodiak Island while a Census Bureau report sets the figure at \$4,045 for the community of Old Harbor on Kodiak Island.

The income figures are not adjusted for the cost of living either, Hutchens said. "An income of \$10,000 in rural Alaska is worth a great deal less than \$10,000 in rural Oklahoma or Iowa, and that fact needs to be accounted for in the Proposed Rule," he wrote.

For REA to depend on unemployment statistics creates even greater problems,

Hutchens said. He noted no statistics are even kept on villages served by some ARECA member co-ops.

Applying the concept of "unemployment" to areas where a subsistence lifestyle prevails is wrong, the letter states. "Many rural Alaskans are not really part of the cash economy. They have not left a job and are not looking for a job (where none exist), so they are not unemployed. Their need is great, but the way the unemployment factor is used, counts against them."

ARECA and member utilities submitting comment to REA emphasize that the element of cost of power should weigh most heavily in any means consideration.

Hutchens illustrates this by pointing out that AVEC, with the highest cost of power, highest rate level, and highest rate disparity in the country ranks 238th in overall need. He points out that AVEC's average consumer rate is 41 cents/kWh while Rio Grande Electric Cooperative in Texas, at 9 cents/kWh, ranks No. 3 in need of REA loans.

"That demonstrates clearly, in our view, that this needs test falls far short of being equitable," Hutchens said.

Sitka Electric Welcomed Into ARECA Fold

ARECA welcomes the City of Sitka as its newest contributing member. Greg Grissom is the electric utility superintendent.

Sitka has an unregulated municipal utility serving about 4,000 customers with 24,540 kW of installed hydro capacity and 7,500 kW in diesel capacity. Total annual sales average 82,000 MWh. Peak demand stands at about 22 MW.

There are some 14 miles of 69 kV transmission line interconnecting Blue Lake and Green Lake hydro sites with the city. Residential and commercial/industrial rates range from 6.6 cents to 8.4 cents per kWh.

ARECA now has 13 contributing member utilities serving more than 61,000 customers.

Bills Would Create, Fund Line Extension Program

Rep. Gene Kubina (D-Valdez) addressed those attending the ARECA Legislative Conference last month on two bills that would set up a distribution line extension program.

HB 226 and HB 227, introduced by Kubina, would establish a matching fund program through the Department of Commerce and Economic Development for funding line extensions to unserved areas and initially fund it with \$5 million. Grants for 50 percent of total construction costs would be available. Costs involving planning, feasibility studies or design work would not be eligible.

As originally written, the bill allowed utilities to charge not more than \$1,000 in connection fees for each residential or commercial service.

Kubina acknowledged that the bill did not provide a way for utilities to recoup their share of expenditures. He said he would work on an amendment to address that problem. Bill language was changed in late April to bring connection fees in line with utilities' policies, according to a Kubina aide.

ARECA members at the conference passed a resolution in support of the two bills contingent on changes that address utility hook-up costs.

Asked how he would prioritize funding to line extension projects, Kubina said he expects a formula would be worked out by the Alaska Energy Authority with input from the utilities statewide. He added that his goal is to get project funding spread equitably around the state and line extension decisions taken out of the annual budgetary arena.



Rep. Gene Kubina

FISCAL NOTE

No. 2

Bill Version: CSHB 226(FIN)

(H) Publish Date: 5/10/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: DCED

Title: An Act creating the BRU: _____

electrical service extension grant Component: _____

program.
Sponsor: Kubina

Requestor: HOUSE FINANCE COMMITTEE COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Representative Mike Navarre, Co-Chair *Mike Navarre* Phone: 465-3706
Representative Eileen MacLean, Co-Chair *Eileen MacLean* Phone: 465-3722
 Division: HOUSE FINANCE COMMITTEE Date: 5/9/91

Approved by Commissioner: _____

Agency: _____ Date: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

May 15, 1991

! Please distribute to all members!

To the Senate Labor and Commerce Committee;

Please support the passage of HB 226, which you will be hearing this afternoon. This bill will provide a mechanism for voters who are near existing power lines to bring electricity to their homes.

Residents of Old Ridge Trail outside of Fairbanks live on land that was passed from State to private ownership in 1960, and still do not have power because no funding has been available to extend an existing line for 2 miles.

Please also consider funding this type of electrification from funds available from the Intertie Energy Fund or from funds available from reappropriations. Large energy projects do us no good when we can't get power lines to our homes.

Thank you for your consideration and support!

Martha Johnson
 Gary Selinger
 and children
 5688 Old Ridge Trail
 Fairbanks, AK 99709

SENATE COMMITTEE REPORT

DATE: 5/16/91

FURTHER:

DATE TURNED INTO OFFICE: _____

L&C Committee considered CS FOR HOUSE BILL NO. 226 (FINANCE) am
"An Act creating the electrical service extension grant program."

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

- same title
- new title
- technical title change (HB only)

ATTACHES NEW FISCAL NOTE(S):

- fiscal note(s) _____ Dept/Date: _____
- zero fiscal note(s) _____
- appropriation-no fiscal note

APPROVES PREVIOUS:

- fiscal note(s) _____ Dept/Date: _____
- zero fiscal note(s) 4 FIN / 5-9-91
- Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Tom G. ... NO Rec
John ... NO Rec
Kirk Halford NO REC

Tom G. ... - NO Rec

 Chair: Signature and Recommendation

SENATE COMMITTEE REPORT

DATE: 5/16/91

FURTHER:

DATE TURNED INTO OFFICE: 5-19-91

L&C Committee considered CS FOR HOUSE BILL NO. 226 (FINANCE) am
"An Act creating the electrical service extension grant program."

+ maj of s etc rept it back w/ no - rec

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted

- same title
- new title
- technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

of FN

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:
 fiscal note(s) _____

zero fiscal note(s) *(H) FN / 5-9-91*

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Chris G. ... NO REC
John ... NO REC
Rick Halford NO REC

[Signature]

Chair: Signature and Recommendation