

**SB**

**280**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
Bill Version: SB 280  
(S) Publish Date: 3/6/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Environmental Conservation  
Title: Water/Sewer/Waste Grants to BRU: Facility Construction and Operation  
Utilities Component: Facility Construction and Operation  
Sponsor: Therriault  
Requester: Senate Labor & Commerce Component No.: 637

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	72.4	72.4	72.4	72.4	72.4	72.4
Travel	12.0	12.0	12.0	12.0	12.0	12.0
Contractual	5.0	5.0	5.0	5.0	5.0	5.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.0	1.5	1.5	1.5	1.5	1.5
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>93.4</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	93.4	91.9	91.9	91.9	91.9	91.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>93.4</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>	<b>91.9</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

SB 280 will extend eligibility for Municipal Water, Sewer, Solid Waste Matching Grants program to economically-regulated privately-owned utilities. We estimate that approximately 50 private utilities could qualify for grants. To date, 35 municipalities have participated in the program.

While program workload is largely a function of the total annual program funding, providing financial and technical assistance to smaller, private utilities, such as those serving trailer parks or subdivisions, will create additional workload and require adding a new engineer position to the current program engineering staff of four.

Prepared by: Dan Easton, Director Phone 465-5135  
Division: Facility Construction and Operation Date/Time 2/15/02 3:32 PM  
Approved by: Kurt Fredriksson Date 2/15/02  
Agency: Department of Environmental Conservation

**Personal Services New Position Detail**

Department of Environmental Conservation  
SB 280ABS Fiscal Note

Scenario: DEC 2003 Fiscal Notes (2321)  
Component: Facility Construction and Operations (637)  
BRU Name: Facility Construction and Operations (210)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs
18-#011	Environ Engineer I	FT	A	GG	Anchorage	2A	21A	12.0		53,754	1,114	0	17,586	72,454

**Justification:**

Implementation of SB 280

**Funding Detail:**

1004	General Fund Receipts	100.00%	72,454
<b>Total Funding:</b>		100.00%	72,454

**Component Summary:**

Total New Positions: 1

Fund Description	Fund Percent	Fund Amount
1004 General Fund Receipts	100.00%	72,454
<b>Total Funding:</b>	100.00%	72,454

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column.

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
Bill Version: CSSB 280 (L&C)  
(S) Publish Date: 3/6/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Environmental Conservation  
Title Water/Sewer/Waste Grants to BRU Facility Construction and Operation  
Utilities Component Facility Construction and Operation  
Sponsor Therriault  
Requester Senate Labor & Commerce Component No. 637

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

This bill has no fiscal impact on the department.

Prepared by: Dan Easton, Director Phone 465-5135  
Division Facility Construction and Operation Date/Time 3/5/02 3:34 PM  
Approved by: Kurt Fredriksson, Deputy Commissioner Date 3/5/02  
Agency Department of Environmental Conservation

# Alaska State Legislature

SENATOR  
**GENE THERRIAULT**

Mailing Address:  
119 N. Cushman, Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
Fax: (907) 488-4271



Senate

While in session  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
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Senate District Q

**CS SB 280(L&C)** "An Act permitting grants to certain regulated public utilities for water quality enhancement projects and water supply and wastewater systems."

**Sponsor:** Senator Gene Therriault

## Sponsor Statement

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Under current law, privately owned public water and wastewater utilities are not eligible to participate in grants made under AS 46.03.030(b), "water quality enhancement, water supply, sewage and solid waste facilities grants." This places the ratepayers of privately owned utilities at a disadvantage when compared to the ratepayers of municipally owned utilities.

SB 280 provides for the inclusion of privately owned water and wastewater utilities in the State's water and wastewater grant program if the utility serves as the primary utility for a municipality and its rates are regulated by the Regulatory Commission of Alaska. Regulation insures that all of the economic benefits of the grants are passed on to the ratepayers. The Legislature passed a similar measure in 2000, HB 304, which provided for participation by regulated, privately owned water and wastewater utilities in the State's low interest revolving loan fund.

As is currently the case with municipally owned utilities, the bill would allow privately owned utilities to make utility infrastructure improvements without forcing ratepayers to pay the full burden through increased rates. Additionally, the bill would increase the ability of the utility to expand into areas that are on the peripheral of existing systems, thereby providing water and wastewater services to families that are currently on wells and septic systems.

The Senate Labor & Commerce committee substitute makes grants available to primary public water and sewer utilities for water and wastewater projects only. Grants for solid waste processing, disposal or resource recovery systems would remain available only to municipalities.

**SB 280, "An Act permitting grants to certain regulated public utilities for water quality enhancement projects and water supply and wastewater systems."**

**Sectional Analysis**

**Section 1**

**AS 46.03.030(b)**

Allows a public utility as defined in section (i) of the bill, in addition to municipalities, to receive water quality enhancement, water supply and sewage facilities grants through the Department of Environmental Conservation. Grants can be used for water quality enhancement projects; a public water supply, treatment or discharge system; or a wastewater collection, treatment or discharge system.

**Section 2**

**AS 46.03.030(e)**

Maintains the current match ratio of:

- 85% of eligible costs for a municipality with a population of 1,000 persons or less;
- 70% of eligible costs for a municipality with a population of 1,001 to 5,000 ;
- 50% of eligible costs for a municipality with a population greater than 5,000

**Section 3**

**AS 46.03.030(i)**

Defines a utility that is eligible for a grant under 46.03.030(b)(1)-(3) as a public water and sewer utility that serves as the primary utility for a municipality and has its rates regulated by the Regulatory Commission of Alaska under 42.05.

# ALASKA STATE LEGISLATURE

SENATOR  
**Gene Therriault**  
119 N. Cushman Suite 101  
Fairbanks, Alaska 99701  
(907) 488-0857  
FAX (907) 488-4271



While in Juneau  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-4797  
FAX (907) 465-3884

Senate  
Senate District Q

February 14, 2002

G. Nanette Thompson  
701 W. 8<sup>th</sup> Ave, Suite 300  
Anchorage, AK 99501

Dear Nan:

Attached is a copy of Senate Bill 280, which I introduced February 6, 2002. The bill will allow privately owned public utilities that are regulated by the Regulatory Commission of Alaska to apply for grants under AS 46.03.030(b).

It is my understanding from discussions with the owners of privately owned utilities in Fairbanks that the stipulation requiring utilities to be regulated by the Regulatory Commission of Alaska in order to be eligible for a grant, will ensure that the benefits of the grant are passed on to ratepayers. I would like to request an opinion from your office as to whether that statement is correct. Stated another way, would regulated utilities get any depreciation or rate of return on grant funds expended under this bill?

SB 280 is scheduled for its first hearing Tuesday, February 19, 2002. If at all possible, I would appreciate a response prior to that time so that I can provide the committee with the information.

Sincerely,

Gene Therriault  
Senator, District Q

# STATE OF ALASKA

DEPARTMENT OF COMMUNITY AND  
ECONOMIC DEVELOPMENT  
REGULATORY COMMISSION OF ALASKA

TONY KNOWLES, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160  
TTY: (907) 276-4533

February 15, 2002

The Honorable Gene Therriault  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Re: SB 280, "An Act permitting grants to certain regulated public utilities for water quality enhancement projects and water, wastewater, and solid waste systems."

Dear Senator Therriault:

This is in response to the questions raised in your February 15, 2002 regarding regulated public utilities. In that letter, you ask whether requiring utilities to be regulated by the Regulatory Commission of Alaska in order to be eligible for a grant will ensure that the benefits of the grant are passed on to ratepayers.

All public utilities that serve 10 or more customers for compensation must be certificated by the RCA. All certificated utilities are subject to a public convenience and necessity determination and a fit, willing and able requirement before they can operate as a public utility. Certificated public utilities are subject to economic regulation (rate review) by the RCA if they are privately owned or do not otherwise meet the exemption criteria in AS 42.05.711. The Commission regulates pipelines and utilities to assure reasonable and just rates to the consumer with fair rates of return to the utilities.

Ensuring that the benefits of the grant are passed on to ratepayers will primarily be the responsibility of the agency administering the grant. For an economically regulated utility, the Commission would have the opportunity to assess the benefits of the project through the rate review process, after the project is completed and in use.


Letter to Senator Therriault  
February 15, 2002  
Page 2 of 2

You also ask whether regulated utilities get any depreciation or rate of return on grant funds. The answer is no. In traditional ratemaking, depreciation allows the utility to recover the funds it invested to purchase plant that is used and useful in delivering service. Consumers compensate utilities through rates for the costs incurred by a utility to deliver service. Grant-funded plant acquisitions are not allowed in rates because they do not represent an investment by the utility. To require ratepayers to reimburse a utility for grant monies and allow the utilities to earn a return on an investment they have not made would result in higher utility rates for the ratepayer.

I hope the above provides the information you seek. If you have any questions, please call me at (907) 263-2112. I will be in Juneau next Tuesday and Wednesday, and will be available at the hearing to answer any additional questions.

Sincerely,

REGULATORY COMMISSION OF ALASKA

  
G. Nanette Thompson, Chair

**Fairbanks North Star Borough***Office of the Mayor*

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

Email mayor@co.fairbanks.ak.us

February 19, 2002

The Honorable Senator Gene Therriault  
119 N. Cushman, Suite 101  
Fairbanks, AK 99701

Dear Senator Therriault:

I am writing you to give my support to Senate Bill 280, which would allow privately owned, public utilities to receive water and wastewater grants through the Department of Environmental Conservation.

The Fairbanks North Star Borough is a second-class Borough and, as such, has limited powers in providing for water and wastewater utilities. These utilities can only be provided through citizen approved service areas.

Two out of the 117 service areas within the Borough have elected to provide some level of water and wastewater utility. Neither service area can afford the cost of providing quality utility functions nor can they afford major, necessary improvements. This has resulted in health and safety issues that must be addressed. One service area in particular, Ballaine Lake, has already raised their property taxes to the maximum mill rate allowed by statute. In order to improve their current wastewater process, they must turn to a privately owned, public utility company.

The Fairbanks North Star Borough government has acquired funding to assist these two service areas, however, this assistance takes time. Had the local public utility companies been in a place to provide this assistance, improvements could have been expedited.

Senate Bill 280 would help privately owned, public water and wastewater utility companies to improve the existing infrastructure without placing the entire burden on the ratepayer. In our Borough, expansion of services as a result of SB 280 would allow improvements to areas with marginal, current systems, or no systems at all, such as Badger Road and Farmers Loop.

Please add my support to this critical legislation. The Fairbanks North Star Borough Assembly and I will be submitting a resolution in support of SB 280 within the next two weeks.

Sincerely,

Rhonda Boyles, Mayor



February 13, 2002

Senator Ben Stevens  
Chair, Senate Labor and Commerce Committee  
Sent by fax: 907-465-3884

RE: SB 280

Fairbanks Sewer & Water, Inc. (FSW) was formed in 1996 to acquire Golden Heart Utilities, Inc. from the City of Fairbanks when the City divested itself of its utilities. Simultaneously, FSW acquired College Utilities Corporation, which owns and operates the water and wastewater system on the west side of Fairbanks. FSW is the parent of both Golden Heart Utilities and College Utilities, which serve a combined 8,500 customers.

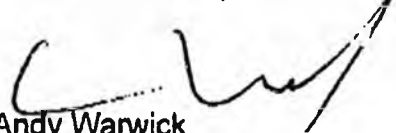
In 2000 we asked the Legislature to allow our water and wastewater utilities to participate in the State's low interest revolving loan fund, which the Legislature accomplished through HB304. Because utilities must be regulated by the Regulatory Commission of Alaska as a condition of participation, all of the benefits of the program are passed on to the ratepayers through lower rates.

Currently Fairbanks is the only community in the State that cannot participate in the State's water and wastewater grant program under AS 46.03.030(b), as under current law, privately owned, public water and wastewater utilities are not eligible. SB280 remedies this inequity in the same manner as HB304 mentioned above. Fairbanks was eligible to participate when the utility was owned by the City of Fairbanks. SB280 provides the same benefits to the Fairbanks ratepayers that they enjoyed under City ownership by including privately owned water and wastewater utilities in the State's water and wastewater grant program if the utilities are regulated by the Regulatory Commission of Alaska. Regulation insures that all of the economic benefits of the grants are passed on to the ratepayers.

SB280 will:

1. Reduce the burden to our ratepayers of critical improvements to our water and wastewater systems. Like all utilities in Alaska, improvements are necessary for the continued reliability of the system.
2. Increase the ability of the utility to expand its water and wastewater system to include families and businesses that utilize wells and septic systems. The vast majority of Fairbanks residents are not hooked up to a public water and wastewater system. In some cases this causes sanitary problems that could be resolved by our utility system.
3. Provide benefits to our ratepayers that other ratepayers in Alaska enjoy.

Thank you for the opportunity to comment on this bill. I can be reached at the telephone number below if you have additional questions.



Andy Warwick  
Chair of Board of Directors  
Fairbanks Sewer & Water, Inc.  
907-456-1566

Introduced by: Mayor Thompson  
Date: February 25, 2002

**RESOLUTION NO. 3976**

**A RESOLUTION OF THE CITY OF FAIRBANKS IN SUPPORT OF  
SENATE BILL 280, AND SETTING AN EFFECTIVE DATE**

WHEREAS, Senate Bill 280 would amend current law to permit state grants to regulated private utilities for water quality enhancement and supply, as well as sewage and solid waste facilities; and

WHEREAS, regulation by the Regulatory Commission of Alaska ("RCA") insures that all of the economic benefits of the grants are passed on to the rate paying public; and

WHEREAS, currently Fairbanks is the only community that can not participate in this grant program due to the divestiture of the Municipal Utilities System.

NOW, THEREFORE, BE IT RESOLVED that the City Council supports Senate Bill 280, and urges its adoption by the legislature of the State of Alaska.

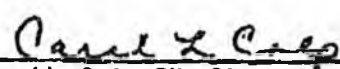
Passed and Approved this 25<sup>th</sup> day of Feb., 2002.

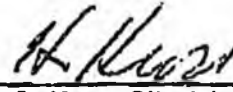
  
STEVE M. THOMPSON, MAYOR

AYES:  
NAYS:  
ABSTAIN:  
ABSENT:  
ADOPTED: February 25, 2002

ATTEST:

APPROVED AS TO FORM

  
Carol L. Colp, City Clerk

  
Herbert P. Kuss, City Attorney