

SB

337

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 337
(S) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DOR
Title Powers of Alaska Energy Authority RDU 509
Component Treasury Management

Sponsor _____
Requester Governor Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This legislation pertains to the powers of the Alaska Energy Authority.

This bill will no fiscal impact on operating expenses of the Department of Revenue.

Prepared by: Landa Baily Phone 465-2365
Division: Commissioner's Office Date/Time 12/18/03 2:22 PM
Approved by: Steve Porter Date 12/18/2003
Agency: Commissioner's Office

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 337
(S) Publish Date: 2/16/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title AEA Amendments RDU Rural Energy (412)
Component Rural Energy Operations
Sponsor Rules
Requester By Request of the Governor Component No. 1935

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill affects various statutory provisions and specifically:

Amends the Power Project Fund (PPF) program by 1) authorizing loans for waste energy, energy conservation, energy efficiency and alternative energy facilities and equipment and 2) repealing the loan committee.

Amends the bulk fuel revolving loan fund program by 1) changing the definition of eligible entities from "private individuals" to "persons" that would include corporations, cooperatives, joint ventures and governmental entities that generate power or supply the public with fuel in eligible communities and 2) repeals an unnecessary definition.

Prepared by: Ron Miller, Executive Director
Division AIDEA/AEA
Approved by: Edgar Blatchford, Commissioner
Agency Department of Community & Economic Development

Phone (907) 269-3000
Date/Time 2/3/04 4:12 PM
Date 2/3/2004

FISCAL NOTE #2

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 337

ANALYSIS CONTINUATION

Specifies that the statutory mandate to provide technical assistance to rural utilities may not be used as an independent basis for tort liability against AEA.

Clarifies AEA's authority to enter into contracts for financing, operating, maintaining and constructing bulk fuel storage facilities and to make grants and loans for such projects.

Provides that AEA may invest the power development fund rather than the Department of Revenue.

Repeals the Electrical Service Extension Fund.

The Alaska Energy Authority does not anticipate additional operating expenses to result from passage of this bill.

ADOPTED 5/4/04

AMENDMENT 1 N/D

OFFERED IN THE HOUSE

BY REPRESENTATIVE WILLIAMS

TO: CSSB 337(L&C)

1 Page 1, following line 5:

2 Insert "relating to the continuation of the motor fuel tax rate for fuel produced
3 from the processing of lignocellulose from wood or waste seafood;"
4

5 Page 5, following line 1:

6 Insert a new bill section to read:

7 "* Sec. 9. AS 43.40.010(b) is amended to read:

8 (b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a
9 user, except that

10 (1) the tax on aviation gasoline consumed is four and seven-tenths
11 cents a gallon;

12 (2) the tax on motor fuel used in and on watercraft of all descriptions is
13 five cents a gallon;

14 (3) the tax on all aviation fuel other than gasoline is three and two-
15 tenths cents a gallon; and

16 (4) the tax rate on motor fuel that is blended with alcohol is the same
17 tax rate a gallon as other motor fuel; however,

18 (A) in an area and during the months in which fuel containing
19 alcohol is required to be sold, transferred, or used in an effort to ... in air
20 quality standards for carbon monoxide as required by federal or state law or
21 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a
22 gallon less than the tax on other motor fuel not described in (1) - (3) of this
23 subsection;

1 (B) notwithstanding (A) of this paragraph, through June 30,
 2 2009 [2004], the tax on motor fuel consumed by a user within the state is eight
 3 cents a gallon less than the tax on other motor fuel not described in (1) - (3) of
 4 this subsection if the motor fuel

5 (i) is at least 10 percent alcohol by volume, has been
 6 produced from the processing of lignocellulose derived from wood, and
 7 was produced in a facility that processes lignocellulose from wood, but
 8 this reduction in the rate of tax applies to motor fuel consumed by a
 9 user that contains alcohol that was produced only during the first five
 10 years of the facility's processing of lignocellulose from wood; or

11 (ii) is at least 10 percent alcohol by volume, has been
 12 produced from the processing of waste seafood, and was produced in a
 13 facility that processes alcohol from waste seafood, but this reduction in
 14 the rate of tax applies to motor fuel consumed by a user that contains
 15 alcohol that was produced only during the first five years of the
 16 facility's processing of alcohol from waste seafood."
 17

18 Renumber the following bill sections accordingly.

19
 20 Page 7, line 16:

21 Delete "sec. 12"

22 Insert "sec. 13"

23
 24 Page 7, line 20:

25 Delete "Sections 12 and 13"

26 Insert " Sections 13 and 14"

27
 28 Page 7, line 21:

29 Delete "sec. 15"

30 Insert "sec. 16"

Adopted
5/5/04

23-GS2076D.4
Craver
5/4/04

AMENDMENT 2

OFFERED IN THE HOUSE
TO: CSSB 337(L&C)

BY REPRESENTATIVE WILLIAMS

1 Page 5, following line 1:

2 Insert a new bill section to read:

3 **** Sec. 9.** AS 43.40.010(a) is amended to read:

4 (a) There is levied a tax of eight cents a gallon on all motor fuel sold or
5 otherwise transferred within the state, except that

6 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

7 (2) the tax on motor fuel used in and on watercraft of all descriptions is
8 five cents a gallon;

9 (3) the tax on all aviation fuel other than gasoline is three and two-
10 tenths cents a gallon; and

11 (4) the tax rate on motor fuel that is blended with alcohol is the same
12 tax rate a gallon as other motor fuel; however,

13 (A) in an area and during the months in which fuel containing
14 alcohol is required to be sold, transferred, or used in an effort to attain air
15 quality standards for carbon monoxide as required by federal or state law or
16 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a
17 gallon less than the tax on other motor fuel not described in (1) - (3) of this
18 subsection;

19 (B) notwithstanding (A) of this paragraph, through June 30,
20 2009 [2004], the tax on motor fuel sold or otherwise transferred within the
21 state is eight cents a gallon less than the tax on other motor fuel not described
22 in (1) - (3) of this subsection if the motor fuel

23 (i) is at least 10 percent alcohol by volume, has been

1 produced from the processing of lignocellulose derived from wood, and
2 was produced in a facility that processes lignocellulose from wood, but
3 this reduction in the rate of tax applies to motor fuel sold or transferred
4 that contains alcohol that was produced only during the first five years
5 of the facility's processing of lignocellulose from wood; or

6 (ii) is at least 10 percent alcohol by volume, has been
7 produced from the processing of waste seafood, and was produced in a
8 facility that processes alcohol from waste seafood, but this reduction in
9 the rate of tax applies to motor fuel sold or transferred that contains
10 alcohol that was produced only during the first five years of the
11 facility's processing of alcohol from waste seafood."
12

13 Renumber the following bill sections accordingly.
14

15 Page 7, line 16:

16 Delete "sec. 12"

17 Insert "sec. 13"
18

19 Page 7, line 20:

20 Delete "Sections 12 and 13"

21 Insert " Sections 13 and 14"
22

23 Page 7, line 21:

24 Delete "sec. 15"

25 Insert "sec. 16"

23-LS1985A
Craver
5/3/04

HOUSE CONCURRENT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A RESOLUTION

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning Senate Bill No. 337, relating to the powers of the Alaska Energy**
3 **Authority to make grants and loans, to enter into contracts, and to improve, equip,**
4 **operate, and maintain bulk fuel, waste energy, energy conservation, energy efficiency,**
5 **and alternative energy facilities and equipment; relating to the bulk fuel revolving loan**
6 **fund; relating to the Alaska Energy Authority's liability for the provision of technical**
7 **assistance to rural utilities; relating to the Alaska Energy Authority's investment of the**
8 **power development fund; and repealing the electrical service extension fund.**

9 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of
11 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding
12 changes to the title of a bill, are suspended in consideration of Senate Bill No. 337, relating to
13 the powers of the Alaska Energy Authority to make grants and loans, to enter into contracts,
14 and to improve, equip, operate, and maintain bulk fuel, waste energy, energy conservation,

- 1 energy efficiency, and alternative energy facilities and equipment; relating to the bulk fuel
- 2 revolving loan fund; relating to the Alaska Energy Authority's liability for the provision of
- 3 technical assistance to rural utilities; relating to the Alaska Energy Authority's investment of
- 4 the power development fund; and repealing the electrical service extension fund.

SB337



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 2004

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the powers of the Alaska Energy Authority (AEA) to make grants and loans and enter into contracts, relating to the bulk fuel revolving loan fund, relating to the AEA's potential liability for the provision of technical assistance to rural utilities, relating to the AEA's investment of the power development fund, and repealing the electrical service extension fund.

Section 1 of the bill would amend AS 42.45.010, establishing the power project fund, to add authorization for the AEA to make loans from the fund for waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment. Similarly, section 9 of the bill would amend the general powers of the AEA to authorize it to improve, equip, operate, maintain, and enter into contracts for the construction, financing, operation, and maintenance of: bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment. The Denali Commission and other federal agencies have provided substantial funding for such projects, and the Legislature has authorized the AEA's receipt and expenditure of the federal money.

Section 11 of the bill would repeal AS 42.45.060, which establishes a loan committee to review and approve loans from the power project fund and the rural electrification revolving loan fund. Upon repeal of the loan committee statute, the credit department of the Alaska Industrial Development and Export Authority, which manages the AEA's loan programs, will continue to review applications for loans from those funds in accordance with the applicable regulations. Section 2 of the bill would continue the requirement in present AS 42.45.060(g) for legislative approval of loans for projects in which the cumulative state monetary involvement, through loans, grants, and bonds, is at least \$5,000,000 and loans of more than \$5,000,000. Sections 1, 3, 4, and 6 contain conforming amendments to reflect the repeal of AS 42.45.060.

The Honorable Gene Therriault
February 13, 2004
Page 2

Sections 5 and 7 of the bill would amend AS 42.45.250, which governs loans from the bulk fuel revolving loan fund, to authorize loans from the fund to "persons," defined with reference to AS 01.10.060 to include corporations, cooperatives, joint ventures, and governmental entities, that generate power or supply the public with fuel used in communities with populations of less than 2,000 people, as well as loans to the communities themselves. Presently, the statute authorizes loans to "private individuals" and to the communities. The Department of Law recently interpreted the term "private individuals" to include only natural persons. Section 12 of the bill makes the amendments retroactive to June 1, 1984, to encompass active loans from the fund to such entities.

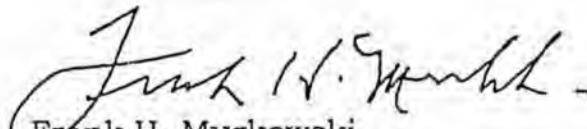
Section 8 of the bill would amend AS 42.45.400, which requires the AEA to provide technical assistance to rural utilities, to specify that this statutory mandate may not be used as an independent basis for tort liability against the AEA. The AEA would continue to be liable for negligence if it fails to use reasonable care in providing the technical assistance.

Section 10 of the bill would amend AS 44.83.386, relating to investment of the power development fund, to provide that the AEA, rather than the Department of Revenue, shall invest the fund. The AEA, with the concurrence of the Department of Revenue, has been investing the fund since 1993. AEA would continue to remit all fund earnings to the general fund.

Section 11 of the bill, in addition to repealing AS 42.45.060 as discussed above, repeals AS 42.45.200 (the electrical service extension fund, which is inactive), and repeals AS 42.45.250(1)(1) to remove an unnecessary definition of a term that is not used in the statute.

I urge your prompt and favorable action on this measure.

Sincerely yours,


Frank H. Murkowski
Governor

Enclosure

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES



March 26, 2004

Dear

On March 24, 2004 the Alaska Energy Authority sent notice to Bulk Fuel Revolving Loan Program participants, advising them that corporations and co-operatives are not currently eligible to apply. This notice is the result of an interpretive ruling by the Alaska Attorney General that excludes certain entity structures, such as corporations and village co-operatives.

I have attached a list of fuel customers who are known to have used this program as their dominant source of fuel financing in the last twelve months, but who, under the current ruling, would be ineligible to apply for this loan. Without this source of financing, many village consumers and retailers of petroleum will not be able to purchase the fuel that they need. Most have not begun to explore traditional bank loan options, and even if and when they do, it is probably too late to secure a loan in time for their spring barge orders.

HB485 and SB337 address this issue by expanding the list of eligible entities to include corporations and co-operatives. Yukon Fuel Company supports this legislation, and believes it is imperative that it passes during the current legislative session.

Without broadening the regulations to allow these types of organizations to borrow money through the Bulk Fuel Revolving Loan Program, it is Yukon's opinion that the State of Alaska would receive numerous requests for emergency funding to purchase fuel next fall and winter, much of which would need to be flown in at significantly higher prices.

Thank you for your continued support of rural-Alaskan issues. You are welcome to contact me anytime to discuss this or other issues in our market area.

Sincerely,

Shaen Tarter
Vice President
Yukon Fuel Company
Toll Free 800-478-5509
Fax 907 777 5550

7941 Sandlewood Place, Suite 100
Anchorage, Alaska 99507

<u>Name</u>	<u>Still available for BFRLF?</u>	<u>Eligible for other Funding?</u>
Aklachak Native Community	MAYBE	NO
Aklachak Native Community -Electric Co	NO	NO
Alakanuk Native Corporation	NO	NO
Askinuk Corporation	NO	NO
Anvik Tribal Council	MAYBE	NO
Azachorak Fuel Company	NO	NO
Brevig Muilt Store	NO	NO
Chevak Native Corporation	NO	NO
Holy Cross Oil	NO	NO
Dinegal Fuel Company	NO	NO
Egegik Trading Company	NO	NO
Deloyges, Inc. (Anvik)	NO	NO
Kaitag Cooperative Ltd.	NO	NO
Kotzebue Electric Assn	NO	NO
Kotlik Yupik Enterprises	NO	NO
Koyuk Native Corporation	NO	NO
Kwethluk, Inc .	NO	NO
Twin Clides Fuel	NO	NO
Maserculig, Inc.	NO	NO
McGrath Light & Power	NO	NO
Morgan Fuel Service	NO	NO
Nelson Lagoon Fuel Coop	NO	NO
Nome Joint Utility System	NO	NO
Oscarville Native Corporation	NO	NO
Kako Retreat	NO	NO
Pilot Station Native Corporation	NO	NO
Russian Mission Native Corporation	NO	NO
Shaktoolik Native Corporation	NO	NO
Stevens Village Energy Systems	NO	NO
Swan Lake Corporation	NO	NO
Teller Native Corporation	NO	NO
Tidemark Corporation	NO	NO
Togiak Natives Limited	MAYBE	NO
Unalakleet Valley Electric Cooperative	NO	NO
Unalakleet Valley Electric Cooperative	NO	NO
Zho Tse Corporation	NO	NO
Ekwok Natives Ltd	NO	NO
Stuyahok Ltd.	NO	NO



RECEIVED

MAR 18 2004

SB 337

3/22/04

March 16, 2004

The Honorable Lyda Green, Co-Chair
The Honorable Gary Wilken, Co-Chair
Senate Finance Committee
Alaska State Legislature
State Capitol, MS 3100
Juneau, Alaska 99801-1182

RE: SB 337 Energy Programs and Funds

Dear Senator Green and Senator Wilken:

On February 16, 2004, SB 337 was introduced by the Governor through the Senate Rules Committee and, pending referral from the Senate Labor and Commerce Committee, will be referred to your committee. We respectfully request that you schedule this legislation for a hearing.

SB 337 relates to the powers of the Alaska Energy Authority (AEA) and proposes to amend statutory provisions of two AEA loan programs. Specifically, the legislation proposes the following changes to AEA's programs:

1. The Power Project Fund provides loans to local utilities, local governments or independent power producers for the development or upgrade of electric power facilities, including conservation, bulk fuel storage, waste energy conservation, and potable water supply projects. SB 337 proposes to amend this program by expanding the definition of power project to include energy efficiency projects. Under the current statutory definition of eligible projects, AEA has denied loan applications for worthwhile projects such as lighting retrofits that could reduce energy use in rural communities.

In addition, SB 337 proposes to repeal the loan committee that approves loans from this fund. AEA will utilize the same credit approval process that the Alaska Industrial Development and Export Authority has successfully utilized for its credit programs, including an appeal process to the board of directors. Although repeal of the loan committee will provide some savings to AEA, there is no fiscal impact since the committee met infrequently and via teleconference when necessary. There should be savings within the State administration since the Governor's Office will not be required to appoint loan committee members if SB 337 passes.

2. The Bulk Fuel Revolving Loan Fund provides short-term loans to assist small rural communities in purchasing annual bulk fuel supplies. SB 337 authorizes loans from the fund to other entities such as corporations, cooperatives, and joint ventures. The Department of Law recently interpreted the current statutory eligible borrowers to be only

The Honorable Lyda Green, Co-Chair
The Honorable Gary Wilken, Co-Chair
March 16, 2004
Page 2

communities and natural persons i.e., "private individuals." This change will not expand the definition of eligible borrower beyond the long-standing practice that included other entities such as corporations.

3. With the concurrence of the Department of Revenue, the Power Development Fund has been invested by AEA since 1993. SB 337 proposes to affirm this long-standing arrangement by providing AEA the statutory authority to invest the fund. AEA continues to remit all earnings of the fund to the general fund.
4. The general powers of AEA are proposed to be amended by clarifying that AEA has the authority to manage various projects by issuing grants and entering contracts. By acting as an agent for rural communities, AEA manages power projects, bulk fuel projects and alternative energy projects. The legislature has authorized AEA to manage these projects through the appropriation process by providing AEA authority to receive and expend federal funds from entities such as the Denali Commission and the US Department of Energy.
5. SB 337 clarifies that AEA's statutory mandate to provide technical assistance may not be used as an independent basis for tort liability against AEA. AEA would continue to be liable for negligence if it fails to use reasonable care in providing the technical assistance.
6. SB 337 proposes to repeal the inactive Electrical Service Extension Fund.

We respectfully request you to schedule SB 337 for hearing in Senate Finance, pending referral from the Senate Labor and Commerce Committee, and we urge favorable action on this bill. The related zero-fiscal notes are enclosed. We are ready to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,



Ron Miller
Executive Director

RWM:bj
H:\2004 Legislation and Budget FY05\AEA Legislation\Request for hearing Green Wilken sb337.doc

Enclosures