

**SB**

**337**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/31/04

REPORTED OUT  
  
APR 15 2004  
  
SENATE FINANCE  
COMMITTEE  
  
SENATE BILL NO. 337

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/15/04

Finance Committee considered

## SB 337 ENERGY PROGRAMS & FUNDS

"An Act relating to the powers of the Alaska Energy Authority to make grants and loans and enter into contracts; relating to the bulk fuel revolving loan fund; relating to the Alaska Energy Authority's liability for the provision of technical assistance to rural utilities; relating to the Alaska Energy Authority's investment of the power development fund; repealing the electrical service extension fund; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS SB 337 (LPC)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DOIC	12/10/03			✓	1
DCED	2/3/04			✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

APR 15 2004

SENATE FINANCE  
COMMITTEE

# 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: \_\_\_\_\_ Component No.: 121  
Requester: Governor

**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						
<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						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<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 (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

REPORT DUE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

APR 15 2004

SENATE FINANCE  
COMMITTEE

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						
<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>

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)						
<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 (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 Phone (907) 269-3000  
Division: AID/AAEA Date/Time 2/3/04 4:12 PM  
Approved by: Edgar Blatchford, Commissioner Date 2/3/2004  
Agency: Department of Community & Economic Development

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.

RECEIVED

MAR 18 2004

Handwritten initials: M, J, P

March 16, 2004

The Honorable Lyda Gree, 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:bjl  
H:\2004 Legislation and Budget FY05\AEA Legislation\request for hearing Green Wilken sb337.doc

Enclosures

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 Sandilewood Place, Suite 100  
Anchorage, Alaska 99507

<u>Name</u>	<u>Still eligible for APRLE?</u>	<u>Eligible for other Funding?</u>
Akiachak Native Community	MAYBE	NO
Akiachak Native Community - Electric Co	NO	NO
Atakanuk Native Corporation	NO	NO
Askinuk Corporation	NO	NO
Anvik Tribal Council	MAYBE	NO
Azachorek Fuel Company	NO	NO
Brevig Mull Store	NO	NO
Chevak Native Corporation	NO	NO
Holy Cross Oil	NO	NO
Dinogal Fuel Company	NO	NO
Egegik Trading Company	NO	NO
DeJoyges, 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 Cities 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
Shaktolik 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 Tso Corporation	NO	NO
Ekwok Natives Ltd	NO	NO
Stuyahok Ltd.	NO	NO

SB337



FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

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.

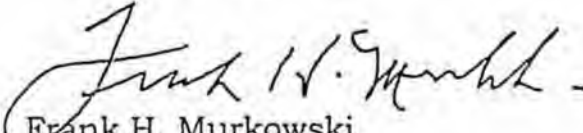
Section 8 of the bill would amend AS 42.45.400, which requires the AEA to provide technical assistance to rural utilities, to specify that this statutory mandate may not be used as an independent basis for tort liability against the AEA. The AEA would continue to be liable for negligence if it fails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

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 2/16/04

FURTHER: Finance

Date of 5-Day Notice: 3/4/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/30/04

Labor and Commerce Committee considered SENATE BILL NO. 337

**SB 337 ENERGY PROGRAMS & FUNDS**

"An Act relating to the powers of the Alaska Energy Authority to make grants and loans and enter into contracts; relating to the bulk fuel revolving loan fund; relating to the Alaska Energy Authority's liability for the provision of technical assistance to rural utilities; relating to the Alaska Energy Authority's investment of the power development fund; repealing the electrical service extension fund; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 337 (LEP)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DOR	12/18/03			✓	#1
DCED	2/3/04			✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		Do PASS	Do NOT PASS	No REC	AMEND
Sec. 22	<i>Ralph DeBruin</i>	✓			
Davis	<i>Bettye Davis</i>			X	
French	<i>[Signature]</i>			X	
G. Skovs	<i>[Signature]</i>	X			
CHAIR:	<i>[Signature]</i>	✓			

Bunde

