

HB

338

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FILE

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 338
() Publish Date: _____

Identifier (file name): HB338-CED-AEA-02-26-08 Dept. Affected: DCCED
Title: Power Project Fund/Bulk Fuel Loan Fund RDU: AEA (453)
Component: AEA Rural Energy Operations
Sponsor: Nelson et al
Requester: House Finance Component Number: 2600

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
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	0.0

CAPITAL EXPENDITURES								
CHANGE IN REVENUES ()								

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This legislation authorizes the Alaska Energy Authority (AEA) to loan money from the Power Project Fund (PPF) to the Bulk Fuel Revolving Loan Fund (BFRLF) at terms that AEA determines are appropriate to maintain the viability of both funds. Currently, AEA is able to commit funds for a bulk fuel loan only if there is sufficient cash available in the BFRLF. This results in a potential underutilization of the BFRLF and increases the likelihood of declining loan requests until payments on receivables replenish the fund.

This bill also makes minor technical changes to the PPF and deletes unnecessary provisions. This bill has no fiscal impact on AEA operations.

Prepared by: Sara Fisher-Goad, Acting Executive Director
Division: Alaska Energy Authority
Approved by: Emil R. Notti, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: (907) 771-3012
Date/Time: 2/26/08 4:29 PM
Date: 2/26/2008

FISCAL NOTE

2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: Draft: CS HB338(FIN)
 () Publish Date: _____

Identifier (file name): HB338CS(FIN)-CED-CRA-03-11-08 Dept. Affected: DCCED
 Title: Power Project Fund/Bulk Fuel Loan Fund RDU: Comm Asst & Ec Dev (405)
 Component: Community & Regional Affairs
 Sponsor: Nelson et al
 Requester: House Finance Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	0.0	108.0	108.0	108.0	108.0	108.0	108.0	108.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	108.0	108.0	108.0	108.0	108.0	108.0	108.0

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								
New Bulk Fuel Bridge Loan Fund	0.0	108.0	108.0	108.0	108.0	108.0	108.0	108.0
TOTAL	0.0	108.0	108.0	108.0	108.0	108.0	108.0	108.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Section 1 of this legislation would establish the bulk fuel bridge revolving loan fund and provide the legal authority for the department to administer and develop regulations for the bulk fuel bridge loan program. Need for this authority was identified in the Statewide Single Audit prepared by the Division of Legislative Audit. This legislation would provide the department authority to continue making loans to communities unable to qualify for credit under conventional financing or under the Alaska Energy Authority Revolving Fuel Loan Program. Loans from this fund would not exceed \$500.0 and must be repaid within one year after the date of the award. Interest may not be charged and repayments of the principal must be paid into the fund. Amounts in the fund may be appropriated for expenses directly related to fund administration. (continued)

Prepared by: Tara Jollie, Director
 Division: Community and Regional Affairs
 Approved by: Emil R. Notti, Commissioner
 Agency: Commerce, Community, and Economic Development

Phone 907-269-7959
 Date/Time 3/12/08 1:34 PM
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FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. Draft: CS HB338(FIN)

ANALYSIS CONTINUATION

The fund has been previously capitalized with \$2.2 million. It is the intent of the department to continue to contract for the administration of the program and delivery of fuel. The annual contractual fees estimated to be \$108.0 will be drawn from the fund and subsidized in part by interest income generated by the fund resulting in the gradual decrease in the fund balance.

Representative Mary Sattler Nelson

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House District 38
Yukon Kuskokwim Delta

Aktachak
Akiak
Atmautluak
Bethel
Chefnak
Eek
Goodnews Bay
Kasigluk
Kipnuk
Kongiganak
Kwethluk
Kwigillingok
Lower Kalskag
Mekoryuk
Mertarvik
Napakiak
Napaskiak
Newtok
Nightmute
Nunapitchuk
Ohogamut
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Umkumut
Upper Kalskag

Sponsor Statement House Bill 338

House Bill 338 makes changes in statute regarding two very important fuel loan programs. One establishes the bulk fuel bridge loan fund and program within the Department of Community and Economic Development. This loan fund is for communities who are unable to qualify for fuel loans from any other source and is extremely important in times of crisis. In the past 4 years this program has helped 26 communities through loans of nearly \$6.5 million with a payback rate of nearly 100%. Although the bridge loan program has been functioning well since 2004, House Bill 338 is necessary to clarify in statute the authorization of this vital program.

This bill also relates to the Power Project Fund (PPF) and authorizes the Alaska Energy Authority (AEA) to borrow money from the PPF for the Bulk Fuel Revolving Loan Fund (BFRLF) and to repay money borrowed. The PPF and BFRLF are both administered by AEA at terms AEA determines are appropriate to maintain the viability of both funds.

Due to the ever increasing cost of energy throughout Alaska, the ability of AEA to offer loans to communities has been greatly hindered. This is because larger loans are needed to buy the same quantity of fuel.

Currently, AEA is able to commit funds for a bulk fuel loan only if there is sufficient cash available in the BFRLF. This results in potential underutilization of the BFRLF and increases the likelihood of having to decline loan requests until payments on receivables replenish the fund, which may be too late to meet borrowers' needs to purchase fuel.

The bill would limit the amount that AEA can borrow from the PPF for the BFRLF to the lesser of \$2 million or ten percent of the PPF cash balance on June 30 of the preceding fiscal year. The bill also provides that AEA cannot borrow from the PPF for this purpose if the cash balance of the PPF is less than \$5 million.

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In addition to the loan provisions, HB 338 deletes unnecessary provisions to AS 42.45.010(b). The bill deletes references to nonprofit marketing cooperatives as potential borrowers because AEA has not had any PPF loan requests from these entities. The bill also deletes PPF loan provisions for potable water supply projects because such requests have rarely, if ever, occurred.

HB 338 makes additional housekeeping changes deleting outdated limitations on PPF loans and provides that PPF loans for purposes other than power projects are subject to the same limitations on interest and other restrictions as are loans for power projects.

Finally, HB 338 would amend the BFRLF statute, adding a new subsection authorizing AEA to borrow money from the PPF when necessary to meet bulk fuel loan commitments and authorizing AEA to repay these loans from the BFRLF.

If you have any questions or concerns please do not hesitate to call our office.

SARA Fisher - Good
AEA

HB 338 3/13/08

HB 338 authorizes AEA to make loans from the power project fund to the bulk fuel revolving loan fund. ~~at the same time~~

The BRLF issues Commitments of 2000 or less at financing source to purchase an annual supply of fuel.

We currently only commit to loans based on cash available, we do not consider loans receivables prior to committing a loan. ~~If there is a problem to apply for a loan for an amount greater than what is needed due to work orders such as price C delivery time.~~ HB 338 provides a backstop source of funds to allow AEA to better meet the needs of borrowers. 2 yrs ago we had to delay committing funds until loan repayments were received, this is messy & difficult for borrowers to plan & essentially makes our credit financing not secured.

HB 338 limits the lending authority to the amount available on the June 30 cash balance of the fund. The amount is the lesser of

2 million or 10% of cash on hand. At 2/20/08 our cash balance was \$1.8 million. ~~at \$1,080,000.~~ To the PPS loans below \$5 million we

expand the authority for this loan

in addition to the existing mechanism we have already taken steps to delete references to the revolving fund and program

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Lower Kalskag
Mekong
Mertaruk
Napakiak
Napaskook
Newtok
Nightmute
Nunapitchuk
Ohogamiut
Oscarville
Platinum
Quinhagak
Toksook Bay
Tuluksak
Tununak
Tuntutuliak
Umkumiut
Upper Kalskag

CS For HB 338 Sectional Analysis

Section 1 amends AS 29.60, establishing the bulk fuel bridge loan fund in the Department of Community and Economic Development to assist communities, utilities, and fuel retailers in purchasing bulk fuel when no other funding is available. The fuel purchaser must have endorsement from a community's governing body, and have been denied a loan from any and all funding sources the Department determines are available in the community. Loans must not exceed \$500,000 and must be repaid within a year. Interest may not be charged on these loans.

Section 2 amends AS 42.45.010(b), authorizing Alaska Energy Authority (AEA) to make loans from the Power Project Fund to the Bulk Fuel Revolving Loan Fund which is also administered by AEA at terms AEA determines are appropriate to maintain the viability of both funds.

The bill limits the amount that AEA can borrow from the PPF for the BFRLF to the lesser of \$2 million or ten percent of the PPF cash balance on June 30 of the preceding fiscal year. The bill also provides that AEA cannot borrow from the PPF for this purpose if the cash balance of the PPF is less than \$5 million.

Section 2 also deletes references to nonprofit marketing cooperatives as potential borrowers while also deleting PPF loan provisions for potable water supply projects.

Section 3 makes additional housekeeping changes to AS 42.45.010 to delete outdated provisions regarding limitations on PPF loans and to provide that PPF loans for purposes other than power projects are subject to the same limitations on interest and other restrictions as are loans for power projects.

Section 4 amends AS 42.45.250 to reflect the name change of the publication The Weekly Bond Buyer to The Bond Buyer in relation to average weekly yield of municipal bonds and BFRLF interest charges.

Section 5 would amend the BFRLF statute, AS 42.45.250, to add a new subsection authorizing AEA to borrow money from the PPF when necessary to meet bulk fuel loan commitments and authorizing AEA to repay these loans from the BFRLF.

Section 6 provides for an immediate effective date.

3/13/08

BULK FUEL BRIDGE LOAN
PROGRAM HISTORY (\$000)

Community	2004	2005	2006	2007	2008	Total	Current Balance
Alakanuk	\$ 39					\$ 39	\$ 5
Arclic Village		\$ 71				\$ 71	\$ 37
Atmautluak			\$ 88	\$ 47		\$ 135	
Beaver	\$ 12					\$ 12	
Buckland				\$ 535		\$ 535	\$ 297
Chalkiytsik	\$ 14	\$ 16	\$ 17	\$ 25		\$ 72	
Chauthbaluk			\$ 51	\$ 13		\$ 64	\$ 6
Chignik			\$ 97	\$ 176		\$ 273	\$ 43
Chignik Lake	\$ 51	\$ 53	\$ 75			\$ 179	\$ 20
Clarks Point			\$ 8	\$ 321		\$ 329	\$ 71
Crooked Creek	\$ 13					\$ 13	
Egegik			\$ 54	\$ 15	\$ 65	\$ 134	\$ 58
Emmonak		\$ 113	\$ 88	\$ 115		\$ 316	\$ 77
Ivanof Bay	\$ 18					\$ 18	
Kotlik	\$ 322	\$ 527	\$ 499			\$ 1,348	\$ 140
Koyukuk	\$ 56	\$ 56	\$ 126	\$ 113		\$ 351	
Larsen Bay			\$ 127	\$ 130		\$ 257	\$ 87
St. Michael				\$ 39		\$ 39	
Nelson Lagoon			\$ 80			\$ 80	
Pilot Point			\$ 171	\$ 264	\$ 44	\$ 479	\$ 118
Port Heiden		\$ 232	\$ 263	\$ 345		\$ 860	\$ 268
St. George	\$ 112					\$ 112	
Newtok				\$ 70		\$ 70	\$ 23
Tuluksak		\$ 85	\$ 289			\$ 374	
Tuntutuliak	\$ 4	\$ 83	\$ 53	\$ 81		\$ 226	\$ 54
Twin Hills			\$ 65	\$ 101		\$ 166	\$ 79
Total	\$ 641	\$ 1,241	\$ 2,171	\$ 2,390	\$ 109	\$ 6,552	\$ 1,363

** Balance Due from AVEC on Completion of Purchase of Electric Utility

#.2. (WLM-FUND)

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Safe, Sustainable Fuel for Rural Alaska