

**HB**

**196**

<TARGET><BILL>HB 196</BILL><SUBJECT>HB  
196</SUBJECT><COMM>HFIN27</COMM></TARGET>



# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version HB 196  
Fiscal Note Number \_\_\_\_\_  
( ) Publish Date \_\_\_\_\_

Identifier (file name) HB196-DCCED-AEA-3-20-12 Dept. Affected DCCED  
Title Bulk Fuel Loans/Power Project Fund Appropriation Alaska Energy Authority  
Allocation Alaska Energy Authority Rural  
Sponsor Edgmon Energy Operations  
Requester House Finance Committee OMB Component Number 2600

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

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Services			(53.6)	(53.6)	(53.6)	(53.6)	(53.6)
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(53.6)</b>

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1074	Bulk Fuel (DGF)		(53.6)	(53.6)	(53.6)	(53.6)	(53.6)
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(53.6)</b>	<b>(53.6)</b>

POSITIONS							
Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>			<b>(57.0)</b>	<b>(57.0)</b>	<b>(57.0)</b>	<b>(57.0)</b>	<b>(57.0)</b>
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Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs \_\_\_\_\_ (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

No change from original note, except that cost and revenue information is extended through FY18.

Prepared by \_\_\_\_\_ House Finance Staff  
Division \_\_\_\_\_ House Finance Committee  
Approved by \_\_\_\_\_ Co-Chair Bill Stoltz  
\_\_\_\_\_ House Finance Committee

Phone 465-4958  
Date/Time 3/20/12 10:15 AM  
Date 3/20/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 196

**Analysis**

Program activity will be transferred to the Division of Investments. The position associated with this program will be retained in AEA.

Loan application and origination fees are eliminated, resulting in a loss of \$57.0 of general fund revenue annually.

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version HB 196  
Fiscal Note Number \_\_\_\_\_  
( ) Publish Date \_\_\_\_\_

Identifier (file name) HB196-DCCED-CRA-3-20-12 Dept. Affected DCCED  
Title Bulk Fuel Loans/Power Project Fund Appropriation Community and Regional Affairs  
Allocation Community and Regional Affairs  
Sponsor Edgmon  
Requester House Finance Committee OMB Component Number 2879

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

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel		36.0					
Services		126.0					
Commodities		1.0					
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>163.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF		163.0				
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1178	temp code (UGF)						
<b>TOTAL</b>		<b>0.0</b>	<b>163.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							
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Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs \_\_\_\_\_ (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

The Division of Community and Regional Affairs currently provides technical assistance to communities applying for bridge loans. No significant increase in this activity is anticipated.

The original note listed the BFRLF as the funding source for technical assistance. This note retains a GF fund source.

Prepared by House Finance Staff  
Division House Finance Committee  
Approved by Co-Chair Bill Stoltz  
House Finance Committee

Phone 465-4958  
Date/Time 3/20/12 10:15 AM  
Date 3/20/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. HB 196

**Analysis**

A large, empty rectangular box with a thin black border, occupying the central portion of the page. It is intended for the analysis of the bill.

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version HB 196  
Fiscal Note Number \_\_\_\_\_  
( ) Publish Date \_\_\_\_\_

Identifier (file name) HB196-DCCED-DED-3-20-12 Dept. Affected DCCED  
Title Bulk Fuel Loans/Power Project Fund Appropriation Investments  
Allocation Investments  
Sponsor Edgmon  
Requester House Finance Committee OMB Component Number 383

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

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services			53.6	53.6	53.6	53.6	53.6
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>53.6</b>	<b>53.6</b>	<b>53.6</b>	<b>53.6</b>	<b>53.6</b>

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1037	GF/MH (UGF)						
1074	Bulk Fuel (DGF)		53.6	53.6	53.6	53.6	53.6
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>53.6</b>	<b>53.6</b>	<b>53.6</b>	<b>53.6</b>

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

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_ (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs \_\_\_\_\_ (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

The three fiscal notes--AEA, Investments and DCRA--now show no net increase in operating costs.

Prepared by \_\_\_\_\_ House Finance Staff  
Division \_\_\_\_\_ House Finance Committee  
Approved by \_\_\_\_\_ Co-Chair Bill Stoltz  
House Finance Committee

Phone 465-4958  
Date/Time 3/20/12 10:15 AM  
Date 3/20/2012

**FISCAL NOTE**

**STATE OF ALASKA  
2012 LEGISLATIVE SESSION**

**BILL NO.** HB 196

**Analysis**

\$53.6 of Bulk Fuel Loan administrative costs will be transferred from AEA to the Division of investments, where they will be charged directly to the BFRLF.

One position is added, but the position will not be fully funded with BFRLF receipts. The BFRLF program does not require a dedicated position.

**CS FOR HOUSE BILL NO. 196(FIN)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SEVENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES EDGMON, Foster, Herron**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the power project fund and to the bulk fuel revolving loan fund;**  
2 **establishing a bulk fuel loan account and making the bulk fuel loan account and the**  
3 **bulk fuel bridge loan account separate accounts in the bulk fuel revolving loan fund;**  
4 **providing for technical assistance to rural borrowers under the bulk fuel bridge loan**  
5 **program; relating to the administration and investment of the bulk fuel revolving loan**  
6 **fund by the division in the Department of Commerce, Community, and Economic**  
7 **Development responsible for community and regional affairs; and providing for an**  
8 **effective date."**

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

10 **\* Section 1. AS 42.45.010(b) is amended to read:**

11 **(b) The authority may make loans from the power project fund**

12 **(1) to electric utilities, regional electric authorities, municipalities,**

1 regional and village corporations, village councils, and independent power producers  
2 to pay the costs of

3 (A) reconnaissance studies, feasibility studies, license and  
4 permit applications, preconstruction engineering, and design of power projects;  
5 and

6 (B) constructing, equipping, modifying, improving, and  
7 expanding small-scale power production facilities that are designed to produce  
8 less than 10 megawatts of power, bulk fuel storage facilities, and transmission  
9 and distribution facilities, including energy production, transmission and  
10 distribution, waste energy, energy conservation, energy efficiency, and  
11 alternative energy facilities and equipment;

12 (2) to a borrower for a power project or for bulk fuel, waste energy,  
13 energy conservation, energy efficiency, or alternative energy facilities or equipment if

14 (A) the loan is entered into under a leveraged lease financing  
15 arrangement;

16 (B) the party that will be responsible for the power project or  
17 the bulk fuel, waste energy, energy conservation, energy efficiency, or  
18 alternative energy facilities or equipment is an electric utility, regional electric  
19 authority, municipality, regional or village corporation, village council, or  
20 independent power producer; and

21 (C) the borrower seeking the loan demonstrates to the authority  
22 that the financing arrangement for the power project or the bulk fuel, waste  
23 energy, energy conservation, energy efficiency, or alternative energy facilities  
24 or equipment will reduce financing costs for the project, facilities, or  
25 equipment below costs of comparable public power projects, facilities, or  
26 equipment [;

27 (3) TO THE BULK FUEL REVOLVING LOAN FUND FOR THE  
28 PURPOSES DESCRIBED IN AS 42.45.250(I) UNDER TERMS, INCLUDING  
29 INTEREST, THAT THE AUTHORITY DETERMINES ARE APPROPRIATE TO  
30 MAINTAIN THE VIABILITY OF THE POWER PROJECT FUND AND THE  
31 BULK FUEL REVOLVING LOAN FUND; HOWEVER, THE AUTHORITY MAY

1 NOT MAKE A LOAN UNDER THIS PARAGRAPH IF

2 (A) THE CUMULATIVE OUTSTANDING BALANCE OF  
3 THE LOANS WOULD EXCEED THE LESSER OF \$2,000,000 OR 10  
4 PERCENT OF THE CASH BALANCE OF THE POWER PROJECT FUND  
5 ON JUNE 30 OF THE PRECEDING FISCAL YEAR; OR

6 (B) THE CASH BALANCE OF THE POWER PROJECT  
7 FUND IS LESS THAN \$5,000,000].

8 \* **Sec. 2.** AS 42.45.250(a) is amended to read:

9 (a) The bulk fuel revolving loan fund is established in the **division**  
10 [AUTHORITY] to assist communities, utilities providing power in communities, and  
11 fuel retailers in communities in purchasing bulk fuel to generate power or supply the  
12 public with fuel for use in communities. A community, or a person generating power  
13 or selling fuel in a community **or maintaining community facilities or**  
14 **infrastructure** [WHO HAS WRITTEN ENDORSEMENT FROM THE  
15 GOVERNING BODY OF EACH COMMUNITY FOR WHICH A LOAN FROM  
16 THE FUND IS SOUGHT,] is eligible for a **bulk fuel loan under AS 42.45.260 or a**  
17 **bulk fuel bridge loan under AS 42.45.270 to purchase** [FROM THE BULK FUEL  
18 REVOLVING LOAN FUND FOR A PURCHASE OF AN EMERGENCY SUPPLY  
19 OR A SEMIANNUAL OR ANNUAL SUPPLY OF] bulk fuel to be used in the  
20 community.

21 \* **Sec. 3.** AS 42.45.250(b) is amended to read:

22 (b) Money in the fund may be used by the legislature to make appropriations  
23 for costs of administering **AS 42.45.250 - 42.45.299** [THIS SECTION].

24 \* **Sec. 4.** AS 42.45.250 is amended by adding new subsections to read:

25 (n) The fund consists of

26 (1) money appropriated to, transferred to, or received by gift, grant,  
27 devise, bequest, or donation to the fund;

28 (2) principal and interest payments or other income earned on loans or  
29 investments of the fund and appropriated to the fund.

30 (o) The fund is not a dedicated fund.

31 (p) The division shall establish and implement a technical assistance program

1 for borrowers. Technical assistance shall be provided to borrowers who need  
 2 assistance in applying for a loan or who have received a bulk fuel loan to help those  
 3 borrowers improve creditworthiness or other financial criteria likely to be considered  
 4 by the division if the borrower applies for another bulk fuel loan in the future. The  
 5 division may contract with a state agency or private contractor to administer or  
 6 implement the technical assistance program.

7 \* **Sec. 5.** AS 42.45 is amended by adding new sections to article 4 to read:

8 **Sec. 42.45.260. Bulk fuel loan account; loans.** (a) The bulk fuel loan account  
 9 is established as a separate account within the fund. The division may make loans  
 10 from the bulk fuel loan account as provided in AS 42.45.250 - 42.45.299.

11 (b) The division shall establish by regulation criteria under which  
 12 communities or entities eligible under AS 42.45.250(a) may obtain a bulk fuel loan.  
 13 The criteria must require the division to consider the applicant's creditworthiness and  
 14 repayment history and may require the consideration of other factors.

15 (c) The division shall evaluate each application for a bulk fuel loan and shall  
 16 make findings if the application is denied.

17 (d) Loans made from the bulk fuel loan account to one borrower

18 (1) may not exceed \$750,000 or, if the borrower is a cooperative  
 19 corporation organized under AS 10.15 or an electric cooperative organized under  
 20 AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one  
 21 community, may not exceed \$750,000 multiplied by the number of communities on  
 22 whose behalf the bulk fuel is to be purchased or \$1,800,000, whichever is less;

23 (2) shall be repaid within one year after the date of the loan  
 24 disbursement; and

25 (3) may include additional terms and conditions required by the  
 26 division.

27 (e) The division may contract with a private contractor to administer the loan  
 28 account.

29 **Sec. 42.45.270. Bulk fuel bridge account; loans.** (a) The bulk fuel bridge  
 30 loan account is established as a separate account within the fund. Subject to  
 31 availability of funds in the account, the division may make bulk fuel bridge loans from

1 the bulk fuel bridge loan account as provided in AS 42.45.250 - 42.45.299.

2 (b) A community or person is eligible for a bulk fuel bridge loan only if the  
3 community or person

4 (1) meets the requirements of AS 42.45.250(a); and

5 (2) has been denied an application for a bulk fuel loan under  
6 AS 42.45.260.

7 (c) Loans made from the bulk fuel bridge loan account to one borrower in a  
8 fiscal year

9 (1) may not exceed \$750,000;

10 (2) shall be repaid within one year after the date of the loan  
11 disbursement; and

12 (3) may include additional terms and conditions required by the  
13 division.

14 (d) The division shall implement a technical assistance and counseling plan  
15 for borrowers who have received a bulk fuel bridge loan to help those borrowers  
16 improve creditworthiness or other financial criteria likely to be considered by the  
17 division if the borrower applies for another bulk fuel loan in the future. The division  
18 may contract with a state agency or outside contractor to administer or implement the  
19 technical assistance and counseling plan.

20 **Sec. 42.45.280. Bulk fuel loan and bulk fuel bridge loan interest rates.** (a)  
21 Except as provided under (b) and (c) of this section, interest shall be charged on a bulk  
22 fuel loan and bulk fuel bridge loan at a base rate of four percent.

23 (b) The division may establish by regulation a program to reduce the interest  
24 rate on the second and subsequent bulk fuel loans obtained by a borrower. In  
25 evaluating a potential interest rate reduction, the division shall consider the borrower's  
26 repayment history and any other criteria that may be established by regulation. The  
27 division may by regulation reduce the interest rate on a bulk fuel loan made by the  
28 division by one percent for a borrower who has had at least one previous bulk fuel  
29 loan made by the division or by two percent for a borrower who has had two or more  
30 previous bulk fuel loans made by the division. The division shall make findings if an  
31 application for an interest rate reduction is denied.

1 (c) For the first time a borrower receives a bulk fuel bridge loan, the interest  
 2 rate shall be zero percent. For all loans made after the first bulk fuel bridge loan to a  
 3 borrower, the interest rate shall be set according to the procedure described in (a) of  
 4 this section.

5 **Sec. 42.45.299. Definitions.** In AS 42.45.250 - 42.45.299, unless the context  
 6 otherwise requires,

7 (1) "community" means an organized municipality or an  
 8 unincorporated village that is a social unit if the organized municipality or  
 9 unincorporated village has a population of less than 2,000 people;

10 (2) "division" means the division in the Department of Commerce,  
 11 Community, and Economic Development that is responsible for community and  
 12 regional affairs;

13 (3) "fund" means the bulk fuel revolving loan fund established in  
 14 AS 42.45.250(a) and administered under AS 42.45.250 - 42.45.299;

15 (4) "person" has

16 (A) the meaning given in AS 01.10.060;

17 (B) includes a cooperative, a joint venture, and a governmental

18 entity.

19 \* **Sec. 6.** AS 29.60.660; AS 42.45.250(c), 42.45.250(d), 42.45.250(e), 42.45.250(f),  
 20 42.45.250(g), 42.45.250(h), 42.45.250(i), 42.45.250(j), 42.45.250(k), 42.45.250(l), and  
 21 42.45.250(m) are repealed.

22 \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to  
 23 read:

24 **TRANSITION: TRANSFER OF MONEY IN BULK FUEL BRIDGE LOAN FUND.**  
 25 Subject to appropriation, the money in the bulk fuel bridge loan fund in AS 29.60.660,  
 26 repealed by sec. 6 of this Act, is transferred to the bulk fuel revolving loan fund in  
 27 AS 42.45.250 for deposit into the bulk fuel bridge loan account established in AS 42.45.270,  
 28 added by sec. 5 of this Act.

29 \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
 30 read:

31 **TRANSITION: COLLECTIONS.** Notwithstanding the repeal of AS 29.60.660 by sec.

1 6 of this Act, subject to appropriation, amounts collected by the Department of Commerce,  
2 Community, and Economic Development from enforcement of contracts, rights, liabilities,  
3 and obligations created by or under AS 29.60.660 are transferred to the bulk fuel revolving  
4 loan fund in AS 42.45.250 for deposit into the bulk fuel bridge loan account established in  
5 AS 42.45.270, added by sec. 5 of this Act.

6 \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 **TRANSITION: PENDING PROCEEDINGS; EXISTING CONTRACTS, RIGHTS,**  
9 **LIABILITIES, AND OBLIGATIONS.** (a) All litigation, hearings, and other proceedings  
10 pending under a law repealed by this Act continue in effect and may be continued and  
11 completed by the Department of Commerce, Community, and Economic Development.

12 (b) Contracts, rights, liabilities, and obligations created by or under a law amended or  
13 repealed by this Act and in effect on the day before the effective date of sec. 12 of this Act  
14 remain in effect and may be enforced by the Department of Commerce, Community, and  
15 Economic Development, notwithstanding the repeal of AS 29.60.660 by sec. 6 of this Act or  
16 another repeal or amendment in this Act.

17 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 **TRANSITION: REGULATIONS.** The division in the Department of Commerce,  
20 Community, and Economic Development that is responsible for community and regional  
21 affairs may adopt regulations necessary to implement this Act. The regulations take effect  
22 under AS 44.62 (Administrative Procedure Act), but not before January 1, 2013.

23 \* **Sec. 11.** Section 10 of this Act takes effect immediately under AS 01.10.070(c).

24 \* **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect January 1, 2013.

*Adopted  
3/20/12*

27-LS0529\I  
Kirsch/Nauman  
3/20/12

**CS FOR HOUSE BILL NO. 196(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES EDGMON, Foster, Herron

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the power project fund and to the bulk fuel revolving loan fund;  
2 establishing a bulk fuel loan account and making the bulk fuel loan account and the  
3 bulk fuel bridge loan account separate accounts in the bulk fuel revolving loan fund;  
4 providing for technical assistance to rural borrowers under the bulk fuel bridge loan  
5 program; relating to the administration and investment of the bulk fuel revolving loan  
6 fund by the division in the Department of Commerce, Community, and Economic  
7 Development responsible for community and regional affairs; and providing for an  
8 effective date."

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

10 \* **Section 1.** AS 42.45.010(b) is amended to read:

11 (b) The authority may make loans from the power project fund

12 (1) to electric utilities, regional electric authorities, municipalities,

1 regional and village corporations, village councils, and independent power producers  
2 to pay the costs of

3 (A) reconnaissance studies, feasibility studies, license and  
4 permit applications, preconstruction engineering, and design of power projects;  
5 and

6 (B) constructing, equipping, modifying, improving, and  
7 expanding small-scale power production facilities that are designed to produce  
8 less than 10 megawatts of power, bulk fuel storage facilities, and transmission  
9 and distribution facilities, including energy production, transmission and  
10 distribution, waste energy, energy conservation, energy efficiency, and  
11 alternative energy facilities and equipment;

12 (2) to a borrower for a power project or for bulk fuel, waste energy,  
13 energy conservation, energy efficiency, or alternative energy facilities or equipment if

14 (A) the loan is entered into under a leveraged lease financing  
15 arrangement;

16 (B) the party that will be responsible for the power project or  
17 the bulk fuel, waste energy, energy conservation, energy efficiency, or  
18 alternative energy facilities or equipment is an electric utility, regional electric  
19 authority, municipality, regional or village corporation, village council, or  
20 independent power producer; and

21 (C) the borrower seeking the loan demonstrates to the authority  
22 that the financing arrangement for the power project or the bulk fuel, waste  
23 energy, energy conservation, energy efficiency, or alternative energy facilities  
24 or equipment will reduce financing costs for the project, facilities, or  
25 equipment below costs of comparable public power projects, facilities, or  
26 equipment [;

27 (3) TO THE BULK FUEL REVOLVING LOAN FUND FOR THE  
28 PURPOSES DESCRIBED IN AS 42.45.250(I) UNDER TERMS, INCLUDING  
29 INTEREST, THAT THE AUTHORITY DETERMINES ARE APPROPRIATE TO  
30 MAINTAIN THE VIABILITY OF THE POWER PROJECT FUND AND THE  
31 BULK FUEL REVOLVING LOAN FUND; HOWEVER, THE AUTHORITY MAY

1 NOT MAKE A LOAN UNDER THIS PARAGRAPH IF

2 (A) THE CUMULATIVE OUTSTANDING BALANCE OF  
3 THE LOANS WOULD EXCEED THE LESSER OF \$2,000,000 OR 10  
4 PERCENT OF THE CASH BALANCE OF THE POWER PROJECT FUND  
5 ON JUNE 30 OF THE PRECEDING FISCAL YEAR; OR

6 (B) THE CASH BALANCE OF THE POWER PROJECT  
7 FUND IS LESS THAN \$5,000,000].

8 \* **Sec. 2.** AS 42.45.250(a) is amended to read:

9 (a) The bulk fuel revolving loan fund is established in the division  
10 [AUTHORITY] to assist communities, utilities providing power in communities, and  
11 fuel retailers in communities in purchasing bulk fuel to generate power or supply the  
12 public with fuel for use in communities. A community, or a person generating power  
13 or selling fuel in a community or maintaining community facilities or  
14 infrastructure [WHO HAS WRITTEN ENDORSEMENT FROM THE  
15 GOVERNING BODY OF EACH COMMUNITY FOR WHICH A LOAN FROM  
16 THE FUND IS SOUGHT,] is eligible for a bulk fuel loan under AS 42.45.260 or a  
17 bulk fuel bridge loan under AS 42.45.270 to purchase [FROM THE BULK FUEL  
18 REVOLVING LOAN FUND FOR A PURCHASE OF AN EMERGENCY SUPPLY  
19 OR A SEMIANNUAL OR ANNUAL SUPPLY OF] bulk fuel to be used in the  
20 community.

21 \* **Sec. 3.** AS 42.45.250(b) is amended to read:

22 (b) Money in the fund may be used by the legislature to make appropriations  
23 for costs of administering AS 42.45.250 - 42.45.299 [THIS SECTION].

24 \* **Sec. 4.** AS 42.45.250 is amended by adding new subsections to read:

25 (n) The fund consists of

26 (1) money appropriated to, transferred to, or received by gift, grant,  
27 devise, bequest, or donation to the fund;

28 (2) principal and interest payments or other income earned on loans or  
29 investments of the fund and appropriated to the fund.

30 (o) The fund is not a dedicated fund.

31 (p) The division shall establish and implement a technical assistance program

1 for borrowers. Technical assistance shall be provided to borrowers who need  
2 assistance in applying for a loan or who have received a bulk fuel loan to help those  
3 borrowers improve creditworthiness or other financial criteria likely to be considered  
4 by the division if the borrower applies for another bulk fuel loan in the future. The  
5 division may contract with a state agency or private contractor to administer or  
6 implement the technical assistance program.

7 \* **Sec. 5.** AS 42.45 is amended by adding new sections to article 4 to read:

8 **Sec. 42.45.260. Bulk fuel loan account; loans.** (a) The bulk fuel loan account  
9 is established as a separate account within the fund. The division may make loans  
10 from the bulk fuel loan account as provided in AS 42.45.250 - 42.45.299.

11 (b) The division shall establish by regulation criteria under which  
12 communities or entities eligible under AS 42.45.250(a) may obtain a bulk fuel loan.  
13 The criteria must require the division to consider the applicant's creditworthiness and  
14 repayment history and may require the consideration of other factors.

15 (c) The division shall evaluate each application for a bulk fuel loan and shall  
16 make findings if the application is denied.

17 (d) Loans made from the bulk fuel loan account to one borrower

18 (1) may not exceed \$750,000 or, if the borrower is a cooperative  
19 corporation organized under AS 10.15 or an electric cooperative organized under  
20 AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one  
21 community, may not exceed \$750,000 multiplied by the number of communities on  
22 whose behalf the bulk fuel is to be purchased or \$1,800,000, whichever is less;

23 (2) shall be repaid within one year after the date of the loan  
24 disbursement; and

25 (3) may include additional terms and conditions required by the  
26 division.

27 (e) The division may contract with a private contractor to administer the loan  
28 account.

29 **Sec. 42.45.270. Bulk fuel bridge account; loans.** (a) The bulk fuel bridge  
30 loan account is established as a separate account within the fund. Subject to  
31 availability of funds in the account, the division may make bulk fuel bridge loans from

1 the bulk fuel bridge loan account as provided in AS 42.45.250 - 42.45.299.

2 (b) A community or person is eligible for a bulk fuel bridge loan only if the  
3 community or person

4 (1) meets the requirements of AS 42.45.250(a); and

5 (2) has been denied an application for a bulk fuel loan under  
6 AS 42.45.260.

7 (c) Loans made from the bulk fuel bridge loan account to one borrower in a  
8 fiscal year

9 (1) may not exceed \$750,000;

10 (2) shall be repaid within one year after the date of the loan  
11 disbursement; and

12 (3) may include additional terms and conditions required by the  
13 division.

14 (d) The division shall implement a technical assistance and counseling plan  
15 for borrowers who have received a bulk fuel bridge loan to help those borrowers  
16 improve creditworthiness or other financial criteria likely to be considered by the  
17 division if the borrower applies for another bulk fuel loan in the future. The division  
18 may contract with a state agency or outside contractor to administer or implement the  
19 technical assistance and counseling plan.

20 **Sec. 42.45.280. Bulk fuel loan and bulk fuel bridge loan interest rates.** (a)  
21 Except as provided under (b) and (c) of this section, interest shall be charged on a bulk  
22 fuel loan and bulk fuel bridge loan at a base rate of four percent.

23 (b) The division may establish by regulation a program to reduce the interest  
24 rate on the second and subsequent bulk fuel loans obtained by a borrower. In  
25 evaluating a potential interest rate reduction, the division shall consider the borrower's  
26 repayment history and any other criteria that may be established by regulation. The  
27 division may by regulation reduce the interest rate on a bulk fuel loan made by the  
28 division by one percent for a borrower who has had at least one previous bulk fuel  
29 loan made by the division or by two percent for a borrower who has had two or more  
30 previous bulk fuel loans made by the division. The division shall make findings if an  
31 application for an interest rate reduction is denied.

1 (c) For the first time a borrower receives a bulk fuel bridge loan, the interest  
 2 rate shall be zero percent. For all loans made after the first bulk fuel bridge loan to a  
 3 borrower, the interest rate shall be set according to the procedure described in (a) of  
 4 this section.

5 **Sec. 42.45.299. Definitions.** In AS 42.45.250 - 42.45.299, unless the context  
 6 otherwise requires,

7 (1) "community" means an organized municipality or an  
 8 unincorporated village that is a social unit if the organized municipality or  
 9 unincorporated village has a population of less than 2,000 people;

10 (2) "division" means the division in the Department of Commerce,  
 11 Community, and Economic Development that is responsible for community and  
 12 regional affairs;

13 (3) "fund" means the bulk fuel revolving loan fund established in  
 14 AS 42.45.250(a) and administered under AS 42.45.250 - 42.45.299;

15 (4) "person" has

16 (A) the meaning given in AS 01.10.060;

17 (B) includes a cooperative, a joint venture, and a governmental  
 18 entity.

19 \* **Sec. 6.** AS 29.60.660; AS 42.45.250(c), 42.45.250(d), 42.45.250(e), 42.45.250(f),  
 20 42.45.250(g), 42.45.250(h), 42.45.250(i), 42.45.250(j), 42.45.250(k), 42.45.250(l), and  
 21 42.45.250(m) are repealed.

22 \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to  
 23 read:

24 **TRANSITION: TRANSFER OF MONEY IN BULK FUEL BRIDGE LOAN FUND.**  
 25 Subject to appropriation, the money in the bulk fuel bridge loan fund in AS 29.60.660,  
 26 repealed by sec. 6 of this Act, is transferred to the bulk fuel revolving loan fund in  
 27 AS 42.45.250 for deposit into the bulk fuel bridge loan account established in AS 42.45.270,  
 28 added by sec. 5 of this Act.

29 \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
 30 read:

31 **TRANSITION: COLLECTIONS.** Notwithstanding the repeal of AS 29.60.660 by sec.

1 6 of this Act, subject to appropriation, amounts collected by the Department of Commerce,  
2 Community, and Economic Development from enforcement of contracts, rights, liabilities,  
3 and obligations created by or under AS 29.60.660 are transferred to the bulk fuel revolving  
4 loan fund in AS 42.45.250 for deposit into the bulk fuel bridge loan account established in  
5 AS 42.45.270, added by sec. 5 of this Act.

6 \* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 TRANSITION: PENDING PROCEEDINGS; EXISTING CONTRACTS, RIGHTS,  
9 LIABILITIES, AND OBLIGATIONS. (a) All litigation, hearings, and other proceedings  
10 pending under a law repealed by this Act continue in effect and may be continued and  
11 completed by the Department of Commerce, Community, and Economic Development.

12 (b) Contracts, rights, liabilities, and obligations created by or under a law amended or  
13 repealed by this Act and in effect on the day before the effective date of sec. 12 of this Act  
14 remain in effect and may be enforced by the Department of Commerce, Community, and  
15 Economic Development, notwithstanding the repeal of AS 29.60.660 by sec. 6 of this Act or  
16 another repeal or amendment in this Act.

17 \* **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 TRANSITION: REGULATIONS. The division in the Department of Commerce,  
20 Community, and Economic Development that is responsible for community and regional  
21 affairs may adopt regulations necessary to implement this Act. The regulations take effect  
22 under AS 44.62 (Administrative Procedure Act), but not before January 1, 2013.

23 \* **Sec. 11.** Section 10 of this Act takes effect immediately under AS 01.10.070(c).

24 \* **Sec. 12.** Except as provided in sec. 11 of this Act, this Act takes effect January 1, 2013.

## HB196 Fiscal Notes

### **AEA note:**

1. Loan application and origination fees are eliminated. This will save communities (and cost the GF) \$57.0 annually.
2. AEA currently spends \$53.6 from the BFRLF to administer loans from the BFRLF. This funding will be transferred to the Division of Investments.

### **Investments note:**

1. Program costs of \$53.6 are transferred from AEA.
2. A position is added.
3. The position is not fully funded with BFRLF receipts, but the position is not dedicated to the BFRLF program.
4. Program costs will be charged directly to the BFRLF instead of being transferred from DCRA.

### **DCRA note:**

1. There is no anticipated increase in the costs of technical assistance provided by DCRA to communities applying for bridge loans.
2. The note is now zero and does not need to be transmitted with the bill.

The net change in operating costs is zero, but there is a loss of general fund revenue (\$57.0 annually).

*Alaska State Legislature*  
REPRESENTATIVE BRYCE EDGMON  
*House District 37*

**SPONSOR STATEMENT FOR HB196**

Adak  
Akutan  
Aleknagik  
Atka  
Chignik  
Chignik Lagoon  
Chignik Lake  
Clark's Point  
Cold Bay  
Dillingham  
Egegik  
Ekwok  
False Pass  
Ivanof Bay  
King Cove  
King Salmon  
Koliganek  
Manokotak  
Naknek  
Nelson Lagoon  
New Stuyahok  
Nikolski  
Perryville  
Pilot Point  
Portage Creek  
Port Heiden  
St. George  
St. Paul  
Sand Point  
South Naknek  
Togiak  
Twin Hills  
Ugashik  
Unalaska

This proposed legislation will move the bulk fuel revolving loan fund (BFRLF) from the Alaska Energy Authority (AEA) to the Division of Community & Regional Affairs (DCRA), which will mean both the BFRLF and the bulk fuel bridge loan program will be housed in the same division.

Housing these two funds under one roof is something the House Energy committee considered last session, and also an idea the governor endorsed in his report to the Legislature regarding State energy programs.

Currently, if an applicant is rejected for a loan from the BFRLF, their next step is to apply for a bulk fuel loan through the bridge loan program. It makes perfect sense to have these related loan programs under the jurisdiction of one entity, and DCRA is the logical place for them to be housed.

HB196 will place both the bulk fuel loan account and the bulk fuel bridge loan account as separate accounts in the BFRLF, contains provisions for technical assistance for those borrowers needing help, and will streamline the whole process of obtaining bulk fuel loans for communities.

I would appreciate your support for this bill.

*Alaska State Legislature*  
REPRESENTATIVE BRYCE EDGMON  
*House District 37*

**SECTIONAL ANALYSIS**

**HB196 – Bulk Fuel Loans / Power Project Fund**

Adak  
Akutan  
Aleknagik  
Atka  
Chignik  
Chignik Lagoon  
Chignik Lake  
Clark's Point  
Cold Bay  
Dillingham  
Egegik  
Ekwok  
False Pass  
Ivanof Bay  
King Cove  
King Salmon  
Koliganek  
Manokotak  
Naknek  
Nelson Lagoon  
New Stuyahok  
Nikolski  
Perryville  
Pilot Point  
Portage Creek  
Port Heiden  
St. George  
St. Paul  
Sand Point  
South Naknek  
Togiak  
Twin Hills  
Ugashik  
Unalaska

**Section 1** of the bill deletes the bulk fuel revolving loan fund (BFRLF) from the list of entities eligible to receive loans from the power project fund.

**Section 2** of the bill switches the location of the bulk fuel revolving loan fund from the Alaska Energy Authority to the Division of Community & Regional Affairs (DCRA). Also adds a person or community “maintaining community facilities or infrastructure” to the list of entities eligible for a bulk fuel loan and deletes a requirement that the entity get written endorsement from the governing body of the community for which the loan is sought.

**Section 3** of the bill makes a conforming amendment to statutory changes within the bill.

**Section 4** of the bill adds language allowing funding options and adds a technical assistance section for borrowers needing help in applying for a loan and / or direction to help improve their creditworthiness.

**Section 5** of the bill establishes the bulk fuel loan account and the bulk fuel bridge loan account as separate accounts within the bulk fuel revolving loan fund. It also establishes interest rates for both accounts and lays out general rules for loan limits, allows DCRA to establish criteria for eligibility, and allows DCRA to contract with a state agency or outside contractor to administer or implement a technical assistance and counseling plan.

**Section 6** of the bill repeals AS 29.60.660 and AS 42.45.250(c-m).

**Sections 7-10** of the bill provide transition language allowing the movement of funds to the newly created subaccount and language stating any outstanding obligations from the current loan fund will continue to be in effect.

**Section 11** of the bill sets an immediate effective date for DCRA to begin adopting regulations.

**Section 12** of the bill sets an effective date of January 1, 2012

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**STATUTES REPEALED BY SECTION 6 OF HB196**

**Submitted by Rep. Edgmon**

**Article 05. BULK FUEL BRIDGE LOAN FUND AND PROGRAM**

**Sec. 29.60.660. Bulk fuel bridge loan fund and program.**

(a) The bulk fuel bridge loan fund is established in the department to assist communities, utilities providing power in communities, fuel retailers, and other persons in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities, if no other funding source exists for the purchase. The fund consists of appropriations to the fund and income earned on investment of money in the fund.

(b) A community, utility, fuel retailer, or other person generating power or supplying fuel in a community as described in (a) of this section is eligible to receive a loan from the bulk fuel bridge loan fund for a purchase of bulk fuel to be used in the community if the community, utility, fuel retailer, or other person

(1) has a written endorsement from the governing body of the community for which a loan from the fund under this section is sought; and

(2) first applied for and has been denied a loan from

(A) the bulk fuel revolving loan fund (AS 42.45.250) administered by the Alaska Energy Authority;

(B) any other funding source used by the community, utility, fuel retailer, or other person in the past three years to finance purchases of bulk fuel for the community; and

(C) any other funding source that the department determines is available to the community, utility, fuel retailer, or other person to purchase bulk fuel.

(c) Loans made from the bulk fuel bridge loan fund to one borrower in a fiscal year

(1) may not exceed \$750,000; and

(2) shall be repaid within one year after the date of the award.

(d) Interest may not be charged on a loan made from the bulk fuel bridge loan fund.

(e) Repayments of the loans made under this section shall be paid into the bulk fuel bridge loan fund. Money in the fund does not lapse. This fund is not a dedicated fund. Amounts in the fund may be appropriated for expenses directly related to administration of the fund.

(f) The department may contract for the administration of the bulk fuel bridge loan program established in this section.

(g) The department may adopt regulations under AS 44.62 necessary to carry out the provisions of this section.

(h) In this section,

(1) "community" means a municipality or unincorporated village that is a social unit, if the municipality or unincorporated village has a population of less than 2,000 people;

(2) "fund" means the bulk fuel bridge loan fund established in (a) of this section;

(3) "person"

(A) has the meaning given in AS 01.10.060;

(B) includes a cooperative, a joint venture, and a governmental entity.

History -

(Sec. 1 ch 110 SLA 2008; am Sec. 1 ch 2 SSSLA 2008)

Amendment Notes -

The 2008 amendment, effective August 26, 2008, substituted "\$750,000" for "\$500,000" in paragraph (c)(1).

Article Notes -

Effective Dates. Section 7, ch. 110, SLA 2008, makes this article effective June 26, 2008.

Sec. 42.45.250. Bulk fuel revolving loan fund.

(a) The bulk fuel revolving loan fund is established in the authority to assist communities, utilities providing power in communities, and fuel retailers in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities. A community, or a person generating power or selling fuel in a community who has written endorsement from the governing body of each community for which a loan from the fund is sought, is eligible for a loan from the bulk fuel revolving loan fund for a purchase of an emergency supply or a semiannual or annual supply of bulk fuel to be used in the community.

(b) Money in the fund may be used by the legislature to make appropriations for costs of administering this section.

(c) The foreclosure expense account is established as a special account within the bulk fuel revolving loan fund. This account is established as a reserve from fund equity.

(d) The authority may spend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under this section or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

(e) Loans made from the bulk fuel revolving loan fund to one borrower in any fiscal year

(1) may not exceed \$750,000, or, if the borrower is a cooperative corporation organized under AS 10.15 or an electric cooperative organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one community, may not exceed the lesser of \$750,000 multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, or \$1,800,000;

(2) shall be repaid in one year or less; and

(3) may not exceed 90 percent of the wholesale price of the fuel purchased.

(f) Interest may be charged on a loan made from the bulk fuel revolving loan fund. Interest shall be charged on a loan at a rate equal to the percentage of the average weekly yield of municipal bonds for the 12 months preceding the date of the loan, as determined by the authority from municipal bond yield rates reported in the 30-year revenue index of The Bond Buyer. However, if the authority finds that a community cannot afford to repay a portion of interest on a loan, and makes a determination in writing, the authority may reduce or eliminate the interest rate applicable to the loan.

(g) Repayments of the principal, the interest, and the money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on a loan made under this section shall be paid into the bulk fuel revolving loan fund. The fund is not a dedicated fund.

(h) The authority may contract for the administration of the bulk fuel loan program established in this section.

(i) The authority shall dispose of property acquired through default or foreclosure of a loan made under this section. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years.

(j) The authority may adopt regulations necessary to carry out the provisions of this section, including regulations to establish reasonable fees for services provided and charges for collecting the fees.

(k) The authority may collect the fees and collection charges established under (j) of this section and shall deposit the money in the general fund.

(l) Subject to the limitations of AS 42.45.010(b)(3), the authority may borrow money from the power project fund (AS 42.45.010) when necessary to meet commitments for loans from the bulk fuel revolving loan fund. The authority shall use the money in the bulk fuel revolving loan fund to repay the money borrowed from the power project fund and any interest charged on the money borrowed.

(m) In this section,

(1) "community" means an organized municipality or an unincorporated village that is a social unit, with a population of less than 2,000 people;

(2) "person" has the meaning given in AS 01.10.060 and includes a corporation, a cooperative, a joint venture, and a governmental entity.

#### History -

(Sec. 5 ch 18 SLA 1993; am Sec. 1 ch 121 SLA 2002; am Sec. 8 ch 117 SLA 2003; am Sec. 5 - 7, 11 ch 36 SLA 2004; am Sec. 1 ch 78 SLA 2006; am Sec. 4 - 6 ch 110 SLA 2008; am Sec. 4 ch 2 4SSLA 2008)

#### Revisors Notes -

In 1999, in this section, "department" was changed to "authority" in accordance with Sec. 91(b), ch. 58, SLA 1999.

In 2000, in subsection (k), "(j) of this section" was substituted for "(i) of this section" to correct a manifest error in ch. 18, SLA 1993. In 2004, former paragraph (l)(2) was renumbered as (l)(1) to reflect the 2004 repeal of former paragraph (l)(1). Paragraph (l)(2) was enacted as (l)(3) and renumbered in 2004.

Subsection (l) was enacted as (m); relettered in 2008, at which time subsection (l) was relettered as (m).

#### Amendment Notes -

The 2006 amendment, effective September 17, 2006, substituted the present provisions of paragraph (e)(1) for "may not exceed \$300,000."

The first 2008 amendment, effective June 26, 2008, substituted "\$500,000" for "\$400,000" two times in paragraph (e)(1) and "\$1,800,000" for "\$1,500,000" in that paragraph, substituted "The Bond Buyer" for "The Weekly Bond Buyer" in the second sentence of subsection (f), and added subsection (m) [now (l)].

The second 2008 amendment, effective August 26, 2008, substituted "\$750,000" for "\$500,000" twice in paragraph (e)(1).