

LEG. FINANCE - BILLS

1977 - 1978

698

HB 283 thru HB 285

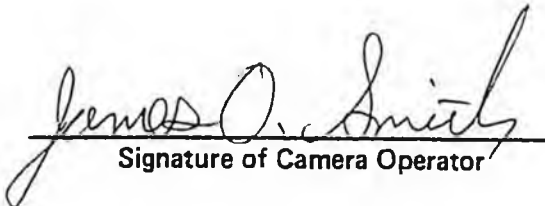
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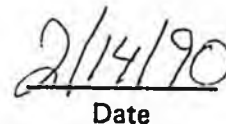


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

"An Act relating to small business loans made by the commissioner of commerce and economic development."

COMMITTEE REPORT

3-10-77

HOUSE

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 283 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

COMMITTEE REPORT

2-28-77

FINANCE

HOUSE

3/10/77 Date

Mr. Speaker:

The Committee on COMMERCE has had HB 283 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>Joe McKinnon</u>	<u>Do Pass</u>	<u>Joe L Hayes - DO PASS</u>
<u>[Signature]</u>	<u>Do Pass</u>	
<u>[Signature]</u>	<u>Do Pass</u>	
<u>[Signature]</u>	<u>Do Pass</u>	
<u>[Signature]</u>	<u>" "</u>	

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

Joseph McKinnon
Chairman

Introduced: 2/28/77
Referred: Commerce and
Finance

BY URION, ELIASON, COWPER,
DANKWORTH, FREEMAN, LETHIN,
MALONE AND SCHAEFFER

1 IN THE HOUSE

2 HOUSE BILL NO. 283

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to small business loans made by the
7 commissioner of commerce and economic development."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 45.95.020(a) is amended to read:

10 (a) The commissioner shall, under regulations and policies adopted
11 by him, make small business loans to acquire, finance or refinance or
12 equip businesses, including farming equipment, mining and fishing, not
13 exceeding \$150,000 [\$100,000]. The loans shall be secured by acceptable
14 collateral and may not exceed 75 per cent of the appraised value of the
15 collateral offered as security. The rate of interest may not exceed
16 eight per cent a year on the unpaid balance.

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

HB 283

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 283
Title An act relating to small business loans
Requested by House Commerce Committee Date 2/28/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
Program Category Affected Development
Budget Request Unit(s) Affected Business Loans

EXPENDITURES (Thousands of Dollars)

NONE

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No fiscal impact

IV. DATE 2/28/77 PREPARED BY Pete Jeans

AGENCY Division of Business Loans

Original: Legislative Finance PHONE 465-2525

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Introduced: 2/28/77
Referred: Commerce and
Finance

BY URION, ELIASON, COWPER,
DANKWORTH, FREEMAN, LETHIN,
MALONE AND SCHAEFFER

1 IN THE HOUSE

2 HOUSE BILL NO. 283

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to small business loans made by the
7 commissioner of commerce and economic development."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 45.95.020(a) is amended to read:

10 (a) The commissioner shall, under regulations and policies adopted
11 by him, make small business loans to acquire, finance or refinance or
12 equip businesses, including farming equipment. mining and fishing, not
13 exceeding \$150,000 [\$100,000]. The loans shall be secured by acceptable
14 collateral and may not exceed 75 per cent of the appraised value of the
15 collateral offered as security. The rate of interest may not exceed
16 eight per cent a year on the unpaid balance.

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Introduced: 4/22/77
Referred: State Affairs and Finance

1 IN THE SENATE

BY FERGUSON

2 SENATE BILL NO. 338

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the tourism revolving fund; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 45.90.030(a) is amended to read:

10 (a) State participation in a loan to a business may not be more
11 than \$3,000,000 [\$1,000,000].

12 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
13 070(c).

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HB 283 incorporated into HCS for SB338

Original sponsor: Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 338

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain loans administered by the
7 Department of Commerce and Economic Development setting
8 maximums for amounts of loans or state participation in
9 loans; and providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 45.90.030(a) is amended to read:

12 (a) State participation in a loan to a business may not be more
13 than \$3,000,000 [\$1,000,000].

14 * Sec. 2. AS 45.95.020(a) is amended to read:

15 (a) The commissioner shall, under regulations and policies adopted
16 by him, make small business loans to acquire, finance or refinance or
17 equip businesses, including farming equipment, mining and fishing, not
18 exceeding \$150,000 [\$100,000]. The loans shall be secured by acceptable
19 collateral and may not exceed 75 per cent of the appraised value of the
20 collateral offered as security. The rate of interest may not exceed
21 eight per cent a year on the unpaid balance.

22 * Sec. 3. Section 1 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c).

I. REQUEST

Bill/Resolution No. SB 338

Title An Act relating to the tourism revolving fund

Requested by Senate Finance

Date 5/18/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Development

Budget Request Unit(s) Affected Division of Business Loans

EXPENDITURES (Thousands of Dollars)

NONE

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No fiscal impact.

IV. DATE 5/18/77

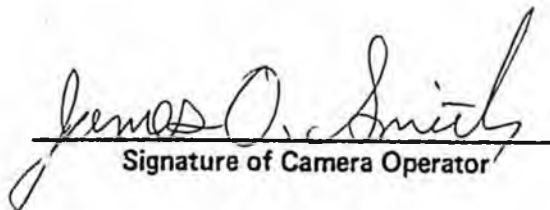
PREPARED BY *[Signature]*
 AGENCY Commerce & Economic Development

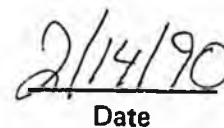


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Signature of Camera Operator


Date

January 31, 1978

Legislative Board of Retirement Benefits analysis and recommendations
on:

House Bill No. 284

The board endorses the attached fiscal note as its fiscal analysis
of HB 284.

A majority of the board recommends that HB 284 pass; one member had
no recommendation; and one member was absent. The board felt that
the elements of transferability and reciprocity of retirement
credit have merit and are better addressed in HB 284 than in HB 634.
The fiscal impact appears moderate.

SUMMARY OF HOUSE BILL NO. 284

(assuming adoption of amendment suggested by Legislative Affairs Agency)

Retirement systems affected: Teachers' Retirement System
and PERS

Permits a member of the Teachers' Retirement System to receive a normal retirement salary at age 55 or an early retirement salary at age 50 with a minimum of two years membership service if the member is also eligible under PERS for a normal or early retirement benefit, respectively.

Permits a member of PERS to receive a normal retirement benefit at age 55 or an early retirement benefit at age 50 with a minimum of two years credited service if the member is also eligible under the Teachers' Retirement System for a normal or early retirement salary, respectively.

Takes effect July 1, 1978.

A M E N D M E N T

IN THE HOUSE

TO: House Bill No. 284

Page 2, line 19:

Change "pension" to "benefit"

Introduced: 2/28/77
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 284

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to service credit in the Teachers'
7 Retirement System and the Public Employees' Retirement
8 System; and providing for an effective date."

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

10 * Section. 1. AS 14.25 is amended by adding a new section to read:

11 Sec. 14.25.125. CONDITIONAL SERVICE RETIREMENT BENEFITS. (a) A
12 member is eligible for a normal retirement salary at age 55 with at
13 least two years membership service if the member also is eligible for
14 a normal retirement benefit under the Public Employees' Retirement
15 System, AS 39.35.

16 (b) A member is eligible for an early retirement salary at age
17 50 with at least two years of membership service if the member also is
18 eligible for an early retirement benefit under the Public Employees'
19 Retirement System, AS 39.35.

20 (c) Membership service for which contributions were refunded is
21 not creditable under this section unless the refunded contributions
22 have been repaid while the member is employed as a teacher.

23 (d) The monthly amount of a normal retirement salary is two per
24 cent of the average monthly compensation times the number of years of
25 membership service. An actuarial adjustment of this amount must be
26 made for an early retirement salary.

27 (e) Benefits payable under this section accrue from the first
28 day of the month (1) in which the member meets the eligibility require-
29 ments of this section, (2) following the date of termination, and (3)

1 following application for retirement, and are payable the last day of
2 the month. If payment is delayed, a retroactive payment shall be made
3 to cover the period of deferment. The last payment shall be made for
4 the month in which the member dies or is no longer eligible for a
5 benefit under this section.

6 * Sec. 2. AS 39.35 is amended by adding a new section to read:

7 Sec. 39.35.385. CONDITIONAL SERVICE RETIREMENT BENEFITS. (a) An
8 employee is eligible for a normal retirement benefit at age 55 with at
9 least two years of credited service if the employee also is eligible
10 for a normal retirement salary under the Teachers' Retirement System,
11 AS 14.25.

12 (b) An employee is eligible for an early retirement benefit at
13 age 50 with at least two years of credited service if the employee
14 also is eligible for an early retirement salary under the Teachers'
15 Retirement System, AS 14.25.

16 (c) Credited service for which contributions were refunded is
17 not creditable under this section unless the refunded contributions
18 have been reinstated while the member is an active employee.

19 (d) The monthly amount of a normal retirement pension for a
20 peace officer or fireman is two per cent of the average monthly com-
21 pensation times the years of service up through 10 years, plus two and
22 one-half per cent of the average monthly compensation times the years
23 of service over 10 years. For all other employees it is two per cent
24 of the average monthly compensation times the number of years of
25 service. An actuarial adjustment of this amount must be made for an
26 early retirement benefit.

27 (e) Benefits payable under this section accrue from the first
28 day of the month (1) in which the member meets the eligibility require-
29 ments of this section, (2) following the date of termination, and (3)

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following application for retirement, and are payable the last day of the month. If payment is delayed, a retroactive payment shall be made to cover the period of deferment. The last payment shall be made for the month in which the member dies or is no longer eligible for a benefit under this section.

* Sec. 3. This Act takes effect July 1, 1978.

HB 284.

February 28, 1977

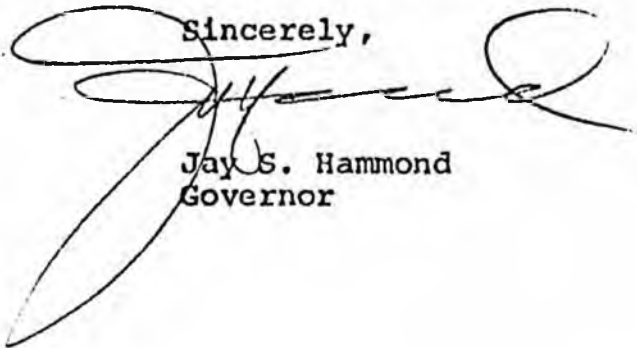
The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to service credit under the Public Employees' Retirement System and the Teachers' Retirement System. This bill would allow an individual who is vested under one retirement system to receive a service retirement benefit from the other system for periods of service over two years.

This legislation will encourage individuals to accept service throughout the state even though it would mean a switch in the retirement system in which they participate. At present, individuals changing positions within public employment which requires them to switch from PERS to TRS or vice versa, are denied benefits from the system they leave, unless they are vested. In view of my recent letter recommending a moratorium on retirement legislation which expands benefits and has a cost impact, I do not feel that the legislature should consider taking final action on this bill until the next session. My purpose in introducing this legislation now is to allow adequate time for consideration of the concept and to have this issue, and others, reviewed by any task force which might be established during the interim.

Sincerely,



Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. HB 284
Title An act relating to credited service in the Teachers/Public Employees Retirement System
Requested by Governor Date 12/16/76

II. FISCAL DETAIL
Agency Affected Administration - Division of Retirement & Benefits
Program Category Affected General Government
Budget Request Unit(s) Affected ALL

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	5.0	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
100 BENEFITS	-0-	19.2	21.1	23.2	25.5	28.1
TOTAL		24.2	21.1	23.2	25.5	28.1

FUNDING (Thousands of Dollars)

GENERAL FUND	80%	-0-	15.4	16.9	18.6	20.4	22.5
FEDERAL FUNDS	10%	-0-	1.9	2.1	2.3	2.6	2.8
OTHER (Specify)	10%	-0-	1.9	2.1	2.3	2.5	2.8
PERS		-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Assume FY 78 covered payroll to be \$192,000,000
2. Assume total state payroll will increase @ 10% annually
3. Increase in the employer contribution rate will be .01%
4. Cost to modify data processing system will be a one time only charge of \$5,000

IV. DATE December 16, 1976 PREPARED BY [Signature]
AGENCY Administration - Division of Retirement & Benefits
PHONE 465-4460

Original: ~~Legislative Finance~~
cc: Budget and Management
Prime Sponsor (First Legislator Named)
[Signature]

APPENDIX I

TRS - Cost to State of Alaska

Estimated FY 78 Payroll (total) = \$214,000,000
 Increase in State - employer contribution rate = .02

Breadkown of Payroll and Costs

<u>Employer</u>	<u>Payroll</u>	<u>Rate</u>	<u>Cost to State</u>
Department of Education	\$ 3,600,000 X	.01	\$ 360
University of Alaska	\$ 38,000,000 X	.01	\$ 3,800
Total TRS Payroll	\$214,000,000 X	.01	\$21,400

Total Cost to State

Distribution of Appropriation

1. Department of Education - - - \$ 360 to their budget
2. University of Alaska- - - - \$ 3,800 to their budget
3. State Matching Contribution - \$21,400 to TRS Match
4. Regular TRS Budget- - - - - \$ 5,000 to contractual services

Estimated costs for data processing system modifications are \$5,000
 This would be a one time only expenditure.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title An act relating to credited service in the Teachers/Public Employees Retirement System
 Requested by Governor Date 12/16/76

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
 Program Category Affected Education
 Budget Request Unit(s) Affected TRS MATCH, DOE, U of A

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	5.0	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	21.4	24.6	28.3	32.5	37.4
100 BENEFITS	-0-	4.4	5.1	5.9	6.8	7.8
TOTAL		30.8	29.7	34.2	39.3	45.2

FUNDING (Thousands of Dollars)

GENERAL FUND	100%	-0-	25.8	29.7	34.2	39.3	45.2
FEDERAL FUNDS		-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify)	TRS	-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Assume that the total FY 78 payroll for TRS is \$214,000,000
2. Assume that total payroll will increase @ 15% annually
3. Required increase in state-employers contribution rate will be .02%

IV. DATE December 17, 1976 PREPARED BY *Robert S. Luter*
 AGENCY Administration-Division of Retirement & Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 284
 Title Service Credit in PERS and IRS
 Requested by _____ Date _____

HB 284

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (PERS)
 Budget Request Unit(s) Affected Public Employees' Retirement System

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			5.0			
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
100 BENEFITS			26.5	23.7	26.1	28.7
TOTAL	-0-	-0-	26.5	23.7	26.1	28.7

FUNDING (Thousands of Dollars)

GENERAL FUND	80%		17.2	19.0	20.9	23.0
FEDERAL FUNDS	17%		3.7	4.0	4.4	4.9
OTHER (Specify)	3%		0.6	0.7	0.8	0.8
PERS			5.0			

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate FY 79 covered State PERS payroll to be \$215,000,000.
2. Estimate future covered payrolls will increase at 10% annually.
3. Increase in State contribution rate would be .01%.
4. Cost to modify data processing system will be a onetime only charge of \$5,000.

Paul B. Arnoldt

IV. DATE 1/23/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules
 Office of the Governor - Keith Specking
 33-001 (Rev. 10/76) Retirement - Paul Arnoldt

OK PLS

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 284
 Title Service Credit in PERS and TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (TRS)
 Budget Request Unit(s) Affected Teachers' Retirement System

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL			5.0			
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			21.4	23.5	25.9	28.5
100 BENEFITS			4.9	5.4	5.9	6.5
TOTAL			31.3	28.9	31.8	35.0

FUNDING (Thousands of Dollars)

GENERAL FUND			26.3	28.9	31.8	35.0
FEDERAL FUNDS						
OTHER (Specify)						
TRS			5.0			

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Estimate FY 79 covered TRS payroll to be \$214,000,000.
2. Estimate future covered payrolls will increase at 10% annually.
3. Increase in combined TRS State Match and employer contribution rate would be .02%.
4. Administrative costs as attached.

IV. DATE 1/23/78 PREPARED BY Paul B. Arnoldt
 AGENCY Division of Retirement and Benefits
 PHONE 465-4460
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) Rules
 Office of the Governor - Keith Specking
 33-001 (Rev. 10/76) Retirement - Paul Arnoldt

ATTACHMENT

Bill/Resolution No. HB 284ASSUMPTIONS:

1. Estimated FY79 Payroll (Total System)	=	\$214,000,000
2. State Contribution Rate to Fund Bill	=	.01 %
3. State TRS Matching Rate to Fund Bill	=	.01 %
4. School District Rate to Fund Bill	=	.01 %

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 5,800,000	X	.01 %	\$ 580	To Their Budget
2. University of Alaska	\$ 43,500,000	X	.01 %	\$ 4,350	To Their Budget
				<u>\$ 4,930</u>	
3. State TRS Matching	\$214,000,000	X	.01 %	\$21,400	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal Services
Travel				\$ -0-	To Travel
Contractual				\$ 5,000	To Contractual
Equipment				<u>\$ -0-</u>	To Equipment
				<u>\$31,330</u>	
5. All School Districts	\$164,700,000	X	.01 %	<u>\$16,470</u>	
				<u>\$47,800</u>	

REMARKS:

Estimated costs for data processing system modifications are \$5,000. This would be a onetime only cost.

"An Act relating to service credit in the Teachers' Retirement System and the Public Employees' Retirement System; effective date."

COMMITTEE REPORT

HOUSE

3/29/77

_____ Date

Mr. Speaker:

The Committee on FINANCE has had HB 284

under consideration. A majority of the members of the Committee

recommends it do pass

recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for _____ and that
CS for _____ do pass

(and) recommends it be referred to the _____
committee

reports it back without recommendation

AND attaches a report of its intent

(other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

_____ Chairman

COMMITTEE REPORT

2-28-77

HOUSE

FINANCE

3-28-77

Date

Mr. Speaker:

The Committee on HESS has had HB 284

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

<u>[Signature]</u>	<u>Do Pass</u>	<u>R. L. E. Kelly</u>	<u>Do Pass</u>
<u>[Signature]</u>	<u>DO PASS</u>	<u>J. Buchholtz</u>	<u>Do Pass</u>
<u>[Signature]</u>	<u>Do Pass</u>	<u>Charles H. Row</u>	<u>Do Pass</u>
<u>[Signature]</u>	<u>Do Pass</u>		

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

[Signature]
Chairman

Introduced: 2/28/77
Referred: Health, Education &
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 284

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to service credit in the Teachers'
7 Retirement System and the Public Employees' Retirement
8 System; and providing for an effective date."

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

10 * Section. 1. AS 14.25 is amended by adding a new section to read:

11 Sec. 14.25.125. CONDITIONAL SERVICE RETIREMENT BENEFITS. (a) A
12 member is eligible for a normal retirement salary at age 55 with at
13 least two years membership service if the member also is eligible for
14 a normal retirement benefit under the Public Employees' Retirement
15 System, AS 39.35.

16 (b) A member is eligible for an early retirement salary at age
17 50 with at least two years of membership service if the member also is
18 eligible for an early retirement benefit under the Public Employees'
19 Retirement System, AS 39.35.

20 (c) Membership service for which contributions were refunded is
21 not creditable under this section unless the refunded contributions
22 have been repaid while the member is employed as a teacher.

23 (d) The monthly amount of a normal retirement salary is two per
24 cent of the average monthly compensation times the number of years of
25 membership service. An actuarial adjustment of this amount must be
26 made for an early retirement salary.

27 (e) Benefits payable under this section accrue from the first
28 day of the month (1) in which the member meets the eligibility require-
29 ments of this section, (2) following the date of termination, and (3)

1 following application for retirement, and are payable the last day of
2 the month. If payment is delayed, a retroactive payment shall be made
3 to cover the period of deferment. The last payment shall be made for
4 the month in which the member dies or is no longer eligible for a
5 benefit under this section.

6 * Sec. 2. AS 39.35 is amended by adding a new section to read:

7 Sec. 39.35.385. CONDITIONAL SERVICE RETIREMENT BENEFITS. (a) An
8 employee is eligible for a normal retirement benefit at age 55 with at
9 least two years of credited service if the employee also is eligible
10 for a normal retirement salary under the Teachers' Retirement System,
11 AS 14.25.

12 (b) An employee is eligible for an early retirement benefit at
13 age 50 with at least two years of credited service if the employee
14 also is eligible for an early retirement salary under the Teachers'
15 Retirement System, AS 14.25.

16 (c) Credited service for which contributions were refunded is
17 not creditable under this section unless the refunded contributions
18 have been reinstated while the member is an active employee.

19 (d) The monthly amount of a normal retirement pension for a
20 peace officer or fireman is two per cent of the average monthly com-
21 pensation times the years of service up through 10 years, plus two and
22 one-half per cent of the average monthly compensation times the years
23 of service over 10 years. For all other employees it is two per cent
24 of the average monthly compensation times the number of years of
25 service. An actuarial adjustment of this amount must be made for an
26 early retirement benefit.

27 (e) Benefits payable under this section accrue from the first
28 day of the month (1) in which the member meets the eligibility require-
29 ments of this section, (2) following the date of termination, and (3)

1 following application for retirement, and are payable the last day of
2 the month. If payment is delayed, a retroactive payment shall be made
3 to cover the period of deferment. The last payment shall be made for
4 the month in which the member dies or is no longer eligible for a
5 benefit under this section.

6 * Sec. 3. This Act takes effect July 1, 1978.
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ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 284

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to service credit in the Teachers' Retirement System and the Public Employees' Retirement System; and providing for an effective date."

TRS & PERS

Introduced in the House ... 2-28, 1977

HISTORY IN THE HOUSE

1977	Feb. 28	Read first time and referred to Committee on HESS and Finance												
		Reported back with recommendation that												
		Read second time and												
		Read third time and												
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
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		<table border="0"> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration														
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
Excused	Excused													
		Reported correctly engrossed Signed by Speaker Sent to Senate												
CHIEF CLERK OF THE HOUSE														

HISTORY IN THE SENATE

19		Read first time and referred to Committee on												
		Reported back with recommendation that												
		Read second time and												
		Read third time and												
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date													
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Nays	Nays													
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Reconsideration														
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
Excused	Excused													
		Reported correctly engrossed Signed by President Returned to House												
SECRETARY OF THE SENATE														

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting:
		Failed to concur in Senate amendment; asked Sen. to recede
		Senate receded from amendment
		Senate failed to recede from amendment
		FCC appointed by House
		FCC appointed by Senate
		FCC adopted
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

HB 284

February 28, 1977

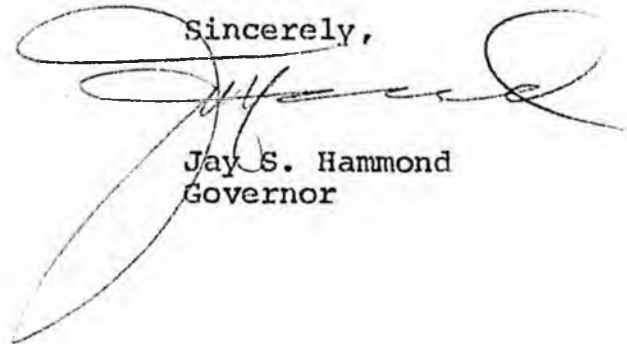
The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to service credit under the Public Employees' Retirement System and the Teachers' Retirement System. This bill would allow an individual who is vested under one retirement system to receive a service retirement benefit from the other system for periods of service over two years.

This legislation will encourage individuals to accept service throughout the state even though it would mean a switch in the retirement system in which they participate. At present, individuals changing positions within public employment which requires them to switch from PERS to TRS or vice versa, are denied benefits from the system they leave, unless they are vested. In view of my recent letter recommending a moratorium on retirement legislation which expands benefits and has a cost impact, I do not feel that the legislature should consider taking final action on this bill until the next session. My purpose in introducing this legislation now is to allow adequate time for consideration of the concept and to have this issue, and others, reviewed by any task force which might be established during the interim.

Sincerely,



Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title An act relating to credited service in the Teachers/Public Employees Retirement System
 Requested by Governor Date 12/16/76

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
 Program Category Affected Education
 Budget Request Unit(s) Affected TRS MATCH, DOE, U of A

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	5.0	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	21.4	24.6	28.3	32.5	37.4
100 BENEFITS	-0-	4.4	5.1	5.9	6.8	7.8
TOTAL		30.8	29.7	34.2	39.3	45.2

FUNDING (Thousands of Dollars)

GENERAL FUND	100%	-0-	25.8	29.7	34.2	39.3	45.2
FEDERAL FUNDS		-0-	-0-	-0-	-0-	-0-	-0-
OTHER (Specify) TRS		-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Assume that the total FY 78 payroll for TRS is \$214,000,000
2. Assume that total payroll will increase @ 15% annually
3. Required increase in state-employers contribution rate will be .02%

IV. DATE December 17, 1976 PREPARED BY *Robert S. Luter*
 AGENCY Administration-Division of Retirement & Benefits
 Original: Legislative Finance PHONE 465-4460
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 284
Title An act relating to credited service in the Teachers/Public Employees Retirement System
Requested by Governor Date 12/16/76

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits
Program Category Affected General Government
Budget Request Unit(s) Affected ALL

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL	-0-	5.0	-0-	-0-	-0-	-0-
400 COMMODITIES	-0-	-0-	-0-	-0-	-0-	-0-
500 EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.	-0-	-0-	-0-	-0-	-0-	-0-
100 BENEFITS	-0-	19.2	21.1	23.2	25.5	28.1
TOTAL		24.2	21.1	23.2	25.5	28.1

FUNDING (Thousands of Dollars)

GENERAL FUND	80%	-0-	15.4	16.9	18.6	20.4	22.5
FEDERAL FUNDS	10%	-0-	1.9	2.1	2.3	2.6	2.8
OTHER (Specify)	10%	-0-	1.9	2.1	2.3	2.5	2.8
PERS		-0-	5.0	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME		-0-	-0-	-0-	-0-	-0-
PART TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Assume FY 78 covered payroll to be \$192,000,000
2. Assume total state payroll will increase @ 10% annually
3. Increase in the employer contribution rate will be .01%
4. Cost to modify data processing system will be a one time only charge of \$5,000

IV. DATE December 16, 1976 PREPARED BY *Robert A. Gates*
AGENCY Administration - Division of Retirement & Benefits
PHONE 465-4460

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named) *Richard S. Frazier*

33-001 (Rev. 10/76) *SAW 20*

APPENDIX I

TRS - Cost to State of Alaska

Estimated FY 78 Payroll (total) = \$214,000,000
 Increase in State - employer contribution rate = .02

Breadkown of Payroll and Costs

<u>Employer</u>	<u>Payroll</u>	<u>Rate</u>	<u>Cost to State</u>
Department of Education	\$ 3,600,000 X	.01	\$ 360
University of Alaska	\$ 38,000,000 X	.01	\$ 3,800
Total TRS Payroll	\$214,000,000 X	.01	\$21,400

Total Cost to State

Distribution of Appropriation

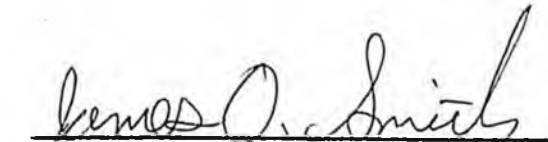
1. Department of Education - - - \$ 360 to their budget
2. University of Alaska- - - - - \$ 3,800 to their budget
3. State Matching Contribution - \$21,400 to TRS Match
4. Regular TRS Budget- - - - - \$ 5,000 to contractual services

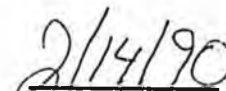
Estimated costs for data processing system modifications are \$5,000
 This would be a one time only expenditure.



RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

COMMITTEE REPORT

2-28-77

HOUSE

_____ 1977 Date

Mr. Speaker:

The Committee on FINANCE has had HB 295 under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that CS for _____ do pass
- (and) recommends it be referred to the _____ committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____	recommends: _____
_____	recommends: _____
_____	recommends: _____

Chairman

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No. 285
 Title Supplemental Appropriation to Alaska Public Utilities Commission
 Requested by Office of the Governor Date 2/25/77

SUBJECT

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	278,308					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	278,308					

FUNDING (Thousands of Dollars)

GENERAL FUND	278,308					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Summary of direct costs of AVEC study:

Accounting (rate base = investment in plant)	\$72,000
Accounting (operating expenses for the test year)	55,200
Engineering (Anchorage)	17,600
(field/travel)	31,400
(per diem)	2,320
Rate Design	12,000
Management Audit	39,760
	Subtotal
	\$230,280
Indirect cost and administration	23,028
Contingencies	25,000
	TOTAL
	\$278,308

IV. DATE 2/25/77 PREPARED BY Carolyn Guess, Commissioner, APUC
 AGENCY Alaska Public Utilities Commission
 PHONE 272-1487
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 2/28/77
Referred: Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 285

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the
7 Department of Commerce and Economic Development,
8 Alaska Public Utilities Commission; and providing for
9 an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$278,308 is appropriated from the general fund
12 to the Department of Commerce and Economic Development, Alaska Public
13 Utilities Commission, to fund a cost-of-service and management study of the
14 Alaska Village Electric Cooperative during the remainder of Fiscal Year 1977
15 and extending into Fiscal Year 1978.

16 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

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1HB 285

February 28, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation in the amount of \$278,308 to the Department of Commerce and Economic Development, Alaska Public Utilities Commission, to fund a cost-of-service and management study of the Alaska Village Electric Cooperative. One result of this study will be to determine reasonable rates for the REAA's to pay for power and provide data for contractual decision-making for the future of electrical power in the forty-six AVEC-powered locations. The appropriation would enable the study to extend into Fiscal Year 1978.

Sincerely,

Jay S. Hammond
Governor

INFORMATION FOR SUPPLEMENTAL APPROPRIATION
FOR COST OF SERVICE STUDY RE AVEC

The Problem:

The REAAs have refused to sign contracts with AVEC because the costs will be excessive in relationship to projected education revenues to their districts. The schools have been consuming 33% of the kilowatt-hours generated and paying 53.7% of the costs of generation in the 46 AVEC villages.

The Process Addressing the Problem:

The Interdepartmental Task Force was formed to address the problem and recommend to the Governor means to resolve the immediate problem. Agencies involved were the Governor's immediate staff, the Division of Budget and Management, the Division of Policy Development and Planning, the Department of Education, the Department of Public Works, the Department of Commerce and Economic Development and its Public Utilities Commission, Department of Community and Regional Affairs and the Department of Revenue. Jim Edenso, Deputy Commissioner of the Department of Revenue, has been chairing the project.

The Recommendations:

The Committee recommended that a proposal be submitted to the Federal Regional Council to seek funding to conduct a cost of service study to collect data necessary to the REAAs for resolution of the contract disputes; to BIA for ascertaining the future of their AVEC contracts; to APUC for establishing just and reasonable rates; to the State Administration for determining future policy of subsidization of electricity in rural Alaska for educational purposes; and to federal agencies for protecting capital investments already dependent on AVEC power.

Current Status:

The proposal to the Federal Regional Council was, in essence, turned down. The urgency of the project dictates that the State proceed in order to have the data available by early fall to meet the above purposes. The current contracts with the REAAs (actually an assignment of right; by the State to REAAs under the terms of the former Statewide contract with State operated schools) expire June 30, 1978 and no future commitments can be undertaken until the dispute is resolved.

Immediate Recommendation:

The recommendation of the Interdepartmental Task Force is that to assure immediate responsible, professional attention to the task, the State fund the cost of service study for an amount of \$280,000 appropriated to the Alaska Public Utilities Commission. The Interdepartmental Task Force recommends that since this is the State agency charged with the responsibility of establishing just, reasonable and non-discriminatory rates, this is the appropriate agency to manage the study.

Attachments



Alaska Village Electric Co-operative, inc.

999 TUDOR RD., ANCHORAGE, ALASKA 99503
TELEPHONE 279-3548

December 3, 1976

Carolyn Guess, Commissioner
Alaska Public Utilities Commission
1100 MacKay Building
338 Denali
Anchorage, Alaska 99501

Dear Commissioner Guess:

Enclosed please find three sets of charts as follows:

Chart #1: Gives an indication of the State School revenue verses the total revenues in State School villages served by AVEC.


Chart #2: Gives an indication of AVEC revenue sources and distribution from 7-75 through 6-30-76.

Chart #3: Charts originally developed in 1973 in conjunction with efforts to raise the school minimum to \$2,835. per month, which time sequenced the events that would happen to AVEC without adequate school revenue.

We have indicated on these charts the type of chaos that would develop in a failing utility. The facts are as good today as when they were originally presented to responsible officials in 1973.

Yours truly,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.



Lloyd M. Hodson
General Manager

LMH/jay

Enclosures

STATE SCHOOL VILLAGES SERVED BY AVEC
7-1-75 through 6-30-76

<u>Village</u>	<u>§</u>	<u>BIA School Revenue</u>	<u>§</u>	<u>State School Revenue</u>	<u>Non-School Revenue</u>	<u>Total Revenue</u>
Alakanuk *** *	36	35,927.52	21	21,000.79	42,045.76	98,974.07
Angoon			36	36,680.45	65,549.65	102,230.10
Anvik			84	35,487.07	6,561.56	42,048.63
Emmonak *** *	33	35,092.23	20	20,810.99	49,548.44	105,451.66
Fortuna Ledge			72	35,948.23	14,100.78	50,049.01
Holy Cross			59	35,739.12	25,094.48	60,833.60
Huslia			61	36,693.88	23,782.10	60,475.98
Kaltag			70	36,174.93	15,301.59	51,476.52
Kiana ***	31	36,639.79	33	38,420.67	41,651.89	116,712.35
Kivalina			62	35,332.75	21,662.08	56,994.83
Koyuk			72	35,698.89	13,565.82	49,264.71
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Noatak			59	35,429.18	25,033.29	60,462.47
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Shishmarek			52	35,727.58	33,421.07	69,148.65
Shurgnak			70	35,970.34	15,362.75	51,333.09
Togiak			49	36,918.97	39,016.87	75,935.84
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	11	179,500.14	59	833,306.58	650,106.85	1,662,913.57

61% of Total Revenue from Schools.

* Partial year State School

** Two State/REAA Schools

*** BIA & State/REAA School

AVFC REVENUE SOURCES & DISTRIBUTION

Year July 1 1975 - June 30 1976

	<u>Average No.</u>	<u>KWH Sold</u>		<u>Revenue</u>		<u>Average Cost ¢/KWH</u>
		<u>%</u>	<u>KWH</u>	<u>%</u>	<u>\$</u>	
Residential	2227	31	3,977,530.	25	813,494.	20.4 -
Commercial	147	12.6	1,619,413.	7	217,664.	13.4
Street Lights	76	.6	73,440.	.3	9,180.	12.5
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Schools-Other	5	6.3	815,969.	5.5	177,688.	21.8
Other Public Buildings	267	11.5	1,484,249.	7.1	227,721.	15.3
Other Revenues					2,875.	
Total	2771	100	12,835,785.	100	3,218,144.	25.1

Presentation to the Federal Regional Council

STATUS OF CONTRACT ARRANGEMENTS BETWEEN REAA'S AND AVEC

With the dissolution of the State Operated School System, which had been the single contracting agency with AVEC for electrical power to schools and communities prior to the establishment of the Regional Educational Attendance Areas, the contracting powers of school districts were written into the legislation creating the REAA's. The State assigned the rights under the existing contract to the REAA's and advised the REAA's and AVEC to immediately embark on contract negotiations for the future.

Obviously, this change in governmental structure within the State of Alaska creates a particularly difficult situation for AVEC and for the REAA's. Where AVEC was able to settle contracts and plans with a single State agency in the past, they must now negotiate with eight of the twenty-one REAA boards to cover the same schools that were originally served by the State Operated System. Additionally, those boards face the problem of determining what amount of money they dare commit since their funding is entirely State funds, approved annually by the legislature.

At this time, the State is concerned about developing a sound long-range policy on rural electrical power and is eager to progress with future planning to meet the needs of villages as well as school districts. While the State does

not have the legal authority to demand signatures on contracts between AVEC and the REAA's, nor to contract on their behalf, it does feel an obligation to assist in all ways possible in resolving what is clearly a difficult decision-making problem at this juncture in rural electrification history and to assist in maintaining a continuity of energy supply.

As of Friday, December 3, the status of the contract potential with REAA's containing AVEC-served schools was basically as follows:

The boards of the REAA's involved are unanimous in their concern about the inequity of charges for AVEC service to schools compared with other consumers. Beyond that consensus there are some differing responses according to particular experiences of the REAA's.

REAA #1 feels that the rates definitely need to be more reasonable and equitable and the board has asked staff to analyze the cost of generating their own electricity. They indicate that they have no intention of signing extended contracts at this time, though an analysis of the cost for generating their own electricity might change their minds, as could a change in rate structure.

REAA #2 is seriously interested in signing an extended contract, but only under more equitable rates. Their complaints center around rates, and they are particularly sympathetic with AVEC's problems with the rapid growth in response to the expansion of school construction. Basically they oppose the flat rates and want straight consumer usage rates.

REAA #12 appears the least likely to sign at this point, but they are gravely concerned about their own communities and the rest of the State if they choose not to sign an extended contract for the schools. Their major concerns center around the cost of AVEC service as compared with the cost with three private power companies that serve schools in Bettles, Manley Hot Springs and Tanana. The cost for those schools, which are of comparable size, varies from one-third to onehalf to the cost of the AVEC service. The Board has requested specific review of alternatives and will be receiving that information in the near future. Additional reference was made to serious damage problems from the lack of good maintenance service by AVEC, the most notable example referred to being \$98,000 dollars worth of damage in Mulato two years ago.

REAA #6 is not interested in producing their own electricity would like to sign the contract, but cannot at this time accept the rate structure. They do have

serious concern about the lack of dependable power in one of their AVEC-served schools, which must operate its own standby power, must have its own fuel and bear the cost of the regular contracted service, as well. The expansion of housing in REAA #6 has greatly affected the dependability of power due to extension of water and sewer systems.

REAA #11 board is reluctant to sign without a fairer approach to rate sharing. They will assume some of the BIA schools in the future and do not feel that they will be able to justify expenditures from foundation educational funds for the high cost. However, they do not have an acceptable alternative to date.

REAA #4 allegedly has no intention of signing and is considering operating with its' own power generation unless the rate disparity is improved. They have concern about the lack of reliability and service problems that have been experienced.

REAA #5 Board would rather buy than produce power, but insists on improvement of the rates to schools and would accept the same rate as community users and others. Likewise, if any amount above that rate is subsidized by the State through other than school foundation act education dollars, they would be much more likely to

sign the contracts. Because they feel that the AVEC power is basically unreliable, they have to keep the back-up systems running in their schools. (In some cases there is a sole source problem.)

REAA #3 did not report last week but are apparently responding similarly to #4.

INVESTIGATION

AGREEMENT

1. This Contract, entered into on the _____ day of _____, 1976, between the Chatham School District, (Rural Education Attendance Area District Eighteen), and Alaska Village Electric Cooperative, Inc., (hereinafter called the "Contractor").

Effective Date

In regard to present Chatham School District School locations, including:

Angoon

effective July 1, 1976.

2. WITNESSETH that:

(a) WHEREAS, this is a Contract for supplying electrical services in an area where no competition exists and rates are controlled by law or ordinance; and

(b) WHEREAS, the Contractor has entered into a Contract with the Administrator of the Rural Electrification Administration, hereinafter referred to as "REA", dated September 23, 1968, No. A-1873, and subsequent Agreements, which provides for a loan from the United States of America, acting through the REA to finance the costs of construction of certain electric generation and distribution systems and related appurtenances, hereinafter referred to as "Electric Facilities" and

(c) WHEREAS, the construction of the Contractor's Electric Facilities is conditioned upon the negotiation and execution of Contracts in form and coverage acceptable to the REA between the Contractor and qualified Cooperative Members, hereinafter referred to as "Members", and

(d) WHEREAS, the Chatham School District desires to become a Member and secure required electric service as necessary for operation of schools, in the village of Angoon, in which Contractor operates electric facilities.

NOW THEREFORE, in consideration of mutual covenants herein contained, it is mutually agreed between the parties hereto as follows, to wit:

3. DEFINITIONS

Where used in this Contract:

(a) Chatham School District shall mean the Chatham School District, (Rural Education Attendance Area District Eighteen), or other related agency, or any subordinates or successor agency responsible for school operation in the village of Angoon and their heirs and assigns.

(b) Contractor shall mean the Alaska Village Electric Cooperative, Inc., a Corporation duly created and existing under the laws of the State of Alaska.

4. GENERAL

The Contractor, at his expense, shall provide the facilities as necessary to sell and deliver to the Chatham School District, and the Chatham School District shall purchase from the Contractor all of the electric power and energy which the Chatham School District may need at Angoon.

5. REVENUE GUARANTEE

(a) The Chatham School District shall pay the Contractor monthly, for service or the availability of service, hereinafter as mutually agreed (I) the sum of the amount determined for each school pursuant to latest effective tariff rate schedule generally applicable to other similar consumers or (II) \$2,835. per month, per location, whichever is the greater, for the one (1) school facility location (s) Angoon. The one (1) revenue guarantee shall be subject to addition of a fuel cost adjustment based on actual kWh usage and as applied to all AVEC consumers and regulated by the Alaska Public Utilities Commission.

(b) The Chatham School District shall be entitled to any discounts customarily applicable to payment of bills by any customer of the Contractor.

(c) Invoices for payment shall be prepared and submitted to the location as designated by the Chatham School District. All invoices shall contain statements of the meter readings at the beginning and the

ending of the billing period, meter constants, consumption during the billing period, and such other pertinent data as may be required to substantiate the billings.

6. BILLING

(a) Payments hereunder shall not be made in advance of services rendered. The Chatham School District shall, however, use diligence to effect payment of all bills for services rendered under this Contract within thirty (30) days from the date such bills are received.

(b) Bills for service hereunder shall be paid at the office of the Contractor in Anchorage, State of Alaska.

7. MEMBERSHIP

The Chatham School District shall become a member of the Contractor, shall pay the membership fee of \$5.00 and be bound by such rules and regulations as may from time to time be adopted by the Contractor, which are pertinent to the supply and receipt of service.

8. CONTINUITY OF SERVICE

(a) The Contractor shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy fail or be interrupted, or becomes defective through act of God, Governmental Authority, action of the elements, public enemy, accident, strikes, labor trouble, inability to secure right-of-way, or any other cause beyond the reasonable control of the Contractor, the Contractor shall not be liable therefore or for damages caused thereby.

(b) In the event of the interruption of service in any month in the manner above described and said interruption is for a total period in excess of one day, the monthly amount due Contractor pursuant to paragraph 5 (a) (II) hereunder shall be reduced in the same proportion as the period of interrupted service bears to the month in which the interruption occurred.

(c) Interruptions for planned maintenance or emergency repair shall be coordinated with the Chatham School District to the maximum extent feasible so as to minimize the impact of the outage of the Chatham School District operations.

9. DURATION OF CONTRACT

This Agreement shall become effective only upon approval in writing by REA and shall remain in effect until ~~twelve (12) years following the start of the initial billing period on July 1, 1976~~. At the end of such twelve (12) year period, the Chatham School District shall pay the Contractor an amount (hereinafter called the "Facilities Charge") computed as hereinafter provided, unless the Chatham School District shall elect to renew this Agreement for an additional twelve (12) year period by giving written notice thereof to the Contractor not less than 90 days before the end of the first twelve (12) year period. The Facilities Charge shall be \$150,000.00 per location.

The Chatham School District, by giving not less than 90 days written notice to the Contractor and paying the Facilities Charge, shall have the right to terminate this Agreement at any time; provided, however, that if such notice shall be effective during the additional twelve (12) year period, the Facilities Charge shall be reduced by eight and one-third per cent (8 1/3%) for each year of service following the expiration of the first twelve (12) year period.

10. ACCESS TO SERVICE LOCATIONS

(a) The Chatham School District grants to the Contractor, free of any rental or similar charge, but subject to the limitations specified in this Contract, a revocable permit to enter the service locations for any proper purpose under this Contract, including use of site or sites agreed upon by the parties hereto for the installations, operation, and maintenance of the facilities of the Contractor. Authorized representatives of the Contractor will be allowed access to the facilities of the Contractor and the Chatham School District at suitable times to perform the obligations of the Contractor with respect to such facilities. It is expressly understood, however, that proper military authority may limit or restrict the right of access herein granted in any manner considered by such authority to be necessary for the National security.

(b) The Contractor shall, at its expense, obtain all rights-of-way and easements necessary to permit it to perform under this Contract.

11. ALASKA PUBLIC UTILITY COMMISSION

It is the understanding of the parties that this Agreement shall be subject to applicable provisions of Alaska Administrative Code, Title 3, Part 5, Alaska Public Utilities Commission, Chapter 48, Practice and Procedure, Article 2, Utility Tariffs, Section 390 Provisions of Special Contract.

SERVICE AGREEMENT BETWEEN CHATHAM SCHOOL DISTRICT
(REAA DISTRICT 18)
AND
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.

Approved:

CHATHAM SCHOOL DISTRICT


Approved:

ALASKA VILLAGE ELECTRIC COOPERATIVE,
INC.

By: _____

Title: _____

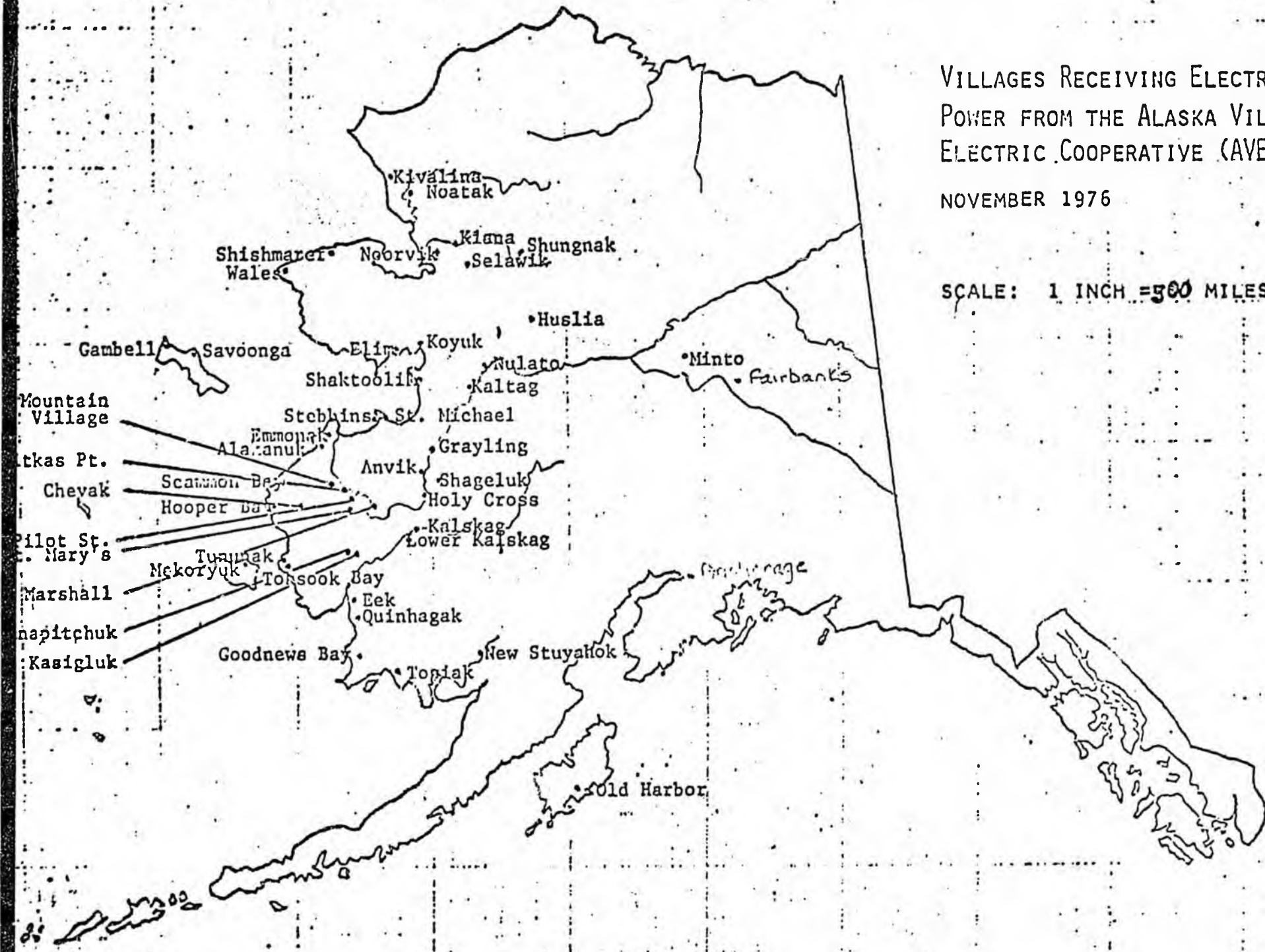
Date: _____

By:  _____
Title: General Manager
Date: June 3, 1976

VILLAGES RECEIVING ELECTRIC
POWER FROM THE ALASKA VILLAGE
ELECTRIC COOPERATIVE (AVEC)

NOVEMBER 1976

SCALE: 1 INCH = 500 MILES



Alaska Public Utilities Commission Planning Budget
For a Cost of Service Study of the Alaska Village
Electric Cooperative (AVEC)

The proposed funding of the Comprehensive Assessment of the cost and quality of service currently being provided 46 villages by the Alaska Village Electric Cooperative was originally estimated to be \$452,465. The State wishes to modify this request to \$317,817 based on input from additional state agencies, conferences with engineering firms and a re-examination of the approach to the management audit portion of this project. Below is a brief outline of the components of this project with appropriate notations regarding assumptions on which the second estimate is based.

A. Personnel

- | | |
|---|----------|
| 1. Research Analyst II | \$14,670 |
| Range 16A - \$1,650/month
for 9 months | |
| 2. Benefits | 1,870 |

The second estimate has eliminated the position of Project Coordinator. The assumption made is that this responsibility will be filled either by the Alaska Public Utilities Commission or by one of the successful bidders on the cost of service study.

B. Travel

- | | |
|---|--------|
| 1. Two days via small plane
in 46 villages | 35,505 |
|---|--------|

This figure is based on the use of a company aircraft for all travel to the 46 AVEC villages. It assumes that weather cooperates and a planned schedule can be met. This figure is approximately \$18,000 less than the original estimate which was based on a chartered aircraft which would spend two days in each village.

C. Per Diem

This estimate calls for two days spent in each village. Under each geographical heading the first number represents the days in the village. This is multiplied by the number of people who will participate in the travel to that village and this is multiplied by the state allowed per diem for that region. It is intended to divide the villages into the most economical travel unit and to visit those out of the Kotzebue/Nome area on two separate trips as well as those out of the Bethel area on two separate trips. (All clothing and food for the participants visiting the villages must be taken with them.) The 1/2 person referred to in the Kotzebue/Nome and Bethel regions is based on the assumption that the management audit member of the team would make one trip to villages in the regions. The other two participants will be an engineer and a staff member from the Alaska Public Utilities Commission. Again, the basic assumption of the dollar amounts in this category is based on the cooperation of the weather and the availability of the village power plant operator as well as other village resources at the time that the team makes its visit. Communication is extremely difficult in these areas and the cooperation of the Department of Community and Regional Affairs will aid the team in communicating with the village people.

1.	Kotzebue/Nome - 17 villages 2 days per village (34 x 2 1/2 x \$67.00)	5,695
2.	Bethel - 18 villages 2 days per village (36 x 2 1/2 x \$65.00)	5,850
3.	Dillingham - 4 villages 2 days per village (8 x 2 x \$49.00)	784
4.	Cambell/Savoonga - 2 villages 2 days per village (4 x 2 x \$67.00)	536
5.	Old Harbor - 1 village 2 days per village (2 x 2 x \$54.00)	216
6.	Fairbanks - 3 villages 2 days per village (6 x 2 x \$58.00)	696

D. Equipment

1.	Dictating Equipment	645
2.	Recording Equipment	750
3.	Lease/Computer Terminal	1,200

The lease of a computer terminal is included because of the similar data that will be collected for every village as required by the Uniform System of Accounts prescribed by Alaska Public Utilities Commission regulation. It is assumed that the computer terminal will decrease the number of man-hours needed to do the office calculations.

E. Contractual

1. Management Audit

a.	Professional Services/Field \$440 per day - 26 days	11,440
b.	Professional Services/Office \$440 per day - 60 days	26,400
c.	Computer Time	4,000
d.	Testimony - 7 days	3,080
e.	Travel - Seattle/Anchorage	2,760
f.	Per Diem - Anchorage 40 days (\$45.00 per diem)	1,800

Responsibilities of the individual conducting the management audit will take the participant to the villages as noted above and require extensive office work in Anchorage. The Seattle/Anchorage travel is a result of the estimate coming from SCS, a division of Boeing Computer Services, Inc. The testimony referred to would be before the Alaska Public Utilities Commission which will hear the request of AVIC to increase its rates and propose a new rate structure. The original estimate included the management audit personnel visiting every village in addition to 85 days of office work. The consensus is that various state agencies have valid information regarding the villages, therefore the cost to visit every village can be lessened. In addition, it is believed that 40 working days is ample time to pull together the facts and recommendations of the management audit team.

2. Engineering

- | | |
|------------------------------|--------|
| a. Report and Study Estimate | 87,500 |
|------------------------------|--------|

We received two estimates from Alaskan engineering firms with experience in rural Alaska and small generation facilities. The lesser estimate is provided above and the larger figure is approximately \$12,000 more.

3. Accounting

- | | |
|----------------------------------|--------|
| a. Revenue Requirement (50 days) | 20,000 |
| b. Rate Design (75 days) | 30,000 |
| c. Testimony (7 days) | 2,800 |
| d. Computer Support | 4,000 |

This estimate is based on a cursory analysis of the existing records of AVEC by the accounting firm of Arthur Young & Co. Considerable time will have to be spent to determine, as accurately as possible, the operating expenses of the utility by village and by REAA school district as well as auditing the records of AVEC on a centralized basis. In addition, the accounting responsibilities of a cost of service study include the verification that the records give a true indication of the plant that is in use and useful to the utility. Rate design involves an extremely time-consuming workload for an accountant. Which consumer class shall pay what amount for service is the cause of the filing of this application. It is believed that this accounting estimate could be low and is entirely dependent on the methods used by AVEC for record keeping and the accuracy of those records.

F. Miscellaneous

- | | |
|--|---------------|
| 1. Transcript of hearing before the APUC | 4,000 |
| | Total 266,197 |
| 2. Indirect Cost and Administration 10% | 26,620 |
| 3. Allowance for Contingencies | 25,000 |

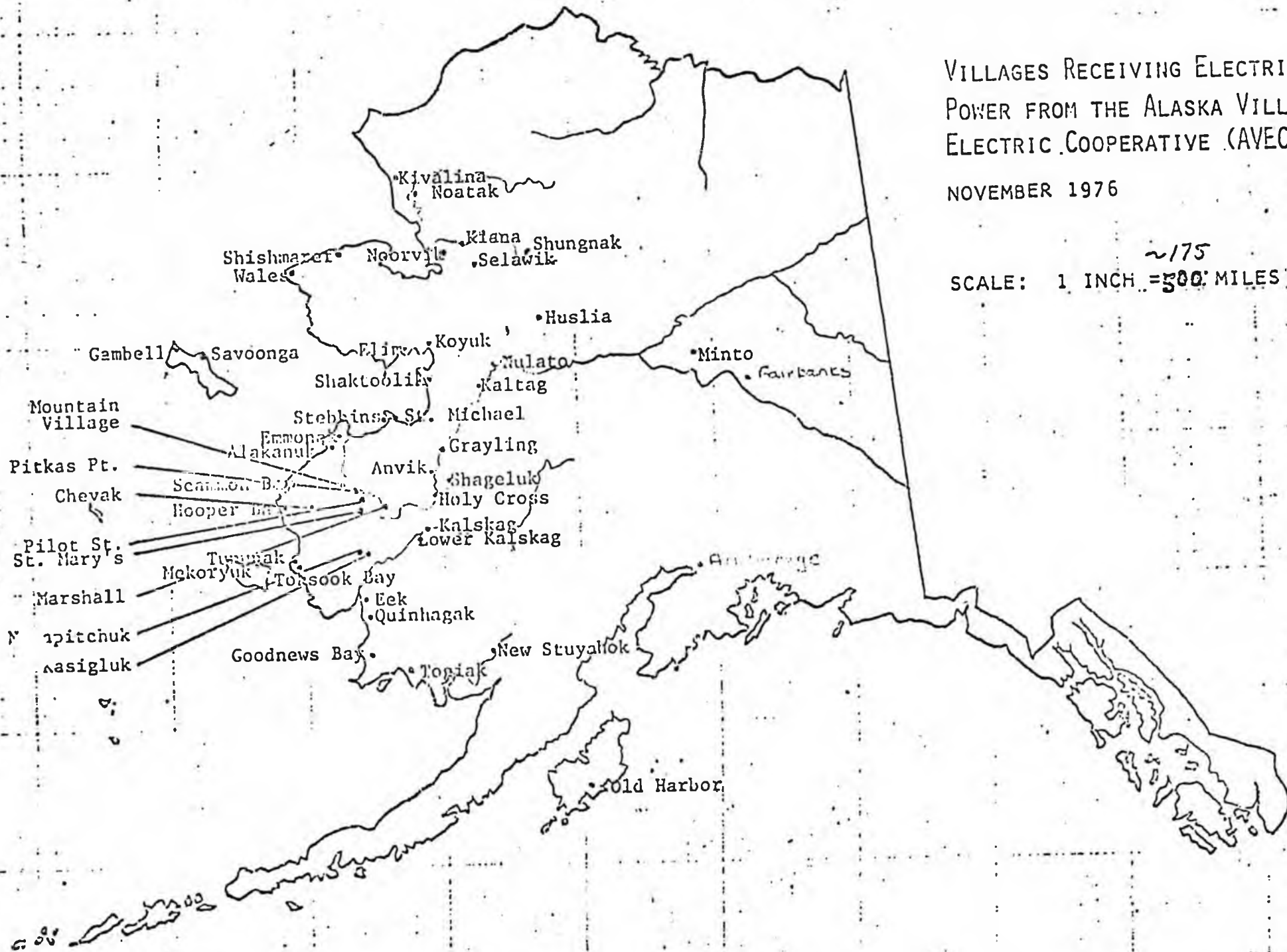
The cost of the transcript was not included in the original estimate. In the second estimate we have lowered the percentage of indirect cost and administration to 10% and we have included a contingency fund which was not included in the original estimate. Because we are dealing with 46 villages in rural Alaska with uncertain climatic conditions and marginally operative (and in some instances non-existent communication) a contingency amount has been added.

G. Funding	Total	317,817
Alaska 1/3 matching of grant		105,939
Federal Funds requested		211,878

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NOVEMBER 1976

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THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. House Bill No. 285
 Title Supplemental Appropriation to Alaska Public Utilities Commission
 Requested by Office of the Governor Date 2/25/77

II. FISCAL DETAIL
 Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	278,308					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	278,308					

FUNDING (Thousands of Dollars)

GENERAL FUND	278,308					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Summary of direct costs of AVEC study:

Accounting (rate base = investment in plant)	\$72,000
Accounting (operating expenses for the test year)	55,200
Engineering (Anchorage)	17,600
(field/travel)	31,400
(per diem)	2,320
Rate Design	12,000
Management Audit	39,760
	Subtotal
	\$230,280
Indirect cost and administration	23,028
Contingencies	25,000
	TOTAL
	\$278,308

IV. DATE 2/25/77 PREPARED BY *Carolyn Guess* Commissioner, APUC
 AGENCY Alaska Public Utilities Commission
 PHONE 272-1487
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)



Alaska Village Electric Co-operative, inc.

999 TUDOR RD., ANCHORAGE, ALASKA 99503
TELEPHONE 279-3548

December 3, 1976

Carolyn Guess, Commissioner
Alaska Public Utilities Commission
1100 MacKay Building
338 Denali
Anchorage, Alaska 99501

Dear Commissioner Guess:

Enclosed please find three sets of charts as follows:

Chart #1: Gives an indication of the State School revenue verses the total revenues in State School villages served by AVEC.


Chart #2: Gives an indication of AVEC revenue sources and distribution from 7-75 through 6-30-76.

Chart #3: Charts originally developed in 1973 in conjunction with efforts to raise the school minimum to \$2,835. per month, which time sequenced the events that would happen to AVEC without adequate school revenue.

We have indicated on these charts the type of chaos that would develop in a failing utility. The facts are as good today as when they were originally presented to responsible officials in 1973.

Yours truly,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.



Lloyd M. Hodson
General Manager

LMH/jay

Enclosures

STATE SCHOOL VILLAGES SERVED BY AVEC
7-1-75 through 6-30-76

<u>Village</u>	<u>§</u>	<u>BIA School Revenue</u>	<u>§</u>	<u>State School Revenue</u>	<u>Non-School Revenue</u>	<u>Total Revenue</u>
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61% of Total Revenue from Schools.

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STATUS OF CONTRACT ARRANGEMENTS BETWEEN REAA'S AND AVEC

With the dissolution of the State Operated School System, which had been the single contracting agency with AVEC for electrical power to schools and communities prior to the establishment of the Regional Educational Attendance Areas, the contracting powers of school districts were written into the legislation creating the REAA's. The State assigned the rights under the existing contract to the REAA's and advised the REAA's and AVEC to immediately embark on contract negotiations for the future.

Obviously, this change in governmental structure within the State of Alaska creates a particularly difficult situation for AVEC and for the REAA's. Where AVEC was able to settle contracts and plans with a single State agency in the past, they must now negotiate with eight of the twenty-one REAA boards to cover the same schools that were originally served by the State Operated System. Additionally, those boards face the problem of determining what amount of money they dare commit since their funding is entirely State funds, approved annually by the legislature.

At this time, the State is concerned about developing a sound long-range policy on rural electrical power and is eager to progress with future planning to meet the needs of villages as well as school districts. While the State does

not have the legal authority to demand signatures on contracts between AVEC and the REAA's, nor to contract on their behalf, it does feel an obligation to assist in all ways possible in resolving what is clearly a difficult decision-making problem at this juncture in rural electrification history and to assist in maintaining a continuity of energy supply.

As of Friday, December 3, the status of the contract potential with REAA's containing AVEC-served schools was basically as follows:

The boards of the REAA's involved are unanimous in their concern about the inequity of charges for AVEC service to schools compared with other consumers. Beyond that consensus there are some differing responses according to particular experiences of the REAA's.

REAA #1 feels that the rates definitely need to be more reasonable and equitable and the board has asked staff to analyze the cost of generating their own electricity. They indicate that they have no intention of signing extended contracts at this time, though an analysis of the cost for generating their own electricity might change their minds, as could a change in rate structure.

REAA #2 is seriously interested in signing an extended contract, but only under more equitable rates. Their complaints center around rates, and they are particularly sympathetic with AVEC's problems with the rapid growth in response to the expansion of school construction. Basically they oppose the flat rates and want straight consumer usage rates.

REAA #12 appears the least likely to sign at this point, but they are gravely concerned about their own communities and the rest of the State if they choose not to sign an extended contract for the schools. Their major concerns center around the cost of AVEC service as compared with the cost with three private power companies that serve schools in Bettles, Manley Hot Springs and Tanana. The cost for those schools, which are of comparable size, varies from one-third to onehalf to the cost of the AVEC service. The Board has requested specific review of alternatives and will be receiving that information in the near future. Additional reference was made to serious damage problems from the lack of good maintenance service by AVEC, the most notable example referred to being \$98,000 dollars worth of damage in Mulato two years ago.

REAA #6 is not interested in producing their own electricity would like to sign the contract, but cannot at this time accept the rate structure. They do have

serious concern about the lack of dependable power in one of their AVEC-served schools, which must operate its own standby power, must have its own fuel and bear the cost of the regular contracted service, as well. The expansion of housing in REAA #6 has greatly affected the dependability of power due to extension of water and sewer systems.

REAA #11 board is reluctant to sign without a fairer approach to rate sharing. They will assume some of the BIA schools in the future and do not feel that they will be able to justify expenditures from foundation educational funds for the high cost. However, they do not have an acceptable alternative to date.

REAA #4 allegedly has no intention of signing and is considering operating with its' own power generation unless the rate disparity is improved. They have concern about the lack of reliability and service problems that have been experienced.

REAA #5 Board would rather buy than produce power, but insists on improvement of the rates to schools and would accept the same rate as community users and others. Likewise, if any amount above that rate is subsidized by the State through other than school foundation act education dollars, they would be much more likely to

sign the contracts. Because they feel that the AVEC power is basically unreliable, they have to keep the back-up systems running in their schools. (In some cases there is a sole source problem.)

REAA #3 did not report last week but are apparently responding similarly to #4.

AGREEMENT

1. This Contract, entered into on the _____ day of _____, 1976, between the Chatham School District, (Rural Education Attendance Area District Eighteen), and Alaska Village Electric Cooperative, Inc., (hereinafter called the "Contractor").

Effective Date

In regard to present Chatham School District School locations, including:

Angoon

effective July 1, 1976.

2. WITNESSETH that:

(a) WHEREAS, this is a Contract for supplying electrical services in an area where no competition exists and rates are controlled by law or ordinance; and

(b) WHEREAS, the Contractor has entered into a Contract with the Administrator of the Rural Electrification Administration, hereinafter referred to as "REA", dated September 23, 1968, No. A-1873, and subsequent Agreements, which provides for a loan from the United States of America, acting through the REA to finance the costs of construction of certain electric generation and distribution systems and related appurtenances, hereinafter referred to as "Electric Facilities" and

(c) WHEREAS, the construction of the Contractor's Electric Facilities is conditioned upon the negotiation and execution of Contracts in form and coverage acceptable to the REA between the Contractor and qualified Cooperative Members, hereinafter referred to as "Members", and

(d) WHEREAS, the Chatham School District desires to become a Member and secure required electric service as necessary for operation of schools, in the village of Angoon, in which Contractor operates electric facilities.

NOW THEREFORE, in consideration of mutual covenants herein contained, it is mutually agreed between the parties hereto as follows, to wit:

3. DEFINITIONS

Where used in this Contract:

(a) Chatham School District shall mean the Chatham School District, (Rural Education Attendance Area District Eighteen), or other related agency, or any subordinates or successor agency responsible for school operation in the village of Angoon and their heirs and assigns.

(b) Contractor shall mean the Alaska Village Electric Cooperative, Inc., a Corporation duly created and existing under the laws of the State of Alaska.

4. GENERAL

The Contractor, at his expense, shall provide the facilities as necessary to sell and deliver to the Chatham School District, and the Chatham School District shall purchase from the Contractor all of the electric power and energy which the Chatham School District may need at Angoon.

5. REVENUE GUARANTEE

(a) The Chatham School District shall pay the Contractor monthly for service or the availability of service, hereunder as mutually agreed (I) the sum of the amount determined for each school pursuant to latest effective tariff rate schedule generally applicable to other similar consumers or (II) \$2,835. per month, per location, whichever is the greater, for the one (1) school facility location (a) Angoon. The one (1) revenue guarantee shall be subject to addition of a fuel cost adjustment based on actual kWh usage and as applied to all AVEC consumers and regulated by the Alaska Public Utilities Commission.

(b) The Chatham School District shall be entitled to any discounts customarily applicable to payment of bills by any customer of the Contractor.

(c) Invoices for payment shall be prepared and submitted to the location as designated by the Chatham School District. All invoices shall contain statements of the meter readings at the beginning and the

ending of the billing period, meter constants, consumption during the billing period, and such other pertinent data as may be required to substantiate the billings.

6. BILLING

(a) Payments hereunder shall not be made in advance of services rendered. The Chatham School District shall, however, use diligence to effect payment of all bills for services rendered under this Contract within thirty (30) days from the date such bills are received.

(b) Bills for service hereunder shall be paid at the office of the Contractor in Anchorage, State of Alaska.

7. MEMBERSHIP

The Chatham School District shall become a member of the Contractor, shall pay the membership fee of \$5.00 and be bound by such rules and regulations as may from time to time be adopted by the Contractor, which are pertinent to the supply and receipt of service.

8. CONTINUITY OF SERVICE

(a) The Contractor shall use reasonable diligence to provide a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy fail or be interrupted, or becomes defective through act of God, Governmental Authority, action of the elements, public enemy, accident, strikes, labor trouble, inability to secure right-of-way, or any other cause beyond the reasonable control of the Contractor, the Contractor shall not be liable therefore or for damages caused thereby.

(b) In the event of the interruption of service in any month in the manner above described and said interruption is for a total period in excess of one day, the monthly amount due Contractor pursuant to paragraph 5 (a) (II) hereunder shall be reduced in the same proportion as the period of interrupted service bears to the month in which the interruption occurred.

(c) Interruptions for planned maintenance or emergency repair shall be coordinated with the Chatham School District to the maximum extent feasible so as to minimize the impact of the outage of the Chatham School District operations.

9. DURATION OF CONTRACT

This Agreement shall become effective only upon approval in writing by REA and shall remain in effect until ~~twelve (12) years~~ following the start of the initial billing period on July 1, 1976. At the end of such twelve (12) year period, the Chatham School District shall pay the Contractor an amount (hereinafter called the "Facilities Charge") computed as hereinafter provided, unless the Chatham School District shall elect to renew this Agreement for an additional twelve (12) year period by giving written notice thereof to the Contractor not less than 90 days before the end of the first twelve (12) year period. The Facilities Charge shall be \$150,000.00 per location.

The Chatham School District, by giving not less than 90 days written notice to the Contractor and paying the Facilities Charge, shall have the right to terminate this Agreement at any time; provided, however, that if such notice shall be effective during the additional twelve (12) year period, the Facilities Charge shall be reduced by eight and one-third per cent (8 1/3%) for each year of service following the expiration of the first twelve (12) year period.

10. ACCESS TO SERVICE LOCATIONS

(a) The Chatham School District grants to the Contractor, free of any rental or similar charge, but subject to the limitations specified in this Contract, a revocable permit to enter the service locations for any proper purpose under this Contract, including use of site or sites agreed upon by the parties hereto for the installations, operation, and maintenance of the facilities of the Contractor. Authorized representatives of the Contractor will be allowed access to the facilities of the Contractor and the Chatham School District at suitable times to perform the obligations of the Contractor with respect to such facilities. It is expressly understood, however, that proper military authority may limit or restrict the right of access herein granted in any manner considered by such authority to be necessary for the National security.

(b) The Contractor shall, at its expense, obtain all rights-of-way and easements necessary to permit it to perform under this Contract.

11. ALASKA PUBLIC UTILITY COMMISSION

It is the understanding of the parties that this Agreement shall be subject to applicable provisions of Alaska Administrative Code, Title 3, Part 5, Alaska Public Utilities Commission, Chapter 48, Practice and Procedure, Article 2, Utility Tariffs, Section 390 Provisions of Special Contract.

SERVICE AGREEMENT BETWEEN CHATHAM SCHOOL DISTRICT
(REAA DISTRICT 18)
AND
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.

Approved:

CHATHAM SCHOOL DISTRICT

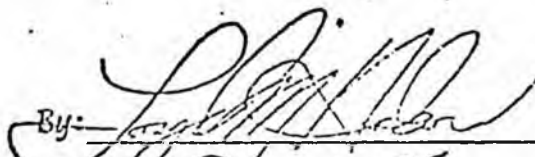
By: _____

Title: _____

Date: _____

Approved:

ALASKA VILLAGE ELECTRIC COOPERATIVE,
INC.

By:  _____

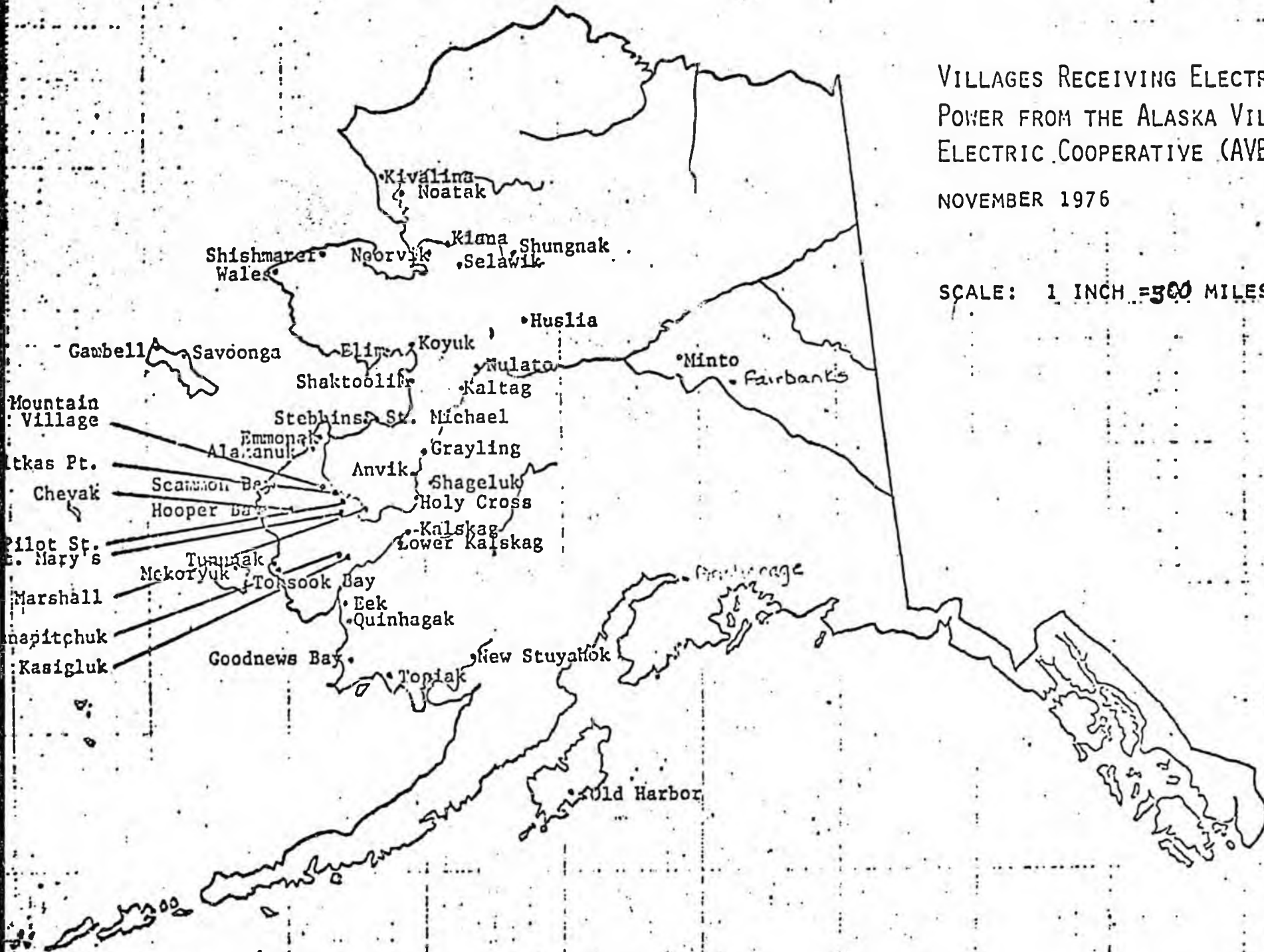
Title: General Manager

Date: June 3, 1976

VILLAGES RECEIVING ELECTRIC
POWER FROM THE ALASKA VILLAGE
ELECTRIC COOPERATIVE (AVEC)

NOVEMBER 1976

SCALE: 1 INCH = 500 MILES



HB 285

INFORMATION FOR SUPPLEMENTAL APPROPRIATION
FOR COST OF SERVICE STUDY RE AVEC

The Problem:

The REAAs have refused to sign contracts with AVEC because the costs will be excessive in relationship to projected education revenues to their districts. The schools have been consuming 33% of the kilowatt-hours generated and paying 53.7% of the costs of generation in the 46 AVEC villages.

The Process Addressing the Problem:

The Interdepartmental Task Force was formed to address the problem and recommend to the Governor means to resolve the immediate problem. Agencies involved were the Governor's immediate staff, the Division of Budget and Management, the Division of Policy Development and Planning, the Department of Education, the Department of Public Works, the Department of Commerce and Economic Development and its Public Utilities Commission, Department of Community and Regional Affairs and the Department of Revenue. Jim Edenso, Deputy Commissioner of the Department of Revenue, has been chairing the project.

The Recommendations:

The Committee recommended that a proposal be submitted to the Federal Regional Council to seek funding to conduct a cost of service study to collect data necessary to the REAAs for resolution of the contract disputes; to BIA for ascertaining the future of their AVEC contracts; to APUC for establishing just and reasonable rates; to the State Administration for determining future policy of subsidization of electricity in rural Alaska for educational purposes; and to federal agencies for protecting capital investments already dependent on AVEC power.

Current Status:

The proposal to the Federal Regional Council was, in essence, turned down. The urgency of the project dictates that the State proceed in order to have the data available by early fall to meet the above purposes. The current contracts with the REAAs (actually an assignment of rights by the State to REAAs under the terms of the former Statewide contract with State operated schools) expire June 30, 1978 and no future commitments can be undertaken until the dispute is resolved.

Immediate Recommendation:

The recommendation of the Interdepartmental Task Force is that to assure immediate responsible, professional attention to the task, the State fund the cost of service study for an amount of \$280,000 appropriated to the Alaska Public Utilities Commission. The Interdepartmental Task Force recommends that since this is the State agency charged with the responsibility of establishing just, reasonable and non-discriminatory rates, this is the appropriate agency to manage the study.

Attachments

1HB 285

February 28, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a supplemental appropriation in the amount of \$278,308 to the Department of Commerce and Economic Development, Alaska Public Utilities Commission, to fund a cost-of-service and management study of the Alaska Village Electric Cooperative. One result of this study will be to determine reasonable rates for the REAA's to pay for power and provide data for contractual decision-making for the future of electrical power in the forty-six AVEC-powered locations. The appropriation would enable the study to extend into Fiscal Year 1978.

Sincerely,

Jay S. Hammond
Governor

STATE
of ALASKA

MEMORANDUM

TO: Carl Brown
Federal Regional Council

DATE : March 18, 1977

FROM: Carolyn S. Guess, Commissioner

SUBJECT: AVIC Cost-of-Service Study

I apologize for my tardiness in bringing you up to date on "Project AVIC."

As I stated over the phone last week, the Governor has requested a supplemental appropriation in the amount of \$278,308 to fund a cost-of-service study of the AVIC utility. This action was taken because of the State's concern that the agencies approached through the Federal Regional Council were either unable or unwilling to commit on a timely basis to the funding of this crucial project. The financial deterioration of AVIC has continued and the AVIC has been requested to grant emergency rate relief to the utility. A decision regarding this matter is expected by the first of April.

The Governor requested that the cost-of-service study be reexamined in light of the State being the sole source of funding and consequently the decision was made to fund travel by the engineering consultant to only half of the villages. This is not an optimal situation but the most financially practicable in light of reality.

We would request that the monies (\$20,000 I believe) the Alaska Power Administration indicated would be available for this study be forthcoming and it would be the intent of the AVIC with concurrence from the successful contract bidder that any federal dollars which become available replace the deduction made in on-site engineering analysis of the village generation facilities.

We spoke of the possibility of the Bureau of Land Management providing one of its planes and pilots as an in-kind contribution by the Interior Department. The question of the liability of the federal government was discussed and I believe you were going to check on whether the State of Alaska could purchase an insurance policy to preclude federal liability. Is there any word on this?

I will be in contact with Mr. Guy Martin, currently the Commissioner of Natural Resources for the State of Alaska and President Carter's nominee for Assistant Secretary of the Interior for Land and Water Resources to determine if a policy decision at the Washington level would be beneficial to the proposed in-kind contribution of the Department of Interior.

Carl Brown
March 18, 1977
Page 2

The accounting responsibilities for the cost-of-service study are estimated to consume 12 man-weeks for 8 accountants. We both agreed that the agencies affected within the Federal Regional Council would be unable to provide in-kind contributions of this magnitude. However, any resources that are available to assist in the area of the management audit of AVEC could be of immense assistance.

The management audit will address the present practice of the AVEC operation in order to determine whether the systems currently used allow AVEC to function in the most efficient manner. In addition, this part of the study should address the quality of service that is being provided, the ways to improve the service, and (in conjunction with the engineers and accountants) the cost to bring substandard service to a reasonable and reliable level. One of the more important problems which this aspect of the study must address is the impact of load growth on existing AVEC systems from HUD housing units, the upgrading by the Public Health Service of existing facilities, the village sewer and water systems, and the construction and additions to school buildings. Examination of the original OEO conditions placed upon AVEC which are still in effect must be analyzed to determine the effect of imposing self-help constraints on an organization required to provide electric services. The training of plant operators at the Seward Skill Center should be evaluated in terms of the skills necessary to provide operation of the generation facility in the village.

If you believe an appearance by Sue Greene or myself at the Federal Regional Council April meeting could shake any dollars or in-kind contributions loose, we would be available to personally update the progress of this project.

CSG:ms

MEMORANDUM

TO: [Marvln R. Weatherly
Commissioner

DATE : January 21, 1977

FROM: Carolyn S. Guess
Commissioner

SUBJECT: An Update of the Status of
Alaska's Request to the Federal
Regional Council for Assistance
Through the Joint Funding
Simplification Process to Fund
a Comprehensive Cost of Service
Study for AVEC

As of this date, it is my understanding that the Federal Regional Council has secured for this project \$20,000 from the Alaska Power Administration. It appears from conversations with Carl Brown, staff member assigned to this project, and Dave Dougherty, staff to the Federal Regional Council, that everyone realizes the importance of solving this problem but nobody except the Alaska Power Administration can find the money.

It is my understanding from Mr. Brown that the BIA was approached and they have said "no dough." I have attached a letter from the acting area director of the BIA which I find quite interesting in that he is very supportive of the study, asks many questions that need to be answered, but cannot find any funds for the project. An ironic note here is the second attachment which announces a \$50,000 grant for the development of a tannery by the non-profit arm of the Bering Straits Native Corporation. Although it does not say where the tannery would be located, I am sure a tannery requires power and it is likely that we could be speaking of an AVEC village. I fail to understand the position of BIA to provide grant monies for development of industries before we solve the crisis problem of electricity in rural Alaska.

It is also my understanding that EDA has been approached for money and there is a question as to what can be provided. I spoke with Mr. Clyde Courtnage, the Alaska Director, and he believed that Washington, if the commitment were really made to fund this project, would find monies within EDA.

It is my understanding that Mr. Brown, who met with Senator Gravel on Friday, January 21st, was also to contact HEW and CSA to determine whether they could find funds for this project. Senator Gravel probably has a more recent update on this than I.

Our modified request to accomplish the comprehensive cost of service study is \$317,817 of which Alaska will commit one third, \$105,939. We are requesting two thirds of the total cost through the Federal Regional Council, \$211,878.

I think a continued source of frustration for those of us who are working intently to find the monies to fund the cost of

Marvin R. Weatherly
Commissioner

-2-

January 21, 1977

service study is the fact that the federal government really has more to lose by a dysfunction or bankruptcy of AVEC than the state. Senator Gravel was left a copy of our presentation to the Federal Regional Council in which documentation was presented indicating a conservative estimate of federal dollars which have been invested in AVEC villages in facilities which require reliable power. For instance, HUD has a minimum of \$29,000,000 in these villages, the Bartlett Programs have \$2,000,000, EDA has a minimum of \$2,000,000, FAA has plans at St. Mary for expansion which could total \$1,000,000 and the water and sewer system investment by the Alaska Native Health Service totals \$27,000,000. These figures do not take into consideration the chaos that the village health programs would undergo if a reliable source of power could not be provided.

I know that Mike's office, through Rick Aks, is pursuing this matter. Any additional information that is needed we will provide. I might add that I will be in Kansas City the third week in February. In the event there would be anything I could do to effect positive action regarding this subject I could journey to D.C. on the 17th. As you know, Marv, Alaska has committed its share and our agency has dug as deep as we can to provide money. What we need now is for the federal government to give more than lip service to this project.

CSG:dlm

Attachments

cc: \Sue Greene
Jim Edenso