

124

HC

HB

19

-

HB

46

127

Attention: Bill Gooding
For delivery to Messrs. Cotton, Parker, Russell or Pratt
House Bill No. 19
March 13, 1975

as reported, based upon valid business statistics and
experience.



Andrew G. Sarisky

Mr. Gooding:

Thanks for your assistance in delivering this message.

THE PRECEDING DOCUMENT(S) MAY NOT FILM
LEGIBLY BECAUSE OF POOR QUALITY OF THE
ORIGINAL.

<u>Originating Company</u>	<u>Nbr of Messages</u>	<u>%</u>
Alaska	922,973	95.4
AT&T, CNT, BCT	43,101	4.1
OVCS	1,791	.2
Re-Bills	<u>2,368</u>	<u>.3</u>
	1,030,233	100.0

Current Billing Flow - Continental Telephone Company

<u>Date of Call</u>	<u>RCA processing completed MAC tape</u>	<u>RCA processing completed EDP cards</u>	<u>Mail to Arrive Calif</u>	<u>Cont. Tel Co Cut-off</u>	<u>Elapsed Time</u>
1-5	11	10-16	18r	20	25-30 days
6-10	16	18-23	25r	20 ^{next} mo.	50-54 "
10-15	21	23-28	30r	20 ^{next} mo.	45-50 "
16-20	26	28-3	5r	20	41-45 "
21-25	31	3-8	10r	20	35-40 "
26-31	6	8-13	15r	20	31-35 "

Proposed Billing Flow - Continental Telephone Company

<u>Date of Call</u>	<u>RCA Processing Completed Mac Tape</u>	<u>Mail to Arrive Calif</u>	<u>Cont. Tel. Co Cut-off</u>	<u>Elapsed Time</u>
1-5	11	13	28	25-30 days
6-10	16	18	28	20-25 "
11-15	21	23	28	15-20 "
16-20	26	28	28	10-15 "
21-25	31-1	3	28 ^{next} month	35-40 "
26-31	6	8	28 ^{next} month	30-35 "

Billing Flow Customer Dennis Knutson - CTI

	<u>Elapsed Time</u>	<u>Total elapsed time</u>
Customer initially billed		54 days
Cont. DAK	15-30 days	69-84 days
Cont. Field Investigation & re. to Cal.	5 "	74-89 "
California Processing	5 "	79-94 "
Return to RCA	3 "	97-102 "
RCA RA processing	3 "	100-105 "
CTI	15-30 "	115-145 "
Re-Billing by RCA	5 "	120-150 "
	5 "	125-130 "

Proposed Billing Flow - Continental Telephone Company
Date of Call RCA Processing

HB

20

1/30/75

COMMITTEE REPORT

FINANCE

HOUSE

Mr. Speaker:

Date February 3, 1975

The Committee on Commerce has had House Bill 20

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

(-) "other" _____

Members signing the Majority report:

[Signature] _____

[Signature] _____

[Signature] _____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER 3101
ATTENTION Rep. Bob Bradley

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input checked="" type="checkbox"/> Your Information |

Remarks: Bob - Points 2 (uses
A state) & 3 (Example)
are key in this summary
BM

FROM:
DEPARTMENT Commerce
BY David Miller DATE 2/12/75

FACT SHEET
ON
STATE VETERANS' LOANS
7% vs 8%

1. Present Inventory
 - a. Present "book" value of State owned Veteran's loans: \$48.1 million.
 - b. Present average interest rate of State portfolio: 6.5% (net)
 - c. Present average interest rate (assumed) in the money market: 9%
 - d. Present "market" value of State portfolio: \$35.6 million
 - e. Loss to the State: \$12.5 million

2. Ongoing Inventory
Average: \$36 million a year.
Assumption: Money market at 9%

\$36 MILLION

Market Value at end of yr.	7%	8%	Loss to the State
1st	\$27 million	\$30.6 million	\$ 3.6 million
2nd	20.25	26.0	5.75
3rd	15.2	22.1	6.9
			<u>\$16.25 million</u>

3. Impact on Veteran
 - a. Assume \$55,000 home loan
 - b. Assume \$19,000 income
 - c. Fact: difference between 7% & 8% = \$480 a year in interest.
 - d. Assume 28% combined Federal & State tax bracket.
 - e. Net \$ impact on average veteran = \$480 x .72% = \$345 per year.

4. Conclusion
 - a. Veteran's loans at 7% vs 8% costing State average of \$5.42 million per year.
 - b. Impact on individual Veteran averages \$345 per year.
 - c. Veteran's loan of 8% still below prevailing market rate.

The Matter of Veteran Loan Interest Rates

1. The purpose of the veterans' loans program is making low interest loans to returning veterans for the purchasing, building and remodelling of homes and businesses and multi-dwellings, and in a more limited sense for personal reasons.
2. The program has functioned exceptionally well since 1946 without expense to the taxpayers of the State. The interest received from the loans has paid all operating costs and made modest profits over the years.
3. Increasing interest rates from 7% to 8% is a 14 1/4% increase which is clearly inflationary at a time when inflation in all other areas has already reduced the standard of living for millions of Americans. All of Alaska's citizens have been affected by higher food costs, service increases, utility charges and every other commercial fee.

The increases in taxes and insurance costs have been higher than other rising cost of living items. Not only has the millage rate been increased in most localities, but the value of the real estate has escalated far beyond the original cost to the owner. Higher valuation has required more insurance coverage to insure replacement cost. Landlord's premiums have increased along with other costs.

4. Vietnam veterans are just completing their education and finding employment in Alaska. Many are just starting families, and

this is what the increased interest rate would mean to them:

a) on a 50,000 dollar loan for 25 years, payments at 7% for P&I are \$353 per month. At 8% payments are \$385 per month, a difference of \$32 per month or \$384 per year. This is a substantial amount of money.

b) The total cost of a \$50,000 home at 7% for 25 years is \$105,900. At 8% the cost is \$115,500, almost \$10,000 more.

c) This additional money should be savings for emergencies, education costs for children, or to improve their "quality of living."

d) There is a very important item that must be considered in any loan program that affects the veteran, the community in which the property is located, and the state money involved. The maintenance of a home requires constant expenditures for labor and materials to insure the value of the property will not depreciate. The extra interest cost could very well jeopardize this critical element. A reduction in regular maintenance generally costs more to the veteran in emergency situations that could impair his ability to repay the loan. History shows that the last time interest rates were increased the delinquency rate was the highest in the history of the program.

5. Benefits of the low interest rate program have been many and the general citizenry of Alaska have profited along with the veteran population.

a) It has stimulated home construction, repair and housing in

general. In most cases home building has been with the veterans labor. The tax base needed to build schools, provide utilities, and maintain communities has been enhanced not only by the cost of new construction, but by the value of individual labor. Merchants have sold the materials for building and furnishing, transportation companies hauled the materials, laborers and skilled mechanics have been paid for plumbing, heating, electrical and carpentry costs.

b) The veteran and his family have had a higher standard of living or "quality of life" if you please, as a result of the fruits of his labor.

c) Housing is critical in Alaska and has been throughout the history of the territory and the state. Thousands of units built under the veterans loan program have aided in alleviating that shortage. It is not enough but it has helped. Housing is still in short supply in every area of the state.

d) The remote areas of Alaska have been specially aided by the program. Loans in 60 small communities have reaped untold benefits for the rural community residents. Again, not sufficient help, but a great assist in a cash short state.

e) Veterans have gone to school, paid emergency bills that could have caused financial disaster, built businesses. They proved their "quality of life" through use of low interest veterans' loans.

6. The action to increase interest rates is taken at a time when nationally interest rates are being reduced. Economists

have admitted that the reduction of home building in the U.S. have created a depression. It has also created a housing shortage that results in higher housing costs to those persons in the lower income groups who can least afford it. The returning veterans who are just finding employment are in the worst crunch. Every \$35 creates a reduction in living standards.

Alaska is facing a period of population growth that exceeds any prior period of history of the state.

Housing costs have skyrocketed in the pipeline impact area because of lack of units being built during the national policy of "tight money" and high interest rates. We will not catch up by discouraging building and reducing the money supply.

This is a time to encourage individual effort in home building, improve prospects for the small businessman and encourage individual production.

7. There is no need to improve the profit picture of the Veterans loan program. In FY 1974 the net profit was \$267,000. In the first 6 months of FY 1975, the net profit was approximately \$200,000. The program pays all operational expense and enjoys a good reputation in the state.

8. The claim that a 1% increase will make \$400,000 additional net profit is not realistic. Assuming that the loans will be sold and the Vets Revolving Fund will get 1/2 of 1% for servicing it could take \$80 million in loans to generate a gross of \$400,000.

Actually if the program loans \$25 million in FY 1975 at 1%

it will generate \$125,000 in gross income in service fees for the program. If it made 50 million in loans which is not likely, but is possible then \$250,000 would be generated in gross income from service fees. \$250,000 is 1% of \$25 million. This amount will make 2 1/2 business loans of \$100,000; 4 multi-dwelling loans of \$60,000; or 5 home loans of \$50,000 each. The benefits do not support the adverse affects on the majority of veterans in reducing their "quality of life".

9. The most important point is that every dollar invested in veterans loans has been spent in Alaska for the citizens and veterans of Alaska. The state receives a good interest rate on the investment in veterans loans. There is a cash flow of more than \$500,000 per month back to the general fund in principal and interest on this investment. It generates business and tax base.

10. It is not a time to discourage housing, and business starts in Alaska by increasing interest rates or penalizing Vietnam Veterans. It is a time to encourage the veterans of Alaska to utilize their personal labors and efforts to build better homes and businesses to the benefit of all Alaskans.

HB

26

HB 26

Tape no.

Date

2

2/6

4

2/14

5

2/14

1/20/75

COMMITTEE REPORT

FINANCE

HOUSE

Mr. Speaker:

Date Feb. 11 1975

The Committee on Commerce has had House Bill 26

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

() "anJ" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

R. S. Seadle - D. Pass _____

Tom Walker _____

Mac Mo Kee _____

D. Pass _____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

R. S. Seadle _____ Chairman

A M E N D M E N T

Offered in the HOUSE

By Commerce Committee

To: _____ HOUSE BILL NO. 25

_____ SENATE BILL NO. _____

AMENDMENT: Page 2, 11 Line: 15, 17, 16

Page 2, line 15

After the word "within" add the words "the service area of
a certified rural electrical cooperative or within".

Page 7, line 17

After the word "supplies" add the words "or cooperative".

Page 11, line 16

After the word "facility" add the words "or off" delete the
word "and" and insert the word "or" after "off".



Alaska State Legislature

House

JUNEAU ALASKA

Commerce Committee

Meeting Feb. 6,
House Bill 26

Members Present: Wallis, Kelley, Rhodes, Urion, Freeman

Commissioner Motley: Power requirements here are mainly affected by outmoded equipment and a change in use requirements. The methodology of the bill is good, though it needs to set an effective date.

Bob Loescher: Through the work of the Tlinglet-Haida Housing Authority and others have found that a chief area of difficulty is the development of electrical facilities which can handle industry and growth. A year ago they did a study with Community and Regional Affairs and other groups to provide data to use to go to the Rural Electrification Administration (REA) for low-interest loan money. In this process they took a look at the State Co-operative Act and the Rural Electrification Co-operative Act which normally are used as the legal instrument of the business entity of an electrical firm. They realized there would be difficulties, under these laws, they would like to merge municipal systems into a common system. They also need some powers, such as condemnation, tax-exemption, and new sources of funding. They drafted this bill so they can incorporate.

Bill Berrier: Mr. Berrier was called in to propose solutions to the electrical problem, of how electricity can best be provided. Many villages through out Alaska have similar problems. Individual villages may not get REA loans, because they aren't singly large enough to have feasible projects. Some system is needed to combine them into larger units. Another thing they found out they needed was something capable of REA loans. Also they needed to be given the authority to operate under. And last it had to be something capable of issuing tax-exempt securities. There are several approaches:

1. An REA co-op formed, there are some difficulties
 - a. The acts is outmoded
 - b. there are technical difficulties
 - c. they can't issue tax-exempt securities.
2. Using the Cooperation agreement of the Consitution, municipalities involved could enter into a cooperation agreement but this is very complex when you have five cities. None of these devices seemed adequate. The approach they came up with would also have to tie in with other factors.
 1. The possibility of a state authority.
 2. Possibilities of state appropriations of direct aid.This bill seemed to create a mechanism that would solve the problems involved, and it should not hurt AVEC.



JUNEAU ALASKA

Alaska State Legislature
House

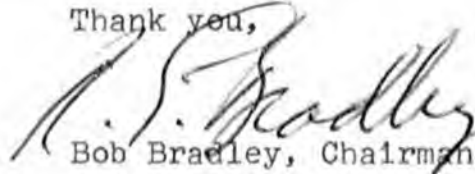
COMMERCE COMMITTEE

January 31, 1975

Consideration of HB #26

The House Commerce Committee will be considering HB #26 by Duncan regarding Regional Electric Authorities on February 6 at 8:00 AM in the committee room. If you wish to testify please contact Kim Hutchinson at 465-3824 so that time can be made available for you.

Thank you,



Bob Bradley, Chairman

cc Jim Duncan
Bob Loesher
Alaska Public Utilities Commission
Tony Motley, Commissioner of Commerce
Aleut Corporation
AHTNA Incorporated
Arctic Slope Regional Corporation
Bering Straits Native Corporation
Bristol Bay Native Corporation, Inc.
Chugach Natives, Inc.
CALISTA Corporation
Cook Inlet Region, Inc.
DOYON, Ltd.
KONIAG, Inc. Regional Native Corp.
NANA Regional Corporation, Inc.
SEALASKA Corporation
Jan Van Dort
N.C. Banfield

BB/mr

BILLY G. BERRIER
ATTORNEY
144 NOWELL STREET
JUNEAU, ALASKA
99801

Phone 586-6142

Dec. 6, 1974

MEMORANDUM TO: Robert W. Loescher
Executive Director
Tlingit-Haida Regional Housing Authority

Enclosed are the two bills I have drafted at your request.

The problem you outlined was to find a means whereby electrical systems could be constructed, operated, and financed in certain specified areas. Because of the current state of the existing service and the limited revenue potential several factors were necessary;

- (a) Financing at the lowest possible cost which requires authority to receive and utilize federal and state grants and loans (including R.E.A. financing) and a capability to issue securities, the income of which is not taxable to the holder to realize the interest savings inherent in tax exempt securities
- (b) It must be possible to construct and operate the systems on a larger than local basis because individually the village operations would not be feasible financially
- (c) Maximum operating flexibility in order that the diverse factors which exist and may arise in the future could be accommodated and maximum operating efficiency could be attained thus realizing such cost economies as are possible.

Under existing law part, but not all, of these objectives can be attained. There are several limitations on electrical cooperatives organized under AS. 10.25 the principal ones being structural and service limitations and the lack of authority to issue tax exempt securities. Municipal operation does not allow the scope necessary for a feasible project and,

althouth the municipalities could enter into a cooperation agreement under the constitution and statues, no seperate corporate entity to carry out the required functions could be created directly. This could be handled in a somewhat cumbersome manner but because the fact that one of the areas which must be included is not a municipal corporation this avenue is not open.

After considerable exploration of the alternatives we agreed that legislation providing a vehicle to accomplish this should be prepared. Any such legislation must avoid conflict with a state-wide agency for financing electrical systems should one be created.

Since there are two reasonable approaches to do this I have drafted a bill for each alternative approach. The enclosed bills, in my opinion, accomplish these objectives. Further the vehicles which can be created would be useful in a wide varity of situations so that they should be acceptable to other areas of the state, since many areas face similar problems.

Billy L. Bessier



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 10, 1974

RECEIVED
JAN 16 1975

Tlingit-Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

Mr. Robert W. Loescher
Executive Director
Tlingit-Haida Regional
Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Mr. Loescher:

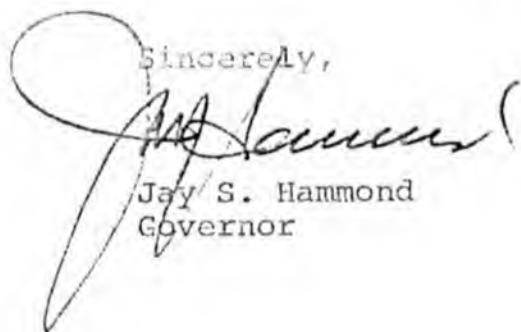
This will acknowledge our receipt of your letter of December 17, 1974, concerning rural electrification problems and legislation.

I know personally that the electrification problems you speak of in your letter are genuine and that their solution is critical to achieve better living conditions for rural residents throughout the State. Reliable electric service and other basic public utilities have a key role in community development and are a major responsibility of local government and related public utility organizations.

Therefore, I have requested the Department of Community and Regional Affairs to study the draft legislation you propose to determine how it might contribute to realization of the State's community development objectives. When that review is completed, a more detailed reply will be forthcoming.

Thank you for sharing your experience with rural utility problems and your ideas about possible legislative solutions.

Sincerely,


Jay S. Hammond
Governor

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D.C. 20250

OFFICE OF THE ADMINISTRATOR

JAN 14 1975

Mr. Robert W. Loescher, Executive Director
Tlingit & Haida Regional Housing Authority
Juneau, Alaska 99801

Dear Mr. Loescher:


We have read the proposal that you submitted to your legislators and do wish to offer some comments regarding it.

In earlier correspondence to you dated July 17, 1974, and September 10, 1974, Mr. Fitch and I have indicated reasons why we are not in favor of the creation of additional organizations which may detract from the ability of the AVEC to accomplish its objective.

In a letter to Senator Gravel dated August 15, 1974, we discussed the possibility of making REA funds available directly to the State of Alaska or an authority created by the State for such a purpose. Under such an arrangement REA could make loans and advance funds based on assignment of bonds or other forms of security. The State would continue to have access to other Federal funds as it now does. Under such an arrangement the property of AVEC could be transferred to the State by debt assumption. Since the State is now contributing substantially to the support of AVEC through the high minimum revenue guarantee by the State operated schools, substantial savings may be made by using village school employees, many of whom are already qualified to operate the generating plants. In addition, the State is in the best position to determine where and at what rate additional village systems should be added in coordination with its other village activities.

We now suggest that perhaps such a solution may still be the best means of resolving the problems of feasibility limitations and could result in more villages being provided service at a faster rate. REA would be favorable to such an arrangement.

Sincerely,


DAVID A. HAMID
Administrator



tingit & haida regional housing authority



ROBERT W. LOESCHER
Executive Director

February 14, 1975

Mr. Robert Bradley
Chairman
House Commerce Committee
Alaska State Legislature
Pouch V
State Capital
Juneau, Alaska 99801

Re: HB 26

Dear Mr. Bradley:

We would like to thank your committee for the diligent work it has put into HB 26 entitled "An Act Authorizing the Creation of Regional Electrical Authorities." As proponents of the bill, we have been working to generate support of interested groups around the State of Alaska in order to secure proper input on the legislation for its passage. Today in a meeting with the Alaska Rural Electric Cooperative Association an amendment was proposed by the group that would improve the legislation and prevent encroachments into existing electrical service areas without consent of already established cooperatives. The changes are as follow:

Proposed amendment to HB 26 on page 2 Sec. 18.57.020 subsection (b) line 15 after the words "The authority may operate within" add the words "the service area of a certificated rural electrical cooperative or within..."

Further, within the same subsection (b) on line 17 after the word "municipality" add the words "or cooperative;"

The whole Sec 18.57.020 subsection (b) would then read as follows:

(b) The regional electrical authority has jurisdiction

FRANK SEE — Chairman, Hoonah
CYRIL GEORGE — 1st Vice Chairman, Angoon
CAROLYN POWELL — Secretary, Yakutat

ROBERT SANDERSON — Treasurer, Hydaburg
BERTHA CAVANAUGH — Member at Large, Kake

February 14, 1975

to operate in all or part of the operating area of the individual association as determined by resolution of the governing body of the association. The governing body may, by resolution, add to or subtract from the area served. The authority may operate within the service area of a certificated rural electrical cooperative or within the corporate limits of a municipality only with consent, by resolution, of the governing body of the municipality or cooperative; however, if an authority is operating within an area which becomes part of a municipality or has a certificate of convenience and necessity from the Alaska Public Utility Commission to operate in an area which becomes part of a municipality, no consent is necessary.

With the aforementioned changes, the Alaska Rural Electric Cooperative Association went on record as supporting the legislation.

Our group completely supports the recommended changes and requests the amendment as soon as possible. We will ask the sponsors of the legislation, Representatives Duncan and Miller, by a copy of this letter, to endorse these changes in the draft legislation.

Thanking you for this consideration.

Sincerely,

TLINGIT HAIDA REGIONAL
HOUSING AUTHORITY

Robert W. Loescher
Executive Director

cc: Rep. Duncan
Rep. Miller
Senator Bill Ray
Mayor of Hoonah
Mayor of Kake
Mayor of Angoon
Mayor of Klawock
Mayor of Klukwan
Alaska Village Electric Cooperative Inc.

RWLc:jg



tingit & haida regional housing authority



ROBERT W. LOESCHER
Executive Director

February 14, 1975

Mr. Robert Bradley
Chairman
House Commerce Committee
Alaska State Legislature
Pouch V
State Capital
Juneau, Alaska 99801

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February 14, 1975

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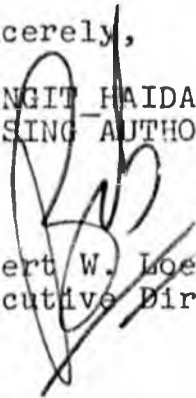
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Thanking you for this consideration.

Sincerely,

TLINGIT HAIDA REGIONAL
HOUSING AUTHORITY



Robert W. Loescher
Executive Director

cc: Rep. Duncan
Rep. Miller
Senator Bill Ray
Mayor of Hoonah
Mayor of Kake
Mayor of Angoon
Mayor of Klawock
Mayor of Klukwan
Alaska Village Electric Cooperative Inc.

RWLcjpg

HB 26

Regional Electrification Authority

Whereas: adequate housing, public facilities, and economic development are desperately needed in our rural areas, and

Whereas: development of those adequate housing depend on safe electrical systems, and

Whereas: it is necessary to provide public corporations to assist in providing those electrical systems, and

Whereas: The SEACAP Board of Directors is aware of the filing of HB 26 by Representatives Duncan and Miller,

Now therefore be it resolved: that SEACAP Board of Directors, meeting this day, February 13, 1975, in Juneau, Alaska, vote to support House Bill 26, authorizing the creation of regional electrification authorities.

ATTEST:

Dorothy Williams
Secretary

Dick Whittaker
President

February 14, 1975
Date



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Juneau Area Office
P. O. Box 3-8000
Juneau, Alaska 99801

January 2, 1975

Mr. Robert W. Loescher
Executive Director
Tlingit & Haida Regional
Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Mr. Loescher:

Indeed we are interested in your approach to Rural Electrification legislation as advanced by your December 19, 1974 letter. We hope you have been in touch with AVEC on the matter, as we understand they have been working on the same basic approach for several months past. The impacts of the proposed legislation on the economics of rural utilities might be best presented for comparison using the AVEC operating experience of the past five years.

Perhaps it would help for you to understand our particular aspect of the AVEC dilemma. Five years ago a three-way agreement was made between REA, AVEC and BIA. Essentially, an income base was established for AVEC by BIA agreement to pay a minimum rate for all schools using AVEC electricity so AVEC could build up the system and be able to repay REA loans needed to start the system. The State Operated Schools system accepted a like agreement shortly thereafter. When started, the rate was \$1200 per location per month; it is currently \$2835 per month per location. As you can see, this is an increased cost of over 150 percent over five years to BIA and SOS. This is a substantial cost borne by both the BIA and SOS educational budgets.

Within the BIA budgetary system our budget increases over the same five years have not kept pace. Our appropriations have increased less than 40% over the same period of time. Our school maintenance and operating budgets now buy little more than electricity, even extending to our schools where there are no AVEC systems. This, combined with the extreme increases in petroleum products and general inflation, face us with very serious problems this fiscal year and next.

While we cannot readily gauge the dollar impact of what you propose as a legislative remedy, we see quite clearly that the method used

with AVEC in the recent past cannot support either the continuing r
rural electric systems nor development of any new rural systems. A
new base must be built so rural electrical systems can achieve sound
financing, especially because of the impacts you point out caused by
housing improvements and increased economic and industrial-type
development activities. The reliance on educational facilities as
the financing base is too narrow and cannot sustain the base over
the long term.

While your letter does not solicit specific help, we will be happy
to assist with the development of materials for legislative present-
ation at your request. We are limited so far as staff knowledgeable
in this particular area, but do have records and information which
may be helpful as you develop your presentations.

Sincerely yours,

A handwritten signature in cursive script that reads "Joseph E. Kahklen". The signature is written in dark ink and is positioned above the typed name and title.

Joseph E. Kahklen
Acting Area Director

ALASKA FEDERATION OF NATIVES, INC.



Integrity, Pride in Heritage, Progress

1675 C STREET
ANCHORAGE, ALASKA 99501
PHONE (907) 274-3611

*Staffer
File
Boh*

EXECUTIVE OFFICES
RECEIVED
JAN 27 1975

Tlingit & Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

January 22, 1975

Mr. Robert W. Loescher
Executive Director
Tlingit & Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Robert:

First, let me congratulate you on your proposed Rural Electrification legislation. With your usual wisdom and forethought, I find that your noble approach to solving the problem of delivery of hand maintenance the cheap power source for villages in Southeast Alaska is a good one.

I am pleased to see that at a recent meeting of villages and towns in Sitka, that your proposal and your concept was adopted by those in attendance. Please let me know if there is anything I can do to help you in establishing these new means of developing rural electric co-ops.

Sincerely,

Roger Lang
President

Letter

STATE OF ALASKA

DEPARTMENT OF COMMERCE
ALASKA PUBLIC UTILITIES COMMISSION

JAY S. HAMMOND, Governor

1100 MACKAY BUILDING
338 DENALI STREET - ANCHORAGE 99501

January 17, 1975

Robert W. Loescher, Executive Director
Tlingit and Haida Regional
Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Mr. Loescher:

I have read your letter of December 18, 1974 with interest, and have given copies of this material to my fellow commissioners. We will keep your discussions in mind during the upcoming legislative session in the event we are asked to comment regarding the power situation in small communities.

I appreciate the time and effort that you have taken to develop what I consider a valid document discussing the difficulties of financing electric generation and distribution systems in these areas.

Very truly yours,

ALASKA PUBLIC UTILITIES COMMISSION

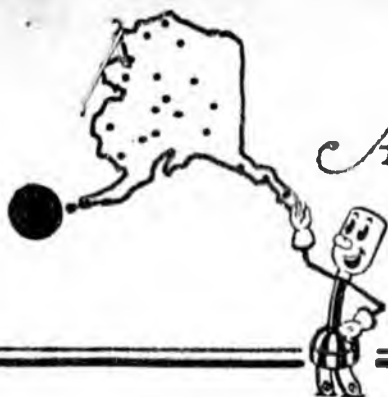
Jim Hendershot
James R. Hendershot, Commissioner

JRH/pat

CC: Mayor Frank See - Hoonah
Mayor Cyril George - Angoon
Mayor Frank Gordon - Kake
Mayor John Skann - Klawock
Mayor Dick Hotch - Klukwan

RECEIVED
JAN 22 1975

Tlingit-Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801



Alaska Village Electric Co-operative, inc.

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

September 16, 1974

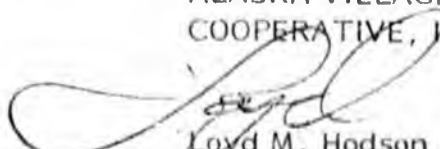
Robert Loescher
Executive Director
Tlingit Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Mr. Loescher:

In accordance with recent correspondence and followup of your meeting with the A.V.E.C. Board, attached is a copy of a Resolution passed by the A.V.E.C. Board on September 10, 1974.

Best Wishes,

ALASKA VILLAGE ELECTRIC
COOPERATIVE, INC.



Lloyd M. Hodson
General Manager

LMH/ma
Encl.

RECEIVED
SEP 19 1974

Tlingit-Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

RESOLUTION NO. _____

ENTITLED: DEVELOPMENT OF A SOUTHEAST
ALASKA ELECTRICAL COOPERATIVE

WHEREAS, the Alaska Village Electric Cooperative, Inc. is a nonprofit Cooperative association established under the and by virtue of the Electric and Telephone Cooperative Act of 1959 for the express purpose of providing electrical generation and service to the people of small and often remote village of the State of Alaska, and,

WHEREAS, AVEC'S Electrification program was made possible through an REA loan granted in 1968 and subsequent REA loans to date, and,

WHEREAS, the Alaska Village Electric Cooperative was established and is being supported through the mutual cooperation of several state and federal agencies, and

WHEREAS, AVEC is currently providing service to 48 villages in the State of Alaska, only one of which is located in Southeast Alaska, and

WHEREAS, the Tlingit & Haida Regional Housing Authority is working with various State and Federal agencies in an effort to electrify several rural Southeast Alaskan communities.

THEREFORE, BE IT RESOLVED, that the Alaska Village Electric Cooperative, Inc. does hereby approve of and endorse the Authority's efforts to have a comprehensive study conducted in the villages in question to determine the feasibility of establishing a separate REA sponsored cooperative to serve rural Southeast Alaska.

Passed and approved by the Board of Directors of the Alaska Village Electric Cooperative, Inc. this 10th day of Sept, 1974, by a vote of _____ yeas and _____ nays.

Leslie A. ...
President
Alaska Village Electric Cooperative, Inc.

Harold ...
Secretary



tingit & haida regional housing authority



ROBERT W. LOESCHER
Executive Director

February 10, 1975

Honorable Tim Wallis
House of Representatives
State of Alaska
Vice-Chairman
Commerce Committee
Pouch V - State Capitol
Juneau, Alaska 99801

Dear Representative Wallis:

Pursuant to your request, enclosed for the Commerce Committee's information in reviewing House Bill No. 26, "An Act Authorizing the creation of Regional Power Authorities", is the preliminary feasibility study prepared by the Tlingit-Haida Regional Housing Authority.

Also, included are the preliminary responses from various State and Federal agencies after reviewing the bill.

We urge early consideration of this legislation. Thanking you for this consideration.

Sincerely

TLINGIT-HAIDA REGIONAL HOUSING AUTHORITY

Robert W. Loescher
Executive Director

encls.

RWL:CG:lg
FRANK SEE — Chairman, Hoonah
CYRIL GEORGE — 1st Vice Chairman, Angoon
CAROLYN POWELL — Secretary, Yakutat

ROBERT SANDERSON — Treasurer, Hydaburg
BERTHA CAVANAUGH — Member at Large, Kake

525 VILLAGE STREET

JUNEAU, ALASKA 99801

TELEPHONE (907) 586-2192



tingit & haida regional housing authority



ROBERT W. LOESCHER
Executive Director

February 14, 1975

Mr. Robert Bradley
Chairman
House Commerce Committee
Alaska State Legislature
Pouch V
State Capital
Juneau, Alaska 99801

Re: HB 26

Dear Mr. Bradley:

We would like to thank your committee for the diligent work it has put into HB 26 entitled "An Act Authorizing the Creation of Regional Electrical Authorities." As proponents of the bill, we have been working to generate support of interested groups around the State of Alaska in order to secure proper input on the legislation for its passage. Today in a meeting with the Alaska Rural Electric Cooperative Association an amendment was proposed by the group that would improve the legislation and prevent encroachments into existing electrical service areas without consent of already established cooperatives. The changes are as follow:

Proposed amendment to HB 26 on page 2 Sec. 18.57.020 subsection (b) line 15 after the words "The authority may operate within" add the words "the service area of a certificated rural electrical cooperative or within..."

Further, within the same subsection (b) on line 17 after the word "municipality" add the words "or cooperative;"

The whole Sec 18.57.020 subsection (b) would then read as follows:

(b) The regional electrical authority has jurisdiction

FRANK SEE — Chairman, Hoonah
CYRIL GEORGE — 1st Vice Chairman, Angoon
CAROLYN POWELL — Secretary, Yakutat

ROBERT SANDERSON — Treasurer, Hydaburg
BERTHA CAVANAUGH — Member at Large, Kake

February 14, 1975

to operate in all or part of the operating area of the individual association as determined by resolution of the governing body of the association. The governing body may, by resolution, add to or subtract from the area served. The authority may operate within the service area of a certificated rural electrical cooperative or within the corporate limits of a municipality only with consent, by resolution, of the governing body of the municipality or cooperative; however, if an authority is operating within an area which becomes part of a municipality or has a certificate of convenience and necessity from the Alaska Public Utility Commission to operate in an area which becomes part of a municipality, no consent is necessary.

With the aforementioned changes, the Alaska Rural Electric Cooperative Association went on record as supporting the legislation.

Our group completely supports the recommended changes and requests the amendment as soon as possible. We will ask the sponsors of the legislation, Representatives Duncan and Miller, by a copy of this letter, to endorse these changes in the draft legislation.

Thanking you for this consideration.

Sincerely,

TLINGIT HAIDA REGIONAL
HOUSING AUTHORITY

Robert W. Loescher
Executive Director

cc: Rep. Duncan
Rep. Miller
Senator Bill Ray
Mayor of Hoonah
Mayor of Kake
Mayor of Angoon
Mayor of Klawock
Mayor of Klukwan
Alaska Village Electric Cooperative Inc.

RWlcjg

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 10, 1974

RECEIVED
JAN 10 1975

Tlingit-Haida Regional Housing Authority
525 Village Street
Juneau, Alaska 99801

Mr. Robert W. Loescher
Executive Director
Tlingit-Haida Regional
Housing Authority
525 Village Street
Juneau, Alaska 99801

Dear Mr. Loescher:

This will acknowledge our receipt of your letter of December 17, 1974, concerning rural electrification problems and legislation.

I know personally that the electrification problems you speak of in your letter are genuine and that their solution is critical to achieve better living conditions for rural residents throughout the State. Reliable electric service and other basic public utilities have a key role in community development and are a major responsibility of local government and related public utility organizations.

Therefore, I have requested the Department of Community and Regional Affairs to study the draft legislation you propose to determine how it might contribute to realization of the State's community development objectives. When that review is completed, a more detailed reply will be forthcoming.

Thank you for sharing your experience with rural utility problems and your ideas about possible legislative solutions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jay S. Hammond".

Jay S. Hammond
Governor

Nushagak Electric Co-operative, Inc.

P. O. BOX 197

DILLINGHAM, ALASKA 99576

February 7, 1975

Mr. Nels A. Anderson, Jr.
State House of Representatives
Pouch V
Juneau, Alaska 99801

RE: House Bill No. 26

Dear Nels:

A copy of HB No. 26 came across my desk the other day and it moves me to make some comment in behalf of Nushagak Electric Cooperative, Inc.

I heartily approve of the concept of increasing, improving and insuring the reliability of electric service in this state especially since climatic conditions play such a significant part in our life style. Unfortunately, most communities today have very few options available for their very survival in the event of an electrical system breakdown.

We need a plan to handle contingencies of an emergency nature, and as far as I can see, there has been nothing forthcoming from any agency to handle the ever increasing frequency of prolonged power outages and breakdowns that occur each winter. For an example, the military generators that were shipped to Kodiak in their recent power crisis were immediately shipped back outside for storage. Why were they not stored at Elmendorf or other suitable military installations in Alaska for future contingencies?

On the surface, it would appear that HB 26 would not readily lend itself to more efficient rural electric utility operations. Apparent disadvantages would include the following:

1. The establishment of a regional electrical authority would provide a political tool for assumption of responsibilities already adequately handled by other agencies, i.e., Federal Power Commission, Rural Electrification Administration, Alaska Public Utilities Commission, various municipalities and REA cooperatives throughout the state.
2. HB 26 as written does not make provision for technical expertise on the governing body of the association. This is really the crux of most power supply problems -- lack of funds and good technical assistance.

Nels A. Anderson, Jr.
February 7, 1975 -- Page 2

3. The mailing list dated January 31, 1975 and signed by Bob Bradley appears to be essentially directed at Native organizations throughout the State. No utilities are included. I cannot help but feel that this may be an effort to make political hay over a particular event which did not affect more than one community. If this is not the case, I would certainly be receptive to some enlightenment.

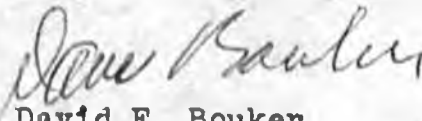
On the plus side, I believe HB 26 brings to light and helps to underscore a very basic problem area -- that the power supply in most Alaskan communities leaves much to be desired. We do not have a readily available supply of technical manpower which is of primary importance if the lights are to be kept burning. Most Alaskan communities are at the mercy of one fuel supplier. Most utilities in those areas have to rely on diesel generation which is, historically, the most expensive. Requirements involving development of hydro power are astronomical -- no rural community can foot the bill by itself!

Yes, there are very definite power supply problems begging for solutions. To start with, I would suggest establishing a power pool under the aegis of the APUC or the Alaska Power Administration that would supply emergency diesel generation units on short notice to any Alaskan community. In addition, this same agency should survey all possible hydro sites, determine feasibility over the long run and assist through the REA or a state bonding bank to develop these facilities as soon as possible. The immediate effect would be twofold -- the cost of fuel would be eliminated and the cost of producing power over the long run would remain relatively stable. There is no chance for this condition to exist as long as we are tied to a rapidly depleting fuel.

Nels, thank you for listening. I would like some feedback on this matter, if possible.

Best Regards,

NUSHAGAK ELECTRIC COOPERATIVE, INC.



David F. Bouker
Manager

DFB:jn

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
WASHINGTON, D.C. 20250

OFFICE OF THE ADMINISTRATOR

JAN 14 1975

Mr. Robert W. Loescher, Executive Director
Tlingit & Haida Regional Housing Authority
Juneau, Alaska 99801

Dear Mr. Loescher:

We have read the proposal that you submitted to your legislators and do wish to offer some comments regarding it.

In earlier correspondence to you dated July 17, 1974, and September 12, 1974, Mr. Fitch and I have indicated reasons why we are not in favor of the creation of additional organizations which may detract from the ability of the AVEC to accomplish its objective.

In a letter to Senator Gravel dated August 15, 1974, we discussed the possibility of making REA funds available directly to the State of Alaska or an authority created by the State for such a purpose. Under such an arrangement REA could make loans and advance funds based on assignment of bonds or other forms of security. The State would continue to have access to other Federal funds as it now does. Under such an arrangement the property of AVEC could be transferred to the State by debt assumption. Since the State is now contributing substantially to the support of AVEC through the high minimum revenue guarantee by the State operated schools, substantial savings may be made by using village school employees, many of whom are already qualified to operate the generating plants. In addition, the State is in the best position to determine where and at what rate additional village systems should be added in coordination with its other village activities.

We now suggest that perhaps such a solution may still be the best means of resolving the problems of feasibility limitations and could result in more villages being provided service at a faster rate. REA would be favorable to such an arrangement.

Sincerely,



DAVID A. HAMIE
Administrator



tingit & haida regional housing authority



ROBERT W. LOESCHER
Executive Director

December 12, 1974

Honorable Jim Duncan
House of Representatives
State of Alaska
R.R. 4 Box 4316
Juneau, Alaska 99801

Re: Rural Electrification Legislation

Dear Mr. Legislator:

In attempting to develop the elements required for comprehensive planning in housing, water and sewerage facilities, roads, electrical generation and distribution, health, employment and industrial development in Alaskan communities, often times, we discover we do not have all the tools to work with in order to accomplish the job. Road blocks such as technical capability, feasibility funds, proper corporate authority, long term funding, legal powers and public interest to satisfy basic steps hinder progress. Such is the case with the whole area of electrical generation and distribution systems development throughout rural Alaska. It is extraordinary that in the year 1974 - when we are able to put men on the moon, build oil pipelines, conquer the atom communicate by satellite - that a basic service such as providing electricity to our homes and industries has become such an insurmountable problem. Yet it has. Some places do not have electricity at all. Other places have inadequate systems that are more of a burden because old transmission lines and out of date generation equipment than the communities can bear. A number of systems are unable to extend electricity to critical need areas because of the lack of funding and load capacities.

The Alaska Village Electric Cooperative (AVEC) has made headway in about a third of the rural Alaska communities. Yet, it too, has been slowed tremendously by high operational costs of its existing system, lack of capital to expand, high cost to consumers and a lot of bureaucratic "red tape" to secure financing and subsidies to support the system.

A few years ago, the Bureau of Indian Affairs - Alaska Area Office advanced a comprehensive electrical generation and distribution development program

FRANK SEE — Chairman, Hoonah
CYRIL GEORGE — 1st Vice Chairman, Angoon
CAROLYN POWELL — Secretary, Yakutat

ROBERT SANDERSON — Treasurer, Hydaburg
BERTHA CAVANAUGH — Member at Large, Kake

Honorable Jim Duncan
Re: Rural Electrification Legislation
12/12/74 - Page 2

which would have affected over one hundred twenty five (125) villages throughout the State and costing an estimated total of twenty five million dollars. The program was advanced to Washington, D.C. and was never heard about again.

The legislature, through the years has developed legislation dealing with municipal problems. Bond Bank legislation has been thought of but not enacted. Last year, a Public Utility Revolving Loan Fund bill (HB611-Malone - referred Commerce/Finance) was presented but not enacted. No true concentration has been given to the problem of rural electification.

The problem still remains with us. The question is how to get a handle on it. Our efforts in the electrical field over the last year, have led us to the conclusion that the lack of electricity is one of the greatest stumbling blocks to improvement of community health, housing improvement and industrial development. It is clear that the problem is common to all segments of the community and is a matter of the "highest public interest" which cannot be met and solved by private enterprise within the limits of reasonable cost. [Upon further analysis and assistance by legal counsel, it has been concluded that any tools to work with the electrical problem in rural Alaska must have certain characteristics in order to be effective and successful.] As a result of the current condition of the existing service and the limited revenue potential several factors were necessary;

(a) Financing at the lowest possible costs which requires authority to receive and utilize federal and state grants and loans (including R.E.A. financing) and a capability to issue securities, the income of which is not taxable to the holder to realize the interest savings inherent in tax exempt securities;

(b) It must be possible to construct and operate the systems on a larger than local basis because individually the village operations would not be feasible financially;

(c) Maximum operating flexibility in order that the diverse factors which exist and may arise in the future could be accommodated and maximum operating efficiency could be attained thus realizing such cost economies as are possible.

Under existing law part, but not all, of these objectives can be attained.

Honorable Jim Duncan
Re. Rural Electrification Legislation
12/12/74 - Page 3

There are several limitations on electrical cooperatives organized under AS 10.25, the principal ones being structural and service limitations and the lack of authority to issue tax exempt securities. Municipal operation does not allow the scope necessary for a feasible project and, although the municipalities could enter into a cooperation agreement under the constitution and statutes, no separate corporate entity to carry out the required functions could be created directly. This could be handled in a somewhat cumbersome manner, but because the fact that one of the areas which must be included is not a municipal corporation, this avenue is not open.

A CASE STUDY: THE SOUTHEASTERN SITUATION AND POSSIBLE SOLUTIONS.

The Tlingit and Haida Regional Housing Authority is working with various State and Federal agencies, the Tlingit and Haida Central Council, and the Rural Electrification Administration in a combined effort to bring up to standard the electrical utility systems in five rural southeast Alaska communities. The existing systems are, for the most part, virtually not systems at all; most are 35-40 years old and have had minimal maintenance and/or up-grading over the years. They are in such an advanced stage of dilapidation that completely new systems are necessary. To compound the problems, the communities have expanded and grown so that the existing diesel-electric sets are not capable of handling the increased loads. New homes have been built with many more either under construction or in the planning stage. Existing industry is expanding and new industry is being introduced. Elderly homes and clinics are in the development stage with construction to take place next year. The communities realize their problems. They know that new electrical systems are critically needed-virtually from the ground up! They also realize that it would be economically unfeasible for an individual community to attempt to finance and operate and maintain such an undertaking.

In order to provide the electrical systems, a vehicle which would allow operation and financing on a regional scale is needed. Such a vehicle needs substantial operating flexibility and the power to issue tax exempt securities, in addition to federal, state and conventional financing, in order to achieve maximum economy in overhead and financing costs. The two legislative bills enclosed would allow creation of such a vehicle by in effect combining the virtues of a cooperative which can act on a greater than local basis but does not have the flexibility of a government unit

Honorable Jim Duncan
Re: Rural Electrification Legislation
12/12/74 - Page 4

nor can issue tax exempt securities with that of a government unit which has the advantages noted but is limited in scope of local areas.

The first bill is a full authorization bill allowing creation of regional electric authorities in order to satisfy geographic considerations by those entities which may create housing authorities. The authority is given broad operating powers comparable in scope to the powers of a municipality and is in fact made a political subdivision of the state as are the housing authorities. As a political subdivision, the power to issue securities which are tax exempt to the holder, thus making possible substantial interest savings, may be given and has been given by the proposed bill. The bill would not cause conflict with municipalities since their consent is necessary if the authority is to operate within the municipal boundaries. Nor does this bill conflict with any possible statewide financing vehicle which may be created in the future since any statewide vehicle would serve as a conduit of R.E.A. funds, state funds and to the extent of its financing, funds derived from sale of tax exempt securities. With its direct access however, it would be supplementary to a statewide agency should the financing of such agency not be large enough to meet the full needs.

The second bill is an authorization bill, which would allow municipalities, I.R.A. corporations and housing authorities to create, by agreement among themselves, associations which have separate corporate status and would have such functions within the broad limits of the bill (e-2, sewers and sewage treatment facilities, a-9, telephone systems, s-10, light power and heat, a-II water) as the parties to the agreement specify. This association is also a political subdivision with the right to issue tax exempt revenue bonds.

IN CONCLUSION...

On behalf of the communities in Southeastern Alaska and as an impetus for solution finding on a statewide level, the Tribal Council and the Authority intend to advance the attached bills for legislative consideration this year. Any comments you might have on the weakness or strengths, deficiencies or exuberances or even approach would be very much appreciated. Foremost, progress in any field of endeavor requires the work and support of many. Any assistance you might give to leveling out the "stumbling blocks"

Honorable Jim Duncan
Re: Rural Electrification Legislation
12/12/74 - Page 5

in the development of electrical generation and distribution systems in rural Alaska would be very much appreciated.

Sincerely,

TLINGIT-HAIDA REGIONAL HOUSING AUTHORITY

Robert W. Loescher
Executive Director

encls.

cc. Mayor Frank See - Hoonah, Alaska
Mayor Cyril George - Angoon, Alaska
Mayor Frank Gordon - Kake, Alaska
Mayor John Skann - Klawock, Alaska
Mayor Dick Hotch - Klukwan, Alaska
Tlingit-Haida Central Council

RWL: lg

DRAFT BILL NO. 1

REGIONAL ELECTRICAL AUTHORITIES

18.55.997 FINDING AND PURPOSE The legislature finds that an acute shortage of adequate, safe, reliable electrical facilities exists in the rural areas of Alaska and that adequate electrical systems cannot be provided by the private sector due to inadequate projected system revenues and economic depression in certain areas. The legislature further finds that adequate housing, public facilities and economic development are heavily dependant upon adequate, safe and reliable electrical facilities. These conditions are inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of rural communities. The legislature further finds that a reasonable means of accomplishing the purpose of providing adequate, safe and reliable systems is the creation of regional electrical authorities. It is the purpose and intent of the legislature to provide a means whereby public corporations to serve as regional electrical authorities may be formed.

18.55.998 FORMATION OF AUTHORITIES Regional electrical authorities are created as provided in this section. When so created they may exercise all powers conferred by this chapter.

18.55.99 CREATION OF AUTHORITIES The associations authorized by AS 18.55.996 to form regional housing authorities are given the authority and power of a regional electrical authority. There is hereby created with respect to each of such associations a public body corporate and politic as a political subdivision of the State of Alaska to function in the operating areas of the individual associations.

(a) A regional electrical authority created by this chapter may not transact business or exercise powers granted to it until the governing body of the association has, by resolution, declared there is a need for the authority to function, given it the autho-

rity to function and named persons to serve as the board of commissioners of the authority. The number of members of the board of commissioners, their terms of office and the filling of vacancies in office shall be as determined by the governing body of the association by resolution.

(b) The regional electrical authority shall have jurisdiction to operate in all or part of the operating areas of the individual associations as determined by the governing body of the association by resolution, which resolution may be amended by the governing body by resolution to add to or subtract from the area served. The authority may operate within the corporate limits of a municipality only with consent, by resolution, of the governing body of the municipality except that where an authority is operating within an area which becomes part of a municipality or has a certificate of convenience and necessity from the Alaska Public Utility Commission to operate within an area which becomes part of a municipality no such consent shall be necessary.

(c) Any municipality or electrical cooperative or other provider of electrical service may transfer all or part of its electrical system including without limitation lands and rights in land, equipment and certificates or franchises required to operate in an area or areas to a regional electrical authority by resolution of the governing board upon such terms as are agreed upon with the authority providing that approval by resolution, of the board of commissioners of the authority is obtained. Except as may be provided otherwise by Federal law no other approvals to such transfers are required.

18.55.1000 TAX EXEMPTION (a) The exercise of the powers granted by this chapter will in all respects be for the benefit of the people of the state, for their well being and prosperity and for the improvement of their social and economic conditions and the authority is not required to pay a tax or assessment on any property owned by the authority.

(b) All obligations issued under this chapter are hereby declared to be issued by a body corporate and public which is a political subdivision of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income and other money pledged or available to pay or secure the payment of the obligations or interest are exempt from taxation except for transfer, inheritance and estate taxes.

(c) All obligations or liabilities of the regional electrical authorities shall remain their own and shall not be obligations or liabilities of the state.

18.55.1001 POWERS OF THE AUTHORITY Regional electric authorities have the following general powers.

- (1) To adopt, alter and use a corporate seal.
- (2) To prescribe, adopt, amend and repeal by-laws.
- (3) To sue and be sued in its own name.
- (4) To appoint officers, agents and employees and vest them with such powers and duties and to fix, change and pay such compensation for their services as the authority may determine.
- (5) To borrow money, make and issue bonds, notes and other evidences of indebtedness of the authority for any of its corporate purposes, and to secure payment of its bonds and of any and all other obligations by pledge of or lien on all or any of its assets, contracts, revenue and income.
- (6) To make and issue bonds for the purpose of funding, re-funding, purchasing, paying or discharging any of the outstanding bonds or obligations issued or assumed by it or any bonds or obligations the principal or interest of which is payable in whole or in part from its revenue.
- (7) To make and execute agreements, contracts and other instruments necessary or convenient in the exercise of its powers and functions, including contracts with any person, firm, corporation, government agency or other entity.

(8) To receive, administer and comply with the conditions and requirements respecting any appropriation, gift, grant or donation of property or money.

(9) To invest or reinvest any money or funds held by the authority in any obligations or other securities or investments in which banks or trust companies in the state may legally invest funds held in reserves or sinking funds or any funds not required for immediate disbursement, and in certificates of deposits or time deposits.

(10) To acquire, hold, use, lease, sell or otherwise dispose of any property of any kind, real, personal or mixed or any interest therein.

(11) To acquire, produce, develop, manufacture, use, transmit, distribute, supply, exchange, sell or otherwise dispose of electric energy and such other things, supplies and services as the authority shall determine necessary, proper, incidental or convenient in connection with its activities.

(12) To determine, fix, alter, charge and collect rates, fees, rentals and other charges for the use of the facilities of the authority or for the service, electric energy or other commodities sold, rendered, or furnished by it.

(13) To plan, design, construct, reconstruct, extend or improve any facilities necessary or convenient in connection with its activities.

(14) To enter on any lands, water or premises for the purpose of making surveys, soundings or examinations.

(15) To exercise the powers of eminent domain and declaration of taking in accordance with AS 09.55.250-09.55.460.

(16) To do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter.

(17) To prescribe, adopt, amend and repeal such rules and regulations as may be necessary or proper for the exercise and performance of its powers and duties or to govern the rendering of service, sale or exchange of electrical energy.

18.55.1002 BONDS AND NOTES (a) The authority by resolution, may issue bonds and bond anticipation notes in order to provide funds to carry out and effectuate its purposes.

(b) The principal and interest on these bonds or notes is payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of sale of other bond anticipation notes or, in the event bond or bond anticipation note proceeds are not available, such notes may be paid from other funds or assets of the authority. Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal government, state government, or a corporation, association, institution or person, or a pledge of money, income, or revenues of the authority from any source.

(c) Bonds or bond anticipation notes may be issued in one or more series and shall be dated, bear interest at the rate or rates per year or within the maximum rate, be in the denomination, be in the form, either coupon or registered, carry the conversion or registration provisions, have the rank or priority, be executed in the manner and form, be payable from the sources in the medium of payment and place or places within or outside the state, be subject to authentication by a trustee or fiscal agent, and be subject to the terms of redemption with or without premium, as the resolution of the authority may provide. Bond anticipation notes shall mature at such time or times as may be determined by the authority. Bonds shall mature at such time, not exceeding 50 years from their date, as may be determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when these definitive bonds or bond anticipation notes have been executed and are available for delivery.

(d) Bonds or bond anticipation notes may be sold in the manner, on the terms and at the price the authority determines.

(e) If an officer whose signature or a facsimile of whose signature appears on any bonds or notes or coupons attached to them ceases to be an officer before the delivery of the bond, note or coupon, his signature or facsimile is valid the same as if he had remained in office until delivery.

(f) In any resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority has power by provisions in the resolution which will constitute covenants of the authority and contracts with the holders of the bonds or bond anticipation notes:

(1) to pledge to any payment or purpose all or any part of its revenues to which its right then exists or may thereafter come into existence, and the money derived from the revenues, and the proceeds of any bonds or notes;

(2) to covenant against pledging all or any part of its revenues, or against permitting or suffering a lien on the revenues or its property;

(3) to covenant as to the use and disposition of any and all payments of principal or interest received by the authority on mortgage loans, construction loans or other investments held by the authority;

(4) to covenant as to establishment of reserves or sinking funds and the making of provision for and the regulation and disposition of the reserves or sinking funds;

(5) to covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;

(6) to covenant as to bonds and notes to be issued, and their limitations, terms and conditions, and as to the custody, application and disposition of the proceeds of the bonds and notes;

(7) to covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of the other debts;

(8) to covenant as to the payment of the principal or interest on the bonds or notes, as to the sources and methods of

respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;

(9) to provide for the replacement of lost, stolen, destroyed or mutilated bonds or notes;

(10) to covenant against extending the time for the payment of bonds or notes or interest on the bonds or notes;

(11) to covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;

(12) to covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operation expenses, payment or redemption of bonds or notes, reserves or other purposes, and as to use and disposition of the money held in the funds;

(13) to establish the procedure, if any, by which the terms of any contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;

(14) to covenant as to the custody of any of its properties or investments, their safekeeping and insurance, and the use and disposition of insurance money;

(15) to covenant as to the time or manner of enforcement or restraint from enforcement of any rights of the corporation arising by reason of or with respect to nonpayment of any principal or interest of any mortgage loans or construction loans;

(16) to provide for the rights and liabilities, powers and duties arising upon the breach of any covenant, condition or obligation, and to prescribe the events of default and the terms and conditions upon which any or all the bonds, notes or other obligations of the authority become or may be declared due and payable before maturity and the terms and conditions upon which any such declaration and its consequences may be waived;

(17) to vest in a trustee or trustees within or outside the state such property, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers and duties of any trustee appointed by the holders of any bonds or notes, and to limit or abrogate the right of the holders of any bonds or notes of the authority to appoint a trustee under this chapter or limit the rights, powers and duties of the trustee;

(18) to pay the costs or expenses incident to the enforcement of the bonds or notes or of the provisions of the resolution or of any covenant or agreement of the authority with the holders of its bonds or notes;

(19) to agree with any corporate trustee which may be any trust company or bank having the powers of a trust company within or outside the state as to the pledging or assigning of revenues or funds to which or in which the authority has any rights or interest; the agreement may further provide for such other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of any bonds or notes of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;

(20) to appoint and provide for the duties and obligations of any paying agent or paying agents, or such other fiduciaries as the resolution may provide within or outside the state;

(21) to limit the rights of the holders of any bonds or notes to enforce any pledge or covenant securing bonds or notes;

(22) to make covenants other than and in addition to the covenants expressly authorized in this section, of like or different character, and to make such covenants to do or refrain from doing such acts and things as may be necessary, or convenient and desirable, in order to better secure bonds or notes or which, in the absolute discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding that the covenants, acts or things may not be enumerated in this section.

18.55.1003 VALIDITY OF ANY PLEDGE The pledge of assets or revenues of the authority to the payment of the principal or interest of any obligations of the authority is valid and binding from the time the pledge is made and any such assets or revenues are immediately subject to the lien of the pledge without physical delivery or further act. The lien of any pledge is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge. Nothing herein prohibits the authority from selling assets subject to any pledge, except that any sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations.

18.55.1004 REMEDIES A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under any trust agreement or resolution authorizing the issuance of the obligations, except as restricted by a trust agreement or resolution, either at law or in equity, may enforce all rights granted hereunder or under the trust agreement or resolution, or under any other contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by any officer of it.

18.55.1005 NEGOTIABLE INSTRUMENTS All obligations and interest coupons attached to them are negotiable instruments under the laws of this state, subject only to any applicable provisions for registration.

18.55.1006 OBLIGATIONS ELIGIBLE FOR INVESTMENT Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest

funds, including capital in their control or belonging to them. These obligations may be deposited with any state or municipal officer of any agency or political subdivision of the state for any purpose for which the deposit of bonds, notes or obligations of the state is authorized by law.

18.55.1007 REFUNDING OBLIGATIONS (a) The authority may provide for the issuance of refunding obligations for the purpose of refunding any obligations then outstanding which have been issued under the provisions of this chapter, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the obligations. The issuance of the obligations, the maturities and other details of them, the rights of the holders of them, and the rights, duties and obligations of the authority in respect of them are governed by the provisions of this chapter which relate to the issuance of obligations, insofar as those provisions may be appropriate therefor.

(b) Refunding obligations may be sold or exchanged for outstanding obligations issued under this chapter and, if sold, the proceeds may be applied, in addition to any other authorized purposes, to the purchase, redemption or payment of the outstanding obligations. Pending the application of the proceeds of any such refunding obligations, with any other available funds, to the payment of the principal, accrued interest and any redemption premium on the obligations being refunded, and, if so provided or permitted in the resolution authorizing the issuance of the refunding obligations or in the trust agreement securing them, to the payment of any interest on the refunding obligations and any expenses in connection with the refunding, the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America which mature or which will be subject to redemption, at the option of the holders of them, not later than the respective dates when the proceeds, together with the interest accruing on them, will be required for the purposes intended.

18.55.1008 CREDIT OF STATE NOT PLEDGED Obligations issued under the provisions of this chapter do not constitute a debt, liability or obligation of the state or of any political subdivision of the state or a pledge of the faith and credit of the state or any such political subdivision but are payable solely from the revenues or assets of the authority. Each obligation issued under this chapter shall contain on its face a statement that the authority is not obligated to pay it nor the interest on it except from the revenues or assets pledged for it and that neither the faith and credit nor the taxing power of the state or of any political subdivision of the state is pledged to the payment of the principal of or interest on the obligation.

~~Notes of [unclear]~~
Comm Consideration of HB26 Jan 31

The House Commerce Comm. will be considering H.B. 26 by Duncan regarding Regional Electric Authorities on Feb 6 at 8:00 AM in the committee room. If you wish to present testimony please contact the Tim Hutchinson at 465 3824 so that time can be made available for you.

Thank you
Bob Bradley
Chairman

Jim Duncan
CC Bob Koehler
~~APUC~~
Etc.

Jan Van Dort
* 201 311 Franklin St.
Juneau AK. 99801

N.C. Banfield
#201, 311 Franklin St.
Juneau Alaska

Comm of Comm
Pouch D Motley
JUL

H B

3 8

HB 38

Tape No.	Date
27	4/16
28	4/16
30	4/16
34	4/24

"An Act relating to motor vehicle insurance; and providing for an effective date,"

1/21/75

COMMITTEE REPORT

JUDICIARY

HOUSE

Mr. Speaker:

Date 4/21/75

The Committee on Commerce has had HB 36

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

() "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>Do Pass</u>
<u>[Signature]</u>	<u>Do Pass</u>
<u>[Signature]</u>	<u>No Pass</u>
<u>[Signature]</u>	<u>No Pass</u>

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

LAW OFFICES
KELLY & LUCE

A PROFESSIONAL CORPORATION
1015 WEST SEVENTH AVENUE
ANCHORAGE, ALASKA 99501

(907) 279-9571

KENAI OFFICE
HIGHLAND BUILDING
P.O. BOX 3762
KENAI, ALASKA 99611

BERNARD P. KELLY
L. AMES LUCE

April 10, 1975

Representative Bob Bradley
House of Representatives
House Commerce Committee Chairman
Pouch V
Juneau, Alaska 99801

Dear Brad:

This letter is a followup to let you know that I would like to testify for an hour on Wednesday, April 16, 1975, at your scheduled hearings on no-fault insurance.

Could you let me know right away what time this hearing is scheduled and at what time I could appear. You can call me collect if you desire because of the shortness of time. I need to know so I can schedule my time through the week.

Best regards.

Sincerely,

KELLY & LUCE


Bernard P. Kelly

BPK:kp

cc: Senator Chancy Croft

Car Driven by A Collides with Car Driven by B.
Each Driver Has Bodily Injury Damages of \$10,000

UNDER PRESENT ALASKA LAW

	<u>FACTS</u>	<u>RECOVERY</u>
1.	A not negligent B not negligent	A recovers \$0 B recovers \$0
2.	A negligent B not negligent	A recovers \$0 B recovers \$10,000
3.	A not negligent B negligent	A recovers \$10,000 B recovers \$0
4.	A negligent B negligent	A recovers \$0 B recovers \$0

UNDER HB 38

1.	A not negligent B not negligent	A recovers \$10,000 B recovers \$10,000
2.	A negligent B not negligent	A recovers \$10,000 B recovers \$10,000
3.	A not negligent B negligent	A recovers \$10,000 B recovers \$10,000
4.	A negligent B negligent	A recovers \$10,000 B recovers \$10,000

38
TELETYPE
BOA ALASKA COMMUNICATIONS, INC.
PHONE: 583-6440
JUNEAU ALASKA 99801

IPCAFUB AHC

2-044209C154322 04/14/75

1975 APR 14 PM 9 55

ICS IPHMMB MIL

02256 NL MILWAUKEE WI 177 04-14 NBT

PMS JOHN J OSHEA, DIR

TOP OF INSURANCE, PHONE AND MAIL
1310

STATE OFFICE BLDG

JUNEAU ALASKA 99811

URGENT

TO ALL MEMBERS OF THE NAIC

DEAR COMMISSIONER:

THE ADMINISTRATION, WHICH IS SCHEDULED TO TESTIFY ON APRIL 22 ON FEDERAL NO-FAULT LEGISLATION, IS REPORTED TO BE CONSIDERING A CHANGE IN ITS POSITION SUPPORTING STATE BY STATE ACTION. ADMINISTRATION SUPPORT OF SOME TYPE OF FEDERAL NO-FAULT LEGISLATION COULD ENSURE ENACTMENT.

REQUEST THAT YOU IMMEDIATELY CONTACT YOUR GOVERNOR AND OTHER APPROPRIATE PERSONS TO IMMEDIATELY MAKE PERSONAL CONTACT WITH ADMINISTRATION OFFICIALS (E.G., PRESIDENT FORD, DIRECTOR OF OFFICE OF MANAGEMENT AND BUDGET LYNN, SECRETARY COLEMAN (DOT), ATTORNEY GENERAL LEVI, AND SECRETARY HILL (HUD) VOICING OPPOSITION TO ANY FEDERAL NO-FAULT LEGISLATION.

THE SERIOUS CHALLENGE TO THE STATES INHERENT IN ANY FEDERAL NO-FAULT LEGISLATION IS SUBSTANTIAL. FURTHERMORE, IN PARTICULAR, THE OPERATIONAL DESIGN OF S.354 WOULD RENDER STATE INSURANCE DEPARTMENTS ACCOUNTABLE TO THE SECRETARY OF DOT, BYPASSING STATE GOVERNORS AND LEGISLATURES. THE ONEROUS BURDENS IMPOSED ON STATE INSURANCE DEPARTMENTS REPRESENT AN UNWARRANTED INTRUSION IN THE INTERNAL AFFAIRS OF SOVEREIGN STATES NOT ONLY IN A MANNER RENDERING INSURANCE COMMISSIONERS AGENTS OF THE FEDERAL GOVERNMENT, BUT ALSO IN A MANNER CREATING A FUNDAMENTAL AND DANGEROUS PRECEDENT FOR ALL AREAS OF STATE GOVERNMENT RESPONSIBILITY.

SINCERELY,

WILLIAM H HUFF III

COMMISSIONER OF INSURANCE (IOWA)

PRESIDENT OF THE NAIC

H B

4 6

HB 46

Tape No.

7

Date

2/27

Members Absent: Kelley

Testimony

Mr. Fink - This bill would substantially reduce the service or interest charge on two kinds of accounts. First, revolving charge accounts such as BankAmericard. The current rate would be lowered from 18 to 15% for up to \$300 worth, and to 12% above that. Second, contracts for trailers, snowmobiles, and cars are currently just under 20% under \$1000 and 16% for over that amount. This would be lowered to 12% for amounts up to 10,000 dollars and to 8% for amounts over that. The act deals with personal items, items used by the family. Originally the bill was passed before in 1966, but was then amended and the interest rates added. At the time, Governor Egan was in office, and he subsequently indicated he didn't understand that he had raised interest rates, he didn't intend to raise interest rates, he thought he was lowering them, because you can read from the kind of language you have here that when you take 5/6 of 1 percent etc. it's very confusing as to what you're talking about. The rate charged now by most credit card companies would have to be reduced by this bill. The State of Washington four years ago by initiative changed the rate to 12% from 18%. At the time everyone said it was terrible, now BankAmericard still works, the state has not been hurt. At this point Mr. Rhodes asked if we are talking about people who don't pay their bills on time on extended credit, is that it? No, this has to do with regular rates. But beyond the 30 days where they don't charge, their rates are too high, even though rising rates have been occurring for the last 20 years, its way past time we should be reversing that trend. Why? Because, 1) interest is one thing that shouldn't be allowed to go strictly on supply and demand because it accumulates in a small number of hands, and 2) many institutions are licensed by the state, if the state limits the number of institutions who can lend money by franchise, then they have the obligation to see that rates they charge aren't too high. Most states have limits.

Commissioner Motley reviewed the bill and said that basically it reduced the interest rate from 18 to 15 and 12 depending. If one agrees with Mr. Fink's premise that interest rates fall within the need of regulating, we regulate to a certain extent, we set an upper limit. This bill has an upper limit. The question then becomes "what is an excessive profit?" We don't know he said. Another thing he wanted to mention, The impact of this bill may be a side effect that could restrict new credit or credit extension. He hoped to have for the committee a comprehensive breakdown of the state's policy and what they've done, for any subsequent hearings.

He thought we should examine the state of Washington's history on it. If you make a subsequent loan withing the parameters of 18% interest, there is Y amount of profit or moneys above expenses, when you reduce it to 15 or 12 % you reduce the number Y, it means that possiblibly you might have to tighten up your credit application procedures. He didn't know whether that could be quantified or not, that's why we need to research the State of Wash.'s experience. Another thing, he said, we in Alaska like to think that we are unique, and nine times out of 10 we're not, but one interesting thing he noted was that when Bankamericard got started here in Alaska it came in for some rough sledding right at the beginning. The reason it did was because the national trend that outfits like Bankamericard use to account for a lot of their profit is the interest charge, In Alaska it was found that we seemed to have two kinds of people, the people who paid right on time within 30 days, and people who never paid. There was very little middle ground. This middle group pays a service charge or interest after 30 days and that is where most of the profit is made.

Mr. Wolfe from Wolfe's Home Furnishings was here to speak for himself. From indications he has had from several companies that buy his paper, that if this bill passes, they would not only be very cautious on which accounts they do take, but that probably they would ask for a discount on his priciple paper so that in marginal profits areas it would be discounted about 5%. He said he didn't beleive anybusiness could stand this. It is quite evident in Wash- ington he said what has happened to stores, since the bill passed there. One of the largest appliance stores in the Northwest has over 6 stores and now they are completely out of business. They claim that this bill killed them. There are many other businesses that do not have the high profit items that would suffer tremendously if it should go into effect, not because they didn't get the interest, but because of the discount they had to take on the initial sale to get rid of the paper, and that would be particularly hard for the smaller businesses in our state. His business is basidly centered on installment contracts, probably 70% of his sales are involved in installment plans. There would be no more 60 to 90 day contracts. Mr. Fink asked him if he carried his own paper, and Mr. Wolfe answered that he did, whereupon Mr. Fink asked if he used Bankamericard and Mastercharge or does he sell his contracts to a bank or credit company? Mr. Wolfe answered that competitiondemands that they accept any kind of credit. These however are all at a discount to the dealer, they also have thier own contracts which he sells to the bank. Mr. Fink asked if they(Bankamericard etc.) dis- counted his paper or do they take an interest discount? Yes. So they are making 18% plus what they disount to the dealer.

Don Magnusson read testimony which is attached to this.

ALASKA MOBILE HOME ASSOCIATION
505 W. Northern Lights Blvd.
Anchorage, Alaska 99503

February 15, 1975

Rep. Bob Bradley
Chairman House Commerce Committee
Pouch V
Juneau, Alaska 99801

Re: HB-46

Dear Bob:

The Alaska Mobile Home Association is much alarmed over HB-46, which would limit the interest rates that could be charged by lending institutions for installment loans. The mobile home industry is totally dependent upon such loans for all sales of mobile homes.

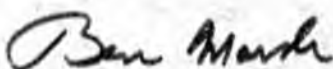
We consider this bill extremely dangerous to us. We have been advised by our regular lending institutions that should this bill become law, that no loan funds would be available for mobile home loans. Available funds would be channeled to more advantageous loans, such as commercial and mortgage loans. It is clear that passage of this bill would put all the mobile home dealers in the state completely out of business.

At the present time mobile home sales are running at about 60 per month in Alaska. At \$20,000 average price for unit, this amounts to a \$14.4 million per year industry, and growing. Several thousand persons make their living in this industry, and thousands more depend on it for their housing. The consequences of bringing mobile home sales to a halt would be disastrous indeed.

Enclosed are a couple of sample letters from local banks. I suspect the same problems would be encountered by other sectors of the economy, such as automobiles recreational vehicles, boats, and snow machines.

The Alaska Mobile Home Association requests that this bill not be reported out of committee. We will have a representative present at your hearing at 8:00 A.M. Wednesday, February 26, in room 203 Assembly Building. If there is a change in this schedule please notify me.

Sincerely,



Bernard L. Marsh, Executive Secretary
Alaska Mobile Home Association

cc: Gale Kincaid, President AMHA

BLM/ap



PEOPLES BANK & TRUST

POUCH 7007 • 8TH AVENUE AND G STREET • ANCHORAGE, ALASKA 99510
TELEPHONE (907) 279-7511

GORDON W. CATCHING
VICE PRESIDENT AND LOAN OFFICER

February 4, 1975

Mr. Bernard L. Marsh, Executive Secretary
Alaska Mobile Home Association
505 W. Northern Lights Boulevard
Anchorage, Alaska 99503

Dear Mr. Marsh:

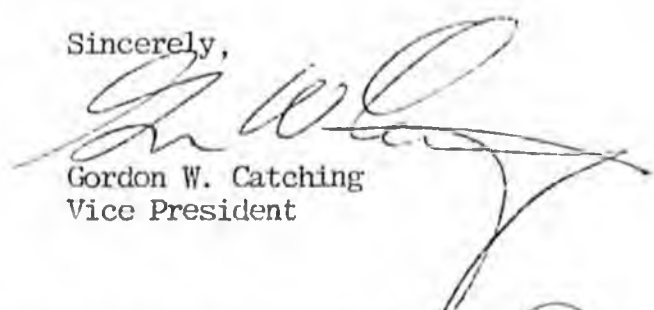
We write to convey our feelings concerning House Bill #46, and particularly the disruptive affect that we believe the passing of such a bill might have on the Alaskan mobile home industry.

As you know, most mobile home dealers conclude the financing of their sales in their shop and have an arrangement whereby they may sell that contract to their bank of account or to such other bank as may be interested in purchasing the deal. It is difficult for me to foresee the time when contracts would be attractive to banks if financed under the provisions as limited by House Bill 46. The provision under line 24, which limits those loans that exceed \$10,000 to a rate that would give an effective yield of less than 8% simple, would, in my opinion, render such contracts unsaleable, at least for the foreseeable future.

We are always concerned about legislation that might quite possibly force legitimate lenders out of a field of activity. If this happens, it seems that the illegitimate sources of financing then have a field day. It seems almost unbelievable that an interest rate structure would be proposed for mobile home financing, for example, that would place the yield at a lower rate than is now enjoyed by those who extend FHA or VA insured loans.

Our concern is real. Not only for our own opportunities to provide financing at realistic rates, but for those sellers of goods who must have a place to finance the wares they sell.

Sincerely,


Gordon W. Catching
Vice President

GWC/pm



THE FIRST NATIONAL BANK OF ANCHORAGE

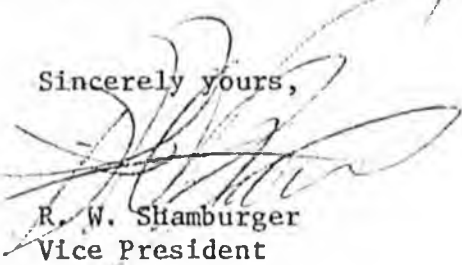
February 6, 1975

Mr. Bernard L. Marsh
Executive Director
Alaska Mobile Home Association
505 W. Northern Lights
Anchorage, Alaska 99503

Dear Mr. Marsh:

In answer to your letter dated February 5, 1975, concerning the HB 46, which was introduced by Rep. Tom Fink and assigned to the Commerce Committee for hearing, this bank has taken steps and contacted the bank's representative Mr. Ken Hume. From our interpretation of the Bill, we are definitely against this proposal and have taken steps to protect our interest.

Sincerely yours,



R. W. Shamburger
Vice President

RWS:jst



Mc Mahan's!

FURNITURE STORES

Mailing Address:
P. O. Drawer W
Santa Barbara, CA 93102
Phone: (805) 965-6591
Telex: 653-450

19 East Ortega Street Santa Barbara, California

February 19, 1975

Mr. Donald R. Magnusson
Executive Director
ALASKA RETAIL ASSOCIATION
c/o Baranof Hotel
Juneau, Alaska 99801

Dear Mr. Magnusson:

I am writing this letter to put forth our strenuous objections to any regulation by the State of Alaska to limit consumer financing interest rates to less than 18% Annual Percentage Rate on balances less than \$1,000 and 12% Annual Percentage Rate for that portion of a contract over \$1,000.

Our company has eight stores in California and one store in Anchorage, Alaska and has been in business under the same management since 1945. Approximately 80% of our business is done on credit which provides a much needed service to the community. During the years of 1969, 1970 and 1971 we operated one store in the city of Bremerton, Washington. We had done some market research and determined that Bremerton had a population profile which would be ideally suited to a credit furniture operation such as ours. Opening the store was an experiment to determine if the State would have opportunities for future expansion.

Sometime shortly after we opened our Bremerton store, the Washington State Legislature passed a law limiting the interest rate on consumer financing for our type of retailing to 12% Annual Percentage Rate. As you may know, the Unruh Act in the State of California provides for 18% APR for balances less than \$1,000 and 12% APR for that portion of the amount financed which is over \$1,000.

Even though this law was passed, we continued to operate our store in Bremerton hoping that we could still generate a return on investment sufficient to remain in business in that state. Unfortunately, due to the imposition of the interest limitation we had to close that store in January of 1972.

During part of the time, I personally was managing the Bremerton store so I can give you my experiences first hand which led to our decision to stop doing business in Washington.

We have three basic objections to any attempt to limit the interest rate, two of which have to do with the affects of such a law on the public and the third having to do with the ability of a business to generate the profit necessary to remain in operation compared to other alternatives.

Taking each objection individually:

→ 1. Lowering the interest rate adds to inflation:

Enclosed are two advertising circulars from January of 1970 (they were picked at random - all others demonstrate the same point). The one with the lower prices is the circular which we distributed in California. The one with the higher prices is the one which we distributed in Bremerton, Washington. The sole reason for the difference in these prices was that it was an attempt on our part to compensate for the reduction in interest income by making a larger gross profit on the merchandise itself. I know for a fact that this practice was not limited to McMahan's and that other major chains and merchandisers followed exactly the same strategy. For example, one month we distributed a circular which was produced by a manufacturer. This circular was distributed not only by McMahan's but by other merchandisers in Washington and California and there was a similar price differential between the California prices and the Washington prices. Let me emphasize that this differential was not a result of the added freight since that difference was almost insignificant, but was solely an attempt on the part of retailers to offset the lower interest rates.

Note that the cash purchaser suffers since under current laws we cannot offer a discount for cash. Therefore, the cash purchaser ends up paying the higher price for the merchandise.

→ 2. A limitation on the interest rate discriminates against the marginal credit buyer:

I suspect that one of the intentions of the Washington State Legislature was to give the credit purchaser a break; unfortunately, the exact reverse occurred in that the marginal credit buyer (the one who needs the credit the most and is the highest risk) is the most adversely affected.

Knowing that there is a diminished profit in the credit operation, one must become especially discriminating in granting credit. To give you a specific example: In December of 1970 we turned down 14.1% of the applicants for credit in the state of Washington and only 8.7% for all the credit applicants in the state of California. That is to say, that we had to turn down 5% more people in Washington due to the fact that we could take less risks in approving credit since there was a smaller margin between the cost of credit and credit income to offset credit losses due to bad debts.

→ 3. A lower return on investment makes doing business in a state with an interest limitation less attractive than states with no such limitation:

To make this point clear, let me cite a specific example: Our store in Bremerton, Washington did approximately the same amount of business as our store in Simi, California and both stores in December of 1970 had an almost identical operating profit. We define operating profit as that profit before any credit operation is taken into consideration including interest income and interest expense.

The net profit, however, was significantly different in that the Bremerton store lost money whereas the Simi store made money. This made the state of Washington very unattractive to us.

Some other figures which may be of interest and underscore this problem are that the ratio in December of 1970 between interest income and accounts receivable was .8% in Bremerton whereas it was 1.3% in the California stores. Comparing interest income as a percentage of sales, it was 5.1% in Bremerton and 9.9% in Simi.

As I have mentioned, we closed our store in January of 1972 in Bremerton since our experiment did not prove to be a profitable one. I can honestly say that our only reason for closing that store was due to the interest rate ceiling. If the State of Washington were to repeal its interest rate limitation and enact a statute similar to the one in California, or the existing one in the state of Alaska, we would not hesitate to reopen stores in the state of Washington.

In closing the store, we had to layoff approximately ten employees and I feel that there are many people in the State and in Bremerton in particular, who are not able to take advantage of the service provided by a credit furniture business such as ours.

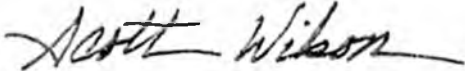
I understand that the Alaskan Legislature is considering lowering the interest rate from 18% down to 15%. Let me emphasize that any such readjustment would have consequences similar to those I have outlined above.

We are delighted to be doing business in Alaska and plan to open two additional stores within the next twenty-four months, one store in Anchorage and an additional store in Fairbanks. Certainly, if the consumer interest rate were lowered we would reconsider our decision and it is entirely possible that we would be forced to close our business in Anchorage just as we were forced to close our business in Bremerton, Washington. This would be extremely unfortunate not only from the company's standpoint but from the public's standpoint in that we would have to layoff the fifteen people whom we employ in our Anchorage store and the people who currently enjoy receiving credit from our company would probably not be served.

Mr. Donald R. Magnusson
February 19, 1975
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If I may be of any further help in answering any questions or providing more material, please don't hesitate to let me know since we are quite anxious that this regulation not be passed.

Very truly yours,

A handwritten signature in cursive script that reads "Scott Wilson". The signature is written in dark ink and is positioned above the typed name.

Scott Wilson
President

SW/gm
Enclosures

STATEMENT OF
DON MAGNUSON
EXECUTIVE DIRECTOR OF ALASKA RETAIL ASSOCIATION

HOUSE BILL 46

HOUSE BILL 46 WOULD AMEND THE ALASKA RETAIL INSTALLMENT SALES ACT BY REDUCING THE ALLOWABLE FINANCE CHARGE THAT MAY BE MADE ON ALL RETAIL INSTALLMENT SALES. WE ARE OPPOSED TO HOUSE BILL 46 FOR TWO PRIMARY AND INTERRELATED REASONS.

FIRST, AS A DEVICE TO LEGISLATE EFFECTIVELY THE PRICE OF CREDIT IN AN AREA WHERE OTHER GOODS AND SERVICES ARE SOLD, IT IS ILLUSORY AT BEST. UNLESS THE LEGISLATURE WANTS TO EMBARK ON A COMPREHENSIVE PROGRAM OF SETTING PRICES ON ALL OF THE MERCHANT'S GOODS AND SERVICES, ANY RATE CEILING ON RETAIL CREDIT WOULD SIMPLY RESULT IN AN EQUIVALENT INCREASE IN THE PRICE OF OTHER, UNREGULATED, GOODS AND SERVICES. THE PREVALENT RETAIL RATE ESTABLISHED IN THE COMPETITIVE MARKET IN ALASKA AND MOST STATES IS 1- $\frac{1}{2}$ % PER MONTH. THIS IS TRUE EVEN THOUGH SOME STATES, SUCH AS NEVADA, UTAH, ILLINOIS, KENTUCKY, OKLAHOMA AND MAINE, EITHER ALLOW A HIGHER CEILING THAN 1 - 1/2% OR IMPOSE NONE AT ALL. COMPETITION IN THIS AREA HAS WORKED AS AN EFFECTIVE DETERMINANT OF RATE FOR THE ULTIMATE BENEFIT OF THE CONSUMER.

FUNDAMENTALLY, YOU CANNOT SET THE PRICE OF SUCH CREDIT EFFECTIVELY WITHOUT A CORRESPONDING INFLUENCE UPON THE PRICE OF OTHER GOODS AND SERVICES OFFERED BY THE RETAILER.

SECONDLY, WE FEEL YOU SHOULD BE INFORMED THAT MOST RETAILERS ARE NOT MAKING A PROFIT ON THEIR FINANCE CHARGE REVENUES. CREDIT IS EXTENDED AS A MEANS OF INCREASING SALES VOLUME AND TO MEET COMPETITION.

HOWEVER, CONTRARY TO POPULAR IMPRESSION, REVENUE GENERATED BY FINANCE CHARGES IS NOT A "BOTTOM LINE" NET PROFIT FIGURE. SUCH REVENUE IS A GROSS RECEIPT ITEM AGAINST WHICH RETAILERS MUST DEDUCT SUCH CREDIT RELATED COST ITEMS AS (A) THE COST OF BORROWING MONEY FROM FINANCIAL INSTITUTIONS; (B) NEW ACCOUNT DEVELOPMENT AND CREDIT INVESTIGATIONS; (C) PAYROLL; (D) RENT; (E) SUPPLIES; (F) COMPUTERS AND (G) COLLECTION COSTS AND WRITE OFF ON UNCOLLECTIBLE ACCOUNTS. NUMEROUS ECONOMIC STUDIES (SOME OF WHICH CAN BE MADE AVAILABLE TO YOU) CLEARLY SHOW THAT FOR MOST RETAILERS SUCH COSTS EXCEED THEIR FINANCE CHARGE REVENUES. HB 46 WOULD FURTHER REDUCE SUCH REVENUES SUBSTANTIALLY BELOW THE EXISTING COST STRUCTURE.

THE STATE OF WASHINGTON OFFERS A FAIR EXAMPLE OF THE ADVERSE ECONOMIC CONSEQUENCES THAT FOLLOW AN ARTIFICIALLY IMPOSED LOW RATE CEILING. IN THE GENERAL ELECTION OF NOVEMBER 1968, WASHINGTON VOTERS APPROVED A MEASURE SIMILAR TO THAT SET FORTH BY HB 46. THEREAFTER, IN 1970, THE GRADUATE SCHOOL OF BUSINESS OF THE UNIVERSITY OF WASHINGTON PUBLISHED A REPORT ON THE IMPACT OF THIS INITIATIVE UPON WASHINGTON'S ECONOMY. THIS REPORT SERVES AS EVIDENCE THAT THE VOTER'S PREFERENCE FOR A LOW RATE (WHICH SOUNDS AWFULLY APPEALING ON ITS FACE)

DID NOT GIVE HIM THE BENEFIT DESIRED, E.G. A LOW COST OF CREDIT. ALTHOUGH RETAILERS' RESPONSES VARIED SOMEWHAT, IT WAS CLEAR THAT THE MAJORITY OF THEM REACTED BY RAISING PRICES ACROSS THE BOARD OR ON CREDIT-SENSITIVE ITEMS. THE REPORT STATES ON PAGE 24-25 THAT:

". . . THE MAJORITY (56%) OF RETAILERS SAID THAT THEY RAISED PRICES ON ALL MERCHANDISE ON THE AVERAGE OF 5% IN RESPONSE TO THE PASSAGE OF THE INITIATIVE 245."

FURTHER:

". . . SIXTY-FOUR PERCENT OF FURNITURE AND APPLIANCE DEALERS SAID THAT THEY RAISED PRICES ON 'CREDIT-SENSITIVE' ITEMS. THIRTY-ONE PERCENT OF DEPARTMENT STORES SAID THAT THEY DID THE SAME."

IT WAS ALSO SIGNIFICANT FROM THIS REPORT THAT THERE WAS A TIGHTENING OF CREDIT ON THE LOWER END OF THE ECONOMIC SCALE WHICH DURING THESE TIMES WOULD IMPOSE SUBSTANTIAL PROBLEMS FOR LOW INCOME CONSUMERS. I UNDERSTAND THAT OTHER ECONOMIC STUDIES SUCH AS PROFESSOR GENE LYNCH'S STUDY ON THE ARKANSAS SITUATION, AND PROFESSOR STUCKI'S REPORT IN UTAH SUBSTANTIATES THE UNIVERSITY OF WASHINGTON'S REPORT.

YOU MIGHT ALSO BE INTERESTED IN THE CONGRESSIONALLY FUNDED STUDY THAT WAS PUBLISHED BY THE NATIONAL COMMISSION ON CONSUMER FINANCE ENTITLED "CONSUMER CREDIT IN THE UNITED STATES". ALTHOUGH THIS STUDY RELATED TO THE ENTIRE BROAD SPECTRUM OF

CONSUMER CREDIT, IT IS SIGNIFICANT THAT AS TO THE ISSUE RAISED BY HB 46, THIS COMMISSION STATED THE FOLLOWING ON PAGE 107 OF ITS REPORT:

"THERE IS NO LOGICAL REASON TO SELECT ANY TYPE OF PRODUCT OR SERVICE SOLD BY A RETAILER AND LEGALLY REQUIRE IT TO BE SOLD AT A LOSS. WHEN CREDIT IS SELECTED AS THE REQUIRED LOSS LEADER, THE BURDEN OF SUBSIDY FALLS PRIMARILY ON CASH BUYERS, SOME OF WHOM MAY HAVE BEEN UNABLE TO OBTAIN CREDIT. THUS STATE LAWS THAT PUT THE PRICE OF CREDIT BELOW COMPETITIVE RATES ARE FORCING BOTH THE WEALTHY AND THE LESS AFFLUENT, WHO DO NOT USE OR CANNOT OBTAIN CREDIT, TO SUBSIDIZE THE USE OF CREDIT BY OTHERS. SUCH LAWS ALSO ATTEMPT TO DISCOURAGE THOSE WHO CAN OBTAIN CREDIT FROM USING CASH TO BUY GOODS. IN THE COMMISSION'S VIEW, LOWERING RATE CEILINGS ON REVOLVING CREDIT BELOW 1-1/2% PER MONTH HAS ON BALANCE BEEN CONTRARY TO THE BEST INTEREST OF CONSUMERS."

THE CENTRAL POLICY ISSUE THEREFORE IS WHO SHOULD PAY FOR THE COST OF EXTENDING CREDIT. WE BELIEVE THAT THOSE WHO UTILIZE THE SERVICE OF CREDIT SHOULD BEAR THE COST BURDEN. THIS OBJECTIVE HAS BEEN LARGELY REALIZED TODAY IN ALASKA. HB 46 COULD, IN LIGHT OF NUMEROUS ECONOMIC STUDIES, SHIFT THAT COST BURDEN TO THOSE WHO DO NOT WISH TO PURCHASE ON CREDIT.

CREDIT BUYING TODAY IS AN ESTABLISHED FACT OF ECONOMIC LIFE. IT HAS BEEN A MAJOR FACTOR BY WHICH SUBSTANTIAL ECONOMIC

Magnuson 2/26/75
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GROWTH HAS BEEN ACHIEVED IN THIS COUNTRY. THE SYSTEM CERTAINLY HAS ITS CRITICS AND INDIVIDUAL EXAMPLES OF CREDIT-ABUSE CAN BE CITED. HOWEVER, WE BELIEVE THAT BEFORE THIS COMMITTEE ESTABLISHES A LOW PRICE CEILING FOR CREDIT, WITH ITS ATTENDANT ADVERSE CONSEQUENCES, IT OUGHT TO BE AWARE OF THE SUBSTANTIAL BODY OF ECONOMIC OPINION DEALING WITH THE ADVERSE RESULTS GENERATED BY LOW RATE CEILINGS.

IN CONCLUDING, I HAVE TAKEN THE LIBERTY OF ATTACHING TO MY STATEMENT A SUMMARY STATEMENT AUTHORED BY PROFESSOR LYNCH OF THE UNIVERSITY OF ARKANSAS ON THE ECONOMIC IMPACT OF THE WASHINGTON RATE CEILING UPON THAT STATE'S ECONOMY.