

ALASKA LEGISLATIVE COUNCIL

1767 HLC HB 165 - HB 292

TRIBUTARY TRUNK GROUP: HOOPER BAY 1980

MONTH	NO. OF TRUNKS	CCS CARRIED	CCS PER CALL	GRADE OF SERVICE	FOR P.01 SVCE	SURVEILLANCE LEVELS
					TRUNKS TO BE ADDED	REMOVED
						NOT MET
JANUARY	6	32	2.91	P.0003	0	1
FEBRUARY	6	55	1.31	P.0049	0	0
MARCH	6	47	.85	P.0023	0	0
APRIL	6	75	10.71	P.0198	0	0
MAY	6	88	6.29	P.0384	2	0
JUNE	6	69	8.63	P.0137	0	0
JULY	6	126	3.50	P.1424	3	0
AUGUST	6	88	3.67	P.0384	2	0
SEPTEMBER	6	32	3.56	P.0003	0	1
OCTOBER	6	63	7.00	P.0091	0	0
NOVEMBER	6	37	4.11	P.0007	0	1
DECEMBER	6	45	9.00	P.0018	0	0

Notes: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 H - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

APUC 01/12/81

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TRIBUTARY TRUNK GROUP: MOUNTAIN VILLAGE 1980

MONTH	NO. OF TRUNKS	CCS CARRIED	CCS PER CALL	GRADE OF SERVICE	FOR P.01 SVCE	SURVEILLANCE LEVELS	NOT MET
SEPTEMBER	7	98	6.13	P.0214	1	0	
OCTOBER	7	91	10.11	P.0150	0	0	
NOVEMBER	7	83	7.55	P.0095	0	0	
DECEMBER	7	57	7.13	P.0013	0	0	

Note: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 # - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

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TRIBUTARY TRUNK GROUP: PILOT STATION 1980

MONTH	NO. OF TRUNKS	CCS CARRIED	CCS PER CALL	GRADE OF SERVICE	FOR P.01 TRUNKS TO BE ADDED	SVCE REMOVED	SURVEILLANCE LEVELS NOT MET
SEPTEMBER	4	69	7.67	P.1282	3	0	H
OCTOBER	4	24	3.71	P.0064	0	0	
NOVEMBER	4	31	10.33	P.0116	0	0	
DECEMBER	4	26	2.60	P.0064	0	0	

Note: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 H - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

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TRIBUARY TRUNK GROUP: SAVONGNA 1980

MONTH	NO. OF TRUNKS	CCS CARRIED	CCS PER CALL	GRADE OF SERVICE	FOR P.01 TRUNKS TO BE ADDED	SURVEILLANCE LEVELS NOT MET
MAY	3	48	5.33	P.1506	3	0 #
JUNE	5	68	6.18	P.0432	2	0
AUGUST	5	35	8.75	P.0033	0	0
SEPTEMBER	6	25	4.17	P.0001	0	2
OCTOBER	6	47	5.22	P.0023	0	0
NOVEMBER	6	60	10.00	P.0073	0	0
DECEMBER	10	45	6.43	P.0000	0	4

Note: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 # - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

APUC 01/12/81

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TRIBUTARY TRUNK GROUP: ST. MARY'S 1980

MONTH	NO. OF TRUNKS	CCS CARRIED	CCS PER CALL	GRADE OF SERVICE	FOR P.01 TRUNKS TO BE ADDED	SVCE REMOVED	SURVEILLANCE LEVELS NOT MET
JANUARY	8	28	2.33	P.0000	0	3	
FEBRUARY	10	72	3.13	P.0000	0	2	
MARCH	10	82	3.57	P.0001	0	2	
APRIL	10	46	5.11	P.0000	0	4	
MAY	10	76	3.80	P.0001	0	2	
JUNE	10	80	3.20	P.0001	0	2	
JULY	10	91	4.14	P.0003	0	1	
AUGUST	10	106	3.66	P.0010	0	1	
SEPTEMBER	10	112	3.73	P.0014	0	0	
OCTOBER	10	113	4.91	P.0015	0	0	
NOVEMBER	10	106	4.42	P.0010	0	1	
DECEMBER	10	92	4.18	P.0003	0	1	

Note: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 H - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

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TRIBUTARY TRUNK GROUP: SAVOONGA 1980

MONTH	NO. OF TRUNKS CARRIED	CCS	CCS PER CALL	GRADE OF SERVICE	FOR P.01 SVCE	SURVEILLANCE TRUNKS TO BE ADDED	REMOVED	LEVELS NOT MET
MAY	3	48	5.33	P.1506	3	0		H
JUNE	5	68	6.18	P.0432	2	0		
AUGUST	5	35	8.75	P.0033	0	0		
SEPTEMBER	6	25	4.17	P.0001	0	2		
OCTOBER	6	47	5.22	P.0023	0	0		
NOVEMBER	6	60	10.00	P.0073	0	0		
DECEMBER	10	45	6.43	P.0000	0	4		

Note: * - exceeds P.05
 ** - exceeds P.10
 *** - exceeds P.20
 H - exceeds 12 ccs per trunk in trunk group of less than 4 trunks

APUC 01/12/81

ready
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LOANS APPROVED - ALASKA

<u>PROJECT</u>	<u>SIGNED</u>	<u>AMOUNT</u>
<u>Alaska 512-B5</u>		
Glacier State Telephone Company Bakersfield, California	1-26-78 (FY 1978) (6.5%)	\$ 4,630,500
<u>Alaska 514-B & C5</u>		
Interior Telephone Company, Inc. Anchorage, Alaska	10-25-77 (FY 1978) (6.5%)	4,439,400
<u>Alaska 521-A</u>		
United Utilities, Inc. Anchorage, Alaska	6-21-79 (FY 1979) (2.0%)	3,000,000
<u>Alaska 513-C5</u>		
Nushagak Telephone Cooperative, Inc. Dillingham, Alaska	7-2-79 (FY 1979) (8.0%)	1,233,750
<u>Alaska 504-M4 & M7</u>		
Matanuska Telephone Association, Inc. Palmer, Alaska	9-24-79 (FY 1979) (5.0% & 8.0%)	25,597,500
<u>Alaska 520-A</u>		
Arctic Slope Telephone Association Cooperative, Inc. Anchorage, Alaska	3-17-80 (FY 1980) (2.0%)	5,000,000
<u>Alaska 512-C</u>		
Glacier State Telephone Company Bakersfield, California	9-26-80 (FY 1980) (Guaranteed)	27,353,000

LOANS APPROVED - ALASKA

PAGE 2

<u>PROJECT</u>	<u>SIGNED</u>	<u>AMOUNT</u>
<u>Alaska 518-A</u> Mukluk Telephone Company Teller, Alaska	12-17-80 (FY 1981) (5.0%)	\$ 3,065,000
<u>Alaska 523-A</u> Bristol Bay Telephone Cooperative, Inc. Naknek, Alaska	12-24-80 (FY 1981) (5.0% & 10.25%)	3,235,850
<u>Alaska 522-A</u> Cordova Telephone Cooperative, Incorporated Cordova, Alaska	2-2-81 (FY 1981) (5.0%)	<u>3,040,000</u>
TOTAL		\$80,595,000

SERVICE LIST

U-77-28
U-81-22

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Mr. Vinod K. Batra
United Utilities, Inc.
P.O. Box 4-2730
Anchorage, Alaska 99509

President
Sea Lion Corporation
General Delivery
Hooper Bay, Alaska 99604

Don Harris, General Manager
Coastal Management Corporation
Nelson Island
Toksook Bay, Alaska 99637

The Alaska Native Foundation
515 "D" Street
Anchorage, Alaska 99501

Sec. 42.08.020. Subsection (a) is amended to read as follows:

"Sec. 42.08.020. POWERS AND DUTIES OF THE DEPARTMENT.

(a) The Department shall formulate procedures and adopt regulations to implement this chapter.

(b) No loan shall be made under this chapter until the Alaska Public Utilities Commission finds that the applicant is fit, willing and able to provide the utility services applicable to the facility for which the loan is applied for and that the facilities for which the loan is applied for shall result in improvement of service and shall be in the financial interests of the ratepayer of the state of Alaska. The application for loan shall be forwarded to the Alaska Public Utilities Commission for such finding and shall be in the form and contain the information required by the Alaska Public Utilities Commission by regulation sufficient to make its finding. For purposes of the finding of the Commission procedures and regulations adopted under A.S. 42.05.151 shall be applicable.

(c) The Department may

(1) make a loan from the public utility revolving loan fund to a public utility to finance or refinance capital improvements, plant and facilities, and to improve and expand services, if other credit is not readily available from private lending institutions at a rate of interest less than the rate of interest which the state agreed to pay on the most recent general obligation bonds issued before the application for the loan under this chapter;

United Utilities, Inc.

← NATIVE OWNED CORPORATION →

5400 A STREET ANCHORAGE, AK 99503

PHONE: (907) 276-1959

March 5, 1981

The Honorable Vernon Hurlbert
Chairman
House Labor and Commerce Committee
Pouch V
Juneau, AK 99811

Reference: Proposed Amendment to House Bill 165, Utility Revolving Loan Fund, for a \$20 Million 1981 Appropriation for Utilities Affected by Federal Budget Cuts.

Dear Mr. Hurlbert:

In reference to the subject amendment United Utilities (U.U.I.) is furnishing herein additional information on the impact of the recent 1981 Reagan Administration's budget cuts. These budget cuts have prevented the release of a \$10.4 million Rural Electrification Administration (REA) loan to U.U.I. which the REA had tentatively approved at a composite interest rate of 5.4% for a period of 35 years. The items funded in this REA loan application include local telephone exchange and toll interconnect facilities at Akiachak, Chevak, Gambell, Goodnews Bay, Kasigluk, Kizruk, Kotlik, Kwethluk, Mountain Village, Napakaik, Nunapitchuk, Pilot Station, Quinhagak, Savoonga, Toksook Bay, and Tununak. A copy of the REA's Tentative Budget and Telephone Loan Feasibility Study is attached.


For the facilities included in the \$10.4 million loan request we have borrowed on an interim basis \$1.5 million, at an interest rate of prime plus 3½%, and we also have an outstanding order for \$560,000 of electronic switching equipment which will take approximately \$440,000 to place into operation in eight locations. If U.U.I. were able to secure a low cost long term loan for \$2.5 million we would be able to retire the outstanding interim debt and install these new exchanges. Should the \$2.5 million not be available we will need to cancel these equipment orders and incur costly penalties from the manufacturer. In addition we will continue to incur exorbitant interest expenses that could place the cost of telephone service out of the reach of most of our subscribers.

The remaining balance of the REA loan application of \$7.9 million (\$10.4 million less \$2.5 million) is for telephone system improvements including toll interconnect facilities. Our analysis of the \$7.9 million indicates that the most critical of these requirements is \$2.1 million for toll interconnect facilities at Akiachak, Napakiak, Chevak, Goodnews Bay, Kwethluk, Nunapitchuk and Quinhagak. These locations now have only a single toll circuit to interface with the telephone exchanges installed with the \$2.5 million mentioned previously.

In summary, the proposed federal budget cuts have resulted in the withholding of United Utilities \$10.4 million REA loan which was tentatively approved and scheduled for 1981. Within this loan request there's an immediate need for \$2.5 million to retire the interim debt and to purchase and install equipment that is now on order. In addition, to provide toll interconnect facilities required for the new locations receiving the switching equipment another \$2.5 million will be required. A total of \$4.6 million is the amount United Utilities would propose to fund from the \$20 million appropriation included in the amendment to HB 165. The remaining \$5.8 million could potentially be deferred until 1982 and be funded from the permanent Utility Revolving Loan Fund.

Regarding the interest rate, collateral and term of the loans I believe that all loans made from the \$20 million appropriation should be made under the same terms and conditions as those previously provided for by REA. All loans made from the Revolving Loan Fund's \$40 million appropriation should be made under the provisions of HB 165, including those amendments submitted in our February 18, 1981 correspondence (copy attached).

Respectfully submitted,


Steve Hamlen
Controller

SH/rs

U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

TELEPHONE LOAN BUDGET

NAME OF BORROWER

United Utilities, Inc.

BORROWER AND LOAN DESIGNATION

Alaska 521-B4 & B7 United

PRIOR LOAN RESERVES AS OF 6/10/80

BUDGET ITEM	RESERVE BALANCES		NEW PROJECT BUDGET C.
	A.	AVAILABLE FOR NEW PROJECTS B.	
1. CONSTRUCTION			
a. CENTRAL OFFICE	140,002		6,694,000
b. OUTSIDE PLANT AND STATION EQUIPMENT	134,205		1,205,000
c. R/W PROCUREMENT			
d. LAND	9,611		48,000
e. BUILDINGS	185,998		480,000
f. REMOVAL COSTS			
g. SPECIAL PROJECTS			
2. ENGINEERING	338,000		700,000
3. OPERATING EQUIPMENT			
a. OFFICE EQUIPMENT			77,000
b. VEHICLES AND WORK EQUIPMENT	45,462		280,000
4. a. OVERHEAD EXPENDITURES			
b. CLASS B STOCK - TELEPHONE BANK			36,500
5. OPERATING FUNDS			
6. REFINANCING AND DEBT RETIREMENT			
a. REFINANCING WITH LOAN FUNDS			
b. DEBT RETIREMENT WITH NON-LOAN FUNDS			
7. ACQUISITIONS			640,000
8. CONTINGENCIES	43,337		284,000
9. TOTALS	896,615		10,444,500
10. LESS AVAILABLE FROM PRIOR LOANS (Col. B, Item 9)			
11. LESS NON-LOAN FUNDS			
12. TOTAL NEW LOAN FUNDS			10,444,500
13. REA LOAN			9,678,000
14. TELEPHONE BANK LOAN			766,500

ADDITIONAL BUDGET DATA

PRIOR LOAN TOTALS \$ 3,000,000	NON-LOAN FUNDS, PRIOR LOANS, AS ADJUSTED \$ 80,000	TOTAL CUMULATIVE ADVANCES	PRELOAN ENGINEERING, THIS LOAN
REA LOANS \$ 3,000,000		FRS #5 5/22/80	
TEL. BANK LOANS \$		\$ 1,308,000	\$ 124,000

ESTIMATED ORIGINAL COST OF EXISTING PLANT RETAINED (this loan) \$ (includes \$ land)	ESTIMATED ORIGINAL COST OF RETIRED PLANT (this loan) \$	ESTIMATED SALVAGE VALUE RETIRED PLANT (this loan) \$
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COST OF HEADQUARTERS FACILITIES, GARAGE AND WAREHOUSE (this loan) \$	COST OF MOBILE RADIO TELEPHONE (this loan) \$
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REMARKS

The "total reserves" do not include \$400,000 for acquisition and \$839,000 (COE) for earth station improvements. These funds have not been released yet.

TENTATIVE

U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
TELEPHONE LOAN FEASIBILITY STUDY

CORPORATE NAME
United Utilities, Inc.
LOAN DESIGNATION
Alaska 521-B4 and B7 United

PART F. SCHEDULED DEBT SERVICE PAYMENTS

	AMOUNT OF LOAN	RATE (%)	DEBT SERVICE	TOTAL
1. MAXIMUM ANNUAL DEBT SERVICE	\$ 2,600,000	4.240	\$ 110,240	
	400,000	4.020	16,080	
	766,500	11.124	85,265	
	640,000	6.100	39,040	
	9,038,000	6.280	567,586	
				\$ 618,211
2. TOTAL LOANS	\$ 13,444,500			
3. LESS PRINCIPAL REPAYD	-0-			
4. UNPAID PRINCIPAL	13,444,500			
5. MAXIMUM ANNUAL INTERESTS PAYMENTS				\$ 626,299

PART G. ESTIMATED ANNUAL REVENUE

CLASS OF SERVICE	EXISTING AUTHORIZED MONTHLY RATES	SUGGESTED MONTHLY RATES	NUMBER OF STATIONS	MONTHLY RECEIPTS
1. EXCHANGE REVENUE Alakanuk, Emmonak, St. Mary's and Hooper Bay				
a. BUSINESS				
1 - PARTY	\$ 27.50	\$ 27.50	128	\$ 3,520.00
2 - PARTY				
4 - PARTY				
5 - PARTY				
8 - PARTY				
_____ PARTY				
PAYSTATIONS	35.00	35.00	32	1,120.00
PBX OR PABX SYSTEMS				
PRX OR PABX TRUNKS				
KEY SYSTEMS			10) Lot 27)	8,472.25*
b. RESIDENCE				
1 - PARTY	16.00	16.00	521	8,336.00
2 - PARTY				
4 - PARTY				
5 - PARTY				
8 - PARTY				
_____ PARTY				
c. SUBSCRIBER RADIO TELEPHONE				
d. EXTENSIONS:				
BUSINESS	5.00	5.00	91	455.00
RESIDENCE	2.50	2.50	97	242.50
PBX OR PABX				
KEY			50	*
e. MILEAGE AND ZONE CHARGES:				
CLASS	NO. SUBS.	AVE. MI. ZONES	SUBS. ZONES	
1-PARTY				
2-PARTY				
4-PARTY				
f. SERVICE STATIONS				
g. TOTALS				\$22,145.75
h. ANNUAL EXCHANGE REVENUE (Line g x 12) ...				\$ 265,749

2. NET TOLL REVENUE	
SUBS. X \$	
3. OTHER REVENUE (Explain)	

TENTATIVE

U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION
TELEPHONE LOAN FEASIBILITY STUDY

CORPORATE NAME
United Utilities, Inc.
LOAN DESIGNATION
Alaska 521-84 and B7 United

PART F. SCHEDULED DEBT SERVICE PAYMENTS

	AMOUNT OF LOAN	RATE (%)	DEBT SERVICE	TOTAL
1. MAXIMUM ANNUAL DEBT SERVICE	\$		\$	
2. TOTAL LOANS	\$			
3. LESS PRINCIPAL REPAYED				
4. UNPAID PRINCIPAL				
5. MAXIMUM ANNUAL INTERESTS PAYMENTS				\$

PART G. ESTIMATED ANNUAL REVENUE

CLASS OF SERVICE	PRESENT MONTHLY RATES	SUGGESTED MONTHLY RATES	NUMBER OF STATIONS	MONTHLY RECEIPTS
1. EXCHANGE REVENUE All Other Exchanges				
a. BUSINESS				
1 - PARTY	\$	\$ 27.50	137	\$ 3,767.50
2 - PARTY				
4 - PARTY				
8 - PARTY				
8 - PARTY				
_____ PARTY				
PA SYSTEMS	N/A	35.00	51	1,785.00
PBX OR PABX SYSTEMS				
PBX OR PABX TRUNKS				
KEY SYSTEMS			35) Lot see pg. 1 64)	*
b. RESIDENCE				
1 - PARTY		16.00	1,469	23,504.00
2 - PARTY				
4 - PARTY				
8 - PARTY				
8 - PARTY				
_____ PARTY				
c. SUBSCRIBER RADIO TELEPHONE				
d. EXTENSIONS:				
BUSINESS		5.00	197	985.00
RESIDENCE		2.50	196	490.00
PBX OR PABX				
KEY			160	*
e. MILEAGE AND ZONE CHARGES:				
CLASS NO. SUBS. AVE. _____ SUBS. _____				
MI. ZONES ZONES				
1-PARTY				
2-PARTY				
4-PARTY				
f. SERVICE STATIONS				
g. TOTALS				\$ 30,531.50
h. ANNUAL EXCHANGE REVENUE (Line g x 12) ...				\$ 366,378

2. NET TOLL REVENUE	
SUBS. R R	
3. OTHER REVENUE (Explain)	

TENTATIVE

FORECAST OF REVENUES AND EXPENSES	CORPORATE NAME AND ADDRESS	
	United Utilities, Inc. Anchorage, Alaska	
	LOAN DESIGNATION	FORECAST FOR (No. of subs.)
	Alaska 521-B4 & B7	2,383
ITEM	TOTAL	
1. LOCAL SERVICE REVENUES*	\$	632,127
2. TOLL SERVICE REVENUES		2,505,827
3. MISC. OPERATING REVENUE		29,263
4.		
5. LESS UNCOLLECTIBLE OPERATING REVENUE	\$	8,865
6. TOTAL OPERATING REVENUES	\$	3,158,352
7. MAINTENANCE	\$	602,492
8. TRAFFIC		6,625
9. COMMERCIAL, GENERAL & OTHER		657,874
10. TAXES EXCLUDING FEDERAL INCOME TAX		32,524
11. DEPRECIATION		676,225
12. AMORTIZATION		19,356
13. FIXED CHARGES (interest)		626,299
14.		
15. OTHER INCOME AND DEDUCTIONS NET		(7,407)
16. TOTAL EXPENSES EXCLUSIVE FEDERAL INCOME TAX	\$	2,613,988
17. NET INCOME (margin) BEFORE FEDERAL INCOME TAX	\$	544,364
18. FEDERAL INCOME TAX		231,157
19. NET INCOME (margin) AFTER FEDERAL INCOME TAX	\$	313,207
20. ADD: INTEREST		626,299
21. NET OPERATING INCOME OR MARGIN	\$	939,506
22. ADD: DEPRECIATION AND AMORTIZATION		695,581
23. AVAILABLE FOR INTEREST AND PRINCIPAL PAYMENTS	\$	1,635,087
24. SCHEDULED INTEREST AND PRINCIPAL PAYMENTS		818,211
25. AVAILABLE FOR PLANT ADDITIONS, REPLACEMENTS, ETC.	\$	816,876
26. TIMES INTEREST EARNED RATIO (Item 21 ÷ Item 20)		150.0
ITEM 13 (interest)		
OUTSTANDING LOAN BALANCE(S)	\$ 3,000,000 @ 2% =	\$ 60,000
OUTSTANDING LOAN BALANCE(S)	\$ 766,500 @ 10.75% =	\$ 82,399
CURRENT LOAN	\$ 9,670,000 @ 5% =	\$ 483,900
TOTAL INTEREST		\$ 626,299

*LOCAL SERVICE REVENUES BASED ON THE attached schedules.

Composite interest rate for \$10,444,500 loan is 5.4%.
The loan will provide for three 35-year notes.

TENTATIVE

BERNARD POTTEEN
WILLIAM C BURT
ALAN Y NAFTALIN
JOHN W SYMPSON
RAINER K PAUS
ARTHUR B GOODKIND
GEORGE Y WHEELER
HERBERT D MILLER, JR
MARGOT SMILEY HUMPHREY
DAVID L VAUGHAN
LISA J STEVENSON
WILLIAM D MITCHELL
GREGORY C STAPLE

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1150 CONNECTICUT AVENUE
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96-1
1210

TELEPHONE
(202) 467-5700
TELECOPY
(202) 467-5915
CABLE ADDRESS
"KOBURT"

March 6, 1981

MEMORANDUM

TO: James C. Miller, Administrator for the Office
of Information and Regulatory Affairs

Jim Tozzi, Deputy Administrator for the Office
of Information and Regulatory Affairs

FROM: Alan Y. Naftalin * (Counsel for Alascom, Inc.)

RE: Proposed Uses of Low Interest REA Telephone Loan
Funding to Replace Available Commercial Financing
of Toll Telephone Facilities

Frank P. ...
447-25
Am ...
= 11315
447-2917
Am ...
447-43
Am ...
447-74

This memorandum is intended to outline an existing area of REA policy promoting use of low interest REA loan funding in a manner contrary to the initiatives of the President's "Program for Economic Recovery" promoting reliance upon commercial financing of telephone construction projects (pp. 4-5 through 4-7).

As described hereafter in detail existing REA policy is to promote the use of low interest REA loan funding for its borrowers in Alaska to acquire earth station facilities which are already funded from commercial financing sources and, in some instances, to construct new or replacement earth station facilities for which commercial financing is either already in place or otherwise committed which would make use of REA loan funding unnecessary. On a fully developed basis, this REA policy could involve as much as \$80 million of low interest REA loan financing being committed in Alaska in circumstances where commercial financing sources can be reasonably relied upon.

We request that steps be taken promptly to prevent the REA from making further unnecessary loan commitments and that the REA announce as a matter of policy before the Federal Communications Commission in CC Docket No. 80-584 that it

*Counsel for Alascom, Inc.

does not intend to make loan funding available to borrowers in circumstances where it is clear that commercial financing sources can reasonably be relied upon.

The REA policy addressed here developed as an REA staff initiative during the Carter Administration to address a special situation existing in Alaska. Alascom, Inc., the long lines carrier in the state, had constructed and was operating in excess of 100 domestic satellite earth stations to furnish message telephone communications in the Alaskan bush. Although it had been operating these earth station facilities in some cases for many years (relying upon commercial financing), Alascom had not obtained permanent operating authority from the FCC. When approached by an REA borrower interested in contesting Alascom's continued right to own and operate those earth station facilities, REA decided as a matter of policy that it would commit low interest loan funding to support the financial qualifications of REA borrowers in competitive proceedings before the FCC contesting Alascom's continuing authority to construct and operate such facilities.

In recent years the REA has actively supported a number of borrowers in Alaska who have proposed to use low interest REA loan funding to acquire Alascom's earth station facilities in specific areas and to finance construction of new facilities which would bypass or replace Alascom's existing toll network facilities.

Because this is a relatively new REA policy few loan commitments for REA loan funding of earth station facilities in Alaska have been made. United Utilities, Inc. obtained conditional approval of \$1.2 million of 2% loan funding for earth station facilities on June 21, 1979. Recently the Mukluk Telephone Company obtained a similar REA commitment for 5% loan funding covering approximately \$650,000 on December 22, 1980. Other loan requests remain pending including an additional request for loan funding by United Utilities, Inc. covering approximately \$4.8 million for earth station facilities which are in the final stages of review by the Acting Administrator of the REA.

We raise these matters regarding REA existing commitments and pending loan requests because they have direct impact in the fiscal 1981 REA telephone budget. We understand that as much as \$108 million of the \$125 million revised REA low interest telephone budget has been committed. Clearly the public interest would not be served by permitting the REA to continue making commitments of the loan funds remaining in its revised

None of Ar
Alascom
legally
advised
until
7cc
file
is
proceeding

1981 budget for earth station facilities which Alascom is providing with the use of commercial financing. Unnecessary commitments of this kind obviously preclude availability of REA loan funding in areas where commercial financing is not readily available, a clearly unjustifiable result.

The second part of our request arises because of formal comments dated January 28, 1981 filed by the Administrator of the REA supporting adoption of a Notice of Proposed Rulemaking in CC Docket No. 80-584 which would limit the eligibility for the licensing of earth station facilities to certificated local exchange carriers in the Alaskan bush, effectively disenfranchising Alascom. The effect of the REA position in CC Docket No. 80-584, if adopted, would be to restrict the ownership of these facilities to the REA borrower group operating telephone exchanges in these bush areas so that Alascom which relies upon commercial financing would be barred even from competing for the right to own and operate these facilities. This position is firmly opposed in the formal comments of the Alaska Public Utilities Commission and the Federal Aviation Administration in CC Docket No. 80-584.

*Callahan
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wa*

The REA policy which is at the heart of the position taken in its formal comments before the FCC is clearly contrary to the President's Economic Recovery Program. This is particularly true when it is considered that the REA is proposing to finance the acquisition of earth station facilities which are already in place, operational and financed from commercial financing sources.

Finally we should add that the period for formal comments before the Federal Communications Commission in CC Docket No. 80-584 will remain open until April 2, 1981. The filing of comments by the REA in that proceeding reversing its previous position regarding the availability of low interest loan funding would be a timely and effective demonstration of the President's budget initiatives and the underlying policies supporting those initiatives.

Attachments: FCC Notice of Proposed Rulemaking in
CC Docket No. 80-584

Comments of REA in CC Docket No. 80-584

cc(w/att): Chuck Ellett

MAR 1 1981

Mr. Charles Ellett, Desk Officer
Regulatory Analysis Program
Office of Management and Budget
New Executive Office Building
Washington, D. C. 20503

Dear Mr. Ellett:

This is in response to your request for information regarding the memorandum of March 6, 1981, submitted by Alan Y. Naftalin, Counsel for Alascom, Inc., concerning Rural Electrification Administration (REA) financing of telephone systems in Alaska. The memorandum incorrectly alleges that REA policy promotes the use of REA loan funding in place of available commercial financing contrary to the initiatives of the President's "Program for Economic Recovery."

The second paragraph on page one of the memorandum contains several inaccuracies. First, it states that ". . . existing REA policy is to promote the use of low interest REA loan funding for its borrowers in Alaska to acquire earth station facilities . . ." The Federal Communications Commission (FCC) in CC Docket No. 80-584, Notice of Proposed Rulemaking (released October 29, 1981) is the Federal agency which has the sole responsibility for deciding policies governing ownership and operation of Alaskan earth stations. The FCC expects eligible applicants for licenses to own and operate earth stations to demonstrate their technical and financial qualifications. If a rural telephone system has regulatory authority to own and operate toll facilities, REA has the authority to provide funding for such facilities.

The second inaccuracy in the second paragraph is the statement that REA would commit loan funds "to construct new or replacement earth station facilities for which commercial financing is either already in place or otherwise committed..." The Rural Electrification Act (RE Act) of 1936, as amended, states that "When it is determined by the Administrator to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition and operation of telephone lines, facilities, or systems without regard to their geographical location." The RE Act also states that "Loans under this section shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate nor shall such loans be made in any state which now has or may hereafter have a state regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained."

Paragraph six of the aforementioned FCC Notice states that of the 160 Bush communities served by Alascom, approximately 100 receive only "lifeline service." This service consists of two channels, one of which provides interstate and intrastate long distance telephone service and the other which is a private line connected to the Alaska Native Health Service, a provider of emergency and health assistance to the villages. In many cases, there is only one telephone which accesses message toll service and it is semi-public and may be inaccessible outside of business hours. As the FCC Notice states, "Thus, the residents sometimes do not have ready access to the phone, must be summoned by a messenger for an incoming call, and due to the public location of the phone, enjoy minimal privacy during their conversations."

Finally, the second paragraph of the memorandum states that "this REA policy could involve as much as \$80 million of low interest REA loan financing being committed in Alaska in circumstances where commercial financing sources can be reasonably relied upon." The \$80 million figure is highly questionable. Alascom never breaks it down into its component parts - the price per earth station multiplied by the total number of earth stations. In 1975, an earth station cost \$105,000. Currently, 100 stations are in operation. Even assuming a doubling in price per station and a doubling in the number of earth stations to 200, the total cost would be \$42 million, about half of Alascom's projection. Earth station technology is much improved since 1975, however, and we have no reason to believe costs would have escalated so tremendously.

The other questions about the \$80 million figure involves Alascom's assurance that it has commercial financing available in that amount. That is an exceptionally large amount of capital to invest and thus far Alascom has not backed up its assertion that such financing is available with hard figures and proposed sources of funds.

The third paragraph on page one requests that REA be prevented from making "further unnecessary loan commitments . . ." No unnecessary loan commitments have been made and none will be made. REA routinely funds toll terminating facilities in borrowers' exchanges, whether they be carrier, microwave, cable or earth stations. Such a policy provides better security for REA loans, improves feasibility and in many instances allows provision of better service. Loan commitments are not "unnecessary" when they fulfill REA's goal of providing quality telephone service to rural areas at reasonable rates.

The first full paragraph on page two alleges, again incorrectly, that "The REA policy addressed here developed as an REA staff initiative during the Carter administration to address a special situation existing in Alaska." REA's policy of financing all of the telephone facilities within a borrower's service area has been

in existence for almost 30 years. As such, it cannot be considered a new or recent policy and was not developed to specifically address the situation existing in Alaska. To the contrary, long standing REA policy has been applied to Alaska just as it has been applied to the lower 48 states. The first REA loan which included funds for toll facilities was made during the Eisenhower administration in 1952.

The first paragraph on page two of the memorandum contains contradictory statements as to Alascom's "right" to own and operate the earth station facilities in question. The memorandum itself states, "Although it had been operating these earth station facilities in some cases for many years . . . Alascom had not obtained permanent operating authority from the FCC." That statement is absolutely correct. The purpose of FCC Common Carrier Docket No. 80-584 is to decide the question of ownership and to possibly allow small independent telephone companies in Alaska to own and operate all of the facilities within their franchised service areas, just as is done in the rest of the United States. Further, in the same paragraph of the memorandum, Alascom alleges a "continued right to own and operate those earth station facilities." As Alascom itself admits, no such "continued right" exists. Alascom was permitted to operate the earth stations on an interim basis until the FCC decided the issue of ownership. The only earth stations which Alascom has a "continued right" to operate are those located in the 32 largest cities where Alascom now operates "mid-route" stations. The FCC has excluded these from its rulemaking procedure and REA has not committed nor does it intend to commit financing for earth stations in these cities.

Again in the same paragraph the issue is further confused by the statement ". . . REA decided as a matter of policy that it would commit low interest loan funding to support the financial qualifications of REA borrowers in competitive proceedings before the FCC . . ." The proceedings before the FCC are of a rulemaking, not "competitive" nature. Local telephone companies in Alaska and Alascom are not competitors but instead are providers of a joint service. The question is not competition at all but rather which entities will be involved in the ownership of facilities.

The second full paragraph on page two of the memorandum states that REA funding is being proposed "to finance construction of new facilities which would bypass or replace Alascom's existing toll network facilities." The nonduplication provision of the RE Act, referred to earlier, prevents loan funds from being used to "bypass" the existing network. One of REA's concerns has always been preserving the integrity of the network. REA may commit loan funds to replace facilities but only when those facilities are inadequate and are an obstacle to the provision of quality telephone service.

Mr. Charles Ellett

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The third paragraph on page two again states that funding entire systems is a "new REA policy." It must be reiterated that this is a policy which has been in existence for almost three decades. REA loans are made to borrowers to provide telephone service in the rural areas of America. The loans are made only after extensive studies have been completed. The existing need for quality telephone service in the rural areas of Alaska, as stated by the Governor of Alaska, the Alaska Public Service Commission and residents of Alaska shows that these loans have been necessary.

The final paragraph on page two shows Alascom's concern about REA's budget and alleges that "unnecessary commitments of this kind obviously preclude availability of REA loan funding in areas where commercial financing is not readily available, a clearly unjustifiable result." REA is well aware of the overall budget constraints imposed by the President's "Program for Economic Recovery," and is even more familiar with the limitations placed on the availability of REA loan funds. REA is capable of establishing priorities for the use of its own limited resources to make quality telephone service available to rural Americans. It should be understood that the small independent telephone operating companies in Alaska may be capable of obtaining financing for these facilities from commercial lenders.

The first full paragraph on page three alleges that the Administrator of REA filed formal comments ". . . supporting adoption of a Notice of Proposed Rulemaking in CC Docket No. 80-584 which would limit the eligibility for the licensing of earth station facilities to certificated local exchange carriers in the Alaska Bush, effectively disfranchising Alascom." The Assistant Administrator - Telephone actually filed comments concurring in the FCC's stated aim of allowing telephone companies in Alaska the same treatment that those in the lower 48 states receive - the opportunity to own and operate all the facilities within their franchised area. Secondly, there is no way that Alascom could be "effectively disfranchised" since they were never franchised in the first place. The "continued right" which Alascom repeatedly refers to, never existed.

Further in the same paragraph, the Alascom memorandum stated "Alascom . . . would be barred even from competing for the right to own and operate these facilities." As previously stated, Alascom is being awarded ownership of others via a waiver procedure if local telephone companies are unable or unwilling to provide the facilities.

Finally, REA stands by its concurrence in CC Docket No. 80-584. We agree with the following excerpt from the FCC's Notice:

". . . the public interest will be best served by adopting rules which require local exchange certification as a qualification to own and operate earth station facilities in rural Alaska communities

to provide MTS service. As a practical matter, this means that native Alaskans will play a larger role in network planning in Bush areas and will exercise more effective control over the operation and maintenance of satellite earth stations serving their communities. We expect this will increase the availability of satellite services to those areas, and therefore promote safety of life, efficient service, more adequate facilities and other objectives of Section I of the Communications Act. Apart from these substantive benefits, we believe that this rulemaking proceeding provides the most effective procedural tool for deciding the ownership policy question which has plagued the Bush applications for more than 5 years. We expect its resolution will permit expeditious action on the applications currently pending as well as those that will be filed in the future."

The FCC goes on to say:

"By virtue of their actual presence in the Bush communities, the local exchange carriers would appear to be better equipped to remedy the problems. This on-site availability would likely reduce or eliminate the service outages due to the recurring minor repair problems which now require Alascom to dispatch a maintenance staff from a centralized metropolitan location."

Finally, and most importantly, the FCC states:

"Moreover, local ownership is likely to produce a more effective means of predicting and satisfying growing communications requirements. It would appear that local ownership represents the more efficient and economic alternative for meeting the unusual service needs of the Bush earth stations."

The attitude expressed in Mr. Naftalin's letter is somewhat strange because it contradicts the views of management officials of an affiliated corporation of Alascom. Alascom is owned by a corporation which in turn is owned by Pacific Power and Light Company. This latter corporation owns through another intermediate subsidiary, an operating independent telephone company named Eastern Oregon Telephone Company (EOTC). EOTC applied for and received a low interest (2 percent) REA loan last year in the amount of \$9,500,000 which included funding of \$876,000 for the ownership of toll facilities which perform the same function as the earth stations in Alaska cited by Mr. Naftalin. Feasibility studies prepared by REA indicated that the company could afford financing from the Rural Telephone Bank which, at the time, had an interest rate of 9.0 percent. Management officials for EOTC were asked to "volunteer" for a loan from the Bank but they refused and insisted on financing from the Rural Electrification and Telephone Revolving Fund, at 2 percent, because the company had an existing and proposed density of less than three subscribers —

Mr. Charles Ellett

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per mile of line. Under the RE Act, telephone systems with three subscribers per mile of line or fewer are eligible for financing from REA at the special interest rate of 2 percent. In the past, some other companies in this situation have volunteered to take a loan from the Rural Telephone Bank.

EOIC presently has on file with REA a loan application in the amount of \$7,000,000, which includes a request for funding of toll facilities in the approximate amount of \$1.2 million. While officials of one subsidiary of Pacific Power and Light Company are criticizing REA funding for toll facilities in Alaska, officials of another subsidiary of Pacific Power and Light Company are repeatedly asking REA to expedite the processing of an REA loan for toll facilities in Oregon at an interest rate of 2 percent.

It should be noted that the Administration has already submitted proposed legislation to the Congress which would eliminate the availability of 2 percent financing under the RE Act.

Sincerely,

John H. Arnesen

JOHN H. ARNESEN
Assistant Administrator - Telephone

cc:
Frank Warner, OMB
WAT
WATO
AAT

TMD
Official File-TMD
Reading File

TMD:DBCohen:cdc 3/18/81
Rewritten:DBCohen:vll 3/19/81

Introduced: 2/17/81
Referred: Labor & Commerce
and Finance

1 IN THE HOUSE

BY HURLBERT, VASKA, AND CHUCKWUK

2

HOUSE BILL NO. 165

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act creating the ^{public communication} ~~public utility~~ revolving loan

7

fund; and providing for an effective date."

8

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

9

* Section 1. DECLARATION OF POLICY AND PURPOSE. The legislature finds

10 that

11

(1) the availability of adequate public utility services and

12

facilities at reasonable rates in the state is a proper matter of public

13

concern;

14

(2) the ability of privately, municipally and cooperatively owned

15

public utilities in the state to finance service to the public and to finance

16

capital improvements required to extend and improve those services on terms

17

that will enable utility service rates to remain at reasonable levels in the

18

foreseeable future is seriously impaired by the unavailability of low-cost

19

private financing and by the delays experienced in obtaining low-cost federal

20

loans;

21

(3) as a matter of public policy, to ensure the sound development

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of the state and its resources and to provide an acceptable level of utility

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services to its residents at reasonable rates, the state should assist these

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public utilities in acquiring the money that is essential to operate, main-

25

tain and expand utility facilities and services.

26

* Sec. 2. AS 42 is amended by adding a new chapter to read:

27

CHAPTER 08. PUBLIC UTILITY REVOLVING LOAN FUND.

28

Sec. 42.08.010. REVOLVING LOAN FUND CREATED. The public utility

29

revolving loan fund is created in the Department of Commerce and Eco-
^{APA}

1 nomic Development.

2 Sec. 42.08.020. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
3 department shall formulate procedures and adopt regulations to implement
4 this chapter in consultation with the Alaska Public Utilities Commis-
5 sion.

6 (b) The department may

7 (1) make a loan from the public utility revolving loan fund
8 to a public utility to finance or refinance capital improvements, plant
9 and facilities, and to improve and expand services, if other credit is
10 not readily available from private lending institutions at a rate of
11 interest less than the rate of interest which the state agreed to pay
12 on the most recent general obligation bonds issued before the applica-
13 tion for the loan under this chapter;

14 (2) make loans from the public utility revolving loan fund
15 to a public utility to meet short-term or interim capital needs before
16 receipt by the public utility of long-term loans;

17 (3) consult with appropriate federal agencies and other
18 lending institutions which make loans to public utilities in the state
19 concerning policies, regulations and procedures to carry out the pro-
20 visions of this chapter;

21 (4) designate agents and delegate powers to them as is
22 necessary;

23 (5) require bonds and undertakings from persons employed by
24 the department as in the commissioner's judgment are necessary, and pay
25 the premiums on the bonds and undertakings;

26 (6) establish amortization plans as provided in AS 42.08.-
27 040(c).

28 Sec. 42.08.030. ELIGIBILITY FOR LOANS. A public utility is eli-
29 gible for a loan under this chapter if

1 (1) it is a public utility as defined in AS 42.05.701(2)-
2 (A) - (E);

3 (2) at the time of application for a loan it is serving the
4 public under a certificate of public convenience and necessity issued
5 by the Alaska Public Utilities Commission;

6 (3) in the judgment of the department

7 (A) the public utility shows a definite potential for
8 providing improved or expanded service in the community or service
9 area it serves, or otherwise requires the financing to maintain
10 adequate, efficient and safe service; and

11 (B) the utility will be able to repay the loan.

12 Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS. (a) A loan
13 to a public utility under this chapter may not exceed \$1,000,000.

14 (b) A loan made under this chapter shall be on terms and condi-
15 tions the department determines appropriate and, if secured by collat-
16 eral, may not exceed 75 percent of the value of the collateral offered.

17 (c) Amortization plans for the repayment of a loan made under
18 this chapter may not exceed 30 years. The rate of interest charged on
19 the unpaid balance may not exceed the rate of interest which the state
20 agreed to pay on the most recent general obligation bonds issued before
21 the application for the loan under this chapter.

22 (d) Unless a loan made under this chapter is participated in by a
23 financial institution as provided in (e) of this section, the loan may
24 not be made until an investigation and an economic feasibility study is
25 conducted and, as a result of the investigation and study, the depart-
26 ment determines that the loan is economically sound, that the utility
27 will be financially self-sustaining, and the loan will be fully amor-
28 tized in accordance with the terms and conditions of the loan. The
29 economic feasibility study shall be conducted by the department staff

*Under Accepted
Standards of
RCA*

*Handle
APA
Similar
Program
Must Expertise*

1 or by consultants, engineers or other technical experts approved by the
2 department. To facilitate its determination of economic feasibility,
3 and its determination of the ability of the utility to be fully self-
4 sustaining and to amortize the loan, the department shall require the
5 applicant for a loan under this chapter to furnish the systems studies,
6 long-range economic forecasts, financial data, and technical information
7 that the department considers necessary.

8 (e) If a loan under this chapter is participated in by a financial
9 institution in an amount not less than 20 percent of the total amount
10 of the loan, the department may accept the investigation and economic
11 feasibility study made or accepted by the financial institution as a
12 basis for its participation.

13 (f) If a financial institution participates in a loan made under
14 this chapter, it may elect to administer and service the loan for a
15 reasonable fee not exceeding one-half of one percent

16 (g) The state and the participating financial institution shall
17 each have a lien on the collateral or share the collateral to the
18 extent of their respective parts of the total loan to a public utility.

19 Sec. 42.08.050. ADMINISTRATION. Money loaned under this chapter
20 shall be delivered to the borrower in the form of a warrant drawn on
21 the treasury, and charged against the public utility revolving loan
22 fund. Upon repayment of loans in accordance with the prescribed terms,
23 or upon liquidation by foreclosure or other process, or upon receipt of
24 interest or other revenue, the money received shall be turned over to
25 the commissioner of revenue for deposit in the public utility revolving
26 loan fund.

27 Sec. 42.08.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER
28 COLLATERAL. (a) The commissioner may sell or transfer at par value or
29 at a premium or discount to a bank or private purchaser for cash or

1 other consideration the notes, mortgages and collateral held by the
2 department as security for loans made under this chapter.

3 (b) The commissioner may sell or transfer at par value to the
4 Department of Revenue the notes, mortgages and other collateral held by
5 the Department of Commerce and Economic Development as security for
6 loans made under this chapter. The Department of Revenue may purchase
7 the notes, mortgages and other collateral so offered, allowing the
8 Department of Commerce and Economic Development a one-half of one
9 percent service fee.

10 Sec. 42.08.070. GUARANTEES OF LOANS. (a) The commissioner may
11 enter into agreements with other state departments and agencies, private
12 banks, other lending institutions, and individuals for the purpose of
13 guaranteeing loans made to qualified public utilities. The guarantees
14 may not exceed 90 percent of the amount loaned and the loans shall be
15 secured in the same manner as provided for direct loans under this
16 chapter.

17 (b) A loan made under this chapter and guaranteed by the state
18 shall bear an interest rate on the unpaid balance not exceeding the
19 rate of interest which the state agreed to pay on the most recent
20 general obligation bonds issued before the application for the loan.

21 Sec. 42.08.080. PROCEEDINGS AND REGULATIONS. The Administrative
22 Procedure Act (AS 44.62) governs all proceedings, and the adoption of
23 regulations, under this chapter.

24 Sec. 42.08.090. DEFINITIONS. In this chapter

25 (1) "commissioner" means the commissioner of commerce and
26 economic development;

27 (2) "department" means the Department of Commerce and Econo-
28 mic Development.

29 * Sec. 3. This Act takes effect July 1, 1981.

MAX to get Primary
Source Long Term

REGA for 25 yrs

2 to 1% loan 35

Telephone Board

8 - 10.75 - 20

you age - 35

Guaranteed loan pay 35 mon.

capital 32 million 2 year

REGA holds 1st mortgage on

an TOLs - plus 1 mort - a

monthly base owned -

needs - long term notice -

plan 34-1 about 10 lines

5 to 6 lines for each new

subscriber.

8% to longer

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**
ALASKA PUBLIC UTILITIES COMMISSION

March 3, 1981

The Honorable Vernon Hurlbert
Chairman
House Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

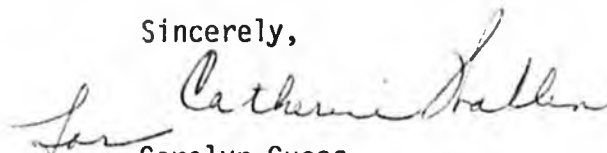
Dear Mr. Hurlbert:

Re: HB 165

HB 165 addresses the short term, interim financing needs of certificated public utilities. Currently the cost of interim debt is above the prime rate of interest. Since that expense is passed through to the rate payers, a decrease in interim interest expense should benefit the utility's customers.

This legislation does not address the realistic long-term capital needs of larger public utilities because of the ceiling on the loan amount. The public interest would be served if long-term capital, not available from private lending institutions, were available to public utilities. Based on the experience of the APUC, one of the most graphic examples is the unavailability of long-term debt to private water and sewer utilities. Assets, whose life exceed 20 years, must be purchased with debt that must be repaid in a maximum of eight years. The benefits of both short and long-term interest rates should inure to the consumers of public utilities. The magnitude of those benefits depends on the capital intensiveness of the utility.

Sincerely,


Carolyn Guess
Commissioner

CG/shB/31

United Utilities, Inc.

5400 A STREET ANCHORAGE AK 99503

NATIVE OWNED CORPORATION

PHONE: (907) 276-1959

February 18, 1981

Senator Frank R. Ferguson
Pouch V
Juneau, Alaska 99811

Dear Senator Ferguson:

We're most appreciative of your efforts to establish a Public Utility Revolving Loan Fund. Your Senate Bill No. 107 provides a very viable framework within which to create and administer this fund. While we're generally very pleased with this bill we have two items that we feel are very important to small utilities serving bush communities. These items are shown below:

Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS

(d) Add the following:

Should the utility desire to obtain short term financing pending the receipt of a long term loan from the Rural Electrification Administration (REA) the Department may accept the REA's approval of the interim loan as evidence sufficient enough to establish the economic feasibility of the short term loan.

(g) Add the following:

A lien or collateral for short term loans to REA borrowers may be subordinated to any existing REA mortgage agreements that the utility may have that requires REA to have a first mortgage on all of the utilities existing and future properties.

A major problem that United Utilities, as well as other bush utilities has faced, is the lengthy period of time it takes REA to approve and release long term financing. We believe that by adding the above to

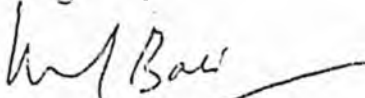
Senator Frank G. Ferguson
February 18, 1981

Page 2.

Senate Bill No. 107 that it will strengthen the ability of bush utilities to secure interim financing from the revolving loan fund on a timely basis.

Please let me know if we can assist you any further and, again, thank you for your support.

Regards,



Vinod Batra
President

VB:pa

cc: Representative Vernon L. Hurlbert

UNITED UTILITIES, INC. SERVICE AREA MAP

▲
PHASE I SITES
with Population

1. ALAKANUK - 526
2. EMMONAK - 524
3. GAMBELL - 447
4. HOOPER BAY - 590
5. SAVOONGA - 409
6. ST. MARY'S - 415
(COMPLETED 1980)

■
PHASE II & III SITES
with Population

7. AKIACHAK - 371
8. CHEVAK - 447
9. GOODNEW BAY - 248
10. KASIGLUK - 280
11. KIPNUK - 579 *
12. KOTLIK - 305 *
13. KWETHLUK - 444
14. MTN. VILLAGE - 573 *
15. NAKIAK - 307
16. NUNAPITCHUK - 312
17. PILOT STATION - 301 *
18. QUINHAGAK - 395
19. TUNUNAK - 291 *
20. TOKSOOK BAY - 317 *

* COMPLETED 1980

OTHER LOCATIONS
SCHEDULED FOR 1981
IF FINANCING CAN
BE SECURED.

●
PHASE IV SITES
with Population

21. AKIAK - 186
22. ATMAUTLUAK - 186
23. CHUATHBALUK - 119
24. CHEFORNAK - 182
25. EEK - 195
26. KONGIGANAK - 200
27. KWIGILLINGOK - 202
28. MARSHALL - 200
29. MEKORYUK - 195
30. NAPASKIAK - 210
31. NEWTOK - 124
32. NIGHTMUTE - 123
33. OSCARVILLE - 52
34. PLATINUM - 65
35. RUSSIAN MISSION - 150
36. SCAMMON BAY - 215
37. SHELDONS PT. - 136
38. TULUKSAK - 202
39. TUNTUTULIAK - 223





United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D.C.
20250

February 17, 1981

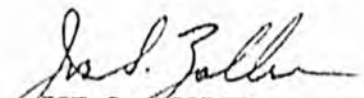
SUBJECT: Inquiries about the President's Budget

TO: REA Staff

Recent news stories about possible changes in the REA programs for 1981 and 1982 have prompted a number of requests for information about REA.

All inquiries from the press, Congress, borrowers and others concerning the President's budget should be referred to the Office of Information and Public Affairs or the Assistant Administrators.

OIPA may, from time to time, refer some calls or written requests from the press or members of Congress for basic data or general information about the REA programs to other staff personnel. In these instances, a brief memo summarizing the telephone call or a copy of any written material shall be provided both my office and OIPA.


JOE S. ZOLLER
Acting Administrator

REDUCTION IN FEDERAL FINANCIAL ASSISTANCE TO COOPERATIVES
AND PRIVATE COMPANIES ASSISTED BY THE
RURAL ELECTRIFICATION ADMINISTRATION (REA)

As part of a general effort to reduce the share of Federal lending in U.S. credit markets, and to reduce Federal costs, the President proposes the following changes in the REA program:

- Beginning in 1982, discontinue Federal Financing Bank direct lending to electric generation and transmission cooperatives and to telephone companies and cooperatives. Provide Federal guarantees of loans from private sources instead. This action will reduce Treasury borrowing by \$5,145 million in 1982.
- Reduce REA direct lending \$187 million in 1981 and \$350 million in 1982 by eliminating loans to telephone companies and cooperatives and reducing loans to electric cooperatives.
- Discontinue 2% direct loans; substitute an equivalent amount of 5% loans.
- Discontinue 5% direct loans for generation and transmission facilities; substitute an equivalent amount of guaranteed private loans.

These changes will be achieved by:

- directing the Secretary of the Treasury to discontinue Federal Financing Bank direct lending to REA borrowers; 1/
- seeking legislation to permit charging higher interest rates for REA direct loans;
- instructing the Secretary of Agriculture to target REA direct loans to those most in need (more remote areas) and encouraging other borrowers to seek credit from private lenders; and
- proposing budget rescissions and amendments to bring REA direct lending into line with these proposed changes.

1/ The Administration is proposing a broad reform of Federal Financing Bank operations that will affect other agencies as well, including the Farmers Home Administration and the Tennessee Valley Authority.

These proposed actions are based on the fact that the REA has largely accomplished its purpose -- to provide the basic investment capital necessary to provide electric and telephone service in rural areas. More than 99% of all farms now have electric service. The bulk of borrowing is now for power generation and system improvements, costs that should be borne by system users.

In the absence of restraint, REA would continue to expand the reliance of rural utility companies on federally-provided and sponsored credit. It has been estimated that the REA would be underwriting nearly 15% of total U.S. investment in electrical generation by 1995, if left unchecked.

The major reason that these systems have not converted to using the private sector as a major capital source is the highly favorable term structure -- for both the direct and guaranteed lending -- offered by REA. As a consequence, the availability of these subsidies reduces the necessity for recipients to improve their financial positions in order to attract private capital. Customers of REA-financed utilities receive power and telephone services at rates that average 8-12% below customers of non-REA-financed utilities.

Taking these actions will result in a dramatic reduction in direct Federal lending -- \$5.5 billion in 1982, and over \$32 billion between 1982 and 1986. In addition, Federal interest subsidy costs would be reduced by about \$27 million in 1982 and by about \$400 million over 1982-86. At the same time, rural electric and telephone consumers served by these systems should continue to receive adequate service at rates comparable to those charged to customers of non-REA-financed utilities.

The changes are expected to result in the following changes in funding 1/:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current base:						
Loan guarantee commitments.....	6,245	6,245	6,745	7,280	7,870	8,500
Budget authority and outlays.....	4,774	5,752	7,387	7,571	7,520	7,800
Policy reduction:						
Loan guarantee commitments.....	-187	-5,495	-5,935	-6,405	-6,925	-7,480
Budget authority and outlays.....	-38	-1,142	-2,328	-3,603	-4,975	-6,450
Proposed budget:						
Loan guarantee commitments.....	6,058	750	810	875	945	1,020
Budget authority and outlays.....	4,736	4,610	5,059	3,968	2,545	1,350

1/ The loan guarantees of the REA are converted to direct loans when they are purchased by the Federal Financing Bank. These outlays are excluded from the budget totals by law. Although these reductions are not included in the budget totals, they represent significant savings in Federal borrowing costs.

PROPOSED AMENDMENT TO HOUSE BILL #165

IMMEDIATE APPROPRIATIONS OF \$20M FOR UTILITIES
AFFECTED BY 1981 FEDERAL BUDGET CUTS

Utilities who are REA borrowers and have pending loan applications to the REA that may be subject to Federal Budget cuts, will be able to apply to the state for refinancing their current debt obligations. Loans made under this section will be for an amount not to exceed the amount requested in the REA application.

United Utilities, Inc.

5400 A STREET ANCHORAGE AK 99503

NATIVE OWNED CORPORATION

PHONE: (907) 276-1959

February 18, 1981

Senator Frank R. Ferguson
Pouch V
Juneau, Alaska 99811

Dear Senator Ferguson:

We're most appreciative of your efforts to establish a Public Utility Revolving Loan Fund. Your Senate Bill No. 107 provides a very viable framework within which to create and administer this fund. While we're generally very pleased with this bill we have two items that we feel are very important to small utilities serving bush communities. These items are shown below:

Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS

(d) Add the following:

Should the utility desire to obtain short term financing pending the receipt of a long term loan from the Rural Electrification Administration (REA) the Department may accept the REA's approval of the interim loan as evidence sufficient enough to establish the economic feasibility of the short term loan.

(g) Add the following:

A lien or collateral for short term loans to REA borrowers may be subordinated to any existing REA mortgage agreements that the utility may have that requires REA to have a first mortgage on all of the utilities existing and future properties.

A major problem that United Utilities, as well as other bush utilities has faced, is the lengthy period of time it takes REA to approve and release long term financing. We believe that by adding the above to

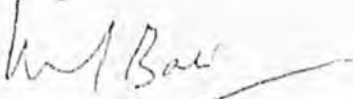
Senator Frank G. Ferguson
February 18, 1981

Page 2.

Senate Bill No. 107 that it will strengthen the ability of bush utilities to secure interim financing from the revolving loan fund on a timely basis.

Please let me know if we can assist you any further and, again, thank you for your support.

Regards,



Vinod Batra
President

VB:pa

cc: Representative Vernon L. Hurlbert

United Utilities, Inc.

5400 A STREET ANCHORAGE, AK 99503

← NATIVE OWNED CORPORATION →

PHONE: (907) 276-1959

February 18, 1981

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Pouch V
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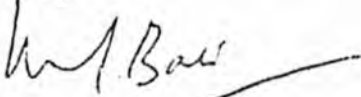
Senator Frank G. Ferguson
February 18, 1981

Page 2.

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Please let me know if we can assist you any further and, again, thank you for your support.

Regards,



Vinod Batra
President

VB:pa

cc: Representative Vernon L. Hurlbert

Gordon Porter
276-3293

- HB 165 -

- Industry - qualification for loans -
Certificate By PSC

40 mill - short term

20 mill - long term



P.U.

Gordon Parker - 165 Home 279 -

REA's list

2951

(*) United 2 applicat. 10.4 m. 1116 - m. 11
Cordova — { 3.45 } clear not received?

OTZ Applicat. 3.7

In telco -

2.2 m. 11.04 -

Mats 4

16 m. 11.05 Pealy -

Bristol Bay }
}

2.3 m. 11 -

MARK O. HATFIELD, OREG., CHAIRMAN

TED STEVENS, ALASKA
LOWELL P. WEICKER, JR., CONN.
JAMES A. MC CLURE, IDAHO
PAUL LAXALT, NEV.
JAKE GARN, UTAH
HARRISON SCHMITT, N. MEX.
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MARK ANDREWS, S. DAK.
JAMES ABDNOR, S. DAK.
ROBERT W. KASTEN, JR., WIS.
ALFONSE M. D'AMATO, N.Y.
MACK MATTINGLY, GA.
WARREN RUDMAN, N.H.
ARLEN SPECTER, PA.

WILLIAM PROXMIRE, WIS.
JOHN C. STENNIS, MISS.
ROBERT C. BYRD, W. VA.
DANIEL K. INOUE, HAWAII
ERNEST F. HOLLINGS, S.C.
THOMAS P. EAGLETON, MO.
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WALTER D. HUDDLESTON, KY.
QUENTIN N. BURDICK, N. DAK.
PATRICK J. LEAHY, VT.
JIM SASSER, TENN.
DENNIS DE CONCINI, ARIZ.
DALE BUMPERS, ARK.

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

J. KEITH KENNEDY, STAFF DIRECTOR
THOMAS L. VAN DER VOORT, MINORITY STAFF DIRECTOR

June 4, 1981

Honorable Vernon L. Hurlbert
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Vern:

I understand you called my Washington office and spoke with Mark Schneider and Joe Darnell. As they told you, the Conference Committee on the Supplemental-Rescission bill for the 1981 fiscal year budget adopted the Senate position on the Rural Electrification Administration (REA) insured loan program.

This means that the insured loan program for telephone and electric cooperatives is authorized at its full 1981 level as set by the Appropriations Act for agriculture, P.L. 96-528.

If we can be of further assistance, please let us know.

With best wishes,

Cordially,



TED STEVENS

Approved
200 million

H B

169

COMMITTEE REPORT

HOUSE

2/17/81

(5)

FURTHER:

Date: 2-10-82

Mr. Speaker:

The Committee on LABOR & COMMERCE has had HB 169

"An Act relating to motor carriers."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s) same title
- replace with CS for _____ new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the Transportation Committee

MEMBERS SIGNING DO PASS

Do Pass signed - Terry Martin

MEMBERS HAVING OTHER RECOMMENDATIONS:

Brus Rogers Do Pass if amended

Terry Martin
CHAIRMAN

Introduced 2-17-81

Comm. hearing 2-10-82
referred to Transportation Committee
taken to Clerk's Office 3:45 P.M.

✓ Letter from
Comm of Public Safety

Notified
Public Safety
Paul Conner to get
position paper & F/N
people who were to
testify are up in
Auch for hearing on
budget - requested
no action. Will take for
now & bring up at
a later date.

Motor
Carriers

HOUSE BILL NO. 169, by Reps. Randolph and Fanning. Amends definition of "common carrier" (AS 42.10.420(2)(B)) to read: "(2) 'common carrier' included (B) a person who leases, rents, or provides a motor vehicle for the use of another in transporting property, and who provides, procures, or arranges for, directly or indirectly, or by course of dealing, a person other than himself to operate [DRIVER OR OPERATOR FOR] the motor vehicle or the necessary authority for the use of it on a public highway, except when the motor vehicle is leased to an authorized common carrier or contract carrier or by a construction contractor as defined in (12) of this section to another construction contractor as so defined, under rules and regulations to be prescribed by the commission;". Amends definition of "private carrier" (AS 42.10.420(7)) by addition of a new subparagraph which states "(7) 'private carrier' is (C) a person who rents, leases, or otherwise provides a motor vehicle for the use of others in transporting passengers or property upon the condition that he be employed to operate the vehicle;". Does not provide for an effective date.

Introduced February 17 and referred to Labor & Commerce.

Municipal Code
Revision

HOUSE BILL NO. 170, by the Rules Committee by Request of the Legislative Council (for the Title 29 Revision Commission). (See SB 180, page 254, identical).

page 295

Introduced February 17 and referred to Community & Regional Affairs.

Lear ✓

Q - referred to Transportation Comm. + Dept. of Public Safety

Original sponsors: Randolph and Fanning

1 IN THE HOUSE

BY THE LABOR AND COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 169 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to motor carriers."

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

8 * Section 1. AS 42.10.420(7) is amended by adding a new subparagraph to
9 read:

10 (C) a person who rents, leases, or otherwise provides a
11 motor vehicle for the use of his employer in transporting passengers
12 or property and who operates the vehicle as an employee, if the
13 employer compensates that person with separate disbursements for
14 wages and for the use of the vehicle;

15 nullified 42.20; this establishes a "special group"
16 common carrier??

19 suggested

THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Committee Substitute for House Bill 726 (L & C)

Title "An Act providing an exemption from the Alaska Employment Security Act"

Requested by House Labor and Commerce Committee Date 3/5/82

II. FISCAL DETAIL

Agency Affected labor

Program Category Affected Social Services

BRU, Program, or Subprogram(s) Affected Employment Security

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

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

The provisions of this bill would not have a measurable effect on the administrative costs for unemployment insurance nor employer rates for purposes of the Unemployment Insurance Trust Fund.

IV. DATE 3/5/82

PREPARED BY Nico Bus

AGENCY Department of Labor

PHONE 465-2720

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE

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EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY8C	FY87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

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The provisions of this bill would not have a measurable effect on the administrative costs for unemployment insurance nor employer rates for purposes of the Unemployment Insurance Trust Fund.

IV. DATE 3/5/82 PREPARED BY *Nico Bus*
 AGENCY Department of Labor
 PHONE 465-2720
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE

FISCAL NOTE

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	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

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

The provisions of this bill would not have a measurable effect on the administrative costs for unemployment insurance nor employer rates for purposes of the Unemployment Insurance Trust Fund.

IV. DATE 3/5/82 PREPARED BY *Nico Bus*
 AGENCY Department of Labor
 PHONE 465-2720
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA
DEPARTMENT OF PUBLIC SAFETY**OFFICE OF THE COMMISSIONER**

POUCH N - JUNEAU 99311

February 10, 1982

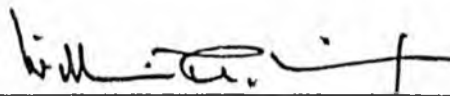
POSITION PAPER - HB 169

Any program effects of this bill would be with the Alaska ~~Department of Public Safety~~, Transportation Commission.

The Department of Public Safety collects weight fees at time of vehicle registration. However, the determination of whether the vehicle is classed as a common carrier or private carrier is made by the Alaska Transportation Commission.

{ The reclassification which this bill requires would bring about a reduction of revenue to the state in reduced weight fees. An estimate of the amount of reduction would more appropriately be compiled by the Alaska Transportation Commission.

This bill as currently written would have no fiscal impact of the Department of Public Safety.



William R. Nix
Commissioner

MSG 82-00007144 PRTY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 015
FROM: ANNIE IN FAIRBANKS TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM

PAGE 000

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS AND SMITH,
MARTIN, BYLSMA, AND GARDINER

FROM: DALE CRAIG NIELSEN, SELF OWNER OPERATOR, 1041 PEDRO ST., FAIRBANKS
99701 456-4073

RE: HOUSE BILL 169

I SUPPORT THE PASSAGE OF HOUSE BILL 169. I ALSO REQUEST THAT FAIRBANKS
BE INCLUDED ON THE TELECONFERENCE FOR DISCUSSION OF THIS BILL.

MSG 82-00007144 PRTY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 015
FROM: ANNIE IN FAIRBANKS. TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM

PAGE 000

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS, SMITH, AND
MARTIN, BYLSMA, AND GARDINER

FROM: GOVERNEUR H. BAYLESS, 212 COWLES ST., FAIRBANKS 99701 456-4970

RE: HOUSE BILL 169

AS AN OWNER/OPERATOR, I WOULD LIKE TO SEE THIS BILL PASS. I THINK I,
WOULD ALLOW ME TO SEEK MORE WORK.

MSG 82-00007144 PRTY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 0152
FROM: ANNIE IN FAIRBANKS TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM

PAGE 04

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS, SMITH, MARTIN,
BYLSMA, AND GARDINER

FROM: ALLEN L. KIRBY, MYSELF AS AN OWNER/OPERATOR, APT. #5 1617 LAURENE ST.,
FAIRBANKS 99701 452-1860

RE: HOUSE BILL 169

I SUPPORT THE PASSAGE OF HOUSE BILL 169. I THINK IT'S A STEP IN FREE
ENTERPRISE SYSTEM.

TELEGRAM

ALASCOM, INC.
PHONE: 286-6442
DUNEL, AK 99802

12057 NL FAIRBANKS ALASKA 118 02-01 510P AST

PMS REP TERRY MARTIN CHAIRMAN LABOR COMMERCE COMM

JUN 0223

PRE HB16: WE ARE STRENUOUSLY OPPOSED TO THIS BILL WHICH IS BEING CONSIDERED BY YOUR COMMITTEE THE ULTIMATE CONSEQUENCES OF THIS BILL AND THEIR EFFECT ON THE TRANSPORTATION SYSTEM AVAILABLE FOR SHIPPERS OF THE STATE NEED TO BE EXAMINED CAREFULLY. LARGE VOLUME SHIPPERS WIN UNDOUBTEDLY BENEFIT AT THE EXPENSE OF SMALL BUSINESSMEN WHO WILL FIND SERVICES MORE EXPENSIVE AND PROBABLY LESS CONVENIENT. IT PLACES REGULATED CARRIERS AT THE DISADVANTAGE OF COMPETING WITH PRIVATE CARRIERS WHO WOULD NOW HAVE SIMILAR RIGHTS BUT WITHOUT THE OBLIGATIONS TO PROVIDE A VARIETY OF SERVICES OR WITHOUT HAVING TO BARE THE BURDEN OF REGULATED RATES, ROUTES AND REPORTS. WE URGE YOU TO TAKE A STRONG POSITION AGAINST THE PASSAGE OF HB169.

RICHARD GREGORY PRES SOURDOUGH EXPRESS INC

MSG 82-00007144 PRY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 0152
FROM: ANNIE IN FAIRBANKS TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM PAGE 0001

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS, SMITH, AND
MARTIN, BYLSMA, AND GARDINER
FROM: TIMOTHY GUNDERSON, 14 SALCHA, FAIRBANKS 99701 479-5210 / 452-5814
RE: HOUSE BILL 169

I HAVE CLOSELY EXAMINED HB169 AND BELIEVE THAT THIS WOULD GIVE ME AS AN
OWNER/OPERATOR A MUCH BETTER POSITION IN THE OPERATION OF MY EQUIPMENT.
TODAY, IN ALASKA, THE OWNER/OPERATOR WHO HAS A LARGE INVESTMENT IN HIS
EQUIPMENT IS A CAPTIVE BUSINESSMAN OF THE PERMITTED CARRIERS. I URGE
PASSAGE OF THIS BILL TO CORRECT THIS INEQUITY. I WOULD BE HAPPY TO
DISCUSS THIS FURTHER AT EITHER PHONE NUMBER.

MSG 82-00007144 PRY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 0152
FROM: ANNIE IN FAIRBANKS TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM PAGE 0003

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS, SMITH, MARTIN,
BYLSMA, AND GARDINER
FROM: DON OLSON, SELF- OWNER/OPERATOR, 253 OLD RICHARDSON, FAIRBANKS 99701
452-7753
RE: HOUSE BILL 169

I URGE YOUR SUPPORT OF THE PASSAGE OF H.B. 169.

MSG 82-00007144 PRY 1 02/09/82 18:31:24 ORIG: LF01 IN= 0009 OUT= 0152
FROM: ANNIE IN FAIRBANKS TO: JUNEAU INFO.
TARGET: LJH2 SUBJ: POM PAGE 0006

TO: REPS. BETTISWORTH, BROWN, FANNING, RANDOLPH, ROGERS, SMITH, MARTIN,
BYLSMA, AND GARDINER
FROM: GWEN SUITER, S. R. BOX 70653, FAIRBANKS 99701 488-6818 452-5814
RE: HOUSE BILL 169

HOUSE BILL 169 HAS MY "WHOLE-HEARTED" SUPPORT! IT IS THE VERY TICKET FOR
OWNER-OPERATORS MOVING IN A FREE ENTERPRISE SYSTEM. IT IS A STEP FORWARD
IN A POSITIVE DIRECTION. I ALSO, URGE YOU TO INCLUDE FAIRBANKS ON THE
TELECONFERENCE FOR DISCUSSION OF THIS BILL.

MSG 82-09005399 PRTY 1 02/02/82 15:31:07 ORIG: LA00 IN= 0009 OUT= 00
FROM: JEAN, ANCH INFO TO: POM, JUNEAU INFO
TARGET: LJM2 SUBJ: POM PAGE 00

TO: REPRESENTATIVES CATO AND MARTIN

FROM: JOHN ORCHARD
4 STAR TERMINALS-COMMON CARRIER
P.O. BOX 6589
ANCHORAGE 99502 (W) 349-4473

RE: HB 169

4 STAR TERMINALS AND IT'S MANAGEMENT OPPOSES HB-169 AS WE FEEL *
THAT IT IS NOT IN THE BEST INTEREST OF THE PUBLIC AND THE
TRANSPORTATION INDUSTRY.

Talk to ATC

H B

173

COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

2/18/81

(5)

Date: _____

Mr. Speaker:

The Committee on LABOR & COMMERCE has had HB 173

"An Act making appropriations for housing loan programs and for residential energy programs; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 173 same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Terry Gaudin Do Pass
John J. Miller
Thomas J. Pickett Do Pass

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Thomas J. Pickett
CHAIRMAN



Alaska State Legislature

House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

The Honorable Jay S. Hammond
Governor State of Alaska
Pouch A
Juneau, Ak 99811

RE: HB 173

Dear Governor Hammond:

The House Labor and Commerce Committee met on February 18, 1981, to consider the above referenced bill.

The Committee is submitting a Committee Substitute deleting Sections 2 and 3, since there presently exist current funds to carry out those programs, even though we believe when and if the programs are actually made available to the public the demand will exceed the amounts budgeted.

We propose to increase Section 1, from \$140 million to \$150 million, to cover the cash shortfall of the Alaska Housing Finance Corporation, for the Special Mortgage Loan Purchase Program (AS 18.56.098).

During our deliberations it became evident that the programs for NON-conforming and Energy Conservation Housing Loans (AS 18.56.098) and (AS 44.47.380) needs your personal involvement and commitment to speed up delivery of the fruits of the programs to the Alaskan Citizen.

It is our belief that Administration could make these programs a higher priority, to make the programs more available to the citizens as soon as possible. Additional Administrative support and direction is needed to help the responsible agencies implement the intent of these programs created last year.

The Committee would appreciate your offices attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Vernon Hurlbert".
Representative Hurlbert
Chm., House Labor and Commerce

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 9, 1981

The Honorable Vernon Hurlburt
Chairman, House Labor and
Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Chairman ^{Vern}Hurlburt:

You wrote me indicating that there was a need for my involvement to speed up delivery of the Non-conforming and Energy Conservation Housing Loans program within the Department of Community and Regional Affairs. It is my understanding at this time that they are processing loans and appear to be underway. There was, perhaps, a delay in implementing the program, but much of the problem was due to statutory constraints under which the Department had to operate the program, such as bilingual staff and the setting up of four regional offices, as well as facilitating bank participation in this program.

I understand your concerns, but feel that the program is operating and on its way to satisfy its goals. Thank you for alerting me to your concerns.

Sincerely,

A large, stylized handwritten signature of Jay S. Hammond in black ink.

Jay S. Hammond
Governor

H B

258



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

April 30, 1981

Honorable Sam Cotton
Chairman House Finance

RE; HB 258

Dear Representative Cotton:

The Labor and Commerce committee passed out HB 258 an appropriation to ASHA.

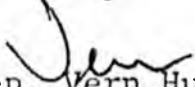
During testimony Mr. James Crawford Deputy Director testified that ASHA needed the 15 million in order to operate the handicapped construction fund.

It was brought to our attention that the Director of ASHA in a communications with Rep. Cuddy stated that ASHA needed only 5 million.

The bill passed out with the 15 million figure, but it was the wishes of the committee to inform you of the difference of opinion on the amount.

If you have any questions please feel free to call me.

Sincerely,


Rep. Vern Hurlbert
Chairman

STATE OF ALASKA

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

March 31, 1981

Jim Crawford
Deputy Executive Director
Alaska State Housing Authority
P.O. Box 80
Anchorage, Alaska 99510

Dear Mr. Crawford:

We have reviewed your letter, dated March 9, 1980, commenting on our letter of February 23, 1980 to the Legislative Budget and Audit Committee. Your remarks are thought provoking indeed but, we think, not precisely pertinent to the subject addressed in our letter.

For example, with regard to the time period allowed ASHA to decide on dissemination of federal funds, you cite a letter from HUD calling for a decision in five days. The HUD allocations referred to are for existing housing units and rebuilding of low-income housing units. Neither of these require new construction of units, which is the main purpose of your request for the two \$15 million funds.

The recommendation in our audit report, and subsequent letter, described a federal allocation for construction of 130 new units of family housing which was lost due to construction bids which exceeded available funds. We maintain ASHA could have sought additional funds through a budget request to the Legislature, since, according to HUD correspondence dated August 18, 1977, the federal allocation was reserved for ASHA from January 1973 through June 1977, at which time it was cancelled. We believe four years should have been sufficient for ASHA to obtain supplementary funding for this project and similar projects in the future.

Moreover, during that same time period, two elderly housing projects received HUD allocations but could not be started because of insufficient funds to cover high construction

Jim Crawford
March 31, 1981
Page 2

bids. ASHA, however, was able to proceed with assistance from the Senior Citizens Housing Development Fund established by the Legislature in 1976.

Although not funded, the Housing Development Revolving Loan Fund, created at the same time as the Senior Citizens Fund, is a practical vehicle for ASHA to obtain funds to cover shortfalls in federal allocations. From the point of view of efficient cash management, these funds are preferred over creating new funds outside the State Treasury totalling \$30 million. They are subject to Legislative appropriation as well as remaining in the State Treasury until disbursement by ASHA.

We therefore reaffirm our position that separate funds within ASHA are not necessary for new construction allocation shortfalls. Funding vehicles currently exist which can be utilized within the time period HUD allocations are available.

Sincerely,



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

cc: Senator Arliss Sturgulewski ✓

TESTIMONY TO THE HOUSE LABOR AND COMMERCE COMMITTEE
BY: JAMES CRAWFORD, ALASKA STATE HOUSING AUTHORITY
APRIL 29, 1981

My name is Jim Crawford, I am the Deputy Executive Director of the Alaska State Housing Authority (ASHA). The Alaska State Housing Authority is a nonprofit public corporate authority funded through rental project revenues and subsidies from the United States Department of Housing and Urban Development (HUD). ASHA presently manages or owns and manages over 3,000 apartment units throughout the State of Alaska. The corporate authority is governed by a five member Board of Directors appointed by the Governor. The Commissioner of the Department of Commerce and Economic Development is a member of our Board of Directors.

My responsibilities at ASHA include, but are not limited to, arranging for financing through the tax exempt bond market and other methods of funding for new construction activities. As background to the preparation of the legislation under hearing today, please let me explain the audits of ASHA's fiscal year ended March 31, 1980. Because ASHA showed no apparent financial problems, HUD approved ASHA's contract with an independent auditing firm for compliance testing and the normal financial audit of federal and non federal programs. ASHA last year contracted with Peat, Marwick, Mitchell & Co. for that audit. No material findings were reported in the audit of ASHA activities either in the federal programs or the non federally funded activities. Next, HUD auditors did a performance review, again with much the same result. Finally, Division of Legislative Audit completed a special review and a full performance review of ASHA.

Subsequent to the recommendations contained in the audit report and within our Chairman's response to those recommendations, House Bills 256 through 260 were presented in draft form to the Legislative Budget and Audit Committee. We found the recommendations of the legislative auditors to be encouraging and the bills as redrafted by Legislative Budget and Audit will, if passed by the Legislature, be a positive step toward the greater production of needed senior, family and handicapped housing within the State of Alaska.

Specifically, with regard to House Bill 257 and 258, these bills establish and fund the Family and Handicapped Housing Development and Construction Fund in compliance with recommendation number 2 of the Division of Legislative Audit which states "ASHA should seek additional sources of funding of housing projects to assure that federal allocations are not lost." As stated in the audit report "In 1977, ASHA had no choice but to return to the Federal Government two allocations totalling approximately \$3,460,000 due

to the infeasibility of the projects. The allocations were for family housing in Juneau (80 units), and Ketchikan (50 units)."

ASHA has two main programs with which we deal with the construction of new federally subsidized housing within Alaska. The conventional low rent program which is a totally HUD financed program contains provisions for nationally applicable maximum prototype costs for each project. In a letter received from HUD on the cancellation of the Juneau and Ketchikan projects, HUD stated that they "were aware that these projects have not been able to be constructed because of the prototype costs in these areas have been too low and it is not reasonable for you to issue construction comments...". Therefore, when attempting to construct family and handicapped federally subsidized housing under the low rent conventional program, a construction shortfall occurs between available federal dollars and actual project cost. The passage of HB257 and 258 will allow for grants or loans to these projects in order to cover the construction shortfall.

Capital funds may also be used for the enhancement of the family and handicapped projects for the benefit of the program recipients. An example of the enhancement previously provided by ASHA in family projects is the barrier free handicapped units. Most of the changes made in ASHA projects which add amenities are at the request of local advocacy or advisory groups monitoring the construction of our projects. A central motivation of both the groups advocating senior housing and handicapped housing is the philosophy of age integration. The handicapped have continually stressed the need to lead as normal a life as possible and have facilities, though barrier free, integrated in a family atmosphere. The seniors have stated a definite desire to provide alternative housing for handicapped other than in senior projects as is presently the case.

The next program ASHA deals with is the Section 8 New Construction program which requires independent financing. The initial financial feasibility of an ASHA tax exempt bond financed project entails a determination from HUD of the per unit annual subsidy and fair market rent. When the fair market rent has been determined, ASHA subtracts its management and maintenance costs and therefore nets to a figure available for amortization. The figure available for amortization times the number of units in the structure equals the amount that may be financed through the tax exempt bond market. Again, due to the high cost of construction in Alaska, the figure available for amortization is insufficient to cover to total construction cost. Therefore, the need of a Housing Development and Construction Fund to cover, in the Section 8 instance, the financing gap and thereafter construction shortfall.

Flexibility and timeliness are primary reasons for the creation of capital funds. Our construction activities are tied directly to the availability of federal funding and the exigencies of the bond market. Our facilities must be completed within Alaska's short construction season. Our efforts, as illustrated by the proposed legislation, are to speed the construction of needed housing within the State. ASHA basically has two options when faced with a construction short fall as in the case of our present Juneau senior project:

1. Cut the project size as in the current Juneau instance from 24 to 20 units and cut amenities; or
2. Alternatively to admit the financial infeasibility of the project and defer construction.

Another reason for the creation of the funds is the actions of the Federal Government. According to an analysis of HUD budget cuts in the Wall Street Journal of March 14, 1981, conventional new construction subsidized housing will be cut 32.7% from 260,000 units previously proposed to 175,000; new construction authorization in the Section Eight program would be cut 39.4% from 130,000 to 78,750 for the entire country. Obviously then ASHA must stretch available federal dollars to their maximum and supplement those funds by leveraging in the bond market and also ask the legislature's consideration of the problem by proposing HB257 and 258.

Of additional concern to ASHA is the proposed elimination of the Indian Housing Program utilized by the regional housing authorities. A substantial portion of the need for family housing is centered in the rural areas of the State. In order for the regional housing authorities to meet the needs of their program recipients, capital funding must be available which will augment those funds still available through the U.S. Department of Housing and Urban Development and the Farmers Home Administration.

The particular needs of handicapped individuals and their incumbent greater cost in the development of housing could be accommodated by the passage of HB257 and 258.

ASHA is presently working with the State Department of Labor and the Census Division to isolate the need for housing then prepare a prioritized five year construction allocation recommendation for HUD concurrence. In the event the capital construction funds are established and funded, ASHA will be able to more aggressively perform marketing plans statewide for the benefit of ASHA's program recipients and those program recipients of the

regional housing authorities. Existing information concentrates on available housing stock and does not isolate the need for housing. It is our intention to work closely with the regional housing authorities to assist them in their fulfillment of the housing needs in the rural areas of the State as well as providing for the urban needs of Alaska's families and handicapped. Particularly in the face of a wildly fluctuating bond market a gap between available construction dollars and actual construction costs will force the delay or even cancellation of needed housing projects. Nationally established construction maximums do not reflect Alaska's costs. Consequently, otherwise worthy projects may not be built. We believe that HB257 and 258 are consistent with the recommendations of the Legislative Budget and Audit Committee auditors and that the legislation, if enacted, will be a positive step for the greater production of housing for families and handicapped within Alaska.

Pursuant to a request from Senator Fischer when corrolary bills were under hearing in Senate State Affairs I have attached to my testimony a listing of anticipated family and handicapped projects throughout the State. The listing details the location, cost and potential source of funding for the projects in total. Several assumptions are critical to the analysis of the attached list. Those assumptions are

1. Square footage cost is estimated at an average \$95.00 per square foot. Naturally, cost differentials exist between urban and rural construction, however, economies of scale on a larger project should offset the greater costs of smaller projects and therefore meet the average.
2. Based on rates available in the current tax exempt bond market and present fair market rents as set by the U.S. Department of Housing and Urban Development (HUD), we anticipate that approximately one-third of the total cost would be required as a State subsidy at the time of construction and two-thirds could be covered by direct HUD/Farmers Home loans/bonds or tax exempt bonding by ASHA.
3. The list was determined based upon projects that have been proposed, anticipated demand as evidenced by ASHA's waiting lists in our existing project and the current activities and plans of regional housing authorities.
4. Projects listed have yet to be analyzed for actual financial feasibility and therefore represent estimated needs only.
5. The lists are alphabetized and no priority has been given to the projects.

6. Square footage estimated for family and handicapped housing is 1,067 square feet for mixed two, three and four bedroom units. Presently ASHA has 27 handicapped units in our senior projects.

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LIST OF PROJECTS

ESTIMATED FAMILY AND HANDICAPPED DEMAND

<u>NAME OF COMMUNITY</u>	<u>NUMBER OF UNITS</u>
1. Anchorage	125
2. Bethel	50
3. Cordova	20
4. Fairbanks	75
5. Juneau	50
6. Kodiak	75
7. Kenai/Soldotna	50
8. Nome	50
9. Sitka	24
10. Valdez	25
11. Regional Housing Authority demand	<u>594</u>
TOTAL	1,138

Assuming the need for 1,138 units of family and handicapped housing, the estimated cost is as follows:

1,138 X 1,067 square feet (mixed two, three and four bedroom units) X 1.2 common area X \$95.00 per square foot =	\$144,505,944.00
Land cost at \$1,000 per unit =	3,564,000.00
Fees for architects and engineers, etc. (8% construction) =	11,560,475.00
Contingency and cost of bond issuance, etc. =	11,500,000.00
Interim interest (assume have money 1/2 year before project completion) =	12,000,000.00
ASHA administration (may be more or less for Regional Housing Authority projects)	<u>8,100,000.00</u>
TOTAL	\$191,230,419.00

Assuming total cost of \$191,230,419.00

<u>TOTAL ESTIMATED DEMAND</u>	<u>STATE CONSTRUCTION SUBSIDY</u>	<u>HUD/FARMER'S HOME OR ASHA FINANCING</u>
\$191,230,419.00	\$63,679,729.53	\$127,550,689.47

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TO:

Representative Joe Hayes
Pouch-V
Juneau, AK 99811

DATE: March 13, 1981

FILE NO:

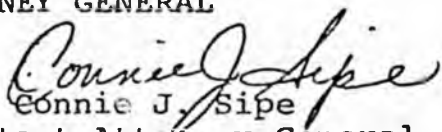
TELEPHONE NO:

279-0429

FROM: WILSON L. CONDON
ATTORNEY GENERAL

SUBJECT:

Automobile repair problems
as perceived by the state
Consumer Protection Office

By: 
Connie J. Sipe
Assistant Attorney General
Chief, Consumer Protection
Section AGO/Anchorage

Putting it simply to start with, automobile repair complaints filed by consumers with our office are, and have been for at least six years, the most numerous, the most persistent, among the most costly, and the least solveable consumer problems that we see. A legislative audit in 1979 helped us identify the extent of this problem: automobile repair complaints were our most numerous complaints, numbering 281 out of 2,229 complaints filed by Alaskans in FY79, 13% of all of our complaints. In FY79, our office was able to obtain a satisfactory resolution for consumers in 39.2% of all the cases we handled, but only approximately 16.5% of automobile repair complaints we handled had any sort of consumer satisfaction as a result of our efforts. This low mediation rate prevails today, even though auto repair complaints are often ones on which our office spends the most time and effort in personal contact with both business and consumer in mediation attempts. 1/

Alaskans are not unique in their problems with auto repair. The Federal Trade Commission has found that auto repair complaints are the number 1 complaint in 49 out of 50 states. The U.S. Comptroller General's Report, January 11, 1980, 2/ cites a 1978 estimate that 20 billion consumer dollars a

1/ FY 80/81 figures are not available, since the section has only a manual record-keeping system. The data is available, but we have not compiled it. We are certain auto repair problems have maintained their prominence in our case load.

2/ "Public and Private Coordination Needed If Auto Repair Problems Are To Be Reduced."

year are lost in the country on auto repair of 124 million vehicles. The Comptroller's report, based on a study of county, state, federal, and industry, auto repair enforcement and conciliation programs, found the following auto repair problems to be the most common:

(1) faulty repairs, where a problem reoccurs or is not improved at all by repair efforts;

(2) unnecessary repairs, made either through mistaken or incompetent diagnosis, or because of fraud;

(3) unanticipated repair costs, or what's known as the "5 o'clock surprise" when a consumer comes to pick up the car and is asked to pay for unauthorized work or a price in excess of either the formal or informal estimate earlier given.

These are also the most common problems for Alaskans, as well as this fourth:

(4) deceptive repair charges--we are fairly certain that some Alaskans are charged for parts or services which have not been provided at all, or which differ from what was actually provided (e.g., charged for a "new" part when a "rebuilt" was installed).

Also, it should be remembered that the cost of auto repairs is extremely high, not only in terms of cash paid for the repair, but also in terms of lost time and convenience. Many of the repair complaints we see involve charges over \$500.

Alaska does not license auto mechanics nor auto repair shops. A few states do this, but our office would not recommend this step at this time, since the state wishes to stay out of the regulation area. It is often suggested by community business groups that the Consumer Protection Office should seek out and prosecute the "bad apples" in an industry, and through prosecution of those shops or mechanics, create an effective deterrence for the rest of the industry. However, without mechanical expertise on the Consumer Protection staff, or the money to hire objective experts who can assess the repair work which has been done on an automobile, most automobile repair complaints degenerate into "swearing matches" between a consumer and a mechanic.