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SRES

SB 140

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SB 151

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ELECTRICAL COOPERATIVE PROJECTED EXPENDITURES AND LOANS, 1983-1987

<u>Coop</u>	<u>REA vs CFC %</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
AVFC	100% REA	\$2 M	\$2.3 M	\$2.7 M	\$3.1 M	\$3.5 M	13.6 M
Chugach	80% REA, 20% CFC CFC Loans - 5%+ Guaranteed Loans 5%+	28 M 5.6 M 52 M	-0- -0- 58.25 M	15 M 300,000 343.25 M	15 M 300,000 43.25 M	15 M 300,000 43.25 M	73 M 6.5 M 540 M
Copper Valley	60% REA, 40% CFC CFC Loans-5%+	60,000 24,000	260,000 104,000	800,000 320,000	1.5 M 600,000	3 M 1.2 M	5.62 M 2.248 M
Cordova	25% REA, 75% CFC CFC Loans-5%+	3 M 2.25 M	1 M 750,000	1 M 750,000	1 M 750,000	1 M 750,000	6 M 5.25 M
Glacier Highway **	70% REA, 30% CFC Guaranteed Loans	-0- 3 M	-0- -0-	-0- -0-	-0- -0-	-0- -0-	-0- 3 M
Golden Valley	90% REA, 10% CFC CFC Loans - 5%+	12 M 1.2 M	14 M 1.4M	15 M 1.5 M	17 M 1.7 M	17 M 1.7 M	75.5 M 7.55 M
Homer Electric	70% REA, 30% CFC CFC Loans - 5%+	-0-	15 M 4.5 M	20 M 6 M	-0-	-0-	35 M 10.5 M
Kodiak Electric	75% REA, 30% CFC CFC Loans - 5%+	2.5 M 750,000	4.875 M 1.463 M	3.289 M 986,700	1.327 M 398,100	1.805 M 541,500	13.796 M 4.14 M
Kotzebue	80% REA, 20% CFC CFC Loans - 5%+	768,000 153,600	500,000 100,000	500,000 100,000	500,000 100,000	500,000 100,000	2.768 M 553,600
Matanuska Electric	80% REA, 20% CFC CFC Loans	12.6 M 2.5 M	10.1 M 2 M	12.5 M 2.5 M	12.9 M 2.6 M	32.9 M 6.6 M	81 M 16.2 M

<u>Coop</u>	<u>REA vs CFC %</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
Naknek		\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-
Nushagak	70% REA, 30% CFC CFC Loans -5%+	2.2 M 660,000	-0- -0-	-0- -0-	-0- -0-	-0- -0-	2.2 M 660,000
Tlingit-Haida	80% REA, 20% CFC CFC Loans-5%+	-0- -0-	1.8 M 360,000	-0- -0-	-0- -0-	-0- -0-	1.8 M 360,000
Unalakleet *	60% REA, 40% CFC CFC Loans-5%+	1.2 M 500,000	200,000 80,000	200,000 80,000	200,000 80,000	200,000 80,000	2 M 820,000

* Unalakleet Electric Cooperative is anticipating a \$700,000 grant from the state for a new generator.

** Glacier Highway Electric Cooperative's \$3 Million generator loan is not covered by REA financing and must be financed through CFC notes. The current interest rate of 11.25% would require a 50% increase in electrical rates to provide necessary cash flow for loan payments.

<u>TOTAL CFC LOANS BY YEAR</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
	10.638 M	10.757 M	12.537 M	6.529 M	11.272 M	54.733 M
<u>TOTAL GU. ANTICIP. LOANS BY YEAR</u>	55 M	58.250 M	343.25 M	43.25 M	43.25 M	543 M

Major Guaranteed Loans By Project.....

1983

Glacier Highway Electric Cooperative - \$3 Million for new generator.

Chugach Electric - \$37 Million for transmission and distribution, loan pending
\$15 Million for 75 MW gas fired generator

1984

Chugach Electric - \$15 Million for 75 MW gas fired generator
\$43.25 Million for transmission and sub-transmission

1985

Chugach Electric - \$300 Million for 200 MW coal fired plant
\$43.25 Million for transmission and sub-transmission

1986

Chugach Electric - \$43.25 Million for transmission and sub-transmission

1987

Chugach Electric - \$43.25 Million for transmission and sub-transmission

Funding Demands for Alaska Electric Utility Loan Fund by year, 1983-1987.

	1983	1984	1985	1986	1987
Total Loans Applied For.	\$68.638 M	\$69.007 M	\$355.787 M	\$49.779 M	\$54.522 M
Total CFC Loans Applied For.	13.638M	\$10.757 M	\$12.537 M	\$6.529 M	\$11.272 M
Appropriations to Cover CFC Loans (Approximate @ 5%)	\$13.638 M	\$9 M	\$11 M	\$5 M	\$9 M
Appropriations to Cover Guaranteed Loans (Approximate @ 5%)	\$55 M	\$55.7 M	\$330 M	\$20 M	\$18 M

(9)



United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D.C.
20250

JUL 1 1983

SUBJECT: Alaska 00

TO: Ms. Bettye Fahrenkamp, Chairman
Senate Committee on Resources
Pouch V
State Capital
Juneau, Alaska 99811

27 JUN 1983

This is in response to your letter of April 4, 1983, enclosing a copy of the proposed SB 140, establishing an electric cooperative revolving loan fund within the Alaska State Department of Commerce and Economic Development.

For your information we are enclosing copies of REA Bulletins 20-2, 20-6, and 20-14, which relate specifically to loan policies. For Fiscal Year 1983, Congress has authorized REA to make insured loans of no less than \$850,000,000 and no more than \$1.1 billion and guaranteed loans of between \$4.6 billion and \$5.7 billion. Lending authorization for Fiscal Year 1984 is presently being considered by Congress.

We have reviewed the proposed SB 140 and offer the following questions and comments for your consideration:

Section 42.28.020

Most non-REA lenders which provide supplemental financing to REA borrowers also make unsecured short-term loan funds available to cover certain operating expenses. Would the Department consider making this type of loan?

Would the Department consider making loans to refinance existing higher interest loans (such as those made by FFB or CFC)?

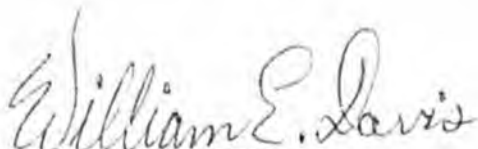
Section 42.28.030 Based on the eligibility requirements outlined in the proposed legislation, it appears that at least one REA borrower, Metlakatla Power & Light, owned by the Metlakatla Indian Community, may not be eligible for loan funds from the Department. You may wish to consider broadening the eligibility requirements to include this type of utility.

Section 42.28-040

The requirements for finding feasibility appear to be unduly detailed for this type of legislation. The Rural Electrification Act requires that loans be self-liquidating (feasible) and adequately secured, but the specific requirements for establishing feasibility and security are set out in agency regulations. This provides the agency with more flexibility to change requirements from/time to time as necessary.

Regarding security, REA would not normally accommodate its lien to provide security for the Department on short-term loans made by it to a borrower. Such loans made by other non-REA lenders are generally unsecured. The proposed legislation indicates that the Department will subordinate its lien on collateral securing a short-term loan, but apparently only if the borrower first "enters into a federal loan agreement" with REA. It is unclear what is meant by the phrase "enters into." Does this refer merely to making application to REA or to having in place an executed loan agreement with REA? In many cases, a borrower may be in need of short-term funds well before it has applied for an REA loan. Such funds may be needed for construction purposes in anticipation of reimbursement from a future long-term loan or may be needed for operating purposes. We suggest that the Department be authorized to make short-term loans that are unsecured. REA will consider providing lien accommodations on intermediate and long-term loans.

If we can be of any further assistance in this matter, please let us know.



WILLIAM E. DAVIS

Director

Western Area - Electric

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

WASHINGTON, D.C. 20250

APR 12 1979

*Reviewed and Approved
For Reprinting July 1982*

SUBJECT: Implement the Conservation Policy
(Supplement to REA Bulletin 20-2,
January 31, 1979)

TO: All Electric Borrowers

The recent supplement to REA Bulletin 20-2 sets forth energy conservation information that will be required to support future loan applications from distribution borrowers. These information requirements are:

1. A copy of the policy approved by the board of directors on energy conservation.
2. A report of the efforts of the borrower to conserve electric energy in the operation of its headquarters and facilities. The activities of the borrower should demonstrate to its members that it has adopted and is carrying out its own in-house program of energy conservation. The report should include the amount that this program has reduced annual operating cost and the necessary capital expenditures, if any, to achieve this reduction.
3. A report describing the efforts of the borrower to assist its members to make the most efficient use of energy. The report should include a conservation work plan and budget which reflects the activities planned and conducted, with related staff time and costs, and a statement of the estimated benefits to the member and the borrower.

For loan applications received during 1979, we cannot expect to receive evidence of accomplishments from those who must initiate new programs or hire new personnel to comply with the policy. However, in most instances, we do expect to receive a board policy, a report on actions planned, and an estimate of resources (both staff time and dollars) to be devoted to energy conservation.

After January 1, 1980, and as appropriate in 1979, the following information should be provided with the loan application:

1. Copy of board policy.
2. Copy of work plan and budget for energy conservation.
3. Names and titles of staff assigned full-time to energy conservation and their major work assignment(s).

4. Names and titles of staff assigned part-time to energy conservation--and percentage of their time devoted to energy conservation activities.

5. Brief description of services offered by the cooperative to assist members in conserving energy (such as energy audits or onpremise assistance and advice).

6. Brief description of other energy conservation activities.

7. Brief description of how the cooperative encourages energy conservation by its members and provides information for them--such as newsletters, brochures, etc.

8. Brief description of efforts with others, such as home contractors, Farmers Home Administration, etc., to promote energy conservation.

9. Brief summary of efforts of the cooperative to conserve electric energy in the operation of its headquarters and facilities--including cost savings and amount of capital expenditures necessary to achieve the reduction.

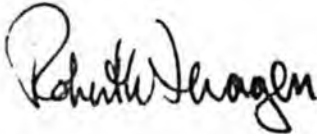
10. Number of members who were provided, onpremise, this type of assistance in last calendar year.

11. Evaluation and comments of the manager on the energy conservation program of the cooperative as it benefits or affects the members and the cooperative.

12. Dollars spent by cooperative in previous calendar year and estimate of dollars to be spent in current calendar year for energy conservation for the following purposes: (Previous year data may not be available until 1981)

	<u>Previous Year</u>	<u>This Year</u>
Personnel	\$	\$
Information Activities		
Capital Expenditures		
Supervision		
In Cooperation With Others		
Other (office space, etc.)		
List:		

As stated in the January 31, 1979, supplement to REA Bulletin 20-2, REA will consider the number of members served, geographic locations, land area served, energy use patterns and the needs of the members in determining the reasonableness of the conservation program.



ROBERT W. FERAGEN
Administrator

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

January 31, 1979

SUBJECT: Energy Conservation Policy and Recommendations

TO : All Electric Borrowers

The attached supplement to REA Bulletin 20-2 sets forth the REA Energy Conservation Policy and the information which should accompany loan applications from distribution borrowers. It has been developed after nearly 6 months of study and research by REA which included several opportunities for comment and discussion by all of the electric borrowers.

Because of the varying circumstances due to weather and load patterns of the distribution cooperatives, the policy provides flexibility in planning and conducting energy conservation programs.

The importance of the efforts called for by the policy cannot be overstated. Energy conservation is the best means for the people we serve to reduce their cost of electric energy. The most efficient use of energy by the members can reduce, in the long run, the need for new generating facilities. An aggressive program of conservation which includes energy audits or advice based on visits to homes or businesses provides an excellent and very important opportunity to reestablish or to improve the person-to-person relationships between cooperative staff and members -- relationships on which rural electrification was founded and which are its greatest strength. These visits also provide an opportunity for the cooperative to develop an understanding by the members of the cooperative of important facts concerning operation of the cooperative, such as retail rates, cost of wholesale power, future plans of the cooperative and membership opportunities and obligations.

This policy should not be interpreted as a suggestion of REA to promote "zero growth." REA realizes that revenues of the cooperative, besides providing funds to repay loans, must also provide for sound operation of the cooperative.

The REA recommendations accompanying the policy can serve as a guide in developing energy conservation programs. An REA Energy Conservation Handbook which you will receive under separate cover contains material that will be of further help in planning and carrying out your energy conservation programs. There is no restriction on the use of this material and the material can be reproduced in whole or in part.

REA anticipates that the reports called for by the policy will vary from system to system. To test conformance to the Bulletin, REA will be looking for information that indicates that the cooperative is committed to energy

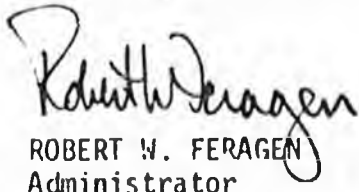
conservation; that measures are planned or underway to conserve energy in cooperative facilities; and that an information and technical assistance program is planned or underway to help consumers conserve energy.

The level of resources indicated in the conservation workplan and budget accompanying the loan application will also serve as an indication of compliance with the intent of the REA policy. The long-term savings to members by energy conservation which result from technical advice and assistance from cooperative personnel should be considered when developing objects of a workplan and budget for this assistance.

REA looks to the directors, managers and staff members of the electric cooperatives to respond to the energy conservation needs of the member-owners with the same dedication and determination which characterized those early days of rural electrification.

The critical need for understanding by the members of the difficulties and costs associated with providing power supply for the future -- and conservation by them as a means to cope, in part, with those higher costs -- is as formidable a challenge as was developing the cooperatives and building the first distribution system.

A decision on the proposed REA Bulletin 120-2 has been delayed. This policy would have required information concerning the diversified demand and other data concerning service to previously unserved cooperative members. It is being delayed because REA is reviewing the entire Power Requirements Survey and Load Forecasting procedures and coordinating this review with similar efforts of the NRECA-CFC Power Supply Study Committee.



ROBERT W. FERAGEN
Administrator

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

January 31, 1979

SUBJECT: Supplement to REA Bulletin 20-2, Electric
Loan Policies and Application Procedures

TO: All Electric Distribution Borrowers

All REA electric distribution borrowers will be required to develop energy conservation programs as a requirement for continued REA financing. The purpose of this supplement is to set forth the energy conservation information to accompany a loan application. To be considered, a loan application must include the following additions:

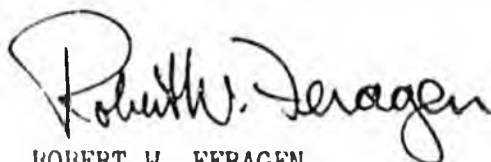
1. A copy of the policy approved by the board of directors on energy conservation.
2. A report of the efforts of the borrower to conserve electric energy in the operation of its headquarters and facilities. The activities of the borrower should demonstrate to its members that it has adopted and is carrying out its own in-house program of energy conservation. The report should include the amount that this program has reduced annual operating cost and the necessary capital expenditures, if any, to achieve this reduction.
3. A report describing the efforts of the borrower to assist its members to make the most efficient use of energy. The report should include a conservation work plan and budget which reflects the activities planned and conducted, with related staff time and costs, and a statement of the estimated benefits to the member and the borrower.

In determining the reasonableness of the conservation program, REA will consider the number of members served, geographic locations, land-area served, energy use patterns and the needs of the members.

An aggressive program to assist members to use energy most efficiently will require staff persons trained for that responsibility with appropriate facilities and materials to perform their assignments. Because of the diversity of REA borrower systems, the allocation of staff time and other resources will vary from system to system.

As a general guideline, REA will consider that a system with 4,000 or more members should devote, as a minimum, the time of one person working full-time, or the equivalent time of several persons, as a reasonable effort to assist its members to conserve energy. In applying this guideline for smaller systems, consideration will be given to pooling of resources with other organizations. In applying this guideline to larger systems, the amount of additional staff time should be appropriate to its work plan and objectives and consistent with the number of members.

The attachment includes suggestions and recommendations for consideration by borrowers in developing board policies for energy conservation and for planning and conducting energy conservation programs. This information is also included in REA's Energy Conservation Handbook.



ROBERT W. FERAGEN
Administrator

RECOMMENDATIONS OF REA

- . . . The energy conservation policy adopted by the board of directors should require, (1) a commitment to an aggressive program to conserve electric energy in the headquarters and other co-op facilities. (2) a commitment to an aggressive program to help consumers conserve and use energy efficiently, and (3) the necessary authority to develop a plan and budget to accomplish the objectives, and to develop appropriate reports to assess results.

- . . . Identify opportunities to promote more efficient use of energy and set priorities for assistance to consumers by analysis of consumer uses of energy, billing records, high bill complaints, delinquent accounts, etc.

- . . . Provide trained personnel to provide--on a "one-to-one" basis-- technical assistance, advice and information for members of the cooperative for the efficient use of electric energy in the home, farm, business or public building, including estimates of the cost of insulation or other expenditure necessary to achieve energy conservation and the estimated savings in electricity costs resulting from any investment or conservation practice.

- . . . Encourage and promote insulation standards as recently adopted by the Farmers Home Administration.

- . . . Cooperate with consumers who want to install alternative energy systems for their own use, such as windmills, biomass facilities, and solar systems for cooling, space and water heating, and wood burning systems.

- . . . Seek assistance and where appropriate, coordinate conservation efforts with NRECA, statewides, other electric cooperatives, power suppliers, state energy offices, Farmers Home Administration, and other organizations with programs or resources that can help the cooperative with its conservation objectives.

- . . . Make arrangements with the Farmers Home Administration, community action agencies, local banks, etc., to finance conservation measures for those consumers in need of such assistance.

- . . . Work with local contractors and suppliers in helping assure that consumers received quality workmanship and proper conservation materials.

- . . . Work with local building contractors to help assure the construction of energy efficient homes.

- . . . In advising electric cooperative members about electric heating or air conditioning, that the cooperative provide estimates of

the longer-range cost of electric service; for example, an estimate of the increased cost of electricity for the next five or ten years.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 13, 1977

REVISED REA BULLETIN 20-2

Attached is a revision of REA Bulletin 20-2, Electric Loan Policies and Application Procedures, superseding the edition of this bulletin dated February 19, 1971, and all amendments thereto.

The revised bulletin removes limitations on the amount which could be approved in a single loan to electric distribution borrowers for their two-year construction requirements.

The bulletin has been brought up-to-date to reflect all amendments to the Rural Electrification Act through October 20, 1976, relating to REA insured electrification loans.

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

June 13, 1977
Supersedes 2/19/71

REA BULLETIN 20-2

SUBJECT: Electric Loan Policies and Application Procedures

I. General:

- A. This bulletin sets forth REA policy and procedures concerning electrification loans under the Rural Electrification Act (the Act).
- B. REA Bulletin 20-22, Guarantee of Loans for Bulk Power Supply Facilities, sets forth REA policies and requirements concerning loan guarantees for the financing of bulk power supply facilities under Section 306 of the Rural Electrification Act.

II. REA Loans - General Purposes and Eligibility: Generally, rural electrification loans made by REA are insured loans made under Section 305 of the Act for the purposes and on the terms and conditions set forth in Section 4 of the Act. Section 4 provides in part:

- A. "The Administrator is authorized.....to make loans for rural electrification to persons, corporations, States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts and cooperative, nonprofit, or limited-dividend associations organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service....."
- B. ".....the Administrator, in making such loans shall give preference to States, Territories, and subdivisions and agencies thereof, municipalities, peoples' utility districts, and cooperative, nonprofit, or limited-dividend associations, the projects of which comply with the requirements of this Act."
- C. "Such loans shall be on such terms and conditions relating to the expenditure of the moneys loaned and the security therefor as the Administrator shall determine and may be made payable in whole or in part out of the income: Provided further, That all such loans shall be self-liquidating within a period of not to exceed thirty-five years....."

- D. "Loans.....shall not be made unless the Administrator finds and certifies that in his judgment the security therefor is reasonably adequate and such loans will be repaid within the time agreed."
- E. ".....no loan for the construction, operation, or enlargement of any generating plant shall be made unless the consent of the State authority having jurisdiction in the premises is first obtained."

III. Revolving Fund - Insured Loans: Sections 301 and 302 establish a revolving fund in the Treasury of the United States the assets of which are available for the purpose of providing funds for insured loans under Section 305 of the Act. Section 305 provides in part:

- A. "The Administrator is authorized to make insured loans.....to the full extent of the assets of the Rural Electrification and Telephone Revolving Fund, subject only to limitations as to amounts authorized for loans and advances as may be from time to time imposed by the Congress of the United States....."
- B. "Loans made under this section shall be insured by the Administrator when purchased by a lender. As used in this Act, an insured loan is one which is made, held and serviced by the Administrator, and sold and insured by the Administrator hereunder. Such loans shall be sold and insured by the Administrator without undue delay."
- C. "Insured loans.....shall bear interest at either 2 per centum per annum (hereinafter called the "special rate"), or 5 per centum per annum (hereinafter called the "standard rate"). Loans bearing the special rate shall be available only for an electric.....borrower which.....had at the end of the most recent calendar year ending at least six months before approval of the loan, an average consumer density of two or fewer per mile or an average adjusted plant revenue ratio of over 9.0, such ratio being a simple average of the ratios obtained by dividing the sum of its distribution plant and general plant by its annual gross revenue less cost of power for that calendar year and the two immediately preceding calendar years. As used in this subsection the sum of distribution plant and general plant shall be the total of the amounts shown in accounts numbered 360 through and including 399 of the uniform system of accounts approved, as of the effective date of this amendment, by the Administrator, for use by Rural Electrification Administration borrowers; gross revenue shall be the amount shown in account numbered 400 of said system of accounts; and the cost of power shall be the total of amounts shown in accounts numbered 500 through and including 573 of said system of accounts as the same is constituted: Provided, however, That the Administrator may,

in his sole discretion, make a loan to a borrower at the special rate if he finds that the borrower:

"(A) has experienced extenuating circumstances or extreme hardship; or

"(B) cannot, in accordance with generally accepted management and accounting principles, produce net income or margins before interest at least equal to 150 per centum of its total interest requirements on all outstanding and proposed loans with an interest rate greater than 2 per centum per annum on the entire current loan, and still meet the objectives of the Act, or

"(C) cannot, in accordance with generally accepted management and accounting principles and without an excessive increase in the rates charged by such borrowers to their consumers or subscribers, provide service consistent with the objectives of the Act."

IV. Other Financing: Section 307 of the Act provides in part: "When it appears to the Administrator that the loan applicant is able to obtain a loan for part of his credit needs from a responsible cooperative or other credit source at reasonable rates and terms consistent with the loan applicant's ability to pay and the achievement of the Act's objectives, he may request the loan applicant to apply for and accept such a loan concurrently with a loan insured at the standard rate....."

V. Definition of Rural Area: Section 13 of the Act provides in part: "As used in this Act the term 'rural area' shall be deemed to mean any area of the United States not included within the boundaries of any city, village, or borough having a population in excess of fifteen hundred inhabitants, and such term shall be deemed to include both the farm and nonfarm population thereof....."

VI. General REA Policies:

- A. Borrowers are encouraged to use self-generated funds to minimize their requirements for debt capital. Borrowers which can borrow from other sources are encouraged to do so, and may be required to obtain non-REA financing as a supplement to financing available from REA. (See Section IV above and REA Bulletin 20-14 on "Supplemental Financing.")
- B. In accordance with the objectives of the Act and the obligations undertaken in the loan contract, borrowers are obligated to provide electric service on an area coverage basis to the maximum practicable extent. (See REA Bulletin 112-3.)
- C. Loan applications from distribution borrowers for distribution or transmission facilities generally should include the amount

of new loan funds required during the next two years. The proposed loan may be revised downward by REA when necessary to allocate available loan funds to meet borrowers' priority needs.

- D. Loan applications from power supply borrowers for transmission facilities, where no generating unit is included, should not exceed the amount of new loan funds required during the next three years.
- E. Loan applications from distribution or power supply borrowers for generation facilities should include the amount of new loan funds required for transmission facilities to deliver the power from the generating units as needed to support the feasibility of the loan.
- F. In reviewing loan applications, the amount and management of a borrower's general funds will be considered by REA on the basis of the guidelines contained in REA Bulletin 1-7, General Funds.

VII. Facilities and Other Items Which May be Financed: REA loans may be approved for:

- A. Distribution Facilities: The construction of new rural distribution facilities or systems and the net cost of system improvements to meet load growth requirements or improve the quality of electric service. The net cost of system improvements means the cost of construction plus the cost of removal of any property retired, less the salvage value of any materials or equipment recovered in connection with the property retirement. System improvements are defined as the changes or additions in electric plant facilities to improve the quality of electric service or increase the quantity of electric power available to Act beneficiaries. Changes or additions as used in the above definition include replacing units with like units or larger units and rearranging or retiring conductor when such changes are associated with and are a necessary part of a system improvement.
- B. Generation and Transmission Facilities:
 - 1. The initial construction of generation facilities by distribution or power supply borrowers, and of transmission facilities by power supply borrowers, only under the following conditions:
 - a. Where no adequate and dependable source of power is available to meet the consumers' needs, or
 - b. Where the rates offered by existing power sources would result in a higher cost of power to the consumer

than the cost from facilities financed by REA, and the amount of the power cost savings that would result from the REA-financed facilities bears a significant relationship to the amount of the proposed REA loan.

2. Supplemental loans for these purposes, for the net cost of system improvements as defined in A above, and for the construction of transmission facilities by distribution borrowers. Applications for such financing will be considered and evaluated in terms of whether the proposed additional facilities constitute the most effective and economical arrangement for meeting the increasing power requirements of the consumers. (Also see REA Bulletin 20-6.)
- C. Headquarters Facilities: The purchase, remodeling, or construction and related costs of headquarters facilities required for the operation of the borrower's system. (Also see REA Bulletin 86-3.)
- D. Acquisitions: The purchase, rehabilitation and integration of existing electric facilities where the acquisition of such facilities is an incidental and necessary means of providing service to persons in rural areas who are not receiving central station service. (Also see REA Bulletin 27-1.)
- E. General Plant Equipment: The purchase of office, transportation, communication, and working equipment, if requested by the applicant and found necessary.
- F. Interest: Payments of interest during the period preceding the first scheduled principal payment or for a period not to exceed five years, whichever is the shorter, if requested by the borrower and found necessary. (Also see REA Bulletin 20-9.)
- G. Operations: Working capital required for the initial operation of the borrower's system or for the protection of outstanding REA loans.
- H. Ordinary Replacements: The excess of the total cost of ordinary replacements over the original cost of the production, transmission, or distribution plant being replaced, if requested by the applicant and found necessary. For this purpose "ordinary replacements" means replacing units of plant with like or similar units when made necessary by normal wear and tear, damage beyond repair, or obsolescence of the facilities. In order to qualify as an ordinary replacement, the replacement must involve one or more complete "retirement units" as identified in REA Bulletin 181-2.

- I. Reimbursement of General Funds: The reimbursement of general funds, if the borrower establishes that the general plan or program for the expansion of its system is known to REA, and that it received prior REA approval for such expenditure in accordance with REA Bulletin 103-2.

VIII. Loan Terms and Conditions:

- A. Interest Payments: Interest payments will be required in accordance with the terms of the note, bond, or other evidence of debt as set forth in REA Bulletin 20-9.
- B. Scheduled Principal Payments: Principal payments are due in accordance with the terms of the note, bond, or other evidence of debt. Generally, as provided in REA Bulletin 20-9, principal payments will begin three years from the date of the note, but may begin at a later date if there is a demonstrated need. Repayment of principal may be scheduled to begin earlier if the borrower desires or if required by REA. Notes providing funds for the acquisition of facilities already in revenue-producing status generally will require that principal payments begin within a year from the date of the note.
- C. Advance Payments: Payments in advance of the scheduled due date may be made as set forth in Bulletin 20-9. An interest credit is allowed on the amount in the advance payment account or accounts. This interest credit reduces interest charges.
- D. Lien on Borrower's System: A first lien on the borrower's total system normally will be required. It shall be in the form of a mortgage by the borrower to the Government or a deed of trust made by and between the borrower and a trustee, satisfactory to the Administrator.
 1. Where a borrower is unable by reason of pre-existing encumbrances, or otherwise, to furnish a first mortgage lien on its entire system the Administrator may, if he determines such security to be reasonably adequate and the form and nature thereof otherwise appropriate, accept other forms of security.
 2. To facilitate supplemental financing for Act purposes, the Government's first lien may be shared where the Administrator finds that this would be in the best interests of the borrower and the Government.
- E. Other Terms and Conditions: The loan contract, and mortgage or deed of trust, will include such terms and conditions as are appropriately related to loan security.

IX. Application Procedures:

- A. Prior to preparation of an application, except as specified in paragraph B below, a distribution-type applicant should notify the Area Operations Field Representative of its intention to apply for a loan and secure from him the necessary instruction and application forms:
1. A loan application should be based on an approved two-year construction work plan consistent with an acceptable long-range engineering plan, or similar engineering support of the need for the facilities and the amounts to be included in the loan.
 2. Generally, a board-approved current 10-year financial forecast will be required in support of a loan application. To be considered current, the financial forecast should have been prepared within the past year and, since preparation, no wholesale power or retail rate changes or unanticipated downward trends in margins or debt service ratio have occurred.
 3. Additional supporting data usually required will include among other items: board resolutions setting forth the borrower's area coverage and line extension policies, and for cooperatives, the borrower's plan for revolving capital credits; copies of current retail rate schedules; and information summarizing the physical condition of the system and consumer hours outage data.
- B. REA Bulletin 111-3, Power Supply Surveys, should be reviewed by all applicants seeking funds for generation and/or major transmission facilities where the facilities to be constructed would displace existing contractual arrangements with a private power company. Applicants should notify the Area Director of their intention to apply for a loan or loan guarantee for this purpose. No application for this purpose will be accepted for consideration by REA unless (a) a Power Supply Survey has been completed, or (b) it is determined by the Administrator that completion of the survey requires full review of the application.
- C. REA Operations and Engineering Field Representatives are available to advise and assist applicants in the preparation of loan applications. Applications should be reviewed by the Operations Field Representatives prior to transmittal to the Washington office.

X. Availability of Information Pertaining to Loan Applications:

A. REA publishes at the end of each calendar quarter a list of pending applications for loans containing the names of the applicants, the amount of each application, and brief descriptions of the proposed projects. In addition, information on pending applications is given upon request.

B. The Chairmen of the Appropriations Subcommittees on Agriculture, Rural Development and Related Agencies of the Senate and House of Representatives will be notified in writing by REA at least thirty (30) days in advance of approval of the following:

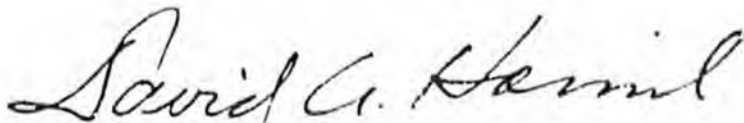
1. All loan guarantee commitments.

2. All insured loans in excess of \$10 million for generation and/or transmission facilities.

No such requests for an insured loan or loan guarantee will be approved by REA unless such notification has been furnished.

XI. Notification of REA Loans: The Chairman of the House Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies will be notified of the amount and purpose of each generation and major transmission loan approved by REA.

XII. Applications Closed Without Loan: If REA determines an application for a loan need not or cannot be processed for approval, or the applicant withdraws or cancels the application, the application shall be considered "closed without loan" and removed from official records of pending applications. The loan applicant and the Committees of Congress notified of the application will be notified accordingly.



Administrator

Index:

DISTRIBUTION FACILITIES:

Loan Policies and Application Procedures

GENERATION FACILITIES:

Loan Policies and Application Procedures

LOANS:

Policies and Application Procedures

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

May 7, 1969
Supersedes 5/31/61

REA BULLETIN 20-6

SUBJECT: Loans for Generation and Transmission

I. Purpose: The purpose of this Bulletin is to set forth Rural Electrification Administration loan policy concerning generation and transmission facilities.

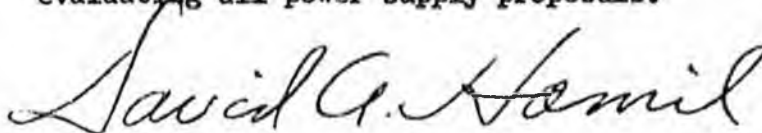
II. Policy:

A. The Rural Electrification Administration will make loans to finance the initial construction of generation facilities by distribution or power supply borrowers, and of transmission facilities by power supply borrowers, only under the following conditions:

1. Where no adequate and dependable source of power is available to meet the consumers' needs, or
2. Where the rates offered by existing power sources would result in a higher cost of power to the consumers than the cost from facilities financed by REA, and the amount of the power cost savings that would result from the REA-financed facilities bears a significant relationship to the amount of the proposed REA loan.

B. Applications for supplemental loans for these purposes, and for the construction of transmission facilities by distribution borrowers, will be considered and evaluated in terms of whether the proposed additional facilities constitute the most effective and economical arrangement for meeting the increasing power requirements of the consumers.

The policy stated in REA Bulletin 111-1, "Wholesale Contracts for Purchase and Sale of Electric Energy," will be considered in evaluating all power supply proposals.



Administrator

Index:

GENERATION FACILITIES: Loans for Generation, Transmission

LOANS: Generation and Transmission Facilities



United States
Department
of Agriculture

Rural
Electrification
Administration

Washington
D.C.
20250

:File With REA :
:Bulletin 20-14:

April 13, 1983

SUBJECT: Supplemental Financing

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended by the addition of the following paragraph E to part II, Policy:

- E. Generally, REA shall require that supplemental loans bear the same maturity and be amortized in the same manner as REA loans made concurrently therewith. Except where REA shall determine otherwise, borrowers may select loan maturities of 20, 25, 30 or 35 years and elect to repay the loans either in periodic installments which provide for interest and level amortization of principal over the term of the loan or in periodic installments, including interest and principal payments, which are substantially equal in amount to every other such periodic installment. Supplemental loans shall otherwise be on such terms and conditions as REA shall approve. REA loan terms will generally offer 2-year deferment of principal payments.

The policy set forth above supersedes all previous policies and requirements regarding deferments, loan maturity dates and amortization schedules including but not limited to those set forth in REA Bulletin 20-2, Electric Loan Policies and Application Procedures, paragraph VIII B, and applicable sections of Bulletin 20-9, Loan Payments and Statements.

Effective date: Loan applications received on or after June 1, 1983.


Administrator



June 16, 1982

SUBJECT: Supplemental Financing Criteria, REA Bulletin 20-14

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended by the addition of Attachment C as follows:

ATTACHMENT C

FINANCING FOR ELECTRIC FACILITIES

- I. REA Loans: Effective with applications received after January 26, 1982, except where the Administrator shall determine there are extenuating circumstances, priority will be given to applications for REA insured loans for the following purposes:
 - A. Distribution facilities.
 - B. Subtransmission facilities - those between (1) the high side voltage level of transformation to the applicable primary distribution voltage and (2) the low side of the next higher voltage transformation.

Loan guarantees will be available to borrowers for bulk transmission and generation facilities in accordance with REA Bulletin 20-22, Guarantee of Loans for Bulk Power Supply Facilities.

Warehousing and equipment service-type facilities for distribution or subtransmission related purposes will be considered for insured loans. Except as otherwise determined by the Administrator, borrowers should use general funds or loans from supplemental lenders for other types of headquarters facilities, acquisitions and general plant equipment. REA will consider accommodating the lien of its mortgage to facilitate financing from other lenders for such purposes.

II. Supplemental Loan Proportions:

- A. Distribution Borrowers: Supplemental loan proportions for distribution borrowers are specified in Attachment A (or revisions thereof) of this bulletin.

- B. Power Supply Borrowers: When a power supply borrower requests an insured REA loan, it will be required, unless otherwise determined by the Administrator, to obtain a supplemental loan. The supplemental loan proportion for a power supply system will be the arithmetic mean of the supplemental loan proportions for which its distribution system members would qualify.

Example - A power supply borrower with four members with supplemental loan proportions as follows would have a supplemental loan proportion of 22.5%:

	<u>REA Proportion</u>	<u>Supplemental Proportion</u>
Member A	70%	30%
Member B	70%	30%
Member C	80%	20%
Member D	90%	10%
		<hr/> 90%/4 = 22.5%

Jack Van Mark

Jack Van Mark
Acting
Administrator



April 20, 1982

SUBJECT: Supplemental Financing Criteria, REA Bulletin 20-14

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing For Loans Considered Under Section 4 of the Rural Electrification Act, is hereby amended to permit 90 percent/10 percent REA/supplemental financing to former statutory 2 percent REA borrowers affected by the changes in the August 13, 1981, amendment to the RE Act.

Attachment A, Supplemental Loan Criteria For Electric Distribution Borrowers, is amended as follows:

II. Loan Proportions for Concurrent Loans:

- A. The loan proportions for concurrent loans to borrowers, who are eligible for supplemental financing as set forth above, with an average consumer density (DENSITY) of two or fewer per mile or an average adjusted plant revenue ratio (APRR) of over 9.0 as of December 31, 1980, will be 90 percent from REA and 10 percent from supplemental sources.
- B. The loan proportions for concurrent loans to all other borrowers, who are eligible for supplemental financing as set forth above, will be based on the borrower's plant revenue ratio (PRR) as follows:

<u>PRR</u>	<u>REA Percentage</u>	<u>Supplemental Lender Percentage</u>
9.0 and above	90	10
8.01 to 9.0	80	20
8.00 and below	70	30

Harold V. Hunter
 Harold V. Hunter
 Administrator

:File With REA :
:Bulletin 20-14:

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

August 1, 1978

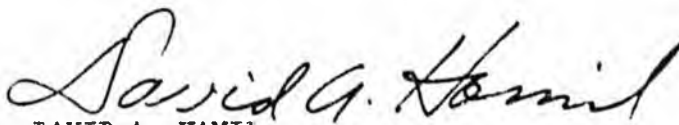
SUBJECT: Supplemental Loan Criteria
REA Bulletin 20-14

TO : All Electric Borrowers

Attached is a revised sample board resolution for use in applying for a concurrent loan which should be substituted for the present version in Attachment B of REA Bulletin 20-14, Supplemental Financing Policies

The change will simplify the calculation of the amounts to be provided by the supplemental lender including any required investments in the supplemental lender. The new method is described in the footnotes to the amounts requested part of the resolution. The same instructions should be applied to calculations on Section B of REA Form 740c, Cost Estimates and Loan Budget for Electric Borrowers.

The change will be effective for all loan applications received after August 31, 1978.



DAVID A. HAMIL,
Administrator

Attachments

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

July 24, 1972

SUBJECT: Supplemental Loan Criteria
REA Bulletin 20-14, Attachment A

TO: All Electric Borrowers

REA Bulletin 20-14, Supplemental Financing for Loans Considered Under Section 4 of the Rural Electrification Act, provides that the criteria for eligibility and the proportion of supplemental financing that borrowers are expected to obtain are subject to revision.

Recognizing REA borrowers' growing need for capital and the amount of REA loan funds available to meet these needs, the National Rural Utilities Cooperative Finance Corporation proposed a broadening of its participation in loans made concurrently with REA to distribution systems. To fully utilize these and other supplemental financing resources, REA has revised Attachment A to Bulletin 20-14 to provide for increased participation in supplemental financing by non-REA lenders.

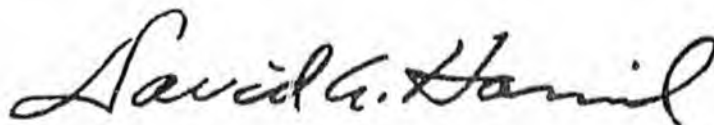
The National Rural Utilities Cooperative Finance Corporation has advised us that it will consider applications for concurrent loans on the basis of the attached criteria.

The revised loan proportions will become effective when the amount of REA loans made after July 1, 1971, totals \$545,000,000.

The TIER and DSC ratios establishing eligibility for supplemental financing have not been changed. Borrowers which have received concurrent loans are responsible for maintaining these minimum financial levels and are expected to continue to obtain supplemental financing.

These criteria will continue to be reviewed at least semiannually, and it is expected that they will be revised as necessary to meet changes in program conditions.

Your continued cooperation in this joint effort is appreciated.



Administrator

Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

FEB - 1 1971

REA BULLETIN 20-14

SUBJECT: Supplemental Financing for Loans Considered Under Section 4
of the Rural Electrification Act

- I. Purpose: To establish policy concerning loans from sources other than the Rural Electrification Administration and set forth the conditions under which applicants for REA loans will be expected to obtain a portion of their long-term loan requirements from such other sources. Applicants should also refer to REA Bulletin 20-2, "Electric Loan Policy for Section 4 Loans," which sets forth basic REA policy, terms, conditions, and procedures concerning loans under Section 4 of the Rural Electrification Act.

- II. Policy:
 - A. In order to meet program needs more effectively and conserve REA loan funds, it is the policy of REA that on an ability to pay basis, as determined by the Administrator, applicants obtain a portion of their required long-term loan funds from a supplemental source, on terms and conditions approved by REA, as a prerequisite for obtaining REA loan funds.

 - B. The initial criteria for determining which distribution-type applicants will be required to obtain supplemental loan funds, and the proportion of such supplemental funds to the amount of REA funds to be loaned, are given in Attachment A to this bulletin, "Initial Supplemental Loan Criteria for Electric Distribution Borrowers." The criteria and the proportion of supplemental financing required will be revised from time to time, taking into consideration factors such as the availability of supplemental and REA loan funds, and the status of the rural electrification program.

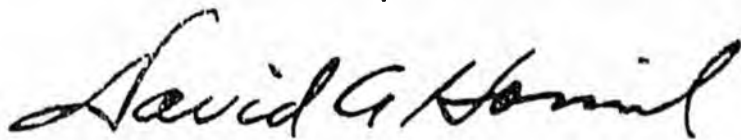
 - C. Loan applicants may request necessary REA approvals to obtain 100% non-REA long-term loans. Each such request will be considered on an individual basis in keeping with procedures outlined in Attachment B.

 - D. Due to the diversity in their circumstances, criteria for supplemental financing for power supply borrowers will be determined on an individual basis.

III. Arrangements Between REA and the Source of Supplemental Funds:

- A. REA approval is required to permit an REA borrower to furnish security for financing from a supplemental source, in accordance with existing mortgage provisions.
- B. In the case of concurrent loans from REA and a supplemental lender, and in the case of 100% non-REA long-term loans, security for the loans will normally be established by a common mortgage. For such loans from a supplemental source, REA will consider sharing its first lien proportionately in accordance with the principal amount of notes outstanding to REA and to the supplemental lender, respectively (pari passu). Such lien accommodation will be granted by REA only on a case-by-case basis, after a determination in each case that such accommodation will be in the interests of, and involve a compensating benefit to, the Government.

- IV. Procedures: Loan procedures applicable particularly to supplemental financing for distribution borrowers are given in Attachment B to this bulletin, "REA Electric Distribution Borrowers' Supplemental Financing Procedure." These procedures are effective on applications received after December 18, 1970. Except as modified by Attachment B, other REA loan procedures remain in force.



Administrator

Attachments:

Attachment A, "Initial Supplemental Loan Criteria for Electric Distribution Borrowers"

Attachment B, "REA Electric Distribution Borrowers' Supplemental Financing Procedure"

Index:

LOANS

Concurrent

Supplemental

SUPPLEMENTAL FINANCING

Application for

Policy

ATTACHMENT A

SUPPLEMENTAL LOAN CRITERIA FOR ELECTRIC
DISTRIBUTION BORROWERS

- I. Borrower Eligibility for Supplemental Financing: Borrowers in either of the following two categories will be expected, unless there are exceptional circumstances as determined by the Administrator, to obtain a portion of their long-term loan funds from a supplemental financing source:
- A. Borrowers which have not previously received a concurrent REA and non-REA loan and which have a:
 - 1. Time Interest Earned Ratio (TIER) (average of highest two ratios in last three years) of 1.5 or more, and
 - 2. Debt Service Coverage (DSC) (average of highest two of last three years) of 1.25 or more.
 - B. Borrowers which have received one or more concurrent REA and non-REA loans.
- II. Loan Proportions for Concurrent Loans: The loan proportions for concurrent loans will be based on the borrower's Plant Revenue Ratio (PRR). The following proportions become effective when the REA electric loans made after July 1, 1971, total \$545,000,000:

<u>PRR</u>	<u>REA Percentage</u>	<u>Supplemental Lender Percentage</u>
9.01 and Above	90	10
8.01 to 9.0	80	20
8.00 and Below	70	30

ELECTRIC DISTRIBUTION BORROWERS' SUPPLEMENTAL
LOAN CRITERIA COMPUTATION SHEET

I. TIMES INTEREST EARNED RATIO (TIER)

$$\text{TIER} = \frac{(A) + (B)}{(B)}$$

(A) PATRONAGE CAPITAL AND MARGINS - line A.22 on both REA Form 7, Rev. 10-65 1/ and REA Form 7, Rev. 10-69 and line A.22 on REA Form 7, Rev. 12-70 1/

(B) INTEREST EXPENSE - line A.14 less line A.15 on REA Form 7

2/ TIER (most recent year) (_____) = _____
 (_____)

TIER (preceding year) (_____) = _____
 (_____)

TIER (next preceding year) (_____) = _____
 (_____)

Average TIER (Average of Two Highest TIER'S) = _____

II. PLANT REVENUE RATIO (PRR)

$$\text{PRR} = \frac{(A)}{(B) - (C)}$$

(A) TOTAL UTILITY PLANT - line B.3 on REA Form 7 _____

(B) OPERATING REVENUE AND PATRONAGE CAPITAL - line A.1 on REA Form 7 1/ _____

(C) COST OF POWER - Sum of lines (A.2, A.3, and A.4) on REA Form 7, Rev. 12-70 - _____

2/ PRR = (_____) = _____
 (_____)

1/ In those instances where borrowers receive contributions from consumers for debt service, these amounts should be added.

2/ Unless otherwise specified by REA, the most recent year data will be the calendar year data preceding the cutoff date of the loan application, except when the cutoff date used is December 31 of a given year, in which case that calendar year's data would be used.

ELECTRIC DISTRIBUTION BORROWERS'
SUPPLEMENTAL LOAN CRITERIA COMPUTATION SHEET

III. DEBT SERVICE COVERAGE (DSC)

$$DSC = \frac{(A) + (B) + (C)}{(D)}$$

- (A) PATRONAGE CAPITAL AND MARGINS - line A.22 on both REA Form 7, Rev. 10-65 1/ and REA Form 7, Rev. 10-69 1/ and line A.23 on REA Form 7, Rev. 12-70 1/
- (B) INTEREST EXPENSE - line A.14 less line A.15 on REA Form 7
- (C) DEPRECIATION AND AMORTIZATION EXPENSE - line A.12 on both REA Form 7, Rev. 10-65 and REA Form 7, Rev. 10-69 and line A.11 on REA Form 7, Rev. 12-70
- (D) REQUIRED PRINCIPAL AND INTEREST PAYMENTS - sum of four Quarterly Statements of Interest and Principal Due, REA Form 694, for each year in question, and the amount of annual interest and principal due on long-term debt of other lenders, if any.

<u>2/</u> DSC (most recent year)	(_____)	=	_____
	(_____)		
DSC (preceding year)	(_____)	=	_____
	(_____)		
DSC (next preceding year)	(_____)	=	_____
	(_____)		

1/ In those instances where borrowers receive contributions from consumers for debt service, the amount should be added.

2/ Unless otherwise specified by REA, the most recent year data will be the calendar year data preceding the cutoff date of the loan application, except when the cutoff date used is December 31 of a given year in which case that calendar year's data would be used.

ATTACHMENT B

REA ELECTRIC DISTRIBUTION BORROWERS'
SUPPLEMENTAL FINANCING PROCEDURES

- I. Application of Supplemental Financing Criteria: Generally, through the use of criteria set forth in Attachment A, a distribution borrower will be able to determine its situation in advance of submitting a loan application as to whether supplemental financing will be required. REA field personnel will be available to advise borrowers regarding the application of REA's supplemental financing criteria.

- II. Preparation of Loan Application: In view of the requirements of the outstanding security documents between the Government and REA borrowers, all secured loans from other sources to existing REA borrowers will be subject to REA approval. All applications for such financing should be reviewed initially with REA.
 - A. Annually a borrower should review and update its long-range financial forecast. Following this, a determination should be made regarding the need for external financing taking into consideration available general funds and funds expected to be realized from operations during the period under consideration.
 - B. When it appears that funds from outside sources will be required, the borrower should consult with the REA field representative or the area office regarding its anticipated needs.
 - C. During the preparation of its application, a borrower should determine the source of any long-term supplemental financing which will be needed.

Where such determinations have not been included in the loan application, REA, after an initial review of the loan request, and application of the supplemental financing criteria, will notify the applicant of the need for such information before further examination of the loan application can be scheduled.

- D. The board of directors in requesting a loan from REA, when supplemental financing will be needed, should include in its resolution the anticipated source of such financing and the approximate amount of non-REA borrowing as determined by the board. (See sample board resolution attached.)

- E. To facilitate the simultaneous processing of loan applications by REA and other lenders, the board of directors upon determining the source and approximate amount of supplemental financing, will need to authorize REA to release appropriate information regarding the application to such other lender. (See sample board resolution attached.)

III. Processing of Loan Applications:

- A. Generally, REA will schedule loan applications for processing in accordance with the applicant's relative priority of need for financing.
- B. During the processing of the loan application, REA will, as appropriate, communicate with the designated source of supplemental financing.
- C. Unusual conditions or significant changes from the applicant's original request for financing, which are identified during the processing of a loan, will be called to the applicant's attention before final approval of a loan.

IV. Loan Approval and Announcement:

- A. REA's loan approval will provide for the withholding of REA loan funds until the Administrator has received evidence that the required supplemental loan is available to the applicant under terms and conditions satisfactory to the Administrator.
- B. The public loan approval announcement by the Administrator will include appropriate reference to any supplemental financing.
- C. Appropriate timely notification of REA loan approvals will also be given to the source of supplemental financing.

V. Loan and Security Documents:

- A. REA loan and security documents and instructions for their execution will be forwarded in accordance with existing procedures. The supplemental lender will be expected to furnish its loan documents to the borrower with instructions for their execution.
- B. When properly executed and recorded, the documents for the Government and the supplemental lender should be returned to REA and the supplemental lender in accordance with their respective instructions.

VI. Budgetary Control and Advance of Funds:

- A. REA's existing budgetary control and advance of funds procedures will be generally applicable to concurrent loans. Borrowers will be notified individually at the time of the forwarding of the loan documents for execution of any special conditions applying to the requisitioning, expenditure, and accounting for funds available as a result of the supplemental financing.

In the case of concurrent loans, advances will normally be requested first from REA until 50 percent of the REA loan has been advanced. Advances will be requested next from the supplemental source. The final 50 percent of the REA loan will not be advanced until the entire supplemental loan has been advanced.

VII. 100% Long-Term Loans From Supplemental Financing Institutions:

- A. Where a borrower desires to obtain 100% long-term financing for facilities from a source other than REA, the borrower should prepare and submit its application to the supplemental financing institution in accordance with instructions supplied by the institution.
- B. The borrower will also be required, under the terms of its existing mortgage to REA, to obtain REA approval of such loans. In order to grant such approval and to provide for any accommodation of the Government's mortgage which may be required by the supplemental lender, REA will need information similar to that developed in support of a loan application for REA funds. The area office or field representative should be contacted before a formal request for REA approval of 100% long-term financing is submitted.

Attachment

Sample Board Resolution Requesting Concurrent Financing

Sample Board Resolution Requesting Concurrent Financing

WHEREAS, It has been determined on the basis of the current two-year construction work plan that financing is needed for electric facilities as shown on REA Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

New Financing Requested for Facilities		\$ _____
REA Loan Requested for Facilities	(%)	\$ _____ a/
Total Supplemental Loan	(%)	\$ _____ b/
Required Investment in Supplemental Lender (CTC's)		\$ _____ c/
Supplemental Loan Requested for Facilities		\$ _____ d/

NOW, THEREFORE BE IT RESOLVED, That _____
(name and address of applicant)

make application to the Rural Electrification Administration for a loan in the approximate amount of \$ _____, to be used in accordance with

-
- a/ Multiply New Financing Requested for Facilities by the approximate percentage of plant financing to be obtained from REA as determined by current PRR. Round to nearest thousand.
 - b/ Multiply New Financing Requested for Facilities by the appropriate percentage of plant financing to be obtained from a supplemental lender. When CFC is the supplemental lender divide the result by 0.95, round to nearest thousand, and
 - c/ Multiply the Total Supplemental Loan by .05 to obtain the amount of Capital Term Certificates (CTC's) required, and
 - d/ Multiply the Total Supplemental Loan by 0.95 to obtain the amount available for facilities.

Adjust: New Financing Requested for Facilities such that it equals the sum of the REA Loan Requested for Facilities and the Supplemental Loan Requested for Facilities (a/ + d/).

August 1, 1978

REA Bulletin 20-2 to finance a portion of the above-mentioned facilities** and that an application be made to _____ (name and address of supplemental source of funds) for a loan in the approximate amount of \$ _____, under terms and conditions satisfactory to the Administrator, to provide the balance of financing needed in connection with the above-mentioned facilities.

BE IT FURTHER RESOLVED, That the REA note shall be in the full amount of the REA loan and provide for the repayment of principal to begin _____ years from the date thereof.

I, _____, Secretary of _____, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the board of directors of the _____, held on the _____ day of _____, 19____, at which meeting a quorum was present.

Signature

(Submit two certified copies to REA, one to supplemental lender.)

**If the source of supplemental financing is not known, substitute the following: on condition that a loan in the approximate amount of \$ _____, be obtained from a supplemental source or sources, under terms and conditions satisfactory to the Administrator, for the balance of the financing needed in connection with the above-mentioned facilities.

August 1, 1978

I, _____, Secretary of

do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the _____, held on the _____ day of _____, 19____, at _____ which meeting a quorum was present.

Signature

(Submit two certified copies to REA)

*if the source of supplemental financing is not known, substitute the following: on condition that a loan in the approximate amount of \$ _____, with the same maturity as provided in the REA loan, be obtained from a supplemental source or sources, under terms and conditions satisfactory to the Administrator, for the balance of the financing needed in connection with the above-described facilities.

**If the source of supplemental financing is not known, this portion should be submitted later as a separate resolution.

(7) "reconnaissance study" means a study conducted for the purpose of assessing the present and future electrical and thermal energy needs of an area under AS 44.83.177;

(8) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project under AS 44.83.181;

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

(9) "small-scale power production facility" means a facility which, by design, is to produce less than 25 megawatts of power. (§ 1 ch 278 SLA 1976; am §§ 21, 22, ch 156 SLA 1978; am §§ 26, 27 ch 83 SLA 1980; am §§ 10, 11 ch 133 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 25, 1982, substituted the present definition for "power project" or "project" in paragraph (4) for

the definition set out in the main pamphlet and substituted "electrical and thermal energy needs" for "power needs" in paragraph (7).

Article 7. Susitna River Hydroelectric Project.

Sec. 44.83.325. Restrictions on contracting.

Editor's note. — Section 21, ch. 133, SLA 1982, provides: "Notwithstanding the provisions of AS 44.83.325, the Alaska Power Authority may enter into contracts under AS 44.83.300 — 44.83.360 for preliminary work without the approval required by AS 44.83.325. In this section, 'preliminary work' means the preparation of plans and studies and the preparation and submission of license applications, as well as other types of work, that must be

completed before actual construction of the Susitna River hydroelectric project, described in AS 44.83.300, may begin. This section does not authorize the Alaska Power authority to enter into contracts for the actual construction of the Susitna River hydroelectric project or for the preparation of the site of the Susitna River hydroelectric project without the approval required by AS 44.83.325."

Article 8. Rural Electrification Revolving Loan Fund.

Section

361. Rural electrification revolving loan fund

363. Loan advisory committee

Sec. 44.83.361. Rural electrification revolving loan fund. (a) The rural electrification revolving loan fund is established in the Alaska Power Authority. The fund consists of

(1) appropriations made to the fund; and

(2) principal and interest payments on loans made under this section.

(b) The authority may make loans from the rural electrification revolving loan fund to electric utilities certified by the Alaska Public

Utilities Commission for the purpose of extending an electric utility and necessity is: the money needed for the transformer, and adequate service would be provided. However, a loan may be made for the purpose of extending an electric utility if:

(1) the loan is made under AS 44.83.363

(2) the extension of service is to at least three persons

(c) A loan from the fund shall bear an annual interest rate of not more than the rate on the loan.

(d) When a loan is made to an electric utility for the purpose of extending service:

(1) shall, in addition to the charge for the loan, charge the consumer with the cost of the loan proceeds and

(2) shall pay the interest on the loan.

(A) interest on the loan shall be paid by the utility before a loan is made.

(B) payments on the loan shall be made each new consumer year for which the principal of the loan is repaid between the actual date of the loan and the date the utility before a loan is made.

(e) The authority shall:

(1) adopt regulations for the revolving loan fund;

(2) administer the revolving loan fund;

(3) submit reports to the legislative session section and annual report on the revolving loan fund. (§ 1 ch 133 SLA 1982)

Sec. 44.83.363. For a rural electrification revolving loan fund under AS 44.83.361, the authority shall:

(1) select persons residing in the area to serve. The loan shall be made and shall be repaid as approved. A committee shall be

Utilities Commission. A loan from the fund may be made only for the purpose of extending new electric service into an area of the state that an electric utility may serve under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission. A loan may be made from the fund to an electric utility if the utility invests the money necessary to provide one pole, one span of line, one transformer, and one service drop for each consumer for whom immediate service would be provided by the extension of electric service. However, a loan may not be made from the fund unless

(1) the loan is recommended by a loan advisory committee appointed under AS 44.83.363; and

(2) the extension of electric service would provide immediate service to at least three consumers.

(c) A loan from the rural electrification revolving loan fund shall bear an annual rate of interest of two percent of the unpaid balance of the loan.

(d) When a loan is made by the authority under this section, the electric utility receiving the loan

(1) shall, in addition to the rates that it is authorized to charge, charge the consumers served by the electric service extended with the loan proceeds an amount sufficient to pay the interest costs of the loan;

(2) shall pay to the authority annually an amount equal to

(A) interest of two percent on the unpaid balance of the loan; and

(B) payments on the unpaid balance of the principal of the loan for each new consumer served by the electric service during the preceding year for which the loan was made; payments on the unpaid balance of the principal of the loan shall be made at a rate equal to the difference between the actual cost of making the service connection to the consumers and the minimum investment per consumer required of the utility before a loan is made under (b) of this section.

(e) The authority shall

(1) adopt regulations necessary to carry out the provisions of this section;

(2) administer the rural electrification revolving loan fund; and

(3) submit to the legislature within the first 10 days of each regular legislative session a report of actions taken by the authority under this section and an accounting of the rural electrification revolving loan fund. (§ 1 ch 118 SLA 1981)

Sec. 44.83.363. Loan advisory committee. When an application for a rural electrification loan is submitted to the authority under AS 44.83.361, the authority shall appoint a local advisory committee from persons residing in the area that the applicant utility is certified to serve. The loan advisory committee shall consider the loan application, and shall recommend whether the loan application is to be approved or disapproved. A favorable recommendation from the loan advisory committee shall be based on a determination that development in the area

of the proposed extension of electric service is likely to provide for full repayment of the loan under AS 44.83.361(d) within 10 years. In making that determination the committee shall consider

- (1) permanence of the premises to be served by the extension;
- (2) land use patterns in the area;
- (3) access for the line that would be installed with loan proceeds;
- (4) availability of other utility service in the area; and
- (5) the economic feasibility of the extension of electric service with the proceeds of the loan. (§ 1 ch 118 SLA 1981)

Article 9. Energy Program for Alaska.

Section

- 380. Program established
- 382. Power development fund established
- 384. Use of fund balance
- 386. Investment of fund
- 388. Allotment to projects
- 390. Reappropriation of fund balance

Section

- 392. Lapse of excess appropriations
- 394. Revenue requirements
- 396. Operation of power project
- 398. Sale of power from power project
- 400. Energy conservation
- 425. Definitions

Sec. 44.83.380. Program established. (a) The energy program for Alaska is established. The program shall be administered by the Alaska Power Authority.

(b) The energy program for Alaska is a program by which the authority may acquire or construct power projects with money appropriated by the legislature to the power development fund established in AS 44.83.382. A power project may be acquired or constructed as part of the energy program for Alaska only if the project is submitted to and approved by the legislature in accordance with procedures set out in AS 44.83.177 — 44.83.187.

(c) The provisions of AS 36.10.010 — 36.10.125 apply to power projects constructed by the authority under AS 44.83.380 — 44.83.425. (AS 44.83.400; § 1 ch 118 SLA 1981)

Revisor's notes. — A reference to AS 44.83.400 — 44.83.510 was changed to AS 44.83.380 — 44.83.425 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Editor's notes. — As enacted this section was designated AS 44.83.400 and was renumbered by the revisor of statutes under AS 01.05.031.

Sec. 44.83.382. Power development fund established. (a) A power development fund is established in the Alaska Power Authority to carry out the purposes of the energy program for Alaska (AS 44.83.380 — 44.83.425).

- (b) The fund includes
- (1) money appropriated to it by the legislature; and
 - (2) revenues collected from the sale of power that are not required by law to be deposited into the general fund. (AS 44.83.410; § 1 ch 118 SLA 1981)

Revisor's notes. 44.83.400 — 44.83.510 was changed to AS 44.83.380 by the revisor of statutes pursuant to AS 01.05.031 to conform to the renumbering of this article.

Sec. 44.83.384. the authority to

- (1) reconnaissance plans prepared
 - (2) the cost of acquiring necessary land, and construction
 - (3) the defeasance for or on an issue
 - (4) the cost of
 - (5) debt service
 - (b) Money in a power project
 - (1) meets the
 - (2) provides the market area operated by itself in the market area, as follows:
 - (A) renewable hydroelectric power or a method that takes advantage of the properties of the
 - (B) coal or petroleum
 - (C) energy derived from
 - (D) fossil fuel
- SLA 1981)
- (c) Notwithstanding AS 44.83.398, the cost of a power project financed under the provisions of AS 44.83.380 — 44.83.425 shall be financed under the provisions of AS 44.83.380 — 44.83.425.
- (1) the legislature
 - (2) the division of energy
- the governor reviews and determines the plan of financing submitted under

	EXISTING STATUTE	Rural Electrification Revolving Loan Fund SB 32	Electric Hospital Revolving Loan Fund SB 140
Administering Agency	Alaska Power Authority (APA)	APA	Department of Commerce
Loan Purpose	Extending new electric service into an area of the state	same as existing statute	<ul style="list-style-type: none"> - finance capital improvement, plant, or facility - improve and expand services - meet short-term or interim capital need while utility is processing a long-term loan
Interest Rate	2%	2%	5%
Maximum Term of Loan	10 years	30 years	35 years
			<p>[To match terms of federal Rural Electrification Administration loans.</p> <p>SB 41 Initial appropriation of \$20,000,000 to the loan fund. Repayment of principal and interest to the loan fund.</p>

NOTE: The Rural Electrification Revolving Loan Fund has had little use by utilities since its inception in 1981. The regulations adopted by the APA regarding term and security are not favorable to the utilities. At its recent Board meeting, it was decided that a series of public hearings would be held for suggestions on how the program could be improved

I. REQUEST

Bill/Resolution No: SB 140
 Title: Est. Electric Cooperative
Revolving Loan Fund
 Sponsor: Fahrenkamp
 Requestor: Senate Resources Committee

II. FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: Revenue
Collection & Management
 BRU, Program of Subprogram(s) Affected:
Treasury Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC.	-	-	-	-	-	-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis.

Prepared By: Cathy A. Poe
 Division: Treasury

Phone: 465-2350
 Date: 3/25/83

Approved by Commissioner: Joseph K. Dancy
 Department: Revenue

Date: 3/25/83

Distribution:

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IV. ANALYSIS:

The highest rate of return Department of Revenue would earn on loans in this program would be 4 1/2% due to the terms of the bill. AS 37.10.070(A) presently requires competitive market rates of return be earned on the State's surplus funds. Because present rates of return range from 8-11%, the Department of Revenue would lose the difference in earnings.

This method of funding loan programs without appropriations results in a loss of legislative and executive control.

Purchase of these loans would reduce the liquidity of the general fund because these loans are not readily marketable. With there being significant risk of declines in oil prices and State revenues, this is inadvisable.

S

B

141

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 141

BILL NAME: Special Appropriation to the electric cooperative revolving
loan fund.

SPONSOR(S): Fahrenkamp, Ferguson, Eliason,
Bennett, Moss

RELATED BILLS PENDING: SB 140

DATE INTRODUCED: 2-23-83

REFERRALS: Resources
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED: .

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

See SB 140

Alaska State Legislature

BETTYE FAHRENKAMP
CHAIRMAN
ROBERT H. ZIEGLER, SR.
VICE-CHAIRMAN
DICK ELIASON - PAUL FISCHER
VIC FISCHER - BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

TO: Senate Resources Committee Members
FROM: Senate Resources Committee Staff
RE: March 28th Hearing
DATE: March 25, 1983

On Monday, March 28 at 3:00 pm in the Beltz Room, the following bills will be heard:

SB 32 AN ACT RELATING TO RURAL ELECTRIFICATION LOANS.

SB 32 extends the repayment period for rural electrification loans from 10 to 30 years.

SB 140 AN ACT ESTABLISHING THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 140 establishes the Electric Cooperative Revolving Loan Fund within the Department of Commerce and Economic Development, and authorizes the Department to make loans to electric utilities to finance a capital improvement, plant, or facility; to improve and expand services; or to meet short-term needs while awaiting long-term financing. It outlines limitations on, qualifications for, and terms of loans to be compatible with current federal Rural Electrification Administration (REA) loans.

SB 141 AN ACT MAKING A SPECIAL APPROPRIATION TO THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 141 appropriates \$20,000,000 from the general fund to the electrical cooperative revolving loan fund.

Copies of the above bills are attached; background information will be distributed as soon as it is received.

Also attached is a copy of CSSB 128, the marine parks bill, which was adopted by the Committee on 3/23/83. It is hoped that final Committee action could be taken on this bill.

SB 141 MAKING A SPECIAL APPROPRIATION TO THE ELECTRIC COOPERATIVE
 REVOLVING LOAN FUND.

SPONSORS: FAHRENKAMP, FERGUSON, ELIASON, BENNETT, MOSS

Sec. 1 Appropriates \$20,000,000 from the general fund to the
 electric cooperative revolving loan fund.

Sec. 2 The appropriation is for capitalization of the loan fund
 and does not lapse.

Sec. 3 Effective date same as SB 40 (which establishes fund).

	EXISTING STATUTE	Rural Electrification Revolving Loan Fund SB 32	Electric Cooperative Revolving Loan Fund SB 140
Administering Agency	Alaska Power Authority (APA)	APA	Department of Commerce
Loan Purpose	Extending new electric service into an area of the state	same as existing statute	<ul style="list-style-type: none"> - finance capital improvement, plant, or facility - improve and expand services - meet short-term or interim capital need while utility is processing a long-term loan
Interest Rate	2%	2%	5%
Maximum Term of Loan	10 year	30 years	35 years
			<p>To match terms of federal Rural Electrification Administration loans.</p> <p>SB 41 Initial appropriation of \$20,000,000 to the loan fund. Repayment of principal and interest to the loan fund.</p>

NOTE: The Rural Electrification Revolving Loan Fund has had little use by utilities since its inception in 1981. The regulations adopted by the AFA regarding term and security are not favorable to the utilities. At ~~its~~^{APAs} recent Board meeting, it was decided that a series of public hearings would be held for suggestions on how the program could be improved

STATE OF ALASKA
FISCAL NOTE

Revision Date March , 1983

I. REQUEST

Bill/Resolution No.: SB 140
 Title: Electric Loan Fund
 Sponsor: Fahrenkamp, Ferguson, Eliason
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		77.7				
200 TRAVEL		4.2				
300 CONTRACTUAL		3.1				
400 COMMODITIES		1.0				
500 EQUIPMENT		10.4				
600 LAND & STRUCTURES		5.4				
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		101.8				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		101.8				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		2				
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D.A. Hostak* Phone: 465-2510
 Division: Loans & Veterans' Affairs Date: 3/25/83
 Approved by Commissioner: Richard A. Ivon *R. Ivon* Date: 3/25/83
 Department: Commerce & Economic Development

Distribution:

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3/8/83

SB 140 FISCAL NOTE ANALYSIS

Provides for a Loan Examiner III position and an Accounting Tech. I position. This is based on the assumption that the division will be processing approximately 35 to 40 loans per year and that the Division of Energy and Power will be handling the feasibility studies. That fiscal impact is reflected in a separate fiscal note prepared by the Division of Energy and Power.

1.	POSITION TITLE Accounting Technician I				RANGE/STEP 12A	BARG. UNIT G	FORM 12 PAGE/LINE	COV.	APPRDV.	DISAPP.																												
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.																														
3.	CONTINUATION LEVEL				ADDITION																																	
4.	TYPE OF EXPENDITURE				AMOUNT																																	
	1		2		3																																	
	PERSONAL SERVICES																																					
5.	Salary		22.7																																			
6.	Benefits		1.4																																			
7.	Supplemental Benefits		3.5																																			
8.	Fixed Benefits		2.9																																			
9.	TOTAL PERSONAL SERVICES		01		30.5																																	
10.	Travel		02																																			
11.	Contractual		03																																			
12.	Commodities		04		.5																																	
13.	Equipment		05		5.1																																	
14.	Other				2.7																																	
15.	TOTAL COST				38.8																																	
JUSTIFICATION																																						
<table border="1"> <thead> <tr> <th>RECEIPT CODE</th> <th colspan="2">FUNDING SOURCE</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>16.</td> <td>Federal Receipts</td> <td>1002</td> <td></td> </tr> <tr> <td>17.</td> <td>G.F. Match</td> <td>1003</td> <td></td> </tr> <tr> <td>18.</td> <td>General Funds</td> <td>1004</td> <td>38.8</td> </tr> <tr> <td>19.</td> <td>I-A Receipts</td> <td>1005</td> <td></td> </tr> <tr> <td>20.</td> <td>Program Receipts</td> <td>1028</td> <td></td> </tr> <tr> <td>21.</td> <td>Other</td> <td></td> <td></td> </tr> </tbody> </table>											RECEIPT CODE	FUNDING SOURCE		AMOUNT	16.	Federal Receipts	1002		17.	G.F. Match	1003		18.	General Funds	1004	38.8	19.	I-A Receipts	1005		20.	Program Receipts	1028		21.	Other		
RECEIPT CODE	FUNDING SOURCE		AMOUNT																																			
16.	Federal Receipts	1002																																				
17.	G.F. Match	1003																																				
18.	General Funds	1004	38.8																																			
19.	I-A Receipts	1005																																				
20.	Program Receipts	1028																																				
21.	Other																																					
FOR B&M USE ONLY 4A KEY NUMBER _____																																						

13 REQUEST FOR
NEW POSITION

AGENCY DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
PROGRAM ECONOMIC DEVELOPMENT
BRU DIVISION OF LOANS & VETERANS' AFFAIRS
COMPONENT _____

Page 2 of 2
Revised Date _____

FY 84

1.	POSITION TITLE Loan Examiner III				RANGE/STEP 19A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	3,041 P/M	36.5							
6.	Benefits		5.7							
7.	Supplemental Benefits		2.2							
8.	Fixed Benefits		2.9							
9.	TOTAL PERSONAL SERVICES		01	47.3						
10.	Travel		02	4.2						
11.	Contractual		03	3.1						
12.	Commodities		04	.5						
13.	Equipment		05	5.3						
14.	Other			2.7						
15.	TOTAL COST			63.1						
RECEIPT CODE FUNDING SOURCE										
16.			Federal Receipts	1002						
17.			G.F. Match	1003						
18.			General Funds	1004	63.1					
19.			I-A Receipts	1005						
20.			Program Receipts	1028						
21.			Other							
FOR B&M USE ONLY										
4A KEY NUMBER - - - - -										

13 REQUEST FOR
NEW POSITION

AGENCY COMMERCE & ECONOMIC DEVELOPMENT
PROGRAM ECONOMIC DEVELOPMENT
BRU LOANS & VETERANS' AFFAIRS
COMPONENT _____

FY 84

Page 1 of 2
Revised Date _____

STATE OF ALASKA
FISCAL NOTE

Revision Date March . 1983

I. REQUEST

Bill/Resolution No.: SB 141
 Title: Appropriation Bill
 Sponsor: Fahrenkamp, Ferguson, Eliason
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		20,000.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D.A. Hostak* Phone: 465-2510
 Division: Loans & Veterans' Affairs Date: 3-25-83
 Approved by Commissioner: Richard A. Lyon *R. Lyon* Date: 3/28/83
 Department: Commerce & Economic Development

Distribution:

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3/8/83

SB 141 FISCAL NOTE ANALYSIS

This bill provides for a special appropriation of \$20,000,000 to the electric revolving loan fund which is a program that would be established by the passage of SB 140.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 140
 Title: Establishing electric coop revolving
 Sponsor: Fahrenkamp
 Requestor: Senate Resources

II. FISCAL DETAIL

Agency Affected: Commerce and Econ. Dev.
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Energy and Power Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES	83.6	87.6	93.9	99.2	105.4	111.9
200 TRAVEL	16.0	16.9	17.9	18.2	19.0	20.1
300 CONTRACTUAL	110.0	116.6	117.6	124.6	132.0	139.9
400 COMMODITIES	.5	.3	.3	.3	.4	.4
500 EQUIPMENT	1.0	.4	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	211.1	221.8	229.7	242.3	256.8	272.3
CAPITAL (see SB 141)						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	211.1	221.8	229.7	242.3	256.8	272.3
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Source of funds not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Steve Baden
 Division: Energy and Power Development

Phone: 561-4201
 Date: 3/18/83

Approved by Commissioner: Richard A. Lyon
 Department: Commerce and Economic Development

Date: 3/28/83

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3/8/83

SB 140

Fiscal Note Analysis/Energy and Power Development

The Electric Cooperative Revolving Loan Fund would be administered jointly by the Division of Energy and Power Development and the Division of Loans and Veterans' Affairs of the Department of Commerce and Economic Development.

Utilities would first apply to the Division of Energy and Power Development. The Division would review the application, system studies, economic forecasts, financial data and complete the feasibility study. The Division would work with the Alaska Public Utilities Commission to verify that the utility would be financially self-sustaining.

Once the Division signed off on the application, it would be sent to the Division of Loans and Veterans' Affairs. The Division would determine if the loan would be fully amortized under the conditions of the loan, process the loans and handle the transfer of notes, mortgages and collateral.

It is assumed that between 20 and 35 loans will be processed ranging from \$50,000 to \$2,500,000. For the application review and conduction of the feasibility study, two positions would be needed for the Division of Energy and Power Development: a range 22 engineer, and a range 8 clerk typist III.

The personal services line includes only a .06 increase per year which will absorb potential step increases. The travel line assumes 25 trips to in-state sites and associated per diem annually. The contractual line includes office expenses, equipment rental, and professional services required to assist in feasibility studies at the same level annually. The equipment line includes the cost of office furniture and equipment for one position anticipated only the first year.

DETAILED BUDGET - FIRST YEAR

100 Personal Services

	<u>Engineer R-22</u>	<u>Clerk Typist III R-8</u>
Salary	\$ 3,779.0	\$ 1,553.0
Variable	819.0	336.0
Fixed	240.0	240.0
Subtotal	<u>\$ 4,838.0</u>	<u>\$ 2,129.0</u>
	x 12	x 12
	<u>\$58,056.0</u>	<u>\$25,548.0</u>
Total		<u>\$83,604.0</u>

200 Travel (15 to 20 trips to sites)

\$500 per trip for transportation	
\$300 per trip for per diem	
<u>\$800 per trip</u>	<u>\$16,000.0</u>

300 Contractual

- Misc expenses for telephone, copying service, postage, office equipment rental	\$ 5,000
- Professional Services contracts to assist with feasibility studies and evaluation \$3,000 per project 35 projects	\$105,000
Total	<u>\$110,000.0</u>

400 Commodities

Miscellaneous Office Supplies	<u>500.0</u>
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500 Equipment

Furniture and related equipment (desks, chairs, adding machines, etc.)	<u>1,000.0</u>
--	----------------

RECAP

100 Personal Services	\$ 83,556
200 Travel	16,000
300 Contractual	110,000
400 Commodities	500
500 Equipment	1,000
Total	<u>\$211,100</u>

STATE OF ALASKA
FISCAL NOTE

Revision Date March, 1983

I. REQUEST

Bill/Resolution No.: SB 141
 Title: Appropriation Bill
 Sponsor: Fahrenkamp, Ferguson, Eliason
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		20,000.0				
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D. A. Hostak* Phone: 465-2510
 Division: Loans & Veterans' Affairs Date: 3-25-83
 Approved by Commissioner: Richard A. Lyon *R. Lyon* Date: 3/28/83
 Department: Commerce & Economic Development

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

SB 141 FISCAL NOTE ANALYSIS

This bill provides for a special appropriation of \$20,000,000 to the electric revolving loan fund which is a program that would be established by the passage of SB 140.

2/22/83

Date: _____

MEMORANDUM

From: Betty E. Fahrenkamp

From the Office of
Senator Bettye Fahrenkamp

Phone: _____

To: Peggy Mulligan

MESSAGE:

SENATORS FERGUSON, ELIASON
BEANETT and MOSS should
appear as original
copysession with me on
the attached two bills -

file 1102 12/10/82



ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

6000 C STREET • SUITE C • ANCHORAGE, ALASKA 99502 • (907) 276-3235

*(Harlan)
of Alascan
to Chuck
elec. corp revolving loan
fund*

MEMORANDUM

August 26, 1982

TO: Managers
FROM: David Hutchens
Executive Director
SUBJECT: State Loan Program

→ Enclosed for your consideration is a draft of a proposed bill establishing a state loan program. I prepared this draft based on my understanding of the policy direction given me by the special loan program committee in your meeting on August 13th.

1. As a starting place, it applies only to electric cooperatives and regional electrical authorities.
2. The program would initially be funded by state appropriations. (It could later be restructured on the ARFC model.)
3. Interest rates are not to exceed five percent.
4. Maximum term of the loan is to be 35 years with a three year deferral of principal repayment.
5. Loans would only be for new facilities.
6. There is no limit on the amount of loans which can be made to any one cooperative.
7. The program would be administered by the Division of Loans in the Department of Commerce.
8. Evaluations by RBA or CFC of a loan application would not be independently reviewed by the state.

SENATE BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act creating the electric cooperative revolving loan fund; and providing for an effective date."

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

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

(1) the availability of adequate electric utility services at reasonable rates in the state is a proper matter of public concern;

(2) the ability of cooperatively owned electric utilities in the state to finance service to the public and finance capital improvements required to extend and improve those services on terms that will enable electric rates to remain at reasonable levels in the foreseeable future is seriously impaired by the unavailability of low-cost private financing and by the reduced availability of low-cost federal loans;

(3) as a matter of public policy, to ensure the sound development of the state and its resources and to provide an acceptable level of electric service to its

residents at reasonable rates, the state should assist these electric utilities in acquiring the money that is essential to operate, maintain and expand electric utility facilities and services.

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

CHAPTER 08. ELECTRIC COOPERATIVE REVOLVING
LOAN FUND.

Sec. 42.08.010. REVOLVING LOAN FUND CREATED.

The electric cooperative revolving loan fund is created in the Department of Commerce and Economic Development.

Sec. 42.08.020. POWERS AND DUTIES OF THE
DEPARTMENT.

(a) The department shall formulate procedures and adopt regulations to implement this chapter in consultation with the Alaska Public Utilities Commission.

(b) The department may

(1) make a loan from the electric cooperative revolving loan fund to an electric utility to finance capital improvements, plant and facilities, and to improve and expand services, if other credit is not readily available from private lending institutions or agencies of the federal government at a rate not

exceeding five percent interest.

(2) make loans from the electric cooperative revolving loan fund to an electric utility to meet short-term or interim capital needs before receipt by the public utility of long-term loans;

(3) consult with appropriate federal agencies and other lending institutions which make loans to electric cooperatives in the state concerning policies, regulations and procedures to carry out the provisions of this chapter;

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

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

(6) establish amortization plans as provided in AS 42.08.040(b).

Sec. 12.08.030. ELIGIBILITY FOR LOANS. An electric utility is eligible for a loan under this chapter if

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

(2) at the time of application for a loan it is serving the public under a certificate of public

convenience and necessity issued by the Alaska Public Utilities Commission;

(3) it is organized under AS 10.25 or AS 18.57;

(4) in the judgment of the department

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

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

Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS.

(a) A loan made under this chapter shall be on terms and conditions the department determines appropriate.

(b) Amortization plans for the repayment of a loan made under this chapter may defer payments on the principal for not more than three years, but the total term of the loan may not exceed thirty-five years. The rate of interest charged on the unpaid balance may not exceed five percent.

(c) Subject to (a) of this section, a loan may not be made until an investigation and an economic

feasibility study is conducted and, as result of the investigation and study, the department determines that the loan is economically sound, that the utility will be financially self-sustaining, and the loan will be fully amortized in accordance with the terms and conditions of the loan. The economic feasibility study shall be conducted by the department staff or by consultants, engineers or other technical experts approved by the department. To facilitate its determination of economic feasibility, and its determination of the ability of the utility to be fully self-sustaining and to amortize the loan, the department shall require the applicant for a loan under this chapter to furnish the systems studies, long-range economic forecasts, financial data, and technical information that the department considers necessary.

(d) If a loan under this chapter is participated in by an agency of the federal government or by a financial institution in an amount not less than twenty percent of the total amount of the loan, or if a loan under this chapter is guaranteed by an agency of the federal government or by a financial institution, the department may accept the investigation and economic feasibility study made or accepted by the federal agency or financial institution as a basis for

participation or guarantee. If a utility applies for a short-term or interim loan, the department may accept notification by the federal Rural Electrification Administration that the utility has submitted an application for a long-term loan to the Rural Electrification Administration which meets their requirements as evidence of economic feasibility and as a basis for awarding a short-term or interim loan.

(e) If a federal agency or financial institution participates in or guarantees a loan made under this chapter, it may elect to administer and service the loan for a reasonable fee not exceeding one-half of one percent of the unpaid balance to be paid from the interest on the loan.

(f) The state and federal agency or financial institution which participates in a loan shall each have a lien on the collateral or share the collateral to the extent of their respective parts of the total loan to a utility. The department may agree to subordinate a lien on collateral securing a short-term loan to the lien of the federal Rural Electrification Administration if, before the date the short-term loan was awarded, the utility entered into a federal loan agreement with the Rural Electrification

Section 42.08.050. ADMINISTRATION. Money loaned under this chapter shall be delivered to the borrower in the form of a warrant drawn on the treasury, and charged against the electric cooperative revolving loan fund. Upon repayment of loans in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money received shall be turned over to the commissioner of revenue for deposit in the electric cooperative revolving loan fund.

Sec. 42.080.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER COLLATERAL.

(a) The commissioner may sell or transfer at par value or at a premium or discount to a bank or private purchaser for cash or other consideration the notes, mortgages and collateral held by the department as security for loans made under this chapter.

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

percent service fee.

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

Sec. 42.080.090. DEFINITIONS. In this chapter

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

(2) "department" means the Department of Commerce and Economic Development.

* Sec. 3. This Act takes effect July 1, 1983.

S B

151

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 151

BILL NAME: Regional Resource Development Authority

SPONSOR(S): Fahrenkamp, Kerttula, Ferguson, P. Fischer
RELATED BILLS PENDING:

DATE INTRODUCED: 2-25-83

REFERRALS: Resources
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE: from Elections - Chip
sending 3-15-83

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

Don Argetsinger, NANA

Terry Elder, Dept. Commerce.
Mary Jo Miners, Director, Div. Elections

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

To: All Members
House of Representatives

From: Bettye Fahrenkamp, Chairman *BF*
Senate Resources Committee

Date: June 16, 1983

Subject: SB 151, Regional Resource Authorities

One of the major obstacles to mineral development and other resource projects in much of Alaska is the absence of transportation facilities. This is particularly true in the unorganized borough where entities to assist in the development of infrastructure are largely absent. Until borough governments are established (when the necessary tax base is present), there is a great need for some entity to assist major resource development projects through the provision of transportation systems.

With virtually no risk to the State and little direct State involvement, the State can provide substantial assistance to rural economic development through the authorization of regional resource authorities as provided in SB 151. Obviously, any direct State funding of transportation systems, as has occurred in Canada, would be a much more expensive and risky option for the State.

SB 151 would authorize the establishment of regional authorities in the unorganized borough area which would provide:

- Access to tax-exempt revenue bonds which would substantially reduce financing costs of resource developments;
- Public ownership of transportation systems and ports assuring equal access to all users;
- Maximized local involvement in decision-making along with state participation and oversight.

In testimony and discussion of this legislation, several concerns were raised, including:

- The possibility of proliferation of authorities throughout the unorganized borough;
- The possibility that bonds issued by authorities would create a liability or indebtedness to the State or adversely affect State and local bond ratings;

- The possibility that access to the facilities developed and run by an authority might not be fairly and equally provided, or that some proposed developments might not receive equal consideration.

In response to these concerns, the following "safety features" have been included in SB 151:

- The Governor must approve the establishment of any authority;
- The local people in a region must approve by petition and election the establishment of an authority;
- An authority must be created before July 1, 1986;
- The maximum number of possible authorities allowed would be nine, corresponding to regional housing authority boundaries;
- The State Bond Committee must approve the sale of any revenue bonds by authorities;
- A provision in the bill and in the Letter of Intent expressly states that bonds issued by an authority do not constitute any liability or indebtedness to the State or political subdivision;
- An authority expressly does not have normal governmental powers of eminent domain, tax, land use planning and zoning, permitting, etc. Should a borough be established in the region, the authority would automatically be integrated into it;
- Of the eight members on an authority board, five would be elected from the region, three would be State commissioners. A quorum would require the presence of at least one commissioner;
- Total indebtedness of all authorities established would be limited by law to \$400 million;
- An authority would be audited each year by Legislative Budget and Audit;
- A provision to ensure fair and equal access and user fee assessments and fair consideration by the authority of all proposed developments;
- A provision that state funds cannot be used to pay off or meet revenue bond obligations of an authority.

I believe this legislation is now carefully crafted to achieve the goals of development assistance through maximum local control while providing adequate state input and oversight to assure financial integrity of projects and state-wide coordination. The economic benefits of this legislation could be substantial to our state with little direct cost.

I urge you to support this important bill.

FLOOR STATEMENT ON
HCS FOR SCS FOR SB 151 (FIN)
REGIONAL RESOURCE AUTHORITIES

MR. SPEAKER:

ONE OF THE MAJOR OBSTACLES TO MINERAL DEVELOPMENT AND OTHER RESOURCE PROJECTS IN MUCH OF ALASKA IS THE ABSENCE OF TRANSPORTATION FACILITIES. THIS IS PARTICULARLY TRUE IN THE UNORGANIZED BOROUGH WHERE ENTITIES TO ASSIST IN THE DEVELOPMENT OF INFRASTRUCTURE ARE LARGELY ABSENT. UNTIL BOROUGH GOVERNMENTS ARE ESTABLISHED (WHEN THE NECESSARY TAX BASE IS PRESENT), THERE IS A GREAT NEED FOR SOME ENTITY TO ASSIST MAJOR RESOURCE DEVELOPMENT PROJECTS THROUGH THE PROVISION OF TRANSPORTATION SYSTEMS.

WITH VIRTUALLY NO RISK TO THE STATE AND LITTLE DIRECT STATE INVOLVEMENT, THE STATE CAN PROVIDE SUBSTANTIAL ASSISTANCE TO RURAL ECONOMIC DEVELOPMENT THROUGH THE AUTHORIZATION OF REGIONAL RESOURCE AUTHORITIES AS PROVIDED IN SB 151. OBVIOUSLY, ANY DIRECT STATE FUNDING OF TRANSPORTATION SYSTEMS, AS HAS OCCURRED IN CANADA, WOULD BE A MUCH MORE EXPENSIVE AND RISKY OPTION FOR THE STATE.

IN MY OWN DISTRICT, SB 151 IS SEEN AS PROVIDING THE NECESSARY VEHICLE FOR MAKING THE DEVELOPMENT OF THE RE. DOG MINE NEAR KOTZEBUF A REALITY.

SB 151 WOULD AUTHORIZE THE ESTABLISHMENT OF REGIONAL AUTHORITIES IN THE UNORGANIZED BOROUGH AREA WHICH WOULD PROVIDE:

--- ACCESS TO TAX-EXEMPT REVENUE BONDS WHICH WOULD SUBSTANTIALLY REDUCE FINANCING COSTS OF RESOURCE DEVELOPMENTS;

- TRANSPORTATION SYSTEMS AND PORTS WHICH PAY FOR THEMSELVES THROUGH FEES AND TARIFFS CHARGED OR ARE BACKED BY ASSETS OF PRIVATE CORPORATIONS, NO STATE BACKING TO REVENUE BONDS WOULD BE ALLOWED.
- PUBLIC OWNERSHIP OF TRANSPORTATION SYSTEMS AND PORTS ASSURING EQUAL ACCESS TO ALL USERS;
- MAXIMIZED LOCAL INVOLVEMENT IN DECISION-MAKING ALONG WITH STATE PARTICIPATION AND OVERSIGHT.

IN TESTIMONY AND DISCUSSION OF THIS LEGISLATION, SEVERAL CONCERNS WERE RAISED, INCLUDING:

- THE POSSIBILITY OF PROLIFERATION OF AUTHORITIES THROUGHOUT THE UNORGANIZED BOROUGH;
- THE POSSIBILITY THAT BONDS ISSUED BY AUTHORITIES WOULD CREATE A LIABILITY OR INDEBTEDNESS TO THE STATE OR ADVERSELY AFFECT STATE AND LOCAL BOND RATINGS;
- THE POSSIBILITY THAT ACCESS TO THE FACILITIES DEVELOPED AND RUN BY AN AUTHORITY MIGHT NOT BE FAIRLY AND EQUALLY PROVIDED, OR THAT SOME PROPOSED DEVELOPMENTS MIGHT NOT RECEIVE EQUAL CONSIDERATION.

IN RESPONSE TO THESE CONCERNS, THE FOLLOWING "SAFETY FEATURES" HAVE BEEN INCLUDED IN SB 151:

- THE GOVERNOR MUST APPROVE THE ESTABLISHMENT OF ANY AUTHORITY (SEE P. 3, LINES 6-11);
- THE LOCAL PEOPLE IN A REGION MUST APPROVE BY PETITION AND ELECTION THE ESTABLISHMENT OF AN AUTHORITY (SEE P.2 AND 3);

- AN AUTHORITY MUST BE CREATED BEFORE JULY 1, 1986 (KNOWN AS THE SUNSET PROVISION)(SEE P. 2, LINES 10-12);
- THE MAXIMUM NUMBER OF POSSIBLE AUTHORITIES ALLOWED WOULD BE NINE, CORRESPONDING TO REGIONAL HOUSING AUTHORITY BOUNDARIES AND EXCLUDING ALL BOROUGHS (NOTE: 12 HOUSING AUTHORITIES LESS: THE NORTH SLOPE BOROUGH, KODIAK ISLAND BOROUGH, AND COOK INLET);
- THE STATE BOND COMMITTEE MUST GIVE PRIOR APPROVAL TO THE SALE OF ANY REVENUE BONDS BY AUTHORITIES (SEE P. 9, LINES 28 AND 29; P. 10, LINES 1-12);
- A PROVISION IN THE BILL AND IN THE LETTER OF INTENT EXPRESSLY STATES THAT BONDS ISSUED BY AN AUTHORITY DO NOT CONSTITUTE ANY LIABILITY OR INDEBTEDNESS TO THE STATE OR POLITICAL SUBDIVISION (SEE P. 12, LINES 17-29);
- AN AUTHORITY EXPRESSLY DOES NOT HAVE NORMAL GOVERNMENTAL POWERS OF EMINENT DOMAIN, TAX, LAND USE PLANNING AND ZONING, PERMITTING, ETC. SHOULD A BOROUGH BE ESTABLISHED IN THE REGION, THE AUTHORITY WOULD AUTOMATICALLY BE INTEGRATED INTO IT (SEE P. 7, LINES 21-23);
- OF THE EIGHT MEMBERS ON AN AUTHORITY BOARD, FIVE WOULD BE ELECTED FROM THE REGION, THREE WOULD BE STATE COMMISSIONERS. A QUORUM WOULD REQUIRE THE PRESENCE OF AT LEAST ONE COMMISSIONER (SEE P. 5, LINES 1-13; P. 15, LINES 22-29);
- TOTAL INDEBTEDNESS OF ALL AUTHORITIES ESTABLISHED WOULD BE LIMITED BY LAW TO \$400 MILLION (SEE P. 10, LINES 13-15);
- AN AUTHORITY WOULD BE AUDITED EACH YEAR BY LEGISLATIVE BUDGET AND AUDIT (SEE P. 14, LINES 25-29);