

Introduced: 2/11/74  
Referred: Commerce and  
Finance

1 IN THE HOUSE

BY MALONE

2 HOUSE BILL NO. 611

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the public utility revolving loan  
7 fund; and providing for an effective date."

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

9 \* Section 1. AS 42 is amended by adding a new chapter to read:

10 CHAPTER 40. PUBLIC UTILITY REVOLVING LOAN FUND.

11 Sec. 42.40.010. DECLARATION OF POLICY; PURPOSE. The legislature  
12 finds and declares that

13 (1) the availability of adequate public utility services and  
14 facilities at reasonable rates in this state is a proper matter of  
15 public concern;

16 (2) the ability of privately, municipally and cooperatively  
17 owned public utilities in the state to finance service to the public  
18 and capital improvement requirements to extend and improve those  
19 services on reasonable terms and conditions that will enable utility  
20 service rates to remain at reasonable levels in the foreseeable future  
21 is seriously impaired by the unavailability of low-cost private finan-  
22 cing and the elimination of low-cost loans available from federal  
23 agencies;

24 (3) the state should as a matter of public policy, to ensure  
25 the sound development of the state and its resources and to provide an  
26 acceptable level of utility services to its residents at reasonable  
27 rates, assist these public utilities under the terms and conditions  
28 specified in this chapter to acquire the funds that are essential to  
29 operate and maintain utility services and to finance economically

1 feasible projects for the construction of capital improvements to  
2 public utility services and facilities.

3 Sec. 42.40.020. REVOLVING LOAN FUND CREATED. There is created  
4 in the Department of Commerce the public utility revolving loan fund.

5 Sec. 42.40.030. POWERS AND DUTIES OF THE DEPARTMENT OF COMMERCE.

6 (a) To carry out the provisions of this chapter the department shall  
7 formulate general policies and procedures and promulgate regulations  
8 in consultation with the Public Utilities Commission.

9 (b) The department may

10 (1) if other credit is not readily available from private  
11 lending institutions at a rate of interest that does not exceed eight  
12 per cent a year, make loans to public utilities to finance or refinance  
13 the operation and maintenance of public utility services or capital  
14 improvement projects to improve and expand these services, subject to  
15 the provisions of this chapter;

16 (2) consult with appropriate federal agencies concerning  
17 policies, regulations and procedures to carry out the provisions of  
18 this chapter;

19 (3) hold hearings and subpoena witnesses and documents, and  
20 administer oaths in connection with hearings;

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

23 (5) require bonds and undertakings from persons employed by  
24 it as in the commissioner's judgment is necessary, and pay the premiums  
25 on them.

26 Sec. 42.40.040. PROCEEDINGS, REGULATIONS. The Administrative  
27 Procedure Act (AS 44.62) governs all proceedings, and the promulgation  
28 of regulations, under this chapter.

29 Sec. 42.40.050. RESTRICTIONS ON DEPARTMENT OFFICERS, EMPLOYEES:

1 CONFLICT OF INTEREST. No officer, agent or employee of the department  
2 may have an official connection as an officer or employee, or otherwise,  
3 or hold stock or securities in, or have a pecuniary interest in, any  
4 utility eligible to borrow funds from the public utility revolving  
5 loan fund, or in any supplier of goods, materials or services to an  
6 eligible utility, or otherwise have a property interest in an eligible  
7 utility or a supplier of goods, materials or services to an eligible  
8 utility. However, for the purpose of this section, membership in a  
9 public utility cooperative or consumer status with respect to an  
10 eligible utility does not constitute an official connection with, or  
11 a property or pecuniary interest in, an eligible utility.

12 Sec. 42.40.060. ELIGIBILITY FOR LOANS. A public utility is  
13 eligible for a loan under this chapter if

14 (1) it is a public utility as defined in AS 42.05.071(2)(A),  
15 (B), (D) and (E);

16 (2) it has been in business in the state for at least two  
17 years;

18 (3) in the judgment of the department

19 (A) the public utility shows a definite potential for  
20 providing improved, expanded service in the community or service  
21 area it serves;

22 (B) the utility will be able to repay the loan;

23 (C) if the loan is for a capital improvement project,  
24 the project is economically feasible and sound.

25 Sec. 42.40.070. CONDITIONS AND LIMITATIONS ON LOANS. (a) A  
26 loan to a public utility under this chapter may not exceed 10 per cent  
27 of the balance in the revolving loan fund.

28 (b) the loan shall be secured by acceptable collateral and may  
29 not exceed 75 per cent of the appraised value of the collateral offered.

1 (c) No loan authorized by this chapter may be made unless the  
2 commissioner is satisfied that no money is available to the applicant  
3 from private lending institutions at an interest rate of eight per cent  
4 a year on the unpaid balance or less.

5 (d) Amortization plans for the repayment of loans made under this  
6 chapter may not exceed 20 years. The rate of interest may not exceed  
7 eight per cent a year on the unpaid balance.

8 (e) No loan may be made under this chapter for a capital invest-  
9 ment project until an investigation and an economic feasibility study  
10 are conducted and, as a result of the investigation and study, the  
11 department determines that the project to be financed by the loan is  
12 economically feasible and sound and that the project will be financially  
13 self-sustaining and fully amortized within the term of the loan and in  
14 accordance with the other terms and conditions of the loan. The eco-  
15 nomic feasibility study shall be conducted by the department staff or  
16 by consultants, engineers or other technical experts approved by the  
17 department in advance of the conduct of the investigation and study and  
18 of the submission of an application for a loan under this chapter. To  
19 facilitate its determination of economic feasibility and the ability  
20 of the project to be fully amortized and financially sustaining, the  
21 department shall require the applicant for a loan under this chapter  
22 to furnish those system studies, long-range economic forecasts,  
23 financial data, and technical information that the department considers  
24 necessary.

25 Sec. 42.40.080. ADMINISTRATION. Money loaned shall be delivered  
26 to the borrower in the form of a warrant drawn on the treasury,  
27 vouchered in the manner prescribed for state disbursing officers, and  
28 charged against the public utility revolving loan fund. Each voucher  
29 shall be approved by the commissioner of commerce or any bonded deputy

1 authorized to act as a certifying officer. Upon repayment of loans by  
2 installments, or otherwise, in accordance with the prescribed terms, or  
3 upon liquidation by foreclosure or other process, or upon receipt of  
4 interest or other revenue, the money so received shall be turned over  
5 to the commissioner of revenue for deposit in the public utility  
6 revolving loan fund.

7 Sec. 42.40.090. SALE OR TRANSFER OF MORTGAGES AND NOTES. (a)

8 The commissioner of commerce may sell or transfer at par value or at a  
9 premium or discount to any bank or other private purchaser for cash or  
10 other consideration the mortgages and notes held by the Department of  
11 Commerce as security for loans made under this chapter.

12 (b) The commissioner of commerce may sell or transfer at par  
13 value to the Department of Revenue the mortgages and notes held by the  
14 Department of Commerce as security for loans made under this chapter.  
15 The Department of Revenue shall purchase all of these mortgages and  
16 notes offered, allowing the Department of Commerce a one-half of one  
17 per cent service fee.

18 Sec. 42.40.090. DEFINITIONS. In this chapter

19 (1) "capital investment" means those expenditures so clas-  
20 sified according to the system of accounts of the Federal Power Com-  
21 mission, of the Rural Electrification Administration of the United  
22 States Department of Agriculture, or of the Public Utilities Commission  
23 of the state, or other generally accepted system of accounts approved  
24 by the department;

25 (2) "commissioner" means commissioner of commerce;

26 (3) "department" means Department of Commerce;

27 (4) "economic feasibility" includes, but is not limited to,  
28 financial and engineering feasibility.

29 \* Sec. 2. This Act takes effect July 1, 1974.