

Introduced: 1/31/75  
Referred: Commerce and  
Finance

1 IN THE SENATE

BY RADER

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SENATE BILL NO. 116

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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NINTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

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

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CHAPTER 08. PUBLIC UTILITY REVOLVING LOAN FUND.

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Sec. 42.08.010. DECLARATION OF POLICY AND PURPOSE. The legis-

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lature finds that

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

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

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(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 utility services to its residents at reasonable rates, the  
state should assist these public utilities in acquiring the funds  
that are essential to operate and maintain and expand utility facilities  
and services.

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1           Sec. 42.08.020. REVOLVING LOAN FUND CREATED. There is created  
2 in the Department of Commerce the public utility revolving loan fund.

3           Sec. 42.08.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The  
4 department shall formulate general polices and procedures to implement  
5 the provisions of this chapter and promulgate regulations in consulta-  
6 tion with the Alaska Public Utilities Commission.

7           (b) The department may

8           (1) if other credit is not readily available from private  
9 lending institutions at a rate of interest that does not exceed eight  
10 per cent a year, for the term required, make loans to public utilities  
11 to finance or refinance capital improvements, plant and facilities,  
12 and to improve and expand services, subject to the provisions of this  
13 chapter;

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

18           (3) designate agents and delegate powers to them as is  
19 necessary;

20           (4) require bonds and undertakings from persons employed by  
21 it as in the commissioner's judgment are necessary, and pay the  
22 premiums on them;

23           (5) establish amortization plans as provided in sec. 50 of  
24 this chapter.

25           Sec. 42.08.040. ELIGIBILITY FOR LOANS. A public utility is  
26 eligible for a loan under this chapter if

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

29           (2) it is serving the public under a certificate of public

1 convenience and necessity issued by the Alaska Public Utilities Commis-  
2 sion at the time of application for a loan;

3 (3) in the judgment of the department

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

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

9 Sec. 42.08.050. CONDITIONS AND LIMITATIONS ON LOANS. (a) A  
10 loan to a public utility under this chapter may not exceed \$1,000,000.

11 (b) The loan shall be on terms and conditions the department  
12 determines appropriate and if secured by collateral may not exceed  
13 75 per cent of the value of the collateral offered.

14 (c) Amortization plans for the repayment of loans made under  
15 this chapter may not exceed 30 years. The rate of interest may not  
16 exceed eight per cent a year on the unpaid balance.

17 (d) Unless a loan made under this chapter is participated in by  
18 a financial institution as provided in (e) of this section, it may  
19 not be made until an investigation and an economic feasibility study  
20 is conducted and, as a result of the investigation and study, the  
21 department determines that the loan is economically sound and that the  
22 utility will be financially self-sustaining and the loan will be fully  
23 amortized within and in accordance with the terms and conditions of  
24 the loan. The economic feasibility study shall be conducted by the  
25 department staff or by consultants, engineers or other technical  
26 experts approved by the department. To facilitate its determination  
27 of economic feasibility and the ability of the utility to be fully and  
28 financially self-sustaining and to amortize the loan, the department  
29 shall require the applicant for a loan under this chapter to furnish

1 those systems studies, long-range economic forecasts, financial data,  
2 and technical information that the department considers necessary.

3 (e) If a loan under this chapter is participated in by a finan-  
4 cial institution in an amount not less than 20 per cent of the total  
5 amount of the loan, the department may accept the investigation and  
6 study made or accepted by the institution as a basis for its partici-  
7 pation.

8 (f) If a financial institution participates in a loan made under  
9 this chapter, it may elect to administer and service the loan for a  
10 reasonable fee not exceeding one-half of one per cent.

11 (g) The state and the participating institution shall each  
12 have a lien or share the collateral to the extent of their respective  
13 portions of the total loan.

14 Sec. 42.08.060. ADMINISTRATION. Money loaned shall be delivered  
15 to the borrower in the form of a warrant drawn on the treasury,  
16 vouchered in the manner prescribed for state disbursing officers, and  
17 charged against the public utility revolving loan fund. Each voucher  
18 shall be approved by the commissioner of commerce or a bonded deputy  
19 authorized by him to act as a certifying officer. Upon repayment of  
20 loans by installments or otherwise, in accordance with the prescribed  
21 terms, or upon liquidation by foreclosure or other process, or upon  
22 receipt of interest or other revenue, the money so received shall be  
23 turned over to the commissioner of revenue for deposit in the public  
24 utility revolving loan fund.

25 Sec. 42.08.070. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER  
26 COLLATERAL. (a) The commissioner of commerce may sell or transfer  
27 at par value or at a premium or discount to any bank or other private  
28 purchaser for cash or other consideration the notes, mortgages and  
29 other collateral held by the Department of Commerce as security for

1 loans made under this chapter.

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

8 Sec. 42.08.080. GUARANTEES OF LOANS BY OTHERS AUTHORIZED. The  
9 commissioner of commerce may enter into agreements with other state  
10 departments and agencies, private banks, other lending institutions,  
11 and individuals for the purpose of guaranteeing loans made to qualified  
12 public utilities. The guarantees may not exceed 90 per cent of the  
13 amount loaned and the loans shall be secured in the same manner as  
14 provided for direct loans under this chapter. A loan made under this  
15 chapter and guaranteed by the commissioner of commerce and the state  
16 shall bear an interest rate not exceeding eight per cent a year on  
17 the unpaid balance.

18 Sec. 42.08.090. PROCEEDINGS AND REGULATIONS. The Administrative  
19 Procedure Act (AS 44.62) governs all proceedings, and the promulgation  
20 of regulations, under this chapter.

21 \* Sec. 2. This Act takes effect on July 1, 1975.  
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