

Introduced: 4/17/80
Referred: Commerce and
Finance

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 567

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH 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. DECLARATION OF POLICY AND PURPOSE. The legislature finds
10 that

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

14 (2) the ability of privately, municipally and cooperatively owned
15 public utilities in the state to finance service to the public and to finance
16 capital improvements required to extend and improve those services on terms
17 that will enable utility service rates to remain at reasonable levels in the
18 foreseeable future is seriously impaired by the unavailability of low-cost
19 private financing and by the delays experienced in obtaining low-cost federal
20 loans;

21 (3) as a matter of public policy, to ensure the sound development
22 of the state and its resources and to provide an acceptable level of utility
23 services to its residents at reasonable rates, the state should assist these
24 public utilities in acquiring the money that is essential to operate, maintain
25 and expand utility facilities and services.

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

27 CHAPTER 08. PUBLIC UTILITY REVOLVING LOAN FUND.

28 Sec. 42.08.010. REVOLVING LOAN FUND CREATED. There is created in
29 the Department of Commerce and Economic Development the public utility

1 revolving loan fund.

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

5 (b) The department may

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

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

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

20 (4) designate agents and delegate powers to them as is neces-
21 sary;

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

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

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

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

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

4 (3) in the judgment of the department

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

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

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

12 (b) A loan made under this chapter shall be on terms and conditions
13 the department determines appropriate and, if secured by collateral, may
14 not exceed 75 percent of the value of the collateral offered.

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

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

1 determination of the ability of the utility to be fully self-sustaining
2 and to amortize the loan, the department shall require the applicant for
3 a loan under this chapter to furnish the systems studies, long-range
4 economic forecasts, financial data, and technical information that the
5 department considers necessary.

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

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

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

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

24 Sec. 42.08.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER
25 COLLATERAL. (a) The commissioner may sell or transfer at par value or
26 at a premium or discount to a bank or private purchaser for cash or
27 other consideration the notes, mortgages and collateral held by the
28 department as security for loans made under this chapter.

29 (b) The commissioner may sell or transfer at par value to the

1 Department of Revenue the notes, mortgages and other collateral held by
2 the Department of Commerce and Economic Development as security for
3 loans made under this chapter. The Department of Revenue may purchase
4 the notes, mortgages and other collateral so offered, allowing the
5 Department of Commerce and Economic Development a one-half of one percent
6 service fee.

7 Sec. 42.08.070. GUARANTEES OF LOANS BY OTHERS AUTHORIZED. The
8 commissioner may enter into agreements with other state departments and
9 agencies, private banks, other lending institutions, and individuals for
10 the purpose of guaranteeing loans made to qualified public utilities.
11 The guarantees may not exceed 90 percent of the amount loaned and the
12 loans shall be secured in the same manner as provided for direct loans
13 under this chapter. A loan made under this chapter and guaranteed by
14 the state shall bear an interest rate on the unpaid balance not exceeding
15 the rate of interest which the state agreed to pay on the most recent
16 general obligation bonds issued before the application for the loan.

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

20 Sec. 42.08.090. DEFINITIONS. In this chapter

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

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

25 * Sec. 3. This Act takes effect July 1, 1980.
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