

Original sponsors: Huribert, Vaska,  
Chuckwuk and Moss

Offered: 4/2/82  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 165 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the telephone 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 telephone service at reasonable  
12 rates in the state is a proper matter of public concern;

13 (2) the ability of privately, municipally and cooperatively owned  
14 telecommunications utilities in the state to finance basic telephone service  
15 to the public and to finance capital improvements required to extend and  
16 improve the service on terms that will enable service rates to remain at  
17 reasonable levels in the foreseeable future is seriously impaired by the  
18 unavailability of low-cost financing;

19 (3) as a matter of public policy and to provide an acceptable  
20 level of telephone service to its residents at reasonable rates, the state  
21 should assist telecommunications utilities in acquiring the money that is  
22 essential to operate, maintain, and expand telephone utility facilities and  
23 service.

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

25 CHAPTER 08. TELEPHONE UTILITY REVOLVING LOAN FUND.

26 Sec. 42.08.010. REVOLVING LOAN FUND CREATED. The telephone utility  
27 revolving loan fund is created in the Department of Commerce and Economic  
28 Development. Upon authorization of the Department of Administration,  
29 the Department of Commerce and Economic Development shall make loans

1 from the fund and administer the loans.

2 Sec. 42.08.020. POWERS AND DUTIES OF THE DEPARTMENT. (a) The  
3 Department of Administration shall formulate procedures and adopt regula-  
4 tions to implement this chapter in consultation with the Alaska Public  
5 Utilities Commission. Regulations adopted under this section shall  
6 conform to the maximum extent practicable with regulations adopted by  
7 the federal Rural Electrification Agency (7 C.F.R. 1700.1 et seq.).

8 (b) Subject to other provisions of this chapter, the Department of  
9 Administration may

10 (1) if credit is not readily available from a lending insti-  
11 tution at a rate of interest that does not exceed the rate that the  
12 state agreed to pay on the most recent general obligation bonds issued  
13 before the application for the loan, authorize a loan from the telephone  
14 utility revolving loan fund to a utility for capital improvements and  
15 other facilities to be used to provide, improve, and expand telephone  
16 service;

17 (2) authorize a loan from the telephone utility revolving  
18 loan fund to a utility to meet short-term or interim capital needs  
19 related to providing telephone service before receipt by the utility of  
20 long-term loans;

21 (3) consult with appropriate federal agencies and other  
22 lending institutions that make loans to utilities in the state concerning  
23 policies, regulations, and procedures to carry out the provisions of  
24 this chapter;

25 (4) designate agents and delegate powers to them;

26 (5) require bonds and undertakings from persons employed by  
27 the department, and pay the premiums on the bonds and undertakings;

28 (6) establish amortization plans for the repayment of a loan.

29 Sec. 42.08.030. ELIGIBILITY FOR LOANS. (a) A utility may apply

1 for a loan under this chapter if at the time of application for the loan  
2 it is

3 (1) a utility for furnishing telecommunications service under  
4 AS 42.05.701(2)(B);

5 (2) providing telephone service or is authorized by the  
6 Alaska Public Utilities Commission to begin providing telephone service;  
7 and

8 (3) serving the public under a certificate of public con-  
9 venience and necessity issued by the Alaska Public Utilities Commission.

10 (b) A loan may not be made until the Department of Administration  
11 finds that

12 (1) the applicant is fit, willing, and able to provide tele-  
13 phone service using each facility to be financed by the loan;

14 (2) each facility to be financed by the loan is required for  
15 the convenience and necessity of the public and will result in an im-  
16 provement of telephone service;

17 (3) the loan will not cause an unreasonably adverse impact on  
18 a rate structure regulated by the Alaska Public Utilities Commission;

19 (4) the applicant shows a definite potential for providing  
20 improved or expanded telephone service in the community or area it  
21 serves, or otherwise requires the financing to maintain adequate, effi-  
22 cient, and safe telephone service;

23 (5) the applicant will be able to repay the loan; and

24 (6) the applicant has complied with other requirements im-  
25 posed by regulation of the department.

26  
27 Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS. (a) A  
28 single loan to a utility under this chapter may not exceed \$5,000,000  
29 and the total amount of loans made to a utility during a calendar year  
may not exceed 25 percent of the net plant investment for the utility

1 indicated in the latest annual report of the utility.

2 (b) A loan shall be secured by collateral equal in fair market  
3 value to 75 percent of the loan.

4 (c) Amortization plans for the repayment of a loan may not exceed  
5 30 years. The rate of interest charged on the unpaid balance may not  
6 exceed the rate of interest that the state agreed to pay on the most  
7 recent general obligation bonds issued before application for the loan  
8 under this chapter.

9 (d) Subject to (e) of this section, a loan may not be made until  
10 an investigation and an economic feasibility study are conducted and, as  
11 a result of the investigation and study, the Department of Administra-  
12 tion determines that the loan is economically sound, the utility will be  
13 financially self-sustaining, and the loan will be fully amortized in  
14 accordance with the terms and conditions of the loan. The economic  
15 feasibility study shall be conducted by the department or by consultants,  
16 engineers, or other technical experts approved by the department. To  
17 facilitate an economic feasibility study the applicant shall furnish  
18 systems studies, long-range economic forecasts, financial data, and  
19 technical information required by regulation of the department.

20 (e) If a loan is participated in by a financial institution in an  
21 amount not less than 20 percent of the total amount of the loan, the  
22 Department of Administration may adopt the investigation and economic  
23 feasibility study made or accepted by the financial institution as the  
24 basis for participation by the institution in the loan.

25 (f) If a financial institution participates in a loan, it may  
26 elect to administer and service the loan for a reasonable fee not ex-  
27 ceeding one-half of one percent of the amount of the loan.

28 (g) The state and a financial institution that participates in a  
29 loan shall each have a first lien on the collateral or share the

1 collateral to the extent of their respective parts of the total loan.

2 (h) A loan shall be subject to other terms and conditions estab-  
3 lished by regulation of the Department of Administration.

4 Sec. 42.08.050. ADMINISTRATION. Money loaned under this chapter  
5 shall be delivered to the borrower in the form of a warrant drawn on the  
6 treasury and charged against the telephone utility revolving loan fund.  
7 Upon repayment of a loan in accordance with the prescribed terms, or  
8 upon liquidation by foreclosure or other process, or upon receipt of  
9 interest or other revenue, the money received shall be turned over to  
10 the Department of Commerce and Economic Development for deposit in the  
11 telephone utility revolving loan fund.

12 Sec. 42.08.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER  
13 COLLATERAL AND PROPERTY. (a) The commissioner of commerce and economic  
14 development may sell or transfer at par value or at a premium or discount  
15 to a bank or private purchaser for cash or other consideration the  
16 notes, mortgages and collateral held by the Department of Commerce and  
17 Economic Development as security for loans made under this chapter.

18 (b) The commissioner of commerce and economic development may sell  
19 or transfer at par value to the Department of Revenue the notes, mort-  
20 gages and other collateral held as security for loans made under this  
21 chapter. The Department of Revenue may purchase the notes, mortgages,  
22 and other collateral, allowing the Department of Commerce and Economic  
23 Development one-half of one percent of the value of the notes, mortgages,  
24 or collateral as a service fee.

25 (c) In the event of default on a loan made under this chapter, the  
26 state may not sell, transfer or acquire property of the borrower or sell  
27 or transfer collateral previously received for the loan without approval  
28 of the Alaska Public Utilities Commission.

29 Sec. 42.08.070. PROCEEDINGS AND REGULATIONS. The Administrative

1 Procedure Act (AS 44.62) governs all proceedings and the adoption of  
2 regulations under this chapter.

3 \* Sec. 3. This Act takes effect July 1, 1982.  
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