

Introduced: 1/26/81
Referred: Resources and
Finance

1 IN THE SENATE

BY FERGUSON

2 SENATE BILL NO. 107

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST 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, main-
25 tain 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. The public utility
29 revolving loan fund is created in the Department of Commerce and Eco-

1 nomic Development.

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 Commis-
5 sion.

6 (b) The department may

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

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

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

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

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

26 (6) establish amortization plans as provided in AS 42.08.-
27 040(c).

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

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

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

6 (3) in the judgment of the department

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

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

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

14 (b) A loan made under this chapter shall be on terms and condi-
15 tions the department determines appropriate and, if secured by collat-
16 eral, may not exceed 75 percent of the value of the collateral offered.

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

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

1 or by consultants, engineers or other technical experts approved by the
2 department. To facilitate its determination of economic feasibility,
3 and its determination of the ability of the utility to be fully self-
4 sustaining and to amortize the loan, the department shall require the
5 applicant for a loan under this chapter to furnish the systems studies,
6 long-range economic forecasts, financial data, and technical information
7 that the department considers necessary.

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

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

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

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

27 Sec. 42.08.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER
28 COLLATERAL. (a) The commissioner may sell or transfer at par value or
29 at a premium or discount to a bank or private purchaser for cash or

1 other consideration the notes, mortgages and collateral held by the
2 department as security for loans made under this chapter.

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

10 Sec. 42.08.070. GUARANTEES OF LOANS. (a) The commissioner may
11 enter into agreements with other state departments and agencies, private
12 banks, other lending institutions, and individuals for the purpose of
13 guaranteeing loans made to qualified public utilities. The guarantees
14 may not exceed 90 percent of the amount loaned and the loans shall be
15 secured in the same manner as provided for direct loans under this
16 chapter.

17 (b) A loan made under this chapter and guaranteed by the state
18 shall bear an interest rate on the unpaid balance not exceeding the
19 rate of interest which the state agreed to pay on the most recent
20 general obligation bonds issued before the application for the loan.

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

24 Sec. 42.08.090. DEFINITIONS. In this chapter

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

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

29 * Sec. 3. This Act takes effect July 1, 1981.