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141

SENATE RESOURCES COMMITTEE  
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 141

BILL NAME: Special Appropriation to the electric cooperative revolving  
loan fund.

SPONSOR(S): Fahrenkamp, Ferguson, Eliason,  
Bennett, Moss

RELATED BILLS PENDING: SB 140

DATE INTRODUCED: 2-23-83

REFERRALS: Resources  
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR  
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED: .

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE  
SUBSTITUTES DRAFTED:

See SB 140

# Alaska State Legislature

BETTYE FAHRENKAMP  
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POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate Committee on Resources

TO: Senate Resources Committee Members  
FROM: Senate Resources Committee Staff  
RE: March 28th Hearing  
DATE: March 25, 1983

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On Monday, March 28 at 3:00 pm in the Beltz Room, the following bills will be heard:

SB 32 AN ACT RELATING TO RURAL ELECTRIFICATION LOANS.

SB 32 extends the repayment period for rural electrification loans from 10 to 30 years.

SB 140 AN ACT ESTABLISHING THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 140 establishes the Electric Cooperative Revolving Loan Fund within the Department of Commerce and Economic Development, and authorizes the Department to make loans to electric utilities to finance a capital improvement, plant, or facility; to improve and expand services; or to meet short-term needs while awaiting long-term financing. It outlines limitations on, qualifications for, and terms of loans to be compatible with current federal Rural Electrification Administration (REA) loans.

SB 141 AN ACT MAKING A SPECIAL APPROPRIATION TO THE ELECTRIC COOPERATIVE REVOLVING LOAN FUND.

SB 141 appropriates \$20,000,000 from the general fund to the electrical cooperative revolving loan fund.

Copies of the above bills are attached; background information will be distributed as soon as it is received.

Also attached is a copy of CSSB 128, the marine parks bill, which was adopted by the Committee on 3/23/83. It is hoped that final Committee action could be taken on this bill.

SB 141      MAKING A SPECIAL APPROPRIATION TO THE ELECTRIC COOPERATIVE  
              REVOLVING LOAN FUND.

SPONSORS:    FAHRENKAMP, FERGUSON, ELIASON, BENNETT, MOSS

---

Sec. 1    Appropriates \$20,000,000 from the general fund to the  
          electric cooperative revolving loan fund.

Sec. 2    The appropriation is for capitalization of the loan fund  
          and does not lapse.

Sec. 3    Effective date same as SB 40 (which establishes fund).

	EXISTING STATUTE	Rural Electrification Revolving Loan Fund  SB 32	Electric Cooperative Revolving Loan Fund  SB 140
Administering Agency	Alaska Power Authority (APA)	APA	Department of Commerce
Loan Purpose	Extending new electric service into an area of the state	same as existing statute	<ul style="list-style-type: none"> <li>- finance capital improvement, plant, or facility</li> <li>- improve and expand services</li> <li>- meet short-term or interim capital need while utility is processing a long-term loan</li> </ul>
Interest Rate	2%	2%	5%
Maximum Term of Loan	10 year	30 years	35 years
			<p>To match terms of federal Rural Electrification Administration loans.</p> <p>SB 41 Initial appropriation of \$20,000,000 to the loan fund. Repayment of principal and interest to the loan fund.</p>

NOTE: The Rural Electrification Revolving Loan Fund has had little use by utilities since its inception in 1981. The regulations adopted by the AFA regarding term and security are not favorable to the utilities. At ~~its~~<sup>APAs</sup> recent Board meeting, it was decided that a series of public hearings would be held for suggestions on how the program could be improved

STATE OF ALASKA  
FISCAL NOTE

Revision Date March , 1983

I. REQUEST

Bill/Resolution No.: SB 140  
 Title: Electric Loan Fund  
 Sponsor: Fahrenkamp, Ferguson, Eliason  
 Requestor: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
 Program Category Affected: Development  
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES		77.7				
200 TRAVEL		4.2				
300 CONTRACTUAL		3.1				
400 COMMODITIES		1.0				
500 EQUIPMENT		10.4				
600 LAND & STRUCTURES		5.4				
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>		<b>101.8</b>				
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND		101.8				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		2				
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D.A. Hostak* Phone: 465-2510  
 Division: Loans & Veterans' Affairs Date: 3/25/83  
 Approved by Commissioner: Richard A. Ivon *R. Ivon* Date: 3/25/83  
 Department: Commerce & Economic Development

Distribution:

Original to Legislative Finance  
 Copy to Office of Management and Budget (for Legislature introduced bills)  
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3/8/83

SB 140 FISCAL NOTE ANALYSIS

Provides for a Loan Examiner III position and an Accounting Tech. I position. This is based on the assumption that the division will be processing approximately 35 to 40 loans per year and that the Division of Energy and Power will be handling the feasibility studies. That fiscal impact is reflected in a separate fiscal note prepared by the Division of Energy and Power.

1.	POSITION TITLE Accounting Technician I				RANGE/STEP 12A	BARG. UNIT G	FORM 12 PAGE/LINE	COV.	APPRDV.	DISAPP.																												
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.																														
3.	CONTINUATION LEVEL				ADDITION																																	
4.	TYPE OF EXPENDITURE				AMOUNT																																	
	1		2		3																																	
	PERSONAL SERVICES																																					
5.	Salary		22.7																																			
6.	Benefits		1.4																																			
7.	Supplemental Benefits		3.5																																			
8.	Fixed Benefits		2.9																																			
9.	TOTAL PERSONAL SERVICES		01		30.5																																	
10.	Travel		02																																			
11.	Contractual		03																																			
12.	Commodities		04		.5																																	
13.	Equipment		05		5.1																																	
14.	Other				2.7																																	
15.	TOTAL COST				38.8																																	
JUSTIFICATION																																						
<table border="1"> <thead> <tr> <th>RECEIPT CODE</th> <th colspan="2">FUNDING SOURCE</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>16.</td> <td>Federal Receipts</td> <td>1002</td> <td></td> </tr> <tr> <td>17.</td> <td>G.F. Match</td> <td>1003</td> <td></td> </tr> <tr> <td>18.</td> <td>General Funds</td> <td>1004</td> <td>38.8</td> </tr> <tr> <td>19.</td> <td>I-A Receipts</td> <td>1005</td> <td></td> </tr> <tr> <td>20.</td> <td>Program Receipts</td> <td>1028</td> <td></td> </tr> <tr> <td>21.</td> <td>Other</td> <td></td> <td></td> </tr> </tbody> </table>											RECEIPT CODE	FUNDING SOURCE		AMOUNT	16.	Federal Receipts	1002		17.	G.F. Match	1003		18.	General Funds	1004	38.8	19.	I-A Receipts	1005		20.	Program Receipts	1028		21.	Other		
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20.	Program Receipts	1028																																				
21.	Other																																					
FOR B&M USE ONLY 4A KEY NUMBER _____																																						

**13** REQUEST FOR  
NEW POSITION

AGENCY DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT  
PROGRAM ECONOMIC DEVELOPMENT  
BRU DIVISION OF LOANS & VETERANS' AFFAIRS  
COMPONENT \_\_\_\_\_

Page 2 of 2  
Revised Date \_\_\_\_\_

**FY 84**

1.	POSITION TITLE Loan Examiner III				RANGE/STEP 19A	BARG. UNIT G	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	3,041 P/M	36.5							
6.	Benefits		5.7							
7.	Supplemental Benefits		2.2							
8.	Fixed Benefits		2.9							
9.	TOTAL PERSONAL SERVICES		01	47.3						
10.	Travel		02	4.2						
11.	Contractual		03	3.1						
12.	Commodities		04	.5						
13.	Equipment		05	5.3						
14.	Other			2.7						
15.	TOTAL COST			63.1						
RECEIPT CODE                      FUNDING SOURCE										
16.			Federal Receipts	1002						
17.			G.F. Match	1003						
18.			General Funds	1004	63.1					
19.			I-A Receipts	1005						
20.			Program Receipts	1028						
21.			Other							
FOR B&M USE ONLY										
4A KEY NUMBER - - - - -										

**13** REQUEST FOR  
NEW POSITION

AGENCY COMMERCE & ECONOMIC DEVELOPMENT

PROGRAM ECONOMIC DEVELOPMENT

BRU LOANS & VETERANS' AFFAIRS

COMPONENT \_\_\_\_\_

**FY 84**

Page 1 of 2

Revised Date \_\_\_\_\_

STATE OF ALASKA  
FISCAL NOTE

Revision Date March, 1983

I. REQUEST

Bill/Resolution No.: SB 141  
 Title: Appropriation Bill  
 Sponsor: Fahrenkamp, Ferguson, Eliason  
 Requestor: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
 Program Category Affected: Development  
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		20,000.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D.A. Hostak* Phone: 465-2510  
 Division: Loans & Veterans' Affairs Date: 3-25-83  
 Approved by Commissioner: Richard A. Lyon *R. Lyon* Date: 3/28/83  
 Department: Commerce & Economic Development

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

SB 141 FISCAL NOTE ANALYSIS

This bill provides for a special appropriation of \$20,000,000 to the electric revolving loan fund which is a program that would be established by the passage of SB 140.

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: SB 140  
 Title: Establishing electric coop revolving  
 Sponsor: Fahrenkamp  
 Requestor: Senate Resources

II. FISCAL DETAIL

Agency Affected: Commerce and Econ. Dev.  
 Program Category Affected: Development  
 BRU, Program of Subprogram(s) Affected: Energy and Power Development

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
<b>OPERATING</b>						
100 PERSONAL SERVICES	83.6	87.6	93.9	99.2	105.4	111.9
200 TRAVEL	16.0	16.9	17.9	18.2	19.0	20.1
300 CONTRACTUAL	110.0	116.6	117.6	124.6	132.0	139.9
400 COMMODITIES	.5	.3	.3	.3	.4	.4
500 EQUIPMENT	1.0	.4	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
<b>TOTAL OPERATING</b>	<b>211.1</b>	<b>221.8</b>	<b>229.7</b>	<b>242.3</b>	<b>256.8</b>	<b>272.3</b>
<b>CAPITAL (see SB 141)</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)

GENERAL FUND	211.1	221.8	229.7	242.3	256.8	272.3
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Source of funds not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Steve Baden  
 Division: Energy and Power Development

Phone: 561-4201  
 Date: 3/18/83

Approved by Commissioner: Richard A. Lyon  
 Department: Commerce and Economic Development

Date: 3/28/83

Distribution:

Original to Legislative Finance  
 Copy to Office of Management and Budget (for Legislature introduced bills)  
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3/8/83

SB 140

Fiscal Note Analysis/Energy and Power Development

The Electric Cooperative Revolving Loan Fund would be administered jointly by the Division of Energy and Power Development and the Division of Loans and Veterans' Affairs of the Department of Commerce and Economic Development.

Utilities would first apply to the Division of Energy and Power Development. The Division would review the application, system studies, economic forecasts, financial data and complete the feasibility study. The Division would work with the Alaska Public Utilities Commission to verify that the utility would be financially self-sustaining.

Once the Division signed off on the application, it would be sent to the Division of Loans and Veterans' Affairs. The Division would determine if the loan would be fully amortized under the conditions of the loan, process the loans and handle the transfer of notes, mortgages and collateral.

It is assumed that between 20 and 35 loans will be processed ranging from \$50,000 to \$2,500,000. For the application review and conduction of the feasibility study, two positions would be needed for the Division of Energy and Power Development: a range 22 engineer, and a range 8 clerk typist III.

The personal services line includes only a .06 increase per year which will absorb potential step increases. The travel line assumes 25 trips to in-state sites and associated per diem annually. The contractual line includes office expenses, equipment rental, and professional services required to assist in feasibility studies at the same level annually. The equipment line includes the cost of office furniture and equipment for one position anticipated only the first year.

DETAILED BUDGET - FIRST YEAR

100 Personal Services

	<u>Engineer R-22</u>	<u>Clerk Typist III R-8</u>
Salary	\$ 3,779.0	\$ 1,553.0
Variable	819.0	336.0
Fixed	240.0	240.0
Subtotal	<u>\$ 4,838.0</u>	<u>\$ 2,129.0</u>
	x 12	x 12
	<u>\$58,056.0</u>	<u>\$25,548.0</u>
Total		<u>\$83,604.0</u>

200 Travel (15 to 20 trips to sites)

\$500 per trip for transportation	
\$300 per trip for per diem	
<u>\$800 per trip</u>	<u>\$16,000.0</u>

300 Contractual

- Misc expenses for telephone, copying service, postage, office equipment rental	\$ 5,000
- Professional Services contracts to assist with feasibility studies and evaluation \$3,000 per project 35 projects	\$105,000
Total	<u>\$110,000.0</u>

400 Commodities

Miscellaneous Office Supplies	<u>500.0</u>
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500 Equipment

Furniture and related equipment (desks, chairs, adding machines, etc.)	<u>1,000.0</u>
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RECAP

100 Personal Services	\$ 83,556
200 Travel	16,000
300 Contractual	110,000
400 Commodities	500
500 Equipment	1,000
Total	<u>\$211,100</u>

STATE OF ALASKA  
FISCAL NOTE

Revision Date March, 1983

I. REQUEST

Bill/Resolution No.: SB 141  
 Title: Appropriation Bill  
 Sponsor: Fahrenkamp, Ferguson, Eliason  
 Requestor: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
 Program Category Affected: Development  
 BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		20,000.0				
REVENUE						

FUNDING: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D. A. Hostak* Phone: 465-2510  
 Division: Loans & Veterans' Affairs Date: 3-25-83  
 Approved by Commissioner: Richard A. Lyon *R. Lyon* Date: 3/28/83  
 Department: Commerce & Economic Development

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3/8/83

SB 141 FISCAL NOTE ANALYSIS

This bill provides for a special appropriation of \$20,000,000 to the electric revolving loan fund which is a program that would be established by the passage of SB 140.

2/22/83

Date: \_\_\_\_\_

# MEMORANDUM

From: Betty E. Fahrenkamp

From the Office of  
**Senator Bettye Fahrenkamp**

Phone: \_\_\_\_\_

To: Peggy Mulligan

\_\_\_\_\_  
\_\_\_\_\_

## MESSAGE:

SENATORS FERGUSON, ELIASON  
BEANETT and MOSS should  
appear as original  
copysaver with me on  
the attached two bills -

file 1102 12/10/82



# ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

6000 C STREET • SUITE C • ANCHORAGE, ALASKA 99502 • (907) 276-3235

*(Harlan)  
of Alascam  
to Chuck  
elec. corp revolving loan  
fund*

## MEMORANDUM

August 26, 1982

TO: Managers  
FROM: David Hutchens  
Executive Director  
SUBJECT: State Loan Program



Enclosed for your consideration is a draft of a proposed bill establishing a state loan program. I prepared this draft based on my understanding of the policy direction given me by the special loan program committee in your meeting on August 13th.

1. As a starting place, it applies only to electric cooperatives and regional electrical authorities.
2. The program would initially be funded by state appropriations. (It could later be restructured on the ARFC model.)
3. Interest rates are not to exceed five percent.
4. Maximum term of the loan is to be 35 years with a three year deferral of principal repayment.
5. Loans would only be for new facilities.
6. There is no limit on the amount of loans which can be made to any one cooperative.
7. The program would be administered by the Division of Loans in the Department of Commerce.
8. Evaluations by RBA or CFC of a loan application would not be independently reviewed by the state.

SENATE BILL NO. \_\_\_\_\_

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

\* Section 1. DECLARATION OF POLICY AND PURPOSE. The legislature finds that

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

(2) the ability of cooperatively owned electric utilities in the state to finance service to the public and finance capital improvements required to extend and improve those services on terms that will enable electric rates to remain at reasonable levels in the foreseeable future is seriously impaired by the unavailability of low-cost private financing and by the reduced availability of low-cost federal loans;

(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 electric service to its

residents at reasonable rates, the state should assist these electric utilities in acquiring the money that is essential to operate, maintain and expand electric utility facilities and services.

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

CHAPTER 08. ELECTRIC COOPERATIVE REVOLVING  
LOAN FUND.

Sec. 42.08.010. REVOLVING LOAN FUND CREATED.

The electric cooperative revolving loan fund is created in the Department of Commerce and Economic Development.

Sec. 42.08.020. POWERS AND DUTIES OF THE  
DEPARTMENT.

(a) The department shall formulate procedures and adopt regulations to implement this chapter in consultation with the Alaska Public Utilities Commission.

(b) The department may

(1) make a loan from the electric cooperative revolving loan fund to an electric utility to finance capital improvements, plant and facilities, and to improve and expand services, if other credit is not readily available from private lending institutions or agencies of the federal government at a rate not

exceeding five percent interest.

(2) make loans from the electric cooperative revolving loan fund to an electric utility to meet short-term or interim capital needs before receipt by the public utility of long-term loans;

(3) consult with appropriate federal agencies and other lending institutions which make loans to electric cooperatives in the state concerning policies, regulations and procedures to carry out the provisions of this chapter;

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

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

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

Sec. 12.08.030. ELIGIBILITY FOR LOANS. An electric utility is eligible for a loan under this chapter if

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

(2) at the time of application for a loan it is serving the public under a certificate of public

convenience and necessity issued by the Alaska Public Utilities Commission;

(3) it is organized under AS 10.25 or AS 18.57;

(4) in the judgment of the department

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

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

Sec. 42.08.040. CONDITIONS AND LIMITATIONS ON LOANS.

(a) A loan made under this chapter shall be on terms and conditions the department determines appropriate.

(b) Amortization plans for the repayment of a loan made under this chapter may defer payments on the principal for not more than three years, but the total term of the loan may not exceed thirty-five years. The rate of interest charged on the unpaid balance may not exceed five percent.

(c) Subject to (a) of this section, a loan may not be made until an investigation and an economic

feasibility study is conducted and, as result of the investigation and study, the department determines that the loan is economically sound, that the utility will be financially self-sustaining, and the loan will be fully amortized in accordance with the terms and conditions of the loan. The economic feasibility study shall be conducted by the department staff or by consultants, engineers or other technical experts approved by the department. To facilitate its determination of economic feasibility, and its determination of the ability of the utility to be fully self-sustaining and to amortize the loan, the department shall require the applicant for a loan under this chapter to furnish the systems studies, long-range economic forecasts, financial data, and technical information that the department considers necessary.

(d) If a loan under this chapter is participated in by an agency of the federal government or by a financial institution in an amount not less than twenty percent of the total amount of the loan, or if a loan under this chapter is guaranteed by an agency of the federal government or by a financial institution, the department may accept the investigation and economic feasibility study made or accepted by the federal agency or financial institution as a basis for

participation or guarantee. If a utility applies for a short-term or interim loan, the department may accept notification by the federal Rural Electrification Administration that the utility has submitted an application for a long-term loan to the Rural Electrification Administration which meets their requirements as evidence of economic feasibility and as a basis for awarding a short-term or interim loan.

(e) If a federal agency or financial institution participates in or guarantees a loan made under this chapter, it may elect to administer and service the loan for a reasonable fee not exceeding one-half of one percent of the unpaid balance to be paid from the interest on the loan.

(f) The state and federal agency or financial institution which participates in a loan shall each have a lien on the collateral or share the collateral to the extent of their respective parts of the total loan to a utility. The department may agree to subordinate a lien on collateral securing a short-term loan to the lien of the federal Rural Electrification Administration if, before the date the short-term loan was awarded, the utility entered into a federal loan agreement with the Rural Electrification

Section 42.08.050. ADMINISTRATION. Money loaned under this chapter shall be delivered to the borrower in the form of a warrant drawn on the treasury, and charged against the electric cooperative revolving loan fund. Upon repayment of loans in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money received shall be turned over to the commissioner of revenue for deposit in the electric cooperative revolving loan fund.

Sec. 42.080.060. SALE OR TRANSFER OF NOTES, MORTGAGES AND OTHER COLLATERAL.

(a) The commissioner may sell or transfer at par value or at a premium or discount to a bank or private purchaser for cash or other consideration the notes, mortgages and collateral held by the department as security for loans made under this chapter.

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

percent service fee.

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

Sec. 42.080.090. DEFINITIONS. In this chapter

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

(2) "department" means the Department of Commerce and Economic Development.

\* Sec. 3. This Act takes effect July 1, 1983.