

104TH CONGRESS
1ST SESSION

H. R. 1913

To reform and improve the rural electrification loan programs under the Rural Electrification Act of 1936.

IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 1995

Mr. BAKER of Louisiana introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To reform and improve the rural electrification loan programs under the Rural Electrification Act of 1936.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Rural Electrification
5 Loan Reform Act of 1995”.

6 **SEC. 2. FINDINGS.**

7 Congress finds that—

8 (1) the Rural Electrification Administration
9 was created to facilitate the electrification of rural
10 America by providing low-interest loans to electric

1 cooperative associations and other entities for the
2 purpose of constructing and improving rural electric
3 systems;

4 (2) more than 99 percent of the residents in
5 rural areas of the United States now have affordable
6 and reliable electric service;

7 (3) a large volume of loans, at subsidized inter-
8 est rates, continue to be made under the Rural Elec-
9 trification Act of 1936 to electric cooperative bor-
10 rowers who could obtain financing at reasonable
11 rates and terms from a source other than the Fed-
12 eral Government and these borrowers have become
13 significant and successful participants in an increas-
14 ingly competitive electric utility industry; and

15 (4) the Federal Government should make elec-
16 tric utility loans only to entities that cannot other-
17 wise obtain credit at reasonable rates and terms
18 from commercial lenders, as it does with Federal
19 loan programs to farmers and small businesses.

1 **TITLE I—IMPROVEMENTS TO THE RURAL**
2 **ELECTRIFICATION LOANS PROGRAMS**

3 **SEC. 101. REFERENCES TO THE RURAL ELECTRIFICATION**
4 **ACT OF 1936.**

5 As used in this title, the term “the Act” shall mean
6 the “Rural Electrification Act of 1936” (7 U.S.C. 901 et
7 seq.).

8 **SEC. 102. CONFORMING AMENDMENT.**

9 The Act is amended by striking “TITLE I—RURAL
10 ELECTRIFICATION” immediately prior to section 1 (7
11 U.S.C. 901).

12 **SEC. 103. OBJECTIVE OF THE ACT; INVESTIGATIONS AND**
13 **REPORTS.**

14 Effective October 1, 1995, section 2 of the Act (7
15 U.S.C. 902) is amended to read as follows:

16 “OBJECTIVE OF THE ACT; INVESTIGATIONS AND REPORTS

17 “SEC. 2. (a) The objective of this Act is to authorize
18 and empower the Secretary to make loans for the purposes
19 of—

20 “(1) furnishing and improving electric energy
21 services in rural areas of the several States and Ter-
22 ritories of the United States,

23 “(2) assisting rural electric borrowers to imple-
24 ment demand side management practices, energy
25 conservation programs, and on-grid and off-grid re-
26 newable energy systems, and

1 tion, forfeiture, or involuntary sale shall not be construed
2 as interfering with the purposes of this Act.

3 “(b)(1) Not later than 30 days after a borrower re-
4 ceives such compensation, the Secretary shall require the
5 borrower to use the proceeds of such compensation to pre-
6 pay, without penalty, all or any portion of the outstanding
7 balance on any loan that was made or guaranteed under
8 this Act for which the Secretary holds a mortgage to, or
9 other security interest in, the facility, property, right, or
10 franchise for which the compensation was provided.

11 “(2) The Secretary shall also permit the borrower to
12 use any proceeds of such compensation, in excess of the
13 amount needed to prepay a loan under paragraph (1), to
14 prepay, without penalty, all or any portion of any other
15 loan of the borrower made under this Act.”.

16 **SEC. 105. REPEAL OF AUTHORITY FOR TREASURY LOANS.**

17 Section 103 of the Act (7 U.S.C. 903) is repealed.

18 **SEC. 106. REPEAL OF AUTHORIZATION FOR 2 PERCENT IN-**

19 **TEREST RATE ELECTRIC LOANS.**

20 Section 4 of the Act (7 U.S.C. 904) is repealed.

21 **SEC. 107. REPEAL OF AUTHORIZATION FOR 2 PERCENT**

22 **ELECTRICAL AND PLUMBING EQUIPMENT**
23 **LOANS.**

24 Section 5 of the Act (7 U.S.C. 905) is repealed.

1 **SEC. 108. AUTHORIZATION FOR APPROPRIATIONS; REPEAL**
2 **OF REQUIREMENT FOR TESTIMONY; FEES**
3 **FOR NON-FINANCIAL ASSISTANCE AND SERV-**
4 **ICES.**

5 Section 6 of the Act (7 U.S.C 906) is amended to
6 read as follows:

7 “AUTHORIZATION OF APPROPRIATIONS: USER FEES FOR
8 NON-FINANCIAL ASSISTANCE AND SERVICES

9 “SEC. 6. (a)(1) Except as provided for in paragraph
10 (2), there are hereby authorized to be appropriated, out
11 of any money in the Treasury not otherwise appropriated,
12 such funds as necessary for the purpose of administering
13 this Act and for the purpose of making the studies, inves-
14 tigations, publications, and reports provided for in section
15 2.

16 “(2) For each of the fiscal years 1996 through 2000,
17 the amount authorized to be appropriated under para-
18 graph (1), or otherwise made available pursuant to this
19 Act, for the purpose of administering the rural electric
20 program, shall not exceed \$15,000,000.

21 “(b)(1) Effective October 1, 1995, the Secretary shall
22 establish a schedule of fees to charged for non-financial
23 assistance and services provided by the Secretary to loan
24 applicants, borrowers, and others pursuant to this Act.
25 Such assistance and services shall include, but not be lim-
26 ited to, those relating to accounting, personnel training,

1 engineering, management auditing, data process the infor-
2 mation system of other Federal laws or State laws.

3 “(2) In establishing the schedule of fees under para-
4 graph (1), the Secretary shall ensure that the amount of
5 each fee shall be sufficient to cover the reasonable cost
6 of the assistance or service provided, as determined by the
7 Secretary.

8 “(3) The recipient of any non-financial service or as-
9 sistance provided by the Secretary shall pay to the Sec-
10 retary the amount of the fee as established in the fee
11 schedule for such service or assistance at such time as the
12 Secretary may require. All fees paid to the Secretary pur-
13 suant to this subsection shall be deposited in the Treasury
14 and shall be available to the Secretary, without fiscal year
15 limitation, to pay the cost of providing such non-financial
16 assistance and services pursuant to this Act.”.

17 **SEC. 109. CONFORMING AMENDMENTS.**

18 Section 7 of this Act (7 U.S.C. 907) is amended by:

19 (a) In the first sentence, striking out “from the
20 sums authorized in section 3 of this Act”, and in-
21 sserting in lieu thereof “from funds made available
22 for the purposes of this Act”.

23 (b) In the second sentence, by striking out “No
24 borrower of funds under sections 4 or 201” and in-
25 sserting in lieu thereof “No borrower liable for the

1 repayment of any telephone loan made under section
2 201, and, except as otherwise provided for in section
3 2B or any other provision of this Act, no borrower
4 who is liable on any rural electric loan made under
5 this Act.”.

6 **SEC. 110. REPEALED OF OBSOLETE PROVISION RELATING**
7 **TO TRANSFER OF CERTAIN FUNCTIONS.**

8 (a) Section 8 of the Act (7 U.S.C. 908) is repealed.

9 (b) Any action made pursuant to section 8 prior to
10 its repeal by subsection (a) shall remain valid and in effect
11 unless otherwise revoked.

12 **SEC. 111. EXPENDITURES FOR PERSONAL SERVICES, SUP-**
13 **PLIES, AND EQUIPMENT.**

14 Section 11 of the Act (7 U.S.C. 911) is amended by
15 adding after “from sums appropriated pursuant to section
16 6” the following: “or from funds otherwise made available
17 for the purposes of administering this Act”.

18 **SEC. 112. PAYMENT DEFERRAL AUTHORITY.**

19 Section 12 of the Act (7 U.S.C. 912) is amended to
20 read as follows:

21 “EXTENSION OF TIME FOR REPAYMENT OF LOANS

22 “SEC. 12. The Secretary may extend the payment of
23 interest or principal of any loan made under this Act if
24 the Secretary determines that the borrower is experiencing
25 a financial hardship. No payment of interest or principal
26 shall be extended for more than 5 years after the date

1 on which such payment was originally due, and interest
2 shall accrue on the amount of any such payment at the
3 rate of interest on the underlying loan, which interest shall
4 become due and payable at the same time as the payment
5 for which the extension was made.”.

6 **SEC. 113. DEFINITION OF RURAL AREA.**

7 Section 13 of the Act (7 U.S.C. 913) is amended by
8 adding at the end thereof the following: “Any determina-
9 tion with respect to whether an area is a rural area, under
10 the preceding sentence, shall be made at the time the ap-
11 plication is filed, and, any previous determination that the
12 area was rural for the purposes of this Act shall not be
13 used to make such determination.”.

14 **SEC. 114. GENERAL PROHIBITIONS; ORIGINATION FEES;**
15 **USE OF CONSULTANTS.**

16 Section 18 of the Act (7 U.S.C. 918) is amended—

17 (a) In subsection (a), striking out “reduce any
18 loan or loan advance” and inserting in lieu thereof
19 “reduce any rural telephone loan or loan advance”;

20 (b) In subsection (b), after “connection with
21 any”, inserting “telephone”; and

22 (c) Striking out subsection (c).

1 **SEC. 115. AUTHORIZATION OF LOANS TO RURAL ELECTRIC**
2 **PROVIDERS.**

3 Effective October 1, 1995, the Act is amended by
4 adding after section 18 (7 U.S.C. 918) a new title I as
5 follows:

6 “TITLE I—RURAL ELECTRIFICATION LOANS

7 “LIMITATION ON AUTHORITY TO MAKE, INSURE, AND
8 GUARANTEE ELECTRIC LOANS

9 “SEC. 101. No electric loan shall be made, insured,
10 or guaranteed, under this Act after September 30, 1995,
11 except as authorized in sections 102 and 103.

12 “DIRECT ELECTRIC LOANS

13 “SEC. 102. (a) The Secretary is authorized and em-
14 powered to make loans to corporations, States, Territories,
15 and subdivisions and agencies thereof, municipalities, peo-
16 ple’s utility districts, and cooperative, nonprofit, or lim-
17 ited-dividend associations, organized under the laws of any
18 State or Territory of the United States, for the purpose
19 of financing the construction and operation of generating
20 plants, electric transmission and distribution lines or sys-
21 tems for the furnishing of electric energy to persons in
22 rural areas, including assisting electric borrowers to imple-
23 ment demand side management, energy conservation pro-
24 grams, and on-grid and off-grid renewable energy systems.

25 “(b) Loans made under this section shall be on such
26 terms and conditions relating to the expenditure of the

1 money loaned and the security therefore as the Secretary
2 shall determine.

3 “(c)(1) The Secretary shall prioritize the making of
4 loans authorized by this section to ensure that eligible ap-
5 plicants with the greatest need for Federal assistance shall
6 have the highest priority for available loan funds.

7 “(2) In establishing such priorities, the Secretary
8 shall consider the following indicators of need:

9 “(A) The net income before interest of the ap-
10 plicant.

11 “(B) The weighted average of per capita per-
12 sonal income for the area served or to be served by
13 the applicant.

14 “(C) The weighted average unemployment rate
15 of the area served or to be served by the applicant.

16 “(D) An average annual rate of growth in the
17 total kilowatt hour sales of the applicant during the
18 five year period preceding the date on which the ap-
19 plication was made.

20 “(E) The rate of disparity, measured as the dif-
21 ference between the residential rate of the applicant
22 and the average residential rate in the State for all
23 electric utilities, including utilities that are not bor-
24 rowers under this Act.

1 “(F) The rate level, measured by the average
2 revenue per kilowatt hour that is sold by the appli-
3 cant to residential and farm consumers.

4 “(G) The cost of power per kilowatt hour pur-
5 chased or generated by the applicant.

6 “(H) The total kilowatt hour sales per mile of
7 distribution and transmission line, excluding large
8 commercial and industrial consumers and sales for
9 resale.

10 “(I) The value of distribution and transmission
11 plants in service per kilowatt hours of electricity
12 sold.

13 “(d)(1)(A) The Secretary shall not make any loan
14 under this section if the Secretary determines that the ap-
15 plicant is capable of producing net income before interest
16 of more than 500 percent of the interest requirements on
17 all of the outstanding and proposed loans of the applicant
18 for which the final maturity is greater than one year.

19 “(B) If the Secretary determines that the applicant
20 is capable of producing net income before interest of more
21 than 200 percent of the interest requirement of all of the
22 outstanding and proposed loans of the applicant for which
23 the final maturity is greater than one year, the Secretary
24 shall require the applicant to secure at least 10 percent
25 of the total financing required for the proposed project

1 with a loan from a commercial, cooperative, or other le-
2 gally organized non-governmental lending institution,
3 which loan may not be guaranteed under section 103.

4 “(2) The Secretary shall not make a loan under this
5 section unless the Secretary determines that the applicant
6 is capable of producing income sufficient to repay the loan
7 in accordance to its terms within the agreed time, pay in-
8 terest on the loan as it becomes due, and repay all other
9 outstanding and proposed indebtedness of the applicant,
10 together with any interest thereon, as payments become
11 due.

12 “(3)(A) The Secretary shall not make any loan under
13 this section unless the Secretary determines that the appli-
14 cant is unable to obtain all or any part of the funds needed
15 by the applicant elsewhere, including from—

16 “(i) general funds of the applicant that are in
17 excess of an amount needed for a reasonable reserve,
18 or

19 “(ii) loans (with or without a guarantee under
20 section 103) from commercial, cooperative, or other
21 legally organized lending institutions at reasonable
22 rates and terms for loans for similar purposes and
23 periods of time.

24 “(B) The Secretary shall require the applicant to cer-
25 tify in writing that the applicant is unable to obtain suffi-

1 cient credit elsewhere to finance all or any part of the ac-
2 tual needs of the applicant at reasonable rates and terms,
3 taking into consideration prevailing rates for loans and ob-
4 ligations for similar purposes and periods of time.

5 “(4) The Secretary shall not make any loan under
6 this section unless the Secretary determines that the secu-
7 rity for the loan will be adequate to ensure full payment
8 of the loan.

9 “(5) The Secretary shall not make any loan under
10 this section unless the applicant has agreed to comply with
11 the requirements of the graduation program established
12 under section 105.

13 “(6) The Secretary shall not make any loan under
14 this section unless all additional requirements of section
15 104 have been met.

16 “(e) The term of each loan made under this section
17 shall be determined by the Secretary and shall not exceed
18 35 years, or the expected useful life of the assets being
19 financed, whichever is less.

20 “(f)(1) Except as provided for in paragraph (2), the
21 rate of interest on loans under this section shall be equal
22 to the then current cost of money to the Government of
23 the United States for obligations of comparable maturity.

24 “(2)(A) If the Secretary determines that the appli-
25 cant is not capable of producing net income before interest

1 of more than 200 percent of the interest requirements on
2 all of the outstanding and proposed loans of the applicant
3 for which the final maturity is greater than one year, the
4 rate of interest on the loan shall be the rate established
5 under paragraph (1) but not more than 5 percent per
6 year, except as provided under subparagraph (B).

7 “(B) For any loan whose term is 10 years or more
8 and whose interest rate is limited to 5 percent per year
9 under subparagraph (A), the Secretary shall review the
10 financial status of the borrower every 2 years, and, if the
11 Secretary determines that the borrower is capable of pro-
12 ducing net income before interest of more than 200 per-
13 cent of the interest requirements on all of the outstanding
14 and proposed loans of the applicant for which the final
15 maturity is greater than one year, the 5 percent limitation
16 shall no longer apply to the loan and the rate for the re-
17 maining term of the loan shall be the original rate estab-
18 lished under paragraph (1).

19 “(g) The Secretary shall charge a loan origination fee
20 of 1 percent of the amount of the loan if the Secretary
21 determines that the applicant is capable of producing net
22 income before interest of more than 200 percent of the
23 interest requirements on all of the outstanding and pro-
24 posed loans of the applicant for which the final maturity
25 is greater than one year.

1 “(h) The Secretary may provide a borrower the right
2 to make payment in full on a loan made under this section
3 in advance of final maturity on terms consistent with those
4 provided for commercial loans for similar purposes and
5 maturities.

6 “GUARANTEES OF ELECTRIC LOANS FROM NON-GOVERN-
7 MENTAL SOURCES OF CREDIT; LIEN ACCOMMODA-
8 TIONS

9 “SEC. 103. (a)(1) To the extent set out in paragraph
10 (2), the Secretary is authorized and empowered to guaran-
11 tee loans that are made by commercial, cooperative, or
12 other legally-organized non-governmental lending institu-
13 tions to any entity for any purpose described in section
14 102(a).

15 “(2) The Secretary shall guarantee only the payment
16 of that portion of the principal of the loan, and that por-
17 tion of the interest thereon, that the lender requires as
18 a condition for making the loan. The amount of any such
19 guarantee shall not exceed 90 percent of the principal of
20 the loan and the interest thereon.

21 “(3) The Secretary shall not guarantee any loan to
22 an entity that the Secretary determines is capable of pro-
23 ducing income before interest of more than 600 percent
24 of the interest requirements on all of the outstanding and
25 proposed loans of the entity for which the final maturity
26 is greater than one year.

1 “(4) The Secretary shall impose such fees and
2 charges to cover the administrative expense related to any
3 guarantee made under this section as the Secretary deter-
4 mines reasonable.

5 “(5) Any contract of guarantee executed by the Sec-
6 retary under this section shall be an obligation supported
7 by the full faith and credit of the United States and incon-
8 testable except for fraud or misrepresentation of which the
9 holder of the guarantee had actual knowledge at the time
10 it became a holder.

11 “(b) In order to encourage non-governmental lenders
12 to make loans to eligible entities, or to provide a greater
13 portion of the credit needs of an applicant for a loan under
14 section 102, the Secretary is authorized to share the Gov-
15 ernment’s lien on the loan applicant’s or borrower’s assets
16 or to subordinate the Government’s lien on the property
17 to be financed by the lender. The Secretary shall not offer
18 such accommodation or subordination unless the Secretary
19 determines that the security for all loans made or guaran-
20 teed under this Act, the payment of which the borrower
21 is liable, will remain reasonably adequate.

22 “ADDITIONAL REQUIREMENTS AND PROVISIONS

23 RELATING TO LOANS AND GUARANTEES

24 “SEC. 104. (a) The Secretary shall not make any loan
25 under section 102 or guarantee any loan under section
26 103—

1 “(1) if the applicant or borrower has not agreed
2 to follow generally accepted accounting procedures
3 and management practices; and

4 “(2) if the applicant or borrower fails to agree
5 to provide to the Secretary a complete and current
6 set of all residential, commercial, or industrial tariffs
7 or rate schedules, power sale agreements, and trans-
8 mission agreements, and any subsequent changes
9 made thereto, and any additional power sale and
10 transmission agreements entered into by the bor-
11 rower, during the term of the loan; any such tariffs,
12 schedules, and agreements provided to the Secretary
13 shall be deemed public information and shall be
14 made available within 10 working days of receipt of
15 a verbal, written, or electronically transmitted re-
16 quest reasonably describing the information sought.

17 “(b) The Secretary shall ensure that funds shall not
18 be advanced under any loan made under section 102 or
19 guaranteed under section 103 unless the approval of any
20 State or Federal agency required with respect to the
21 project to be financed by the loan, or its financing, has
22 been obtained and remains in effect.

23 “(c) If the Secretary determines that the level of gen-
24 eral funds of an applicant or borrower is in excess of that

1 needed for a reasonable reserve, the Secretary shall re-
2 duce—

3 “(A) the amount of the loan request in the case
4 of an applicant under section 102,

5 “(B) the amount of any advance on a loan
6 made under section 102, or

7 “(C) the amount of any guarantee under sec-
8 tion 103.

9 “(d) Loans may be made under section 102 or guar-
10 anteed only to the extent that electrical service to consum-
11 ers in rural areas will be provided or improved by the facil-
12 ity being financed.

13 “GRADUATION PROGRAM

14 “SEC. 105. (a) The Secretary shall establish a pro-
15 gram under which at least once every 2 years each loan
16 made under section 102 shall be reviewed to determine
17 whether the borrower—

18 “(1) is able to repay all or any part of the loan
19 with general funds in excess of that needed for a
20 reasonable reserve, or

21 “(2) may be able to obtain credit from a com-
22 mercial, cooperative, or other legally organized non-
23 governmental lending institution in an amount suffi-
24 cient to meet all or any part of the credit needs of
25 the borrower at reasonable rates and terms, taking

1 into consideration prevailing rates for loans and obli-
2 gations for similar purposes and periods of time.

3 “(b)(1) To the extent that the Secretary determines
4 that the borrower is able to repay all or any part of the
5 loan from general funds, the borrower shall make payment
6 in full or in part on the loan, without penalty, prior to
7 the final maturity date of the loan.

8 “(2) If the Secretary determines that the borrower
9 may be able to meet all or any part of its credit needs
10 for other lenders, with or without a loan guarantee under
11 section 103, the borrower will be required to—

12 “(A) apply for and accept credit from such
13 lenders, and purchase any stock necessary in connec-
14 tion with the loan if the source is a cooperative lend-
15 ing institution; and

16 “(B) use the proceeds of such credit to make
17 payment, in full or in part, without penalty, on any
18 loan made to the borrower under section 102 prior
19 to the full maturity date of such loan.

20 “FAILURE TO COMPLY WITH THE ACT

21 “SEC. 106. If a borrower of a loan made under sec-
22 tion 102 fails to comply with any provision of this Act,
23 or any agreement between the borrower and the Secretary
24 made pursuant thereto, including, but not limited to, the
25 provisions of section 104(a)(6) and section 105, the
26 amount outstanding on the loan shall become due and pay-

1 able upon receipt of a written notice of such failure issued
2 by the Secretary to the borrower. Such notice shall be
3 given to the borrower as soon as possible after such failure
4 to comply with the Act occurs.

5 “LIMITATION ON AUTHORIZATION FOR APPROPRIATIONS

6 “SEC. 107. In the case of each fiscal year 1996
7 through 2000, there are authorized to be appropriated to
8 the Secretary for the cost, as defined in section 502 of
9 the Congressional Budget Act of 1974, of loans made and
10 guaranteed under this title, \$25,000,000.”

11 **SEC. 116. CONFORMING AMENDMENT.**

12 Section 201 of the Act (7 U.S.C. 922) is amended,
13 in the first sentence, by—

14 (a) striking out “section 3 of”; and

15 (b) striking out “as are provided in section 4 of
16 this Act” and inserting “as was provided in section
17 4 of this Act prior to its repeal.”

18 **SEC. 117. RURAL ELECTRIFICATION AND TELEPHONE RE-**
19 **VOLVING FUND.**

20 Section 301 of the Act (7 U.S.C. 931) is amended
21 by—

22 (a) redesignating subsection (a) as subsection

23 (b);

24 (b) adding a new subsection (a) as follows:

1 “(a) The provisions of this title shall be applicable
2 only to rural electric loans made prior to October 1, 1995,
3 and to rural telephone loans.”; and

4 (c) in subsection (b), as redesignated,—

5 (1) in paragraph (1), striking out “under
6 sections 4, 5, and 201 of this Act” and insert-
7 ing in lieu thereof “under sections 4 and 5,
8 prior to their repeal, and section 201 of this
9 Act”;

10 (2) in paragraph (2), striking out “under
11 sections 4, 5, and 201” and inserting in lieu
12 thereof “under sections 4 and 5, prior to their
13 repeal, and section 201 of this Act”; and

14 (3) in paragraph (3)—

15 (A) striking out “notwithstanding sec-
16 tion 3(a) of title I”; and

17 (B) striking out “held under titles I
18 and II of this Act” and inserting in lieu
19 thereof “held under sections 2 through 18
20 of this Act, prior to the amendments made
21 thereto by the “Rural Electrification Loan
22 Reform Act of 1995, and title II of this
23 Act”.

1 **SEC. 118. CONFORMING AMENDMENTS.**

2 Section 302 of the Act (7 U.S.C. 932) is amended
3 by—

4 (a) in subsection (a), striking out “under sec-
5 tions 4, 5, and 201 of this Act” and inserting in lieu
6 thereof “under sections 4 and 5, prior to their re-
7 peal, and section 201 of this Act”; and

8 (b) in subsection (b)—

9 (1) in paragraph (1), striking out “under
10 sections 4, 5, and 201 of this Act” and insert-
11 ing in lieu thereof “under sections 4 and 5,
12 prior to their repeal, and section 201 of this
13 Act”; and

14 (2) in paragraph (2), adding after “pursu-
15 ant to section 3(a) of this Act” the following:
16 “prior to its repeal”.

17 **SEC. 119. COST OF MONEY RATES FOR CERTAIN ELECTRIC**
18 **BORROWERS.**

19 Section 305(c)(2) of the Act (7 U.S.C. 935(c)(2)) is
20 amended to read as follows:

21 “(2) COST OF MONEY LOANS.—The Secretary
22 shall make insured electric loans, to the extent of
23 qualifying applications, to eligible applicants that do
24 not meet the requirements for hardship loans under
25 paragraph (1) at the rate of interest equal to the

1 then current cost of money to the Government of the
2 United States for loans of similar maturity.”.

3 **SEC. 120. LIMITATION ON TERM OF LOANS.**

4 Section 305(c) of the Act (7 U.S.C. 935(c)) is amend-
5 ed by adding at the end thereof a new paragraph (4) as
6 follows:

7 “(4) LIMITATION ON TERMS OF LOANS.—The
8 term of any loan made under this subsection may
9 not exceed the expected useful life of the assets
10 being financed or 35 years, whichever is less.”.

11 **SEC. 121. ACCOMMODATION AND SUBORDINATION OF**
12 **LIENS TO ASSIST CERTAIN BORROWERS IN**
13 **ACQUIRING CREDIT AFTER OCTOBER 1, 1995.**

14 Effective October 1, 1995, section 306 of the Act (7
15 U.S.C. 936) is amended by—

16 (a) adding “(a)” before the first sentence; and

17 (b) adding at the end thereof a new subsection

18 (b) as follows:

19 “(b) In order to assist borrowers with outstanding
20 electric loans made under this Act prior to October 1,
21 1995, who are not eligible for loans under section 102 to
22 meet their further credit needs from commercial, coopera-
23 tive, or other legally organized lending institutions, the
24 Secretary is authorized to share the Government’s lien on
25 the borrower’s assets or to subordinate the Government’s

1 lien on the property to be financed by the lender to the
2 extent that the Secretary determines that the security for
3 all loans of the borrower made or guaranteed under this
4 Act will remain reasonably adequate.”.

5 **SEC. 122. REPEAL OF AUTHORIZATION TO REFINANCE FED-**
6 **ERAL FINANCING BANK LOANS.**

7 Section 306C of the Act (7 U.S.C. 936c) is repealed.

8 **SEC. 123. REPEAL OF REQUIREMENT FOR SPECIAL TREAT-**
9 **MENT OF CERTAIN ELECTRIC BORROWERS.**

10 Section 306E of the Act (7 U.S.C. 936e) is repealed.

11 **SEC. 124. REPEAL OF 30 PERCENT LIMITATION ON RE-**
12 **QUIRED FINANCING FROM OTHER SOURCES.**

13 Section 307 of the Act (7 U.S.C. 937) is amended
14 by striking the last sentence thereof.

15 **SEC. 125. REPEAL OF AUTHORIZATION TO REFINANCE CER-**
16 **TAIN RURAL DEVELOPMENT LOANS.**

17 Section 310 of the Act (7 U.S.C. 940) is repealed.

18 **SEC. 126. USE OF FUNDS.**

19 Section 312 of the Act (7 U.S.C. 940b) is repealed.

20 **SEC. 127. REPEAL OF CUSHION OF CREDIT PAYMENTS.**

21 Section 313 of the Act (7 U.S.C. 940c) is repealed.

22 **SEC. 128. REPEAL OF CERTAIN AUTHORIZATIONS FOR**
23 **APPROPRIATIONS.**

24 Section 314 of the Act (7 U.S.C. 940d) is amended
25 in subsection (b) by—

- 1 (a) striking out paragraphs (1) and (2); and
2 (b) renumbering paragraphs (3) and (4) as
3 paragraphs (1) and (2), respectively.

4 **TITLE II—PRESERVATION OF EXCLUSIVE**
5 **STATE JURISDICTION OVER RETAIL**
6 **ELECTRIC SERVICE TERRITORIES**

7 **SEC. 201. AMENDMENT TO THE FEDERAL POWER ACT OF**
8 **1935.**

9 Section 201 of the Federal Power Act of 1935 (16
10 U.S.C. 824) is amended by adding at the end thereof the
11 following new subsection:

12 “(h) EXCLUSIVE STATE JURISDICTION OVER ALLO-
13 CATION OF RETAIL ELECTRIC SERVICE TERRITORIES.—
14 Notwithstanding any other provision of law, the regulation
15 and allocation of service territories or service areas to pro-
16 viders of electric service shall be subject only to State law
17 and shall not be subject to the requirements of this Act,
18 or any other provision of Federal law. No Executive agen-
19 cy (as defined in section 105 of title 5, United States
20 Code) shall have authority to preempt or interfere with
21 the operation of any law of a State or a political subdivi-
22 sion of a State relating to a service territory or service
23 area allocation to providers of electric service.”.

○

HR 1913 IH—2