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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 5, 2009

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that creates the Greater Railbelt Energy and Transmission Corporation and empowers the corporation to plan for the financing, acquisition, construction, ownership, and operation of necessary electric power generation and transmission assets and services that would be necessary to provide the Railbelt with adequate, reliable, safe, and stable electric power and transmission services, at the lowest feasible long-term cost.

The electric power generation assets in the Railbelt are aging, and low-cost Cook Inlet natural gas supplies are not expected to be plentiful in the future. New electric power generation projects with more diverse fuel sources will be needed. The creation and empowerment of a new public corporation will help coordinate the efforts of the interconnected Railbelt electric utilities.

This bill is one component of legislation to implement my statewide energy plan. This bill only initiates necessary efforts regarding the Railbelt. The bill would provide a framework for planning among the corporation, Railbelt utilities, and the state. These planning efforts are anticipated to result in further legislative proposals in 2010 for addressing the Railbelt's electric power needs.

Section 1 of the bill would create and empower the Greater Railbelt Energy and Transmission Corporation (corporation) within AS 42.50. Under AS 42.50.010, the corporation would be a statutory, non-profit corporation, similar in corporate form to the Commercial Fishing and Agriculture Bank. The corporation would have the primary public purpose, and corporate powers, to provide Railbelt utilities with adequate, reliable, safe, and stable electric power and transmission services, at the lowest feasible long-term cost (AS 42.50.010, 42.50.100, 42.50.110, and 42.50.160). The corporation would be governed by a board of directors composed of up to 12 persons from the Railbelt utilities, and one public member appointed by the Governor (AS 42.50.020). The Railbelt utilities would collectively retain control over their future electric power generation and transmission needs, and could exercise that control through the corporation. Members of the corporation would be the

The Honorable Gary Stevens

March 5, 2009

Page 2

ratepayers of individual Railbelt utilities, with member governance exercised, and member benefits received, solely through the member's electric utility (AS 42.50.050). The corporation would be responsible for planning for the financing, and planning for the acquisition or construction, of electric power generation and transmission assets or services necessary to serve the Railbelt (AS 42.50.120, 42.50.130, and 42.50.140). The corporation would make reports to the Governor, Legislature, members of the corporation, and the public; and would be subject to legislative audit (AS 42.50.200 and 42.50.230). Section 1 of the bill also defines certain terms (AS 42.50.900).

Sections 2 - 7 and 12 of the bill would provide for the contingent removal from participation in the corporation of any individual Railbelt electric utility that did not deliver to the Alaska Energy Authority, on or before January 19, 2010, an acceptable letter of intent under which the utility would commit to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility. Sections 2 - 7 of the bill would repeal from the definition of "Greater Railbelt electric utilities" individual Railbelt electric utilities. Section 12(a) of the bill would make the individual repeals of sections effective if the individual utility does not deliver an adequate letter of intent. These sections, effectively, would enable individual Railbelt electric utilities to elect not to participate with and through the corporation. Section 12(c) of the bill would require the executive director of the Alaska Energy Authority to notify the Lieutenant Governor and revisor of statutes if any of these conditions are met. Section 12(d) of the bill defines terms used in the section.

Section 8 of the bill would establish obligations on the corporation to organize and, jointly with the Alaska Energy Authority, develop on or before January 19, 2010, a transition and finance plan to enable the corporation to become an all requirements supplier of electric power and transmission services to Railbelt electric utilities. The bill recognizes the reality that no new corporation can immediately fulfill the goals set for the corporation. Existing electric power generation and transmission assets and services owned and operated by Railbelt utilities and the state must be integrated into the corporation, together with anticipated new assets and services. Only under a phased transition can the corporation acquire necessary assets and services to enable it to become the supplier of electric power generation and transmission services to Railbelt electric utilities. Under sec. 8(a), the plan would have to include a phased commitment agreement that identifies commitments by the state, corporation, and utilities to enable the corporation to achieve its corporate purposes, and a commitment by utilities to obtain electric power and transmission services from the corporation. The plan would also have to address financing for necessary new projects, and include provisions that ensure the repayment of existing and new debt, and otherwise ensure that the creation and transition not negatively affect the ability to finance necessary Railbelt electric power generation and transmission assets and services. The plan must address the corporation's acquisition of assets. The plan must propose statutory changes to improve the ability of the corporation to achieve its purposes. Under sec. 8(b), the corporation would

The Honorable Gary Stevens

March 5, 2009

Page 3

annually report on progress towards implementing the transition and finance plan. Section 8(c) defines terms used in the section.

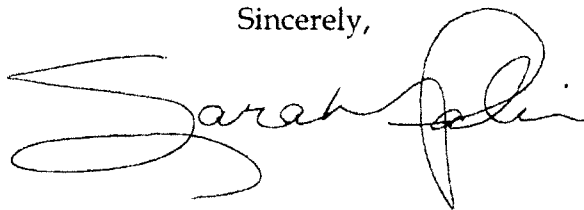
Section 9 of the bill would require the corporation to report to the Governor and Legislature with proposed statutory changes regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation. Section 9(a) identifies principles that the corporation would have to include in its proposed legislation. Section 9(b) defines terms used in the section.

Section 10 of the bill would authorize the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. Section 10(a) would authorize the conveyances and would clarify that the Alaska Energy Authority may contract to allow the corporation to operate the projects, or agree to convey the projects in the future after bonds or debt are paid, refinanced, or defeased, or after approvals are obtained. Section 10(b) defines terms used in the section.

Sections 11 and 12(b) of the bill would provide for the contingent repeal of the authorization under Section 10 for the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. Section 11 would repeal section 10 of the bill. Section 12(b) would make Section 11 take effect if none of the utilities deliver to the Alaska Energy Authority, on or before July 31, 2010, an acceptable letter of intent under which the utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility. Section 12(c) would require the executive director of the Alaska Energy Authority to notify the Lieutenant Governor and revisor of statutes if this condition is met. Section 12(d) defines terms used in the section.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah Palin". The signature is fluid and cursive, with a large, stylized "S" at the beginning and a long, sweeping underline that extends across the name.

Sarah Palin
Governor

SB 143

Sectional Analysis

Section 1. (Page 1, line 10 – page 12, line 20) Section 1 creates and empowers the Greater Railbelt Energy and Transmission Corporation (“corporation”) within AS 42.50. The corporation has the primary public purpose, and corporate powers, to provide Greater Railbelt electric utilities with adequate, reliable, safe, and stable wholesale electric power and transmission services, at the lowest feasible long-term cost. The corporation will plan for the financing, and acquisition or construction of electric power generation and transmission assets or services necessary to serve the Railbelt.

The corporation is similar in corporate form to the Commercial Fishing and Agriculture Bank (AS 44.81 – “CFAB”). Both are statutory corporations that are not public corporations of the state or otherwise agencies of state government. However, CFAB and the corporation differ in governance structure. CFAB is structured and operated as a cooperative corporation, and is governed by a board of directors with two directors appointed by the governor and the remaining five to seven directors elected by members. In contrast, the corporation is a non-profit corporation, governed by a board of directors composed of up to 12 persons selected by the Greater Railbelt electric utilities, and one public member appointed by the governor. Members of the corporation are the ratepayers of individual Greater Railbelt electric utilities, with member governance exercised, and member benefits received, solely through the member’s electric utility. The Greater Railbelt electric utilities thereby collectively retain control over their future electric power generation and transmission needs, and can exercise that control through the corporation.

Specific sections of AS 42.50 within section 1 of the bill include:

AS 42.50.010. (Page 1, line 12 – page 2, line 23) Establishes the corporation as a non-profit corporation, and describes the purposes of the corporation, including to plan for and take actions necessary to provide the Railbelt with adequate, reliable, safe, and stable electric power at the lowest feasible cost. The section clarifies that the corporation is exempt from certain statutes applicable to other corporations. The section further clarifies that the corporation may not be considered to be or constitute the state, state government, or a political subdivision so that statutes applicable to such entities (*e.g.* the Executive Budget Act or the Procurement Code) will not apply to the corporation. Finally, the section declares that the exercise of powers by the corporation is considered to be for a public purpose, which will make the corporation more readily eligible for state financial assistance.

AS 42.50.020. (Page 2 line 24 – page 3 line 17) Establishes provisions for the board of directors to govern the corporation. The governor will appoint one director, and each Greater Railbelt electric utilities will have two representative directors, for a total of up to 13 directors.

AS 42.50.030. (Page 3 line 18 – page 4 line 26) Establishes rules related to noticing and conducting meetings of the board of directors, including requiring public meetings, and establishing rules and criteria for executive sessions of the board.

AS 42.50.040. (Page 4 line 27 – page 5 line 7) Establishes provisions for the corporation to hire employees, including a chief executive officer. Declares that employees of the corporation are not employees of the state and are not considered to be employees of a public organization for purposes of the Public Employees' Retirement System of Alaska (AS 39.35).

AS 42.50.050. (Page 5 lines 8 - 12) Establishes that ratepayers of the individual Greater Railbelt electric utilities are the members of the corporation, and provides that members are represented by, and receive benefits solely through, their respective electric utility.

AS 42.50.060. (Page 5 lines 13 - 16) Authorizes the corporation's board to adopt bylaws, and requires that bylaws be consistent with AS 42.50 and other laws applicable to the corporation.

AS 42.50.070. (Page 5 lines 17 - 21) Authorizes the corporation to indemnify, or purchase insurance on behalf of, directors, officers and employees.

AS 42.50.100. (Page 5 line 22 – page 7 line 24) Authorizes the corporation to exercise enumerated general powers that will enable the corporation to fulfill its corporate purposes to plan for and take actions necessary to provide the Railbelt with adequate, reliable, safe, and stable electric power at the lowest feasible cost. These general powers include enabling the corporation to plan for, finance, construct or acquire electric power generation and transmission facilities or services, fuel supplies and fuel storage facilities, and other facilities necessary or convenient to accomplish the corporation's purposes. The corporation may work with the state regarding energy planning, and with the Greater Railbelt electric utilities regarding their energy needs. The corporation may exercise eminent domain to acquire necessary land interests using statutory authority available to electric utilities. And, the corporation may create subsidiary corporations, including non-profit subsidiary corporations under AS 10.20, if that creates better opportunities to finance, construct or acquire necessary facilities, assets or services.

AS 42.50.110. (Page 7 lines 25 – 30) Establishes that the corporation has all the powers and duties of a regulated electric utility, except the corporation is not required to obtain a certificate of public convenience and necessity, and the corporation may not make retail sales of electric power.

AS 42.50.120, AS 42.50.130, and AS 42.50.140. (Page 7 line 31 – page 9 line 5) Three sections, collectively, impose a framework for the corporation to plan for future electric power generation and transmission needs for the Greater Railbelt region service territory. **AS 42.50.120** imposes a duty on corporation to adopt, regularly review, and update an integrated resources plan. The corporation in this plan will analyze the anticipated future electric power needs of the Greater Railbelt electric utilities, and select electric generation and transmission projects that will best meet those future needs. **AS 42.50.130** imposes a duty on corporation to adopt, regularly review, and update a long-range capital improvement plan. The corporation in this plan, and building upon the integrated resources plan, will identify anticipated capital improvement projects and otherwise describe how the corporation intends to accomplish its corporate purposes over the following 10 years. **AS 42.50.140** imposes duty on corporation to adopt, regularly review, and update a long-range capital management plan. The corporation in this plan, and building upon both the integrated resources plan and the long-range capital improvement plan, will describe the corporation's plans for financing capital improvement projects and other fiscal needs over the following 10 years. Each of these sections also require the corporation to make these plans available on the Internet to Greater Railbelt electric utilities, members of the corporation, the governor, the legislature, and the public.

AS 42.50.150. (Page 9 lines 6 – 14) The state pledges to any lender to the corporation that the state will not limit or alter the rights of the corporation to fulfill terms of contracts, or impair remedies available to the lender. Without this pledge, concerns about the corporation repaying debt might arise, which might make lenders unwilling to provide debt financing to the corporation.

AS 42.50.160. (Page 9 line 15 – 21) Authorizes the corporation to acquire long-term fuel supplies to ensure electric power generation facilities can continue to operate without fuel related interruptions. The corporation may acquire fuel supplies in conjunction with other persons who acquire fuel for other purposes, including purposes unrelated to electric power. Cook Inlet gas supplies may not be plentiful in the future. The acquisition of fuel supplies in conjunction with other users of fuel may offer economic advantages to the corporation.

AS 42.50.170. (Page 9 line 22 - 24) Establishes that the corporation's real and personal property, assets, income, and receipts are exempt from state and local taxes and special assessments. This tax exemption is revenue neutral to state and local governments. The Greater Railbelt electric utilities are comprised of municipal and cooperative electric utilities. Municipal electric utilities do not pay taxes. Cooperative electric utilities are exempt from state and local taxes, and instead pay an electric cooperative tax on retail sales of electricity. Only Greater Railbelt electric utilities will sell electricity at retail because the corporation may not make retail electric power sales (AS 42.50.110(b)). Electric cooperatives will pay the electric cooperative tax on all electric power obtained from the corporation, so state and local governments will not lose tax revenues as a result of this tax exemption.

AS 42.50.200. (Page 9 line 25 – page 10 line 2) Obligates the corporation to publish an annual report, which report must include audited financial statements and other information requested by the legislature.

AS 42.50.210. (Page 10 lines 3 - 29) Establishes rights of Greater Railbelt electric utilities, members of the corporation, and the public to inspect books and records of the corporation, and describes books and records that the corporation may withhold from inspection.

AS 42.50.170. (Page 10 line 30 – page 11 line 22) Establishes provisions for audits and examinations of the corporation. The section authorizes the legislative auditor to cause the corporation to be audited, and establishes processes that will apply. The section also requires an annual audit of the corporation by an independent outside auditor.

AS 42.50.900. (Page 11 line 23 – page 12 line 20) Defines certain terms used in AS 42.50.

Sections 2-7, and section 12. (Page 12 lines 21 – 26, and page 17 line 13 – page 18 line 14) Sections 2 – 7, and 12 provide a mechanism to remove from participation in the corporation individual Greater Railbelt electric utilities that do not desire to participate in the corporation. To continue participation in the corporation, a Greater Railbelt electric utility must deliver to the Alaska Energy Authority by July 31, 2010, an acceptable letter of intent under which the utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility. These sections, effectively, enable individual Greater Railbelt electric utilities to elect to opt out of the corporation.

Sections 2 - 7 of the bill (page 12 lines 21 – 26) repeal from the definition of “Greater Railbelt electric utilities” under AS 42.50.900(5), individually listed

Greater Railbelt electric utilities. For example, section 2 would repeal AS 42.50.900(5)(A) which lists “Homer Electric Association, Inc.” within the definition of “Greater Railbelt electric utilities. Sections 3 – 7 would repeal other portions of AS 42.50.900(5) which list other electric utilities. If a utility is removed from the definition of “Greater Railbelt electric utilities, the utility would no longer be empowered to participate in the corporation. For example, removal of a utility from the definition would eliminate that utility’s right to have two directors on the board (*see* AS 42.50.020(a)(1) – page 2 lines 26 - 29).

Subsection 12(a) (page 17 lines 13 – 28) makes the repeal of the individual portions of AS 42.50.900(5) effective if the respective individual utility does not deliver to the Alaska Energy Authority an adequate letter of intent. Subsection 12 (c) (page 17 line 31 – page 18 line 2) requires the executive director of the Alaska Energy Authority to notify the lieutenant governor and revisor of statutes if any of the conditions are met. Subsection 12(d) (page 18 lines 3 - 14) defines terms used in section 12 of the bill.

Section 8. (Page 12 line 27 – page 15 line 2) Section 8 establishes obligations on the corporation to organize and, jointly with the Alaska Energy Authority, develop by January 19, 2010 a transition and finance plan to enable the corporation to become an all requirements supplier of electric power and transmission services to Greater Railbelt electric utilities. The section recognizes the reality that no new entity can immediately fulfill the goals set for the corporation. Existing electric power generation and transmission assets and services owned and operated by Greater Railbelt electric utilities and the state must be integrated into the corporation, together with anticipated new assets and services. Only under a phased transition can the corporation acquire necessary assets and services to enable it to become the supplier of electric power generation and transmission services to Greater Railbelt electric utilities.

The finance plan will identify how any new assets, or upgrades to existing assets, can be financed. The corporation will also identify how best the State of Alaska can assist in this financing, whether it be through cash capitalization, credit, or both. Any assistance provided by the State will have to be approved by the Legislature. In the short term, this could amount to hundreds of millions of dollars. In the long term, it could exceed a billion dollars. The Energy Team at the Alaska Energy Authority will work with the corporation on this finance plan, while at the same time work with members of the Legislature to determine the optimum means to finance investments all across Alaska.

Under subsection 8(a) (page 12 line 29 – page 14 line 9), the corporation must organize and jointly with the Alaska Energy Authority, develop a transition and finance plan. The plan must include or address several components. The plan

must include a phased commitment agreement that identifies commitments by the state, corporation and utilities to enable the corporation to achieve its corporate purposes, and a commitment by utilities to obtain electric power and transmission services from the corporation. The plan must address financing for necessary new projects, and include provisions to ensure that the creation and transition not negatively effect the ability of the corporation and utilities to finance necessary Railbelt electric power generation and transmission assets and services. Such provisions include ensuring the repayment of existing and new debt. The plan must address the corporation's acquisition of assets. The plan may propose statutory changes to improve the ability of the corporation to achieve its purposes.

Under subsection 8(b) (page 14 lines 10 – 23), the corporation must annually report on progress towards implementing the transition and finance plan.

Subsection 8(c) (page 14 line 24 – page 15 line 2), defines certain terms used in section 8 of the bill.

Section 9. (Page 15 line 3 – page 16 line 7) Section 9 requires the corporation to report to the governor and legislature with proposed statutory changes regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation.

Subsection 9(a) (page 15 lines 7 – 29) identifies principles that the corporation must include in its proposed legislation. Rates must be based upon the reasonable costs of the corporation, and be adequate to cover financing covenants. A single, system wide rate must be established for Greater Railbelt electric utilities that become all requirements purchasers. The scope of review by the Regulatory Commission of Alaska must be established, and a simplified process for determining rates and revenue requirements must be proposed.

Nothing in section 9 obligates the legislature to take any particular action in response to the legislation to be proposed by the corporation. If the legislature takes no further action regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation, under AS 42.50.110 to be enacted in section 1 of the bill (page 7 lines 25 – 30), the corporation would remain subject to full regulation by the Regulatory Commission of Alaska, excepting that the corporation would not need to obtain a certificate of convenience and public necessity under AS 42.05.221.

Subsection 9(b) (page 15 line 30 – page 16 line 7) defines certain terms used in section 9 of the bill.

Section 10. (Page 16 line 8 – page 17 line 10) Section 10 authorizes the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation.

Bradley Lake Hydroelectric Project is a storage hydro electric power project located near Homer, Alaska. The project has a peak capacity of 126 MW, with significant water storage held behind a rock fill dam. Bradley Lake is an important part of the Railbelt operating power portfolio, providing 5-10% of the annual Railbelt electric power needs at the lowest Railbelt wide generation cost. Under the power sales agreement, 100 percent of the project's capacity and energy has been sold to Railbelt utilities, including: Chugach Electric Association, Inc. (30.4%); Municipality of Anchorage d/b/a Municipal Light and Power Utility (25.9%); Golden Valley Electric Association, Inc. (16.9%); Matanuska Electric Association, Inc. (through Alaska Electric Generation and Transmission Cooperative, Inc.) (13.8%); Homer Electric Association, Inc. (through Alaska Electric and Energy Cooperative, Inc.) (12.0%); and City of Seward, Electric Utility Department (1.0%).

The Alaska Intertie is a 170 mile long electrical transmission line that stretches from Healy River to Willow, and under agreements authorizing the use of Matanuska Electric Association owned transmission lines, extends an additional approximately 25 miles to the Teeland Substation near Knik. An ongoing extension project will extend the Alaska Energy Authority owned line from Willow to the Chugach Electric Association transmission system. This extension will become a part of the project. The Alaska Intertie connects the southern Railbelt Utilities electrically with Golden Valley Electric Association that serves communities to the north of the Alaska Range. Designed to move power in both directions, the intertie has been used chiefly to convey inexpensive electrical energy produced by Chugach Electric and Municipal Light and Power northward to become a part of the GVEA energy portfolio. Recently, power flows have flowed from GVEA south to the Chugach system, when Chugach lacked access to sufficient natural gas to carry the Chugach system load.

Subsection 10(a) (page 16 lines 10 – 23) authorizes the conveyances and clarifies that the Alaska Energy Authority may take other actions before actual conveyances. The Alaska Energy Authority may contract to allow the corporation to operate and maintain the project. Such a contract would provide the corporation with some level of control over the assets prior to actual conveyance. The Alaska Energy Authority may also contract and agree to convey the projects in the future after bonds or debt are paid, refinanced, or defeased, or after approvals are obtained. This provision provides the same flexibility the corporation will require in planning for acquiring assets under the transition and finance plan to be developed in section 8 of the bill. The corporation will need to review and address

all contractual, regulatory, or other restrictions on the transfer of assets into the corporation. With respect to the Bradley Lake hydroelectric project, this will include review of covenants related to outstanding bonds, and transfer of the FERC license. The flexibility provided in subsection 10(a) and the transition and finance plan under section 8 may enable the corporation to integrate facilities and assets into corporation's operations without first obtaining ownership.

The conveyances of the Bradley Lake hydroelectric project and the Alaska Intertie will be subject to, and will not eliminate, existing contractual rights of various Greater Railbelt electric utilities. For example, the power generated by the Bradley Lake hydroelectric project is already sold to the utilities under a power sales agreement. The right to use the Alaska Intertie is subject to provisions of the Alaska Intertie Agreement. However, the Alaska Intertie Agreement is scheduled to terminate in October 2010, and has been subject of renegotiations between the Alaska Energy Authority and Greater Railbelt electric utilities that participate in the project. The Alaska Energy Authority anticipates that the parties will address as part of the transition and finance plan, whether negotiations with the utilities regarding the agreement should be completed by the corporation rather than the Alaska Energy Authority.

Subsection 10(b) (page 16 line 24 – page 17 line 10) defines certain terms used in section 10 of the bill.

Sections 11 and 12. (Page 17 line 11 – page 18 line 14) Sections 11 and 12 provide for the contingent repeal of section 10 of the bill which authorizes the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the corporation. That repeal will take effect if none of the Greater Railbelt electric utilities choose to participate in the corporation by delivering to the Alaska Energy Authority an acceptable letter of intent by July 31, 2010..

Section 11 (page 17 lines 11 – 12) repeals section 10 of the bill.

Subsection 12(b) (page 17 lines 29 – 30) makes section 11 take effect if none of the Greater Railbelt electric utilities deliver to the Alaska Energy Authority by July 31, 2010, an acceptable letter of intent under which the utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the corporation, and the utility.

Subsection 12 (c) (page 17 in 31 – page 18 line 2) requires the executive director of the Alaska Energy Authority to notify the lieutenant governor and revisor of statutes if the conditions of subsection 12(b) are met.

Subsection 12(d) (page 18 lines 3 – 14) defines certain terms used in section 12 of the bill.

Section 13. (Page 18 line 15) Section 13 gives the bill an immediate effective date.

SENATE BILL NO. 143

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/9/09

Referred: Senate Special Committee on Energy, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Greater Railbelt Energy and Transmission Corporation and**
2 **relating to the corporation; relating to transition, financial plan, and reporting**
3 **requirements regarding planning for the initial business operations of the Greater**
4 **Railbelt Energy and Transmission Corporation; relating to a report on legislation**
5 **regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and**
6 **Transmission Corporation; authorizing the Alaska Energy Authority to convey the**
7 **Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt**
8 **Energy and Transmission Corporation; and providing for an effective date."**

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

10 *** Section 1. AS 42 is amended by adding a new chapter to read:**

11 **Chapter 50. Greater Railbelt Energy and Transmission Corporation.**

12 **Sec. 42.50.010. Greater Railbelt Energy and Transmission Corporation.**

1 (a) There is established the Greater Railbelt Energy and Transmission Corporation.

2 (b) The purpose of the corporation is to plan for and

3 (1) provide adequate, reliable, safe, and stable wholesale electric
4 power to Greater Railbelt electric utilities, on a non-discriminatory basis, at the lowest
5 feasible cost;

6 (2) procure adequate fuel supply, fuel storage, and fuel resources
7 required to meet the short- and long-term electric power needs of the Greater Railbelt
8 region service territory; and

9 (3) take all actions necessary to ensure that adequate generation and
10 transmission assets exist to prudently meet, both locally and regionally, the short- and
11 long-term electric power and reliability needs of the electrically interconnected
12 Greater Railbelt region service territory.

13 (c) The corporation shall operate on a nonprofit basis.

14 (d) The corporation is exempt from the provisions of AS 10.15 (Alaska
15 Cooperative Corporation Act), AS 10.20 (Alaska Nonprofit Corporation Act), and
16 AS 10.25 (Electric and Telephone Cooperative Act) in its structure and operations and
17 in the exercise of the powers granted by this chapter.

18 (e) The corporation has a separate and independent existence from the State of
19 Alaska. The corporation may not be considered or constitute the state, a state agency,
20 an administrative unit of the executive branch of state government, a public
21 corporation of the state, a municipal corporation, or a political subdivision of the state.

22 (f) The exercise by the corporation of the powers granted by this chapter is
23 considered to be for a public purpose.

24 **Sec. 42.50.020. Board of directors.** (a) The corporation shall be governed by a
25 board of directors consisting of up to 13 individuals, including the following:

26 (1) two representatives from each Greater Railbelt electric utility; one
27 representative director shall be the chief executive officer of the utility or the chief
28 executive officer's designee, and the second representative director shall be appointed
29 by the governing body of the utility;

30 (2) one public director appointed by the governor.

31 (b) The term of a director representing a utility immediately expires on the

1 earlier of the date when the individual no longer holds the position that qualified the
 2 individual to be on the board, or the date when the corporation is notified that the
 3 individual has been replaced as a utility representative on the board.

4 (c) The term of the director appointed by the governor is four years. The
 5 governor may reappoint to the board the director described in this subsection.

6 (d) The board may remove a director of the board for cause upon two-thirds
 7 majority vote of the full board. The bylaws shall provide a mechanism for a Greater
 8 Railbelt electric utility to appoint an alternative director if the chief executive officer
 9 of the utility is removed from the corporation board.

10 (e) A majority of the members of the board constitutes a quorum for the
 11 transaction of business and the exercise of the powers and duties of the board.

12 (f) The members of the board shall annually elect from among themselves a
 13 chair and vice-chair and other board officers as may be provided in the corporation's
 14 bylaws.

15 (g) The directors of the board shall receive no salary, but the corporation may
 16 pay directors per diem and travel expenses up to the maximum amounts permitted to
 17 be paid to members of boards and commissions under AS 39.20.180.

18 **Sec. 42.50.030. Board meetings open; exceptions.** (a) A meeting of the board
 19 may be attended by members of the corporation and the public. Except when voice
 20 votes are authorized, a vote shall be conducted in a manner that the public may know
 21 the vote of each person entitled to vote. The board may conduct a meeting by
 22 teleconference or similar communications equipment if the board gives reasonable
 23 notice of the meeting and if members of the corporation and the public are able to
 24 attend the meeting and hear the meeting. This section applies only to a meeting at
 25 which a quorum of the board participates.

26 (b) If excepted subjects are to be discussed at a meeting, the meeting must first
 27 be convened as a regular or special meeting, with an opportunity for general public
 28 comment first given to members of the corporation and the public. The question of
 29 holding an executive session to discuss matters that come within the exceptions
 30 contained in (c) of this section is determined by a majority vote of the board. A subject
 31 may not be considered at the executive session except those mentioned in the motion

1 calling for the executive session unless auxiliary to the main question. Formal action
2 may not be taken during the executive session of the board.

3 (c) The following excepted subjects may be discussed in an executive session:

4 (1) matters the knowledge of which would clearly have an adverse
5 effect on the finances of the corporation;

6 (2) subjects that tend to prejudice the reputation and character of a
7 person; however, the person may request a public discussion;

8 (3) matters discussed with an attorney for the corporation, the
9 knowledge of which could have an adverse effect on the legal position of the
10 corporation;

11 (4) matters that by law, municipal charter, or ordinance are required to
12 be confidential;

13 (5) matters pertaining to a plan, program, or procedures for
14 establishing, maintaining, or restoring security, or to a detailed description or
15 evaluation of systems, facilities, or infrastructure in the corporation, but only to the
16 extent that the discussion of the matter in public

17 (A) could reasonably be expected to interfere with the
18 implementation or enforcement of the security plan, program, or procedures;

19 (B) would disclose confidential guidelines for investigations or
20 enforcement and the disclosure could reasonably be expected to risk
21 circumvention of the law; or

22 (C) could reasonably be expected to endanger the life or
23 physical safety of an individual or to present a real and substantial risk to the
24 public health and welfare.

25 (d) Notice shall be given for all regular or special meetings of the board as
26 provided in the bylaws of the corporation.

27 **Sec. 42.50.040. Officers and employees.** (a) The board shall employ a chief
28 executive officer. The chief executive officer may not be a member of the board and
29 serves at the pleasure of the board.

30 (b) The board shall appoint those officers of the corporation that are provided
31 for in the corporation's bylaws and as the board determines to be necessary for the

1 effective operations of the corporation. An executive, operating, administrative, or
 2 other salaried officer of the corporation may not be a member of the board.

3 (c) The chief executive officer may hire employees of the corporation as may
 4 be determined necessary for the efficient performance of the functions of the
 5 corporation. The board shall approve the range of compensation for employees.
 6 Employees of the corporation are not employees of the state and are not considered to
 7 be employees of a public organization for the purposes of AS 39.35.

8 **Sec. 42.50.050. Membership.** The members of the corporation are the
 9 ratepayers of the Greater Railbelt electric utilities. The members are represented in the
 10 governance of the corporation through their electric utility. The corporation provides
 11 all member benefits and credits solely to the Greater Railbelt electric utilities and
 12 affiliated electric utilities.

13 **Sec. 42.50.060. Bylaws.** The board may adopt bylaws for the corporation for
 14 the governance and management of the affairs of the corporation, and may alter,
 15 amend, or repeal them. The bylaws shall be consistent with this chapter and other laws
 16 that apply to the corporation.

17 **Sec. 42.50.070. Indemnification of directors, officers, and employees.** The
 18 corporation may indemnify directors, officers, and employees, or may purchase and
 19 maintain insurance on behalf of directors, officers, and employees. The
 20 indemnification and purchase and maintenance of insurance must comply with
 21 AS 10.06.490.

22 **Sec. 42.50.100. General powers of the corporation.** The corporation may
 23 (1) sue and be sued in its name;
 24 (2) have perpetual existence;
 25 (3) adopt a corporate seal and alter it;
 26 (4) participate with state departments and agencies in formulating and
 27 implementing electric power policy, and in planning for the development,
 28 construction, and operation of adequate electric power generation and transmission
 29 facilities, for the Greater Railbelt region service territory;
 30 (5) engage in programs to support the efforts of the Greater Railbelt
 31 electric utilities and affiliated electric utilities in order to enhance the further

1 development, efficiency, reliability, safety, and price stability of electric power in the
2 Greater Railbelt region service territory;

3 (6) generate, manufacture, purchase, acquire, accumulate, transmit,
4 meter, and economically dispatch electric power, and sell at wholesale, supply, and
5 dispose of electric power to Greater Railbelt electric utilities and affiliated electric
6 utilities;

7 (7) procure fuel supplies, fuel storage capacity, and fuel transmission
8 resources;

9 (8) construct, buy, lease, or otherwise acquire, and equip, maintain,
10 and operate, and sell, assign, convey, lease, mortgage, pledge, or otherwise dispose of
11 or encumber lands, buildings, structures, electric power lines or systems, dams, plants
12 and equipment, and any other real or personal property, tangible or intangible, that is
13 necessary, convenient, or appropriate to accomplish the purpose for which the
14 corporation is organized;

15 (9) buy, lease, or otherwise acquire, and use, and exercise and sell,
16 assign, convey, mortgage, pledge, or otherwise dispose of or encumber franchises,
17 rights, privileges, licenses, and easements;

18 (10) borrow money and otherwise contract indebtedness, and issue
19 evidences of indebtedness, and secure the payment of the indebtedness by mortgage,
20 pledge, or deed of trust of, or any other encumbrance upon its real or personal
21 property, assets, franchises, or revenues;

22 (11) construct, maintain, and operate electric transmission lines, along,
23 upon, under, and across publicly owned lands and public thoroughfares, including,
24 without limitation, all roads, highways, streets, alleys, bridges, and causeways;

25 (12) exercise the power of eminent domain under AS 42.05.631;

26 (13) acquire by purchase, lease, bequest, devise, gift, exchange, the
27 satisfaction of debts, the foreclosure of mortgages, or otherwise, personal property,
28 rights, rights-of-way, franchises, easements, and other interests in land, and acquire by
29 appropriation water rights that are located in the state, taking title to the property in the
30 name of the corporation;

31 (14) hold, maintain, use, operate, improve, lease, exchange, donate,

1 convey, alienate, encumber, or otherwise grant a security interest in, or authorize use
2 or dispose of, land or personal property, subject to other provisions of this chapter;

3 (15) contract with and accept transfers, gifts, grants, or loans of funds
4 or property from the United States or from the state or its political subdivisions,
5 subject to other provisions of federal or state law or municipal ordinances;

6 (16) undertake and provide for the management, operation,
7 maintenance, use, repair, renovation, and control of all of the property of the
8 corporation;

9 (17) apply to the state, the United States, and foreign countries or other
10 proper agencies for the permits, licenses, rights-of-way, or approvals necessary to
11 construct, maintain, and operate electric power and related services, and obtain, hold,
12 and reuse the licenses and permits in the same manner as other similar operators;

13 (18) enter into agreements with the state or a state agency or other
14 instrumentality of the state;

15 (19) adopt, amend, and repeal bylaws;

16 (20) make all contracts necessary, convenient, or appropriate for the
17 full exercise of its powers;

18 (21) conduct its business and exercise its powers inside or outside the
19 state;

20 (22) do and perform any other act and thing, and have and exercise any
21 other power that may be necessary, convenient, or appropriate to accomplish the
22 purpose for which the corporation is organized; and

23 (23) create subsidiary corporations, including subsidiary corporations
24 organized under AS 10.20.

25 **Sec. 42.50.110. Public utility powers and regulation.** The corporation shall
26 have all of the powers and duties of a regulated electric public utility under AS 42.05,
27 except as follows:

28 (1) the corporation is not required to obtain a certificate under
29 AS 42.05.221;

30 (2) the corporation may not make retail sales of electric power.

31 **Sec. 42.50.120. Integrated resource plan.** (a) The corporation shall adopt an

1 integrated resource plan for the corporation to use in determining the need for, and
 2 selection of, electric generation and transmission projects to ensure delivery of safe,
 3 reliable, and sustainable electric power to Greater Railbelt electric utilities at the
 4 lowest feasible long-term cost. The corporation in adopting and updating the plan shall
 5 evaluate and consider recommendations made in any applicable state energy plan or
 6 state integrated resource plan. If the corporation deviates from these state
 7 recommendations, the adopted or updated integrated resource plan must include a
 8 report explaining the reasons for the deviation.

9 (b) The board shall adopt a schedule to regularly review and update the
 10 integrated resource plan.

11 (c) The integrated resource plan and any update shall be made available on the
 12 Internet to Greater Railbelt electric utilities, members of the corporation, the governor,
 13 the legislature, and the public.

14 **Sec. 42.50.130. Long-range capital improvement plan.** (a) The corporation
 15 shall adopt a long-range capital improvement plan. The plan must describe the manner
 16 in which the corporation intends to accomplish the purposes of this chapter, and
 17 anticipated capital improvements during each of the following 10 years. The plan shall
 18 be based on the principle of providing safe, reliable, and sustainable electric power to
 19 Greater Railbelt electric utilities at the lowest feasible long-term cost.

20 (b) The board shall annually review, approve revisions to, and update the
 21 long-range capital improvement plan on or before September 30 of each year.

22 (c) The long-range capital improvement plan and any update shall be made
 23 available on the Internet to Greater Railbelt electric utilities, members of the
 24 corporation, the governor, the legislature, and the public.

25 **Sec. 42.50.140. Long-range capital management plan.** (a) The corporation
 26 shall adopt a long-range capital management plan. The plan must describe the manner
 27 in which the corporation intends to accomplish the purposes of this chapter, and the
 28 corporation's plans for acquisition, accumulation, and issuance of equity and debt for
 29 the next 10 years. The plan shall be based on the principle of providing safe, reliable,
 30 and sustainable electric power to Greater Railbelt electric utilities at the lowest
 31 feasible long-term cost.

1 (b) The board shall annually review, approve revisions to, and update the
2 long-range capital management plan on or before September 30 of each year.

3 (c) The long-range capital management plan and any update shall be made
4 available on the Internet to Greater Railbelt electric utilities, members of the
5 corporation, the governor, the legislature, and the public.

6 **Sec. 42.50.150. Pledge of the state.** (a) The state pledges to and agrees with
7 any lender to the corporation that the state will not limit or alter the rights and powers
8 given to the corporation by this chapter to fulfill the terms of a contract made by the
9 corporation with the lender to the corporation, or in any way impair the rights and
10 remedies of the lender to the corporation. The corporation is authorized to include this
11 pledge and agreement of the state in a contract with any lender to the corporation.

12 (b) The pledge of the state is limited to the express provisions of (a) of this
13 section and is not a guarantee, surety, promise, undertaking, or assurance of repayment
14 or performance of any obligation of the corporation.

15 **Sec. 42.50.160. Fuel supply.** The corporation may acquire long-term fuel
16 supplies as required to ensure electric power generation facilities can operate without
17 fuel-related interruption, including direct ownership of fuel supply production,
18 transportation, and storage facilities as required to meet the corporate purpose stated in
19 AS 42.50.010(b). The corporation may acquire long-term fuel supplies under this
20 section in conjunction with other persons acquiring long-term fuel supplies for any
21 lawful purpose.

22 **Sec. 42.50.170. Tax exemption.** The real and personal property of the
23 corporation and the assets, income, and receipts of the corporation are exempt from all
24 taxes and special assessments of the state or a political subdivision of the state.

25 **Sec. 42.50.200. Reports and publications.** The board shall publish on the
26 Internet an annual report for the Greater Railbelt electric utilities. The report shall be
27 made available to members of the corporation, the governor, the legislature, and the
28 public. The report must include financial statements audited by independent outside
29 auditors, a discussion of the corporation's circumstances and operations during the
30 period covered by the report, and any other information that the board believes would
31 be of interest to members of the corporation, the governor, the legislature, and the

1 public, or that the legislature requests the board to include. The board may publish
2 other reports considered appropriate to its purposes.

3 **Sec. 42.50.210. Right to examine books and records.** (a) Greater Railbelt
4 electric utilities, members of the corporation, and the public may, at a reasonable time
5 and for any proper purpose, examine and make copies of the books and records of the
6 corporation at the principal office of the corporation, except as provided in (c) of this
7 section.

8 (b) The corporation may charge the requestor an amount equal to the actual
9 cost of duplicating documents requested under this section.

10 (c) The corporation may withhold books and records concerning the following
11 subjects:

12 (1) records required to be kept confidential by law, municipal charter,
13 or ordinance;

14 (2) personnel records;

15 (3) records that are proprietary, privileged, or a trade secret;

16 (4) records or information pertaining to a plan, program, or procedures
17 for establishing, maintaining, or restoring security, or to a detailed description or
18 evaluation of systems, facilities, or infrastructure of the corporation, but only to the
19 extent that the production of the records or information

20 (A) could reasonably be expected to interfere with the
21 implementation or enforcement of the security plan, program, or procedures;

22 (B) would disclose confidential guidelines for investigations or
23 enforcement and the disclosure could reasonably be expected to risk
24 circumvention of the law; or

25 (C) could reasonably be expected to endanger the life or
26 physical safety of an individual or to present a real and substantial risk to the
27 public health and welfare;

28 (5) specific matters that were prepared for or during an executive
29 session of the board, and not subsequently made public by the corporation.

30 **Sec. 42.50.230. Audits and examinations of corporation.** (a) The legislative
31 auditor may cause the corporation to be audited in the manner and under the

1 conditions established by AS 24.20.271 for audits performed by the legislative audit
 2 division. The legislative audit division has free access to all books and papers of the
 3 corporation that relate to the business of the corporation and books and papers kept by
 4 a director, officer, or employee relating to or upon which a record of the business of
 5 the corporation is kept. The legislative audit division may summon witnesses and
 6 administer oaths or affirmations in the examination of directors, officers, or employees
 7 of the corporation or another person in relation to the affairs, transactions, and
 8 conditions of the corporation, and may require and compel the production of records,
 9 books, papers, contracts, or other documents by court order if not voluntarily
 10 produced. At the direction of the Legislative Budget and Audit Committee under
 11 AS 24.20.271, the legislative auditor may conduct an audit of the corporation.

12 (b) The legislative auditor and the auditor's employees may not disclose
 13 information acquired by them in the course of an audit of the corporation concerning
 14 the particulars of the business or affairs of a borrower of the corporation or another
 15 person, unless the information is required to be disclosed by law or under a court
 16 order.

17 (c) The corporation shall be audited annually by an independent outside
 18 auditor. The legislative auditor may confer with the outside auditor and review the
 19 work papers of the audit. The board shall engage the outside auditor, who shall be
 20 responsible to the board. The corporation shall submit copies of each report of the
 21 outside auditor to the legislative auditor within 30 days after receipt of the report by
 22 the corporation.

23 **Sec. 42.50.900. Definitions.** In this chapter, unless the context otherwise
 24 requires,

25 (1) "affiliated electric utilities" means an electric utility that is wholly
 26 owned by one or more Greater Railbelt electric utilities, and by or through which one
 27 or more Greater Railbelt electric utilities obtain electric power or electric generation or
 28 transmission services;

29 (2) "board" means the board of directors of the corporation;

30 (3) "corporation" means the Greater Railbelt Energy and Transmission
 31 Corporation;

(4) "electric power" means electric energy and capacity;

(5) "Greater Railbelt electric utilities" means

(A) Homer Electric Association, Inc.;

(B) the City of Seward, Electric Utility Department;

(C) Chugach Electric Association, Inc.;

(D) the Municipality of Anchorage d/b/a Municipal Light and Power Utility;

(E) Matanuska Electric Association, Inc.;

(F) Golden Valley Electric Association, Inc.; and

(G) an entity holding a certificate of public convenience and necessity issued by the Regulatory Commission of Alaska, that succeeds to the entity named in (A) - (F) of this paragraph as the result of a merger or acquisition; if two or more of the entities named in (A) - (F) of this paragraph merge or otherwise combine under this subparagraph, the list of entities comprising the Greater Railbelt electric utilities is reduced to include only the succeeding entity;

(6) "Greater Railbelt region service territory" means the combined service territories identified in the certificates of public convenience and necessity issued by the Regulatory Commission of Alaska for each of the Greater Railbelt electric utilities.

* **Sec. 2.** AS 42.50.900(5)(A), enacted by sec. 1 of this Act, is repealed.

* **Sec. 3.** AS 42.50.900(5)(B), enacted by sec. 1 of this Act, is repealed.

* **Sec. 4.** AS 42.50.900(5)(C), enacted by sec. 1 of this Act, is repealed.

* **Sec. 5.** AS 42.50.900(5)(D), enacted by sec. 1 of this Act, is repealed.

* **Sec. 6.** AS 42.50.900(5)(E), enacted by sec. 1 of this Act, is repealed.

* **Sec. 7.** AS 42.50.900(5)(F), enacted by sec. 1 of this Act, is repealed.

* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: TRANSITION AND FINANCE PLAN; REPORT. (a) The Greater Railbelt Energy and Transmission Corporation shall organize and, jointly with the Alaska Energy Authority, develop on or before January 19, 2010 a transition and finance plan to

1 enable the corporation to become an all requirements supplier of electric power and
2 transmission services to Greater Railbelt electric utilities. The transition and finance plan
3 must include the following:

4 (1) a phased commitment agreement among the Alaska Energy Authority, the
5 corporation, and one or more Greater Railbelt electric utilities that

6 (A) identifies commitments by the corporation, the state, and the
7 Greater Railbelt electric utilities, that will be necessary to enable the corporation to
8 achieve the corporate purpose stated in AS 42.50.010(b); and

9 (B) includes commitments by which the Greater Railbelt electric
10 utilities will, over time, contract to obtain from the corporation electric power and
11 transmission services;

12 (2) provisions to address the ability of the corporation and the Greater Railbelt
13 electric utilities to secure repayment of existing and new, intermediate and long-term
14 financing for the construction or acquisition of electric power generation and transmission
15 assets needed in the Greater Railbelt region service territory; the provisions made under this
16 paragraph must include provisions to ensure

17 (A) the repayment of debt associated with any electric power
18 generation or transmission asset transferred to the corporation;

19 (B) that adequate financing will be available for new electric power
20 generation or transmission asset projects that become necessary before the corporation
21 becomes fully functioning; and

22 (C) creation of a capital defeasance fund to secure repayment of new
23 or existing debt associated with new or existing electric power generation and
24 transmission assets;

25 (3) a plan for the development of the business organization of the corporation;

26 (4) a plan for the corporation to acquire ownership of, or operational control
27 over, Greater Railbelt region service territory electric power generation and transmission
28 assets necessary for the corporation to fulfill its corporate purposes;

29 (5) provisions to ensure that the transition

30 (A) does not negatively affect the ability of any Greater Railbelt
31 electric utility to operate and generate sufficient revenues to meet all obligations to

1 ratepayers, creditors, and lenders; and

2 (B) includes adequate mechanisms to provide for the financing and for
3 the construction or acquisition of generation and transmission assets needed in the
4 Greater Railbelt region service territory before the corporation becomes the all
5 requirements supplier of electric power and transmission services to Greater Railbelt
6 electric utilities; and

7 (6) a recommendation of proposed statutory changes to improve the ability of
8 the corporation to achieve the corporate purpose stated in AS 42.50.010(b), enacted by sec. 1
9 of this Act.

10 (b) The Greater Railbelt Energy and Transmission Corporation shall annually report
11 on the Internet to the governor, the legislature, members of the corporation, and the public on
12 progress made towards implementing the transition and financing plan. The annual report
13 must include a description of

14 (1) progress made and actions taken since the last annual report;

15 (2) actions taken to acquire existing electric power generation and
16 transmission assets;

17 (3) actions taken to plan for acquisition or construction of new electric power
18 generation and transmission assets, including project status relating to design, permitting,
19 construction, and financing;

20 (4) recommendations regarding financing for the construction or acquisition of
21 necessary electric power generation or transmission assets, which may include the acquisition
22 of those services from independent power producers; and

23 (5) other information requested by the governor or legislature.

24 (c) In this section, unless the context otherwise requires,

25 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;

26 (2) "corporation" has the meaning given in AS 42.50.900, enacted by sec. 1 of
27 this Act;

28 (3) "Greater Railbelt electric utilities" has the meaning given in AS 42.50.900,
29 enacted by sec. 1 of this Act;

30 (4) "Greater Railbelt Energy and Transmission Corporation" means the
31 corporation established in AS 42.50.010, enacted by sec. 1 of this Act;

(5) "Greater Railbelt region service territory" has the meaning given in AS 42.50.900, enacted by sec. 1 of this Act.

* **Sec. 9.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT ON PROPOSED LEGISLATION REGARDING THE REGULATORY COMMISSION OF ALASKA AND THE GREATER RAILBELT ENERGY AND TRANSMISSION CORPORATION. (a) The Greater Railbelt Energy and Transmission Corporation shall on or before January 19, 2010 report to the governor and legislature with proposed statutory changes regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation which shall include the following principles:

(1) rates for electric power sales and transmission will enable the full recovery of the revenue requirement of the corporation based upon its reasonable costs;

(2) a single, system-wide rate for electric power sales and transmission will be set for Greater Railbelt electric utilities that become all requirements purchasers of electric power and transmission services from the corporation;

(3) rates for electric power sales and transmission will be adequate to meet all financial covenants contained in mortgages or other lending instruments of the corporation;

(4) the principles and practices regarding accounts, records, and reports contained in AS 42.05.451 – 42.05.501 will apply to ensure full disclosure of information necessary to determine the revenue requirement of the corporation;

(5) statutory deadlines for the Regulatory Commission of Alaska to consider and issue final orders on regulatory filings required from the corporation will be established;

(6) the scope of Regulatory Commission of Alaska review of the capital management, cash flow, and capital improvement plans of the corporation will be established;

(7) a revenue requirement and rates for electric power sales and transmission will be established annually by the corporation in a simplified process; any true-up amounts at the end of each rate year will be credited or charged to Greater Railbelt electric utilities on a pro rata basis; rate stabilization and renewal and replacement funds may be employed, and included in the revenue requirement and rates for electric power sales and transmission.

(b) In this section, unless the context otherwise requires,

(1) "corporation" has the meaning given in AS 42.50.900, enacted by sec. 1 of

1 this Act;

2 (2) "Greater Railbelt electric utilities" has the meaning given in AS 42.50.900,
3 enacted by sec. 1 of this Act;

4 (3) "Greater Railbelt Energy and Transmission Corporation" means the
5 corporation established in AS 42.50.010, enacted by sec. 1 of this Act;

6 (4) "Regulatory Commission of Alaska" means the commission created in
7 AS 42.04.010.

8 * **Sec. 10.** The uncoded law of the State of Alaska is amended by adding a new section to
9 read:

10 **LEGISLATIVE AUTHORIZATION TO CONVEY.** (a) Notwithstanding
11 AS 44.83.396, the Alaska Energy Authority may convey to the Greater Railbelt Energy and
12 Transmission Corporation the Bradley Lake Hydroelectric Project and the Alaska Intertie,
13 under terms and conditions acceptable to the Alaska Energy Authority, under a phased
14 commitment agreement negotiated and entered among the Alaska Energy Authority, the
15 Greater Railbelt Energy and Transmission Corporation, and one or more Greater Railbelt
16 electric utilities. The Alaska Energy Authority may agree in the phased commitment
17 agreement to convey either the Bradley Lake Hydroelectric Project or the Alaska Intertie after
18 the Alaska Energy Authority obtains necessary approvals, or after outstanding bonds or other
19 outstanding debt associated with the Bradley Lake Hydroelectric Project or with the Alaska
20 Intertie are paid, refinanced, or defeased. Nothing in this section precludes the Alaska Energy
21 Authority from contracting with the Greater Railbelt Energy and Transmission Corporation
22 for the operation or maintenance of either the Bradley Lake Hydroelectric Project or the
23 Alaska Intertie before completion of a conveyance authorized by this section.

24 (b) In this section, unless the context otherwise requires,

25 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;

26 (2) "Alaska Intertie" means the electric power transmission intertie owned by,
27 or subject to contractual rights of, the Alaska Energy Authority, and located between the
28 Teeland substation near Knik, Alaska and Healy, Alaska;

29 (3) "Bradley Lake Hydroelectric Project" means the hydroelectric project
30 owned by the Alaska Energy Authority, and licensed as Project Number 8221 under
31 16 U.S.C. 792 – 823c (Federal Power Act);

(4) "Greater Railbelt electric utilities" has the meaning given in AS 42.50.900, enacted by sec. 1 of this Act;

(5) "Greater Railbelt Energy and Transmission Corporation" means the corporation established in AS 42.50.010, enacted by sec. 1 of this Act;

(6) "phased commitment agreement" means a phased commitment agreement among the Alaska Energy Authority, the Greater Railbelt Energy and Transmission Corporation, and one or more Greater Railbelt electric utilities, under which Greater Railbelt electric utilities will, over time, contract to obtain from the Greater Railbelt Energy and Transmission Corporation electric power and transmission services, to be developed under sec. 8 of this Act;

* **Sec. 11.** The uncodified law of the State of Alaska enacted by sec. 10 of this Act, is repealed.

* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. (a) The following applicable sections of this Act take effect only if the listed utility fails to deliver to the Alaska Energy Authority on or before July 31, 2010 a letter of intent in the form and substance acceptable to the Alaska Energy Authority, under which the listed utility commits to enter a phased commitment agreement among the Alaska Energy Authority, the Greater Railbelt Energy and Transmission Corporation, and the listed utility. The listed utilities and applicable sections of this Act are as follows:

(1) Homer Electric Association, Inc., sec. 2 of this Act;

(2) the City of Seward, Electric Utility Department, sec. 3 of this Act;

(3) Chugach Electric Association, Inc., sec. 4 of this Act;

(4) the Municipality of Anchorage d/b/a Municipal Light and Power Utility, sec. 5 of this Act;

(5) Matanuska Electric Association, Inc., sec. 6 of this Act;

(6) Golden Valley Electric Association, Inc., sec. 7 of this Act.

(b) If none of the listed utilities in (a) of this section meet the conditions described in (a) of this section, sec. 11 of this Act takes effect.

(c) The executive director of the Alaska Energy Authority shall notify the lieutenant

1 governor and the revisor of statutes when any of the conditions described in (a) and (b) of this
2 section are met.

3 (d) In this section, unless the context otherwise requires,

4 (1) "Alaska Energy Authority" means the authority created in AS 44.83.020;

5 (2) "Greater Railbelt electric utilities" has the meaning given in AS 42.50.900,
6 enacted by sec. 1 of this Act;

7 (3) "Greater Railbelt Energy and Transmission Corporation" means the
8 corporation established in AS 42.50.010, enacted by sec. 1 of this Act;

9 (4) "phased commitment agreement" means a phased commitment agreement
10 among the Alaska Energy Authority, the Greater Railbelt Energy and Transmission
11 Corporation, and one or more Greater Railbelt electric utilities, under which Greater Railbelt
12 electric utilities will, over time, contract to obtain from the Greater Railbelt Energy and
13 Transmission Corporation electric power and transmission services, to be developed under
14 sec. 8 of this Act.

15 * **Sec. 13.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: _____
() Publish Date: _____

Identifier (file name): 0041-CED-AEA-03-02-09

Dept. Affected: DCCED

Title Greater Railbelt Energy and Transmission Corporation

RDU Alaska Energy Authority

Sponsor Rules Committee by Request

Component Statewide Project Development

Requester Governor

Alternative Energy and Efficiency

Component Number 2888

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	6,686.0						
CHANGE IN REVENUES ()							

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Railbelt Energy Fund (1012)	6,686.0						
TOTAL	6,686.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation creates a new corporation to own and operate all or a portion of the Railbelt electric power generation and transmission (G&T) system. Under a phased transition, the new company will integrate the existing G&T assets presently owned by the Railbelt utilities and the Alaska Energy Authority (AEA). The company will also have the ability to construct new G&T infrastructure. AEA will develop a plan to allow the new corporation to assume ownership and/or control of its two existing AEA owned Railbelt G&T assets (the Bradley Lake Hydroelectric Project and the Alaska Intertie). The new corporation will ultimately have responsibility as an all-requirements supplier of wholesale power for the Railbelt.

(Continued on Page 2)

Prepared by: Jim Strandberg, Program Manager
Division: Alaska Energy Authority
Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development

Phone (907) 771-3000
Date/Time 3/2/09 1:00pm
Date 3/2/2009

FISCAL NOTE

**STATE OF ALASKA
2009 LEGISLATIVE SESSION**

BILL NO. _____

ANALYSIS CONTINUATION

AEA will provide basic support services to create the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA as program manager will provide services to form the new corporation, assist its board members to begin the governance process, coordinate with Railbelt utilities to develop the corporation's bylaws, develop transition and financing plans, establish a detailed regulatory approach, and assist the new corporation in reporting these recommendations to the next legislative session.

AEA's services will include procurement of professional and financial service as well as program management. AEA estimates its program services will be needed for a two year period. AEA will need one AIDEA employee for that period to manage this program.

The Alaska Intertie Electric Transmission Line

Description: The Alaska Intertie is a 170 mile long electrical transmission line that stretches from Willow to Healy River. The Intertie project includes several high voltage transformers, switching and access points at each end. This transmission link includes 3 facilities placed strategically in the Railbelt Grid, to provide system electrical stability. The project cost \$124 million.

Also a part of the intertie operation, are ongoing agreements with Matanuska Electric Association to use MEA owned transmission lines to connect the intertie into the Chugach Electric Transmission System at the Teeland Substation, some 25 miles to the southern end of the intertie at Willow. An Alaska Intertie extension project is being pursued by the Alaska Energy Authority and Municipal Light and Power in an interagency agreement, to construct a section of transmission line that will extend AEA owned assets to the Chugach Electric Association transmission system. This extension will become a part of the project.

Background: The project was designed for high voltage operation at 345 kilovolts to handle expected Susitna power transmission needs. When the Susitna project was shelved, the need for movement of large amounts of power from the Talkeetna area both north and south because a potential future requirement, so the project was placed into operation at 138 kilovolts, and was configured to transmit up to 75 megawatts of power.

Because the project ran short of funds, arrangements were made with MEA to rent 20 miles of their 115 Kilovolt transmission system, and to build a 5 mile section from Teeland Substation on the Knik Road to a connection location within the MEA service area at Hollywood Road. The Railbelt Utilities in cooperation with the Alaska Energy Authority sought appropriations out of the Railbelt Energy Fund to complete the intertie in 2003. This extension project is presently being pursued by the AEA, in conjunction with two other intertie renovation projects, the Static VAR compensator upgrade and Tower 195 renovation. AEA is also reviewing with its contractor ML&P and with Chugach Electric Association where the southern terminus of the intertie should connect into the Chugach Electric Association system. This consideration is included in the regional integrated resource plan AEA is pursuing for the Railbelt.

Purpose: The Alaska Intertie connects the southern Railbelt Utilities electrically with Golden Valley Electric Association that serves communities to the north of the Alaska Range. Designed to move power in both directions, the intertie has been used chiefly to convey inexpensive electrical energy produced by Chugach Electric and Municipal Light and Power northward to become a part of the GVEA energy portfolio. Recently, power flows have flowed from GVEA south to the Chugach system, when Chugach lacked access to sufficient natural gas to carry the Chugach system load.

Sources of Funds: The intertie is owned outright by the Alaska Energy Authority, and has no debt associated with it. The Railbelt Utilities gain access to the project through an Intertie Agreement. As with Bradley, while AEA is the owner, the Railbelt Utilities through contract maintain and control the intertie. The agreement can only be changed with unanimous agreement from the Railbelt Utilities, but there is a termination clause that AEA has used to start a 4 year termination process, with the intent of negotiating a new agreement. This termination date is October 2010.

Operation of Facility: AEA contracts with ML&P and with GVEA to monitor and control the Intertie. Each operates a control center, and staff work cooperatively in the operation of the project. AEA contracts with Chugach, MEA and GVEA for maintenance of northern and southern legs of the project, and for maintenance of the three electrical stability (SVC) facilities.

The AEA project manager sits on the Intertie Operating Committee, which handles all technical and financial matters for the intertie project. The agreement specifies that the transmission rate be determined each year based on proposed schedules for use and annual budgets. At the end of the year, actual costs and power transmitted are used to true up costs. AEA receives no revenue from the project, and recovers only its program management costs from the annual budget. †

Bradley Lake Hydroelectric Project

Description: Bradley is a storage hydro electric power project located near Homer, Alaska. With a peak capacity of 126 MW, and significant water storage held behind a rock fill dam, Bradley is an important part of the Railbelt operating power portfolio. Due to its remote location, the project has its own airstrip, boat dock, residential quarters, and utility system. The project is interconnected to the Homer Electric Association transmission system through 21 miles of dual 138KV transmission lines.

Background: The power generation potential of Bradley Lake was first studied by the U.S. Corps of Engineers and presented in a report dated March 1955. The project was authorized by Congress in 1962, but, despite its feasibility, federal funds were not available for its construction. The Alaska Energy Authority (then Alaska Power Authority) assumed responsibility for the project in 1982. Preliminary plans and field investigations started in 1982. In April 1984, the Authority submitted an application for license to the Federal Energy Regulatory Commission (FERC). The license to construct the project was issued on December 31, 1985. In December 1987, the Authority and the Railbelt utilities entered into a Power Sales Agreement to delineate responsibilities. Project was declared in commercial operation September 1, 1991. Bradley has been producing power for 16 years. In 2007, Bradley produced 392,000 MWh of power at a cost of approximately \$.039 per kWh.

Purpose: The Bradley project provides 5-10% of the annual Railbelt electric power needs at the lowest Railbelt wide generation cost. Bradley is most important to the Railbelt electric system during the cold winter months, when demand for both electric power and gas for heat is at its highest. Utilities limited by available gas use Bradley power to meet the high electric demand.

Source of Funds: The project is owned by the Alaska Energy Authority, who has issued tax exempt bonds to finance a portion of cost of the project. The original cost was \$328 million. The State of Alaska appropriated a portion of the construction funds to AEA's predecessor Alaska Power Authority, and the original principal on tax exempt revenue bonds was \$165M. Since going into operation this initial principal has been paid down to a present amount of \$113.69M. The bonds will be paid off in 2021. When bonds are paid off, payments are to continue to AEA for deposit into the Railbelt Energy Fund to refund the initial appropriations made to build the project.

Operation of Facility: All costs of operation that include payments to the bond holders and operations and maintenance costs are borne by the Railbelt Utilities and their Rate payers, who are signatories to the Bradley Lake Power Sales Agreement. Governance is through management committees populated by the Railbelt Utilities, with the AEA project manager also a member. Each year a new rate is calculated to offset actual costs of operation of the project. The Alaska Energy Authority has a small administrative fee associated with owning the asset and receiving rate payments and paying for the cost of operation. AEA provides a project manager to oversee the AEA involvement in the project.

- The agreement specifies an allocation of the Bradley Lake Power to Railbelt utilities, and through subsidiary agreements the utilities dispatch this power through the Railbelt grid to each utility.
- Under the power sales agreement, 100 percent of the project's capacity and energy has been sold to purchasers who are a part of the agreement:

1. Chugach Electric Association, Inc.	30.4%
2. Municipality of Anchorage	25.9%
3. Alaska Electric and Energy Cooperative, Inc. [1]	25.8%

Bradley Lake Hydroelectric Project

4. Golden Valley Electric Association	16.9%
5. City of Seward	1.0%

Note 1: AEG&T power flows as follows:

Homer Electric Association at (12.0%)

Matanuska Electric Association at (13.8%)

- AEA cannot unilaterally terminate the Bradley Power Sales agreement. The agreement could be changed, but only if all the Railbelt Utilities agreed. The term of the agreement is 50 years, or the date the revenue bond principal obligations are paid. Purchasers will have the ability to renegotiate the power sales agreement after bond obligations are retired.