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OFFICE OF THE GOVERNOR
JUNEAU

March 5, 2009

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

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

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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

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

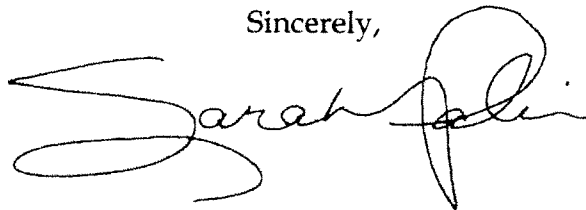
Section 9 of the bill would require the corporation to report to the Governor and Legislature with proposed statutory changes regarding the scope of regulation by the Regulatory Commission of Alaska over the corporation. Section 9(a) identifies principles that the corporation would have to include in 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 loop at the end of the last name.

Sarah Palin
Governor