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Governor Bill Walker
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January 28, 2015

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 relating to the investment of the power cost equalization (PCE) endowment fund (AS 42.45.070).

The PCE endowment fund provides annual funding for the PCE and rural electric capitalization fund (AS 42.45.100). The primary purpose of the PCE and rural electric capitalization fund is to annually fund the PCE program, which reduces the cost of energy in areas of the state that experience high electric energy costs.

The bill would amend the powers of the Commissioner of Revenue to invest amounts in the PCE endowment fund. Existing law obligates the Commissioner of Revenue to invest the endowment fund "in a manner likely to achieve at least a seven percent nominal return over time." This investment mandate requires the Commissioner of Revenue to invest with excessive or undue risk in a low-rate environment. The investment strategy also does not enable the Commissioner of Revenue to match the endowment fund's investment policy to the needs of the PCE program. The bill would eliminate the riskier investment mandate and enable the Commissioner of Revenue to establish a more appropriate investment policy by considering the amounts of anticipated draws from the endowment fund that would be necessary to meet the financial needs of the power cost equalization program.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure