

S B

701



Alaska State Legislature

Senate

Official Business

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SB 701:

A generation and transmission cooperative (G&T) is a cooperative which is owned by and supplies wholesale power to other cooperatives which in turn distribute electricity to retail consumers. A G&T could be formed under AS 10.25 as it is except that it would have to be organized by at least 5 member cooperatives as incorporators. The effect of SB 701 is to permit a G&T cooperative to be organized by any number of distribution cooperatives. Even one distribution coop would be able to form a G&T which would then own the generation and transmission facilities to serve that one coop.

Background: In the lower 48, electric cooperatives joined together in groups many years ago to organize G&T's. The G&Ts either buy or generate electricity which is then sold to the distribution coops at wholesale. This has not happened in Alaska because most of the coops here are physically separated from each other, and each isolated utility has to generate its own electricity.

Regulations by the Federal Rural Electrification Administration (REA) make it desirable in many cases for generation and transmission facilities to be owned by a G&T even if the G&T only serves one distribution coop. REA requires a distribution coop to maintain a Times Interest Earnings Ratio (TIER) of 1.5. This means that the net earning operating margin has to be at least half as much as the coop pays for interest on its long term debt. A G&T is only required to have a TIER of 1.0, or in other words is only required to break even.

The effect of these REA regulations is to permit lower electric rates to consumers if the distribution coop buys its wholesale power from a G&T instead of generating its own electricity. This really becomes important when the G&T facilities are capital intensive-- as in a coal fired or hydroelectric generating plant or a long transmission line.

Conclusion: SB 701 is needed by the electric coops to help keep their electric rates as low as possible.

February 10, 1982

ALASKA PUBLIC UTILITIES COMMISSION

Comments on Senate Bill No. 701 and House Bill No. 678.

The Commission has been informed by ARECA that the purpose of this legislation is to allow fewer than five members to form a generation and transmission cooperative. The Commission is supportive of this intent.

- (1) the name of the cooperative;
- (2) the address of its principal office;
- (3) the names and the addresses of the incorporators;
- (4) the names and addresses of its directors.

(b) The articles may contain any provisions not inconsistent with this chapter which are considered necessary or advisable for the conduct of its business. The articles shall be signed by each incorporator and acknowledged by at least two of the incorporators, or on their behalf, if they are cooperatives. It is not necessary to recite in the articles the purpose for which the cooperative is organized or any of its corporate powers. (§ 7 ch 93 SLA 1959)

Sec. 10.25.070. Bylaws. The board of directors shall adopt the first bylaws of a cooperative to be adopted following an incorporation, conversion, merger or consolidation. Thereafter the members or district delegates shall adopt, amend or repeal the bylaws by the affirmative vote of a majority of those members or district delegates voting on the adoption, amendment or repeal at a meeting of the members or district delegates. The bylaws shall set forth the rights and duties of members, district delegates and directors and may contain other provisions for the regulation and management of the affairs of the cooperative not inconsistent with this chapter or with its articles of incorporation. (§ 8 ch 93 SLA 1959; am § 1 ch 136 SLA 1968)

Effect of amendment.—The 1968 amendment inserted references to district delegates throughout this section.

Legislative committee report.—For legislative committee report on ch. 136, SLA 1968 (HB 559), see House Journal (1968), p. 573.

Sec. 10.25.080. Members. Each incorporator of a cooperative shall be a member of the cooperative. No other person may become a member unless he agrees to use electric energy, or telephone service, or other services furnished by the cooperative when they are made available through its facilities. Membership in a cooperative is not transferable, except as provided in the bylaws. The bylaws may prescribe additional qualifications and limitations on membership. (§ 9 ch 93 SLA 1959)

Sec. 10.25.090. Meetings of members. (a) An annual meeting of the members of a cooperative shall be held at the time and place provided in the bylaws. An annual meeting of the members of a cooperative which has been divided into districts as provided for in § 190 of this chapter may consist of separate annual meetings of the members of each district.

(b) Special meetings of the members or district delegates may be called by a majority of the board of directors or by not less than 10 per cent of all members or 10 per cent of all district dele-